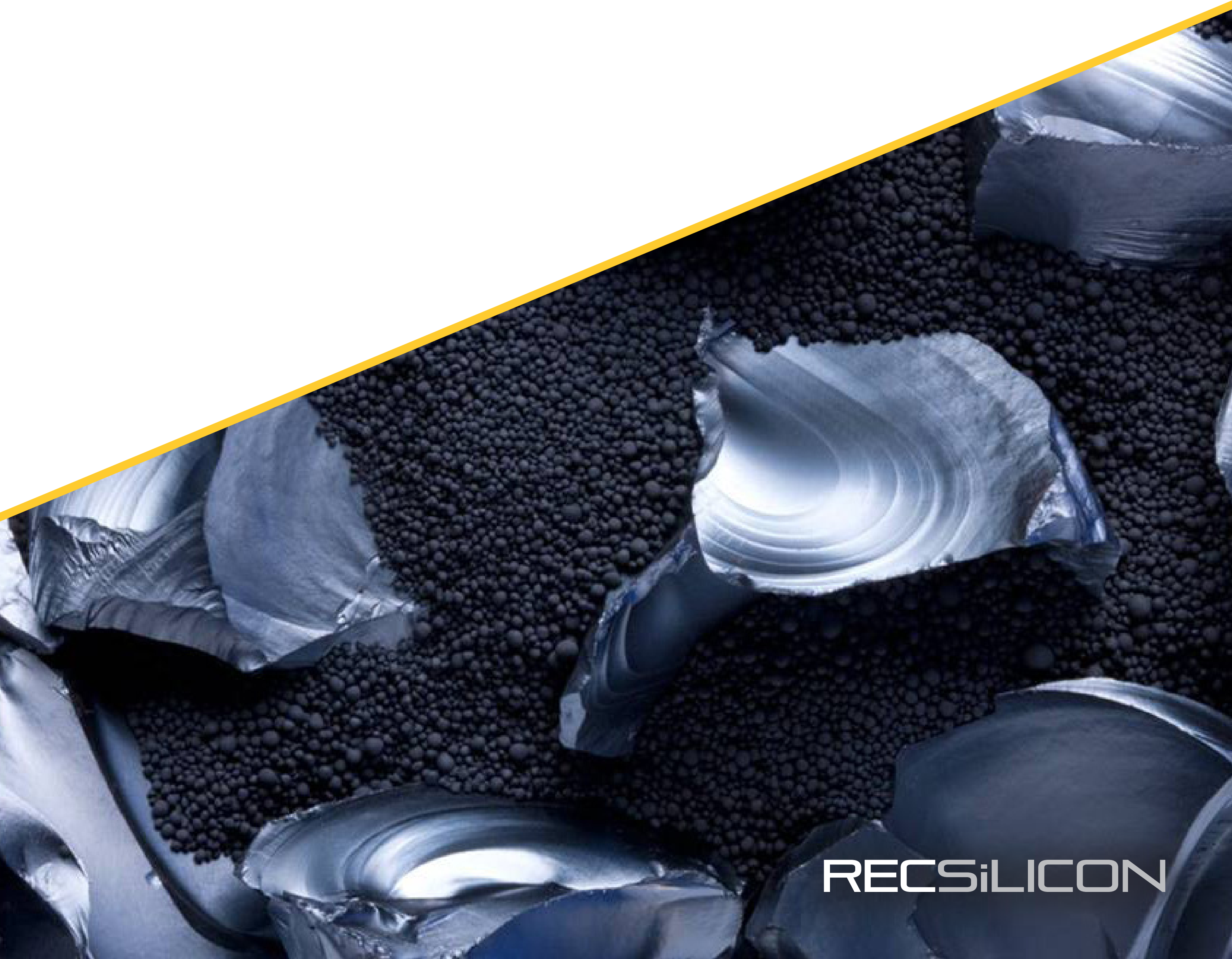
ANNUAL REPORT 2013



CONTENTS

BOARD OF DIRECTORS

JENS ULLTVEIT-MOE

Chairman of the Board of Directors since November 2013, Mr. Ulltveit-Moe is currently CEO and Board member of Umoe AS, a company he established in 1984. Prior to Umoe, his career included McKinsey in New York and London, Asterix Shipping, and Knut Knutsen OAS. He has also served as Chairman of the Board for PGS, Kverneland, Sevan Marine and REC. Mr. Ulltveit-Moe has a Master degree in Business and Economics from the Norwegian School of Economics and Business Administration (NHH) and a Master degree in International Affairs from Colombia University.

INGER BERG ØRSTAVIK

Board member since November 2013, Ms. Ørstavik is a partner with Advokatfirmaet Schjødt AS. Prior to Advokatfirmaet Schjødt, Ms. Ørstavik worked at the office of the Attorney General for Civil Affairs. She has taught international human rights law at Fudan University in Shanghai, China, and is also a member of the Norwegian Board of Appeal for Industrial Property Rights. Ms. Ørstavik has a law degree from the University of Oslo, a Ll.M. from Ruprecht-Karls-Universität in Heidelberg, Germany, and a Ph.D. from the University of Oslo in the areas of patent law and competition law.

RAGNHILD WIBORG

Member of the Board of Directors since May 2013, Ms. Wiborg has over 27 years experience in financial markets and an extensive network both within the international and Nordic business communities. She has working experience from inter alia Wiborg Kapitalforvaltning, Consepio, Odin Fundmanagement, Pareto Securities and Sundal & Collier. She has served on the nomination committee of SAS, Kværner, Kongsberg Gruppen, Prosafe, Frontline and Cermaq. Ms. Wiborg has a Bachelor of Science degree in Economics (Civilekonom) with a major in International Business Stockholm School of Economics and Business Administration as well as education from Sorbonne University.

ESPEN KLITZING

Board member since November 2013, Mr. Klitzing is CFO of Umoe Group, Chairman of the Board of several Group companies and Alliance Venture Polaris AS, as well as a board member in Statoil Pension and the Stock Exchange Appeals Committee. Prior to Umoe he was a Principal at McKinsey & Company, CFO and Deputy CEO at Norges Bank Investment Management, CEO of Petrojarl ASA and Storebrand Life Insurance, and held various management positions in Storebrand Group. Mr. Klitzing holds a degree in Business and Economics (Siviløkonom) from the Norwegian School of Economics and Business Administration (NHH).

ERIK LØKKE-ØWRE

Board member since November 2013, Mr. Løkke-Øwre is a consultant in his company, Varbak Consulting AS. Prior to Varbak Consulting, he was SVP of Global Operations, Technology and Sourcing for REC Solar. Mr. Løkke-Øwre was also with the Elkem group where he held several management positions, inter alia plant director in both Elkem Aluminium ANS and Elkem Silicon, General Manager for Elkem Silicon and Elkem Solar. Mr. Løkke-Øwre holds a Master of General Management from the Norwegian School of Management (BI) and has executive education from IMD in Switzerland and Columbia University in New York.

2013: A YEAR OF RENEWAL

REC Silicon entered 2013 facing substantial uncertainty. The entire solar industry was in distress due to overcapacity and changes in solar subsidies. Solar polysilicon prices reached a low point in the first quarter of 2013; representing a 40% drop compared to the same period in 2012. REC Silicon met the challenge and increased efficiency, improved quality, and realigned resources. As a result, REC Silicon is better positioned to meet future requirements and realize long-term success.

REC Silicon is looking back at a year of profound change. Drastically reduced polysilicon prices led to bankruptcies, shutdowns and layoffs across the industry. REC Silicon was no exception. Debt maturities and insufficient earnings cast substantial doubt on our ability to sustain operations. We met these challenges by restructuring our operations and our capital structure culminating with the sale of the REC Solar segment in October. These changes increased our equity capital ratio and extended debt maturities into 2018.

Current energy production trends are environmentally unsustainable due to increasing carbon emissions. REC Silicon's strategy is founded on the belief that solar power will be an increasingly important part of the energy mix due to its economic benefit and ability to reduce global carbon emissions. In many regions of the world, total installed cost has dropped below USD 1/watt. This makes solar energy an economic alternative energy source for nearly 4.4 billion people. Polysilicon represents a key ingredient in ensuring the economic viability of solar energy.

During 2013, REC Silicon solidified its position as the low cost leader in the polysilicon industry. Efforts to maintain production near full utilization; improve and stabilize production processes; and increase production yield generated production costs of USD 10.50/kg in the fourth quarter (USD 12.30/kg for 2013). As prices increase, our low cost position will result in cash flows allowing additional investments to improve existing technology, develop new technologies, and expand production capabilities.

"Current trends in energy supply and use are patently unsustainable – economically, environmentally, and socially. Without decisive action, energy-related emissions of carbon dioxide will more than double by 2050 and increased fossil energy demand will heighten concerns of the security of supplies. We can and must change our current path, but this will take an energy revolution; and low-carbon energy technologies will have a crucial role to play."

The International Energy Agency
Technology Roadmap 2013

Research and development efforts led to the successful demonstration of our next generation Fluidized Bed Reactor technology, FBR-B. Long duration runs in the pilot facility demonstrated process stability and the production of semiconductor grade polysilicon. These breakthroughs have provided confidence in our decision to move forward with commercialization of this technology. Combined with the restoration of Silane I, we plan to expand production by 2,500 MT with an investment estimated at USD 100 million to implement FBR-B at Moses Lake. This will further improve our competitiveness and cost position as the industry leader in granular polysilicon.

At the beginning of 2014, we announced the formation of a joint venture with Shaanxi Non-Ferrous Tian Hong New Energy Co., Ltd. in China. This joint venture includes the development of an 18,000 MT FBR-B production facility with limited capital investment from REC Silicon and demonstrates the value of our silane-based FBR technology. Access to this opportunity is a direct result of our successful efforts to develop, deploy, and improve large-scale FBR operations.

Safety remains a key priority for REC Silicon. Our target is zero harm to our employees, contractors, partners, customers and the communities in which we operate. Although we have reduced our lost time injury rate in 2013, we are not satisfied. Our employees are focused on assessing all work activities to identify safety risks and then take action to mitigate or eliminate the risks of each task undertaken.

Our employees have demonstrated the ability to deliver top performance in a challenging environment. Constant focus on cost cutting has been required to remain competitive. However, cost improvements have been balanced with a constant vigilance to ensure safe and environmentally sustainable operations. Technology and innovation have been leveraged to accomplish our goals. It is imperative that our workforce is developed to meet the increasing demands required for our continued success. Our people are critical to our future success.

I expect continued increases in polysilicon prices in response to growing demand for solar energy. Our silane-based FBR technology has proven to be the most efficient polysilicon production technology available. As the only major producer of silane-based FBR polysilicon, REC Silicon is well positioned to expand in solar polysilicon markets. Together with our significantly improved financial situation, I believe this provides a firm foundation for the long-term success of REC Silicon.

Tore Torvund
President and CEO

BOARD OF DIRECTORS' REPORT

2013 HIGHLIGHTS – REC SILICON

> Silicon segment EBITDA of NOK 492 million
  - Revenues decreased by 20% to NOK 2,453 million
  - EBITDA decreased by 35% to NOK 492 million
> Lower average polysilicon prices – recovery during the year
  - Price low-point at beginning of 2013
  - Slow but steady increases in price throughout 2013
> Strengthening silicon gas market volumes
  - Volume increased by 52% to 2,229 MT
  - Increased spot sales due to industry accidents
> Continued cost reductions
  - Cash cost of USD 12.3/kg in 2013, and USD 10.5/kg in Q4
  - Resource alignment and shutdown of Polysilicon I
> Successful separation and share offering in REC Solar
  - Reported as discontinued operations
  - Net proceed used to reduce debt

2013 SUMMARY - REC SILICON

REC Silicon focused on reducing costs, enhancing product offerings, and transforming the company to meet challenging market conditions.

REC Silicon increased production of granular solar grade polysilicon by 5 percent to 16,145 MT and decreased the unit cost by about 2 percent to USD 12.3/kg during 2013. However, as a result of the shutdown of Polysilicon I at the beginning of 2013, total polysilicon production declined 8 percent in 2013 to 19,764 MT. This is in line with the target of approximately 20,000 MT included in the 2012 Annual Report.

Polysilicon sales volumes decreased by 13 percent to 18,947 MT. The decrease is explained primarily by the shutdown of Polysilicon I and higher sales of silicon gases.

REC Silicon's average annual selling prices for Siemens and granular polysilicon declined 15 percent from 2012 to 2013. REC Silicon's granular polysilicon prices dropped by 30 percent from Q1 to Q4 of 2012 and reached the low point in Q1 of 2013. Prices reflected a slow but steady increase through 2013 resulting in a 30 percent price increase from Q1 to Q4.

GROUP PRESENTATION

Business Activities

REC Silicon ASA was established in Norway on December 3, 1996, and has grown to become a leading global provider of solar electricity solutions. REC Silicon ASA is headquarted in Sandvika, Norway.

Prior to the sale of REC Solar, the business structure consisted of two business segments; REC Silicon and REC Solar. The continuing operations of REC Silicon are carried out in the following subsidiaries; REC Solar Grade Silicon LLC, and REC Advanced Silicon Materials LLC in the US. REC Silicon's sales and marketing activities for sales of solar grade polysilicon, semiconductor grade silicon and silicon gases are carried out in China, Japan, Korea, Taiwan, and in the United States.

REC Solar discontinued operations were carried out in the following former subsidiaries; REC Wafer Pte Ltd, REC Cells Pte Ltd, and REC Modules Pte Ltd in Singapore. REC Solar's sales and marketing activities for solar panels, systems integration and project development are handled by subsidiaries primarily in Europe, USA, Japan, and Singapore.

Markets

Global demand increased from 2012 to 2013, although overcapacity continued to put pressure on polysilicon prices through the beginning of 2013. Difficult market conditions reduced capacity utilization across the value chain and forced many players into insolvency, which led to permanent closure of high cost capacity, and abandonment or delay of new capacity.

Market demand for Solar panels improved during 2013. This generated higher polysilicon demand, which in turn lifted average selling prices from a historical low point at the beginning of 2013. Overall, industry analysts are estimating global Photovoltaic (PV) installations in 2013 at approximately 36 GW, up from 32 GW in 2012.

While demand is stagnating in historically important European solar markets, it is growing in most other regions of the world. China remains the largest market for solar grade polysilicon. However, a number of other countries are becoming important as REC Silicon's base is growing in Taiwan, Singapore, Korea and Japan. Towards the end of 2013 China, Japan and the US represented the strongest growth markets.

Polysilicon spot price development

* Average of weekly spot indices (PV grade) from Bloomberg New Energy Finance, EnergyTrend & PV Insights

Markets for semi-conductor grade polysilicon broadly follow the developments in global macroeconomic conditions. Demand is suffering from more than two consecutive years of flat growth and excessive inventories.

Silicon gas markets are driven by flat panel displays, semiconductors and crystalline PV cells. Demand at year-end was robust due to strong PV markets, market share gains, and spot transactions due to industry accidents.

Strategy and objectives

REC Silicon's strategy is to maintain its position as a low cost leader and technological innovator in the Silicon materials industry.

REC Silicon intends to improve its competitive position by:

- Stabilizing manufacturing processes
- Continuing to improve quality and yield (granular de-dusting and packaging)
- Increasing cost advantage by improving efficiency and streamlining processes
- Expanding semiconductor polysilicon product offerings to penetrate markets
- Monetizing the technological advantages of granular polysilicon through expansion opportunities

Technology, research, and development

REC Silicon's long-term competitive position is only sustainable with cost efficiency and leading product performance. REC Silicon therefore deploys significant resources for research and development activities designed to enhance quality, improve efficiency, and reduce production cost throughout the value chain.

REC Silicon's program for producing higher grade FBR polysilicon has resulted in the successful completion of a long term test of the FBR-B technology. This test achieved all primary targets and confirmed the potential viability of the FBR-B technology for production of semiconductor grade granular polysilicon.

Activities to advance Siemens polysilicon technology have been concentrated on developing processes and equipment to produce large diameter rods.

In the silicon gas production area, the focus has been on studies of catalytic effects of trace elements in the hydrogenation reactor and improved waste management technology.

Research and development expenses for total operations were NOK 130 million in 2013, compared to NOK 183 million in 2012. For continuing operations research and development costs were NOK 79 million in 2013 compared to NOK 103 million in 2012.

REPORT FOR 2013

Financial statements

The Group reports its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the Norwegian Accounting Act.

Profit and loss

On October 25, 2013 REC Solar was sold. Amounts in the statement of income have been re-presented for discontinued operations. Results from discontinued operations, including gains and losses on disposal are presented on one line after tax in the statement of income.

Revenues from continuing operations decreased by 20 percent from 2012 to NOK 2,453 million in 2013. As explained above, revenues were affected by reduced selling prices and lower sales volumes.

EBITDA from continuing operations increased to NOK 298 million from a negative NOK 292 million in 2012. REC Solar and REC Wafer segment expenses for Group internal purchases have not been re-presented to discontinued operations, which had a particularly negative effect on EBITDA in 2012. The reported EBITDA for continuing operations is lower than the sum of REC Silicon segment and "Other", excluding gains/losses on disposal of discontinued operations. The decline in EBITDA for the REC Silicon segment reflects the underlying price decline only partially offset by cost reductions.

EBIT from continuing operations was negative NOK 506 million in 2013 and negative 4,359 million in 2012. Depreciation, amortization and impairment of property, plant, equipment and intangible assets decreased significantly in 2013 due to the large impairment charge recognized in REC Silicon in 2012.

Net financial items from continuing operations changed to a negative NOK 933 million from a negative NOK 477 million in 2012. Fair value adjustments to the convertible bonds contributed negatively to the results for both years. The effect was larger at year-end 2013 because the fair value of the convertible EUR bond increased to approximate its nominal value. In 2013 currency gains offset losses on currency

(NOK IN MILLION)	2013 REVENUES	2013 EBITDA	2013 EBIT	2012 REVENUES	2012 EBITDA	2012 EBIT
REC Silicon	2 543	492	-312	3 261	758	-3 244
Other & related eliminations ex. gain/loss on disposal	-89	-94	-94	-198	-132	-197
REC Silicon and Other	2 453	398	-406	3 063	626	-3 441
REC Solar excluding loss on disposal	3 061	111	11	4 087	-366	-4 308
REC Wafer	0	0	0	585	-296	-49
Gain/loss on disposal discontinued operations	0	-1 215	-1 215	0	812	812
Eliminations ex. gain/loss on disposal	0	0	0	-251	-42	80
REC Solar, REC Wafer, eliminations	3 060	-1 104	-1 204	4 421	108	-3 465
Total operations	5 514	-706	-1 610	7 484	734	-6 906
Re-presentation of discontinued operations	-3 060	1 004	1 104	-4 421	-1 026	2 547
Continuing operations	2 453	298	-506	3 063	-292	-4 359

derivatives, compared to a net gain in 2012. Reduction of interest expenses contributed positively in 2013 due to the restructuring of the Group's debt.

Income tax benefits from continuing operations were NOK 498 million in 2013, down from NOK 1,376 million in 2012. Income tax benefits for both years are primarily due to a reduction in deferred tax liabilities in REC Silicon segment due to the losses for the periods and calculation of deferred tax on the fair value adjustment of the convertible bonds.

Losses from continuing operations were NOK 940 million in 2013, compared to NOK 3,461 million in 2012. Losses from total operations were NOK 2,073 million in 2013, compared to NOK 6,027 million in 2012.

Cash flow

The consolidated statement of cash flows presents changes in cash balances with respect to total operations (continuing and discontinued) and therefore does not reflect the performance of REC Silicon's continuing operations during prior periods or likely to be achieved in future periods.

Net cash outflow from operating activities was NOK 7 million for 2013, compared to net cash inflow of NOK 1,306 million for 2012. In 2013, EBITDA for total operations was NOK 509 million, excluding the net loss on disposal of discontinued operations, offset by outflows for currency derivatives and interest paid of NOK 480 million. The remaining outflow is due primarily to changes in working capital.

Net cash inflow from investing activities was NOK 406 million in 2013. The primary contributor was NOK 520 million for the sale of REC Solar; consisting primarily of proceeds from the sale of approximately NOK 800 million less NOK 293 million cash transferred with the sale. Capital expenditures for 2013 amounted to NOK 220 million (NOK 140 million net of grant) of which approximately NOK 107 million were related to the ongoing operations of the Group.

Net cash outflow from financing activities was NOK 1,942 million in 2013. The primary contributor was NOK 2,579 million due to repayments of borrowings offset by issues of additional equity (NOK 368 million) and by the issue of new USD convertible bonds (NOK 212 million).

Cash at year end 2013 was NOK 375 million.

Balance sheet and liquidity

Equity amounted to NOK 5.8 billion at December 31, 2013, corresponding to an equity ratio 63 percent. This compared to NOK 7.1 billion and 52 percent, respectively, at year-end 2012. The net debt of the Group was NOK 1.9 billion at December 31, 2013, an increase of NOK 0.1 billion during the year. Net debt includes senior domestic bonds, the indemnification loans, and the convertible bonds, reduced by bank deposits. Nominal net debt at December 31, 2013 was NOK 1.9 billion which represents a decrease of NOK 0.6 billion (approximately 24 percent) during the year. See note 17 to the consolidated financial statements.

During 2013 the Group reduced the EUR convertible bond (EUR 239 million), issued a new USD convertible bond (USD 110 million), and purchased portions of NOK bonds (net repurchases; REC01 of NOK 455 million, REC02 NOK 266 million, and REC03 NOK 400 million). In addition, the undrawn credit and guarantee facility was cancelled.

The Company issued 200 million new shares with net proceeds of NOK 368 million in May of 2013.

SEGMENT REVIEW

REC Silicon

REC Silicon produces polysilicon and silicon gas for the solar industry and the electronics industry at plants in Moses Lake, Washington and in Butte, Montana. REC Silicon has a polysilicon production capacity of more than 20,000 MT and employs approximately 740 people.

Revenues amounted to NOK 2,543 million for the year 2013, down 22 percent from 2012. The revenue decline is explained by reduced selling prices for polysilicon and silicon gas and lower polysilicon sales volumes, partly offset by growth in silicon gas sales volume and cost reductions.

During 2013, Polysilicon sales volumes decreased by 13 percent to 18,947 MT, which primarily reflected the shutdown of Polysilicon I. Sales of granular polysilicon decreased by 2 percent to 15,255 MT due to high sales at year-end 2012 to generate cash. In 2013, Silicon gas sales volumes increased by 52 percent to 2,229 MT.

Average sales prices for polysilicon declined only 4 percent from the fourth quarter 2012 to the fourth quarter 2013. However, the spot index price declined 58 percent during 2012 and recovered only 15 percent during 2013.

Financial highlights - REC Silicon [1]

(NOK IN MILLION)	2013	2012
Internal revenues	92	200
External revenues	2 450	3 062
Total revenues	2 543	3 261
EBITDA	492	758
EBITDA margin	19 %	23 %
EBITDA excluding special items [2]	377	574
EBITDA margin excluding special items	15 %	18 %
Depreciation and amortization	-750	-1 019
EBIT before impairment charges	-258	-261
Impairment	-54	-2 983
EBIT	-312	-3 244
EBIT margin	-12 %	-99 %
Polysilicon production in MT (Siemens and granular)	19 764	21 405
Polysilicon sale in MT (Siemens and granular)	18 947	21 702
Silicon gas sale in MT	2 229	1 467

1) 2012 figures are changed slightly from previous reports because net interest on net benefit liability now is presented as part of financial items.
2) Special items represent income from contract cancellations

Despite continued oversupply in polysilicon markets, sales volumes supported production levels near peak capacity throughout the year.

In 2013, FBR production facility ran at steady rates and high volumes. FBR cash cost continued to decline through the year to USD 10.5/kg in the fourth quarter 2013. This is USD 1/kg lower than the fourth quarter 2013 cost target that was included in the 2012 Annual Report. Longer reactor run lengths led to improvement in quality and an achieved targeted quality of 90% for the year in FBR.

Silicon gas sales amounted to 2,229 MT in 2013, up 52 percent from 2012. The average selling price for silicon gases was down 32 percent from the fourth quarter 2012 to the fourth quarter 2013. Increasing sales volumes are due to recovering demand and higher spot transactions driven by recent industry accidents. Prices are not increasing with demand due to efforts to re-capture market share, discourage repairs to damaged assets, and encourage the exit of high-cost competitors.

EBITDA amounted to NOK 492 million in 2013, down from NOK 758 million in 2012. EBITDA margin dropped to 19 percent from 23 percent in 2012. Lower EBITDA margin is explained by the sharp price decline in solar grade polysilicon from mid-year 2012 to a low point in the first quarter of 2013. REC Silicon maintained positive EBITDA contribution through efficiency increases, improvements to quality, high capacity utilization, and cost reductions. In addition, sales into silicon gas and semi-conductor grade polysilicon markets experienced slower price declines and allowed REC Silicon to maintain margins to some degree and generate positive cash flows from operations.

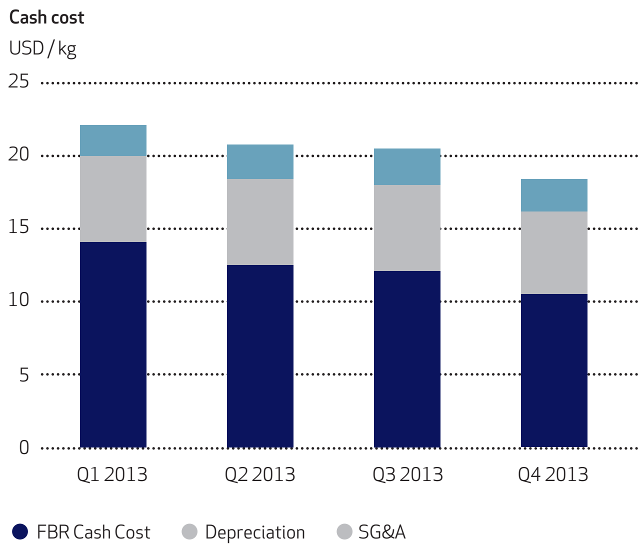
Other

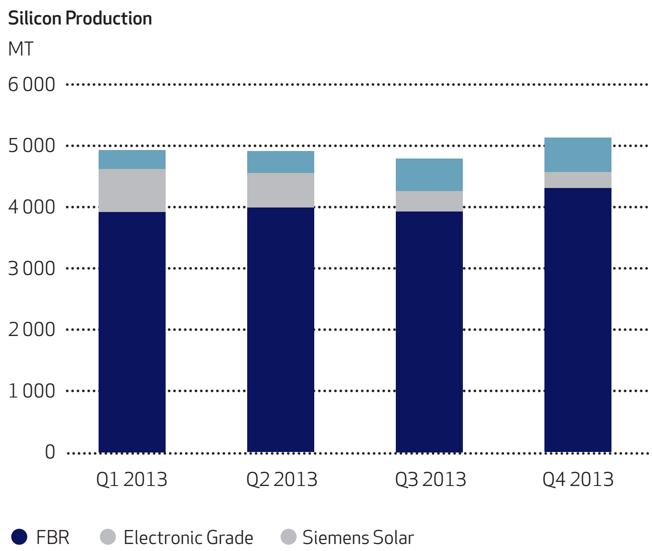
Other consists primarily of the parent company REC Silicon ASA (previously Renewable Energy Corporation ASA) which employed approximately 10 people and year-end.

Other includes net parent company expenses of NOK 94 million for 2013 and NOK 132 million for 2012. Expense levels for 2012 and the first three quarters of 2013 reflect the administration and staff necessary to manage the fully integrated alternative energy company that existed prior to the sale of REC Solar. Expenses declined at the end of 2013 but included expenses related to decreasing the scale of parent company activities. The Group will continue to maintain a presence and its headquarters in Norway, although the parent company activities and expense levels will reflect the company's current operating requirements.

Discontinued Operations

REC Solar and REC Wafer have been reported as discontinued operations beginning in the third quarter of 2013 and the second





quarter of 2012 respectively. The sale of REC Solar led to significant declines in assets and liabilities during 2013.

Losses of NOK 1.1 billion for 2013 and 2.6 billion for 2012 for these former business segments have been reflected in the statement of income in a single line net of tax. See note 9 to the consolidated financial statements.

GOING CONCERN

The Board of Directors confirms that the Financial Statements have been prepared under the assumption that the company is a going concern and that this assumption was realistic at the date of the accounts.

The Board of Directors also makes reference to the risk factors discussed in this report. Specifically, the ongoing solar trade disputes between China and the USA create significant uncertainty for the Group, its customers, certain other competitors, and the industry as a whole.

REC SILICON ASA (NGAAP)

Financial review

REC Silicon ASA (the Company) prepares its financial statements according to NGAAP. The Company is a holding company for the Group's operations. The activities in the Company have been scaled down in light of the reduced activities in Norway, cost reductions, and sale of REC Solar.

In 2013, REC Silicon ASA had a negative EBIT of NOK 101 million, compared to a negative EBIT of NOK 155 million in 2012. In 2013, net loss was NOK 987 million compared to a net loss of NOK 3,425 million in 2012.

Total equity for the parent company REC Silicon ASA amounted to NOK 4,155 million at December 31, 2013, down from NOK 4,774 million in 2012. The decrease is due to the loss for the year, partially offset by the share issue in the second quarter.

Allocation of the net losses for the parent company

The Board proposes that the net loss for the year of NOK 987 million is allocated to share premium reserve.

Organization

REC Silicon ASA had 10 employees at the end of 2013. The work environment in 2013 has been influenced by the restructuring of the organization in Norway to meet the needs of the Group as a standalone silicon company. The Company expects to transfer many corporate functions to the US by end April 2014, but will maintain certain key functions and the registered office in Norway.

Change of control

The bond agreements and the indemnification loan have change of control provisions. If a shareholder or a group of shareholders gains control of more than 50 percent of the share capital, bondholders acquire a put option entitling them to cancel the commitments and declare all outstanding amounts and accrued unpaid interest due and payable. The bondholders in the convertible bond agreements will be entitled to convert their bonds into shares in REC Silicon ASA. More detailed information can be obtained from the bond trustee, Norsk Tillitsmann ASA.

SUBSEQUENT EVENT

On February 26, 2014 the Company announced that it had entered into joint venture agreements with Shaanxi Non-Ferrous Tian Hong New Energy Co., Ltd. (SNF) for the formation of a production joint venture and a sales joint venture.

Under these agreements, the group will contribute FBR technology and net USD 46 million through 2017 to acquire a 49% interest in production facilities in Shaanxi province China. The Group received USD 99 million in March 2014 and expects to receive an additional USD 99 million during 2014. The Group expects to contribute capital of USD 244 million beginning with USD 75 million in 2014. See external announcement February 26, 2014.

This strategic agreement with SNF allows the Group to expand and strengthen its leadership position in the polysilicon industry. The upfront cash payments have reduced the Group's liquidity risk. These objectives have been accomplished without the requirement of additional equity or debt issuance.

RISK FACTORS

The Group's activities expose it to a variety of financial risks, including currency risk, interest-rate risk, liquidity risk, credit risk, refinancing risk and others. See note 3 to the consolidated financial statements.

Market Risk

REC Silicon believes that there are significant uncertainties related to the market development going forward. This uncertainty relates to the effects of the changes in solar energy subsidy schemes in key solar markets, the market supply and demand balance and prices, and the outcome of trade disputes.

The ongoing solar trade disputes between the US and China may have a significant negative impact on the group's financial results. On July 18, 2013, the Chinese Ministry of Commerce ("MOFCOM") announced preliminary anti-dumping duties of 57 percent on polysilicon produced by REC Silicon in the US, effective from July 24, 2013. This was affirmed by MOFCOM in its Final Determination announced on January 20, 2014. On September 16, 2013 MOFCOM announced preliminary counter-veiling duties against the US. REC Silicon was not assigned any preliminary counter-veiling duty and this position did not change in MOFCOM's Final Determination.

Even though the import duties are a burden to REC Silicon's customers, REC Silicon has mitigated the impact of tariffs in China through working with its customers to utilize options currently available under existing laws, including the "Process in Trade" available under Chinese customs laws. REC Silicon's ability to continue to mitigate the impact of tariffs along these lines, however, is dependent upon its customers and the ongoing development of US-China solar trade disputes.

On December 31, 2013, two additional trade cases were filed in the US against Taiwanese and Chinese cells, modules, laminates, and wafers. These cases have the potential to escalate the trade dispute and may jeopardize the use of "Process in Trade" by REC Silicon's customers.

The US government is continuing to work towards a resolution of the trade dispute with China, in parallel with discussions between the US and China solar trade organizations and affected US and China companies for a resolution. The timing and potential outcome of these negotiations are highly uncertain.

Liquidity Risk

At December 31, 2013 debt maturities in 2014 exceeded the anticipated liquidity from operations and available cash at the point of repayment of the EUR convertible bond in June 2014 and the NOK bond in September 2014. However, at February 26, 2014 the Company announced a joint venture agreement where REC Silicon received an initial upfront payment of USD 99 million in March, see subsequent event above. Receipt of the upfront payments will allow REC Silicon to meet its 2014 debt obligations and increase REC Silicon's financial stability.

Credit risk

Credit risk is primarily related to accounts receivables and guarantees provided for discontinued operations. In accounts receivable, sources of credit risk include geographic, industry and customer concentrations; and risks related to the collection. Policies and procedures are in place for managing credit risk, including obtaining securities where possible. Market and customer specific developments affect credit risk.

Currency risk

At December 31, 2013 net cash inflows from continuing operations are primarily in USD. Debt maturities are in USD, EUR and NOK. Currency hedging using derivatives has been reduced during 2013 and so far in 2014.

CORPORATE GOVERNANCE

Good corporate governance is essential to ensure that our business is run in a way that protects the long-term interest of all stakeholders.

The Board of Directors have approved and implemented corporate governance principles endorsing and complying with the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. The Group's compliance with the Code of Practice is described in the report on Corporate Governance for 2013 which is included in this Annual Report on page 15.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

REC Silicon is committed to making safe and sustainable solar energy affordable and accessible globally. This means continuous focus on reducing the cost and enhancing the value of our products, while keeping safety at the forefront and always striving for a high environmental and governance standard.

Through close collaboration with our customers and partners we develop solutions to meet their existing and future silicon needs and demands globally. Sustainability is at the core of our business model, and we acknowledge our responsibilities towards the environment, society and the local communities in which we operate.

To ensure compliance with policies, we monitor performance through specific KPIs, report results monthly and quarterly, and execute audits on all levels in the organization. The Board of Directors receives quarterly sustainability reports focusing on KPI scorecard and risks. It is a Board responsibility to secure acceptable performance, also within the sustainability area.

The Environment

Our environment and climate policy commits us to maximize the positive contribution from our products and to minimize our negative environmental impacts and reduce our carbon footprint.

	2013 REC SILICON	2012 REC SILICON	% CHANGE
Energy			
Direct energy consumption (GWh)	998	1 058	-6 %
Electricity (GWh)	1 075	1 515	-29 %
Total energy use (GWh)	2 073	2 572	-19 %
CO2 emissions			
Direct emissions (MT CO2 -eq)	205 662	217 386	-5 %
Indirect emissions from electricity (MT CO2 -eq)	282 536	339 869	-17 %
Total CO2 emissions (MT CO2 -eq)	488 198	557 256	-12 %
Water			
Municipal water consumption (million m3/yr)	0.9	1.2	-25 %
Surface water consumption (million m3/yr)	3.2	3.2	0 %
Waste water discharge (million m3/yr)	1.2	1.3	-3 %
Waste			
Recycled Waste (MT)	6	246	-98%
Non-hazardous waste(MT)	14 549	16 428	0 %
Hazardous waste (MT)	486	57	754 %
Total waste (MT)	15 041	16 730	-10 %
Other figuers			
Total number of permit breaches in 2013	0	9	

To achieve these goals, we include environmental considerations into the design, manufacture and delivery of our products. We set clear objectives, monitor performance regularly, report results, and audit to ensure continuous improvement. Our Pollution Prevention Plan and Process Safety Management Plan cover environmental risks in our operations and our annual, quarterly, monthly and weekly reporting include emissions to air and water, as well as waste management.

The total energy used was 2,073 GWh in 2013, down by 19 percent compared to 2012. This is mainly due to reductions in electricity consumption. The total CO_2 emissions were reduced to 488,198 MT CO_2 equivalents in 2013, down by 12 percent compared to 2012.

We also reduced our water consumption to 4.1 million cubic meters in 2013, a 7 percent reduction compared to 2012. Our waste water discharge was reduced by 3 percent in 2013 compared to 2012, down to 1.25 million cubic meters in 2013.

Waste from the manufacturing processes is sorted and recycled with third party waste management services. In 2013, REC Silicon started using a stricter sampling protocol for hazardous waste that included a larger variety of metals analysis. As a result, there was a large increase in hazard waste treated to 486 tonnes in 2013. The overall decrease in total waste was primarily due to the decrease in production volumes associated with the closure of Polysilicon I in January.

In 2013 we registered no environmental permit breaches.

Our Employees

At December 31, 2013 REC Silicon had approximately 750 employees. Health and safety has the highest priority. We believe that all accidents, injuries, and occupational illnesses are preventable. Our target is zero harm to our employees, contractors, partners, customers and communities.

To achieve a world-class safety culture, REC Silicon employees are involved in safety-focused continuous improvement efforts each day. This includes assessing all work activities to eliminate inherent risks as well as applying control measures. We have an extensive set of HSE procedures that are regularly monitored, safety departments at each facility, and employee-driven processes that audit and further develop safety practices and protocols. All employees have the right and the responsibility to stop unsafe activities as needed.

Since 2012, emphasis has been put on training employees and management in the Job Safety Analysis (JSA) method, which has been applied to high-risk and non-standard work activities. In 2013, the company conducted 151 formal and field analyses, resulting in 341 new action items. Of these, 248 were evaluated, resolved, and closed. Further, employees conducted 415 Hazardous Recognition Audits (HRA) in 2013, identifying 276 action items, of which 190 were closed.

The LTI-rate (number of Lost Time Injuries per million worked hours) for 2013 decreased to 5.2, down by 8.7 percent compared to 2012. The TRI-rate (number of Total Recordable Injuries per million worked hours) decreased significantly to 10.4, a reduction of 29.2 percent compared to 2012. This decrease in the injury rate is directly attributable to the JSA and HRA programs.

The average sickness rate was 1.5 percent for 2013, compared to 1.2 percent in 2012. A health and wellness program launched late 2013 will continue in 2014. The program includes a wellness committee, wellness corner and calendar of activities posted to the intranet.

REC Silicon is committed to equal opportunity employment and practices. All employees and applicants shall be treated without regard to age, gender, sexual orientation, nationality, race, religion, disability, marital situation or any other protected status. Of our employees, 14 percent are female. In the management group 18 percent are women. Two out of five board members are women (40 percent).

Our policies related to equal employment, harassment and discrimination clearly states our expectations, examples of unwelcome behavior, and reporting and complaints procedures.

Human Rights

Our Code of Conduct states that REC Silicon supports fundamental human rights and will abstain from participating in any business activities that may compromise human rights, including child labor and forced labor. The main risk of human rights violations is in our overseas and extended supply chain.

Ethics and sustainability is part of our supply chain management and we seek to contract services and purchase, hire, or lease of equipment, and materials in a manner that ensures that our own sustainability policies are met. The sustainability issues cover human rights, freedom of association, child and forced labor, corruption, and occupational health and safety.

Our focus has been on implementing a standardized sourcing process and 73 percent of our strategic suppliers had contractual clauses regarding respect for human rights in 2013. There were no human rights violations reported in 2013. Supplier audits with regard to human rights are planned for 2014.

Anti-Corruption

REC Silicon sets high standards of integrity and believes that sound business must be based on value-based management and clear guidelines on ethics and sustainability. The Code of Conduct, the Anti-Corruption Policy and related procedures, describe the behavior expected of our employees.

REC Silicon operates in a challenging business environment. The Code of Conduct and the Anti-Corruption Policy are backed by procedures that give practical guidance to help employees in their day-to-day work. Every employee has to sign the Code of Conduct to acknowledge their commitment to adherence. New employees receive training on the Code of Conduct, including information about REC Silicon's anti-corruption policies and procedures.

REC Silicon investigates all potential integrity concerns and cooperates fully with law enforcement agencies. We take every accusation of corruption seriously, perform thorough investigations, report to the Board of Directors and take the necessary actions. No adverse action will be taken against an employee due to complaints submitted in good faith. Complaints can be made anonymously.

No incidents of corruption were reported in 2013.

Local Communities
REC Silicon recognizes that it is a key player in the communities in which it operates and regularly gives back to good causes. REC Silicon and its employees donated nearly NOK 835 thousand and hundreds of volunteer hours to community partnership projects and charitable organizations in 2013.

Partnership projects in 2013 included the donation of a new public warning system ("Reverse 911") for local emergency management, and donation of obsolete computers to the local school district and solar race car kits for the "Solar Races and Energy Science Days" at a local school.

We also provide donations and volunteer time to organizations including: area schools, community colleges and universities; American Cancer Society's Relay for Life, United Way; food banks; and homeless shelters.

OUTLOOK
Market outlook
Market balance is expected to improve in 2014 due to asset rationalization and stronger solar installation markets.

Third party indices project modest increases in average solar grade polysilicon sales prices through 2014. However, bureaucratic and administrative bottlenecks might negatively affect the pace of solar installations, and the potential for higher prices might encourage additional capacity to come on line.

In 2014, industry and equity analysts are estimating global PV demand in the range of 40-56 GW, compared to an estimated 36 GW in 2013. The large range causes persistent uncertainty regarding the supply and demand balance for solar grade polysilicon due in part to potential re-starts or new capacity additions occurring in 2014.

Silicon gas market forecasts project a continuation of the growth experienced during 2013, mainly driven by the crystalline PV market and a marginally positive demand in flat panel displays compared to the past two years.

Production targets
Full year 2014 production targets as well as the actual 2013 production figures are summarized in the table below.

POLYSILICON PRODUCTION VOLUME MT	2013 ACTUAL	2014 TARGET
FBR	16,145	16,000
Semiconductor Grade	1,861	1,750
Siemens Solar	1,758	1,650
Total	19,764	19,400
Silicon Gas sales volume	2,229	2,500

Annual polysilicon production volume is targeted at 19,400 MT, a slight decrease compared to 2013. This decrease is driven by the shutdown of the Silane I facility and increasing silicon gas sales. All production targets are dependent on market conditions and operational performance.

Cost targets
FBR cash production costs targets for 2014 include cost structure improvements due to resource alignment partially offset by lower volumes compared to 2013.

FBR (USD/KG)	ACTUAL 2013	TARGET 2014
Cash Production Cost	12.3	11.7

Capex
Total capex for 2014 is expected to be below NOK 150 million.

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 "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 REC Silicon's activities described in section risk factors above.

Sandvika, April 10, 2014

Espen Klitzing
Member of the Board

Jens Ulltveit-Moe
Chairman of the Board

Ragnhild Wiborg
Member of the Board

Erik Løkke-Øwre
Member of the Board

Inger Berg Ørstavik
Member of the Board

Tore Torvund
President and CEO

STATEMENT OF COMPLIANCE

The Board of Directors and the Chief Executive Officer (CEO) have today considered and approved the report from the Board of Directors and CEO, the financial statements for the Group and for the parent company REC Silicon ASA (the Company) for the year ending December 31, 2013.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements as stated in the Norwegian Accounting Act that are applicable per December 31, 2013. The financial statements for the Company have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway that are applicable per December 31, 2013. The report from the Board of Directors and CEO for the Group and the Company has been prepared in accordance with the Norwegian Accounting Act and the Norwegian Accounting Standard no. 16 applicable per December 31, 2013.

We confirm that, to the best of our knowledge:

- The financial statements for the Group and the Company for the year ending December 31, 2013 have been prepared in accordance with applicable accounting standards, and
- The information in the financial statements gives a true and fair view of the Group's and the Company's assets, liabilities, financial position and results of operations for the year ending December 31, 2013, and
- The report from the Board of Directors for the year ending December 31, 2013 includes a fair review of:
  - The development, results of operations and position for the Group and the Company, and
  - The principal risks and uncertainties for the Group and the Company.

.

Sandvika, April 10, 2014

Espen Klitzing
Member of the Board

Jens Ulltveit-Moe
Chairman of the Board

Ragnhild Wiborg
Member of the Board

Erik Løkke-Øwre
Member of the Board

Inger Berg Ørstavik
Member of the Board

Tore Torvund
President and CEO

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

REC Silicon ASA (the "Company") and its subsidiaries (together REC Silicon Group/the Group), endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board. The latest amendments to the Code of Practice (last revised October 23, 2012) are also incorporated into the reporting requirements of the Accounting Act. The Board has adopted the following report that explains how the Group meets the requirements of the Code of Practice and the Accounting Act.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE
REC Silicon is a global leader in silane-based, high-purity silicon materials. The Group's objective is long-term value creation for its shareholders.

The Group believes sound business must be based on value-based management and clear guidelines on ethics and sustainability.

The Group's ethical values and corporate social responsibility are also described in the Code of Conduct and other Group policies on sustainability. The Code of Conduct includes requirements for compliance with laws, ethical behavior and professional integrity for all employees and board members of the Company and its subsidiaries. In addition, the Group has adopted the following policies:

- Anti-Corruption policy
- Business conduct policy
- Safety and health policy
- Quality and improvement policy
- Environment and climate policy

The Corporate Governance principles, the Code of Conduct and the group policies have been adopted by the Board and are reviewed on a regular basis. Employees can access these polices and principles on the Group's internal website.

2. BUSINESS
The purpose of the Company is described in the Articles of Association § 3:

"The Company's purpose is development and sale of products and services related to renewable energy sources, and to perform other financial operations related to such. The Company may, through subscription of shares or in any other ways, including granting of loans, acquire interests in other companies with identical or similar purposes".

The Group believes the solar industry plays a key role as a long-term supplier of sustainable energy and its business is focused on the production of polysilicon and silicon gases for the solar and electronics industries. To make solar electricity fully competitive with traditional energy sources, the Group focuses on cost reduction and improvements to products. This should be achieved through introduction of new process and product technologies as well as continuous productivity improvement and technology development. Strategies and goals are presented in the annual and quarterly reports, at the various investor meetings.

3. EQUITY AND DIVIDENDS
The Groups consolidated equity was NOK 5.8 billion on December 31, 2013, which was equivalent to approximately 63 percent of total assets.

The Board considers the Group's capital structure appropriate for the current objectives, strategy and risk profile. Reference is also made to note 3.3 to the consolidated financial statements regarding capital structure and financing and to the report of the Board of Directors. The Board expects the Company to be able to extinguish the remaining interest bearing liabilities maturing in 2014 (see note 17).

The Group's ambition is to give its shareholders a high and stable return on their investment and to be competitive compared with alternative investment opportunities with comparable risk.

To support committed investments and productivity improvements, the Board's view so far has been that retained earnings should be put to profitable use within the Company. Accordingly there has been no distribution of dividends to the shareholders since the Company was publicly listed in 2006.

The Board of Directors does not propose any dividend payments for the financial year 2013.

The Board will continue to assess the capital structure based on the goals and strategies and the financial situation of the Company.

At the Annual General Meeting (AGM) on May 3, 2013, the Board was granted the following authorities:

- Authority to acquire treasury shares in the Company (up to a maximum of ten percent of the nominal value of the existing share capital)
- Authority to increase the share capital (up to ten percent of the existing share capital). This authority was utilized in May 2013.

Refer to note 15 of the consolidated financial statements for a more detailed description of the mandates including defined purposes and time limits for utilization. There was separate voting for each purpose.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES
REC Silicon ASA has one class of shares and each share confers one voting right at the General Meetings. The Articles of Association contain no restrictions on voting rights. The Company seeks to conform to the principles for equal treatment of shareholders and is generally cautious in transactions with shareholders, members of the Board of Directors, Group Management, or other related parties.

As a first step in its efforts to refinance liabilities maturing in 2014, the Company completed a private placement to existing and new shareholders resulting in a 10% capital increase in 2013. The private placement was necessary to facilitate an offer to repurchase a substantial amount of the Company's Subordinated Unsecured Convertible Bond 2009/2014, and approx. 50% of the new shares were allocated to convertible bond holders to incentivize them to accept the offer. The remaining 50% were allocated to existing (approx. 75-80%) and new shareholders (approx. 20-25%). The transaction structure was the best available structure and, therefore, the inherent unequal treatment of some shareholders was justified and in compliance with relevant laws and regulations.

Furthermore, on July 17, 2013, the Board of Directors decided to propose to an Extraordinary General Meeting and a bondholder meeting the sale of REC Solar. The sale was contingent on a successful NOK 800 million IPO and listing of the new company on the Oslo Stock Exchange. The sale was approved by the Company's senior bond holders as well as its shareholders. An underwriting syndicate was established among certain major shareholders of the Company to guarantee the offering until December 31, 2013. In order to mitigate the inherent unequal treatment of other shareholders, the underwriting syndicate committed to offering 25% of the underwritten shares to other shareholders later. Subscription rights were issued solely to the Company's shareholders on a pro-rata basis and were non-tradable. Over-subscription was not allowed, and the underwriters subscribed in accordance with their pro rata participation in the syndicate for all shares not subscribed by other shareholders in the offering. Because the shares were sold at the estimated market price at the time the transaction was approved, the subscription rights were not considered to have value, and consequently, the non-tradability of the subscription rights was not considered unequal treatment. The transaction structure was the best available structure and, therefore, the inherent unequal treatment of some shareholders was justified and in compliance with relevant laws and regulations.

The Group did not acquire any of its own shares in 2013.

There were no agreements in 2013 between the Group and shareholders, directors, Group Management or other related parties that could be described as a material transaction.

The Board has adopted guidelines to ensure that they will be informed of possible interests of Board members or members of Group Management or close associates in any transaction or matter dealt with by the Board, as well as guidelines for handling of such situations. The Board must review and approve all transactions between the Group and Group Management or the Board of Directors.

5. FREELY NEGOTIABLE SHARES
The Company is listed on the Oslo Stock Exchange. All shares are without any restrictions and are freely tradable.

6. GENERAL MEETINGS
According to the Articles of Association, the AGM is to be held by the end of June every year.

The notice of the AGM and proposed resolutions are sent to shareholders and made available on the Company's website no later than three weeks prior to the date of the AGM.

The supporting documentation, including the recommendations of the nomination committee, is available on the Company's website no later than three weeks prior to the General Meeting and is not distributed to the shareholders according to the Articles of Association unless specifically requested.

Efforts are made to ensure that proposed resolutions and supporting information are sufficiently detailed and comprehensive to allow the shareholders to form a view on all matters to be considered at the meeting. The invitation includes information about shareholders' rights.

The Company regularly states in the notice of the meeting that shareholders wishing to participate at the General Meeting shall notify the Company within a specific time limit. The time limit cannot expire earlier than five days prior to the General Meeting. Shareholders who have not given notice within the time limit may be denied participation at the meeting. Registration of attendance may be done by mail, fax, or via the Company's website. Separate voting on each candidate for election to the Board and nomination committee is offered at the General Meeting.

The Chairman of the Board, the Board members and the members of the Nomination Committee are normally present at the General Meeting. The auditor is also present. All Board members are encouraged to participate at the meeting.

Shareholders who cannot attend the meeting may vote by proxy. They may elect a proxy of their choice, and the Company also nominates a person that shareholders may elect as a proxy. Information about the procedures shareholders must observe to participate and vote is given together with the notice of the meeting. A proxy form is prepared in a way that allows separate voting instructions to be given for each matter considered. It is not possible to vote separately on each candidate nominated to the Board by way of proxy. This is because the composition of the Board must be in accordance with applicable legislation regarding gender representation and qualifications for the audit committee. The nomination committee's proposal is given with respect to such legislation. Should a situation arise where the composition of the Board might conflict with applicable legislation, the situation and consequences of electing a board contrary to legislation should be discussed at the General Meeting and shareholders should base their votes on the views discussed.

The Articles of Association allow the Board to accept written advance votes subject to the existence of a satisfactory method for verifying the identity of the shareholder. The Articles of Association also allow the Board to accept votes cast through electronic communication. So far, no satisfactory solutions for written advance votes and electronic voting have been established, but the Board will continue to evaluate any solutions that become available.

The General Meeting is opened by the Chairman of the Board who nominates an independent chair for election to lead the meeting.

The protocols of the General Meetings are available on the Company's website.

7. NOMINATION COMMITTEE

The Articles of Association provide for a Nomination Committee consisting of three members. The members are elected by the AGM for a term of two years and the AGM appoints the chairman of the Committee. The remuneration of the Nomination Committee is decided by the AGM. The Nomination Committee makes proposals to the AGM for members to be elected to the Nomination Committee. The composition of the current Committee is in accordance with the requirement of independence in the Code of Practice.

The Nomination Committee presents recommendations to the General Meeting regarding election of shareholder-elected members to the Board and the remuneration for members of the Board. The Committee's recommendations provide relevant information of the candidates.

The Nomination Committee examines the annual report by the Board of Directors on the evaluation of its own work and takes its contents into consideration when making its recommendations on board composition. The Committee also consults with the CEO, the Chairman of the Board, the shareholder-elected Board members and the largest shareholders of the Company before submitting its proposals.

The Nomination Committee presents and provides the basis for the proposals by the Committee at the General Meeting and also reports on how its work has been carried out during the past year. The rules of procedure do not establish rules for rotation of the members of the Nomination Committee. The nomination committee members are currently Mr. Rune Selmar (chair), Mr. Tom Ruud, and Ms. Live Haukvik Aker.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Company has agreed with employees not to have a corporate assembly in the parent company or its subsidiaries. As there is no corporate assembly, the employees have extended representation in the Board. As of December 31, 2013, due to the close-down of the Group's operations in Norway and a number of employees in Norway below 30, there was no employee representative on the Board of Directors.

The Board consists of between five and twelve directors (five directors as of December 31, 2013). Up to eight are elected by the shareholders. The shareholder members are elected for a term of one year.

The directors are presented in the Annual Report with information about education and experience. Currently two of the five shareholder-elected members are women.

All members of the Board are independent of Group Management. A majority of the Board members are independent of material business contacts.

The following three Board members are independent of the Company's main shareholders:

- Erik Løkke-Øwre
- Ragnhild Wiborg
- Inger Berg Ørstavik

The Board elects a Chairman according to the Articles of Association and the Public Limited Liability Companies Act § 6-1 (2).

Board members are encouraged to acquire shares with due consideration to the requirements of the Securities Trading Act and Company procedure for primary insiders. The Company assists Board members compliance with mandatory disclosure obligations. Primary insiders should abstain from short-term transactions in financial instruments, and that they should apply due care and diligence with regard to ownership periods.

9. WORK OF THE BOARD OF DIRECTORS

The Board has the ultimate responsibility for the management of the Company and the Group and for supervising management.

The Board has adopted an annual plan for work with respect to fixed items. Other items are added as required. The Board held 22 board meetings in 2013 which were well attended by all Board members with limited absences.

The Board has adopted "Rules of procedures for the Board of Directors". The rules describe Board responsibilities, duties and administrative procedures as well as the tasks and duties of the Chief Executive Officer. The Board has also adopted a Chart of Authority regulating matters that are to be decided by the Board and the matters that may be decided by Group Management with a description of the appropriate level of decision-maker. The Chart of Authority distinguishes between investment decisions, customer contracts, procurement contracts, compensation, and finance and is reviewed on an annual basis. The Board holds at least one meeting per year with the auditor and without any members of Group Management or administration present.

The Board has established two committees – an Audit Committee and a Compensation Committee.

Audit Committee

The Audit Committee consists of two members of the Board both of which are independent of Group Management. The Committee has collectively the competence required in the Public Limited Liability Companies Act § 6-42. Both members are independent according to § 6-42 Public Limited Liability Companies Act, and one member has the required qualifications within accounting and auditing.

The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, auditing, control, and prepares discussions and resolutions for Board meetings. It has no decision-making authority. In addition, under the whistleblower procedure, complaints from employees and other concerned parties are received and followed up by the Committee. The Chief Financial Officer participates in the meetings of the Audit Committee. The Committee holds at least one meeting per year with the auditor and without the Chief Financial Officer or any other members of the Group Management and administration present.

The Audit Committee held 10 meetings in 2013 and has been in regular contact with the Company's auditor regarding audits of the statutory accounts and it also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

The Committee makes recommendations to the Board with respect to appointment, retention and termination of the Group's auditor as well as the auditor's fees. The Committee reviews complaints regarding accounting, internal controls, and auditing matters.

The tasks and rules of procedure of the Audit Committee are further regulated in the Audit Committee Charter.

The audit committee members are currently Ms. Ragnhild Wiborg (chair) and Mr. Espen Klitzing.

Compensation Committee

The Compensation Committee consists of two members of the Board which are independent of the executive management. The Committee supports the Board by preparing resolutions on the terms and conditions of employment for the Chief Executive Officer and the general principles and strategies for compensation of Group Management including bonus and share based compensation as well as other personnel matters. It also makes recommendations to the Board on employee share purchase programs.

The tasks and procedures of the Compensations Committee are further regulated in the Compensation Committee Charter.

The Compensation Committee members are currently Mr. Erik Løkke Øwre and Ms. Inger Ørstavik.

Other Committees

The Board decided not to form a Corporate Governance Committee in 2013 as the reporting on corporate governance as described in the Accounting Act and the NUES principles should be prepared as part of the Audit Committee's tasks.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Group's risk management system shall ensure that the Group has a systematic and uniform approach to risk management. The system defines roles, responsibilities, processes and procedures, standards, tools and documentation. Group Management sets the context in which risks are managed and supervises the risk management process.

Group Management performs separate risk evaluations based on a top-down approach. Risk assessments are presented to the Audit Committee and the Board of Directors. The Board performs a review of risks in connection with the approval of the annual budget.

In addition, management generates monthly reports that are sent to the Board of Directors including operational reviews, HSE (Health, Safety and Environment), financial highlights and key performance indicators. Group Management also submits sustainability reports to the Board of Directors.

Because the Group operates internationally, it is required to comply with numerous national and international laws and regulations. All business activities and processes must be conducted in accordance with laws, and regulations.

To strengthen internal control, the Group has established an Anti-Corruption Policy and procedures, provided training to employees and managers, and performed a fraud risk assessment. Whistleblower complaints and other internal control activities are presented to the Audit Committee according to the Audit committee charter.

To ensure consistent financial reporting throughout the Group, financial information is reported through the Group's common web-based reporting system, Hyperion Financial Management (HFM). Subsidiaries report figures in HFM based on output from ERP systems. HFM has a chart of accounts and reports designed to meet the requirements of IFRS. HFM has built-in controls in the forms and reports designed to check that information is consistent. Quarterly and year end reporting processes are expanded to meet various supplementary requirements.

The quarterly and yearly reporting process and significant accounting and reporting issues are discussed with the Audit Committee in the presence of the external auditor.

The Group's financial risk management is described in note 3 to the consolidated financial statements. Reference is also made to the Board of Directors' report that includes an analysis of the financial statements and the risk factors.

11. REMUNERATION OF THE BOARD OF DIRECTORS
The members of the Board receive remuneration in accordance with their individual roles. Board members who participate in the Audit Committee or the Compensation Committee receive additional compensation. The Extraordinary General Meeting on November 29 electing new board members approved the Nomination Committee's proposal to grant the chairman and other members of the Board an extraordinary one-time payment due to the extraordinary number of meetings.

Board remuneration is not linked to Company performance and members are not granted share options. During 2013, shareholder-elected members have not taken on specific assignments in addition to their appointment as members of the Board.

12. REMUNERATION OF THE GROUP MANAGEMENT
The Board determines remuneration of the Chief Executive Officer.

Group Management remuneration has been established according to guidelines from the Board. The Board presented its revised policy on the remuneration of Management at the AGM in May 2013. The General Meeting approved the policy.

The remuneration of the Group Management consists of the following main elements:

- Basic salary
- Variable pay based on an annual performance-related compensation system
- Certain compensation in kind, e.g. company car and telephone allowances
- Pension and insurance schemes

In addition, retention bonus agreements have been entered into. For further information see note 16 to the consolidated financial statements.

The variable pay is linked to the Group's financial performance over time and includes incentives related to performance employees can influence. There are absolute limits for performance-related remuneration.

On June 24, 2013 an Extraordinary General Meeting adopted a revised statement of Management compensation allowing implementation of a new share option based incentive program. No such program was initiated in 2013.

The remuneration of the Chief Executive Officer and other members of Group Management are disclosed in note 16 to the consolidated financial statements.

13. INFORMATION AND COMMUNICATION
The Company treats its investors equally. Timely information is published simultaneously to all investors in accordance with applicable legislation and regulation in order to provide the best possible basis for evaluation of Company performance.

Presentations that are open to the public are conducted in connection with quarterly reports and are also made available through a webcast. The Chief Executive Officer and the Chief Financial Officer normally participate in quarterly presentations. The Investor Relations Officer participates at the quarterly presentations. Furthermore, the Company keeps an ongoing dialogue with its investors and makes presentations to analysts and investors through various conferences and events.

The Investor Relations (IR) function is in charge of coordinating the Company's communications to the market and to existing and potential investors of the Company. The Investor Relations Officer reports to the Chief Executive Officer.

The annual report is sent to shareholders on request. The annual and quarterly reports, Stock Exchange announcements, presentations, and the financial calendar are published on the Company's website.

The Board has adopted an IR policy specifying, among other things, who is entitled to speak on behalf of the Company on various subjects and with guidelines for the Company's contact with shareholders other than through General Meetings.

14. TAKE-OVERS
The Company has no defense mechanism to prevent take-over bids. The Board is open to initiatives that are commercially and financially attractive for the shareholders. The Board assesses potential offers in accordance with applicable legislation and Code of Conduct requirements in due course. No other guidelines have been established by the Board of Directors in the event of a take-over bid, which is a deviation from the Code.

Any transaction that effectively constitutes a disposal of a majority of the Company's activities will be decided by the General Meeting.

15. AUDITOR
The Company's external auditor is independent from the Company and is elected by the AGM.

The auditor participates at Board meetings with respect to the Annual Financial Statements and provides comments related to the accounting principles and the Financial Statements. The auditor comments on any material changes in the Company's accounting principles, material estimates used to calculate accounting figures, and reports disagreements between the auditor and Group Management.

The auditor presents the most significant identified weaknesses and proposals for improvements of the internal control procedures annually to the Board with an annual confirmation that the auditor had satisfied the requirements for independence together with a summary of all services provided to the Group. The auditor meets with the Audit Committee and the Board once a year without the Chief Executive or any other member of the Group Management present.

The auditor participates in meetings of the Audit Committee and presents the main features of audit plan to the Committee.

Remuneration of the auditor is approved by the AGM. The auditor provides a break-down between audit and non-audit services, and the AGM is given information about non-audit services provided by the auditor. The Board has issued guidelines regarding Group Management's use of the auditor for services other than audit.

The auditor participates at the AGM and presents the independent auditor's report.

FINANCIAL STATEMENTS

REC SILICON GROUP & REC SILICON ASA

REC SILICON GROUP

REC SILICON ASA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION REC SILICON GROUP

(NOK IN MILLION)	NOTES	2013	2012
ASSETS			
Non-current assets			
Goodwill	6,7	0	0
Other intangible assets	6	109	127
Intangible assets	6	109	127
Land and buildings	6	482	828
Machinery and production equipment	6	5 857	6 205
Other tangible assets	6	146	214
Assets under construction	6	69	147
Property, plant and equipment	6	6 555	7 394
Prepaid lease, non-current		0	143
Government grant assets	12	689	675
Equity accounted investments	8	0	151
Other non-current receivables	12	59	142
Derivatives	11	93	100
Restricted bank accounts non-current	14	39	0
Financial assets and prepayments		191	393
Deferred tax assets	18	0	8
Total non-current assets		7 544	8 741
Current assets			
Inventories	13	579	1 295
Prepaid lease, current		0	7
Trade and other receivables	12	698	1 720
Current tax assets	18	21	26
Current derivatives	11	27	63
Restricted bank accounts	14	31	3
Cash and cash equivalents	14	375	1 907
Total current assets		1 731	5 020
Total assets		9 275	13 761

CONSOLIDATED STATEMENT OF FINANCIAL POSITION REC SILICON GROUP

(NOK IN MILLION)	NOTES	2013	2012
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		**2 314**	2 114
Other paid-in capital		**17 043**	16 875
Paid-in capital		**19 357**	18 989
Other equity and retained earnings		**-11 468**	-5 827
Profit and loss for the period from total operations		**-2 073**	-6 027
Total shareholders' equity		**5 816**	7 135
Non-current liabilities			
Retirement benefit obligations	19	**87**	124
Deferred tax liabilities	18	**551**	969
Provisions	20	**0**	344
Derivatives	11	**31**	55
Non-current financial liabilities, interest bearing	17	**1 370**	3 760
Non-current prepayments, interest calculation	20	**41**	40
Total non-current liabilities		**2 080**	5 292
Current liabilities			
Trade payables and other liabilities	20	**418**	1 211
Provisions	20	**8**	47
Current tax liabilities	18	**0**	1
Derivatives	11	**26**	17
Current financial liabilities, interest bearing	17	**872**	-29
Current prepayments, interest calculation	20	**55**	88
Total current liabilities		**1 379**	1 334
Total liabilities		**3 459**	6 626
Total equity and liabilities		**9 275**	13 761

Sandvika, April 10, 2014

Espen Klitzing
Member of the Board

Jens Ulltveit-Moe
Chairman of the Board

Ragnhild Wiborg
Member of the Board

Erik Løkke-Øwre
Member of the Board

Inger Berg Ørstavik
Member of the Board

Tore Torvund
President and CEO

CONSOLIDATED STATEMENT OF INCOME RE-PRESENTED FOR DISCONTINUED OPERATIONS REC SILICON GROUP

(NOK IN MILLION)	NOTES	2013	2012
Revenues	5	**2 453**	3 063
Cost of materials		**-628**	-1 618
Changes in inventories		**96**	91
Employee benefit expenses	24	**-622**	-683
Other operating expenses	22	**-1 111**	-1 335
Other income and expenses	23	**109**	190
EBITDA		**298**	-292
Depreciation	6	**-736**	-945
Amortization	6	**-14**	-88
Impairment	6,7	**-54**	-3 034
Total depreciation, amortization and impairment		**-804**	-4 067
EBIT		**-506**	-4 359
Financial income	25	**44**	43
Net financial expenses	25	**-339**	-429
Net currency gains/losses	25	**232**	-157
Net gains/losses derivatives and fair value hedge	25	**-211**	483
Impairment and gains/losses on financial assets	25	**0**	-3
Fair value adjustment convertible bonds	25	**-659**	-415
Net financial items		**-933**	-477
Profit/loss before tax from continuing operations		**-1 439**	-4 836
Income tax expense/benefit from continuing operations	18	**498**	1 376
Profit/loss from continuing operations		**-940**	-3 461
Profit/loss from discontinued operations, net of tax	9	**-1 132**	-2 566
Profit/loss from total operations		**-2 073**	-6 027
Attributable to:			
Owners of REC Silicon ASA		**-2 073**	-6 027
Earnings per share (In NOK)			
From continuing operations			
-basic and diluted	26	**-0.42**	-2.10
From total operations			
-basic and diluted	26	**-0.93**	-3.65

Discontinued operations include external profit and loss items of REC Solar and REC Wafer and net gains/losses on disposal, and are shown as a single amount in the statement of income for the Group. This re-presentation does not indicate the profits earned by continuing or discontinued operations, as if they were standalone entities, for past periods or likely to be earned in future periods. See note 9.

EBITDA is earnings before net financial items, income taxes, depreciation, amortization and impairment.

EBIT is earnings before net financial items and income taxes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME REC SILICON GROUP

(NOK IN MILLION)	2013	2012
Profit/loss for the period	-2 073	-6 027
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plans	25	-33
Sum items that will not be reclassified to profit or loss	25	-33
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences		
- taken to equity	464	-632
-transferred to profit/loss for the period [1)]	-101	0
Sum items that may be reclassified subsequently to profit or loss	363	-632
Total other comprehensive income for the period	388	-665
Total comprehensive income for the period	-1 684	-6 692
Total comprehensive income for the period attributable to:		
Owners of REC Silicon ASA	-1 684	-6 692

[1)] Currency translation differences transferred to profit/loss in 2013 are related to the sale of REC Solar at the end of October. The amount is included in the statement of income in the line item "profit/loss from discontinued operations, net of tax".

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY REC SILICON GROUP

	ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA						
(NOK IN MILLION)	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	**TOTAL PAID-IN CAPITAL**	OTHER EQUITY	COMPREHENSIVE INCOME	**TOTAL EQUITY**
Year 2012							
At January 1, 2012	997	16 073	283	**17 353**	1 087	-6 249	**12 192**
Equity share option plan	0	0	0	**0**	-2	0	**-2**
Share issue	1 117	519	0	**1 636**	0	0	**1 636**
Total comprehensive income for the period	0	0	0	**0**	0	-6 692	**-6 692**
At December 31, 2012	2 114	16 592	283	**18 989**	1 086	-12 940	**7 135**
Year 2013							
At January 1, 2013	2 114	16 592	283	**18 989**	1 086	-12 940	**7 135**
Equity share option plan	0	0	0	**0**	-2	0	**-2**
Share issue	200	168	0	**368**	0	0	**368**
Total comprehensive income for the period	0	0	0	**0**	0	-1 684	**-1 684**
At December 31, 2013	2 314	16 760	283	**19 357**	1 084	-14 624	**5 816**

This table presents details of comprehensive income

(NOK IN MILLION)	TRANSLATION DIFFERENCES	TAX	PENSION	ACQUISITION	CHANGE IN ACCOUNTING PRINCIPLE	PROFIT/LOSS	**TOTAL**
Year 2012							
Accumulated at January 1, 2012	111	11	-22	234	-50	-6 533	**-6 249**
Loss for the period	0	0	0	0	0	-6 027	**-6 027**
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Actuarial gain/loss on defined benefit pension schemes	0	0	-33	0	0	0	**-33**
Sum items that will not be reclassified to profit or loss	0	0	-33	0	0	0	**-33**
Items that may be reclassified to profit or loss:							
Currency translation differences							
- taken to equity	-647	16	0	0	0	0	**-632**
Sum items that may be reclassified to profit or loss	-647	16	0	0	0	0	**-632**
Total other comprehensive income for the period	-647	16	-33	0	0	0	**-665**
Total comprehensive income for the period	-647	16	-33	0	0	-6 027	**-6 692**
Accumulated at December 31, 2012	-536	27	-54	234	-50	-12 560	**-12 940**
Year 2013							
Accumulated at January 1, 2013	-536	27	-54	234	-50	-12 560	**-12 940**
Loss for the period	0	0	0	0	0	-2 073	**-2 073**
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Actuarial gain/loss on defined benefit pension schemes	0	0	25	0	0	0	**25**
Sum items that will not be reclassified to profit or loss	0	0	25	0	0	0	**25**
Items that may be reclassified to profit or loss:							
Currency translation differences							
- taken to equity	483	-19	0	0	0	0	**464**
- transferred to profit/loss for the period	-101	0	0	0	0	0	**-101**
Sum items that may be reclassified to profit or loss	382	-19	0	0	0	0	**363**
Total other comprehensive income for the period	382	-19	25	0	0	0	**388**
Total comprehensive income for the period	382	-19	25	0	0	-2 073	**-1 684**
Accumulated at December 31, 2013	-154	8	-29	234	-50	-14 633	**-14 624**

CONSOLIDATED STATEMENT OF CASH FLOWS TOTAL OPERATIONS REC SILICON GROUP

(NOK IN MILLION)	2013	2012 [5]
Cash flows from operating activities		
Profit/loss before tax from total operations[1]	-2 563	-7 419
Income taxes paid/received	-1	14
Depreciation, amortization and impairment	904	7 640
Fair value adjustment convertible bond	659	415
Equity accounted investments, impairment financial assets, gains/losses on sale	-18	-26
Gains/losses on disposal of discontinued operations	1 215	-812
Changes in receivables, prepayments from customers etc.	110	118
Changes in inventories	21	865
Changes in payables, accrued and prepaid expenses	-219	-197
Changes in provisions	-10	415
Changes in VAT and other public taxes and duties	13	-2
Changes in derivatives	2	86
Currency effects not cash flow or not related to operating activities	-158	173
Other items [2]	37	35
Net cash flow from operating activities	-7	1 306
Cash flows from investing activities		
Cash proceeds for shares (incl. equity accounted investments)	73	0
Cash payments for shares (incl. equity accounted investments)	-25	-61
Proceeds from finance receivables and restricted cash[3]	40	17
Payments finance receivables and restricted cash[3]	-101	-7
Proceeds from sale of property, plant, equipment, intangible assets and prepaid lease	39	4
Payments for property, plant, equipment, intangible assets and prepaid lease	-220	-298
Proceeds from investment grants	80	0
Proceeds/payments from disposal of subsidiaries, net of cash disposed of	520	-69
Net cash flow from investing activities	406	-414
Cash flows from financing activities		
Increase in equity	368	1 635
Payments of borrowings and up-front/waiver loan fees [4]	-2 579	-2 982
Proceeds from borrowings[4]	269	776
Net cash flow from financing activities	-1 942	-571
Effect on cash and cash equivalents of changes in foreign exchange rates	12	-9
Net increase/decrease in cash and cash equivalents	-1 532	313
Cash and cash equivalents at the beginning of the period	1 907	1 594
Cash and cash equivalents at the end of the period	375	1 907

[1] Profit / loss before tax from total operations consists of (see note 9)

(NOK IN MILLION)	2013	2012
Profit/loss before tax from continuing operations	-1 439	-4 836
Profit/loss before tax from discontinued operations	-1 124	-2 583
Profit/loss before tax from total operations	-2 563	-7 419

[2] Other items consist primarily of expensing of loan fees and costs related to debt financing.
[3] Proceeds/payments from finance receivables and restricted cash also include also loans and non-current receivables.
[4] Proceeds from borrowings include prepayments, interest calculation. Payments of borrowings include fees and costs for issue and repurchase of interest bearing debt.
[5] The statements of cash flow for 2012 has been affected by the change in presentation of joint ventures, see note 2.24.

INDEX OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REC SILICON GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REC SILICON GROUP

01 GENERAL INFORMATION

Renewable Energy Corporation ASA was renamed REC Silicon ASA at the end of October 2013. At the same time the segment REC Solar was sold.

References to the "Company" denote Renewable Energy Corporation ASA and then REC Silicon ASA subsequent to October 2013. The Company and its subsidiaries (together, "REC Silicon Group" or "Group") have a presence in the international solar energy industry. Subsequent to the sale of REC Solar in October 2013, Group operations are focused on the production of polysilicon and silicon gases for the solar and electronics industries.

Prior to the sale of REC Solar, the Group was also engaged in the manufacture of wafers, cells, and solar panels, and the development of PV systems.

References to "REC Silicon", "REC Solar", or "REC Wafer" denote the segments defined in note 5 below.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Kjørboveien 29, Sandvika.

These consolidated financial statements were approved for issue by the Board of Directors on April 10, 2014 and are subject to approval by the Annual General Meeting on May 12, 2014.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements are presented in NOK, rounded to the nearest million, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column. The comparative figures in the financial statements and notes have been re-presented for discontinued operations where relevant, see note 9.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), relevant interpretations, and the Norwegian Accounting Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by impairment of some assets, the revaluation of derivative instruments and EUR and USD convertible bond loans measured at fair value as well as fair value adjustments of parts of the fixed interest rate NOK bond loans.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Actual outcomes may differ substantially. It also requires management to exercise judgment in applying the Group's accounting policies. Areas involving a high degree of judgment or complexity, and areas where assumptions and estimates have a significant impact are disclosed in note 4.

2.2 CONSOLIDATION

(A) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date control is obtained until the date that control ceases.

All subsidiaries are owned 100 percent and there are no non-controlling interests.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized gains have been present in previous years on intercompany sales of intermediate products.

(B) Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. Joint control exists only when decisions require the unanimous consent of the parties sharing control.

At adoption of IFRS 11 Joint Arrangements from January 1, 2013, the Group changed from proportionate consolidated to the equity method to account for its jointly controlled entities. Subsequent to the sale of REC Solar, the Group has no jointly controlled entities.

(C) Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for by the equity method of accounting. Subsequent to the sale of REC Solar, there are no associates.

2.3 SEGMENT REPORTING

An operating segment is a distinguishable component of the Group that is engaged in providing products that are subject to similar risks and returns and corresponds to management reporting. As of December 31, 2013, there is only one operating segment; REC Silicon, as well as Other.

Management is headed by the Chief Executive Officer (CEO) who is regarded as the chief operating decision maker.

2.4 FOREIGN CURRENCY TRANSLATION

(A) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in NOK which is the Company's functional currency.

(B) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates on the reporting date. Foreign exchange gains and losses resulting from the settlement or the translation of monetary assets and liabilities are recognized in the statement of income, except when deferred in equity as qualifying cash flow hedges, qualifying net investment hedges or as a part of a net investment.

(C) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate;

(ii) Income and expenses for each statement of income are translated at average exchange rates for the reporting period (based on monthly average rates); and

(iii) All resulting exchange differences from translation are recognized as a separate component of other comprehensive income (OCI).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, including monetary items that are regarded as a part of the net investment, and of borrowings and other currency instruments designated as hedges of such investments, are included in OCI. When a foreign operation is disposed, exchange differences are recognized in the statement of income as part of the gain or loss on sale. At December 31, 2013 or 2012 the Group did not hold any instruments accounted for as net investment hedges. At December 31, 2013 and 2012, a USD 132 million loan to REC Silicon Inc. was regarded as a part of the net investment in REC Silicon Inc.

2.5 CURRENT/NON-CURRENT

An asset/liability is classified as current when it is expected/due to be realized or settled within 12 months after the reporting date.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and un-reversed impairment losses. Cost includes expenditures that are directly attributable to the acquisition, construction or installation of the items. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method based on the costs of the assets less any residual value over their estimated useful lives.

2.7 INTANGIBLE ASSETS

(A) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets. Goodwill is carried at cost less accumulated impairment losses. Goodwill related to equity accounted investments is included in the carrying value of investments. At December 31, 2013 the Group had no remaining carrying value of goodwill.

(B) Other intangible assets

Other intangible assets that have finite useful lives are carried at cost less accumulated amortization and un-reversed impairment losses. Amortization is calculated using the straight-line method on the costs of assets over their estimated useful lives from the date they are available for use. The Group has no intangible assets with indefinite useful lives.

(C) Research and development

Research expenditures are recognized in expense as incurred. Development expenditures (relating to the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes or systems) are capitalized when it is probable that the project will be successful considering its commercial and technological feasibility. Costs expensed in prior reporting periods are not later capitalized. Other development expenditures are recognized in expense as incurred.

2.8 IMPAIRMENT OF ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized in the statement of income for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level that based on judgment generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Generally, any impairment is allocated to goodwill first, then proportionately to other non-current assets within a cash-generating unit. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment includes losses associated with assets determined to have no future economic benefits and assets that are replaced prior to the end of their useful lives.

2.9 FINANCIAL ASSETS

Financial assets are classified in the following categories: at fair value through profit or loss, and loans and receivables. Classification depends on the purpose for which the financial assets were acquired and is determined at initial recognition.

For the years ended December 31, 2013 and 2012, the Group had insignificant available-for-sale financial assets and no held-to-maturity financial assets.

For the years ended December 31, 2013 and 2012, the Group had only derivatives in the category financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost, which for current receivables approximates historical cost.

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.10 ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Group has used derivative financial instruments to hedge a portion of its risks associated with interest rate and foreign currency fluctuations. Derivatives are recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured for changes in fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative unless the Group has the intention and ability to settle the contracts net. The method of recognizing resulting gains or losses depends on whether the derivative is designated and qualifies as a hedging instrument and the nature of the item being hedged. Derivatives are categorized as held for trading unless they are designated and qualify as hedging instruments.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. Subsequent to the deconsolidation of REC Wafer in 2012, no embedded derivatives are separated.

The Group applied fair value hedge accounting to the NIBOR interest portion of the fixed rate NOK bonds (hedge items) using interest rate derivatives. The changes in fair value of the part of the fixed interest bond relating to NIBOR, as well as the derivatives were recognized to profit or loss in financial items. In connection with a partial buyback of NOK bonds in November 2013, the Group revoked the designation and the fair value hedge relationships were terminated.

2.11 TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment. An impairment of a trade receivable is recognized when there is objective evidence that the Group will not be able to collect all amounts. Balances are written off when collection efforts have been exhausted and the probability of recovery is unlikely.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, demand deposits at banks and money market funds with term less than three months.

2.13 PAID-IN EQUITY CAPITAL

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of any income tax, from the proceeds.

2.14 BORROWINGS

Borrowings are recognized initially at fair value. Borrowings that are not maintained at fair value through profit or loss are recognized net of transaction costs and subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period the borrowings are outstanding using the effective interest method. Commitment fees for bank credit facilities are recognized as part of interest expenses as incurred.

The Company issued a fixed rate convertible bond in the fourth quarter of 2009 that is denominated in a foreign currency (EUR). In the third quarter 2013, a USD convertible bond was issued. A foreign currency convertible bond is not a compound financial instrument and is classified wholly as a liability in the financial statements. Following IAS 39, by definition, foreign currency denominated convertible debt contains embedded derivatives in relation to the conversion option, and the foreign exchange rates must be remeasured to market at reporting dates. For these EUR and USD convertible bonds, the Group recognizes the changes in the fair value of the whole convertible bonds, and not just the embedded derivatives, through profit or loss as a part of financial income or expenses.

The Group applied fair value hedge accounting to parts of fixed rate NOK bonds. The main part of the fair value adjustment of the NOK bonds was included in the gain/loss on settlement at the partial repurchase in November 2013 and the remainder will be taken to income as part of the effective interest of the bonds.

A financial liability (or a part of a financial liability) is removed from the statement of financial position when the obligation is discharged, cancelled, or expires. Substantial modifications to the terms of existing financial liabilities or an exchange of debt instruments with an existing lender at substantially different terms are treated as extinguishments of the original liability. The difference between the carrying amount of a financial liability and the consideration paid to extinguish the liability is recognized in profit or loss. The repurchase of bonds and cancelation of bank credit facilities in 2013 and the cancelation of a bank credit facility in 2012 in connection with the establishment of a new bank credit facility were accounted for as extinguishments of debt.

2.15 INVENTORIES AND CONSTRUCTION CONTRACT COSTS

Inventories are stated at the lower of cost or net realizable value (NRV).

Purchased inventories are stated at average cost less estimated obsolescence. Reserves for obsolescence include the writedown of items no longer required (held for disposal) and the estimated decline in NRV caused by slow moving items.

The cost of finished goods and work in progress inventories are determined on a first in, first out basis and consists of raw materials, direct labor, other direct costs, and related indirect overheads. Costs associated with abnormal waste or unused normal operating capacity are not included in inventories. NRV is the estimated sales price less incremental costs to complete and sell the item. Net adjustments to reduce inventory to the lower of cost or NRV are recognized in inventory changes in the statement of income.

Subsequent to the sale of REC Solar, the Group has no construction contracts. Costs related to the construction of PV systems in REC Solar were accounted for as inventories or construction contract costs, as applicable.

2.16 INCOME TAX

Income tax expense (benefit) includes current and deferred tax. Income tax expense (benefit) is recognized in profit or loss except to extent it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the estimated tax payable or receivable on the taxable income or loss for the year, and any adjustments to tax payable for previous years. Deferred tax includes the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also includes the carry forward of unused net operating losses and credits.

Current and deferred tax amounts are determined using rates and laws that have been enacted or substantially enacted at the reporting date or are expected to apply when temporary differences reverse. Net deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deferred amounts utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

The deferred tax asset consists primarily of net operating loss carry forwards in the USA. Utilization of net operating losses and tax credit carry forwards are subject to certain limitations under Section 382 and 383 of the Internal Revenue Code in the event of a change in the Company's ownership.

The convertible bonds are fair valued with changes recognized through profit or loss, giving rise to temporary differences. The Group recognized related deferred tax liabilities or deferred tax assets. Any deferred tax assets on these fair value adjustments are recognized regardless of any probable taxable profits.

The Group reclassifies the currency effects on a loan regarded as part of a net investment (see note 2.4 (c)) and a related calculated income tax from profit or loss to OCI. The reclassification of income tax is made regardless of whether REC Silicon ASA reports a net tax expense/benefit and does not affect recognition of deferred tax assets or deferred tax liabilities in the statement of financial position.

2.17 PROVISIONS

Provisions for product warranties, onerous contracts, asset retirement obligations, restructuring costs, termination benefits, loss on financial guarantees, environmental restoration and legal claims are recognized when: the Group has a present or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are discounted only when the effect is material and the distribution in time can be reliably estimated.

2.18 PENSION/POST RETIREMENT OBLIGATIONS

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position with respect to defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity via other comprehensive income in the period in which they arise.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. In 2012 and 2013, the Group recognized gains on the curtailment of defined benefit plans in connection with restructuring in Norway (see note 19).

Obligations for contributions to defined contribution pension plans are recognized as an expense during the period incurred.

2.19 REVENUE RECOGNITION

Revenues are primarily generated from sale of manufactured goods and represent the fair value of goods and services provided to customers less rebates, discounts and expected returns.

Revenue is recognized when the significant risks and rewards of ownership and control have been transferred, the price is fixed or determinable, collectability is reasonably assured, and the costs can be measured reliably. The Group generally recognizes revenues at the point of shipment.

2.20 LEASES

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other leases are classified as operating leases. Operating leases consist primarily of agreements where the Group is entitled to the output of leased process gas facilities which cannot be separated from the underlying lease. Leases are evaluated at inception, based on the substance of the transaction. The evaluation of leases requires substantial judgment. The Group has no finance leases. See note 29.

2.21 GOVERNMENT GRANTS

Government grants are recognized at their fair values when there is reasonable assurance that the grants will be received and that the Group will comply with attached conditions. Government grants related to assets are presented in the statement of financial position as a reduction to the carrying amount of the assets and reduce depreciation in the statement of income. Government grants relating to income are deducted from related expenses.

Government grant assets are recognized for the unsettled portions of grants and are discounted if the effect of discounting is significant. Significant changes to estimates of timing of utilization or discount rates are recognized as a change in the grant asset and offset to production assets or expenses based on the classification at the inception of the grant. See notes 12 and 21.

2.22 DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that has been disposed of, abandoned, or is classified as held for sale and represents a separate major line of business or geographical area of operations.

Results from discontinued operations, including gains and losses on disposal, are reported separately as profit (loss) from discontinued operations in the statement of income. The consolidated statement of income for previous periods is re-presented with only external income and expenses included in discontinued operations beginning on loss of control or on assets and liabilities held for sale. Internal transactions continue to be eliminated on consolidation but are not re-presented in discontinued operations. Prior periods are not restated in the statement of financial position or in the statement of cash flows.

2.23 STATEMENT OF CASH FLOWS

The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash line items. Interest received and paid are reported as a part of operating activities, except borrowing costs capitalized as part of the construction of a non-current asset that are included in investing activities, and payment of up-front and loan fees that are reported as part of financing activities.

Operating activities include all cash flow effects from derivatives. Furthermore significant currency gains and losses are recognized in the statement of income, primarily for the Company. Amounts estimated to relate to borrowings (financing activities), non-current financial assets and investments (investing activities) and unrealized gains or losses on cash and cash equivalents held at the end of the periods are reclassified in a separate line item under operating activities.

Proceeds from borrowings include prepayments received from customers on which interest is calculated.

The consolidated statement of cash flows presents changes in cash balances with respect to total operations (continuing and discontinued) and therefore does not reflect the performance of continuing operations during prior periods or the performance that is likely to be achieved in future periods.

2.24 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The Group has adopted new and amended standards and interpretations issued by the IASB and approved by the EU that are relevant to its operations and effective for reporting periods beginning on January 1, 2013. The most relevant of these are:

IFRS 11 Joint Arrangements and related amendments to IAS 28 Investments in Associates and Joint Ventures (2011)

- The Group has changed from the proportionate consolidation to the equity method to account for its jointly controlled entities. Comparative prior period figures have been restated (see note 8). The line item "equity accounted investments" is now shown between EBIT and financial items for total operations.

IFRS 13 Fair Value Measurement

- The implementation of IFRS 13 has not changed the measurement process and the related note disclosures for the Group.

Amendments to IAS 19 Employee Benefits

- The Group has made adjustment to the presentation of interest on net benefit obligations, which is now included as part of financial items and not as part of pension costs.

Amendments to IAS 1 Presentation of Financial Statements

- The Group has made some adjustments in its presentation of other comprehensive income at implementation of the amended IAS 1, primarily by grouping together items within other comprehensive income that may be reclassified to profit or loss.

IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities

- The implementation did not affect the accounting or note disclosures of the Group.

Because the effects on implementation are not material a statement of financial position at January 1, 2012 has not been provided.

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations have been published, but are not effective at December 31, 2013 and have not been applied in preparing these consolidated financial statements. The most relevant of these are:

IFRS 9 Financial Instruments and related amendments to IFRS 7: Financial Instruments

- The IASB has not decided on the effective date.
- Changes in fair value through profit and loss on "own credit" will be recognized in other comprehensive income.
- The potential impact on the Group's consolidated financial statements has not been concluded.

IFRIC Interpretation 21: Levies, an Interpretation on the accounting for levies imposed by governments

- The Interpretation clarifies the recognition of liabilities associated with levies.
- Effective for periods beginning on or after January 1, 2014.
- The Group has preliminarily determined that adoption will require recognition of an estimated liability for property taxes in the USA for interim period reporting instead of building up the liability through the year with recognition of an offsetting asset to be amortized to expense through the year.

Management intends to adopt these standards and interpretations at the effective dates provided the standards and interpretations are approved by the EU.

03 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS
The Group's activities expose it to a variety of financial risks, including currency risk, interest-rate risk, liquidity risk, credit risk, refinancing risk and others.

The goals for the Group finance policy and the treasury operations are primarily to minimize the risk of financial distress, secure long term funding, reduce refinancing risk, hedge currency risk of expected future net cash flows and manage interest rate risk. The company's finance policy sets the framework and limits for hedging activities in the Group. It defines risk management objectives, responsibilities and operational requirements.

All hedging transactions are undertaken in order to reduce negative impacts of changes in financial markets on net cash flow. The Group uses financial instruments to hedge net exposures arising from operating, financing and investment activities.

The disclosures that are required regarding financial risks below focus on the risks that arise from financial instruments and how they have been managed. However, from management's perspective some of the financial instruments, especially currency derivatives, are entered into with the purpose of reducing risks from commercial transactions while the existence of these financial instruments exposes the company to additional risks.

(A) Currency risk
The Company operates internationally and is exposed to currency risk. At December 31, 2013, the Group's working capital is primarily in USD, while equity is in NOK and debt is in NOK, USD, and EUR. Currency risk arises from commercial transactions in currencies other than the entities' functional currencies, recognized assets and liabilities, and net investments in foreign operations.

Net cash flow is defined as the consolidated external cash flows of the Group. The Group's policy provides the ability to hedge between 50 and 100 percent of forecasted consolidated external net cash flow on a 24 month rolling basis. The purpose is to reduce the currency risk of expected future net cash flows for the Group.

Prior to the sale of REC Solar, the Group had estimated net positive external cash flows in EUR and USD and net negative external cash flows in Singapore Dollar (SGD) and NOK. Subsequent to the sale of REC Solar, net positive external cash flows are denominated in USD. The Group's currency risk mitigation strategy has shifted from hedging anticipated cash flows into NOK to hedging anticipated net cash flows into USD.

To manage currency risk arising from commercial transactions, the Company has used various forward contracts or options. In addition the Company has swapped parts of the currency exposure of interest bearing debt from NOK to USD since future cash flows are estimated to arise from these currencies. The Company manages the currency risk on an overall level and established external foreign exchange rate contracts with banks.

In 2012 and 2013, the Group did not use hedge accounting according to IAS 39 Financial Instruments Recognition and Measurement for currency hedges.

Currency developments also affect translation of the statement of income and financial position of foreign entities, as well as other financial items in foreign currencies such as cash equivalents, receivables, debt and derivatives.

(B) Credit risk

Credit risk is the risk of loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation and is primarily related to trade receivables. The Group maintains policies to ensure that credit is extended to customers with appropriate liquidity and credit histories in combination with requiring guarantees when appropriate.

(C) Liquidity risk

Liquidity risk is measured by subtracting the Group's liabilities from cash considering historic and anticipated operating results. Liquidity risk management requires maintaining sufficient available cash or access to capital markets to compensate for anticipated volatility in operating cash flows or to fund additional investments.

At December 31, 2013 debt maturities in 2014 exceeded the anticipated liquidity from operations and available cash. However, on March 7, 2014 the Group received USD 99 million associated with a joint venture agreement announced on February 26, 2014. See note 33.

(D) Interest rate risk

Changes in market interest rates affect the fair value of assets and liabilities or the variability in cash payments. The Group is exposed to interest rate risk through funding and cash management activities, primarily in REC Silicon ASA. Cash in bank accounts and liabilities have primarily carried variable interest rates. The Company has borrowings through bonds, convertible bonds and indemnification loans.

Borrowings are primarily exposed to changes in USD, EUR and NOK interest rates. The company has entered into interest rate derivatives, both to swap variable interest to fixed and to swap fixed rate exposure to variable interest rates, see note 11.

Interest income and interest expense in the statement of income, as well as interest receipts and payments, are influenced by interest rate changes for financial instruments that carry variable interest rates. Fair values of fixed rate instruments and interest derivatives are affected by interest rate changes. See note 30 for interest rate sensitivity.

(E) Hedging of risk related to supply of raw material/commodities

When the Group is exposed to changes in the total costs from specific input factors it may hedge the associated risk. As of year-end 2013 and 2012, no hedges were in place, except certain forward energy purchase contracts.

3.2 FAIR VALUE ESTIMATION

Fair value estimation is discussed in note 30.

3.3 CAPITAL STRUCTURE AND FINANCING

In determining the appropriate capital structure for the Group, various factors have been considered. These include risks associated with the Group's business profile and the fact that the polysilicon production has high capital intensity.

The Group's goal is to maintain sufficient capital to implement business strategies and financial flexibility expansion opportunities. Taking into account market volatility and risk related to future cash flows, the Group aims to maintain a sound and sustainable capital structure with a high ratio of equity funding.

04 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Management's judgments in applying the Group's accounting policies which have the most significant effect on the financial statements are discussed below and in the relevant notes.

(A) Deferred tax

According to current regulations and tax treaties between Norway and the USA, withholding tax of 15 percent applies to any dividend paid by the Group's operations in the USA to the parent company in Norway. The Company controls the distribution of future dividends from the US operations, and has determined that those profits will not be distributed in the foreseeable future. Consequently, the Group has not recognized deferred tax liability on undistributed earnings. See note 18.

(B) Functional currencies

The Group's presentation currency and the Company's functional currency is currently Norwegian Kroner. Subsequent to the sale of REC Solar, the activities of the Group will primarily be in the subsidiaries in the USA with USD as functional currency. Functional currency affects the reporting of currency gains and losses and exchange differences as well as hedging strategies and effects. Facts or circumstances may change in the future.

(C) Development expenditures

The Group conducts research and development activities and projects. Some costs incurred in the development phase of an intangible asset may be capitalized if the recognition criteria are fulfilled. Determining fulfillment of capitalization criteria represents a critical judgment that is made based upon the facts and circumstances of an individual project. At year-end 2013, most development costs were expensed as incurred, except some costs relating to the Fluidized Bed Reactor (FBR) project (see note 6) and development of software systems for own use.

(D) Discontinued operations
REC Wafer has been reported as discontinued operations beginning in the second quarter of 2012. REC Solar has been reported as discontinued operations beginning in the third quarter of 2013. The entities have been consolidated as subsidiaries until the loss of control by the Group. Amounts contained in discontinued operations include only income and expense from transactions with counterparties external to the Group. There has been significant trading between entities and expenses associated with internal purchases have been estimated for discontinued operations. This means that the results presented on the face of the statement of income will not represent the activities of the operations as individual entities.

(E) Cash-generating units for impairment testing
For the 2013 and 2012 impairment test, the judgment that the REC Silicon segment is one cash-generating unit is a critical and difficult judgment. See note 7.

(F) Environmental Liability
The Group's operations are subject to environmental laws and regulations. These laws and regulations and their interpretations are subject to change. Changes may require investment and/or increased costs to meet more stringent standards or to take remedial actions related to past activities.

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY – CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts included in or affecting the Group's financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared.

(A) Impairment
In 2012, significant impairment charges were recognized (see notes 6 and 7).

Changes in facts and in management's evaluations and assumptions may give rise to further impairment losses, or reversals. The estimated recoverable amounts of the Group's assets are sensitive to small changes to key assumptions (see note 7).

Financial assets are also periodically reviewed for impairment. Provisions for losses on trade receivables have been made based on an evaluation of individual accounts. Actual losses may turn out significantly different from the evaluations made based on the knowledge and assumptions at the time of approving the accounts.

(B) Income taxes
The Group is subject to income taxes in several jurisdictions. Significant judgment is required to determine the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Provisions for anticipated tax audit issues are based on estimates of whether additional taxes will be due. If estimates change or actual outcomes differ from current estimates, current and deferred tax assets or liabilities will be adjusted accordingly.

Tax authorities in the various tax jurisdictions may challenge the calculation of taxes payable. These challenges may lead to changes in taxable income and result in changes to income tax expenses in the period of change. Management is required to make estimates of the probability and magnitude of possible tax adjustments. Estimates may change as additional information becomes available and may vary substantially from actual determinations.

The Company has received notices of reassessment from the Central Tax office for large Enterprises regarding the deductibility of losses on loans and guarantees to subsidiaries and joint ventures. See note 31 for further information.

(C) Government grant asset
In 2010, REC Silicon recognized an asset for an Advanced Energy Manufacturing Tax Credit grant (AEMTC grant) related to the construction of the FBR and silicon gas plants in Moses Lake. Receipt of benefits under this program will be claimed as a credit on the US company's annual tax return and can be carried forward 20 years. All conditions associated with this grant have been met with the exception of the generation of US federal income tax in order to utilize the grant.

REC Silicon has estimated future taxable profits sufficient to utilize the AEMTC grant. Changes in the estimated or actual timing and amounts of future profits will affect the value of the government grant asset. See notes 12 and 21. Upon a change in ownership control, the grant is subject to the same limitations as an income tax credit; amounts and timing of recognition could be adversely impacted. See Note 2.16.

(D) Discontinued operations
Liabilities, guarantees and losses on receivables related to REC Wafer and REC Solar have been estimated by the Company. The estimated values are subject to change and are among other things dependent on the ultimate dividends from the REC Wafer bankruptcy estate and the financial performance of the Group. Changes in the estimated fair values of these liabilities and guarantees will be included in discontinued operations.

(E) Contingent liabilities
See note 31.

05 SEGMENT INFORMATION

The segment information presented shows the main components of the Group's business that are evaluated on a regular basis by the chief operating decision maker (CODM). The Group Management is headed by the Chief Executive Officer (CEO), and the CEO is the one that makes decisions across segments. Accordingly, the CEO is regarded as the CODM.

Financial and operational information have been prepared for each segment to assess performance and allocate resources. Segment results are disclosed in accordance with IFRS, which is the same basis as presented internally. Internal reporting may include additional detail than reflected in the tables below. The financial market currently focuses on EBITDA as measurement of segment results. Consequently, this is the primary focus of the CODM with regard to operating results. Amounts for assets and liabilities, financial income and expenses are not shown per segment in the internal reporting. Consequently, such details are not required to be presented per segment in the tables below.

The Group's reporting segments are based on the operating segments. The Group's segments were managed separately and each segment represented a strategic business area that offered products different from the other segments. The Group's segments have been REC Silicon, REC Solar and REC Wafer. In addition, the Group reports Other. Subsequent to the sale of REC Solar on October 25, 2013, REC Silicon is the only remaining segment.

REC Silicon produces silicon gas and polysilicon for the photovoltaic and semi-conductor industries. REC Silicon is comprised of the operating companies REC Solar Grade Silicon LLC (SGS) and REC Advanced Silicon Materials LLC (ASiMI) located in the USA.

REC Solar consisted primarily of an integrated plant in Singapore producing multicrystaline wafers, cells and solar panels. Europe has traditionally been REC Solar's main market.

Other includes primarily the parent company REC Silicon ASA with Group functions and activities (see separate financial statements).

REC Wafer consisted of wafer manufacturing facilities in Glomfjord and Herøya (Norway). In 2012 REC Wafer discontinued all production and filed for bankruptcy on August 13, 2012.

Intercompany sales and transfers within the Group are based on arms-length prices. Intercompany service transactions are cost based.

Revenues from customers constituing more than ten percent of total revenues from continuing operations

(NOK IN MILLION)	2013	%	2012	%
Customer 1	**437 572**	**17.9 %**	617 200	20.2 %
Customer 2	**400 481**	**16.3 %**	367 566	12.0 %
Customer 3	**130 950**	**5.3 %**	429 932	14.0 %

All are customers in the REC Silicon segment.

Segment information for the year ended December 31, 2013

(NOK IN MILLION)	REC SILICON	REC SOLAR	OTHER OPERATIONS	ADJUSTMENT FOR DISCONTIUNED OPERATIONS	ELIMINATIONS	CONTINUING OPERATIONS
Revenues - External	2 450	3 060	3	-3 060	0	2 453
Revenues - Internal	92	0	9	0	-102	0
Total revenues	2 543	3 061	12	-3 060	-102	2 453
EBITDA	492	-1 129	-428	1 004	359	298
Depreciation and amortization	-750	-93	0	93	0	-750
Impairment	-54	-8	0	8	0	-54
EBIT	-312	-1 230	-428	1 104	359	-506
Additions of non-current assets	139	120	0	0	0	258
Non-current assets at December 31 [1]	6 664	0	0	0	0	6 664

[1] Non-current assets include property, plant, equipment, intangibles, prepaid capex and prepaid lease.

Segment information for the year ended December 31, 2012

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER OPERATIONS	ADJUSTMENT FOR DISCONTIUNED OPERATIONS	ELIMINATIONS	CONTINUING OPERATIONS
Revenues - External	3 062	339	4 082	1	-4 421	0	3 063
Revenues - Internal	200	246	5	55	0	-506	0
Total revenues	3 261	585	4 087	57	-4 421	-506	3 063
EBITDA	758	-296	-369	-558	-1 026	1 199	-292
Depreciation and amortization	-1 019	0	-304	-13	304	0	-1 033
Impairment	-2 983	247	-3 638	-52	3 269	122	-3 034
EBIT	-3 244	-49	-4 310	-624	2 547	1 321	-4 359
Additions of non-current assets	224	18	170	3	0	-122	293
Non-current assets at December 31 [1)]	6 705	0	937	23	0	0	7 664

[1)] Non-current assets include property, plant, equipment, intangibles, prepaid capex and prepaid lease.

In 2013, REC Silicon EBITDA included Other Income of NOK 120 million associated with the settlement of a firm contract with a customer who could not meet contracted purchase obligations. REC Solar EBITDA for 2013 includes NOK 1,240 million of the Group's loss on sale of REC Solar (NOK 1,299 million). Other includes NOK 418 million of the loss which is partially offset by the reversal of estimated costs of NOK 85 million related to the REC Wafer bankruptcy. Eliminations in 2013 include a gain of NOK 359 million as adjustment to the losses recognized in REC Solar and Other on the sale of REC Solar. On consolidation, the external income and expenses of REC Solar and REC Wafer and the gains/losses on disposal have been re-presented as discontinued operations.

REC Silicon EBITDA for 2012 included contract cancellation income of NOK 197 million. REC Solar EBITDA for 2012 included income of NOK 36 million for settlement with a vendor and net restructuring expenses of NOK 7 million. REC Wafer EBITDA for 2012 included sales contract cancellation income of NOK 821 million, restructuring costs and other expenses of NOK 168 million and expenses for onerous contracts of NOK 750 million. EBITDA for Other in 2012 include estimated losses related to the bankruptcy of REC Wafer Norway AS of approximately NOK 426 million. A gain on deconsolidation of net liabilities of REC Wafer of NOK 1,241 million is reported in EBITDA for 2012 in Eliminations. Eliminations include a reclassification between EBITDA and impairment of approximately NOK 120 million that reduces EBITDA and impairment. This is because REC Wafer recognized income for the remaining prepayments from REC Solar for Intellectual Property Rights, and REC Solar recognized the same as impairment of intangibles. This has no net effect on the consolidated Group. EBITDA in Eliminations includes the reversal of internal due to reduced internal sales price and volume of polysilicon.

Geographic distribution of external revenues for continuing operations based on customer location

(NOK IN MILLION)	2013	2012
China	**1 108**	1 644
Japan	**491**	756
Taiwan	**353**	356
Hong Kong	**208**	90
South Korea	**100**	77
Other Asia	**48**	15
Europe	**67**	64
USA	**66**	51
Other countries	**12**	11
Total external revenues	**2 453**	3 063

Customer location is based on the invoicing address. Customers may distribute the products to other countries.

Revenues by category

(NOK IN MILLION)	2013	2012
Polysilicon	**1 982**	2 550
Silane gas	**413**	472
Other	**58**	41
Total revenues	**2 453**	3 063

At December 31, 2012, the Group's non-current assets were located in Norway (NOK 5 million), the United States (NOK 6,728 million), Singapore (NOK 928 million), and other countries (NOK 3 million). At December 31, 2013, all of the Group's non-current assets are located in the United States.

06 FIXED ASSETS

Property plant and equipment

(NOK IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Carrying value at January 1, 2012	3 179	11 534	318	395	**15 425**
Exchange differences	-128	-716	-20	-19	**-883**
Net additions [1]	36	432	91	-242	**317**
Government grants [2]	0	-9	0	43	**34**
Disposals	-276	-87	-2	0	**-365**
Depreciation - continuing operations	-29	-865	-51	0	**-945**
Depreciation - discontinued operations	-85	-179	-15	0	**-279**
Impairment - continuing operations [3]	-195	-2 386	-63	-48	**-2 691**
Impairment - discontinued operations [3]	-1 674	-1 520	-44	19	**-3 219**
Carrying value at December 31, 2012	828	6 205	214	147	**7 394**
At December 31, 2012					
Historical cost	5 745	15 472	625	222	**22 064**
Accumulated depreciation/impairment	-4 917	-9 268	-411	-75	**-14 670**
Carrying value at December 31, 2012	828	6 205	214	147	**7 394**
Carrying value at January 1, 2013	828	6 205	214	147	**7 394**
Exchange differences	79	563	18	13	**674**
Net additions [1]	15	229	-10	-45	**190**
Government grants [2]	0	66	0	0	**66**
Disposals	-384	-414	-41	-50	**-889**
Depreciation - continuing operations	-23	-681	-31	0	**-736**
Depreciation - discontinued operations	-19	-60	-4	0	**-83**
Impairment - continuing operations [3]	-13	-40	0	0	**-54**
Impairment - discontinued operations [3]	-1	-11	0	4	**-8**
Carrying value at December 31, 2013	482	5 857	146	69	**6 555**
At December 31, 2013					
Historical cost	888	12 460	463	122	**13 933**
Accumulated depreciation and impairment	-406	-6 603	-317	-53	**-7 379**
Carrying value at December 31, 2013	482	5 857	146	69	**6 555**

[1] Net additions include transfers from assets under construction and other fixed asset accounts. In the first quarter 2013 net additions have been reduced by the transfer of spare parts from property, plant and equipment to inventory in the amount of NOK 25 million, as a partial adjustment of the reclassification in the fourth quarter 2012 to property, plant and equipment with net carrying value of NOK 105 million.
[2] Positive amounts for government grants are adjustments to previously recognized grants.
[3] See note 7 for details of impairments.

Specification of useful lives and depreciation
At year-end 2013, estimated useful lives by asset class were as follows:
- Land and Buildings 0-31.5 years (weighted average approximately 28 years)
- Machinery and equipment 3-32 years (weighted average approximately 14 years)
- Other tangible fixed assets (weighted average approximately 12 years)

Assets under construction are not yet ready for their intended use, and depreciation has not started.

The annual analysis of estimated useful lives for 2013 resulted in only minor changes. The analysis for 2012 resulted in an estimated increase in depreciation of NOK 45 million in 2013 for machinery and equipment in REC Silicon, before the effect of impairment at year-end 2012.

Intangible assets

(NOK IN MILLION)	GOODWILL	ASSETS UNDER DEVELOPMENT	CUSTOMER/ VENDOR RELATIONSHIPS	OTHER	TOTAL
Carrying value at January 1, 2012	263	16	48	331	**659**
Exchange differences	-19	-1	-1	-16	**-37**
Net additions [1]	0	-9	0	4	**-5**
Internal development	0	3	0	0	**3**
Amortization - continuing operations	0	0	0	-88	**-88**
Amortization - discontinued operations [3]	0	0	0	-13	**-13**
Impairment - continuing operations [2]	-245	-2	-47	-49	**-343**
Impairment - discontinued operations [2]	0	0	0	-50	**-50**
Carrying value at December 31, 2012	0	7	0	120	**127**
At December 31, 2012					
Historical cost	256	72	28	570	**926**
Accumulated amortization and impairment	-256	-65	-28	-450	**-799**
Carrying value at December 31, 2012	0	7	0	120	**127**
Carrying value at January 1, 2013	0	7	0	120	**127**
Exchange differences	0	1	0	10	**11**
Net additions [1]	0	-4	0	1	**-3**
Internal development	0	5	0	0	**5**
Disposals	0	0	0	-11	**-11**
Amortization - continuing operations	0	0	0	-14	**-14**
Amortization - discontinued operations [3]	0	0	0	-4	**-4**
Carrying value at December 31, 2013	0	8	0	101	**109**
At December 31, 2013					
Historical cost	275	12	30	438	**755**
Accumulated amortization and impairment	-275	-3	-30	-337	**-646**
Carrying value at December 31, 2013	0	8	0	101	**109**

1) Net additions include transfers from assets under development.
2) In 2012 goodwill related to REC Silicon was written down to zero. See note 7 for details of impairments.
3) Difference to amortization in the statement of income for discontinued operations is related to amortization of prepaid lease (NOK 12 million in 2012 and NOK 5 million in 2013).

Intangible assets except goodwill included above have estimated useful lives, over which the assets are amortized on a straight-line basis. Intangible assets under development are not ready for their intended use, and consequently amortization has not started.

At January 1, 2012 customer relationships were related to pre-existing relationships at the time of acquisition of ASiMI and SGS. The relationships were impaired in 2012. Other intangible assets at December 31, 2013 and 2012 were primarily related to software (3-8 years) and FBR technology in REC Silicon (20 years).

The effects of the annual analysis of estimated useful lives for 2013 resulted in minor changes. A similar analysis for 2012 of resulted primarily in an increase in estimated useful life of some software in REC Silicon from 3-5 year to 7 years, beginning on January 1, 2013. This decreased amortization in 2013 by approximately NOK 54 million before the effect of the impairment at year-end 2012.

07 IMPAIRMENTS OF CASH-GENERATING UNITS

REC Silicon routinely monitors assets for indications that the carrying values of assets are no longer recoverable. If impairment indicators exist, impairment test will be carried out to determine whether the carrying value of affected assets can be justified. If estimates conclude that asset values are no longer recoverable, the assets are written down to the recoverable amount which is the greater of fair value less cost to sell and value in use (discounted cash flows).

In 2012, significant reductions in sales prices for products sold by REC Silicon and REC Solar were determined to be an indication of impairment and impairment testing was carried out. REC Silicon (continuing operations) recognized impairments of NOK 2,983 million and Other continuing operations NOK 52 million. REC Solar and REC Wafer (discontinued operations) recognized impairments of NOK 3,269 million in 2012. See note 6 for distribution of impairments on asset classes and note 5 for segments.

During 2013, markets for semi-conductor grade polysilicon experienced further disruption due to high inventory levels across the supply chain. Additionally, the Chinese Ministry of Commerce imposed an anti-dumping tariff on sales of polysilicon into China. These conditions were determined to be an indication of impairment and impairment testing was carried out. The resulting value in use at December 31, 2013 is estimated to approximate the carrying value of REC Silicon. Consequently, no additional impairment or reversal of impairment has been recognized in 2013.

During 2013, impairment amounts of NOK 54 million for REC Silicon and NOK 8 million for REC Solar represent assets that have been replaced or taken out of service before the end of their estimated useful lives.

Impairments for continuing operations are included in the line item "impairment" in the statement of income. For discontinued operations, impairments are included in "profit/loss from discontinued operations, net of tax".

CASH-GENERATING UNITS

At December 31, 2012 the cash-generating units were REC Silicon and REC Singapore (a part of REC Solar). Subsequent to the sale of REC Solar on October 25, 2013 REC Silicon is the only remaining cash-generating unit at December 31, 2013.

REC Silicon produces and sells silicon gas and polysilicon for use in the electronics and solar industry. Silicon gas is a precursor material in the production of polysilicon and a small percentage is sold to external parties. The total available market for silicon gas is not sufficient to absorb all silicon gas produced by REC Silicon. Therefore, management has determined that there is not an active market for the silicon gas that is used internally. Also, management can elect to produce and sell products from the Butte or Moses Lake production facilities (with some adjustments). Common intermediate production materials are produced at the Moses Lake facility only and distributed to Butte. Additionally, silicon gas is transferred between facilities to balance asset utilization to market requirements. Accordingly, management's judgment is that the cash inflows for the silicon gas and polysilicon producing assets cannot be determined individually and that they constitute one CGU. Changes in the determination of cash generating units could result in additional impairment amounts. This is primarily because the Butte Facility currently produces products with a higher average price and assets carrying values are lower.

BASIS FOR THE IMPAIRMENT TESTS

Recoverable amounts for the cash-generating units are based on value in use. Value in use has been estimated using discounted cash flows over a 5 year period with the last year used as a basis for estimating terminal value.

Future cash flows are estimated on the basis of the budget for the next year and the subsequent four forecast years. A terminal value is calculated from the estimated cash flows generated in the last forecast year. A growth rate of zero has been used during the terminal period for both years presented. EBITDA less capital expenditures and changes in working capital have been used to estimate future cash flows.

Future cash flows do not include the effects of improvements or enhancements to asset performance. However, assets under construction for which investment has been committed are included with estimated expenditures to complete and estimated cash flows from their operations.

The carrying amounts of cash-generating units include tangible fixed assets, intangible assets, and net working capital only.

DISCOUNT RATE

The discount rate applied is based on the Company's cost of capital which has been estimated using the weighted average of the required rates of return for the Company's equity and debt (WACC). The required rate of return for the Company's equity is estimated using the capital assets pricing model (CAPM). The required rate of return on debt is estimated on the basis of a risk free rate of return plus a credit risk premium derived from analysis of the debt costs and loading of public companies similar to REC Silicon. The discount rate is estimated on an after tax basis and adjusted to estimate the equivalent before tax discount rate using the Company's estimated before and after tax cash flows and evaluated for reasonableness. The discount rates used at December 31, 2012 and 2013 are reflected in the table below:.

Discount rates (%)

	2013		2012	
	POST-TAX	**PRE-TAX**	POST-TAX	PRE-TAX
REC Silicon (USD)	**11.6**	**16.9**	10.6	14.3
REC Singapore (EUR) [1)]	**NA**	**NA**	8.4 - 10.5	10.0

1) For the REC Singapore CGU a different post-tax discount rate was used for the land lease period. Cash flows generated are tax exempt for an initial period and for this period a tax rate of zero has been used in the post-tax discount rate. Calculated as one rate for the whole period gives a post-tax rate of 9.4 percent.

KEY ASSUMPTIONS AND SENSITIVITIES

Key assumptions include future revenues (sales prices and sales volume), cost of major inputs, conversion costs and efficiency (production volume), and maintenance capital expenditures.

REC Silicon

Price trends are difficult to predict in the current market environment and external views of anticipated market conditions differ widely. When possible, REC Silicon has used third party analyses to estimate product prices. When third party estimates are not available or vary widely, REC Silicon uses internal estimates based on experience and market intelligence to estimate market conditions and prices.

Production and sales volumes represent rates near full capacity. Costs have been estimated using contractual obligations, third party indexes when appropriate, and historical spending trends adjusted for inflation.

Capital expenditures have been estimated using past experience and an evaluation of anticipated replacement requirements of specific items of equipment (useful lives of fixed assets).

The table below presents the estimated change in impairment due to an isolated change in the key assumption for all years (except for terminal year Capex). The estimates are based on the assumptions used in the December 31, 2013 impairment test and have been translated from USD to NOK using the December 31, 2013 exchange rate.

KEY ASSUMPTION (NOK IN MILLION)	CHANGE	ESTIMATED CHANGE IN IMPAIRMENT [1)]
Post-tax discount rate	+/-1%	-580/+690
Sales prices	+/-5%	+/-2010
Volume (production and sales)	+/-5%	+/-1430
Net cash flow	+/-5%	+/-370
Capex in terminal year	+/-30%	-/+430

1) Negative amounts represent an estimated increase in impairment. Amounts are rounded to nearest ten million.

REC Singapore 2012 (discontinued operations)

Solar panel prices for REC Singapore were estimated based on a selection of external sources and aligned to internal estimates. Experience has shown that market demand and prices change rapidly and significantly and that prices are dependent on government incentives. Sales prices for solar panels dropped considerably starting in 2009, and have been the main reason for impairment charges.

Estimated conversion cost improvements included in the impairment test were based upon performance improvements observed, expected scale advantages and detailed action plans for the near term. REC Singapore's production volumes were expected to increase compared to 2012 through the terminal year through process improvements.

08 EQUITY ACCOUNTED INVESTMENTS (ASSOCIATES AND JOINT VENTURES)

Prior to January 1, 2013 investments in joint ventures were proportionally consolidated. Due to implementation of IFRS 11, investments in joint ventures are now accounted according to the equity method.

EFFECTS ON LINE ITEMS DUE TO CHANGE FROM PROPORTIONAL CONSOLIDATION TO THE EQUITY METHOD

Items in the statement of financial position

(NOK IN MILLION)	DEC 31, 2012	JAN 1, 2012
Equity accounted investments	57	34
Other non-current assets	-19	-25
Current assets	-39	-11
Current liabilities	-1	-1

Items in the statement of income (discontinued and total operations)

(NOK IN MILLION)	2012
Operating expenses	3
Share of profit/loss from equity accounted investments	-3

Items in the statement of cash flow

(NOK IN MILLION)	2012
Net cash flow from operating activities	14
Net cash flow from investing activities	0
Net cash flow from financing activities	-28
Net cash flow in the period	-14
Cash and cash equivalents at January 1	-2
Foreign currency effect on cash and cash equivalents	1
Cash and cash equivalents at December 31	-16

Increase in equity accounted investments

(NOK IN MILLION)	DEC 31, 2012	JAN 1, 2012
Equity accounted investments before change accounting principle	95	74
Change	57	34
Equity accounted investments after change accounting principle	151	108

EQUITY ACCOUNTED INVESTMENTS IN THE STATEMENT OF FINANCIAL POSITION

(NOK IN MILLION)	2013	2012
At January 1	151	108
Share of profit/ loss of equity accounted investments (discontinued operations)	18	-6
Contribution of equity	22	61
Repayment of equity	-67	0
Elimination of internal profit	0	-3
Disposals	-133	-1
Exchange differences	9	-8
At December 31	0	151

All equity accounted investments were a part of the REC Solar segment. REC Solar was sold at the end of October 2013. The Group's share of profit/loss is re-presented as part of discontinued operations.

Investments in associates included Mainstream Energy Corporation (Mainstream) located in California, USA and Sella Invest di ESB srl. & Co. sas (Sella). REC Solar had ownership interests in two joint ventures in the USA within the REC Systems, of which one had activity in project development. In 2013 the joint venture Northlight LLC closed a transaction for sale of its main PV project.

09 DISCONTINUED OPERATIONS

In the third quarter 2013 the company announced the sale of REC Solar and completed the sale on October 25, 2013. In the second quarter 2012, the remaining operations of REC Wafer were closed and REC Wafer was deconsolidated as of August 13, 2012.

See notes 2.22, 4.1(D) and 4.2(D).

ANALYSIS OF DISCONTINUED OPERATIONS CONSOLIDATED STATEMENT OF INCOME REC SILICON GROUP

(NOK IN MILLION)	REC GROUP TOTAL OPERATIONS 2013	OF WHICH DISCONTINUED OPERATIONS 2013	REC GROUP RE-PRESENTED 2013	REC GROUP TOTAL OPERATIONS 2012	OF WHICH DISCONTINUED OPERATIONS 2012	REC GROUP RE-PRESENTED 2012
Revenues	5 514	3 060	2 453	7 484	4 421	3 063
Cost of materials	-2 320	-1 693	-628	-3 286	-1 668	-1 618
Changes in inventories	7	-89	96	-723	-814	91
Employee benefit expenses	-1 002	-380	-622	-1 278	-595	-683
Other operating expenses	-1 792	-680	-1 111	-2 398	-1 062	-1 335
Other income and expenses [1)]	103	-6	109	123	-67	190
Gains/losses on disposal of discontinued operation - Wafer	84	84	0	812	812	0
Gains/losses on disposal of discontinued operation - Solar	-1 299	-1 299	0	0	0	0
EBITDA	-706	-1 004	298	734	1 026	-292
Depreciation	-819	-83	-736	-1 224	-279	-945
Amortization	-24	-10	-14	-113	-25	-88
Impairment	-61	-8	-54	-6 304	-3 269	-3 034
Total depreciation, amortization and impairment	-904	-101	-804	-7 640	-3 573	-4 067
EBIT	-1 610	-1 104	-506	-6 906	-2 547	-4 359
Share of profit/loss of equity accounted investments	18	18	0	-5	-5	0
Financial income	47	2	44	50	7	43
Net financial expenses	-348	-9	-339	-470	-41	-429
Net currency gains/losses	201	-31	232	-191	-33	-157
Net gains/losses derivatives and fair value hedge	-211	0	-211	488	5	483
Impairment and gain/loss on financial assets	0	0	0	29	32	-3
Fair value adjustment convertible bond	-659	0	-659	-415	0	-415
Net financial items	-971	-38	-933	-508	-31	-477
Profit/loss before tax	-2 563	-1 124	-1 439	-7 419	-2 583	-4 836
Income tax expense/benefit	490	-8	498	1 392	17	1 376
Profit/loss from continuing operations	NA	NA	-940	NA	NA	-3 461
Profit/loss from discontinued operations	NA	-1 132	-1 132	NA	-2 566	-2 566
Profit/loss from total operations	-2 073	NA	-2 073	-6 027	NA	-6 027

Profit/loss attributable to:	TOTAL	DISCONTINUED	CONTINUING	TOTAL	DISCONTINUED	CONTINUING
Owners of REC ASA	-2 073	-1 132	-940	-6 027	-2 566	-3 461
Earnings per share (in NOK)						
-basic	-0.93	-0.51	-0.42	-3.65	-1.56	-2.10
-diluted	-0.93	-0.51	-0.42	-3.65	-1.56	-2.10

1) Specification of other income and expenses for discontinued operations

(NOK IN MILLION)	2013	2012
Restructuring cost and employee termination benefits	-5	-166
Onerous contracts	-1	-752
Other expenses	0	-7
Other income	0	857
Other income and expenses exluding gain/loss on disposal of discontinued operations.	-6	-67

SPECIFICATION OF DISCONTINUED OPERATIONS

(NOK IN MILLION)	WAFER GROUP DISCONTINUED OPERATIONS 2013	SOLAR GROUP DISCONTINUED OPERATIONS 2013	REC GROUP DISCONTINUED OPERATIONS 2013	WAFER GROUP DISCONTINUED OPERATIONS 2012	SOLAR GROUP DISCONTINUED OPERATIONS 2012	REC GROUP DISCONTINUED OPERATIONS 2012
Revenues	0	3 060	3 060	339	4 082	4 421
Cost of materials	0	-1 693	-1 693	-205	-1 462	-1 668
Changes in inventories	0	-89	-89	-273	-541	-814
Employee benefit expenses	0	-380	-380	-118	-478	-595
Other operating expenses	0	-680	-680	-90	-973	-1 062
Other income and expenses	0	-6	-6	-97	30	-67
Gains/losses on disposal of discontinued operation - Wafer	84	0	84	812	0	812
Gains/losses on disposal of discontinued operation - Solar	0	-1 299	-1 299	0	0	0
EBITDA	84	-1 088	-1 004	368	658	1 026
Depreciation	0	-83	-83	0	-279	-279
Amortization	0	-10	-10	0	-25	-25
Impairment	0	-8	-8	247	-3 516	-3 269
Total depreciation, amortization and impairment	0	-101	-101	247	-3 820	-3 573
EBIT	84	-1 188	-1 104	615	-3 162	-2 547
Share of profit/loss of equity accounted investments	0	18	18	0	-5	-5
Financial income	0	2	2	0	7	7
Net financial expenses	0	-9	-9	-26	-15	-41
Net currency gains/losses	0	-31	-31	-6	-28	-33
Net gains/losses derivatives and fair value hedge	0	0	0	5	0	5
Impairment and gain/loss on financial assets	0	0	0	0	32	32
Fair value adjustment convertible bond	0	0	0	0	0	0
Net financial items	0	-38	-38	-27	-4	-31
Profit/loss before tax	84	-1 208	-1 124	588	-3 171	-2 583
Income tax expense/benefit	0	-8	-8	0	17	17
Profit/loss from discontinued operations	84	-1 216	-1 132	588	-3 154	-2 566

Cash flows of discontinued operations, REC Solar and REC Wafer (internal and external)
The table below shows the cash flows of REC Solar and REC Wafer. It also includes cash flows to and from other REC Silicon Group companies. Cash balances at the end of 2012 include NOK 74 million in REC Wafer at the time of deconsolidation and in 2013 NOK 293 million in REC Solar at the time of deconsolidation.

REC Solar and REC Wafer have been members of the REC Group account systems (see note 14). Their assets or liabilities in the Group account systems are receivables or payables to REC Silicon ASA and not included in cash and cash equivalents. During 2013, one of the Group account systems was settled. It had a positive cash balance. The change from the beginning of the year to zero is presented as part of financing activities (cash inflow). During the third quarter 2013 REC Solar also made net repayment of equity to REC Silicon ASA, included as cash payment in financing activities.

(NOK IN MILLION)	2013	2012
Cash flows from operating activities	203	157
Cash flows from investing activities	56	-225
Cash flows from financing activities	-76	161
Effect on cash and cash equivalents of changes in foreign exchange rates	0	-3
Net increase/decrease in cash and cash equivalents	183	90
Cash and cash equivalents at beginning of the period	110	94
Cash and cash equivalents at end of the period	293	184

REC Solar

The total loss on disposal is NOK 1,299 million including costs to sell and currency translation differences transferred to income of positive NOK 101 million. On consolidation the loss has been re-presented to discontinued operations.

REC Solar - Major classes of assets and liabilities sold

The table below includes only assets and liabilities external to the REC Silicon Group.

Main line items of external assets and liabilities sold at end October, 2013

(NOK IN MILLION)	
Intangible assets	11
Property, plant and equipment	889
Deferred tax assets	8
Prepaid lease and capex, non-current	154
Equity accounted investments	133
Other non-current financial assets	14
Total non-current assets	1 209
Inventories	849
Trade and other receivables and prepayments	848
Current income tax assets	5
Cash and cash equivalents	293
Total current assets	1 995
Total assets	3 205
Total non-current liabilities (provisions)	395
Trade payables and other liabilities	524
Provisions	16
Current tax liabilities	4
Total current liabilities	544
Total liabilities	939

REC Wafer

Net gain on disposal of discontinued operations was estimated at NOK 812 million for 2012. No tax has been calculated on the net gain. The net gain is related to de-recognition of net liabilities in REC Wafer of NOK 1.241 million at August 13, 2012, partially offset by liabilities taken on by REC Silicon ASA in connection with the bankruptcy of REC Wafer and loss on receivables which were estimated at NOK 429 million at December 31, 2012. The liabilities taken on by REC Silicon ASA are primarily guarantees and indemnification agreements related to the liabilities of REC Wafer. Consequently, these were liabilities of the Group, and presented as a reduction to the liabilities derecognized in REC Wafer.

During 2013 the estimated liabilities related to REC Wafer were reduced by NOK 84 million and recognized as a net gain on disposal of discontinued operations.

10 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its subsidiaries, associates, joint ventures and with its Group Management and Board of Directors. No shareholder owned more than 20 percent of the shares at year-end 2012. At December 31, 2013 Jens Ulltveit-Moe controlled 20.57 percent of the shares, primarily through Umoe AS.

Transactions with subsidiaries have been eliminated on consolidation and are not reported as related party transactions in the consolidated financial statements for the Group.

KEY MANAGEMENT COMPENSATION, SHAREHOLDINGS, LOANS ETC.
Group Management and Board of Directors' compensation, ownership of REC Silicon ASA shares, options and bonds, loan agreements and guarantees are shown in note 16.

ASSOCIATES AND JOINT VENTURES
All associates and joint ventures were a part of the REC Solar segment that was sold in October 2013.

In April 2008, REC Solar AS acquired a 20 percent ownership interest in Mainstream Energy Inc. In the first ten months of 2013, the REC Solar segment sold solar panels for NOK 252 million to companies in the Mainstream Energy Inc. Group. In 2012, it sold solar panels for NOK 282 million, and had net receivables of NOK 60 million on companies in the Mainstream Energy Inc. Group at December 31, 2012.

REC Systems invested NOK 33 million in 2012 and NOK 22 million in 2013 in Sella Invest di ESB srl. & Co. sas (Sella). REC Systems recognized sales revenues to Sella of NOK 33 million in the first ten months of 2013 and NOK 164 million in 2012, and had unbilled amounts of construction contract revenues of NOK 55 million and payables of NOK 7 million to Sella Group at December 31, 2012.

During the first ten months of 2013 the joint venture Northlight LLC in the USA repaid equity of NOK 67 million to REC Solar. REC Solar contributed equity of NOK 28 million to Northlight LLC in 2012.

11 DERIVATIVE FINANCIAL INSTRUMENTS

Fair values and carrying amounts

	2013		2012	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Foreign exchange forward and option contracts	3	8	63	11
Interest rate swaps	117	34	100	55
Option contract	0	15	0	7
Total	120	57	162	72
- of which designated as hedging instruments [1]	0	0	83	0

[1] Hedging instruments were 'pay floating-receive fixed' interest rate swaps of the two NOK bonds REC01 (swap of NOK 650 million) and REC03 (swap of NOK 700 million) designated as fair value hedges. In connection with the partial buyback of REC01 and REC03 in November 2013 the Group revoked the designation and the fair value hedge relationships were terminated.

Option contract is part of the indemnification agreements in connection with the REC Wafer Norway AS bankruptcy, and the estimated fair value is subject to change. The change in estimated fair value has been reported as part of the net gain on disposal of discontinued operations, see note 9.

Distribution of derivatives

	2013		2012	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Total non-current derivatives	93	31	100	55
Total current derivatives	27	26	63	17
Total derivatives	120	57	162	72

The Group uses financial derivatives primarily to reduce currency risk and interest rate exposure. The Group manages the hedging of net cash flows exposed to foreign exchange rate risk as a portfolio on the basis of anticipated future cash flows.

See also note 3 for information on the Group's general policy for currency risk and interest rate risk.

2013

Contractual cash flows in foreign exchange forward contracts at December 31, 2013

(CURRENCY IN MILLION)		2014 FX FORWARD
SOLD CURRENCY	USD/NOK	-120

Amounts in the table represent outflows during 2014 in USD with settlement in NOK. The USD spot rate to NOK was 6.08 at December 31, 2013.

At December 31, 2013 the Group had FX Forward contracts to change the currency exposure of interest bearing debt and interest payments from NOK to USD. The Group does not use hedge accounting for the FX Forwards contracts. Realization of FX Forward contracts have resulted in cash outflows in 2013 of approximately NOK 152 million.

Fair value of foreign exchange forward contracts at December 31, 2013

(NOK IN MILLION)		2014 FX FORWARD
SOLD CURRENCY	USD/NOK	-5

The table above shows the fair value which equals the carrying amount of currency derivatives at December 31, 2013.

Principal amounts and fair value of interest rate swaps at December 31, 2013

		PRINCIPAL AMOUNT (CURRENCY IN MILLION)	FAIR VALUE (NOK IN MILLION)
PAY FIXED RATE	USD (2014)	150	-18
	NOK (2021)	160	-16
RECEIVE FIXED RATE	NOK (2014)	650	14
	NOK (2018)	700	93
	EUR (2014)	60	10
Total			83

The table above shows contractual principal currency amounts in interest rate swaps and specification of fair values, equaling carrying amounts, at December 31, 2013 distributed by year of maturity and currency. The interest rate swaps have one fixed interest rate against a floating interest rate and there are no other cash flows or principal amounts.

Interest rate swaps of NOK 650 million and NOK 700 million, where the Group is paying floating interest rate, were initially fair value hedges of the NOK bonds fixed interest rates. In connection with the partial buyback of NOK bonds in November 2013, the Group revoked the designation as fair value hedges.

HEDGING ACTIVITIES 2013

Fair value hedging activities

See hedging activities 2012 below. In connection with the partial buyback of NOK bonds in November 2013, the Group revoked the designation as fair value hedges, and at December 31, 2013 there were no remaining fair value hedges. The fair value adjustment of the bonds, at the time the hedge was revoked, was a loss of NOK 68 million. At December 31, 2013 NOK 21 million of the loss remained and will be reflected in income as part of effective interest on the bonds.

2012

Contractual cash flows in foreign exchange forward and option contracts at December 31, 2012

(CURRENCY IN MILLION)		2013 FX FORWARD
BOUGHT CURRENCY	SGD/USD	331
	SGD/EUR	62
	EUR/USD	10
SOLD CURRENCY	EUR/NOK	-103
	USD/NOK	-231

FX Forward is a foreign exchange forward contract. The table above represents contractual currency amounts by year of maturity. Positive (negative) amounts are the principal amount of the first currency mentioned bought (sold) forward with payment (receipt) of the second currency.

The table below shows the same contracts, but summarizes the future currency exposure in total for contractual cash flows in foreign exchange forward and options contracts at December 31, 2012. The EUR, SGD and USD currencies noted in the table above have spot rates to NOK of 7.34, 4.56 and 5.57 at December 31, 2012.

Future currency exposure, bought currency (+), sold currency (-) per year

(CURRENCY IN MILLION)	EUR 2013	SGD 2013	USD 2013
EUR/NOK	-103	0	0
EUR/USD	10	0	-13
USD/NOK	0	0	-231
SGD/EUR	-40	62	0
SGD/USD	0	331	-270
Total	-133	393	-514

At December 31, 2012 the Group had estimated net positive external future cash flows in EUR and USD and net negative cash flows in SGD. The Group was hedging parts of these cash flows by entering into derivative transactions for sale of EUR/NOK and USD/NOK and purchase of SGD/USD, SGD/EUR and EUR/USD forward (FX Forward). In addition the Group swapped currency exposure of interest bearing debt from NOK and EUR to USD by using FX Forward contracts. The Group did not use hedge accounting for the FX Forwards contracts.

During 2012 the Group decreased SGD, EUR and USD future contracts in accordance with currency forecasts and the finance policy. FX contracts provided cash contribution of approximately NOK 639 million in 2012.

Fair value of foreign exchange forward and option contracts at December 31, 2012

(NOK IN MILLION)		2013 FX FORWARD
BOUGHT CURRENCY	SGD/USD	8
	SGD/EUR	-11
	EUR/USD	1
SOLD CURRENCY	EUR/NOK	26
	USD/NOK	27
Total		52

The table above shows the fair values, equaling carrying amounts, at December 31, 2012 of currency derivatives distributed by year of maturity and currency. The main reason for the unrealized gains on FX Forwards at December 31, 2012 is the appreciation of NOK versus EUR and USD compared to the time the contracts were entered into.

Principal amounts and fair value of interest rate swaps at December 31, 2012

		PRINCIPAL AMOUNT (CURRENCY IN MILLION)	FAIR VALUE (NOK IN MILLION)
PAY FIXED RATE	USD (2014)	150	-31
	NOK (2021)	160	-18
	NOK (2013)	380	-3
	EUR (2013)	60	-3
RECEIVE FIXED RATE	NOK (2014)	650	20
	NOK (2018)	700	63
	EUR (2014)	60	17
Total			45

HEDGING ACTIVITIES 2012

Fair value hedging

During 2009, the Company entered into interest rate swaps to convert the fixed interest rate on the NOK bond of NOK 1,250 million (REC01) to a (six months) floating NIBOR rate.

During 2011, the Company entered into interest rate swaps to convert the fixed interest rate of REC03 of NOK 700 million to a (six months) floating NIBOR rate and reduced the remaining interest rate swaps associated with REC01 to NOK 650 million. These instruments were designated as fair value hedges at execution.

The fair value of the interest rate derivatives at December 31, 2012 designated and effective as hedge instruments was a gain of NOK 83 million excluding accumulated interest, and a loss of NOK 84 million on the bonds.

12 RECEIVABLES AND GOVERNMENT GRANT ASSET

Trade and other receivables

(NOK IN MILLION)	2013	2012
Trade receivables and accrued revenues	688	1 399
Provisions for loss on trade receivables	-49	-63
Trade receivables - net	639	1 336
Prepaid costs	40	60
VAT and other public taxes and duties receivables	1	30
Government grants current receivables	0	143
Other current receivables	18	151
Total trade and other receivables	698	1 720

Specification of provision for loss on trade receivables

(NOK IN MILLION)	2013	2012
At January 1	-63	-9
Change in provision for loss	0	-57
Sale of subsidiaries	21	0
Exchange difference	-6	3
At December 31	-49	-63
Realized loss on trade receivables for total operations	-3	-13
- of which is transferred to discontinued operations	-1	-6
Change in provision for total operations	0	-57
- of which is transferred to discontinued operations	-8	-4
Loss on trade receivables in the statement of income for continuing operations	6	-60

In addition to loss on trade receivables, in 2012 losses were also realized on loans and receivables related to the REC Wafer bankruptcy, and reported as a part of the net gains/losses on disposal of discontinued operations.

Other non-current receivables etc.

(NOK IN MILLION)	2013	2012
Government grant non-current receivables	0	77
Financing receivables	59	60
Other non-current receivables	0	5
Total other non-current receivables etc.	59	142

Government grant asset non-current

(NOK IN MILLION)	2013	2012
Government grant asset non-current	689	675

The government grant asset is related to REC Silicon's Advanced Energy Manufacturing Tax Credit grant. See notes 4.2 (C) and 21. Because this grant is not a contractual right to receive cash or another financial asset it is not regarded as a financial asset.

13 INVENTORIES

Prior to the sale of REC Solar, the Group was integrated across the value chain and transferred goods internally. Consequently, finished goods for one entity became raw materials for another entity.

Inventories in the statement of financial position

	2013			2012		
(NOK IN MILLION)	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of materials, merchandise, production supplies	133	0	133	285	-3	282
Spare parts	233	-60	173	286	-42	244
Work in progress	56	-2	54	276	-16	260
Finished goods	230	-11	219	604	-96	509
Total	652	-73	579	1 452	-157	1 295

Inventories have been written down to estimated net realizable values. Writedowns of materials and spare parts represent the estimated obsolescence related to items held in inventories at cost. Writedowns of work in progress and finished goods have been estimated by comparing the net realizable value of anticipated sales to the manufacturing costs of items held in inventory.

14 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

Cash and cash equivalents are primarily bank deposits. At December 31, 2012 substantial amounts were also held in the Group account systems and in money market funds.

The Group used multi currency Group bank accounts to coordinate liquidity of subsidiaries. Under these agreements, the Company is the Group account holder and subsidiaries are participants. The banks can offset overdrafts against deposits, so that the net position represents the net balance between the bank and the Company.

The Group account systems included overdraft facilities of in total NOK 350 million at December 31, 2012. At December 31, 2013 the overdraft facilities have been terminated. Cash balances in the Group account system were NOK 4 million at December 31, 2013 and NOK 209 million at December 31, 2012.

Restricted bank accounts (not included as cash and cash equivalents)

(NOK IN MILLION)	2013	2012
Non-current	39	0
Current	31	3
Total restricted bank accounts	70	3

At December 31, 2013 restricted bank accounts consisted of NOK 30 million security for the indemnification loan (see notes 17 and 29), NOK 16 million security for bank guarantees for REC Solar (see note 29), and NOK 24 million security for bank guarantees for salary related liabilities.

15 SHAREHOLDER INFORMATION

The following shareholders held one percent or more of the total outstanding shares in REC Silicon ASA at December 31

	2013		2012	
NAME OF SHAREHOLDERS	NO. OF SHARES	OWNERSHIP	NO. OF SHARES	OWNERSHIP
Umoe AS 1)	475 974 332	20.57%	256 163 877	12.12%
Folketrygdfondet	86 236 311	3.73%	44 706 736	2.11%
Skagen Kon-Tiki	80 201 594	3.47%	23 110 218	1.09%
JP Morgan Chase Bank (Nominee)	52 502 740	2.27%	0	0%
Skagen Global	50 877 884	2.20%	0	0%
Clearstream Banking	44 073 272	1.90%	0	0%
Verdipapirfondet DnB	42 635 962	1.84%	0	0%
Pictet & CIE (Nominee)	39 601 584	1.71%	0	0%
Bank of New York Mellon SA/NV (Nominee)	39 157 754	1.69%	33 124 225	1.57%
Skandinaviska Enskilda Banken AB	38 969 280	1.68%	160 761 110	7.61%
State Street Bank (Nominee)	35 374 579	1.53%	0	0%
Skandinaviska Enskilda Banken (Nominee)	33 475 071	1.45%	42 802 601	2.02%
Statoil Pensjon	32 962 316	1.42%	0	0%
Morgan Stanley & CO (Nominee)	32 669 844	1.41%	0	0%
Skagen Vekst	29 162 486	1.26%	0	0%
Equity Tri-Party SA/NV	27 679 415	1.20%	0	0%
Citibank Intl. Small Cap	27 144 021	1.17%	0	0%
Orkla ASA	0	0%	329 569 968	15.59%
Canica AS	0	0%	76 666 666	3.63%
Verdipapirfondet DNB Nordic Technology	0	0%	73 462 635	3.48%
Caceis Bank Luxembourg	0	0%	30 814 649	1.46%
Verdipapirfondet DNB Norge	0	0%	24 810 603	1.17%
Verdipapirfondet DNB SMB	0	0%	21 387 776	1.01%

1) Includes 37.9 million shares and 55 million shares held on forward contracts on December 31, 2013 and 2012, respectively.

The list of shareholdings above is based on the VPS shareholder register as per December 31, 2013 and 2012. Actual shareholding may deviate due to the use of nominee accounts, share lending, forward contracts or other contractual arrangements.

At December 31, 2013, REC Silicon ASA had 27,005 shareholders (28,350 at December 31, 2012). The total number of outstanding shares at December 31, 2013 was 2,313,818,785 (2,113,818,785 at December 31, 2012) each with a par value of NOK 1.

At the Annual General Meeting on May 3, 2013, the Board was authorized to increase the share capital with up to NOK 200,000,000, which was approximately 10% of the at that time share capital, through one or more increases in the share capital.

The Annual General meeting also authorized the Board to acquire treasury shares in the Company (up to a maximum of ten percent of the nominal value of the existing share capital). Both authorizations are valid until the 2014 Annual General Meeting, but in any event not longer than 15 months.

The authorization to increase share capital was utilized on May 14, 2013 with a private placement of approximately 200 million shares at NOK 1.86, in combination with a repurchase and exchange of the Company's Subordinated Unsecured Convertible Bond 2009/2014.

At an extraordinary General Meeting on September 4, 2013 a resolution was passed to issue convertible bonds for USD 110 million with maturity in 2018. The resolution waived the pre-emptive rights of existing shareholders. If converted, the bond may result in an increase in the share capital of NOK 178.6 million provided no adjustments to the conversion price. The conversion price is NOK 3.60 per share (USD 0.62 with a fixed exchange rate).

At an extraordinary General Meeting on June 5, 2009 the Board was authorized to raise one or more convertible loans in order to ensure financial flexibility, including capital expenditures and/or mergers and acquisitions. The authorization was used by the issuance of convertible bonds for EUR 320 million in October 2009. The conversion price of the EUR bond is EUR 4.5 per share. The number of options was 70.8 million before the partial repurchases in 2013. After repurchases in May and September 2013, the number of options in the externally owned bonds is 18 million. See Note 17.

16 MANAGEMENT AND BOARD OF DIRECTORS' COMPENSATION, LOANS, SHARES, BONDS

Salary and other compensation to the Group's Board of Directors and Management for 2013 and 2012 are described below. With regard to the determination of salary and other compensation for leading employees for 2014, the Board of Directors will propose guidelines at the 2014 Annual General Meeting that include factors mentioned below.

The competencies, performance and dedication of the Group's employees are critical success factors for the Group. Hence, key compensation goals are to attract, develop and retain the right talent, reward past achievements, and incentivize strong performance. Compensation packages should be put together to support these goals.

Fixed base salary levels are determined locally and reflect market conditions for corresponding positions and qualifications in similar businesses.

Performance bonuses are considered and provided for individuals whose achievement of performance objectives can be measured through clearly defined results parameters (KPIs). KPIs should include both financial performance targets (20% to 50%) as well as individual performance targets tied to the individual's area of responsibility. Some KPIs are directly linked towards HSE/safety indicators.

The Group offers supplementary pension and personnel insurance schemes to employees in accordance with local standards. For employees in Norway, the Group offer an additional supplementary pension and insurance in excess of the standard requirements.

In addition to the above mentioned compensation components, the Group offers housing allowances, car allowances, cell phones, and a limited number of other benefits to selected employees (see further below).

Severance pay is agreed on an individual basis. For current management team's agreement, see below.

The Board of Directors wishes to continue the REC employee share purchase program that commenced in 2008 and is offered to all REC employees. Maximum purchase value will be limited to NOK 35,000, and there will be a discount to the share purchase price of 20%. The program will be executed whenever practical.

The Board of Directors also wishes to implement an incentive program in 2014 whereby employees' entitlements are linked to the share price development of the company's shares. The program will be a six year program, where the first three years is a lock up period and the next three years will be the period over which the incentive payments will become payable, provided always that the share price is above the strike price. The strike price will be set at the time of grant to the market price at such time + 10%. There will be a maximum gain in each calendar year for each employee under the program, equal to the base salary for the employee for the calendar year. The entitlements under the program will be lost if the employee's employment is terminated.

Compensation of the Group Management for 2013

(AMOUNTS IN NOK) NAME	BASE SALARY	BONUS EARNED AND MAX %	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS	RETENTION BONUS	SEVERENCE PAY ETC.
Ole Enger (To Dec. 1, 2013)	6 179 283	2 000 000	-1 576 624	1 045 877	221 513	0	3 614 613
President and CEO to Dec 1, 2013		100%					
Tore Torvund	3 907 104	2 000 193	423 278	498 156	696 297	4 045 661	0
President and CEO from Dec 1, 2013 (previous EVP Silicon)		60%					
Alessandro Perotta (To Feb 1, 2013)	197 850	0	0	39 416	285 678	0	0
EVP Solar		60%					
Kjell Christian Bjørnsen (To Dec. 1, 2013)	1 500 671	435 417	-3 126	253 794	32 925	825 000	0
EVP and CFO		50%					
Øyvind Hasaas (To Oct. 25, 2013)	2 509 629	790 258	278 350	462 159	643 295	2 023 620	0
EVP Solar		50%					
Florian Krumbacher (To Dec. 1, 2013)	1 607 500	229 167	-13 372	236 361	144 063	1 531 250	0
SVP & CLO		50%					
Mikkel Tørud (To Dec. 1, 2013)	1 420 763	275 000	-8 251	209 324	38 587	775 000	0
SVP IR & Business Development		50%					
James A. May II (From Dec. 1, 2013)	101 313	11 453	0	5 526	233	0	0
CFO		33%		0	0		
Francine Sullivan (From Dec. 1, 2013)	145 782	0	9 799	10 205	0	0	0
CLO		40%		0	0		
Kurt Levens (From Dec. 1, 2013)	204 099	40 476	22 007	0	0	0	0
VP Business Development		50%		0	0		
Total 2013	17 773 995	5 781 963	-867 938	2 760 819	2 062 591	9 200 530	3 614 613

Compensation of the Group Management for 2012

(AMOUNTS IN NOK)

NAME	BASE SALARY	BONUS EARNED AND MAX %	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS	RETENTION BONUS
Ole Enger	5 272 352	1 500 000	493 783	464 841	226 872	0
President and CEO		100%				
John Andersen Jr. (To November 1, 2012)	2 907 509	431 480	2 177 535	426 273	139 978	1 509 417
EVP and COO		60%				
Alessandro Perotta (From March 1, 2012)	2 545 028	0	0	50 028	796 957	0
EVP Wafers, Cells & Modules		60%				
Tore Torvund	3 173 383	555 248	346 353	342 366	1 461 267	0
EVP Silicon		60%				
Bjørn Brenna (To November 30, 2012)	2 311 680	0	-1 141 144	401 114	197 709	0
EVP and CFO		50%				
Kjell Christian Bjørnsen (From December 1, 2012)	137 500	27 500	3 126	8 874	5 523	0
EVP and CFO		50%				
Øyvind Hasaas	2 045 850	326 025	270 294	363 181	61 476	0
EVP HR and Org. Development		50%				
Kristine Ryssdal (To February 29, 2012)	234 752	0	0	115 500	30 595	0
SVP & CLO		50%				
Florian Krumbacher (From March 1, 2012)	1 413 698	266 667	13 372	174 589	122 481	0
SVP & CLO		50%				
Mikkel Tørud (From December 1, 2012)	129 167	25 833	8 251	12 763	5 906	0
SVP IR & Business Development		50%				
Total 2012	20 170 919	3 132 753	2 171 570	2 359 530	3 048 764	1 509 417

All amounts are exclusive of social security tax. Compensation in foreign currencies has been translated to NOK at average exchange rates for the relevant years, except for bonuses which are calculated at year-end rates. All amounts include payments and benefits to the Group Management from REC Silicon ASA and subsidiaries. There were no payments and benefits from the Group for services outside the function as Group Management. Base salary represents the amounts, including holiday pay that was paid in the year.

The amounts represent the bonuses earned during the fiscal year, and are normally paid and reported as taxable income for the employee in the subsequent year. The bonus requires that the employee has not resigned at the relevant year-end.

The amounts in the tables are for the time periods individuals served in Group Management except for Ole Enger. Mr. Enger stepped down as President and CEO on December 1, 2013. At the same time, Mr. Enger received payment of all remaining salary related amounts including remaining notice period and severance pay in 2013. All amounts paid are included in the table above for 2013.

The 2013 guidelines for determination of salary and other compensations for leading employees are similar to the objectives outlined above.

Negative amounts for share based payments represent forfeitures of options upon termination of employment (reversal of amounts reported in previous years). John Andersen Jr. kept share options he had been awarded, with total potential profit limited to 2 years base salary at the end of employment. The amount in the table above for John Andersen Jr. for 2012 is the remaining estimated fair values at allocation that had not been expensed at December 31, 2011.

Pension benefits include benefits earned with respect to defined benefit plans and contributions related to defined contribution plans. At the end of 2013, Ole Enger's plans were settled in cash. It included pension benefits that were earned in previous years.

Other taxable benefits include company car / coverage of automobile expenses / vehicle allowance, telephone and Internet service, newspapers, health club memberships, reimbursement of home-office related expenses and certain other benefits. The benefits vary, and the amounts in the table are the amounts that are taxable based on rules and regulations in the relevant tax jurisdictions.

According to their employment contracts, as an effect of the sale of REC Solar:

- Mr. Enger is entitled to a severance payment equal to six months of his salary. In addition he was paid through end of the notice period, of which the part relating to two months of 2014 is included in the table as "severance pay etc"
- Mr. Tørud, Mr. Krumbacher and Mr. Bjørnsen are entitled to a severance payment equal to six months of their salaries less earnings from any new employment. No amounts have been paid for these potential severance payments.

- Mr. Hasaas had an agreement for severance payment that did not come into effect as Mr. Hasaas changed employment to REC Solar ASA.

Mr. Andersen Jr. stepped down from the Group management on November 1, 2012. Beginning on July 1, 2013, Mr. Andersen Jr. was entitled to a severance payment equal to six months of his salary less earnings from any new employment. In addition he received remuneration according to his employment contract during the normal notice period of six months starting January 1, 2013, without an obligation to perform services for the Group. Related amounts are not included in the tables above.

Øyvind Hasaas received commuting housing allowance in 2012 and parts of 2013, which are not taxable benefits and not included in the tables.

Ms. Ryssdal, Mr. Brenna, and Mr. Sauar were entitled to severance payments if their contracts were terminated by the Company. No payments were made under these contracts.

At the end of 2011, the Board offered Mr. Torvund, Mr. Hasaas, Mr. Bjørnsen, Mr. Krumbacher, Mr. Tørud and Silje Johnsen (employee representative in the Board of Directors) had retention agreements that entitled them to 12 months base salary if they stayed with the Group for two years and were not under notice as of December 31, 2013. They would also be entitled to 12 months base salary if the Group terminated their employment without cause or due to reasons relating to the company before this date. The amounts are proportionally reduced in the case of absence for more than two months. The amounts earned are reported in the table in 2013; no amounts were earned in 2012.

At December 31, 2013, members of the Group Management have contracts that entitle them to severance benefits beyond the normal notice period if employment is terminated by the Group. These severance payments are equal to six months of salary for Mr. Torvund and three months of salary for Mr. May, Ms. Sullivan, and Mr. Levens.

In addition, Mr. Levens has signed a retention agreement that entitles him to 50% of his 2014 salary if he is not under notice at December 31, 2014. He will also receive this benefit if his employment is terminated without cause or at the convenience of the Group.

No other members of the Group Management and Board of Directors have contracts that provide for benefits upon termination of employment.

Compensation of the Board of Directors paid in 2013

A new Board of Directors was elected on the Annual General Meeting on May 3, 2013 that decided on compensation for the previous Board of Directors:

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Jens Ulltveit-Moe (Chairman to Feb. 7, 2013)	314 130	0
Peter Arne Ruzicka (Member to May 3, 2013)	250 000	0
Odd Christopher Hansen (Member to May 3, 2013)	250 000	50 000
Mimi Kristine Berdal (Chairman from Feb. 7, 2013)	295 652	0
Helene Margareta Vibbleus Bergquist (Member to May 3, 2013)	250 000	50 000
Total period May 22, 2012 – May 3, 2013	1 359 782	100 000

On November 29, 2013 an Extraordinary General Meeting elected a new Board of Directors and decided on compensation for the previous Board of Directors:

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Mimi Kristine Berdal (Chairman)	497 917	29 167
Øystein Stray Spetalen	270 833	0
Ragnhild Wiborg	270 833	29 167
Knut Øversjøen	270 833	29 167
Jan Christian Opsahl	270 833	29 167
Total period May 3, 2013 – November 29, 2013	1 581 250	116 667

Compensation of the Board of Directors paid in 2012

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Bjørn Wiggen (Chairman to May 22, 2012) [1]	425 000	50 000
Jens Ulltveit-Moe (Chairman from May 22, 2012)	0	0
Tore Schiøtz (Member to May 22, 2012)	250 000	50 000
Peter Arne Ruzicka (Member from May 22, 2012)	0	0
Odd Christopher Hansen	250 000	50 000
Hilde Myrberg (Member to May 22, 2012) [1]	250 000	0
Svein Tore Holsether (Member to May 22, 2012) [1]	275 000	50 000
Bernt Reitan (Member to May 22, 2012)	250 000	0
Mimi Kristine Berdal	250 000	0
Helene Margareta Vibbleus Bergquist	250 000	50 000
Total period May 25, 2011 – May 22, 2012	2 200 000	250 000

[1] Amounts paid to the company they are employed with

Compensation of employee elected board members paid in 2013

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Rolf B. Nilsen (Member to June 30, 2012)	26 042	0
Silje Johnsen (Member to May 3, 2013)	250 000	0
Hans Ødegård (Member to July 31, 2012)	46 875	0
Total period May 22, 2012 – May 3, 2013	322 917	0

Compensation of employee elected board members paid in 2012

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Tommy Kristensen	250 000	0
Rolf B. Nilsen	250 000	50 000
Silje Johnsen	250 000	0
Hans Ødegård	250 000	0
Total period May 25, 2011 – May 22, 2012	1 000 000	50 000

Compensation of the Board of Directors for the period November 30, 2013 to May 12, 2014 will be decided by the Annual General Meeting on May 12, 2014.

Committees include Audit Committee, Compensation Committee, and Corporate Governance Committee as appropriate.

Ordinary salary etc. for employee elected Board members 2013

(AMOUNTS IN NOK)

NAME	SALARY PAID	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Silje Johnsen (Member to May 3, 2013)	314 128	19 970	7 371
Total 2013	314 128	19 970	7 371

Ordinary salary etc. for employee elected Board members 2012

(AMOUNTS IN NOK)

NAME	SALARY PAID	BONUS EARNED	PENSION BENEFITS	OTHER TAXABLE BENEFITS	RETENTION BONUS
Tommy Kristensen (Member to May 18, 2012)	255 936	0	-14 473	5 312	160 000
Rolf B. Nilsen (Member to June 30, 2012)	360 600	0	13 920	6 488	0
Silje Johnsen	952 060	47 119	100 554	19 276	0
Hans Ødegård (Member to July 31, 2012)	368 773	0	17 702	6 046	0
Total 2012	1 937 369	47 119	117 703	37 122	160 000

LOANS AND GUARANTEES FOR GROUP MANAGEMENT, BOARD OF DIRECTORS AND SHAREHOLDERS

The Company has purchased bank guarantees for the unfunded defined benefit obligations and retention bonuses. These guarantees are for all relevant employees. At December 31, 2013 and 2012 there were no other outstanding loans or guarantees to members of Group Management, Board members or shareholders or their closely related parties.

SHAREHOLDINGS, OPTIONS AND BONDS

The number of shares and options owned by members of the Board of Directors and the Group Management, including their closely related parties, are shown in the table below. The table includes those that were members at December 31, 2013 or 2012.

	OPTIONS		SHARES	
NAME	**2013**	2012	**2013**	2012
Ole Enger	**NA**	1 546 399	**NA**	82 941
Tore Torvund	**1 129 353**	1 129 353	**31 486**	31 486
Øyvind Hasaas	**NA**	782 125	**NA**	11 065
Florian Krumbacher	**NA**	130 402	**NA**	4 086
Kjell Christian Bjørnsen	**NA**	172 773	**NA**	6 003
Mikkel Tørud	**NA**	260 328	**NA**	8 666
James A May II	**0**	NA	**2 043**	NA
Francine Sullivan	**371 563**	NA	**0**	NA
Kurt Levens	**583 204**	0	**4 395**	0
Jens Ulltveit-Moe	**0**	0	**475 974 332**	256 212 862
Ragnhild Wiborg	**0**	NA	**10 000**	NA
Odd Christopher Hansen	**NA**	0	**NA**	900 000
Silje Johnsen	**NA**	0	**NA**	8 569

Refer to note 32 for details of the share option program.

Details of options outstanding at December 31, 2013

		2011 PROGRAM		2010 PROGRAM		2009 PROGRAM		2008 PROGRAM	
NAME	TOTAL NUMBER DEC 31, 2013	NUMBER	STRIKE PRICE	NUMBER	STRIKE PRICE	NUMBER	STRIKE PRICE	NUMBER	STRIKE PRICE
Tore Torvund	1 129 353	508 564	10.09	478 685	15.32	142 104	32.69	0	97
Kurt Levens	583 204	275 291	10.07	205 556	15.32	84 126	32.69	18 232	97
Francine Sullivan	371 563	208 478	10.09	163 086	15.32	0	32.69	0	97

REC bonds

At December 31, 2013 related parties of Jens Ulltveit-Moe (Chairman of the Board) owned REC NOK bonds with nominal value of approximately NOK 1 million.

17 BORROWINGS

Financial liabilities, interest bearing

(NOK IN MILLION)	2013	2012
Non-current financial liabilities, interest bearing		
NOK Bond	**537**	1 934
Up-front loan fees etc [1]	**-3**	-16
EUR Convertible bond	**0**	1 597
USD Convertible bond	**636**	0
Indemnification loans	**200**	246
Total non-current financial liabilities, interest bearing	**1 370**	3 760
Current financial liabilities, interest bearing		
Up-front loan fees etc [1]	**-2**	-29
NOK Bond	**198**	0
EUR Convertible bond	**676**	0
Total current financial liabilities, interest bearing	**872**	-29
Total financial liabilities, interest bearing	**2 242**	3 731

[1] Amortized as part of effective interest

During 2012 and 2013, the Group maintained bank credit facilities in amounts varying from NOK 8.6 billion to NOK 800 million. On September 4, 2013 the undrawn facilities were canceled. Guarantees already issued under the guarantee facility remain unaffected. See note 29. Total undrawn revolving bank credit facilities were NOK 2.0 billion at December 31, 2012.

The indemnification loans are related to the REC Wafer Norway AS bankruptcy, see note 9. These loans represent estimated indemnification amounts. They have been reported as interest bearing liabilities; however, interest has not started to accrue. In the second quarter 2013 one of the indemnification loans was settled and paid. The remaining NOK 200 million indemnification loan has been renegotiated to remove all financial covenants and move the maturity date to February 2016 with an interest rate of NIBOR plus 0.5%.

The Company has three bonds denominated in NOK (REC01, REC02 and REC03). On November 5, 2013 the Company repurchased the following (plus accrued interest):

- REC01: NOK 454.5 million (70 percent of outstanding amount) at 103 percent of par value.
- REC02: NOK 478.5 million (67 percent of outstanding amount) at 100 percent of par value.
- REC03: NOK 612.5 million (67 percent of outstanding amount) at 100 percent of par value.

On May 24, 2013 the Company repurchased half of the EUR 320 million convertible bonds (EUR 4.52 per share strike price) by cash payment of NOK 779 million and issue of additional NOK 426 million bonds (tap issue of NOK 213 million in REC02 and NOK 213 million in REC03).

On September 11, 2013 the Company repurchased further EUR 79 million of the EUR convertible bond loan by cash payment of NOK 185 million and issuance of USD 74 million in a new USD 110 million convertible bond with a strike price of USD 0.62 per share maturing in September 2018. The Group has the right to convert the bond into ordinary shares at any time on or after April 11, 2017 provided the value of the underlying shares on at least 20 of 30 trading days exceeds 150 percent of the principle amount of the outstanding bonds.

At December 31, 2013 none of the interest bearing liabilities contains financial covenants. However, there are cross default clauses between all the loan agreements above certain threshold amounts.

At December 31, 2013 the average maturity is approximately 2.6 (approximately 2.4 at December 31, 2012).

The NOK bonds, the indemnification loan, and the USD convertible bond are all senior debt while the EUR convertible bond is subordinated. All the bond agreements have negative pledge clauses with certain threshold amounts. The NOK bonds are guaranteed by the Company and its material subsidiaries.

At December 31, 2013 and 2012, the Company complied with all financial covenants and other restrictions in the loan agreements.

The following are the contractual maturities of financial liabilities including estimated interest

AT DECEMBER 31, 2013 (NOK IN MILLION)	CARRYING AMOUNT	MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE								
		TOTAL	MAR 2014	JUN 2014	SEP 2014	DEC 2014	2015	2016	2017	2018
Unamortized upfront fees	- 5	0	0	0	0	0	0	0	0	0
NOK bonds	736	934	4	33	221	4	44	271	29	330
EUR convertible bond	676	710	11	699	0	0	0	0	0	0
USD convertible bond	636	876	11	11	11	11	43	43	43	702
Indemnification loan [2]	200	209	1	1	1	1	4	201	0	0
Total	2 242	2 729	27	744	233	16	91	515	73	1 032
Guarantees for REC Solar [1]										
Guarantees for REC Wafer Norway AS [2]										

1) The Group has provided bank guarantees and parent company guarantees for the REC Solar Group, see note 29.
2) The Company has provided guarantees and indemnification agreements in connection with the bankruptcy of REC Wafer Norway AS in 2012. See notes 9, 11, and 30.

The contractual repayment dates in 2014 are June 4, 2014 for the EUR Convertible bond and September 16, 2014 for the NOK bond.

AT DECEMBER 31, 2012 (NOK IN MILLION)	CARRYING AMOUNT	MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE						
		TOTAL	2013	2014	2015	2016	2017	2018
Bank borrowings	0	57	38	19	0	0	0	0
NOK Bonds	1 934	2 365	143	793	83	568	52	726
Unamortized upfront fees	- 46	0	0	0	0	0	0	0
EUR Convertible bond	1 597	2 604	153	2 451	0	0	0	0
Indemnification loans	246	282	9	54	8	8	203	0
Total	3 731	5 307	343	3 317	91	575	255	726

The differences between carrying amounts and total expected payments in the tables above are due primarily to discounting. Interest payments are estimated using the interest rates at December 31, 2013 and 2012. Commitment fees on undrawn amounts under the credit facilities at December 31, 2012 are calculated using the commitment fee margins at year-end, and are included as payment of interest for bank borrowings. All cash flows are undiscounted. Amounts in other currencies than NOK are translated at the exchange rates at December 31, 2013 and 2012, respectively.

Until November 2013, the fixed interest rates on NOK bonds REC01 and REC03 were effectively swapped to variable 6 months NIBOR plus margins on the loans that were established at the time of the bond offerings. The margins are 6.9 percent in REC01 and 5.25 percent in REC03. The swapped variable interest rate was 9.08 percent for REC01 and 7.32 percent for REC03 at December 31, 2012. Due to the effective fair value hedge of the fixed interest the net interest reported in the statement of income has been the variable up to November 2013. In the maturity analysis tables the fixed interest rates of 11 percent for REC01 and 9.75 percent for REC03 are used.

The nominal interest rates and currency distribution (notional amounts) at December 31, 2013 were as follows

	INTEREST RATE (%)		CURRENCY	AMOUNTS IN MILLION CURRENCY	BORROWER
NOK Bond REC01	11.0	Fixed	NOK	195.5	REC Silicon ASA
NOK Bond REC02	6.0	Variable	NOK	234.5	REC Silicon ASA
NOK Bond REC03	9.8	Fixed	NOK	300.5	REC Silicon ASA
EUR Convertible bond	6.5	Fixed	EUR	81.2	REC Silicon ASA
USD Convertible bond	6.5	Fixed	USD	110.0	REC Silicon ASA
Indemnification loans	2.2	Variable	NOK	200.0	REC Silicon ASA

The nominal interest rates and currency distribution (notional amounts) at December 31, 2012 were as follows

	INTEREST RATE (%)		CURRENCY	AMOUNTS IN MILLION CURRENCY	BORROWER
NOK Bond REC01	11.0	Fixed	NOK	650	REC Silicon ASA
NOK Bond REC02	6.2	Variable	NOK	500	REC Silicon ASA
NOK Bond REC03	9.8	Fixed	NOK	700	REC Silicon ASA
EUR Convertible bond	6.5	Fixed	EUR	320	REC Silicon ASA
Indemnification loans	3.8	Variable	NOK	246	REC Silicon ASA

Interest on the floating rate NOK bond (REC02) is determined every three months and based on the NIBOR rate plus a fixed margin of 4.35 percent.

18 INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

Recognized income tax expense

(NOK IN MILLION)	2013	2012
Current income tax expense (-) / benefit (+)	1	-6
Deferred tax expense (-) / benefit (+)	497	1 381
Total income tax expense (-) / benefit (+) in the statement of income from continuing operations	498	1 376

Relationship of income tax expense/benefit to profit/loss from continuing operations

(NOK IN MILLION)	2013	2012
Profit/loss before tax from continuing operations	-1 439	-4 836
Tax calculated at domestic tax rates applicable to profits /losses in the respective countries	453	1 526
Effects of changes in tax rates and use of another tax rate for parts of profits /losses	-67	30
Tax credits, expenses deductible only for tax, and income not subject to tax	6	4
Results not taxable (Singapore)	-17	-195
Expenses not deductible for tax purposes	-7	-81
Effects of not recognized deferred tax assets, including reversal of previous years'	129	94
Adjustment of prior year's income taxes	1	-2
Total income tax expense (-) / benefit (+) in the statement of income from continuing operations	498	1 376
Effective tax rate	35%	28%

The income tax calculation for the Group is primarily based on corporate income tax rates of 28 percent in Norway, 37 percent in the USA, 17 percent in Singapore, and above 30 percent in a number of other European countries. In 2013, the income tax rate in Norway was reduced to 27 percent beginning in 2014, which affected the calculation of deferred tax on temporary differences at December 31, 2013.

Deferred tax benefits for 2013 and 2012 are primarily related to losses of REC Silicon in the US and the tax effect of fair value adjustment to convertible bonds.

Group internal expenses not re-presented to discontinued operations has effect on the line items "results not taxable (Singapore)" and "effects of not recognized deferred tax assets, including reversal of previous years".

Income tax for REC Silicon in the USA is based on nominal 35 percent federal tax rate plus estimated blended state taxes. The effective tax rate for REC Silicon in the USA was 37 percent on losses in 2013 and 34.3 percent in 2012.

In 2013, effects of changes in tax rates were primarily related to REC Silicon ASA, with offsetting amounts in "effects of not recognized deferred tax assets, including reversal of previous years".

Income tax assets and liabilities in the statement of financial position

(NOK IN MILLION)	2013	2012
Current tax assets	21	26
Current tax liabilities	0	1
Net current tax assets (+) / liabilities (-)	21	25
Deferred tax assets	0	8
Deferred tax liabilities	551	969
Net deferred tax assets (+) / liabilities (-)	-551	-960

Deferred tax assets and liabilities, based on classification as current and non-current are as follows

(NOK IN MILLION)	2013	2012
Deferred tax assets		
Deferred tax asset to be recovered after 12 months	1 378	921
Deferred tax asset to be recovered within 12 months	79	65
Offset deferred tax assets and liabilities	-1 456	-977
Total	0	8
Deferred tax liabilities		
Deferred tax liability to be settled after 12 months	1 998	1911
Deferred tax liability to be settled within 12 months	10	35
Offset deferred tax assets and liabilities	-1 456	-977
Total	551	969
Net deferred tax liabilities	-551	-960

Tax losses and tax credits carried forward are presented as deferred tax assets to be recovered after 12 months in the table above.

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2012

(NOK IN MILLION)	BALANCE JAN 1, 2012	RECOGNIZED IN INCOME CONTINUING OPERATIONS	RECOGNIZED IN INCOME DISCONTINUED OPERATIONS	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2012
Total non current assets	-2 856	1 036	4	16	195	-1 605
Total current assets	43	-20	4	0	-5	23
Total non current liabilities	-269	135	5	0	-3	-132
Total current liabilities	5	3	0	0	-1	7
Tax losses and tax credits carry-forward recognized	564	228	0	0	-45	747
Total	-2 512	1 381	14	16	142	-960

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2013

(NOK IN MILLION)	BALANCE JAN 1, 2013	RECOGNIZED IN INCOME CONTINUING OPERATIONS	RECOGNIZED IN INCOME DISCONTINUED OPERATIONS	RECOGNIZED IN OCI/EQUITY	SALE OF SUBSIDIARIES	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2013
Total non current assets	-1 605	-200	0	-19	0	-151	-1 975
Total current assets	23	28	-1	0	-8	4	46
Total non current liabilities	-132	246	0	0	0	4	118
Total current liabilities	7	14	0	0	0	1	23
Tax losses and tax credits carry-forward recognized [1]	747	409	0	0	0	81	1 237
Total	-960	497	-1	-19	-8	-60	-551

[1] Tax losses and tax credits carry-forward recognized at December 31, 2013 relate to REC Silicon in the USA (NOK 1,172 million) and REC Silicon ASA in Norway (NOK 65 million). Amounts recognized for REC Silicon ASA are due to offsetting deferred tax liabilities.

Accumulated income taxes recognized to equity at December 31

(NOK IN MILLION)	2013	2012
Effect of transition to IAS 39 at January 1, 2005	**14**	14
Effect of actuarial gains and losses	**-12**	-12
Effect of conversion of convertible bonds	**-371**	-371
Effect of costs for capital increase	**51**	51
Effect of translation differences on loans as part of net investment	**6**	25
Total deferred tax	**-311**	-292
Current tax - effect of costs for capital increase	**80**	80
Total	**-232**	-213

Amounts in the table above for the effects of transition to IAS 39, effects of actuarial gains and losses, and the effects of translation differences total NOK 8 million at December 31, 2013 and have been recognized in other comprehensive income. The remaining amounts have been recognized directly to equity.

The following main deferred tax assets have not been recognized at December 31

(NOK IN MILLION)	2013	2012
Total non current assets	50	93
Total current assets	0	0
Total non current liabilities	0	7
Total current liabilities	0	0
Tax losses carry forward	3 648	1 657
Total	3 698	1 758

Distribution of the deferred tax assets that have not been recognized at December 31

(NOK IN MILLION)	2013	2012
REC Silicon ASA and related eliminations (Norway)	1 777	1 271
REC Solar AS and related eliminations (Norway)	1 921	459
Other	0	27
Total	3 698	1 758

Tax losses carried forward and other deferred tax assets are not recognized due to requirements in IAS 12 for convincing evidence of future profits. There is no expiry date for tax losses in Norway. The increase in deferred tax assets not recognized is primarily due to realized losses on the sale of the Singapore entities (discontinued operations).

Refer also to note 31 contingent liabilities for discussion of notices of reassessment from the Central Tax office for large Enterprises.

At December 31, 2013 and 2012, accumulated undistributed earnings for the Company's ownership share in the REC Silicon Group in the USA were approximately USD 260 million and USD 342 million, respectively (translated at exchange rate at the end of the relevant years: NOK 1.6 billion and NOK 1.9 billion). A 15 percent withholding tax would apply to any dividends paid from the USA. No corresponding deferred tax liability has been recognized (see notes 2.16 and 4.1 (A)).

19 RETIREMENT BENEFIT OBLIGATIONS AND EXPENSES

The cost of defined pension benefit plans is expensed in the period that the employee renders services and becomes eligible to receive benefits. The cost of defined contribution plans is expensed as contributions become payable.

At December 31, 2013 the remaining pension plans for the Group are primarily in the USA. REC Silicon has an employer-sponsored defined contribution retirement plan (401 (k)) for employees in the USA. The REC Silicon subsidiary ASiMI in the USA had defined benefit plans at the time it was acquired in 2005. At that time, these plans were frozen and no future benefits are accruing to the members of the plans. Previous pension rights remain unchanged and are fully vested.

During the periods presented, the Norwegian plans included defined contribution and defined benefit plans. The number of employees in Norway has been reduced and will be further reduced during 2014. The defined benefit liabilities are expected to be settled in 2014.

Discontinued operations include a defined contribution plan in Singapore and parts of the Norwegian defined benefits and contribution plans.

For defined benefit plans the plan assets and the projected benefit obligations were measured at December 31, 2013 and 2012. Independent actuaries performed actuarial calculations. The present value of the projected defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

Defined benefit plans

			ASIMI PLANS		OF WHICH DISCONTINUED OPERATIONS	
(NOK IN MILLION)	**2013**	2012	**2013**	2012	**2013**	2012
Gross retirement benefit obligations at January 1	**229**	241	**208**	209	**4**	24
Service cost	**2**	5	**0**	0	**0**	3
Interest cost on pension obligations	**9**	9	**8**	9	**0**	0
Remeasurements recognized through OCI	**-28**	27	**-26**	14	**0**	1
Benefits paid, paid-up policies and disability obligation	**-22**	-25	**-9**	-8	**-3**	-11
Settlements and curtailments	**-4**	-1	**0**	0	**-1**	-1
Disposal of subsidiary	**0**	-12	**0**	0	**0**	-12
Translation differences	**20**	-15	**20**	-15	**0**	0
Gross retirement benefit obligations at December 31	**206**	229	**201**	208	**0**	4
						0
Fair values of plan assets at January 1	**108**	120	**108**	119	**0**	1
Actual return on plan assets	**2**	2	**2**	2	**0**	0
Pension premiums	**9**	5	**9**	5	**0**	0
Benefits paid, paid-up policies and disability reserve	**-9**	-10	**-9**	-8	**0**	-1
Settlements and curtailments	**0**	0	**0**	0	**0**	0
Disposal of subsidiary	**0**	0	**0**	0	**0**	0
Translation differences	**10**	-9	**10**	-9	**0**	0
Fair value of plan assets at December 31	**120**	108	**120**	108	**0**	0
						0
Funded status at December 31	**86**	121	**82**	100	**0**	4
Accrued social security tax	**1**	3	**0**	0	**0**	1
Net retirement benefit obligations at December 31	**87**	124	**82**	100	**0**	4

The plan assets relate to one of the three ASiMI plans, and are currently invested in stable value funds. The Norwegian defined benefit plans are unfunded.

Retirement benefit obligations in the statement of financial position

			ASIMI PLANS		OF WHICH DISCONTINUED OPERATIONS	
(NOK IN MILLION)	**2013**	2012	**2013**	2012	**2013**	2012
Net retirement benefit obligations at January 1	**124**	125	**100**	91	**4**	26
Net periodic benefit costs including net interest	**1**	8	**4**	4	**-1**	2
Remeasurements recognized through OCI	**-25**	33	**-23**	17	**0**	1
Pension premiums and benefits paid	**-21**	-20	**-9**	-5	**-3**	-10
Social security tax on pension premiums	**-2**	-1	**0**	0	**0**	0
Disposal of subsidiary	**0**	-14	**0**	0	**0**	-14
Translation differences	**9**	-7	**9**	-7	**0**	0
Net retirement benefit obligations at December 31	**87**	124	**82**	100	**0**	4

The amounts recognized in the statement of income are as follows

(NOK IN MILLION)	TOTAL OPERATIONS 2013	TOTAL OPERATIONS 2012	RE-PRESENTED FOR DISCONTINUED OPERATIONS 2013	RE-PRESENTED FOR DISCONTINUED OPERATIONS 2012
Current service cost	2	5	2	2
Settlements and curtailments	-4	-1	-3	0
Employer's social security tax on defined benefit costs	0	0	0	0
Total benefit plans	-3	4	-2	3
Contribution plans including employer's social security tax	48	62	21	19
Total pension expenses (see note 24)	45	67	20	21
Net interest expense	4	4	4	4

Remeasurements of the net defined benefit liability recognized through Other Comprehensive Income (gains (-)/losses (+))

(NOK IN MILLION)	2013	2012
Experience adjustments	-2	-1
Effects of changes in assumptions	-26	31
Total remeasurements (gains (-)/losses (+)) on gross retirement benefit obligations	-28	30
Return on plan assets, excluding amounts included in interest	3	3
Total remeasurements (gains (-)/losses (+)) recognized through Other Comprehensive Income	-25	33

During 2013 the effects of changes in assumptions were due to an increase in discount rate for the ASiMI plans.

During 2012, the effects of changes in assumptions included NOK 13 million due to decrease in discount rate for the ASiMI plans. The remainder was due primarily to a decrease in expected turnover in Norway.

The cumulative remeasurement loss recognized to equity through other comprehensive income was NOK 29 million before income taxes at December 31, 2013 (NOK 54 million at December 31, 2012). Of this, a loss of NOK 58 million (NOK 81 million) was related to ASiMI (excluding translation difference).

The actuary risk tables in Norway were based on advice in accordance with published statistics and experience. The names of the risk tables were: Mortality K2005, Marriage K2005 and Disability IR02. The mortality table for ASiMi plans is based on the IRS 2013 Static Mortality Table for 2013 (IRS 2012 Static Mortality Table for 2012).

For the Norwegian defined benefit plans, the discount rate was estimated based on the interest rate on Norwegian government bonds. The assumptions for salary increase, increase in pension payments and G-regulation were referenced to guidelines from the Norwegian Accounting Standards Board and were tested against historical observations, statements made about the future developments and the relationship between different assumptions. Expected future turnover was affected by historical observations and expectations of the future. The future turnover assumption in Norway was decreased at the end of 2012. In the third quarter 2013 it was decided to sell REC Solar and to terminate the employment of most of the remaining Norwegian employees. The liabilities for the Norwegian defined benefit plans at December 31, 2013 are expected to be paid in 2014. Consequently, actuarial and financial assumptions are not relevant at December 31, 2013 and it has been recognized curtailment and settlement effects in 2013. For the defined benefit plan in REC ASiMI in the USA the discount rate is calculated based on the CitiGroup Pension Discount Curve.

The principal actuarial assumptions used to determine retirement benefit obligations at December 31

	NORWEGIAN PLANS (%)			ASIMI PLANS (%)		
	2013	2012	2011	**2013**	2012	2011
Discount rate	**NA**	2.2	2.4	**4.8**	3.9	4.3
Future salary increases	**NA**	3.0-3.3	3.8-4.0	**NA**	NA	NA
Future pensions increases	**NA**	0.1-3.0	0.4-3.4	**NA**	NA	NA
Future increase in social security base amount (G)	**NA**	3.0	3.8	**NA**	NA	NA
Future turnover	**NA**	Stepwise		**NA**	NA	NA

The assumptions used to determine the benefit cost for the year are determined at the beginning of the year. The expected return for the ASiMI plans equals the discount rate.

The weighted average duration of the defined benefit obligation for the ASiMi plans are about 20 years at December 31, 2013. Pension premiums of NOK 4 million are expected to be paid during 2014 to the ASiMI defined benefit plans.

For the ASiMI benefit plans, a one percentage point increase (decrease) in discount rate is estimated to decrease (increase) the pension obligation by approximately NOK -25 (31) million at December 31, 2013.

20 TRADE PAYABLES, PROVISIONS AND OTHER LIABILITIES

Non-financial liabilities, interest calculation

(NOK IN MILLION	**2013**	2012
Non-current prepayments - interest calculation	**41**	40
Current portion of prepayments interest calculation	**55**	88
Total prepayments, interest calculation	**96**	127

Trade payables and other liabilities

(NOK IN MILLION)	**2013**	2012
Trade payables	**118**	568
Accrued cost for capital expenditures	**0**	1
VAT and other public taxes and duties payables	**144**	133
Accrued operating costs	**95**	238
Accrued finance costs	**41**	141
Other non-interest bearing liabilities	**20**	131
Trade payables and other liabilities	**418**	1 211

Provisions

(NOK IN MILLION)	**2013**	2012
Provisions, current	**8**	47
Provisions non-current	**0**	344
Total provision	**8**	391

Specification of provisions

(NOK IN MILLION)	RESTRUCTURING & EMPLOYEE TERMINATION BENEFITS	WARRANTIES	ASSET RETIREMENT OBLIGATIONS	ONEROUS CONTRACTS	TOTAL
Continuing operations at January 1, 2013	5	0	1	2	**8**
Discontinued operations at January 1, 2013	3	160	196	23	**383**
At January 1, 2013	8	160	198	26	**391**
Additional provisions continuing operations	9	0	0	3	**12**
Additional provisions discontinued operations	5	24	0	1	**30**
Unsed amounts reversed continuing operations	-1	0	0	0	**-1**
Unsed amounts reversed discontinued operations	0	-6	0	0	**-6**
Exchange differences continuing operations	0	0	0	0	**1**
Exchange differences discontinued operations	0	16	14	2	**31**
Increase in provisions due to interest discontinued operations	0	0	3	0	**3**
Recorded directly to statement of financial position discontinued operations	-6	-190	-213	-5	**-414**
Used during the year continuing operations	-10	0	0	-2	**-11**
Used during the year discontinued operations	-2	-2	0	-21	**-26**
At December 31, 2013	3	0	2	4	**8**

Estimated fair values of the Company's guarantees, indemnification loans and option contract related to the REC Wafer bankruptcy are not reported as provisions, but included in other line items in the statement of financial position, see note 9.

A provision is a liability of uncertain timing or amount. Current provisions are expected to be paid within one year.

At December 31, 2012 the provisions were estimated to be settled in:

(NOK IN MILLION)	TOTAL	2012	2013	2014	2015	2016	AFTER 2016
Provision at December 31, 2012	**391**	47	7	3	3	3	328

Most provisions at December 31, 2012 were related to discontinued operations. Warranties were primarily product and power output warranties related to the sale of solar panels by REC Solar. Asset retirement obligations at December 31, 2012 related primarily to the Singapore plant in REC Solar. Provisions for onerous contracts at December 31, 2012 related primarily to adjustments of the production in Singapore in 2011. Reduction of provisions recorded directly in the statement of financial position relate to the sale of REC Solar at the end of October 2013.

21 GOVERNMENT GRANTS

(NOK IN MILLION)	2013	2012
Recognized in the statement of financial position - grants related to assets for continuing operations [1)]	**-57**	-33
Recognized in the statement of financial position - grants related to assets for discontinued operations [1)]	**-9**	-1
Recognized in the statement of income for continuing operations - grants related to income	**0**	0
Recognized in the statement of income for discontinued operations - grants related to income	**56**	77

[1)] Negative amounts for government grants related to assets are adjustments to previously recognized grants.

For continuing operations, the main grant relates to an Advanced Energy Manufacturing Tax Credit grant (AEMTC grant) in the USA. See note 4.2(C).

Negative amounts for grants related to assets for continuing operations in 2013 and 2012 are due to a decrease in the estimated present value of the AEMTC grant due to changes in the estimated timing of the utilization and in discount rates. The expected utilization has been pushed out in time in both years. In 2012 this was partially offset by a decrease in market interest rate. Interest rates increased in 2013. See note 12.

22 OTHER OPERATING EXPENSES

(NOK IN MILLION)	2013	2012
Energy and water	345	395
Total operating, service and maintenance costs	315	367
Lease expenses	139	128
Freight, postage and transportation	19	20
IT and telecommunication costs	41	54
Travel and entertainment costs	20	22
Insurance costs	28	30
Consultancy and auditors fees	207	256
Own work capitalized on fixed assets	-5	-7
Loss on receivables [1]	-6	60
Other operating costs	8	9
Other operating expenses	1 111	1 335

[1] Loss on receivables, see note 12.

Auditor's remuneration (continuing operations)

(NOK IN MILLION)	2013	2012
Statutory audit (only relating to statutory auditor)	4.1	3.5
Other assurance services (only relating to statutory auditor)	0.0	0.0
Tax advisory services (only relating to statutory auditor)	3.0	4.3
Other non-audit services (only relating to statutory auditor)	0.2	0.1
Total auditors remuneration	7.4	8.0

23 OTHER INCOME AND EXPENSES

(NOK IN MILLION)	DEC 31, 2013	DEC 31, 2012
Restructuring cost and employee termination benefits	-8	-4
Onerous contracts	-3	-3
Other income	120	197
Gain/loss on disposal of non-current assets	1	0
Total other income and expenses	109	190

In February 2013, REC Silicon received USD 27.5 million (NOK 157 million) from a customer. Part of the amount is compensation for volume commitments under contract which was not fulfilled by the customer and was recognized as other income in 2013. The remaining amount is related to future deliveries and has been deferred as a prepayment. See note 20.

Other income for 2012 related primarily to customer contract settlements.

24 EMPLOYEE BENEFITS

(NOK IN MILLION)	2013	2012
Payroll	441	473
Bonus	43	54
Share option expense	-4	4
Social security tax	38	40
Pension cost incl. sosial security tax	20	21
Other employee related costs	85	91
Employee benefit expenses	622	683

The average number of permanent employees during 2013 measured in man-years was 819 for continuing operations (2012: 902). The number of permanent employees at December 31, 2013 for continuing operations was 756 (2012: 875). In addition, REC Solar had approximately 1,500 employees at the time of sale in October 2013 and approximately 1,470 at December 31, 2012.

There were no loans or guarantees provided to employees at December 31, 2013 (NOK 0.5 million at December 31, 2012).

25 FINANCIAL INCOME AND EXPENSES

(NOK IN MILLION)	2013	2012
Interest income from financial assets not at fair value through profit or loss	34	38
Calculated interest income	10	5
Total income from financial assets not at fair value through profit or loss	44	43
Interest expenses for the convertible bonds (fair value through profit or loss)	-110	-157
Interest expenses for the NOK Bonds REC01 and REC03 (partially fair value through profit or loss)	-111	-121
Interest expenses for financial liabilities not at fair value through profit or loss	-55	-85
Expensing of up-front fees and costs	-43	-50
Calculated interest expenses	-13	-11
Capitalization of borrowing cost	5	6
Other expenses from financial assets and liabilities	-12	-12
Net financial expenses	-339	-429
Net currency gains/losses	232	-157
Net gain/loss derivatives not hedge accounting	-213	484
Fair value hedge instruments (change in clean value of interest rate swaps) [1]	-15	21
Fair value hedge objects (change in fair value NOK bonds) [1] [2]	16	-22
Total net gains/losses derivatives and fair value hedge (excluding interest)	-211	483
Fair value through profit or loss - convertible bonds (excluding interest)	-659	-415
Total fair value through profit or loss	-871	69
Total impairment loss on investments in shares and other non-current receivables	0	-3
Net financial items	-933	-477

[1] The net of these two lines represents the ineffective parts in fair value hedge accounting, up to revoking of the hedge relationships in November 2013.
[2] Changes in fair value of NOK bonds are due to changes in interest discounting

Interest expenses on borrowings include commitment fees on undrawn credit facilities. Decreased interest bearing liabilities and borrowing costs contributed to decreased interest expenses in 2013 compared to 2012.

In connection with the reduction and termination of credit facilities and the repurchase of NOK bonds, the Group recognized expenses for previously paid up-front fees in 2013 and 2012.

Calculated interest includes interest on net defined pension benefit obligations of NOK 4 million for both years. The remaining is calculation of interest on prepayments.

Other expenses for financial assets and liabilities in 2013 are primarily related to the partial repurchase of the convertible EUR bond and issue of the convertible USD bond. It also includes a net gain of NOK 1 million related to repurchase of NOK bonds in November 2013 (NOK 46 million of the fair value adjustment of the NOK bonds taken to income (see note 11), offset by loss on repurchase of NOK 45 million).

Net currency gains in 2013 are primarily related to currency gains for the Company on internal loans (loans of approximately USD 0.9 billion during 2013 and 2012) to REC Silicon in the US. These currency gains were partially offset by currency losses on the convertible EUR and USD bonds and net overdrafts in currency accounts in the Group account systems. Net currency losses in 2012 are primarily related to currency losses for the Company on the internal loans to REC Silicon in the US mentioned above. This was partially offset by currency gains on interest bearing liabilities and internal liabilities in foreign currency in the Group account systems.

Net losses on derivatives in 2013 are primarily due to the strengthening of USD against NOK. The net gain in 2012 was primarily due to the weakening of EUR and USD against NOK. See note 11.

Because EUR and USD are not the functional currency of the Company, no part of the convertible loans can be reported as equity. The Group recognizes the change in the estimated fair value of the total convertible bonds, and not just the embedded derivative, through profit or loss. See note 17.

The estimated fair values are shown in the table below.

EUR convertible bond

(EUR IN MILLION)	AT ISSUE	DEC 31, 2009	DEC 31, 2010	DEC 31, 2011	DEC 31, 2012	DEC 31, 2013
Nominal value	320	320	320	320	320	81
Value of the total loan	320	339	278	170	218	81

EUR convertible bond

(NOK IN MILLION)	AT ISSUE	DEC 31, 2009	DEC 31, 2010	DEC 31, 2011	DEC 31, 2012	DEC 31, 2013	CHANGE TO P/L 2012	CHANGE TO P/L 2013
Nominal value	2 665	2 661	2 500	2 481	2 349	681	-132	154
Value of the total loan	2 665	2 816	2 175	1 315	1 597	676	282	847
						Fair value adjustment excluding currency	415	693

USD convertible bond

(USD IN MILLION)	AT ISSUE	DEC 31, 2013
Nominal value	110	110
Value of the total loan	110	105

USD convertible bond

(NOK IN MILLION)	AT ISSUE	DEC 31, 2013	CHANGE TO P/L 2013
Nominal value	643	669	26
Value of the total loan	643	636	-7
		Fair value adjustment excluding currency	-33

Estimated fair value excludes accrued interest. The fair value of the convertible EUR bond loan increased during both 2012 and 2013, which is recognized as an expense in the consolidated financial statements. A decrease in the fair value of the convertible USD bond loan has been reported as income in 2013, due to reduction in share price from issue to December 31, 2013.

The increase in value of the EUR convertible bond was primarily due to the decrease in the Company's credit spread (own credit) and the remaining time to maturity. This was partially offset by a gain on settlement of NOK 54 million due to the repurchase during May 2013. NOK 38 million of this gain has been expensed as amortization and settlement loss on NOK bonds in 2013.

For changes affecting the statement of income ("Change to PL" in the tables), the total change in nominal value for both convertible bonds is due to currency losses of NOK 180 million in 2013 and currency gains of NOK 132 million in 2012. The change in value of the total loan includes currency gain/loss, along with the fair value adjustment for losses of NOK 659 million in 2013 and NOK 415 million in 2012 for both bonds.

The decrease in the Company's credit spread (own credit) has been estimated to increase the fair value of the remaining EUR convertible bond by 9.95 percent (EUR 8 million) at December 31, 2013 compared to December 31, 2012. During 2013, the statement of income reflects increases in fair value of the EUR convertible bond of approximately EUR 76 million due to increases in the Company's own credit. At December 31, 2013 the fair value of the EUR convertible bond was equal to its nominal value.

The increase in the Company's credit spread (own credit) has been estimated to decrease the fair value of the EUR convertible bond by 3.80 percent (EUR 8 million) at December 31, 2012 compared to December 31, 2011.

The decrease in the Company's credit spread (own credit) has been estimated to increase the fair value of the USD convertible bond by 11 percent (USD 12 million) at December 31, 2013 compared to the issue.

ADDITIONAL INFORMATION TO THE STATEMENT OF CASH FLOWS ON INTEREST, UP-FRONT FEES, AND OTHER COSTS PAID.
Interest paid is approximately NOK 328 million for 2013 and NOK 402 million for 2012. This excludes payment of up-front fees and other costs of approximately NOK 13 million in 2013 and NOK 52 million in 2012. These fees were paid to establish new loans or to restructure existing loans. Paid interest mentioned above is not reduced by borrowing cost that is capitalized and reported as part of investing activities in the statement of cash flows.

26 EARNINGS PER SHARE

BASIC
Basic earnings per share (EPS) is calculated by dividing the profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The weighted average numbers of ordinary shares were adjusted retrospectively in 2012 as a result of the bonus element in the share issues in the third quarter 2012. No adjustment was needed for the private placement on May 24, 2013.

The re-presentation of REC Solar as discontinued operations in 2013 and REC Wafer in 2012 affected the profit/loss from continuing operations.

	2013	2012
Profit/loss from continuing operations attributable to equity holders of the company (NOK IN MILLION)	-940	-3 461
Profit/loss from total operations attributable to equity holders of the company (NOK IN MILLION)	-2 073	-6 027
Weighted average number of ordinary shares in issue (IN MILLION)	2 235	1 649
Basic earnings per share from continuing operations (NOK per share)	-0.42	-2.10
Basic earnings per share from total operations (NOK per share)	-0.93	-3.65

DILUTED
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the convertible bonds and employee share options. Earnings are adjusted to reverse interest expense, currency gains or losses, changes in fair value and the related tax amounts of the convertible bonds. The calculation is made individually for each of the convertible bonds and for each of the partial repurchases of the EUR bond in 2013. If the effect increases EPS from continuing operations, it is anti-dilutive, and is then not included in diluted EPS.

The calculation shows that the convertible bonds and the share options are anti-dilutive for 2013 and 2012. Consequently, dilutive EPS equals basic EPS for both years.

27 DIVIDENDS PER SHARE

The Board of Directors did not propose any dividend payments for the financial year 2013 or 2012.

28 RESEARCH AND DEVELOPMENT

(NOK IN MILLION)	2013	2012
Research and development expenses - continuing operations	79	103
Research and development expenses - discontinued operations	51	81
Research and development expenses - total operations	130	183
- of which research and development expenses REC Silicon in the USA	79	75

Research and development activities consist of improvements to current production processes and equipment as well as activities designed to enhance quality, improve efficiency, and reduce production cost throughout the value chain.

REC Silicon's program for producing higher grade FBR polysilicon has resulted in the successful completion of a long term test of the FBR-B technology. This test achieved all primary targets and confirmed the potential viability of the FBR-B technology for production of semiconductor grade granular polysilicon; customer acceptance of product has not occurred.

Activities to advance Siemens polysilicon technology have been concentrated on developing processes and equipment to produce large diameter rods.

In the silicon gas production area, the focus has been on studies of catalytic effects of trace elements in the hydrogenation reactor and improved waste management technology.

29 COMMITMENTS, GUARANTEES, PLEDGES

Purchase obligations consist of significant items for which the Group is contractually obligated to purchase from third parties at December 31, 2013. Operating lease payments show contractual minimum future payments.

In cases where contracts can be terminated or reduced, the reduced amount has been included as estimated payments in the first period subsequent to the reporting period. Consequently, the amounts presented in the table represent the estimated unavoidable portion of the Group's expected future costs related to purchase obligations and lease payments. It does not reflect the Group's expected future cash outflows.

Purchase obligations and operating lease payments are undiscounted and exclude the payment of amounts recognized for other assets, liabilities, and investments.

Contractual purchase obligations and minimum operating lease payments at December 31, 2013

		DISTRIBUTION OF PAYMENTS					
(NOK IN MILLION)	TOTAL FUTURE PAYMENTS	2014	2015	2016	2017	2018	AFTER 2018
Purchase of goods and services							
REC Silicon	756	679	13	9	9	9	36
Other	0	0	0	0	0	0	0
Total purchase of goods and services	756	679	13	9	9	9	36
Minimum operating lease payments							
REC Silicon	638	120	113	110	109	94	92
Other	4	2	2	1	0	0	0
Total minimum operating lease payments	643	122	115	111	109	94	92

Purchase obligations consist primarily of long term contracts for Metallurgical Grade Silicon. Operating leases consist primarily of agreements for facilities that provide hydrogen and nitrogen used in production processes for which the lease and commodity component cannot be separated.

GUARANTEES AND PLEDGES

At December 31, 2012 the Group had restrictions under credit and guarantee facilities which were cancelled in September 2013. Bond agreements contain, and previous bank credit facilities agreements contained negative pledge clauses (see note 17).

Bank guarantees at December 31, 2013 amounted to NOK 137 million related primarily to purchases of energy, performance guarantees (REC Solar), and salary related liabilities. Restricted cash balances related to guarantees were NOK 40 million (see note 14).

The Group provided parent company guarantees for the REC Solar Group related to the performance of solar panels and systems and the sale of REC ScanModule AB. The Group has been provided with offsetting guarantees by REC Solar Holdings AS as part of the sale of the REC Solar division. The bank guarantees amount to NOK 50 million (of which NOK 16 million is secured by restricted cash deposits) and expire by NOK 44 million in 2014 and NOK 6 million in April 2015. The guarantees are valid for relevant warranty periods and are limited by warranties provided on solar panels and systems.

The Company has provided guarantees and indemnification agreements in connection with the bankruptcy of REC Wafer Norway AS in 2012. See notes 9, 11, 17 and 30.

At December 31, 2012, the Company had cosigned bank guarantees of NOK 280 million to secure subsidiary commercial obligations in the ordinary course of business. These guarantees were not regarded as financial guarantees for the consolidated financial statements for the Group.

30 OTHER INFORMATION FINANCIAL INSTRUMENTS

FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Group's financial instruments are based on market prices and the valuation methods described below.

Financial instruments recognized at fair values (partially or in whole)

	2013		2012		
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES	LEVEL
Convertible bonds - fair value whole instrument	0	1 311	0	1 597	2
Norwegian bonds REC01 and REC03 - fair value hedge of market interest rate [1]	NA	NA	0	1 434	2
Derivatives					
Currency and interest rate derivatives from banks	120	42	162	65	2
Option related to REC Wafer bankruptcy	0	15	0	7	3

[1] Subsequent to termination of the fair value hedge relationships in November 2013, the NOK bonds are carried at amortized cost

Determining the categorization of fair value measurements in accordance with IFRS 13 involves judgment.

Level 2

EUR and USD Convertible bonds: The Group accounts for these instruments at fair value. The convertible bonds are not listed on any exchange but are traded in limited markets. Quotations published by Bloomberg and actual trades are used to estimate fair value during the year. At year-end the value is adjusted to the tax assessment value published by Norges Fondsmeglerforbund. This value is an estimate of fair value.

Norwegian bonds: The fair value adjustments recognized in the financial statements were due to fair value hedge from the fixed swap interest rate to the floating NIBOR rate. In November 2013 the hedging designation was revoked and the hedged part of the bonds is no longer adjusted to their fair values (see note 17).

Derivative instruments purchased from banks: The fair value estimates are based on contractual cash flows and traded prices for input components. The fair values are compared to estimates by external parties; primarily banks.

Level 3

Option contract is part of the indemnification agreements in connection with the REC Wafer Norway AS bankruptcy, and the estimated fair value is subject to change. The change in estimated fair value has been reported as part of the net gain on disposal of discontinued operations, see note 9. There are no cash flows in this option until final maturity February 2016. The option price is dependent on the share price of the Company and dividend payout from the REC Wafer Norway AS's bankruptcy estate.

A ten percent change in the Company's share price would result in a change of NOK 2 million in the fair value of the liability. A similar change to the dividend payout from REC Wafer Norway AS's bankruptcy estate would result in a corresponding change of NOK 1 million in the fair value of the liability. A loss of NOK 8 million in 2013 and NOK 7 million in 2012 is included in profit or loss from discontinued operations at December 31, 2013.

Other financial liabilities and assets

The Norwegian bonds are traded on the Oslo Stock Exchange. Although trading is limited, market values of the bonds are estimated using trades near year-end and Norges Fondsmeglerforbund (level 2 in the fair value hierarchy).

	DECEMBER 31, 2013			DECEMBER 31, 2012		
(NOK IN MILLION)	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
REC01	196	198	201	650	671	606
REC02	235	226	221	500	500	363
REC03	301	311	288	700	763	522
	731	736	710	1 850	1 934	1 490

For all remaining financial assets and liabilities the carry amounts represent a reasonable approximation of fair value.

CREDIT RISK

The maximum credit risks related to financial assets are estimated in the table below

	2013		2012	
(NOK IN MILION)	CARRYING AMOUNT	MAX. EXPOSURE	CARRYING AMOUNT	MAX. EXPOSURE
Cash and bank (incl. restricted bank accounts)	445	445	1 925	1 925
Trade receivables and accrued revenues	639	639	1 336	1 336
Other non-current and current receivables	13	13	419	419
Finance receivables and short-term loans	65	65	65	65
Other derivatives - assets	120	120	162	162
Total	1 282	1 282	3 908	3 908

The bank guarantees, parent company guarantees, and indemnification agreements (see note 29) expose the Group to credit risk. The parent company guarantee amounts are not capped. The fair values of bank and parent company guarantees are estimated at zero. The maximum amount of the indemnification agreements is NOK 270 million and has been recognized in liabilities for NOK 215 million at December 31, 2013.

Shared characteristics that identify each concentration of trade receivables at December 31

GEOGRAPHICAL	2013	2012	SECTOR	2013	2012	INDUSTRY	2013	2012
China	25%	21%	Wholesale	8%	47%	Solar	71%	78%
Hong Kong	34%	9%	Manufacturing	92%	51%	Electronic	29%	15%
Japan	15%	9%	Other	0%	2%	Other	0%	7%
Taiwan	10%	1%						
Other Asia	12%	19%						
Europe	4%	30%						
North America	1%	11%						
Total	100%	100%		100%	100%		100%	100%

At December 31, 2013 continuing operations are dependent on a small number of customers. Four customers represented approximately 50 percent of revenue for both years. Five customers represented approximately 50 percent of total trade receivables at the end of both years.

Generally, a more challenging and competitive market environment increases credit risk due to financially weaker customers and extended payment terms. At December 31, 2013, amounts overdue but not impaired between 90 and 365 days were associated with only one customer.

Analysis of aging of receivables at December 31, 2013

(NOK IN MILLION)	TOTAL CARRYING AMOUNT	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED						IMPAIRED
		NOT DUE	PAST DUE					
			< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS		
Trade receivables	688	503	69	22	45	0		49
Provision for loss on trade recivables	-49	0	0	0	0	0		-49
Other non-current and current receivables	13	7	0	0	0	6		0
Finance receivables and short-term loans	65	65	0	0	0	0		0
Total	717	575	69	22	45	6		0

Analysis of aging of receivables at December 31, 2012

(NOK IN MILLION)	TOTAL CARRYING AMOUNT	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED						IMPAIRED
		NOT DUE	PAST DUE					
			< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS		
Trade receivables and accrued revenues	1 399	932	214	147	18	0		89
Provision for loss on trade recivables	-63	0	0	0	0	0		-63
Other non-current and current receivables	400	400	0	0	0	0		0
Finance receivables and short-term loans	65	65	0	0	0	0		0
Total [1]	1 801	1 397	214	147	18	1		26
[1] Of which related to REC Silicon and Other	711	581	57	66	7	0		0

The sale of REC Solar caused reduction in carrying amounts related to receivables. Carrying amounts for the ongoing operations of the Group are similar to the prior period. At December 31, 2013 approximately 33 percent of not due and 26 percent of past due but not impaired trade receivables were secured by bank guarantees which represent increases over comparable amounts in prior periods. At December 31, 2012 approximately 8 percent of not due and 21 percent of past due but not impaired trade receivables were secured.

Overdue other receivables at December 31, 2013 are related to the bankruptcy of REC Wafer and are uncertain as to the timing and amount of settlement. Other receivables include VAT, other taxes, and government grant receivables of NOK 250 million at December 31, 2012.

Finance receivables and short-term loans at December 31, 2013 and 2012 are primarily related to an investment in municipal bonds and are serviced by property tax payments by REC Silicon.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. For derivatives traded with banks, the credit risk is regarded as limited to positive market value due to master netting agreements and some interest rate derivative instruments which are settled net. All the banks currently used as derivative counterparties have credit ratings in the A or higher categories assigned by Standard & Poor's or Moody's.

SENSITIVITIES

Convertible EUR and USD bond – sensitivity to changes in the Company's share price

At December 31, 2013 and 2012 it is estimated that a ten percent change in the Company's share price will not change the estimated fair value of the EUR convertible bond.

At December 31, 2013 it is estimated that a ten percent increase (decrease) in the Company's share price will increase (decrease) the estimated fair value of the USD convertible bond by NOK 24 million.

Interest rate sensitivity

A change in interest rates will affect interest payments on variable interest rate liabilities, cash, and restricted cash. The net effect of a one percentage point increase (decrease) in interest rates is estimated to affect profit or loss for the year by NOK -1 (1) million calculated on outstanding amounts at December 31, 2013. The same calculation at December 31, 2012 was NOK -3 (3) million.

A one percentage point increase (decrease) in market interest rates is estimated to change the net estimated fair values of the bonds and derivatives with an effect to profit or loss by NOK 5 (-5) million at December 31, 2013. The same calculation at December 31, 2012 was NOK 37 (-37) million.

Exchange rate sensitivity

The tables below show the estimated impact of a 10 percent increase or decrease in foreign currencies rates compared to functional currencies for each entity. The amounts are calculated at period end and do not reflect fluctuations during the year.

The exchange rate sensitivity for financial assets in USD relates to the Company's loans to REC Silicon of which a portion is regarded as a net investment and consequently recognized to equity through other comprehensive income. The sensitivity of financial liabilities relates to the convertible bonds. Due to the sale of REC Solar, exchange rate sensitivities of financial assets and liabilities in SGD and EUR have declined while those in USD are similar to the prior year end. Accordingly, risk management activities have been reduced. In addition, sensitivity related to financial liabilities has declined with the extinguishment of debt.

Exchange rate sensitivity on financial instruments at December 31, 2013

	CHANGE + 10% COMPARED TO FUNCTIONAL CURRENCIES		
(NOK IN MILLION)	EUR	USD	**TOTAL**
Financial assets	0	609	**609**
Financial liabilities	-69	-67	**-137**
Derivatives	1	-75	**-74**
Total	-68	467	**398**
Of which to equity			
USD receivables as part of net investment	0	80	**80**
Rest is to profit or loss	-68	386	**318**

Exchange rate sensitivity on financial instruments at December 31, 2012

	CHANGE + 10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	**TOTAL**
Financial assets	32	611	37	9	**690**
Financial liabilities	-256	-63	-38	-3	**-360**
Derivatives	-96	-289	179	0	**-206**
Total	-320	259	179	6	**124**
Of which to equity					
USD receivables as part of net investment	0	73	0	0	**73**
Rest is to profit or loss	-320	185	179	6	**50**

31 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group is involved in legal disputes in the ordinary course of business. Provisions are recognized for the expected outcomes in accordance with applicable accounting rules. Provisions are based on Group Management's estimate of likely outcomes based on prior experience, the source, and the facts and circumstances of a claim. The final outcomes of such disputes and litigation are subject to significant uncertainty and actual outcomes may vary from provisions recognized. Provisions are adjusted to reflect the most recent facts and circumstances.

PROPERTY TAXES

REC Silicon has appealed property taxes in Grant County, Washington (USA). The 2012 assessment year is currently subject to an appeals process and the Washington State Board of Tax Appeals will begin its review on March 31, 2014. REC Silicon has also received a Notice of Change of Value from Grant County for the 2013 assessment year and has also appealed this valuation.

REC Silicon has contested Grant County's valuations of taxable property. At December 31, 2013, the difference between expenses recognized and amounts claimed by Grant County is USD 3.7 million (NOK 22 million); the total provision in the statement of financial position is USD 16.8 million (NOK 102 million). Under relevant law and previous agreement, REC Silicon is required to pay only the undisputed amount and a portion of the disputed amount while the appeal is pending; accordingly, payments made in 2013 for 2012 property taxes totaled USD 6.7 million (NOK 41 million).

INCOME TAXES

The Company has received notices of reassessment from the Norwegian Central Tax office for large Enterprises (CTO) regarding the tax returns for fiscal years 2009 through 2011. The CTO has questioned the deductibility of losses on loans to REC ScanModule AB in 2009 and losses on loans and guarantees to Sovello GmbH in 2009 and 2010. In addition, the CTO has questioned the deductibility on losses on loans to REC Wafer Norway AS, REC Solar AS and REC ScanCell AS in 2011. These losses amounted to NOK 7.8 billion in total (at 28 percent the tax is NOK 2.2 billion).

The Company has opposed the notices by filing legal assessments of the cases and presented supporting documentation. A decision has not been communicated by the CTO. Should the CTO make a decision denying the deductibility of the losses, any re-assessed tax is generally due for payment two weeks after the decision, whether or not such decision is appealed or brought to the judiciary courts. In such a case, REC Silicon ASA believes that the amounts should be adjusted for group contributions and carry back of tax losses, reducing the potential tax effect (excluding any interest) to approximately NOK 230 million.

The Company believes the losses are tax deductible and has made no provision for potential tax liabilities.

USA/CHINA TRADE DISPUTE
The Chinese Ministry of Commerce ("MOFCOM") has imposed anti-dumping duties of 57 percent on solar grade polysilicon sold to customers in China.

The impacts of duties have been mitigated by working with customers to utilize options available under existing laws, including the "Process in Trade" available under Chinese customs laws. REC Silicon's ability to continue to mitigate the impact of tariffs is dependent upon its customers and the ongoing developments in US/China solar trade disputes.

On December 31, 2013, two additional trade cases were filed in the US against Taiwanese and Chinese cells, modules, laminates, and wafers. These cases have the potential to escalate the trade dispute and may jeopardize the use of "Process in Trade" by REC Silicon's customers.

The US government continues to work with China to resolve the dispute, in parallel with discussions between the US and China solar trade organizations and affected US and China companies. The timing and potential outcome of these negotiations are highly uncertain.

OTHER
The items disclosed at December 31, 2012 related to REC Solar are no longer relevant for the Group subsequent to the sale of REC Solar. This includes claims for annual property taxes in Singapore. Furthermore, REC Wafer Pte. Ltd. was defendant in an arbitration case for which the award had limited effect on the accounts for total operations in 2013.

Potential findings related to the investigation by the bankruptcy estate of certain intra-Group transactions prior to the REC Wafer bankruptcy are not resolved for REC Silicon. A writ of summons was filed by the bankruptcy estate on March 31, 2014. The company believes it has appropriately valued intercompany transactions. No provisions are recognized for unfavorable outcomes.

32 SHARE-BASED COMPENSATION

The Group has share option programs from 2008 to 2011 for management and key personnel. Each program spans six years with a lock up period in the first three years. Options can be exercised in the remaining years, with four exercising periods per year. These periods start after presentation of the quarterly financial results and last 14 days. Any unexercised options are forfeited upon termination of employment.

Each program has a profit cap of one to two years fixed base salary. The number of share options awarded is limited to a maximum profit in each calendar year relative to the employee's annual fixed base salary effective at January 1 in the year of exercise. The profit is calculated as the difference between the exercise price and the market price at the time of exercise.

Fair values were estimated using the Black-Scholes option price model. Expected volatility was based on historical volatility and no dividends were expected in the periods. Expected lifetime and vesting periods were set at the time of allocation based on expectations that employees would exercise options early due to the structure of the programs, including the annual profit cap, and the high volatility of the Company's share price. Fair values for options are expensed over the estimated vesting periods. Due to the low share price compared to the exercise prices, the expected vesting periods have increased from approximately three years to approximately six years.

The exercise periods were shortened for all REC Solar employees due to the sale of REC Solar. Options in the 2008, 2009 and 2010 programs may be exercised within six months following the sale and will thereafter lapse. Options in the 2011 program were forfeited. No further expense is recognized for the share options to REC Solar employees.

OPTIONS OUTSTANDING AT DECEMBER 31, 2013

REC Silicon excluding REC Solar

PROGRAM	EXERCISE PRICE (NOK)	NO. OPTIONS	TOTAL FAIR VALUE (NOK MILLION)	TOTAL EXPENSED (NOK MILLION)	REMAINING TO BE EXPENSED (NOK MILLION)	REMAINING CONTRACTUAL LIFE (YEAR)
2008	97.00	70 969	1.2	1.2	0.1	0.6
2009	32.69	461 922	2.2	1.8	0.4	1.6
2010	15.32	1 374 020	3.0	2.0	0.9	2.6
2011	10.09	1 999 188	3.3	2.0	1.4	3.6
Total		3 906 099	9.7	7.0	2.7	

REC Solar

PROGRAM	EXERCISE PRICE (NOK)	NO. OPTIONS	REMAINING CONTRACTUAL LIFE (YEAR)
2008	97.00	48 026	0.2
2009	32.69	286 691	0.2
2010	15.32	829 337	0.2
Total		1 164 054	

At year-end 2013, the options in the 2008, 2009 and 2010 programs were exercisable. No options have been exercised. None of the options were in the money, as the REC Silicon ASA share price at December 31, 2013 was NOK 2.44 per share.

The amount recognized in the statement of income from continuing operations for share options was an income of NOK 4 million in 2013 and an expense of NOK 4 million in 2012. The income in 2013 was due to options forfeited upon termination of employment.

33 EVENTS AFTER THE REPORTING PERIOD

On February 26, 2014 the Group announced that it had entered into joint venture agreements with Shaanxi Non-Ferrous Tian Hong New Energy Co., Ltd. for the formation of a production joint venture and a sales joint venture. Under these agreements, the Group will contribute technology, including FBR-B, and net USD 46 million through 2017 to acquire a 49% interest in production facilities in the Shaanxi Province of China. The Group received USD 99 million in March 2014 and expects to receive an additional USD 99 million during 2014. The Group expects to contribute capital of USD 246 million beginning with USD 75 million in 2014. See external announcement of February 26, 2014.

BALANCE SHEET (NGAAP)
REC SILICON ASA

AT DECEMBER 31 (NOK IN MILLION)	NOTES	2013	2012
ASSETS			
Non-current assets			
Intangible assets	B	**3**	8
Property, plant and equipment	B	**2**	4
Investments in subsidiaries	C	**228**	1 820
Non-current receivables from subsidiaries	D	**6 078**	5 690
Derivatives	L	**93**	100
Restricted bank accounts non-current	E	**39**	0
Total non-current assets		**6 443**	7 622
Current assets			
Group account system, subsidiaries	E	**1**	788
Trade receivables from subsidiaries		**0**	14
Trade receivables from others		**20**	4
VAT and other taxes		**0**	1
Other receivables from subsidiaries		**0**	358
Other receivables		**12**	79
Derivatives	L	**27**	63
Restricted bank accounts current	E	**31**	0
Total current receivables		**91**	1 306
Cash and cash equivalents		**64**	1 774
Total current assets		**155**	3 080
Total assets		**6 599**	10 702

BALANCE SHEET (NGAAP) REC SILICON ASA

AT DECEMBER 31 (NOK IN MILLION)	NOTES	2013	2012
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	H	**2 314**	2 114
Share premium reserve	H	**1 841**	2 660
Total paid-in capital	H	**4 155**	4 774
Other equity and retained earnings	H	**0**	0
Total shareholders' equity	H	**4 155**	4 774
Non-current liabilities			
Interest-bearing liabilities	F	**2 280**	4 512
Retirement benefit obligations	I	**5**	23
Deferred tax liabilities	J	**0**	0
Derivatives	L	**31**	55
Total non-current liabilities		**2 317**	4 590
Current liabilities			
Interest-bearing liabilities	F	**0**	-29
Trade payables to subsidiaries		**0**	1
Group account systems, subsidiaries	E	**1**	1 071
Trade payables to others		**5**	6
Social security, VAT and other taxes		**12**	7
Current provisions	G	**6**	5
Other current liabilities		**77**	260
Derivaties	L	**26**	17
Total current liabilities		**127**	1 337
Total liabilities		**2 444**	5 928
Total equity and liabilities		**6 599**	10 702

Sandvika, April 10, 2014

Espen Klitzing
Member of the Board

Jens Ulltveit-Moe
Chairman of the Board

Ragnhild Wiborg
Member of the Board

Erik Løkke-Øwre
Member of the Board

Inger Berg Ørstavik
Member of the Board

Tore Torvund
President and CEO

INCOME STATEMENT (NGAAP) REC SILICON ASA

YEAR ENDED DECEMBER 31 (NOK IN MILLION)	NOTES	2013	2012
Lease revenues and other revenues - external		3	1
Revenues from subsidiaries		9	32
Total revenues		12	34
Employee benefit expenses	I	-63	-89
Other operating expenses	K	-43	-87
Depreciation, amortization and impairment	B	-7	-13
EBIT		-101	-155
Interest income, internal	L	606	814
Interest income, external	L	29	35
Interest expense, internal	L	-13	-32
Interest expense,external	L	-315	-413
Other financial expenses	L	-12	-12
Net currency gains/losses	L	303	-187
Net gains/losses on derivatives	L	-211	483
Impairment and gains/losses on financial instruments	M	-1 269	-3 957
Net financial items		-883	-3 269
Profit/loss before income tax		-983	-3 424
Income tax expense	J	-4	-1
Profit/loss for the year		-987	-3 425
Coverage of loss			
Share premium	H	-987	-3 441
Other equity	H	0	16
Total coverage of loss		-987	-3 425

STATEMENT OF CASH FLOWS (NGAAP) REC SILICON ASA

YEAR ENDED DECEMBER 31 (NOK IN MILLION)	2013	2012
Cash flows from operating activities		
Profit/loss before tax	-983	-3 424
Taxes paid/received	-4	-1
Depreciation, amortization and impairment	7	13
Writedowns and losses on financial instruments	1 268	3 957
Changes in receivables	1	-14
Changes in payables	-31	-21
Changes in provisions	1	-1
Changes in VAT and other public taxes and duties	6	1
Changes in derivatives	2	144
Currency effects not cash flow or not related to operating activities [1]	-300	189
Other items [2]	40	45
Net cash flow from operating activities	7	888
Cash flows from investing activities		
Investement in equity in subsidiaries	-335	-4 718
Repayments of equity from subsidiaries	467	0
Payments finance receivables and restricted cash	-286	-367
Proceeds finance receivables and restricted cash	754	352
Proceeds from sale of property, plant and equipment and intangible assets	1	0
Net change in internal part of group account system [1] [3]	-373	4 616
Net cash from disposal of subsidiaries	56	4
Net cash flow from investing activities	283	-112
Cash flows from financing activities		
Increase in equity	368	1 635
Payments of borrowings and up-front/waiver loan fees	-2 579	-2 791
Proceeds from borrowings	212	742
Net cash flow from financing activities	-2 000	-414
Net increase/decrease in cash and cash equivalents	-1 710	363
Cash and cash equivalents at the beginning of the period	1 774	1 412
Cash and cash equivalents at the end of the period	64	1 774

[1] Currency gains and losses are primarily related to interest bearing liabilities, loans to subsidiaries and the Group account systems. The net currency gains and losses in the Group account systems relates to Group internal receivables and the Company's external bank accounts. It is impractical to separate these effects in the Group account systems. However, the internal receivables and payables in the Group account systems have been significantly higher than the external bank accounts. The Company has consequently included the net currency effects in the net change in the internal part of the Group account systems as a part of investing activities in the statement of cash flows.

[2] Other items consist primarily of the expensing of up-front loan fees.

[3] See note 14 to the consolidated financial statements for a description of the Group account systems (cash pool). The Group account systems contain receivables and payables on subsidiaries (internal part) and the Company's external bank accounts. In the balance sheet, these are presented separately at December 31, 2013 and 2012.

.

INDEX OF THE NOTES TO THE FINANCIAL STATEMENTS REC SILICON ASA

NOTES TO THE FINANCIAL STATEMENTS REC SILICON ASA

A SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

Renewable Energy Corporation ASA was renamed REC Silicon ASA at the end of October 2013. REC Silicon ASA (the Company) is a holding company with corporate functions and the Group's in-house bank. At the end of October 2013, the Company sold the Group segment REC Solar. As from December 1, 2013 the Group management of REC Silicon is no longer employed in the Company. The remaining corporate functions are scaled down from January 1, 2014 and will be further scaled down during the first half of 2014. During 2012 the corporate research and development and project management organizations were terminated.

Revenues comprise sales of Group services to subsidiaries, primarily on a cost-plus basis. Some services are offered to REC Solar for a period. The activities in the Company have been scaled down during the last years in light of the reduced activities in Norway, cost reductions for the Group and sale of REC Solar.

In 2013 the Company recognized losses on the sale of the REC Solar segment, directly by sale of REC Site Services Pte. Ltd. and indirectly through REC Solar AS's sale of its subsidiaries. In 2012, the Company had to contribute significant amounts of capital to subsidiaries and recognized significant write-downs and losses on shares and loans to subsidiaries.

The financial statements have been prepared in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP) in effect at December 31, 2013. The functional and reporting currency of the Company is Norwegian Krone (NOK). The consolidated financial statements of the Group have been prepared in accordance with IFRS. However, except as stated, the Company's accounting principles are similar to the accounting principles for the Group, as described in the notes to the consolidated financial statements. Where the notes for the Company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the consolidated financial statements for the Group.

Group contributions and dividends that are subject to approval by the Annual General Meeting are according to IFRS recognized in the consolidated financial statements at the time of approval. For the Company's financial statements according to NGAAP, these are recognized in the fiscal year they relate to. Group contributions to subsidiaries are recognized as investment in shares in subsidiaries, net of tax. In the Company's financial statements, subsidiaries, jointly controlled entities and associates are carried at the lower of cost and estimated recoverable amount. In the consolidated financial statements, these are consolidated or accounted for using the equity method. In the consolidated financial statements, the convertible EUR and USD bond loans issued in 2009 and 2013 have been measured at fair value. In the Company's financial statements they are measured at amortized cost.

In the Company's financial statements, payments expected to be made during the next 12 months on non-current financial assets or liabilities are not reclassified to current financial assets or liabilities. In the consolidated financial statements these are reclassified.

The financial statements are presented in NOK, rounded to the nearest million, unless otherwise stated. As a result of rounding adjustments, 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.

The financial statements of the Company have been approved for issue by the Board of Directors on April 10, 2014 and are subject to approval by the Annual General Meeting on May 12, 2014.

B PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

(NOK IN MILLION)	LEASEHOLD IMPROVEMENTS	MACHINERY AND EQUIPMENT	OFFICE AND OTHER EQUIPMENT	INTANGIBLE ASSETS	2013 TOTAL	2012 TOTAL
Cost at January 1, 2013	5	2	15	94	**116**	128
Additions	0	0	0	0	**0**	0
Disposals	0	0	0	-62	**-62**	-12
Cost at December 31, 2013	5	2	15	31	**54**	116
Accumulated depreciation at December 31, 2013	-4	-1	-14	-25	**-44**	-38
Accumulated impairment at December 31, 2013	0	-1	0	-3	**-4**	-67
Carrying value at December 31, 2013	2	0	1	3	**5**	12
Depreciation for the year	-1	0	-1	-5	**-7**	-9
Impairment for the year	0	0	0	0	**0**	-4

Intangible assets at December 31, 2013 are to a large extent related to IT systems, of which internally generated prior to 2012 had a cost price of NOK 22 million. In 2011 a technology development agreement was impaired and reported as disposals in 2013. At year-end 2013 all remaining assets in the table above are expected to be fully depreciated during the first half of 2014.

C SHARES IN SUBSIDIARIES

COMPANY	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE	CARRYING VALUE DECEMBER 31 (NOK IN MILLION) 2013	2012
REC Silicon AS	100%	Bærum	**227**	226
REC Solar AS	100%	Bærum	**1**	657
REC Technology Ventures AS	100%	Bærum	**0**	0
REC Site Services Pte Ltd	100%	Singapore	**NA**	936
Total			**228**	1 820

In 2013 the Company paid in equity of NOK 29 million to REC Technology Ventures AS, NOK 1 million to REC Solar ASA and at the end of the year NOK 306 million to REC Solar AS. In 2013 the Company received repayment of equity from REC Site Services Pte Ltd by NOK 467 million, and in October sold its shares in REC Site Services Pte Ltd and REC Solar ASA for total net cash after deduction of costs of approximately NOK 56 million. It recognized losses on sale of REC Site Services Pte Ltd and REC Solar ASA and write down of REC Solar AS and REC Technology Ventures AS, see note M.

In 2012, the Company paid in equity in REC Wafer Norway AS by NOK 1,190 million and in REC Solar AS by NOK 3,527 million. The shares in REC Wafer Norway AS were impaired to zero, of which NOK 1,434 million had been recognized as a provision for loss on loans in 2011. The Company recognized a loss of NOK 426 million when the subsidiary filed for bankruptcy on August 13, 2012. The shares in REC Solar AS were impaired by NOK 2,870 million, of which NOK 1,166 million had been recognized as provision for loss on loans in 2011. The shares in REC Site Services Pte Ltd were impaired by NOK 2,056 million in 2012. REC Technology Ventures AS shares were impaired by NOK 4 million in 2012.

At year-end 2013 the number of indirectly owned subsidiaries has been significantly reduced due to the sale of REC Solar.

SUB-SUBSIDIARIES	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE
REC Solar AS subsidiaries		
Gitzeli Solar Energy Production S.A.	100%	Greece
REC Greece S.A.	100%	Greece
REC Silicon AS subsidiaries		
REC Silicon Inc	100%	Moses Lake, USA
REC Solar Grade Silicon LLC	100%	Moses Lake, USA
REC Advanced Silicon Materials LLC	100%	Butte, USA
REC Technology US Inc	100%	California, USA

REC Solar AS with subsidiaries and REC Technology Ventures AS are under liquidation.

D NON-CURRENT INTEREST BEARING RECEIVABLES FROM SUBSIDIARIES

The receivables are USD loans to the subsidiaries in USA (REC Silicon Inc and REC Solar Grade Silicon LLC), with USD 999 million at December 31, 2013 and USD 1,022 million December 31, 2012.

E CASH AND CASH EQUIVALENTS, GROUP ACCOUNT SYSTEMS AND RESTRICTED BANK ACCOUNTS

Cash and cash equivalents

(NOK IN MILLION)	2013	2012
Group account systems (cash pools)	4	209
Other bank deposits	60	1 565
Total cash and cash equivalents	64	1 774

Restricted bank accounts (not included as cash and cash equivalents)

(NOK IN MILLION)	2013	2012
Non-current	39	0
Current	31	0
Total restricted bank accounts	70	0

See note 14 to the consolidated financial statements for a description of cash and cash equivalents, restricted bank accounts, the Group account systems (cash pools).

The amounts in the Group account systems representing receivables on and liabilities to subsidiaries are shown in separate accounts in the balance sheet and below.

Group account systems, current receivables on subsidiaries

(NOK IN MILLION)	2013	2012
Group account systems, subsidiaries	1	788

Group account systems, current liabilities to subsidiaries

(NOK IN MILLION)	2013	2012
Group account systems, subsidiaries	1	1 071

F INTEREST BEARING LIABILITIES

(NOK IN MILLION)	2013	2012
NOK bonds	736	1 934
Up-front loan fees etc. (amortized as part of effective interest)	-5	-46
EUR convertible bond	681	2 349
USD convertible bond	669	0
Indemnification loans	200	246
Total interest bearing liabilities	2 280	4 483

See note 17 to the consolidated financial statements for details of the Company's interest bearing liabilities.

G PROVISIONS

(NOK IN MILLION)	TOTAL
At January 1, 2012	6
Additional provision	5
Unused amount reversed	-1
Used during the year	-5
At December 31, 2012	5
Additional provision	12
Unused amount reversed	-1
Used during the year	-10
At December 31, 2013	6

At December 31, 2013 provisions were current and was evenly split between employee termination benefits and estimated loss on office lease contract. At December 31, 2012 all provisions were current and related to employee termination benefits.

H EQUITY

(NOK IN MILLION)	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL
Equity at January 1, 2012	997	5 584	0	6 581
Share option program	0	0	-2	-2
Share issues	1 117	518	0	1 635
Actuarial gains/-losses on defined pension scheme, net of tax	0	0	-15	-15
Transfer	0	-16	16	0
Loss for the year	0	-3 425	0	-3 425
Equity at December 31, 2012	2 114	2 660	0	4 774
Share option program	0	0	-2	-2
Share issues	200	168	0	368
Actuarial gains/-losses on defined pension scheme, net of tax	0	0	2	2
Loss for the year	0	-987	0	-987
Equity at December 31, 2013	2 314	1 841	0	4 155

Share capital at December 31, 2013 was 2,313,818,785 shares at par value of NOK 1 (2,113,818,785 shares at December 31, 2012). There is one class of shares which all have the same voting rights. See note 15 to the consolidated financial statements for more information.

In 2013 the Company increased equity through share issues of 200,000,000 shares at a price of NOK 0.86 per share. The net proceed was NOK 368 million after deduction of costs of NOK 4 million. In 2012 the Company increased equity through share issues of 1,116,666,667 shares at a price of NOK 1.50 per share. The net proceed was NOK 1,635 million after deduction of costs of NOK 40 million.

EMPLOYEE BENEFITS

Employee benefit expenses

(NOK IN MILLION)	2013	2012
Payroll	42	57
Bonus	13	11
Share options expenses	-4	2
Social security tax	9	11
Pension expense including social security tax	1	6
Other employee related costs	3	3
Employee benefit expenses	63	89

The average number of employees measured in man-years was 27 during 2013 and 45 during 2012. There were no loans or guarantees to employees at December 31, 2013 (NOK 0.5 million at December 31, 2012). For compensation and shareholdings for the Group management and Board of Directors see note 16 to the consolidated financial statements.

PENSION PLANS

The pension plans include a plan with annual contributions of five to eight percent of fixed salary up to 12 G (average G-amount in 2013 was NOK 84,204) and an early retirement benefit plan accounted for as a contribution plan. It is also a compensation plan for salaries up to 12 G (a defined benefit plan as compensation for those that were employed at January 1, 2010 and are estimated to earn less pension benefits in the contribution plan than in the previous benefit plan), a defined benefit plan for salaries over 12 G and individual defined benefit plans for two employees. For information on assumptions used, see note 19 to the consolidated financial statements.

The number of employees in the Company has been reduced during the year and will be further reduced during the first half year of 2014. All defined benefit liabilities are expected to be settled in 2014. At the end of 2012, the number of employees in the Company's pension plan for salary over 12 G was 17 and for the compensation plan 34. The Company's contribution pension plan for all employees fulfills the requirements according to the Norwegian law: "Lov om obligatorisk tjenestepensjon".

RETIREMENT BENEFIT OBLIGATIONS AND PENSION EXPENSES

Defined benefit plans

(NOK IN MILLION)	2013	2012
Gross retirement benefit obligations at January 1 excl. social security tax	20	8
Service cost	2	2
Interest cost on pension obligations	0	0
Actuarial gains and losses	-2	13
Benefits paid, paid-up policies and disability obligation	-12	-5
Liabilities taken over due to REC Wafer Norway AS bankruptcy, included as a loss (see note M)	0	3
Settlements and curtailments	-3	0
Gross retirement benefit obligations at December 31 excl. social security tax	5	20
Accrued social security tax	1	3
Net retirement benefit obligations at December 31 incl. social security tax	5	23

Retirement benefit obligations in the balance sheet

(NOK IN MILLION)	2013	2012
Net retirement benefit obligations at January 1	23	9
Net periodic benefit costs	-2	3
Actuarial gains and losses recognized directly in equity	-2	15
Liabilities taken over due to REC Wafer Norway AS bankruptcy, included as a loss (see note P)	0	3
Pension premiums and benefits paid	-12	-5
Social security tax on pension premiums	-2	-1
Net retirement benefit obligations at December 31	5	23

The amounts recognized in the income statement are as follows

(NOK IN MILLION)	2013	2012
Current service cost	2	2
Interest cost on gross retirement benefit obligations	0	0
Settlements and curtailments	-3	0
Employer's social security tax on defined benefit costs	0	0
Total benefit plans	-2	3
Contribution plans including employer's social security tax	2	3
Pension expense including social security tax	1	6

Accumulated actuarial gains (+) and losses (-) recognized directly to equity as of December 31

(NOK IN MILLION)	2013	2012
Gross before tax	6	4
Less tax	-5	-5
Total recognized directly to equity	1	-1

SHARE OPTION PROGRAMS

See note 32 to the consolidated financial statements for the Group for details of the share option programs.

At December 31, 2012 there were 6,350,673 options outstanding for employees of the Company.

At December 31, 2013 there was only one previous employee of the Company that had remaining 1.2 million share options.:

	PROGRAM			
TOTAL NO. OPTIONS DEC 31, 2013	2008	2009	2010	2011
1 174 718	37 050	166 321	365 715	605 632

In the income statement, income of NOK 4.4 million for 2013 and expense of NOK 2.2 million for 2012 were recognized. At December 31, 2013 the accumulated expense recognized by the Company was NOK 4 million and NOK 9 million at December 31, 2012. At December 31, 2013 the accumulated amount recognized to equity was NOK 13 million and NOK 15 million at December 31, 2012. At December 31, 2013 there was no remaining expense to be recognized by the Company, and NOK 3 million potential remaining to be recognized to equity (relating to 2.7 million options outstanding for employees in the US subsidiaries).

The difference between the amounts recognized to equity and the expense are share options offered by the Company to employees in subsidiaries that are recognized as additions to the cost price of shares in subsidiaries.

J INCOME TAXES

(NOK IN MILLION)	2013	2012
Current income tax benefit (+) / expense (-) for the year	-4	-1
Total deferred tax benefit (+) / expense (-) for the year	0	0
Total income tax benefit (+) / expense (-) for the year in the income statement	-4	-1

Relationships of income tax expense/benefit to profit/loss before taxes

(NOK IN MILLION)	2013	2012
Profit/loss before tax	-983	-3 424
Tax calculated at domestic tax rate of 28 percent	275	959
Effect of change in tax rate on gross temporary differences	-66	0
Income not subject to tax	1	70
Expenses not deductible for tax (permanent differences)	-278	-484
Recognition of previosuly not recognized deferred tax assets	67	0
Withholding tax payable on interest income	-4	-1
Total income tax benefit (+) / expense (-) for the year in the income statement	-4	-1
Effective tax rate	0%	0%

Current income tax

(NOK IN MILLION)	2013	2012
Profit/loss before taxes	-983	-3 424
Impairments and losses on shares and loans - permanent difference	993	1 475
Other permanent differences	-4	2
Changes in temporary differences	-2 409	2 762
Utilization (-) / increase (+) of tax losses carried forward	2 404	-814
Basis for current tax in the income statement	0	0
Estimated 28 percent current income tax	0	0
Withholding tax payable on interest income	-4	-1
Current income tax benefit (+) / expense (-) in the income statement	-4	-1
Basis for current tax in the income statement	0	0
Cost for capital increase, recognized to equity	-4	-40
Tax loss carried forward	4	40
Basis for current tax in the balance sheet	0	0
Current tax asset (+) / liability (-)	0	0

Specification of temporary differences and tax loss, deferred tax assets and liabilities

(NOK IN MILLION)	2013	2012
Fixed assets	-10	-10
Shares in subsidiaries	0	-2 056
Up-front fees	5	46
Interest bearing liabilities	-205	-329
Pension liability	-5	-23
Derivatives	63	90
Net unrealized gains on non-current foreign exchange receivables and liabilities	481	299
Other	-86	-186
Tax losses carried forward	-6 821	-4 413
Total temporary differences and tax loss carried forward	-6 579	-6 583
Tax percentage	27%	28%
Deferred tax assets (-) / liabilities (+)	-1 776	-1 843
Deferred tax assets not recognized	1 776	1 843
Deferred tax assets (-) / liabilities (+) in the balance sheet	0	0
Change in deferred tax assets (-) / liabilities (+) in the balance sheet	0	0
Of which actuarial gains and loss, recognized to equity	0	0
Total deferred tax benefit (-) / expense (+) for the year	0	0

K OTHER OPERATING EXPENSES

Specification of other operating expenses

(NOK IN MILLION)	2013	2012
Operating lease expenses	4	4
Operating and maintenence costs	1	2
Audit remuneration	2	2
Consultancy fees	9	27
Travel costs	2	4
Marketing, representation, meeting and conference expenses	0	1
Insurance	2	1
IT and telecommunication costs	5	20
Other operating expenses	6	6
Service costs from subsidiaries	1	16
Onerous (loss) contracts	3	0
Employee termination benefits	8	4
Total other operating expenses	43	87

Audit remuneration

(NOK IN MILLION)	2013	2012
Statutory audit	2.0	2.4
Other non-audit services 1)	0.4	0.1
Total auditor's remuneration expensed	2.4	2.4

1) Of this, NOK 0.3 million is included as part of loss on sale on REC Solar, see note M

Amounts are exclusive VAT.

Future payment obligations

The future aggregate minimum payment obligations are as follows

	2013			2012		
(NOK IN MILLION)	OPERATING LEASE	OTHER	TOTAL	OPERATING LEASE	OTHER	TOTAL
Not later than 1 year	2	0	2	5	6	12
Later than 1 year but not later than 5 years	2	0	2	20	3	22
Later than 5 years	0	0	0	1	0	1
Total	4	0	4	25	9	34

The payment obligations do not include amounts recognized in the balance sheet (onerous contracts etc). The reduction in future payment obligations is primarily due to the scale down of the activities.

L INTEREST, CURRENCY, DERIVATIVES

INTEREST INCOME AND EXPENSES
The Company conducts the main part of financing for the Group. See note 17 to the consolidated financial statements of the Group. Interest income was reduced in 2013 compared to 2012 primarily due to reduction of Group internal loans (including through the Group account systems). External interest expenses are reduced in 2013 compared to 2012 due to reduction in interest bearing liabilities and reduced borrowing costs. Interest expenses include expensing of upfront fees, see note 25 to the consolidated financial statements.

CURRENCY GAINS AND LOSSES
Net currency gains in 2013 of NOK 303 million and losses in 2012 of NOK 187 million related primarily to USD loans to subsidiaries, partially offset by currency effects on USD and EUR interest bearing liabilities and on the Group account systems (cash pool systems).

DERIVATIVES
At year-end and during the years 2013 and 2012 the Company was the only entity in the Group holding derivatives (except a minor effect on result from discontinued operations for the Group in 2012 of embedded derivatives in REC Wafer). The overview of derivatives in note 11 to the consolidated financial statement is therefore representative for the Company for the periods presented.

See notes 3 and 11 to the consolidated financial statements for a description of derivatives, the purpose of entering into derivative transactions and accounting for derivatives. Note 25 to the consolidated financial statements discusses the net losses on derivatives in 2013 and net gains in 2012, which also include fair value adjustments of NOK bonds due to fair value hedge.

M WRITEDOWNS AND GAINS/LOSSES ON FINANCIAL INSTRUMENTS

(NOK IN MILLION)	2013	2012
Loss on loans/impairment of shares in REC Wafer Norway AS	0	3
Loss on loans/impairment of shares in REC Solar AS	-961	-1 703
Impairment of shares in REC Site Services Pte. Ltd	0	-2 056
Impairment of shares in REC Technology Ventures AS	-29	-4
Loss on loans/impairment of shares in subsidiaries	-989	-3 759
Change in provisions for loss on loans to REC Wafer Norway AS	0	244
Change in provisions for loss on loans to REC Scancell AS	0	4
Change in provision for loss on loans to subsidiaries [1]	0	248
Loss on loans to REC Technology Inc	0	-21
Gain/loss in connection with the bankruptcy of REC Wafer Norway AS	84	-426
Loss on sale of REC Solar (primarily sale of REC Site Services Pte Ltd)	-418	0
Net gains/losses	-334	-447
Gain on repurchase of interest bearing liabilities	54	0
Net writedowns and gains/losses on financial instruments	-1 269	-3 957

[1] The changes in 2012 are the amounts from 2011 that were not realized in 2012.

See also note C.

The gain/loss in connection with the bankruptcy of REC Wafer Norway AS relates to estimated values of liabilities taken on by the Company and loss on receivables, see note O below. In 2013 some adjustments to these liabilities were made. In 2013 the Company sold the segment REC Solar, directly by sale of shares primarily in REC Site services Pte Ltd and through REC Solar AS's sale of most of its subsidiaries. As a consequence, the Company realized a loss on sale and impaired its shareholding in REC Solar AS. See note 9 to the consolidated financial statement for more information on discontinued operations.

The Company conducted several repurchases of bonds in 2013, see note 17 and 25 to the consolidated financial statements. Gain on repurchase is primarily related to estimated gain on repurchase of part of the EUR convertible bond in May, which was recognized as a reduction to the carrying value of NOK bonds issued. This adjustment is amortized as part of effective interest on the NOK bonds. The main remaining unamortized part was expensed as part of the repurchase of bonds in November, offset by recognition to income of part of the fair value hedge adjustment.

N RESEARCH AND DEVELOPMENT

The activities of the Company's corporate technology department were transferred to subsidiaries during the summer of 2012. The department conducted and coordinated research and development within the Group, primarily related to next generation technologies and enhancement of existing technologies. No research and development expenses were recognized in 2013 (NOK 27 million in 2012 of which NOK 4 million was invoiced to subsidiaries).

Based on the significant decrease in prices of the Group's products, the impairments made in the subsidiaries and in the Company and the fact that projects have been terminated and the sale of REC Solar, it is uncertain if the research and development expenses in the Company will create future profitability.

O GUARANTEES AND INDEMNIFICATION AGREEMENTS

Bank guarantees at December 31, 2013 amounted to NOK 137 million. This includes cosigned bank guarantees for subsidiaries of NOK 58 million and NOK 50 million for REC Solar (see note 29 to the consolidated financial statements for further information). The total amount of bank guarantees for subsidiaries amounted to NOK 280 million at December 31, 2012.

The above includes a bank guarantee in the favor of Bærum Municipality covering employees' tax deductions in REC Silicon ASA. At December 31, 2012 the guarantee covered employees' tax deductions in REC Solar AS and REC ScanCell AS in addition to REC Silicon ASA. At December 31, 2013, the guarantee amount was NOK 2 million (NOK 7 million at December 31, 2012).

The Company and some of its subsidiaries are jointly and several liable for some loans established by the Company.

- Relevant loan agreements established by the Company at December 31, 2013:
  - REC01: senior unsecured bonds with NOK 196 million outstanding. The tenor is from September 2009 to September 2014.
  - REC02: senior unsecured bonds with NOK 235 million outstanding. The tenor is from May 2011 to May 2016.
  - REC03: senior unsecured bonds with NOK 301 million outstanding. The tenor is from May 2011 to May 2018.

- The Company and the following direct or indirect 100 percent owned subsidiaries of the Company are jointly and several liable for the above mentioned loans at December 31, 2013: REC Silicon AS, REC Silicon Inc, REC Advanced Silicon Materials LLC and REC Solar Grade Silicon LLC.

- At December 31, 2012 the outstanding NOK bond loan amounts were in total NOK 1.85 billion and the loan agreements also included an undrawn NOK 2 billion revolving credit facility agreement that was cancelled in 2013. Before the sale of REC Solar the following were also guarantors: REC Solar AS, REC Wafer Pte Ltd, REC Modules Pte Ltd and REC Cells Pte Ltd.

The Company has provided guarantees and indemnification agreements in connection with the bankruptcy of REC Wafer Norway AS in 2012. The guarantee amounts are not capped. The maximum amount of indemnification agreements is NOK 270 million at December 31, 2013. Recognized liabilities at December 31, 2013 were indemnification loans estimated to NOK 200 million and an option agreement with estimated fair value of NOK 15 million. See note 29 to the consolidated financial statements for more information.

P RELATED PARTIES

Related parties transactions for the Company are primarily interest income and interest expenses towards its directly and indirectly owned subsidiaries (see the income statement). These interests are on receivables and payables in the Group account systems (see note E), and current and non-current receivables from subsidiaries (see the balance sheet). Furthermore, the Company has some revenues from and expenses to the subsidiaries (see the income statement and note K). During the year, the Company has also contributed equity funding (see note C). Group Management and Board of Directors' compensation, ownership of shares in the Company and options, loan agreements and guarantees are shown in note 16 to the consolidated financial statements.

Q CONTINGENT LIABILITIES

See note 31 to the consolidated financial statements for description, especially of notices of reassessment from the Central Tax Office for Large Enterprises. No provisions for potential tax liabilities have been recognized at December 31, 2013 or 2012 related to these.

AUDITOR'S REPORT

KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the Annual Shareholders' Meeting of REC Silicon ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of REC Silicon ASA, which comprise the financial statements of the parent company REC Silicon ASA and the consolidated financial statements of REC Silicon ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2013, the income statement and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the statement of financial position as at 31 December 2013, and the statement of income and the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and for the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report 2013
REC Silicon ASA

Opinion on the separate financial statements

In our opinion, the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of REC Silicon ASA as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of REC Silicon ASA and its subsidiaries as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statement on Corporate Governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statement on Corporate Governance concerning the financial statements, the going concern assumption and the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 10 April 2014
KPMG AS

Vegard Tangerud
State Authorized Public Accountant

Graphic production: Artbox AS Print: Printbox AS

REC Silicon ASA
Kjørboveien 29
PO Box 594
1302 Sandvika
Norway

Phone +47 67574450

About REC Silicon ASA

REC Silicon ASA is a leading producer of advanced silicon materials, delivering high-purity polysilicon and silicon gas to the solar and electronics industries worldwide. We combine 25 years of experience and proprietary technology with the needs of our customers, and annual production capacity of more than 20,000 MT of polysilicon from our two US-based manufacturing plants. Listed on the Oslo Stock Exchange (ticker: REC), the company is headquartered in Moses Lake, Washington and employs approximately 740 people.

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