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# THIRD QUARTER 2014

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REPORT



RECSiLICON

## THIRD QUARTER HIGHLIGHTS

(Compared to Second Quarter 2014)

- > > Revenues of USD 126.5 million and EBITDA Excluding Special Items of USD 44.9 million
  - EBITDA Includes Special Items of USD 101 million related to the Transfer of Technology to the Yulin JV
  - EBITDA From Continuing Operations was USD 145.9 million for the Group
  
- > Strong Stable Operations
  - Total Polysilicon Production Increased by 17% to 5,103 MT
  - No Significant Outages in Silane Operations
  
- > Higher Production at Lower Cost
  - FBR Production Increase by 17% to 4,428 MT
  - FBR Cash Cost of 10.5 USD/kg, 27% Decrease
  
- > Record Silicon Gas Sales
  - Total Sales Volume of 952 MT, 13% Increase
  - ~4% Silane Gas Price Increase
  
- > 3,000 MT FBR-B Expansion Planned with First Production in 2016
  - Rx 25/26 Investment of USD 115 million Approved
  - Front End Engineering Design Initiated
  
- > Yulin Joint Venture in China
  - Upfront Payment of USD 99 million received in August
  - FEED Delivered and Yulin JV Company Established
  
- > Potential Capacity Expansion in Saudi Arabia
  - Preliminary Agreement with IDEA to Develop 20,000 MT Polysilicon Plant
  - Project Development Expected to Take ~18 Months
  - Investment Decision Expected in 2016

## FINANCIAL HIGHLIGHTS

### Key financials - REC Silicon Group - re-presented for discontinued operations

(USD IN MILLION)	Q3 2014	Q3 2013	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013	Q2 2014
Revenues	126.5	118.6	366.8	294.2	417.6	126.9
EBITDA	145.9	5.9	194.9	23.0	50.7	31.6
EBITDA margin	115 %	5 %	53 %	8 %	12 %	25 %
EBITDA excluding special items 1)	44.9	5.9	93.9	2.6	30.3	31.6
EBITDA margin excluding special items	35 %	5 %	26 %	1 %	7 %	25 %
EBIT	112.9	-30.1	95.3	-76.3	-86.1	-1.7
EBIT margin	89 %	-25 %	26 %	-26 %	-21 %	-1 %
Profit/loss before tax from continuing operations	158.6	-54.7	107.9	-233.6	-244.8	19.7
Profit/loss from continuing operations	119.5	-36.0	94.5	-156.8	-160.0	24.6
Profit/loss from discontinued operations, net of tax	-0.4	-233.7	-1.6	-227.4	-192.7	0.3
Earnings per share from continuing operations, basic and diluted (USD)	0.05	-0.02	0.04	-0.07	-0.07	0.01

1) Special items in 2014 represents the recognition of USD 101 million in gain on the transfer of technology to the Yulin JV (See Note 3). Special items in 2013 represent income from contract cancellation.

## REC SILICON GROUP

REC Silicon Group continuing operations consist of the REC Silicon Segment and Other.

Prior to October 2013, the Group also included REC Solar and REC Wafer. Results from these operations, including gains and losses on disposal, are presented after tax in the statement of income as discontinued operations. Changes in estimates used to calculate discontinued operations are reflected in discontinued operations in the current period.

The table below reconciles the operating results of the Group's Segments for continuing and discontinued operations.

(USD IN MILLION)	Q3 2014			Q3 2013			DEC 31, 2013			Q2 2014		
	REVENUES	EBITDA	EBIT	REVENUES	EBITDA	EBIT	REVENUES	EBITDA	EBIT	REVENUES	EBITDA	EBIT
REC Silicon	126.5	45.5	12.6	124.1	13.2	-22.8	432.7	63.3	-73.5	126.8	33.1	-0.2
REC Silicon Special Items	0.0	101.0	101.0	0.0	0.0	0.0	0.0	20.4	20.4	0.0	0.0	0.0
Other & related eliminations ex. gain/loss on disposal	0.0	-0.6	-0.6	-5.6	-4.9	-4.9	-15.2	-16.0	-16.0	0.0	-1.5	-1.5
REC Silicon and Other	126.5	145.9	112.9	118.6	8.3	-27.7	417.6	67.7	-69.1	126.9	31.5	-1.7
REC Solar excluding loss on disposal	0.0	0.0	0.0	152.9	10.1	4.6	520.9	19.0	1.8	0.0	0.0	0.0
Gain/loss on disposal discontinued operations	0.0	-0.4	-0.4	0.0	-31.6	-215.5	0.0	-206.8	-206.8	0.0	0.3	0.3
Eliminations ex. gain/loss on disposal	0.0	0.0	0.0	0.0	-0.4	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0
REC Solar, REC Wafer, eliminations	0.0	-0.4	-0.4	152.9	-21.8	-211.3	520.9	-187.9	-205.0	0.0	0.3	0.3
Total operations	126.5	145.4	112.5	271.5	-13.5	-238.9	938.4	-120.1	-274.0	126.9	31.9	-1.4
Re-representation of discontinued operations	0.0	0.4	0.4	-152.9	19.4	208.8	-520.9	170.9	188.0	0.0	-0.3	-0.3
Continuing operations	126.5	145.9	112.9	118.6	5.9	-30.1	417.6	50.7	-86.1	126.9	31.6	-1.7

## 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 targets polysilicon production of 18,600 MT in 2014 and employs approximately 710 people.**

Third quarter 2014 revenues were USD 126.5 million compared to USD 126.8 million in the second quarter of 2014. Revenues for the third quarter were broadly in line with the previous quarter, with lower polysilicon sales volumes offset by increased sales volumes of silicon gases.

Total polysilicon sales decreased by 7.5% to 3,903 MT compared to the second quarter. Uncertainty caused by the trade dispute between the US and China, anticipated polysilicon production capacity additions, and late developing demand for Solar PV installations contributed to decreases in spot market prices during the quarter. Increases in inventory represent a recovery from low stocking levels caused by the planned outages in the first and second quarters and will improve customer service levels and increase supply chain flexibility.

Silicon gas sales volumes increased by 12.7% to 952 MT compared to the second quarter. Strengthening end use demand in addition to high spot sales due to competitive capacity being offline contributed to high sales volumes. Silane sales prices increased by approximately 4% compared to the second quarter.

Total polysilicon production volume for the third quarter was 5,103 MT, broadly in line with the announced targets and up 16.6% compared to the previous quarter. Stable operations and increased silane availability due to no planned outages resulted in higher production volumes and lower unit costs. FBR cash production cost declined to USD 10.5/kg compared to USD 14.3/kg in the second quarter (27% improvement) and USD 0.7/kg below the announced target of USD 11.2/kg.

Third quarter 2014 EBITDA increased to USD 146.5 million from USD 33.1 million in the second quarter 2014. Increased EBITDA can be attributed to the recognition of USD 101 million associated with the transfer of technology to the Yulin JV (See Note 3). The underlying comparable EBITDA increased by approximately 37% to USD 45.5 million. This increase is due to lower granular polysilicon unit costs and higher margins compared to the previous quarter.

## Financial highlights - REC Silicon

(USD IN MILLION)	Q3 2014	Q3 2013	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013	Q2 2014
Internal revenues	0.0	5.6	0.0	13.8	15.7	0.0
External revenues	126.5	118.6	366.7	294.1	417.0	126.8
Total revenues	126.5	124.1	366.7	307.9	432.7	126.8
EBITDA	146.5	13.2	199.0	52.4	83.7	33.1
EBITDA margin	116 %	11 %	54 %	17 %	19 %	26 %
EBITDA excluding special items 1)	45.5	13.2	98.0	32.0	63.3	33.1
EBITDA margin excluding special items	36 %	0 %	27 %	11 %	15 %	26 %
Depreciation and amortization	-31.8	-31.4	-98.3	-94.8	-127.6	-33.2
EBIT before impairment charges	114.7	-18.2	100.7	-42.3	-43.9	-0.1
Impairment	-1.1	-4.6	-1.3	-4.6	-9.2	-0.1
EBIT	113.6	-22.8	99.5	-47.0	-53.1	-0.2
EBIT margin	90 %	-18 %	27 %	-15 %	-12 %	0 %
Polysilicon production in MT (Siemens and granular)	5,103	4,788	13,456	14,629	19,764	4,375
Polysilicon sale in MT (Siemens and granular)	3,903	5,482	12,259	13,986	18,947	4,221
Silicon gas sale in MT	952	665	2,579	1,451	2,229	844

1) Special items in 2014 represents the recognition of USD 101 million in gain on the transfer of technology to the Yulin JV (See Note 3). Special items in 2013 represent income from contract cancellation.

## Market Development

Demand for solar grade polysilicon was relatively flat compared to the previous quarter. Market uncertainty has been driven by the lingering effects of regional demand shifts caused by the latest developments in the solar trade dispute between the US and China and anticipated capacity additions. However, polysilicon purchases accelerated towards the end of the quarter. This increasing demand is mainly attributable to the announcement by China regarding improved processes surrounding Distributed Grid (DG) Photovoltaic (PV) installations.

As expected, global demand for solar panels strengthened during the third quarter. According to external sources, total installations were estimated near 1.2 GW in the third quarter of 2014 compared to 9.7 GW in the second quarter of 2014. Compared to the third quarter of 2013, this represents an increase of approximately 26% (source: IHS PV Integrated Market Tracker Database – Q3 2014).

According to multiple third party indices, the average third quarter spot prices for solar grade polysilicon were down slightly from the previous quarter and remain in the range of USD 20-21/kg dependent upon volume, terms, application and geography. There were reports of secondary market re-selling of polysilicon by wafer manufacturers due to effects of developments in the trade dispute between the US and China that had a negative impact on pricing in some markets.

Markets for semiconductor grade polysilicon continue to suffer from more than two years of flat growth, excessive inventories, and the effect of long term contracts. Consequently prices are stable and not sensitive to short term changes in demand. However, end use demand is strengthening for semiconductor wafers.

Silicon gas markets are driven by the production of flat panel displays (FPD), semiconductors, and crystalline PV cells. Third quarter demand was especially high due to strong semiconductor end use markets, new FPD manufacturing capacity coming on line, new technology adoption, market share gains, and spot transactions due to competitive capacity being offline.

## Technology development and R&D

The Group incurred R&D expenses of USD 3.4 million during the third quarter of 2014 which is comparable to the previous quarter (USD 3.3 million in the second quarter).

The pilot facility for testing of the FBR-B technology was restarted during the third quarter of 2014. Current tests are intended to produce sufficient quantities for customer acceptance testing, to refine operating procedures, and to further expand operational experience. Beginning in the fourth quarter of 2014, FBR-B development costs will be capitalized in intangible assets.

## OTHER

**Other consists primarily of the parent company REC Silicon ASA (previously Renewable Energy Corporation ASA) which employs 2 people.**

REC Silicon ASA has incurred costs related to the scale down of the headquarter functions in Norway and the retention of employees during the scale down period (through April 2014). Expense amounts related to these functions are reflected in "EBITDA excluding gains/losses on discontinued operations" of USD -0.6 million in the third quarter 2014.

In addition, REC Silicon ASA incurred a loss of USD 0.4 million on the change in value of the indemnification agreement related to the disposal of REC Wafer in the third quarter 2014. On consolidation, this loss has been re-presented and included as part of discontinued operations for the Group.

## FINANCIAL ITEMS

### FINANCIAL ITEMS (CONTINUING OPERATIONS)

Interest expenses on borrowings for 2013 include commitment fees on undrawn credit facilities.

Decreased interest bearing liabilities resulted in lower interest expense in the third quarter in 2014 compared to the same period in 2013.

Net currency gains in the third quarter 2014 relate primarily to internal loans (loans of approximately USD 0.9 billion) that are not eliminated on consolidation.

Third quarter income for fair value adjustment is related to the USD convertible bonds and is primarily due to the reduction in the share price of REC Silicon from June 30, 2014 to September 30, 2014.

See note 6 for additional information on borrowings.

## INCOME TAX

The Group has an estimated income tax expense from continuing operations of USD 39 million for the third quarter 2014. This represents an increase in deferred tax liabilities due to the profit for the period. The increase in third quarter 2014 profit was driven by the recognition of USD 101 million gain associated with the transfer of technology to the Yulin JV (See Note 3).

## CASH FLOW

Net cash inflows from operating activities were USD 20.6 million in the third quarter 2014. Cash inflows consisted of EBITDA of USD 145.9 million (includes gain on sale of technology of USD 101 million). This was offset by working capital changes of USD 116 million and interest payments of USD 5.7 million. The net negative effect of changes in working capital was primarily due to production in excess of sales during the third quarter of 2014.

Net cash inflows from investing activities were USD 88.6 million in the third quarter 2014. This included cash inflows of USD 99 million for the second upfront payment for technology transfer to the Yulin JV and USD 2.2 million for the release of restricted cash. These were offset by capital expenditures of USD 12.6 million.

Net cash outflows from financing were USD 31.3 million related to the retirement of an NOK 195.5 million bond (REC01).

During the third quarter 2014, cash balances increased by USD 77.9 to USD 160.2 million.

### Financial highlights - Other

(USD IN MILLION)	Q3 2014	Q3 2013	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013	Q2 2014
Internal revenues	0.0	0.4	0.0	1.4	1.5	0.0
External revenues	0.0	0.0	0.1	0.0	0.5	0.0
Revenues	0.0	0.4	0.1	1.5	2.0	0.0
EBITDA	-1.0	-5.3	-5.7	-14.1	-72.8	-1.2
EBITDA excluding gains/losses on discontinued operations	-0.6	-4.9	-4.1	-13.9	-16.0	-1.5
EBIT	-1.1	-5.3	-5.7	-14.1	-72.8	-1.2
EBIT excluding gains/losses on discontinued operations	-0.6	-4.9	-4.1	-13.9	-16.0	-1.5

### Financial items - REC Silicon Group

(USD IN MILLION)	Q3 2014	Q3 2013	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013	Q2 2014
Financial income	1.2	1.8	3.4	6.6	7.6	1.2
Interest expenses on borrowings	-3.6	-11.9	-15.7	-38.5	-46.3	-5.8
Capitalized borrowing cost	0.3	0.3	0.6	0.7	0.8	0.2
Expensing of up-front fees and costs	-0.0	-1.2	-0.2	-6.6	-7.3	-0.1
Other financial expenses	-2.0	-2.1	-3.0	-4.1	-4.8	-0.1
Net financial expenses	-5.4	-14.9	-18.3	-48.5	-57.6	-5.8
Net currency gains/losses	31.5	-6.0	39.7	32.7	39.5	18.4
Net gains/losses derivatives and fair value hedge	0.1	6.4	-1.6	-29.7	-36.0	-0.0
Fair value adjustment convertible bonds	18.3	-11.9	-10.7	-118.3	-112.2	7.5
Net financial items	45.7	-24.6	12.5	-157.2	-158.8	21.4

## FINANCIAL POSITION

Equity increased to USD 1,015 million (67 percent equity ratio) at September 30, 2014, compared to USD 923 million (62 percent) at June 30, 2014. This increase consisted of profit from total operations of USD 119 million offset by currency losses included in other comprehensive income.

Net debt decreased to USD 68 million at September 30, 2014, from USD 201 million at June 30, 2014. The primary reason for this decrease is due to the receipt of USD 99 million from the Yulin JV for technology transfer and positive cash flows from operations.

Net debt includes convertible bonds at fair value. Including bonds at nominal value, nominal net debt was USD 64 million at September 30, 2014, down from USD 179 million at June 30, 2014.

See note 17 to the consolidated financial statements for 2013 and note 6 to this report for further information on interest bearing liabilities for the Group.

## RISKS AND UNCERTAINTIES

Please refer to the annual report for 2013. Specifically, note 31 to the consolidated financial statements and the risk factors section of the board of directors' report.

### USA/CHINA TRADE DISPUTE

REC is continuing to sell its solar grade polysilicon into China by working with customers to utilize available options under existing laws, namely the "Process in Trade," under China Customs laws

New US trade cases filed at the end of 2013 against China and Taiwan resulted in preliminary CVD duties against Chinese panel producers on June 2, 2014, and preliminary AD orders on July 24, 2014 against combinations of solar panels, wafers and cells produced/assembled in both China and Taiwan. Final AD/CVD determinations in the new US trade cases are scheduled to be announced by the US Department of Commerce on December 17, 2014.

On August 14, 2014, the China Ministry of Commerce (MOFCOM) announced a suspension of the process for renewing bonded books necessary to permit Process in Trade imports of US polysilicon into China under China Customs law effective on September 1, 2014. This permitted Chinese wafer companies the opportunity to renew their bonded books for imports of US and Korean polysilicon prior to September 1, 2014.

On August 15, 2014, MOFCOM applied to the US DOC for a Suspension Agreement under the new US trade case against China. The Suspension Agreement process under US law opens the opportunity for a political resolution of the Second US Trade Case between the US and China.

The Office of the US Trade Representative (USTR) has advised REC that it has held recent discussions with MOFCOM in relation to a resolution of the dispute and these discussions have recently picked up pace.

Additionally, REC Silicon has attended meetings with USTR and is engaged in an on-going dialogue to discuss issues related to a resolution of the dispute.

The US Government has advised REC that it is currently making diplomatic efforts and engaged with the Chinese government with the intention of resolving the dispute. REC is monitoring these discussions and developments closely, however the outcome and timing of these discussions is uncertain. This matter and the resolution efforts are currently developing on a continuous basis.

### OTHER

At December 31, 2013, REC Silicon had been notified that the REC Wafer bankruptcy estate was reviewing certain intra-group transactions that had occurred prior to filing bankruptcy. This potential claim has been resolved with no material impact to the results for the Group.

## MARKET OUTLOOK

Solar grade polysilicon markets are expected to remain balanced during the remainder of 2014. China PV installations have developed slower than expected due to an emphasis on Distributed Generation (DG).

Cumulative PV installations during the first three quarters of 2014 are estimated at 31 to 32 GW, meaning approximately 13 GW market potential during the fourth quarter of 2014 to arrive at consensus full year forecast of approximately 45 GW (source: IHS PV Integrated Market Tracker Database - Q3 2014). This supports a recent IHS Global Solutions statement: "Following a first half that saw declines in several key countries, the global PV solar market is undergoing a major acceleration in the final quarter of the year."

Uncertainty associated with the impact of the US AD/CVD may disrupt markets until a work around or resolution is obtained. Additionally, the China DG policy announcements may not have left enough time to achieve the installation goal set by the China government by year end. However, these announcements indicate a potential strong exit to 2014 and the potential for continued stronger demand in 2015. Improved fourth quarter demand is expected to result in increased polysilicon sales volumes compared to the third quarter and result in flat inventory levels for the fourth quarter of 2014.

As a result of improved market conditions, previously planned capacity expansions are being implemented. However, the impact of capacity additions are limited due to timing of startups and are not expected to significantly impact 2014.

Third party indices continue to project flat to modest increases in solar grade polysilicon sales prices through the end of 2014.

Semiconductor grade polysilicon demand remains flat. However, end use demand is improving and will positively impact market opportunities. Short term changes in end use demand are not expected to impact prices due to flat polysilicon demand and current excessive inventory levels.

Silicon gas market forecasts project a continuation of the strong demand experienced during the first three quarters of 2014. REC Silicon expects temporary increases in Silicon gas demand to continue into the fourth quarter, however, our silane demand profile should begin to normalize late in fourth quarter as previously shutdown production capacity ramps to normal production rates.

**Production targets**

POLYSILICON PRODUCTION VOLUME	ACTUAL Q3 2014	TARGETS Q4 2014	TARGETS 2014
Polysilicon Production Volume			
Granular	4 428	4 400	15 840
Semiconductor Grade	267	240	1 300
Siemens Solar	407	640	1 600
Total	5 103	5 280	18 740
Silicon Gas Sales Volume	952	800	3 380

**Cost targets**

POLYSILICON PRODUCTION VOLUME	ACTUAL Q3 2014	TARGETS Q4 2014	TARGETS 2014
FBR Cash Cost (\$/kg)	10.5	11.0	12.2

**REC SILICON - GUIDANCE****Production targets**

REC Silicon targets fourth quarter 2014 polysilicon production of 5,280 MT. There are no scheduled maintenance outages and production is expected to be stable and near peak rates.

Annual polysilicon production volume is targeted at 18,740 MT, a 140 MT increase compared to prior guidance. The increase is primarily due to production in excess of guidance during the third quarter of 2014.

**Cost targets**

FBR cash production costs in the fourth quarter 2014 are expected to be near USD 11.0/kg. Similar to the third quarter, there are no planned outages and production rates are expected to result in continued low cost performance.

FBR cash production costs targets for 2014 decreased by USD 0.3/kg to USD 12.2/kg as a result of improved actual cost performance in the third quarter of 2014.

**Investment and Expansion**

The REC Silicon Board of Directors has approved a 3,000 MT granular polysilicon capacity expansion at its Moses Lake, Washington facility. Additionally, this project will include silane gas loading capacity expansion at the Butte, Montana facility to allow for increased capacity for silane gas transfers to Moses Lake or external sales. The estimated cost is USD 115 million and production is scheduled to start in the third quarter of 2016.

The expansion will consist of two new second generation (FBR-B) reactors. This technology has the capability to produce semiconductor grade polysilicon while maintaining the superior cost and product characteristics afforded by FBR. The new FBR facility will leverage the restoration of the existing Silane I facility which was idled at the end of the second quarter of 2013.

For 2014 total capital expenditures are expected to be approximately USD 40 million including USD 15 million for the capacity expansion discussed above.

During the third quarter of 2014, the business license was issued for the Yulin joint venture, the JV company was established, key executive positions were filled, and project activities were moved to China. REC Silicon received the final USD 99 million payment for the transfer of technology in August. Front End Engineering Design (FEED) was completed and delivered to the Yulin JV in September which triggered the recognition of a gain of USD 101 million associated with the transfer of technology from REC Silicon to the Yulin JV (See Note 3).

On October 20, 2014, REC Silicon entered into a nonbinding agreement with IDEA Polysilicon to investigate the development of a polysilicon manufacturing facility in Saudi Arabia. The proposed production facility is expected to have a capacity of 20,000 MT and will utilize REC Silicon's second generation FBR-B technology. Project development is planned to last approximately eighteen months and is expected to culminate in an investment decision in 2016.

**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 the Group's activities described in section 'Risks and Uncertainties' above, in REC Silicon's Annual Report 2013, including the section Risk Factors in the Board of Directors' Report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTE	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	2	16.9	18.7	18.0
Land and buildings	2	75.5	80.4	79.3
Machinery and production equipment	2	874.2	978.8	962.7
Other tangible assets	2	21.8	23.7	24.0
Assets under construction	2	27.0	18.1	11.4
Property, plant and equipment	2	998.4	1 101.0	1 077.4
Government grant assets		115.7	122.6	113.3
Other non-current receivables		8.7	9.7	9.7
Derivatives	4	0.0	9.0	15.3
Restricted bank accounts non-current		4.7	0.0	6.4
Financial assets and prepayments		13.4	18.7	31.4
Deferred tax assets		1.2	0.1	0.0
<b>Total non-current assets</b>		<b>1 145.6</b>	<b>1 261.2</b>	<b>1 240.1</b>
<b>Current assets</b>				
Inventories	5	119.5	99.8	95.2
Trade and other receivables	10	119.3	101.0	114.8
Current tax assets		0.0	3.0	3.4
Current derivatives	4	0.0	4.3	4.4
Restricted bank accounts		2.0	13.9	5.1
Cash and cash equivalents		160.2	197.7	61.6
Assets held for sale		0.0	338.5	0.0
<b>Total current assets</b>		<b>400.9</b>	<b>758.1</b>	<b>284.6</b>
<b>Total assets</b>		<b>1 546.5</b>	<b>2 019.3</b>	<b>1 524.6</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTE	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Paid-in capital		3 115.3	3 115.3	3 115.3
Other equity and retained earnings		-2 099.8	-2 166.6	-2 159.3
Total shareholders' equity		1 015.5	948.6	956.0
<b>Non-current liabilities</b>				
Retirement benefit obligations		13.4	20.5	14.3
Deferred tax liabilities		107.3	97.9	90.6
Provisions		0.0	0.6	0.0
Investments in Associates	3	22.0	0.0	0.0
Derivatives	4	3.3	5.3	5.1
Non-current financial liabilities, interest bearing	6	228.5	414.7	225.1
Non-current prepayments, interest calculation		3.9	7.6	6.7
Other non-current liabilities, not interest bearing		0.0	0.0	0.0
Total non-current liabilities		378.3	546.6	341.9
<b>Current liabilities</b>				
Trade payables and other liabilities		144.2	83.3	68.6
Provisions		0.3	1.8	1.4
Derivatives	4	0.0	5.2	4.3
Current financial liabilities, interest bearing	6	-0.2	217.0	143.3
Current prepayments, interest calculation		8.5	11.5	9.1
Liabilities held for sale		0.0	205.4	0.0
Total current liabilities		152.8	524.1	226.7
Total liabilities		531.1	1 070.7	568.6
Total equity and liabilities		1 546.5	2 019.3	1 524.6

# CONSOLIDATED STATEMENT OF INCOME

## REC SILICON GROUP

(USD IN MILLION)	NOTES	Q3 2014	Q3 2013	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013
Revenues		126.5	118.6	366.8	294.2	417.6
Cost of materials	5	-26.9	-22.5	-71.6	-79.5	-106.8
Changes in inventories	5	16.3	-17.2	19.1	17.0	16.4
Employee benefit expenses		-22.6	-25.4	-70.3	-81.3	-105.9
Other operating expenses		-48.4	-46.0	-150.0	-145.9	-189.1
Other income and expenses	3	101.0	-1.6	101.0	18.6	18.6
EBITDA		145.9	5.9	194.9	23.0	50.7
Depreciation	2	-31.2	-30.8	-96.4	-92.9	-125.2
Amortization	2	-0.6	-0.6	-1.8	-1.8	-2.4
Impairment	2	-1.1	-4.6	-1.3	-4.6	-9.2
Total depreciation, amortization and impairment		-32.9	-36.0	-99.6	-99.4	-136.8
EBIT		112.9	-30.1	95.3	-76.3	-86.1
Share of profit/loss of investments in associates	3	-0.0	0.0	-0.0	0.0	-
Financial income		1.2	1.8	3.4	6.6	7.6
Net financial expenses		-5.4	-14.9	-18.3	-48.5	-57.6
Net currency gains/losses		31.5	-6.0	39.7	32.7	39.5
Net gains/losses derivatives and fair value hedge		0.1	6.4	-1.6	-29.7	-36.0
Fair value adjustment convertible bonds		18.3	-11.9	-10.7	-118.3	-112.2
Net financial items		45.7	-24.6	12.5	-157.2	-158.8
Profit/loss before tax from continuing operations		158.6	-54.7	107.9	-233.6	-244.8
Income tax expense/benefit from continuing operations		-39.2	18.7	-13.4	76.7	84.8
Profit/loss from continuing operations		119.5	-36.0	94.5	-156.8	-160.0
Profit/loss from discontinued operations, net of tax 1)		-0.4	-233.7	-1.6	-227.4	-192.7
Profit/loss from total operations		119.1	-269.7	92.9	-384.2	-352.7
<b>Attributable to:</b>						
Owners of REC Silicon ASA		119.1	-269.7	92.9	-384.2	-352.7
<b>Earnings per share (In USD)</b>						
From continuing operations						
-basic		0.05	-0.02	0.04	-0.07	-0.07
-diluted		0.05	-0.02	0.04	-0.07	-0.07
<b>Earnings per share (In USD)</b>						
From total operations						
-basic		0.05	-0.12	0.04	-0.17	-0.16
-diluted		0.05	-0.12	0.04	-0.17	-0.16

1) Profit/loss from discontinued operations includes income and expense from Group external transactions of REC Solar and REC Wafer and net gain or loss on disposal. Discontinued operations are shown as a single amount in the statement of income for the Group. This re-presentation does not represent the activities or indicate the profit earned or loss incurred by continuing or discontinued operations as if they were standalone entities, for past periods or likely to be earned or incurred in future periods. See note 9 to this report and note 9 to the consolidated financial statements for 2013 for further information.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME REC SILICON GROUP

(USD IN MILLION)	Q3 2014	Q3 2013	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013
Profit/loss for the period	119.1	-269.7	92.9	-384.2	-352.7
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	4.1
Currency translation effects	-33.3	12.4	-41.3	-28.8	-41.2
Sum items that will not be reclassified to profit or loss	-33.3	12.4	-41.3	-28.8	-37.1
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences					
- taken to equity	6.1	7.2	7.7	17.3	17.7
- transferred to profit/loss for the period 1)	0.0	0.0	0.0	0.0	-16.6
Sum items that may be reclassified subsequently to profit or loss	6.1	7.2	7.7	17.3	1.1
Total other comprehensive income for the period	-27.2	19.6	-33.5	-11.5	-36.0
Total comprehensive income for the period	91.9	-250.1	59.3	-395.7	-388.7
<b>Total comprehensive income for the period attributable to:</b>					
Owners of REC Silicon ASA	91.9	-250.1	59.3	-395.7	-388.7

1) Currency translation differences transferred to profit/loss in 2013 relate to the sale of REC Solar at the end of October 2013. 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

(USD IN MILLION)	ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA						
	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL EQUITY
<b>September 30, 2013</b>							
At January 1, 2013	342.7	2 667.5	41.8	3 052.0	174.2	-1 944.5	1 281.8
Equity share option plan	0.0	0.0	0.0	0.0	-0.7	0.0	-0.7
Share issue	34.4	28.9	0.0	63.2	0.0	0.0	63.2
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	-395.7	-395.7
At September 30, 2013	377.1	2 696.4	41.8	3 115.3	173.5	-2 340.2	948.6
<b>Year 2013</b>							
At January 1, 2013	342.7	2 667.5	41.8	3 052.0	174.2	-1 944.5	1 281.7
Equity share option plan	0.0	0.0	0.0	0.0	-0.3	0.0	-0.3
Share issue	34.4	28.9	0.0	63.3	0.0	0.0	63.3
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	-388.7	-388.7
At December 31, 2013	377.1	2 696.4	41.8	3 115.3	173.9	-2 333.2	956.0
<b>September 30, 2014</b>							
At January 1, 2014	377.1	2 696.4	41.8	3 115.3	173.9	-2 333.2	956.0
Equity share option plan	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	59.3	59.3
At September 30, 2014	377.1	2 696.4	41.8	3 115.3	174.0	-2 273.8	1 015.5

## This table presents details of comprehensive income

(NOK IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
<b>September 30, 2013</b>				
Accumulated at January 1, 2013	-7.9	20.9	-1 957.4	-1 944.5
Loss for the period	0.0	0.0	-384.2	-384.2
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Currency translation effects	0.0	0.0	-28.8	-28.8
Sum items that will not be reclassified to profit or loss	0.0	0.0	-28.8	-28.8
Items that may be reclassified to profit or loss				
Currency translation differences taken to equity	20.0	0.0	0.0	20.0
Tax on currency translation differences taken to equity	-2.7	0.0	0.0	-2.7
Sum items that may be reclassified to profit or loss	17.3	0.0	0.0	17.3
Total comprehensive income for the period	17.3	0.0	-413.0	-395.7
Accumulated at September 30, 2013	9.4	20.9	-2 370.4	-2 340.2
<b>Year 2013</b>				
Accumulated at January 1, 2013	-7.9	20.9	-1 957.4	-1 944.5
Loss for the period	0.0		-352.7	-352.7
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans	0.0	0.0	4.1	4.1
Currency translation effects	0.0	0.0	-41.2	-41.2
Sum items that will not be reclassified to profit or loss	0.0	0.0	-37.1	-37.1
Items that may be reclassified to profit or loss				
Currency translation differences taken to equity	21.3	0.0	0.0	21.3
Tax on currency translation differences taken to equity	-3.5	0.0	0.0	-3.5
Currency translation differences transferred to profit/loss for the period 1)	-16.6	0.0	0.0	-16.6
Sum items that may be reclassified to profit or loss	1.1	0.0	0.0	1.1
Total comprehensive income for the period	1.1	0.0	-389.8	-388.7
Accumulated at December 31, 2013	-6.8	20.9	-2 347.2	-2 333.2
<b>September 2014</b>				
Accumulated at January 1, 2014	-6.8	20.9	-2 347.2	-2 333.2
Profit/Loss for the period	0.0	0.0	92.9	92.9
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Currency translation effects	0.0	0.0	-41.3	-41.3
Sum items that will not be reclassified to profit or loss	0.0	0.0	-41.3	-41.3
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	9.8	0.0	0.0	9.8
Tax on currency translation differences taken to equity	-2.0	0.0	0.0	-2.0
Sum items that may be reclassified to profit or loss	7.7	0.0	0.0	7.7
Total other comprehensive income for the period	7.7	0.0	-41.3	-33.5
Total comprehensive income for the period	7.7	0.0	51.6	59.3
Accumulated at September 30, 2014	0.9	20.9	-2 295.6	-2 273.8

# CONSOLIDATED STATEMENT OF CASH FLOWS

## TOTAL OPERATIONS

### REC SILICON GROUP

(USD IN MILLION)	Q3 2014	Q2 2013	Q3 2013	SEP 30, 2014	DEC 31, 2013
<b>Cash flows from operating activities</b>					
Profit/loss before tax from total operations 1)	158.2	-114.1	-288.3	106.3	-436.2
Income taxes paid/received	0.0	-0.8	-0.6	3.4	-0.2
Depreciation, amortization and impairment	32.9	36.1	225.5	99.6	153.9
Fair value adjustment convertible bond	-18.3	79.1	11.9	10.7	112.2
Equity accounted investments, impairment financial assets, gains/losses on sale	0.0	-1.2	20.8	0.0	-3.1
Gains/losses on disposal of discontinued operations	0.4	-0.2	31.6	1.6	206.8
Changes in receivables, prepayments from customers etc.	-7.5	34.3	-19.2	4.8	18.7
Changes in inventories	-13.5	-7.5	10.8	-24.3	3.6
Changes in payables, accrued and prepaid expenses	-8.5	4.1	-6.9	-17.4	-37.3
Changes in provisions	-0.8	0.9	-2.7	-1.1	-1.6
Changes in VAT and other public taxes and duties	11.7	-1.6	2.5	5.5	2.2
Changes in derivatives	-0.9	13.7	-18.4	11.8	0.3
Currency effects not cash flow or not related to operating activities	-31.5	-7.5	7.9	-40.9	-26.8
Other items 2)	-101.7	2.8	0.5	-102.9	6.3
Net cash flow from operating activities	20.6	38.1	-24.6	57.1	-1.2
<b>Cash flows from investing activities</b>					
Cash proceeds for shares (incl. equity accounted investments )	0.0	0.0	11.7	0.0	12.4
Cash payments for shares (incl. equity accounted investments )	0.0	-1.6	-0.1	0.0	-4.3
Proceeds from finance receivables and restricted cash	2.2	0.0	4.0	5.3	6.8
Payments finance receivables and restricted cash	0.0	-17.4	0.2	0.0	-17.2
Proceeds from sale of property, plant and equipment and intangible assets	99.0	-0.1	0.2	198.1	6.6
Payments for property, plant and equipment and intangible assets	-12.6	-18.6	-5.2	-19.0	-37.4
Proceeds from investment grants	0.0	-0.1	0.0	0.0	13.6
Proceeds/payments from disposal of subsidiaries, net of cash disposed of	0.0	0.0	0.0	0.0	88.5
Net cash flow from investing activities	88.6	-37.7	10.8	184.4	69.0
<b>Cash flows from financing activities</b>					
Increase in equity	0.0	63.2	0.0	0.0	63.2
Payments of borrowings and up-front/waiver loan fees	-31.3	-142.2	-31.4	-143.0	-435.8
Proceeds from borrowings	0.0	1.5	35.8	0.0	45.5
Net cash flow from financing activities	-31.3	-77.5	4.3	-143.0	-327.1
Effect on cash and cash equivalents of changes in foreign exchange rates	0.0	-9.7	3.6	0.0	-21.7
Net increase/decrease in cash and cash equivalents	77.9	-86.9	-5.9	98.5	-280.9
Reclassification to/from assets held for sale	0.0	0.0	-59.4	0.0	0.0
Cash and cash equivalents at the beginning of the period	82.3	349.8	263.0	61.6	342.6
Cash and cash equivalents at the end of the period	160.2	263.0	197.7	160.2	61.6

#### 1) PROFIT/LOSS BEFORE TAX FROM TOTAL OPERATIONS CONSISTS OF

Profit/loss before tax from continuing operations	158.6	-123.5	-54.7	-80.4	-244.8
Profit/loss before tax from discontinued operations	(0.4)	9.5	-233.5	189.6	-191.3
Profit/loss before tax from total operations	158.2	-114.1	-288.3	109.2	-436.2

2) In 2014, Other items includes a gain of USD 101 million due to the sale of technology to the Julin JV for which the cash flows have been reflected in investing activities (See Note 3). In 2013 Other items consist primarily of expensing of loan fees and costs related to debt financing.

# NOTES

## 1 GENERAL

### THE GROUP

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.

References to "REC Silicon", "REC Solar", or "REC Wafer" denote the segments defined in note 5 to the consolidated financial statements for 2013.

### BASIS OF PREPARATION

The financial statements are presented in million USD, 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.

### STATEMENTS

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with IAS 34. They have not been audited or subject to a review by the auditor. They do not include all of the information required for full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2013. The consolidated financial statements for 2013 are available upon request from the Company's registered office at Fornebu or at [www.recsilicon.com](http://www.recsilicon.com).

The Board of Directors has prepared these interim financial statements under the assumption that the company is a going concern and is of the opinion that this assumption was realistic at the date of the accounts. Refer to the section "risks and uncertainties" in this report for additional information.

### ACCOUNTING POLICIES

The consolidated financial statements for 2013 were prepared in accordance with IFRS as adopted by the EU and the Norwegian Accounting Act.

IFRIC 21: Levies, an Interpretation on the accounting for levies imposed by governments, was approved by EU and effective from June 17, 2014, the Group adopted this new standard in the second quarter 2014. Comparable interim periods have been adjusted to reflect the adoption of IFRIC 21.

A number of new standards, amendments to standards, and interpretations have been published, but are not effective at September 30, 2014 and have not been applied in preparing these financial statements. The most relevant of these is:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture was issued in September 2014 and is effective for periods beginning on or after January 1, 2016. Earlier application is permitted. Accounting Policies adopted by the Group are consistent with these amendments and adoption will not affect the accounting or disclosures of the Group.

### CHANGE IN PRESENTATION CURRENCY

Following the sale of REC Solar, ongoing operations are primarily in US dollar (USD). Accordingly, the Group changed reporting currency from NOK to USD starting with the first quarter 2014.

Comparable historic periods have been restated to USD.

### ESTIMATES AND JUDGMENTS

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the consolidated financial statements for 2013.

## 2 FIXED ASSETS

### Property, plant and equipment and intangible assets

(USD IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT	TOTAL INTANGIBLE ASSETS	TOTAL
Carrying value at January 1, 2014	79.3	962.7	24.0	11.4	1 077.4	18.0	1 095.4
Exchange differences	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net additions 1)	0.0	5.0	1.7	11.9	18.7	0.8	19.4
Government grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals - discontinued operations	0.0	0.0	0.0	0.1	0.1	0.0	0.1
Depreciation and amortization - continuing operations	-3.8	-89.3	-3.3	0.0	-96.4	-1.8	-98.3
Depreciation and amortization - discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment - continuing operations	0.0	-4.2	-0.6	3.6	-1.3	0.0	-1.3
Impairment - discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying value at September 30, 2014	75.5	874.2	21.8	27.0	998.4	16.9	1 015.3
At September 30, 2014							
Cost price	145.1	2 050.6	75.2	32.0	2 302.9	74.6	2 377.4
Accumulated depreciation/amortization/impairment	-69.6	-1 176.4	-53.4	-5.0	-1 304.5	-57.7	-1 362.1
Carrying value at September 30, 2014	75.5	874.2	21.8	27.0	998.4	16.9	1 015.3

1) Net additions include transfers from assets under construction

### IMPAIRMENT REVIEWS

The Group has conducted a review of impairment indicators and has not identified any indicators which would give rise to a change in impairment compared to December 31, 2013. Specifically, the impact of the trade dispute between the US and China was considered, however, changes in the anticipated future cash flows of the Group cannot be reliably estimated based upon specific events that would result in a conclusion different from that reached at December 31, 2013 (See Note 8). Consequently, impairment testing was not performed at September 30, 2014.

## 3 INVESTMENTS IN ASSOCIATES

In February 2014, the Group entered into a joint venture agreement and in July 2014 the Yulin JV in China was established. The Group has a 49% interest and joint control, therefore, it is a joint venture and is accounted for according to the equity method. Under the equity method, the investment is initially recorded at cost and then adjusted for post-acquisition changes in the investor's share of the net assets of the joint venture. The profit or loss of the investor includes the investor's share of the profit or loss of the joint venture.

During 2014, the Group received USD 198 million upfront payments for technology transfer associated with the formation of the joint venture. In accordance with IFRS 10 Consolidated Financial Statements, the Group recognized this payment as other income in the third quarter 2014 to the extent of the unrelated investors' interest in the joint venture and the remaining part of the gain was eliminated against the carrying amount of the investment and will be amortized over the life of the technology.

On October 14, 2014 the Group made its initial contribution of USD 75 million to the Yulin JV. At September 30, 2014 this amount was recorded as a short term liability and as part of the Group's investment in the joint venture.

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

(USD IN MILLION)	Q3 2014
Carrying value at January 1, 2014	0.0
Equity Contributions	75.0
Adjusted for Basis Difference in Technology Contributed	-97.0
Share of Joint Venture Profits	0.0
Carrying value at September 30, 2014	-22.0

## 4 DERIVATIVES

See notes 3 and 11 to the consolidated financial statements for 2013.

### Fair values and carrying amounts

(USD IN MILLION)	SEP 30, 2014		DEC 31, 2013	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Foreign exchange forward and option contracts	0.0	0.0	0.5	1.4
Interest rate swaps	0.0	0.0	19.2	5.6
Option contract	0.0	3.3	0.0	2.5
Total	0.0	3.3	19.7	9.4

Option contract is part of the indemnification agreement in connection with the REC Wafer bankruptcy, and the change in estimated fair value has been reported as part of the gain/loss on disposal of discontinued operations, see note 9 to the consolidated financial statements for 2013.

All foreign exchange forward contracts and interest rate swaps were settled during the first quarter of 2014.

## 5 INVENTORIES

Refer to note 13 to the consolidated financial statements for 2013

### Allocation of writedowns of inventories at end of period

(USD IN MILLION)	SEP 30, 2014			DEC 31, 2013		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of materials, merchandise, production supplies	23.3	0.0	23.3	21.9	0.0	21.9
Spare parts	41.4	-11.7	29.6	38.2	-9.9	28.4
Work in progress	10.9	0.0	10.9	9.2	-0.3	8.9
Finished goods	55.7	0.0	55.7	37.9	-1.8	36.0
Total	131.2	-11.7	119.5	107.2	-11.9	95.2



## 6 BORROWINGS AND GUARANTEES

Refer to notes 3 and 17 to the consolidated financial statements for 2013.

Carrying amounts of interest bearing liabilities at September 30, 2014 and contractual repayments (excluding interest payments) are specified in the table below.

(USD IN MILLION)	CARRYING AMOUNT		CONTRACTUAL PAYMENTS, EXCLUDING INTEREST		
	CURRENCY	USD	TOTAL	2016	2018
Unamortized upfront fees (NOK)	-3.5	-0.5	0.0	0.0	0.0
NOK bonds (NOK)	538.0	83.4	82.9	36.3	46.6
USD convertible bond (USD)	114.0	114.0	110.0	0.0	110.0
Indemnification loan (NOK)	200.0	31.0	31.0	31.0	0.0
<b>Total</b>		<b>227.8</b>	<b>223.9</b>	<b>67.3</b>	<b>156.6</b>

REC Silicon ASA repaid the NOK 195.5 million REC01 Bond on September 16, 2014.

The difference between carrying amounts and contractual repayments of the USD convertible bonds are due to fair value adjustments. The difference for the NOK bonds is related to fair value interest rate hedges and the tap issue in May 2013. The fair value hedges were revoked in November 2013 and the remaining fair value adjustments are being amortized prospectively as part of the effective interest.

### Guarantees

See note 29 to the consolidated financial statement for 2013.

Bank guarantees at September 30, 2014 amounted to USD 3.1 million, down from USD 4.5 million at June 30, 2014.

Guarantees related to REC Solar were primarily unchanged compared to December 31, 2013.

### Fair values of financial instruments

See note 30 to the consolidated financial statements for 2013. The option contract contained in indemnification agreement associated with the REC Wafer Norway AS bankruptcy is subject to level 3 of the fair value hierarchy of IFRS 13. The value of this option is estimated to have increased from USD 2.5 million at December 31, 2013 to USD 3.3 million at September 30, 2014 due to changes in the REC Silicon ASA's share price the estimated dividend from the REC Wafer bankruptcy estate.

The Group estimates that the carrying values of financial instruments approximate fair values, except for the NOK bonds REC02 and REC03 (level 2).

(USD IN MILLION)	SEP 31, 2014		
	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
REC02	36.3	35.4	36.2
REC03	46.6	48.0	46.4
	<b>82.9</b>	<b>83.4</b>	<b>82.6</b>

The fair value of the USD convertible bond at September 30, 2014 is estimated at 104.0 percent of nominal value, compared to 95 percent at December 31, 2013. The increase is primarily due to increase in the share price and consequently the value of the embedded option.

**USD convertible bond**

(USD IN MILLION)	AT ISSUE SEP 2013	DEC 31, 2013	SEP 30, 2014	CHANGE TO P/L JUN, 2013	CHANGE TO P/L Q3 2014
Nominal value	110.0	110.0	110.0		
Value of the total loan	110.0	104.5	114.0	5.5	18.0

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

**7 COMMITMENTS****Contractual purchase obligations and minimum operating lease payments at September 30, 2014**

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	REMAINING 2014	DISTRIBUTION OF PAYMENTS					
			2015	2016	2017	2018	2019	AFTER 2019
<b>Purchase of goods and services</b>								
REC Silicon	81.6	47.3	23.0	2.6	1.5	1.5	1.5	4.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total purchase of goods and services</b>	<b>81.6</b>	<b>47.3</b>	<b>23.0</b>	<b>2.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>4.4</b>
<b>Minimum operating lease payments</b>								
REC Silicon	90.8	5.0	18.9	18.2	18.0	15.6	11.5	3.7
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total minimum operating lease payments</b>	<b>90.8</b>	<b>5.0</b>	<b>18.9</b>	<b>18.2</b>	<b>18.0</b>	<b>15.6</b>	<b>11.5</b>	<b>3.7</b>

In July 2014, REC Silicon became a partner in a joint venture in China (See Note 3). REC Silicon has agreed to contribute equity to the joint venture totaling USD 244 million (USD 75 million was made on October 14, 2014, USD 15 million in August 2016, and USD 154 million in August 2017).

## 8 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Please refer to the annual report for 2013. Specifically, note 31 to the consolidated financial statements and the risk factors section of the board of directors' report.

### USA/CHINA TRADE DISPUTE

REC is continuing to sell its solar grade polysilicon into China by working with customers to utilize available options under existing laws, namely the "Process in Trade," under China Customs laws

New US trade cases filed at the end of 2013 against China and Taiwan resulted in preliminary CVD duties against Chinese panel producers on June 2, 2014, and preliminary AD orders on July 24, 2014 against combinations of solar panels, wafers and cells produced/assembled in both China and Taiwan. Final AD/CVD determinations in the new US trade cases are scheduled to be announced by the US Department of Commerce on December 17, 2014.

On August 14, 2014, the China Ministry of Commerce (MOFCOM) announced a suspension of the process for renewing bonded books necessary to permit Process in Trade imports of US polysilicon into China under China Customs law effective on September 1, 2014. This permitted Chinese wafer companies the opportunity to renew their bonded books for imports of US and Korean polysilicon prior to September 1, 2014.

On August 15, 2014, MOFCOM applied to the US DOC for a Suspension Agreement under the new US trade case against China. The Suspension Agreement process under US law opens the opportunity for a political resolution of the Second US Trade Case between the US and China.

The Office of the US Trade Representative (USTR) has advised REC that it has held recent discussions with MOFCOM in relation to a resolution of the dispute and these discussions have recently picked up pace.

Additionally, REC Silicon has attended meetings with USTR and is engaged in an on-going dialogue to discuss issues related to a resolution of the dispute.

The US Government has advised REC that it is currently making diplomatic efforts and engaged with the Chinese government with the intention of resolving the dispute. REC is monitoring these discussions and developments closely, however the outcome and timing of these discussions is uncertain. This matter and the resolution efforts are currently developing on a continuous basis.

### OTHER

At December 31, 2013, REC Silicon had been notified that the REC Wafer bankruptcy estate was reviewing certain intra-group transactions that had occurred prior to filing bankruptcy. This potential claim has been resolved with no material impact to the results for the Group.

## 9 DISCONTINUED OPERATIONS

See notes 4.1(D), 4.2(D) and 9 to the consolidated financial statements for 2013 for further information about discontinued operations. REC Solar was sold on October 25, 2013 and REC Wafer was deconsolidated on August 13, 2012.

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.

Change in estimated fair value of the option agreement (see note 11) for REC Wafer was reported as a gain from discontinued operations during the third quarter of 2014.

# ANALYSIS OF DISCONTINUED OPERATIONS

## CONSOLIDATED STATEMENT OF INCOME

### REC SILICON GROUP

(USD IN MILLION)	REC GROUP	OF WHICH	REC GROUP	REC GROUP	OF WHICH	REC GROUP	REC GROUP	OF WHICH	REC GROUP
	TOTAL	DISCONTINUED	RE-PRESENTED	TOTAL	DISCONTINUED	RE-PRESENTED	TOTAL	DISCONTINUED	RE-PRESENTED
	OPERATIONS	OPERATIONS	OPERATIONS	OPERATIONS	OPERATIONS	OPERATIONS	OPERATIONS	OPERATIONS	OPERATIONS
	Q3 2014	Q3 2014	Q3 2014	Q3 2013	Q3 2013	Q3 2013	DEC 31, 2013	DEC 31, 2013	DEC 31, 2013
Revenues	126.5	0.0	126.5	288.1	162.9	125.2	938.4	520.9	417.6
Cost of materials	-26.9	0.0	-26.9	-124.4	-100.3	-24.1	-394.9	-288.1	-106.8
Changes in inventories	16.3	0.0	16.3	-8.3	8.9	-17.3	1.1	-15.2	16.4
Employee benefit expenses	-22.6	0.0	-22.6	-47.8	-20.7	-27.1	-170.5	-64.7	-105.9
Other operating expenses	-48.4	0.0	-48.4	-87.0	-38.0	-49.0	-304.9	-115.8	-189.1
Other income and expenses	101.0	0.0	101.0	-33.5	-32.2	-1.3	17.5	-1.1	18.6
Gains/losses on disposal of discontinued operation - Wafer	-0.4	0.4	0.0	-0.4	-0.4	0.0	14.3	14.3	0.0
Gains/losses on disposal of discontinued operation - Solar	0.0	0.0	0.0	0.0	0.0	0.0	-221.1	-221.1	0.0
<b>EBITDA</b>	<b>145.4</b>	<b>0.4</b>	<b>145.9</b>	<b>-13.4</b>	<b>-19.7</b>	<b>6.3</b>	<b>-120.1</b>	<b>-170.9</b>	<b>50.7</b>
Depreciation	-31.2	0.0	-31.2	-37.3	-4.5	-32.7	-139.4	-14.2	-125.2
Amortization	-0.6	0.0	-0.6	-1.1	-0.5	-0.7	-4.1	-1.7	-2.4
Impairment	-1.1	0.0	-1.1	-195.7	-190.9	-4.8	-10.4	-1.3	-9.2
Total depreciation, amortization and impairment	-32.9	0.0	-32.9	-234.1	-195.9	-38.2	-153.9	-17.1	-136.8
<b>EBIT</b>	<b>112.5</b>	<b>0.4</b>	<b>112.9</b>	<b>-247.5</b>	<b>-215.7</b>	<b>-31.8</b>	<b>-274.0</b>	<b>-188.0</b>	<b>-86.1</b>
Share of profit/loss of equity accounted investments	0.0	0.0	0.0	-21.4	-21.4	0.0	3.1	3.1	0.0
Financial income	1.2	0.0	1.2	1.9	0.0	1.9	7.9	0.4	7.6
Net financial expenses	-5.4	0.0	-5.4	-16.7	-0.8	-15.9	-59.2	-1.6	-57.6
Net currency gains/losses	31.5	0.0	31.5	-8.9	-3.2	-5.6	34.2	-5.2	39.5
Net gains/losses derivatives and fair value hedge	0.1	0.0	0.1	6.1	0.0	6.1	-36.0	0.0	-36.0
Fair value adjustment convertible bond	18.3	0.0	18.3	-14.0	0.0	-14.0	-112.2	0.0	-112.2
Net financial items	45.7	0.0	45.7	-31.6	-4.1	-27.5	-165.3	-6.5	-158.8
Profit/loss before tax	158.2	0.4	158.6	-300.5	-241.2	-59.3	-436.2	-191.3	-244.8
Income tax expense/benefit	-39.2	0.0	-39.2	20.1	-0.1	20.2	83.4	-1.4	84.8
Profit/loss from continuing operations	NA	NA	119.5	NA	NA	-39.1	NA	NA	-160.0
Profit/loss from discontinued operations	NA	-0.4	-0.4	NA	-241.3	-241.3	NA	-192.7	-192.7
Profit/loss from total operations	119.1	NA	119.1	-280.4	NA	-280.4	-352.7	NA	-352.7
<b>Profit/loss attributable to:</b>	<b>TOTAL</b>	<b>DISCONTINUED</b>	<b>CONTINUING</b>	<b>TOTAL</b>	<b>DISCONTINUED</b>	<b>CONTINUING</b>	<b>TOTAL</b>	<b>DISCONTINUED</b>	<b>CONTINUING</b>
Owners of REC SILICON ASA	119.1	-0.4	119.5	-280.4	-241.3	-39.1	-352.7	-192.7	-160.0
Earnings per share (in USD)									
-basic	0.05	0.00	0.05	-0.12	-0.10	-0.02	-0.15	-0.08	-0.07
-diluted	0.05	0.00	0.05	-0.12	-0.10	-0.02	-0.16	-0.09	-0.07

# SPECIFICATION OF DISCONTINUED OPERATIONS

## REC SILICON GROUP

USD IN MILLION	WAFER GROUP	SOLAR GROUP	TOTAL GROUP	WAFER GROUP	SOLAR GROUP	TOTAL GROUP	WAFER GROUP	SOLAR GROUP	TOTAL GROUP
	DISCONTINUED OPERATIONS	DISCONTINUED OPERATIONS	DISCONTINUED OPERATIONS	DISCONTINUED OPERATIONS	DISCONTINUED OPERATIONS	DISCONTINUED OPERATIONS	DISCONTINUED OPERATIONS	DISCONTINUED OPERATIONS	DISCONTINUED OPERATIONS
	Q3 2014	Q3 2014	Q3 2014	Q3 2013	Q3 2013	Q3 2013	DEC 31, 2013	DEC 31, 2013	DEC 31, 2013
Revenues	0.0	0.0	0.0	0.0	162.9	162.9	0.0	520.9	520.9
Cost of materials	0.0	0.0	0.0	0.0	-100.3	-100.3	0.0	-288.1	-288.1
Change in inventories	0.0	0.0	0.0	0.0	10.8	10.8	0.0	-7.1	-7.1
Writedowns on inventories	0.0	0.0	0.0	0.0	-1.9	-1.9	0.0	-8.1	-8.1
Changes in inventories	0.0	0.0	0.0	0.0	8.9	8.9	0.0	-15.2	-15.2
Employee benefit expenses	0.0	0.0	0.0	0.0	-20.7	-20.7	0.0	-64.7	-64.7
Other operating expenses	0.0	0.0	0.0	0.0	-38.0	-38.0	0.0	-115.8	-115.8
Other income and expenses	0.0	0.0	0.0	0.0	-32.2	-32.2	0.0	-1.1	-1.1
Gains/losses on disposal of discontinued operation - Wafer	-0.4	0.0	-0.4	-0.4	0.0	-0.4	14.3	0.0	14.3
Gains/losses on disposal of discontinued operation - Solar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-221.1	-221.1
EBITDA	-0.4	0.0	-0.4	-0.4	-19.4	-19.7	14.3	-185.1	-170.9
Depreciation	0.0	0.0	0.0	0.0	-4.5	-4.5	0.0	-14.2	-14.2
Amortization	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	-1.7	-1.7
Impairment	0.0	0.0	0.0	0.0	-190.9	-190.9	0.0	-1.3	-1.3
Total depreciation, amortization and impairment	0.0	0.0	0.0	0.0	-195.9	-195.9	0.0	-17.1	-17.1
EBIT	-0.4	0.0	-0.4	-0.4	-215.3	-215.7	14.3	-202.3	-188.0
Share of profit/loss of equity accounted investments	0.0	0.0	0.0	0.0	-21.4	-21.4	0.0	3.1	3.1
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Net financial expenses	0.0	0.0	0.0	0.0	-0.8	-0.8	0.0	-1.6	-1.6
Net currency gains/losses	0.0	0.0	0.0	0.0	-3.2	-3.2	0.0	-5.2	-5.2
Net gains/losses derivatives and fair value hedge	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment and gain/loss on financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value adjustment convertible bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	0.0	0.0	0.0	0.0	-4.1	-4.1	0.0	-6.5	-6.5
Profit/loss before tax	-0.4	0.0	-0.4	-0.4	-240.8	-241.2	14.3	-205.6	-191.3
Income tax expense/benefit	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	-1.4	-1.4
Profit/loss from discontinued operations	0.4	0.0	0.4	-0.4	-241.0	-241.3	14.3	-207.0	-192.7

**Cash flows of discontinued operations, REC Solar (internal and external)**

See note 9 to the consolidated financial statements for 2013 for further description. The table below shows the cash flows of REC Solar. It includes cash flows to and from other REC Silicon Group companies. It includes REC Solar AS. Cash balance at December 31, 2013 is the cash at the time of deconsolidation of REC Solar at the end of October 2013. There is no cash flow in 2014.

(USD IN MILLION)	Q3 2013	DEC 31, 2013
Cash flows from operating activities	-6.6	34.6
Cash flows from investing activities	94.6	9.5
Cash flows from financing activities	-44.6	-12.9
Effect on cash and cash equivalents of changes in foreign exchange rates	-1.6	-2.8
Net increase/decrease in cash and cash equivalents	41.8	28.4
Cash and cash equivalents at beginning of the period	6.0	19.7
Cash and cash equivalents at end of the period	47.8	48.1

**10 RECEIVABLES****Analysis of aging of receivables at September 30, 2014**

(USD IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED PAST DUE				IMPAIRED
			< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	
Trade receivables and accrued revenues	108.3	88.0	4.7	1.6	1.0	2.8	10.2
Provision for loss on trade receivables	-10.2	0.0	0.0	0.0	0.0	0.0	-10.2
Other non-current and current receivables	0.7	0.6	0.0	0.0	0.0	0.2	0.0
Finance receivables and short-term loans	9.7	9.7	0.0	0.0	0.0	0.0	0.0
Total	108.5	98.3	4.7	1.6	1.0	3.0	0.0

See note 12 and 30 to the consolidated financial statements for 2013. During the third quarter of 2014, additional impairments of USD 2 million were taken on delinquent receivables.

**11 TRANSACTIONS WITH RELATED PARTIES**

See note 10 and note 16 to the consolidated financial statements for 2013.

In the third quarter 2014, the Board member Erik Løkke-Øvre invoiced USD 40 thousand to REC Silicon for consultancy work.

REC Silicon ASA offices are owned by shareholder UMØE AS and leased to the Company.

## 12 SEGMENT INFORMATION

Refer to note 5 to the consolidated financial statements for 2013 for further information on segments.

### Segment information

(USD IN MILLION)	Q3 2014	Q3 2013	SEP 30, 2014	SEP 30, 2013	DEC 31, 2013	Q2 2014
<b>Revenues</b>						
REC Silicon	126.5	124.1	366.7	307.9	432.7	126.8
REC Solar	0.0	152.9	0.0	470.0	520.9	0.0
Other	0.0	0.4	0.1	1.5	2.0	0.0
Eliminations	0.0	-5.9	0.0	-15.2	-17.3	0.0
Total operations	126.5	271.5	366.8	764.1	938.4	126.9
Of which discontinued operations 1)	0.0	152.9	0.0	469.9	520.9	0.0
Total continuing operations	126.5	118.6	366.8	294.2	417.6	126.9
<b>Revenues external</b>						
REC Silicon	126.5	118.6	366.7	294.1	417.0	126.8
REC Solar	0.0	152.9	0.0	469.9	520.9	0.0
Other	0.0	0.0	0.1	0.0	0.5	0.0
Total operations	126.5	271.5	366.8	764.1	938.4	126.9
Of which discontinued operations 1)	0.0	152.9	0.0	469.9	520.9	0.0
Total continuing operations	126.5	118.6	366.8	294.2	417.6	126.9
<b>EBITDA</b>						
REC Silicon	146.5	13.2	199.0	52.4	83.7	33.1
REC Solar	0.0	10.1	0.0	14.5	-192.2	0.0
Other	-1.0	-5.3	-5.7	-14.1	-72.8	-1.2
Eliminations	0.0	-31.6	0.0	-31.6	61.1	0.0
Total operations	145.4	-13.5	193.3	21.2	-120.1	31.9
Of which discontinued operations 1)	0.4	-19.4	1.6	-1.8	-170.9	-0.3
Total continuing operations	145.9	5.9	194.9	23.0	50.7	31.6
<b>Depreciation, amortization and impairment</b>						
REC Silicon	-32.9	-36.0	-99.6	-99.4	-136.8	-33.3
REC Solar	0.0	-5.6	0.0	-14.6	-17.1	0.0
Other	-0.1	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	-183.9	0.0	-183.9	0.0	0.0
Total operations	-32.9	-225.5	-99.6	-297.9	-153.9	-33.2
Of which discontinued operations 1)	0.0	-189.5	0.0	-198.5	-17.1	0.0
Total continuing operations	-32.9	-36.0	-99.6	-99.4	-136.8	-33.2
<b>EBIT</b>						
REC Silicon	113.6	-22.8	99.5	-47.0	-53.1	-0.2
REC Solar	0.0	4.6	0.0	-0.1	-209.3	0.0
Other	-1.1	-5.3	-5.7	-14.1	-72.8	-1.2
Eliminations	0.0	-215.5	0.0	-215.5	61.1	0.0
Total operations	112.5	-238.9	93.7	-276.6	-274.0	-1.4
Of which discontinued operations 1)	0.4	-208.8	1.6	-200.3	-188.0	-0.3
Total continuing operations	112.9	-30.1	95.3	-76.3	-86.1	-1.7

1) Profit/loss from discontinued operations includes income and expense from REC Silicon Group external transactions of REC Solar and REC Wafer and gains and losses on disposal. Discontinued operations are shown as a single amount in the statement of income for the Group. This re-presentation does not represent the activities or indicate the profit earned or loss incurred by continuing or discontinued operations as if they were standalone entities, for past periods or likely to be earned or incurred in future periods. See note 9 to the consolidated financial statements for 2013.

FOR MORE INFORMATION, PLEASE CONTACT

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### 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 720 people.

For more information, go to: [www.recsilicon.com](http://www.recsilicon.com)