



RECSiLICON

THIRD QUARTER 2017

REPORT

THIRD QUARTER HIGHLIGHTS

(Compared to Second Quarter 2017)

- > Revenues of USD 75.5 million and EBITDA of USD 3.6 million
 - Polysilicon Sales Volume of 4,091MT (38.2% Increase)
 - 1,280MT Polysilicon Inventory Decline
 - EBITDA Includes:
 - \$1.0M Collection of Reserved Accounts Receivable
 - (\$0.7M) Onerous Contract Expense
 - (\$0.5M) Employee Termination Benefits
- > FBR Cash Cost of USD 10.4/kg
 - FBR Facility Continues Operation at ~50% Capacity Utilization
 - FBR Production Volume of 2,254MT (5.3% Decrease)
- > Strong Silicon Gas Sales Volumes
 - Sales Volumes of 904MT (12.0% Increase)
 - Silane Gas Price Decrease of 1.9%
- > September 30, 2017 Cash Balance of USD 88.0 million
 - \$16.6M Cash Increase
 - \$13.7M Cash Flows from Operations
 - Expect to Remain Near Cash Neutral Through Q4 2017
- > Derecognition of Grant Receivable of USD 89.7 million
 - Advanced Energy Manufacturing Tax Credit is Related to Construction of FBR
 - Recognized Through Fixed Assets and Depreciated
 - Reversal Results in:
 - Increase to Depreciation of \$65.7M
 - Increase in Property, Plant, and Equipment of \$24.1M
 - Loss Before Interest and Tax of \$82.2M
- > Yulin JV Start-up Scheduled for Q4 2017
 - Sequential Start-up Beginning in Q4 2017
 - Full Production Rates in Q2 2018

FINANCIAL HIGHLIGHTS

Key Financials - REC Silicon Group

(USD IN MILLION)	Q3 2017	Q3 2016	SEP 30, 2017	SEP 30, 2016	YEAR 2016	Q2 2017
Revenues	75.5	50.9	194.3	190.8	271.2	61.4
EBITDA	3.6	-7.9	9.5	-35.7	-30.8	1.3
EBITDA margin	4.7%	-15.5%	4.9%	-18.7%	-11.3%	2.1%
EBIT excluding impairment charges	-82.1	-30.8	-117.0	-106.5	-123.0	-19.0
Impairment charges	-0.1	-79.0	-0.2	-79.0	-93.1	0.0
EBIT	-82.2	-109.8	-117.2	-185.5	-216.0	-19.0
EBIT margin	-109.0%	-215.7%	-60.3%	-97.2%	-79.7%	-30.9%
Profit/loss before tax	-119.8	-141.2	-201.9	-260.6	-248.1	-48.3
Profit/loss	-122.0	-98.5	-213.9	-181.9	-147.4	-64.8
Earnings per share, basic and diluted (USD)	-0.05	-0.04	-0.08	-0.07	-0.06	-0.03
Polysilicon production in MT (Siemens and granular)	2,835	3,903	9,020	7,511	10,729	3,057
Polysilicon sales in MT (Siemens and granular)	4,091	1,775	9,560	9,266	13,067	2,960
Silicon gas sales in MT	904	772	2,532	1,912	2,734	808

REC SILICON

REC Silicon produces polysilicon and silicon gases for the solar and electronics industries at plants in Moses Lake, Washington and in Butte, Montana. REC Silicon targets polysilicon production of approximately 11,630MT in 2017.

Third quarter 2017 revenues increased by 23 percent to USD 75.5 million compared to USD 61.4 million in the second quarter of 2017. Increased revenues are primarily a result of higher sales volumes for solar grade polysilicon and silicon gases.

Third quarter polysilicon sales volumes increased by 1,131MT (38.2 percent) to 4,091MT compared to 2,960MT during the prior quarter. Higher than expected polysilicon sales volumes resulted in a reduction in inventories of 1,280MT.

Price realizations for prime solar grade material increased by 4.7 percent, however, total average prices for all grades of polysilicon increased by 0.2 percent due to high sales volumes of lower quality solar grade polysilicon with lower profit margins. REC Silicon's access to polysilicon markets in China continues to be restricted by the trade war. Price increases are a result of lower polysilicon supply caused by maintenance outages and industrial accidents at competitor manufacturing facilities.

The Company continues to operate the Moses Lake FBR facility at reduced capacity utilization due to the trade war between China and the United States. FBR production will return to full capacity utilization when the trade dispute is resolved or when market conditions dictate.

Total polysilicon production was 2,835MT compared to guidance of 3,070MT provided on July 20, 2017. Third quarter FBR production was 2,254MT compared to guidance of 2,290MT. FBR cash cost was USD 10.4/kg which represents a decrease of 9.6 percent compared to guidance of USD 11.5/kg. FBR cash cost was lower due to stable operations resulting in reduced maintenance activities as well as ongoing efforts to reduce spending levels and increase efficiencies.

Decreases in cash production costs continue to demonstrate the low cost capability of the Company's FBR technology despite lower production capacity utilization rates imposed by restricted access to Chinese polysilicon markets.

Silicon gas sales volumes were 904MT, 64MT above guidance. Demand for silicon gases remains strong overall and REC Silicon continues to successfully place silane for use in the lower price PV market segment. Efforts by competitors to capture additional market share is placing pressure on market prices and average prices realized by REC Silicon for silane gas decreased by 1.9 percent during the third quarter.

Third quarter 2017 EBITDA was USD 3.6 million compared to USD 1.3 million in the second quarter. EBITDA for the third quarter included USD 1.0 million income from the collection of customer accounts receivable previously reserved, USD 0.7 million in onerous contract expense and employee termination benefits expense of USD 0.5 million. EBITDA for the second quarter included USD 2.5 million from the collection of customer accounts receivable previously reserved.

EBITDA excluding other expenses and the collection of reserved accounts receivable was USD 3.8 million in the third quarter compared to a loss of USD 1.2 million in the prior quarter. The increase in earnings reflects high sales volumes of Silicon Gases, increases in solar grade polysilicon prices, and reduced spending resulting in low cash manufacturing costs.

MARKET DEVELOPMENT

End use PV demand is estimated at 23.2GW for the third quarter of 2017. This represents an increase of 2.7GW over previous estimates published by market analysts. The increase can primarily be attributed to stronger than expected demand in China where installations are estimated at 12.2GW for the quarter and 38.1GW for the first 3 quarters of 2017. Also, PV demand in the United States remained strong due to purchasing in advance of potential trade restrictions on imports (Suniva 201 filing). Continued strength of demand and low inventory levels kept supply tight and resulted in relatively stable prices for wafers, cells and modules during the quarter. Polysilicon prices

increased due to polysilicon plant maintenance outages which resulted in polysilicon inventory reductions. Spot prices inside of China ended the third quarter between USD 18/kg to USD 19/kg compared to USD 15/kg in the second quarter. Prices outside of China realized a smaller increase to approximately USD 13/kg from USD 12/kg for the prior quarter. REC Silicon's sales opportunities continue to be limited by restricted access to the Chinese markets because of the trade war between China and the United States.

Semiconductor grade polysilicon markets continue to improve, however, fixed sales contracts continue to limit spot market sales opportunities for REC Silicon. Semiconductor grade polysilicon consumers continue to operate at high capacity utilization rates and inventories are declining. Accordingly, sales volumes of semiconductor grade polysilicon increased by approximately 30MT or 26% during the third quarter of 2017 compared to the prior quarter.

Third quarter shipments of silicon gases increased by 12% to 904MT. Increased demand for silicon gases is driven by the addition of production capacity for flat panel displays and technology improvements in semiconductor applications. Average sales prices realized by REC Silicon declined due to sales of silicon gases into the lower margin PV sector. In addition, REC Silicon lowered silicon gas prices to maintain market share as competitors offered discounts to increase production capacity utilization.

RESEARCH AND DEVELOPMENT

REC Silicon incurred R&D expenses of USD 1.0 million during the third quarter of 2017 compared to USD 1.1 million during the second quarter of 2017.

Research and development efforts on FBR processes continue to focus on the fundamental aspects of the technology. The immediate objective is to improve process stability and quality. In the longer range, improved understanding of current technology will form a foundation for future FBR technology development. Because the process development facility is not currently in operation, data to support these developments has been obtained from historical production data, current production processes, and laboratory studies.

In the silane area, improved models have been developed for specific process steps and are being used to optimize operations at increased production rates and to improve efficiency. Improvements identified

through process modeling have been implemented to extend the time between planned maintenance shutdowns.

Research efforts to further improve analytical techniques in both polysilicon and silicon gases are ongoing.

Research and development groups are participating in and supporting the startup of operations at the Yulin JV in China.

FINANCIAL ITEMS

Net currency gains and (losses) relate primarily to internal loans (loans of approximately USD 0.9 billion at September 30, 2017) that are not eliminated on consolidation.

See note 6 for additional information on borrowings.

INCOME TAX

REC Silicon reported an income tax expense of USD 2.1 million for the third quarter of 2017. Tax expense during the quarter is due to the impact of average currency exchange rates on tax expenses denominated in NOK reported for the first and second quarters of 2017.

The tax benefit of losses generated in the United States have been offset by an increase in unrecognized deferred tax assets due to recognition requirements specified by International Financial Reporting Standards associated with the uncertainty caused by recurring net operating losses.

At September 30, 2017, the deferred tax asset recognized by the Group was USD 147.2 million which consisted of USD 111.8 million for REC Silicon, Inc. in the United States and USD 35.4 million due to the income deferred on the sale of technology to the JV. The deferred tax asset in the United States was generated due to net operating losses on a tax basis (which will expire between 2032 and 2038), the accelerated reversal of book to tax differences for depreciation caused by the recognition of impairment (financial statement only), and other taxable temporary differences which are expected to reverse on a more definite schedule. Estimates of future taxable income generated by REC Silicon in the US are sufficient to net operating losses prior to their expiration in 2038.

Financial Items - REC Silicon Group

(USD IN MILLION)	Q3 2017	Q3 2016	SEP 30, 2017	SEP 30, 2016	YEAR 2016	Q2 2017
Financial income	0.2	0.3	0.5	1.5	1.7	0.1
Interest expenses on borrowings	-3.4	-3.2	-13.7	-10.1	-13.3	-7.1
Capitalized borrowing cost	0.0	0.0	0.0	0.9	0.9	0.0
Expensing of up-front fees and costs	0.0	0.0	-0.1	-0.1	-0.1	0.0
Other financial expenses	-0.4	-0.2	-1.3	-0.7	-1.0	-0.4
Net financial expenses	-3.8	-3.5	-15.1	-10.0	-13.5	-7.5
Net currency gains/losses	-34.1	-27.3	-54.8	-61.4	-13.5	-17.0
Fair value adjustment convertible bonds	0.5	0.0	-13.8	-2.8	-3.9	-4.4
Net financial items	-37.2	-30.5	-83.2	-72.6	-29.2	-28.8

The tax effects of net currency losses of USD 34.1 million are primarily associated with the parent Company and result in no effective tax impact because they are offset by changes in unrecognized deferred tax assets.

See note 18 to the consolidated financial statements for 2016 for additional information on income taxes.

CASH FLOW

Net cash flows from operating activities were USD 13.7 million during the third quarter of 2017. Cash flows were primarily a result of EBITDA of USD 3.6 million and a decrease in working capital of USD 12.2 million. The decrease in working capital included a decrease in inventories of USD 15.2 million, an increase in accounts payable of USD 4.1 million, and sales in excess of customer collections of USD 7.1 million. These were offset by interest payments of USD 1.8 million and cash outflows associated with changes in other assets and liabilities of USD 0.3 million.

Net cash outflows from investing activities include capital expenditures of USD 0.3 million and a refund of restricted cash balances of USD 0.1 million during the third quarter of 2017.

The net currency exchange effect on cash balances for the period resulted in a gain of USD 3.0 million due to the impact of a weaker US dollar on cash deposits in NOK.

In total, cash balances increased by USD 16.6 million to USD 88.0 million at September 30, 2017.

FINANCIAL POSITION

Shareholders' equity decreased to USD 622.6 million (65 percent equity ratio) at September 30, 2017, compared to USD 711.4 million (68 percent equity ratio) at June 30, 2017. This decrease was primarily a result of the loss from total operations of USD 122.0 million which included depreciation associated with the derecognition of a grant receivable of USD 65.7M (in total depreciation was USD 85.2 million). See note 10 to these financial statements for a more complete discussion. This was offset by net currency gains of USD 33.2 million included in other comprehensive income.

Net debt decreased by USD 13.0 million to USD 99.5 million at September 30, 2017, from USD 112.5 million at June 30, 2017. This decrease was a result of the increase in cash balances of USD 16.6 million discussed above and an increase of USD 3.6 million in carrying values due primarily to an increase of USD 4.1 million in the value of NOK denominated debt due to the effects of a weaker US dollar. The remaining USD 0.5 million is due to changes in the fair value of the USD convertible bond.

Net debt includes convertible bonds at fair value. Including bonds at nominal value, nominal net debt decreased by USD 12.5 million to USD 104.3 million at September 30, 2017 compared to USD 116.8 million at June 30, 2017.

See note 17 to the consolidated financial statements for 2016 and note 6 to this report for further information on interest bearing liabilities.

RISKS AND UNCERTAINTIES

CHINA/USA TRADE WAR

REC Silicon's access to polysilicon markets in China continues to be restricted by the solar trade war between China and the United States. The Group continues to work to obtain a favorable resolution. REC Silicon remains focused on identifying sales opportunities outside of China to mitigate the impact of the trade war. The timing or outcome of any potential resolution remains uncertain.

INCOME TAXES

REC Silicon previously received notices of reassessment from the Norwegian Central Tax Office (CTO) regarding tax returns for tax years 2009 through 2011. The CTO questioned the deductibility of losses on loans and guarantees provided to subsidiaries and affiliates. (See note 31 to the 2016 annual report)

The Company received a draft decision dated June 30, 2017 from the CTO which disallows losses of NOK 7.7 billion in total (at 28 percent the tax would be approximately NOK 2.2 billion). The Company expects these amounts to be adjusted for group contributions and carry back of tax losses, which would result in the recognition of approximately USD 27 million in tax expense plus interest of approximately USD 4 million. This range of potential outcomes remain broadly unchanged from disclosures previously made by the Company.

The Company will oppose the draft decision by filing supporting assessments and presenting additional documentation. REC Silicon continues to believe that these losses are tax deductible and that the eventual outcome will be in the Company's favor. The CTO is not expected to issue a final decision before the end of 2017. When a final decision is issued, any resulting tax is generally due two weeks after the decision.

The Company expects to challenge any adverse final ruling through the appeals process and will attempt to defer any potential payment until a final resolution has been reached.

The timing and amount of any potential outcome is subject to substantial uncertainty.

The resulting short-term liabilities of approximately USD 30 million, income tax payable of approximately USD 27 million, and interest payable of approximately USD 4 million, has been reported in current liabilities in the Company's third quarter 2017 financial statements. The tax and interest expense associated with this ongoing tax examination were reported in the second quarter of 2017.

GOING CONCERN

It is unlikely that the Company's current liquidity position plus cash generated by operations will be sufficient to meet debt maturities in 2018. In addition, the indemnification loan may become payable in 2018. The indemnification loan was callable in February 2016. However, it has not been called and is not expected to be called before 2018 (see note 6 to this report and note 17 to the consolidated financial statements for 2016).

In the event that conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative, the liquidity risk for the Company will increase.

Management and the Board of Directors are focused on the Group's liquidity requirements and are evaluating alternatives including refinancing the Company's debt, divestment of non-core assets, and the issuance of additional equity. The Company's ability to meet debt maturity obligations in 2018 is dependent upon the success of these efforts.

OTHER

During 2016, REC Advanced Silicon Materials LLC (ASiMi) received a refund of USD 6.6 million for electricity costs in prior years due to a ruling by the Federal Energy Regulatory Commission (FERC) due to incorrectly implemented rate increases. The utility provider has filed a notice of appeal with the D.C. Court of Appeals. REC Silicon believes that FERC's ruling will be sustained by the appeals court. No provision has been made for any potential liability should the utility provider prevail on appeal.

Please refer to the annual report for 2016, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

MARKET OUTLOOK

Industry analyst estimates of 2017 global PV installations continue to increase due to higher than anticipated PV installations in China. Current estimates place PV demand near 90GW for 2017 and 20GW for the fourth quarter (I.H.S. Market Tracker October 2017). Demand in China is expected to outperform previous estimates but decline to approximately 7GW during the fourth quarter. Demand in the United States is expected to continue to reflect an acceleration of module purchases in advance of potential trade restrictions on imports (Suniva 201 filing). Higher polysilicon prices inside China are expected to result in continued high wafer capacity utilization outside of China and stable polysilicon demand in those markets. Balance between supply and demand for polysilicon and low inventory levels are expected to result in modest price increases and increasing forward order visibility for REC Silicon.

Markets for semiconductor grade polysilicon continue to improve due to continued high capacity utilization. However, longer term fixed sales contracts and high polysilicon inventory levels continue to limit REC

Silicon's sales opportunities. Successful customer qualifications of REC Silicon materials are expected to result in increased semiconductor polysilicon sales volumes during the fourth quarter of 2017. Demand is expected to remain somewhat volatile until large diameter wafer manufacturing capacity expansions are completed and fixed sales contracts expire.

Silicon gas demand is expected to remain strong through the fourth quarter of 2017. Technology improvements to semiconductor applications and the addition of flat panel display production capacity is expected to result in increased demand for silicon gases. REC Silicon will continue to evaluate sales opportunities of silicon gases into the PV segment to limit exposure to higher credit risk. Silicon gas prices are expected to decline modestly as competitors attempt to capture additional market share.

GUIDANCE

PRODUCTION TARGETS

REC Silicon targets polysilicon production of 2,610MT during the fourth quarter of 2017. Polysilicon production rates continue to include the effects of FBR capacity curtailments at the Moses Lake facility due to restricted access to markets in China caused by the solar trade war between China and the United States. Current production levels approximate market demand for REC Silicon's solar grade polysilicon products. FBR production will return to full capacity utilization when the trade war is resolved or when market conditions dictate.

Polysilicon production targets for 2017 are estimated at approximately 11,630MT.

Silicon gas sales volumes are targeted at 920MT for the fourth quarter of 2017 and approximately 3,452MT for the full year 2017.

Cost Targets

REC Silicon targets FBR cash production costs of USD 11.2/kg for the fourth quarter and USD 10.8/kg for the full year 2017. Fourth quarter cash costs increase due to an increase in spending levels for normal maintenance compared to the third quarter of 2017 and lower

Production targets

POLYSILICON PRODUCTION VOLUME (MT)	ACTUAL RESULTS Q1 2017	ACTUAL RESULTS Q2 2017	ACTUAL RESULTS Q3 2017	TARGETS Q4 2017	TARGETS 2017
Granular	2,416	2,380	2,254	2,260	9,310
Semiconductor Grade	271	253	164	220	908
Siemens Solar	440	423	418	130	1,411
Total	3,127	3,057	2,835	2,610	11,630
Silicon Gas Sales Volume (MT)	820	808	904	920	3,452

Cost targets

	ACTUAL RESULTS Q1 2017	ACTUAL RESULTS Q2 2017	ACTUAL RESULTS Q3 2017	TARGETS Q4 2017	TARGETS 2017
FBR Cash Cost (USD/kg)	10.7	11.0	10.4	11.2	10.8

production volumes. Cash cost targets continue to reflect successful initiatives to match cost and activity levels at reduced production capacity utilization caused by the trade war between China and the United States.

INVESTMENT AND EXPANSION ACTIVITIES

Capital expenditures for 2017 are expected to be approximately USD 4 million. Capital spending includes only the capital necessary to maintain safe and reliable operations. All expansion projects have been halted due to market conditions.

The Company will continue to defer and delay capital spending when possible while maintaining safe operating conditions in order to maintain liquidity.

The Yulin JV is expected to start-up the first silane unit during the fourth quarter of 2017 and the second silane unit during the first quarter of 2018. FBR reactors are expected to be started in a manner that matches silane availability. Construction is nearing completion and the total investment is expected to be within the budget of USD 1.25 billion.

FORWARD LOOKING STATEMENTS

This report contains statements regarding the future in connection with the Group's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Market Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group's activities described in section 'Risks and Uncertainties' above, in REC Silicon's Annual Report for 2016, including the section Risk Factors in the Board of Directors' Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	SEP 30, 2017	SEP 30, 2016	DEC 31, 2016
ASSETS				
Non-current assets				
Intangible assets	2	16.1	19.2	17.3
Land and buildings	2	51.2	53.9	51.7
Machinery and production equipment	2	435.4	490.4	460.7
Other tangible assets	2	12.6	14.0	13.2
Assets under construction	2	60.8	68.7	69.7
Property, plant and equipment	2	560.0	627.0	595.2
Government grant assets		0.0	89.7	89.7
Financial assets and prepayments		3.8	3.8	3.8
Deferred tax assets		147.2	114.9	134.7
Total non-current assets		727.1	854.6	840.7
Current assets				
Inventories	5	93.2	112.9	104.1
Trade and other receivables	10	48.6	41.3	55.3
Current tax assets		0.0	0.0	0.6
Restricted bank accounts		4.5	4.3	4.0
Cash and cash equivalents		88.0	86.8	65.8
Total current assets		234.2	245.2	229.8
Total assets		961.3	1,099.8	1,070.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	SEP 30, 2017	SEP 30, 2016	DEC 31, 2016
EQUITY AND LIABILITIES				
Shareholders' equity				
Paid-in capital		3,158.0	3,158.0	3,158.0
Other equity and retained earnings		-2,535.4	-2,360.7	-2,376.0
Total shareholders' equity		622.6	797.3	782.0
Non-current liabilities				
Retirement benefit obligations		17.5	17.7	18.1
Deferred tax liabilities		1.1	4.8	4.5
Investments in Associates	3	34.8	32.9	35.7
Non-current financial liabilities, interest bearing	6	0.0	146.6	144.1
Non-current prepayments, interest calculation		5.5	6.0	5.9
Other non-current liabilities, not interest bearing		0.3	0.2	0.2
Total non-current liabilities		59.3	208.2	208.6
Current liabilities				
Trade payables and other liabilities		60.2	66.2	53.8
Provisions	8	0.5	0.0	0.0
Current tax liabilities	9	26.8	0.0	0.0
Derivatives	4	1.6	1.6	1.5
Current financial liabilities, interest bearing	6	187.5	24.7	23.1
Current prepayments, interest calculation		2.9	1.7	1.6
Total current liabilities		279.5	94.3	80.0
Total liabilities		338.7	302.5	288.6
Total equity and liabilities		961.3	1,099.8	1,070.6

CONSOLIDATED STATEMENT OF INCOME

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q3 2017	Q3 2016	SEP 30, 2017	SEP 30, 2016	YEAR 2016
Revenues		75.5	50.9	194.3	190.8	271.2
Cost of materials	5	-12.7	-21.1	-41.9	-44.6	-60.0
Changes in inventories	5	-14.2	14.7	-7.2	-23.2	-29.0
Employee benefit expenses		-17.2	-15.9	-53.5	-57.5	-74.6
Other operating expenses		-26.6	-35.1	-82.2	-108.0	-140.3
Other income and expenses		-1.2	-1.4	0.0	6.9	2.0
EBITDA		3.6	-7.9	9.5	-35.7	-30.8
Depreciation	2	-85.2	-22.5	-125.2	-69.4	-90.3
Amortization	2	-0.5	-0.5	-1.3	-1.5	-1.9
Impairment	2	-0.1	-79.0	-0.2	-79.0	-93.1
Total depreciation, amortization and impairment		-85.8	-101.9	-126.7	-149.8	-185.3
EBIT		-82.2	-109.8	-117.2	-185.5	-216.0
Share of profit/loss of investments in associates	3	-0.4	-0.8	-1.5	-2.5	-2.9
Financial income		0.2	0.3	0.5	1.5	1.7
Net financial expenses		-3.8	-3.5	-15.1	-10.0	-13.5
Net currency gains/losses		-34.1	-27.3	-54.8	-61.4	-13.5
Fair value adjustment convertible bonds	6	0.5	0.0	-13.8	-2.8	-3.9
Net financial items		-37.2	-30.5	-83.2	-72.6	-29.2
Profit/loss before tax		-119.8	-141.2	-201.9	-260.6	-248.1
Income tax expense/benefit		-2.1	42.7	-12.0	78.7	100.7
Profit/loss		-122.0	-98.5	-213.9	-181.9	-147.4
Attributable to:						
Owners of REC Silicon ASA		-122.0	-98.5	-213.9	-181.9	-147.4
Earnings per share (In USD)						
-basic		-0.05	-0.04	-0.08	-0.07	-0.06
-diluted		-0.05	-0.04	-0.08	-0.07	-0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

REC SILICON GROUP

(USD IN MILLION)	Q3 2017	Q3 2016	SEP 30, 2017	SEP 30, 2016	YEAR 2016
Profit/loss	-122.0	-98.5	-213.9	-181.9	-147.4
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	-0.9
Currency translation effects	44.4	33.6	68.1	75.6	17.1
Sum items that will not be reclassified to profit or loss	44.4	33.6	68.1	75.6	16.2
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences					
- taken to equity	-11.2	-7.3	-13.6	-17.4	-7.9
Sum items that may be reclassified subsequently to profit or loss	-11.2	-7.3	-13.6	-17.4	-7.9
Total other comprehensive income	33.2	26.3	54.5	58.2	8.2
Total comprehensive income	-88.8	-72.2	-159.4	-123.8	-139.1
Total comprehensive income attributable to:					
Owners of REC Silicon ASA	-88.8	-72.2	-159.4	-123.8	-139.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

REC SILICON GROUP

(USD IN MILLION)	ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA						
	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL EQUITY
September 30, 2016							
At January 1, 2016	405.3	2,710.9	41.8	3,158.0	174.1	-2,411.1	921.0
Equity share option plan	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-123.8	-123.8
At September 30, 2016	405.3	2,710.9	41.8	3,158.0	174.2	-2,534.9	797.3
Year 2016							
At January 1, 2016	405.3	2,710.9	41.8	3,158.0	174.1	-2,411.1	921.0
Equity share option plan	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-139.1	-139.1
At December 31, 2016	405.3	2,710.9	41.8	3,158.0	174.3	-2,550.3	782.0
September 30, 2017							
At January 1, 2017	405.3	2,710.9	41.8	3,158.0	174.3	-2,550.3	782.0
Equity share option plan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-159.4	-159.4
At September 30, 2017	405.3	2,710.9	41.8	3,158.0	174.3	-2,709.7	622.6

This table presents details of comprehensive income

(USD IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
September 30, 2016				
Accumulated at January 1, 2016	37.7	20.9	-2,469.7	-2,411.1
Profit/loss	0.0	0.0	-181.9	-181.9
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Currency translation effects	0.0	0.0	75.6	75.6
Sum items that will not be reclassified to profit or loss	0.0	0.0	75.6	75.6
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-20.5	0.0	0.0	-20.5
Tax on currency translation differences taken to equity	3.1	0.0	0.0	3.1
Sum items that may be reclassified to profit or loss	-17.4	0.0	0.0	-17.4
Total other comprehensive income for the period	-17.4	0.0	75.6	58.2
Total comprehensive income for the period	-17.4	0.0	-106.4	-123.8
Accumulated at September 30, 2016	20.3	20.9	-2,576.0	-2,534.9
Year 2016				
Accumulated at January 1, 2016	37.7	20.9	-2,469.7	-2,411.1
Profit/loss	0.0	0.0	-147.4	-147.4
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	-0.9	-0.9
Currency translation effects	0.0	0.0	17.1	17.1
Sum items that will not be reclassified to profit or loss	0.0	0.0	16.2	16.2
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-8.7	0.0	0.0	-8.7
Tax on currency translation differences taken to equity	0.7	0.0	0.0	0.7
Sum items that may be reclassified to profit or loss	-7.9	0.0	0.0	-7.9
Total other comprehensive income for the period	-7.9	0.0	16.2	8.2
Total comprehensive income for the period	-7.9	0.0	-131.2	-139.1
Accumulated at December 31, 2016	29.8	20.9	-2,600.9	-2,550.3
September 30, 2017				
Accumulated at January 1, 2017	29.8	20.9	-2,600.9	-2,550.3
Profit/loss	0.0	0.0	-213.9	-213.9
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Currency translation effects	0.0	0.0	68.1	68.1
Sum items that will not be reclassified to profit or loss	0.0	0.0	68.1	68.1
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-16.2	0.0	0.0	-16.2
Tax on currency translation differences taken to equity	2.6	0.0	0.0	2.6
Sum items that may be reclassified to profit or loss	-13.6	0.0	0.0	-13.6
Total other comprehensive income for the period	-13.6	0.0	68.1	54.5
Total comprehensive income for the period	-13.6	0.0	-145.8	-159.4
Accumulated at September 30, 2017	16.2	20.9	-2,746.7	-2,709.7

CONSOLIDATED STATEMENT OF CASH FLOWS

TOTAL OPERATIONS

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q3 2017	Q3 2016	SEP 30, 2017	SEP 30, 2016	YEAR 2016
Cash flows from operating activities						
Profit/loss before tax		-119.8	-141.2	-201.9	-260.6	-248.1
Income taxes paid/received		0.0	0.0	0.6	0.0	0.0
Depreciation, amortization and impairment	2	85.8	101.9	126.7	149.8	185.3
Fair value adjustment convertible bond	6	-0.5	0.0	13.8	2.8	3.9
Equity accounted investments, impairment financial assets, gains/losses on sale	3	0.4	0.8	1.5	2.5	2.9
Changes in receivables, prepayments from customers etc.	10	-7.2	8.8	7.0	34.8	15.3
Changes in inventories	5	15.2	-15.3	12.3	28.7	37.4
Changes in payables, accrued and prepaid expenses		6.3	12.0	6.3	-5.4	-12.8
Changes in provisions	8	0.5	0.0	0.5	0.0	0.0
Changes in VAT and other public taxes and duties		0.0	-0.1	0.3	0.0	0.0
Currency effects not cash flow or not related to operating activities		32.5	25.4	52.5	58.9	13.2
Other items		0.6	5.3	0.5	5.0	6.8
Net cash flow from operating activities		13.7	-2.3	20.0	16.4	3.8
Cash flows from investing activities						
Proceeds from finance receivables and restricted cash		0.0	0.0	0.0	0.0	0.3
Payments finance receivables and restricted cash		0.1	0.1	-0.2	-0.2	-0.2
Payments for property, plant and equipment and intangible assets	2	-0.3	-5.4	-2.2	-10.3	-14.5
Net cash flow from investing activities		-0.2	-5.3	-2.4	-10.5	-14.4
Cash flows from financing activities						
Increase in equity		0.0	0.0	0.0	0.0	0.0
Payments of borrowings and up-front/waiver loan fees		0.0	0.0	0.0	-21.2	-21.2
Net cash flow from financing activities		0.0	0.0	0.0	-21.2	-21.2
Effect on cash and cash equivalents of changes in foreign exchange rates		3.0	3.0	4.6	6.6	2.2
Net increase/decrease in cash and cash equivalents		16.6	-4.6	22.2	-8.7	-29.7
Cash and cash equivalents at the beginning of the period		71.4	91.3	65.8	95.4	95.4
Cash and cash equivalents at the end of the period		88.0	86.8	88.0	86.8	65.8

NOTES

1 GENERAL

THE GROUP

REC Silicon ASA (the Company) and its subsidiaries (together REC Silicon Group, REC Silicon, or Group) are a leading producer of advanced silicon materials, delivering high-purity polysilicon and silicon gases to the solar and electronics industries worldwide.

REC Silicon ASA is headquartered in Fornebu, Norway and operates manufacturing facilities in Moses Lake, Washington and Butte, Montana in the USA. REC Silicon's subsidiaries include: REC Silicon Inc., REC Solar Grade Silicon LLC, and REC Advanced Silicon Materials LLC in the US. REC Silicon's marketing activities for sales of solar grade polysilicon, semiconductor grade silicon and silicon gases are carried out in China, Japan, Korea, Taiwan, and the United States. The Group's joint venture operations are held in REC Silicon Pte Ltd in Singapore.

BASIS OF PREPARATION

The financial statements are presented in million USD. As a result of rounding, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

FINANCIAL STATEMENTS

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with IAS 34. They have not been audited or subject to a review by the auditor. They do not include all of the information required for full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2016. The consolidated financial statements for 2016 are available upon request from the Company's registered office in Fornebu, Norway or at www.recsilicon.com.

The Board of Directors has prepared these interim financial statements under the assumption that the Company is a going concern and is of the opinion that this assumption was realistic at the date of the accounts. Please refer to the section Risks and Uncertainties in this report for additional information.

ACCOUNTING POLICIES

The consolidated financial statements for 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The accounting policies adopted by the Company are consistent with those of the previous financial year. See note 2.24 to the consolidated financial statements for 2016.

New Standards and interpretations not yet adopted

IFRS 9, final version issued July 2014 and effective for annual periods beginning on or after January 1, 2018, presents revised guidance on the classification and measurement of financial instruments. The Group plans to adopt IFRS 9 on January 1, 2018. The full impact of adopting IFRS 9 is not known and cannot be estimated as the action to be taken is dependent on instruments held and economic conditions at the time of implementation. The Group has conducted preliminary reviews based on current instruments and economic conditions and has determined that there are no expected impacts or changes required.

IFRS 15, issued in May 2014, establishes a five step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration which an entity expects to be entitled to in the exchange for goods or services to a customer. The new revenue standard is applicable for all entities and will supersede all current revenue recognition requirements under IFRS. IFRS 15 applies to periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently reviewing customer contracts to assess the impact of IFRS 15 with plans to adopt the new standard on January 1, 2018. Preliminary reviews of existing contracts and revenue sources indicate that there will be no impacts or changes required to the Group's revenue recognition policies.

ESTIMATES AND JUDGMENTS

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the consolidated financial statements for 2016.

Provisions for onerous contracts are an estimate of cost involved in meeting obligations under the contracts and whether they exceed the economic benefits expected to be received or for which no benefits are expected to be received.

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

An Alternative Performance Measure (APM) is a measure of historical or future financial performance, financial position, or cash flows other than a financial measure defined or specified in the applicable financial reporting framework.

The Company has identified the following APMs used in reporting:

EBIT – Profit/loss from total operations excluding income tax expense/benefit, net financial items, and share of profit/loss from investments in associates.

EBIT Margin – EBIT divided by revenues.

EBITDA – EBIT excluding depreciation, amortization and impairment.

EBITDA Margin – EBITDA divided by revenues.

Net Debt – Carrying value of interest bearing debt instruments less cash and cash equivalents.

Nominal Net Debt – Contractual principal repayment values of interest bearing debt instruments less cash and cash equivalents.

FBR Cash Cost – Variable, direct, and indirect manufacturing costs excluding depreciation and amortization divided by units produced (excluding fines and powder). FBR Cash Cost does not include general and administrative costs.

Equity Ratio – Total shareholders' equity divided by total assets.

2 FIXED ASSETS

See note 6 to the consolidated financial statements for 2016.

Property, plant and equipment and intangible assets

(USD IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT	TOTAL INTANGIBLE ASSETS	TOTAL
Carrying value at January 1, 2017	51.7	460.7	13.2	69.7	595.2	17.3	612.5
Exchange differences	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net additions 1)	0.2	8.8	0.5	-8.8	0.7	-0.2	0.5
Government grant	3.8	83.0	2.7	0.0	89.5	0.3	89.7
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	-4.5	-117.0	-3.7	0.0	-125.2	-1.3	-126.5
Impairment	0.0	-0.2	0.0	0.0	-0.2	0.0	-0.2
Carrying value at September 30, 2017	51.2	435.4	12.6	60.8	560.0	16.1	576.1
At September 30, 2017							
Historical cost	149.8	2,151.0	81.5	65.7	2,447.9	80.1	2,528.0
Accumulated depreciation/amortization/impairment	-98.6	-1,715.5	-69.0	-4.8	-1,887.9	-63.9	-1,951.9
Carrying value at September 30, 2017	51.2	435.4	12.6	60.8	560.0	16.1	576.1

1) Net additions include transfers from assets under construction

During the third quarter of 2017, the government grant was derecognized resulting in additional depreciation of USD 65.7 million and a net increase of USD 24.1 million in the carry value at September 30, 2017 (See note 10 below).

IMPAIRMENT REVIEWS

See note 7 to the consolidated financial statements for 2016.

The Group conducted a review of impairment indicators and determined that the value of the Company's market capitalization and the continued impact of the trade dispute between the United States and China (See note 9 below) could give rise to a change in impairment and impairment testing was performed at September 30, 2017.

Management determined that the Group continues to contain only one cash generating unit. Future cash flows are estimated on the basis of forecasts for the next 5 years. Value in use has been estimated using discounted cash flows over a 5 year period with the last year used as a basis for terminal value. A discount rate of 12.4 percent was estimated on an after tax basis and adjusted to estimate the equivalent before tax discount rate of 16.4 percent.

The forecasts used to arrive at estimated future cash flows contain the assumption that the trade dispute will be resolved during 2019. Should the trade dispute remain unresolved, additional impairment would be required.

The resulting value in use at September 30, 2017 is estimated to approximate the carrying value of REC Silicon. Therefore, no additional impairment or reversal of impairment has been recognized.

3 EQUITY ACCOUNTED INVESTMENTS (ASSOCIATES AND JOINT VENTURES)

The Group has entered into a joint arrangement in China; Shaanxi Non-Ferrous Tian Hong REC Silicon Materials Co., Ltd. (Yulin JV). The Group has a 49 percent interest and joint control, therefore, it is a joint venture and is accounted for according to the equity method.

The Group's share of net assets does not reflect its 49 percent ownership interest in the Yulin JV due to differences in timing of equity contributions by the JV partners.

The following table presents a reconciliation of the Group's investment in the Yulin joint venture:

(USD IN MILLION)	SEP 30, 2017
Carrying value at January 1	-35.7
Equity contributions	0.0
Amortization of basis difference in technology contributed	0.0
Share of joint venture profit/loss	-1.5
Deferred income/expense	-0.3
Effects of changes in currency exchange rates	2.7
Carrying value at September 30	-34.8

The table below presents the major classification of assets and liabilities reflected on the Yulin JV's statement of financial position at September 30, 2017:

(USD IN MILLION)	SEP 30, 2017
Non-current assets	980.0
Other Current assets	78.0
Cash and cash equivalents	0.9
Non-current liabilities	-530.0
Current liabilities	-229.8
Net Assets (100%)	299.1
REC Silicon's share of net assets	62.5
Deferred income/expense	-0.3
Adjusted for technology transfer	-97.0
Carrying amount of REC's interest	-34.8

See note 7 below and note 8 to the consolidated financial statements for 2016.

4 DERIVATIVES

See notes 3 and 11 to the consolidated financial statements for 2016.

Derivatives consist of an option contract which is a part of the indemnification agreement associated with the REC Wafer bankruptcy. At September 30, 2017, the option contract was a liability valued at USD 1.6 million (USD 1.5 million at December 31, 2016).

5 INVENTORIES

See note 13 to the consolidated financial statements for 2016.

Inventories at end of period

(USD IN MILLION)	SEP 30, 2017			DEC 31, 2016		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	9.1	0.0	9.1	14.1	0.0	14.1
Spare parts	42.9	-15.8	27.1	41.5	-13.9	27.6
Work in progress	10.2	-1.1	9.1	10.1	-1.4	8.7
Finished goods	73.6	-25.7	47.9	84.1	-30.3	53.8
Total	135.7	-42.5	93.2	149.8	-45.7	104.1

6 BORROWINGS AND GUARANTEES

See notes 3 and 17 to the consolidated financial statements for 2016.

Carrying amounts of interest bearing liabilities at September 30, 2017 and contractual repayments (excluding interest payments) are specified in the table below.

(USD IN MILLION)	CARRYING AMOUNT		CONTRACTUAL PAYMENTS, EXCLUDING INTEREST	
	CURRENCY	USD	TOTAL	2018
Unamortized upfront fees (NOK)	-0.5	-0.1	0.0	0.0
NOK bonds (NOK)	453.4	56.9	57.1	57.1
USD convertible bond (USD)	105.6	105.6	110.0	110.0
Indemnification loan (NOK)	200.0	25.1	25.1	25.1
Total		187.5	192.2	192.2

The difference between carrying amounts and contractual repayments of the USD convertible bonds are due to fair value adjustments. The difference for the NOK bonds is related to fair value interest rate hedges. The fair value hedges have been revoked and the remaining fair value adjustments are being amortized prospectively as part of the effective interest.

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At September 30, 2017 the indemnification loan is NOK 200 million (USD 25.1 million) and can only be called if certain conditions are met. Once the loan is called, outstanding amounts will bear interest at a rate of NIBOR plus 0.5%. Although the indemnification loan was callable in February 2016, this loan has not been called and is not expected to be called before 2018 (see note 9 below and note 17 to the consolidated financial statements for 2016).

Guarantees

See note 29 to the consolidated financial statements for 2016.

At September 30, 2017, the Company had provided USD 5.1 million in bank guarantees against which the Company has pledged USD 4.1 million of restricted cash. This included bank guarantees for the benefit of REC Solar of USD 1.2 million with USD 0.2 million of restricted cash as security.

The Company has also provided parent company guarantees related to the performance of solar panels and systems sold by the REC Solar Group. These guarantees were USD 54.7 million at September 30, 2017 and December 31, 2016

The Company has been provided with offsetting guarantees by REC Solar Holdings AS as part of the sale of REC Solar in 2013.

Fair values of financial instruments

See note 30 to the consolidated financial statements for 2016.

The option contract in the indemnification agreement associated with the REC Wafer Norway AS bankruptcy is subject to level 3 of the fair value hierarchy of IFRS 13. The value of this option increased from USD 1.5 million at December 31, 2016 to USD 1.6 million at September 30, 2017 due to the impact of changes in currency translation rates.

The Group estimates that the carrying values of financial instruments approximate fair values except for the NOK bond REC03 (level 2).

The fair value of the USD convertible bond at September 30, 2017 is estimated at 93 percent of nominal value, compared to 84 percent at December 31, 2016. Fair value of the USD convertible bond is estimated using recent transactions reported for the bond.

(USD IN MILLION)	SEP 30, 2017		
	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
REC03	57.1	56.9	54.8

USD convertible bond

(USD IN MILLION)	AT ISSUE SEP 2013	SEP 30, 2017	SEP 30, 2016	DEC 31, 2016	CHANGE TO P/L Q3 2017	CHANGE TO P/L Q3 2016	CHANGE TO P/L SEP 30, 2017	CHANGE TO P/L SEP 30, 2016
Nominal value	110.0	110.0	110.0	110.0				
Value of the total loan	110.0	107.2	90.7	91.8	-0.5	0.0	13.8	2.7

Estimated fair values exclude accrued interest. Increase (decrease) in fair value is recognized as an expense (income) in the statement of income.

7 COMMITMENTS

Contractual purchase obligations and minimum operating lease payments at September 30, 2017

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	REMAINING 2017	2018	2019	2020	2021	2022	AFTER 2022
Purchase of goods and services	23.7	15.5	4.0	0.2	1.2	1.5	1.5	0.0
Minimum operating lease payments	54.8	4.9	16.3	13.5	13.5	2.5	2.1	2.1
Total purchase obligations and minimum lease payments	78.5	20.4	20.2	13.7	14.6	4.0	3.6	2.1

REC Silicon is a partner in a joint venture in China (See note 3 above). REC Silicon is currently negotiating the additional equity contributions to the joint venture of USD 169 million. REC Silicon expects to delay or cancel these contributions.

8 PROVISIONS

During the third quarter, the Group recognized expense of USD 0.7 million for an onerous contract associated with manufacturing equipment under a non-cancellable operating lease at the Moses Lake facility. The equipment was no longer required to support operations due to reduced capacity utilization caused by the trade war between China and the United States. During the third quarter, USD 0.2 million of the provision was utilized to offset payments. At September 30, 2017, the Group recognized a provision of USD 0.5 million equal to the remaining lease obligation which expires in May 2018.

9 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CHINA/USA TRADE WAR

REC Silicon's access to polysilicon markets in China continues to be restricted by the solar trade war between China and the United States. The Group continues to work to obtain a favorable resolution. REC Silicon remains focused on identifying sales opportunities outside of China to mitigate the impact of the trade war. The timing or outcome of any potential resolution remains uncertain.

INCOME TAXES

REC Silicon previously received notices of reassessment from the Norwegian Central Tax Office (CTO) regarding tax returns for tax years 2009 through 2011. The CTO questioned the deductibility of losses on loans and guarantees provided to subsidiaries and affiliates. (See note 31 to the 2016 annual report)

The Company received a draft decision dated June 30, 2017 from the CTO which disallows losses of NOK 7.7 billion in total (at 28 percent the tax would be approximately NOK 2.2 billion). The Company expects these amounts to be adjusted for group contributions and carry back of tax losses, which would result in the recognition of approximately USD 27 million in tax expense plus interest of approximately USD 4 million. This range of potential outcomes remain broadly unchanged from disclosures previously made by the Company.

The Company will oppose the draft decision by filing supporting assessments and presenting additional documentation. REC Silicon continues to believe that these losses are tax deductible and that the eventual outcome will be in the Company's favor. The CTO is not expected to issue a final decision before the end of 2017. When a final decision is issued, any resulting tax is generally due two weeks after the decision.

The Company expects to challenge any adverse final ruling through the appeals process and will attempt to defer any potential payment until a final resolution has been reached.

The timing and amount of any potential outcome is subject to substantial uncertainty.

The resulting short-term liabilities of approximately USD 30 million, income tax payable of approximately USD 27 million, and interest payable of approximately USD 4 million, has been reported in current liabilities in the Company's third quarter 2017 financial statements. The tax and interest expense associated with this ongoing tax examination were reported in the second quarter of 2017.

GOING CONCERN

It is unlikely that the Company's current liquidity position plus cash generated by operations will be sufficient to meet debt maturities in 2018. In addition, the indemnification loan may become payable in 2018. The indemnification loan was callable in February 2016. However, it has not been called and is not expected to be called before 2018 (see note 6 above and note 17 to the consolidated financial statements for 2016).

In the event that conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative, the liquidity risk for the Company will increase.

Management and the Board of Directors are focused on the Group's liquidity requirements and are evaluating alternatives including refinancing the Company's debt, divestment of non-core assets, and the issuance of additional equity. The Company's ability to meet debt maturity obligations in 2018 is dependent upon the success of these efforts.

OTHER

During 2016, REC Advanced Silicon Materials LLC (ASiMi) received a refund of USD 6.6 million for electricity costs in prior years due to a ruling by the Federal Energy Regulatory Commission (FERC) due to incorrectly implemented rate increases. The utility provider has filed a notice of appeal with the D.C. Court of Appeals. REC Silicon believes that FERC's ruling will be sustained by the appeals court. No provision has been made for any potential liability should the utility provider prevail on appeal.

Please refer to the annual report for 2016, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

10 RECEIVABLES AND GOVERNMENT GRANT ASSET

See notes 12 and 30 to the consolidated financial statements for 2016.

Aging of receivables at September 30, 2017

(USD IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED PAST DUE				IMPAIRED
			< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	
Trade receivables and accrued revenues	51.2	34.0	4.4	1.0	0.0	0.0	11.8
Provision for loss on trade receivables	-11.8	0.0	0.0	0.0	0.0	0.0	-11.8
Other non-current and current receivables	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Total receivables	39.8	34.3	4.4	1.0	0.0	0.0	0.0
Prepaid Costs	8.8						
Total trade and other receivables	48.6						

During the third quarter of 2017, the government grant receivable was derecognized due to the uncertainty of future taxable profits for operations in the United States because of the ongoing solar trade between China and the United States. Because the grant was related to the construction of the FBR and Silane plants in Moses Lake, the value of the grant was used to offset the cost of construction and depreciated with property, plant, and equipment. The derecognition resulted in an increase in depreciation of USD 65.7M (in, total depreciation was USD 85.2 million) and a net increase in property, plant, and equipment of USD 24.1 million. In addition, the government grant receivable decreased

from USD 89.7 million at June 30, 2017 to zero at September 30, 2017. The Advanced Energy Manufacturing Tax Credit (AEMTC) can be carried forward for 20 years and will continue to be available to offset income tax on operations in the United States through the year 2029. See notes 2.21, 4.2C, and 21 to the consolidated financial statements for 2016.

11 TRANSACTIONS WITH RELATED PARTIES

See notes 10 and 16 to the consolidated financial statements for 2016.

In the third quarter of 2017, REC Silicon invoiced the Yulin JV USD 2.3 million for engineering and project services. In addition, REC Silicon sold product to the JV for USD 1.7 million in the third quarter of 2017. Amounts commensurate with REC Silicon's ownership have been eliminated and are reflected as deferred income/expense in REC Silicon's investment in the JV (see note 3 above).

REC Silicon ASA office is owned by shareholder UMOE AS and leased to the Company.

12 SEGMENT INFORMATION

See notes 2.3 and 5 to the consolidated financial statements for 2016 for further information on segments.

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About REC Silicon

REC Silicon ASA is a leading producer of advanced silicon materials, supplying high-purity polysilicon and silicon gases to the solar and electronics industries worldwide. We combine over 30 years experience and best-in-class proprietary technology to deliver on customer expectations. Our two U.S. based plants have a capacity of more than 20,000 MT high-purity polysilicon. REC Silicon is headquartered in Fornebu, Norway and listed on the Oslo stock exchange under the ticker: REC.

For more information, go to: www.recsilicon.com