



RECSiLICON



FIRST QUARTER  
**2016**

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REPORT

## FIRST QUARTER HIGHLIGHTS

(Compared to Fourth Quarter 2015)

- > Revenues of USD 68.8 million and EBITDA Loss of USD 13.4 million
  - Polysilicon Sales Volumes of 3,857 MT (41% Increase)
  - 6% Solar Grade Polysilicon Sales Price Increase
  
- > Polysilicon Production Lower due to Capacity Curtailment in Moses Lake
  - Total Polysilicon Production of 1,937 MT (36% Decrease)
  - Polysilicon Inventory Decline of 1,925 MT
  - FBR Cash Cost of 24.8 USD/kg
  
- > Silicon Gas Sales
  - Sales Volume of 531 MT (25% Decrease)
  - 1% Silane Gas Price Decrease
  
- > March 31, 2016 Cash Balance of \$101.5 million
  - Improved Liquidity due to Working Capital Reductions
  - Capable of Meeting 2016 Debt Maturities
  - Indemnification Loan Not Called in First Quarter 2016
  
- > Restart of FBR Production in Moses Lake
  - Restart of Silane III May 2016 and Silane IV in June 2016
  - Capable of Running for Two Years Without Extended Maintenance Outage
  
- > Yulin JV on Track for Startup in Second Half 2017

## FINANCIAL HIGHLIGHTS

### Key financials - REC Silicon Group

(USD IN MILLION)	Q1 2016	Q1 2015	2015	Q4 2015
Revenues	68.8	74.4	329.9	74.9
EBITDA	-13.4	24.8	-13.0	-29.6
EBITDA margin	-19.5%	33.4%	-4.0%	-39.5%
EBIT excluding impairment charges	-37.5	-11.5	-147.2	-60.1
Impairment charges	-0.0	-0.0	-151.6	-151.5
EBIT	-37.5	-11.5	-298.8	-211.6
EBIT margin	-54.5%	-15.5%	-90.6%	-282.4%
Profit/loss before tax from continuing operations	-80.2	32.2	-190.1	-190.4
Profit/loss from continuing operations	-64.4	46.7	-62.8	-111.9
Profit/loss from discontinued operations, net of tax	0.0	-0.6	0.2	-0.0
Earnings per share from continuing operations, basic and diluted (USD)	-0.03	0.02	-0.03	-0.04
Polysilicon production in MT (Siemens and granular)	1,937	5,210	16,883	3,022
Polysilicon sales in MT (Siemens and granular)	3,857	2,390	13,460	2,740
Polysilicon (Multicrystalline Bricks) in MT	0	0	482	414
Silicon gas sales in MT	531	736	3,076	709

## REC SILICON

REC Silicon produces polysilicon and silicon gases for the solar and electronics industries at plants in Moses Lake, Washington and in Butte, Montana. REC Silicon targets polysilicon production of 14,730 MT in 2016 and employs approximately 640 people.

First quarter 2016 revenues were USD 68.8 million compared to USD 74.9 million in the fourth quarter of 2015. Lower revenues for the first quarter reflect lower sales volumes of multi-crystalline polysilicon bricks and silicon gas compared to the prior quarter. This was offset by higher average prices and sales volumes of polysilicon.

Total polysilicon sales volumes were near expectations and increased by 41 percent to 3,857 MT compared to 2,740 MT in the fourth quarter of 2015. Although the Company's access to Chinese markets continues to be restricted, increased polysilicon sales volumes demonstrate the Company's increasing success in penetrating markets outside of China. In addition, increases in average spot prices indicate that high polysilicon inventory levels throughout the supply chain caused by excess polysilicon supply have decreased and are near optimum levels. This led to a more robust competition between polysilicon consumers and upward pressure on polysilicon prices during the quarter. The average solar grade polysilicon prices realized by the Company increased by 6 percent compared to the prior quarter.

REC Silicon's polysilicon inventories declined by 1,925 MT due primarily to the curtailment of FBR production at the Company's Moses Lake production facility. In addition, strengthening polysilicon demand contributed to increased collections of accounts receivable during the quarter.

Silicon gas sales volumes during the first quarter of 2016 decreased by 25 percent to 531 MT from 709 MT during the fourth quarter of 2015. Silicon gas sales volumes were 69 MT below announced targets of 600 MT. Demand for silicon gases continues to be strong, however, forward sales during the second quarter of 2015 continued to impact sales volumes. First quarter 2016 silane gas sales prices decreased by 1 percent compared to the fourth quarter of 2015 due to higher sales volumes into PV applications which resulted in lower average prices.

Total polysilicon production volume in the first quarter decreased to 1,937 MT (36 percent decline) compared to 2,740 MT during the fourth quarter of 2015. Production volumes were impacted by the curtailment of production capacity at the Moses Lake facility previously announced. Accordingly, FBR cash production cost increased to 24.8 USD/kg compared to 16.5 USD/kg in the fourth quarter. High FBR cash costs for the period were a result of low production volumes and do not reflect the low cost capability of the Company's FBR technology demonstrated during previous periods. Siemens solar grade and semiconductor grade polysilicon production increased by 9 percent to 763 MT during the first quarter.

EBITDA for the first quarter of 2016 was a loss of USD 13.4 million compared to a loss of USD 29.6 million in the fourth quarter of 2015. The loss in the current quarter primarily reflects decreased manufacturing efficiency caused by lower production volumes due to the curtailment of FBR production at the Company's manufacturing facility in Moses Lake, WA. EBITDA increased compared to the prior quarter due to bad debt expense and inventory write downs in the fourth quarter of 2015 of approximately USD 13.1 million. However, low solar grade polysilicon sales prices continue to result in low product sales margins.

## MARKET DEVELOPMENT

First quarter 2016 solar grade polysilicon demand demonstrated improved balance of supply and demand as anticipated. Average spot prices increased as continued robust wafer demand was driven by anticipated strong growth in end use PV demand. In turn, the drawdown of excess polysilicon inventories accelerated and marginal polysilicon producers continue to struggle to maintain operations in the face of negative cash margins forcing some existing capacity offline. However, the resale of polysilicon from firm long term polysilicon supply contracts and regional market imbalances caused by the trade war between the US and China continue to dampen the magnitude of polysilicon price increases.

According to external sources, total PV installations for 2016 are estimated between 66 GW and 68 GW. First quarter PV installations are estimated near 14 GW while wafer production is estimated at approximately 17 GW demonstrating the effects of increasing utilization of wafer capacity primarily outside of China. Spot price estimates published by multiple third party sources increased for the last 10 consecutive weeks of the first quarter for the first time since the beginning of 2014. Spot prices increased by approximately 4 percent compared to the prior quarter and were in a range from 13.5 to 14.5 USD/kg at the end of March. Customers continue to express an interest in forward pricing contracts which demonstrates confidence in estimates of demand growth and increased pricing in the near term.

The trade dispute between the United States and China continues to cause imbalances between regional markets and has resulted in high spot prices in China. Subsequent to the end of the first quarter, the Chinese PV industry has reported Polysilicon shortages with spot prices approaching 17 USD/kg.

REC Silicon's successful efforts to shift sales to polysilicon consumers outside of China have resulted in increased crucible share at key customers, the completion of new customer qualifications, and increased sales to existing customers as wafer capacity utilization outside China continues to grow.

Markets for semiconductor grade polysilicon remained broadly unchanged during the first quarter of 2016. The semiconductor polysilicon market is dominated by firm sales contracts which drive market stability over shorter time periods. The spot market is small and continued soft demand is limiting REC Silicon's spot sales opportunities to the most specialized of products and applications.

First quarter demand for silicon gases exhibited normal seasonal weakness but remained strong overall. Demand growth for silicon gases continues to be driven by increasing PV demand and the addition of flat panel display production capacity in China. However, demand growth is lagging in certain areas due to the timing of technology adoption and product qualification. REC Silicon shipments for the first quarter of 2016 were adversely impacted by forward sales of silicon gases during the second quarter of 2015. Regional competitors continue to put pressure on pricing as they attempt to capture market share.

## RESEARCH AND DEVELOPMENT

REC Silicon incurred R&D expenses of USD 1.7 million during the first quarter of 2016 compared to USD 2.0 million during the fourth quarter of 2015.

Due to the temporary curtailment of silane production in Moses Lake, the Process Development Facility was operated only during January. However, test results obtained indicate the potential for further development of the FBR technology. Results show a clear potential for increased productivity by changing operating parameters within the constraints dictated by existing equipment. Work to establish operating procedures, refine process controls, and to optimize alternatives is underway.

For the silane process, fundamental studies on hydrogenation kinetics are being conducted in order to improve the ability to control and optimize conditions within the hydrogenation reactors. The goal is to increase throughput and to broaden the flexibility within raw materials specifications.

Results of efforts to improve analytical capabilities for silicon gases are being implemented. The development and testing of additional improvements in analytical capabilities is ongoing. These improvements are expected to improve process controls which will allow enhanced productivity while maintaining product quality standards.

## FINANCIAL ITEMS

Net currency gains and (losses) relate primarily to internal loans (loans of approximately USD 0.9 billion at March 31, 2016) that are not eliminated on consolidation.

See note 6 for additional information on borrowings.

### Financial items - REC Silicon Group

(USD IN MILLION)	Q1 2016	Q1 2015	2015	Q4 2015
Financial income	0.3	0.8	3.4	1.7
Interest expenses on borrowings	-3.5	-3.2	-13.7	-3.6
Capitalized borrowing cost	0.9	0.8	3.7	1.1
Expensing of up-front fees and costs	-0.0	-0.0	-0.2	-0.0
Other financial expenses	-0.2	-0.4	-1.1	0.0
Net financial expenses	-2.9	-2.9	-11.2	-2.5
Net currency gains/losses	-42.1	57.3	115.1	23.1
Fair value adjustment convertible bonds	2.7	-9.9	3.3	-0.0
Net financial items	-41.9	45.3	110.5	22.3

## INCOME TAX

REC Silicon reported an income tax benefit from continuing operations of USD 15.8 million for the first quarter of 2016. The tax benefit is due to a decrease in deferred tax liabilities caused by the taxable loss of USD 80.2 million during the first quarter of 2016. The taxable loss consists of an EBITDA loss of USD 13.4 million and depreciation, amortization and impairment of USD 24.1 million primarily associated with operations in the United States. In addition, the Company recognized USD 0.8 million for its share of the Yulin JV's loss, net financial expenses of USD 2.9 million, financial income of USD 0.3 million, and a gain of USD 2.7 million for adjustments to the carrying value of the USD convertible bond. The tax effects of net currency losses of USD 42.1 million primarily for the parent Company during the first quarter of 2016 were offset by an increase in unrecognized deferred tax assets and resulted in income with no effective tax impact.

## CASH FLOW

Net cash flow from operating activities was USD 2.4 million in the first quarter of 2016. Cash inflows were due to a decrease in working capital of USD 19.0 million. Working capital decreases consisted primarily of a decrease in inventories of USD 16.0 million and customer collections in excess of sales of USD 13.5 million. The decrease in inventories reflects a decrease in polysilicon inventories of 1,925 MT due to continuing sales while production capacity at the Moses Lake facility has been halted. Decreases in cash include an EBITDA loss of USD 13.4 million, interest payments of USD 2.2 million, and a decrease in accounts payable of USD 10.5 million.

Net cash outflow from investing activities consisted of capital expenditures of USD 1.6 million for the first quarter of 2016.

The net currency exchange effect on cash balances for the period resulted in a gain of USD 5.2 million due to the impact of a weaker US dollar on cash deposits in NOK.

Cash balances increased by USD 6.1 million to USD 101.5 million at March 31, 2016.

## FINANCIAL POSITION

Shareholders' equity decreased to USD 898.2 million (74 percent equity ratio) at March 31, 2016, compared to USD 921.0 million (75 percent) at December 31, 2015. This decrease was primarily a result of the loss from total operations of USD 64.4 million. The remaining changes were a result of net currency gains of USD 41.8 million included in other comprehensive income.

Net debt decreased by USD 2.6 million to USD 83.7 million at March 31, 2016, from USD 86.3 million at December 31, 2015. This decrease was primarily the result of the increase in cash balances of USD 6.1 million discussed above offset by higher carrying values of the Company's NOK denominated debt due to a weaker US dollar which increased net debt by USD 3.5 million compared to the prior quarter.

Net debt includes convertible bonds at fair value. Including bonds at nominal value, nominal net debt remained unchanged from the prior quarter at USD 109 million at March 31, 2016.

See note 17 to the consolidated financial statements for 2015 and note 6 to this report for further information on interest bearing liabilities.

## RISKS AND UNCERTAINTIES

Please refer to the annual report for 2015, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

## MARKET OUTLOOK

Estimates of global end market demand for PV systems in 2016 have increased to 66 GW; an increase of approximately 7 percent compared to previous estimates of 64 GW (GTM Research). Second quarter 2016 end use demand is expected to be near 17 GW. Second half demand is expected to be higher and near 35 GW with lower demand in the third quarter due to policy changes in China. However, wafer capacity utilization is expected to remain near maximum to satisfy increases in end use PV demand through the remainder of 2016. The impact of excess polysilicon supply is expected to diminish as market expectations are realized.

Solar grade polysilicon capacity expansions are being implemented, however, net capacity expansions and restarts are expected to result in usable polysilicon supply increases near 17,000 MT in 2016 compared to increases of approximately 72,000 MT during 2015. Continued uncertainty exists especially with respect to competitor capacity additions of granular solar grade polysilicon, however, established polysilicon producers are debottlenecking to increase production as demand rises. Increases in end use PV demand and a potential shortage of wafer capacity are expected to result in more stable polysilicon consumption and the return of price elasticity to polysilicon markets.

However, relatively low prices for solar grade polysilicon will continue to cause marginal polysilicon producers to struggle to maintain liquidity. High cost polysilicon manufactures are realizing unsustainable margins and additional curtailments of polysilicon manufacturing capacity are expected until prices increase.

Second quarter 2016 semiconductor markets are expected to remain stable and result in little demand growth. The global economic slowdown will continue to adversely impact demand for consumer electronics and place downward pressure on the spot market. Accordingly, the spot market for semiconductor grade polysilicon is expected to remain weak and result in lower prices. Long term contracts and excess inventories will continue to be the limiting factors in demand realization for semiconductor grade polysilicon. However, limited opportunities for REC Silicon products in certain specialized applications will continue to be available.

Silicon gas demand forecasts indicate continued growth through the remainder of 2016. Demand will be driven primarily by growth in PV cell production. REC Silicon's shipments of silicon gases in future periods

**Production targets**

POLYSILICON PRODUCTION VOLUME (MT)	ACTUAL RESULTS Q1 2016	TARGETS Q2 2016	TARGETS 2016
Granular	1,175	1,370	11,770
Semiconductor Grade	351	190	1,650
Siemens Solar	412	460	1,310
Total	1,937	2,020	14,730
Silicon Gas Sales Volume (MT)	531	800	3,360

**Cost targets**

POLYSILICON PRODUCTION VOLUME	ACTUAL RESULTS Q1 2016	TARGETS Q2 2016	TARGETS 2016
FBR Cash Cost (USD/kg)	24.8	24.0	13.2

will no longer be impacted by forward sales of silicon gases from the second quarter of 2015. However, weakening demand for consumer electronics products could result in delays in the timing of anticipated growth. Regional silicon gas suppliers will continue to pursue additional market share through price reductions primarily in applications with lower entry barriers and less stringent product quality requirements. Silicon gas prices are expected to remain near current price levels, however, prices could decline as a result of competitive activities.

**GUIDANCE****PRODUCTION TARGETS**

REC Silicon targets polysilicon production of approximately 2,020 MT in the second quarter of 2016. Increased polysilicon production rates for the second quarter of 2016 includes the restart of Silane III in May and the restart of Silane IV in June. Total polysilicon product for 2016 is targeted at 14,730 and includes peak production rates for FBR production throughout the second half of 2016.

Silicon gas sales volumes are targeted at 800 MT for the second quarter of 2016 and remain at 3,360 MT in total for 2016. Forward sales from the second quarter of 2015 will no longer impact silicon sales volumes. In addition, continued strong demand will result in higher sales volumes for the remainder of the year.

**Cost Targets**

Because of the production curtailment at the Moses Lake facility, FBR cash production costs for the second quarter are expected to be near 24.0 USD/kg and do not represent the low cost capability of this facility demonstrated in previous reporting periods. The Company is using available resources to perform maintenance on production facilities during the curtailment which is expected to result in stable operations at high production rates subsequent to the restart of production during the second quarter of 2016. Accordingly, FBR cash costs are expected to be near 10.0 USD/kg during the second half of 2016 and result in cash cost of 13.2 USD/kg for all of 2016.

**INVESTMENT AND EXPANSION**

For 2016, capital expenditures are expected to be approximately USD 11 million including USD 3 million for expansion initiatives. This represents a decrease of USD 5 million compared to prior guidance due primarily to the completion of research and development activities to commercialize the second generation FBR technology (FBR-B).

Activities associated with all expansion projects have been halted due to market conditions. Ongoing expenditures associated with expansion initiatives consist only of items for which non-cancelable commitments exist.

Until market conditions improve, the Company will defer and delay capital spending when possible while maintaining safe operating conditions in order to maintain liquidity.

Activities associated with the Yulin JV are progressing as previously anticipated.

## FORWARD LOOKING STATEMENTS

This report contains statements regarding the future in connection with the Group's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and

many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group's activities described in section 'Risks and Uncertainties' above, in REC Silicon's Annual Report 2015, including the section Risk Factors in the Board of Directors' Report.

Fornebu, May 2, 2016  
Board of Directors

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTES	MAR 31, 2016	MAR 31, 2015	DEC 31, 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	2	21.4	24.1	21.9
Land and buildings	2	62.0	80.3	62.8
Machinery and production equipment	2	584.2	807.5	605.2
Other tangible assets	2	15.5	21.0	16.2
Assets under construction	2	65.2	40.7	65.8
Property, plant and equipment	2	727.0	949.4	750.0
Government grant assets		110.9	117.4	110.8
Other non-current receivables		4.1	8.7	4.1
Restricted bank accounts non-current		0.0	3.8	0.0
Financial assets and prepayments		4.1	12.5	4.1
Deferred tax assets		52.7	0.0	34.5
<b>Total non-current assets</b>		<b>916.0</b>	<b>1,103.4</b>	<b>921.2</b>
<b>Current assets</b>				
Inventories	5	125.6	170.5	141.6
Trade and other receivables	10	64.3	136.0	70.3
Current tax assets		0.0	0.4	0.0
Restricted bank accounts		3.9	1.0	3.7
Cash and cash equivalents		101.5	52.9	95.4
<b>Total current assets</b>		<b>295.4</b>	<b>360.8</b>	<b>311.0</b>
<b>Total assets</b>		<b>1,211.4</b>	<b>1,464.2</b>	<b>1,232.2</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTES	MAR 31, 2016	MAR 31, 2015	DEC 31, 2015
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Paid-in capital		3,158.0	3,115.3	3,158.0
Other equity and retained earnings		-2,259.8	-2,068.4	-2,237.0
Total shareholders' equity		898.2	1,046.8	921.0
<b>Non-current liabilities</b>				
Retirement benefit obligations		18.0	18.2	18.2
Deferred tax liabilities		6.2	82.4	5.5
Investments in Associates	3	28.9	24.2	28.5
Derivatives	4	0.0	2.5	0.0
Non-current financial liabilities, interest bearing	6	139.5	193.4	138.8
Non-current prepayments, interest calculation		1.1	2.9	1.1
Other non-current liabilities, not interest bearing		0.2	0.1	0.2
Total non-current liabilities		193.8	323.6	192.3
<b>Current liabilities</b>				
Trade payables and other liabilities		70.2	88.7	72.5
Derivatives	4	1.5	0.0	1.4
Current financial liabilities, interest bearing	6	45.8	-0.2	42.9
Current prepayments, interest calculation		1.8	5.2	2.0
Total current liabilities		119.3	93.8	118.9
Total liabilities		313.1	417.4	311.2
Total equity and liabilities		1,211.4	1,464.2	1,232.2

# CONSOLIDATED STATEMENT OF INCOME

## REC SILICON GROUP

(USD IN MILLION)	NOTES	Q1 2016	Q1 2015	2015
Revenues		68.8	74.4	329.9
Cost of materials	5	-12.1	-27.5	-96.1
Changes in inventories	5	-17.1	42.5	12.0
Employee benefit expenses		-21.8	-22.9	-89.5
Other operating expenses		-33.5	-41.7	-169.2
Other income and expenses		2.2	0.0	-0.1
EBITDA		-13.4	24.8	-13.0
Depreciation	2	-23.6	-35.5	-131.1
Amortization	2	-0.5	-0.8	-3.1
Impairment	2	0.0	0.0	-151.6
Total depreciation, amortization and impairment		-24.1	-36.3	-285.7
EBIT		-37.5	-11.5	-298.8
Share of profit/loss of investments in associates	3	-0.8	-1.5	-1.8
Financial income		0.3	0.8	3.4
Net financial expenses		-2.9	-2.9	-11.2
Net currency gains/losses		-42.1	57.3	115.1
Net gains/losses derivatives and fair value hedge		0.0	0.0	0.0
Fair value adjustment convertible bonds		2.7	-9.9	3.3
Net financial items		-41.9	45.3	110.5
Profit/loss before tax from continuing operations		-80.2	32.2	-190.1
Income tax expense/benefit from continuing operations		15.8	14.4	127.3
Profit/loss from continuing operations		-64.4	46.7	-62.8
Profit/loss from discontinued operations, net of tax	9	0.0	-0.6	0.2
Profit/loss from total operations		-64.4	46.0	-62.6
<b>Attributable to:</b>				
Owners of REC Silicon ASA		-64.4	46.0	-62.6
<b>Earnings per share (In USD)</b>				
From continuing operations				
-basic		-0.03	0.02	-0.03
-diluted		-0.03	0.02	-0.03
<b>Earnings per share (In USD)</b>				
From total operations				
-basic		-0.03	0.02	-0.03
-diluted		-0.03	0.02	-0.03

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME REC SILICON GROUP

(USD IN MILLION)	Q1 2016	Q1 2015	2015
Profit/loss from total operations	-64.4	46.0	-62.6
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans	0.0	0.0	-0.8
Currency translation effects	52.2	-62.3	-132.3
Sum items that will not be reclassified to profit or loss	52.2	-62.3	-133.1
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences			
- taken to equity	-10.4	8.7	19.6
Sum items that may be reclassified subsequently to profit or loss	-10.4	8.7	19.6
Total other comprehensive income	41.8	-53.6	-113.6
Total comprehensive income	-22.8	-7.6	-176.2
<b>Total comprehensive income attributable to:</b>			
Owners of REC Silicon ASA	-22.8	-7.6	-176.2

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY REC SILICON GROUP

(USD IN MILLION)	ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA						
	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL EQUITY
<b>March 31, 2015</b>							
At January 1, 2015	377.1	2,696.4	41.8	3,115.3	173.9	-2,333.2	956.0
Equity share option plan	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	98.2	98.2
At March 31, 2015	377.1	2,696.4	41.8	3,115.3	174.0	-2,235.0	1,054.4
<b>Year 2015</b>							
At January 1, 2015	377.1	2,696.4	41.8	3,115.3	174.0	-2,235.0	1,054.4
Equity share option plan	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Share issue	28.2	14.5	0.0	42.7	0.0	0.0	42.7
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-176.2	-176.2
At December 31, 2015	405.3	2,710.9	41.8	3,158.0	174.1	-2,411.1	921.0
<b>March 31, 2016</b>							
At January 1, 2016	405.3	2,710.9	41.8	3,158.0	174.1	-2,411.1	921.0
Equity share option plan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-22.7	-22.8
At March 31, 2016	405.3	2,710.9	41.8	3,158.0	173.9	-2,433.7	898.2

## This table presents details of comprehensive income

(NOK IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
<b>March 31, 2015</b>				
Accumulated at January 1, 2015	18.1	20.9	-2,274.0	-2,235.0
Profit/loss from total operations	0.0	0.0	46.0	46.0
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Currency translation effects	0.0	0.0	-62.3	-62.3
Sum items that will not be reclassified to profit or loss	0.0	0.0	-62.3	-62.3
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	11.6	0.0	0.0	11.6
Tax on currency translation differences taken to equity	-2.9	0.0	0.0	-2.9
Sum items that may be reclassified to profit or loss	8.7	0.0	0.0	8.7
Total other comprehensive income for the period	8.7	0.0	-62.3	-53.6
Total comprehensive income for the period	8.7	0.0	-16.3	-7.6
Accumulated at March 31, 2015	26.9	20.9	-2,290.3	-2,242.6
<b>Year 2015</b>				
Accumulated at January 1, 2015	18.1	20.9	-2,274.0	-2,235.0
Profit/loss from total operations	0.0	0.0	-62.6	-62.6
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	-0.8	-0.8
Currency translation effects	0.0	0.0	-132.3	-132.3
Sum items that will not be reclassified to profit or loss	0.0	0.0	-133.1	-133.1
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	24.7	0.0	0.0	24.7
Tax on currency translation differences taken to equity	-5.1	0.0	0.0	-5.1
Sum items that may be reclassified to profit or loss	19.6	0.0	0.0	19.6
Total other comprehensive income for the period	19.6	0.0	-133.1	-113.6
Total comprehensive income for the period	19.6	0.0	-195.7	-176.2
Accumulated at December 31, 2015	37.7	20.9	-2,469.7	-2,411.2
<b>March 31, 2016</b>				
Accumulated at January 1, 2016	37.7	20.9	-2,469.7	-2,411.2
Profit/loss from total operations	0.0	0.0	-64.4	-64.4
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Currency translation effects	0.0	0.0	52.2	52.2
Sum items that will not be reclassified to profit or loss	0.0	0.0	52.2	52.2
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-12.5	0.0	0.0	-12.5
Tax on currency translation differences taken to equity	2.2	0.0	0.0	2.2
Currency translation differences transferred to profit/loss for the period 1)	0.0	0.0	0.0	0.0
Sum items that may be reclassified to profit or loss	-10.4	0.0	0.0	-10.4
Total other comprehensive income for the period	-10.4	0.0	52.2	41.8
Total comprehensive income for the period	-10.4	0.0	-12.2	-22.6
Accumulated at March 31, 2016	27.4	20.9	-2,481.9	-2,433.7

# CONSOLIDATED STATEMENT OF CASH FLOWS

## TOTAL OPERATIONS

### REC SILICON GROUP

(USD IN MILLION)	NOTES	Q1 2016	Q1 2015	2015
<b>Cash flows from operating activities</b>				
Profit/loss before tax from total operations 1)		-80.2	31.6	-189.9
Income taxes paid/received		0.0	-3.0	-3.0
Depreciation, amortization and impairment	2	24.1	36.3	285.7
Fair value adjustment convertible bond	6	-2.7	9.9	-3.3
Equity accounted investments, impairment financial assets, gains/losses on sale	3	0.8	1.5	1.8
Profit/loss from discontinued operations	9	0.0	0.6	-0.2
Changes in receivables, prepayments from customers etc.	10	13.3	-3.6	38.2
Changes in inventories	5	16.0	-42.3	-13.4
Changes in payables, accrued and prepaid expenses		-9.3	-2.4	-3.8
Changes in VAT and other public taxes and duties		0.0	-0.1	2.5
Changes in derivatives		0.0	0.6	-0.3
Currency effects not cash flow or not related to operating activities		40.7	-56.2	-111.7
Other items		-0.2	-0.1	-1.0
Net cash flow from operating activities		2.4	-27.2	1.6
<b>Cash flows from investing activities</b>				
Proceeds from finance receivables and restricted cash		0.0	0.0	0.8
Payments finance receivables and restricted cash		0.0	0.0	0.0
Proceeds from sale of property, plant and equipment and intangible assets		0.0	0.0	0.0
Payments for property, plant and equipment and intangible assets	2	-1.6	-14.4	-54.7
Proceeds from investment in municipal bonds		0.0	0.0	5.7
Net cash flow from investing activities		-1.6	-14.4	-48.2
<b>Cash flows from financing activities</b>				
Increase in equity		0.0	0.0	42.7
Payments of borrowings and up-front/waiver loan fees		0.0	0.0	-6.7
Proceeds from borrowings		0.0	0.0	17.1
Net cash flow from financing activities		0.0	0.0	53.1
Effect on cash and cash equivalents of changes in foreign exchange rates		5.2	-2.0	-7.4
Net increase/decrease in cash and cash equivalents		6.1	-43.5	-1.0
Cash and cash equivalents at the beginning of the period		95.4	96.4	96.4
Cash and cash equivalents at the end of the period		101.5	52.9	95.4
1) PROFIT/LOSS BEFORE TAX FROM TOTAL OPERATIONS CONSISTS OF				
Profit/loss before tax from continuing operations		-80.2	32.2	-190.1
Profit/loss before tax from discontinued operations		0.0	-0.6	0.2
Profit/loss before tax from total operations		-80.2	31.6	-189.9

# NOTES

## 1 GENERAL

### THE GROUP

REC Silicon ASA (the Company) and its subsidiaries (together REC Silicon Group, REC Silicon, or Group) are a leading producer of advanced silicon materials, delivering high-purity polysilicon and silicon gases to the solar and electronics industries worldwide.

REC Silicon ASA is headquartered in Fornebu, Norway and operates manufacturing facilities in Moses Lake, Washington and Butte, Montana in the USA. REC Silicon's subsidiaries include: REC Silicon Inc., REC Solar Grade Silicon LLC, and REC Advanced Silicon Materials LLC in the US. REC Silicon's marketing activities for sales of solar grade polysilicon, semiconductor grade silicon and silicon gases are carried out in China, Japan, Korea, Taiwan, and the United States. The Group's joint venture operations are held in REC Silicon Pte Ltd in Singapore.

### BASIS OF PREPARATION

The financial statements are presented in million USD. As a result of rounding, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

### FINANCIAL STATEMENTS

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with IAS 34. They have not been audited or subject to a review by the auditor. They do not include all of the information required for full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2015. The consolidated financial statements for 2015 are available upon request from the Company's registered office in Fornebu, Norway or at [www.recsilicon.com](http://www.recsilicon.com).

The Board of Directors has prepared these interim financial statements under the assumption that the company is a going concern and is of the opinion that this assumption was realistic at the date of the accounts. Please refer to the section "Risks and Uncertainties" in this report for additional information.

### ACCOUNTING POLICIES

The consolidated financial statements for 2015 were prepared in accordance with IFRS as adopted by the EU and the Norwegian Accounting Act. The accounting policies adopted by the Company are consistent with those of the previous financial year. See note 2.24 to the consolidated financial statements for 2015.

### ESTIMATES AND JUDGMENTS

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the consolidated financial statements for 2015.

## 2 FIXED ASSETS

See note 6 to the consolidated financial statements for 2015.

### Property, plant and equipment and intangible assets

(USD IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT	TOTAL INTANGIBLE ASSETS	TOTAL
Carrying value at January 1, 2016	62.8	605.2	16.2	65.8	750.0	21.9	771.9
Net additions 1)	0.0	1.1	0.0	-0.6	0.6	0.0	0.6
Depreciation and amortization	-0.8	-22.1	-0.7	0.0	-23.6	-0.5	-24.1
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying value at March 31, 2016	62.0	584.2	15.5	65.2	727.0	21.4	748.4
At March 31, 2016							
Historical cost	144.8	2,055.8	79.0	70.0	2,349.6	85.4	2,435.0
Carrying value at March 31, 2016	62.0	584.2	15.5	65.2	727.0	21.4	748.4

1) Net additions include transfers from assets under construction

### IMPAIRMENT REVIEWS

See note 7 to the consolidated financial statements for 2015.

The Group has conducted a review of impairment indicators and has not identified any indicators which would give rise to a change in impairment compared to December 31, 2015.

### 3 EQUITY ACCOUNTED INVESTMENTS (ASSOCIATES AND JOINT VENTURES)

The Group has entered into a joint arrangement in China; Shaanxi Non-Ferrous Tian Hong REC Silicon Materials Co., Ltd. (Yulin JV). The Group has a 49 percent interest and joint control, therefore, it is a joint venture and is accounted for according to the equity method.

The Group's share of net assets does not reflect its 49 percent ownership interest in the Yulin JV due to differences in timing of equity contributions by the JV partners.

The following table presents a reconciliation of the Group's investment in the Yulin joint venture:

(USD IN MILLION)	MAR 31, 2016
Carrying value at January 1, 2016	-28.5
Equity contributions	0.0
Amortization of basis difference in technology contributed	0.0
Share of joint venture profits/loss	-0.8
Effects of changes in currency exchange rates	0.4
Carrying value at March 31, 2016	-28.9

The following table presents the major classification of assets and liabilities reflected on the Yulin JV's statement of financial position at March 31, 2016:

(USD IN MILLION)	MAR 31, 2016
Non-current assets	457.8
Other Current assets	26.6
Cash	19.9
Non-current liabilities	-201.3
Current liabilities	-26.8
Net Assets (100%)	276.1
REC Silicon's share of net assets	68.2
Adjusted for technology transfer	-97.0
Carrying amount of REC's interest	-28.9

See note 7 below and note 8 to the consolidated financial statements for 2015.

### 4 DERIVATIVES

See notes 3 and 11 to the consolidated financial statements for 2015.

Derivatives consist of an option contract which is a part of the indemnification agreement associated with the REC Wafer bankruptcy. Changes in estimated fair values have been reported as part of the profit/loss from discontinued operations on the statement of income.

At March 31, 2016, the option contract was a liability valued at USD 1.5 million (USD 1.4 million at December 31, 2015).



## 5 INVENTORIES

See note 13 to the consolidated financial statements for 2015.

### Inventories at end of period

(USD IN MILLION)	MAR 31, 2016			DEC 31, 2015		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	21.7	0.0	21.7	21.9	0.0	21.9
Spare parts	43.8	-13.4	30.3	42.5	-13.4	29.2
Work in progress	10.7	-1.3	9.4	11.7	-1.8	9.8
Finished goods	103.4	-39.2	64.2	125.9	-45.3	80.7
Total	179.6	-54.0	125.6	202.0	-60.5	141.6

## 6 BORROWINGS AND GUARANTEES

See notes 3 and 17 to the consolidated financial statements for 2015.

Carrying amounts of interest bearing liabilities at March 31, 2016 and contractual repayments (excluding interest payments) are specified in the table below.

(USD IN MILLION)	CARRYING AMOUNT		CONTRACTUAL PAYMENTS, EXCLUDING INTEREST		
	CURRENCY	USD	TOTAL	2016	2018
Unamortized upfront fees (NOK)	-1.7	-0.2	0.0	0.0	0.0
NOK bonds (NOK)	628.3	76.0	76.8	21.7	55.1
USD convertible bond (USD)	85.2	85.2	110.0	0.0	110.0
Indemnification loan (NOK)	200.0	24.2	24.2	24.2	0.0
Total		185.2	211.0	45.9	165.1

The difference between carrying amounts and contractual repayments of the USD convertible bonds are due to fair value adjustments. The difference for the NOK bonds is related to fair value interest rate hedges. The fair value hedges have been revoked and the remaining fair value adjustments are being amortized prospectively as part of the effective interest.

### Guarantees

See note 29 to the consolidated financial statements for 2015.

At March 31, 2016, the Company had provided USD 5.1 million in bank guarantees against which the Company has pledged USD 3.9 million of restricted cash. This included bank guarantees for the benefit of REC Solar of USD 1.3 million with USD 0.2 million of restricted cash as security.

The Company has also provided parent company guarantees related to the performance of solar panels and systems sold by the REC Solar Group. These guarantees were USD 54.7 million at March 31, 2016 and December 31, 2015.

The Group has been provided with offsetting guarantees by REC Solar Holdings AS as part of the sale of REC Solar in 2013.

### Fair values of financial instruments

See note 30 to the consolidated financial statements for 2015.

The option contract contained in the indemnification agreement associated with the REC Wafer Norway AS bankruptcy is subject to level 3 of the fair value hierarchy of IFRS 13. The value of this option has increased from USD 1.4 million at December 31, 2015 to USD 1.5 million at March 31, 2016 due to the impact of changes in currency translation rates.

The Group estimates that the carrying values of financial instruments approximate fair values except for the NOK bonds REC02 and REC03 (level 2).

The fair value of the USD convertible bond at March 31, 2016 is estimated at 77.5 percent of nominal value, compared to 80 percent at December 31, 2015. The decrease is due primarily to the decrease in the share price and consequently the value of the embedded option.

(USD IN MILLION)	MAR 31, 2016		
	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
REC02	21.7	21.7	21.1
REC03	55.1	54.3	48.0
	76.8	76.0	69.1

### USD convertible bond

(USD IN MILLION)	AT ISSUE SEP 2013	MAR 31, 2015	DEC 31, 2015	MAR 31, 2016	CHANGE TO P/L Q1 2015	CHANGE TO P/L YEAR 2015	CHANGE TO P/L Q1 2016
Nominal value	110.0	110.0	110.0	110.0			
Value of the total loan	110.0	102.3	88.0	85.3	9.9	-3.3	-2.7

Estimated fair values exclude accrued interest. Increase (decrease) in fair value is recognized as an expense (income) in the statement of income.

## 7 COMMITMENTS

### Contractual purchase obligations and minimum operating lease payments at March 31, 2016

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	DISTRIBUTION OF PAYMENTS							
		REMAINING 2016	2017	2018	2019	2020	2021	AFTER 2021	
<b>Purchase of goods and services</b>									
REC Silicon	27.1	21.5	0.8	0.2	0.2	1.5	1.5	1.5	
Other	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total purchase of goods and services</b>	<b>27.1</b>	<b>21.5</b>	<b>0.9</b>	<b>0.2</b>	<b>0.2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
<b>Minimum operating lease payments</b>									
REC Silicon	71.1	15.3	18.8	14.0	8.9	7.8	2.1	4.2	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total minimum operating lease payments</b>	<b>71.1</b>	<b>15.3</b>	<b>18.8</b>	<b>14.0</b>	<b>8.9</b>	<b>7.8</b>	<b>2.1</b>	<b>4.2</b>	<b>4.2</b>

REC Silicon is a partner in a joint venture in China (See Note 3). REC Silicon has agreed to contribute additional equity to the joint venture of USD 15 million in August 2016 and USD 154 million in August 2017 which have not been included in the table above. REC Silicon expects to delay or cancel these contributions if the Company does not have sufficient liquidity when the equity contribution commitments are scheduled.

## 8 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Please refer to the annual report for 2015. Specifically, note 31 to the consolidated financial statements and the risk factors section of the board of directors' report.

## 9 DISCONTINUED OPERATIONS

Amounts related to discontinued operations are due to changes in estimates used to value assets and liabilities associated with operations which were sold or disposed of during prior years.

See notes 2.22 and 9 to the consolidated financial statements for 2015 for further information on discontinued operations.

## 10 RECEIVABLES

See note 12 and 30 to the consolidated financial statements for 2015.

### Aging of receivables at March 31, 2016

(USD IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED PAST DUE				IMPAIRED
			< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	
Trade receivables and accrued revenues	61.6	29.2	7.3	3.2	3.3	0.0	18.7
Provision for loss on trade receivables	-18.7	0.0	0.0	0.0	0.0	0.0	-18.7
Other non-current and current receivables	0.4	0.4	0.0	0.0	0.0	0.0	0.0
<b>Total receivables</b>	<b>43.4</b>	<b>29.6</b>	<b>7.3</b>	<b>3.2</b>	<b>3.3</b>	<b>0.0</b>	<b>0.0</b>
Prepaid Costs	21.0						
<b>Total trade and other receivables</b>	<b>64.3</b>						

## 11 TRANSACTIONS WITH RELATED PARTIES

See note 10 and note 16 to the consolidated financial statements for 2015.

In the first quarter of 2016, REC Silicon invoiced Yulin JV USD 2.0 million for engineering and project services.

REC Silicon ASA offices are owned by shareholder UMØE AS and leased to the Company.

## 12 SEGMENT INFORMATION

See notes 2, 3 and 5 to the consolidated financial statements for 2015 for further information on segments.







**FOR MORE INFORMATION, PLEASE CONTACT****Nils Ove Kjerstad**

Phone: +47 91356659

Email: nils.kjerstad@crux.no

**Chris Bowes**

Phone: +1 509 793 9037

Email: chris.bowes@recsilicon.com

**RECSILICON****REC Silicon ASA**

Fornebuveien 84

PO Box 63

1324 Lysaker

Norway

Phone +47 407 24 086

**About REC Silicon**

REC Silicon ASA is a leading producer of advanced silicon materials, supplying high-purity polysilicon and silicon gases to the solar and electronics industries worldwide. We combine over 30 years experience and best-in-class proprietary technology to deliver on customer expectations. Our two U.S. based plants have a capacity of more than 20,000 MT high-purity polysilicon. REC Silicon is headquartered in Fornebu, Norway and listed on the Oslo stock exchange under the ticker: REC.

For more information, go to: [www.recsilicon.com](http://www.recsilicon.com)