



# ANNUAL GENERAL MEETING

May 3, 2016

RECSiLICON

# Agenda

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1. Opening of the meeting by the Chairman of the Board
2. Election of Chairman of the meeting and not less than one person to co-sign the minutes with the Chairman
3. Approval of the notice of the meeting and the agenda
4. Directors' remuneration and remuneration for the members of the Nomination Committee
5. Approval of auditor's remuneration
6. Approval of Annual Financial Statements and Directors' Report for 2015
7. The Board's statement regarding determination of salary and other compensation to leading employees
8. Authorization to issue shares
9. Authorization to acquire treasury shares
10. Election of members to the Board of Directors
11. Election of members to the Nomination Committee

# Item 1 - Opening of the meeting by the Chairman of the Board and registration of attending shareholders

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## Item 2 – Election of Chairman of the meeting and not less than one person to co-sign the minutes with the Chairman

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- The Board's proposal for resolution:
- «*Thomas Aanmoen is elected to chair the meeting. James May is elected to co-sign the minutes.*»

## Item 3 – Approval of the notice of the meeting and the agenda

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- The Board's proposal for resolution:
- «*The notice of and agenda for the meeting are approved.*»

## Item 4 – Directors’ remuneration and remuneration for the members of the Nomination Committee

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➤ The proposal for resolution by the Nomination Committee is:

*«The recommendation from the Nomination Committee was approved. The remuneration for the period from 3 May 2016 to the annual general meeting of 2017 for the Chairman of the Board, Deputy Chair, Board members, members of Board committees and members of the Nomination Committee shall be:*

<i>Chairman of the Board</i>	<i>NOK 500,000</i>
<i>Deputy Chair</i>	<i>NOK 350,000</i>
<i>Other Board members</i>	<i>NOK 300,000</i>
<i>Members of Board committees</i>	<i>NOK 50,000</i>

*The remuneration to the Nomination Committee for the period from the Annual General Meeting in 2016 to the Annual General Meeting in 2017 shall be:*


<i>Chairman of the Committee</i>	<i>NOK 30,000</i>
<i>Members of the Committee</i>	<i>NOK 25,000»</i>

## Item 5 – Approval of auditor's remuneration

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➤ The Board's proposal for resolution:

➤ *«The general meeting approves the auditor's remuneration for audit of the Annual Financial Statements of REC Silicon ASA for the financial year of 2015 in accordance with invoice.»*



Annual General Meeting  
Oslo Norway

May 3, 2016

RECSiLICON



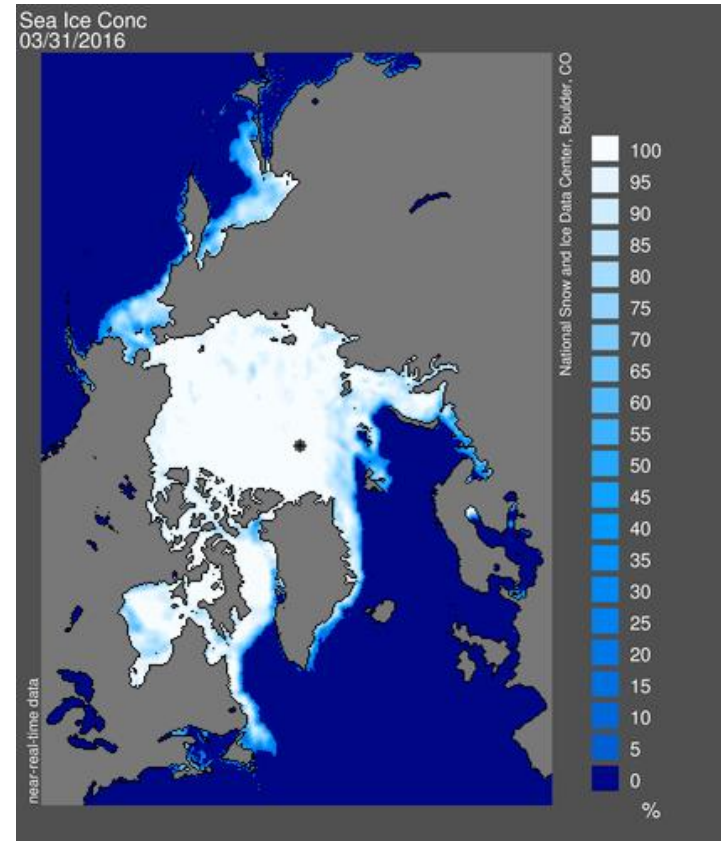
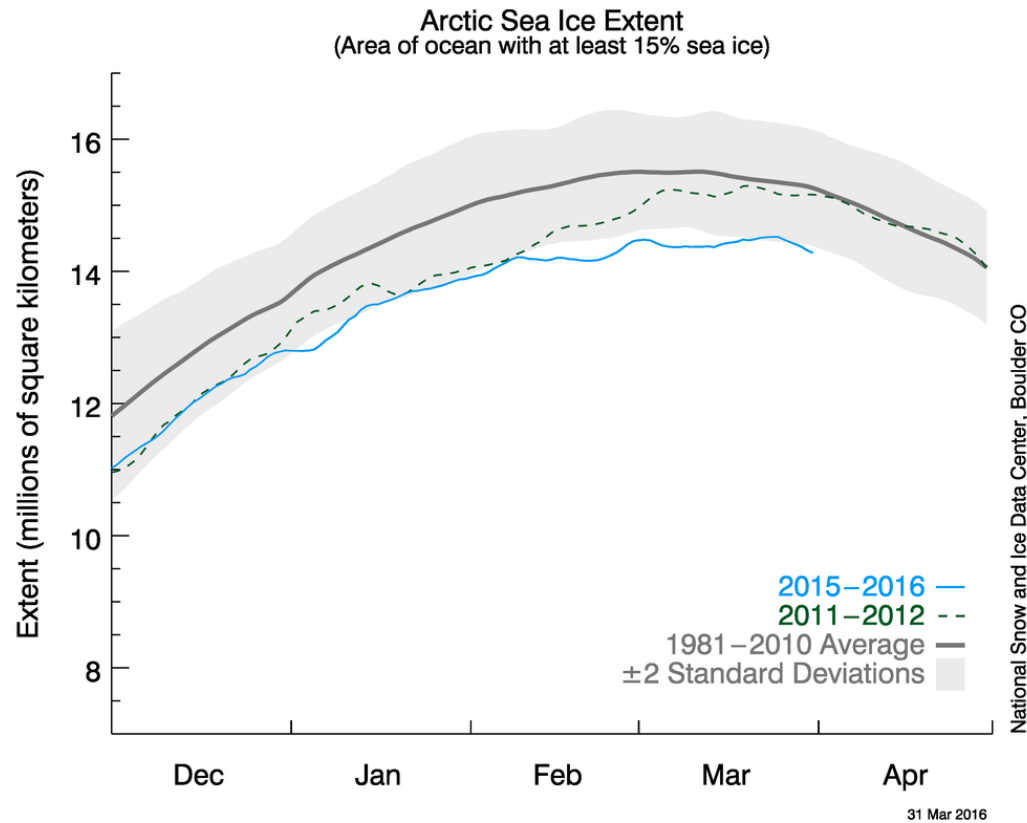
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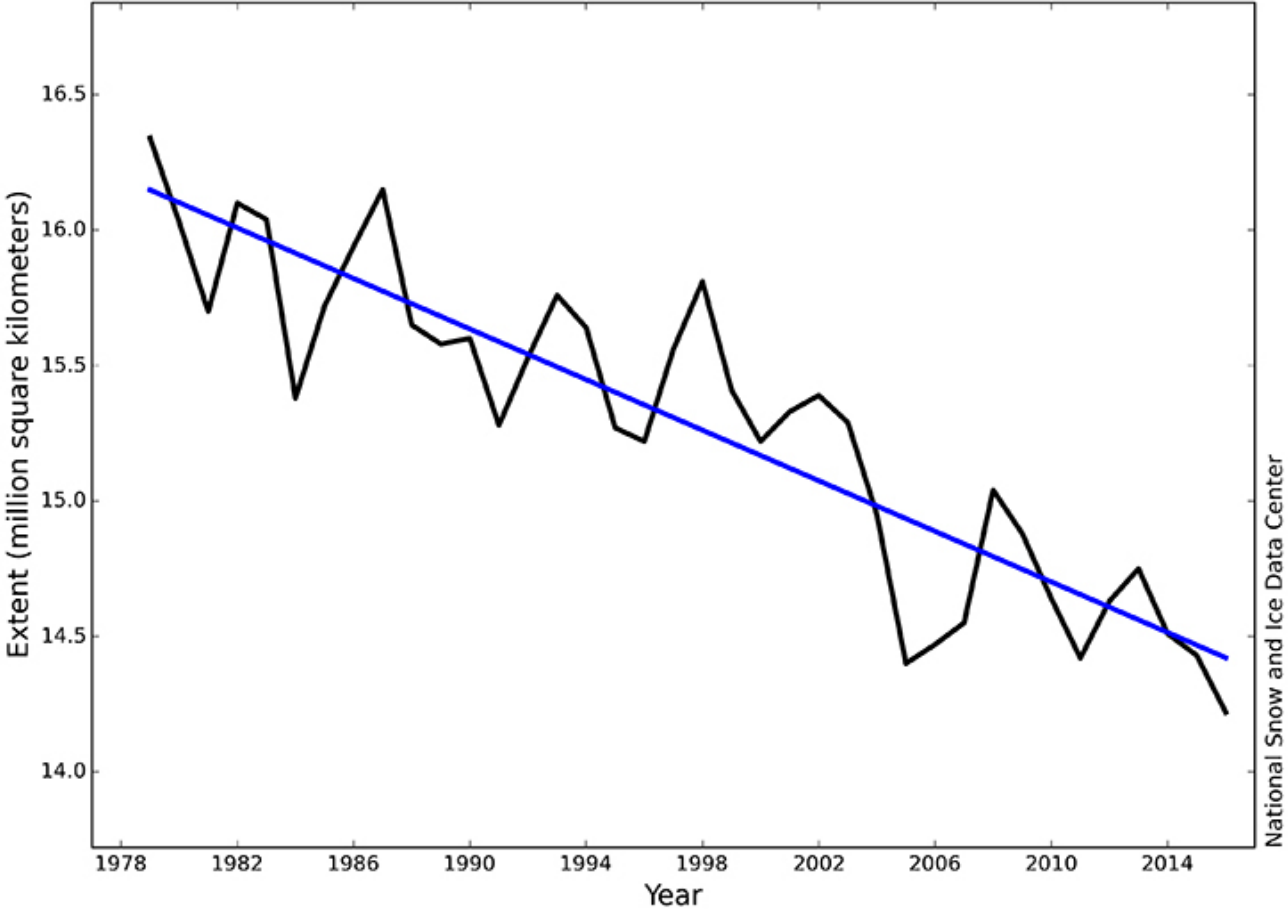
REC Silicon ASA shares have not been registered under the U.S. Securities Act of 1933, as amended (the "Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Act.

# Ice in the Arctic - Lowest on Record



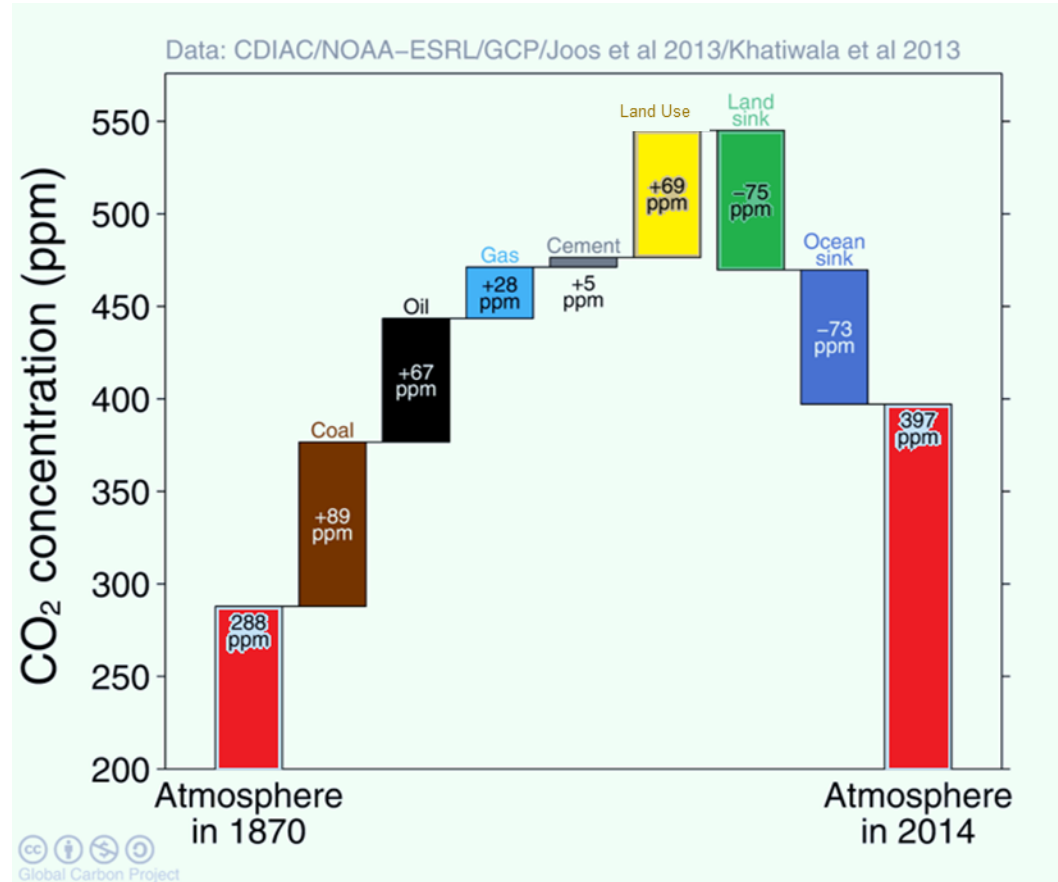
# The Trend is Undeniable

Average Monthly Arctic Sea Ice Extent  
February 1979 - 2016



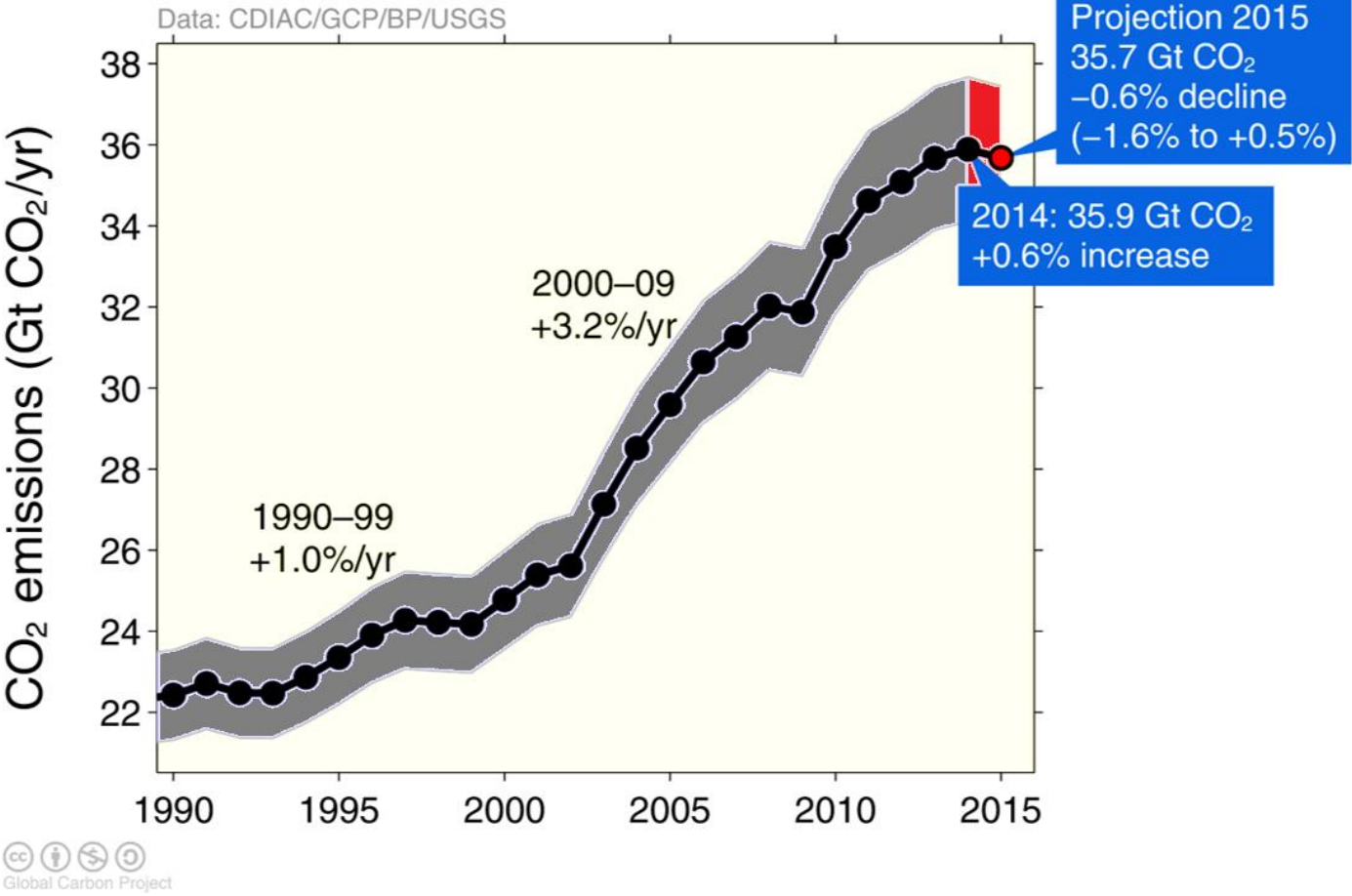
# Sources of CO<sub>2</sub> Accumulation in the Earth's Atmosphere

- › Coal and oil largest contributors
- › Ocean as absorber has consequences related to acidification and effect on biotopes



Global Carbon Project 2015

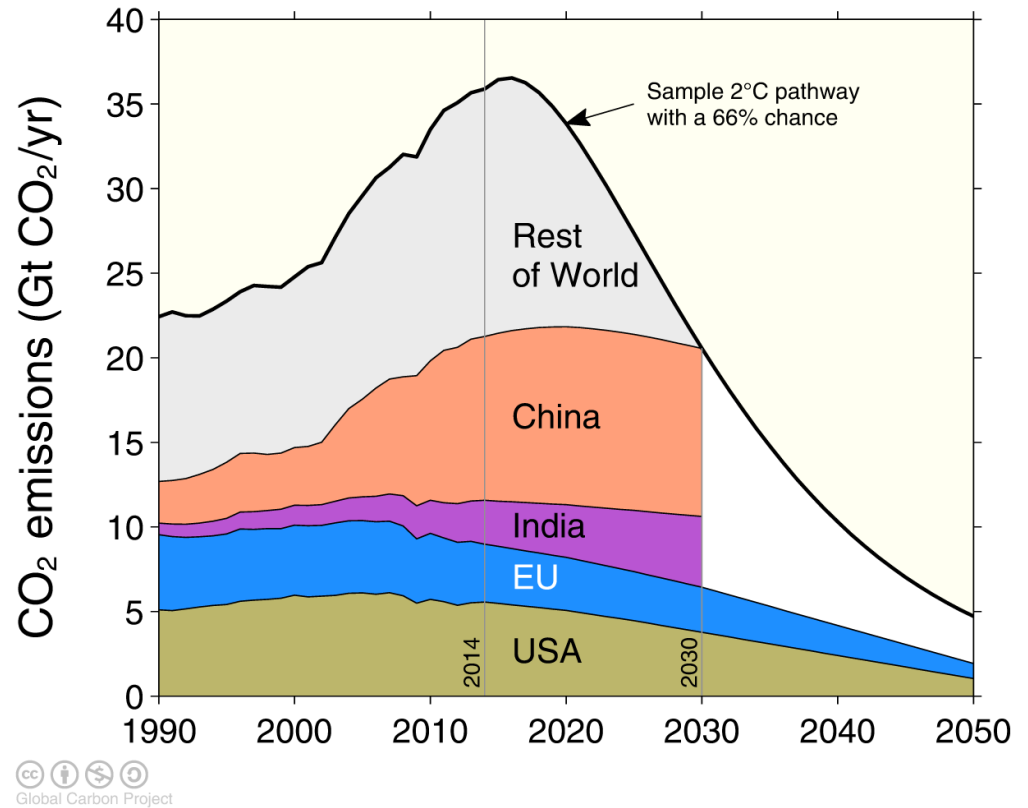
# CO<sub>2</sub> Emissions Over Time



Global Carbon Project 2015

# Are the Pledges Really Realistic?

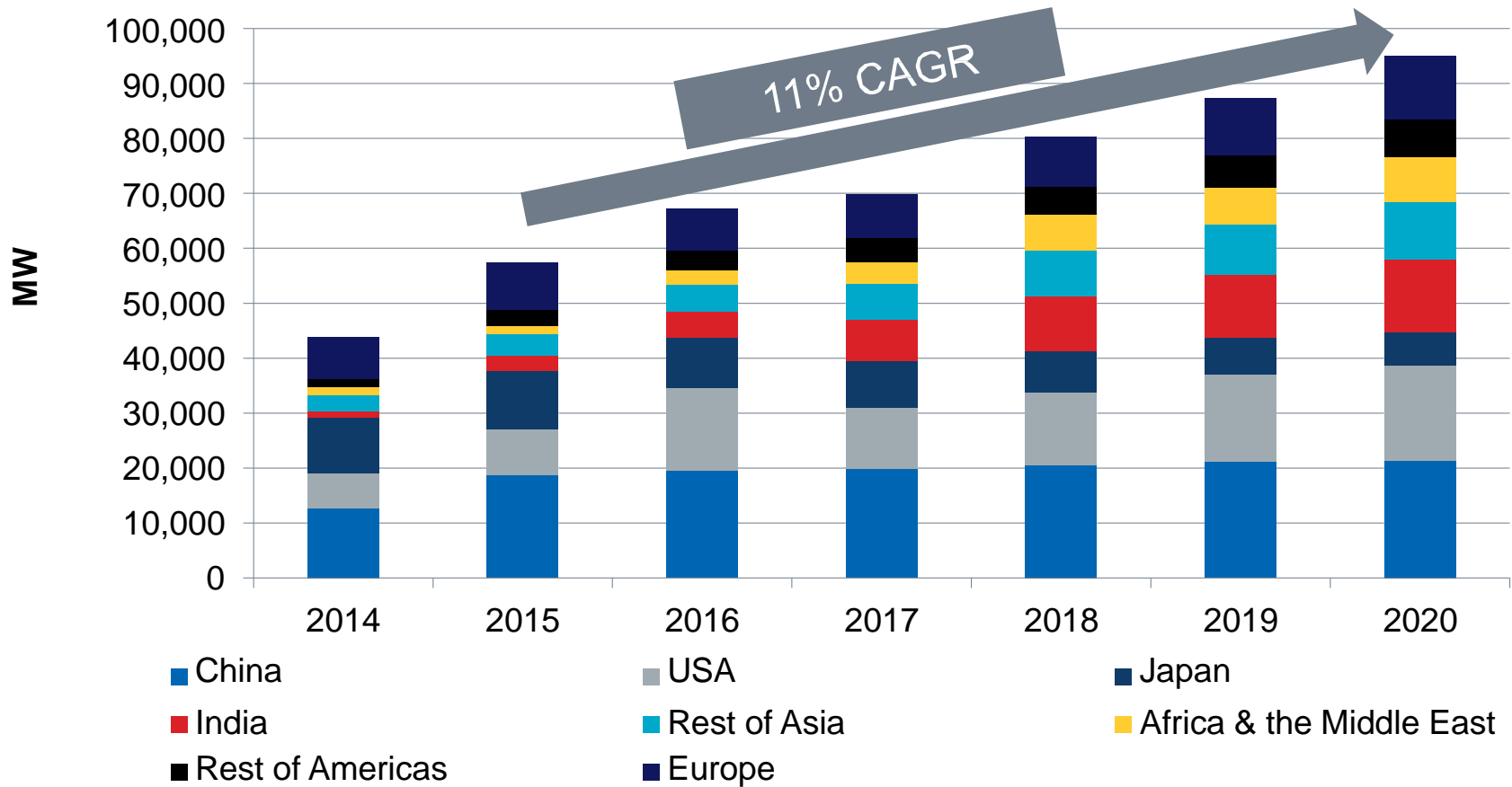
- › Between now and 2030, CO<sub>2</sub> emissions to be reduced by around 40%
- › After 2030, very limited emissions are left for Rest of World if the target is to be achieved



Global Carbon Project 2015

# IHS Forecasts Global PV Demand Of 95 GW By 2020

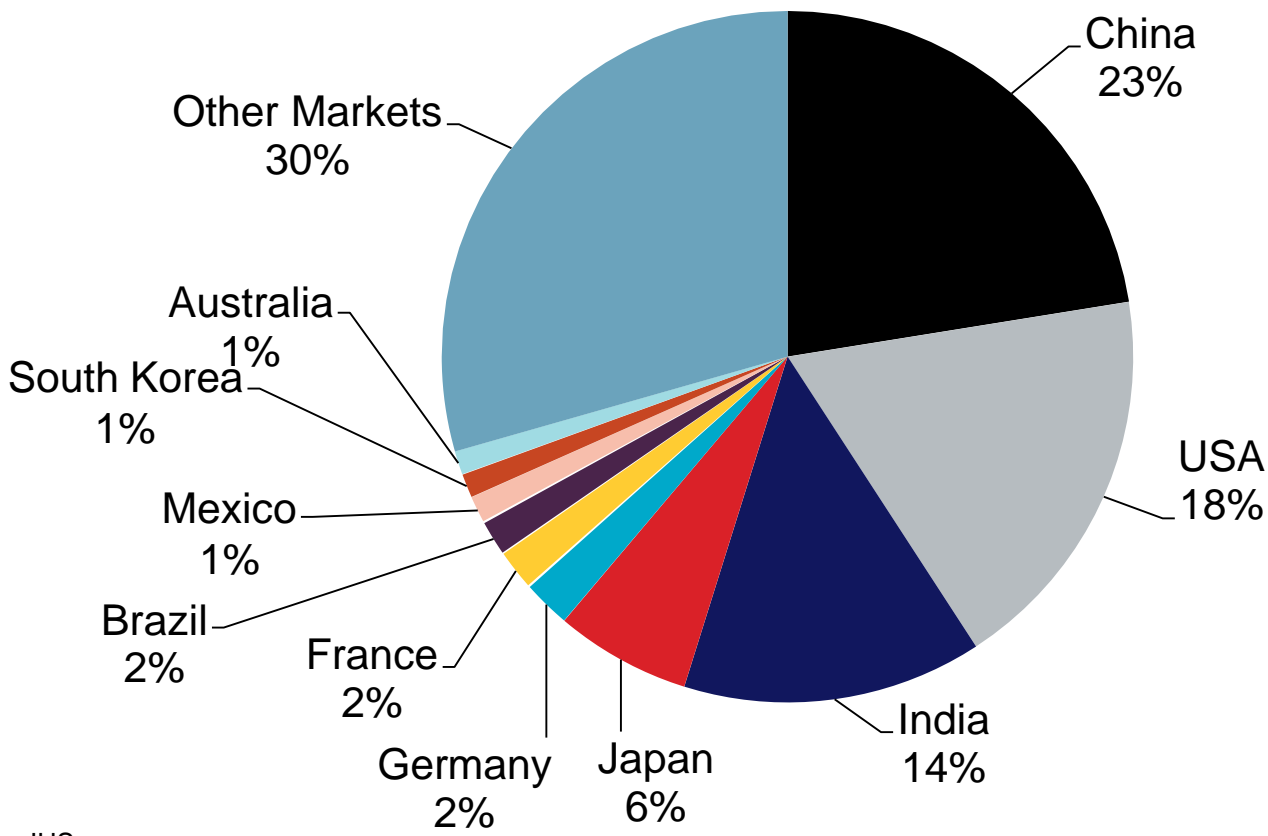
## IHS base case annual PV installed capacity through 2020



Source: IHS

# In 2020, 70% of the Demand will Come from Top-10, Down from 84% in 2015

Annual PV installed capacity 2020

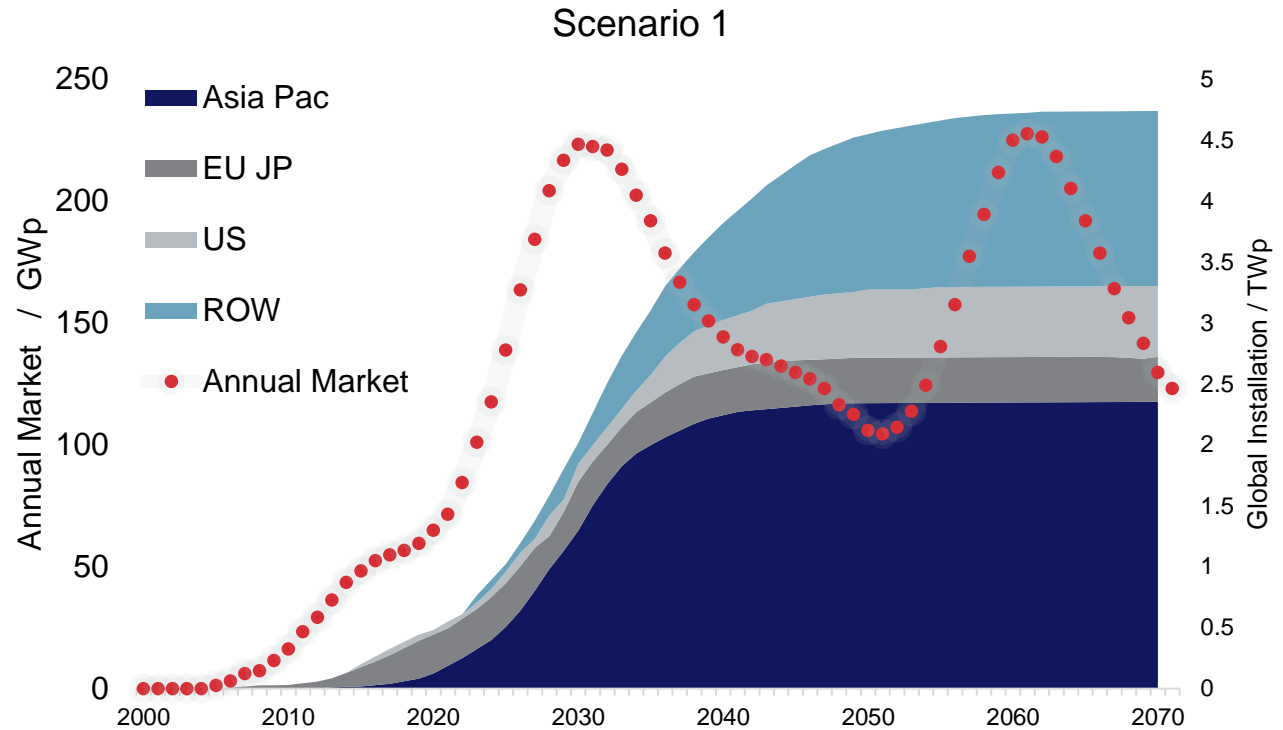


Source: IHS

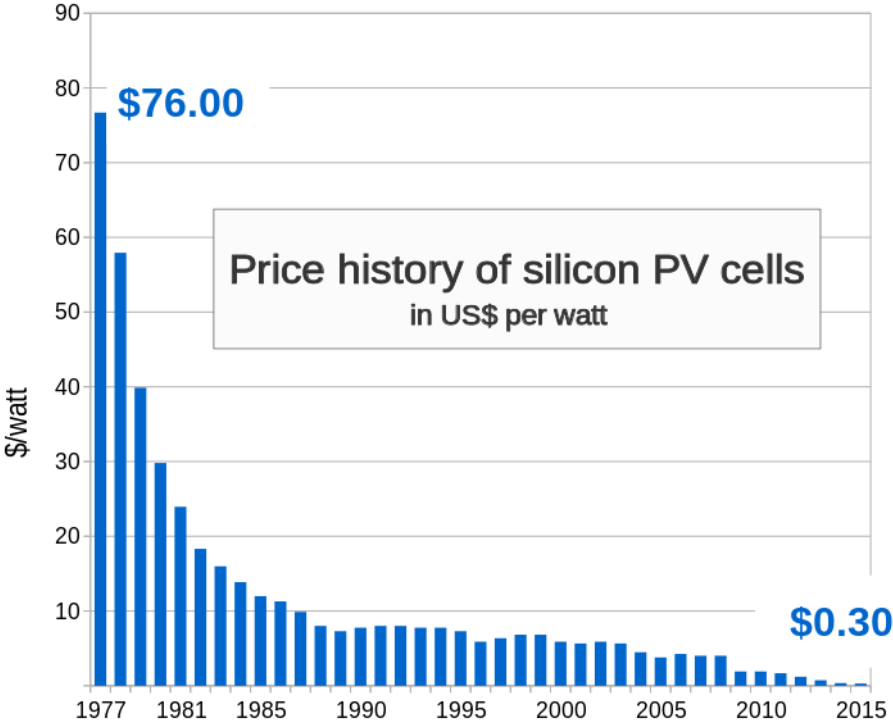


# Market Prediction (ITRPV 7<sup>th</sup> ed.) – Scenario 1

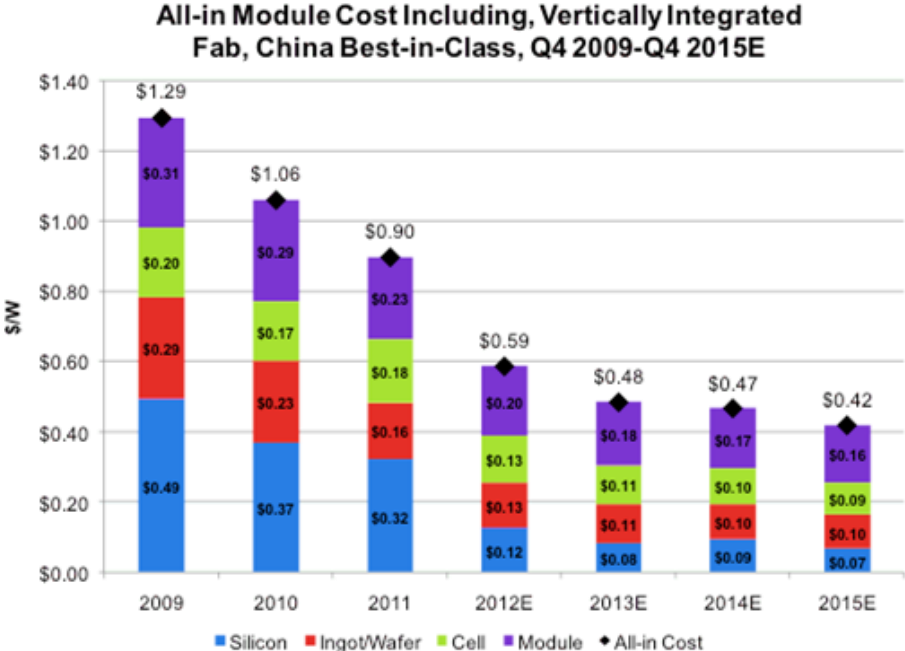
- › Scenario from OECD/IEA 2014 Technology Roadmap – Solar Photovoltaic Energy
- › 4.68 TWp installed in 2050, generating 6700 TWh (16% of global electricity production)
  - Conversion rate: 1440 TWp = 1 TWh



# The Price of PV Per Watt Continues to Drop

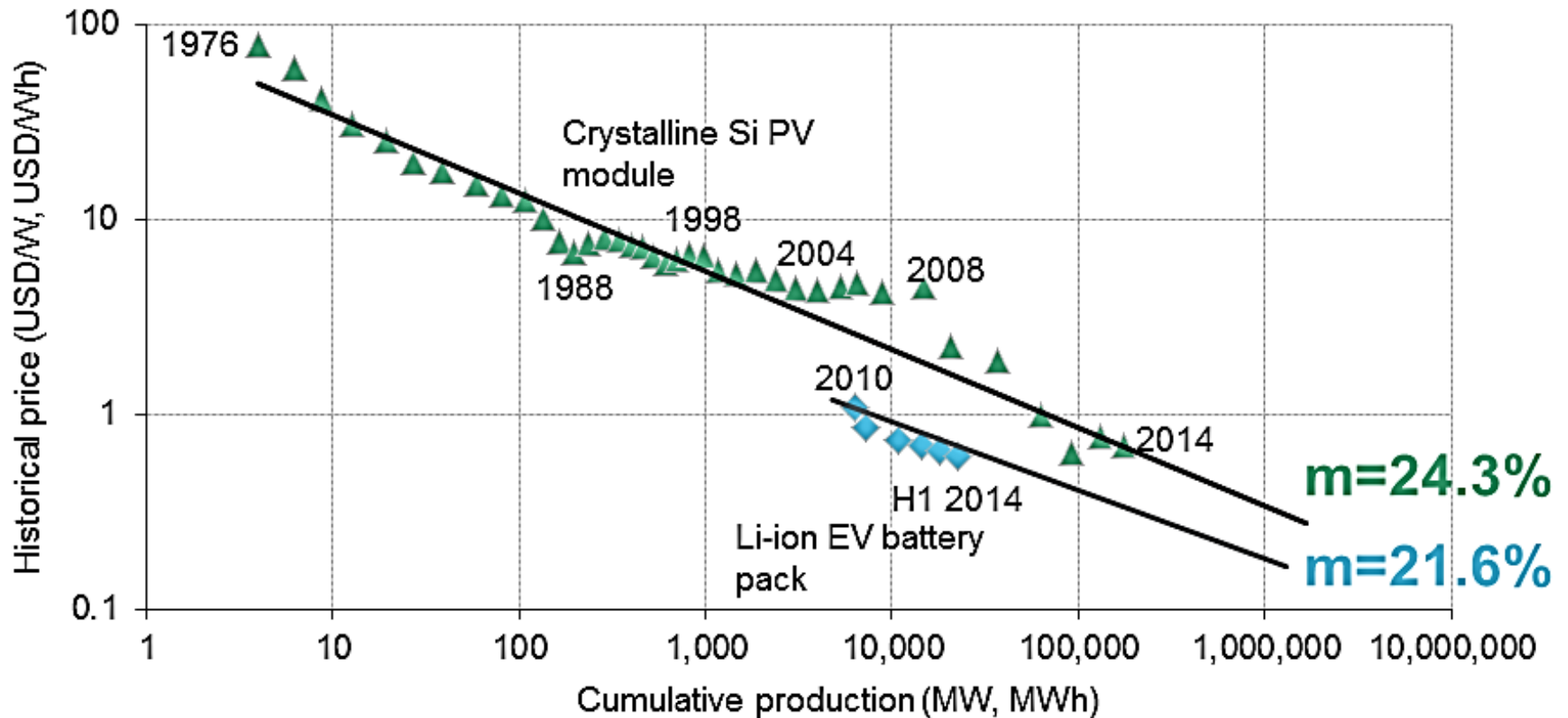


Source: Bloomberg New Energy Finance & pv.energytrend.com



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# Lithium-Ion EV Battery Experience Curve Compared with Solar PV Experience Curve

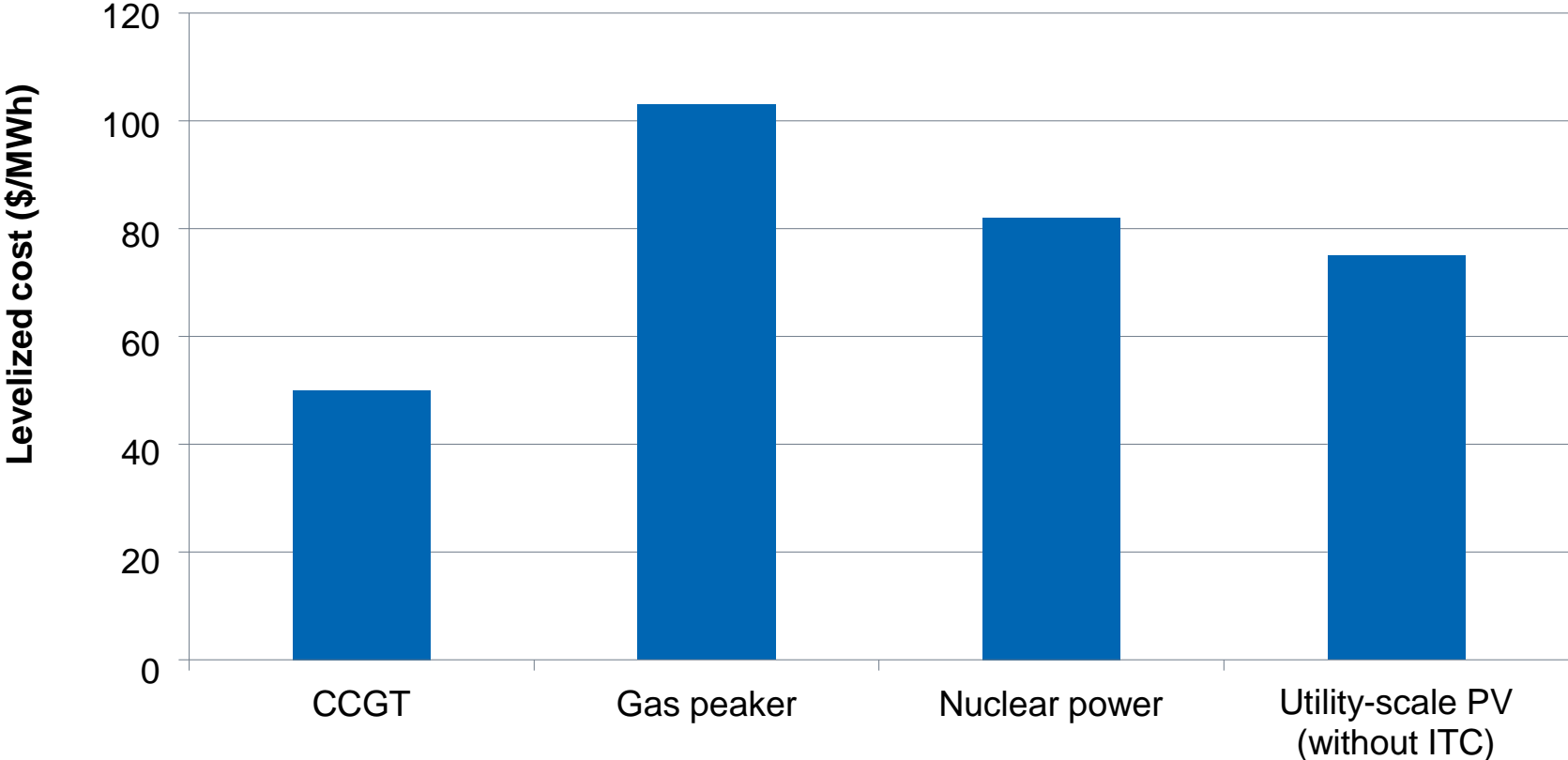


Note: Prices are in real (2014) USD.

Source: Bloomberg New Energy Finance, Maycock, Battery University, MIT

# Comparative Cost of Energy USA

Comparative cost of energy 2014



Source: IHS

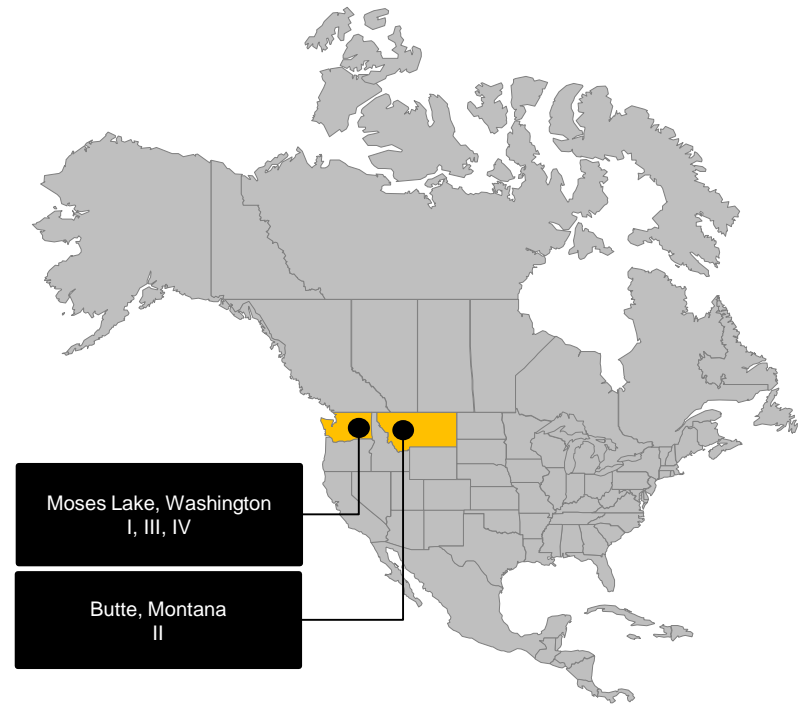


# REC Silicon Overview

# REC Silicon Production Facilities

Two polysilicon production facilities in the US with ~640 Employees

<b>Moses Lake</b>	Silane I Silane III Silane IV Silicon III	Temporarily shutdown Silane gas Silane gas FBR
<b>Butte</b>	Silicon II	Silane gas & Siemens



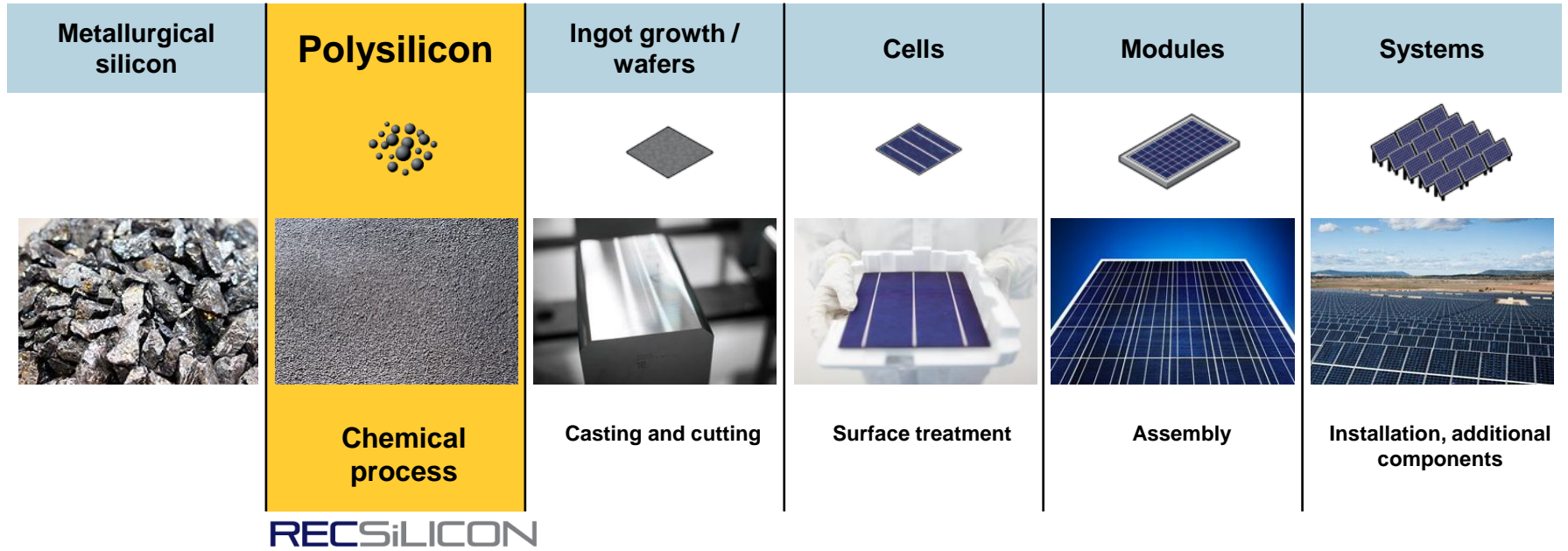
# REC Silicon: Driven by Silane for 30 years

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- › REC's Polysilicon plants consist of two separate units working seamlessly together
- › FBR is dependant on Silane availability
- › REC is the only company currently producing silane on a large-scale
- › All Tier-1 peers are TCS based Siemens producers



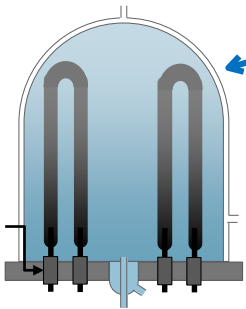
# REC Silicon's Position in the PV Value Chain





# REC Silicon's Proprietary FBR: Low Energy Consumption & Continuous Production Process

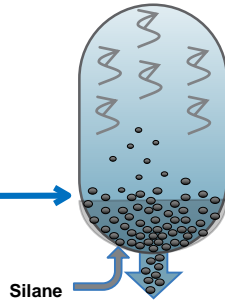
Siemens Reactor  
TCS Based



Majority of energy input is lost to reactor wall cooling

No reactor wall cooling required

FBR Reactor  
Silane Based

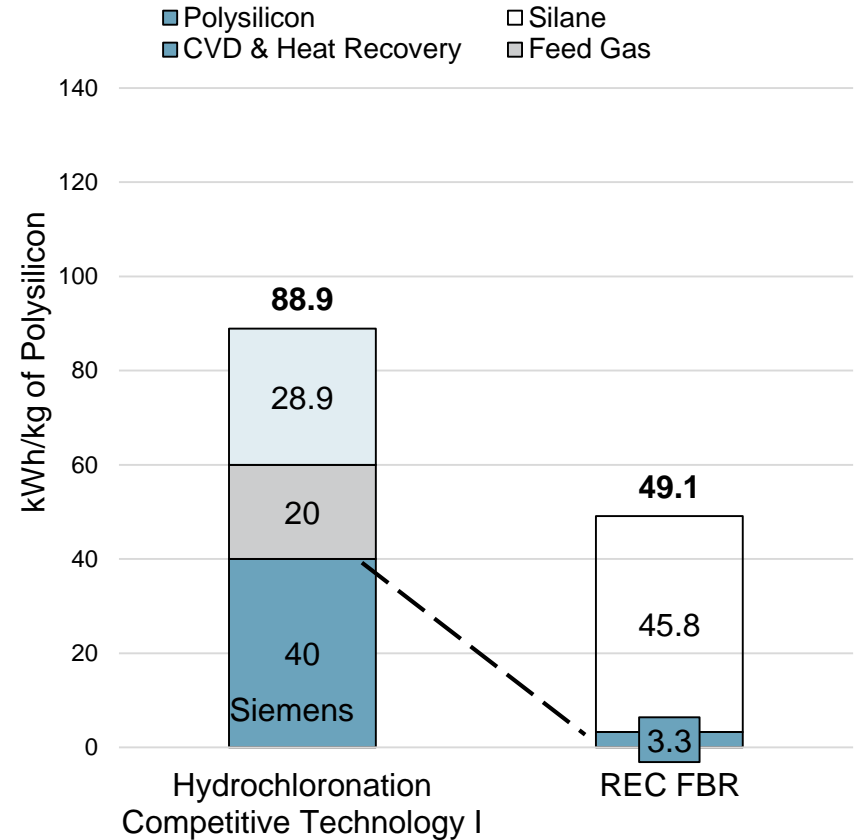


## Siemens Technology:

- 40 year old technology
- Batch process
- Requires post processing
- High cash cost

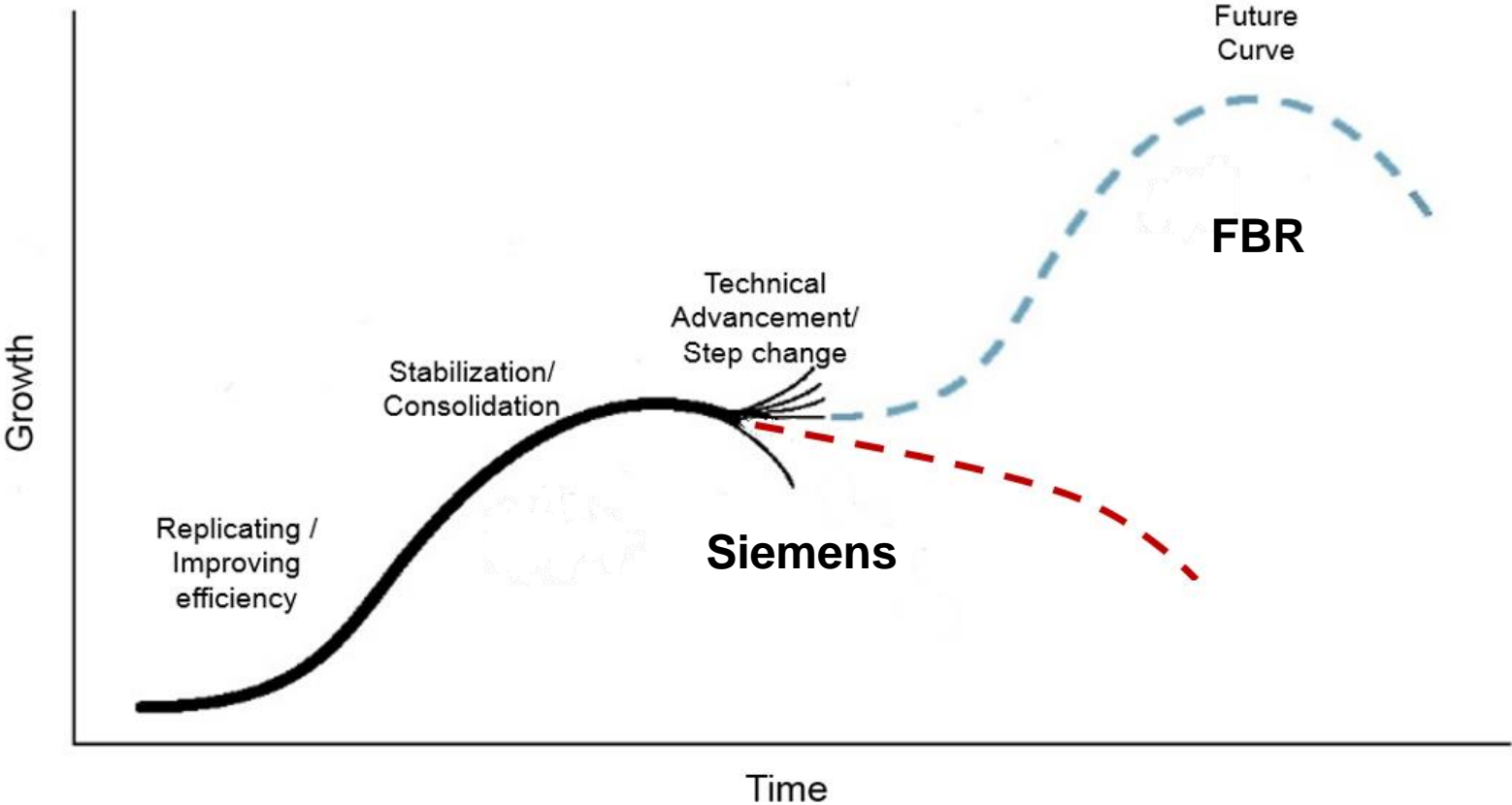
## FBR Technology:

- Proprietary REC technology
- Most energy efficient
- Continuous production
- Lowest cash cost



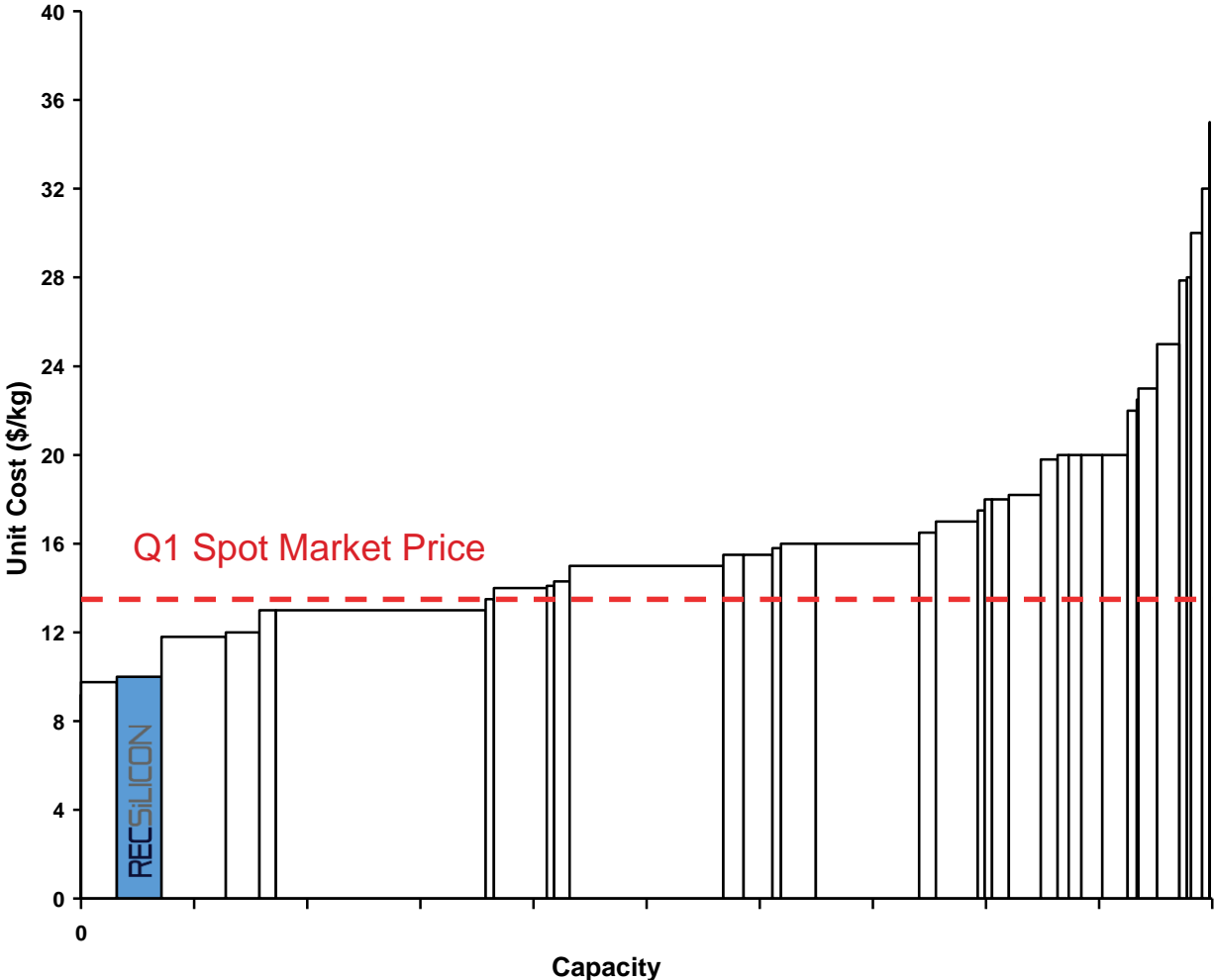
Note 1 REC silicon data based on 2014 measured energy consumption and actual production. This includes consumption for operations, maintenance, and analytical functions.  
 Note 2 REC data includes the buildings (lights/HVAC) along with processing, packaging, treatment, and support equipment.  
 Note 3 Competitive technology data appears to be based on simulations of power consumption for only the process equipment to manufacture Polysilicon when it is operating at 100% utilization)

# Silicon Production Technology Life Cycle



# Advanced Technology Makes REC Silicon Low Cost Leader

- › 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

# Yulin JV Update

陕西有色天宏瑞科硅材料有限责任公司  
SHAANXI NON-FERROUS TIAN HONG REC SILICON MATERIALS COMPANY, LTD.

RECSiLICON

# Yulin JV – The Next Big Step in REC’s Development

- › JV Partner is Established SOE with Operational Experience and Financial Strength
  - Shaanxi Non-Ferrous Tian Hong New Energy Co., Ltd. (SNF)
  - Part of Shaanxi Youser Group Conglomerate of Metals Mining, Refining and Alloy
  - Revenues Exceeding \$14 billion USD
- › JV Partnership:
  - REC (49%) – USD \$244 Million USD Capital Contribution
  - SNF (51%) – USD \$254 Million USD Capital Contribution
- › REC Received \$198 Million USD Upfront Payment for Technology Transfer
- › Next Generation (FBR-B) Technology to be Used
- › Technology use Limited to China and Taiwan Only



# Yulin JV Plant Capacity and Investment

**Total Investment: \$1.25 B**

## Investment Parameters:

CAPEX: \$65/kg

Cash Cost: ~\$9.0

## Financing:

35% Fixed Registered Capital From Partner Contributions

Remaining JV Financing Guaranteed by SNF

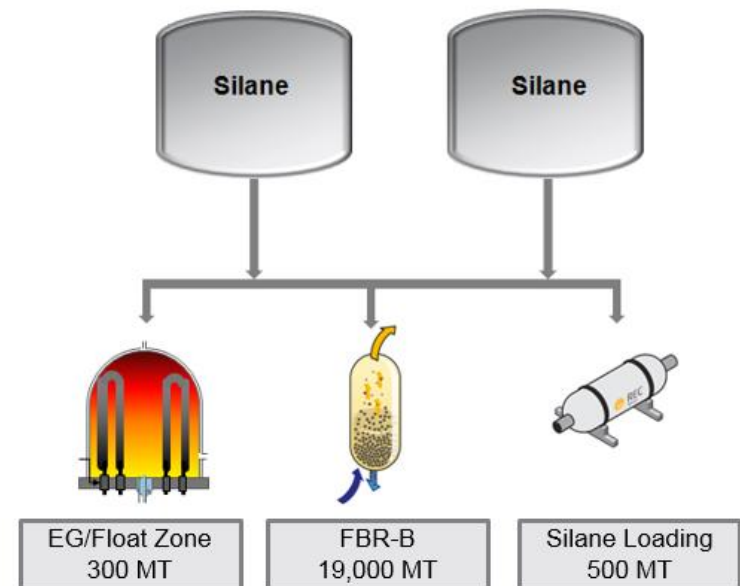
## Production Development:

2017 ~ 7,300 MT

2018 ~ 16,300 MT

2019 ~ 19,300 MT

*youser* RECSILICON 天瑞硅材料



# Current Status: On Track for H2 2017 Start-up

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- › Construction Well Underway
- › Project Schedule and Spending Within Budget
- › 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 at Moses Lake and Butte
  - 50 JV Employees from China Trained by REC Experienced Personnel





## Financial Review



# Financial Results

(USD million)	2015			2014		
	<u>Revenues</u>	<u>EBITDA</u>	<u>EBIT</u>	<u>Revenues</u>	<u>EBITDA</u>	<u>EBIT</u>
<b>US Operations</b>	329.9	(10.9)	(145.1)	492.9	136.2	1.8
<b>Special Items</b>	-	-	-	-	101.0	101.0
<b>Impairment</b>	-	-	(151.6)	-	-	(4.3)
<b>Parent Company &amp; Other</b>	<u>0.0</u>	<u>(2.1)</u>	<u>(2.1)</u>	<u>0.1</u>	<u>(4.3)</u>	<u>(4.3)</u>
<b>REC Silicon</b>	329.9	(13.0)	(298.8)	493.0	232.9	94.2
<b>Gain/Loss on disposal of disc. oper.</b>	<u>-</u>	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>(0.6)</u>	<u>(0.6)</u>
<b>Total Operations</b>	329.9	(12.8)	(298.5)	493.0	232.3	93.5
<b>Discontinued operations</b>	<u>-</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>-</u>	<u>0.6</u>	<u>0.6</u>
<b>Continuing Operations</b>	<u><u>329.9</u></u>	<u><u>(13.0)</u></u>	<u><u>(298.8)</u></u>	<u><u>493.0</u></u>	<u><u>232.9</u></u>	<u><u>94.2</u></u>

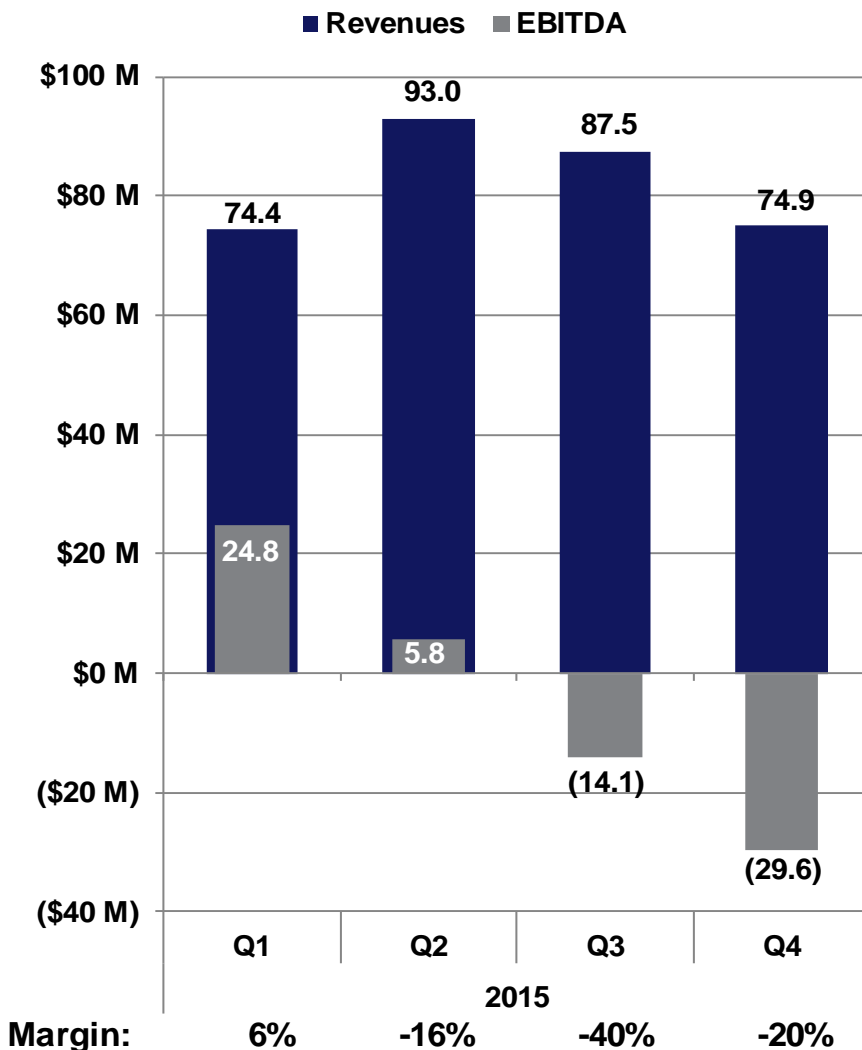
# Key Financial Results

## Revenues \$330 M in 2015

- > \$163 M Decrease from 2014
- > Polysilicon Revenues
  - Average Solar Grade Prices Decreased by 38% vs 2014
  - Total Polysilicon Sales Volumes Decreased by 14% vs 2014 (2,913 MT Inventory Build)
- > Silicon Gas Revenues
  - 10% Decrease in Volumes vs 2014
  - 6% Decrease in Silane Gas Price

## EBITDA Loss of (\$13 M) in 2015

- > Compared to \$233 M in 2014
- > Special Items
  - \$101M in 2014 - Technology Transfer to JV



# 2015 Cash Flows

## Cash Flows From Operating Activities \$1.6 M

- › EBITDA - Loss of (\$13.0 M)
- › Working Capital Decrease \$28.7 M
- › Interest payments (\$12.6 M)

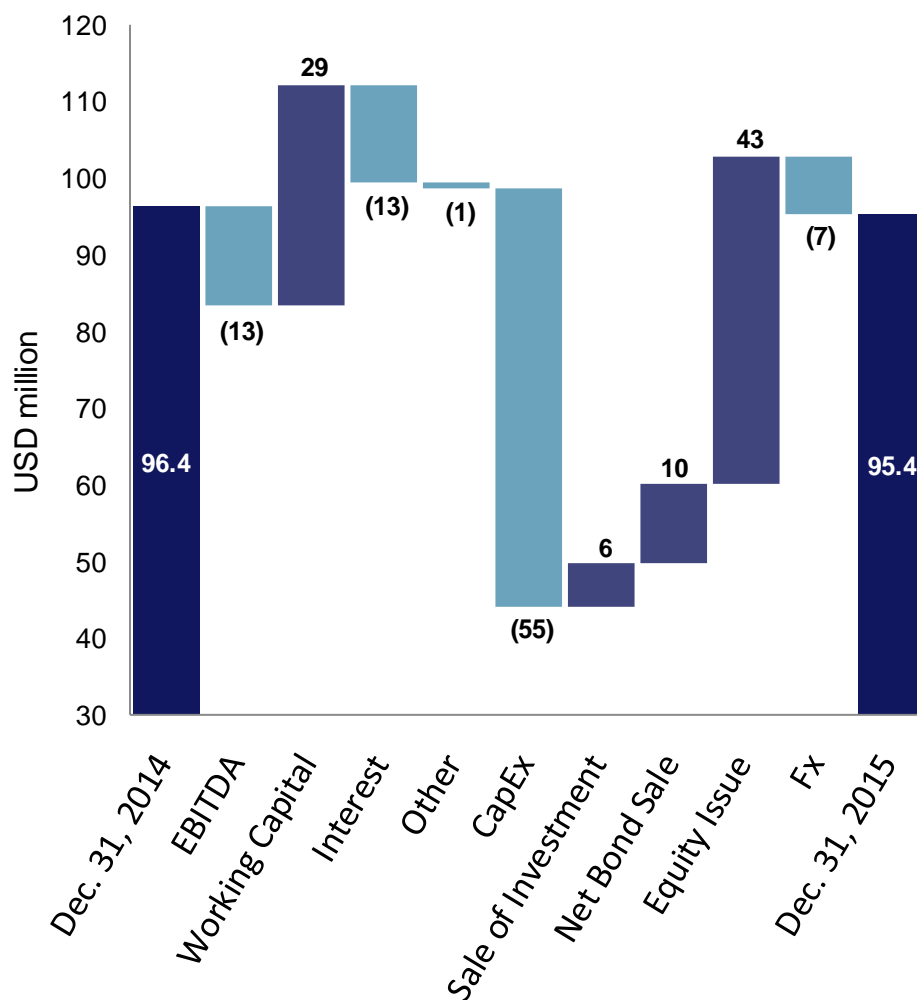
## Cash Outflows From Investing Activities (\$48.2 M)

- › CapEx (\$54.7M)
- › Investment in Municipal Bonds \$5.7 M
- › Restricted Cash \$0.8 M

## Cash Flows From Financing Activities \$53.1 M

- › Net Sale of Treasury Bonds \$10.4 M
- › Equity Issuance \$42.7 M

## Currency Loss of (\$7.4 M)



# Debt Coverage at December 31, 2015

## Nominal Net Debt - \$109 M

- › Reduced by \$3 M vs 2014

## Nominal Debt - \$205 M

- › Reduced by \$4 M vs 2014
  - › Net Proceeds of \$10 M
    - Purchased NOK 55M REC02
    - Sold NOK 155M REC03
  - › Offset by Stronger US Dollar

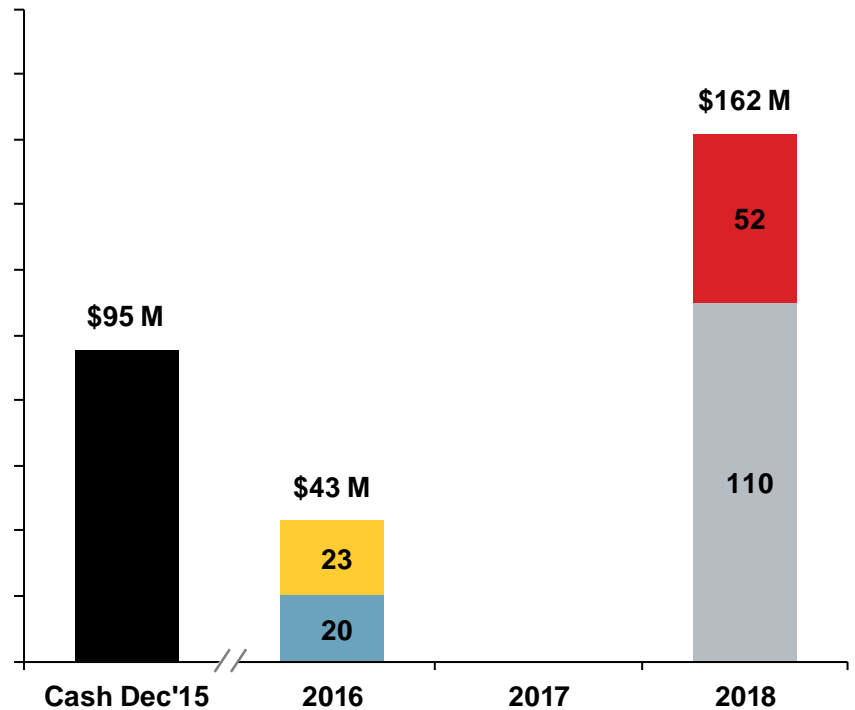
## No Debt Maturities in 2015

## 2016 Debt Maturities

- › NOK 179.5 M REC02 (\$20.4 M)
- › NOK 200 M Indemnity Loan (\$22.7 M)

USD million

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

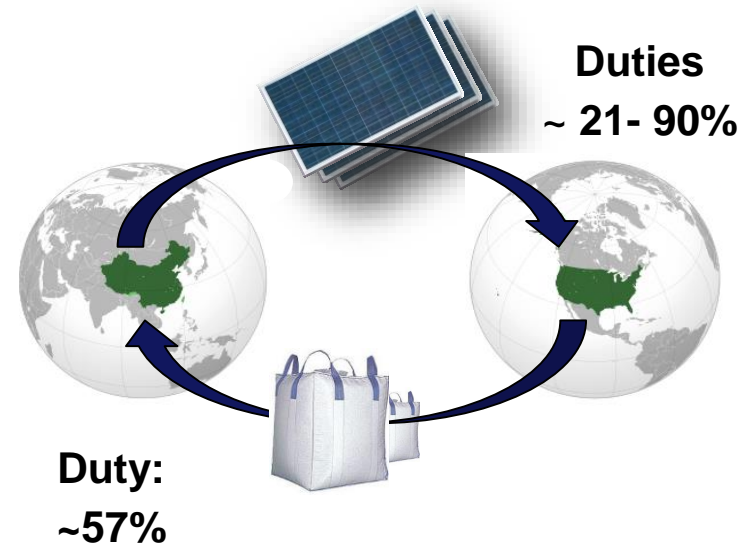


The image features two flags flying against a clear blue sky. On the left is the national flag of the People's Republic of China, characterized by a red field with five golden-yellow stars. On the right is the national flag of the United States of America, showing its characteristic stars and stripes. The flags are mounted on tall, thin poles. A semi-transparent red rectangular box is overlaid on the left side of the image, containing white text.

# 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

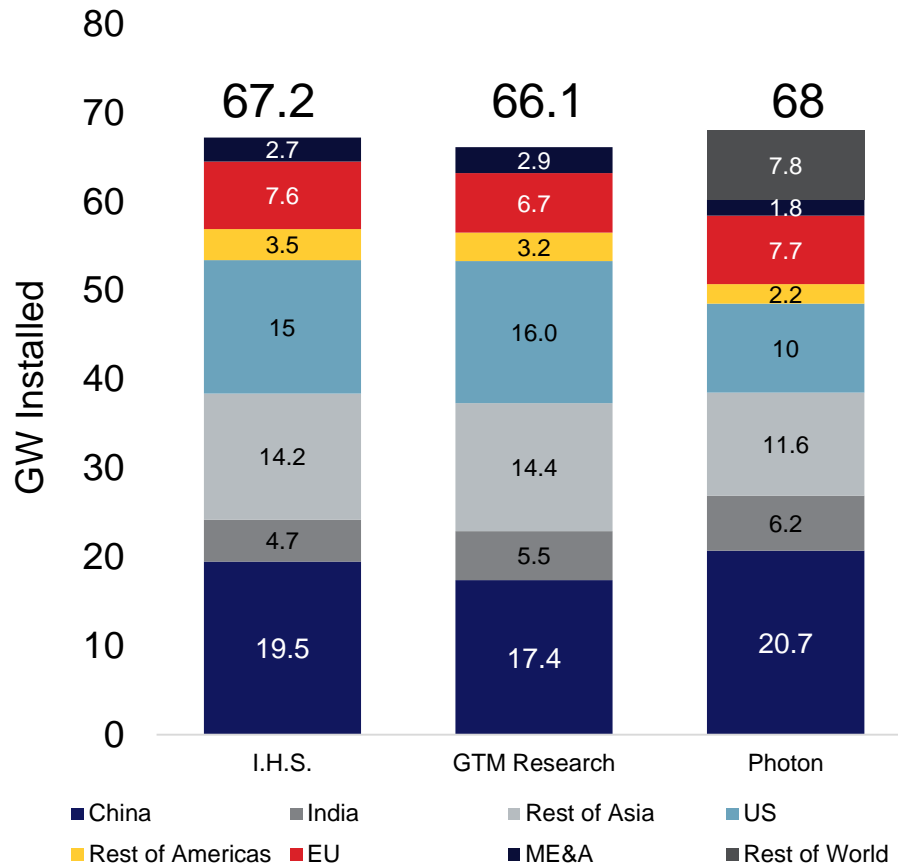




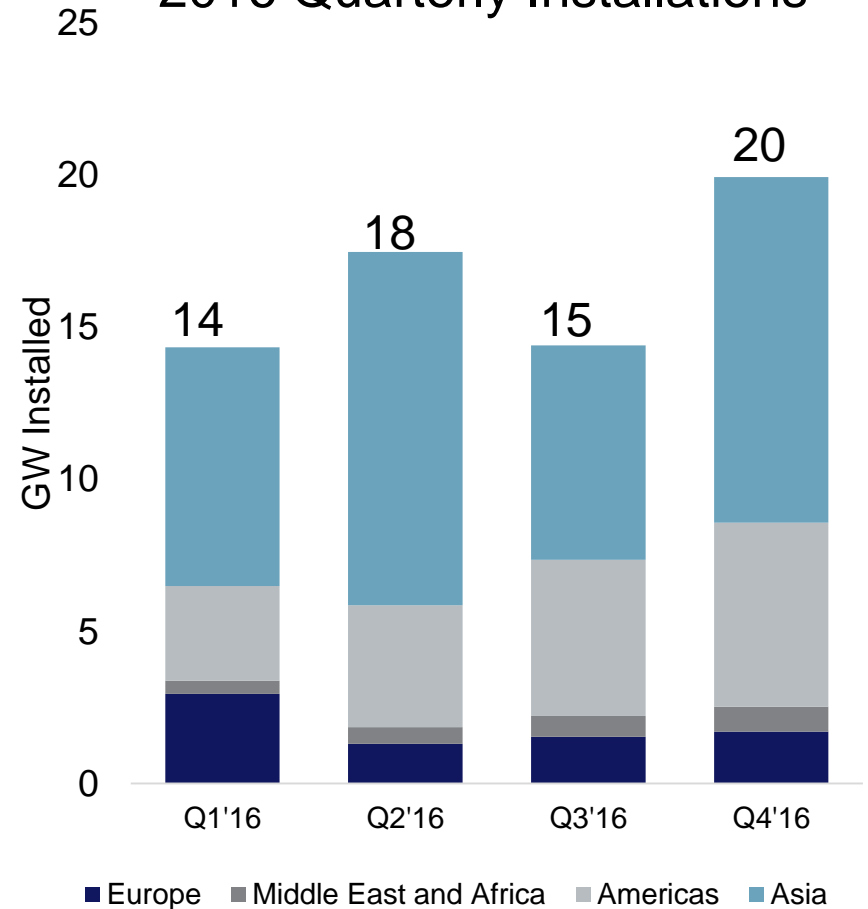
# Market Overview

# Strong Market Expected to Continue into H2 2016

## 2016 Installation Forecast



## 2016 Quarterly Installations



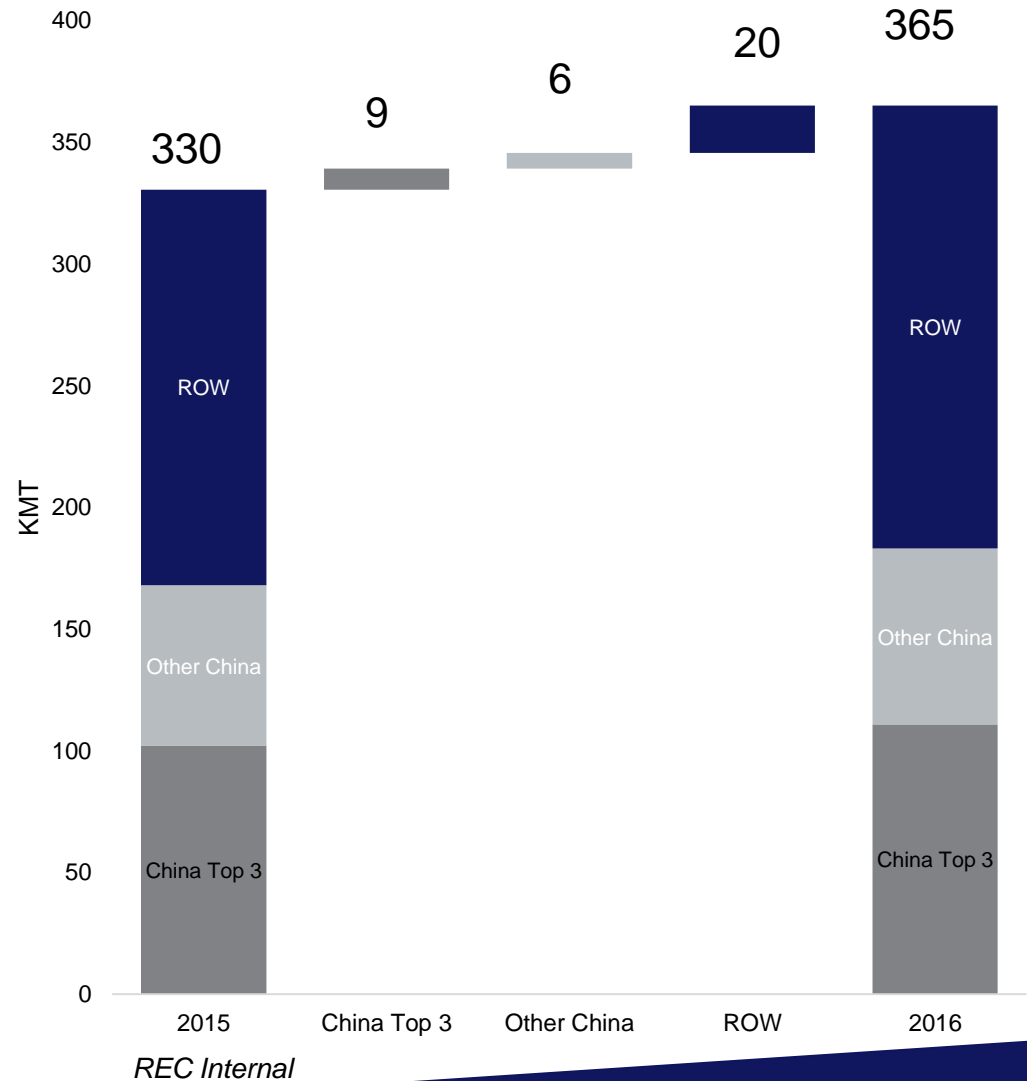
I.H.S PV Demand Market Tracker Q1 2016  
 GTM Research: Global Solar Demand Monitor Q2 2016  
 Photon Consulting February 10, 2016

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

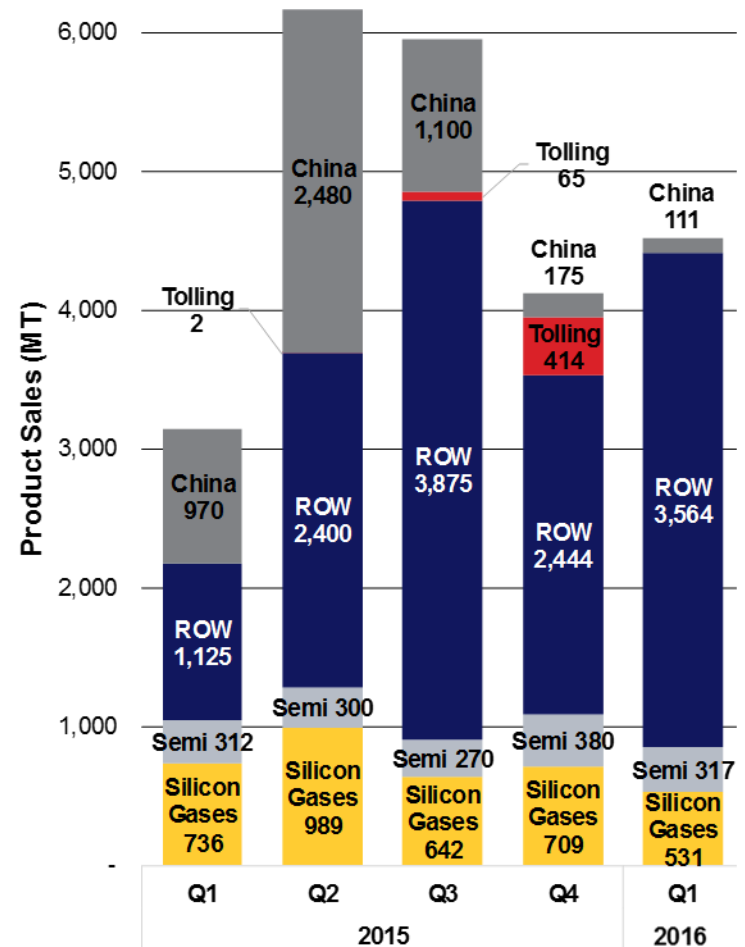
I.H.S PV Demand Market Tracker Q1 2016

GTM Research: PV Pulse April 2016

Photon Consulting February 10, 2016

# Continued Decreasing Reliance on Chinese Markets

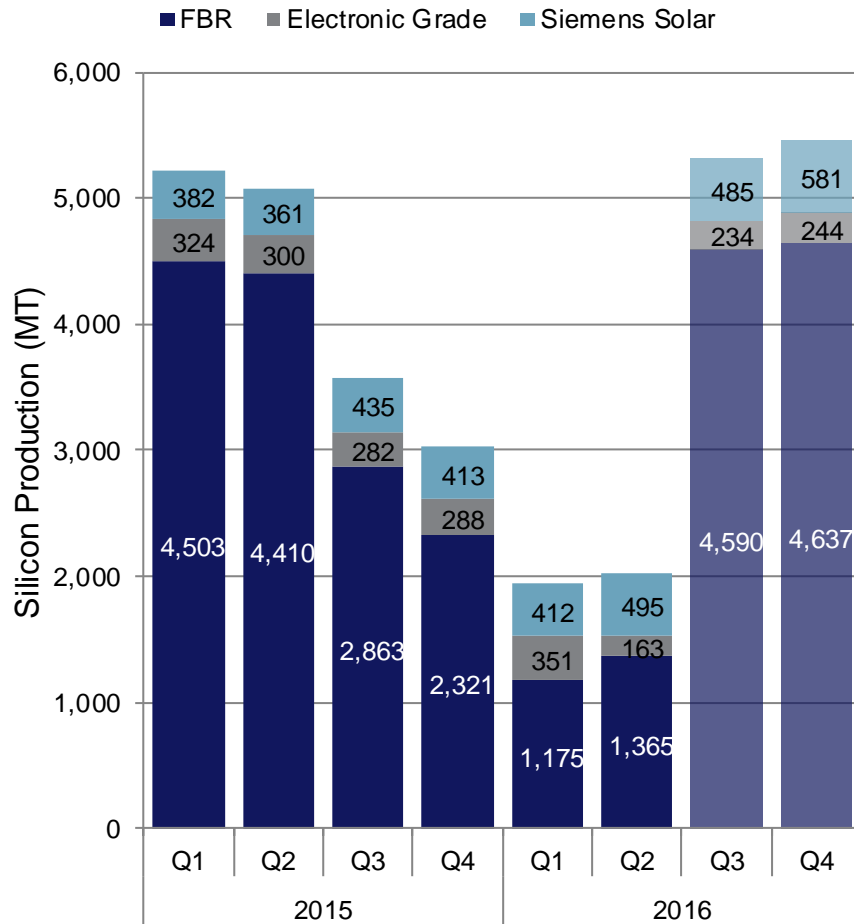
- Increased Penetration of Markets Outside China
  - Discounts to Maximize Sales Volume
  - Increased Wafer Capacity Utilization



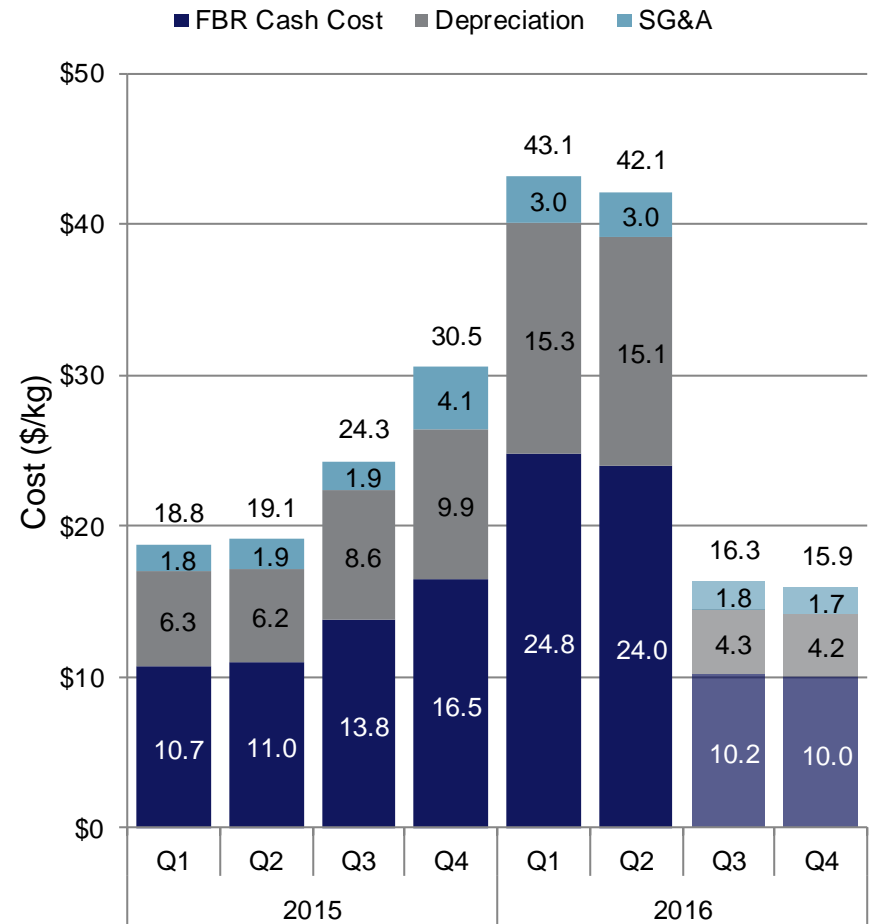
\* Includes Powders and Fines

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

## Polysilicon Production



## FBR Cost



# REC Silicon Summary

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- › March 31, 2016 Cash Balance of \$101.5 M
- › Capable of Meeting 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



Questions

# Item 6 – Approval of Annual Financial Statements and Directors' Report for 2015

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- The Board's proposal for resolution:
- *«The General Meeting approves the Annual Financial Statements and the Directors' Report for 2015. No dividends will be paid for the financial year.»*

## To Item 7 – Option Program 2016: Unamended from 2015

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### ➤ Synthetic option program

- Cash bonus corresponding to the positive share price development
- Easier to manage for US employees

### ➤ 6 year program

- 3 year lock-up, then disbursement over the following 3 years (provided the share price has increased above price at grant)
- Price at grant = 110 % of average price the last 5 days ahead of grant (26 April to 3 May 2016)
- Ceiling on yearly disbursements equal to base salary for the calendar year
- Conditional on continued employment
- Incentives for leading employees in critical areas

### ➤ Total cost of the program

- Equals 0.31% of the share capital (8,000,000/2,543,818,785)
- Total cost if the share prices increase 100 % = approx NOK 14,000,000

# Item 7 – The Board’s statement regarding determination of salary and other compensation to leading employees

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## ➤ The Board’s proposal for resolutions:

- «1: *"The General Meeting supports the statement of the Board regarding compensation to leading employees.*
- 2. *The General Meeting adopts the statement of the Board regarding long term incentive plans and measures for keeping key personnel.»*



## Item 8 – Authorization to issue shares – general financing purposes

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### ➤ The Board's proposal for resolution:

- *«The Board is granted authorization to increase the share capital with up to NOK 254,000,000, which equals approx. 10 % of the existing share capital, by issuing up to 254,000,000 shares through one or several share capital increases. The authorization to acquire shares shall be used for one or more of the following purposes: (i) in connection with investments, mergers and acquisitions; (ii) in connection with effectuation of mandatory share issues and to carry out the consolidation of shares and/or; (iii) to provide the Company with financial flexibility. Price and conditions for subscription will be determined by the Board on issuance, according to the Company's needs and the shares' market value at the time. Shares can be issued in exchange for cash settlement or contribution in kind. The existing shareholders preemptive rights to subscribe shares can be deviated from in connection with the effectuation of this authorization. The Board's authorization is valid until the Annual General Meeting in 2017, but shall in any event expire at the latest 15 months from the date of this General Meeting. The Board is at the same time given authorization to make the necessary amendments to the articles of association on execution of the authorization. This authorization replaces all previous authorizations to increase the share capital.»*

## Item 9 – Authorization to acquire treasury shares

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### ➤ The Board's proposal for resolution:

- «*The Board is granted authorization to acquire shares in REC Silicon ASA on behalf of the Company for one or more of the following purposes: (i) in connection with the Company's share option program for its employees, and/or (ii) to increase return on investment for the Company's shareholders. The authorization covers purchase(s) of up to 10% of the face value of the share capital of the Company, cf. the public limited liability companies act §§ 9-2 and 9-3. Shares may be acquired at minimum NOK 0.10 per share and maximum NOK 10 per share. The shares shall be acquired through ordinary purchase on the stock exchange. The Board's authorization is valid until the Annual General Meeting in 2017 or until it is revoked by a General Meeting resolution passed with simple majority, but shall in any event expire at the latest 15 months from the date of this General Meeting.*»

# Item 10 – Election of members to the Board of Directors

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## ➤ Proposed resolution:

➤ «*The following are elected as members of the Board of directors for a period of one (1) year until the next Annual General Meeting:*

- Jens Ulltveit-Moe
- Espen Klitzing
- Ragnhild Wiborg
- Inger Berg Ørstavik
- Terje Osmundsen»

# Item 11 – Election of members to the Nomination Committee

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## ➤ Proposed resolution:

- *«Karen Helene Ulltveit-Moe and Rune Selmar are re-elected as members of the Nomination Committee for a period of two (2) years. Live Haukvik Aker have one (1) year left of her service period as members of the Nomination Committee. Rune Selmar is elected as the Chairman of the Nomination Committee.»*



THANK YOU

RECSILICON