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# FOURTH QUARTER 2014

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Presentation



RECSILICON

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# Agenda

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REC Q4 and 2014 Results

T. Torvund, CEO

Market Outlook

K. Levens, VP Commercial

Financial Overview

J. May, CFO

Guidance 2015

T. Torvund, CEO

Q & A

# REC Silicon ASA Fourth Quarter Highlights

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**Revenues:       \$126.2 M**

**EBITDA:         \$38.0 M**

## **Record Polysilicon Production**

- Total polysilicon production **5,337 MT**
- Polysilicon sales volume **4,595 MT**
- FBR cash cost **\$10.8/kg**

## **Strong Silicon Gas Sales**

- 848 MT Sales
- Silicon gas prices remained stable

## **Q4 PV Market Weaker than Anticipated**

- 2014 polysilicon demand approx. 270,000 MT
- REC solar grade prices impacted by trade dispute

## **Expansion Initiatives On-track**

- Yulin JV – \$75 M equity contribution paid
- Rx 25/26 Expansion underway

# REC Silicon ASA Q4 2014 Key Metrics

Financials	
Revenue	\$126.2 M
EBITDA	\$38.0 M
EBITDA Margin	30%

FBR Production	
Actual	4,491 MT
Guidance*	4,400 MT
Change	+2%

FBR Cash Cost	
Actual	\$10.8/kg
Guidance*	\$11.0/kg
Change	-1.9%

Total Polysilicon Production	
Actual	5,337 MT
Guidance*	5,280 MT
Change	+1%

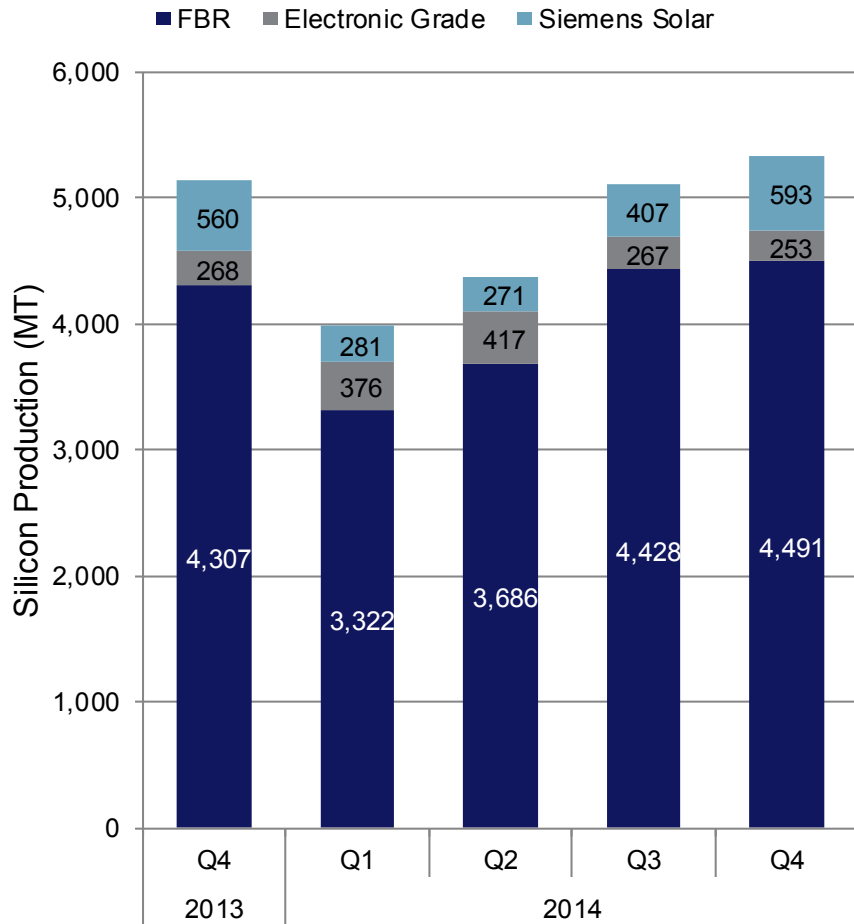
Semiconductor Production	
Actual	253 MT
Guidance*	240 MT
Change	+ 1%

Silicon Gases Sales Vol.	
Actual	848 MT
Guidance*	800 MT
Change	+6.5%

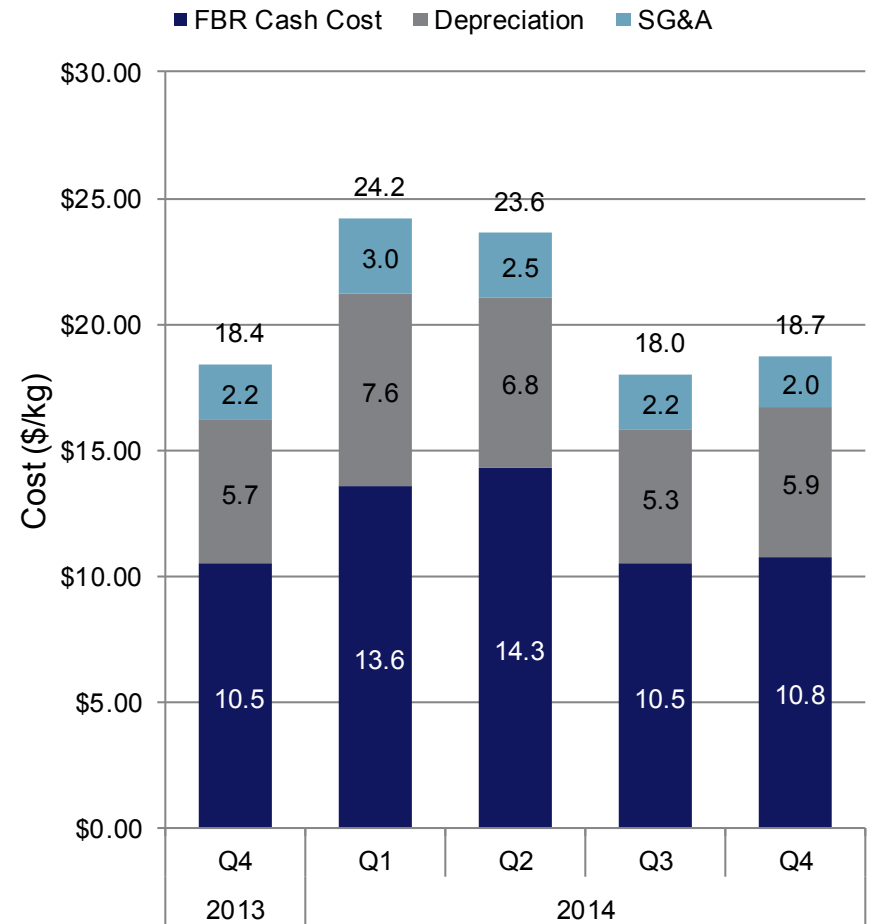
\* Guidance presented November 4, 2014

# Record High Polysilicon Production in Q4 2014

## Polysilicon Production



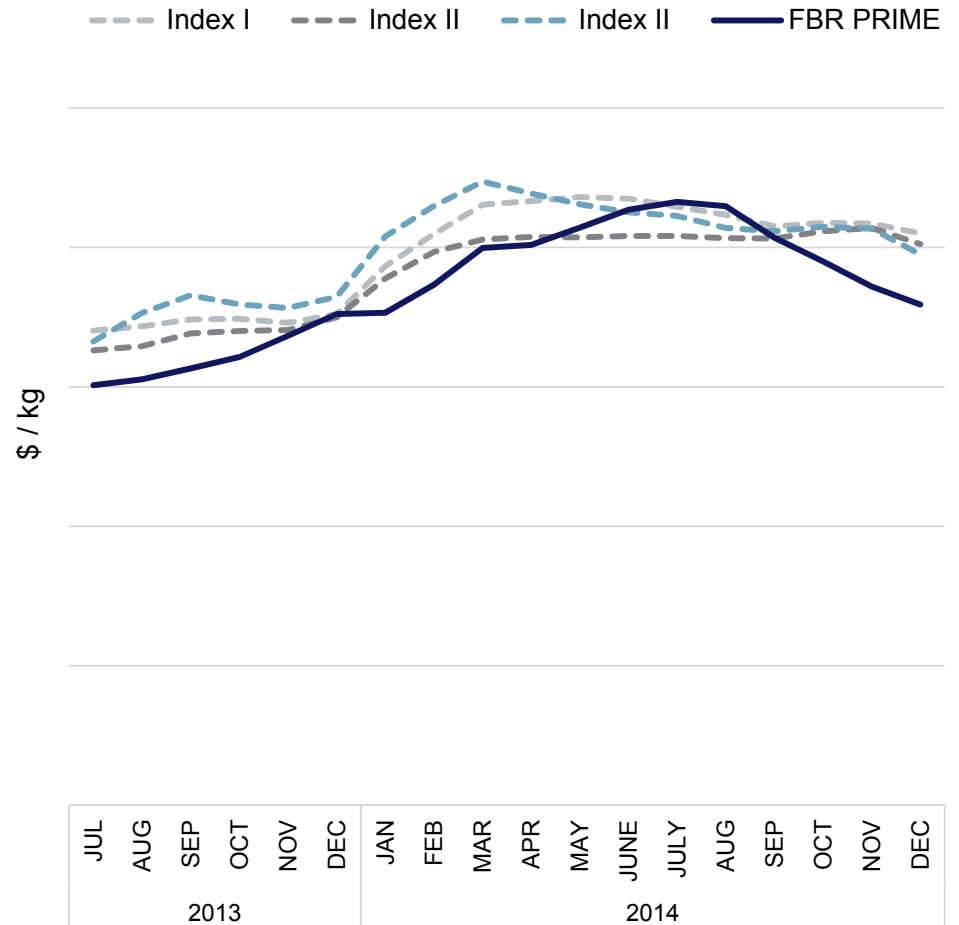
## FBR Cost



# Q4 2014 FBR ASPs Down Compared to Spot Indices

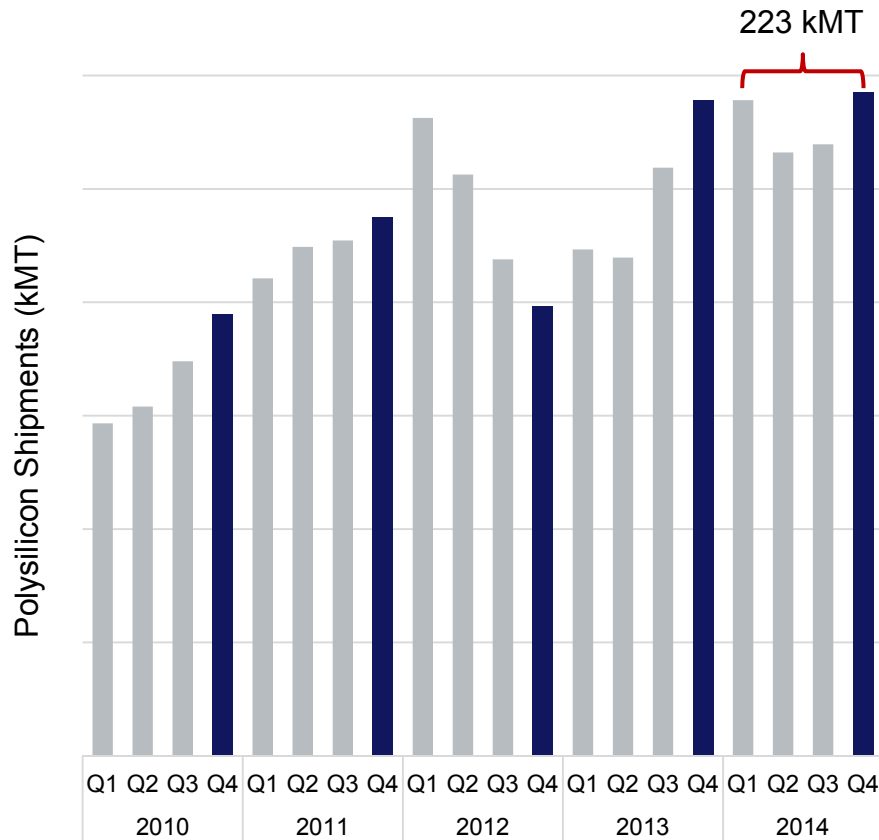
- › Average total polysilicon price dropped 12% in Q4 compared to Q3
- › Trade dispute negatively impacted FBR Prime ASPs
- › FBR Prime ASPs discounted to secure volume

FBR ASPs vs. Spot Indices

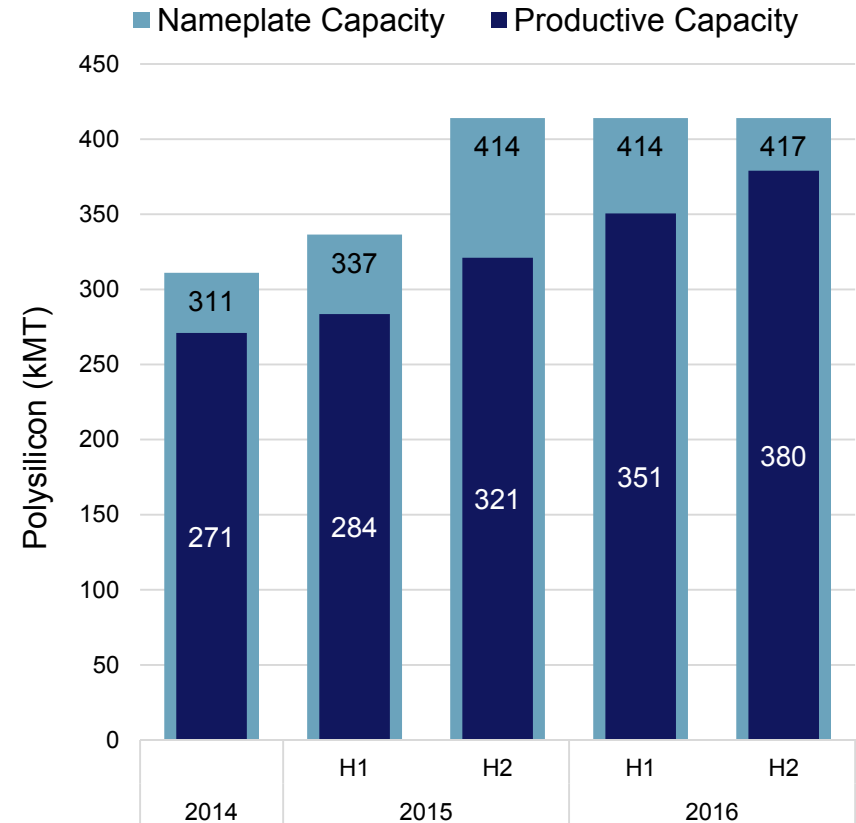


# Q4 2014 Shipments and Productive Capacity Expectation

## Tier 1 Shipment Estimates



## Total Available Capacity



Productive Capacity figures include non Tier-1 additional capacity of 47kMT in 2014 and 63kMT in 2015-2016

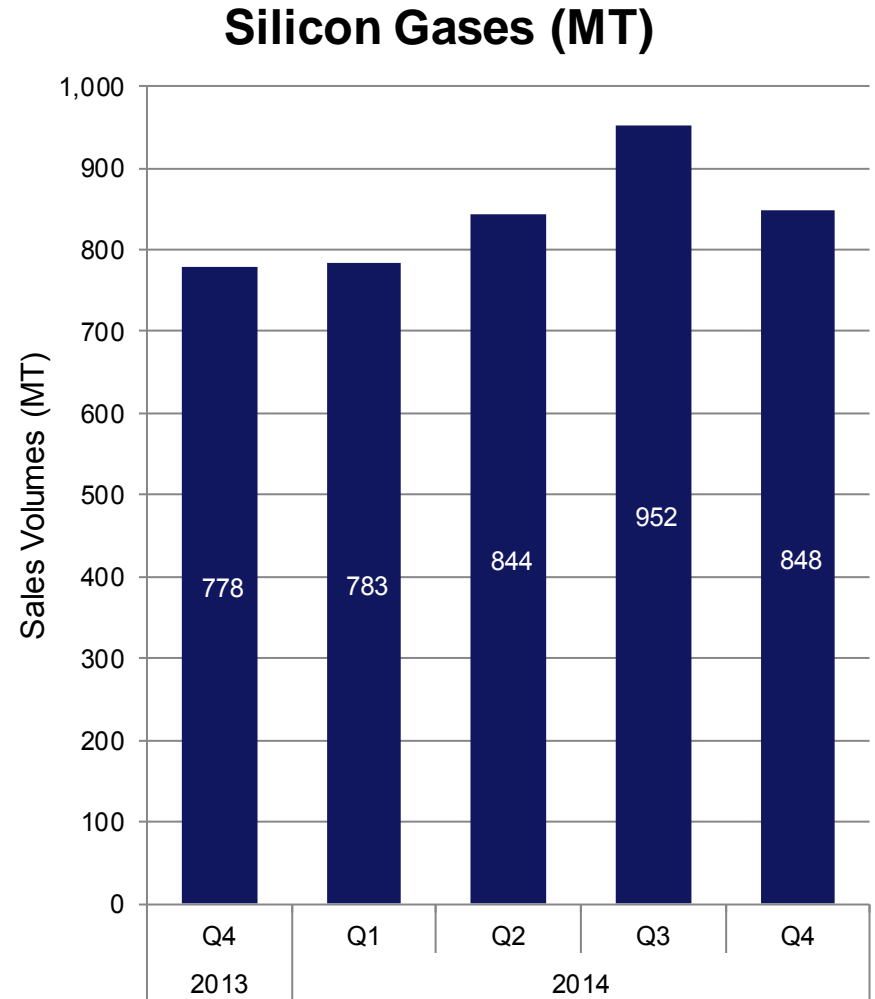
Source: Financial reports, press releases, construction/production calculations

Tier 1: Daqo, GCL, Hemlock, Mitsubishi, OCI, Osaka Titanium, REC, SunEdison, Tokuyama, Wacker

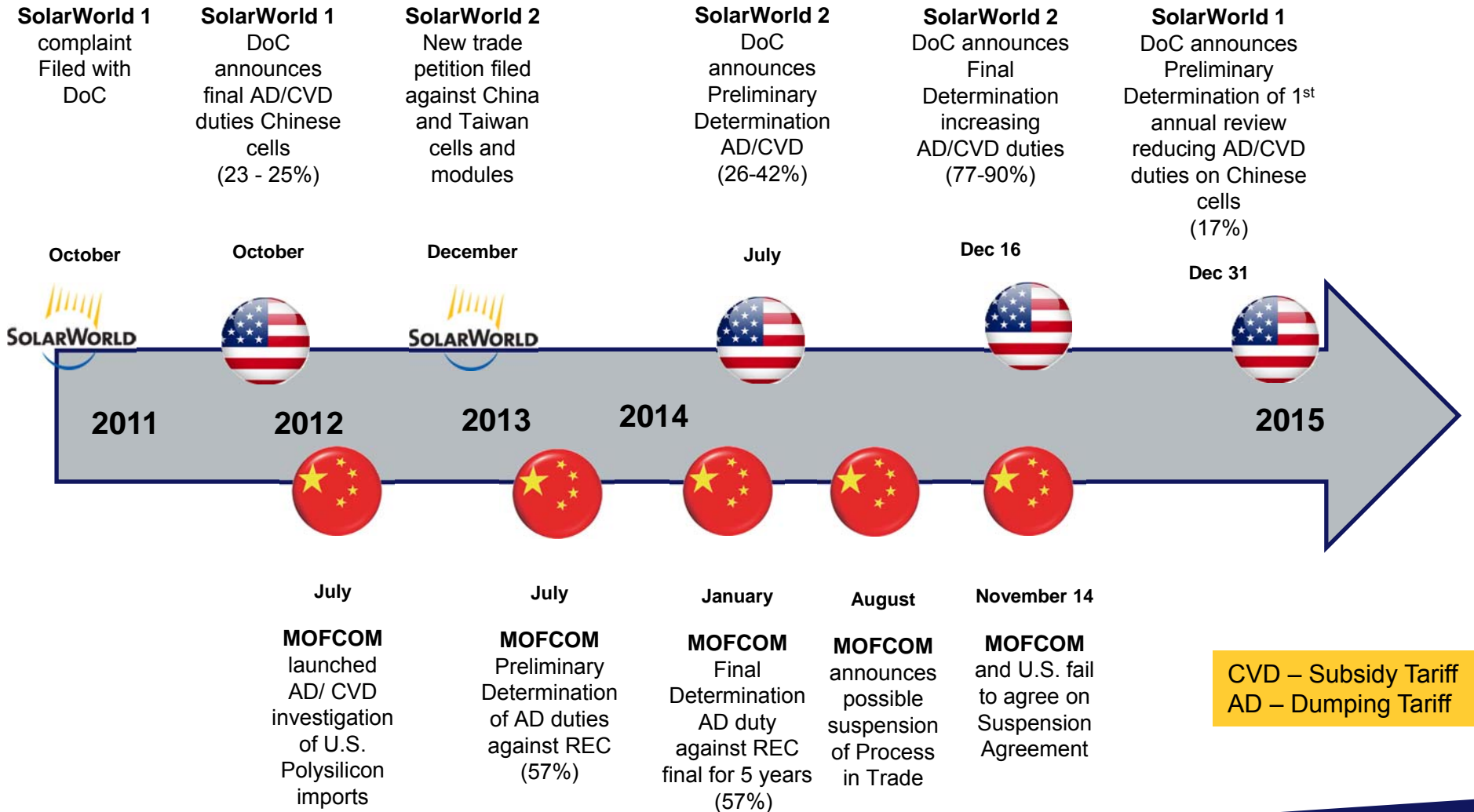


# Q4 2014 Silicon Gas Sales Remained Strong

- › Strong Sales Volumes
  - 48MT Over Guidance
- › Silicon gas prices remained stable from Q3
- › Display and PV demand up
- › Competitive capacity restart ramping and qualifying material in Q1'15



# US/China Trade Dispute Timeline (Impacts only Solar grade FBR)



CVD – Subsidy Tariff  
AD – Dumping Tariff

# Current Status of SolarWorld Trade Cases

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## SolarWorld 1 Case

- › AD/CVD applies to Chinese cells, prompting Taiwanese cell loophole
- › Dec 31, 2014 announcement: AD/CVD reduced to approx. 17% in Preliminary Determination of 1<sup>st</sup> Annual Review
- › Final Determination of 1<sup>st</sup> Annual Review expected mid-year 2015

## SolarWorld 2 Case

- › Applies to Taiwanese cells and Chinese panels containing foreign made cells, closing the SolarWorld 1 loophole
- › Dec 17, 2014 Final Determination 77-90%

Industry analyst view:

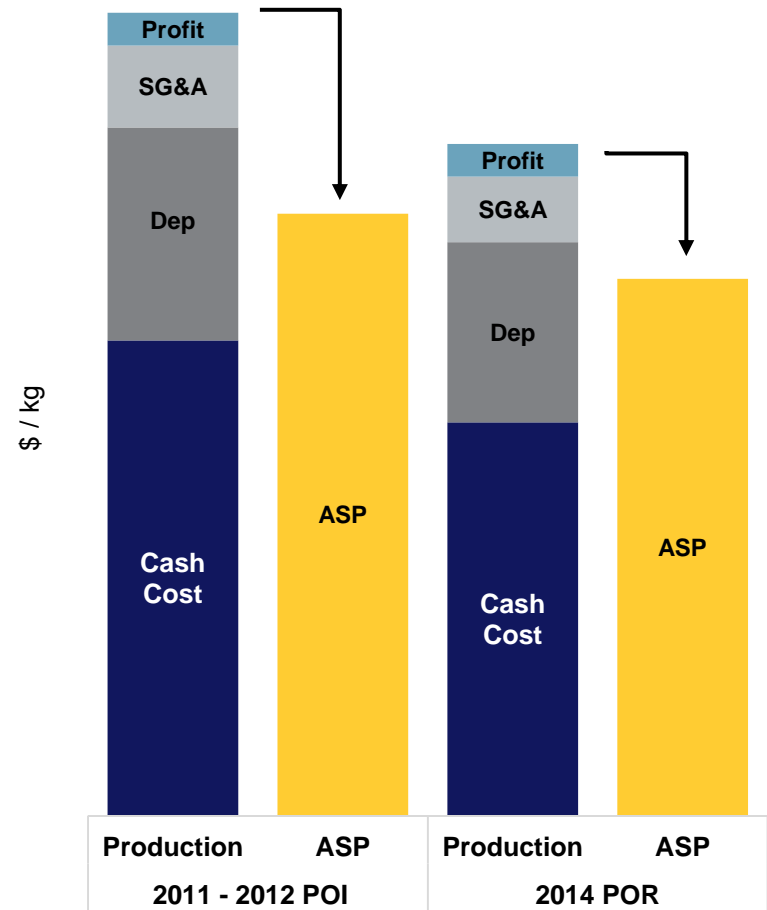
***“This is a big loss for SolarWorld, and a big win for the Chinese manufacturers”***

***“The likelihood is that cash deposits...are going to go down from ~31% to 15% for most Chinese manufacturers beginning in either May or June of this year....”***

- GTM Research  
January 22, 2015

# Potential MOFCOM Tariff Review

- › FBR costs have decreased since original investigation period
- › Current 57% tariff based on investigation period
  - Jul 2011 – Jun 2012
- › New period of review
  - Jan 2014 – Jan 2015
- › MOFCOM discretion whether to undertake the review
  - Request to be made by Feb 19, 2015
  - Potential revision not likely until Q1 2016





# Polysilicon & Silicon Gases

Market Outlook

# Market Highlights



## PV Polysilicon

2014 supply and demand relatively balanced until late Q3/Q4, when China end-demand weakened, which may lead to excess channel inventory in early 2015.

Overall supply for 2015 should be sufficient for potential demand scenarios

Long-term contracts will continue to expire through 2015 driving more spot transactions and greater equilibrium between spot and contract price

## Silicon Gases



Market growth in all segments for second consecutive year in 2014

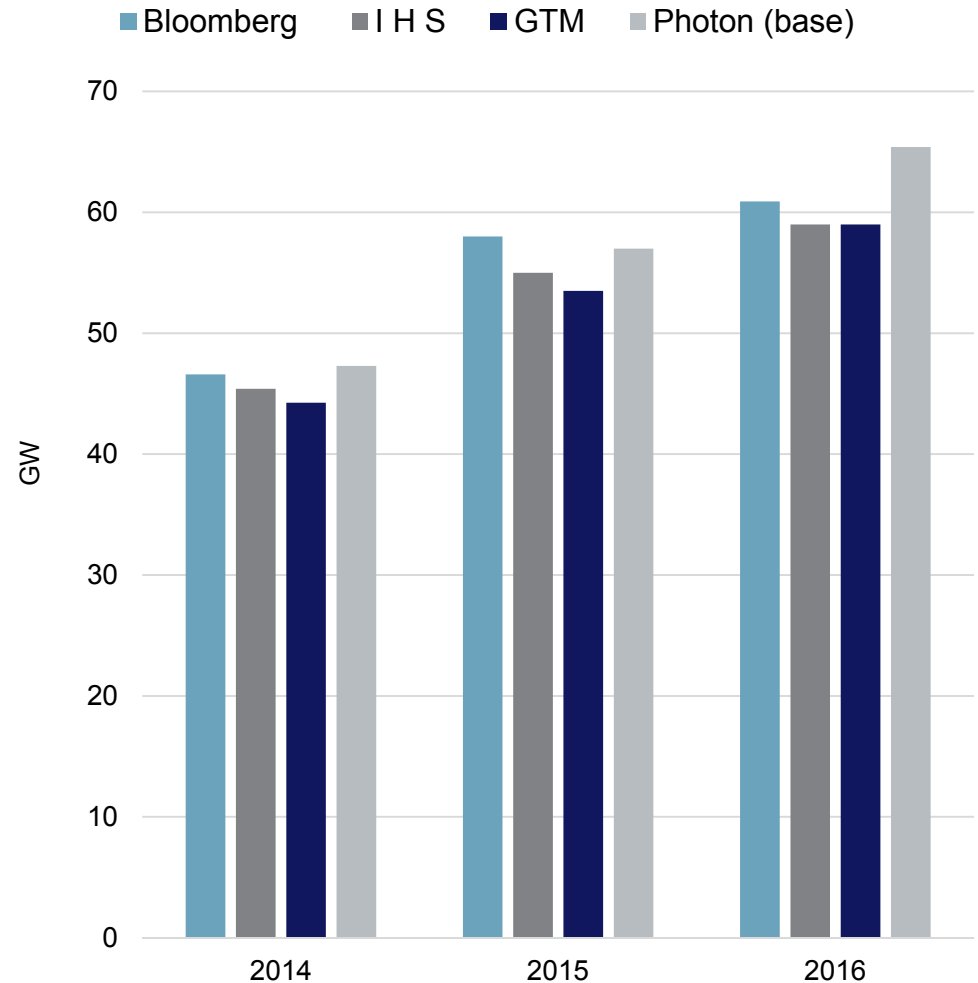
Continued market growth is predicted for Integrated Circuit, Flat Panel and PV segments

Advanced silicon gases have higher growth potential associated with new technology adoption

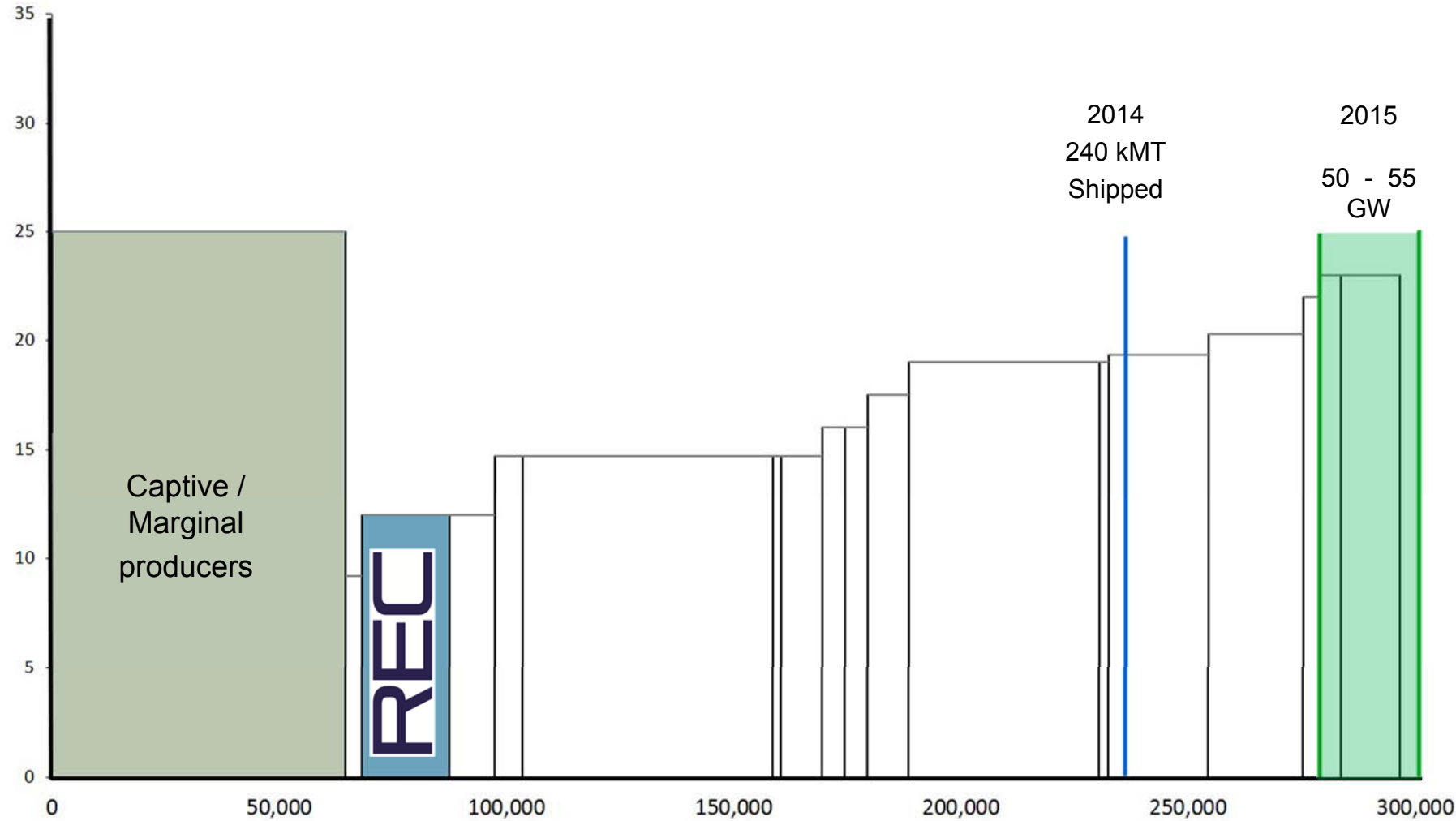
Potential for further production retirement this year due to re-started capacity and limited market share opportunity

# Analysts Expect Near-term PV Growth

- › 2014 estimates 44 – 47 GW
  - However actual polysilicon shipments indicate inventory build and lower demand
- › 2015 estimates 53 – 57 GW
- › 2016 estimates 58 – 64 GW



# 2015 Solar Grade Polysilicon Capacity vs. Cash Cost



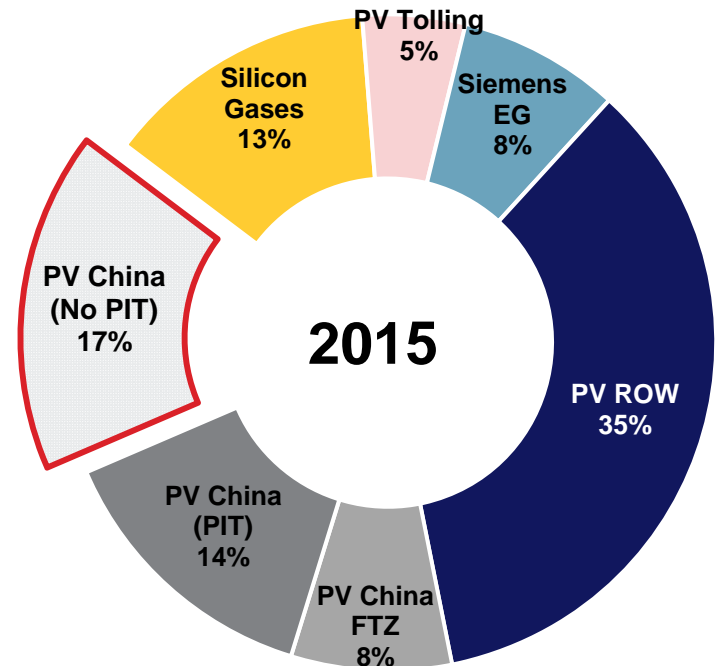
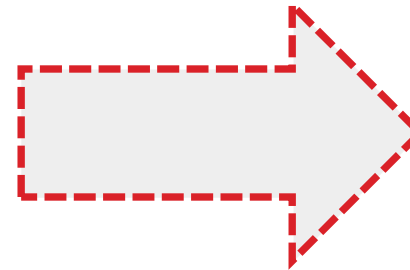
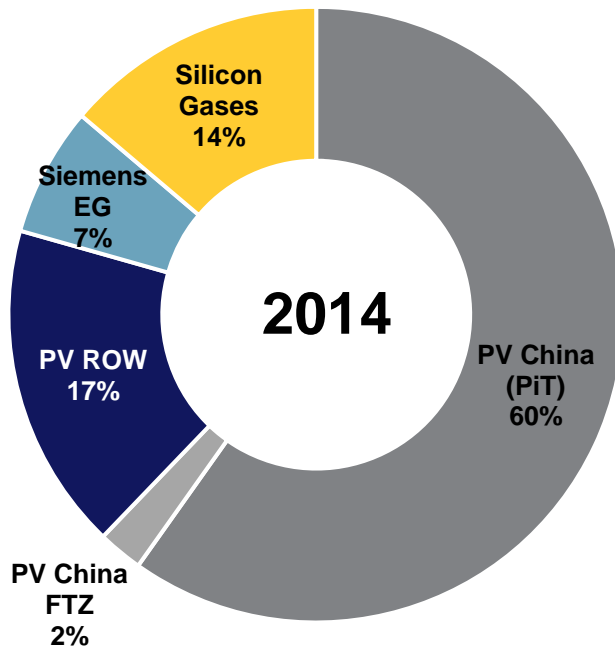
Note: Excludes Semiconductor grade and excessive polysilicon inventory in value chain  
 Source: REC internal database



# REC Product Mix Response to AD/CVD

## 2015 Product Sales Strategy

83% of volume not subject to tariff



**57% Tariff does not apply to:** Siemens EG, PV Tolling, PV China Free Trade Zone (FTZ), PV China Process in Trade (PIT), ROW PV, Silicon Gases

# 2015 Solar Grade Polysilicon Market Pricing Impact Model

## China Market Price

- › Internal China market price sets benchmark

## Process in Trade Price

- › Lower than China Market Price due to Process In Trade customers extracting some value for bonded book access scarcity and other applicable import-related taxes/costs

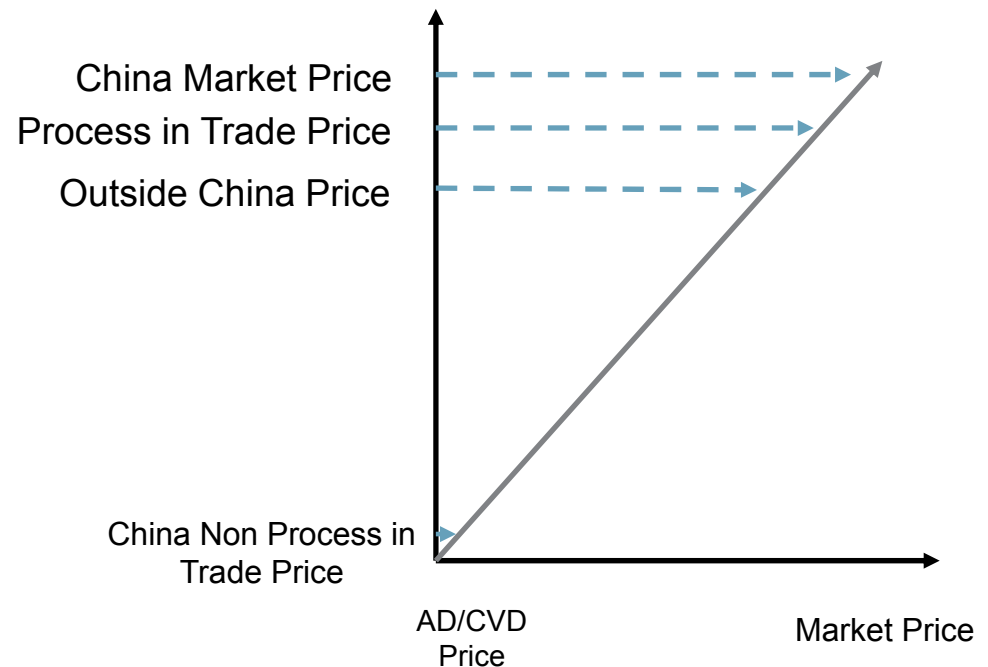
## Outside China Price

- › Lower than China Market and Process in Trade Prices because customers outside China extract value for access to non-tariffed markets and increased choice

## China Non Process in Trade Price

- › Lowest price due to discount for 57% tariff

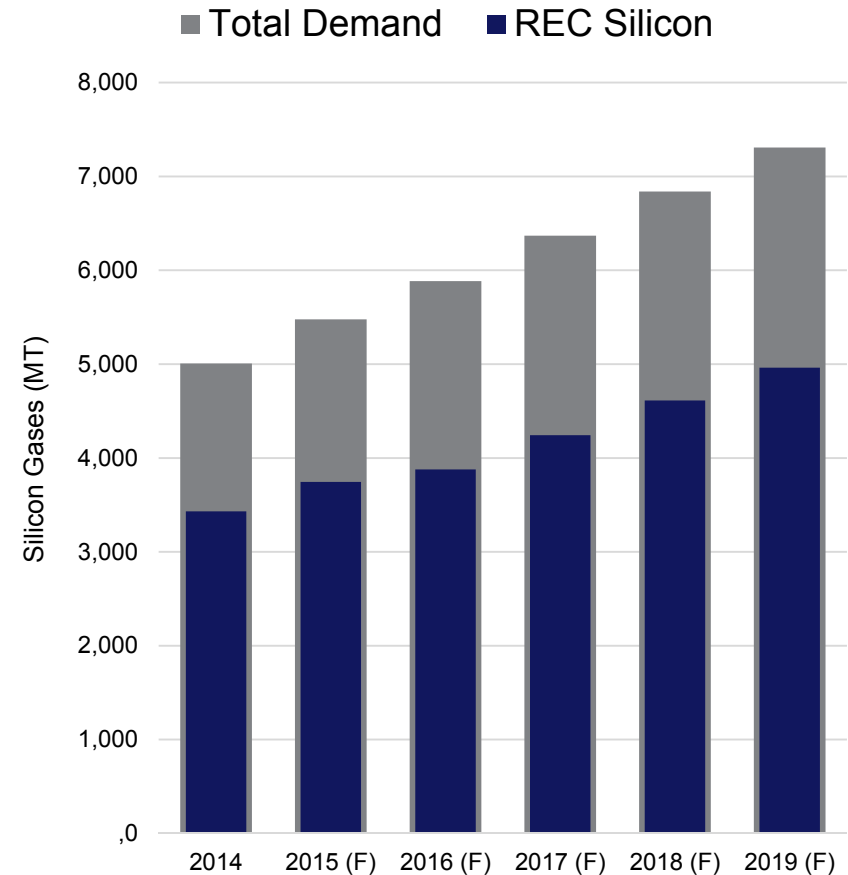
AD / CVD Impact on Market ASPs



# Continued Market Leadership in Silicon Gases

- › Largest Silicon gas consumers
  - Flat Panel Displays
  - Semiconductor
  - PV
- › Mobile devices and IC miniaturization driving demand of additional high growth advanced silicon gases
- › Significant volume under secure contractual obligations
- › REC Silicon #1 or #2 in market share for each gas

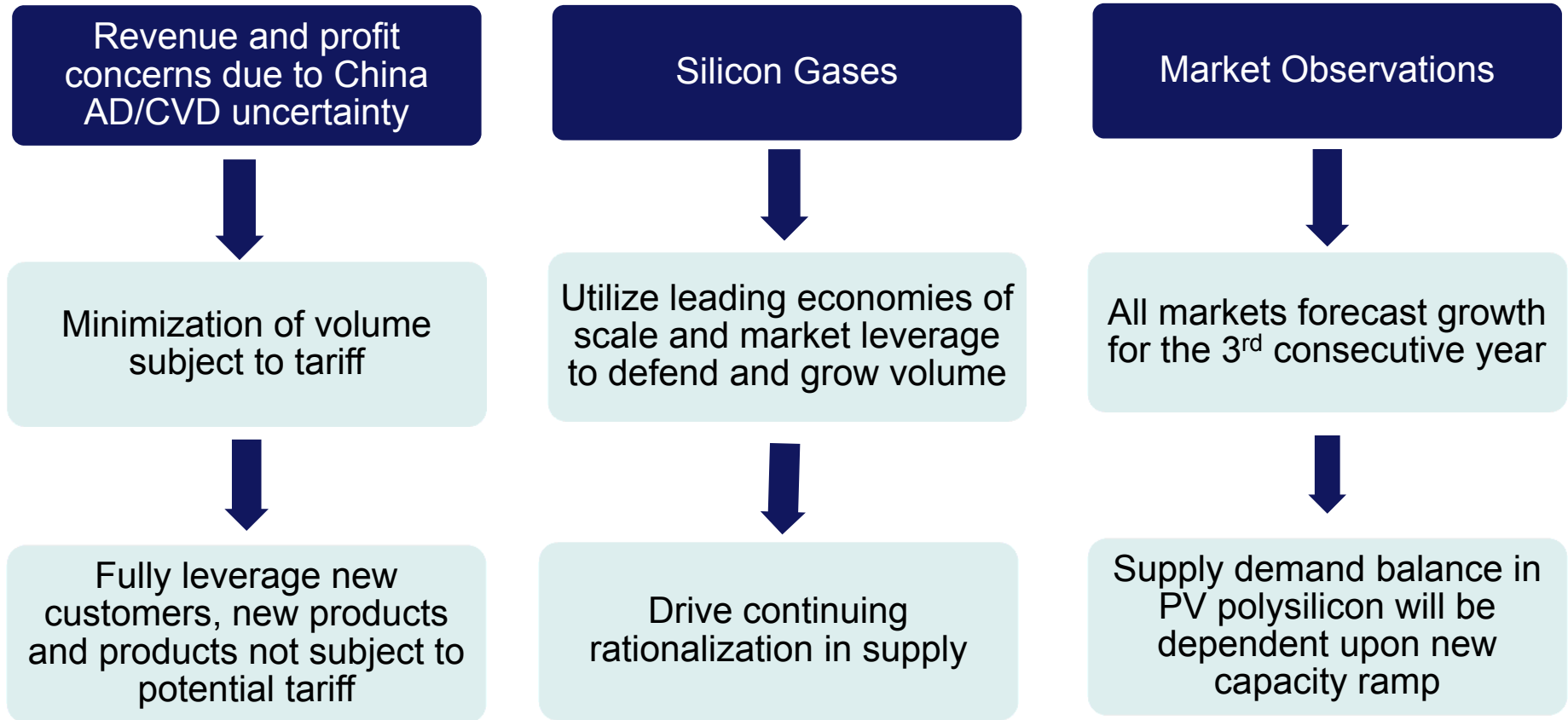
## Silicon Gases Demand Outlook



Note: REC internal model built with industry demand side information from: I.H.S. DisplaySearch, SEMI, IC Insights, LINX Consulting, Sage Concepts, BNEF, Greentech Media, Energytrend

# Polysilicon and Silicon Gases Market Outlook Summary

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# Financial Overview

# Financial Results – Total and Continuing Operations

(USD million)	Q4 2014			Q3 2014		
	Revenues	EBITDA	EBIT	Revenues	EBITDA	EBIT
<b>REC Silicon</b>	126.2	38.2	(0.9)	126.2	45.5	12.6
<b>REC Silicon Technology Sale *</b>	-	-	-	-	101.0	101.0
<b>Other &amp; eliminations</b>	<u>(0.0)</u>	<u>(0.2)</u>	<u>(0.2)</u>	-	<u>(0.6)</u>	<u>(0.7)</u>
<b>REC Silicon &amp; Other</b>	126.2	38.0	(1.2)	126.2	145.9	112.9
<b>REC Solar</b>	-	-	-	-	-	-
<b>Gain/Loss on disposal of disc. oper.</b>	-	1.0	1.0	-	(0.4)	(0.4)
<b>Eliminations</b>	-	-	-	-	-	-
<b>Total Operations</b>	126.2	39.0	(0.2)	126.2	145.4	112.5
<b>Discontinued operations</b>	-	<u>(1.0)</u>	<u>(1.0)</u>	-	<u>0.4</u>	<u>0.4</u>
<b>Continuing Operations</b>	<u>126.2</u>	<u>38.0</u>	<u>(1.2)</u>	<u>126.2</u>	<u>145.9</u>	<u>112.9</u>

## › REC Silicon & Other

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

## › EBITDA of \$38.0 M

- REC Silicon Segment EBITDA of \$38.2 M
- Parent Company Expenditures of \$0.2 M

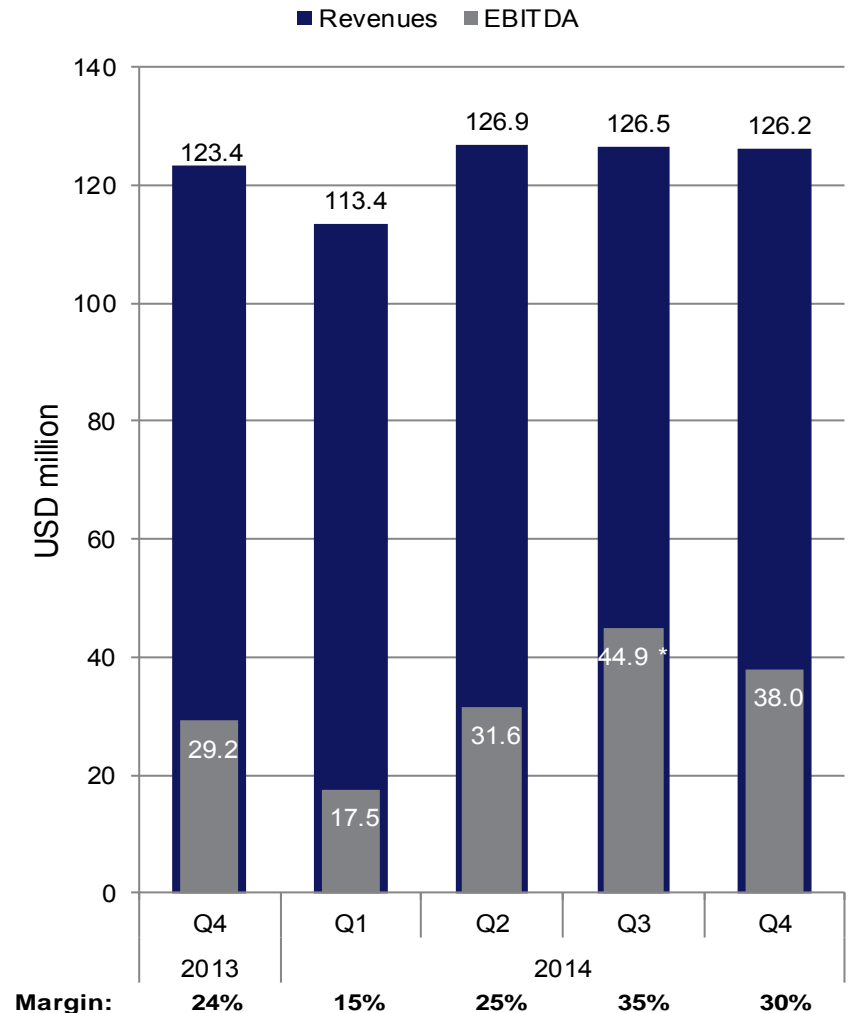
# Q4 2014 Key Financial Results

## Revenues - \$126.2 M

- Unchanged from Q3 2014
- > Increased Polysilicon Revenues
  - ~18% Sales volume increase from Q3 2014
  - ~12% Average price decrease from Q3 2014
- > Continued Strong Silicon Gas Sales
  - Sales prices remained stable
  - Higher spot market sales as competitive capacity is restarted
  - Sales volume of 848 MT (11% decrease from Q3 2014)

## EBITDA - \$38.0 M

- ~15% Decrease from Q3 2014



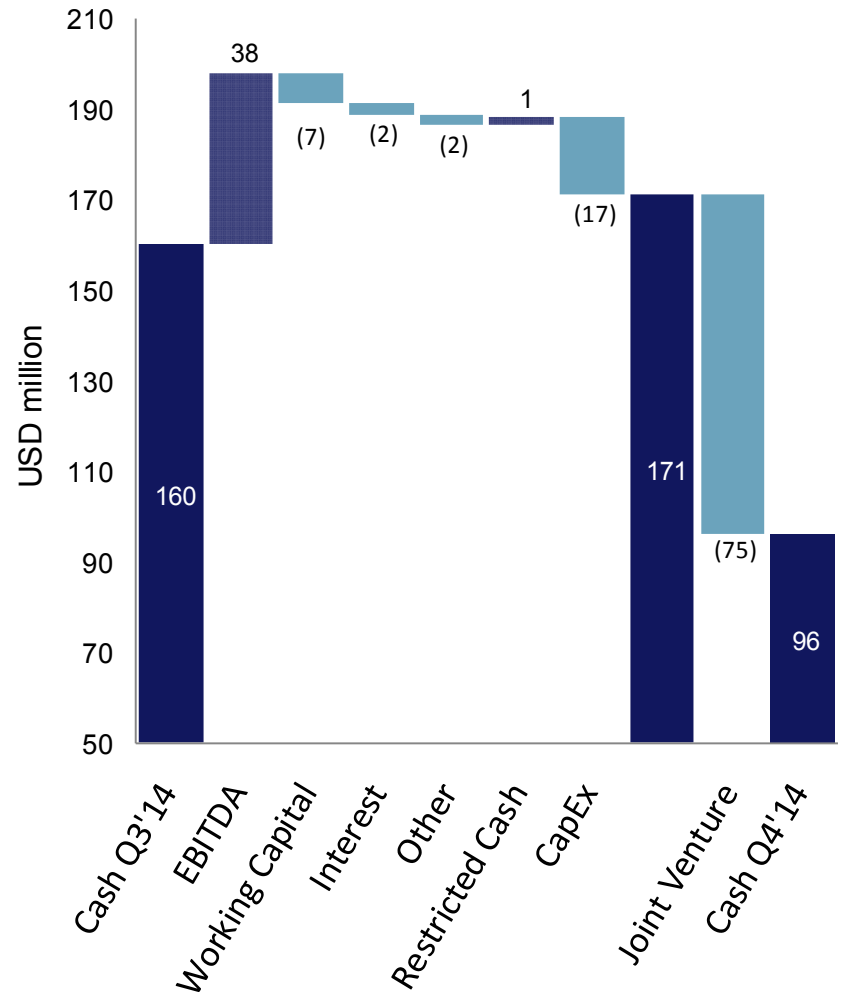
\* Excludes Special Items of USD 101 million Gain on Sale of Technology to the Yulin JV

# Q4 2014 Cash Flows

Operations - \$30.5 M

- Working capital increase due to Increased Inventories and Accounts Receivable

Yulin JV Equity Contribution \$75 M paid in October, 2014





# Liquidity at December 31, 2014

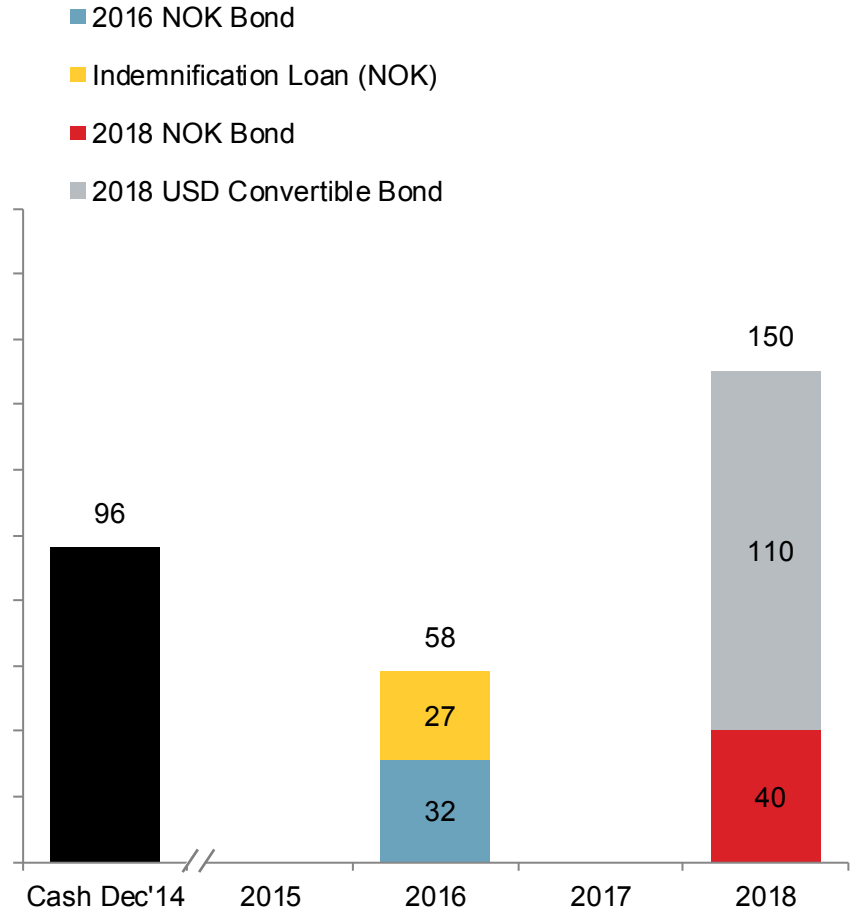
## Nominal Net Debt - \$112 M

- › Increased by \$48 M from Q3 '14
- › Reduced by \$265 M in 2014

## Nominal Debt - \$208 M

- › Reduced by \$16 M in Q4'14 due to changes in currency exchange rates
- › Reduced by \$169 M in 2014

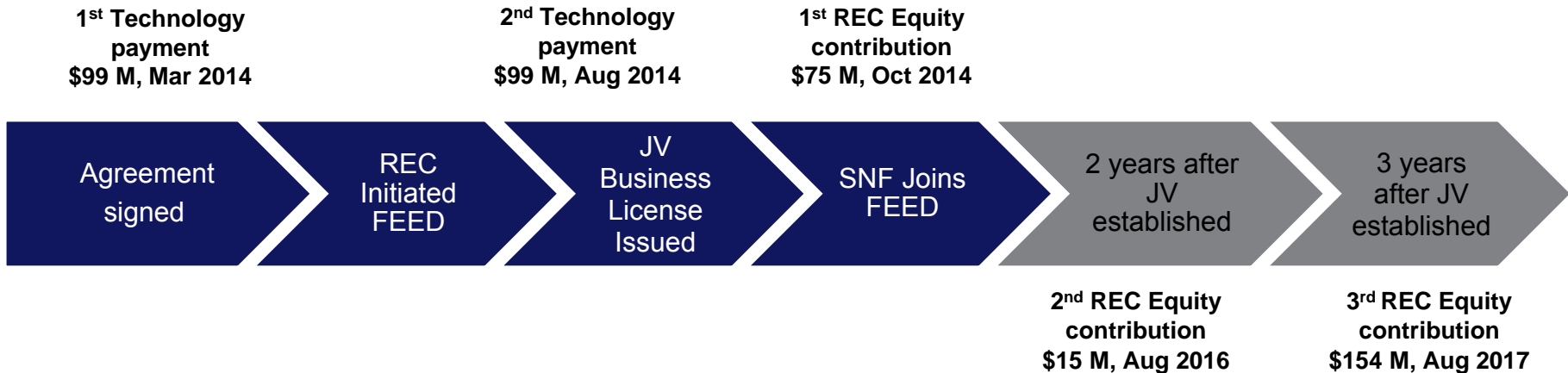
USD million





# Expansion Initiatives

# Yulin JV – On Track



## › Q4 Activities

- Detailed engineering with Fluor in Shanghai well underway
- REC made \$75 M capital contribution in October
- Purchase orders for long-lead items issued

## › Q1 Activities

- Recruitment of technical personnel and preparation for operational training in U.S.
- Detailed engineering with Fluor continues

### YULIN JOINT VENTURE:

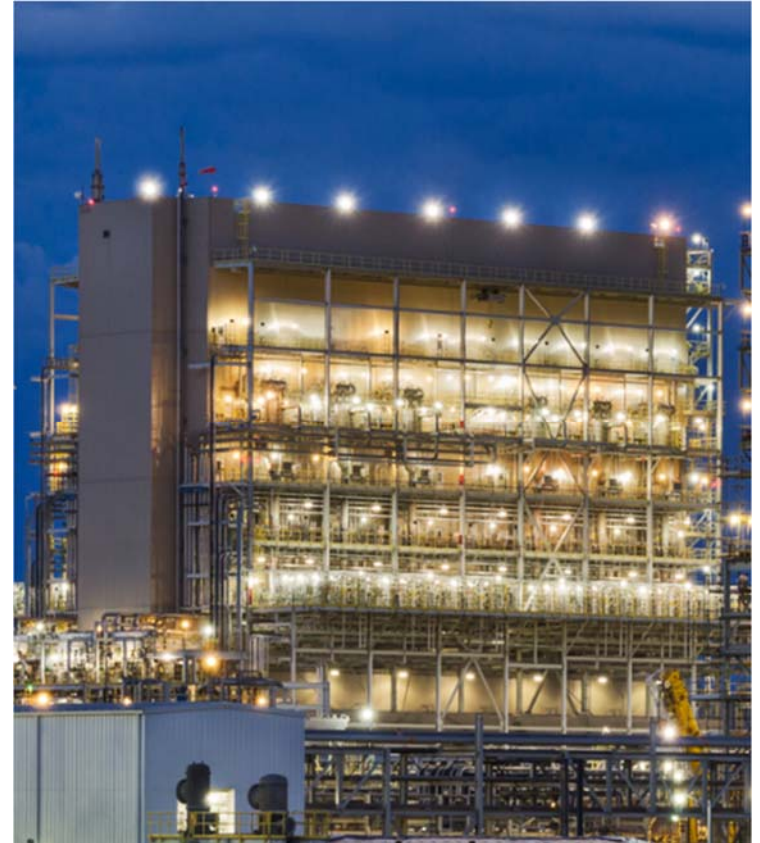
- 18,000 MT granular polysilicon, 1,000 MT Siemens polysilicon, 500 MT Silane gas
- Next generation Fluid Bed Reactors (FBR-B)
- Technology transfer limited to China and Taiwan

# Moses Lake and Butte – On Track

- › Building permits obtained
- › Construction activity commenced
- › Start-up
  - Silane I: Q3 2016
  - Rx 25 & 26: Q3 2016

## MOSES LAKE AND BUTTE EXPANSION:

- Adding 3,000 MT granular polysilicon
- Next Generation Fluid Bed Reactors (FBR-B )
- Restart Silane I - 3,000 MT
- Silane loading Butte - additional 1,200 MT
- Estimated cost USD 115 million





# 2014 Review

# Q1 and 2015 Guidance

# 2014 Results vs. Guidance

## FBR Production

2014 Actual	15,929 MT
Guidance	15,840 MT
Change	+0.5%

## FBR Cash Cost

2014 Actual	\$12.1/kg
Guidance	\$12.2/kg
Change	-0.8%

## Silicon Gas Sales

2014 Actual	3,428 MT
Guidance	3,380 MT
Change	+1.5%

## Semiconductor Production

2014 Actual	1,313 MT
Guidance	1,300 MT
Change	+1%

## Total Polysilicon Production

2014 Actual	18,794 MT
Guidance	18,740 MT
Change	+0.3%

## CapEx

Maintenance	\$22 M
Expansion	\$14 M
Total	\$38 M

\* Guidance presented November 4, 2014

# Q1 and 2015 Key Metrics Guidance

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## FBR Production

Q1	4,400 MT
2015	16,300 MT

## FBR Cash Cost

Q1	\$11.5/kg
2015	\$12.5/kg

## Silicon Gas Sales

Q1	730 MT
2015	3,700 MT

## Semiconductor Production

Q1	380 MT
2015	1,300 MT

## Total Polysilicon Production

Q1	5,300 MT
2015	19,300 MT

## CapEx

Maintenance	\$25 M
Expansion	\$60 M



Q1 2015 Reporting  
May 6, 2015