

RECSiLICON



ANNUAL REPORT
2018

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BOARD OF DIRECTORS



JENS ULLTVEIT-MOE

Chairman of the Board of Directors since November 2013, Mr. Ulltveit-Moe is currently CEO and Board member of Umoe Group, a company he established in 1984. Prior to Umoe, his career included McKinsey in New York and London, The Dutch SHV Group, and Knut Knutsen OAS. He has also served as Chairman of the Board for PGS, Kverneland, Sevan Marine and REC. Mr. Ulltveit-Moe has a Master degree in Business and Economics from the Norwegian School of Economics and Business Administration (NHH) and a Master degree in International Affairs from Columbia University.



INGER BERG ØRSTAVIK

Board member since November 2013, Ms. Ørstavik is an associate professor at the Department of Private Law, University of Oslo. She has previously been a partner with Advokatfirmaet Schjødt AS and a lawyer at the office of the Attorney General for Civil Affairs. She taught international human rights law at Fudan University in Shanghai, China. Ms. Ørstavik has a law degree from the University of Oslo, a LL.M. from Ruprecht-Karls-Universität in Heidelberg, Germany, and a Ph.D. from the University of Oslo in the areas of patent law and competition law.



RAGNHILD WIBORG

Member of the Board of Directors since May 2013, Ms. Wiborg has over 30 years' experience in financial markets and an extensive network both within the international and Nordic business communities. She has working experience from, CEO of Wiborg Kapitalforvaltning, CIO and fund manager of Odin Fund Management and different positions in investment banks such as Pareto Securities, ABG Sundal & Collier and First Chicago (JP Morgan). She is a member of the BoD in several listed companies; Gränges AB, Intrum AB, Sbanken ASA, INSR ASA and as well as Chair of the board of EAMSolar ASA. Ms. Wiborg holds a degree in Business and Economics (Civilekonom) with a major in International Business from Stockholm School of Economics and Business Administration as well as master studies from Fundacao Getulio Vargas, Brasil and from Sorbonne University.



ESPEN KLITZING

Board member since November 2013, Mr. Klitzing is CFO of Umoe Group, Chairman of the Board of several Group companies and Alliance Venture Polaris AS, as well as a board member of DNB Life Insurance and the Stock Exchange Appeals Committee. Prior to Umoe he was a Principal at McKinsey & Company, CFO and Deputy CEO at Norges Bank Investment Management, CEO of Petrojarl ASA and Storebrand Life Insurance, and held various management positions in Storebrand Group. Mr. Klitzing holds a degree in Business and Economics (Siviløkonom) from the Norwegian School of Economics and Business Administration (NHH).



TERJE OSMUNDSEN

Board member since May 2016, Mr. Osmundsen is founder and CEO of Empower New Energy AS. From 2009-2017, Terje was Senior Vice President for Business Development in Scatec Solar ASA. He has an extensive executive and senior leadership background in publishing, telecommunications (Alcatel), Oil & Gas (Saga Petroleum), the Confederation of Business and Industry (NHO) and government (Prime Minister's office). Mr. Osmundsen has a post-graduate degree in political science from University of Oslo and American University, Washington DC. He is a non-executive Board member Quantafuel AS and board chairman of Caritas Norway.

LETTER FROM THE CEO

Despite volatility throughout the solar value chain during the second half of 2018, solar energy is still leading the way to a cleaner future. At the beginning of the year, PV installation demand estimations were near 125GW, showing 25% growth over 2017. REC Silicon's first quarter results were the strongest in three years. However, momentum changed with China's policy reversal announcement on May 31st. Demand eroded almost immediately with analysts' 2018 installation estimates dropping by as much as 20GW.

The entire solar value chain suffered historically low prices through the second half of 2018, but as a result became increasingly competitive with conventional energy sources. However, the solar outlook for 2019 and beyond continues to improve, which provides optimism for the future.

Even with the challenges in the solar industry, REC Silicon remains a low-cost and technological leader in the polysilicon industry due to its proprietary FBR process that utilizes far less energy, it is labor efficient due to the continuous operations of the reactors and the polysilicon is ready to use for our customers without any post processing. Less energy consumption has two key benefits as it both reduces production costs as well as results in polysilicon – the key material used in solar panel production, with a significantly smaller carbon footprint compared to traditional Siemens polysilicon technology. The adoption of clean solar energy is predicted to accelerate over time. REC Silicon possesses competitive advantages in both technology and cost. Our goal is to maintain these advantages so that we are well positioned when market conditions improve.

Since 2014, REC Silicon has been effectively blocked from participating in polysilicon markets in China due to tariffs imposed by China on polysilicon from the United States. As a result of these tariffs and the overall slowdown of the solar market, REC Silicon was forced to reduce FBR production capacity utilization to 25% in the second quarter of 2018 and suffered another workforce reduction. However, the Governments of the United States and China continue to make progress in trade negotiations improving expectations of a resolution and a reopening of the polysilicon market in China. When market conditions improve and access to the Chinese market is restored, REC Silicon will be able to increase its production capacity utilization resulting in higher revenue and lower manufacturing costs.

"The adoption of clean solar energy is predicted to accelerate over time. REC Silicon possesses competitive advantages in both technology and cost. Our goal is to maintain these advantages so that we are well positioned when market conditions improve."

Despite the financial challenges, 2018 also included many positive accomplishments over matters that were within our control. For example, REC Silicon was able to: (i) reduce long term debt by USD 61.4 million and issue new bonds of USD 110 million in April, which mature in April 2023; (ii) resolve REC Silicon's commitment to contribute equity of USD 169 million by reducing ownership in the Yulin JV but retaining the right to increase ownership at a later date; and (iii) despite operating at a reduced capacity, implement significant cost-cutting measures that resulted in lower manufacturing costs than we originally thought possible. Building upon these accomplishments in 2019 and beyond will provide the foundation for continued success.

In April 2019, REC Silicon raised additional capital through a private placement of equity to provide necessary liquidity subject to the approval of the shareholders at the 2019 Annual General Meeting. As part of the equity raise, REC Silicon explained its plan to curtail operations in Moses Lake if access to polysilicon markets in China is not restored, or if other positive developments in the market place fail to materialize. This is intended to ensure that the Company maintains sufficient liquidity for the future.



REC Silicon's Butte production facility remains strong from both a financial results and future opportunity perspective. The Butte facility continues to maintain approximately 70% of the global silicon gas market and continues to increase polysilicon sales to the electronics industry. Both the silicon gas and the electronic grade polysilicon markets are in a great position for future growth.

Additional applications in developing industries such as the battery industry is a potential new and important opportunity for REC Silicon. Several battery companies are predicting that use of silicon gas and polysilicon will be the next opportunity to increase the capacity and reduce the charging time of the Li - batteries. REC Silicon will be well positioned to supply this important market if this new technology materializes in the not so distant future.

The start-up of REC Silicon's JV plant in Yulin is progressing and the plant has demonstrated design capacities. Positive collaboration between REC Silicon and the Yulin JV remain a major strength for the

project. Long-term success will be achieved at the Yulin JV as operations and market conditions continue to improve.

The competitiveness of REC Silicon is made possible through the efforts of its talented and dedicated employees. The employees of REC Silicon continue to be resilient by reaching above expectations despite continued challenges. The solar industry will continue to grow, and I am confident that this will create opportunities for REC Silicon.

Tore Torvund
President and CEO

BOARD OF DIRECTORS' REPORT

2018 HIGHLIGHTS (COMPARED TO 2017)

- > Cash Balance of \$31.8 million at December 31, 2018
 - Cash Decrease of \$72.7 million in 2018
 - Net Reduction in Long-Term Debt \$61.4 million
 - Cash Outflows from Operations of \$10.1 million
 - EBITDA Loss of \$4.9 million
 - Working Capital Decrease of \$11.0 million
 - Interest Payments of \$14.4 million
 - JV Equity Settlement Payment of \$2.7 million (Including interest of \$0.5 million)
 - Tax Refund of \$0.7 million
- > Revenues of \$221.2 million and EBITDA Loss of \$4.9 million
 - Compared to 2017 Revenues of \$272.4 million (18.8% Decrease)
 - Compared to 2017 EBITDA of \$19.8 million
- > Silicon Gas Sales Volumes of 3,600MT
 - Compared to 2017 Sales Volumes of 3,501MT (2.8% Increase)
 - 2.3% Decrease in Average Silane Gas Prices
- > Polysilicon Sales Volumes of 7,784MT
 - Compared to 13,503MT in 2017 (42.4% Decrease)
 - Average Prime Granular Polysilicon Price Increase of 12.3%
 - Prime Granular Polysilicon Price Decrease of 40.5% Compared to Year End 2016
 - Polysilicon Inventory Increase of 1,496MT
 - Continued Impact of Chinese Tariffs on US Polysilicon
 - FBR Capacity Curtailments to Manage Inventory Levels
 - High Discounts to Maintain Market Share Outside of China
- > Polysilicon Production Volumes of 9,280MT
 - Compared to 11,636MT in 2017 (20.2% Decrease)
 - FBR Production of 7,584MT Compared to 9,380MT in 2017
 - Restricted Access to Polysilicon Markets in China Continues to Limit FBR Capacity Utilization
- > FBR Product Costs of \$12.2/kg at ~38% Capacity Utilization
 - Compared to \$10.6/kg in 2017 ~50% Capacity Utilization
 - Continue to Reduce Costs to Offset Lower Production Volumes
- > Yulin JV Start-up
 - ~5,400MT FBR Polysilicon Produced in 2018
 - Production of Electronic Grade Siemens Polysilicon Demonstrated
 - Silane Units and FBR Reactors Have Demonstrated Design Capacities
- > On April 9, 2019 the Company Announced the Curtailment of Production at the FBR Facility in Moses Lake, Washington beginning as of May 15, 2019

BUSINESS ACTIVITIES

REC Silicon ASA was established in Norway on December 3, 1996. The Company is headquartered in Fornebu, Norway.

REC Silicon is a global leader in silane-based, high-purity silicon materials, delivering high-purity polysilicon and silicon gases to the solar and electronics industries.

REC Silicon 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 United States. REC Silicon's sales and marketing activities for sales of solar grade polysilicon, semiconductor grade silicon and silicon gases are carried out in China, Japan, Korea, Taiwan, Singapore, and in the United States. The Group's investment in associates (Yulin JV) is held by REC Silicon Pte. Ltd. in Singapore.

STRATEGY AND OBJECTIVES

REC Silicon's strategy is to maintain its position as a low-cost leader and technological innovator in the silicon materials industry.

REC Silicon intends to improve its competitive position by:

- Maintaining liquidity (retain cash)
- Minimizing the impact of Chinese Tariffs on US Polysilicon (Prioritize the development market opportunities outside China)
- Focusing on cost control - match activities and spending to production
- Managing inventories by adjusting production capacity utilization
- Focusing on continued quality improvements
- Optimizing semiconductor polysilicon product offerings
- Providing support for the Yulin JV

2018 SUMMARY

FINANCIAL HIGHLIGHTS

Key Financials - REC Silicon Group

(USD IN MILLION)	2018	2017
Revenues	221.2	272.4
EBITDA	-4.9	19.8
EBITDA margin	-2.2%	7.3%
EBIT excluding impairment charges	-66.5	-127.2
Impairment charges	-340.5	-0.3
EBIT	-407.1	-127.5
EBIT margin	-184.0%	-46.8%
Profit/loss before tax	-348.0	-192.8
Profit/loss	-341.6	-350.6
Earnings per share, basic and diluted (USD)	-0.13	-0.14
Polysilicon production in MT (Siemens and granular)	9,280	11,636
Polysilicon sales in MT (Siemens and granular)	7,784	13,503
Multicrystalline brick sales in MT	2	1
Silicon gas sales in MT	3,600	3,501

Revenues

Revenues were USD 221.2 million during 2018, a decrease of 18.8 percent compared to USD 272.4 million in 2017. The decrease is primarily a result of 42 percent lower sales volumes of polysilicon. Average sales prices for polysilicon increased by 27 percent due to a higher mix of semiconductor polysilicon sales and the impact of higher solar grade polysilicon prices prior to the reduction of solar incentives in China announced on May 31, 2018. Silicon Gas sales volumes increased by 2.8 percent and average sales prices for silane gas declined by 2.3 percent.

Operations

Polysilicon production declined by 20 percent to 9,280MT compared to 11,636MT in 2017. This was largely a result of significant reductions to financial incentives for solar installations in China which created uncertainty in the global PV market and polysilicon demand declined sharply. In addition, REC Silicon's access to solar grade polysilicon markets in China continues to be severely restricted as a result of Chinese tariffs on US polysilicon. Therefore, REC Silicon was forced to immediately reduce capacity utilization in the FBR facility to approximately 25 percent, a reduction from run rates of approximately 50 percent. In addition, REC Silicon executed a workforce reduction of approximately 40 percent of its workforce in Moses Lake to reduce spending, manage inventories, and retain liquidity. Despite lower production volumes, inventories increased by 1,496MT during 2018.

Earnings

Earnings Before Financial Items and Income taxes (EBIT) for 2018 was a loss of USD 407.1 million which included impairment charges of USD 340.5 million (See note 7 to the consolidated financial statements). This represents an increased loss compared to an EBIT loss of 127.5 million in 2017 which included additional depreciation of USD 65.7 million associated with the derecognition of a grant receivable (See notes 4.2 (C) and 21 to the consolidated financial statements).

EBITDA for 2018 was a loss of USD 4.9 million compared to income of USD 19.8 million in 2017. The decrease in EBITDA is a result of lower polysilicon sales volumes and prices driven by the reduction to financial incentives for solar installations in China. Curtailments to production volumes, primarily in the Solar Materials segment, have resulted in higher unit costs and financial losses due to decreases in efficiency despite work force reductions and lower spending levels.

Technology, Research, and Development

REC Silicon's long-term competitive position is based on cost efficiency and industry leading product performance. REC Silicon's research and technology development activities are designed to enhance quality, improve efficiency, and reduce production costs of our products to add value to our customers and further enhance our competitive position.

However, research and development efforts have been limited due to the Company's current liquidity position. During 2018, research and development efforts were focused on maintaining minimum research lab operations and the development of analysis capabilities for testing silicon gases which has previously been outsourced.

Research and development expenditures were USD 2.6 million in 2018 compared to USD 4.0 million in 2017.

SEGMENT INFORMATION

SOLAR MATERIALS SEGMENT

REC Silicon manufactures polysilicon for the solar energy markets from its manufacturing facility in Moses Lake, Washington. This facility uses best-in-class proprietary Fluidized Bed Reactor (FBR) technology to produce low cost, high purity polysilicon for the solar industry. The Moses Lake plant is the world's largest producer of granular polysilicon with approximately 18,000MT of polysilicon production capacity.

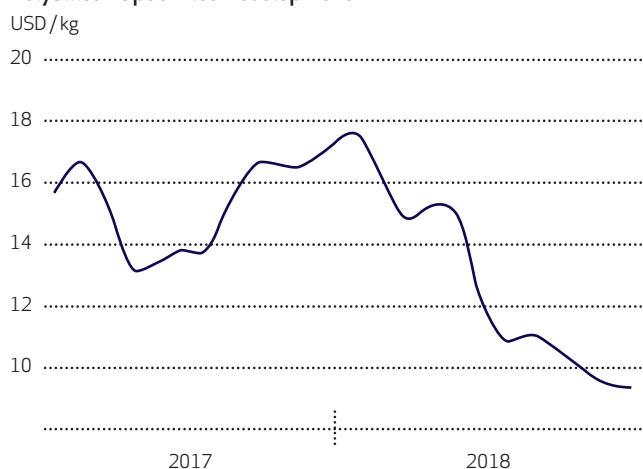
Key financial - Solar Materials

(USD IN MILLION)	2018	2017
Revenues	69.2	127.8
EBITDA contribution	-26.6	-1.7
Contribution margin	-38.4%	-1.3%
Polysilicon production in MT (Siemens and granular)	7,584	9,380
Polysilicon sales in MT (Siemens and granular)	6,232	11,450
Multicrystalline brick sales in MT	2	1

Markets

End use PV demand for 2018 is estimated at 103.9GW (IHS Markit PV Installations Tracker - Q4 2018). This represents an increase of approximately 10 percent from 94.6GW in 2017. Demand at the beginning of 2018 exhibited strong momentum compared to estimated PV installations in prior periods. However, in the second half of the year, market visibility declined and inventories began to build as concerns mounted over PV demand in China. On May 31, 2018, China announced an immediate and significant reduction in financial support for solar

Polysilicon Spot Price Development



* PV Infolink Database dated January 2019

installations. This created uncertainty in the global market and caused polysilicon demand to decline sharply. In order to control inventories, polysilicon producers quickly curtailed production across the value chain. Declining demand placed downward pressure on solar grade polysilicon prices. Polysilicon spot prices at the end of the second quarter were estimated at approximately USD 12.2/kg, a decrease of approximately USD 5.1/kg (29 percent) compared to spot prices at the end of 2017. End use PV demand began to recover late in 2018 as demand increased in the US, India, and other markets outside of China due to installation growth driven by low PV module prices. Inside China, demand stabilized late in the fourth quarter and certain specific segments began to exhibit signs of growth due to government incentives for poverty alleviation and other targeted programs. Average polysilicon spot prices inside of China ended 2018 near USD 9/kg, a decrease of 54 percent compared to prices at year end 2017. Average polysilicon spot prices outside of China ended 2018 near USD 10/kg, a decrease of 27 percent compared to prices at year end 2017.

Financial Performance

Revenues for the Solar Materials segment decreased by 46 percent to USD 69.2 million in 2018 compared to USD 127.8 million in 2017. This decrease was a result of lower sales volumes which decreased by 5,218MT (46 percent) to 6,232 MT. This decrease was a direct result of the market disruption caused by a decrease in financial incentives for solar installations in China. In addition, REC Silicon's access to markets in China continues to be restricted by tariffs imposed on polysilicon from the United States by China, therefore, REC Silicon had no other avenue to mitigate changes in market conditions and discounted prices further. REC Silicon's average price realizations for prime grade granular polysilicon declined by approximately 40 percent during 2018 compared

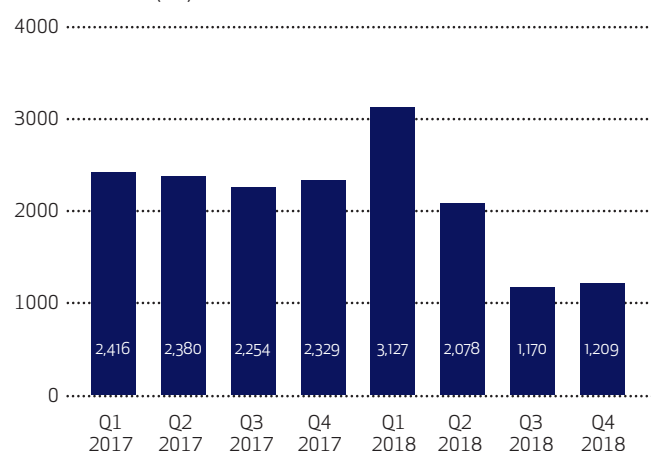
to prices at year end 2017. However, because of the timing of deterioration of markets, average prices realized by REC Silicon during 2018 for prime grade granular polysilicon increased by approximately 12 percent compared to average prices during 2017. Although demand for solar grade polysilicon has stabilized, demand continues to be soft as a result of reductions in financial support for PV installations announced by China in June 2018.

Granular polysilicon production volume decreased by 19 percent to 7,548MT compared to 9,380MT in 2017. Accordingly, FBR production costs increased by 15 percent to USD 12.2/kg compared to USD 10.6/kg in 2017. During the first quarter of 2018, the FBR facility achieved production costs of USD 9.4/kg demonstrating the low-cost capability of the FBR technology despite operating at only 63 percent of production capacity. In June 2018, the Company reduced the production capacity utilization of the FBR facility to 25 percent. On July 1, 2018, the Company executed a workforce reduction, which primarily impacted the Moses Lake facility, and initiated additional activities to reduce spending levels and maintain the Company's liquidity. These efforts resulted in production costs of USD 12.2/kg for 2018 while operating at an overall average of approximately 38 percent of production capacity.

REC Silicon's sales opportunities are limited due to restricted access to polysilicon markets inside of China. The Company has idled production capacity, reduced its workforce, and reduced spending levels to maintain liquidity. However, under current market conditions, the Company will not be able to continue operating the FBR facility at 25 percent production capacity utilization and maintain sufficient liquidity to meet the operating cash flow requirements of the Company's operation. Therefore, the Company announced on April 9, 2019 that it will curtail operation of the

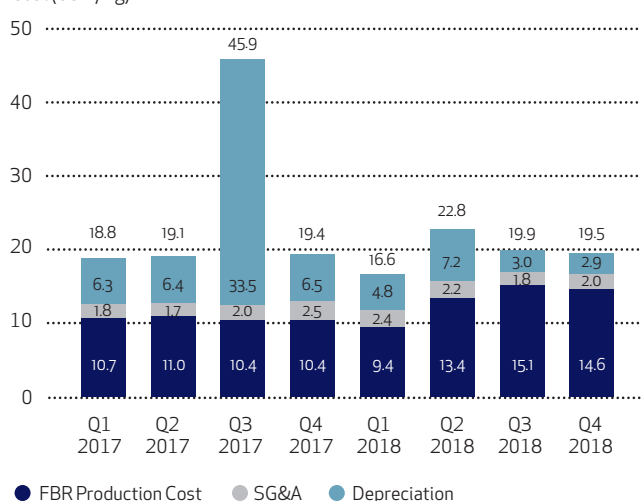
FBR Polysilicon Production

Silicon Production (MT)



FBR Manufacturing Cost

Cost (USD/kg)



● FBR Production Cost ● SG&A ● Depreciation

*Q3'17 Depreciation Includes \$65.7M Due to the Derecognition of a Grant Receivable

FBR facility in Moses Lake beginning on May 15, 2019. If access to markets for polysilicon in China is not restored, the FBR facility will be placed in a longer-term shutdown and will not be re-commissioned until access to markets in China is restored or market conditions improve. See Going Concern in Risks and Uncertainties below.

The Solar Materials segment contributed a loss of USD 26.6 million to the Company's EBITDA loss during 2018. This compares to a loss of USD 1.7 million during 2017. The increased loss is primarily a result of lower sales and production volumes due to the curtailment of solar incentives in China and the effects of tariffs imposed by China on polysilicon from the United States. EBITDA contribution represents revenues less production costs for products sold during the period and excludes depreciation, amortization, impairment, and selling, general, and administrative expenses.

SEMICONDUCTOR MATERIALS SEGMENT

REC Silicon manufactures polysilicon and silicon gases for semiconductor markets from its manufacturing facility in Butte, Montana. This facility is the world's largest supplier of silicon gases for semiconductor, flat panel display, and solar applications. The facility uses a silane based Siemens polysilicon processing technology to produce the highest quality (FZ) polysilicon for use in the semiconductor industry. The Butte plant has a capacity of approximately 4,500MT of silicon gas loading and 2,000MT polysilicon production.

Key financial - Semiconductor Materials

(USD IN MILLION)	2018	2017
Revenues	152.9	147.5
EBITDA contribution	52.2	55.3
Contribution margin	34.2%	37.5%
Polysilicon production in MT (Siemens)	1,696	2,256
Polysilicon sales in MT (Siemens)	1,552	2,093
Silicon gas sales in MT	3,599	3,582

Markets

Semiconductor grade polysilicon markets are improving; however, fixed sales contracts continue to limit spot market sales opportunities for REC Silicon. Semiconductor grade polysilicon consumers are operating at high capacity utilization rates and inventories are declining.

Overall, demand for silicon gases remained strong during 2018. However, reduced production capacity utilization by PV manufacturers, particularly in China, continues to adversely impact demand for silicon gases in the PV segment. Demand for silicon gases for flat panel displays and in semiconductor applications continues to grow due to improvements in technology and overall increases in demand for semiconductor devices. Prices continue to drift downward as competitors attempt to increase production capacity utilization using price discount incentives.

Financial Performance

Revenues for the Semiconductor Materials segment increased by 3.7 percent to USD 152.9 million in 2018 compared to USD 147.5 million in 2017.

During 2017, the Semiconductor Materials segment began to focus strictly on semiconductor markets and ceased all production of solar grade polysilicon on purpose. Accordingly, total polysilicon sales in 2018 declined by approximately 26 percent while the underlying volumes of semiconductor grade polysilicon sales increased by approximately 82 percent to 1,076MT. Semiconductor grade polysilicon sales volumes increased due to successful customer qualifications of REC Silicon's semiconductor grade polysilicon products. At the same time, average prices for total polysilicon increased by 18 percent due to the mix of products sold. During the same time, average prices for semiconductor grade polysilicon declined by 24 percent due to high sales of intermediate grades of semiconductor polysilicon. Sales volumes of the highest grades of semiconductor polysilicon (Float Zone) increased by approximately 88 percent and the corresponding average price realizations increased by 18 percent.

Silicon gas sales volumes were 3,600MT, a 2.8 percent increase from 3,582MT in 2017. Average annual prices for silane gas decreased by 2.3 percent. Prices continue to drift downward as competitors attempt to increase production capacity utilization using price discount incentives.

Total polysilicon production in the Semiconductor Materials segment decreased by approximately 25 percent to 1,696MT. However, because of the facility's focus on semiconductor materials, semiconductor polysilicon production increased by approximately 33 percent to 1,126MT. The change in production is largely the result of management's decision to focus this segment on semiconductor materials while curtailing the intended production of solar grade polysilicon. Accordingly, sales of solar grade polysilicon declined sharply and currently consist of quality downgrades which are inherent to the production process.

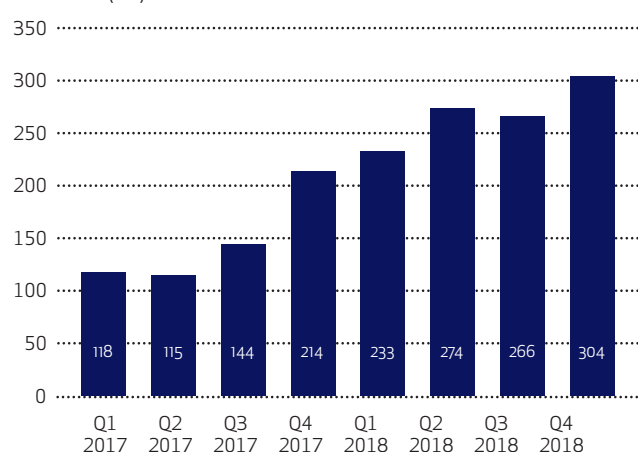
Silicon Gas Sales

Sales Volume (MT)



Semiconductor Polysilicon Sales

Sales Volume (MT)



The Semiconductor Materials segment contributed USD 52.2 million of income during 2018. The decrease in earnings reflects higher energy costs during the second half of 2018 offset by decreases in the costs of other raw materials and initiatives to reduce spending and improve efficiencies. This contribution represents revenues less production costs for products sold during the period and excludes depreciation, amortization, impairment, and selling, general, and administrative expenses.

OTHER AND ELIMINATIONS

Other includes general administrative and sales activities in support of the manufacturing facilities in the United States and the Company's headquarters in Fornebu, Norway. It also includes costs associated with the Company's representative offices in Taiwan, Korea, Singapore, China, and the United States.

Key financial - Other and Eliminations

(USD IN MILLION)	2018	2017
Revenues	-0.9	-2.9
EBITDA contribution	-30.5	-33.9
Polysilicon sales in MT (Siemens and granular)	0	-39
Silicon gas sales in MT	1	-80

Net operating costs in Other and Eliminations decreased to USD 30.5 million during 2018 compared to USD 33.9 million in 2017. Overall, the decrease in costs is a result of costs reduction initiatives, the workforce reduction announced on July 1, 2018, and decreases in activity levels as a result of production capacity curtailments. In addition, 2018 included expenses of USD 2.6 million due to increases in provisions for estimated impairments of customer accounts receivable while 2017 included approximately USD 5.3 million in collections of previously reserved customer accounts receivable.

Investment in Associates (Yulin JV)

The Yulin JV began operations in December 2017. During 2018, both silane units and the FBR reactors demonstrated design capacities and utilization rates increased throughout the year. The Siemens reactors have been commissioned and have demonstrated production of Czochralski (CZ) grade polysilicon and Float Zone (FZ) polysilicon. The Yulin JV produced approximately 5,400MT of polysilicon in 2018.

For 2019, the JV is targeting approximately 14,000MT polysilicon production.

FINANCIAL ITEMS

Financial items - REC Silicon Group

(USD IN MILLION)	2018	2017
Financial income	0.9	0.6
Interest expenses on borrowings	-13.2	-13.0
Interest expense on tax liability	-0.4	-4.5
Interest expense on JV agreement	0.0	-11.0
Expensing of up-front fees and costs	-0.2	-0.1
Other financial expenses	-4.2	-1.7
Net financial expenses	-18.0	-30.2
Net currency gains/losses	3.1	-34.1
Fair value adjustment convertible bonds	0.0	0.2
Net financial items	-14.0	-63.5

Net financial items were USD 14.0 million for 2018 compared to USD 63.5 million in 2017.

Net currency gains and (losses) during 2017 were primarily related to the impact of exchange rate fluctuations on intercompany loans denominated in USD in REC Silicon ASA which had a functional currency of NOK. REC Silicon ASA changed functional currency from NOK to USD beginning on January 1, 2018 due to changes in the Company's capital structure with the maturity of REC03 and the issuance of the USD senior secured bond on April 13, 2018. The remaining net currency gains of USD 3.1 million in 2018 are due to external liabilities denominated in NOK.

Interest expenses on borrowings in 2018 increased to USD 13.2 million from USD 13.0 million in 2017 due to the decrease of USD 56.5 million in borrowings associated with the issuance of the USD Senior Secured bond at a higher rate of interest (11.5 percent) in 2018 (See note 17 to the consolidated financial statements). Other financial expenses of USD 4.2 million in 2018 included USD 2.8 million in premiums paid to retire portions of REC03 and the USD convertible bond when the new bonds were issued.

In addition, interest expense on other liabilities for 2017 included USD 4.5 million of interest due to the accrual of potential tax liabilities (See notes 18 and 31 to the consolidated financial statements) and interest and

penalties of USD 11 million associated with the framework agreement to resolve REC Silicon's commitment to contribute USD 169 million of equity capital to the JV (See note 8 to the consolidated financial statements). The corresponding amount for 2018 was USD 0.4 million and consisted only of the interest on potential tax liabilities.

INCOME TAX

The income tax benefit was USD 6.5 million in 2018 and was related to the anticipated refund of Alternative Minimum Tax in the United States for USD 6.0 million and USD 0.4 million associated with the settlement of REC Silicon's commitment to contribute equity to the Yulin JV.

Income tax expense was 157.8 million in 2017 and was primarily the result of a write-down of the deferred tax asset of USD 134.7 million reported at December 31, 2016. In addition, the Company accrued income taxes of USD 25.8 million (NOK 214 million) due to the contents of a draft ruling issued by the Norwegian Central Tax Office (CTO) on June 30, 2017.

See note 18 to the consolidated financial statements.

PROFIT AND LOSS

The loss from total operations was USD 341.6 million in 2018 compared to USD 350.6 million in 2017.

CASH FLOW

Net cash outflows from operating activities were USD 10.1 million in 2018 compared to net cash inflows of USD 38.8 million in 2017. Cash outflows during 2018 were primarily a result of an EBITDA loss of USD 4.9 million, interest payments of USD 14.4 million, and a payment of USD 2.7 million (including USD 0.5 million in interest) associated with the settlement of REC Silicon's obligation to contribute additional equity to the Yulin JV (See note 8 to the consolidated financial statements in this report). These were offset by a decrease in working capital of USD 11.0 million and the refund of USD 0.7 million in alternative minimum tax in the United States. The remaining USD 0.2 million cash inflow can be attributed to changes in other assets and liabilities and the impact of changes in exchange rates.

The decrease in working capital of USD 11.0 million consisted of customer collections in excess of sales of USD 11.6 million and a decrease in the value of inventories of USD 3.8 million. These were offset by a decrease in accounts payable of USD 4.3 million. The decline in inventories is a result of a decrease of USD 8.1 million in stocks of raw materials and spare parts and the impact of lower polysilicon prices on inventory carrying values while the underlying finished inventories of polysilicon increased by 1,496MT.

Net cash outflows from investing activities was USD 1.2 million in 2018 compared to USD 2.8 million in 2017. Capital spending continues to include only the capital necessary to maintain safe and reliable operations. All expansion projects have been halted due to market conditions. Capital expenditures were USD 1.7 million in 2018 compared to USD 2.6 million in 2017. The remaining USD 0.5 million cash inflow in 2018 was a result of sales of fixed assets. In 2017, there was an increase of USD 0.2 million in restricted cash balances.

Cash outflows from financing activities were USD 61.4 million and were a result of the Company's successful efforts to refinance its debt. On April 13, 2018 the Company issued a USD Senior Secured bond for USD 110 million with a maturity date of April 13, 2023. The Company paid loan fees and other costs associated with this transaction of USD 1.9 million. The Company's existing REC03 NOK denominated bonds were retired through the buyback of NOK 9 million and the remaining NOK 446.5 million matured on May 3, 2018 for a total cash outflow of USD 56.6 million. The Company's existing USD convertible bonds were retired through a buyback of USD 108.5 million plus a premium of USD 2.8 million and the remaining USD 1.5 million matured on September 11, 2018 for a total cash outflow of USD 112.8 million.

In total, cash balances decreased by USD 72.7 million in 2018 to USD 31.8 million at December 31, 2018.

FINANCIAL POSITION

Shareholders' equity decreased to USD 106.7 million (30 percent equity ratio) at December 31, 2018 compared to USD 448.9 million (56 percent equity ratio) at December 31, 2017. This decrease was a primarily result of the loss from operations of USD 341.6 million. In 2018, the loss from operations included impairment charges of USD 340.5 million. In addition, other comprehensive income in 2018 included net currency losses of USD 2.2 million, a gain of USD 3.5 million due to the re-measurement of defined benefit pension plans, and a USD 1.9 million expense due to fair value adjustment of the USD convertible bond extinguished in 2018.

Net debt increased by USD 16.2 million to USD 99.4 million at December 31, 2018 from USD 83.3 million at December 31, 2017. This increase was primarily a result of the extinguishment of REC03 of USD 55.4 million and the USD convertible bond of USD 108.1 million. These were offset by the issuance of the new USD Senior Secured Bond for USD 110 million. In addition, capitalized borrowing costs increased by USD 1.7 million and the NOK denominated indemnity loan decreased by USD 1.4 million due to a stronger USD relative to NOK. Overall, debt decreased by USD 56.5 million. The decrease in debt was offset by a decline in cash balances of USD 72.7 million as discussed above.

Net debt includes convertible bonds at fair value and unamortized loan fees. Including bonds at fair value and excluding unamortized loan fees, nominal net debt was USD 101.2 million which represents an increase of USD 15.8 million from USD 101.2 million at December 31, 2017 (See note 17 to the consolidated financial statements).

GOING CONCERN

Impacts of the ongoing trade dispute between China and the United States, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon have increased the Company's liquidity risk.

Current market conditions and the continued operation of the FBR facility in Moses Lake at 25 percent capacity utilization are not sufficient to maintain the Company's liquidity and its ability to meet operating cash flow requirements. Management and the board of directors have initiated a plan to curtail the operation of the FBR facility

beginning on May 15, 2018 to reduce spending and to maintain liquidity. Unless access to polysilicon markets in China is restored, the facility will be placed in a long-term shutdown by June 30, 2019. The length of the shutdown is dependent on whether REC Silicon is able to regain access to the Chinese market for polysilicon as a result of trade negotiations between China and the United States or other significant positive developments in solar grade polysilicon markets. The curtailment is intended to retain the liquidity necessary to maintain operation of the semiconductor materials facility in Butte, Montana. Additional impairments and provisions would be required if the FBR facility is not restarted. In addition, the Company completed a 10 percent private placement of equity on April 9, 2019. Estimated net proceeds of USD 19 million is expected to be received by the Company during May. As a consequence of these actions, the Company's current liquidity position, estimated results of operations, and the proceeds from the private placement of equity are considered sufficient to meet the operating cash flow requirements for remaining operations and to meet debt service obligations for the next twelve months assuming no payments on the indemnity loan or unfavorable outcome of the notices of reassessment from the Norwegian Central Tax Office (the tax examinations). Estimates used to arrive at this conclusion include the assumptions that markets for the Company's semiconductor polysilicon and silicon gas products remain stable.

The Board of Directors also makes reference to the risk factors discussed in this report. Specifically, the sections on the Company's liquidity risk and the impacts of tariffs imposed by China on US polysilicon which creates significant uncertainty for the Group, its customers, certain other competitors, and the industry as a whole. In addition, if conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative (See note 31 to the consolidated financial statements), the Company plans to issue additional equity, issue debt, and/or sell assets to satisfy financial obligations and to meet operating cash flow requirements.

Accordingly, the Board of Directors confirms that the Financial Statements have been prepared under the assumption that the Company is a going concern and that this assumption was realistic at the date of the accounts. However, the events and conditions discussed above, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

REC SILICON ASA (NGAAP)

REC Silicon ASA changed functional currency from NOK to USD beginning on January 1, 2018 due to changes in the Company's capital structure with the maturity of RECO3 and the issuance of the USD senior secured bond on April 13, 2018. See note A to the REC Silicon ASA financial statements (NGAAP).

Financial Review

REC Silicon ASA (the Company) prepares its financial statements according to NGAAP. The Company is a holding company with corporate management and financial functions.

In 2018, REC Silicon ASA had a negative EBIT of USD 1.7 million compared to a negative EBIT of USD 2.3 million in 2017. The Company recorded a net loss of USD 336.0 million in 2018. The net loss included net financial expenses of USD 334.3 million which included impairment of loans to subsidiaries in the United States of USD 391.9 million and interest expenses of USD 13.8 million offset by interest income from subsidiaries of USD 70.7 million. The remaining USD 0.7 million of net financial income was due to interest income, other financial expenses, and currency gains and losses. In 2017, the net loss included USD 288.6 million due to the impairment of REC Silicon ASA's loans to its subsidiaries in the United States and USD 10.0 million due to the impairment of REC Silicon Pte. Ltd. (See note 31 to the consolidated financial statements and note M to the Financial Statements for REC Silicon ASA).

Total equity for the parent Company was USD 214.2 million at December 31, 2018 compared to USD 550.2 million at December 31, 2017. This decrease is a result of the net loss of USD 336.0 million discussed above.

Allocation of the Net Loss for the Parent Company

The Board proposes that the net loss for the year of USD 336.0 million be distributed to Share Premium (USD 238.9 million) and uncovered loss (USD 97.1 million).

Organization

REC Silicon ASA had one employee at the end of 2018.

Change of Control

The USD Senior Secured bond agreement and the indemnification loan have change of control provisions. If a shareholder or a group of shareholders gains control of more than 50 percent of the share capital, bondholders acquire a put option entitling them to cancel the commitments and declare all outstanding amounts and accrued unpaid interest due and payable. More detailed information can be obtained from the bond trustee, Nordic Trustee ASA.

RISK FACTORS

The Group's activities expose it to a variety of financial risks, including currency risk, interest-rate risk, liquidity risk, credit risk, refinancing risk and others (See note 3 to the consolidated financial statements).

Market Risk

REC Silicon believes that there are significant uncertainties related to the market development going forward. This uncertainty relates primarily to supply and demand balance and its effect on polysilicon prices and the outcome of trade negotiations between the United States and China.

Impacts of tariffs imposed on US polysilicon imposed by China have effectively prevented REC Silicon from participating in key polysilicon markets. Accordingly, REC Silicon has focused on identifying sales opportunities outside of China to mitigate the impact of restricted access to polysilicon markets in China. In addition, the Group continues to work with the United States government, the Chinese government,

affected companies, and industry organizations to re-gain access to polysilicon markets in China. The timing or outcome of any potential resolution remains uncertain.

Liquidity Risk

Impacts of tariffs imposed on US polysilicon imposed by China have effectively prevented REC Silicon from participating in key polysilicon markets and forced the Company to successively curtail operations to maintain liquidity. In turn, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon have increased the Company's liquidity risk.

Current market conditions and the curtailment of production in the FBR facility in Moses Lake place substantial risks on the Company's liquidity and its ability to meet operating cash flow requirements. In order to maintain the liquidity necessary to support operations in the semiconductor materials segment, the Company may be required to curtail the operation of the FBR facility in Moses Lake, Washington for an extended period (see Going Concern above).

In addition, the minimum liquidity required by the covenants of the USD Senior Secured Bond is USD 15.0 million (See note 17 to the consolidated financial statements).

Accordingly, there is substantial risk associated with the Company's liquidity in 2019.

Credit Risk

Credit risk is primarily related to accounts receivable and guarantees provided for discontinued operations. In accounts receivable, sources of credit risk include geographic, industry and customer concentrations; and risks related to the collection. Policies and procedures are in place for managing credit risk, including obtaining securities where possible. Market and customer specific developments affect credit risk.

Currency Risk

The Company's net cash flows from continuing operations are primarily in USD. Debt is denominated in USD and NOK. Accordingly, the Group's currency risk on a consolidated basis relates primarily to the sufficiency of net positive cash flows in USD to meet liabilities in NOK. The Group does not currently hold any hedging instruments to offset the risk of changes in exchange rates between the USD and NOK.

CORPORATE GOVERNANCE

Good corporate governance is essential to ensure that our business is run in a way that protects the long-term interest of all stakeholders. The Board of Directors has approved and implemented corporate governance principles endorsing and complying with the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. The Group's compliance with the Code of Practice is described in the report on Corporate Governance for 2018 which is included in this Annual Report.

Social and Environmental Responsibility

Sustainability is at the core of REC Silicon's business model. The Company acknowledges its responsibilities toward the environment, society, and the local communities in which it operates.

It is a Board responsibility to secure acceptable sustainability performance. To ensure compliance with policies, REC Silicon's management monitors performance through specific Key Performance Indicators (KPIs), reports results monthly and quarterly, and executes audits on all levels in the organization.

The Environment

REC Silicon's environment and climate policy commits the Company to maximize the positive contribution from its products and to minimize negative environmental impacts and reduce its carbon footprint. To achieve these goals, REC Silicon includes environmental considerations in the design, manufacture, and delivery of its products.

The Company sets clear objectives, monitors performance regularly, reports results, and audits to ensure continuous improvement. The Company's Pollution Prevention Plan and Process Safety Management Plan cover environmental risks in its operations and the annual, quarterly, monthly and weekly reporting includes emissions to air and water, as well as waste management.

The production of silicon materials is energy intensive and varies based upon the volume and mix of products manufactured. Total energy consumption increased by 4 percent however there was a 14 percent decrease in greenhouse gas emissions due primarily to a change in electric grid energy sources and the related impact on CO₂ conversion factors.

Waste from the manufacturing processes is sorted and recycled with third-party waste management services. REC Silicon's production and maintenance cycles cause variations in waste generation. In 2018, the Company had a 7 percent decrease in total waste generation, with a reduction in recycled waste of 8 percent – a 3 percent decrease in nonhazardous waste, and a 74 percent decrease in hazardous waste. Water use remained stable compared to 2017, while waste water discharge decreased by 8 percent.

The Company registered one environmental permit breach in 2018 compared to four in 2017. There were no serious incidents or environmental releases in 2018.

Our Employees

Health and safety have the highest priority, and the Company aims to prevent all work-related accidents, injuries, and occupational illnesses. The target is zero incidents, zero injuries, and no harm to employees, contractors, partners, customers and communities.

REC Silicon had 407 employees as of December 31, 2018, down from 505 in 2017. This decrease is due to workforce reduction and employee attrition primarily because of the uncertainty caused by the solar trade dispute between China and the United States.

	2018	2017	% CHANGE
Energy			
Direct energy consumption (GWh)	620	580	7%
Electricity (GWh)	857	839	2%
Total energy use (GWh)	1,477	1,419	4%
CO₂ emissions			
Direct emissions (tCO ₂ -eq)	126,740	118,805	7%
Indirect emissions from electricity (tCO ₂ -eq)	199,959	263,270	-24%
Total CO ₂ emissions (tCO ₂ -eq)	326,699	382,075	-14%
Water			
Water consumption (million m ³ /yr)	2.5	2.5	-1%
Waste water discharge (million m ³ /yr)	1.4	1.5	-8%
Waste			
Recycled waste (MT)	79	85	-8%
Non-hazardous waste (MT)	11,493	11,855	-3%
Hazardous waste (MT)	167	654	-74%
Total waste (MT)	11,660	12,508	-7%
Other figures			
Total number of permit breaches	1	4	-75%

To achieve a world-class safety culture, REC Silicon's employees are part of the Company's continuous safety-focused improvement efforts each day. This includes assessing all work activities to eliminate inherent risks as well as applying control measures. The Company has an extensive set of HSE procedures, safety departments at each facility, and employee-driven processes that monitor, audit, and further develop safety procedures, practices and protocols. All employees have the right and the responsibility to stop unsafe activities as needed.

Emphasis is placed on training employees and leadership in the Job Safety Analysis (JSA) method, which is applied to high-risk and nonstandard work activities. In 2018, employees performed 865 Safe Job Analyses and 503 Hazard Recognition Audits. Despite a challenging business environment, the number of lost time injuries (LTI) remained stable at three injuries in 2018, and the number of total recordable injuries improved from 13 in 2017 to 8 in 2018.

REC Silicon's compensation policy provides a benefit for paid time off (PTO) and does not separately identify sick days in compensating employees. Accordingly, average sickness rates have not been provided. The Company maintains a health and wellness program which facilitates healthy lifestyle choices and activities.

REC Silicon is committed to equal opportunity employment and practices. All employees and applicants are treated without regard to age, gender, sexual orientation, nationality, race, religion, disability, marital situation or any other protected status. REC Silicon's policies

clearly state the Company's expectations and provide examples of unwelcome behavior and reporting and complaints procedures. Of the employees, 14 percent are women. In the management group, 25 percent are women, and 40 percent of the Board members are women.

Human Rights

REC Silicon's Code of Conduct states that the Company supports fundamental human rights and will abstain from participating in any business activities that may compromise human rights, including child labor and forced labor. The main risk of human rights violations is in the Company's overseas and extended supply chain. REC Silicon's major purchases are electricity, which is produced regionally, industrial gases, which are produced at an adjacent site, and Metallurgical Grade Silicon, which is purchased from both domestic and international sources.

Ethics and sustainability are part of REC Silicon's supply chain management process. The Company seeks to contract services, purchase materials, hire, and lease equipment in a manner that ensures that REC Silicon's own sustainability policies are met. The Company's standard terms and conditions require adherence to standards on human rights, freedom of association, child and forced labor, corruption, and occupational health and safety.

All strategic suppliers have contractual clauses or are subject to regulations regarding respect for human rights. Performance evaluations of key suppliers are conducted annually. There were no human rights violations reported in 2018.

Anti-Corruption

REC Silicon sets high standards of integrity and believes that a sound business must be based on value-based management and clear guidelines on ethics and sustainability. The Code of Conduct, the Anti-Corruption Policy, and related procedures describe the behavior expected of our employees.

REC Silicon operates in a challenging business environment. The Code of Conduct and the Anti-Corruption Policy are backed by procedures that give practical guidance to help employees in their day-to-day work. Every employee is required to sign the Code of Conduct to acknowledge their commitment to adherence. New employees receive training on the Code of Conduct, including information about REC Silicon's Anti-Corruption policy and procedures.

REC Silicon investigates all potential integrity concerns and cooperates fully with the authorities. The Company takes every accusation of corruption seriously, performs thorough investigations, reports to the Board of Directors, and takes necessary action. No adverse action will be taken against an employee due to complaints submitted in good faith. Complaints can be made anonymously.

No incidents of corruption were reported in 2018.

Local Communities

REC Silicon and its employees together donated approximately USD 84 thousand to local communities, compared to USD 80 thousand in the previous year. REC Silicon's employees contributed 46 percent of the total by donating nearly USD 13 thousand in payroll deductions to United Way and over USD 13 thousand to the American Cancer Society. In 2018, the Butte and Moses Lake teams were the largest contributors to the American Cancer Society's Relay for Life.

Employees also provided approximately 2,000 volunteer hours to programs and charitable organizations in 2018 compared to 1,445 hours in 2017. Most contributions were to community assistance projects, youth programs, and education. REC Silicon sponsored activities including Solar Races and Energy Science Days, a program that engages 1,400 students and dozens of REC Silicon employees annually. REC Silicon donated to education programs including Montana Tech in Butte and Big Bend Community College in Moses Lake. REC Silicon employees also participated in community clean-up drives, local charity events, and on-site blood drives.

MARKET OUTLOOK

Global PV installations during 2019 are expected to increase by approximately 18 percent compared to 103.9GW in 2018. First half 2019 end use PV demand is expected to remain broadly in line with installation rates estimated for the fourth quarter of 2018. End use PV demand is expected to increase through the second half of 2019 and result in installations near 122.8GW for all of 2019 (IHS Markit PV

Installation Market Tracker, Q4 2018). On November 21, 2018, China National Renewable Energy Centre (CNREC) released preliminary guidance for cumulative installed capacity of 220GW in China by 2020. While not final, this and similar announcements are expected to provide more clarity and have increased estimates of demand in 2019 and subsequent years. Additional polysilicon manufacturing capacity is expected to start-up during 2019 placing continued downward pressure on market prices. However, solar grade polysilicon prices are expected to increase in 2019 because current prices are below cash manufacturing costs for most polysilicon producers. In addition, higher cost marginal producers are expected to cease operations leading to more balance between supply and demand. Over the longer term, PV installations are expected to double within the next 5 to 10 years.

Demand for semiconductor grade polysilicon is expected to continue to grow as long term fixed contracts expire and semiconductor grade polysilicon inventories decline. This is especially true for large diameter wafers and certain high-end applications that are well suited to REC Silicon's product portfolio. Inventories are expected to continue declining due to high semiconductor production capacity utilization, competitor rationalization, and the startup of new silicon wafer capacity. REC Silicon's shipments of semiconductor polysilicon for 2019 are expected to exhibit growth consistent with prior periods. Over the longer term, macro demand factors associated with data transmission and storage, mobility, and increasing Silicon content in automobiles and other consumer goods are expected to continue to result in demand growth.

Demand for silicon gases in semiconductor and flat panel display applications is expected to remain strong. However, continuing volatility in solar markets will translate to lower demand for silicon gases in the PV segment. During the first half of 2019, uncertainty caused by trade relations between the US and China and high inventory levels is expected to affect demand for silicon gases. For the entire year, demand is expected to remain high due to capacity expansions for flat panel displays, and the continuing implementation of technology improvements in semiconductor applications. REC Silicon expects shipments for 2019 to continue to exhibit growth consistent with prior periods.

TARGETS

On April 9, 2019, the Company announced that the operation of the FBR facility in Moses Lake would be curtailed as of May 15, 2019. Further, the Company announced that unless access to polysilicon markets in China is restored, the facility would be placed in a long-term shutdown by June 30, 2019. Therefore, no targets have been provided for the Solar Materials segment.

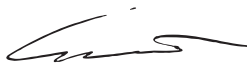
The Company will continue to operate its manufacturing facility in Butte, Montana. In 2019, this facility is expected to produce approximately 1,050MT of semiconductor grade polysilicon and approximately 550MT of Siemens solar grade polysilicon. In addition, the facility is expected to deliver approximately 3,800MT of silicon gases in 2019.

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 REC Silicon's activities described in section "Risk Factors" above.

Fornebu, April 10, 2019
Board of Directors



Espen Klitzing
Member of the Board



Jens Ulltveit-Moe
Chairman of the Board



Ragnhild Wiborg
Member of the Board



Terje Osmundsen
Member of the Board



Tore Torvund
President and CEO



Inger Berg Ørstavik
Member of the Board

STATEMENT OF COMPLIANCE

The Board of Directors and the Chief Executive Officer (CEO) have today considered and approved the report from the Board of Directors and CEO, the financial statements for the Group and for the parent company REC Silicon ASA (the Company) for the year ending December 31, 2018.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements as stated in the Norwegian Accounting Act that are applicable at December 31, 2018. The financial statements for the Company have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway that are applicable at December 31, 2018. The report from the Board of Directors and CEO, including the report on corporate governance, for the Group and the Company has been prepared in accordance with the Norwegian Accounting Act and the Norwegian Accounting Standard no. 16 applicable at December 31, 2018.

We confirm that, to the best of our knowledge:

- The financial statements for the Group and the Company for the year ending December 31, 2018 have been prepared in accordance with applicable accounting standards, and
- The information in the financial statements gives a true and fair view of the Group's and the Company's assets, liabilities, financial position, and results of operations for the year ending December 31, 2018, and
- The report from the Board of Directors for the year ending December 31, 2018 includes a fair review of:
 - The development, results of operations and position for the Group and the Company, and
 - The principal risks and uncertainties for the Group and the Company.

Fornebu, April 10, 2019
Board of Directors



Espen Klitzing
Member of the Board



Jens Ulltveit-Moe
Chairman of the Board



Ragnhild Wiborg
Member of the Board



Terje Osmundsen
Member of the Board



Tore Torvund
President and CEO



Inger Berg Ørstavik
Member of the Board

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

REC Silicon ASA (the "Company") and its subsidiaries (together REC Silicon Group/the Group), endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised on October 17, 2018.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board has adopted the following report that explains how the Group meets the requirements of the Code of Practice and the Accounting Act. The application of the Code of Practice is based on the "comply or explain" principle and deviations from the code, if any, will be explained.

REC Silicon Group deviated from the recommendations in the Code of Practice on two sections in 2018. These deviations pertained to separate proxy voting for candidates to the Board (Section 6) and separate regulations for takeover bids (Section 14).

2. BUSINESS

REC Silicon believes the solar industry plays a key role as a long-term supplier of sustainable energy and its business is focused on the production of polysilicon and silicon gases for the solar and electronics industries. To make solar electricity competitive with traditional energy sources, the Group focuses on cost reduction and improvements to products. This should be achieved through introduction of new process and product technologies as well as continuous productivity improvement and technology development.

The purpose of the Company is described in the Articles of Association § 3:

"The Company's purpose is development and sale of products and services related to renewable energy sources, and to perform other financial

operations related to such. The Company may, through subscription of shares or in any other ways, including granting of loans, acquire interests in other companies with identical or similar purposes".

The Board of Directors has defined clear strategies, business goals and risk profile for the Group's business activities, to create value for its shareholders and ensure that its resources are utilised in an efficient and responsible manner to the benefit of all its stakeholders. Sustainability is at the core of REC Silicon's business model, and the Company acknowledges its responsibilities toward the environment, society and the local communities in which it operates. The Board carries the responsibility to secure acceptable sustainability performance and has implemented various policies providing business practice guidance and reporting procedures to ensure continuous improvement.

The Group's strategies, business goals and risk profile are reviewed on an annual basis and presented in the annual report, quarterly reports, and at various investor meetings.

3. EQUITY AND DIVIDENDS

The Groups consolidated equity was USD 106.7 million on December 31, 2018, which represented 30 percent of total assets. The debt-to-equity ratio was 2.35. The Board monitors the groups capital structure and takes actions necessary to ensure that it is appropriate for the current objectives, strategy, and risk profile. Reference is also made to the consolidated financial statements (note 3.3) regarding capital structure and financing and (note 3.1) regarding financial risk and to the report of the Board of Directors.

The Group's ambition is to give its shareholders a high and stable return on their investment and to be competitive compared with alternative investment opportunities with comparable risk.

To support committed investments and productivity improvements, the Board's view so far has been that retained earnings should be put to use within the Company. Accordingly, there has been no distribution of dividends to the shareholders since the Company was publicly listed in 2006, and no proposed dividend payments for the financial year 2018.

The Board will continue to assess the capital structure based on the goals, strategies, risk profile, and the financial situation of the Company.

At the Annual General Meeting (AGM) on April 26, 2018, the Board was granted the following authorities:

- Authority to acquire treasury shares in the Company (up to a maximum of ten percent of the face value of the share capital). As of December 31, 2018, the authorisation has not been used.
- Authority to increase the share capital with up to NOK 254,000,000, which equals approximately ten percent of the existing share capital. As of December 31, 2018, the authorisation has not been used.

These authorities are restricted to defined purposes and each mandate was considered separately. They are valid until the AGM in 2019 or no later than 15 months from the date of the 2018 AGM.

For further information about the mandates given to the Board, reference is made to the minutes from REC Silicon's 2018 Annual General Meeting, which are available on the Company's website (www.recsilicon.com).

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

REC Silicon ASA has one class of shares and each share confers one voting right at the General Meetings. The Articles of Association contain no restrictions on voting rights. The Company seeks to conform to the principles for equal treatment of shareholders and is generally cautious in transactions with shareholders, members of the Board of Directors, Group Management, or other related parties.

The Group did not issue any additional shares or acquire any of its own shares in 2018.

For significant transactions with closely related parties, the company will use valuations and statements from independent third parties if the transaction is not to be considered by the General Meeting. There were no agreements in 2018 between the Group and its shareholders, directors, Group Management or other related parties that could be described as a material transaction.

5. FREELY NEGOTIABLE SHARES

The Company is listed on the Oslo Stock Exchange. There are no restrictions on owning, trading or voting for shares in the articles of association.

6. GENERAL MEETINGS

The General Meeting is the Company's highest authority. The General Meeting is open to all shareholders, and the Company encourages shareholders to participate and exercise their rights. To attend and vote at the General Meeting, shares must be registered in the Central Securities Depository (VPS) by the fifth business day prior to the General Meeting.

The AGM is to be held by the end of June every year, in the municipality where the Company has its registered business address or in Oslo. The

2018 Annual General Meeting was held on April 26, 2018 in Oslo. The Board, auditor, or shareholders representing at least 5 percent of the shares can call for Extraordinary General Meetings when deemed necessary. There were no Extraordinary General Meetings in 2018.

The notice of the General Meeting and supporting documents are made available on the Company's website no later than three weeks prior to the date of the meeting. Shareholders may however request the documents by mail. Efforts are made to ensure that proposed resolutions and supporting information are sufficiently detailed and comprehensive to allow the shareholders to form a view on all matters to be considered at the meeting. The notice includes information about shareholders' rights. The notice period, right to attend and agenda proposals are regulated in the Articles of Association.

Shareholders are entitled to request that specific matters be placed on the agenda of a general meeting by giving written notice to the Board within seven days prior to the time limit for notice of the general meeting together with a proposal for resolution and reasons why the matter is proposed for consideration. If the notice has already been distributed, a new notice shall be distributed if the time limit for notice to the general meeting has not expired.

Shareholders wishing to participate at the General Meeting shall notify the Company within a specific time limit, and a minimum five days prior to the General Meeting. Shareholders who have not given notice within the time limit may be denied participation at the meeting.

Shareholders who cannot attend the General Meeting may vote by proxy. They may elect a proxy of their choice, and the Company also nominates a person that shareholders may elect as a proxy. Information about the procedures shareholders must observe to participate and vote is given together with the notice of the meeting. A proxy form is prepared in a way that allows separate voting instructions to be given for each matter considered. The Articles of Association allow the Board to accept written advance votes subject to the existence of a satisfactory method for verifying the identity of the shareholder.

The Articles of Association also allow the Board to accept votes cast through electronic communication. So far, no satisfactory solutions for written advance votes and electronic voting have been established, but the Board will continue to evaluate any solutions that become available.

The Chairman of the Board, the Board members, the auditor, and the members of the Nomination Committee are normally present at the General Meeting. All Board members are encouraged to participate at the meeting.

The General Meeting is opened by the Chairman of the Board who nominates an independent chair for election to lead the meeting.

Deviation from the Code of Practice:

The Code recommends that separate proxy voting for candidates to the Board be available for shareholders who are unable to attend the AGM in person. However, it is not possible to vote separately on each candidate nominated to the Board by way of proxy because the composition of the

Board must be in accordance with applicable legislation regarding gender representation and qualifications for committee assignments. The nomination committee's proposal is given with respect to such legislation. Should a situation arise where the composition of the Board might conflict with applicable legislation, the situation and consequences of electing a board contrary to legislation should be discussed at the General Meeting and shareholders should base their votes on the views discussed.

7. NOMINATION COMMITTEE

The Articles of Association provide for a Nomination Committee consisting of three members. The members are elected by the AGM for a term of two years and the general assembly appoints the chair of the Committee. The remuneration of the Nomination Committee is decided by the AGM. The Nomination Committee makes proposals to the AGM for members to be elected to the Nomination Committee.

The Nomination Committee presents recommendations to the General Meeting regarding election of shareholder-elected members to the Board and the remuneration for members of the Board. The Committee's recommendations provide relevant information on the candidates, and are based on consultations with the largest shareholder groups of the Company.

The Nomination Committee examines the annual report by the Board of Directors on the evaluation of its own work and takes its contents into consideration when making its recommendations on board composition. The Committee also consults with the CEO, the Chairman of the Board, the shareholder-elected Board members and the largest shareholders of the Company before submitting its proposals.

The Nomination Committee presents and provides the basis for the proposals by the Committee at the General Meeting and also reports on how its work has been carried out during the past year. The rules of procedure do not establish rules for rotation of the members of the Nomination Committee.

The current members of the Nomination Committee are Mr. Rune Selmar (chair) (re-elected in 2018), Ms. Live Haukvik Aker (re-elected in 2017), and Mr. Ole Jacob Ræstad (elected in 2017). Mr. Ole Jacob Ræstad currently holds the positions as CEO of Umoe Gas Carriers AS and CFO of Knutsen OAS Shipping, both related to the Company's largest shareholder, the Umoe Group. The remaining members of the Nomination Committee are independent of the Board of Directors and Group Management.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board consists of between five and twelve directors, of which up to eight are elected by the shareholders. Board members and the Chairman of the Board are elected by the shareholders for terms of one year. At December 31, 2018, the Board consisted of five directors.

The directors are presented in the Annual Report with information about education and experience. Currently two of the five shareholder-elected members are women.

All members of the Board are independent of Group Management. All Board members are independent of material business contacts. The following three Board members are independent of the Company's main shareholders:

- Ragnhild Wiborg
- Inger Berg Ørstavik
- Terje Osmundsen

Board members are encouraged to acquire shares with due consideration to the requirements of the Securities Trading Act and Company procedure for primary insiders. The Company assists Board members' compliance with mandatory disclosure obligations. Primary insiders should abstain from short-term transactions in financial instruments and apply due care and diligence with regard to ownership periods.

9. WORK OF THE BOARD OF DIRECTORS

The Board has the ultimate responsibility for the management of the Company and the Group and for supervising management.

The Board has adopted "Rules of procedures for the Board of Directors". The rules describe Board responsibilities, duties and administrative procedures as well as the tasks and duties of the Chief Executive Officer. The Board has also adopted a Chart of Authority regulating matters that are to be decided by the Board and matters that may be decided by Group Management. The Chart of Authority distinguishes between investment decisions, customer contracts, procurement contracts, compensation, and finance and is reviewed on an annual basis. The Board holds at least one meeting per year with the auditor and without any members of Group Management or administration present.

The Board has adopted guidelines to ensure that they will be informed of possible interests of Board members or members of Group Management or close associates in any transaction or matter dealt with

MEMBERS OF BOARD OF DIRECTORS	POSITION	BOARD MEMBER SINCE	UP FOR ELECTION	PARTICIPATION AT BOARD MEETINGS IN 2017
Jens Ulltveit-Moe	Chairman	2013	2019	13 of 14
Ragnhild Wiborg	Board member	2013	2019	13 of 14
Espen Klitzing	Board member	2013	2019	14 of 14
Inger Berg Ørstavik	Board member	2013	2019	14 of 14
Terje Osmundsen	Board member	2016	2019	14 of 14

by the Board, as well as guidelines for handling of such situations. The Board must review and approve all transactions between the Group and Group Management or the Board of Directors.

REC Silicon ASA's offices are owned by the shareholder Umoe AS and leased to the Company. Umoe AS is controlled by Board Chairman Jens Ulltveit-Moe.

The Board engages a third-party consultant to evaluate the performance of the Board of Directors. This evaluation is based upon interviews with members of the Board and members of management interacting with the Board. The evaluation is designed to measure Board performance in its entirety and be reflective of best practices in governance. The results of this evaluation are provided to the Chairman of the Board of Directors and incorporated in the work of the Board of Directors as appropriate. The evaluation is normally conducted every second year, depending on changes in the composition of the Board. Since there were no changes in the composition of the Board in 2018, the Board did not consider it necessary to conduct a new evaluation in 2018.

The Board has established two committees: an Audit Committee and a Compensation Committee.

Audit Committee

The Audit Committee consists of two members of the Board, both of which are independent of Group Management. The Committee collectively has the competence required in the Public Limited Liability Companies Act § 6-42. Both members are independent according to § 6-42 Public Limited Liability Companies Act, and both members have the required qualifications within accounting and auditing. At December 31, 2018, the audit committee members were Ms. Ragnhild Wiborg (chair) and Mr. Espen Klitzing.

The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, auditing, control, and prepares discussions and resolutions for Board meetings. It has no decision-making authority. In addition, under the whistle-blower procedure, complaints from employees and other concerned parties are received and followed up by the Committee. The Chief Financial Officer participates in the meetings of the Audit Committee. The Committee holds at least one meeting per year with the auditor and without the Chief Financial Officer or any other members of the Group Management and administration present.

The Audit Committee held 7 meetings in 2018 and was in regular contact with the Company's auditor regarding audits of the statutory accounts. The Committee also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

The Committee makes recommendations to the Board with respect to appointment, retention and termination of the Group's auditor as well as the auditor's fees. The Committee reviews complaints regarding accounting, internal controls, and auditing matters.

The tasks and rules of procedure of the Audit Committee are further regulated in the Audit Committee Charter.

Compensation Committee

The Compensation Committee consists of two members of the Board, which are independent of the group management. The Committee supports the Board by preparing resolutions on the terms and conditions of employment for the Chief Executive Officer and the general principles and strategies for compensation of Group Management including bonus and share based compensation as well as other personnel matters.

The tasks and procedures of the Compensations Committee are further regulated in the Compensation Committee Charter. At December 31, 2018, the Compensation Committee members were Mr. Terje Osmundsen and Ms. Inger Ørstavik.

During 2018, the Compensation Committee met 4 times.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Group's risk management system shall ensure that the Group has a systematic and uniform approach to risk management. The system defines roles, responsibilities, processes and procedures, standards, tools and documentation, including considerations related to integrating stakeholders in relation to the company's value creation.

Group Management sets the context in which risks are managed and supervises the risk management process. Group Management performs separate risk evaluations based on a top-down approach. Risk assessments are presented to the Audit Committee and the Board of Directors. The Board performs a review of risks in connection with the approval of the annual budget.

Group Management generates a monthly report, which is provided to the Board of Directors as requested. This report includes operational reviews, HSE (Health, Safety and Environment) measures, financial highlights and key performance indicators. Prior to each Board meeting, the CEO prepares a report to the Board of Directors, which includes information from the monthly management report in addition to any items requested by Board members and items requiring action by the Board of Directors.

Because the Group operates internationally, it is required to comply with numerous national and international laws and regulations. All business activities and processes must be conducted in accordance with laws, and regulations.

To strengthen internal control, the Group has established an Anticorruption Policy and procedures, provided training to employees and managers, and performed a fraud risk assessment. Whistleblower complaints and other internal control activities are presented to the Audit Committee according to the Audit committee charter.

To ensure consistent financial reporting throughout the Group, financial information is reported through a computerized financial reporting system utilizing a common chart of accounts and procedures designed to ensure the consistency of information reported. Subsidiaries accumulate transactional information, period end balances, and performance statistics through ERP systems designed to meet the business requirements of each operation. Quarterly and year-end reporting processes are expanded to meet various supplementary requirements.

The quarterly and yearly reporting process and significant accounting and reporting issues are discussed with the Audit Committee in the presence of the external auditor.

The Group's financial risk management is described in the consolidated financial statements (note 3). Reference is also made to the Board of Directors' report that includes an analysis of the financial statements and the risk factors.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board receive remuneration in accordance with their individual roles. Board members who participate in the Audit Committee or the Compensation Committee receive additional compensation.

Board remuneration is not linked to Company performance and members are not granted share options.

Details on the remuneration of the Board of Directors are disclosed in the consolidated financial statements (note 16).

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the Board of Directors, but if they do, this shall be disclosed to the full board. The remuneration for such additional duties will be approved by the Board of Directors. There were no such assignments in 2018.

12. REMUNERATION OF THE GROUP MANAGEMENT

The Board determines remuneration of the Chief Executive Officer.

Group Management remuneration has been established according to guidelines from the Board. The Board presented its policy on the remuneration of Management at the AGM in April 2018. The general meeting approved the policy. The Board of Directors statement regarding compensation of leading employees has been included in the consolidated financial statements (note 16) which are available on the company's website.

The remuneration of the Group Management consists of a basic salary, relevant fringe benefits and membership in the Company's pension and insurance schemes. The remuneration also includes performance bonuses for selected individuals based on an annual performance-related compensation system. In addition, the Board has adopted an incentive program for retaining key personnel. The performance bonuses are linked to the Group's financial performance and defined KPI's over time and includes incentives related to performance employees can influence. There are absolute limits for the performance-related remuneration, where maximum performance bonus payout for the management varies between 33-100 percent of the yearly fixed base salary.

The Board extends long-term incentive programs for keeping key personnel, whereby employees' entitlements are linked to the share price development of the Company's shares. The program includes a lock-up period of the shares and absolute limit for the maximum gain in each calendar year. Details on the features and awards made under this plan are disclosed in the consolidated financial statements (note 32).

At the AGM in 2018, the general assembly voted separately on the compensation to leading employees and the statement regarding long-term incentive plans.

Details on the remuneration of the Chief Executive Officer and other members of Group Management are disclosed in the consolidated financial statements (note 16).

13. INFORMATION AND COMMUNICATION

The Company treats its investors equally. Timely information is published simultaneously to all investors in accordance with applicable legislation and regulation in order to provide the best possible basis for evaluation of Company performance. All information is provided in English.

The Board has adopted an IR policy specifying, among other things, who is entitled to speak on behalf of the Company on various subjects and with guidelines for the Company's contact with shareholders other than through General Meetings.

Interim reports are published on a quarterly basis, in line with Oslo Stock Exchange's recommendations. Interim reports include presentations to provide an overview of operational and financial developments, market outlook, and the Company's prospects. The presentations are open to the public and made available through a webcast. The Chief Executive Officer, the Chief Financial Officer and the Investor Relations Officer are normally present at the quarterly presentations. Furthermore, the Company keeps an ongoing dialogue with its investors and makes presentations to analysts and investors through various conferences and events.

The Company observes a "Silent Period" extending from the last day of the quarter until operating results are released publicly. During this period, Group Management is not available for discussions with investors or analysts. Investor Relations (IR) is available on a limited basis to provide material previously released and to facilitate the collection and distribution of consensus forecasts. The Investor Relations function is in charge of coordinating the Company's communications to the market and to existing and potential investors of the Company. The Investor Relations Officer reports to the Chief Financial Officer.

14. TAKE-OVERS

The Company has no defence mechanism to prevent take-over bids. The Board is open to initiatives that are commercially and financially attractive for the shareholders. The Board will assess potential offers in accordance with applicable legislation and Code of Practice requirements in due course.

Any transaction that effectively constitutes a disposal of a majority of the Company's activities will be decided by the General Meeting.

Deviation from the Code of Practice:

The Board has not established separate guidelines in the event of a take-over bid as recommended by the Code of Practice. Take-over bids are usually specific, one-off, events which makes preparation of guidelines challenging. In the event of a take-over process, the Board will ensure that the Company's shareholders are treated equally, and that the company's activities are not unnecessarily interrupted. The Board will

further seek to comply with the relevant recommendations from the Code of Practice.

15. AUDITOR

The Company's external auditor, KPMG, is elected by the AGM and is regarded as independent from the Company.

The Board of Directors requires the auditor to participate at Board meetings with respect to the Annual Financial Statements and provide comments related to the accounting principles and the Financial Statements. The auditor comments on any material changes in the Company's accounting principles, material estimates used to calculate accounting figures, and reports disagreements between the auditor and Group Management.

The auditor presents significant identified weaknesses and proposals for improvements of the internal control procedures annually to the Board with an annual confirmation that the auditor has satisfied the requirements for independence together with a summary of all services

provided to the Group. The auditor meets with the Audit Committee and the Board once a year without the Chief Executive or any other member of the Group Management present.

The auditor is also required to participate in meetings of the Audit Committee and present the main features of the audit plan to the Committee.

Remuneration of the auditor is approved by the AGM. The auditor provides a break-down between audit and non-audit services, and the AGM is given information about non-audit services provided by the auditor. The Board has issued guidelines regarding Group Management's use of the auditor for services other than audit. These guidelines include a list of services that are pre-approved for fees up to NOK 500,000 and requires audit committee approval for all other non-audit services or if fees are more than NOK 500,000.

The auditor participates at the AGM and presents the independent auditor's report.

FINANCIAL STATEMENTS

REC SILICON GROUP & REC SILICON ASA

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	2018	2017
ASSETS			
Non-current assets			
Intangible assets	6	11.8	15.7
Land and buildings	6	41.1	50.5
Machinery and production equipment	6	90.9	416.7
Other tangible assets	6	4.8	12.0
Assets under construction	6	9.4	61.1
Property, plant and equipment	6	146.2	540.3
Investments in Associates	8	34.2	0.0
Other non-current receivables	12	6.4	3.8
Total non-current assets		198.6	559.8
Current assets			
Inventories	13	79.1	82.9
Trade and other receivables	12	40.8	48.6
Current tax assets	18	2.7	0.0
Restricted bank accounts	14	4.4	4.4
Cash and cash equivalents	14	31.8	104.5
Total current assets		158.7	240.4
Total assets		357.3	800.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	2018	2017
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital		3,158.0	3,158.0
Other equity and retained earnings		-3,051.3	-2,709.1
Total shareholders' equity		106.7	448.9
Non-current liabilities			
Retirement benefit obligations	19	15.5	20.1
Deferred tax liabilities	18	0.0	0.4
Investments in Associates	8	0.0	34.7
Non-current provision, interest calculation	6, 20	3.0	0.0
Non-current financial liabilities, interest bearing	17	108.6	0.0
Non-current prepayments, interest calculation	20	4.2	5.5
Other non-current liabilities, not interest bearing		5.3	8.8
Total non-current liabilities		136.6	69.6
Current liabilities			
Trade payables and other liabilities	20	62.1	62.9
Provisions	20	0.0	0.3
Current tax liabilities	18	24.5	26.0
Derivatives	11	1.5	1.5
Current financial liabilities, interest bearing	17	22.7	187.8
Current prepayments, interest calculation	20	3.2	3.1
Total current liabilities		114.0	281.7
Total liabilities		250.6	351.3
Total equity and liabilities		357.3	800.2

Fornebu, April 10, 2019
Board of Directors



Espen Klitzing
Member of the Board



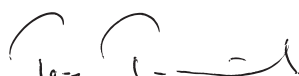
Jens Ulltveit-Moe
Chairman of the Board



Ragnhild Wiborg
Member of the Board



Terje Osmundsen
Member of the Board



Tore Torvund
President and CEO



Inger Berg Ørstavik
Member of the Board

CONSOLIDATED STATEMENT OF INCOME

REC SILICON GROUP

(USD IN MILLION)	NOTES	2018	2017
Revenues	5	221.2	272.4
Cost of materials		-57.3	-54.3
Changes in inventories		1.5	-18.2
Employee benefit expenses	24	-59.7	-73.9
Other operating expenses	22	-110.1	-106.2
Other income and expenses	23	-0.5	-0.1
EBITDA ¹⁾		-4.9	19.8
Depreciation	6	-61.1	-145.2
Amortization	6	-0.5	-1.8
Impairment	6, 7	-340.5	-0.3
Total depreciation, amortization and impairment		-402.2	-147.3
EBIT ²⁾		-407.1	-127.5
Share of profit/loss of investments in associates	8	73.0	-1.8
Financial income	25	0.9	0.6
Net financial expenses	25	-18.0	-30.2
Net currency gains/losses	25	3.1	-34.1
Fair value adjustment convertible bonds	25	0.0	0.2
Net financial items		-14.0	-63.5
Profit/loss before tax		-348.0	-192.8
Income tax expense/benefit	18	6.5	-157.8
Profit/loss		-341.6	-350.6
Attributable to:			
Owners of REC Silicon ASA		-341.6	-350.6
Earnings per share (In USD)			
-basic	26	-0.13	-0.14
-diluted		-0.13	-0.14

¹⁾ EBITDA - EBIT excluding depreciation, amortization and impairment.

²⁾ EBIT - Profit/loss from total operations excluding income tax expenses/benefit, net financial items, and share of profit/loss from investments in associates.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

REC SILICON GROUP

(USD IN MILLION)	2018	2017
Profit/loss	-341.6	-350.6
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Fair value adjustment on own credit risk ¹⁾	-1.9	-16.4
Remeasurement of defined benefit plans	3.5	-3.6
Currency translation effects	1.5	43.6
Sum items that will not be reclassified to profit or loss	3.1	23.6
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences		
- taken to equity	-3.7	-6.1
Sum items that may be reclassified subsequently to profit or loss	-3.7	-6.1
Total other comprehensive income	-0.6	17.5
Total comprehensive income	-342.2	-333.1
Total comprehensive income attributable to:		
Owners of REC Silicon ASA	-342.2	-333.1

¹⁾ Impact of adopting IFRS 9.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY REC SILICON GROUP

ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA

(USD IN MILLION)	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL EQUITY
Year 2017							
At January 1, 2017	405.3	2,710.9	41.8	3,158.0	174.3	-2,550.3	782.0
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	-333.1	-333.1
At December 31, 2017	405.3	2,710.9	41.8	3,158.0	174.3	-2,883.4	448.9
Year 2018							
At January 1, 2018	405.3	2,710.9	41.8	3,158.0	174.3	-2,883.4	448.9
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	-342.2	-342.2
At December 31, 2018	405.3	2,710.9	41.8	3,158.0	174.3	-3,225.6	106.7

This table presents details of comprehensive income

(USD IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
Year 2017				
Accumulated at January 1, 2017	29.8	20.9	-2,600.9	-2,550.3
Profit/loss	0.0	0.0	-350.6	-350.6
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Fair value adjustment on own credit risk	0.0	0.0	-16.4	-16.4
Remeasurement of defined benefit plans	0.0	0.0	-3.6	-3.6
Currency translation effects	0.0	0.0	43.6	43.6
Sum items that will not be reclassified to profit or loss	0.0	0.0	23.6	23.6
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-7.7	0.0	0.0	-7.7
Tax on currency translation differences taken to equity	1.5	0.0	0.0	1.5
Sum items that may be reclassified to profit or loss	-6.1	0.0	0.0	-6.1
Total other comprehensive income for the period	-6.1	0.0	23.6	17.5
Total comprehensive income for the period	-6.1	0.0	-327.0	-333.1
Accumulated at December 31, 2017	23.7	20.9	-2,927.9	-2,883.4
Year 2018				
Accumulated at January 1, 2018	23.7	20.9	-2,927.9	-2,883.4
Profit/loss	0.0	0.0	-341.6	-341.6
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Fair value adjustment on own credit risk	0.0	0.0	-1.9	-1.9
Remeasurement of defined benefit plans	0.0	0.0	3.5	3.5
Currency translation effects	0.0	0.0	1.5	1.5
Sum items that will not be reclassified to profit or loss	0.0	0.0	3.1	3.1
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-3.7	0.0	0.0	-3.7
Tax on currency translation differences taken to equity	0.0	0.0	0.0	0.0
Sum items that may be reclassified to profit or loss	-3.7	0.0	0.0	-3.7
Total other comprehensive income for the period	-3.7	0.0	3.1	-0.6
Total comprehensive income for the period	-3.7	0.0	-338.5	-342.2
Accumulated at December 31, 2018	20.0	20.9	-3,266.4	-3,225.6

CONSOLIDATED STATEMENT OF CASH FLOWS

TOTAL OPERATIONS

REC SILICON GROUP

(USD IN MILLION)	NOTES	2018	2017
Cash flows from operating activities			
Profit/loss before tax from total operations ¹⁾		-348.0	-192.8
Income taxes paid/received	18	0.7	0.6
Depreciation, amortization and impairment	6,7	402.2	147.3
Fair value adjustment convertible bond	25	0.0	-0.2
Equity accounted investments, impairment financial assets, gains/losses on sale	8	-72.5	1.8
Changes in receivables, prepayments from customers etc.	12	9.7	5.9
Changes in inventories	13	3.8	22.6
Changes in payables, accrued and prepaid expenses	20	-5.7	18.6
Changes in provisions	20	-0.3	0.3
Changes in VAT and other public taxes and duties	20	0.0	1.0
Changes in derivatives	11	-0.1	0.0
Currency effects not cash flow or not related to operating activities ²⁾	25	-1.7	33.6
Other items ³⁾		1.9	0.1
Net cash flow from operating activities		-10.1	38.8
Cash flows from investing activities			
Proceeds/Payments finance receivables and restricted cash	14	0.0	-0.2
Proceeds from sale of property, plant and equipment and intangible assets	6	0.6	0.0
Payments for property, plant and equipment and intangible assets	6	-1.7	-2.6
Net cash flow from investing activities		-1.2	-2.8
Cash flows from financing activities			
Increase in equity	15	0.0	0.0
Payments of borrowings and up-front/waiver loan fees ⁴⁾	17	-171.4	0.0
Proceeds from borrowings	17	110.0	0.0
Net cash flow from financing activities		-61.4	0.0
Effect on cash and cash equivalents of changes in foreign exchange rates	25	0.0	2.8
Net increase/decrease in cash and cash equivalents		-72.7	38.8
Cash and cash equivalents at the beginning of the period		104.5	65.8
Cash and cash equivalents at the end of the period		31.8	104.5
¹⁾ PROFIT/LOSS BEFORE TAX FROM OPERATIONS INCLUDES			
Interest Paid		-14.9	-12.3
Interest Received		0.8	0.6

²⁾ Currency effects not cashflow or not related to operating activities in 2017 is primarily related to changes in currency rates on intercompany loan balances between group members and REC Silicon ASA which have different functional currencies. At January 1, 2018 REC Silicon ASA's functional currency changed from NOK to USD. See note 2.4(A).

³⁾ In 2018, Other items includes an adjustment of pension liabilities, upfront loan fees and capitalized borrowing cost amortization of interest related to RECO3 and premiums paid for bond buy backs.

⁴⁾ Payment of borrowings include fees and costs for issue and repurchase of interest bearing debt.

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REC SILICON GROUP

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REC SILICON GROUP

1 GENERAL INFORMATION

REC Silicon ASA was established in Norway on December 3, 1996. The Company is headquartered in Fornebu, Norway.

Company and its subsidiaries (together, "REC Silicon Group" or "Group") have a presence in the international solar energy industry. Group operations are focused on the production of polysilicon and silicon gases for the solar and electronics industries.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Fornebuveien 84, Lysaker.

These consolidated financial statements have been approved for issue by the Board of Directors on March 22, 2019 and are subject to approval by the Annual General Meeting scheduled for May 9, 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements are presented in USD, rounded to the nearest tenth of million, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), relevant interpretations, and the Norwegian Accounting Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by impairment of some assets, the revaluation of derivative instruments, and convertible bonds measured at fair value as well as fair value adjustments of parts of the fixed interest rate bonds.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Actual outcomes may differ substantially. It also requires management to exercise judgment in applying the Group's accounting policies. Areas involving a high degree of judgment or complexity, and areas where assumptions and estimates have a significant impact are disclosed in note 4.

2.2 CONSOLIDATION

(A) Subsidiaries

Subsidiaries are entities controlled by the Group. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date control is obtained until the date that control ceases.

All subsidiaries are owned 100 percent and there are no non-controlling interests.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated.

(B) Joint ventures

A joint venture is an arrangement where two or more parties have joint control. Joint control exists only when decisions require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by the equity method of accounting.

(C) Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for by the equity method of accounting.

2.3 SEGMENT REPORTING

REC Silicon produces silicon gas and polysilicon for the semiconductor industries at its manufacturing facility in Butte, Montana. The Company also produces polysilicon for the photovoltaic industry at its manufacturing facility in Moses Lake, Washington. Incremental changes to the Company's organization structure, management team, operating strategy, and performance measurement reporting have led to the determination that these businesses represent separate distinguishable operating segments. Beginning in 2018, there are two operating segments; Solar Materials (Moses Lake, Washington) and Semiconductor Materials (Butte, Montana). The operating segments include revenues less cost of manufacturing excluding depreciation for products sold. Other includes general, administrative, and selling expenses which support both operating segments in addition to administrative costs for the Company's headquarters in Fornebu, Norway. Eliminations include the reversal of the impact of transactions between group members and affiliates. The results of the operating segments plus Other and Eliminations taken together reconcile to total EBITDA for the Group.

Group Management is headed by the Chief Executive Officer (CEO), and the CEO makes decisions regarding the allocation of resources and performance assessment for all segments. Accordingly, the CEO is regarded as the Chief Operating Decision Maker (CODM).

An operating segment is a distinguishable component of the Group that is engaged in providing products that are subject to similar risks and returns and corresponds to management reporting.

2.4 FOREIGN CURRENCY TRANSLATION

(A) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Due to changes in the Company's capital structure the selection of functional currency was reevaluated at January 1, 2018 and it was determined that the Company's functional currency should be changed from NOK to USD. Accordingly, REC Silicon ASA's account balances at January 1, 2018 were converted to USD. Amounts reported for REC Silicon ASA for periods beginning on January 1, 2018 and later are stated using USD as the functional currency. Amounts reported for periods beginning prior to January 1, 2018 are stated using NOK as the functional currency. The Group's reporting currency continues to be USD. Accordingly, these consolidated financial statements are presented in USD.

(B) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates on the reporting date. Foreign exchange gains and losses resulting from the settlement or the translation of monetary assets and liabilities are recognized in the statement of income, except when deferred in equity as qualifying cash flow hedges, qualifying net investment hedges or as a part of a net investment.

(C) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate;
- (ii) Income and expenses for each statement of income are translated at average exchange rates for the reporting period (based on monthly average rates); and
- (iii) All resulting exchange differences from translation are recognized as a separate component of other comprehensive income (OCI).

On consolidation, exchange differences arising from the translation of the net investment in subsidiaries, including monetary items that are regarded as a part of the net investment, and borrowings and

other currency instruments designated as hedges of such investments, are included in OCI. When a subsidiary is disposed of, exchange differences are recognized in the statement of income as part of the gain or loss on sale. At December 31, 2018 and 2017 the Group did not hold any instruments accounted for as net investment hedges. At December 31, 2018 and 2017, an intercompany loan to REC Silicon, Inc. of USD 132 million was regarded as a part of the net investment in REC Silicon Inc.

2.5 CURRENT/NON-CURRENT

Assets and liabilities are classified as current when they are expected to be realized or settled within 12 months after the reporting date.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and un-reversed impairment losses. Cost includes expenditures that are directly attributable to the acquisition, construction or installation of the item. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Costs are included in an asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and costs can be measured reliably.

Depreciation is calculated using the straight-line method based on the costs of the assets less any residual value over their estimated useful lives.

2.7 INTANGIBLE ASSETS

(A) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets. Goodwill is carried at cost less accumulated impairment losses. Goodwill related to equity accounted investments is included in the carrying value of investments. At December 31, 2018 and 2017 the Group had no goodwill.

(B) Other intangible assets

Other intangible assets that have finite useful lives are carried at cost less accumulated amortization and un-reversed impairment losses. Amortization is calculated using the straight-line method on the costs of assets over their estimated useful lives from the date they are available for use. The Group has no intangible assets with indefinite useful lives.

(C) Research and development

Research expenditures are recognized in expense as incurred. Development expenditures (relating to the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes or systems) are capitalized when it is probable that the project will be successful considering its commercial and technological feasibility. Costs expensed in prior reporting periods are not later capitalized. Other development expenditures are recognized in expense as incurred.

2.8 IMPAIRMENT OF ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized in the statement of income for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash inflows that are largely independent from the cash inflows from other assets can be identified (cash-generating units). Generally, any impairment is allocated to goodwill first, then proportionately to other non-current assets within a cash-generating unit. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment includes losses associated with assets determined to have no future economic benefits and assets that are replaced prior to the end of their useful lives.

2.9 FINANCIAL ASSETS

Financial assets are classified and subsequently measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income, based on both the use of the assets within the entity's business model and the nature of the cash flows. A financial asset is derecognized when expired or when the entity no longer has control of the cash flows related to the assets. Any rights or obligations retained in any transfer of assets are booked separately as assets or liabilities. Financial liabilities are classified and subsequently measured at amortized cost, except for financial liabilities (including derivatives) which are classified at fair value.

Financial assets not classified as at FVTPL, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes: default or delinquency by a debtor; indications that a debtor or issuer will enter bankruptcy; and adverse changes in the payment status of borrowers or issuers.

The Group considers evidence of impairment for financial assets measured at amortized cost at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

2.10 ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are recognized at fair value on the date a derivative contract is entered into and are subsequently measured for changes in fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative unless the Group has the intention and ability to settle the contracts net. The method of recognizing resulting gains or losses depends on whether the derivative is designated and qualifies as a hedging instrument and the nature of the item being hedged. Derivatives are categorized as held for trading unless they are designated and qualify as hedging instruments. The Group has an option contract as part of the indemnification agreements in connection with the REC Wafer Norway AS bankruptcy (note 11).

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. No embedded derivatives are separated.

2.11 TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment. A provision for the impairment of trade receivables is recognized when outstanding amounts are deemed to be uncollectable based upon an analysis considering days outstanding, customer payment histories, and other information regarding past due balances. In general, provisions are recorded for accounts which are greater than 60 days past due unless there is a clear indication that payment will be received. Balances are written off when collection efforts have been exhausted and the probability of recovery is unlikely.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits at banks, and money market funds with terms less than three months.

2.13 PAID-IN EQUITY CAPITAL

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of any income tax, from the proceeds.

2.14 BORROWINGS

Borrowings are recognized initially at fair value. Borrowings that are not maintained at fair value through profit or loss are recognized net of transaction costs and subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period the borrowings are outstanding using the effective interest method. Commitment fees for bank credit facilities are recognized as part of interest expenses as incurred.

A foreign currency convertible bond is not a compound financial instrument and is classified wholly as a liability in the financial statements. The USD convertible bond extinguished in September 2018 contained embedded derivatives in relation to the conversion option which have been remeasured to market at reporting dates. The Group recognizes the changes in the fair value of the whole convertible bonds, and not just the embedded derivatives, due to changes in fair value through profit or loss as a part of financial income or expenses. Changes in fair value due to own credit risk have been reclassified to other comprehensive income.

The Group applied fair value hedge accounting to parts of the fixed rate NOK bonds during prior periods. Any remaining adjustments to fair value are reflected in income as part of the effective interest of the bonds.

A financial liability is removed from the statement of financial position when the obligation is discharged, cancelled, or expires. Substantial modifications to the terms of existing financial liabilities or an exchange of debt instruments with an existing lender at substantially different terms are treated as extinguishments of the original liability. The difference between the carrying amount of a financial liability and the consideration paid to extinguish the liability is recognized in profit or loss.

2.15 INVENTORIES

Inventories are stated at the lower of cost or net realizable value (NRV).

Purchased inventories are stated at average cost less estimated obsolescence. Reserves for obsolescence include the write down of items no longer required (held for disposal) and the estimated decline in NRV caused by slow moving items.

The cost of finished goods and work in progress inventories are determined on a first in, first out basis and consists of raw materials, direct labor, other direct costs, and related indirect overheads. Costs associated with abnormal waste or unused normal operating capacity are not included in inventories. NRV is the estimated sales price less incremental costs to complete and sell the item. Net adjustments to reduce inventory to the lower of cost or NRV are recognized in inventory changes in the statement of income.

2.16 INCOME TAX

Income tax expense (benefit) includes current and deferred tax. Income tax expense (benefit) is recognized in profit or loss except

to the extent it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the estimated tax payable or receivable on the taxable income or loss for the year, and any adjustments to tax payable for previous years. Deferred tax includes the effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also includes the carry forward of unused net operating losses and credits.

Current and deferred tax amounts are determined using rates and laws that have been enacted or substantially enacted at the reporting date or are expected to apply when temporary differences reverse. Net deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deferred amounts can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

Utilization of net operating losses and tax credit carry forwards are subject to certain limitations under Section 382 and 383 of the Internal Revenue Code of the United States in the event of a change in the Company's ownership.

Changes in the value of convertible bonds related to changes in own credit risk are recognized in other comprehensive income (OCI). All other changes related to the value of the convertible bond are recognized in profit or loss which may give rise to temporary differences. Any deferred tax assets on these fair value adjustments are recognized regardless of any probable taxable profits.

The Group reclassifies the currency effects on a loan regarded as part of a net investment (note 2.4 (c)) and a related calculated income tax from profit or loss to OCI. The reclassification of income tax is made regardless of whether REC Silicon ASA reports a net tax expense/benefit and does not affect recognition of deferred tax assets or deferred tax liabilities in the statement of financial position.

2.17 PROVISIONS

Provisions for product warranties, onerous contracts, asset retirement obligations, restructuring costs, termination benefits, loss on financial guarantees, environmental restoration, and legal claims are recognized when: The Group has a present or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are discounted only when the effect is material and the distribution in time can be reliably estimated.

2.18 PENSION/POST RETIREMENT OBLIGATIONS

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity via other comprehensive income in the period in which they arise.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Obligations for contributions to defined contribution pension plans are recognized as an expense during the period incurred.

2.19 REVENUE RECOGNITION

REC Silicon's primary performance obligation is related to sale of goods in which the performance obligations are the delivery of an agreed volume of products within an agreed specification. REC Silicon has both short term and long-term contracts. Spot market sales, normally one month, cover delivery of an agreed volume at market price at the date the order is placed. The short-term contracts cover a period of a few months and up to one year, where the prices normally are fixed within a volume range. REC Silicon also has some long-term contracts that cover a period longer than one year. In these contracts the prices are normally negotiated on an annual basis.

Revenue is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which REC Silicon expects to be entitled in exchange for those goods or services. Control is transferred to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms 2010 issued by International Chamber of Commerce, and the main terms are "ex works" terms, where the buyer arranges and pays for the main carriage and the risk is transferred to buyer when the goods are handed to the carrier engaged by the buyer.

The goods are normally sold with standard warranties that the goods comply with the agreed-upon specifications. These standard warranties are accounted for using IAS 37 Provisions, Contingent Liabilities and Contingent Assets. REC Silicon does not have any other significant obligations for returns or refunds.

2.20 LEASES

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other leases are classified as operating leases. Operating leases consist primarily of agreements where the Group is entitled to the output of leased process gas facilities which cannot be separated from the underlying lease. Leases are evaluated at inception, based on the substance of the transaction. The evaluation of leases requires substantial judgment. The Group has no finance leases.

2.21 GOVERNMENT GRANTS

Government grants are recognized at their fair values when there is reasonable assurance that the grants will be received and that the Group will comply with attached conditions. Government grants related to assets are presented in the statement of financial position as a reduction to the carrying amount of the assets and reduce depreciation in the statement of income. Government grants relating to income are deducted from related expenses.

Government grant assets are recognized for the unsettled portions of grants and are discounted if the effect of discounting is significant. Significant changes to estimates of timing of utilization or discount rates are recognized as a change in the grant asset and offset to production assets or expenses based on the classification at the inception of the grant.

2.22 DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that has been disposed of, abandoned, or is classified as held for sale and represents a separate major line of business or geographical area of operations.

Results from discontinued operations, including gains and losses on disposal, are reported separately as profit (loss) from discontinued operations in the statement of income. The consolidated statement of income for previous periods is re-presented with only external income and expenses included in discontinued operations beginning on loss of control or on assets and liabilities held for sale. Internal transactions continue to be eliminated on consolidation but are not re-presented in discontinued operations. Prior periods are not restated in the statement of financial position or in the statement of cash flows.

2.23 STATEMENT OF CASH FLOWS

The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash line items. Interest received and paid are reported as a part of operating activities, except borrowing costs capitalized as part of the construction of a non-current asset that are included in investing activities, and payment of up-front and loan fees that are reported as part of financing activities.

Operating activities include all cash flow effects from derivatives. Currency gains and losses are recognized in the statement of income. Amounts related to borrowing (financing activities), non-current financial assets and investments (investing activities) and unrealized gains or losses on cash and cash equivalents held at the end of the periods are reclassified in a separate line item under operating activities.

Financing activities include prepayments received from customers on which interest is calculated.

The consolidated statement of cash flows presents changes in cash balances with respect to total operations (continuing and

discontinued) and therefore does not reflect the performance of continuing operations during prior periods or the performance that is likely to be achieved in future periods.

2.24 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The Group adopted new and amended standards and interpretations issued by the IASB and approved by the EU that are relevant to its operations and effective for reporting periods beginning on or before January 1, 2018. The most relevant of these are:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard, which supersedes all prior revenue recognition requirements under IFRS, applies to periods beginning January 1, 2018. The group adopted IFRS 15 on the required effective date using the modified retrospective approach. The group has not identified any implementation effect or significant impact on accounting policies related to revenues. There were no impacts or changes to the opening balances.

See note 5 for a disaggregation of revenues by contract type.

The Group's main revenues come from the sale of its own manufactured goods in different segments:

1. Silicon gas and polysilicon for the semiconductor industries
2. Polysilicon for the photovoltaic industry

For the sale of manufactured goods, the Group has concluded that revenue should be recognized at the point in time when control of the asset is transferred to the customer, which is usually at the point of shipment of goods and in accordance with Incoterms listed within the contract. Therefore, based on the Group's assessment, the adoption of IFRS 15 did not impact the Group's revenue and profit or loss. There was no impact on equity on the date of implementation.

With regard to variable consideration, some contracts with customers provide discounts or a right of return. Prior to the adoption of IFRS 15, the Group recognized revenue from the sale of goods measured at fair value of the consideration received or receivable, which included a provision of allowances for discounts and expected returns. Such provisions give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception and updated thereafter. Under the new standard, an entity may include some or all of the provisions in the transaction price – but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The Group has concluded that application of the IFRS 15 will result in the same treatment as under the prior IFRS.

The Group provides warranties for the products to be in conformance with specifications and does not provide extended warranties or maintenance services in its contracts with customers. Such warranties are assurance-type warranties and are not deemed a separate performance obligation.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group adopted IFRS 9 retrospectively, except for hedge accounting which is implemented prospectively. Comparative figures are not prepared as there is no requirement for this.

(a) Classification and measurement of financial assets and financial liabilities

The Group completed an analysis to classify financial instruments in accordance with the requirements of IFRS 9. The analysis of assets, including customer accounts receivable, determined that the current provision for loss on trade receivables is consistent with the credit losses estimated using the requirements outlined in IFRS 9. Therefore, reclassification for these instruments is not required.

Additional analysis of liabilities concluded that changes in fair value related to changes in own credit risk, associated with the fixed rate convertible bond should be reported as a component of other comprehensive income (OCI). Other changes in fair value are reported through Profit and Loss. Prior to the implementation of IFRS 9, all changes in fair value were reported through Profit and Loss. IFRS 9 was implemented on January 1, 2018 and an adjustment of USD 1.9 million to fair value of the USD convertible bonds related to own credit risk was reclassified to OCI. Amounts reported for 2017 have been restated (note 25).

(b) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either "12-month ECLs" or "lifetime ECLs":

12-month ECLs - ECLs that result from possible default events within the 12 months after the reporting date

Lifetime ECLs - ECLs that result from all possible default events over the expected life of a financial instrument

Based on requirements of IFRS 9, the Group has determined that only its municipal bond and accounts receivables are subject to estimating the probability of impairment using the ECL model.

I) Municipal Bonds

The Group has determined that the municipal bonds meet the exception provided at IFRS 9 for financial instruments that have low credit risk at the reporting date. Accordingly, the Group estimates that the expected credit loss has not changed since inception and the risk of credit loss approaches zero. Therefore, no impairment will be recorded on this asset.

The Group will continually monitor the risks associated with this asset. Should any conditions arise to indicate an increase in credit risk, the asset will be impaired according.

II) Accounts Receivables

For account receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Based on its assessment, the impact of adopting IFRS 9 which requires the Company to estimate expected credit losses (ECL) based upon historical experience is included in the provision for doubtful accounts (note 12 and 30).

(c) Hedge accounting

Currently, the Group has no hedge relationships for which hedge accounting is applied. Previously the Group had some fair value interest hedge of a NOK loan. The fair value hedges have been revoked and the remaining fair value adjustments are being amortized prospectively as part of the effective interest. The Group did not identify any significant impact of implementing IFRS 9 hedge accounting.

New standards and interpretations not yet adopted

IFRS 16 Leases

IFRS 16, issued in January 2016, replaces existing leases guidance, including IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives, SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease, and establishes a balance sheet lease accounting model that will increase transparency and comparability.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar

to the accounting for finance lease under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 requires lessees and lessors to make more extensive disclosure than under IAS 17.

The group has set up a project team which has reviewed all of the group's leasing arrangements in light of the new lease accounting rules in IFRS 16. As of the reporting date, the Group has a total of USD 38.1 million related to non-cancellable operating lease commitments as of December 31, 2018 (Note 29). Based on the information currently available, of these commitments, approximately USD 1.7 million relate to short-term leases which will be recognized as expense in profit or loss when incurred.

For the remaining lease commitments, the group expects to recognize on January 1, 2019 right-of-use assets of approximately USD 30.3 million (including asset retirement obligations (ARO)), lease liabilities of USD 28.9 million, and ARO provisions of USD 1.4 million. The group expects that net profit will decrease by approximately USD 2.1 million for 2019 due to interest expenses and depreciation associated with the ARO as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately USD 11.9 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. EBITDA is expected to increase by USD 14.2 million which represents the lease payments on finance leases which will be offset by USD 13.8 million in depreciation of leased assets and USD 2.3 million in interest expense associated with lease liabilities.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements.

The standard is expected to have accounting effect from January 1, 2019. The group intends to apply the modified retrospective approach and will not restate comparative amounts for the prior year. The group is in the process of finalizing the analysis of the impact of the standard. The actual impacts of adopting the standard on January 1, 2019 may be subject to change.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks, including currency risk, interest-rate risk, liquidity risk, credit risk, refinancing risk and others.

The goals for the Group finance policy and the treasury operations are primarily to minimize the risk of financial distress, secure long-term funding, manage currency risk of expected future net cash flows, and manage interest rate risk. The Company's finance policy sets the framework and limits for hedging activities in the Group. It defines risk management objectives, responsibilities and operational requirements.

The disclosures that are required regarding financial risks below focus on the risks that arise from financial instruments and how they have been managed. Derivative financial instruments may be used to reduce risks from commercial transactions; the existence of derivative financial instruments exposes the Company to additional risks.

(A) Currency risk

The Company operates internationally and is exposed to currency risk. At December 31, 2018, the Group's working capital is almost exclusively in USD, equity is in NOK, and debt is in NOK and USD. Currency risk arises from transactions in currencies other than the Group's reporting currency, the potential tax liability denominated in NOK, and borrowings denominated in NOK. Currency risk relates primarily to the sufficiency of net positive cash flows in USD to meet liabilities denominated in NOK.

Net cash flow is defined as the consolidated external cash flows of the Group. The Group's policy provides the ability to hedge external net cash flows with a maximum time horizon of 24 months. The purpose is to reduce the currency risk of expected future net cash flows. The Company manages currency risk on an overall level.

At December 31, 2018 and 2017, the Group did not hold any derivative financial instruments related to mitigating currency risks.

(B) Credit risk

Credit risk is the risk of loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation and is primarily related to trade receivables. The Group maintains policies to ensure that credit is extended to customers with appropriate liquidity and credit histories in combination with requiring guarantees when appropriate.

(C) Liquidity risk and going concern

Liquidity risk is measured by subtracting the Group's liabilities from cash considering historic and anticipated operating results. Liquidity risk management requires maintaining sufficient available

cash or access to capital markets to compensate for anticipated volatility in operating cash flows or to fund additional investments.

Liquidity risk is impacted by changes in market conditions, potential claims against the Company, and uncertainty associated with critical judgements used to arrive at accounting estimates. In addition, the Company's access to capital markets may be impacted by overall market conditions (notes 4, 17, and 30).

The Company does not have any scheduled repayments of borrowings in 2019. The indemnification loan was callable in February 2016. However, this loan has not been called and the timing with respect to when it will be called is uncertain.

In addition, the minimum liquidity required by the covenants of the USD Senior Secured Bond (note 17) is USD 15 million.

Impacts of tariffs imposed on US polysilicon imposed by China have effectively prevented REC Silicon from participating in key polysilicon markets and forced the Company to successively curtail operations to maintain liquidity. In turn, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon have increased the Company's liquidity risk.

Current market conditions and the continued operation of the FBR facility in Moses Lake at 25 percent capacity utilization are not sufficient to maintain the Company's liquidity and its ability to meet operating cash flow requirements. On April 9, 2019, the Company announced that operations of the FBR facility in Moses Lake will be curtailed beginning on May 15, 2019. Unless access to polysilicon markets in China is restored, the facility will be placed in a long-term shutdown by June 30, 2019. The timing and length of the shutdown are dependent on whether REC Silicon is able to regain access to the Chinese market for polysilicon as a result of trade negotiations between China and the United States or other significant positive developments in solar grade polysilicon markets. The curtailment is intended to retain the liquidity necessary to maintain operation of the semiconductor materials facility in Butte, Montana. The shutdown of the FBR facility in Moses Lake is intended to preserve liquidity for REC Silicon in the short and medium term, no additional impairment has been recognized at this point in time. Additional impairments and provisions would be required if the FBR facility is not restarted. In addition, the Company completed a 10 percent private placement of equity on April 9, 2019. Estimated net proceeds of USD 19 million is expected to be received by the Company during May. As a consequence of these actions, the Company's current liquidity position, estimated results of operations, and the proceeds from the private placement of equity are considered sufficient to meet the operating cash flow requirements for remaining operations and to meet debt service obligations for the next twelve months, assuming no payments on the indemnity loan or

unfavorable outcome of the notices of reassessment from the Norwegian Central Tax Office (the tax examinations). Estimates used to arrive at this conclusion include the assumptions that markets for the Company's semiconductor polysilicon and silicon gas products remain stable.

In addition, if conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative (See note 31), the Company plans to issue additional equity, issue debt, and/or sell assets to satisfy financial obligations and to meet operating cash flow requirements.

Accordingly, the Board of Directors confirms that the Financial Statements have been prepared under the assumption that the Company is a going concern and that this assumption was realistic at the date of the accounts. However, the events and conditions discussed above, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

(D) Interest rate risk

Changes in market interest rates affect the fair value of assets and liabilities or the variability in cash payments. The Group is exposed to interest rate risk through funding and cash management activities, primarily in REC Silicon ASA. Cash in bank accounts and liabilities have primarily carried variable interest rates. The Company has borrowings through bonds and indemnification loans.

Interest income and interest expense in the statement of income, as well as interest receipts and payments, are influenced by interest rate changes for financial instruments that carry variable interest rates. See note 30 for interest rate sensitivity.

(E) Hedging of risk related to supply of raw material/commodities

When the Group is exposed to changes in the total costs from specific input factors it may hedge the associated risk. As of year-end 2018 and 2017, no hedges were in place, except certain forward energy purchase contracts.

3.2 FAIR VALUE ESTIMATION

Fair value estimation is discussed in note 30.

3.3 CAPITAL STRUCTURE AND FINANCING

In determining the appropriate capital structure for the Group, various factors have been considered. These include risks associated with the Group's business profile and the fact that the polysilicon production has high capital intensity.

The Group's goal is to maintain sufficient capital to maintain current operating cash flow requirements and to meet debt service obligations. Taking into account market volatility and risk related to future cash flows, the Group aims to maintain a capital structure with a high ratio of equity funding.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Management's judgments in applying the Group's accounting policies which have the most significant effect on the financial statements are discussed below and in the relevant notes.

(A) Deferred tax

According to current regulations and tax treaties between Norway and the USA, withholding tax of 15 percent applies to any dividend paid by the Group's operations in the USA to the parent company in Norway. The Company controls the distribution of future dividends from the US operations, and has determined that those profits will not be distributed in the foreseeable future. Consequently, the Group has not recognized deferred tax liability on undistributed earnings (note 18).

(B) Functional currencies

The Group's presentation currency is USD. The functional currencies of REC Silicon AS and REC Solar AS are NOK. The functional currency of REC Silicon ASA changed from NOK to USD on January 1, 2018. The functional currency of all other group companies is USD. The activities of the Group are primarily in the subsidiaries in the USA. Functional currency affects the reporting of currency gains and losses and exchange differences as well as hedging strategies and effects. Facts or circumstances may change in the future.

(C) Development expenditures

The Group conducts research and development activities and projects. Some costs incurred in the development phase of an intangible asset may be capitalized if the recognition criteria are fulfilled. Determining fulfillment of capitalization criteria represents a critical judgment that is made based upon the facts and circumstances of an individual project.

(D) Cash-generating units for impairment testing

The selection of cash generating units for impairment testing is a critical and difficult judgement. For impairment testing in 2018, REC Silicon consisted of two cash generating units. For impairment testing in 2017, REC Silicon consisted of one cash generating unit (note 7).

(E) Environmental liability

The Group's operations are subject to environmental laws and regulations. These laws and regulations and their interpretations are subject to change. Changes may require investment and/or increased costs to meet more stringent standards or to take remedial actions related to past activities.

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY - CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts included in or affecting the Group's financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared.

(A) Impairment

Changes in facts and in management's evaluations and assumptions may give rise to further impairment losses, or reversals. The estimated recoverable amounts of the Group's assets are sensitive to small changes to key assumptions (note 7).

Financial assets are also periodically reviewed for impairment. Provisions for losses on trade receivables have been made using a provision matrix based on the Group's historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment. Actual losses may turn out significantly different from the evaluations made based on the knowledge and assumptions at the time of approving the accounts.

(B) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required to determine the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Provisions for anticipated tax audit issues are based on estimates of whether additional taxes

will be due. If estimates change or actual outcomes differ from current estimates, current and deferred tax assets or liabilities will be adjusted accordingly.

Tax authorities in the various tax jurisdictions may challenge the calculation of taxes payable. These challenges may lead to changes in taxable income and result in changes to income tax expenses in the period of change. Management is required to estimate the probability and magnitude of potential tax adjustments. Estimates may change as additional information becomes available and may vary substantially from actual determinations.

The Company has received notices of reassessment from the Norwegian Central Tax office for large Enterprises regarding the deductibility of losses on loans and guarantees to subsidiaries and joint ventures. See note 31 for further information.

(C) Government grant asset

In 2010, REC Silicon recognized an asset for an Advanced Energy Manufacturing Tax Credit grant (AEMTC grant) related to the construction of the FBR and silicon gas plants in Moses Lake.

During the third quarter of 2017, the government grant receivable was derecognized due to the uncertainty of future taxable profits for operations in the United States because REC Silicon has been effectively prevented from marketing polysilicon in China due to tariffs imposed by the Chinese government on polysilicon from the United States. Because the grant was related to the construction of the FBR and Silane plants in Moses Lake, the value of the grant was used to offset the cost of construction and depreciated with property, plant, and equipment.

The derecognition of the AEMTC grant resulted in an increase in depreciation of USD 65.7 million and a net increase in property, plant, and equipment of USD 24.1 million. In addition, the government grant receivable decreased from USD 89.7 million at December 31, 2016 to zero at December 31, 2017.

The Advanced Energy Manufacturing Tax Credit (AEMTC) can be carried forward for 20 years and will continue to be available to offset income tax on operations in the United States through the year 2029.

See notes 2.21, 12 and 21. Upon a change in ownership, the grant is subject to the same limitations as an income tax credit; amounts and timing of recognition could be adversely impacted (note 2.16).

(D) Contingent liabilities

See note 31.

5 SEGMENT INFORMATION

Revenues from customers constituting more than ten percent of total revenues for year ended December 31, 2018

(USD IN MILLION)	SOLAR MATERIALS		SEMICONDUCTOR MATERIALS		REC SILICON	
		%		%		%
Customer 1			34.3	22.4%	50.9	23.0%
Customer 2	34.1	49.3%			34.3	15.5%
Customer 3			23.4	15.3%	23.4	10.6%
Customer 4			16.1	10.5%		
Customer 5	10.5	15.2%				

Revenues from customers constituting more than ten percent of total revenues for year ended December 31, 2017

(USD IN MILLION)	SOLAR MATERIALS		SEMICONDUCTOR MATERIALS		REC SILICON	
		%		%		%
Customer 1			49.4	33.5%	49.4	18.1%
Customer 2	80.4	62.9%			81.3	29.8%
Customer 3			24.8	16.8%	24.8	9.1%
Customer 4			8.0	5.4%		
Customer 5	4.9	3.9%				

Geographic distribution of revenues based on customer location for year ended December 31, 2018

(USD IN MILLION)	SOLAR MATERIALS		SEMICONDUCTOR MATERIALS		INTERNAL SALES		REC SILICON	
		%		%		%		%
Korea	0.0	0.0%	60.3	39.7%	0.0	0.0%	60.3	27.3%
China	18.2	26.3%	41.1	26.5%	-0.9	100.0%	58.4	26.4%
Taiwan	48.8	70.6%	8.9	5.9%	0.0	0.0%	57.7	26.1%
Japan	0.2	0.3%	16.2	10.7%	0.0	0.0%	16.4	7.4%
USA	0.2	0.3%	15.5	10.2%	0.0	0.0%	15.7	7.1%
Denmark	0.0	0.0%	6.2	4.1%	0.0	0.0%	6.2	2.8%
Singapore	1.0	1.5%	0.6	0.4%	0.0	0.0%	1.6	0.7%
Czech Republic	0.0	0.0%	1.5	1.0%	0.0	0.0%	1.5	0.7%
Other	0.0	0.0%	0.9	0.6%	0.0	0.0%	0.9	0.4%
Belgium	0.0	0.0%	0.9	0.6%	0.0	0.0%	0.9	0.4%
France	0.0	0.0%	0.7	0.5%	0.0	0.0%	0.7	0.3%
Norway	0.4	0.6%	0.0	0.0%	0.0	0.0%	0.4	0.2%
Hong Kong	0.2	0.4%	0.0	0.0%	0.0	0.0%	0.2	0.1%
Germany	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Canada	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Switzerland	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
United Kingdom	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total revenues	69.2	100.0%	152.9	100.0%	-0.9	100.0%	221.2	100.0%

Geographic distribution of revenues based on customer location for year ended December 31, 2017

(USD IN MILLION)	SOLAR MATERIALS		SEMICONDUCTOR MATERIALS		INTERNAL SALES		REC SILICON	
		%		%		%		%
Korea	0.0	0.0%	53.7	36.9%	0.0	0.0%	53.7	19.7%
China	13.4	9.9%	40.1	26.1%	-2.9	100.0%	50.6	18.6%
Taiwan	102.8	81.0%	11.7	8.0%	0.0	0.0%	114.5	42.0%
Japan	2.6	2.0%	12.8	8.8%	0.0	0.0%	15.4	5.7%
USA	0.2	0.1%	22.4	15.4%	0.0	0.0%	22.5	8.3%
Denmark	0.0	0.0%	3.1	2.2%	0.0	0.0%	3.1	1.2%
Singapore	2.6	2.0%	0.4	0.2%	0.0	0.0%	2.9	1.1%
Czech Republic	0.0	0.0%	0.8	0.5%	0.0	0.0%	0.8	0.3%
Other	0.0	0.0%	1.0	0.7%	0.0	0.0%	1.0	0.4%
Belgium	0.0	0.0%	1.0	0.7%	0.0	0.0%	1.0	0.4%
France	0.0	0.0%	0.3	0.2%	0.0	0.0%	0.3	0.1%
Norway	5.1	4.0%	0.0	0.0%	0.0	0.0%	5.1	1.9%
Hong Kong	1.1	0.8%	0.0	0.0%	0.0	0.0%	1.1	0.4%
Germany	0.0	0.0%	0.3	0.2%	0.0	0.0%	0.3	0.1%
Canada	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Switzerland	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
United Kingdom	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total revenues	127.8	100.0%	147.5	100.0%	-2.9	100.0%	272.4	100.0%

Customer location is based on the invoicing address. Customers may distribute the products to other countries.

Revenues by category for year ended December 31, 2018

(USD IN MILLION)	SOLAR MATERIALS		SEMICONDUCTOR MATERIALS		INTERNAL SALES		REC SILICON	
		%		%		%		%
Polysilicon	69.1	99.9%	53.2	34.8%	-0.8	97.0%	121.5	54.9%
Silane gas	0.0	0.0%	99.3	65.0%	0.0	3.0%	99.3	44.9%
Other	0.1	0.1%	0.3	0.2%	0.0	0.0%	0.4	0.2%
Total revenues	69.2	100.0%	152.9	100.0%	-0.9	100.0%	221.2	100.0%

Revenues by category for year ended December 31, 2017

(USD IN MILLION)	SOLAR MATERIALS		SEMICONDUCTOR MATERIALS		INTERNAL SALES		REC SILICON	
		%		%		%		%
Polysilicon	127.7	99.9%	44.0	29.8%	-0.8	27.0%	170.9	62.7%
Silane gas	0.0	0.0%	103.4	70.1%	-2.1	73.0%	101.3	37.2%
Other	0.1	0.1%	0.1	0.1%	0.0	0.0%	0.2	0.1%
Total revenues	127.8	100.0%	147.5	100.0%	-2.9	100.0%	272.4	100.0%

Segment information for the year ended December 31, 2018

(USD IN MILLION)	SOLAR MATERIALS	SEMICONDUCTOR MATERIALS	OTHER & ELIMINATIONS	TOTAL
Revenues	69.2	152.9	-0.9	221.2
Cost of materials	-34.7	-22.9	0.4	-57.2
Change in inventories	1.1	0.5	0.0	1.5
Employee benefit expense	-20.6	-21.4	-17.7	-59.7
Other operating expenses	-41.4	-56.7	-12.0	-110.2
Other income and expenses	-0.1	-0.1	-0.3	-0.5
Total current costs	-95.8	-100.7	-29.7	-226.1
EBITDA contribution	-26.6	52.2	-30.5	-4.9
Depreciation of fixed assets	-39.2	-21.2	-0.8	-61.1
Amortization	-0.2	0.0	-0.3	-0.5
Impairment	-400.7	55.5	4.7	-340.5
Total depreciation, amortization, and impairment	-440.1	34.4	3.6	-402.2
EBIT contribution	-466.7	86.6	-26.9	-407.1

Segment information for the year ended December 31, 2017

(USD IN MILLION)	SOLAR MATERIALS	SEMICONDUCTOR MATERIALS	OTHER & ELIMINATIONS	TOTAL
Revenues	127.8	147.5	-2.9	272.4
Cost of materials	-36.1	-19.6	1.6	-54.2
Change in inventories	-20.8	2.7	-0.1	-18.2
Employee benefit expense	-25.3	-24.6	-24.0	-73.9
Other operating expenses	-47.3	-50.6	-8.4	-106.3
Other income and expenses	0.0	0.0	-0.1	-0.1
Total current costs	-129.4	-92.2	-31.0	-252.6
EBITDA contribution	-1.7	55.3	-33.9	19.8
Depreciation of fixed assets	-128.9	-15.7	-0.6	-145.2
Amortization	-0.4	0.0	-1.4	-1.8
Impairment	-0.2	-0.1	0.0	-0.3
Total depreciation, amortization, and impairment	-129.5	-15.8	-2.0	-147.3
EBIT contribution	-131.1	39.5	-35.9	-127.5

Substantially all of the Group's non-current assets are located in the United States.

The following table disaggregates revenues by contract type and reconciles to total revenues.

(USD IN MILLION)	2018	2017
Non-Contract Revenue	153.8	194.7
Structured (Reginal/Volume pricing)	59.6	62.2
Tiered (Volume pricing)	7.8	15.5
Contract Revenue	67.4	77.7
Total	221.2	272.4

6 FIXED ASSETS

Property, plant and equipment

(USD IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Carrying value at January 1, 2017	51.7	460.7	13.2	69.7	595.2
Net additions ¹⁾	0.2	8.8	0.5	-8.4	1.1
Government grant ²⁾	3.8	83.0	2.7	0.0	89.5
Disposals	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	-5.1	-135.8	-4.3	0.0	-145.2
Impairment ³⁾	0.0	-0.2	0.0	-0.2	-0.3
Carrying value at December 31, 2017	50.5	416.7	12.0	61.1	540.3
At December 31, 2017					
Historical cost	148.2	2,135.9	80.7	66.1	2,430.9
Accumulated depreciation/amortization/impairment	-97.7	-1,719.3	-68.7	-5.0	-1,890.6
Carrying value at December 31, 2017	50.5	416.7	12.0	61.1	540.3
At December 31, 2018					
Carrying value at January 1, 2018	50.5	416.7	12.0	61.1	540.3
Net additions ¹⁾	0.0	4.7	0.3	-0.3	4.7
Government grant ²⁾	0.0	0.0	0.0	0.0	0.0
Disposals	-0.4	0.0	0.0	0.0	-0.5
Depreciation and amortization	-2.7	-56.3	-2.1	0.0	-61.1
Impairment ³⁾	-6.3	-274.1	-5.4	-51.4	-337.2
Carrying value at December 31, 2018	41.1	90.9	4.8	9.4	146.2
At December 31, 2018					
Historical cost	147.5	2,131.6	80.0	65.8	2,424.8
Accumulated depreciation/amortization/impairment	-106.4	-2,040.7	-75.1	-56.4	-2,278.7
Carrying value at December 31, 2018	41.1	90.9	4.8	9.4	146.2

¹⁾ Net additions include transfers from assets under construction

²⁾ Amounts for government grants are adjustments to previously recognized grants

³⁾ See note 7 for details of impairments

Specification of useful lives and depreciation

At year-end 2018, estimated useful lives by asset class were as follows:

- Land and Buildings 0-31.5 years (weighted average approximately 18.1 years)
- Machinery and equipment 3-32 years (weighted average approximately 5.8 years)
- Other tangible fixed assets (weighted average approximately 6.8 years)

Assets under construction are not yet ready for their intended use and depreciation has not started.

Reviews of estimated useful lives of property, plant, and equipment for 2018 and 2017 resulted in only minor changes.

Intangible assets

(USD IN MILLION)	ASSETS UNDER DEVELOPMENT	OTHER	TOTAL
Carrying value at January 1, 2017	11.7	5.6	17.3
Internal Development	-0.2	0.0	-0.2
Government grant ¹⁾	0.0	0.3	0.3
Amortization	0.0	-1.8	-1.8
Impairment ²⁾	0.0	0.0	0.0
Carrying value at December 31, 2017	11.5	4.1	15.7
At December 31, 2017			
Historical cost	13.0	67.0	80.0
Accumulated amortization/impairment	-1.5	-62.9	-64.4
Carrying value at December 31, 2017	11.5	4.1	15.7
Carrying value at January 1, 2018			
Internal Development	-0.1	0.0	-0.1
Government grants ¹⁾	0.0	0.0	0.0
Amortization	0.0	-0.5	-0.5
Impairment ²⁾	0.0	-3.3	-3.3
Carrying value at December 31, 2018	11.5	0.3	11.8
At December 31, 2018			
Historical cost	13.0	67.0	80.0
Accumulated amortization/impairment	-1.5	-66.7	-68.2
Carrying value at December 31, 2018	11.5	0.3	11.8

¹⁾ Amounts for government grants are adjustments to previously recognized grants

²⁾ See note 7 for details of impairments

Intangible assets above have estimated useful lives, over which the assets are amortized on a straight-line basis. Intangible assets under development are not ready for their intended use, and consequently amortization has not started.

Intangible assets are primarily related to software (3-5 years) and FBR technology in REC Silicon (20 years).

Reviews of estimated useful lives of intangible assets for 2018 and 2017 resulted in only minor changes.

7 IMPAIRMENTS OF CASH-GENERATING UNITS

REC Silicon routinely monitors assets for indications that the carrying values of assets are no longer recoverable. If impairment indicators exist, impairment tests will be carried out to determine whether the carrying value of affected assets can be justified. If estimates conclude that asset values are no longer recoverable, the assets are written down to the recoverable amount which is the greater of fair value less cost to sell and value in use (discounted cash flows).

CASH-GENERATING UNITS

REC Silicon consisted of two cash generating units at December 31, 2018 and a single cash-generating unit at December 31, 2017.

At June 30, 2018, management performed an evaluation of the Company's operations and determined that the Group consisted of two cash generating units (CGUs) based upon changes in the Company's operations and management structures. This determination was based upon changes in segment reporting to include segments Solar Materials and Semiconductor Materials which were accordingly determined by management to represent the smallest units for which cash flows can be reasonably determined. Net Costs associated with Other have been allocated to the individual CGUs based upon estimated activity, volume, and revenue factors.

At December 31, 2017, interdependencies between the products, customers, and manufacturing processes at each of the Company's manufacturing facilities resulted in the determination of a single CGU. These interdependencies included management's ability to elect to produce and sell products from the Butte or Moses Lake production facilities (with some adjustments) to the same customers, the production of common intermediate production materials produced at the Moses Lake facility only and distributed to Butte, and the transfer of silicon gas between facilities to balance asset utilization to market requirements.

SUMMARY OF IMPAIRMENT TESTS

During 2018, changes in solar grade polysilicon market conditions, production capacity curtailments due to uncertainty caused by trade barriers imposed by China, and carrying values in excess of the value of the Company's market capitalization were determined to be indicators of impairment for the Solar Materials Segment. Impairment testing was performed at June 30, 2018 on both CGUs and resulted in the recognition of net impairment expense of USD 340.5 million. The net carrying value of the Solar Materials CGU exceeded the resulting value in use calculated at June 30, 2018. Therefore, an additional impairment of USD 396.7 million was taken against the property, plant and equipment of the Solar Materials CGU at June 30, 2018.

Impairment testing was performed on the Semiconductor Materials CGU because of the determination that the Company consisted on two CGUs. The resulting value in use of the Semiconductor Materials CGU exceeded the net carrying value at June 30, 2018. Therefore, net impairments to the Semiconductor Materials CGU recorded during previous periods of USD 56.3 million were reversed.

Impairment testing was also performed at September 30, 2018 and December 31, 2018 on the Solar Materials CGU only. At these dates, the resulting value in use was estimated to approximate the carrying value of the Solar Materials CGU. Consequently, no additional impairment or reversal of impairment was recognized at December 31, 2018.

At the end of 2017, the group concluded that the value of the Company's market capitalization, the continued impact of trade relations between the United States and China, and the Company's history of net losses could give rise to a change in impairment and impairment testing was performed. The resulting value in use was estimated to approximate the carrying value of REC Silicon. Accordingly, no additional impairment or reversal of impairment was recognized during 2017. During 2017, impairment charges of USD 0.3 million represented assets that were replaced or taken out of service before the end of their estimated useful lives.

Impairments for continuing operations are included in the line item "impairment" in the statement of income.

BASIS FOR THE IMPAIRMENT TESTS

Recoverable amounts for each cash-generating unit subject to impairment testing are based on value in use. Value in use has been estimated using discounted cash flows over a 5-year period with the last year used as a basis for estimating terminal value.

Future cash flows are estimated on the basis of the budget for the next year and the subsequent four forecast years. A terminal value is calculated from the estimated cash flows generated in the last forecast year. A growth rate of zero has been used during the terminal period for both years presented. EBITDA less capital expenditures and changes in working capital have been used to estimate future cash flows.

Future cash flows do not include the effects of improvements or enhancements to asset performance. However, assets under construction for which investment has been committed are included with estimated expenditures to complete and estimated cash flows from their operations.

The carrying amounts of cash-generating units include tangible fixed assets, intangible assets, and net working capital only.

DISCOUNT RATE

The discount rate applied is based on the Company's cost of capital which has been estimated using the weighted average of the required rates of return for the Company's equity and debt (WACC). The required rate of return for the Company's equity is estimated using the capital assets pricing model (CAPM). The required rate of return on debt is estimated on the basis of a risk-free rate of return plus a credit risk premium derived from analysis of the debt costs and loading of public companies similar to REC Silicon. The discount

rate is estimated on an after-tax basis and adjusted to estimate the equivalent before tax discount rate using the Company's estimated before and after-tax cash flows and evaluated for reasonableness.

The discount rates used at December 31, 2018 and 2017 are reflected in the table below:

Discount rates (%)

	2018		2017	
	POST-TAX	PRE-TAX	POST-TAX	PRE-TAX
REC Silicon (Single GCU)			12.9	15.2
Semiconductor Materials CGU	12.9	15.2		
Solar Materials CGU (December 31, 2018)	14.5	17.1		

KEY ASSUMPTIONS AND SENSITIVITIES

Key assumptions include future revenues (sales prices and sales volume), cost of major inputs, conversion costs and efficiency (production volume), and maintenance capital expenditures.

Price trends are difficult to predict in the current market environment and external views of anticipated market conditions differ widely. When possible, REC Silicon has used third party analyses to estimate product prices. When third party estimates are not available or vary widely, REC Silicon uses internal estimates based on experience and market intelligence to estimate market conditions and prices. Estimates of long term average solar grade polysilicon prices used in this analysis are at levels which management believes are sufficient to attract the capital necessary for new cost-effective polysilicon capacity to support supply chain expansion consistent with analysts' estimates of growth in end use demand for PV installations.

Production and sales volumes used in the analysis represent production rates at approximately 25 percent of capacity in the FBR facility in Moses Lake, Washington throughout 2019. Estimates of future cash flows include the assumption that market conditions will support an increase in production capacity utilization of the Moses Lake FBR facility to 50 percent capacity utilization in 2020 and 100% capacity utilization in 2021. If the impact of the solar trade dispute continues and idled capacity is not restarted, additional impairment charges would be required. Current market conditions result in negative cashflows until FBR production capacity utilization is increased to 100% in 2021. As a result, the estimated timing of the increase in capacity utilization is a key assumption. If market conditions do not improve or if REC Silicon does not regain access to polysilicon markets in China, additional impairment would be

required. This sensitivity is reflected in the table of sensitivities below in the line volume (production and sales). The estimated carrying value of the Solar Materials CGU at December 31, 2018 is approximately USD 62.7 million and includes current assets of USD 56.2 million, long term assets of USD 38.0 million, USD 2.3 million of net assets allocated from other, and liabilities of USD 33.8 million.

The shutdown of the FBR facility in Moses Lake, Washington beginning on May 15, 2019 (announced by the Company on April 9, 2019) is estimated to result in a similar outcome of impairment testing due to the assumption that the FBR facility will be restarted in July 2021. Because the shutdown of the FBR facility in Moses Lake is intended to preserve liquidity for REC Silicon in the short and medium term, no additional impairment has been recognized at this time. Additional impairments and provisions would be required if the FBR facility is not restarted.

Costs have been estimated using contractual obligations, third party indexes when appropriate, and historical spending trends adjusted for inflation.

Capital expenditures have been estimated using past experience and an evaluation of anticipated replacement requirements of specific items of equipment (useful lives of fixed assets).

The table below presents the estimated change in impairment of the Solar Materials CGU due to an isolated change in the key assumption for all years. Spending includes fixed manufacturing costs, selling general and administrative expenses, and capital expenditures in total. The estimates are based on the assumptions used in the December 31, 2018 impairment analysis.

KEY ASSUMPTION (USD IN MILLION)	CHANGE	ESTIMATED CHANGE IN IMPAIRMENT
Post-tax discount rate	+/-1% point	+25.6/-23.2
Sales prices	+/-2%	+/-29.2
Volume (production and sales)	+/-2%	+/-17.2
Spending	+/-2%	+/-13.7

Negative amounts represent an estimated increase in impairment.

CARRYING VALUE

The table below reflects the development of carrying values for each CGU at December 31, 2018.

(USD IN MILLION)	DECEMBER 31, 2018			TOTAL
	SOLAR MATERIALS	ELECTRONIC MATERIALS	OTHER	
Trade and other receivables	11.3	25.5	3.9	40.8
Inventories	45.0	34.1	0.0	79.1
Current Assets	56.3	59.6	3.9	119.9
Fixed Assets	38.0	109.8	10.2	158.0
Long Term Assets	38.0	109.8	10.2	158.0
Trade payables and other liabilities	-33.8	-14.3	-6.7	-54.7
Long Term Liabilities	0.0	-15.5	0.0	-15.5
Allocation of Other	2.3	5.2	-7.5	0.0
Carrying Values	62.8	144.9	0.0	207.6

8 EQUITY ACCOUNTED INVESTMENTS (ASSOCIATES AND JOINT VENTURES)

The Group entered into a joint arrangement in China; Shaanxi Non-Ferrous Tian Hong REC Silicon Materials Co., Ltd. (Yulin JV) in February 2014. On February 1, 2018, REC Silicon Pte. Ltd (REC Silicon) and Shaanxi Non-Ferrous Tian Hong New Energy Co. Ltd. (SNF) entered into a supplemental agreement in relation to outstanding capital contributions.

The Framework Agreement provided that SNF would make REC Silicon's outstanding capital contribution of USD 169 million to the Yulin JV and the equity ownership of the Yulin JV would be adjusted to SNF holding 85 percent and REC Silicon holding 15 percent. REC Silicon agreed to and paid the Yulin JV USD 0.6 million in interest to the Yulin JV in March 2018. In addition, REC Silicon agreed to a penalty of USD 10.4 million to be paid to SNF in annual installments. The first installment of USD 2.1 million was paid in March of 2018, with remaining installments of USD 3.1 million in March of 2019, and USD 5.2 million in March of 2020. The remaining installment amounts have been reported as liabilities in the consolidated statement of financial position at December 31, 2018.

REC Silicon has retained an option to either buy back the 34 percent equity interest from SNF pursuant to a valuation and public bidding process as required by PRC state-owned asset disposal regulations, or continue to maintain solely a 15 percent equity interest in the Yulin JV. Under this option, after a three-year period, REC may appoint an appraiser acceptable to both parties to appraise the value of the 34 percent equity interest in the Yulin JV. If the resulting valuation is higher than the valuation REC expects, or if the valuation determined by the state-owned asset disposal regulation is higher, REC has the right to choose not to buy back the 34 percent equity interest and may choose to sell its remaining 15 percent equity interest in the Yulin JV.

The corporate governance of the Yulin JV was also adjusted in relation to the new equity interest structure. The Board of Directors of the Yulin JV was adjusted to five directors, of which four are appointed by SNF and one is appointed by REC. REC will nominate the Chief Technology Officer while the remaining executive management of the Yulin JV is nominated by SNF. Upon a buy-back by REC of the 34 percent equity interest, the corporate governance structure is to be restored to the terms of the original Yulin JV contract. This arrangement continues to be recognized as an associate and is accounted for according to the equity method.

The adjustment to reduce REC Silicon's ownership interest resulted in the recognition of USD 67.2 million associated with the deferral of the gain realized on the transfer of FBR technology to the JV and USD 5.0 million profit from investments in associates associated with the JV operating losses since inception as of the date of the adjustment

The Group's share of net equity does not reflect its 15 percent ownership interest in the Yulin JV, due to the 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 in China:

(USD IN MILLION)	2018	2017
Carrying value at January 1	-34.7	-35.7
Share of joint venture profit/loss	-0.5	-1.8
Deferred income/expense	0.8	-1.2
Change in Deferred Gain of Tech Transfer due to change in ownership	67.2	0.0
Change in Retained earnings due to change in ownership	5.0	0.0
Effects of changes in currency exchange rates	-3.7	4.0
Carrying value at end of period	34.2	-34.7

During both years presented, substantially all activities of the Yulin JV have been associated with the construction of a polysilicon plant in China. Accordingly, most expenditures have been capitalized in non-current assets.

The following table presents the major classification of assets and liabilities reflected on the Yulin JV's statement of financial position at December 31, 2018 and 2017:

(USD IN MILLION)	2018	2017
Non-current assets	1,201.6	1,060.6
Other current assets	42.5	32.2
Cash and cash equivalents	3.4	1.0
Non-current liabilities	-599.0	-552.5
Current liabilities	-207.5	-236.2
Net Assets (100%)	441.0	305.1
REC Silicon's share of net equity	64.4	63.6
Deferred income/expense	-0.4	-1.2
Adjusted for technology transfer	-29.8	-97.0
Carrying amount of REC's interest	34.2	-34.7

9 DISCONTINUED OPERATIONS

There were no discontinued operations in 2018.

10 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its subsidiaries, associates, joint ventures and with its Group Management and Board of Directors. On December 31, 2018 Jens Ulltveit-Moe controlled 22.95 percent and 24.68 percent of the shares in 2017, primarily through UMOE AS (note 15).

Transactions with subsidiaries have been eliminated on consolidation and are not reported as related party transactions in the consolidated financial statements for the Group.

REC Silicon ASA offices are owned by shareholder UMOE AS and leased to the Company at an annual cost of NOK 0.1 million.

REC Silicon contracted with the spouse, a licensed Realtor, of the Company's Chief Financial Officer to market and sell real property owned by the Company. The transaction was completed in the first quarter of 2018.

KEY MANAGEMENT COMPENSATION, SHAREHOLDINGS, LOANS ETC.

Group Management and Board of Directors' compensation, ownership of REC Silicon ASA shares, options and bonds, loan agreements and guarantees are shown in note 16.

ASSOCIATES AND JOINT VENTURES

REC Silicon Inc. invoiced the Yulin JV USD 7.5 million in 2018 and USD 7.9 million in 2017 for engineering and project services. In addition, REC Silicon sold product to the JV for USD 0.9 million in 2018. REC Silicon has paid interest expense of USD 0.6 million in 2018 in relation to the deferred payment of the USD 15.0 million contribution due July 2016.

11 DERIVATIVE FINANCIAL INSTRUMENTS

Fair values and carrying amounts

(USD IN MILLION)	2018		2017	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Option contract	0.0	1.5	0.0	1.5
Total	0.0	1.5	0.0	1.5

Derivatives consist of an option contract which is a part of the indemnification agreement associated with the REC Wafer bankruptcy and are denominated in NOK.

Distribution of derivatives

(USD IN MILLION)	2018		2017	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Total non-current derivatives	0.0	0.0	0.0	0.0
Total current derivatives	0.0	1.5	0.0	1.5
Total derivatives	0.0	1.5	0.0	1.5

12 RECEIVABLES

Trade and other receivables

(USD IN MILLION)	2018	2017
Trade receivables and accrued revenues	44.3	52.6
Provision for loss on trade receivables	-14.4	-11.8
Trade receivables - net	29.9	40.8
Prepaid costs	9.0	7.5
VAT and other public taxes and duties receivables	0.0	0.0
Government grants current receivables	0.0	0.0
Other non-current and current receivables	1.9	0.3
Total Trade and other receivables	40.8	48.6

Specification of provision for loss on receivables

(USD IN MILLION)	2018	2017
At January 1	-11.8	-20.2
Change in provisions	-2.6	5.3
Exchange difference	0.0	3.1
At December 31	-14.4	-11.8

The provision for doubtful accounts includes the impact of adopting IFRS 9 which requires the Company to estimate expected credit losses (ECL) based upon historical experience.

Other non-current receivables relate to municipal bonds of USD 3.8 million issued by a local taxing district in the United States which are secured by future property tax payments made by the Company. The remaining USD 2.7 million relates to tax amounts expected to be refunded in 2020 and 2021 due to the elimination of the Alternative Minimum Tax (AMT) in the United States.

13 INVENTORIES

Inventories in the statement of financial position

(USD IN MILLION)	2018			2017		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of materials, merchandise, production supplies	4.9	0.0	4.9	9.8	0.0	9.8
Spare parts	42.5	-19.0	23.5	42.8	-16.2	26.6
Work in progress	12.5	-1.7	10.8	12.2	-0.8	11.4
Finished goods	90.9	-51.0	39.9	51.1	-16.1	35.1
Total	150.8	-71.7	79.1	116.0	-33.1	82.9

Inventories have been written down to estimated net realizable values. Write-downs of materials and spare parts represent the estimated obsolescence related to items held in inventories at cost. Write-downs of work in progress and finished goods have been estimated by comparing the net realizable value of anticipated sales to the manufacturing costs of items held in inventory.

14 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

Cash and cash equivalents are primarily bank deposits.

Restricted bank accounts (not included as cash and cash equivalents)

(USD IN MILLION)	2018	2017
Restricted bank accounts non-current	0.0	0.0
Restricted bank accounts current	4.4	4.4
Total restricted bank accounts	4.4	4.4

At December 31, 2018 and December 31, 2017, restricted bank accounts consisted of USD 3.8 million security for the indemnification loan, USD 0.2 million security for bank guarantees for REC Solar AS (a subsidiary of the Company) and restricted cash for the US subsidiaries of USD 0.4 million.

15 SHAREHOLDER INFORMATION

The following shareholders held one percent or more of the total outstanding shares in REC Silicon ASA at December 31.

NAME OF SHAREHOLDERS	2018		2017	
	NO. OF SHARES	OWNERSHIP	NO. OF SHARES	OWNERSHIP
UMOE AS ¹⁾	583,840,870	22.95%	627,701,902	24.68%
UBS AG	116,367,535	4.57%	116,673,927	4.59%
FOLKETRYGDFONDET	105,432,618	4.14%	105,432,618	4.14%
VERDIPAPIRFONDET DNB TEKNOLOGI	55,514,652	2.18%	86,426,153	3.40%
MORGAN STANLEY & CO. INTERNATIONAL	41,338,481	1.63%	148,090	0.01%
THE BANK OF NEW YORK MELLON (US)	32,373,395	1.27%	0	0.00%
NORDNET BANK AB	26,729,838	1.05%	16,643,033	0.65%
THE BANK OF NEW YORK MELLON N.V.	24,567,409	0.97%	49,307,862	1.94%
DNB NOR MARKETS, AKSJEHAND/ANALYSE	17,683,680	0.70%	26,653,249	1.05%
CACEIS BANK	14,970,049	0.59%	40,754,615	1.60%
VERDIPAPIRFONDET DNB NORGE (IV)	1,768,675	0.07%	45,671,733	1.80%
SKANDINAVISKA ENSKILDA BANKEN AB	0	0.00%	44,361,032	1.74%
SKANDINAVISKA ENSKILDA BANKEN AB	0	0.00%	37,886,230	1.49%

¹⁾ 2017 includes 53.9 million shares held on forward contracts, respectively and also includes 35.5 million shares held by Kagra Gruppen AS in 2017. At December 31, 2018 there were no forward contracts.

The list of shareholdings above is based on the VPS shareholder register at December 31, 2018 and 2017. Actual shareholding may deviate due to the use of nominee accounts, share lending, forward contracts or other contractual arrangements.

At December 31, 2018, REC Silicon ASA had 24,553 shareholders (23,922 at December 31, 2017). The total number of outstanding shares was 2,543,818,785 at December 31, 2018 and 2017, each with a par value of NOK 1.

At the Annual General Meeting on May 3, 2018, the Board was authorized to increase the share capital with up to NOK 254,000,000, which was approximately 10 percent of the share capital at that time, through one or more increases in the share capital. The Annual General meeting also authorized the Board to acquire treasury shares in the Company (up to a maximum of ten percent of the nominal value of the existing share capital). Both authorizations were valid until the 2019 Annual General Meeting but in any event not longer than 15 months.

16 MANAGEMENT AND BOARD OF DIRECTORS' COMPENSATION, LOANS, SHARES, BONDS

Salary and other compensation to the Group's Board of Directors and Management for 2018 and 2017 are described below. With regard to the determination of salary and other compensation for leading employees for 2019, the Board of Directors will propose guidelines at the 2019 Annual General Meeting that include factors mentioned below.

The success of REC is dependent on the competencies, performance and dedication of our employees. Compensation packets are designed to support recruitment, development and retention of the right talent, reward past achievements, and incentivize future strong performance.

Fixed base salary levels are determined based on the local market conditions for positions.

Performance bonuses are considered and provided for employees whose achievement of performance objectives can be measured through clearly established result parameters or Key Performance Indicators (KPIs). KPI's should include both financial performance and operational performance tied to each operating facility. Maximum performance bonus payouts are defined in the bonus plan document and range from 15 percent to 20 percent of an employee's annual salary. Bonus payouts are contingent upon the company's financial condition and performance. Maximum performance bonus payout for REC Silicon Management varies between 33 percent and 100 percent of their established annual salary.

The Group offers supplementary pension and personnel insurance to employees in accordance with local standards.

In addition to the above-mentioned compensation components, the Group offers housing allowances, car allowances, cell phones, and a limited number of other benefits to selected employees.

The Board of Directors also wishes to implement a synthetic incentive program in 2019 whereby employees' entitlements are linked to the share price development of the Company's shares. The program is expected to be a six-year program, where the first three years are a lock up period and the next three years will be the period over which the incentive payments will become payable, provided always that the share price is above the strike price. The strike price will be set at the time of grant to the market price at such time + 10 percent. There will be a maximum gain in each calendar year for each employee under the program, equal to the base salary for the employee for the calendar year. The entitlements under the program

The Board of Directors has implemented incentive programs during previous periods whereby employee entitlements are linked to the share price development of the Company's shares. See note 32 for details of share based compensation programs.

Compensation of the Group Management for 2018

(AMOUNTS IN USD)

NAME	BASE SALARY	BONUS EARNED AND MAX %	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Tore Torvund President and CEO	801,315	0 100%	-45,022	102,975	90,750
James A. May II CFO	280,618	0 40%	-17,599	16,307	12,113
Total 2018	1,081,933	0	-62,621	119,282	102,863

Compensation of the Group Management for 2017

(AMOUNTS IN USD)

NAME	BASE SALARY	BONUS EARNED AND MAX %	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Tore Torvund President and CEO	784,125	655,372 100%	61,749	99,976	91,031
James A. May II CFO	269,774	106,291 40%	13,044	17,978	16,405
Total 2017	1,053,899	761,663	74,793	117,954	107,436

All amounts are exclusive of social security tax. There were no payments and benefits from the Group for services outside their functions as Group Management. Base salary represents the amount, including holiday pay that was paid in the year.

Bonus amounts represent bonuses earned during each year and are normally paid and reported as taxable income for the employee in the subsequent year.

Pension benefits include benefits earned with respect to defined benefit plans and contributions related to defined contribution plans.

Other taxable benefits include company car / coverage of automobile expenses / vehicle allowance, telephone and Internet service, newspapers, health club memberships, reimbursement of home-office related expenses, cash in lieu of paid time off, and certain other benefits. The benefits vary, and the amounts in the table are the amounts that are taxable based on rules and regulations in the relevant tax jurisdictions.

At December 31, 2018 and 2017, members of the Group Management have contracts that entitle them to severance benefits beyond the normal notice period if employment is terminated by the Group. These severance payments are equal to six months of salary for Mr. Torvund and three months of salary for Mr. May.

Compensation of the Board of Directors paid in 2018

(AMOUNTS IN USD)		
NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Jens Ullveit-Moe	62,894	0
Espen Klitzing	37,736	6,289
Ragnhild Wiborg	37,736	6,289
Inger Berg Ørstavik	37,736	6,289
Terje Osmundsen	37,736	6,289
Total period May 3, 2017 - April 26, 2018	213,838	25,157

Compensation of the Board of Directors paid in 2017

(AMOUNTS IN USD)		
NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Jens Ullveit-Moe	60,510	0
Espen Klitzing	36,306	6,051
Ragnhild Wiborg	36,306	6,051
Inger Berg Ørstavik	36,306	6,051
Terje Osmundsen	36,306	6,051
Total period May 3, 2016 - May 3, 2017	205,736	23,812

Annual compensation rates in NOK for the Board of Directors are identical for both years presented.

LOANS AND GUARANTEES FOR GROUP MANAGEMENT, BOARD OF DIRECTORS AND SHAREHOLDERS

At December 31, 2018 and 2017 there were no outstanding loans or guarantees to members of Group Management, Board members or shareholders or their closely related parties.

SHAREHOLDINGS, OPTIONS AND BONDS

The number of shares and options owned by members of the Board of Directors and the Group Management, including their closely related parties, are shown in the table below. The table includes those that were members at December 31, 2018 or 2017.

The table below includes those that were members at December 31, 2018 or 2017.

NAME	OPTIONS		SHARES	
	2018	2017	2018	2017
Tore Tovund	10,727,613	7,227,613	1,631,486	1,331,486
James A. May II	2,422,697	1,722,585	2,742,043	2,242,043
Jens Ulltveit-Moe	0	0	583,840,870	627,701,902
Espen Klitzing	0	0	450,000	450,000
Ragnhild Wiborg	0	0	65,000	10,000
Terje Osmundsen	0	0	615,000	515,000

Refer to note 32 for details of the share option program.

Details of options outstanding at December 31, 2018

NAME	NUMBER OF OPTIONS		
	TORE TORVUND	JAMES A. MAY II	NOK
2018 Program	3,500,000	700,112	1.52
2017 Program	3,500,000	506,915	1.19
2016 Program	1,220,478	406,418	1.92
2015 Program	1,226,515	408,428	2.30
2014 Program	1,280,620	400,824	3.50
Total	10,727,613	2,422,697	

Board member Espen Klitzing held USD 0.2 million of the USD Senior Secured bonds at December 31, 2018.

17 BORROWINGS

Financial liabilities, interest bearing

(USD IN MILLION)	2018	2017
Non-current financial liabilities, interest bearing		
Senior Secured Bond	110.0	0.0
Capitalized Borrowing Cost ¹⁾	-1.4	0.0
Total non-current financial liabilities, interest bearing	108.6	0.0
Current financial liabilities, interest bearing		
Indemnification Loan (NOK)	23.0	24.4
NOK Bond	0.0	55.4
Capitalized Borrowing Cost ¹⁾	-0.3	0.0
USD Convertible Bond	0.0	108.1
Total current financial liabilities, interest bearing	22.7	187.8

¹⁾ Amortized as part of effective interest.

Movements in borrowing

(USD IN MILLION)	USD CONVERTIBLE BOND	NOK BONDS	INDEMNIFICATION LOAN	UNAMORTIZED UPFRONT FEES, NOK BONDS	TOTAL
Balance at January 1, 2018	108.1	55.4	24.4	0.0	187.8
Issued	0.0	0.0	0.0	110.0	110.0
Capitalized borrowing cost	0.0	0.0	0.0	-1.9	-1.9
Change in capitalized borrowing cost	0.0	0.0	0.0	0.2	0.2
Change in amortized interest	0.0	0.3	0.0	0.0	0.3
Change in fair value hedge	0.0	-0.2	0.0	0.0	-0.2
Change in fair value	1.9	0.0	0.0	0.0	1.9
Effect of changes in foreign exchange rates	0.0	1.1	-1.4	0.0	-0.2
Settlement	-110.0	-56.7	0.0	0.0	-166.7
Balance at December 31, 2018	0.0	0.0	23.0	108.3	131.3

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At December 31, 2018, the indemnification loan is NOK 200.0 million (USD 23.0 million) and can only be called if certain conditions are met. Once the loan is called, outstanding amounts will bear interest at a rate of NIBOR plus 0.5 percent. Although the indemnification loan was callable in February 2016, this loan has not been called and the timing of when it will be called is uncertain.

On April 13, 2018, the Company completed the issuance of a USD 110.0 million Senior Secured Bond (REC04, ISIN NO0010820590) with a maturity date of April 13, 2023. As part of this bond issue, the Company repurchased senior unsecured bonds maturing May 3, 2018 (ISIN NO0010607476, REC03) and USD convertible bonds maturing September 11, 2018 (ISIN NO0010687304).

The Company agreed to repurchase NOK 9.0 million of REC03 at a price of 100.5 percent of par value (plus accrued interest) with the issuance of the USD Senior Secured Bond on April 13, 2018. On May 3, 2018, REC03 matured and the remaining NOK 446.5 million of the bonds were extinguished.

The Company agreed to repurchase USD 108.5 million of the USD convertible bond with a premium of USD 2.8 million (plus accrued interest) with the issuance of the USD Senior Secured Bond on

April 13, 2018. On September 11, 2018, the USD convertible bond matured and the remaining USD 1.5 million of the bonds were extinguished.

The Company and certain subsidiaries are jointly and severally liable for the USD Senior Secured Bond. REC Silicon ASA, REC Silicon AS, REC Silicon, Inc., REC Solar Grade Silicon, LLC., REC Advance Silicon Materials, LLC., and REC Silicon Pte. Ltd. have provided a guarantee. In addition, the equity and substantially all of the tangible and intangible assets of REC Advanced Silicon Materials, LLC. have been pledged as security in the bond agreement. The net book value of net assets pledged as security is approximately USD 154 million at December 31, 2018. Covenants imposed by the bond include a requirement to maintain minimum liquidity of USD 15 million. In addition, the bond agreement provides limitations on borrowing asset sales, and other transactions under certain conditions. The bond agreement includes a cross default clause should the Company default on any financial indebtedness above certain threshold amounts. Please see the registration document at www.recsilicon.com for additional details.

At December 31, 2018 and 2017, the Company had complied with all financial covenants and other restrictions in the loan agreements.

The following are the contractual maturities of financial liabilities and assets at December 31, 2018

AT DECEMBER 31, 2018		MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE / RECEIVED AND CASH EQUIVALENTS						
(USD IN MILLION)	CARRYING AMOUNT	UNDETERMINED	0-6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	LATER THAN 3 YEARS	TOTAL
Assets								
Inventories	79.1	0.0	61.7	6.2	6.2	5.0	0.0	79.1
Trade and other receivables	40.8	0.0	36.3	4.5	0.0	0.0	0.0	40.8
Current tax assets	2.7	0.0	2.7	0.0	0.0	0.0	0.0	2.7
Restricted bank accounts	4.4	0.0	0.0	0.1	4.2	0.0	0.2	4.4
Cash and cash equivalents	31.8	0.0	31.8					31.8
Total	158.8	0.0	132.5	10.8	10.4	5.0	0.2	158.8
Financial liabilities, tax and retirement benefit obligations								
Retirement benefit obligations	15.5	0.0	0.5	1.3	1.7	1.7	10.3	15.5
USD Senior Secured Bond	110.0	0.0	0.0	0.0	0.0	0.0	110.0	110.0
Other non-current liabilities, not interest bearing	5.3	0.0	0.0	0.0	5.2	0.0	0.1	5.3
Trade payables and other liabilities	54.7	23.8	28.5	2.4	0.0	0.0	0.0	54.7
Accrued finance cost	7.4	4.6	2.8	0.0	0.0	0.0	0.0	7.4
Current tax liabilities	24.5	24.5	0.0	0.0	0.0	0.0	0.0	24.5
Derivatives	1.5	1.5	0.0	0.0	0.0	0.0	0.0	1.5
Indemnification loan	23.0	23.0	0.0	0.0	0.0	0.0	0.0	23.0
Total	241.9	77.4	31.8	3.7	6.9	1.7	120.4	241.9
Net	-83.1	-77.4	100.7	7.1	3.5	3.3	-120.3	-83.1

In the table above, obligations with an undetermined maturity include obligations for which the timing of payments is not contractually specified or are currently callable under certain conditions and have not been called.

The following are the contractual maturities of borrowing:

AT DECEMBER 31, 2018		MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE						
(USD IN MILLION)	CARRYING AMOUNT	TOTAL	APR 2019	OCT 2019	2020	2021	2022	2023
Capitalized Borrowing Cost	-1.7							
USD Senior Secured Bond	110.0	166.9	6.3	6.3	12.7	12.7	12.7	116.3
Indemnification Loan (NOK)	23.0	23.0						
Total	131.3	189.9	6.3	6.3	12.7	12.7	12.7	116.3

AT DECEMBER 31, 2017		MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE		
(USD IN MILLION)	CARRYING AMOUNT	TOTAL	2018	
Unamortized upfront fees (NOK)	0.0			
NOK Bonds (NOK)	55.4	55.4	55.4	
USD Convertible Bond (USD)	108.1	115.4	115.4	
Indemnification Loan (NOK)	24.4	24.4	24.4	
Total	187.8	195.2	195.2	

The differences between carrying amounts and total expected payments in the tables above are due primarily to discounting. Interest payments are estimated using the interest rates at December 31, 2018 and 2017. All cash flows are undiscounted. Amounts in other currencies than USD are translated at the exchange rates at December 31, 2018 and 2017, respectively.

The nominal interest rates and currency distribution (notional amounts) at December 31, 2018 were as follows

	INTEREST RATE (%)	CURRENCY	AMOUNTS IN MILLION	BORROWER
USD Senior Secured Bond	11.50 Fixed	USD	110.0	REC Silicon ASA
Indemnification loans	2.00 Variable	NOK	200.0	REC Silicon ASA

The nominal interest rates and currency distribution (notional amounts) at December 31, 2017 were as follows

	INTEREST RATE (%)	CURRENCY	AMOUNTS IN MILLION	BORROWER
NOK BOND REC03	9.75 Fixed	NOK	455.5	REC Silicon ASA
USD Convertible bond	6.50 Fixed	USD	110.0	REC Silicon ASA
Indemnification loans	2.00 Variable	NOK	200.0	REC Silicon ASA

18 INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

Recognized income tax expense

(USD IN MILLION)	2018	2017
Current income tax expense (-) / benefit (+)	6.0	-25.8
Deferred tax expense (-) / benefit (+)	0.4	-132.0
Total income tax expense (-) / benefit (+) in the statement of income	6.5	-157.8

Relationship of income tax expense/benefit to profit/loss from continuing operations

(USD IN MILLION)	2018	2017
Profit/loss before tax	-348.0	-192.8
Tax calculated at domestic tax rates applicable to profits /losses in the respective countries	93.7	72.6
Effects of changes in tax rates and use of another tax rate for parts of profits /losses	-12.3	-90.7
Associated companies	0.8	-0.3
Expenses not deductible for tax purposes	-0.9	-1.9
Effects of not recognized deferred tax assets, including reversal of previous years	-73.4	-109.7
Tax losses, tax credits + temp diff for which no def tax has been rec. this year	0.0	-1.9
Changes in estimates of prior years income taxes	6.0	-25.8
Other permanent differences	-7.4	0.0
Total income tax expense (-) / benefit (+) in the statement of income	6.5	-157.8
Effective tax rate	2%	-82%

The income tax benefit was USD 6.5 million in 2018 and was related to the anticipated refund of Alternative Minimum Tax in the United States for USD 6.0 million and USD 0.4 million associated with the settlement of REC Silicon's commitment to contribute equity to the Yulin JV.

Income tax expense was 157.8 million in 2017 and was primary the result of a write-down of the deferred tax asset of USD 134.7 million reported at December 31, 2016. In addition, the Company accrued income taxes of USD 25.8 million (NOK 214 million) due to the contents of a draft ruling issued by the Norwegian Central Tax Office (CTO) on June 30, 2017.

Other permanent differences are related to REC Silicon ASA's change in functional and reporting currency from NOK to USD on January 1, 2018. Tax balances for 2018 are denominated and calculated in NOK, the Financial Statements are in USD. This gives rise to differences between profit/loss in tax calculation and the Financial Statement.

Deferred tax expense in 2017 is primarily related to the change in income tax rates for the calculation of deferred tax assets and liabilities and the derecognition of deferred tax assets in the USA.

The income tax calculation for the Group is primarily based on blended corporate income tax rates of 22.56 percent in the USA and 23 percent in Norway. In Norway, the tax will decrease from 23 percent to 22 percent in 2019.

Income tax for REC Silicon in the USA is based on nominal 21 percent federal tax rate plus estimated state taxes. The effective tax rate for REC Silicon in the USA was -1 percent in 2018 and 48.0 percent in 2017.

Income tax assets and liabilities in the statement of financial position

(USD IN MILLION)	2018	2017
Current tax assets	2.7	0.0
Current tax liabilities	24.5	26.0
Net current tax assets (+) / liabilities (-)	-21.9	-26.0
Deferred tax assets	0.0	0.0
Deferred tax liabilities	0.0	0.4
Net deferred tax assets (+) / liabilities (-)	0.0	-0.4

Current income tax assets relate to a refund of Alternative Minimum Tax in the United State. Current tax liabilities for 2018 and 2017 are related to the change in estimates for prior years' income taxes for REC Silicon ASA (note 31).

Deferred tax assets and liabilities, based on classification as current and non-current are as follows

(USD IN MILLION)	2018	2017
Deferred tax assets		
Deferred tax asset to be recovered after 12 months	59.5	47.8
Deferred tax asset to be recovered within 12 months	5.4	6.0
Offset deferred tax assets and liabilities	-64.9	-53.8
Total	0.0	0.0
Deferred tax liabilities		
Deferred tax liability to be settled after 12 months	64.9	54.2
Deferred tax liability to be settled within 12 months	0.0	0.0
Offset deferred tax assets and liabilities	-64.9	-53.8
Total	0.0	0.4
Net deferred tax liabilities	0.0	-0.4

Tax losses and tax credit carry-forwards are presented as deferred tax assets to be recovered after 12 months in the table above.

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2018

(USD IN MILLION)	BALANCE JAN 1, 2018	RECOGNIZED IN INCOME	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2018
Total non current assets	-51.4	-14.8	0.0	3.8	-62.4
Total current assets	-0.0	0.0	0.0	0.0	-0.0
Total non current liabilities	-0.4	0.0	0.0	0.0	-0.4
Total current liabilities	6.0	-0.3	0.0	-0.3	5.4
Tax losses and tax credits carry-forward recognized ¹⁾	45.4	15.5	0.0	-3.5	57.4
Total	-0.4	0.4	0.0	0.0	0.0

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2017

(USD IN MILLION)	BALANCE JAN 1, 2017	RECOGNIZED IN INCOME	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2017
Total non current assets	-171.9	123.5	0.0	-3.0	-51.4
Total current assets	-1.0	1.0	0.0	0.0	0.0
Total non current liabilities	-6.1	4.4	0.0	1.3	-0.4
Total current liabilities	29.4	-23.7	0.0	0.3	6.0
Tax losses and tax credits carry-forward recognized ¹⁾	279.9	-237.1	0.0	2.7	45.4
Total	130.2	-132.0	0.0	1.3	-0.4

¹⁾ Tax losses and tax credit carry-forwards recognized at December 31, 2018 related to REC Silicon in the USA were USD 0.0 million and USD 57.4 million related to REC Silicon ASA. Tax losses and tax credit carry-forwards recognized at December 31, 2017 related to REC Silicon in the USA were USD 0.0 million and USD 45.4 million related to REC Silicon ASA. The 2017 change in deferred tax asset is due to the derecognition of deferred tax assets in the USA.

Accumulated income taxes recognized to equity at December 31

(USD IN MILLION)	2018	2017
Effect of transition to IAS 39 at January 1, 2005	2.3	2.3
Effect of actuarial gains and losses	-2.1	-2.1
Effect of conversion of convertible bonds	-61.0	-61.0
Effect of costs for capital increase	8.5	8.5
Effect of translation differences on loans as part of net investment	12.6	12.6
Total deferred tax	-39.7	-39.7
Current tax - effect of costs for capital increase	13.1	13.1
Total	-26.6	-26.6

The following main deferred tax assets have not been recognized at December 31

(USD IN MILLION)	2018	2017
Total non current assets	26.0	-63.2
Total current assets	-0.7	-0.7
Total non current liabilities	43.1	27.8
Total current liabilities	15.1	15.9
Tax losses carry forward	378.7	422.7
Total	462.2	402.5

Distribution of the deferred tax assets that have not been recognized at December 31

(USD IN MILLION)	2018	2017
REC Silicon ASA (Norway)	67.5	94.9
REC Solar AS (Norway)	180.1	199.4
REC Silicon US operations	212.7	106.3
Other	1.9	1.9
Total	462.2	402.5

The deferred tax asset in the United States was generated due to net operating losses on a tax basis (which will expire between 2032 and 2036), the accelerated reversal of book to tax differences for depreciation caused by the recognition of impairment (financial statement only), and other taxable temporary differences which are expected to reverse on a more definite schedule. Due to requirements in IAS 12 for convincing evidence of the available of future taxable income to offset prior tax losses the deferred assets have been derecognized in 2017.

For REC Silicon in Norway, tax losses carried forward and other deferred tax assets have not been recognized due to requirements in IAS 12 for convincing evidence of the available of future taxable income to offset prior tax losses. There is no expiry date for tax losses in Norway. The decrease in deferred tax assets not recognized is primarily due to the use of tax loss carry forwards to offset taxable income caused by currency gains on intercompany USD loans held by the Company and translation differences caused by changes in currency rates.

Refer to note 31 contingent liabilities for discussion of notices of reassessment from the Central Tax office for large Enterprises.

A 15 percent withholding tax would apply to any dividends paid from the USA (see notes 2.16 and 4.1(A)).

19 RETIREMENT BENEFIT OBLIGATIONS AND EXPENSES

The cost of defined pension benefit plans is expensed in the period that the employee renders services and becomes eligible to receive benefits. The cost of defined contribution plans is expensed as contributions become payable.

REC Silicon has an employer-sponsored defined contribution retirement plan (401 (k)) for employees in the United States. The REC Silicon subsidiary REC Advanced Silicon Materials LLC (ASiMI) in the United States had defined benefit plans at the time it was acquired in 2005. At that time, these plans were frozen and no future benefits are accruing to the members of the plans. Previous pension rights remain unchanged and are fully vested. The tables below for defined benefit plans are related to Advanced Silicon Materials LLC only.

REC Silicon maintains a defined contribution plan for its employee in Norway.

For defined benefit plans, the plan assets and the projected benefit obligations were measured at December 31, 2018 and 2017. An independent actuary performed actuarial calculations. The present value of the projected defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

Defined benefit plans

(USD IN MILLION)	TOTAL OPERATIONS	
	2018	2017
Gross retirement benefit obligations at January 1	42.6	39.7
Interest cost on pension obligations	1.4	1.5
Remeasurements recognized through OCI	-4.0	3.0
Benefits paid, paid-up policies and disability obligation	-1.6	-1.6
Gross retirement benefit obligations at December 31	38.5	42.6
Fair values of plan assets at January 1	22.5	21.6
Actual return on plan assets	0.3	0.2
Pension premiums	1.8	2.3
Benefits paid, paid-up policies and disability reserve	-1.6	-1.6
Fair value of plan assets at December 31	23.0	22.5
Funded status at December 31	15.5	20.1
Net retirement benefit obligations at December 31	15.5	20.1

The plan assets relate to one of three ASiMI plans, and are currently invested in stable value funds.

Retirement benefit obligations in the statement of financial position

(USD IN MILLION)	TOTAL OPERATIONS	
	2018	2017
Net retirement benefit obligations at January 1	20.1	18.1
Net periodic benefit costs including net interest	0.7	0.7
Remeasurements recognized through OCI	-3.5	3.6
Pension premiums and benefits paid	-1.8	-2.3
Net retirement benefit obligations at December 31	15.5	20.1

The amounts recognized in the statement of income are as follows

(USD IN MILLION)	TOTAL OPERATIONS	
	2018	2017
Total benefit plans	0.0	0.0
Defined Contribution	2.4	3.1
Total contribution expenses (note 24)	2.4	3.1
Net interest expense	0.7	0.7

Remeasurements of the net defined benefit liability recognized through Other Comprehensive Income (gains (-)/losses (+))

(USD IN MILLION)	2018	2017
Experience adjustments	0.0	0.2
Effects of changes in assumptions	-4.0	2.8
Total remeasurements (gains (-)/losses (+)) on gross retirement benefit obligations	-4.0	3.0
Return on plan assets, excluding amounts included in interest	0.5	0.6
Total remeasurements (gains (-)/losses (+)) recognized through Other Comprehensive Income	-3.5	3.6

During 2018 the effects of changes in assumptions were due to an increase in discount rate and changes in financial and demographic assumptions for the ASiMI plans.

The cumulative re-measurement loss recognized to equity through other comprehensive income was USD 11.9 million before income taxes at December 31, 2017. Of this, a loss of USD 28.5 million was related to ASiMI (excluding translation difference).

At December 31, 2018, the mortality table was updated from the Adjusted RP-2014 base rates with projection scale MP-2016 to the Adjusted RP-2014 base rates with projection scale MP-2017. Adjusted RP-2014 means that RP-2014 was adjusted to 2006 by removing improvement based on MP-2014 and then used as the base table as of 2006.

The principal actuarial assumptions used to determine retirement benefit obligations at December 31

	2018	2017
Discount rate	4.09	3.96
Future salary increases	NA	NA
Future pension increases	NA	NA
Future increase in social security base amount	NA	NA
Future turnover	NA	NA

The assumptions used to determine the benefit cost for the year are determined at the beginning of the year. The expected return for the ASiMI plans equals the discount rate.

The expected remaining service life (average, in years) of the defined benefit obligation for the ASiMI plans are approximately 9.8 at December 31, 2018 and 10.2 at December 31, 2017. Pension premiums of USD 1.9 million are expected to be paid during 2018 to the ASiMI defined benefit plans.

For the ASiMI benefit plans, a one percentage point increase (decrease) in discount rate is estimated to decrease (increase) the pension obligation by approximately USD -4.5 (5.5) million at December 31, 2018.

20 TRADE PAYABLES, PROVISIONS AND OTHER LIABILITIES

Non-financial liabilities, interest calculation

(USD IN MILLION)	2018	2017
Non-current prepayments - interest calculation	4.2	5.5
Current portion of prepayments interest calculation	3.2	3.1
Total prepayments, interest calculation	7.4	8.7

Trade payables and other liabilities

(USD IN MILLION)	2018	2017
Trade and other payables	17.4	10.2
Accrued costs for capex - external	0.0	0.0
VAT and other public taxes and duties payables	28.6	27.5
Accrued operating costs - external	4.3	12.5
Accrued finance costs - external	7.4	8.5
Other non-interest bearing liabilities	4.4	4.2
Trade payables and other liabilities	62.1	62.9

Provisions

(USD IN MILLION)	2018	2017
Provisions, current	0.0	0.3
Provisions non-current	0.0	0.0
Non-current provision, interest calculation	3.0	0.0
Total provision	3.0	0.3

Specification of provisions

(USD IN MILLION)	ONEROUS CONTRACTS	TOTAL
At January 1, 2018	0.3	0.3
Used during the year	-0.3	-0.3
At December 31, 2018	0.0	0.0

Estimated fair values of the Group's guarantees, indemnification loans and option contract related to the REC Wafer bankruptcy are not reported as provisions, but included in other line items in the statement of financial position.

Current provisions

During the third quarter of 2017, the Group recognized expense of USD 0.7 million for an onerous contract associated with manufacturing equipment under a non-cancellable operating lease at the Moses Lake facility. The equipment is no longer required to support operations due to reduced capacity utilization caused by the solar trade dispute between China and the United States. During the first half of 2018, USD 0.3 million of the provision was utilized to offset payments. As of December 31, 2018, no additional provision was made.

Non-current provisions

During the fourth quarter of 2018, the Company recorded USD 3.0 million in asset retirement obligations (AROs). These obligations consist of USD 1.4 million to restore leased waste water containment ponds to conditions specified in the lease agreement and USD 1.6 million for the eventual cleanup of the Company's manufacturing operations in Moses Lake, Washington and Butte, Montana.

The AROs represents the present value of estimated future costs discounted at 8 percent for 10 years for the waste water containment ponds and 40 years for restoration of production sites. The restoration of production sites is subject to significant uncertainty due to variability in restoration requirements imposed by regulatory authorities as well as the timing of restoration.

Non-current liabilities

The Group recognized non-current liability, not interest bearing primarily for a payment penalty of USD 5.2 million in relation to outstanding capital contribution from REC Silicon to the Yulin JV (see note 8 and 29).

21 GOVERNMENT GRANTS

(USD IN MILLION)	2018	2017
Changes in amounts recognized in the statement of financial position	0.0	-89.7

Negative amounts for government grants related to assets are adjustments to previously recognized grants.

The grant relates to an Advanced Energy Manufacturing Tax Credit grant (AEMTC grant) in the USA (note 4.2(C)).

Changes in grants related to assets in 2017 are due to the derecognition of the AEMTC grant.

22 OTHER OPERATING EXPENSES

(USD IN MILLION)	2018	2017
Freight, postage and transportation	5.2	6.8
Energy and water	37.2	34.5
Lease expenses	19.4	21.8
Total operating, service and maintenance costs	31.5	31.2
Consultancy and auditor fees	11.2	14.2
Own work capitalized on fixed assets	-0.1	-0.5
IT and telecommunications costs	2.5	4.2
Travel and entertainment costs	2.7	3.4
Insurance costs	4.3	4.3
Loss on receivables ¹⁾	2.6	-5.3
Other operating costs ²⁾	-6.5	-8.4
Other operating expenses	110.1	106.2

¹⁾ Loss on receivables (note 12).

²⁾ Other Operating Costs include the reimbursement of expenses incurred on behalf of the JV (note 10).

Auditor's remuneration

(USD IN MILLION)	2018	2017
Statutory Audit (only relating to statutory auditor)	0.6	0.7
Other assurance services (only relating to statutory auditor)	0.0	0.0
Tax advisory services (only relating to statutory auditor)	0.1	0.3
Other non-audit services (only relating to statutory auditor)	0.1	0.0
Total auditors remuneration	0.9	1.0

In 2018, fees in the amount of USD 0.1 million have been capitalized related to the issuance/registration of the USD Senior Secured Bond.

23 OTHER INCOME AND EXPENSES

(USD IN MILLION)	2018	2017
Restructuring cost and employee termination benefits	-2.0	-0.6
Sales tax refund for prior periods	1.3	0.0
Insurance proceeds related to equipment damaged by July 1, 2016 fire	0.0	1.2
Onerous (loss) contracts	0.0	-0.7
Gain/loss on disposal of non-current assets	0.1	0.0
Total other income and expenses	-0.5	-0.1

During both 2018 and 2017 the Group incurred employee termination costs related to headcount reductions.

The Group recognized expense of USD 0.7 million in the third quarter of 2017 for an onerous contract associated with manufacturing equipment under a non-cancelable operating lease at the Moses Lake facility (note 20).

24 EMPLOYEE BENEFITS

(USD IN MILLION)	2018	2017
Salaries	46.3	51.4
Bonus and sales commission - employees	0.3	6.5
Share option expense	-0.4	0.3
Social security tax	3.2	4.1
Defined Contribution	2.4	3.1
Other employee related costs	7.9	8.4
Employee benefit expenses	59.7	73.9

The average number of permanent employees during 2018 was 461. The average number of permanent employees during 2017 was 541.

There were no loans or guarantees provided to employees at December 31, 2018 or 2017.

25 FINANCIAL INCOME AND EXPENSES

(USD IN MILLION)	2018	2017
Interest income from financial assets not at fair value through profit or loss	0.9	0.6
Total income from financial assets not at fair value through profit or loss	0.9	0.6
Interest expenses for the convertible bonds (fair value through profit or loss)	-2.1	-7.2
Interest expenses for the NOK Bonds REC03 (partially fair value through profit or loss)	-2.0	-5.8
Interest expenses for CTO tax dispute	-0.4	-4.5
Interest expenses for JV agreement	0.0	-11.0
Interest expenses for USD Senior Secured Bond	-9.1	0.0
Interest expenses for financial liabilities not at fair value through profit or loss	0.0	0.0
Expensing of up-front fees and costs	-0.2	-0.1
Calculated interest expenses	-0.7	-0.9
Other expenses from financial assets and liabilities	-3.5	-0.7
Net financial expenses	-18.0	-30.2
Net currency gains/losses	3.1	-34.1
Fair value through profit or loss - convertible bonds (excluding interest)	0.0	0.2
Total fair value through profit or loss	0.0	0.2
Net financial items	-14.0	-63.5

Interest income in 2018 includes interest on bank accounts of USD 0.6 million, interest on municipal bonds of USD 0.2 million, and interest related to sales tax refunds from prior years of USD 0.2 million.

Calculated interest is interest calculated on prepayments (note 20).

On January 1, 2018, REC Silicon ASA changed the functional currency from NOK to USD. As a result of this change, in 2018 net currency gain/losses are primarily calculated on the basis of NOK dominated items. In 2017, net currency gain/losses are primarily calculated on the basis of USD dominated items. Net currency gains in 2018 are primarily related to liabilities in NOK. Net currency losses in 2017 are primarily related to intercompany loan balances between group members with different functional currencies and the USD convertible bonds.

Estimated fair values are shown in the table below.

USD convertible bond

(USD IN MILLION)	AT ISSUE	DEC 31, 2018	DEC 31, 2017	CHANGE TO P/L 2018	CHANGE TO P/L 2018
Nominal value	110.0	0.0	110.0		
Value of the total loan	110.0	0.0	108.1	0.0	1.9
			Fair value adjustment excluding currency	0.0	1.9

(USD IN MILLION)	AT ISSUE	DEC 31, 2017	DEC 31, 2016	CHANGE TO P/L 2017	CHANGE TO P/L 2017
Nominal value	110.0	110.0	110.0		
Value of the total loan	110.0	108.1	91.8	-0.2	16.4
			Fair value adjustment excluding currency	-0.2	16.4

Estimated fair value excludes accrued interest. The increase (decrease) in fair value is recognized as an expense (income) in the statement of income.

Changes recognized in the statement of income (P/L) and the statement of other comprehensive income (OCI) in the tables above reflect changes associated with the implementation of IFRS 9.

ADDITIONAL INFORMATION TO THE STATEMENT OF CASH FLOWS ON INTEREST, UP-FRONT FEES, AND OTHER COSTS PAID.

Interest paid is approximately USD 14.9 million in 2018 and USD 12.3 million in 2017.

26 EARNINGS PER SHARE

BASIC

Basic earnings per share (EPS) is calculated by dividing the profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares issued during the year, excluding treasury shares.

	2018	2017
Profit/loss from continuing operations (USD IN MILLION)	-341.6	-350.6
Profit/loss from total operations (USD IN MILLION)	-341.6	-350.6
Weighted average number of ordinary shares in issue (IN MILLION)	2,543.8	2,543.8
Basic earnings per share from continuing operations (USD per share)	-0.13	-0.14
Basic earnings per share from total operations (USD per share)	-0.13	-0.14

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the convertible bonds and employee share options. Earnings are adjusted to reverse interest expense, currency gains or losses, changes in fair value and the related tax amounts of the convertible bonds. The calculation is made individually for each of the convertible bonds. If the effect increases EPS from continuing operations, it is anti-dilutive, and is then not included in diluted EPS.

The calculation shows that the convertible bonds and the share options are anti-dilutive for 2018 and 2017. Consequently, dilutive EPS equals basic EPS for both years.

27 DIVIDENDS PER SHARE

The Board of Directors did not propose any dividend payments for financial years 2018 or 2017.

28 RESEARCH AND DEVELOPMENT

(USD IN MILLION)	2018	2017
Research and development expense	2.6	4.0
Development capitalized	0.0	0.0
Total research and development	2.6	4.0

Research and development activities consist of improvements to current production processes and equipment as well as activities designed to enhance quality, improve efficiency, and reduce production cost.

29 COMMITMENTS, GUARANTEES, PLEDGES

Purchase obligations consist of significant items for which the Group is contractually obligated to purchase from third parties at December 31, 2018 and 2017. Operating lease payments show contractual minimum future payments.

In cases where contracts can be terminated or reduced, the reduced amount has been included as estimated payments in the first period subsequent to the reporting period. Consequently, the amounts presented in the table represent the estimated unavoidable portion of the Group's expected future costs related to purchase obligations and lease payments. It does not reflect the Group's expected future cash outflows.

Purchase obligations and operating lease payments are undiscounted and exclude the payment of amounts recognized for other assets, liabilities, and investments.

Contractual purchase obligations and minimum operating lease payments at December 31, 2018

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	2019	2020	2021	2022	2023	AFTER 2023
Total purchase of goods and services	44.5	39.8	1.3	1.6	1.6	0.1	0.0
Total minimum operating lease payments	35.4	14.8	13.7	2.6	2.1	2.1	0.0
Total purchase obligations and minimum operating lease payments	79.9	54.6	15.1	4.2	3.8	2.3	0.0

Purchase obligations consist primarily of long term contracts for Metallurgical Grade Silicon. Operating leases consist primarily of agreements for facilities that provide hydrogen and nitrogen used in production processes.

In 2018, REC Silicon entered into a supplemental agreement in relation to investment in the Yulin JV in China. According to the agreement, the currently outstanding amounts that REC Silicon agreed to pay to the other investor in the Yulin JV include USD 3.1 million in 2019 and USD 5.2 million in 2020 (note 8 and 29). These amounts have not been included in the table above.

GUARANTEES AND PLEDGES

Bank guarantees at December 31, 2018 amounted to USD 4.7 million related to purchases of energy, performance guarantees (REC Solar), and salary related liabilities. Restricted cash balances related to guarantees were USD 4.4 million (note 14).

Bank guarantees at December 31, 2017 amounted to USD 5.0 million related to purchases of energy, performance guarantees (REC Solar), and salary related liabilities. Restricted cash balances related to guarantees were USD 4.4 million (note 14).

The Group provided parent company guarantees for the REC Solar Group related to the performance of solar panels and systems and the sale of REC ScanModule AB. The Group has been provided with offsetting guarantees by REC Solar Holdings AS. The guarantees are valid for relevant warranty periods and are limited by warranties provided on solar panels and systems. Parent company guarantees for REC Solar were USD 54.7 million at December 31, 2018 and 2017. The guarantees will decrease from 2022 to 2039 when they will expire in their entirety.

The Company has provided guarantees and indemnification agreements in connection with the bankruptcy of a former subsidiary (see notes 11, 17 and 30).

30 OTHER INFORMATION FINANCIAL INSTRUMENTS

FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Group's financial instruments are based on market prices and the valuation methods described below.

Financial instruments recognized at fair values (partially or in whole)

(USD IN MILLION)	2018		2017	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Convertible bonds - fair value whole instrument	0.0	0.0	0.0	108.1
Derivatives option related to REC Wafer bankruptcy	0.0	1.5	0.0	1.5

Determining the categorization of fair value measurements in accordance with IFRS 13 involves judgment.

Level 2

USD Convertible bonds: The Group accounted for these instruments at fair value. The convertible bonds were not listed on any exchange but was traded in limited markets. Quotations published by Bloomberg and actual trades were used to estimate fair value. At year-end, the value was adjusted to the tax assessment value published by Norges Fondsmeglerforbund. This value was an estimate of fair value. The USD Convertible bonds were extinguished on September 11, 2018.

NOK bonds (REC03): The fair value adjustment recognized in the financial statements at December 31, 2017 was due to a fair value hedge from the fixed swap interest rate to the floating NIBOR rate. In November 2013, the hedging designation was revoked and the hedged part of the bonds is no longer adjusted to their fair values (note 17). The NOK denominated bonds (REC03) were extinguished on May 3, 2018.

Level 3

Option contract is part of the indemnification agreements in connection with the REC Wafer Norway AS bankruptcy, and the estimated fair value is subject to change. Changes in estimated fair

value, when they occur, are reported as part of the net gain on disposal of discontinued operations. There are no anticipated cash flows associated with this option until estimated maturity, the earliest of which was in February 2016. The option contract has not been settled as of the issue date of these financial statements. The option price is dependent on the share price of the Company and dividend payout from the REC Wafer Norway AS's bankruptcy estate. At yearend 2015, this option had matured and the associated liability amounts became fixed with respect to changes in the Company's share price. A ten percent change to the dividend payout from REC Wafer Norway AS's bankruptcy estate would result in a corresponding change of NOK 1 million (USD 0.1 million at year end) in the fair value of the liability.

Other financial liabilities and assets

The USD Senior Secured bonds (REC04) are traded on the Oslo Stock Exchange. Although trading is limited, market values of the bonds were estimated using trades near year-end (level 2 in the fair value hierarchy).

The NOK bonds (REC03) was traded on the Oslo Stock Exchange. Although trading was limited, market values of the bonds were estimated using trades near year-end (level 2 in the fair value hierarchy). The NOK denominated bonds (REC03) were extinguished on May 3, 2018.

(USD IN MILLION)	2018			2017		
	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
REC03	0.0	0.0	0.0	55.5	55.4	55.0
REC04	110.0	108.3	108.9	0.0	0.0	0.0

For all remaining financial assets and liabilities, the carry amounts represent a reasonable approximation of fair value.

CREDIT RISK

The maximum credit risks related to financial assets are estimated in the table below.

(USD IN MILLION)	2018		2017	
	CARRYING AMOUNT	MAX. EXPOSURE	CARRYING AMOUNT	MAX. EXPOSURE
Cash and bank (incl. restricted bank accounts)	36.2	36.2	108.9	108.9
Trade receivables and accrued revenues	29.9	29.9	40.8	40.8
Other non-current and current receivables	4.5	4.5	0.3	0.3
Finance receivables and short-term loans	3.8	3.8	3.8	3.8
Total	74.3	74.3	153.8	153.8

The bank guarantees, parent company guarantees, and indemnification agreements (note 29) expose the Group to credit risk. The fair values of bank and parent company guarantees are estimated at zero. The maximum amount of the indemnification agreements is NOK 270 million and has been recognized in liabilities for NOK 212.7 million (USD 24.5 million) at December 31, 2018.

At December 31, 2018, USD 8.7 million of trade receivables were insured by the Export-Import Bank of the United States.

Shared characteristics that identify each concentration of trade receivables at December 31

GEOGRAPHICAL	2018	2017	SECTOR	2018	2017	INDUSTRY	2018	2017
China	66%	38%	Manufacturing	70%	72%	Solar	50%	54%
Other Asia	16%	12%	Wholesale	29%	22%	Electronic	49%	40%
Taiwan	8%	25%	Other	1%	6%	Other	1%	6%
North America	5%	8%						
Japan	3%	7%						
Europe	2%	6%						
Hong Kong	0%	4%						
Total	100%	100%		100%	100%		100%	100%

The table above is calculated with respect to gross trade receivables only. The provision for loss on trade receivables is exclusively concentrated on customers in the solar industry in China and Taiwan.

The Group is dependent on a small number of customers. In 2018, three customers represented approximately 50 percent of revenue (two customers in 2017) for the Group. Approximately 50 percent of the revenue in 2018 for the Solar Materials segment was represented by one customer (one customer in 2017) while the Semiconductor segment consisted of three customers (2 customers in 2017). Four customers represented approximately 50 percent of total trade receivables for The Group at December 31, 2018 (five customers at December 31, 2017). Approximately 50 percent of the trade receivables in 2018 for the Solar Materials segment was represented by three customers (two customers in 2017), while the Semiconductor segment consisted of four customers (five customers in 2017). See note 5 Segment Information above.

Generally, a more challenging and competitive market environment increases credit risk due to financially weaker customers and extended payment terms. Amounts overdue but not impaired between 90 and 365 days were associated with zero customers for 2018 and zero customers for 2017.

Analysis of aging of receivables at December 31, 2018

(USD IN MILLION)	TOTAL CARRYING AMOUNT	AGING OF RECEIVABLES				
		NOT DUE	PAST DUE			
			< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS
Trade receivables	44.3	27.7	2.2	0.0	0.0	14.4
Provision for loss on trade receivables	-14.4	0.0	0.0	0.0	0.0	-14.4
Other non-current and current receivables	1.9	1.9	0.0	0.0	0.0	0.0
Total receivables	31.7	29.5	2.2	0.0	0.0	0.0
Prepaid Costs	9.0					
Total trade and other receivables	40.8					

Analysis of aging of receivables at December 31, 2017

(USD IN MILLION)	TOTAL CARRYING AMOUNT	AGING OF RECEIVABLES				
		NOT DUE	PAST DUE			
			< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS
Trade receivables	52.6	35.7	5.1	0.0	0.0	11.8
Provision for loss on trade receivables	-11.8	0.0	0.0	0.0	0.0	-11.8
Other non-current and current receivables	0.3	0.3	0.0	0.0	0.0	0.0
Total receivables	41.1	36.0	5.1	0.0	0.0	0.0
Prepaid Costs	7.5					
Total trade and other receivables	48.6					

The provision for doubtful accounts includes the impact of adopting IFRS 9 which requires the Company to estimate expected credit losses (ECL) based upon historical experience. The Company has prepared analyses to calculate an ECL estimated at 0.33 percent of sales. However, because expected credit losses are low and accounts receivable consists of relatively large outstanding balances, use of the ECL to record credit losses at the time of sale would result in provisions for losses on trade receivables for future sales. Therefore, the Company uses the ECL rate as a guideline and evaluates the potential that balances will not be received based upon days outstanding, customer payment histories, and other information regarding past due balances. In general, provisions are recorded for accounts which are greater than 60 days past due unless there is a clear indication that payment will be received.

At December 31, 2018, approximately 22 percent of not due trade receivables were secured by bank guarantees. At December 31, 2017, approximately 31 percent of the not due receivables were secured by bank guarantees.

SENSITIVITIES

Interest rate sensitivity

A change in interest rates will affect interest payments on variable interest rate liabilities, cash, and restricted cash. The net effect of a one percentage point increase (decrease) in interest rates is

estimated to affect profit or loss for the year by USD -0.1 (0.1) million calculated on outstanding amounts at December 31, 2018. The same calculation at December 31, 2017 was USD -1.1 (1.1) million.

Exchange rate sensitivity

The table below shows the estimated impact of a 10 percent increase in foreign currency rates compared to functional currencies for each entity. A decrease in the same percentage would create the opposite effect. The amounts calculated in the table below are for REC Silicon ASA at period end and do not reflect fluctuations during the year. On January 1, 2018, REC Silicon ASA changed the functional and reporting currency from NOK to USD. The table below for changes in 2018 shows the effects on positions denominated in NOK. The table for 2017 shows the effects on positions denominated in USD.

For 2018 the exchange rate sensitivity for financial assets is primarily cash and financial liabilities denominated in NOK.

For 2017 the exchange rate sensitivity for financial assets in USD primarily related to the Company's loans to REC Silicon of which a portion is regarded as a net investment and consequently recognized to equity through other comprehensive income. The sensitivity of financial liabilities relates to the convertible bonds denominated in USD.

Exchange rate sensitivity on financial instruments at December 31

(USD IN MILLION)	CHANGE + 10% COMPARED TO FUNCTIONAL CURRENCIES	
	2018	2017
Financial assets	0.5	64.5
Financial liabilities	-5.4	-11.0
Total	-4.9	53.4
Of which to equity		
USD receivables as part of net investment	0.0	13.2
Rest is to profit or loss	-4.9	40.2

31 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group is involved in legal disputes in the ordinary course of business. Provisions are recognized for the expected outcomes in accordance with applicable accounting rules. Provisions are based on Group Management's estimate of likely outcomes based on prior experience, the source, and the facts and circumstances of a claim. The final outcomes of such disputes and litigation are subject to significant uncertainty and actual outcomes may vary from provisions recognized. Provisions are adjusted to reflect the most recent facts and circumstances.

PROPERTY TAXES

REC Silicon has appealed property taxes in Grant County, Washington (USA). The 2012 assessment year is currently subject to an appeal pending before the Washington Court of Appeals. On November 8, 2018 the Thurston County Superior Court issued a ruling affirming the Board of Tax Appeals (BTA) revised valuation of REC Silicon's property for assessment year 2012. On December 4, 2018 the Company appealed this ruling to the Washington Court of Appeals. The ruling does not affect amounts reflected in the Company's financial statements and the Company will not be required to pay the disputed tax amounts until all appeals are exhausted.

In addition, REC Silicon has received a Notice of Change of Value from Grant County for the 2013, 2014, and 2015 assessment years and has appealed these valuations. REC Silicon received Notice of Change of Value for the 2016, 2017, and 2018 assessment years and agreed with the valuation.

The timing and outcome of these appeals is subject to uncertainty.

For the years presented, there were no differences between expenses recognized and amounts claimed by Grant County. The total provision in the statement of financial position is USD 26.8 million at December 31, 2018 and USD 25.6 million at December 31, 2017 and represents the Group's liability should the assessments of value asserted by Grant County be upheld. Under relevant law and previous agreements, REC Silicon is required to pay only the undisputed amounts and a portion of the disputed amounts while the appeals are pending. Payments made in 2018 for 2017 property taxes totaled USD 2.8 million and payments made in 2017 for 2016 property taxes totaled USD 3.3 million and are not subject to appeal.

INCOME TAXES

The Company previously received notices of reassessment from the Norwegian Central Tax Office (CTO) regarding tax returns for tax years 2009 through 2011. The CTO questioned the deductibility of losses on loans and guarantees provided to subsidiaries and affiliates.

The Company received a draft decision dated June 30, 2017 from the CTO which disallows losses of NOK 7.7 billion in total (at 28 percent the tax would be approximately NOK 2.2 billion). The Company expects these amounts to be adjusted for group contributions and carry back of tax losses, which would result in the recognition of approximately USD 26 million in tax expense plus interest of approximately USD 4 million. This range of potential outcomes remain broadly unchanged from disclosures previously made by the Company.

The Company filed a response with supporting arguments and additional documentation in opposition to findings in the CTO's draft decision. REC Silicon continues to believe that the losses are tax deductible and that the Company's position will eventually prevail. The CTO is expected to issue an additional draft decision. The Company will have another opportunity to comment on the new draft decision prior to the issuance of a final decision. When a final decision is issued, any resulting tax is generally due two weeks after the decision.

The Company expects to challenge any adverse final ruling through the appeals process and will attempt to defer any potential payment until a final resolution has been reached.

The timing and amount of any potential outcome is subject to substantial uncertainty.

The resulting short-term liabilities of approximately USD 29 million, income tax payable of approximately USD 24.5 million, and interest payable of approximately USD 4.6 million, has been reported in current liabilities.

CHINESE TARIFFS ON US POLYSILICON

REC Silicon has been effectively prevented from participating in key polysilicon markets in China due to import tariffs imposed by the Chinese Ministry of Commerce (MOFCOM).

REC Silicon continues to work with the US government, the Chinese government, affected companies, and industry organizations to obtain a favorable resolution. REC Silicon continues to focus on identifying sales opportunities outside of China to mitigate the impacts of the Chinese tariffs. The US and Chinese governments have been actively engaged in discussions to resolve trade relations between the countries and government officials have indicated progress and the potential for a resolution in the near term. However, the timing, content, or outcome of any resolution remains uncertain.

32 SHARE-BASED COMPENSATION

In 2014, 2015, and 2016 REC Silicon granted 8,000,000 share options during each year, and in 2017 and 2018, 12,000,000 share options were granted to certain key employees. These programs are for six years. The first three years are a lock-up period. The vesting of the options for eligible employees will take place in equal parts in the fourth, fifth and sixth years of each program, on each June 30 of each year. The options were granted at a strike price of NOK 3.50 in 2014, NOK 2.30 for 2015, NOK 1.92 for 2016, 1.19 in 2017 and 1.52 in 2018. These option programs are synthetic programs; the options will be settled in cash. Cash payments due to an eligible employee following any disbursement date is limited to a maximum amount in each calendar year equal to the employee's base annual salary effective January 1st in the year of the disbursement.

Any unexercised options are forfeited upon termination of employment.

Fair values were estimated using the Black-Scholes option price model. Expected volatility was based on historical volatility and no dividends were expected in the periods. Expected lifetime and vesting periods were set at the time of allocation based on expectations that employees would exercise options early due to the structure of the programs, including the annual profit cap, and the volatility of the Company's share price.

OPTIONS OUTSTANDING AT DECEMBER 31, 2018

PROGRAM	EXERCISE PRICE (NOK)	NO. OPTIONS	TOTAL FAIR VALUE (USD MILLION)	REMAINING CONTRACTUAL LIFE (YEAR)
2014	3.50	6,481,930	0.00	1.50
2015	2.30	6,475,585	0.02	2.50
2016	1.92	6,483,088	0.06	3.50
2017	1.19	10,165,582	0.20	4.50
2018	1.52	12,000,000	0.24	5.50
Total		41,606,185	0.52	

Differences between the number of options granted for each year and the number of outstanding options in the table above are due to options that have been forfeited upon termination of employment. Options forfeited for 2018 and 2017 were 4,996,679 and 1,082,094 respectively.

The amount recognized in the statement of income for share based compensation was an expense of USD 0.0 million in 2018 and USD 0.0 million in 2017.

33 EVENTS AFTER THE REPORTING PERIOD

CURTAILMENT OF FBR OPERATIONS BEGINNING ON MAY 15, 2019

On April 9, 2019, the Company announced that it would curtail the operation of the FBR facility in Moses Lake, Washington beginning on May 15, 2019. Furthermore, unless access to polysilicon markets in China is restored, the facility will be placed in a long-term shutdown by June 30, 2019. The curtailment is intended to retain the liquidity necessary to maintain operation of the semiconductor materials facility in Butte, Montana. The length of the shutdown is dependent on whether REC Silicon is able to regain access to the Chinese market for polysilicon as a result of trade negotiations between China and the United States or other significant positive developments in solar grade polysilicon markets.

PRIVATE PLACEMENT OF EQUITY ON APRIL 9, 2019

On April 9, 2019 the Company raised approximately NOK 170 million in gross proceeds through a private placement (the "Private Placement") of 254,381,870 offer shares (the "Offer Shares"), at a price per share of NOK 0.67 (the "Subscription Price"). The Private Placement took place, and the Subscription Price was set, through an accelerated book-building process after close of markets on April 9, 2019. The Private Placement was substantially oversubscribed.

The net proceeds from the Private Placement will be used to strengthen and contain the Company's liquidity situation until access to the Chinese polysilicon market is restored. Specifically, the proceeds will be used for (i) non-recurring restructuring costs of USD 3.7 million to curtail and shut down Moses Lake FBR production, unless access to the Chinese market is restored, (ii) settle the remaining payments to the Yulin JV of USD 3.1 million and USD 5.2 million and (iii) for general corporate purposes.

The Offer Shares will be settled with existing and unencumbered shares in the Company that are already listed on the Oslo Stock Exchange, pursuant to an agreement between SpareBank 1 Markets AS, the Company, and Umoe AS. The shares delivered to the subscribers will thus be tradable upon delivery, expected May 10, 2019.

Subject to approval by the Company's AGM, Umoe AS has undertaken to use the full proceeds received from the settlement of the Private Placement to acquire new A-shares in the Company. All of the new A-shares will be converted into ordinary shares as soon as practically possible, expected within eight (8) weeks from the settlement date.

BALANCE SHEET (NGAAP)

REC SILICON ASA

AT DECEMBER 31 (USD IN THOUSAND)	NOTES	2018	2017 ¹⁾
ASSETS			
Non-current assets			
Equipment and intangible assets	B	30	30
Investments in subsidiaries	C	66,909	64,126
Non-current receivables from subsidiaries	D	291,174	625,763
Restricted bank accounts non-current	E	3,619	3,811
Total non-current assets		361,733	693,731
Current assets			
Other receivables		214	267
Restricted bank accounts current	E	190	200
Total current receivables		404	466
Cash and cash equivalents	E	16,970	82,169
Total current assets		17,373	82,635
Total assets		379,106	776,366

¹⁾ On January 1, 2018, the company changed the functional and reporting currency from NOK to USD. The comparable figures (2017 figures) have been converted to USD. For more information see note A.

BALANCE SHEET (NGAAP)

REC SILICON ASA

AT DECEMBER 31 (USD IN THOUSAND)	NOTES	2018	2017 ¹⁾
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	G	310,033	310,033
Share premium reserve	G	0	238,854
Total paid-in capital	G	310,033	548,887
Other equity and retained earnings	G	-95,865	1,268
Total shareholders' equity	G	214,167	550,155
Non-current liabilities			
Interest-bearing liabilities	F	108,275	165,332
Total non-current liabilities		108,275	165,332
Current liabilities			
Trade payables		27	105
Current tax payables	I	24,549	26,029
Social security, VAT and other taxes		11	12
Interest-bearing liabilities	F	22,990	24,375
Derivatives	L	1,460	1,548
Other current liabilities	L	7,626	8,810
Total current liabilities		56,663	60,879
Total liabilities		164,938	226,211
Total equity and liabilities		379,106	776,366

¹⁾ On January 1, 2018, the company changed the functional and reporting currency from NOK to USD. The comparable figures (2017 figures) have been converted to USD. For more information see note A.

Fornebu, April 10, 2019
Board of Directors


Espen Klitzing
Member of the Board


Jens Ulltveit-Moe
Chairman of the Board


Ragnhild Wiborg
Member of the Board


Terje Osmundsen
Member of the Board


Tore Torvund
President and CEO


Inger Berg Ørstavik
Member of the Board

INCOME STATEMENT (NGAAP)

REC SILICON ASA

YEAR ENDED DECEMBER 31 (USD IN THOUSAND)	NOTES	2018	2017 ¹⁾
Revenues		0.0	0.0
Employee benefit expenses	H	-461	-461
Other operating expenses	J	-1,240	-1,885
Depreciation, amortization and impairment	B	0	-5
EBIT		-1,702	-2,351
Interest income, internal	K	70,654	69,498
Interest income, external		541	403
Other financial income		0	57
Interest expense, external	K	-13,823	-17,613
Other financial expenses	K	-2,844	-46
Net currency gains/losses	K	3,075	-40,211
Impairment of financial assets	M	-391,889	-298,630
Net financial items		-334,286	-286,542
Profit/loss before income tax		-335,988	-288,893
Income tax expenses	I	0	-26,029
Profit/loss for the year		-335,988	-314,922
Profit/loss for the year is distributed as follows			
Share premium	G	-238,854	0
Other equity (uncovered loss)	G	-97,133	-314,922
Total distributed		-335,988	-314,922

¹⁾ On January 1, 2018, the company changed the functional and reporting currency from NOK to USD. The comparable figures (2017 figures) have been converted to USD. For more information see note A.

STATEMENT OF CASH FLOWS (NGAAP)

REC SILICON ASA

YEAR ENDED DECEMBER 31 (USD IN THOUSAND)	2018	2017 ¹⁾
Cash flows from operating activities		
Profit/loss before tax	-335,988	-288,893
Tax paid/received	0	0
Depreciation, amortization and impairment	0	5
Impairment losses financial assets ²⁾	391,889	298,630
Changes in receivables external	53	26
Changes in payables	-1,262	4,558
Currency effects not cash flow or not related to operating activities ³⁾	-1,811	42,001
Other items ⁴⁾	3,205	484
Net cash flow from operating activities	56,086	56,811
Cash flow from investing activities		
Investment in equity in subsidiaries	-2,783	0
Investment in loan to subsidiaries	-57,300	-25,000
Proceeds from finance receivables and restricted cash	201	-22
Net cash flow from investing activities	-59,881	-25,022
Cash flow from financing activities		
Payments of borrowings and up-front/waiver loan fees	-171,404	0
Proceeds from borrowing	110,000	0
Net cash flow from financing activities	-61,404	0
Net increase/decrease in cash and cash equivalents	-65,199	31,789
Cash and cash equivalents at the beginning of the period	82,169	50,380
Cash and cash equivalents at the end of the period	16,970	82,169

¹⁾ On January 1, 2018, the company changed the functional and reporting currency from NOK to USD. The comparable figures (2017 figures) have been converted to USD. For more information see note A.

²⁾ Impairment losses financial assets. See note M.

³⁾ The 2018 Currency gains and losses are primarily related to liabilities in NOK. In 2017 Currency gains and losses are primarily related to interest bearing liability in US Dollar (USD convertible bond) and loans to subsidiaries. See note D, F and L.

⁴⁾ For 2018, Other items include Excess premium paid related to buyback of NOK bond and USD Convertible bond. In addition, Other items consist of the expensing of up-front loan fees and amortization of interests both in 2018 and 2017.

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NOTES TO THE FINANCIAL STATEMENTS

REC SILICON ASA

A SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL INFORMATION

REC Silicon ASA (the Company) is a holding company with corporate management and financial functions.

The financial statements have been prepared in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP) in effect at December 31, 2018. Up to December 31, 2017 the Company's functional and reporting currency was NOK. On January 1, 2018, the Company changed the functional and reporting currency to USD. For further information see below.

The reporting currency used in the consolidated financial statements is US Dollar (USD). The consolidated financial statements of the Group have been prepared in accordance with IFRS. The Company's accounting principles are similar to the accounting principles for the Group unless otherwise noted. Financial statement disclosures for the Company that are substantially different from the disclosures for the Group are shown below. See notes to the consolidated financial statements.

Group contributions and dividends that are subject to approval by the Annual General Meeting are recognized according to IFRS in the consolidated financial statements at the time of approval. For the Company's financial statements according to NGAAP, these are recognized in the fiscal year they relate to. Group contributions to subsidiaries are recognized as investment in shares in subsidiaries, net of tax.

Subsidiaries, jointly controlled entities, and associates are carried at the lower of cost or estimated recoverable amount in the Company's financial statements. In the consolidated financial statements, these are consolidated or accounted for using the equity method.

In the consolidated financial statements, the convertible USD bond loans issued in 2013 have been measured at fair value. In the Company's financial statements, they are measured at amortized cost. (The convertible USD bond was settled in 2018.)

In the Company's financial statements, payments expected to be made during the next 12 months on non-current financial assets or liabilities are not reclassified to current financial assets or liabilities. In the consolidated financial statements, these are reclassified.

The financial statements are presented in USD, rounded to the nearest thousand unless otherwise stated. As a result of rounding adjustments, 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.

The financial statements of the Company have been approved for issue by the Board of Directors on April 10, 2019 and are subject to approval by the Annual General Meeting scheduled for May 9, 2019.

CHANGE OF FUNCTIONAL AND REPORTING CURRENCY.

On January 1, 2018, the Company changed the functional and reporting currency from NOK to USD. The decision was made because a significant part of the Company's income (interest income) and expenses (interest expenses) will be based on receivables and liabilities denominated in USD which are a significant part of the Company's assets and liabilities.

The conversion of the NOK balance to USD on January 1, 2018, a conversion rate of USD/NOK 8.2050 has been used. The transaction during 2018 is based on the daily rate of USD.

The comparable figures (2017 figures), a conversion rate of USD/NOK 8.2050 both for the balance sheet and the income statement has been used.

B EQUIPMENT AND INTANGIBLE ASSETS

Equipment and intangible assets consist of office equipment and furniture.

There has been no addition and disposal during 2018 and 2017. The tangible assets are fully depreciated at December 31, 2017.

(USD IN THOUSAND)	2018	2017
Cost at January 1	88	84
Exchange difference	0	4
Cost at January 1	88	88
Accumulated depreciation and impairment at January 1	-58	-51
Depreciation for the year	0	-5
Exchange difference	0	-2
Accumulated depreciation and impairment at December 31	-58	-58
Carrying value at December 31	30	30

C SHARES IN SUBSIDIARIES

COMPANY	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE	DECEMBER 31 (USD IN THOUSAND)	
			2018	2017
REC SILICON AS	100%	Bærum	66,787	64,005
REC SOLAR AS	100%	Bærum	122	122
Total			66,909	64,126

In 2018 the Company increased the equity in REC Silicon AS with USD 2,783 thousand (NOK 22 million). Simultaneously REC Silicon AS increased the share capital with USD 2,775 thousand.

In 2017 the Company impaired the shares in REC Silicon AS with USD 9,997 thousand (NOK 82.6 million) as a consequence of REC Silicon AS similar impairment of their shares in REC Silicon Pte Ltd. See note M.

SUB-SUBSIDIARIES	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE
REC Solar AS subsidiaries		
Gitzeli Solar Energy Production S.A.	100%	Greece
REC Greece S.A.	100%	Greece
REC Silicon AS subsidiaries		
REC Silicon Inc	100%	Moses Lake, USA
REC Solar Grade Silicon LLC	100%	Moses Lake, USA
REC Advanced Silicon Materials LLC	100%	Butte, USA
REC Silicon Pte. Ltd.	100%	Singapore

At December 31, 2018, REC Solar AS's subsidiaries were under liquidation.

D RECEIVABLES FROM SUBSIDIARIES

Non-current interest-bearing receivables from subsidiaries are USD loans to the subsidiaries in USA (REC Silicon Inc. and REC Solar Grade Silicon LLC) with carrying value USD 291,174 thousand at December 31, 2018 and USD 625,763 thousand at December 31, 2017. In 2018 and 2017 the Company has impaired these receivables by USD 391,889 thousand and USD 288,563 thousand respectively. See note M.

E CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

Cash and cash equivalents consist of bank deposits.

Restricted bank accounts (not included as cash and cash equivalents)

(USD IN THOUSAND)	2018	2017
Non-current	3,619	3,811
Current	190	200
Total restricted bank accounts	3,809	4,011

At December 31, 2018 and 2017 current restricted bank accounts include USD 8 thousand to secure employees' tax deductions in REC Silicon ASA

See note 14 to the consolidated financial statements for a description of restricted bank accounts.

F INTEREST BEARING LIABILITIES

(USD IN THOUSAND)	2018	2017
Non-current		
USD senior secured bond	110,000	0
Unamortized fees	-1,725	0
USD senior secured bond	108,275	0
NOK bonds	0	55,364
Up-front fees etc (amortized as part of effective interest)	0	-32
NOK bond	0	55,332
USD convertible bond	0	110,000
Total non-current interest bearing liabilities	108,275	165,332
Current		
Indemnification loan	22,990	24,375
Total interest bearing liabilities	131,265	410,373

See note 17 to the consolidated financial statements for details of the Company's interest-bearing liabilities.

G EQUITY

(USD IN THOUSAND)	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY AND RETAINED EARNINGS (UNCOVERED LOSS)	TOTAL
Equity at January 1, 2017	310,033	238,854	316,164	865,051
Share option program	0	0	26	26
Loss for the year	0	0	-314,922	-314,922
Equity at December 31, 2017	310,033	238,854	1,268	550,155
Loss for the year	0	-238,854	-97,133	-335,988
Equity at December 31, 2018	310,033	0	-95,865	214,167

Share capital at December 31, 2018 and 2017 was 2,543,818,785 shares at par value of NOK 1. There is one class of shares, and all shares have the same voting rights. As a consequence of change in functional and reporting currency, the equity numbers above have been recalculated from NOK to USD at January 1st, 2018 using the currency rate USD/NOK 8.2050. The same rate has been used when recalculating the equity at January 1st, 2017.

See note 15 to the consolidated financial statements for more information.

H EMPLOYEE BENEFITS

Employee benefit expenses

(USD IN THOUSAND)	2018	2017
Payroll	-389	-379
Bonus	0	-21
Social security tax	-55	-57
Pension expense including social security tax	-12	-13
Other employee related costs	-4	9
Employee benefit expenses	-461	-461

The average number of employees measured in man-years was 1 during 2018 and 2017. There were no loans or guarantees to employees at December 31, 2018 and 2017.

Payroll includes compensation to Board of Directors. For compensation and shareholdings for Group management and Board of Directors see note 16 to the consolidated financial statements.

PENSION PLANS

At December 31, 2018 the Company maintained a defined contribution pension plan for employees that fulfill the requirements of Norwegian law: "Lov om obligatorisk tjenestepensjon".

SHARE OPTION PROGRAMS

The Company's option program issued 2011, elapsed in 2017. At December 31, 2018 the Company did not have any option program and there were no share options outstanding.

See note 32 to the consolidated financial statements for details of the share option programs.

I INCOME TAXES

Recognized income tax expense

(USD IN THOUSAND)	2018	2017
Current income tax benefit (+)/ expense (-) for the year	0	0
Total deferred tax benefit (+)/ expense (-) for the year	0	0
Changes in estimates related to prior years ¹⁾	0	-26,029
Total income tax benefit (+)/ expense (-) for the year in the income statement	0	-26,029

¹⁾ Changes in estimates related to prior years, see note Q for further information.

Relation ships of income tax expense/benefit to profit / loss before taxes

(USD IN THOUSAND)	2018	2017
Profit/Loss for before taxes	-335,988	-288,893
Tax calculated at domestic tax rate of 23% (24% 2017)	77,277	69,334
Expenses not deductible for tax (permanent differences)	-89	-1,081
Impairment loss (permanent differences) ¹⁾	-90,135	-71,671
Other permanent differences ²⁾	-7,409	0
Recognition of previously not recognized deferred tax assets	20,355	3,418
Current income tax benefit (+)/ expense (-) for the year	0	0
Changes in estimates related to prior years	0	-26,029
Total income tax benefit (+)/ expense (-) for the year in the income statement	0	-26,029
Effective tax rate	0%	9%

¹⁾ Impairment of financial assets.

²⁾ Other permanent differences consist of income and cost registered in USD financial statement, but not applicable for tax calculation, and income and cost registered in NOK Tax financial statement, but not applicable for the USD financial statement.

Current income tax

(USD IN THOUSAND)	2018	2017
Profit/Loss for before taxes	-335,988	-288,893
Impairment and losses on shares and loans - permanent differences	391,889	298,630
Expenses not deductible for tax (permanent differences)	387	4,505
Other permanent differences ¹⁾	32,213	0
Changes in temporary differences	79,623	41,171
Basis for income tax before utilization (-)/ increase (+) of tax losses carried forward	168,124	55,412
Utilization (-)/ increase (+) of tax losses carried forward	-8,878	-55,412
Basis for current tax in the income statement and balance sheet	0	0
Estimated 23 percent current income tax (24% in 2017)	0	0
Current income tax benefit (+) expense (-) for the year	0	0
Basis for current tax in balance sheet for the year	0	0
Estimated 23 percent current income tax (24% in 2017)	0	0
Current tax asset (+)/ liability (-) for the year	0	0
Changes in estimates related to prior years	0	-26,029
Total current tax asset (+)/ liability (-)	0	-26,029

¹⁾ Other permanent differences consist of income and cost registered in USD financial statement, but not applicable for tax calculation, and income and cost registered in NOK Tax financial statement, but not applicable for the USD financial statement.

Specification of temporary differences and tax losses, deferred tax assets and liabilities

(USD IN THOUSAND)	2018	2017
Fixed assets	-125	-344
Up-front fee and Capitalized borrowing cost	1,772	32
Interest bearing liabilities	-23,019	-24,544
Derivatives	-1,462	-1,548
Net unrealized gains on non-current foreign exchange receivables and liabilities	293,178	233,754
Other	-9,208	-9,750
Tax losses carried forward	-568,094	-610,370
Total temporary differences and tax loss carried forward	-306,957	-412,770
Tax percentage	22%	23%
Deferred tax assets (-) / liabilities (+)	-67,530	-94,937
Deferred tax assets not recognized	67,530	94,937
Deferred tax assets (-) / liabilities (+) in the balance sheet	0	0
Change in deferred tax assets (-) / liabilities (+) in the balance sheet	0	0
Total deferred tax benefit (-) / expense (+) for the year	0	0

The following are the deferred tax liabilities (+) and assets (-) recognized by the Company and movement during 2018

(USD IN THOUSAND)	BALANCE JAN 1, 2018	RECOGNIZED IN INCOME	TRANSLATION DIFFERENCES	BALANCE DEC 31, 2018
Fixed assets	-344	214	5	-125
Up-front fee and capitalized borrowing cost	32	1,861	-121	1,772
Interest bearing liabilities	-24,544	170	1,355	-23,019
Derivatives	-1,548	0	86	-1,462
Net unrealized gains on non-current foreign exchange receivables and liabilities	233,754	77,378	-17,955	293,178
Other	-9,750	0	543	-9,208
Tax losses carried forward	-610,370	8,878	33,398	-568,094
Total	-412,770	88,501	17,312	-306,957

J OTHER OPERATING EXPENSES

Specification of other operating expenses

(USD IN THOUSAND)	2018	2017
Operating lease expenses	-22	-25
Audit remuneration	-205	-337
Consultancy fee	-410	-878
Insurance	-195	-207
Other operating expenses	-408	-439
Total Other operating expenses	-1,240	-1,885

Reduction in consultancy fee is primarily related to decrease in legal fees.

Audit remuneration

(USD IN THOUSAND)	2018	2017
Statutory audit	-173	-183
Other non-audit services	-32	-154
Total auditor's remuneration expensed	-205	-337

In addition, fee in amount of USD 147 thousand has been capitalized related to the issuance/registration of the USD senior secured bond.

Future payment obligations

The future aggregate minimum payment obligation are as follows

(USD IN THOUSAND)	2018			2017		
	OPERATING LEASE	OTHER	TOTAL	OPERATING LEASE	OTHER	TOTAL
No later than 1 year	7	40	47	7	44	51
Later than 1 year but not later than 5 years	0	0	0	0	0	0
Later than 5 years	0	0	0	0	0	0
Total	7	40	47	7	44	51

K INTEREST AND CURRENCY

INTEREST INCOME, INTERNAL

The Company conducts financing for the Group. See note 17 to the consolidated financial statements of the Group. Interest income increased in 2018 compared to 2017 mainly due to increases to Group internal loans.

INTEREST EXPENSES, EXTERNAL

Specification of interest expenses, external

(USD IN THOUSAND)	2018	2017
Calculated interest on tax liability	-386	-4,504
Interest USD Senior Secured bond	-9,281	0
Interest USD Convertible bond	-2,078	-7,209
Interest NOK bond	-2,079	-5,900
Total Interest expenses, external	-13,823	-17,613

Interest expenses on USD Senior Secured bond and NOK bond include expensing of upfront fees, see note 25 to the consolidated financial statements.

OTHER FINANCIAL EXPENSES

Other financial expenses for 2018 include USD 2,799 thousand related to excess price paid for buy back of USD Convertible bond and NOK bond.

CURRENCY GAINS AND LOSSES

Specification of net currency gains and losses

(USD IN THOUSAND)	2018	2017
Net currency gains on liabilities denominated in NOK	2,058	0
Net currency losses related to USD loans to subsidiaries	0	-45,450
Net currency gains on USD convertible bond	0	5,584
Net currency gains / losses on other - mainly bank deposit	1,017	-344
Total Net currency gains and losses	3,075	-40,211

The change of functional and reporting currency on January 1, 2018, gives rise to change how the currency gains and losses are calculated and recognized for 2018 and 2017. In 2018 asset and liabilities denominated in NOK gives rise to currency gains and losses. In 2017 asset and liabilities denominated in USD gives rise to currency gains and losses. In 2017

L DERIVATIVES, OTHER CURRENT LIABILITIES

DERIVATIVES

The indemnification option contract was the only derivative instrument held by the Company. The overview of derivatives in note 11 to the consolidated financial statement is therefore representative for the Company for the periods presented.

See notes 3 and 11 to the consolidated financial statements for a description, purpose, and accounting policies for derivatives.

Specification of other current liabilities

AT DECEMBER 31 (USD IN THOUSAND)	2018	2017
Accrued interest on interest-bearing liabilities	2,741	4,001
Accrued interest on tax liabilities	4,616	4,504
Accrued operating costs	269	305
Total Other current liabilities	7,626	8,810

M IMPAIRMENT OF FINANCIAL ASSETS

Impairment of shares in REC Silicon AS

(USD IN THOUSAND)	2018	2017
At cost January 1	102,222	97,276
New Shares	2,783	0
Share options	0	26
Exchange difference	0	4,920
At cost December 31	105,004	102,222
Accumulated impairment at January 1	-38,217	-26,795
This year's impairment	0	-10,067
Exchange difference	0	-1,355
Accumulated impairment at December 31	-38,217	-38,217
Carrying value at December 31	66,787	64,005

REC Silicon ASA owns all the shares in REC Silicon AS which owns REC Silicon Inc. that is the holding company of the USA operations. In addition, REC Silicon AS owns all the shares in REC Silicon Pte Ltd.

In 2017 REC Silicon AS impaired the value of the shares in REC Silicon Pte Ltd with NOK 82,4 million. As a consequence of the impairment loss in REC Silicon AS, REC Silicon ASA impaired their shares in REC Silicon AS.

REC Silicon AS shares in REC Silicon Inc, were impaired to zero in 2016 Interest expenses include expensing of upfront fees, see note 25 to the consolidated financial statements.

Impairment of loan to US operations

(USD IN MILLION)	2018	2017
Par value at January 1	944,628	919,628
Accumulated impairment at January 1	-318,865	-30,302
Carrying value at January 1	625,763	889,326
Addition	57,300	25,000
Impairment	-391,889	-288,563
Carrying value at December 31	291,174	625,763
Par value at December 31	1,001,928	944,628
Accumulated impairment at December 31	-710,754	-318,865

The impairment loss represents the book value in excess of the fair value of loans to REC Silicon ASA's US subsidiaries.

Estimates of the value of US operations were calculated using the fair values of financial assets and liabilities held by the US entities and the net present value of cash flows of operations in the United States.

N RESEARCH AND DEVELOPMENT

REC Silicon ASA did not conduct any activities associated with research and development during 2018 and 2017.

O GUARANTEES AND INDEMNIFICATION AGREEMENTS

At December 31, 2018 bank guarantees amounted to USD 1,112 thousand (USD 1,214 thousand at December 31, 2017). These guarantees were cosigned by REC Solar.

The Company and some of its subsidiaries are jointly and severally liable for certain loans established by the Company.

- Relevant loan agreement at December 31, 2018 was as follows:
 - REC04: USD Senior Secured Callable bond, USD 110 million. The tenor is from April 13, 2018 to April 13, 2023
- The Company and the following subsidiaries of the Company are jointly and several liable for the above-mentioned loan at December 31, 2018: REC Silicon AS, REC Silicon Inc., REC Advanced Silicon Materials LLC, REC Solar Grade Silicon LLC REC Silicon Pte. Ltd.

The Company has provided guarantees and indemnification agreements in connection with the bankruptcy of REC Wafer Norway AS in 2012. The maximum amount of the indemnification agreements is NOK 270 million (USD 31,114 thousand). Liabilities have been estimated based upon conditions contained in these agreements for NOK 212.7 million (USD 24,450 thousand) at December 31, 2018. Indemnification loans estimated to NOK 200 million (USD 22,990 thousand and an option agreement with estimated fair value of NOK 12.7 million (USD 1,460 thousand). See note 29 and 30 to the consolidated financial statements for more information.

P RELATED PARTIES

Related parties' transactions for the Company are primarily interest income (see the income statement and note K) and loans to its subsidiaries (note D and M)). These loans are included in non-current receivables from subsidiaries (see the balance sheet). In 2018, the Company contributed equity to REC Silicon AS (note C). Group Management and Board of Directors' compensation, ownership of shares and options, loan agreements and guarantees are shown in note 16 to the consolidated financial statements.

Q CONTINGENT LIABILITIES

See note 31 to the consolidated financial statements. Specifically, notices of reassessment from the Central Tax Office for Large Enterprises. As a consequence, the Company recognized in 2017 an income tax NOK 213.6 million – USD 26,029 thousand.

At December 31, 2018 the tax liability is estimated to USD 24,549 thousand. The change from 2017 due to currency fluctuation. In 2017 an estimated interest on the tax liability of USD 4,504 thousand was expensed in 2017 and USD 386 thousand was expensed in 2018.

AUDITOR'S REPORT



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To the General Meeting of REC Silicon ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of REC Silicon ASA. The financial statements comprise:

- The financial statements of the parent company REC Silicon ASA (the Company), which comprise the balance sheet as at 31 December 2018, and the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of REC Silicon ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018, and statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund



Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements and the Board of Directors' report, which indicates that there is substantial risk associated with the Company's liquidity in 2019, due to impacts of the tariffs imposed on US polysilicon by China, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon. As stated in Note 3 and the Board of Directors' report, these events or conditions, along with other matters as set forth in Note 31 and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. . In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Asset Impairment

Refer to page 3 in the Board of Director's report, the accounting policies on page 38, the critical accounting judgments and key sources of estimation uncertainty described in Note 4 on page 44, and Note 7 on page 51 in the consolidated financial statements.

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The impairment assessment of the Solar Materials CGU with a total carrying value of USD 60.4 million is considered a risk area due to the size of the balances, recent impairments and the current economic environment in the Group's operating segment and jurisdictions, including the ongoing trade war.</p> <p>The recoverable amount is determined based on value in use calculations which rely on external factors, managements' assumptions, and estimated future performance. Key assumptions applied in management's assumptions are future market development and conditions, discount rates applied for cash flow forecast, future long-term sales prices, cash flow growth assumptions, and estimated timing of cash flows.</p> <p>Significant auditor judgment is required when evaluating whether management's assessment is reasonable and supportable.</p> <p>Impairment charges of USD 340.5 million have been recognised during the year.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> - We assessed management's process and results for identification and classification of cash generating units (CGUs) to ensure they were appropriate and in accordance with IAS 36; - We evaluated the historical accuracy of management's budgets and forecasts and challenged management on the current year cash flow forecasts as well as the timing on future cash flows; - We evaluated and challenged management on the growth assumptions and management's future business plan assumptions with reference to current market conditions; - We used KPMG valuation specialists to assess the mathematical and methodological integrity of management's impairment models and the discount rates applied with reference to market data; - We obtained and evaluated management's sensitivity analysis to determine the impact of reasonably possible changes; and



	<p>- We considered whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying assets impairment assessments.</p> <p>From the audit evidence obtained, we consider management's assessment of the carrying value of property, plant and equipment to be in accordance with the requirements under the relevant accounting standards.</p>
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Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and Board of Directors' report on Corporate Governance, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's Report - 2018
REC Silicon ASA

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all



Auditor's Report - 2018
REC Silicon ASA

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statement on Corporate Governance concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 12 April 2019
KPMG AS

Vegard Tangerud
State Authorised Public Accountant

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

An Alternative Performance Measure (APM) is a measure of historic or future financial performance, financial position, or cash flows other than a financial measure defined or specified in the applicable financial reporting framework.

The Company has identified the following APMs used in reporting:

EBIT	<p>EBIT is an acronym for Earnings Before Tax and represents profit/loss from total operations excluding income tax expense/benefit, net financial items, and share of profit/loss from investments in associates.</p> <p>EBIT is reflected on the consolidated statement of income on the line titled EBIT. EBIT has been reported as a loss of USD 407.1 million for the year ended December 31, 2018 and a loss of USD 127.5 million for the year ended December 31, 2017.</p>
EBIT Margin	<p>EBIT margin is calculated by dividing EBIT by revenues. EBIT and revenues are reflected on the Company's statement of income, in note 5 Segment Information, and in the financial highlight tables in this report in lines titled similarly.</p> <p>EBIT margin has been calculated and is reported in the financial highlight tables for REC Silicon Group.</p>
EBITDA	<p>EBITDA is an acronym for Earnings Before Tax, Depreciation, and Amortization. EBITDA is EBIT excluding depreciation, amortization and impairment.</p> <p>EBITDA is reflected on the consolidated statement of income on the line titled EBITDA. EBITDA has been reported as a loss of USD 4.9 million for the year ended December 31, 2018 and income of USD 19.8 million for the year ended December 31, 2017.</p>
EBITDA Margin	<p>EBITDA margin is calculated by dividing EBITDA by revenues. EBITDA and revenues are reflected on the Company's statement of income, in note 5 Segment Information, and in the financial highlight tables in this report in lines similarly titled.</p> <p>EBITDA margin has been calculated and is reported in the financial highlight tables for REC Silicon Group, in the key financials table for each operating segment.</p>
EBITDA Contribution	<p>EBITDA contribution is used to describe the contribution of each of the operating segments, other, and eliminations to the Company's total EBITDA. For the operating segments, EBITDA contributions represents revenues less cost of manufacturing excluding depreciation and amortization. For other, EBITDA contribution represents primarily operating costs.</p> <p>A table reconciling the EBITDA contribution of each operating segment along with other and eliminations to the Company's total EBITDA can be found in note 5 Segment Information.</p>
EBIT Contribution	<p>EBIT contribution is used to describe the contribution of each of the operating segments, other, and eliminations to the Company's total EBIT. For the operating segments, EBIT contributions represents revenues less cost of manufacturing including depreciation and amortization. For other, EBIT contribution represents primarily operating costs.</p> <p>A table reconciling the EBIT contribution of each operating segment along with other and eliminations to the Company's total EBIT can be found in note 5 Segment Information.</p>
Equity Ratio	<p>The equity ratio is calculated by dividing total shareholders' equity by total assets. Total shareholders' equity and total assets are reflected on lines similarly titled on the Company's statement of financial position.</p> <p>At December 31, 2018, the equity ratio is 30 percent and is calculated by dividing USD 106.7 million total shareholders' equity by USD 357.3 million in total assets.</p> <p>At December 31, 2017, the equity ratio is 56 percent and is calculated by dividing USD 448.9 million total shareholders' equity by USD 800.2 million in total assets.</p>

Net Debt

Net debt is the carrying value of interest bearing debt instruments less cash and cash equivalents.

The carrying value of debt can be found in note 17 Borrowings in the table under the caption carrying amount and cash can be found in the statement of financial position on the line titled cash and cash equivalents.

At December 31, 2018, net debt was USD 99.4 million or USD 131.3 million carrying value of the Company's debt (from note 17 Borrowings) less USD 31.8 million in cash in cash equivalents.

At December 31, 2017, net debt was USD 83.3 million or USD 187.8 million carrying value of the Company's debt (from note 17 Borrowings) less USD 104.5 million in cash in cash equivalents.

Nominal Net Debt

Nominal Net debt is the contractual repayment values of interest bearing debt instruments (excluding interest) less cash and cash equivalents.

The contractual repayment values of debt can be found in note 17 Borrowings in the table under the caption contractual repayments including interest and cash can be found in the statement of financial position on the line titled cash and cash equivalents.

At December 31, 2018, nominal net debt was USD 101.2 million or USD 133.0 million contractual repayment values of the Company's debt less USD 31.8 million in cash in cash equivalents.

At December 31, 2017, nominal net debt was USD 85.4 million or USD 189.9 million contractual repayment values of the Company's debt less USD 104.5 million in cash in cash equivalents.

FBR Manufacturing Costs

Variable, direct, and indirect manufacturing costs excluding depreciation and amortization divided by production volume (excluding fines and powder). FBR Manufacturing Costs do not include general and administrative costs.

The following table demonstrates the components and calculation of FBR Manufacturing Costs for 2018 and 2017:

	FBR MANUFACTURING COSTS			
	2018		2017	
	USD MILLION	USD/KG	USD MILLION	USD/KG
Cost of Materials	\$ 34.7		\$ 36.1	
Employee Benefit Costs	20.6		25.3	
Other operating expenses	41.4		47.3	
Less: Idle facility costs	-1.2		-1.5	
Change in Semi-finished Inventories	-3.0		-7.7	
Production costs	92.5	\$ 12.2	99.4	\$ 10.6
Depreciation of fixed assets	\$ 39.2		\$ 128.9	
Amortization	0.2		0.4	
Less: Idle facility depreciation	-1.2		-6.8	
Change in Semi-finished Inventories	-1.0		-1.4	
Depreciation and amortization costs	\$ 37.2	\$ 4.9	\$ 121.0	\$ 12.9
Polysilicon production in MT	7,584		9,379	

Amounts for cost of materials, employee benefit costs, other operating expenses, depreciation of fixed assets, and amortization can be found in the table reflecting the operating results of the solar materials segment in note 5 Segment Information. Polysilicon production can be found in the key financials table for the Solar Materials segment. Idle facility costs are taken from calculations used to assign manufacturing costs to produced inventories and represent silane gas loading facilities in Moses Lake which are not currently utilized. Change in semi-finished inventories represent changes in work in process and include the transfer of worked materials between facilities at cost.

RECSiLICON

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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 US 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