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FIRST QUARTER  
**2015**

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Presentation



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# Agenda

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## REC Silicon Q1 Financial Results

- Market Overview
- U.S. / China Trade Update

T. Torvund, CEO

## Financial Overview

J. May, CFO

## Expansion Update: Yulin JV

T. Torvund

## Guidance Q2

T. Torvund

## Q & A

# REC Silicon ASA First Quarter 2015 Highlights

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**Revenues: \$74.4 M**

**EBITDA: \$24.8 M**

## **Strong Polysilicon Production**

- Total polysilicon production **5,210 MT**
- FBR cash cost **\$10.7/kg**

## **Polysilicon sales volume 2,390 MT**

- Inventory Build 2,818 MT
- Solar Grade price decline 7.9%

## **Silicon Gas Sales**

- 736 MT Sales
- Prices remained stable

## **U.S. West Coast Port slowdown**

- 9 Month slowdown impacted shipments
- Resolved late February

## **Expansion Initiatives On-track**

- Yulin JV – Investment decision approved

# REC Silicon ASA Q1 2015 Key Metrics

Financials	
Revenue	\$74.4 M
EBITDA	\$24.8 M
EBITDA Margin	33%

FBR Production	
Actual	4,503 MT
Guidance*	4,400 MT
Deviation	+2.3%

FBR Cash Cost	
Actual	\$10.7/kg
Guidance*	\$11.5/kg
Deviation	-7.0%

Total Polysilicon Production	
Actual	5,210 MT
Guidance*	5,300 MT
Deviation	-1.7%

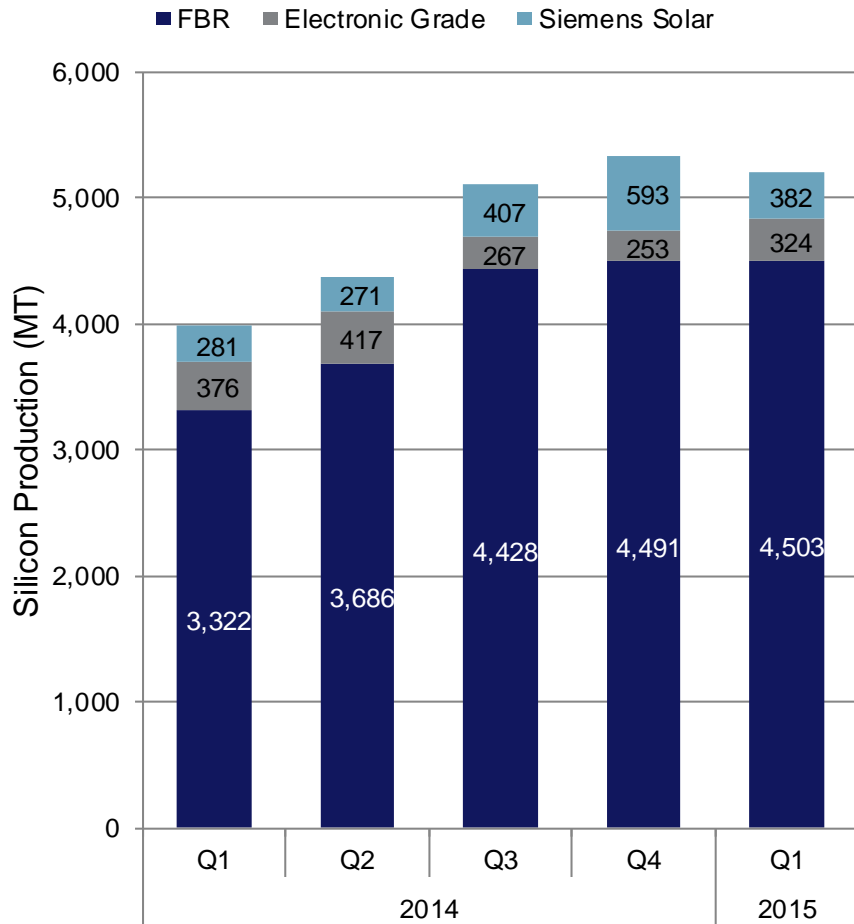
Semiconductor Production	
Actual	324 MT
Guidance*	380 MT
Deviation	-14.7%

Silicon Gases Sales Vol.	
Actual	736 MT
Guidance*	730 MT
Deviation	+0.8%

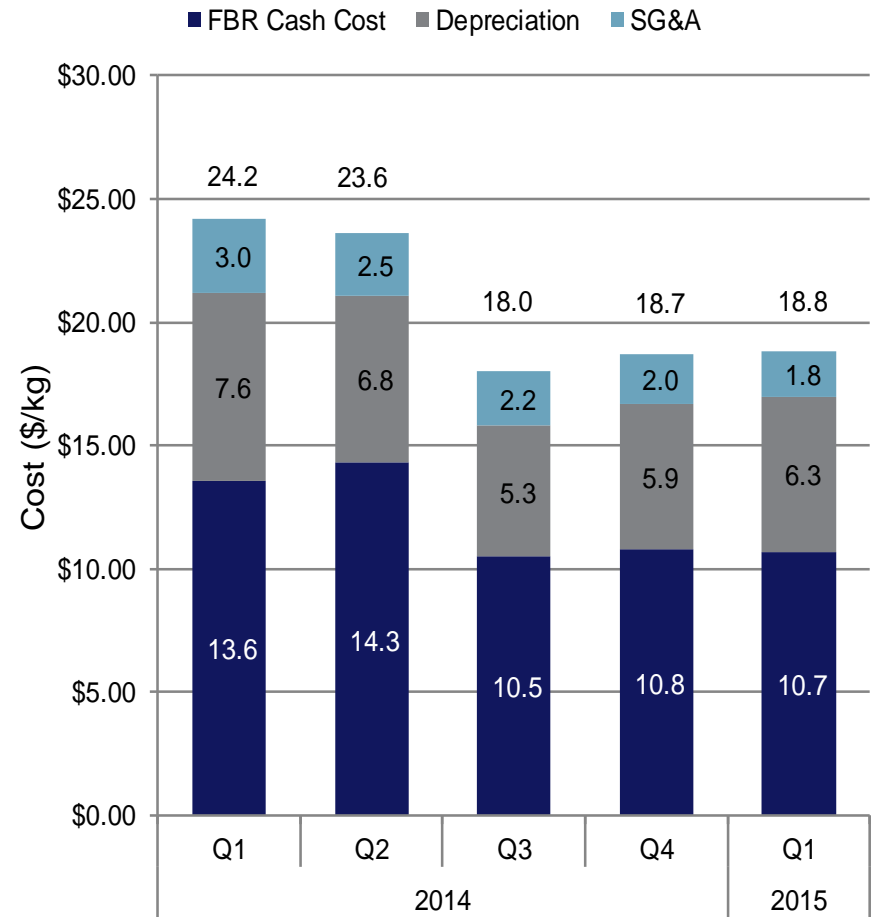
\* Guidance presented February 13, 2015

# Polysilicon Production and FBR Cost

## Polysilicon Production



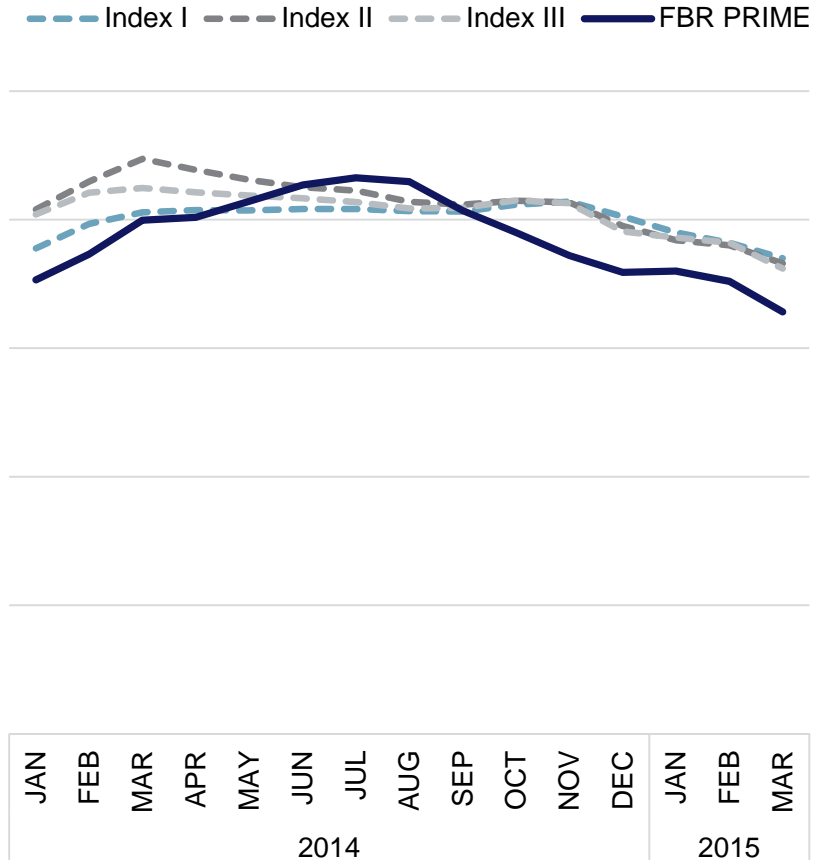
## FBR Cost



# Q1 2015 Prime ASPs Compared to Spot Indices

- › REC Silicon average Solar Grade sales price dropped 7.9% in Q1
- › Limited quantities warehoused in China due to U.S. West Coast port slowdown
- › Polysilicon sales price in March prompted sales hold

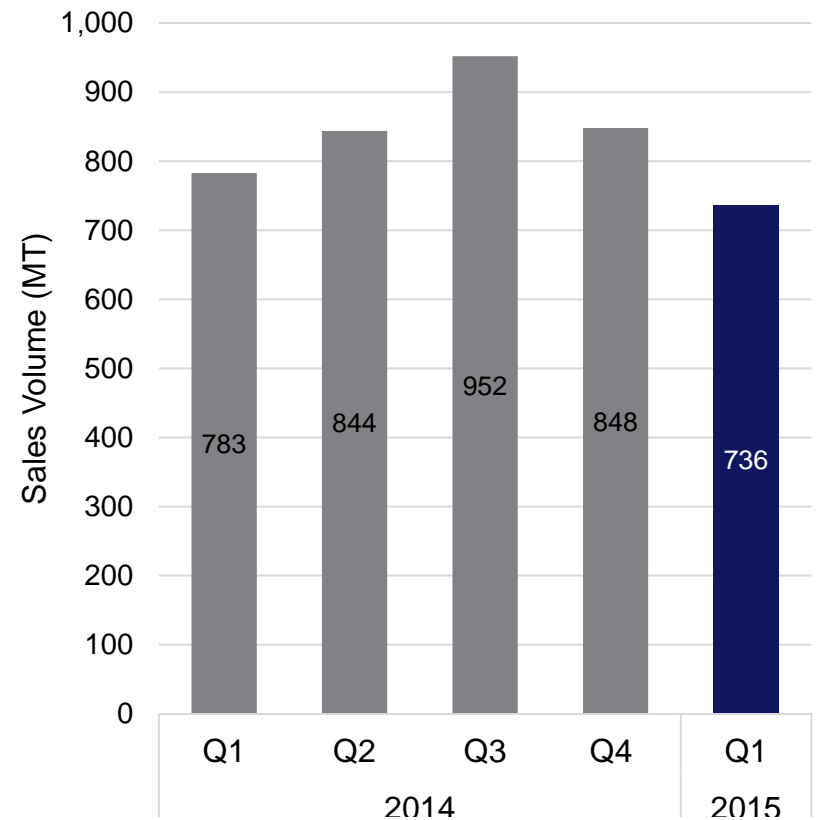
FBR Prime vs. Spot Indices



# Q1 2015 Silicon Gas Sales

- › Sales in line with expectations
  - 6MT over Guidance
- › Silicon gas prices remained stable
- › Competitive capacity back on line
- › REC Silicon gas Q1 shipments impacted by U.S. West Coast port slowdown
  - Will also impact Q2 volumes

**Silicon Gas Sales**  
(MT)

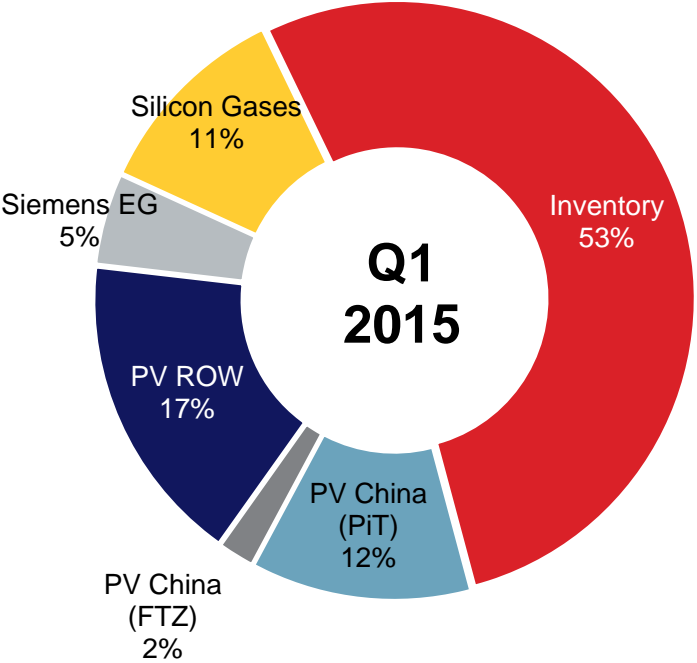
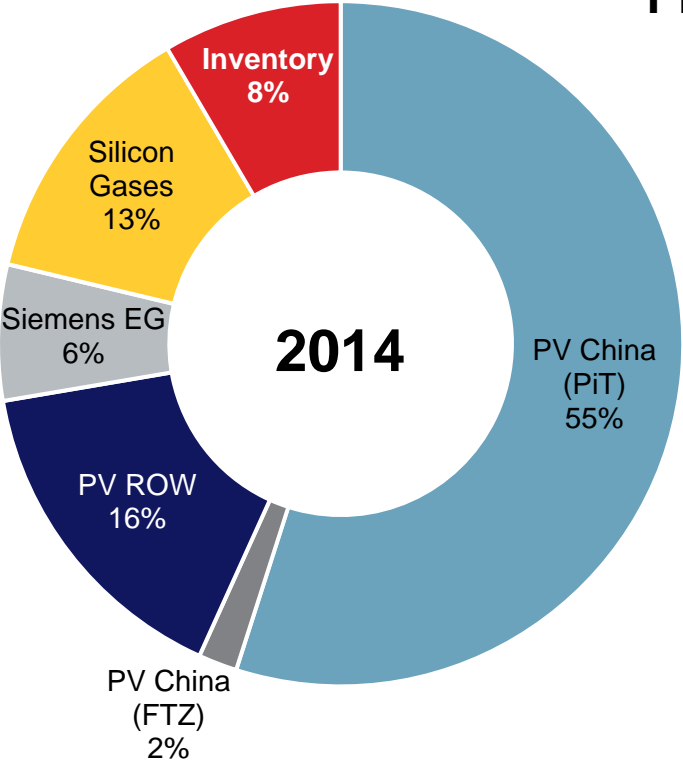




# Q1 2015 REC Silicon Built Finished Goods Inventory

- › Weak market conditions
- › Limited availability due to port slowdown
- › Increased demand moving forward

### Product Mix by Volume



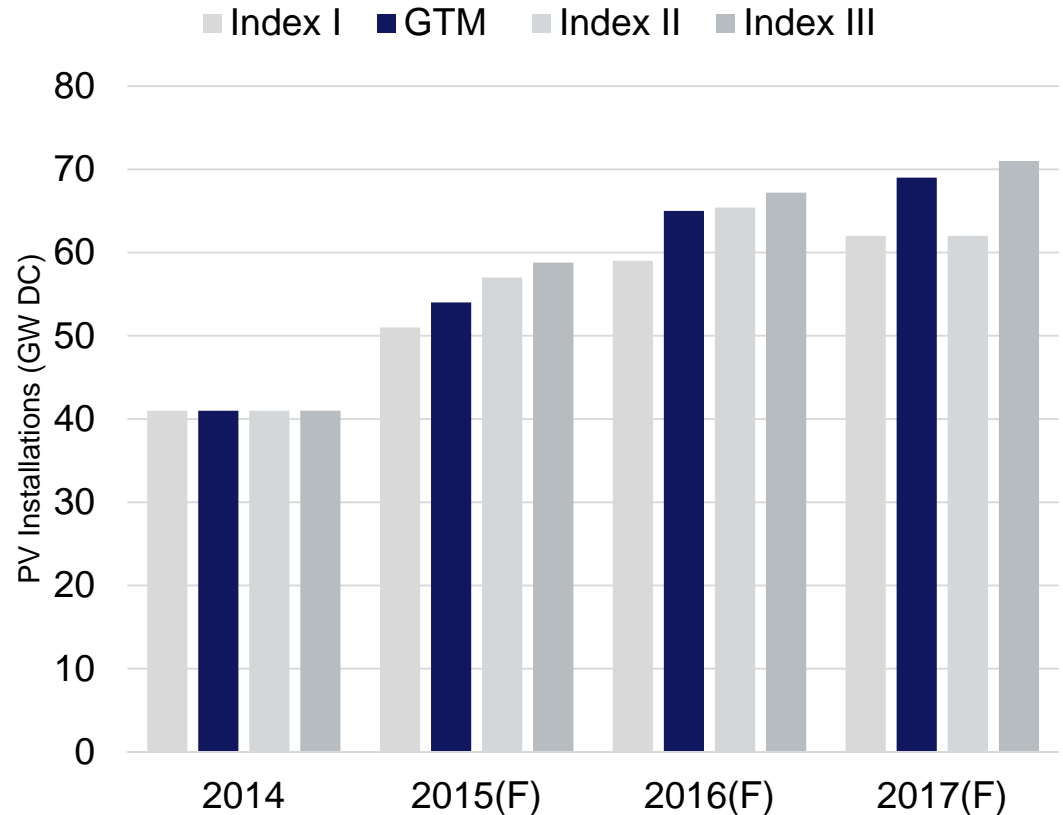


# Market Outlook

# Global PV Installation Forecasts - Indicate Strong Growth forecast

- › Detailed analysis performed by GTM Research for REC Silicon
- › GTM estimate 54 GW in 2015
  - › China
  - › Japan
  - › Europe
  - › U.S. } 43 GW
- › In line with other industry analyst long-term views

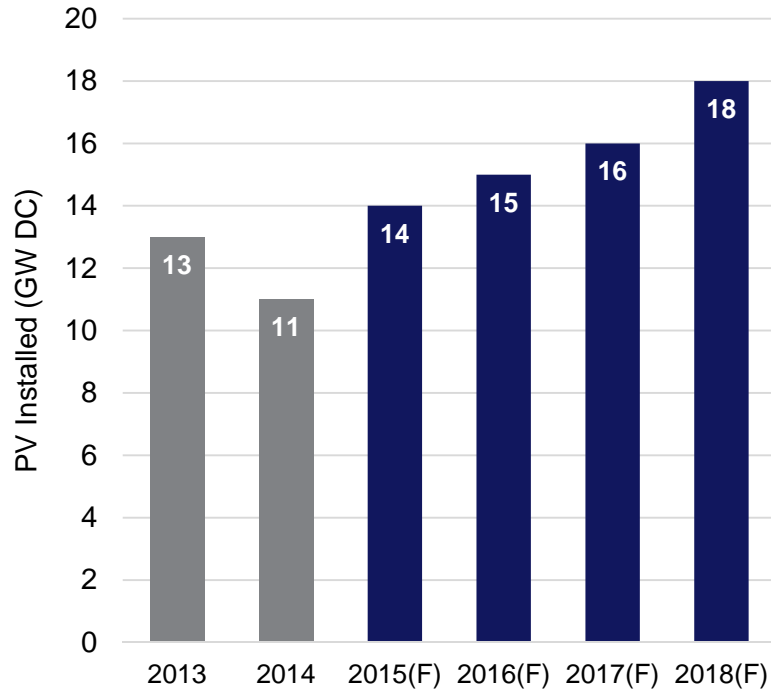
## Global PV Demand Views



Source: GTM Research PV Pulse, April, 2015

# Regional Solar Installation Forecasts

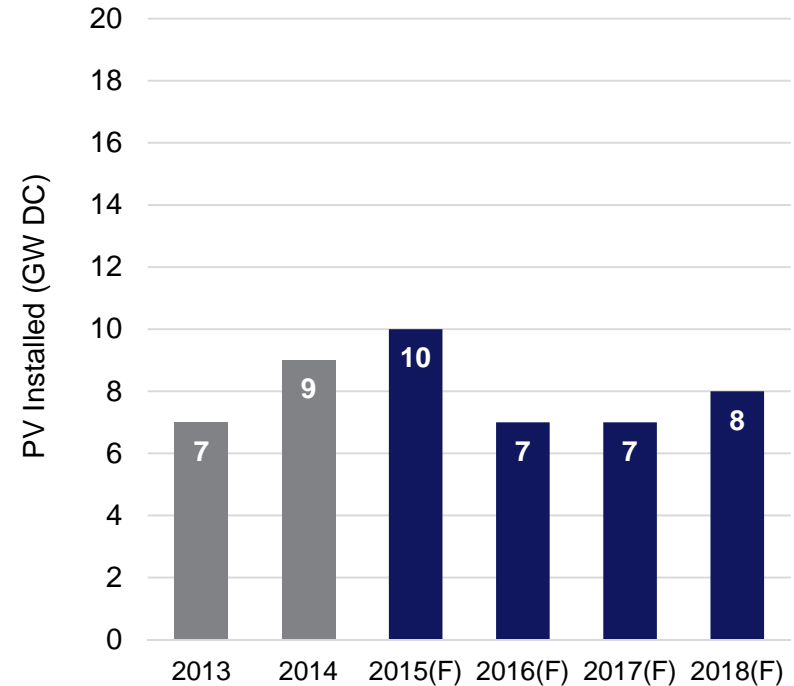
## China



Source: GTM Research PV Pulse, April 2015

- › China announced target of 17.8 GW for 2015

## Japan

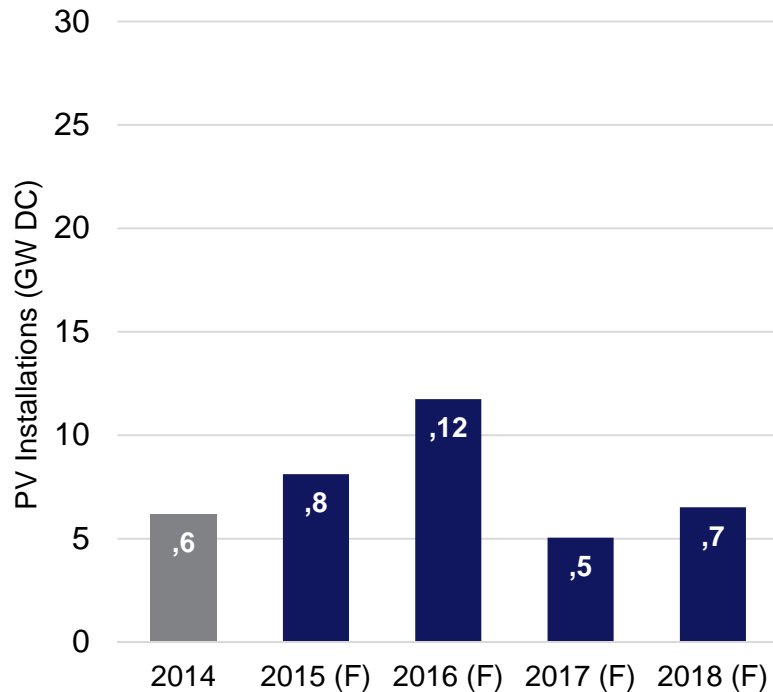


Source: GTM Research PV Pulse, April 2015

- › Solar a component in offsetting generation loss from decommissioned older nuclear plants

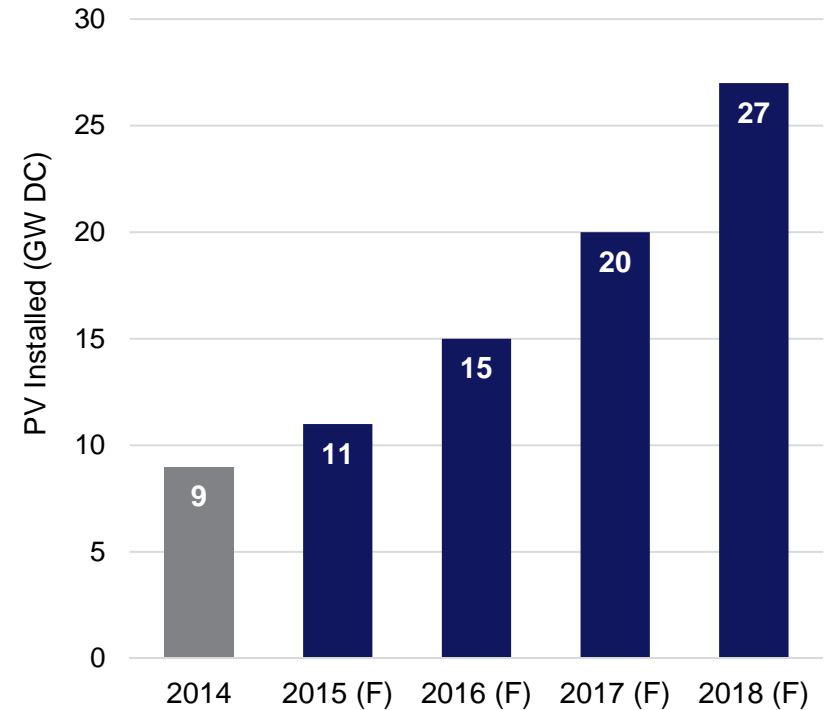
# Regional Solar Installation Forecasts Cont.

## United States



Source: GTM Research PV Pulse, April 2015

## Europe



Source: GTM Research PV Pulse, April 2015

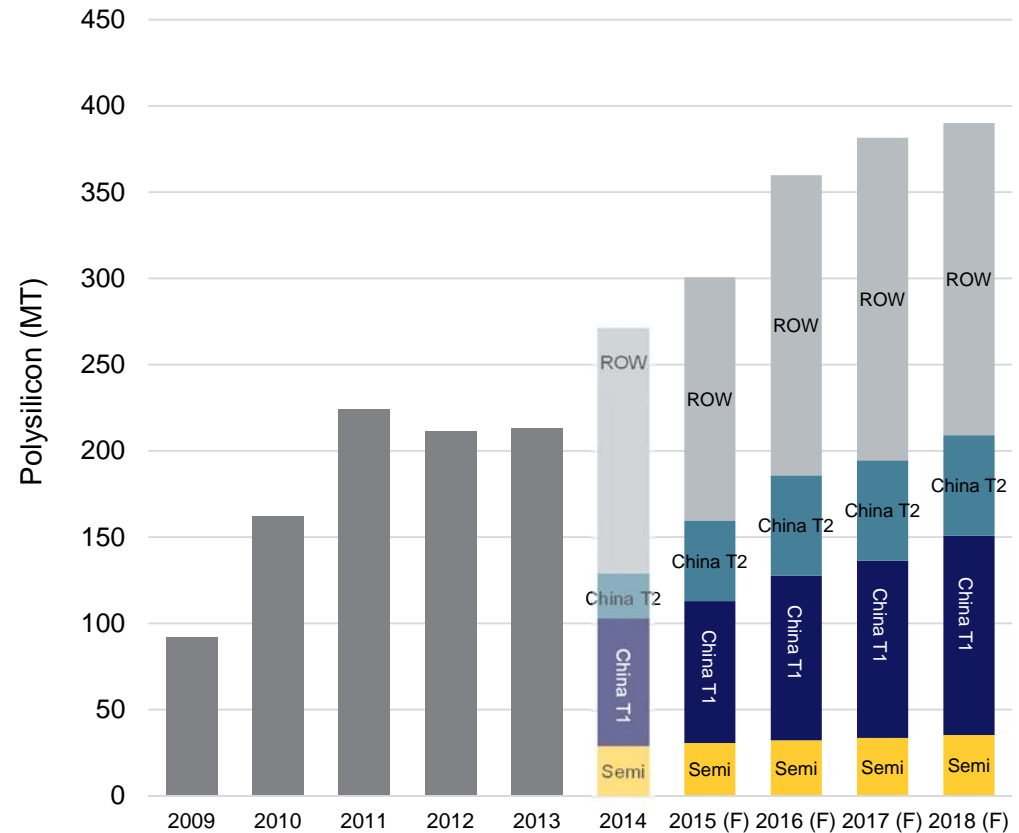
- › Solar Investment Tax Credit (ITC) step down likely in 2017

- › European Commission set target of 27% renewable energy consumption by 2030

# Polysilicon Shipments and Productive Capacity Expectation

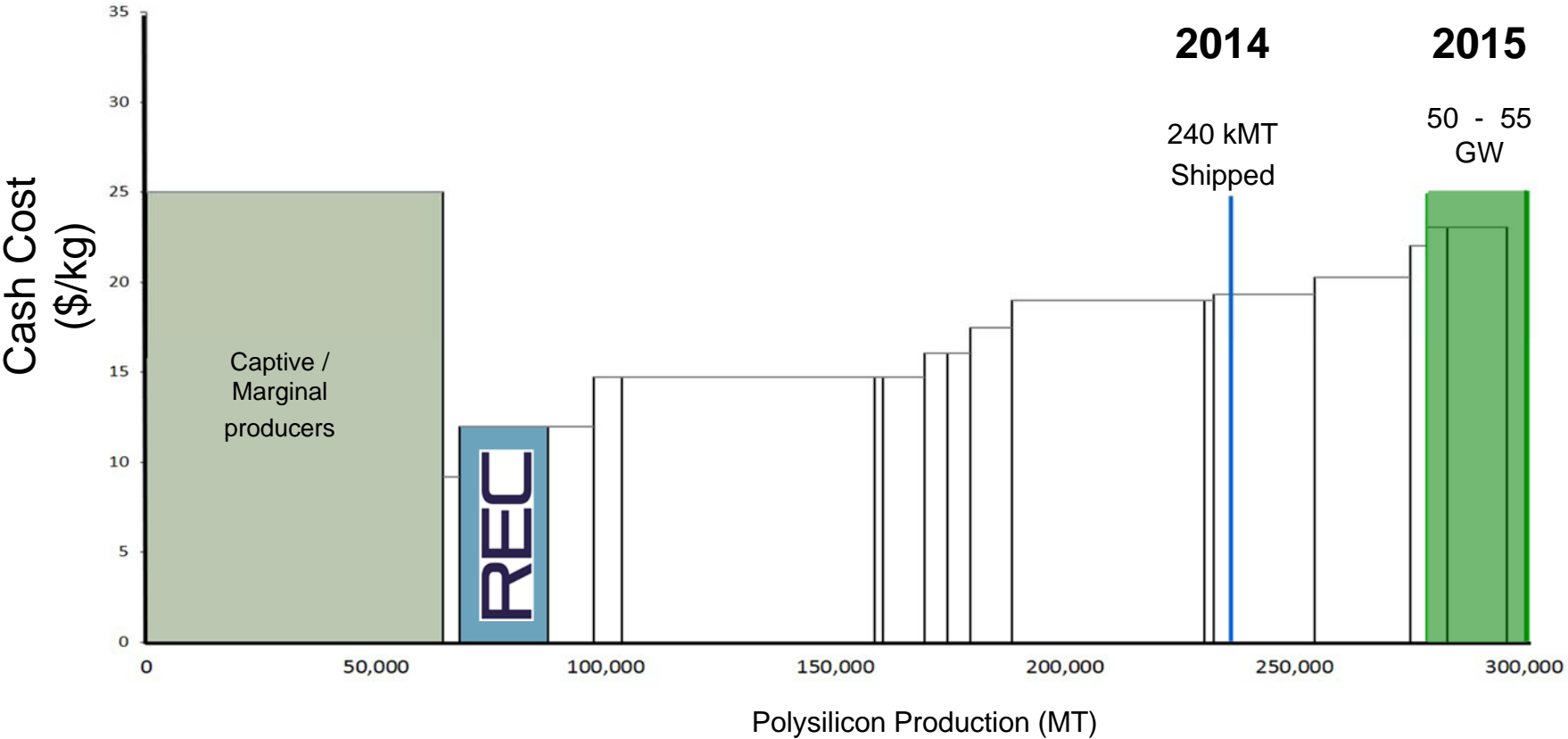
- › Additional capacity to come on stream in 2015-2016
- › Limited capacity addition in 2017-2018
- › Main capacity addition in China
- › Market should be relatively balanced given predictive PV installation forecast
- › Cash cost for marginal producer approximately \$25/KG

## Productive Capacity



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

# 2015 Solar Grade Polysilicon Capacity vs. Cash Cost

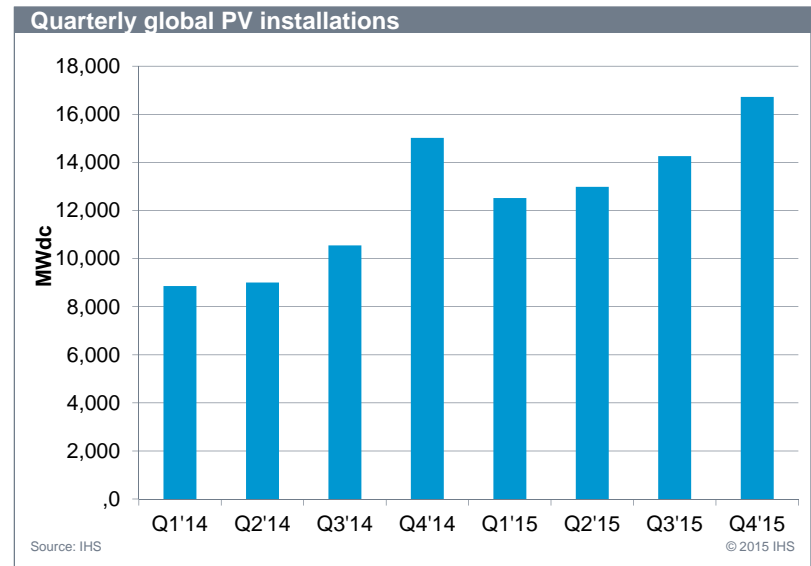
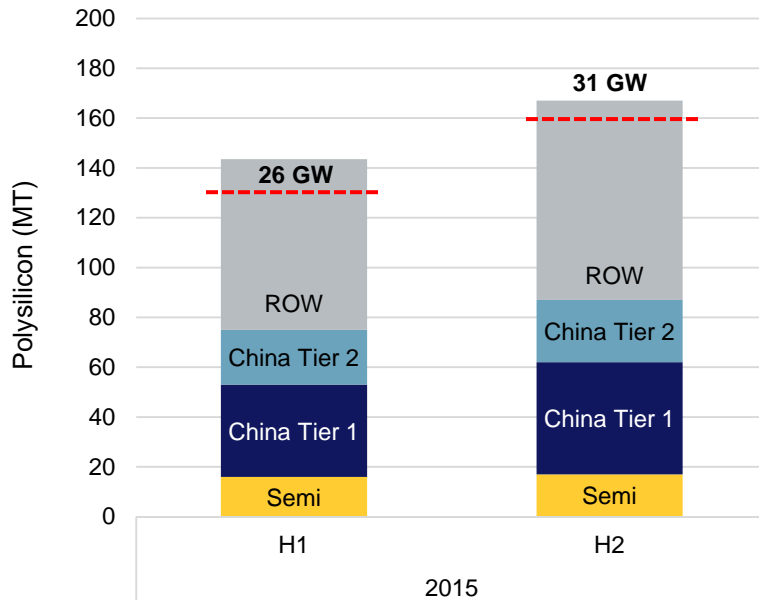


# Balanced Market Expected for 2015 - Stronger H2

- › PV Installation growth in 2015
  - › Increased demand in H2
    - › H1 26 GW
    - › H2 31 GW

Analyst PV Forecast 2015 (GW)	
I.H.S	57
Photon	57
GTM	54
Deutsche Bank	54
Energy Trend	51

Silicon Supply and Solar Demand  
(Based on 57 GW forecast)



IHS – PV Integrated Market Tracker - Q1 2015

Note: PV silicon demand based on 5 g/W.





# U.S. China Trade

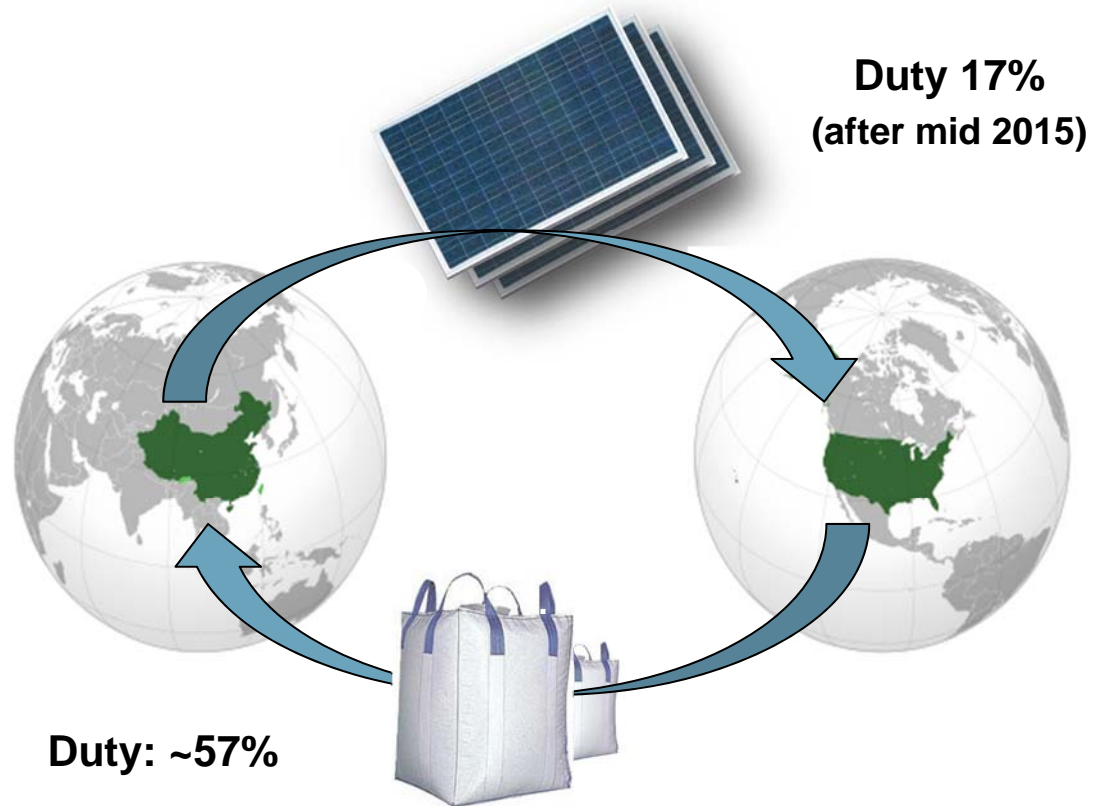
# Current Trade Conditions between U.S. and China

## SolarWorld Cases in U.S

- › Dec 2014 Preliminary Determination: 17% Duty for Chinese produced modules
  - › Final Determination expected mid-2015
- › Dec 2014 Final Determination 77-90% for panels with cells produced outside in China

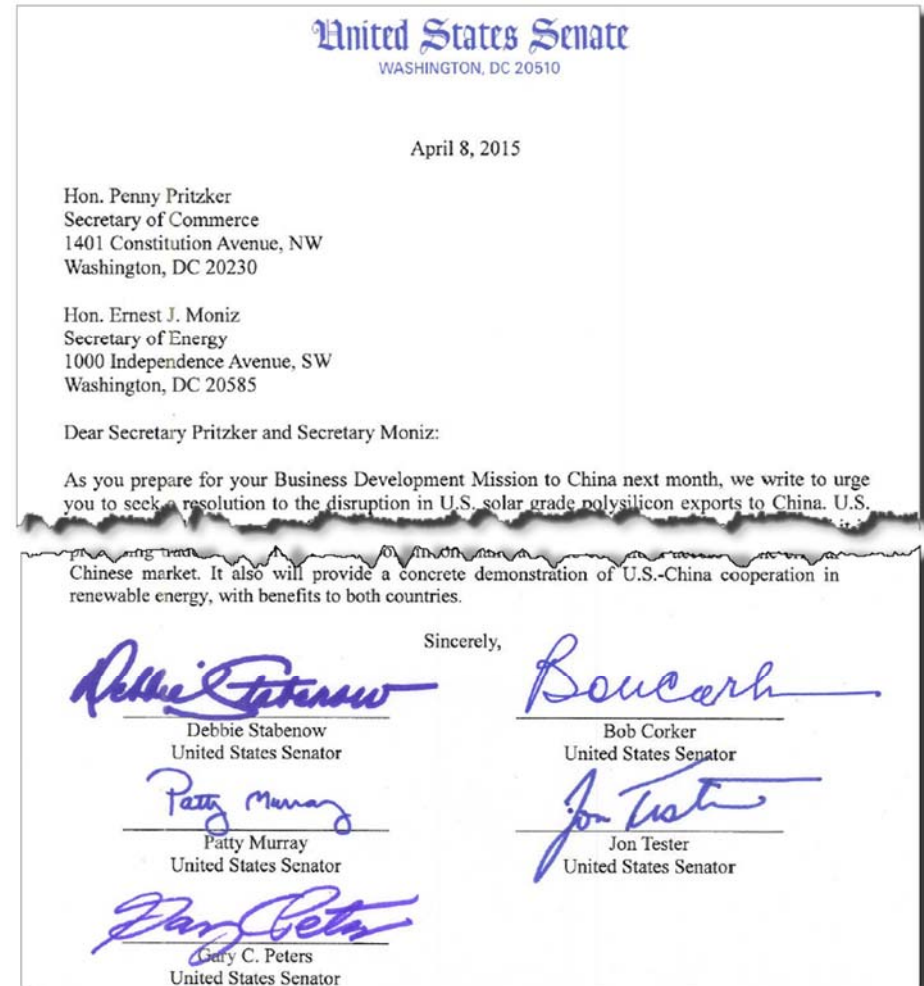
## MOFCOM / China DOC

- › ~57% duty will apply to all Solar grade polysilicon imported from the U.S. beginning in September, if Process in Trade is closed
- › Will affect REC Silicon, Hemlock Semiconductor, and Wacker's Tennessee production



# Trade Resolution Efforts within the United States

- › U.S. & China have bilateral discussions focused on environmental co-operation, prior to UNFCCC in Paris (Nov/Dec 2015)
  - Re-opening Process in Trade raised by U.S. Cabinet Ministers with Vice Premier Wang
- › U.S. polysilicon producers engaged with U.S. Government agencies regarding Process in Trade and global resolution of solar trade cases
- › Substantial U.S. Congressional support to resolve trade issues



Senator's letter to the DOC and DOE

# Trade Resolution Efforts in China

## Initiatives toward MOFCOM

- › JV partner, SOE Youser Group (#142 China Fortune 200) submitted formal request with MOFCOM to re-open Process in Trade for REC and initiate interim tariff review
- › Shaanxi provincial government also supports Youser Group's request
- › MOFCOM has accepted and will review Youser Group's formal request

## Importance to Youser Group

- › REC's continued partnership in the JV is critical to establish the JV as China's polysilicon technological and production leader

## REC Granular Important to China

- › Only non-integrated supplier of FBR granular to Chinese wafer producers
- › Granular provides competitive advantage
- › Access to FBR material is important to develop optimized wafer production processes, until JV material available



***“Therefore, we sincerely request that MOFCOM adjust related trade sanction measures to make the project's continued operation possible. Our specified requests are as below:***

***(1) MOFCOM should accept REC's request of review of AD/CVD tariffs ...***

***(2) ... we sincerely request that MOFCOM and the General Administration of Customs reopen Process in Trade for REC's granular polysilicon”***

Youser Group's formal request to MOFCOM  
(English translation)



# Financial Review

RECSILICON

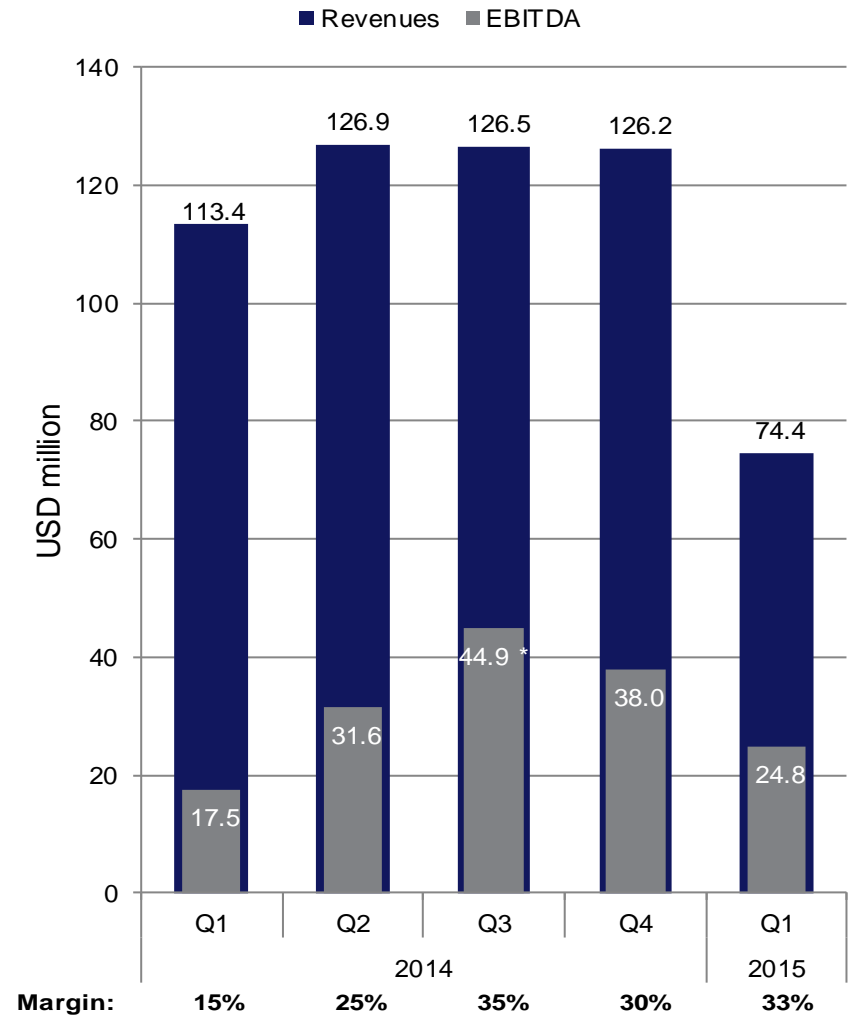
# Q1 2015 Key Financial Results

## Revenues - \$74.4 M

- › Decreased Polysilicon Revenues
  - 48% Sales volume decrease from Q4'14
  - 7.9% Solar Grade price decrease from Q4'14 (Excluding Fines & Powders)
- › Silicon Gas Sales Volumes 736 MT
  - 13% Sales volume decrease from Q4'14
  - Stable Sales prices compared to Q4'14

## EBITDA \$24.8 M

- 35% Decrease From Q4 2014
- Lower Prices
- Lower Volumes



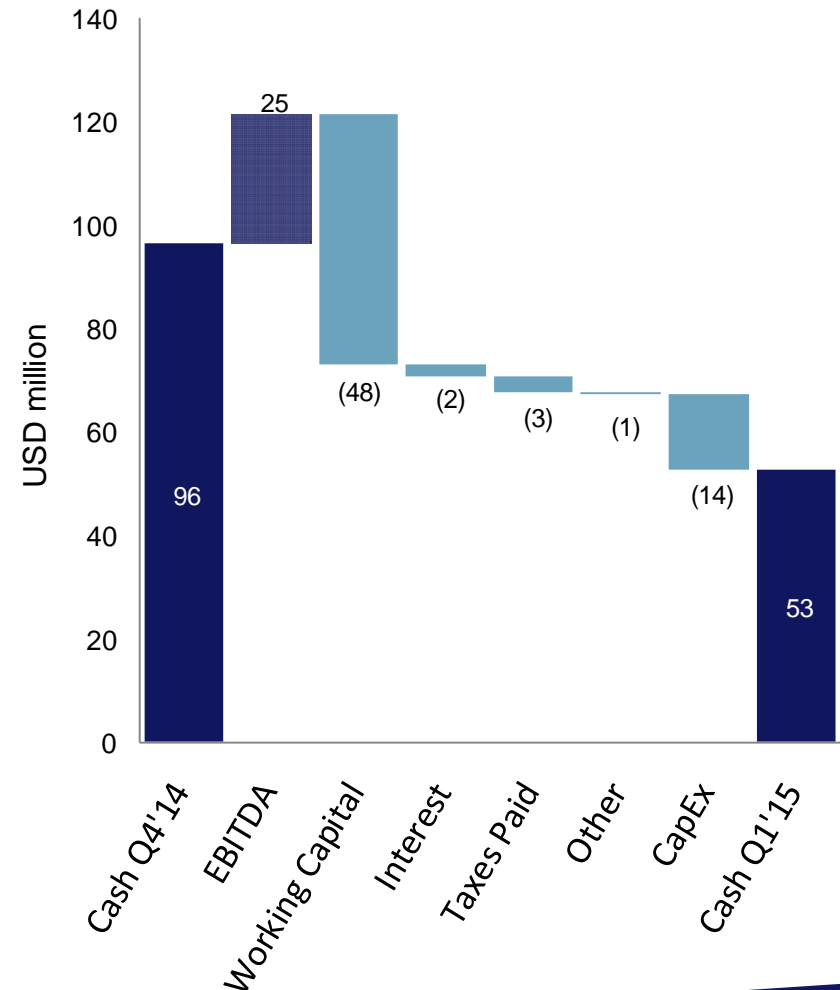
\* Excludes Special Items of USD 101 million Gain on Sale of Technology to the Yulin JV

# Q1 2015 Cash Flows

## Cash Outflows from Operations \$27.2 M

### › Working capital increase \$48 M

- Increased Inventories \$42.5 M
- Increased Accounts Receivable \$1.6 M
- Decreased Accounts Payable \$2.2 M



# Liquidity at March 31, 2015

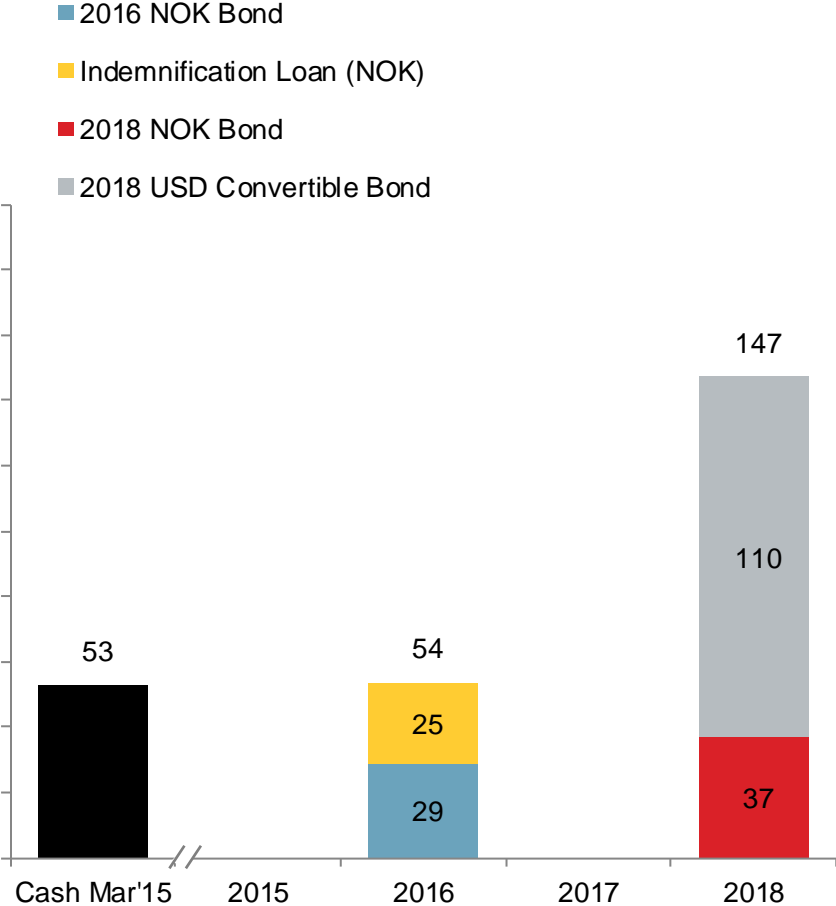
## Nominal Net Debt - \$148 M

› Increased by \$36 M from Q4'14

## Nominal Debt - \$201 M

› Reduced by \$8 M in Q1'15 due to stronger U.S. dollar

USD million







# Yulin JV Update

# Yulin JV – On track for start up in 2017

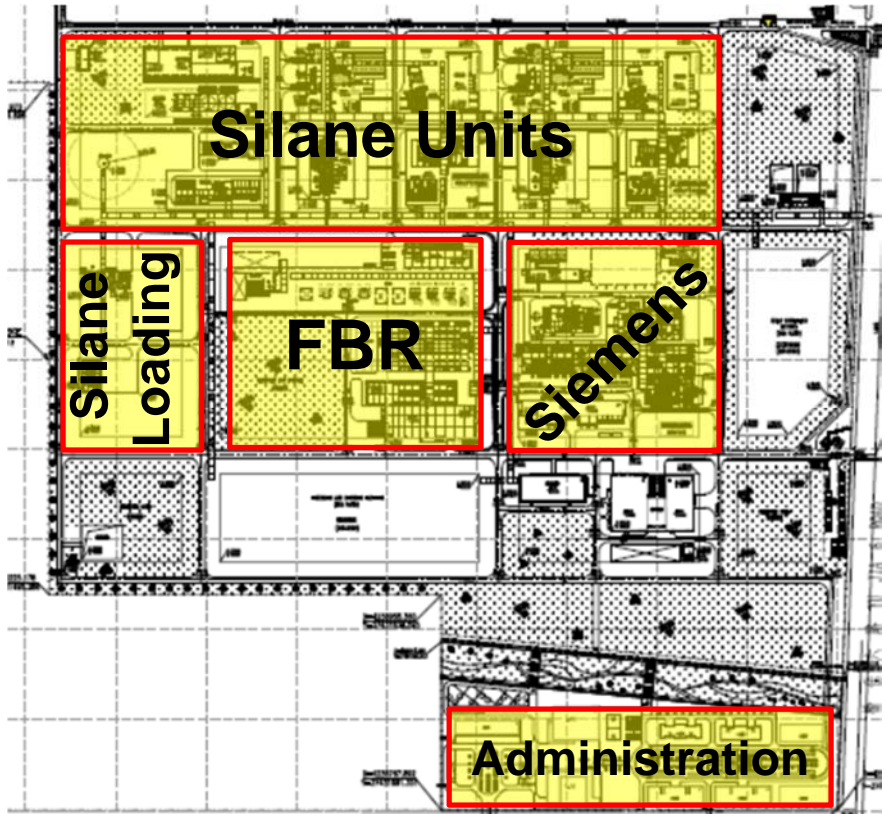
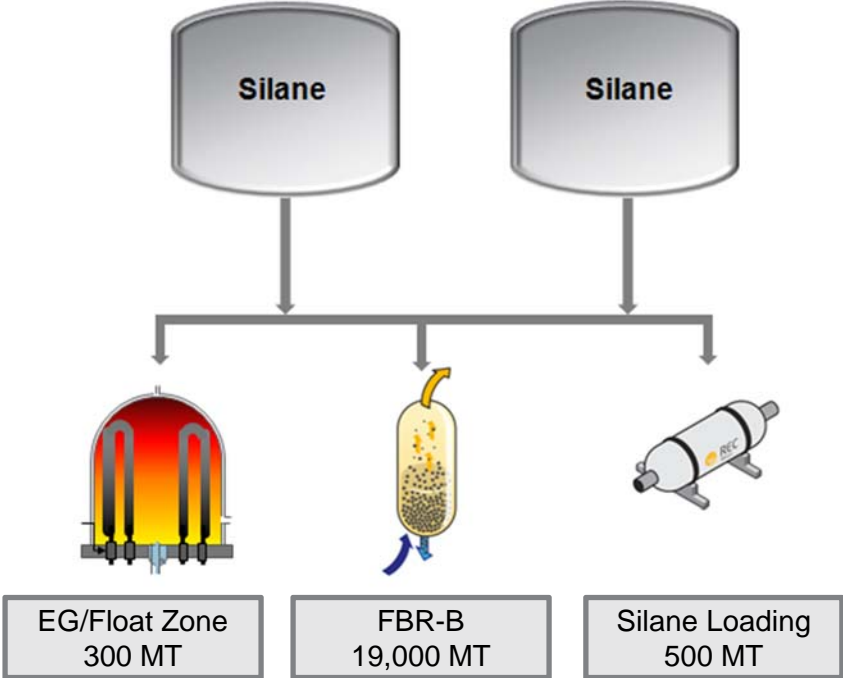
- › Detailed engineering finalized, utilizing Fluor in Shanghai
- › Formal investment decision approved April 24, 2015
- › Long lead items have been ordered, for delivery mid 2016
- › 57 Yulin JV employees will be on-site in Moses Lake and Butte for training beginning in September 2015



Yulin plant Site, March 2014

# Optimized Capacities and Yulin Plant Layout

**youser** RECSILICON 天瑞硅材料



Yulin Plant Layout

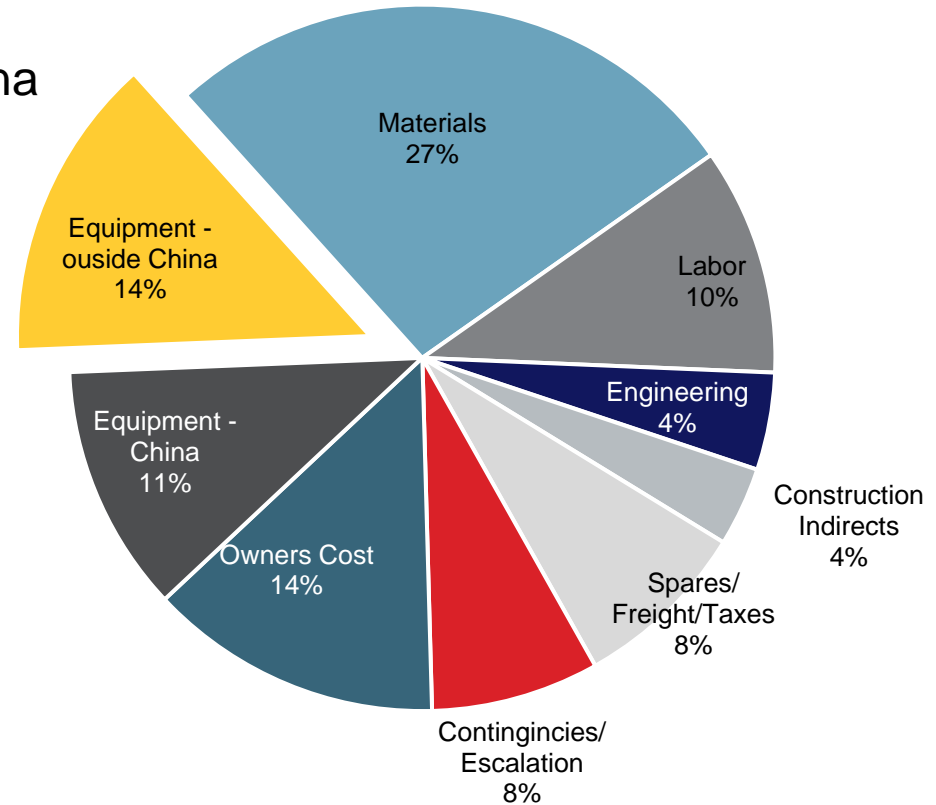
# Yulin JV Minimizing Cost & Protecting IP

## Total Investment \$1.25 B

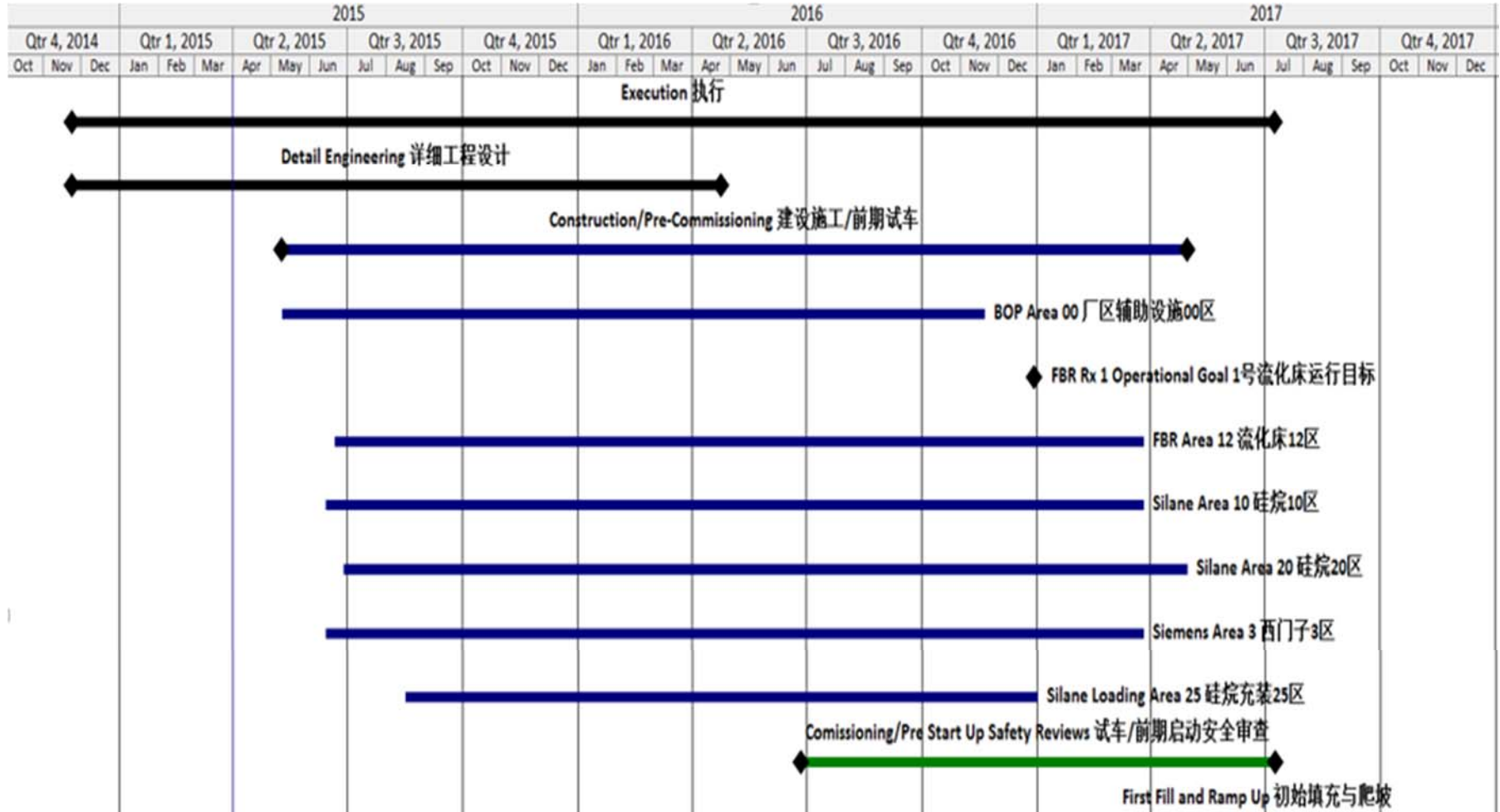
- › ~86% Total Cost Sourced in China
- › ~14% likely to be sourced outside China

## Critical Equipment from qualified suppliers

- › FBR
  - › Fluid Bed Reactors
- › Silane Unit
  - › Hydrogenation reactors
  - › Chlorosilane Recovery
- › Siemens
  - › Silane-based reactors
- › Other critical components



# Master Schedule for Yulin JV

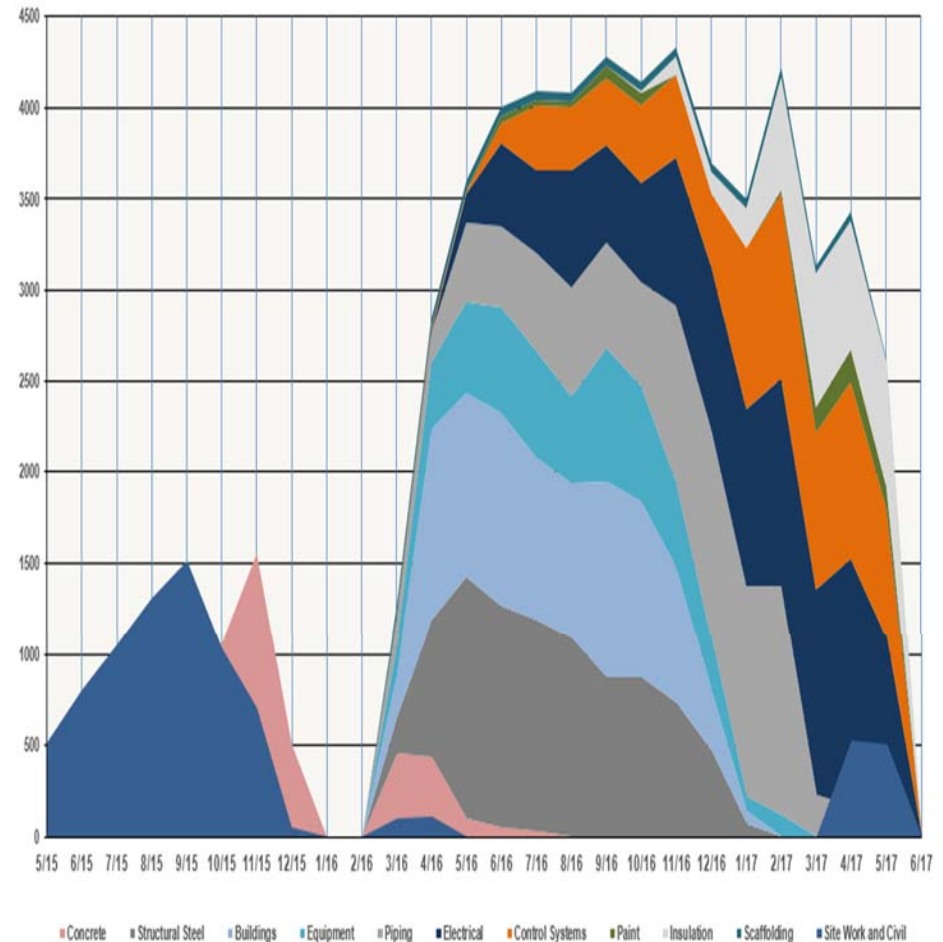


# Key Investment Parameters (FBR and Siemens combined)

**Total Investment: \$1.25 B**

## Investment Parameters :

- › CAPEX: \$65/kg
- › Cash Cost: ~\$9.0
- › Production Development
  - 2017 ~ 7,300 MT
  - 2018 ~ 16,300 MT
  - 2019 ~ 19,300 MT



Construction - Manpower Projection



# Q2 Guidance

# Q2 2015 Guidance

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## FBR Production

Q2	4,350 MT
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## FBR Cash Cost

Q2	\$11.5/kg
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## Silicon Gas Sales

Q2	700 MT
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## Semiconductor Production

Q2	340 MT
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## Total Polysilicon Production

Q2	5,100 MT
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## CapEx 2015

Maintenance	\$25 M
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Expansion	\$60 M
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Q2 2015 Reporting  
July 17, 2015