
THIRD QUARTER 2015

Presentation

November 4, 2015

RECSILICON



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Agenda

REC Silicon Q3 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

Near-term Strategy

T. Torvund

Guidance

T. Torvund

Q & A

REC Silicon ASA Q3 2015 Key Metrics

Financials	
Revenue	\$87.5 M
EBITDA (Loss)	\$14.1 M
EBITDA Margin	(16%)

FBR Production	
Actual	2,863 MT
Guidance*	2,920 MT
Deviation	- 0.2%

FBR Cash Cost	
Actual	\$13.8/kg
Guidance*	\$15.2/kg
Deviation	- 9%

Total Polysilicon Production	
Actual	3,580 MT
Guidance*	3,600 MT
Deviation	- 0.5%

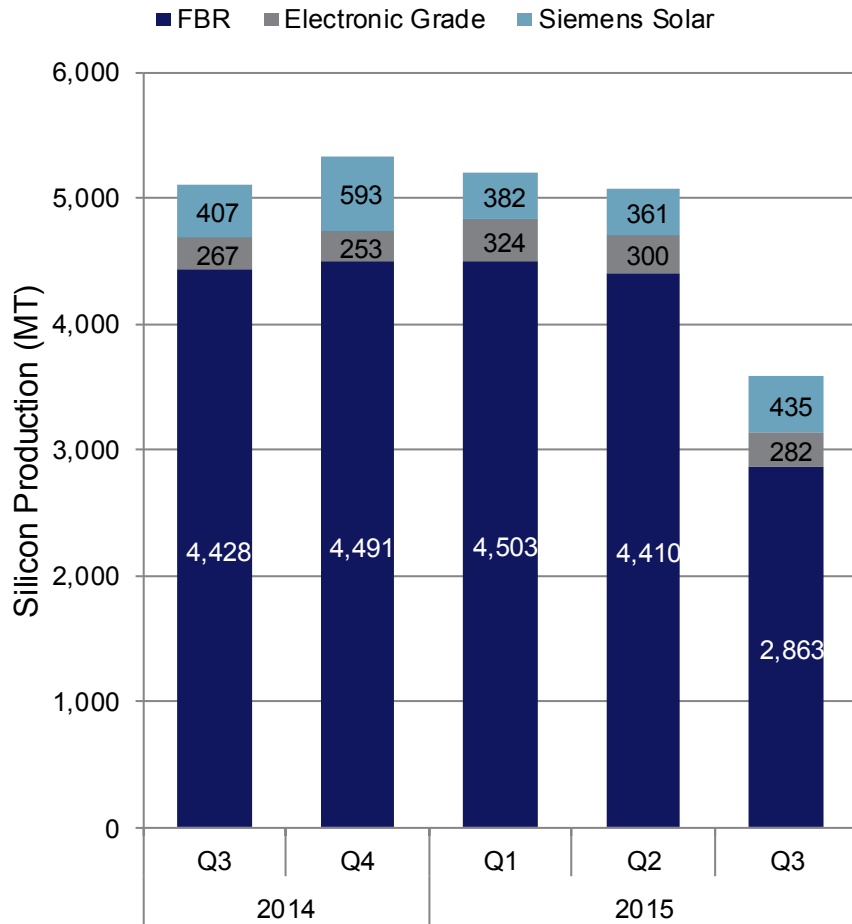
Semiconductor Production	
Actual	282 MT
Guidance*	330 MT
Deviation	- 14.6%

Silicon Gases Sales Vol.	
Actual	642 MT
Guidance*	720 MT
Deviation	-10.9%

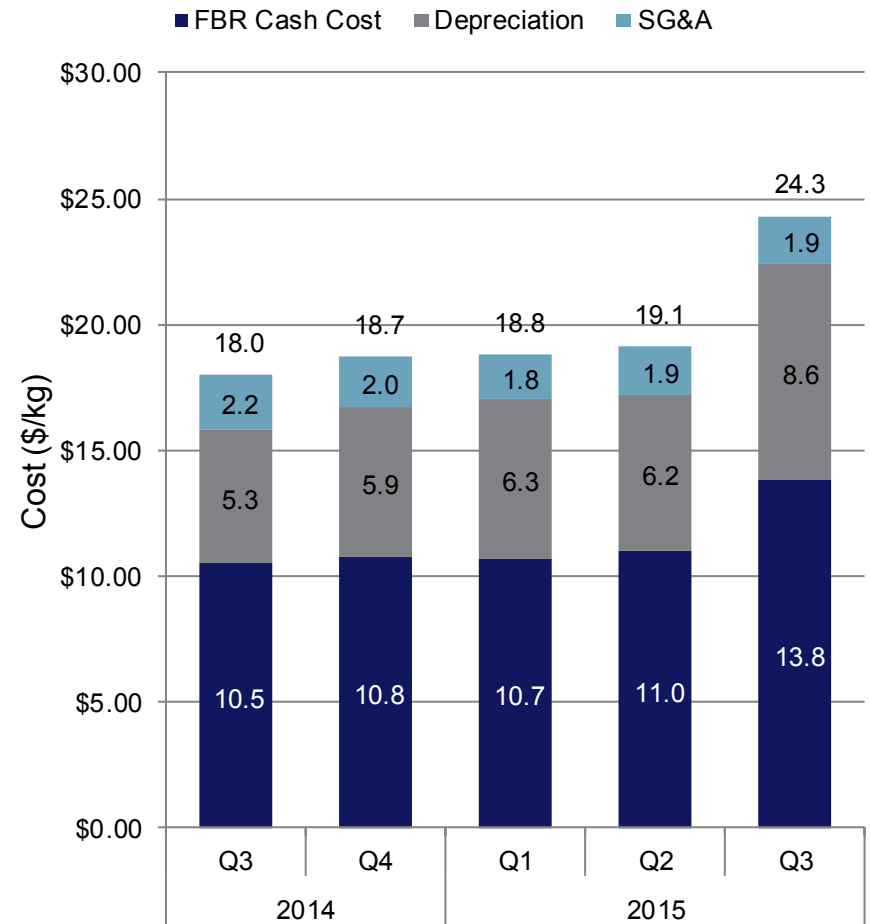
* Guidance presented July 16, 2015

Q3 Production and FBR Cost Impacted by Silane III Shutdown

Polysilicon Production



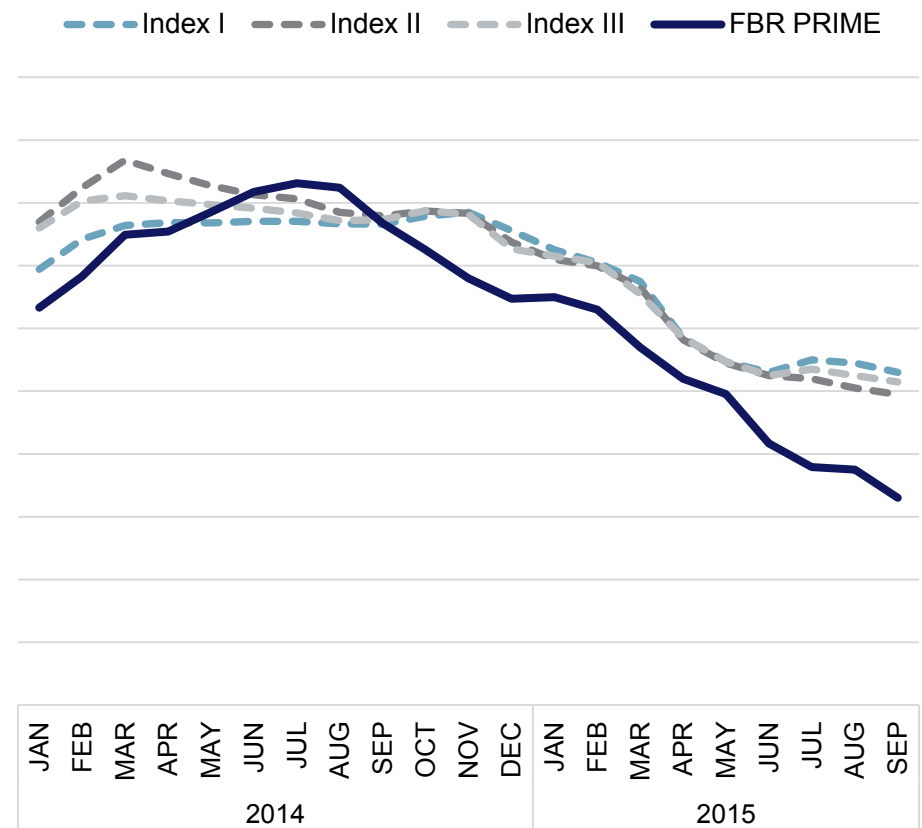
FBR Cost



Q3 2015 Polysilicon ASPs Continued Downward Trend

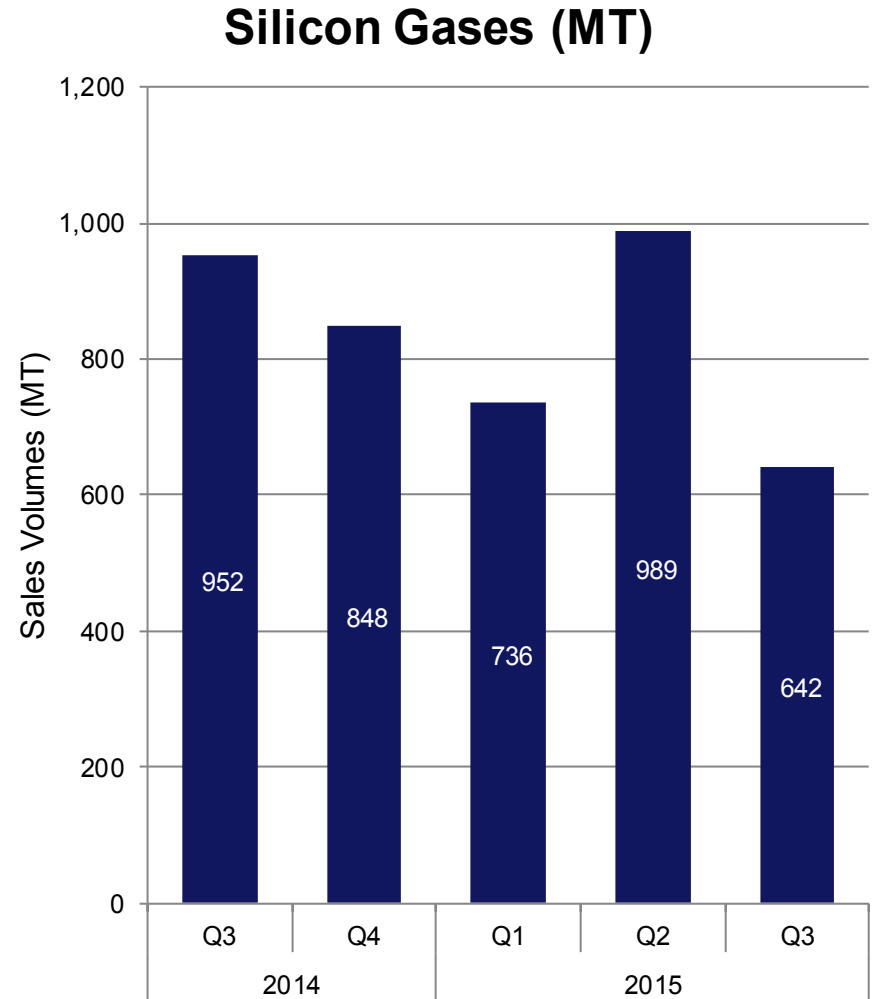
- › REC Silicon average Solar Grade sales price decreased 13% from Q2 '15
- › Discount to spot reflects customer leverage
 - › Trade war
 - › Surplus supply-chain inventory
- › Anticipate increased Q4 '15 end-use demand to push spot pricing slightly higher

FBR Prime vs. Spot Indices



Silicon Gas: Impacted by Forward Sales – Demand Remains Strong

- › Silicon Gas Sales Volumes 642 MT
 - 35% volume decrease vs. Q2 '15
 - 17% avg. price increase vs. Q2 '15
- › Overall Silicon gas demand on track
 - Slow Q3 '15 a result of forward sales in Q2 '15
 - Forward sales likely to impact Q4 '15 and Q1 '16 sales

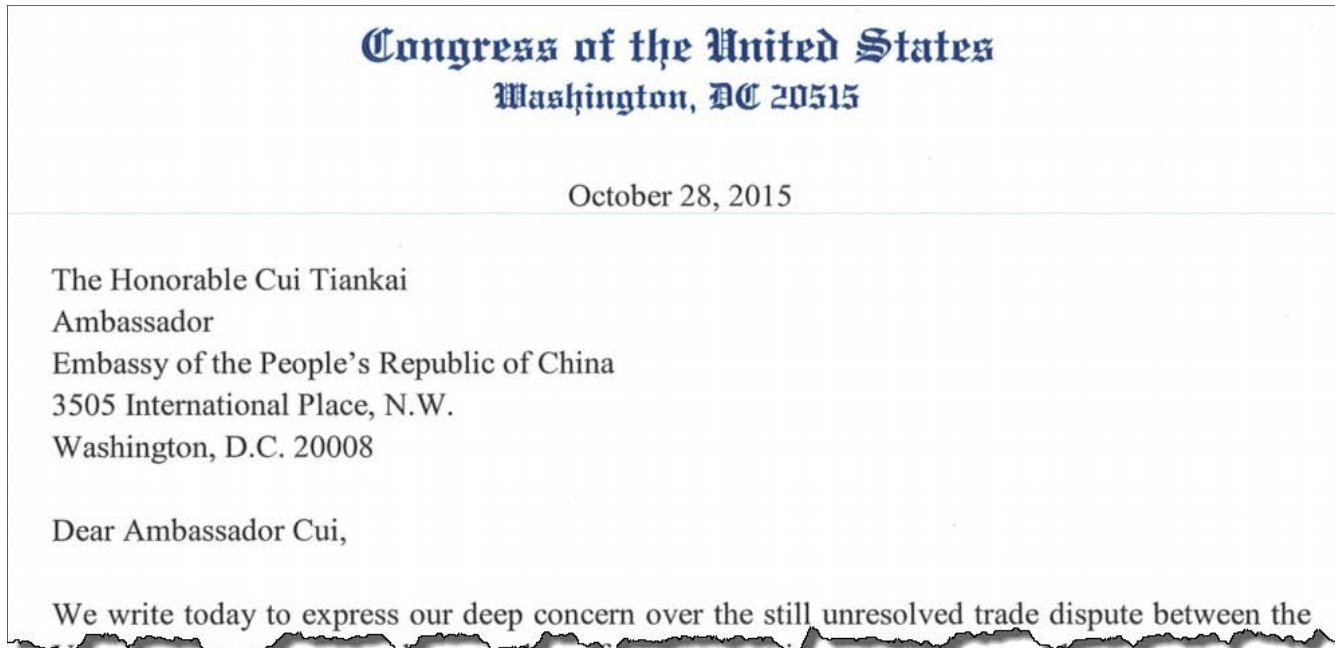




U.S. China Trade War

U.S. / China Trade War: Resolution is in Motion

- › SolarWorld & Chinese Panel makers - a confidential “commercial deal” to settle Solar Panel dispute in August, 2015
- › U.S. Government consent & involvement required to make withdrawal of U.S. Duties on Chinese solar panels and this deal a reality in the U.S.
- › U.S. Government Concrete Condition: ***China market access is required for all U.S. Polysilicon makers for this to happen***



Call for Trade
Settlement with
China on U.S.
Polysilicon
- October 28

Big win for China with a Package Solar Resolution Deal

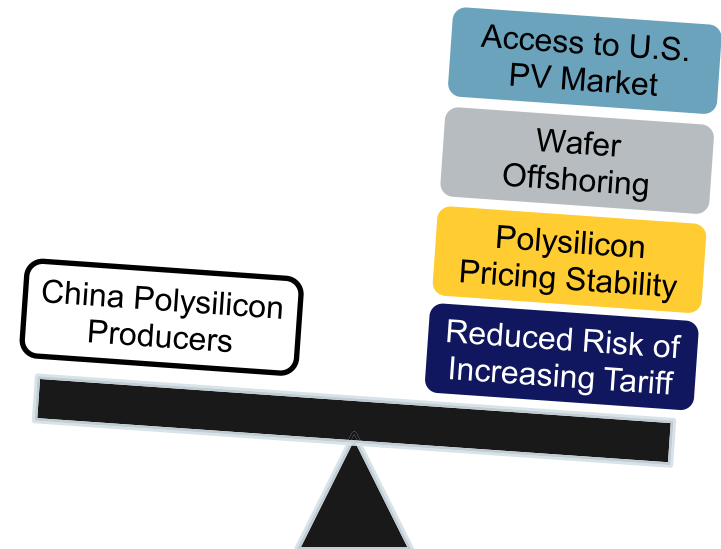
What the resolution package means:

- › Improved access to valuable U.S. panel market
- › Current U.S. Duties significant cost to Chinese panel makers
- › Eliminate risk of retrospective U.S. Duty hikes
- › Without a deal the U.S. Duties will continue to handicap Chinese panels in future
- › Polysilicon shortage looming in China with poly prices \$2-5 higher than the ROW
- › Needed growth in wafer capacity expected outside of China without trade war resolution

Timing?

- › Consensus building in China and internal processes underway

Resolution Benefits Many





Market Outlook

Demand Estimates Up from Original 2015 estimates

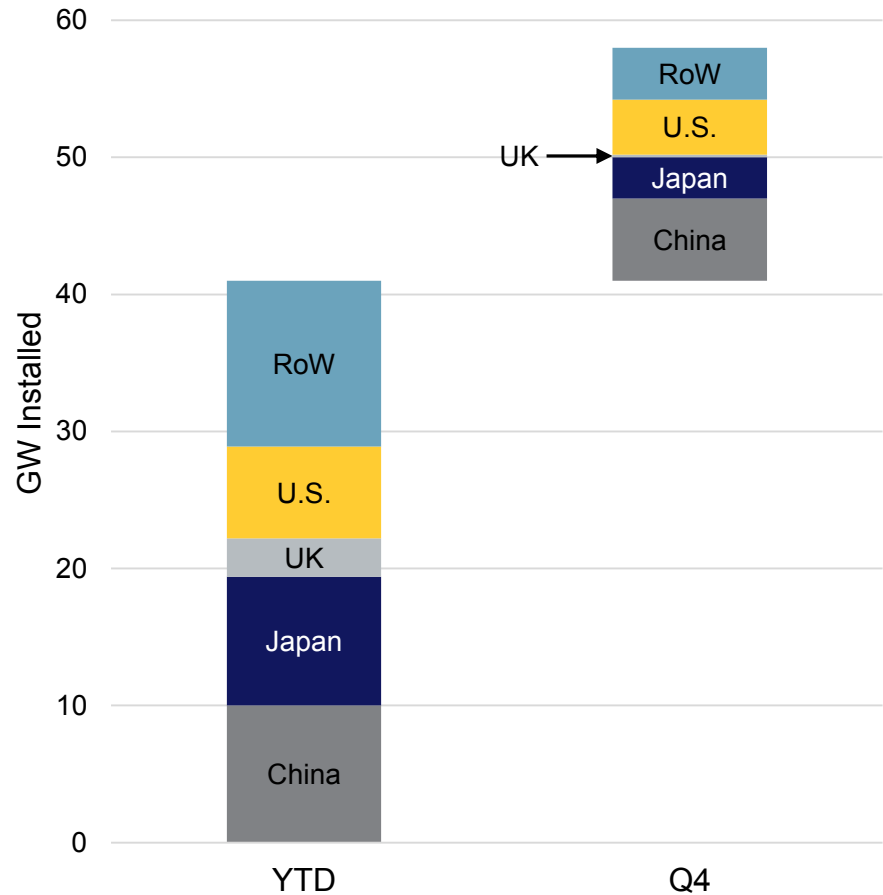
58 GW Installation Forecast

- › 45% increase from 2014 actuals
- › ~41 GW installed through Q3
- › ~17 GW in Q4

Q4 Drivers

- › **China:** Q4 expected to be strong
 - 6 GW
- › **U.S.:** possible ITC expiration accelerating timing of utility scale development
 - 4 GW
- › **Japan:** restart of nuclear capacity and FiT reductions drive near term demand
 - 3 GW
- › **India:** national tender process in place, increased demand expected into 2016
 - 1.7 GW

2015 PV Installation Forecast



Source: GTM Research, October 2015

Expected PV Demand Growth: 15% - 23% annually

› Cost-competitiveness

- › Falling solar costs compared to other resources

› High electricity prices

- › Retail and wholesale rates in key markets are high enough to support PV globally

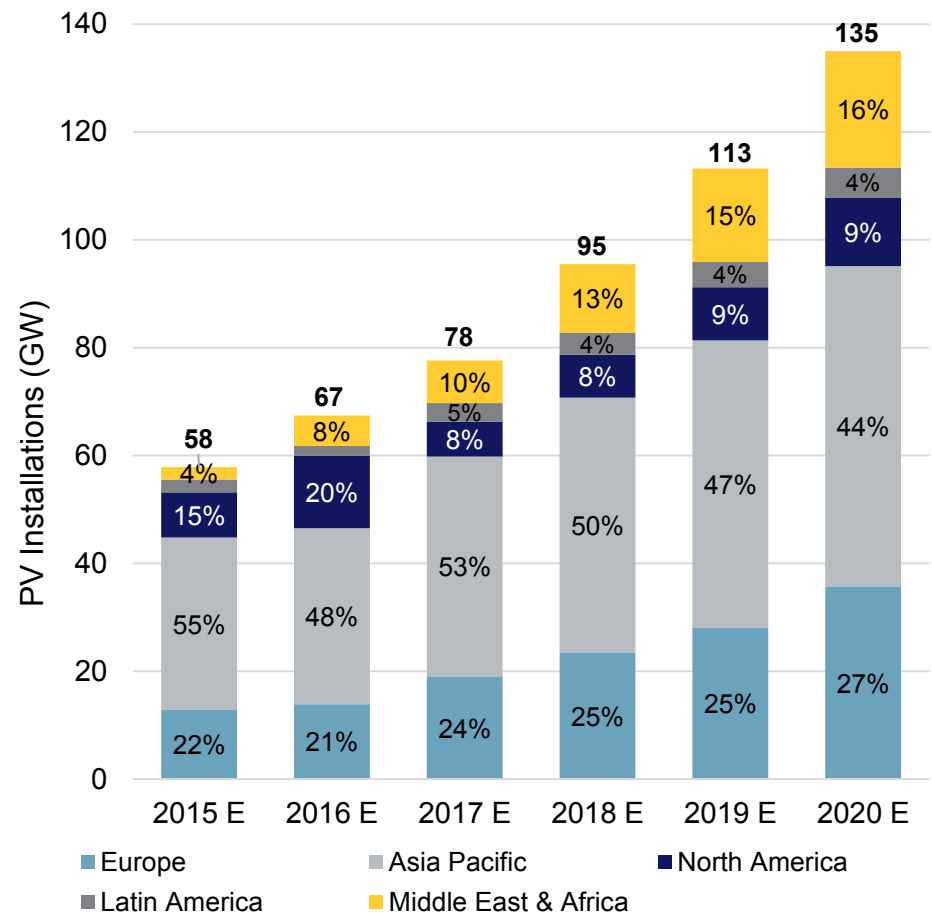
› Structural factors

- › High growth in high isolation areas
- › Large gross demand needs globally

› Cost of capital

- › Increasing access to cheaper finance, capital markets and the use of portfolio-based funds

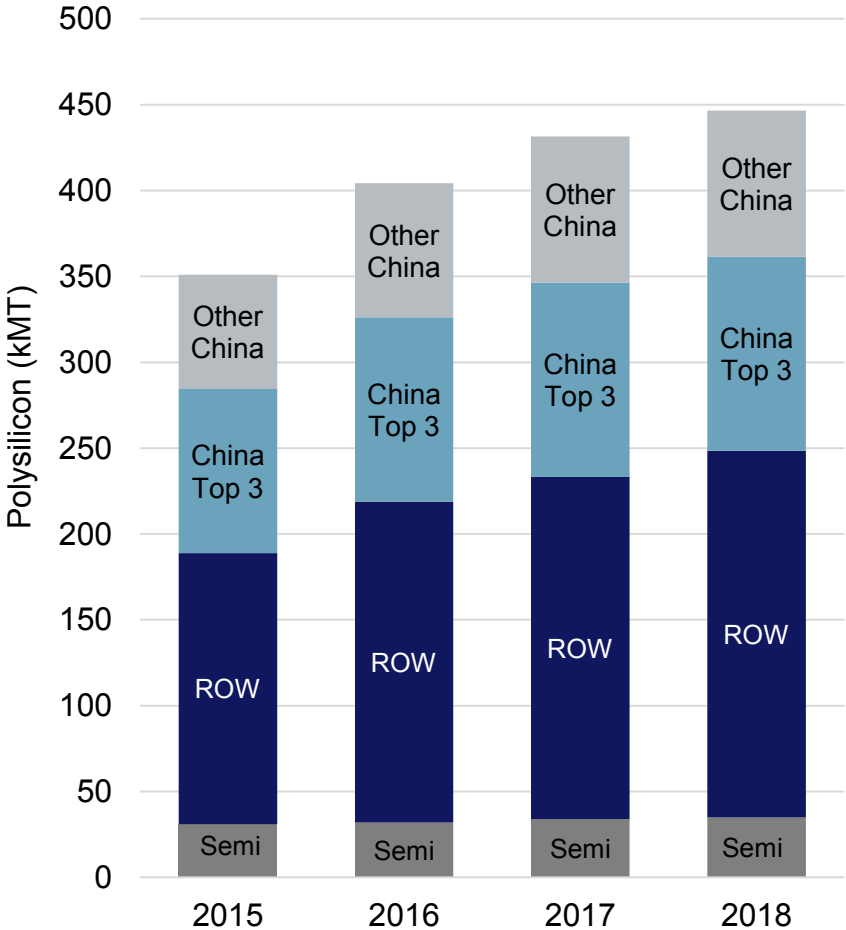
Forecasted PV Installations and Share by Region



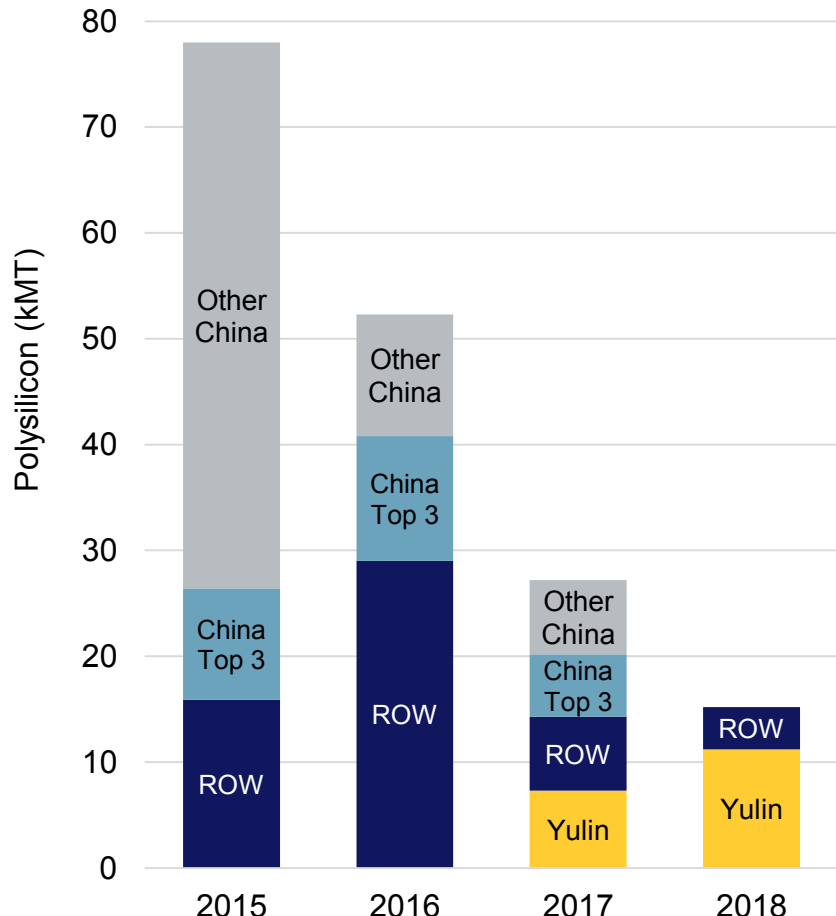
Source: GTM Research, October 2015

Limited Additional Polysilicon Capacity Expected in Coming Years

Total Polysilicon Supply



Near-term Expansion



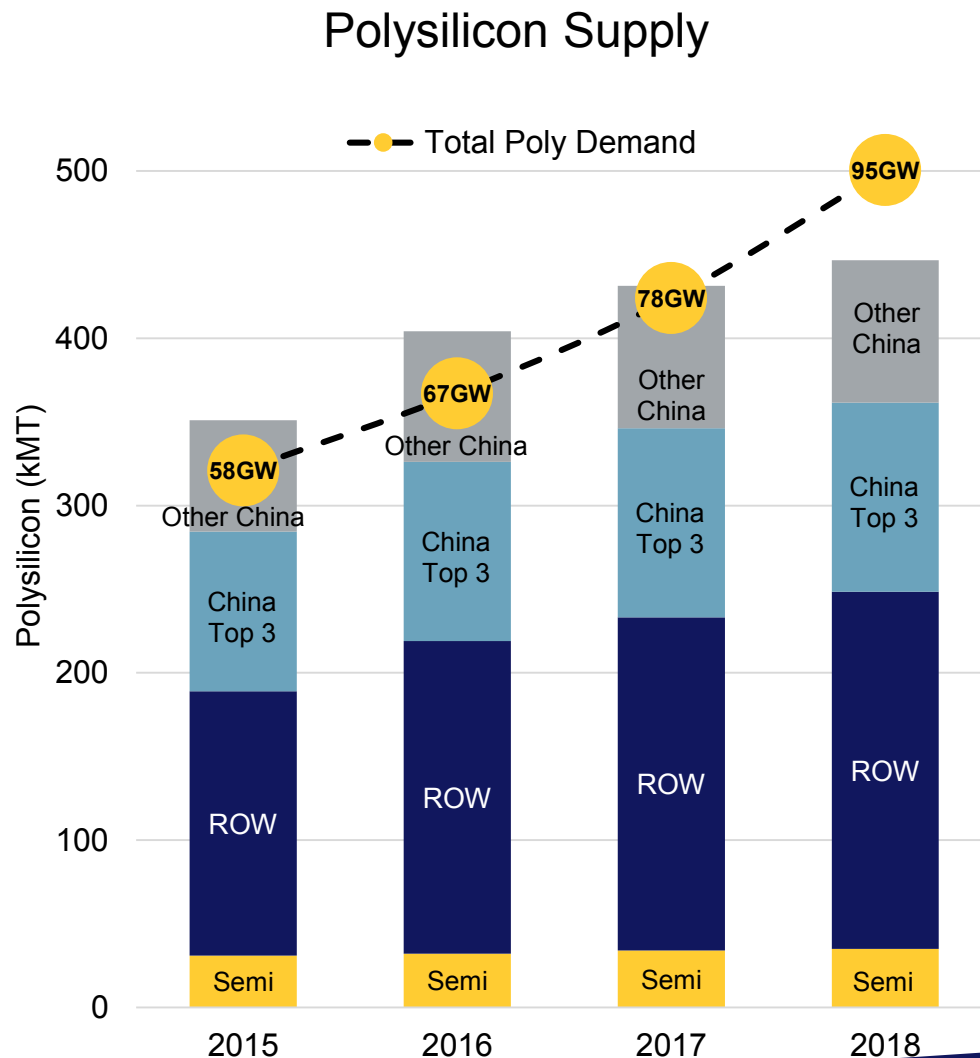
Source: Financial reporting, industry analysts, REC Internal database

Access to Polysilicon will be the Limiting Factor in PV Growth

Polysilicon near-term Supply Demand

- › GTM Research Installed PV demand estimates
 - › growth 15% – 23% annually
- › Balanced supply and demand by year-end 2016

Source: PV Demand GTM Research October 2015 and Internal REC database.
Note: PV poly demand based on 5 g/w through 2017 4.9g/W in 2018





Financial Review

RECSILICON

Q3 2015 Key Financial Results

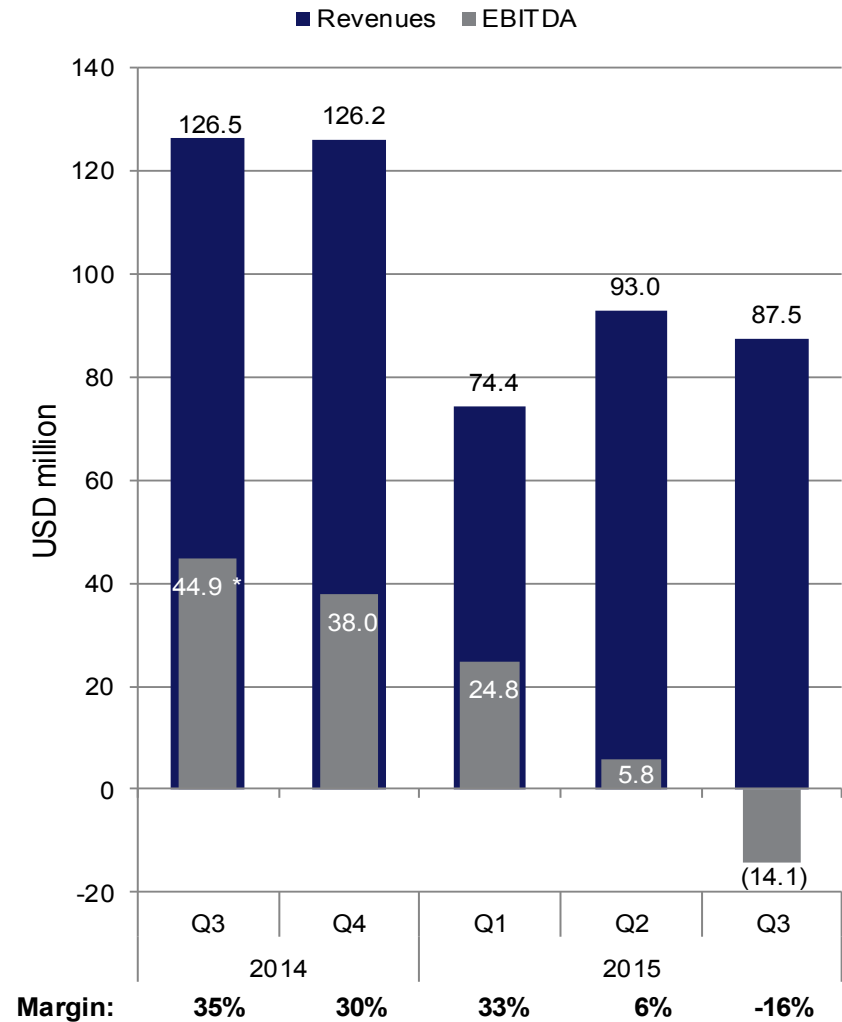
Revenues - \$87.5 M

- › Increased Polysilicon Sales Volumes
 - 18% Sales Volume Increase from Q2'15
 - 13% Solar Grade Price Decrease from Q2'15 (Excluding Fines & Powders)

- › Silicon Gas Sales Volumes 642 MT
 - 35% Sales Volume Decrease from Q2'15
 - 17% Price Increase Compared to Q2'15

EBITDA – Loss of (\$14.1 M)

- Higher Polysilicon Volumes
- Lower Polysilicon Prices
- Higher Unit Costs due to Silane III Shutdown



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

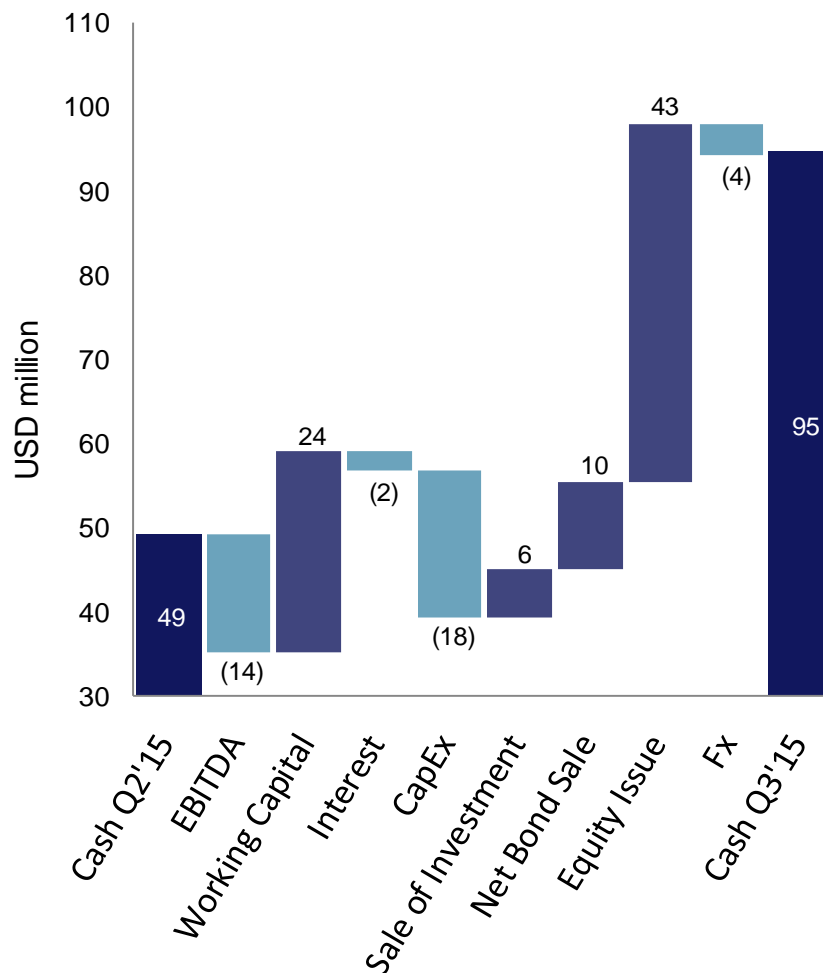
Q3 2015 Cash Flows

Cash Flows From Operating Activities \$8 M

- › EBITDA - Loss of (\$14.1 M)
- › Working Capital Decrease \$23.9 M
 - Decreased Inventories \$14.7 M
 - Decreased Accounts Receivable \$8.1 M
 - Increased Accounts Payable \$1.1 M
- › Interest payments (\$2.1 M)

Cash Flows From Financing Activities \$53 M

- › Debt - \$10 M
 - Sale of NOK 155 M REC03
 - Redemption of NOK 55 M REC02
 - Transaction Costs of NOK 1.3 M
- › Equity - \$43 M
 - Issuance of 230 Million Shares at NOK 1.55 per Share
 - Gross Proceeds of NOK 356.5 M
 - Transaction Costs of NOK 7.8 M



Debt Situation at September 30, 2015

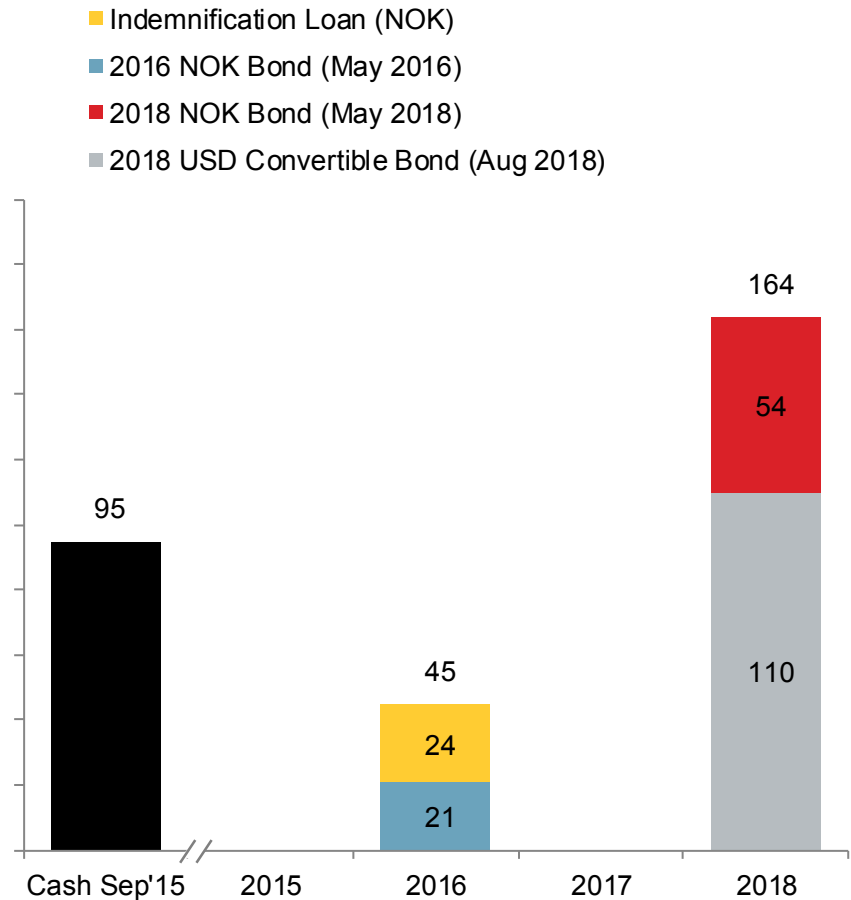
Nominal Net Debt - \$114 M

- › Decreased by \$40.8 M from Q2'15
 - › Increase in Cash of \$45.5 M
 - › Increase in Nominal Debt of \$4.7

Nominal Debt - \$208 M

- › Increased by \$4.7 M from Q2'15
 - › Increased by \$10.4 M due to:
 - › Repurchase of NOK 55 M REC02
 - › Sale of NOK 155 M REC03
 - › Decreased by \$5.7 M due to Stronger US Dollar

USD million





Yulin JV Update

Yulin JV – On Track

- › Equipment tendering in progress, >50% issued or awarded
- › Bids awarded for major items and fabrication has begun
- › Major site piling completed in November
- › Critical excavation and foundation work started
- › Mechanical construction to start after 2016 Chinese New Year holiday
- › Negotiations on-going to defer equity contribution



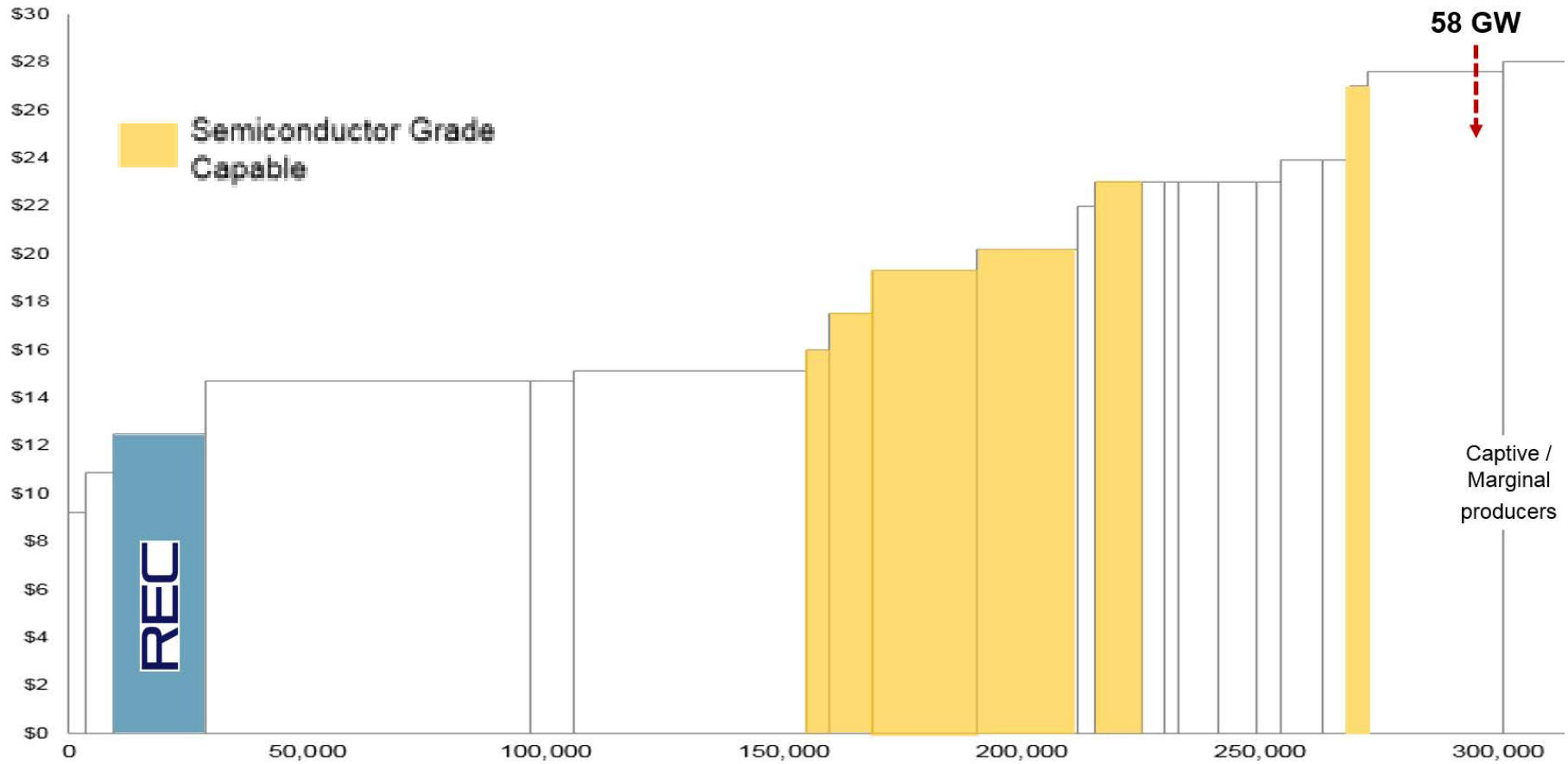
Yulin JV Administrative buildings
October, 2015



Near-term Strategy

REC Remains Low Cost Polysilicon Producer

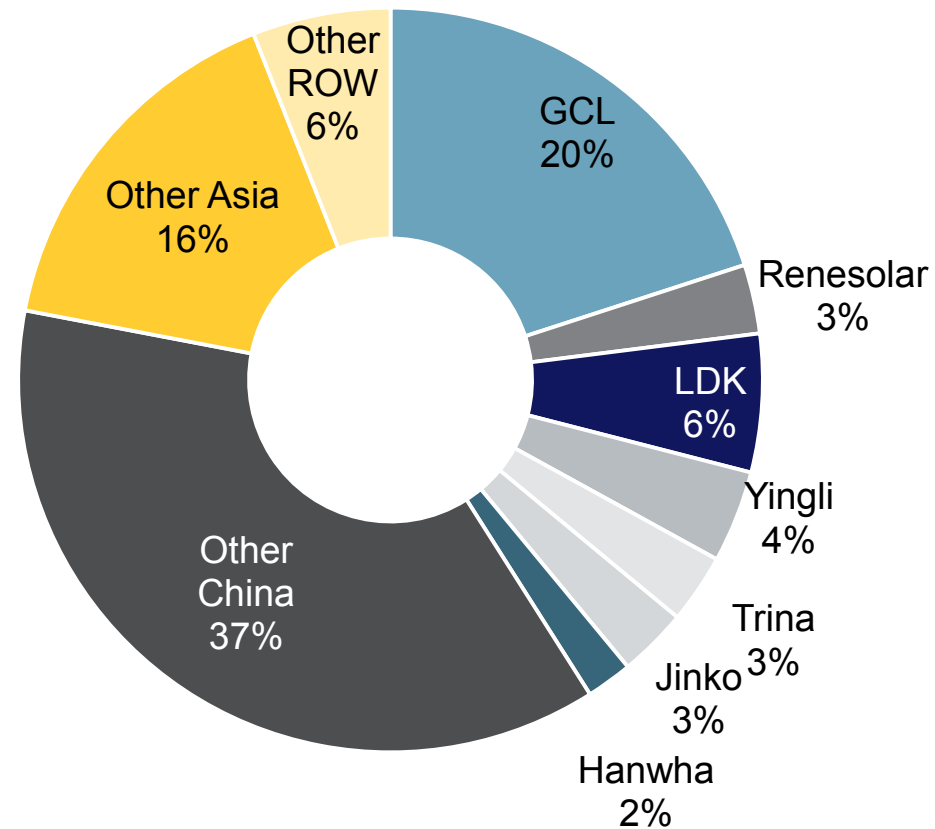
- › Low spot prices due to excess inventory but expected to increase with drawdown
- › Cash cost for non U.S. producers has dropped due to currency changes



Source: REC internal database; spot price is average of industry indices

Approximately 20% of Silicon Wafers Produced Outside China

- › 2015 Wafer capacity estimated at 70 GW
- › China accounts for 78% of wafer production
- › Wafer capacity outside China ~ 75k MT polysilicon

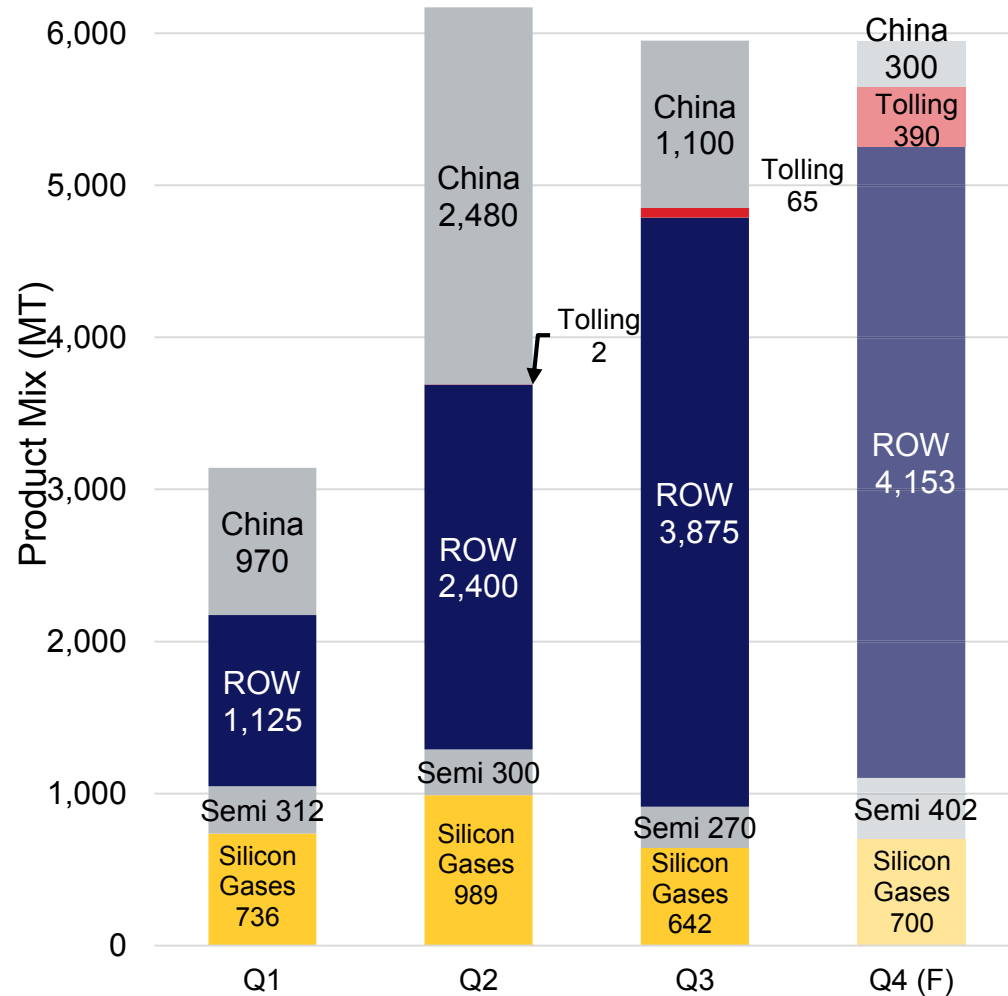


Source: GTM Research.

Continuing to Reduce Reliance on China

Increased Sales to Rest of World

- › Polysilicon prices discounted to gain Rest of World Share
- › Discounted pricing expected to diminish as polysilicon demand increases



Decreased Inventory Levels in 2nd Half of 2015

Inventory Increases through 1st Half

Due to:

- › Trade War (limited access to China)
- › Excess polysilicon supply

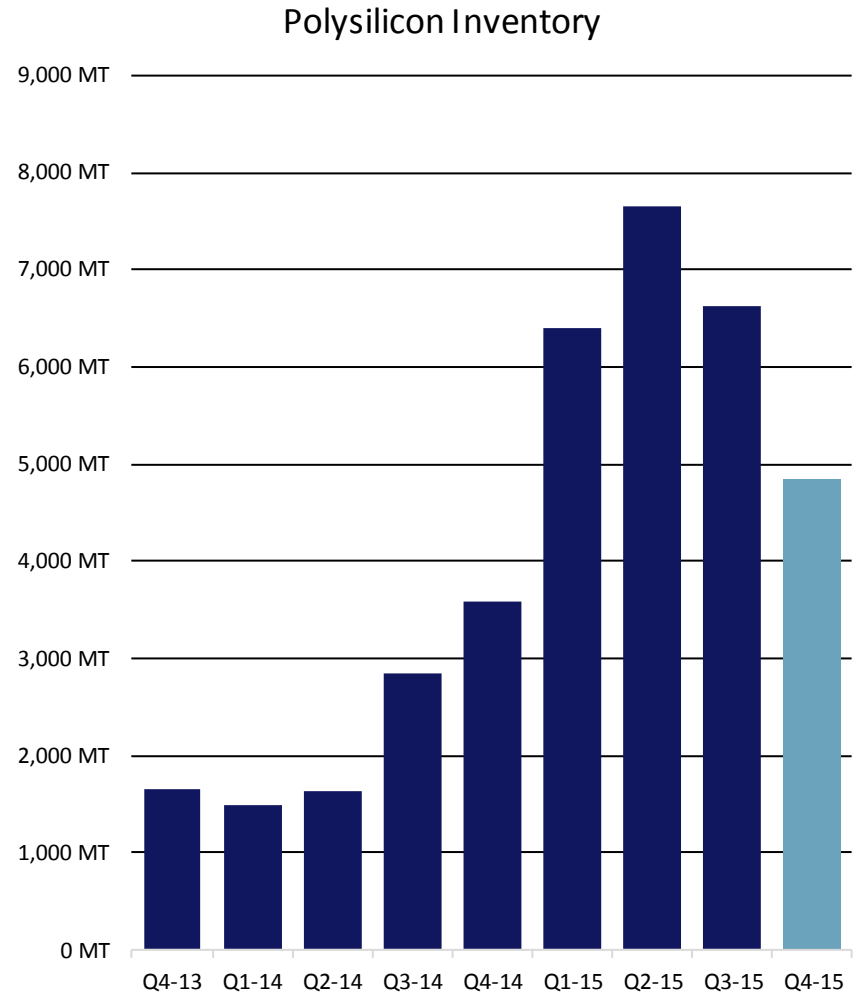
2nd Half Inventory Reduction

Due to:

- › Lower production (Silane III shutdown)
- › Increased sales (18% Q3 increase)
- › 1,026 MT decrease in Q3 2015
- › 1,700 MT decrease expected Q4

Target Inventory Levels:

- › ~60 Days supply (3,000 MT)

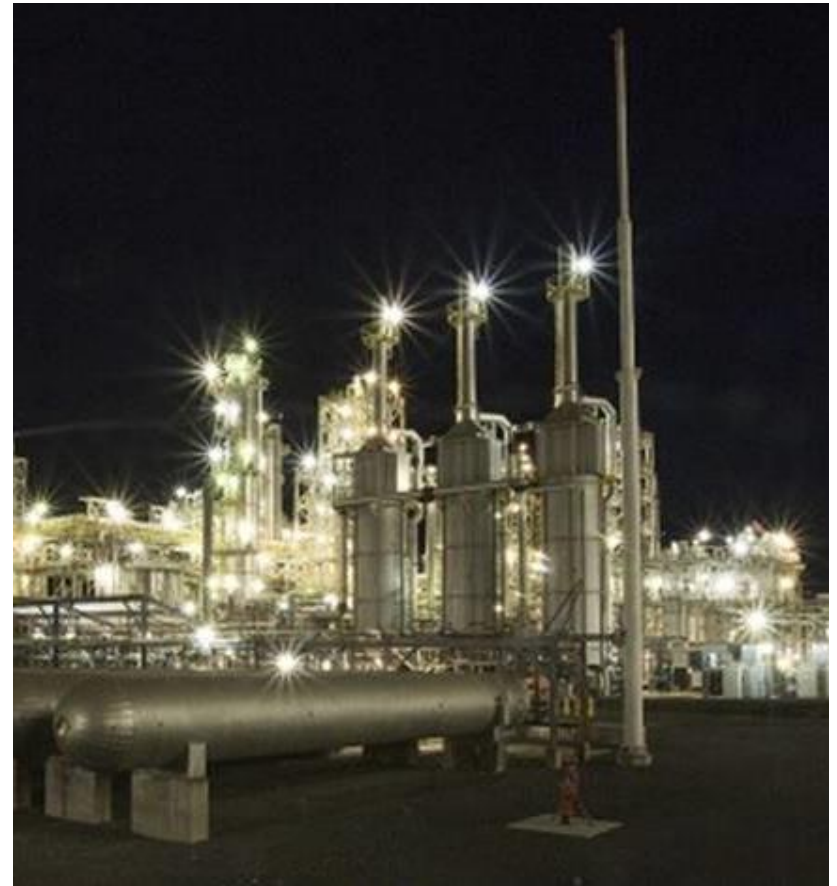


Sufficient Liquidity Expected Without Trade War Resolution

- › Cost and Efficiency Improvements
 - Headcount Reduction
 - Defer Planned Maintenance Outages
 - Limit Capital Expenditures
 - Delay Expenditures Where Possible

- › Gradual Solar Grade price increases
 - Supply/Demand balance tightening

- › Full FBR capacity from January 2016
 - Restart dependent on:
 - Trade War status
 - Market Conditions





Guidance

Updated Q4 and 2015 Guidance

FBR Production

Q4	2,220 MT
2015	14,000 MT

FBR Cash Cost

Q4	\$17.1/kg
2015	\$12.4/kg

Silicon Gas Sales

Q4	700 MT
2015	3,060 MT

Semiconductor Production

Q4	300 MT
2015	1,210 MT

Total Polysilicon Production

Q4	2,980 MT
2015	16,840 MT

CapEx

Maintenance	\$14 M
Expansion	\$41 M
2015 Total	\$55 M



Q4 2015 Reporting
February 12, 2016