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# SECOND QUARTER 2015

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Presentation



RECSILICON

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# Agenda

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REC Silicon Q2 Financial Results

T. Torvund, CEO

U.S. / China Trade

F. Sullivan, CLO

Market Outlook

T. Torvund

Financial Overview

J. May, CFO

Yulin JV Update

T. Torvund

Moses Lake Capacity Reduction

T. Torvund

Guidance

T. Torvund

Q & A

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# REC Silicon ASA Second Quarter 2015 Highlights

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**Revenues:       \$93.0 M**

**EBITDA:         \$ 5.8 M**

## **Strong Polysilicon Production**

- Total polysilicon production **5,071 MT**
- FBR cash cost **\$11.0/kg**

## **Polysilicon sales volume                   3,817 MT**

- 1,248 MT Inventory Build
- 20% Solar Grade price decline

## **Silicon Gas Sales**

- 989 MT Silicon gas sales
- 21% Silicon gas price decline

## **Expansion Initiatives**

- Yulin JV on-track

## **Production Capacity Curtailment in Moses Lake**

- 2015 FBR production reduced by 2,030 MT
- Moses Lake - Rx 25 & 26 expansion halted

# REC Silicon Strengthens Financial Position

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- › Successful completion of private placement of 230 million shares (10% of outstanding shares)
  - Raising gross proceeds of approximately 350 million NOK
  - Private placement was substantially oversubscribed
  
- › The Company may pursue a potential sale of bonds held in the treasury
  - Extends debt maturities
  - Increases company liquidity
  
- › Both the equity and the potential sale of bonds will strengthen the Company's liquidity position

# REC Silicon ASA Q2 2015 Key Metrics

## Financials

Revenue	\$93.0 M
EBITDA	\$5.8 M
EBITDA Margin	6.2%

## FBR Production

Actual	4,410 MT
Guidance*	4,350 MT
Deviation	1.4%

## FBR Cash Cost

Actual	\$11.0/kg
Guidance*	\$11.5/kg
Deviation	- 4.3%

## Total Polysilicon Production

Actual	5,071 MT
Guidance*	5,100 MT
Deviation	- 0.6%

## Semiconductor Production

Actual	300 MT
Guidance*	340 MT
Deviation	- 11.9%

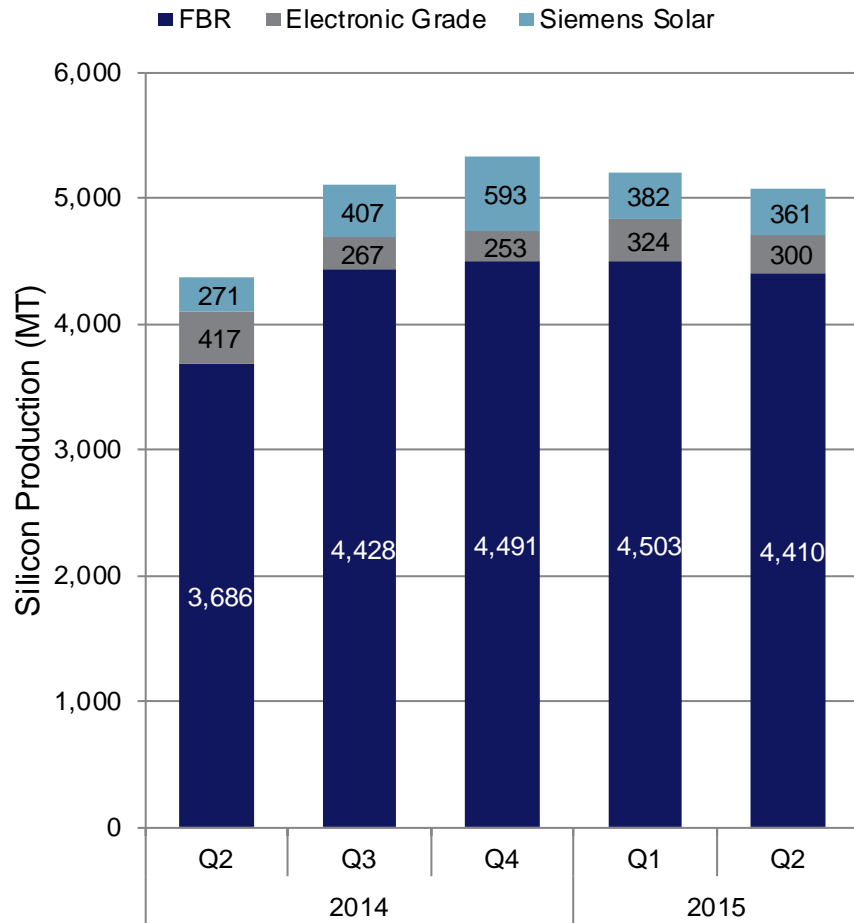
## Silicon Gases Sales Vol.

Actual	989 MT
Guidance*	700 MT
Deviation	41.3%

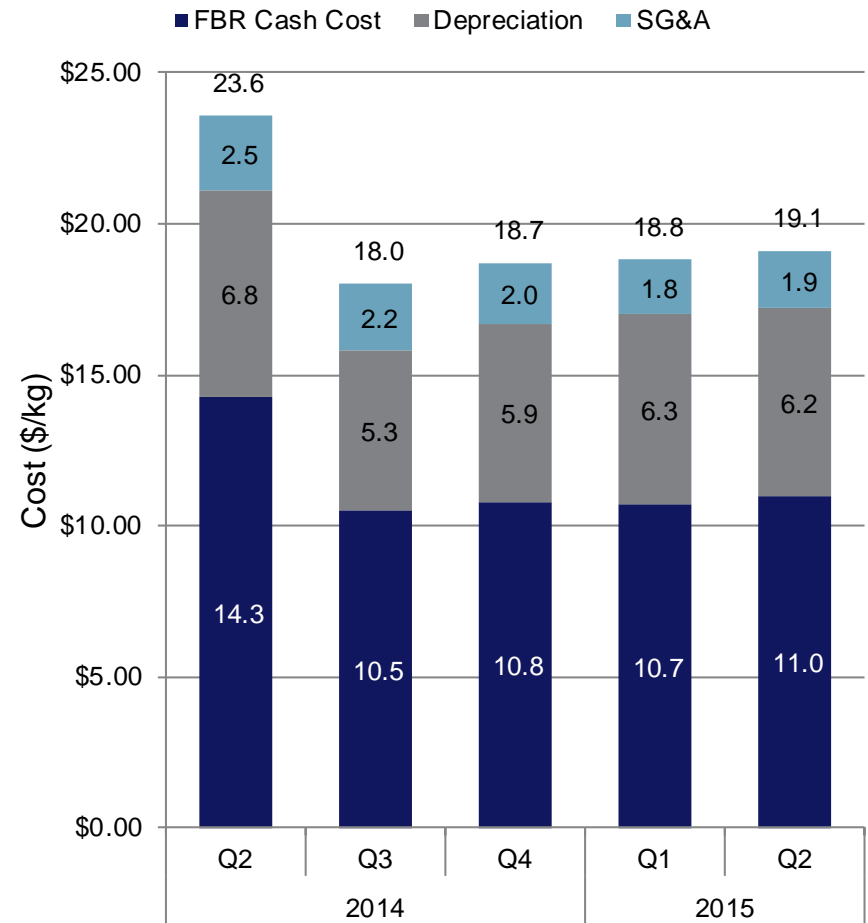
\* Guidance presented May 6, 2015

# Polysilicon Production and FBR Cost

## Polysilicon Production



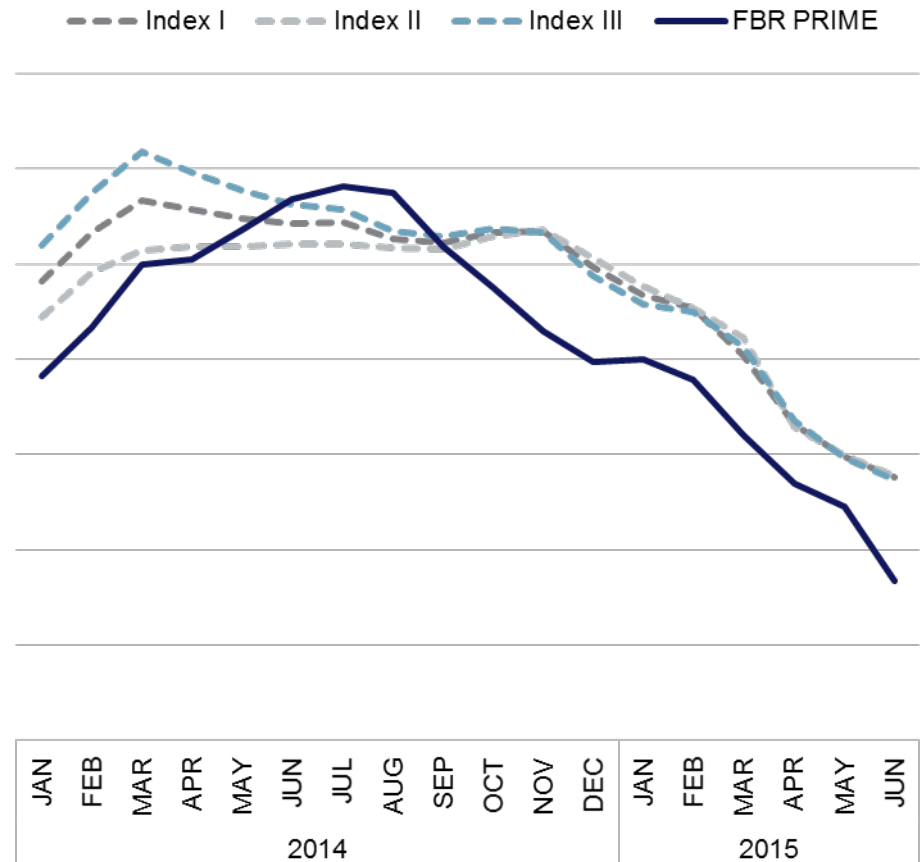
## FBR Cost



# Q2 2015 Prime ASPs Compared to Spot Indices

- › REC Silicon average Solar Grade sales price decreased 20% from Q1
- › Customers leveraging trade dispute, requiring more aggressive pricing
- › Seeing slight ASP increase in Q3

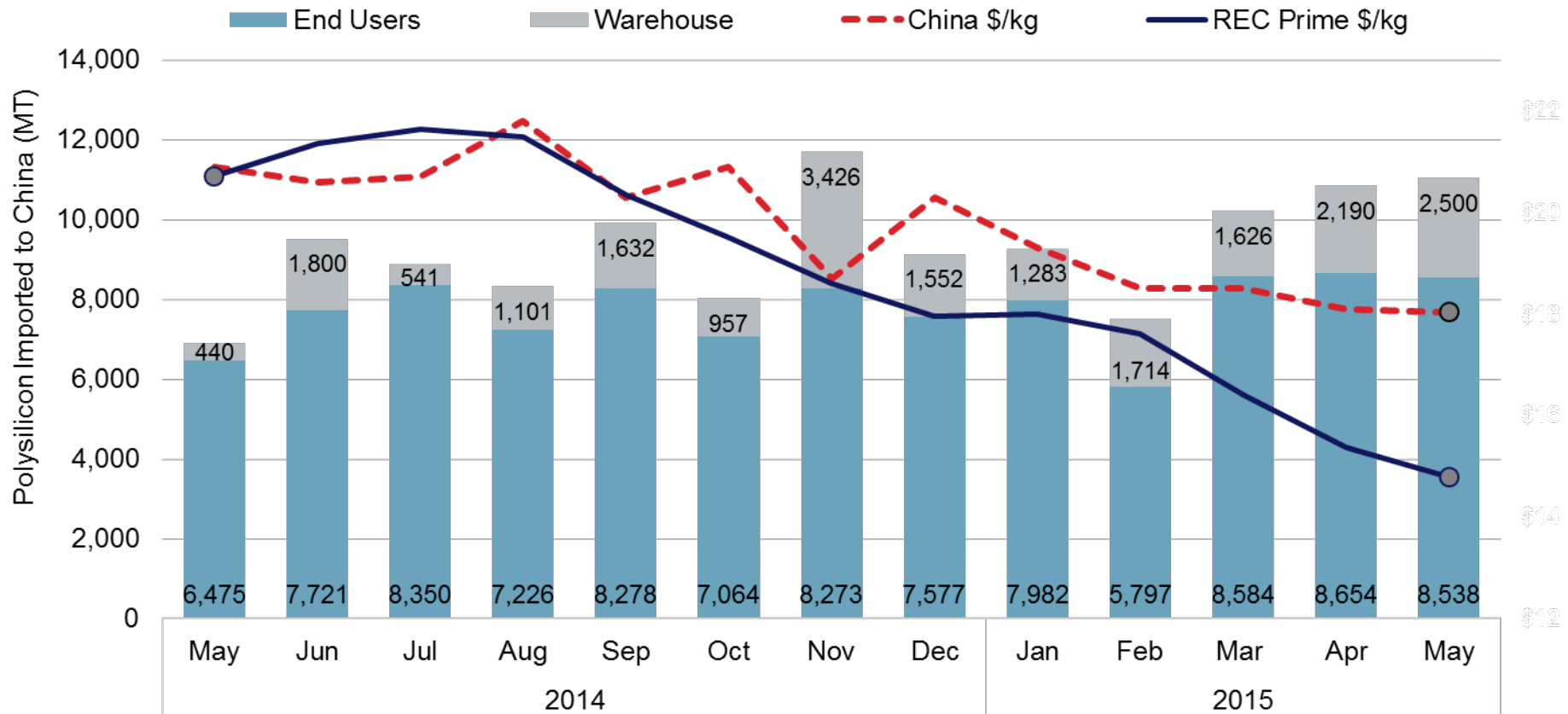
FBR Prime vs. Spot Indices





# Lower Prime ASPs in China due to Trade Dispute

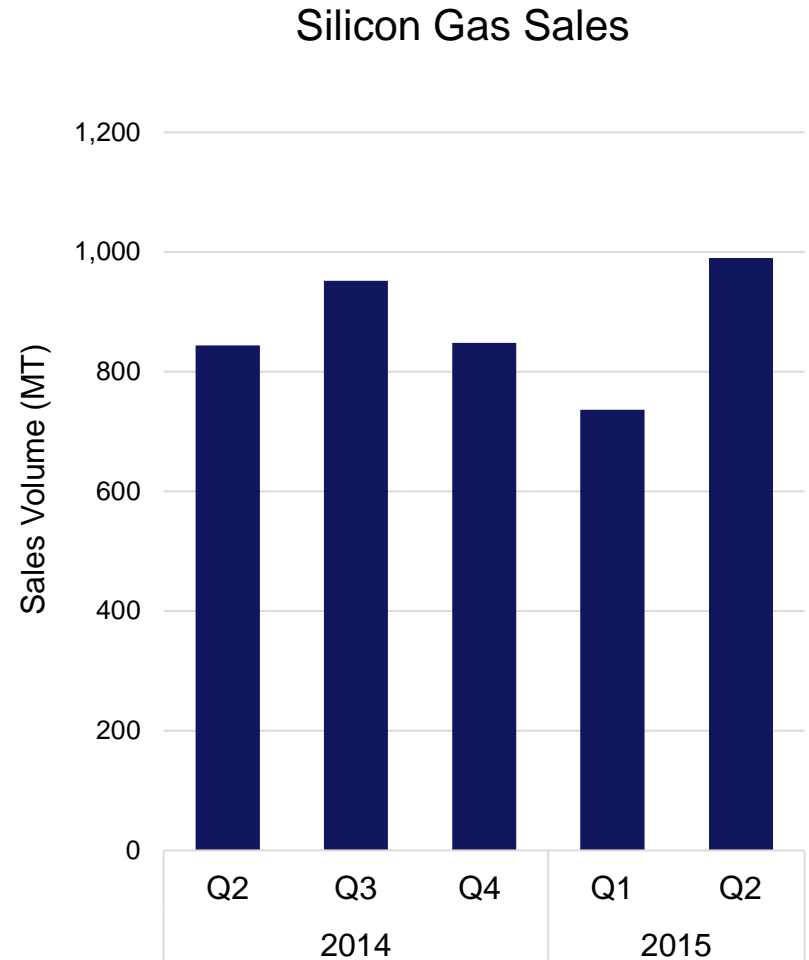
Import destination and average solar grade sales price (\$/kg)



Source: GCB Goodwill and REC Silicon

# Q2 2015 Strong Silicon Gas Sales

- › Silicon gas sales exceeded guidance: 989 MT
- › Secured volumes in an effort to maintain market share
  - Regaining customers lost due to U.S. West Coast port slowdown
  - ASPs declined 21%
- › Anticipate silicon gas prices to return to Q1 levels in Q3



A low-angle photograph of a large industrial facility, likely a refinery or chemical plant. The image features a complex network of grey structural steel beams and large red pipes. In the center, there is a tall, cylindrical silver distillation column with multiple platforms and ladders. To its right is a more intricate structure with many levels of steel framing, pipes, and platforms. The sky is a clear, pale blue. A large red diagonal shape covers the bottom left portion of the image, serving as a background for the title text.

# U.S. / China Trade Dispute

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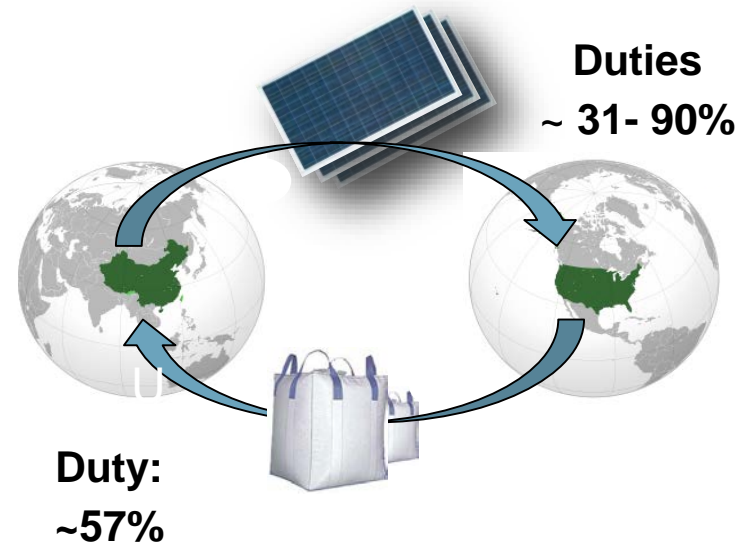
# Current Solar Trade Conditions between U.S. and China

## SolarWorld Cases in U.S.

- › SolarWorld One (Panels containing Chinese cells) initiated in 2011/12 after July 8, 2015 review:
  - › ~21% Duty for Yingli
  - › ~31% Duty Other Panel Makers
- › SolarWorld Two (Chinese panels containing outside China cells) - Dec. decision 77-90% Duties depending on the producer

## MOFCOM Case against US Polysilicon a response to the above

- › ~57% duty on all Solar grade polysilicon imported from the U.S. from 2013
- › Process in Trade Shutdown part of the response
- › Affects REC Silicon, Hemlock Semiconductor, and Wacker's Tennessee production



# Challenges for All Stakeholders in US/China Trade War

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## **U.S. Solar Panel Cases**

- › Chinese Panel Makers
  - Face at least a 31% duty, creates competitive opportunity for third countries in important U.S. panel market
  - On-going pricing uncertainty & resource drain
- › SolarWorld
  - Is a 31% duty a benefit?
  - Offshoring out of China threat continues
- › Wider U.S. solar industry – artificially high prices

## **China Polysilicon Case**

- › Chinese polysilicon buyers
  - Face restricted access to polysilicon
  - Higher in-China polysilicon prices
- › U.S. Polysilicon – locked out of China market
- › It does not make sense as a commercial matter to continue with this situation...

# Trade Resolution Dynamics

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## **U.S. & China Government**

- › Bilateral discussions focused on environmental cooperation, prior to the Paris Climate Summit (late 2015) and solar trade is a relevant issue
  - “Global resolution” of solar trade dispute discussed at Ministerial & Ambassador level in June China/US Strategy meetings
  - Xi Jinping visit to the U.S. planned for September 2015
- › U.S. Government has many resources allocated towards this effort, increased recently
- › Substantial U.S. Congressional support for a global resolution
- › Threshold condition to global resolution is the panel dispute, polysilicon resolution follows

**SolarWorld & Chinese panel discussions:** Under U.S. law, SolarWorld controls the dispute

**Yulin JV partner Youser Group:** Continued lobbying efforts towards MOFCOM

- › Resolution of tariff issue is important to both Youser Group and Shaanxi government
- › Yulin JV is critical to establish China as technological leader in polysilicon



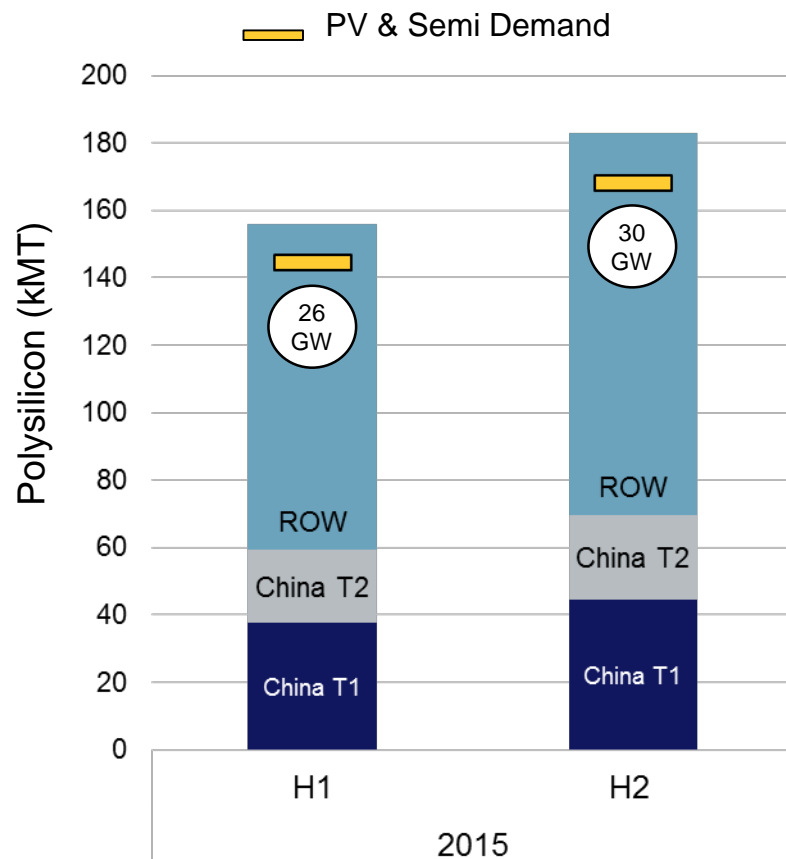


# Market Outlook

# Latest Indicators Point to Stronger Second Half of 2015

- › 2015 Global Demand: 56 GW
  - › China 15 GW
  - › Europe 11 GW
  - › Japan 9 GW
  - › U.S. 8 GW
  - › ROW 13 GW
- › Reported capacity changes from H1 to H2 2015
  - Approximately 24,000 MT

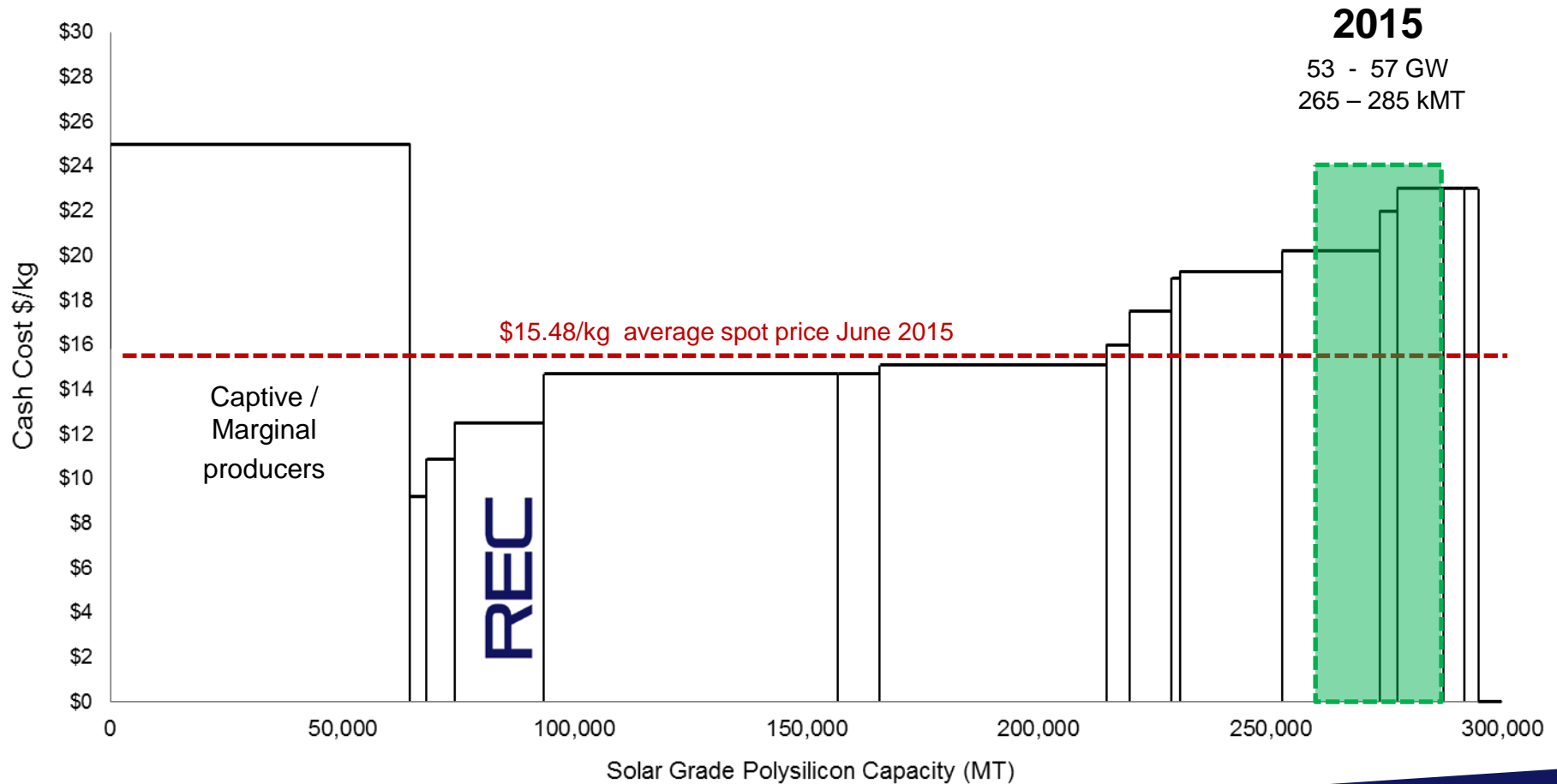
Silicon Supply and Solar Demand  
(Based on 56 GW forecast\*)



\*Note: PV silicon demand based on average of four PV analyst indices @ 5 g/W.

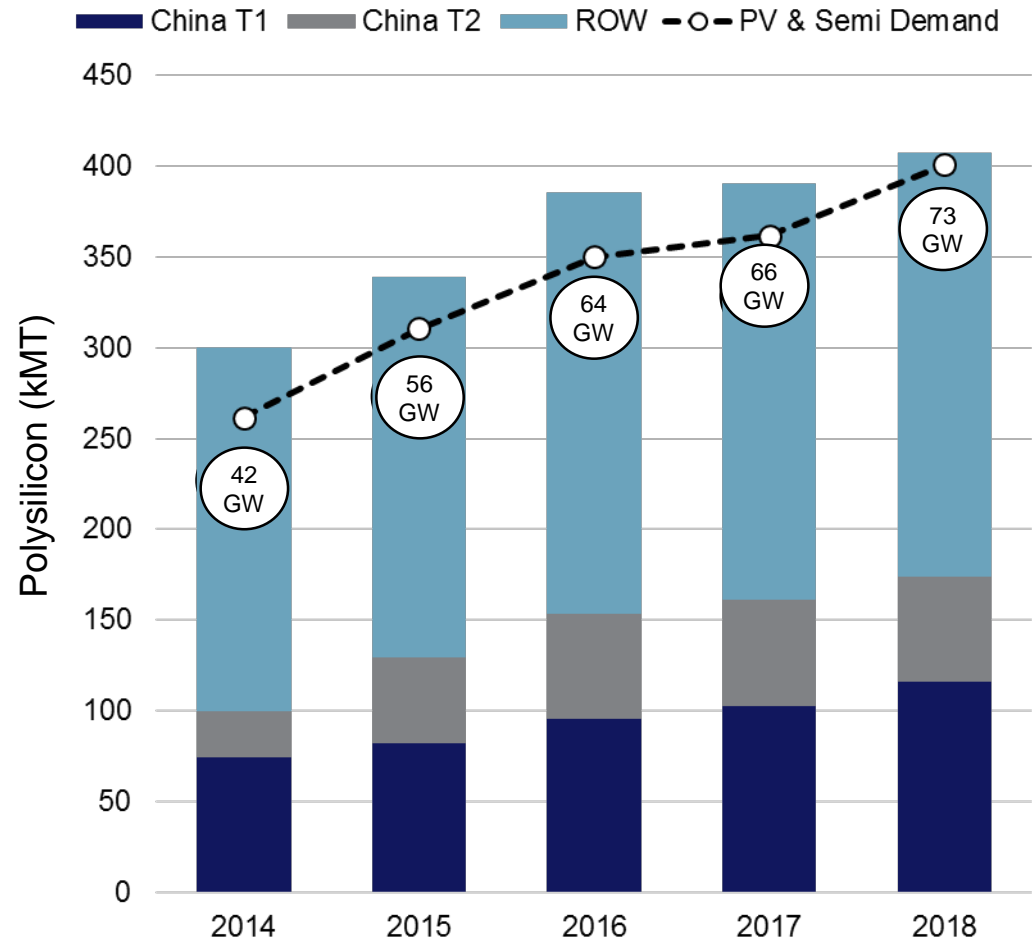


# Significant Production with Cash Costs above ASPs



# Balanced Polysilicon Supply and Demand Expected by 2016

- › Existing capacity meeting near-term PV demand
- › New capacity from 2015-2016 is the increased utilization of existing plants
  - › Ramping expected to carry-over into 2016
- › No new capacity expected after 2016 other than Yulin JV



Note: Polysilicon demand based on average of five market indices at 5 g/W.  
Semi demand included to show total polysilicon demand



# Financial Review

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# Q2 2015 Key Financial Results

## Revenues - \$93.0 M

### › Increased Polysilicon Revenues

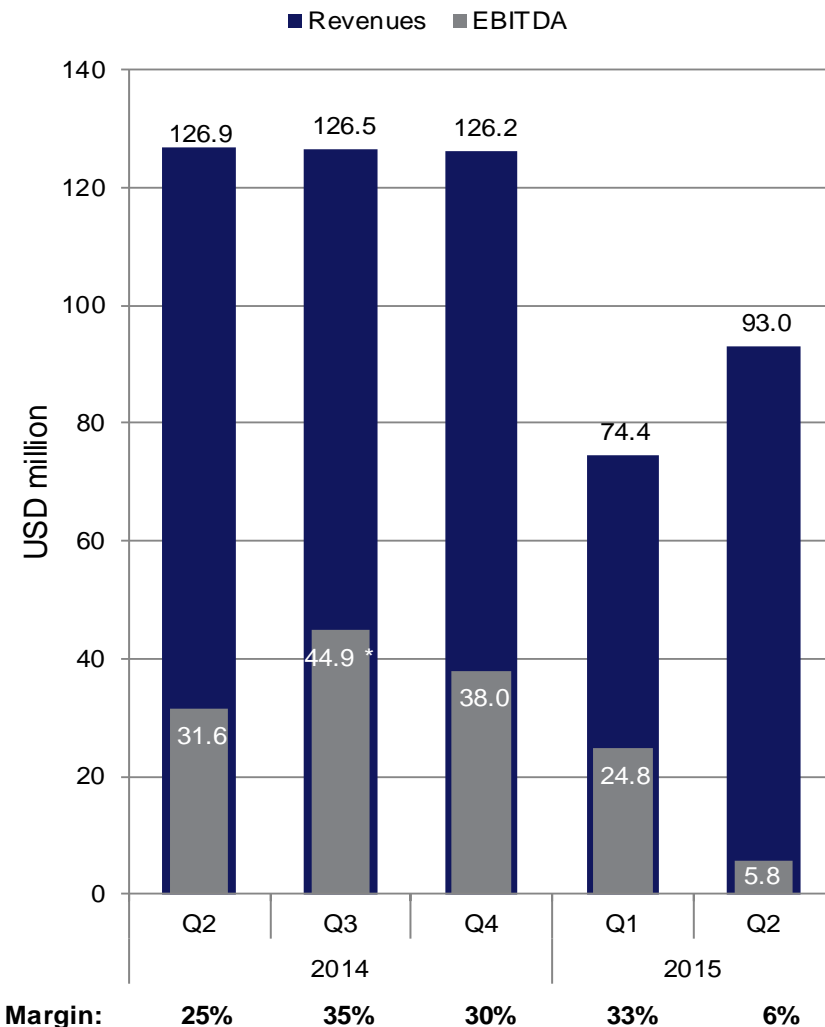
- 60% sales volume increase from Q1 2015
- 20% Solar Grade price decrease from Q1 2015 (Excluding Fines & Powders)

### › Silicon Gas Sales volumes 989 MT

- 34% Sales volume increase from Q1 2015
- 21% price decrease compared to Q1 2015

## EBITDA \$5.8 M

- 77% Decrease from Q1 2015
- Lower prices
- Higher volumes



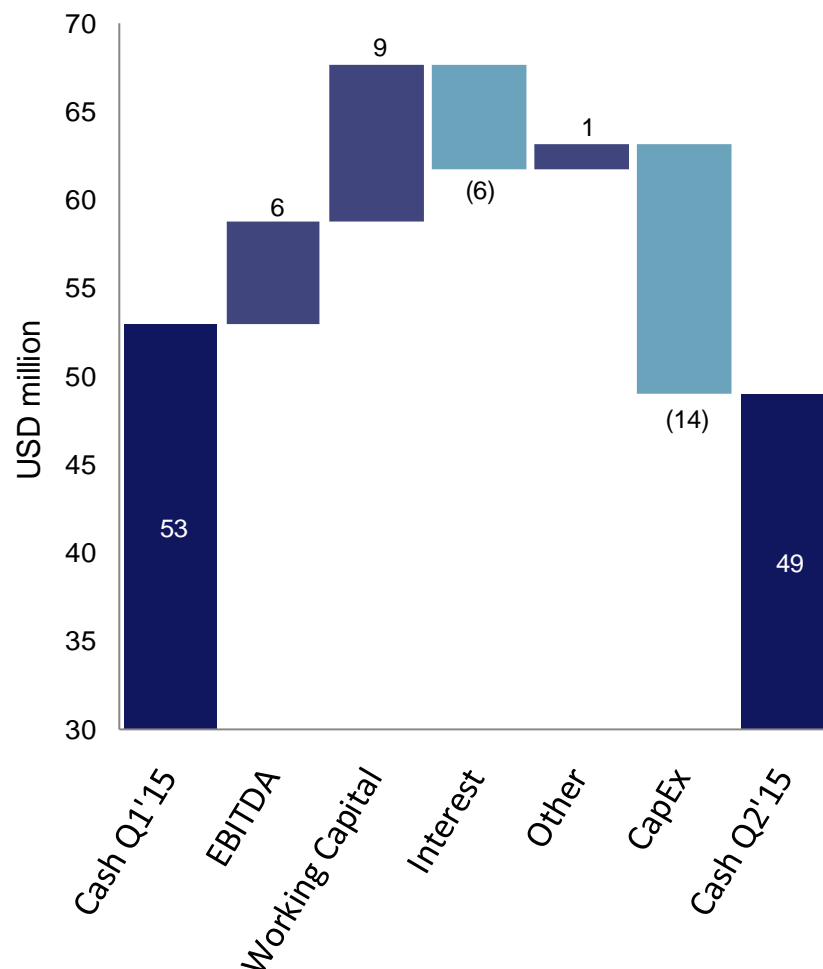
\* Excludes Special Items of USD 101 million Gain on Sale of Technology to the Yulin JV

# Q2 2015 Cash Flows

## Cash Flows from

Operating Activities \$8.7 M

- EBITDA \$5.8 M
- Working capital decrease \$9.1 M
  - Increased Inventories (\$11.3 M)
  - Decreased Accounts Receivable \$18.5 M
  - Increased Accounts Payable \$1.9 M
- Interest payments (\$6.0 M)



# Q2 2015 Liquidity at June 30, 2015

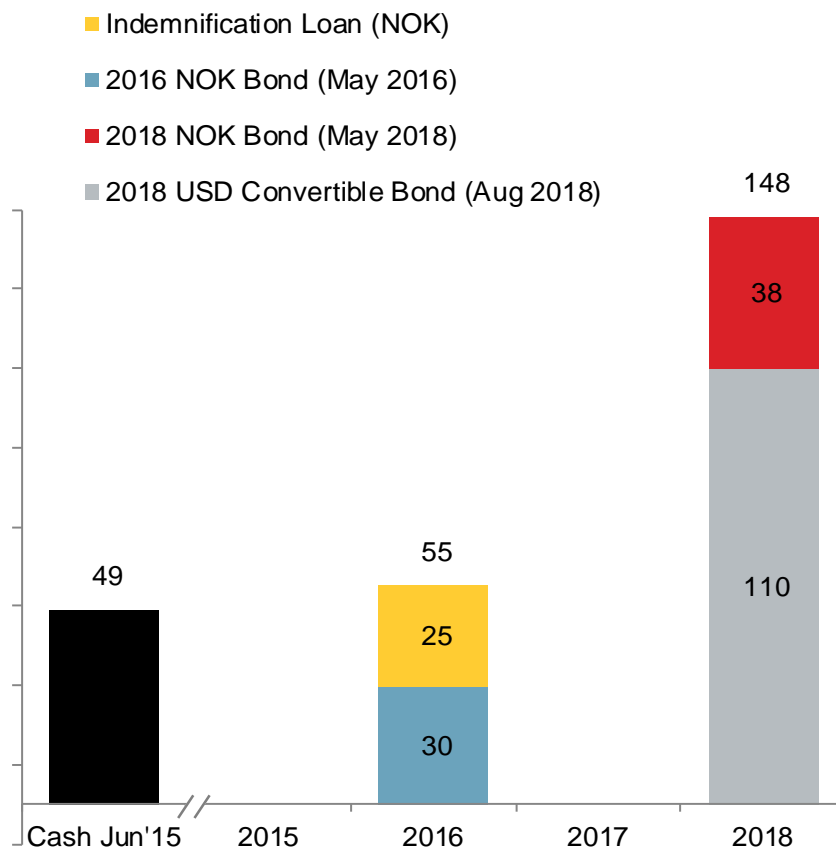
Nominal Net Debt - \$154 M

› Increased by \$6 M from Q1 2015

Nominal Debt - \$204 M

› Increased by \$3 M in Q2 2015 due to weaker US dollar

USD million





Yulin Plant Site  
July 2015

# Yulin JV Update



# Yulin JV – On Track

- › Detailed engineering continues
  - Issuing equipment bid packages
  - Supporting government design reviews
  - Civil construction packages issuing
  
- › Bid review all major equipment
  - Priority is long lead complex equipment
    - Reactors
    - Compressors
    - Pumps
    - Distillation columns
    - Pressure vessels





# Yulin JV – Construction Underway

## › Construction

- Began in May 2015 - focus on civil work
- Piling installation through Q3
- Critical equipment foundations in Q3 and Q4

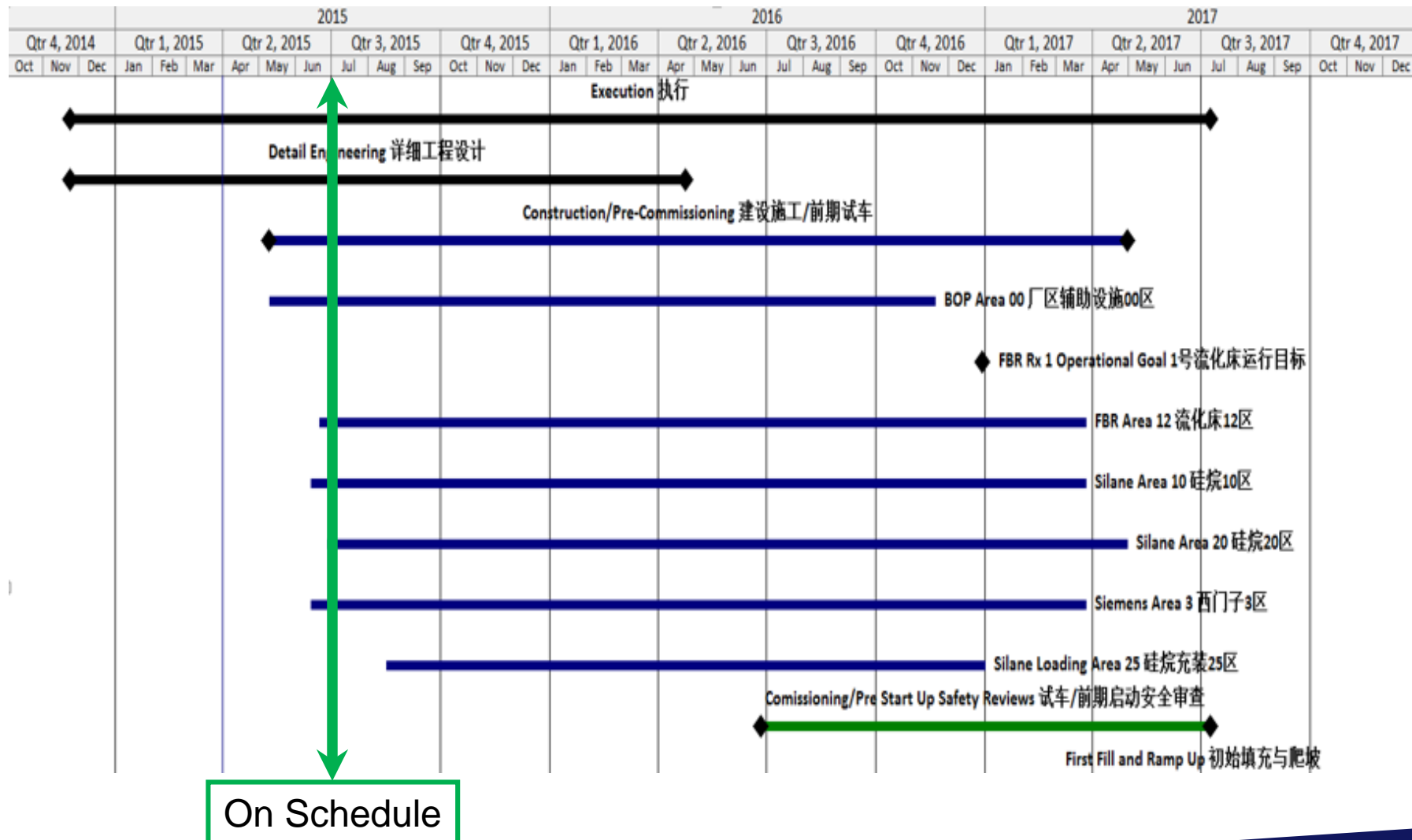


Temporary Construction  
Facilities



Piling Rebar Delivery

# 2017 Start-up on Schedule





# Moses Lake Capacity Reduction



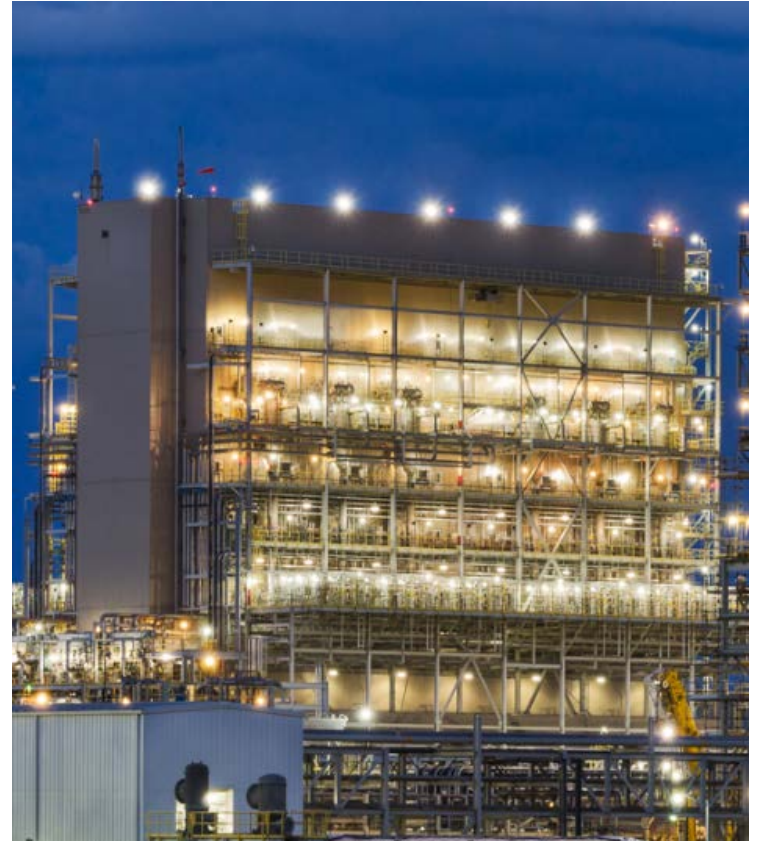
# Trade Implication: Moses Lake Capacity Curtailment

- › Trade dispute necessitates capacity reduction
- › Silane III to be shut down for remainder of 2015
  - FBR production impact 2,030 MT
- › During the shut-down, maintenance will take place
- › Needed to maintain financial flexibility
  - ~\$10 M spending reduction per quarter



# Moses Lake Rx 25/26 Expansion Halted

- › Moses Lake expansion halted due to trade issues and to retain financial flexibility
  - Rx 25 & 26
  - Silane I restoration
- › Construction efforts brought to a close
  - Prepared for restart when conditions allow





# 2015 Guidance

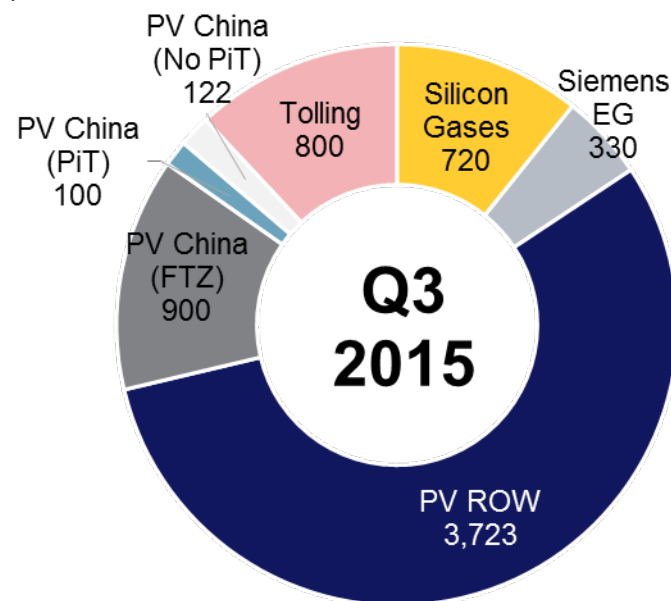
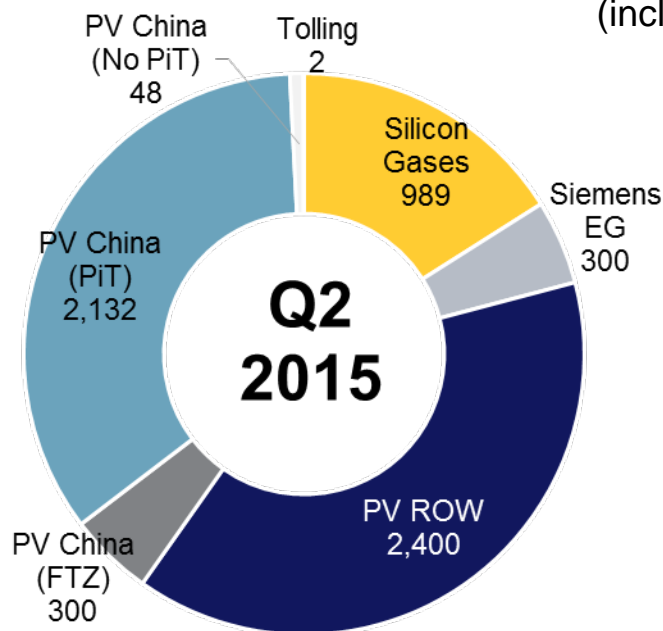
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# Q3 2015 Sales Mix Will Move Outside China and Inventory Reduction Expected Due to Capacity Curtailment

Polysilicon	Q1 2015	Q2 2015	Q3 2015 (F)
Production Volume (MT)	5,210	5,071	3,600
Inventory Change (MT)	2,818	1,248	1,500 drawdown

## Sales Mix by Volume (MT)

(incl. Fines and Powders)





# Updated 2015 Guidance

FBR Production	
Q3	2,920 MT
Q4	2,430 MT
2015	14,270 MT
2015 (prior)	16,300 MT
Deviation	- 14%

FBR Cash Cost	
Q3	\$15.2/kg
Q4	\$16.9/kg
2015	\$12.8/kg
2015 (prior)	\$12.5/kg
Deviation	- 2%

Silicon Gas Sales	
Q3	720 MT
Q4	850 MT
2015	3,300 MT
2015 (prior)	3,700 MT
Deviation	- 12%

Semiconductor Production	
Q3	330 MT
Q4	350 MT
2015	1,300 MT
No Change	

Total Polysilicon Production	
Q3	3,600 MT
Q4	3,250 MT
2015	17,130 MT
2015 (prior)	19,300 MT
Deviation	- 11%

CapEx	
Maintenance	\$15 M
Expansion	\$40 M
2015 Total	\$55 M
2015 (prior)	\$85 M





# Q3 2015 Reporting November 4, 2015