



RECSiLICON



FIRST QUARTER  
**2016**

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PRESENTATION

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# Agenda

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REC Silicon Q1 Financial Results

T. Torvund, CEO

U.S. / China Trade Dispute Update

T. Torvund

Yulin JV Update

T. Torvund

Financial Overview

J.A. May II, CFO

Market Outlook

T. Torvund

Guidance

T. Torvund

Q & A

# REC Silicon ASA First Quarter 2016 Highlights

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**Revenues:        \$68.8 M**

**EBITDA:         (\$13.4 M) Loss**

## **March 31, 2016 Cash Balance of \$101.5 M**

- Improved Liquidity Due to Working Capital Reductions
- Capable of Meeting 2016 Debt Maturities
- Indemnification Loan Not Called in Q1

## **Restart of FBR Production in Moses Lake**

- Restart Silane III in May 2016 and Silane IV in June 2016
- Capable of Running for Two Years Without Extended Maintenance Outage

## **Polysilicon Production Lower Due to FBR Capacity Curtailments**

- High FBR Cash Cost Due to Reduced Volume

## **Yulin JV on Track for Start-up in H2 2017**

# REC Silicon ASA Q1 2016 Key Metrics

## Polysilicon Sales Volume

Total**	3,857 MT
Inventory Reduction	1,925 MT

## FBR Production

Actual	1,175 MT
Guidance*	820 MT
Deviation	43.2%

## FBR Cash Cost

Actual	\$24.8/kg
Guidance*	N/A

## Total Polysilicon Production

Actual	1,937 MT
Guidance*	1,540 MT
Deviation	25.8%

## Semiconductor Production

Actual	351 MT
Guidance*	450 MT
Deviation	-22.1%

## Silicon Gases Sales Volume

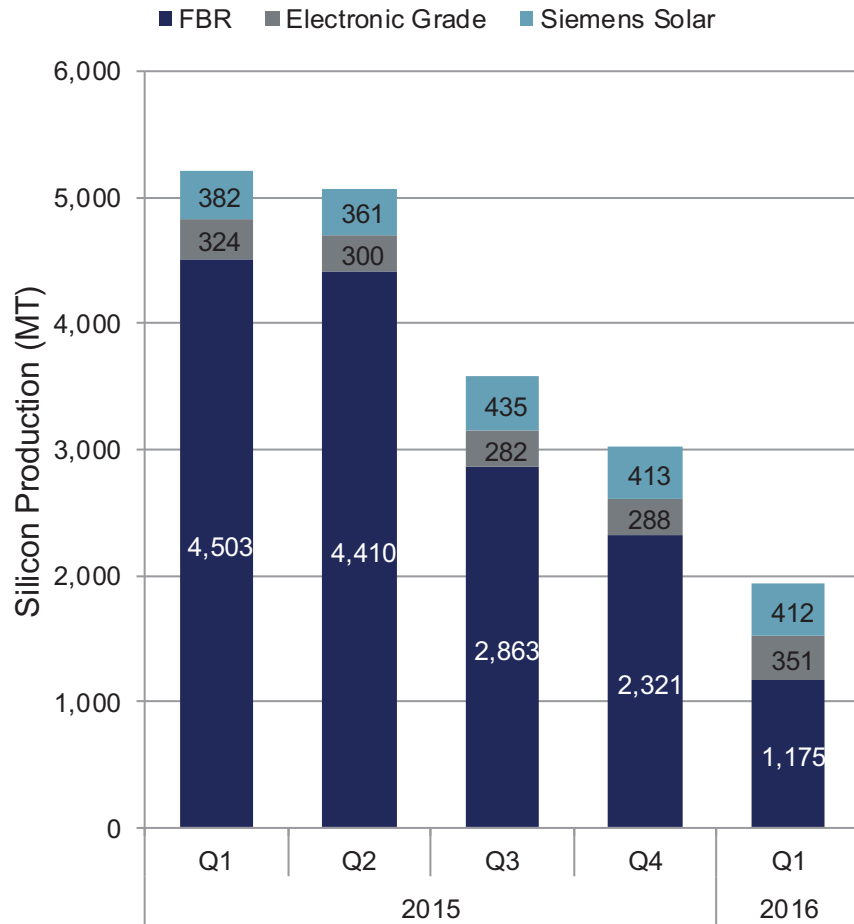
Actual	531 MT
Guidance*	600 MT
Deviation	-11.5%

\* Guidance presented February 12, 2016

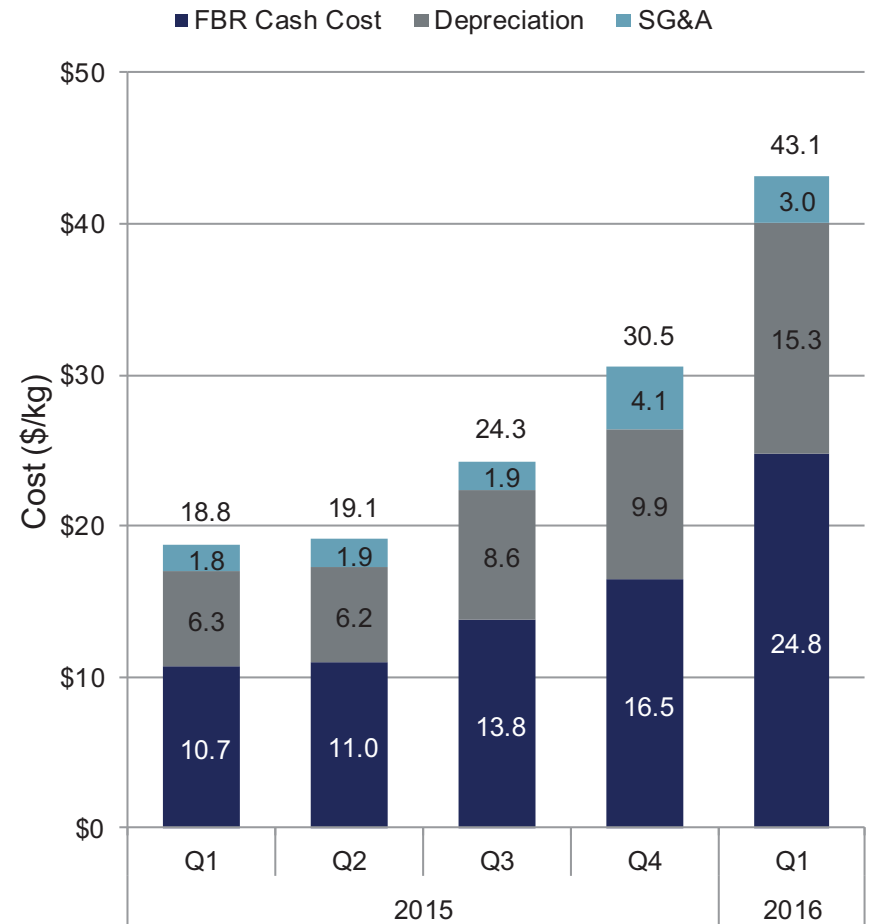
\*\* Excludes Powders and Fines

# Polysilicon Production and FBR Cost

## Polysilicon Production



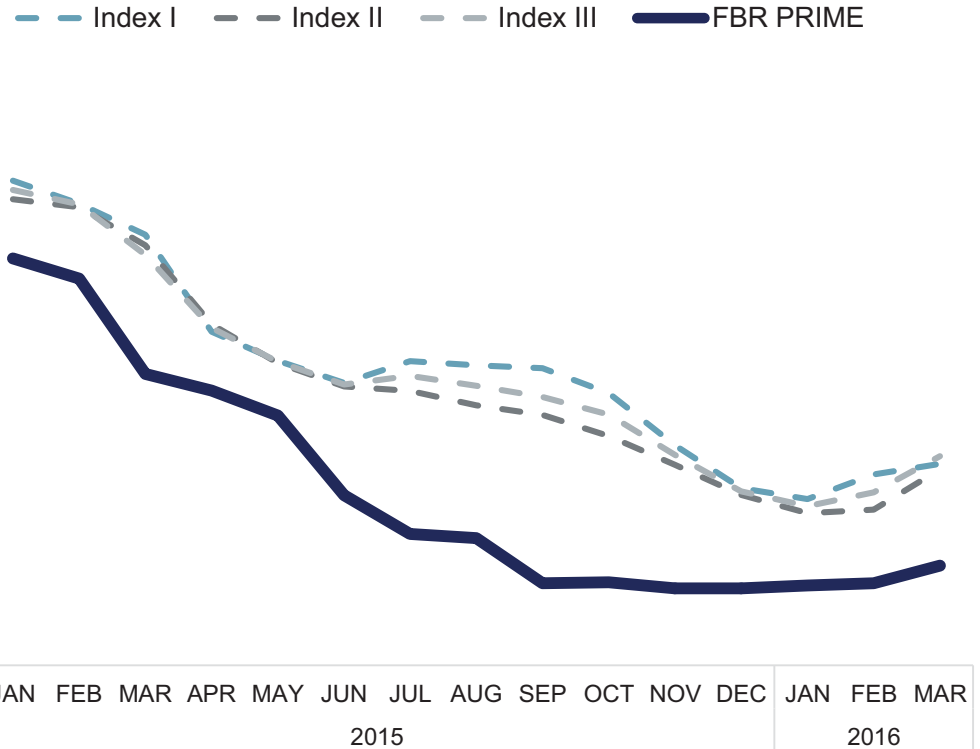
## FBR Cost



# Solar Grade Polysilicon Spot Market Pricing

- › REC Silicon Average Solar Grade Sales Price Increased 6% vs. Q4 2015
- › Average Solar Spot Market Price Increased 4% vs. Q4 2015
- › Spot Price Increase Due to Industry Inventory Depletion and High Wafer Production

## FBR Prime vs. Solar Price Indices



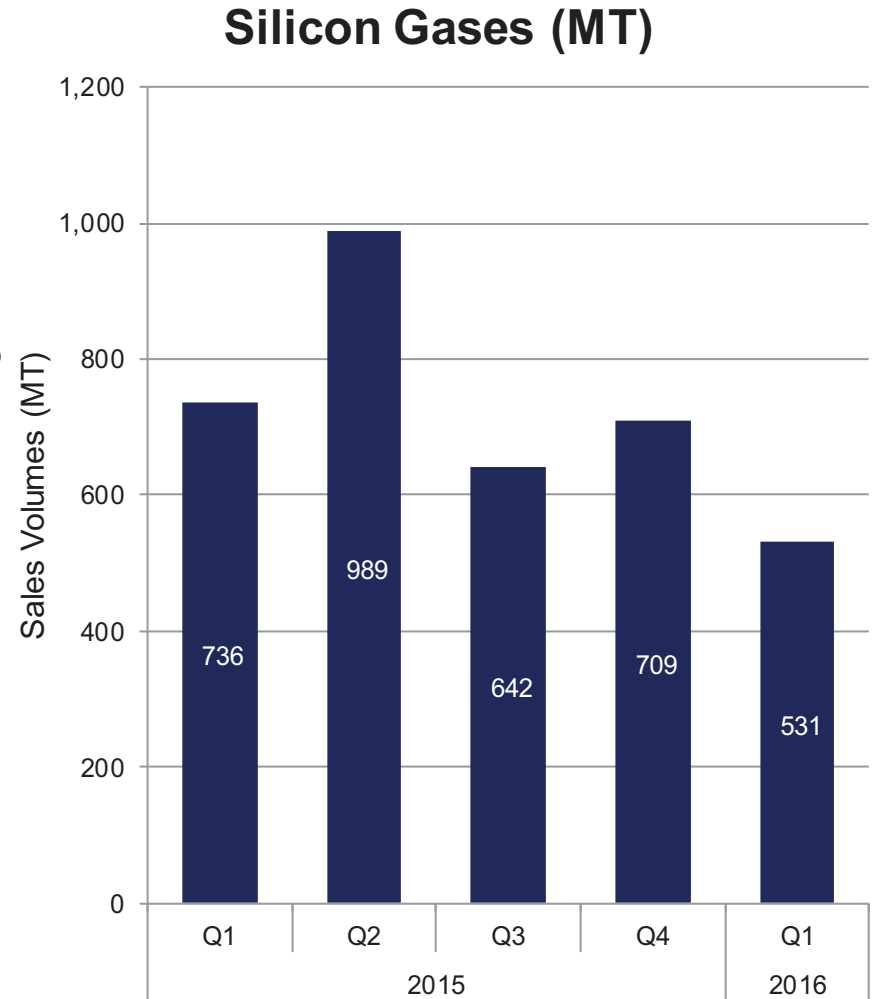
# Silicon Gas: Impacted by Forward Sales – Stable Demand

## › Silicon Gas Sales Volumes 531 MT

- 25% Volume Decrease vs. Q4 2015
- 1% Silane Gas Price Decrease vs. Q4 2015

## › Stable Silicon Gas Demand

- Continued Adverse Volume Impact Due to Forward Sales During 2015
- Strong Underlying Demand



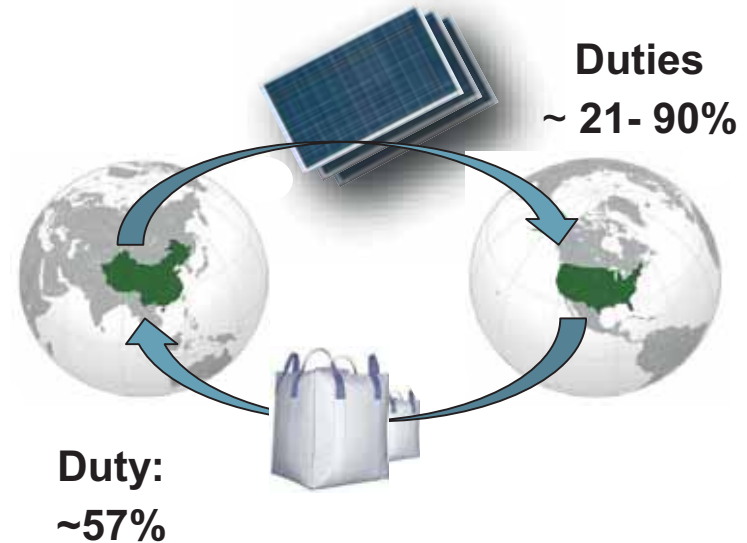




# U.S./ China Trade Dispute Update

# U.S. / China Trade Dispute Update

- › Continued Negotiations Between MOFCOM and USTR
  - Momentum on Both Sides to Resolve Solar Trade Disputes in Short Term
  - Resolution Must Deal with Legal and Political Constraints in the US and China
- › Changing Dynamics
  - US Panel Market More Important Than Ever with ITC Extension
  - Chinese Polysilicon Makers at Full Capacity
- › Increasing Pressure on SolarWorld:
  - Hemlock Litigation/Motion for Summary Judgment Will Play Out in Next 3-4 Months
  - Lower Panel Prices in US





# Yulin JV Update

# Yulin JV – On Track for H2 2017 Start-up

## Yulin Plant Production Capacity:

- › 19,000 MT Granular Polysilicon
  - FBR-B: Next Generation Technology
- › 300 MT Siemens Polysilicon
  - Chunk, Teardrop and Float Zone
- › 500 MT Silane Gas Loading
  
- › Project Schedule and Spending Within Budget
  
- › JV Financing Guaranteed by JV Partner
  
- › REC's 2016 \$15 M Capital Contribution Deferred and 2017 \$154 M Capital Contribution Deferral Under Discussion





# Yulin JV – Current Status

- › Zero Project Safety Incidents
- › Detailed Design Engineering: 74% Complete
- › Procurement: 82% Complete
  - Critical and Long Lead Equipment Fabrication Underway
- › Structural Steel Installation Underway
- › Equipment Installation Contracts Awarded
  - Mobilization in Q2 2016
- › Training underway in Moses Lake and Butte
  - 50 JV Employees from China Trained by REC Experienced Personnel





# Financial Review

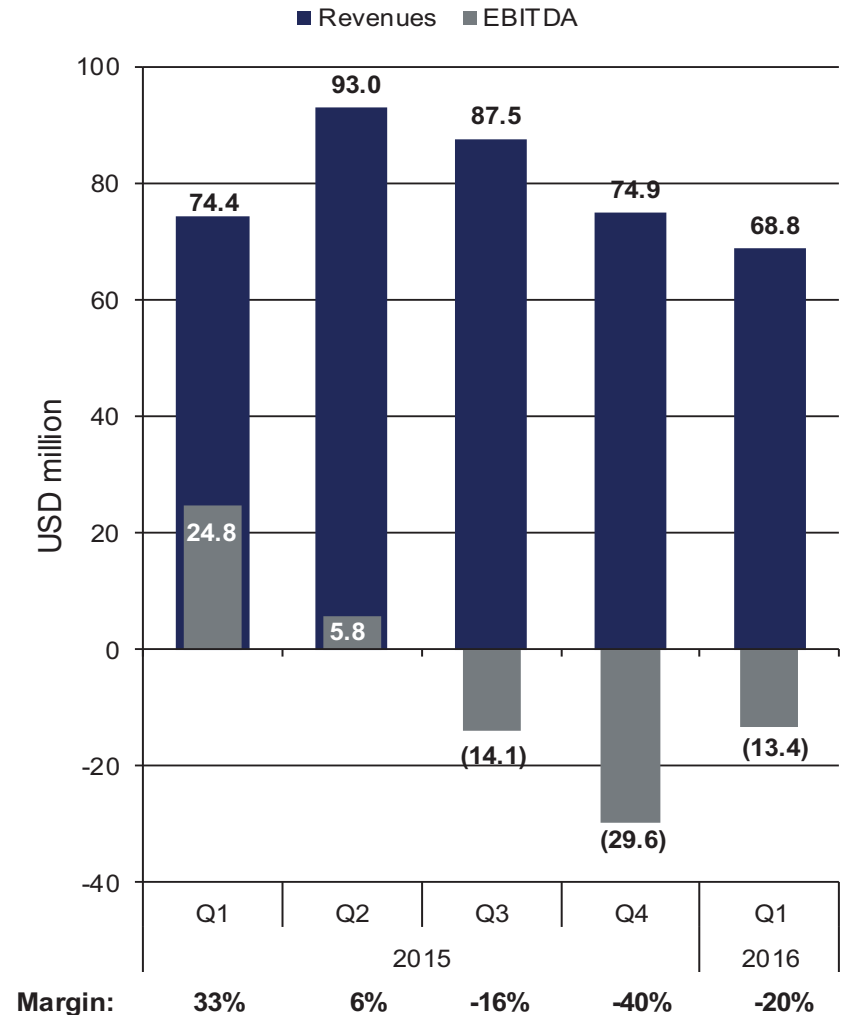
# Q1 2016 Key Financial Results

## Revenues - \$68.8 M

- › Increased Polysilicon Sales Volumes  
(Excluding Fines & Powders)
  - 41% Sales Volume Increase from Q4 2015
  - 6% Solar Grade Price Increase from Q4 2015
- › Silicon Gas Sales Volumes 531 MT
  - 25% Sales Volume Decrease from Q4 2015
  - Silane Price Decrease of (1%) From Q4 2015

## EBITDA – Loss of (\$13.4 M)

- › Inefficiency due to Capacity Curtailment in Moses Lake



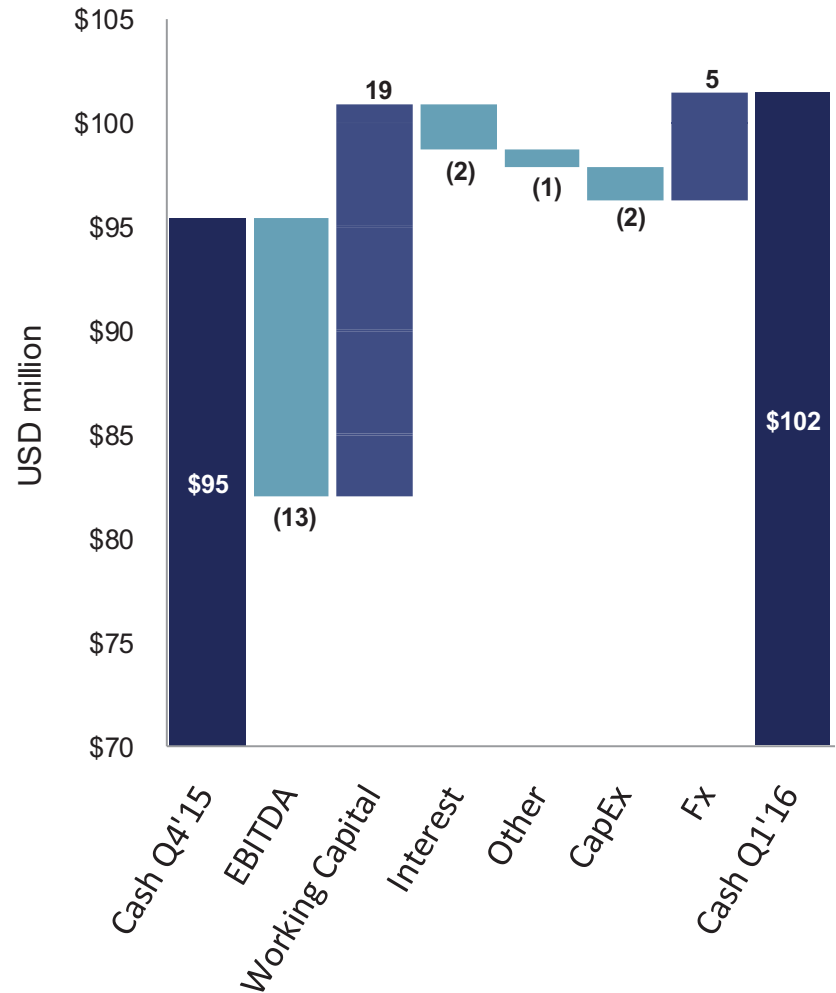
# Q1 2016 Cash Flows

## Cash Flows From Operating Activities \$2.4 M

- › EBITDA - Loss of (\$13.4 M)
- › Working Capital Decrease \$19.0 M
  - Decreased Inventories \$16.0 M
  - Decreased Accounts Receivable \$13.5 M
  - Decreased Accounts Payable (\$10.5 M)
- › Interest Payments (\$2.2 M)

## Cash Outflows From Investing Activities – CapEx (\$1.6 M)

Currency Gain of \$5.2M





# Debt Coverage at March 31, 2016

## Nominal Net Debt - \$109 M

- › Unchanged from December 31, 2015
  - Increase in Cash of \$6.1 M
  - Increase in Nominal Debt of \$6.2 M

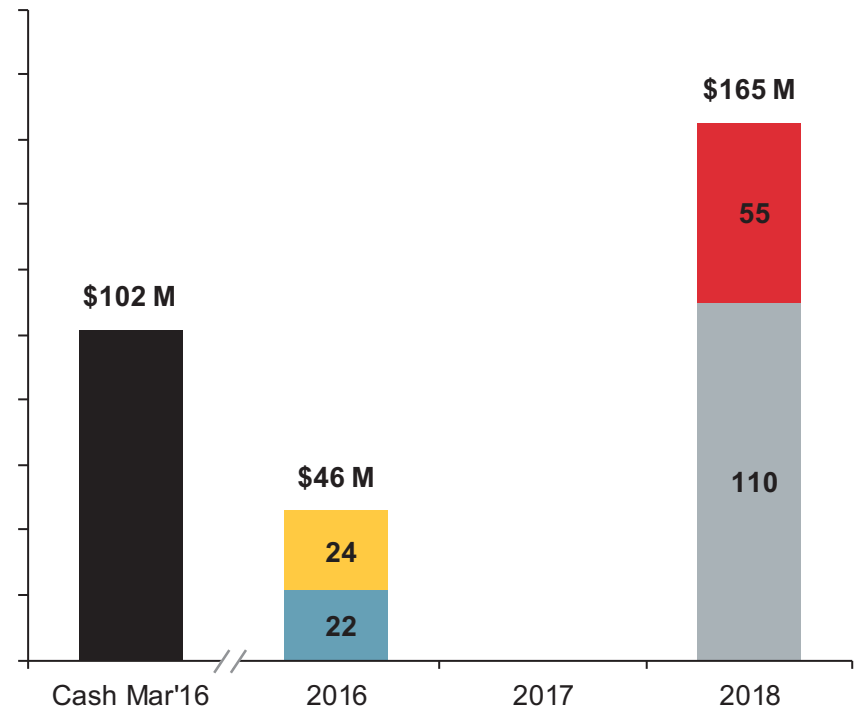
## Nominal Debt - \$211 M

- › Increased by \$6.2 M in Q1 2016 due to Weaker US Dollar

## Indemnification Loan Remains Outstanding

USD million

- Indemnification Loan (NOK)
- 2016 NOK Bond (May 2016)
- 2018 NOK Bond (May 2018)
- 2018 USD Convertible Bond (Aug 2018)

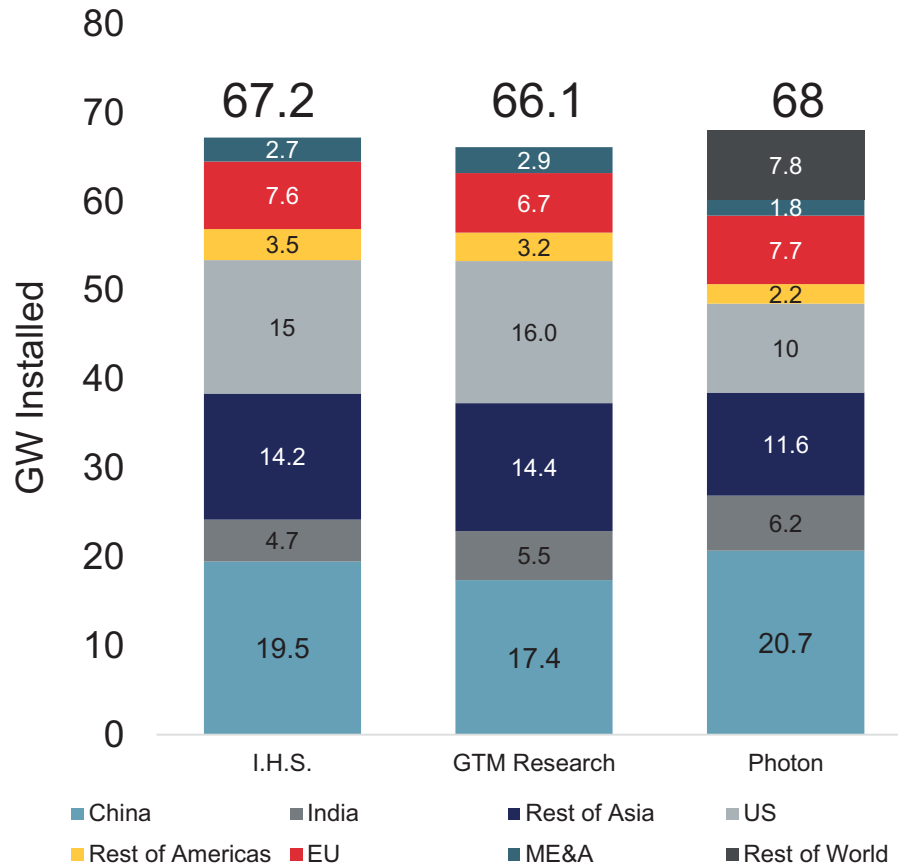




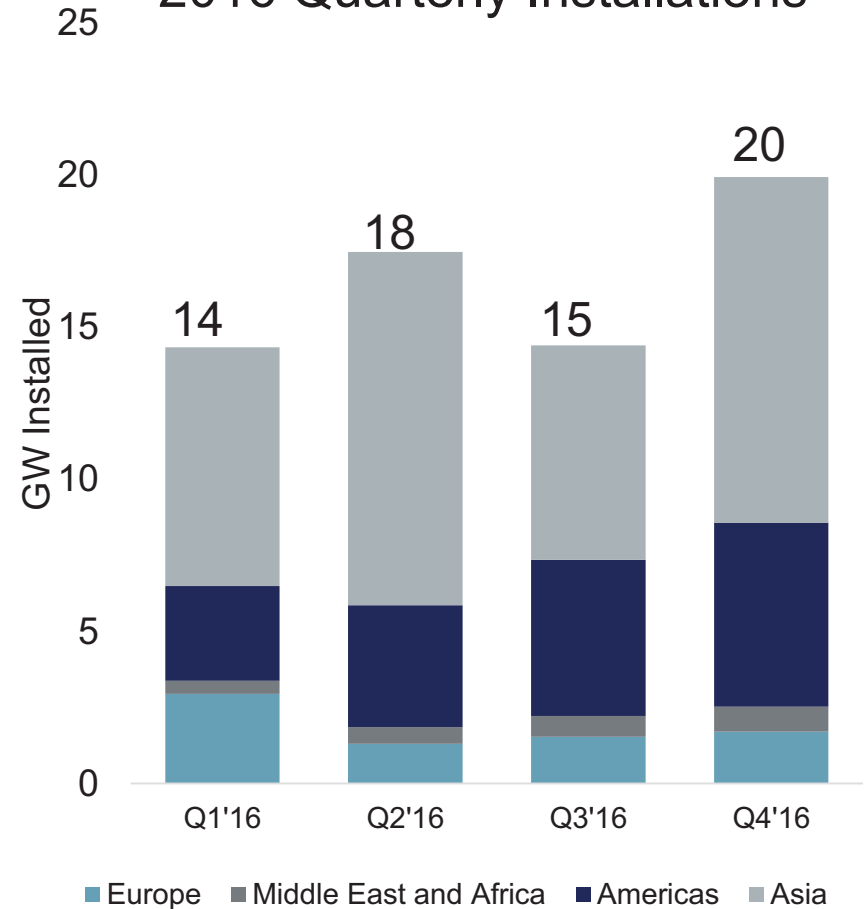
# Market Outlook

# Strong Market Expected to Continue into H2 2016

## 2016 Installation Forecast



## 2016 Quarterly Installations

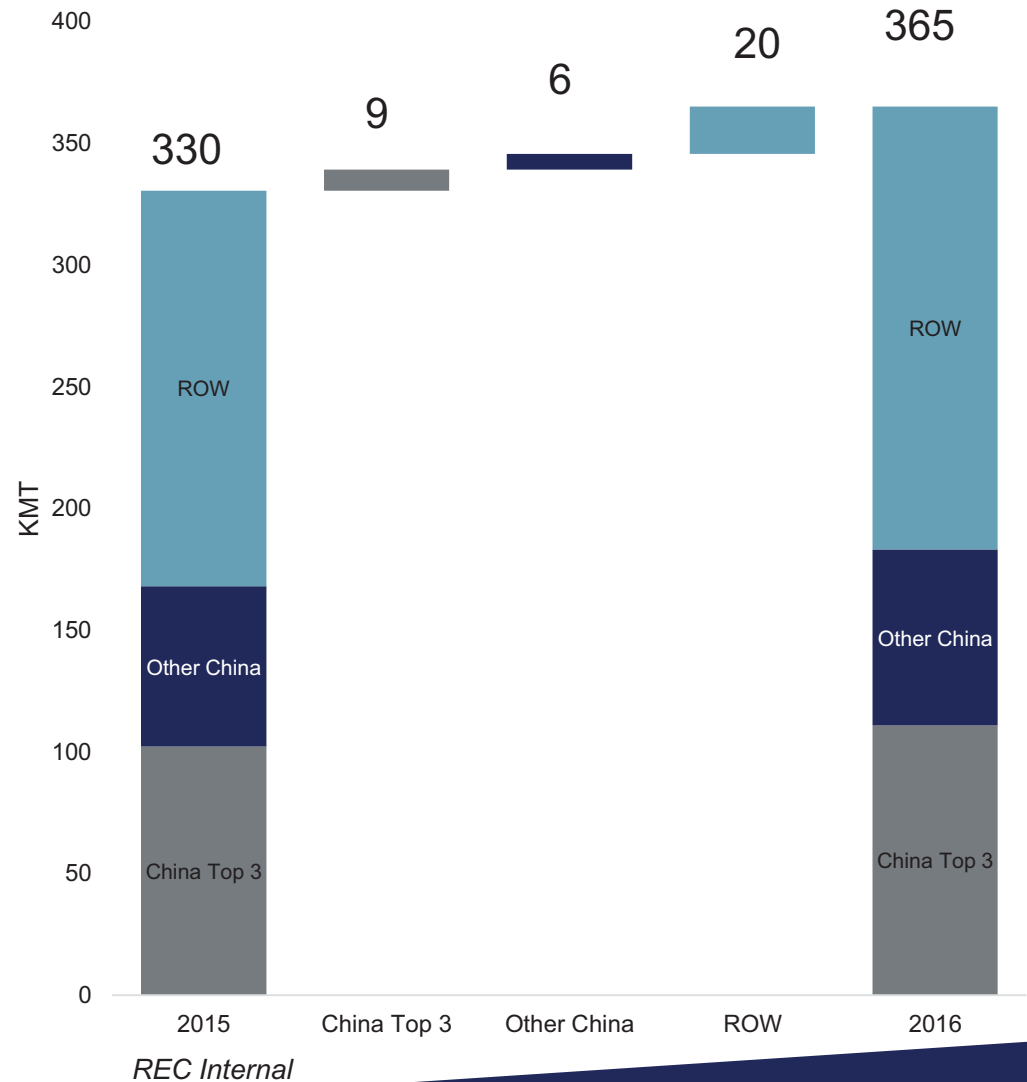


I.H.S PV Demand Market Tracker Q1 2016  
 GTM Research: Global Solar Demand Monitor Q2 2016  
 Photon Consulting February 10, 2016

I.H.S PV Demand Market Tracker Q1 2016

# PV Market Balanced in 2016

- › Solar Polysilicon Production will Increase from 330kMt in 2015 to 365kMt in 2016
  - Equivalent to ~66 GW\* Supply
- › Balanced Market
  - ~66-68 GW Installed Panels

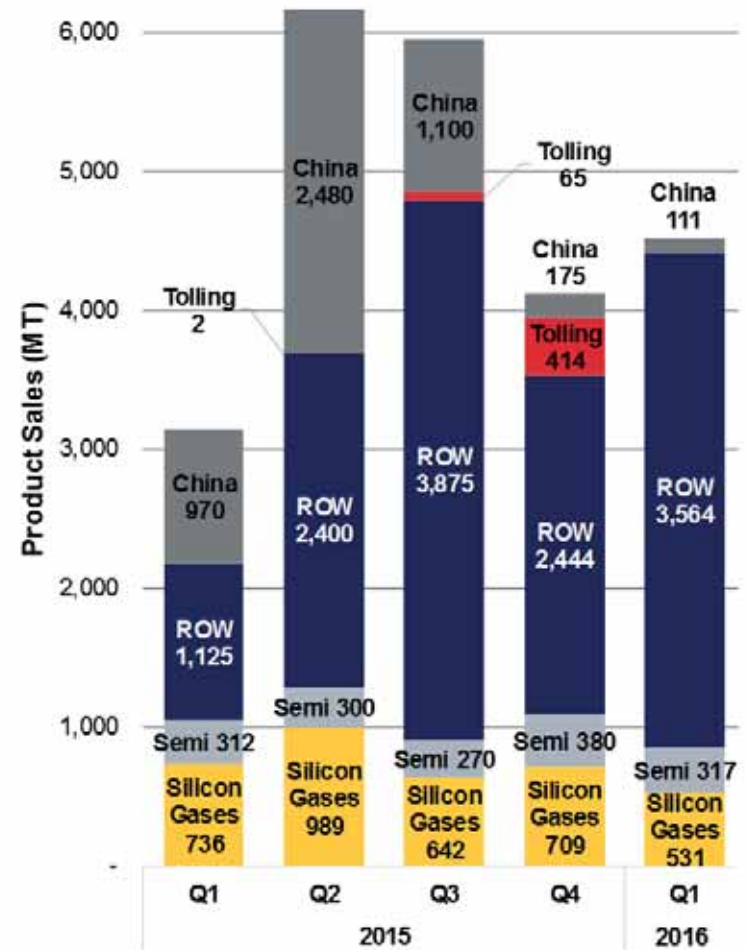


\*Based on 5.5g/W Supply Chain Effects and Thin Film Installations Included

I.H.S PV Demand Market Tracker Q1 2016  
 GTM Research: PV Pulse April 2016  
 Photon Consulting February 10, 2016

# Continued Decreasing Reliance on Chinese Markets

- › Increased Penetration of Markets Outside China
  - Discounts to Maximize Sales Volume
  - Increased Wafer Capacity Utilization



\* Includes Powders and Fines

# REC Takes Advantage of Increasing Demand Outside of China

## Market Dynamics

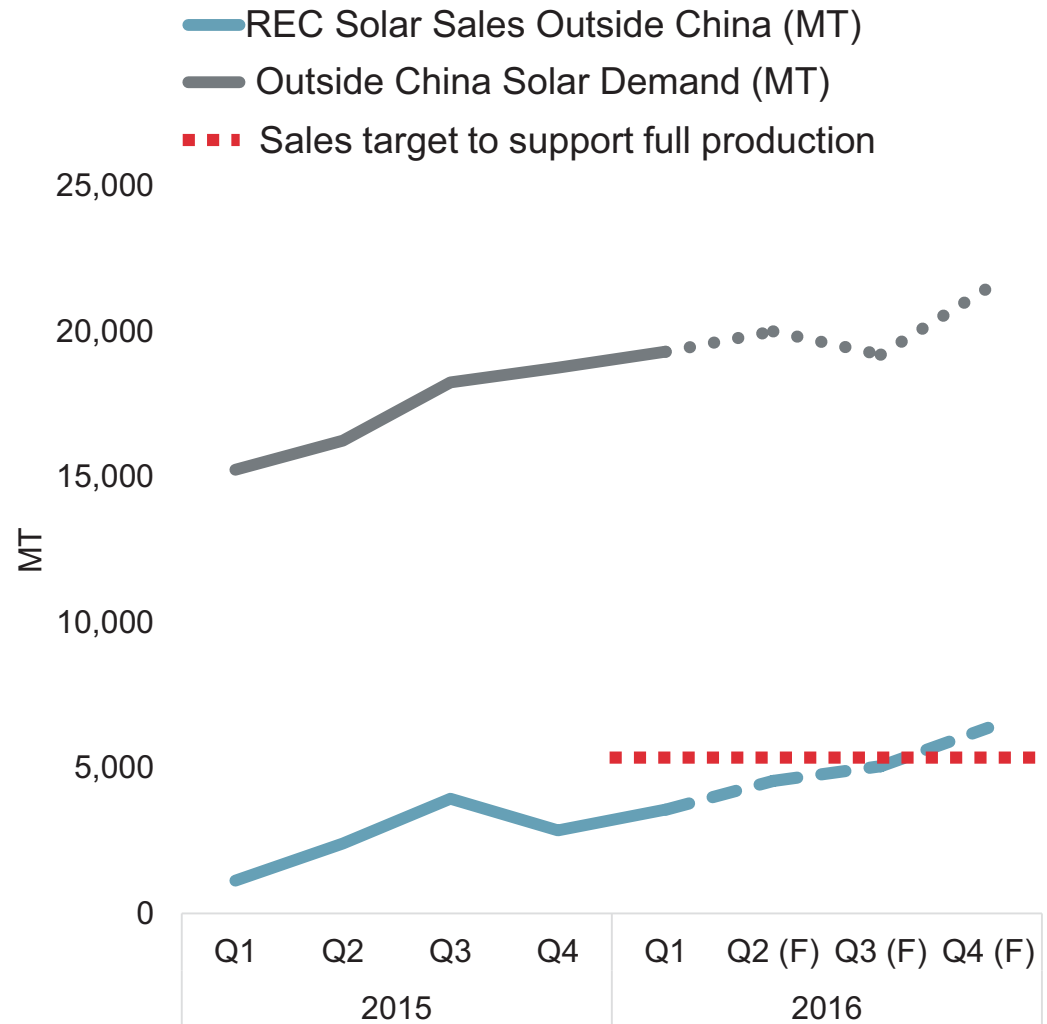
- Excess Inventories Have Cleared
- China External Demand Increasing (Mostly Taiwan)

## Market Penetration Efforts

- New Customers Qualified
- Increased Crucible Share

## New Opportunities

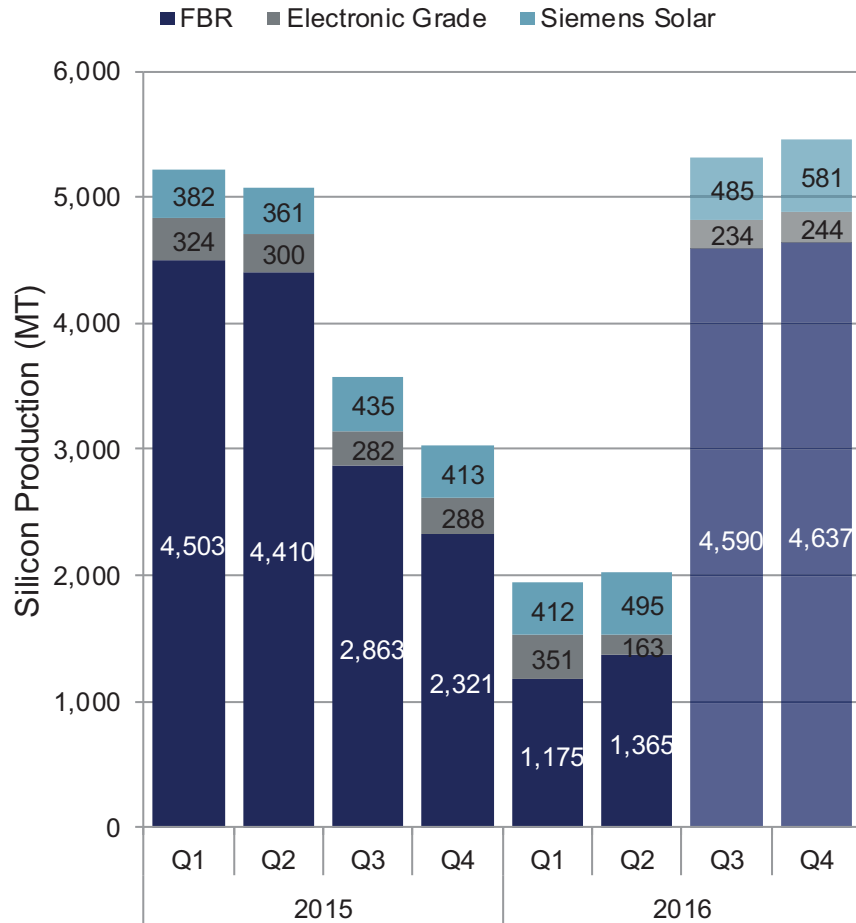
- Accessible Market Increasing as Contracts Expire



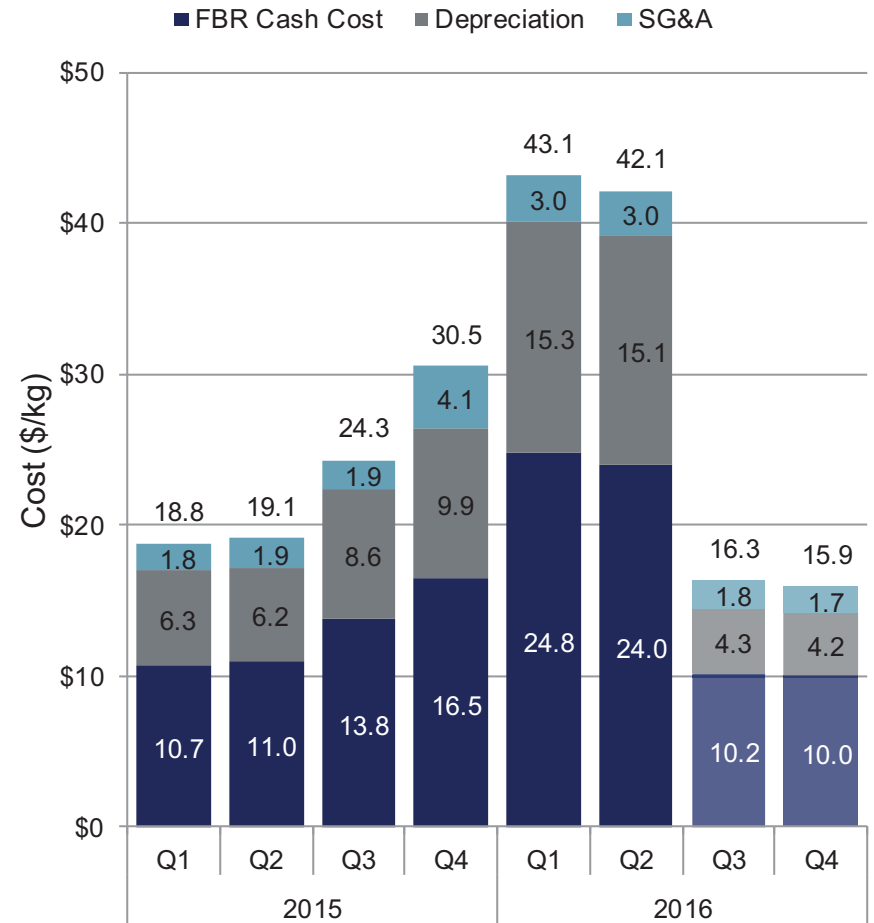
Source I.H.S Integrated Market Tracker Q1 2016, GTM Research PV Pulse April 2016, REC Internal

# REC to Resume Full Production in Q3 with Cash Cost ~\$10/kg

## Polysilicon Production

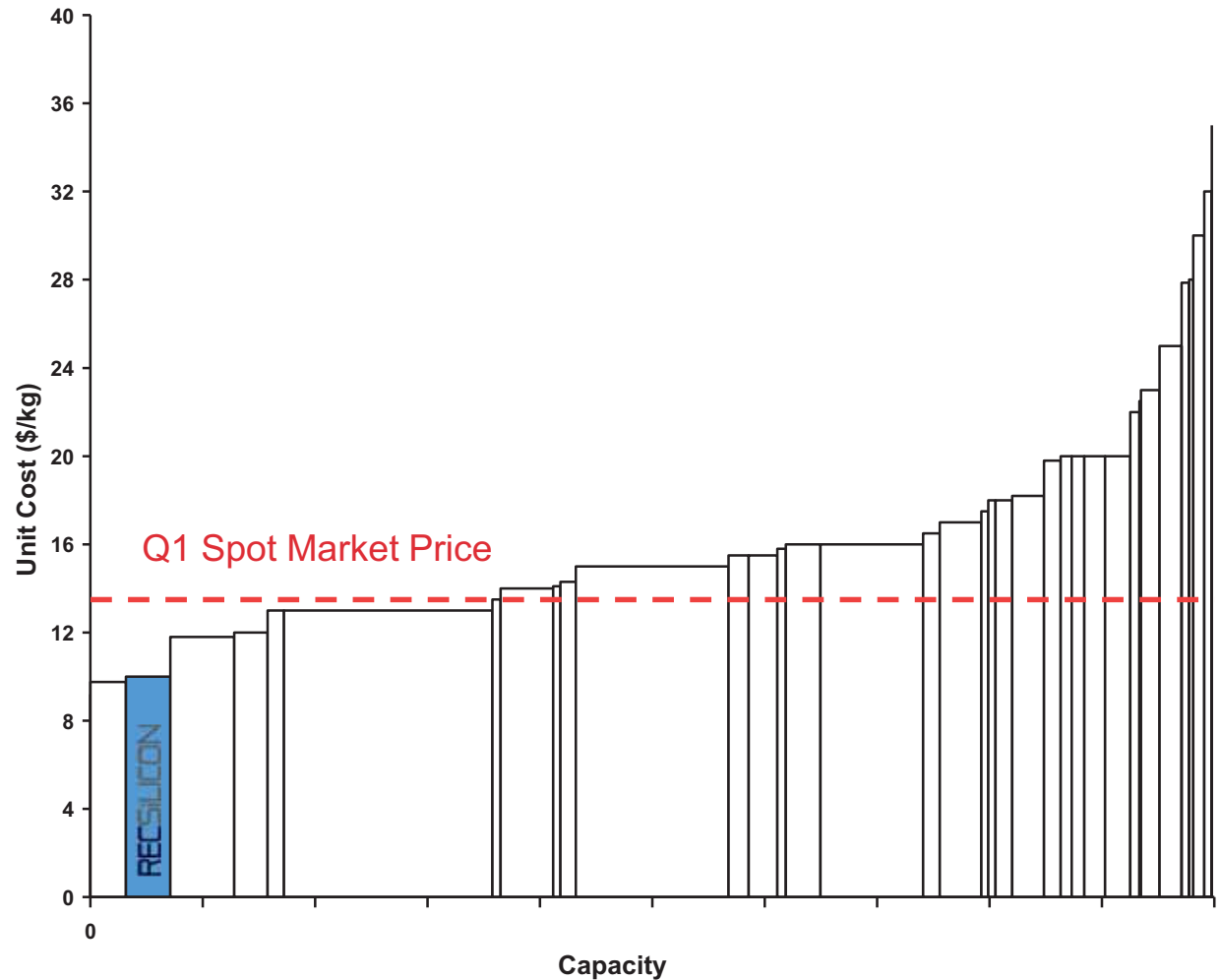


## FBR Cost



# Low Cash Cost Makes REC Competitive at Discounted Prices

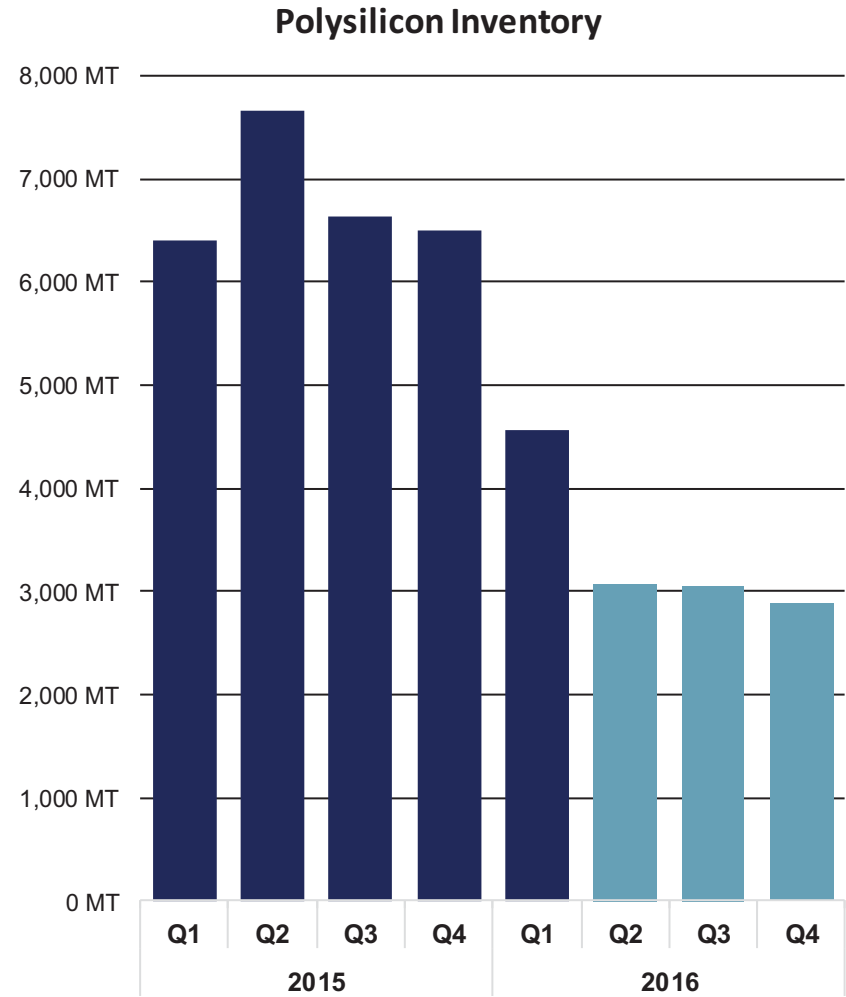
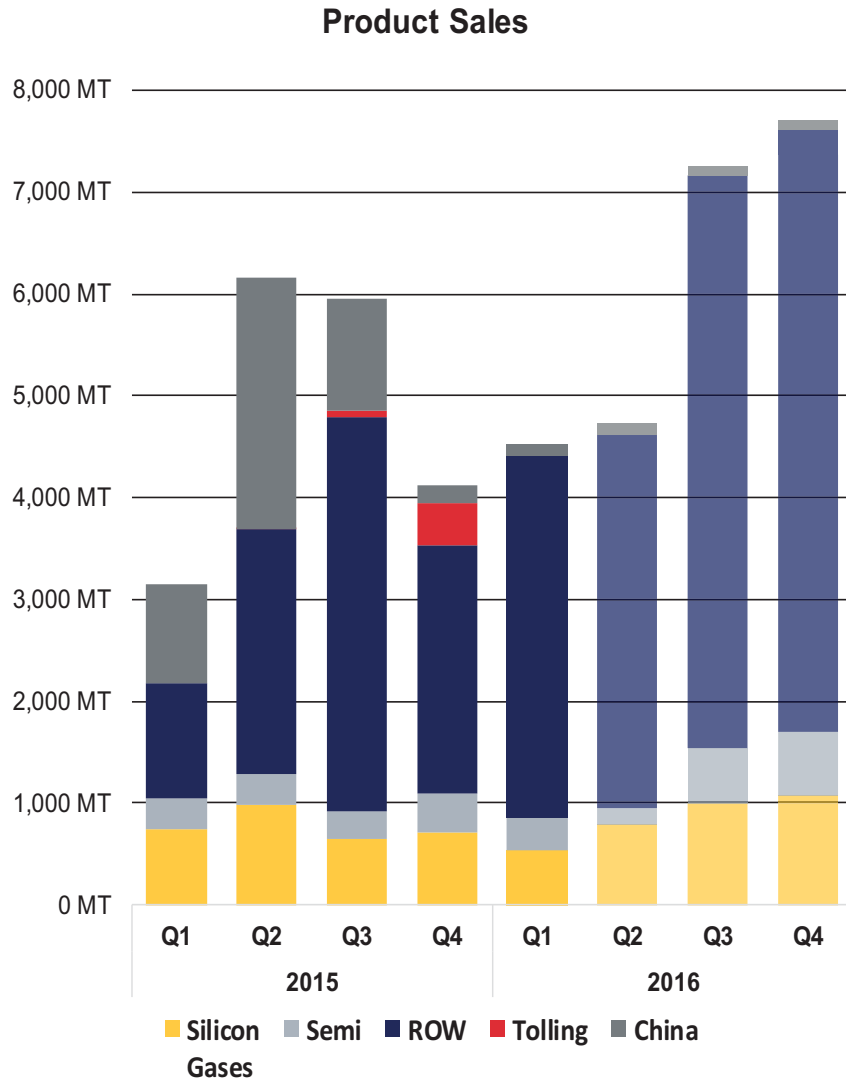
- › Low Cost Advantage due to FBR Technology
- › 50% of Capacity Cash Flow Negative at Q1 Spot Market Prices



Values based upon maximum capacity in 2<sup>nd</sup> half of 2016



# Increased Sales Volume and Stable Inventory in H2 2016



# REC Silicon Q1 Summary

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- › March 31, 2016 Cash Balance of \$101.5 M
- › Will Meet 2016 Debt Maturities
- › Return to Full FBR Capacity in Q3 With Industry Leading Cash Costs
- › Improving Market Conditions Allow Greater Penetration to Customers Outside China
- › Low Cash Costs Make REC Silicon Competitive at Discounted Prices
- › Continued Momentum to Reach Resolution on Trade Dispute
- › Yulin JV on Track for Start-up H2 2017



# Guidance

# Q2 and Updated 2016 Guidance

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FBR Production	
Q2	1,370 MT
2016	11,770 MT

FBR Cash Cost	
Q2	\$24.0/kg
2016	\$13.2/kg

Total Polysilicon Production	
Q2	2,020 MT
2016	14,730 MT

Semiconductor Production	
Q2	190 MT
2016	1,650 MT

Silicon Gas Sales	
Q2	800 MT
2016	3,360 MT

CapEx	
Maintenance	\$ 8 M
Expansion	\$ 3 M
2016 Total	\$11 M



# Q2 2016 Reporting

## July 21, 2016