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# THIRD QUARTER 2014

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Presentation



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# Agenda

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REC Q3 Results

T. Torvund, CEO

Market Overview

- Polysilicon Market Landscape
- U.S. / China Solar Trade Issues
- Expansion Opportunities

T. Torvund  
F. Sullivan, CLO

Financial Overview

J. May, CFO

Guidance

T. Torvund

Q & A

# REC Silicon ASA Third Quarter Highlights

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## **Revenues of \$126.5 million**

- ~3% polysilicon price increase over Q2

## **EBITDA Excluding Special Items of \$44.9 million**

- Special items of \$101 million gain on sale of technology
- EBITDA from continuing operations was \$145.9 million

## **Strong Stable Operations**

- Total polysilicon production 5,103 MT
- FBR cash cost \$10.5/kg

## **Record Silicon Gas Sales**

- 952 MT Sales
- ~4% Silane gas price increase

## **Expansion Initiatives**

- Rx 25/26 Investment of \$115M approved
- Yulin JV – \$99 million technology payment received
- Proposed expansion in Saudi Arabia

# REC Silicon ASA Q3 2014 Key Metrics

Financials	
Revenue	\$126.5 M
EBITDA	\$44.9 M**
EBITDA Margin	35%

FBR Production	
Actual	4,428 MT
Guidance*	4,250 MT
Change	+4%

FBR Cash Cost	
Actual	\$10.5/kg
Guidance*	\$11.2/kg
Change	-6%

Total Polysilicon Production	
Actual	5,103 MT
Guidance*	5,000 MT
Change	+2%

Semiconductor Production	
Actual	267 MT
Guidance*	350 MT
Change	- 24%

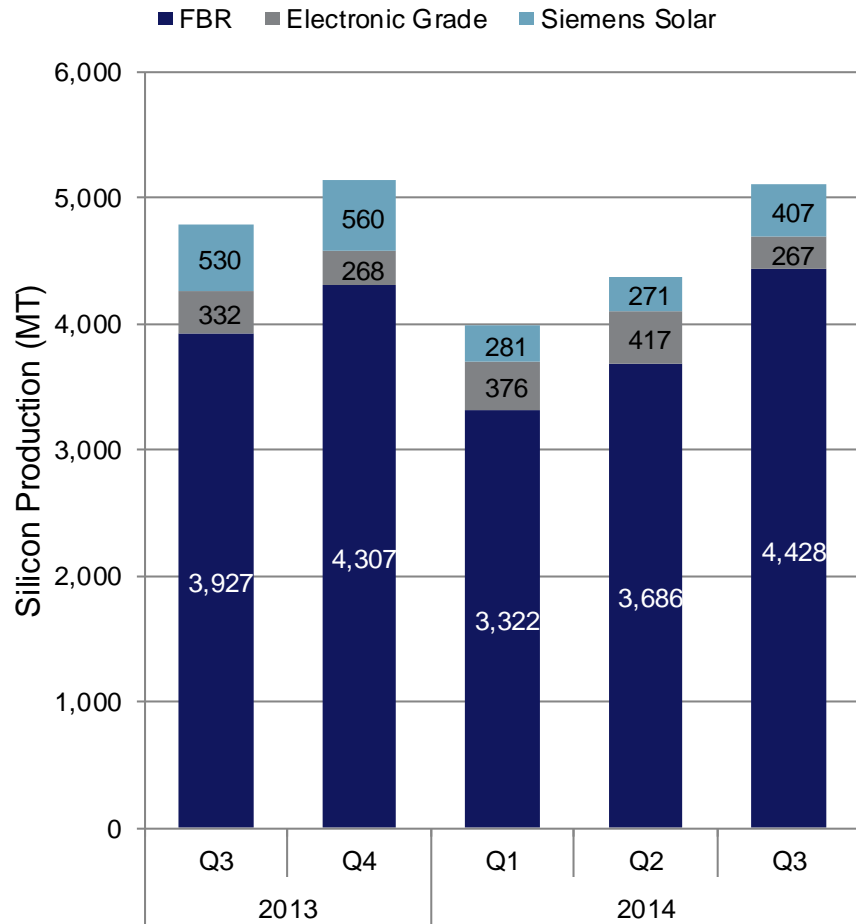
Silicon Gases Sales Vol.	
Actual	952 MT
Guidance*	800 MT
Change	+19%

\* Guidance presented July 18, 2014

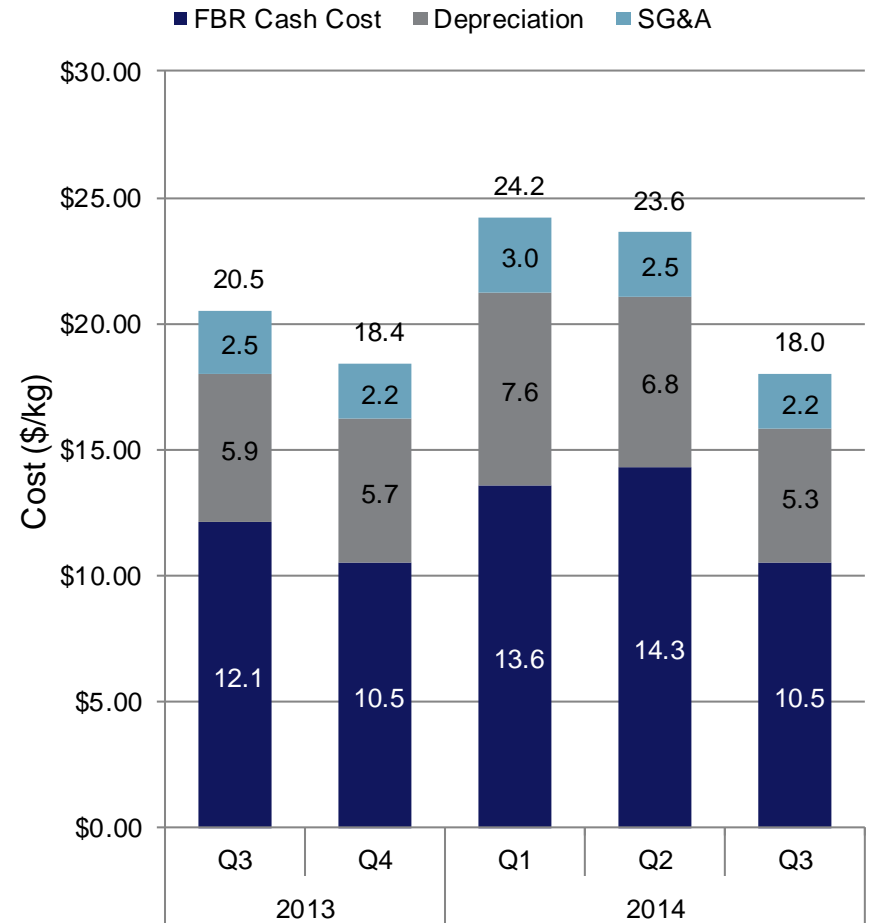
\*\* Excludes special items of USD 101 million

# Polysilicon Production and FBR Cost

## Polysilicon Production

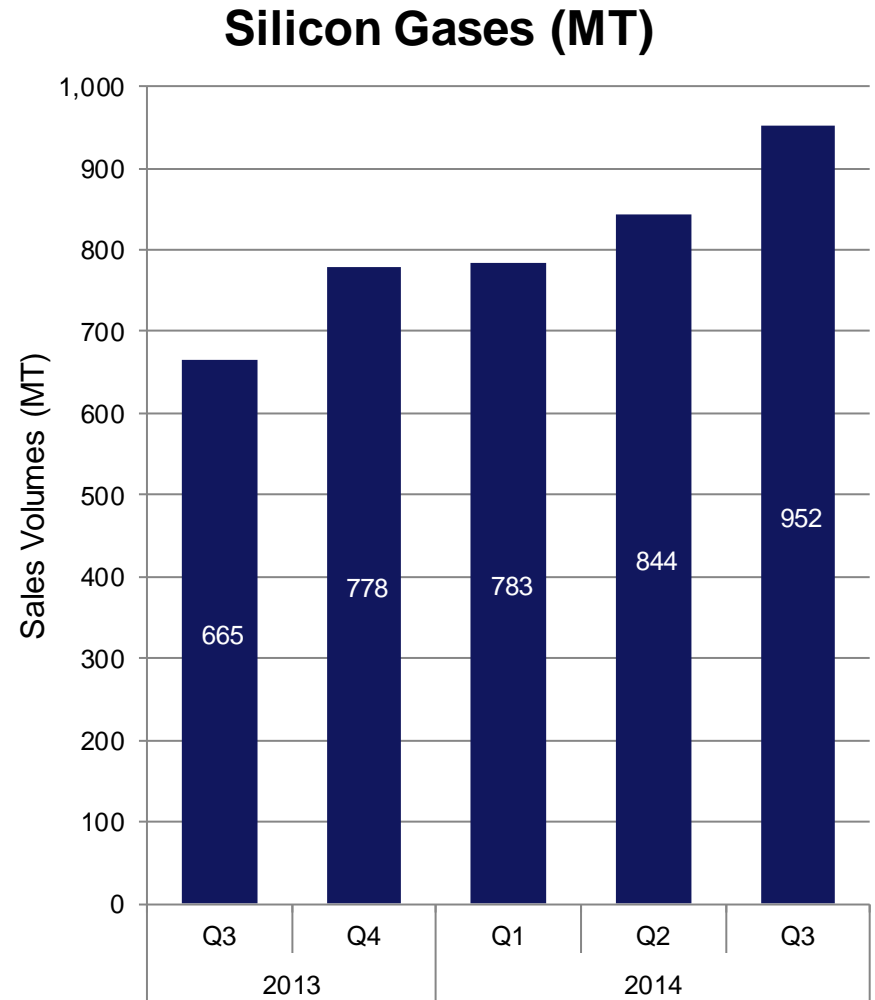


## FBR Cost



# Q3 2014 Silicon Gas Sales: Record sales volume

- › Record sales volumes
  - 13% increase over Q2
- › Display and PV demand up
- › Competitive capacity expected to ramp and qualify material in Q4



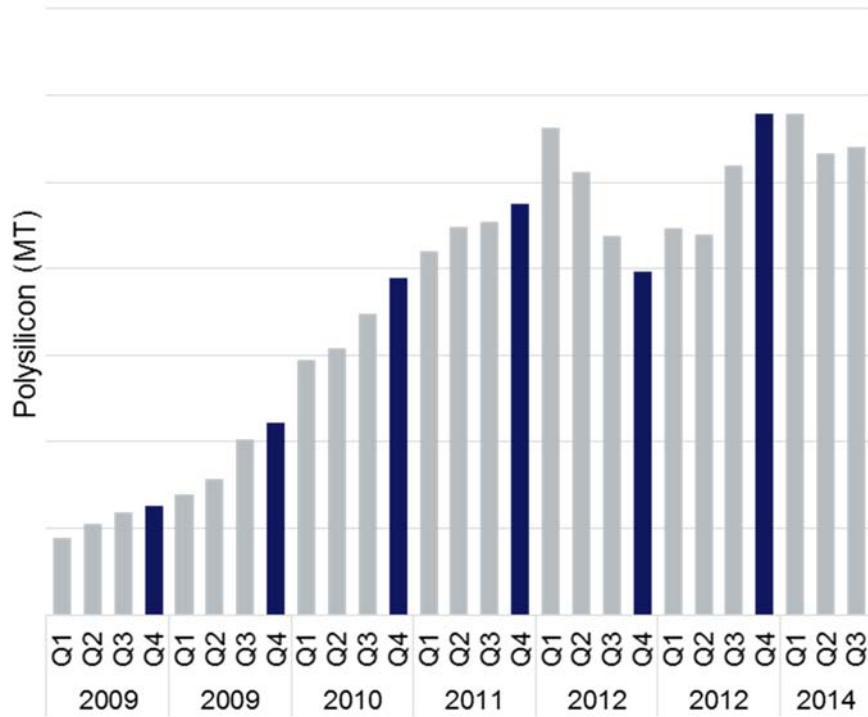


# Polysilicon Market Landscape



# Q3 2014 Shipments and FBR ASPs inline with Spot Prices

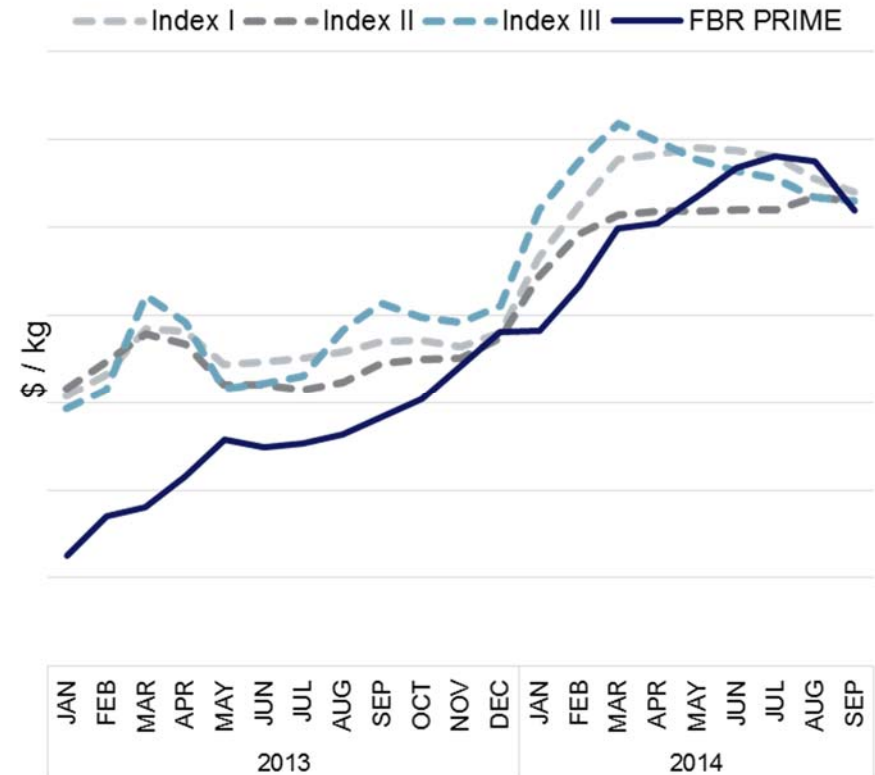
## Tier 1 Shipment Estimates



- › Q3 Polysilicon shipments slightly below expectations

Source: SEMI & REC Silicon internal model.

## FBR ASPs vs. PV Spot Indices



- › Total average ASPs up ~3% in Q3

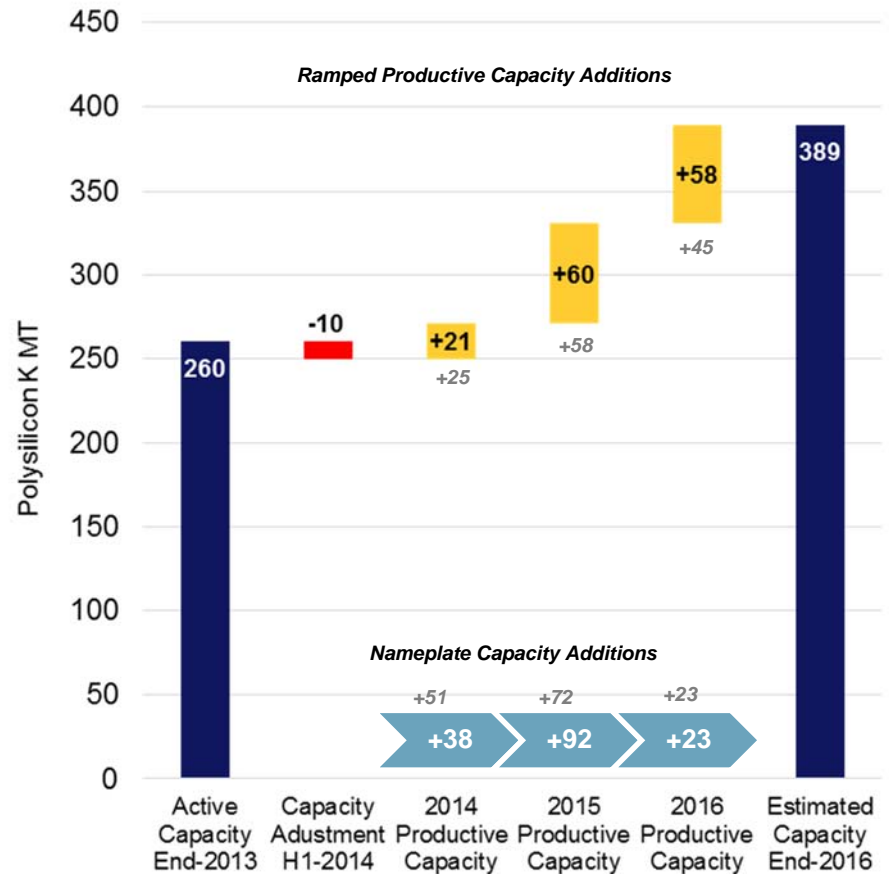
Note: REC FBR ASP's benchmarked against spot indices from BNEF, EnergyTrend & PV Insights.

# Polysilicon Supply Snapshot

## Capacity Outlook Highlights

- › Delays in near-term anticipated start-ups
- › Changes in planned capacity expansions
- › Capacity expansions subject to market conditions

## Capacity Outlook (2014 to 2016)



Shaded figures indicate Q2 release figures

# Q3 2014 Market Update

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## › Solar Grade Polysilicon

- Average spot price indices have been relatively flat after declining in Q3
- Cell manufacturer utilization is increasing, signaling a stronger Q4 or Q1 2015.
- China has not exhibited robust seasonal polysilicon demand, however there are limited inventories of polysilicon
- Trade dispute remains a concern and might impact sales volumes

## › Semiconductor Grade Polysilicon

- Industry analysts observe increases in revenues and unit volumes in end-use markets
- Excess inventories and long term agreements continue to stagnate demand

## › Silicon Gases

- Demand continues to be robust due to strong demand in display and PV
- Competitive capacity being re-introduced to market in Q4



# US / China Trade Issues

# Q3 2014 US / China Trade Update

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- › 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.

## Q3 2014 US / China Trade Update (Cont'd)

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- › 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.



# Growth Initiatives

# Expansion in Moses Lake: Rx 25 & 26 and Silane I

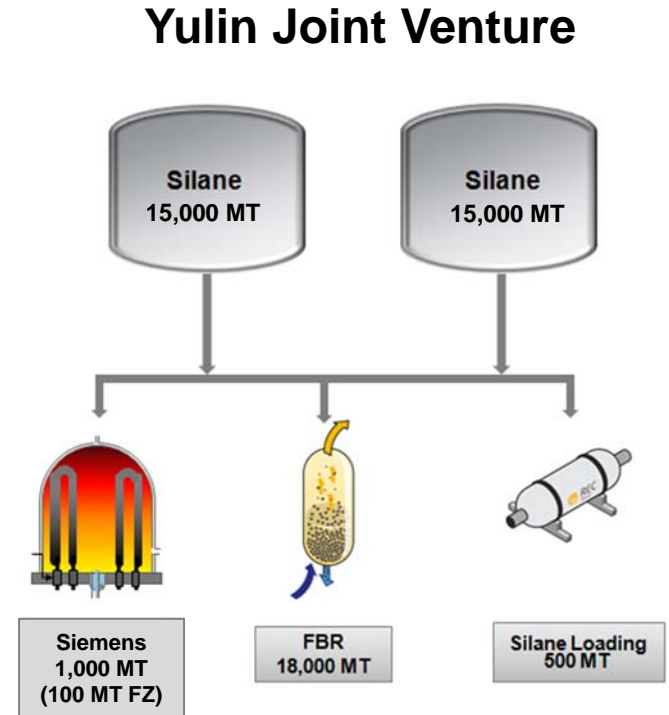
- › Additional 3,000 MT granular polysilicon capacity
- › Next Generation Fluid Bed Reactors (FBR-B)
  - Semiconductor grade
- › Restart Silane I
  - 3,000 MT of Silane
- › Silane loading, Butte
  - 1,200 MT additional
- › Estimated cost \$115M USD
  - CapEx ~ \$40/kg
  - OpEx < \$10/kg
- › Start-up
  - Rx 25 & 26: Q3 2016
  - Silane I: Q1 2016



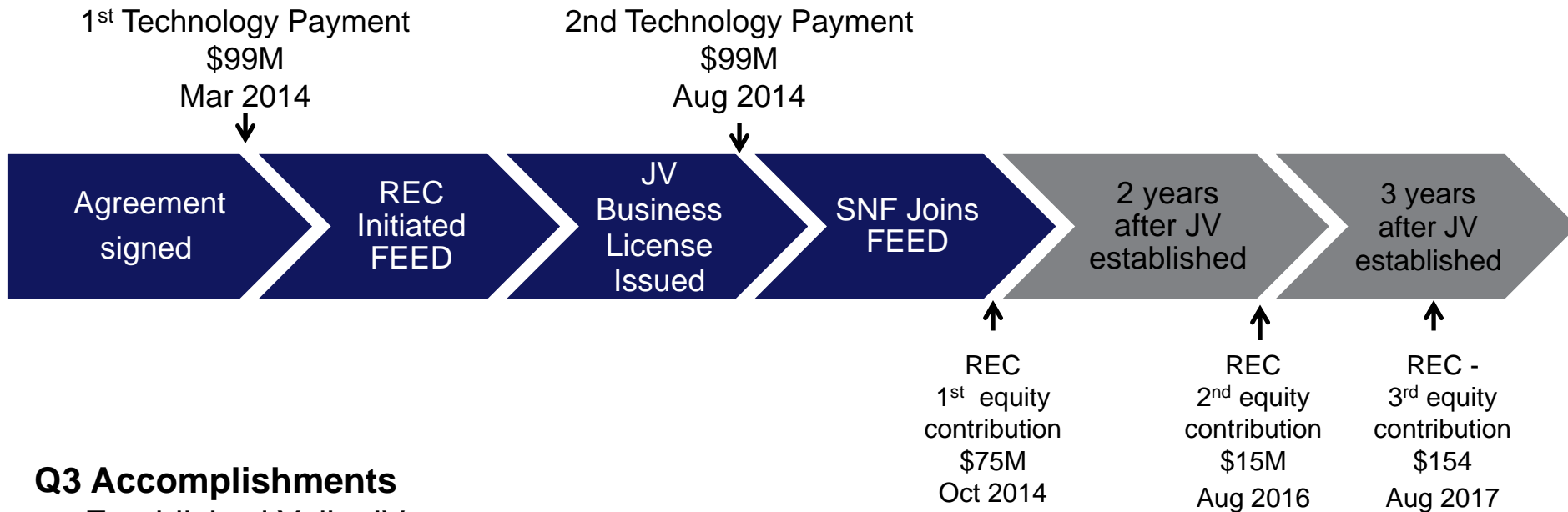


# Yulin Joint Venture Overview in Shaanxi Province

- › Anticipated total investment \$1.4 billion (including technology transfer)
  - To be updated upon completion of detailed engineering in Q2 2015
- › 35% Fixed registered capital
  - REC – \$244 million
  - SNF – \$254 million
- › Next generation (FBR-B) technology
- › Technology transfer limited to China and Taiwan only



# Q3 2014 Yulin JV Update



## Q3 Accomplishments

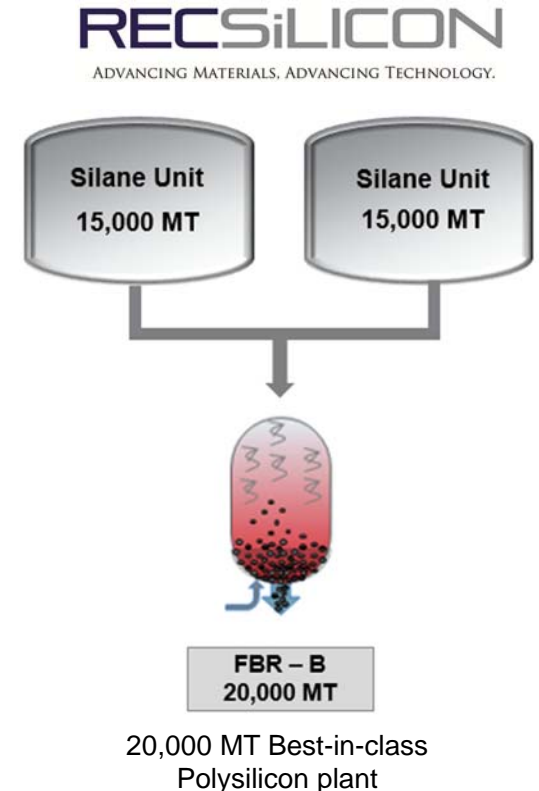
- › Established Yulin JV company
- › Delivered FEED, Project moved to China
- › Received 2<sup>nd</sup> \$99M Technology Payment
- › SNF made capital contribution of ~\$80M
- › Staff key JV positions in China

## Q4 Activities

- › Detailed Engineering
- › REC capital contribution

# Potential Expansion in Saudi Arabia

- › Agreement to investigate the development of a polysilicon manufacturing facility in Saudi Arabia
- › IDEA Polysilicon is an experienced project developer and is pursuing business opportunities in solar energy
- › 20,000 MT capacity, using REC's silane based FBR-B technology
- › Project development is expected to take 18 months and culminate in an investment decision in 2016
- › The agreement contains provisions to compensate REC for the transfer of FBR technology
- › REC expects to hold a 25% equity interest in the proposed manufacturing facility
- › The project is expected to be funded through a combination of equity and loans through the Saudi Industrial Development Fund (SIDF) and commercial banks





# Financial Review

# Financial Results – Total and Continuing Operations

(USD million)	Q3 2014			Q2 2014		
	Revenues	EBITDA	EBIT	Revenues	EBITDA	EBIT
<b>REC Silicon</b>	126.5	45.5	12.6	126.8	33.1	(0.2)
<b>REC Silicon Technology Sale *</b>	-	101.0	101.0	-	-	-
<b>Other &amp; eliminations</b>	-	(0.6)	(0.7)	0.0	(1.5)	(1.5)
<b>REC Silicon &amp; Other</b>	126.5	145.9	112.9	126.9	31.6	(1.7)
<b>REC Solar</b>	-	-	-	-	-	-
<b>Gain/Loss on disposal of disc. oper.</b>	-	(0.4)	(0.4)	-	0.3	0.3
<b>Eliminations</b>	-	-	-	-	-	-
<b>Total Operations</b>	126.5	145.4	112.5	126.9	31.9	(1.4)
<b>Discontinued operations</b>	-	0.4	0.4	-	(0.3)	(0.3)
<b>Continuing Operations</b>	126.5	145.9	112.9	126.9	31.6	(1.7)

## › REC Silicon & Other

- The continuing operations
- REC Silicon Includes Special Items of USD 101 million for Transfer of Technology to the Yulin JV (\*)

## › Comparable EBITDA of USD 44.9 million

- REC Silicon Segment EBITDA of USD 45.5 million
  - Excludes Special Items - USD 101 million gain
- Parent Company Expenditures of USD 0.6 million

# REC Silicon & Other

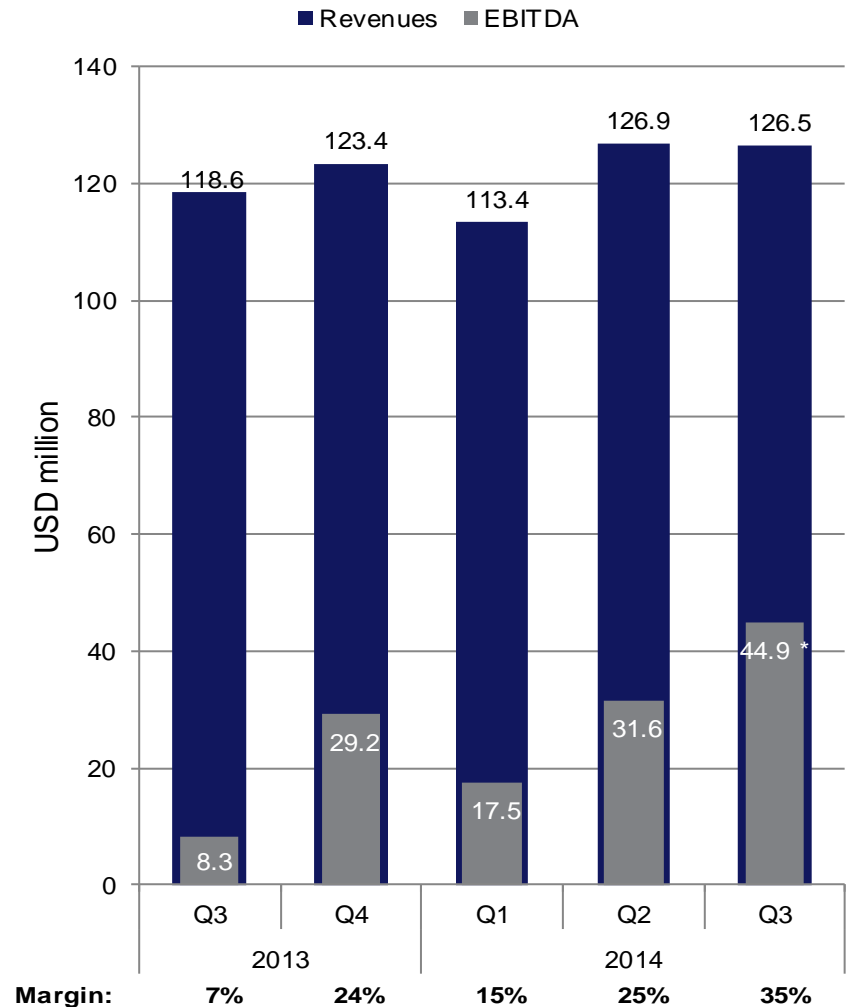
## Key Financial Results

### Revenues - USD 126.5 million

- › Decreased polysilicon revenues
  - ~3% Average price increase from Q2'14
  - ~7.5% Sales volume decrease from Q2'14 (Excluding Fines & Powders)
- › Record silicon gas volumes
  - ~13% Sales volume increase from Q2'14
  - ~ 4% Sales price increase from Q2'14
  - High spot market sales due to offline competitive capacity

### Comparable EBITDA USD 44.9 million

- Excludes Special Items of \$101M (Transfer of Technology to the Yulin JV)
- ~42% increase from Q2'14
- High Silicon Gas Sales Volumes
- High Production Volumes at Low Cost



\* Excludes Special Items of USD 101 million

# Q3 2014 Cash Flows

## Operations - USD 20.6 million

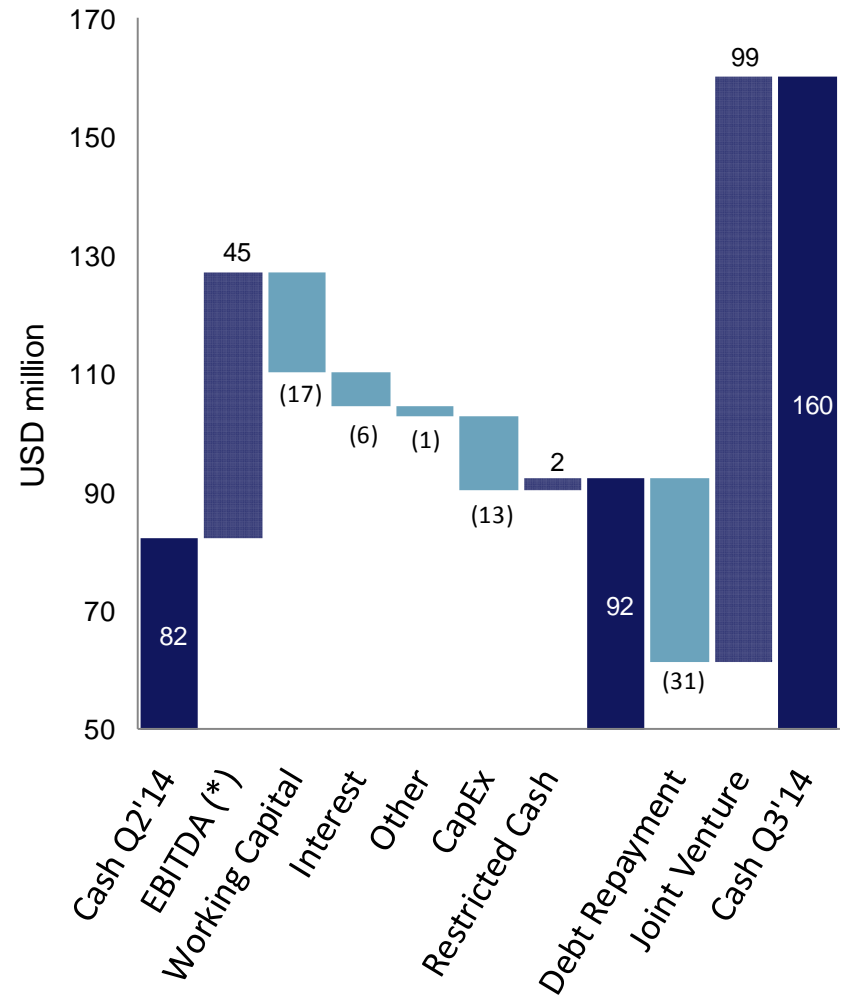
- › Working capital increase due primarily to Increased Inventory

## Repayment of Debt

- › NOK 195.5 million bond on September 16, 2014

## Joint Venture – USD 99.0 million

- › Received second upfront payment in August
- › USD 101 million gain reflected in income (Special Items)



\* Excludes Special Items of USD 101 million

# Debt Maturity Profile

Nominal Net Debt - USD 64 million

- › Reduced by USD 313 million from Q4'13

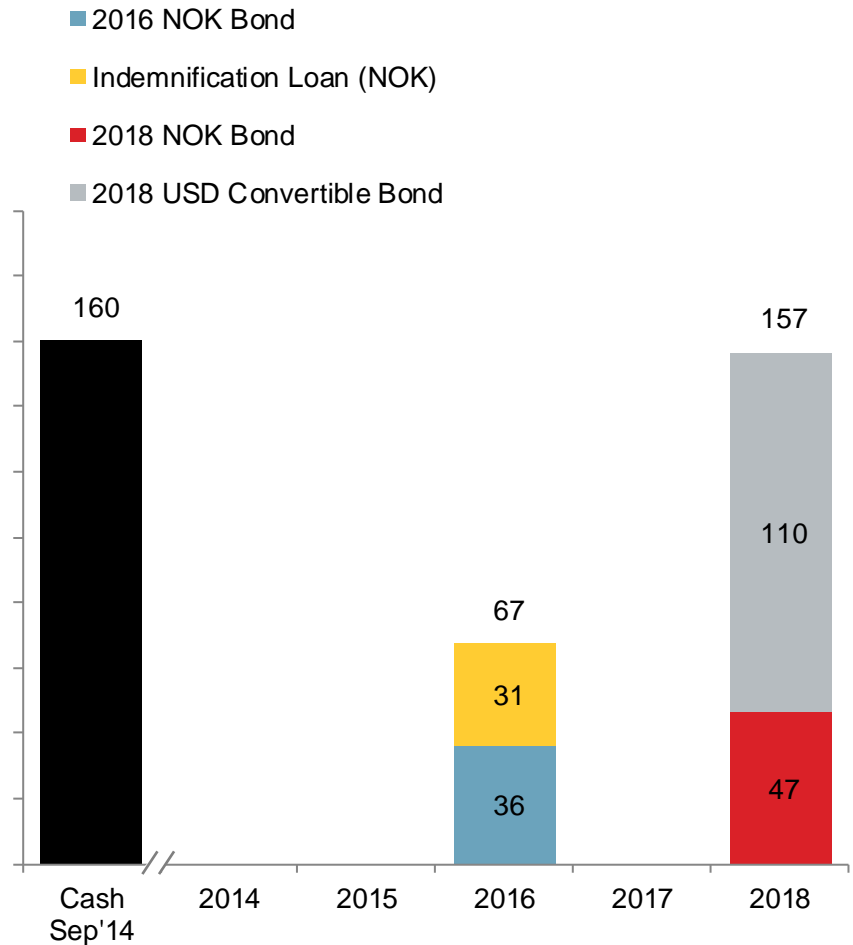
Nominal Debt - USD 224 million

- › Reduced by USD 153 million in 2014
- › Repayment of NOK 196 million bond in Q3'14

Equity Contribution Commitment

- › Required contribution to Yulin JV
- › \$75M on October 14, 2014

USD million







# Q4 and 2014 Outlook

# 2014: Q3 Results and Q4 Guidance

## FBR Production

Q3 Actual	4,428 MT
Q4	4,400 MT
2014	15,840 MT

## FBR Cash Cost

Q3 Actual	\$10.5/kg
Q4	\$11.0/kg
2014	\$12.2/kg

## Silicon Gas Sales

Q3 Actual	952 MT
Q4	800 MT
2014	3,380 MT

## Semiconductor Production

Q3 Actual	267 MT
Q4	240 MT
2014	1,300 MT

## Total Polysilicon Production

Q3 Actual	5,103 MT
Q4	5,280 MT
2014	18,740 MT

## CapEx

2014	\$25 M
Expansion	\$15 M
Total	\$40 M



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