

ENERGIZING LIFE TOGETHER



# REC SOLAR ASA INVESTOR PRESENTATION

Contemplated offering in relation  
to a separation of REC Silicon  
and REC Solar

18 July, 2013



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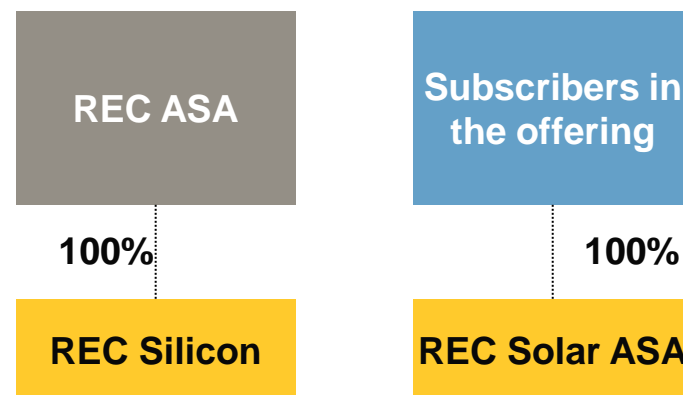
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# Fully underwritten offering of NOK 800m in REC Solar ASA to fund acquisition of 100% of REC Solar



- NOK 800m fully underwritten offering in REC Solar ASA\* in order to fund the acquisition of 100% of REC ASA's Solar Division\*\*
- REC ASA shareholders receive non-tradable subscription rights in REC Solar ASA. Over-subscription will not be allowed
- Certain major shareholders in REC ASA have secured a guarantee consortium. Other shareholders are invited to join in the guarantee consortium
- Completion is subject to certain terms and conditions that may be found in the term sheet dated 18 July, 2013

## Illustration of the contemplated transaction



- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>→ Ownership to remain with REC ASA</li> <li>→ CEO Ole Enger</li> <li>→ HQ Norway (initially)</li> </ul> | <ul style="list-style-type: none"> <li>→ Comprises REC ASA's Solar Division</li> <li>→ CEO Øyvind Hasaas</li> <li>→ HQ Singapore</li> </ul> |
|--|---|

\* REC Solar ASA is currently a wholly owned subsidiary of REC. REC's Solar Division comprises REC Solar AS and/or its subsidiaries as well as REC Site Services Pte. Ltd. The separation will be structured either as an asset or a share transaction.

\*\* Proceeds from offering to be utilised for settlement with REC ASA

# REC Solar ASA expected to be listed in mid-October



## Underwriting consortium

- Certain REC Shareholders were invited to participate prior to announcement on 18 July
- Other shareholders invited from 18 July through 22 July

## Main approvals

- Bondholder meetings targeted within August
- Extraordinary General Meeting in REC targeted within August
- Approval by Singaporean Authorities to be obtained
- REC Solar ASA's shares approved for listing by Oslo Stock Exchange on or about 25 September

## Subscription period for REC shareholders

- Subscription rights received by REC shareholders on record as of EGM date
- Starting on or about 26 September
- Ending on or about 10 October

## Transaction completion and first day of listing

- Transaction completion on or about 16 October
- First day of listing expected to occur within ~2 days after Transaction completion

# Establishing two pure-play companies well positioned for favorable long-term fundamentals of solar energy



**REC Solar is a leading provider of solar panels and solutions**

- Proven track record of cost reduction and high product quality
- Current spot price is above the Q2 2013 cash cost → Q2 2013 revenue and EBITDA of NOK 1,070m and NOK 75m respectively
- Strong market position in Europe and Asia
- A debt free financial base allowing for growth and further investment in new technology

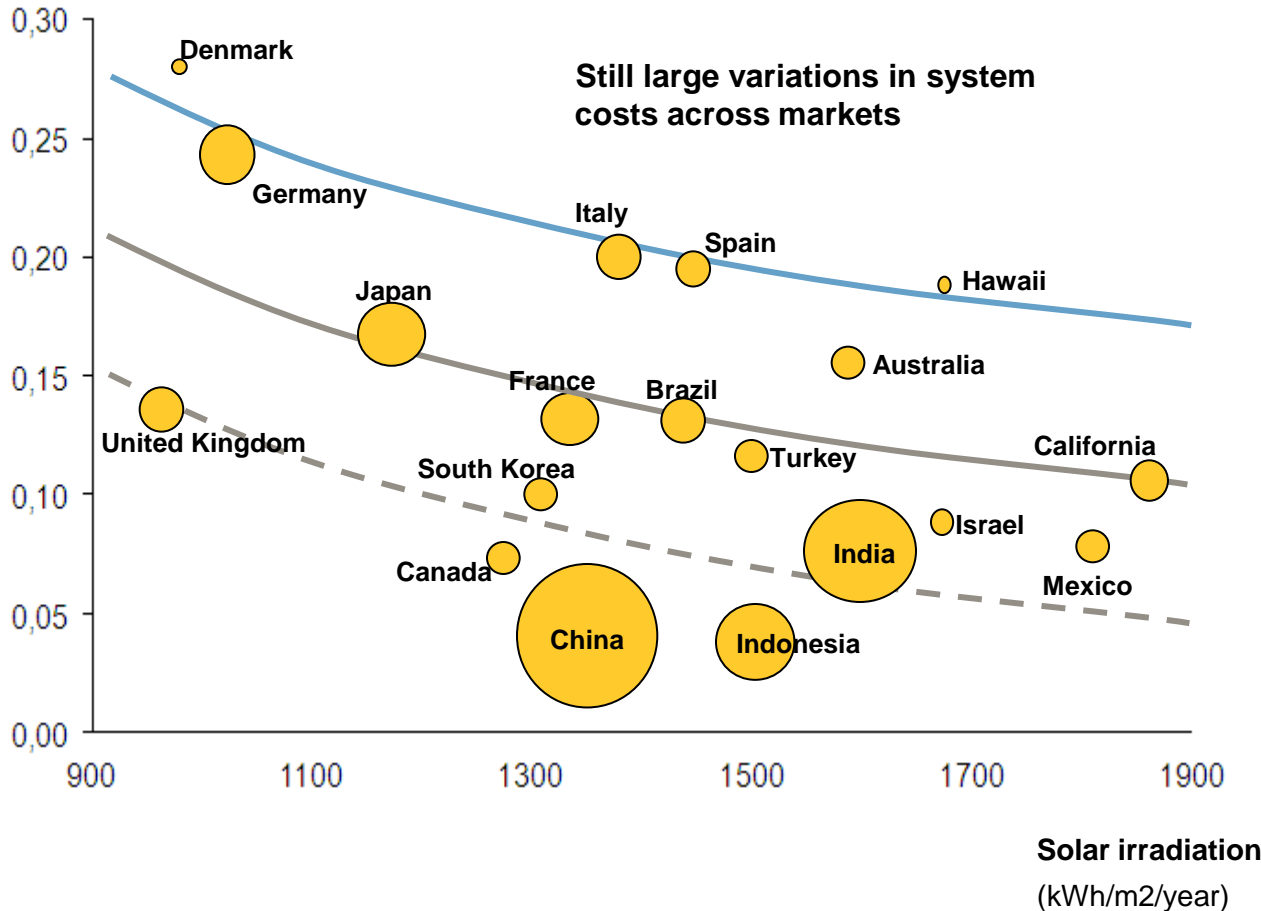
**REC Silicon further deleveraged and positioned for growth**

- Industry-leading cost position based on proprietary technology for production of granular polysilicon
- Diversified product offering through electronic grade & float zone polysilicon and silane gas
- Balance sheet further strengthened through net proceeds from sale of REC Solar
- Positioned for further growth

# Cost of solar is now below retail electricity prices in several markets

## Residential electricity price

Euro/kWh

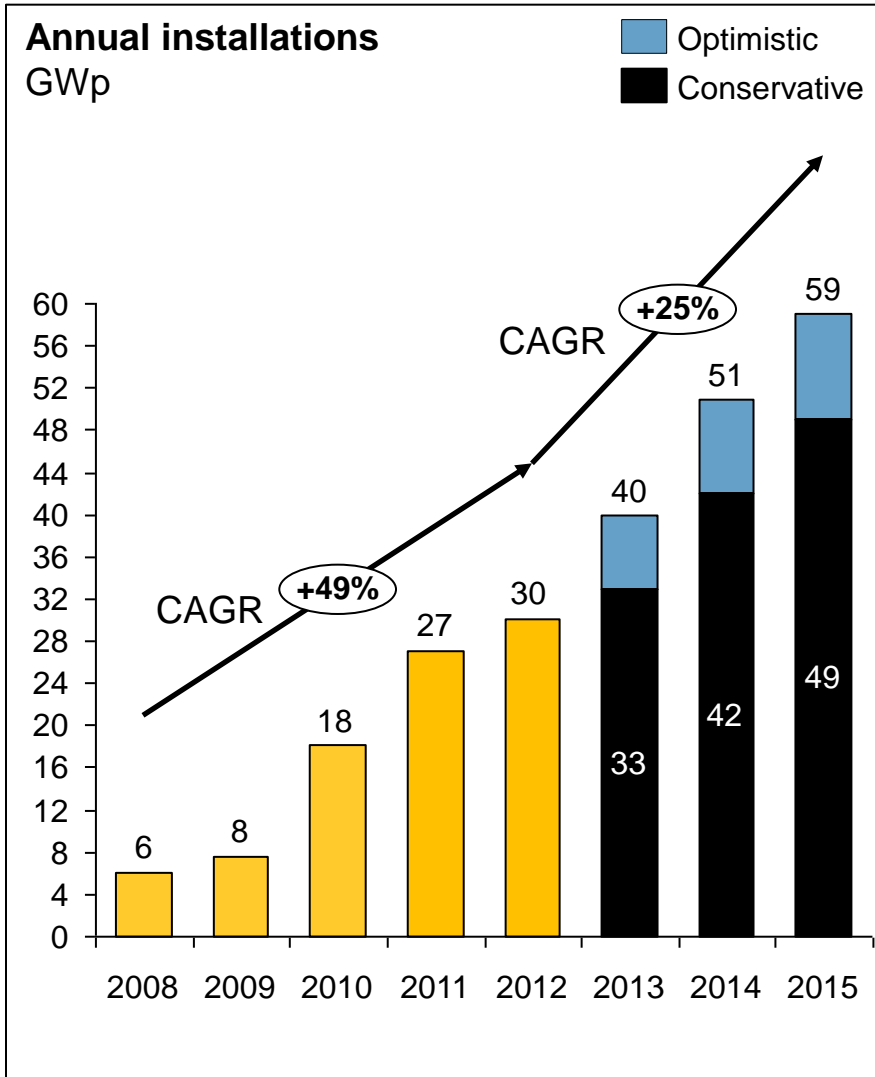


- Solar LCOE @2.2 Euro/Watt\*
- Solar LCOE @1.4 Euro/Watt\*
- - Solar LCOE @1.0 Euro/Watt\*

- Levelized cost of solar energy is below the residential price in a number of markets
- But, consumers still depend on grid connection
- Political support through improved regulation now more important than financial incentives

\* LCOE: Levelized cost of energy @ PV system price with 7% WACC  
 Source: Bloomberg New Energy Finance and REC analysis

# Strong fundamentals expected to drive market growth



- Demand in Europe stagnating
- Strong growth in Japan, China and US
- A number of new markets emerging in Asia, Africa and Latin America
- Analyst demand estimates for 2013-2015 revised upwards during the last six months

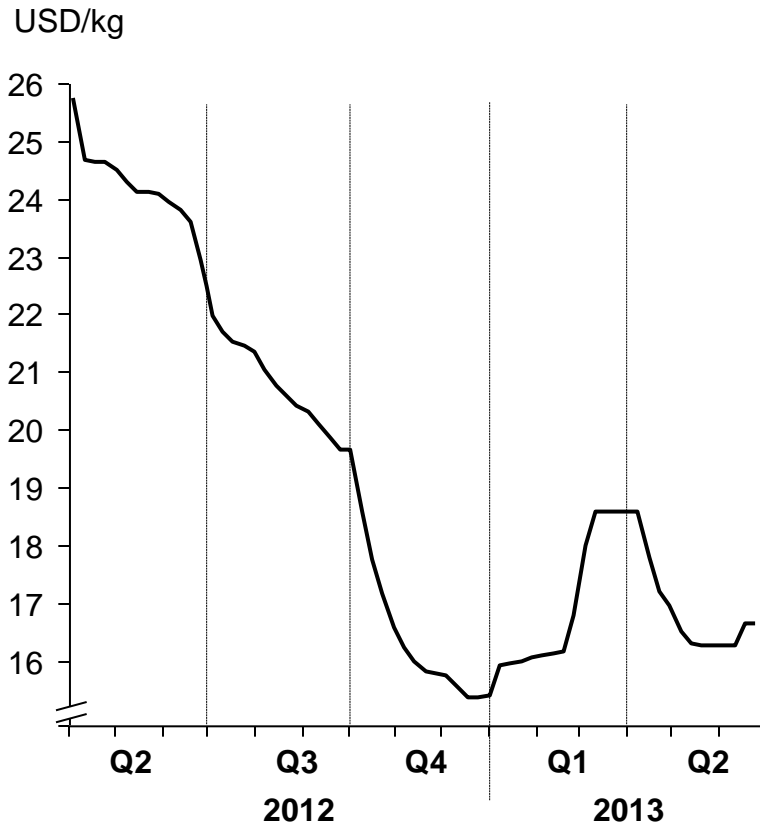
Source: Bloomberg New Energy Finance, May 2013



# Solar spot prices have recovered somewhat

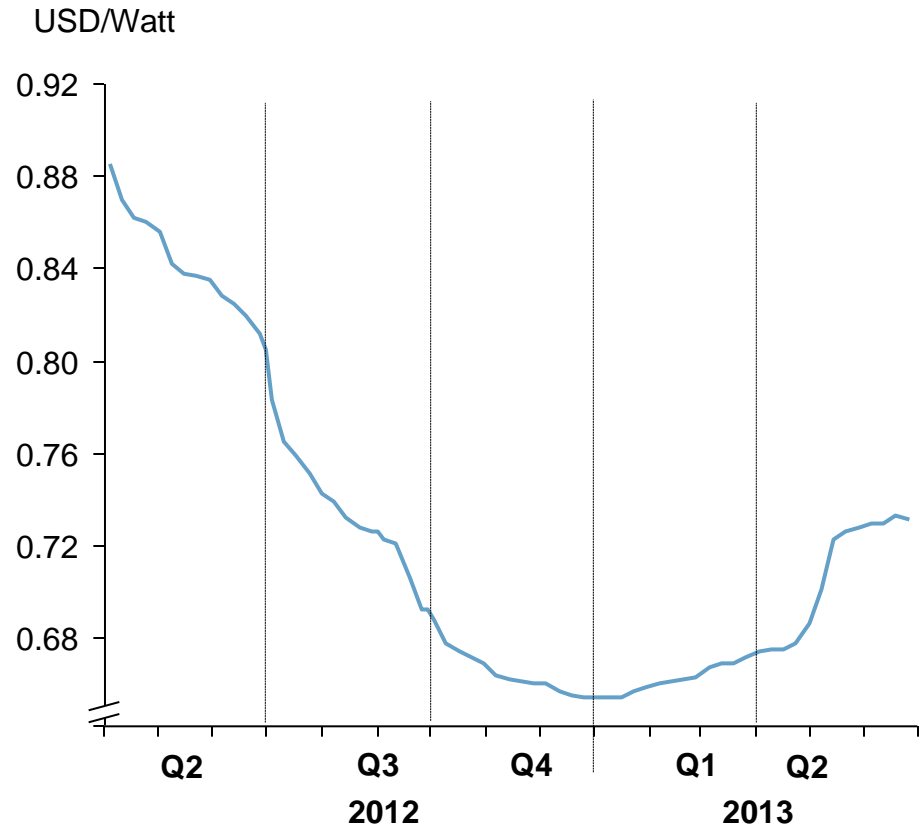


## Polysilicon spot prices



**Current spot price: ~16.5 USD/kg**

## Solar panel spot prices



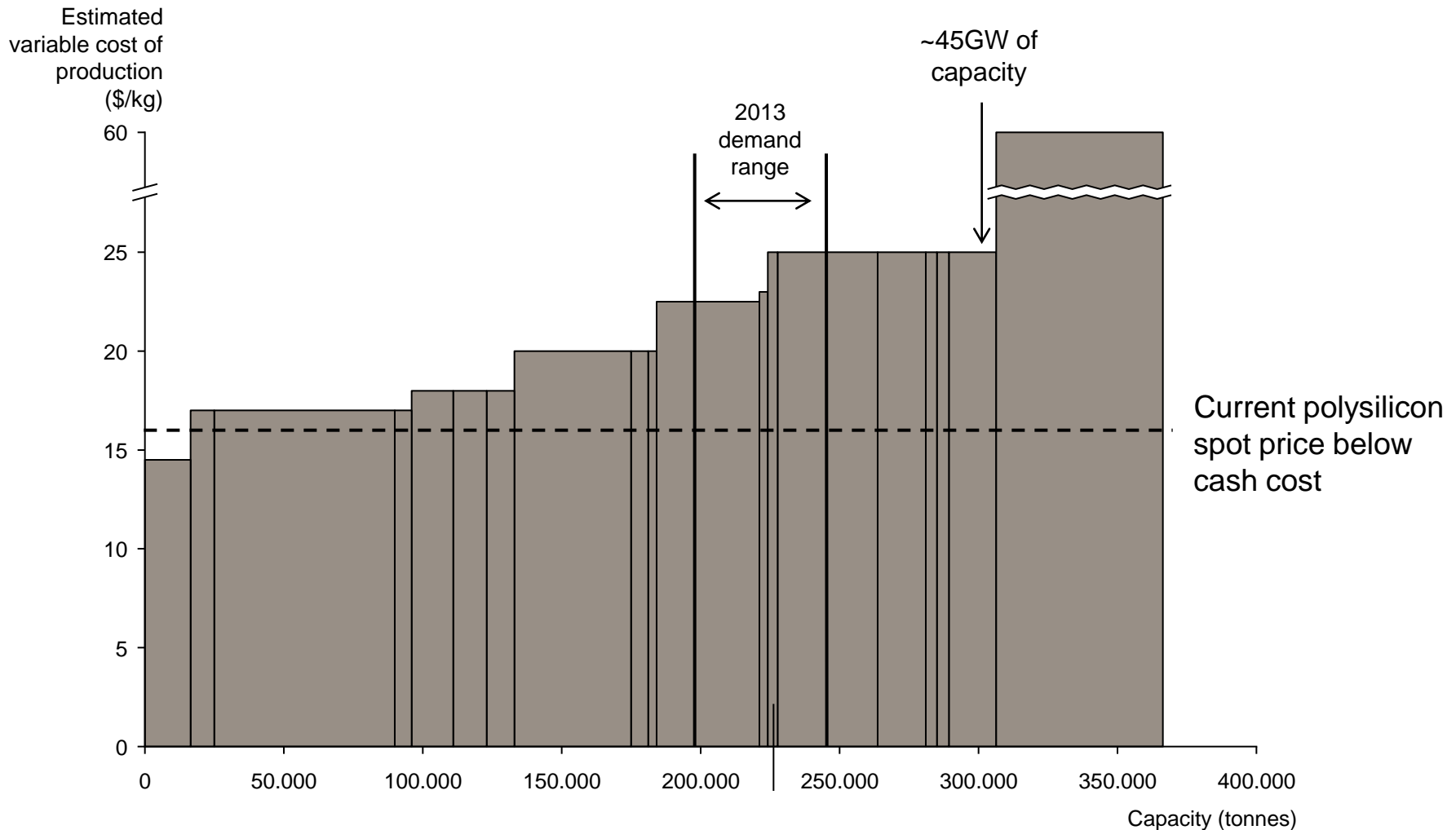
**Current spot price: ~0.73 USD/Watt (0.56 EUR/Watt)**



# ~45 GW of poly capacity at cash cost below 25 USD/kg



## Industry wide polysilicon production capacity and estimated production cost



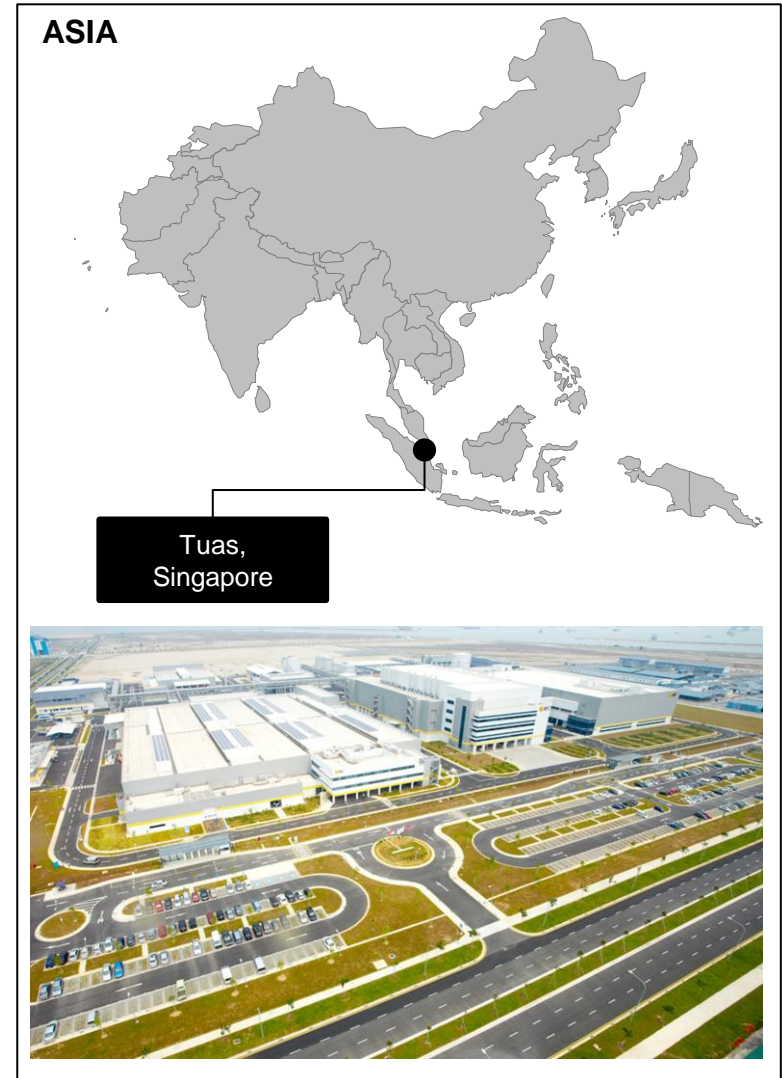
Source: Bloomberg New Energy Finance, May 2013

# REC Solar – a leading solar panel supplier

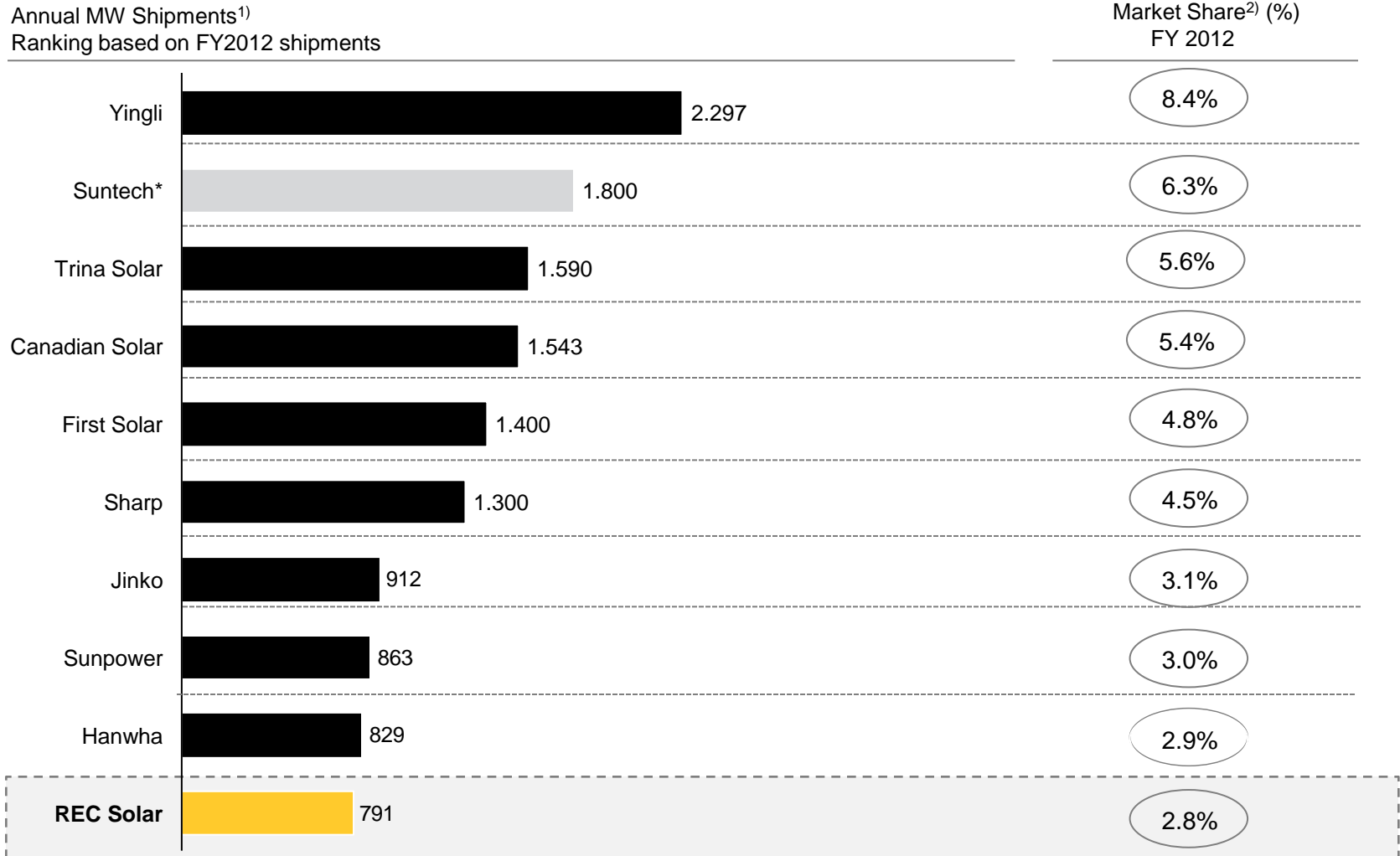


## REC Solar - in brief

- Delivering reliable, customer-focused solar electricity products, services and solutions
- Integrated and highly automated wafer cell and solar panel facility in Singapore
- About 1,500 employees producing about 775 MW in 2013
- Strong focus technology development and on maintaining high quality standards
- Strong industry brand name & reputation
- Protecting market shares in Europe while increasing sales to Japan and other Asian markets



# REC Solar is among the top ten solar panel suppliers

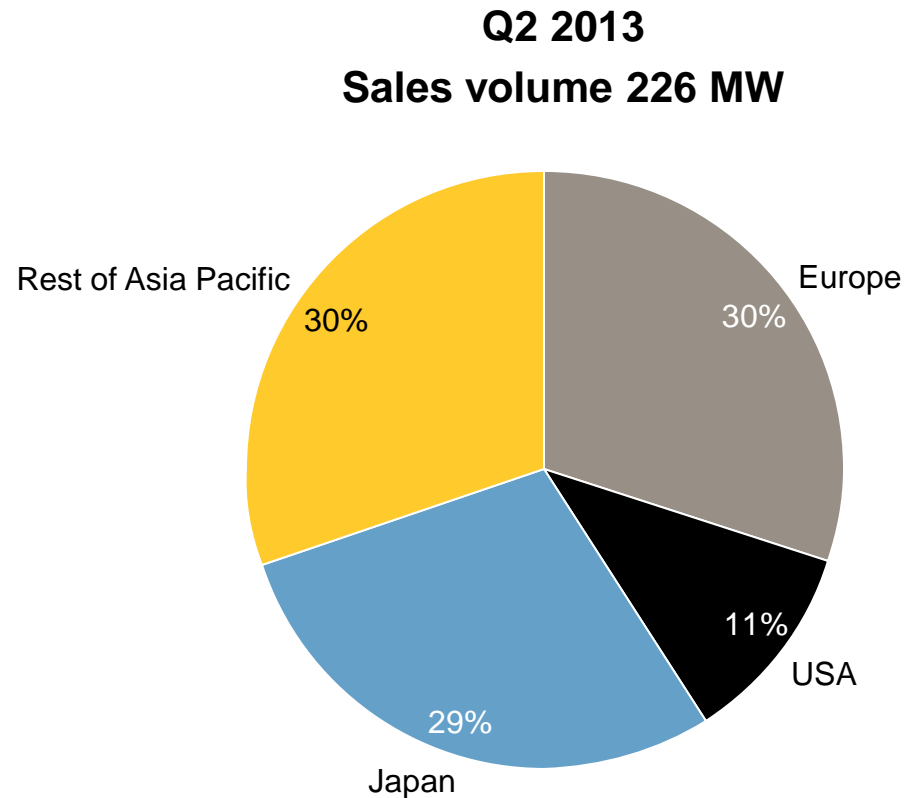


Notes: 1) Branded and OEM module shipments; 2) Total market:28.6GW (\*) Suntech insolvent in 2013

Sources: Company reports

- In 2012, Europe represented 79 percent of the sales volume
- In Q2'13, Asia represented 59 percent of the sales volume
- Significant shipments to a limited number of customers in Asia in the second quarter
- Europe currently strong - supported by anti-dumping tariffs on Chinese module suppliers

REC solar panel shipments based on customer location



## Project development activities

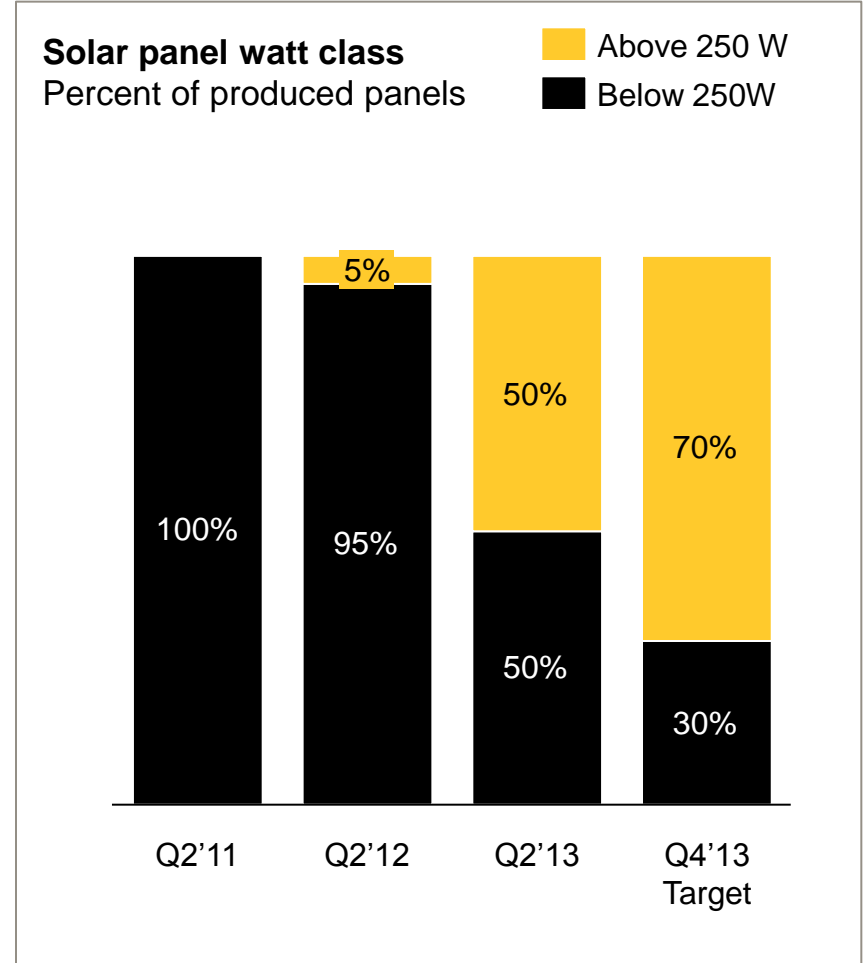
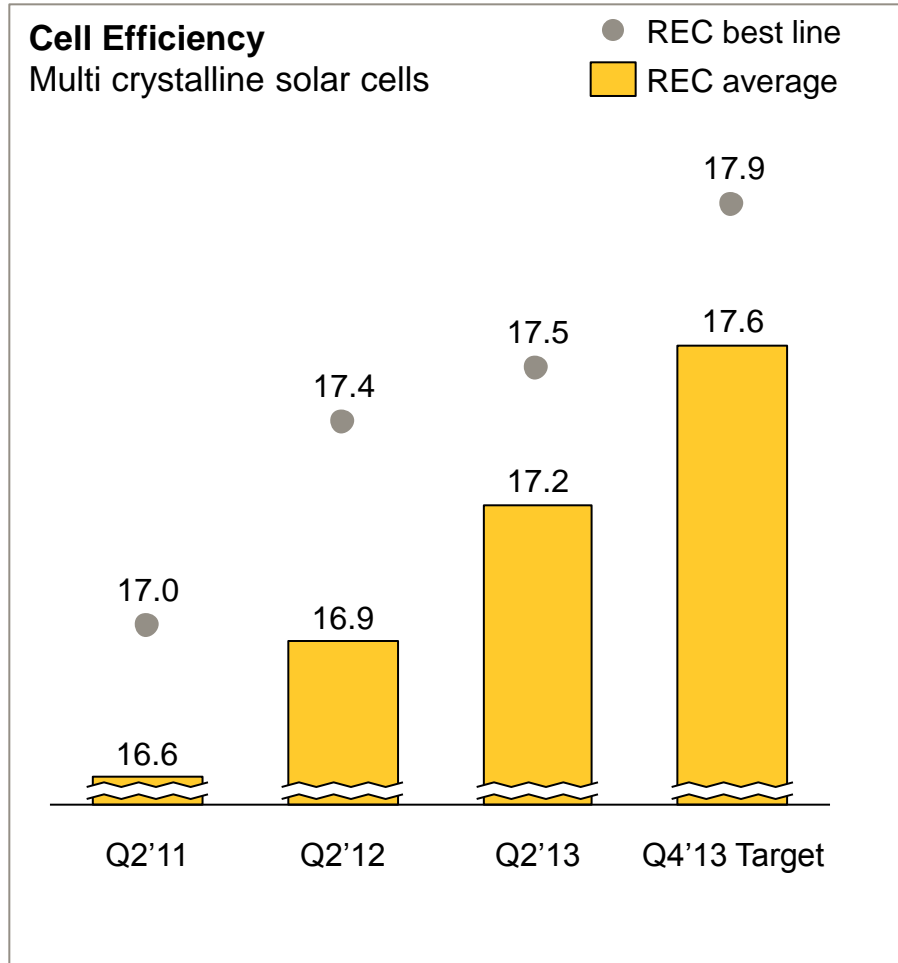
- REC Solar has developed, constructed and realized more than 110 MWp and 20 projects since 2010 – mainly in Europe
- Experienced team of close to 30 people within development, construction management and financing
- Key competence to be leveraged further to generate demand and capture value in new markets and commercial environment going forward



# REC's solar panel efficiency is steadily improving



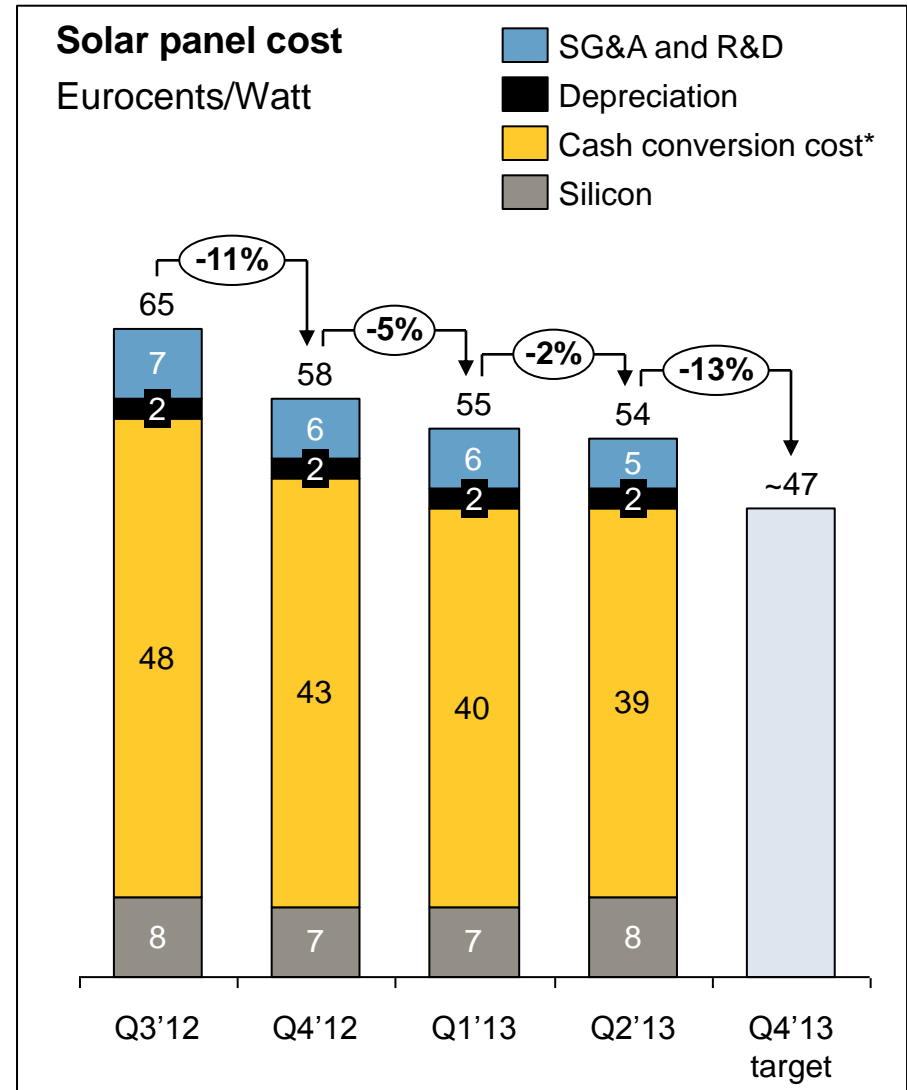
REC is investing in implementation of technology to further improve product performance



# REC's solar panel costs continue to come down



- Q2'13 solar panel cash cost of 52 Eurocents/Watt
- Q4'13 solar panel cash cost target of 45 Eurocents/Watt
- Main drivers of future cost reductions
  - Lower cost of sourced material
  - Improved ingot & wafer processing
  - Higher solar panel efficiency
- Cost target is ambitious with execution risks



\* Cash cost of converting polysilicon into solar panels. Includes freight.



# REC Solar ASA EBITDA of NOK 75m in Q2 2013

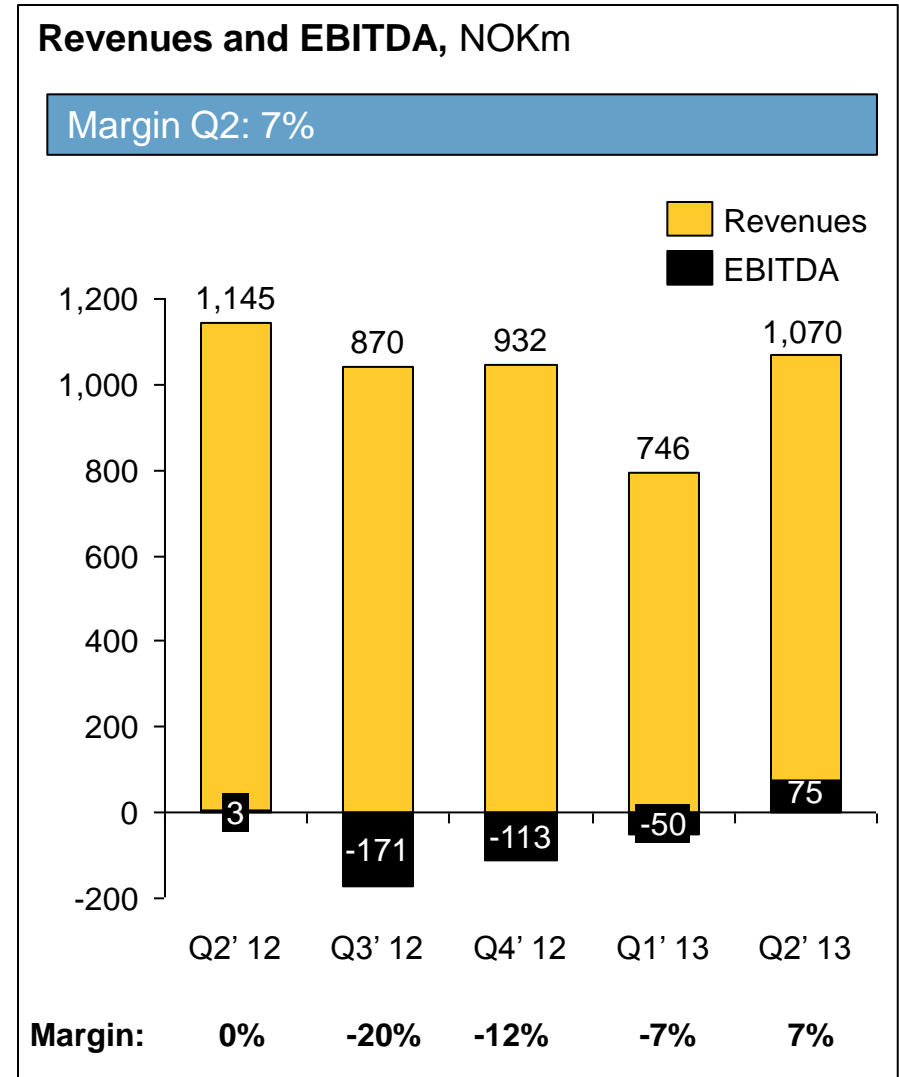


## → Revenues up from Q1'13

- Sales volume up 24 percent, selling prices up 6 percent in EUR
- Reduced solar panel inventory

## → EBITDA improved from Q1'13

- Higher sales volumes, increased prices and reduced cost

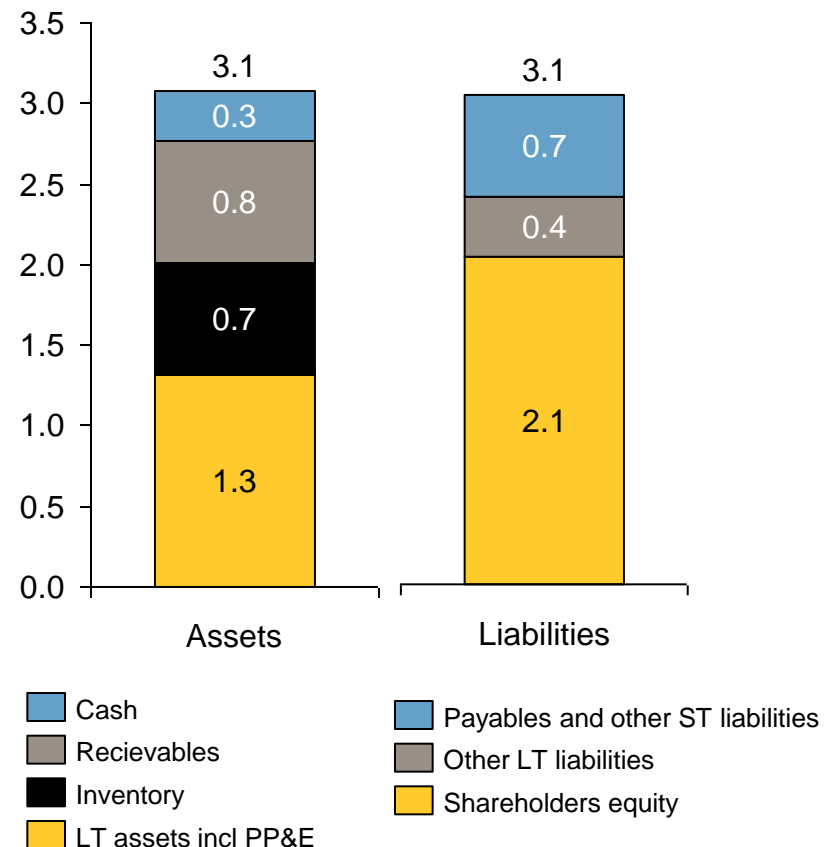


# REC Solar ASA set up with NOK 300m net cash position



- REC Solar to be provided with NOK 300m<sup>1)</sup> net cash position
- Additional undrawn credit facility of NOK 200m from REC ASA<sup>2)</sup>
- Pro forma equity ratio of 67%

**REC Solar - Q2'13 proforma balance sheet, NOKbn**



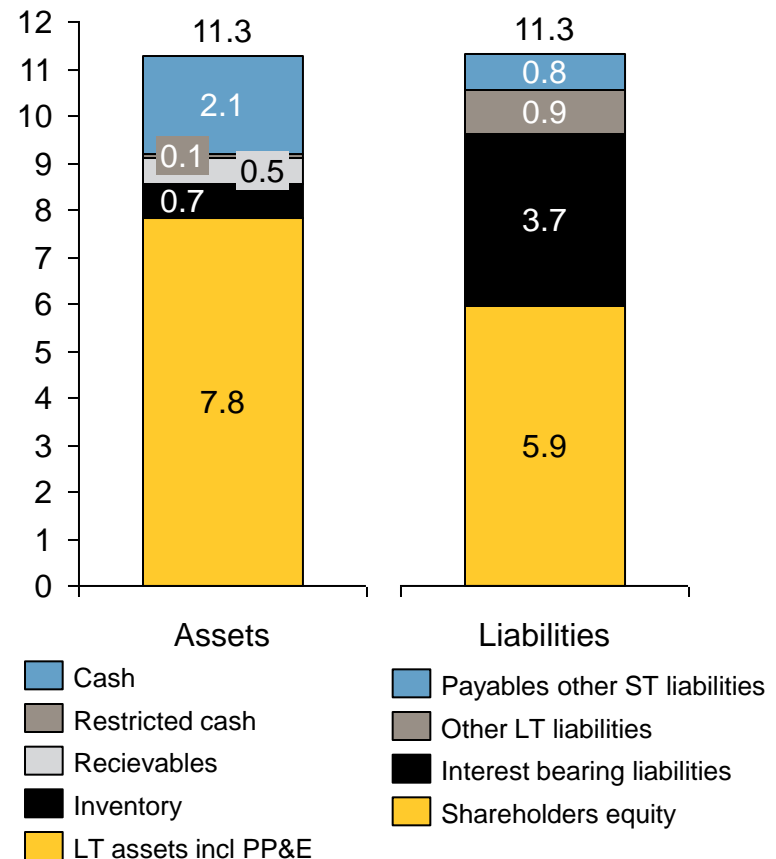
Notes: Financials are subject to final review 1) As of 30 June, 2013. 2) Will potentially be replaced by third party financing

# REC ASA with strengthened financial position - nominal net debt of NOK 1.7bn and equity ratio of 53%



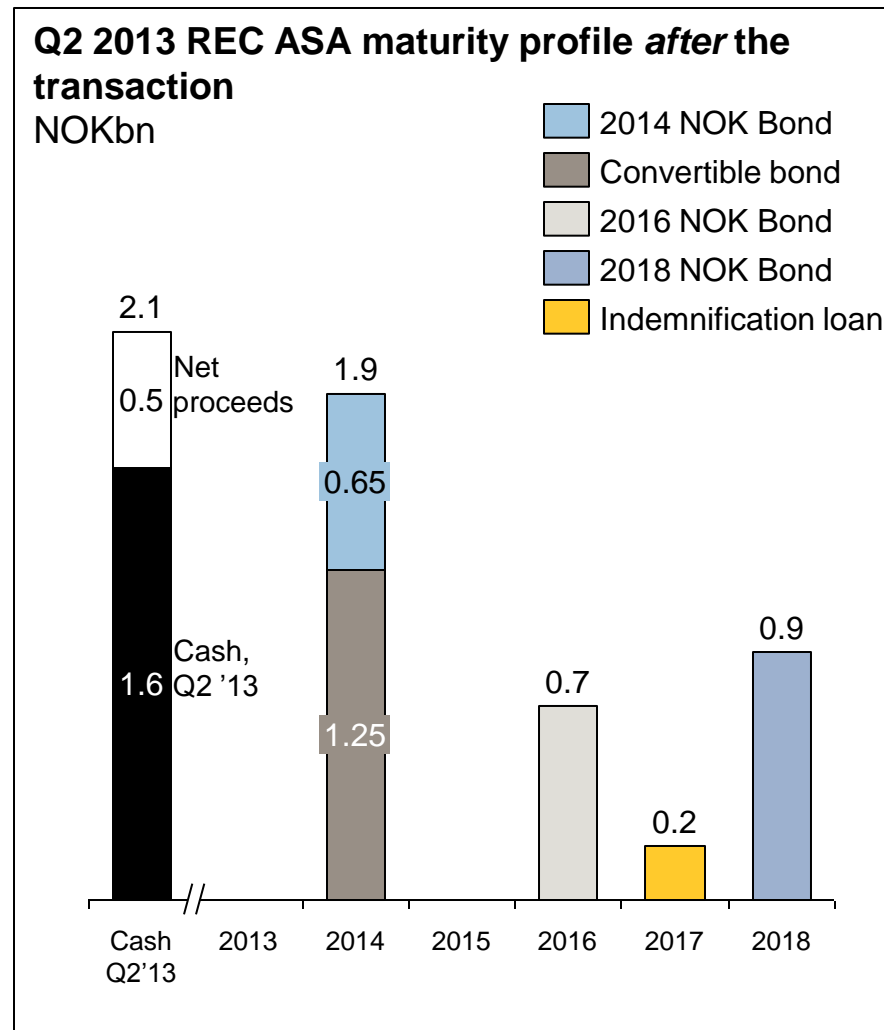
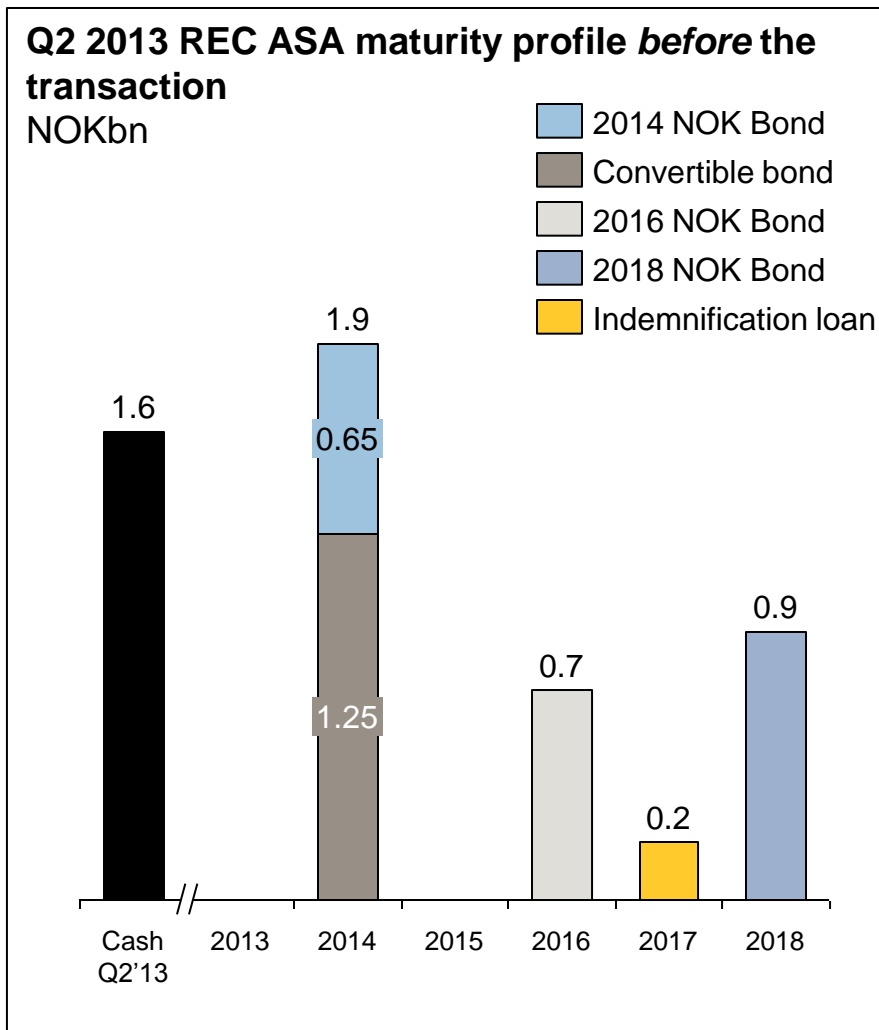
- REC ASA cash position improved by gross NOK 500m through proceeds from sales of REC Solar
- Pro forma nominal net debt of NOK 1.7bn
- Pro forma equity ratio of 53%
- Undrawn bank credit facility of NOK 400m maturing in April 2014
- NOK 400m guarantee facility maturing in April 2014

**REC ASA - Q2'13 proforma balance sheet, NOKbn**



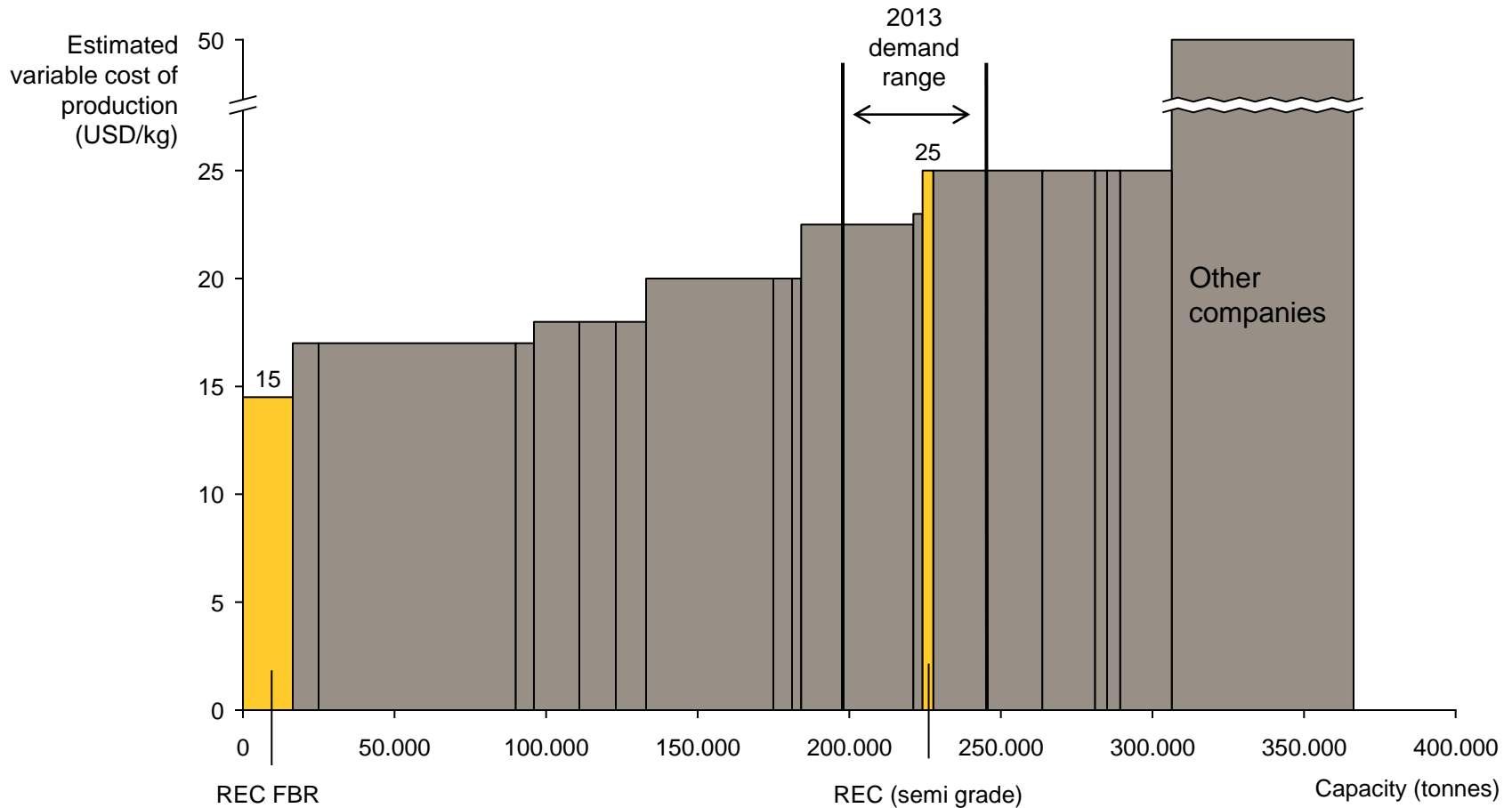
Note: Financials are subject to final review

# REC ASA cash position boosted by NOK ~0.5bn → Positioned for further growth



Note: Financials are subject to final review

# REC is well positioned on the polysilicon cost curve



Source: Bloomberg New Energy Finance, May 2013

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*Investing in the Company involves inherent risks. Prospective investors should consider, among other things, the risk factors set out below before making an investment decision. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations and adversely affect the price of the Company's securities. If any of the following risks actually occur, the Company's business, financial position and operating results could be materially and adversely affected. Consequently, an investment in the Company's securities is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.*

## **Risks relating to the PV Industry and other industries of importance to the Company**

- The development of the global energy market prices are of key importance to the PV industry and decreased electricity prices could potentially significantly reduce the demand for the Company's products.
- Continued government subsidies, incentives and other support are of key importance to the PV industry and political developments could lead to a material deterioration of the conditions for, or a discontinuation of, the incentives for PV systems.
- The Company is active in several jurisdictions and change in the legislation and regulatory framework in any of these jurisdictions might have a significant negative impact on the industries in which the Company operates and specifically on the Company
- Trade barriers, trade restrictions and unfair trade practices may have a significant negative impact on the Company's ability to sell its products. Should the Company be restricted from selling into important markets or competitors achieve unfair competitive advantages, this could have a significant adverse effect on the Company's business, prospects, financial results and results of operations.
- Limited capital availability for financing PV installations could have a significant negative impact on the demand for the Company's products.
- An increase in interest rates could significantly reduce the profitability of PV plants and a decrease in demand for PV systems.
- PV industry participants, including the Company, may not be able to achieve sufficient cost reductions through product innovations and process improvements to be competitive against other sources of renewable or conventional energy.
- The PV industry is not yet mature in terms of demand, market structure and technology and significant developments in technologies and changes in market structure supply and demand could significantly alter the Company's competitive situation
- There is currently significant overcapacity resulting in continued uncertainty with regards to market price development for the rest of 2013 and beyond. The significant risk of continued or recurring overcapacity in parts or of all of the markets in which the Company operates could lead to a further reduction in average selling prices and difficulties to keep high capacity utilization resulting in a significant deterioration of profitability.
- There are significant risks associated with rapid technological change, and if competitors gain advantages in the development of alternative technologies, this could affect the competitive position of the Company considerably and present a significant threat to its profitability, or even its existence.
- The recent financial crisis adversely affected the markets in which the Company operates, and any future financial crisis or significant set-back in the economy could have significant negative effects on the Company's financial results



# Risk factors (continued)



## ***Risks Relating to the Company and its business***

- The Company has limited long-term agreements with its customers and accordingly is subject to short term fluctuations in demand, which could have significant negative impacts on its operating results.
- There are significant risks associated with acquisitions, participations, partly owned companies and joint ventures.
- There are significant risks associated with the growth of the Company. The Company may not succeed in securing the necessary financing for future investments, and any future expansion projects may be significantly affected by cost overruns, schedule delays, technology risks and defects.
- The Company currently takes advantage of tax agreements and preferential tax treaties in certain territories. Such agreements and treaties are liable to change and renegotiations, which typically are outside the Company's control, that may remove some or all of the benefits the Company currently enjoys.
- Required financing arrangements may be significantly affected by general economic conditions.
- Continued or recurring competitive pressure in the solar industry may expose the Company to liquidity risk in the longer term.
- Changes in the interest rates affect cash flows and the estimated fair values of assets and liabilities.
- The Company is exposed to exchange rate risks, and exchange rate changes might significantly influence the relative cost position of the Company and the estimated fair values of assets and liabilities.
- Increased competitive pressure in the solar industry in recent years has increased credit risks related to contractual counterparties.
- The Company is likely to from time to time be involved in disputes and legal or regulatory proceedings. Such disputes and legal or regulatory proceedings may be expensive and time-consuming, and could divert management's attention from the Company's business.
- The continued operation in and intended expansion of the activities of the Company into additional foreign markets involves significant risks.
- Investments in alternative technologies, or in companies that develop such technologies, involve significant risks and may not give a positive return on investment.
- The Company is dependent on a limited number of third party suppliers for key production raw materials, supplies, components and services for its products and any disruption to supply could negatively impact its business significantly.
- The Company is relying on external subcontractors and suppliers of services and goods to meet agreed or generally accepted standards.
- The Company's results of operations may be significantly adversely affected by fluctuations in energy prices.
- The Company obtains equipment used in its manufacturing process from a limited number of suppliers and, if this equipment is faulty, damaged or otherwise unavailable, the Company's ability to deliver projects and products on time will suffer, which in turn could result in order cancellations and significant loss of revenue.
- The Company may not succeed in developing and implementing new measures to increase the conversion efficiency of solar cells or such improvements may require more time and resources than initially anticipated.

# Risk factors (continued)



## ***Risks Relating to the Company and its business (continued)***

- If the Company does not achieve satisfactory yields or quality in manufacturing its products, the Company's sales could decrease significantly and its relationships with its customers and its reputation may be harmed significantly.
- Problems with product quality or product performance, including defects in the Company's products, could result in a significant decrease in the number of customers and in revenues, significant unexpected expenses and loss of market share.
- The Company may be subject to significant unexpected warranty expenses.
- The Company relies upon intellectual property and trade secret laws and contractual restrictions to protect important proprietary rights, and, if these rights are not sufficiently protected, its ability to compete and generate revenue could suffer significantly.
- The Company may not obtain sufficient patent protection on the technology embodied in its products and production processes, which could significantly harm its competitive position and increase its expenses significantly.
- The Company's intellectual property indemnification practices may adversely impact its business significantly
- The Company could get involved in intellectual property disputes that could be time-consuming and costly and could result in loss of significant rights and/or penalties.
- The Company may incur significant costs to comply with, or as a result of, health, safety, environmental and other laws and regulations
- Because the markets in which the Company is active are highly competitive and many potential competitors may have greater resources, the Company may not be able to compete successfully and may lose or be unable to gain market share.
- The Company depends on certain executive officers and other key employees in the area of research and development and other qualified personnel in key areas.
- Product liability claims against the Company could result in adverse publicity and potentially monetary damages.
- The Company has a relatively limited operating history which may not serve as an adequate basis to judge its future prospects and results.
- The Company could be seriously harmed by catastrophes, natural disasters, consequences of climate change, operational disruptions or deliberate sabotage
- The Company could be seriously harmed by incidents resulting in damages not covered by insurance
- The Company's insurance policies need regular renewal, and the Company cannot guarantee that these renewals can be made on the same terms as existing policies or that the Company will be able to obtain insurance on normal and acceptable terms
- There are risks related to estimation uncertainty, as the assumptions used as basis for management's estimations are inherently uncertain and unpredictable and, as a result, future estimates and actual results may differ from the current estimates
- The Company's assets may be subject to impairment of asset values.

# Risk factors (continued)



## ***Risks relating to the Company's separation from REC ASA and its ongoing relationship with REC ASA***

- The Company does not have an operating history outside of the REC ASA group and investors may have difficulty assessing its historical performance and outlook for future revenues and other operating results.
- Certain of the Company's agreements and instruments are subject to change of control or similar provisions based on REC ASA's or third parties' ownership interest in the Company.
- The Company may from time to time experience conflicts of interest in its relationship with REC ASA; because REC ASA will own a significant stake in the Company, the resolution of these conflicts may not be on the most favourable terms of the Company.
- The Company currently relies on REC ASA for several transitional services and may incur additional costs after its separation from REC ASA.

## ***Risks Relating to the Shares***

- There is no prior market for the Shares, and an active trading market may not develop.
- The price of the Shares may fluctuate significantly, which could cause investors to lose a significant part of their investment.
- Future sales of Shares by major shareholders may depress the price of the Shares. There is no lock-up on the shares owned by REC ASA.
- Future share capital measures may lead to a substantial dilution of the shareholdings of the Company's shareholders.
- Pre-emptive rights may not be available to U.S. holders and certain other foreign holders of the Shares.
- It may be difficult for investors based in the United States to enforce civil liabilities predicated on U.S. securities laws against the Company, the Company's affiliates outside the U.S. or the Company's directors and executive officers.
- Holders of Shares that are registered in a nominee account may not be able to exercise voting rights as readily as shareholders whose Shares are registered in their own names with the Norwegian Central Securities Depository.
- The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions.
- The ability of shareholders of the Company to make claims against the Company in their capacity as such following registration of the share capital increase in the Norwegian Register of Business Enterprises is severely limited under Norwegian law.

# Main balance sheet items

## REC Group at 30 June, 2013



(NOK IN MILLION)	REC SILICON	REC SOLAR	OTHER	ELIMINATIONS	REC GROUP
Intangible assets	116	13	0	0	129
Property, plant and equipment	6,823	816	0	0	7,639
Prepaid capex	0	65	0	0	65
Prepaid lease, non-current	0	150	0	0	150
Government grant assets	736	0	0	0	736
Financial assets and prepayments	64	261	8,091	-8,006	410
Deferred tax assets	0	6	0	0	6
<b>Total non-current assets</b>	<b>7,740</b>	<b>1,311</b>	<b>8,091</b>	<b>-8,006</b>	<b>9,136</b>
Inventories	735	736	0	0	1,471
Prepaid lease, current	0	8	0	0	8
Trade and other receivables	461	773	510	-449	1,295
Assets held for sale	0	0	0	0	0
Current tax assets	17	8	0	0	24
Current derivatives	0	0	1	0	1
Restricted bank accounts	0	0	100	0	101
Cash and cash equivalents	570	1,176	1,428	-1,589	1,585
<b>Total current assets</b>	<b>1,783</b>	<b>2,701</b>	<b>2,040</b>	<b>-2,039</b>	<b>4,486</b>
<b>Total assets</b>	<b>9,523</b>	<b>4,012</b>	<b>10,131</b>	<b>-10,044</b>	<b>13,622</b>
Retirement benefit obligations	104	1	21	0	126
Deferred tax liabilities	682	0	0	25	706
Provisions	2	379	0	0	380
Non-current derivatives	0	0	30	0	30
Non-current financial liabilities, interest bearing	6,162	0	2,490	-6,162	2,490
Non-current prepayments, interest calculation	53	0	0	0	53
Other non-current liabilities, not interest bearing	0	0	0	0	0
<b>Total non-current liabilities</b>	<b>7,002</b>	<b>380</b>	<b>2,540</b>	<b>-6,137</b>	<b>3,785</b>
Trade payables and other liabilities	352	1,019	243	-449	1,164
Provisions	1	44	3	0	48
Current tax liabilities	0	5	0	0	5
Current derivatives	0	0	140	0	140
Current financial liabilities, interest bearing	1	978	1,862	-1,678	1,164
Current prepayments, interest calculation	86	0	0	0	86
<b>Total current liabilities</b>	<b>441</b>	<b>2,046</b>	<b>2,248</b>	<b>-2,127</b>	<b>2,608</b>
<b>Total liabilities</b>	<b>7,443</b>	<b>2,426</b>	<b>4,788</b>	<b>-8,264</b>	<b>6,393</b>
<b>Total shareholders' equity</b>					<b>7,229</b>
<b>Total equity and liabilities</b>					<b>13,622</b>

Note: Financials are subject to final review

# Main balance sheet items

## REC Solar ASA at 30 June, 2013



(NOK IN MILLION)	REC SOLAR DIVISION	ELIMINATIONS/ADJUSTMENTS	REC SOLAR ASA
Intangible assets	13		13
Property, plant and equipment	816		816
Prepaid capex	65		65
Prepaid lease, non-current	150		150
Government grant assets	0		0
Financial assets and prepayments	261		261
Deferred tax assets	6		6
<b>Total non-current assets</b>	<b>1,311</b>		<b>1,311</b>
Inventories	736		736
Prepaid lease, current	8		8
Trade and other receivables	773		773
Assets held for sale	0		0
Current tax assets	8		8
Current derivatives	0		0
Restricted bank accounts	0		0
Cash and cash equivalents	1,176	-876	300
<b>Total current assets</b>	<b>2,701</b>	<b>-876</b>	<b>1,825</b>
<b>Total assets</b>	<b>4,012</b>	<b>-876</b>	<b>3,136</b>
Retirement benefit obligations	1		1
Deferred tax liabilities	0		0
Provisions	379		379
Non-current derivatives	0		0
Non-current financial liabilities, interest bearing	0		0
Non-current prepayments, interest calculation	0		0
Other non-current liabilities, not interest bearing	0		0
<b>Total non-current liabilities</b>	<b>380</b>		<b>380</b>
Trade payables and other liabilities	1,019	-415	604
Provisions	44		44
Current tax liabilities	5		5
Current derivatives	0		0
Current financial liabilities, interest bearing	978	-978	0
Current prepayments, interest calculation	0		0
<b>Total current liabilities</b>	<b>2,046</b>	<b>-1,393</b>	<b>653</b>
<b>Total liabilities</b>	<b>2,426</b>	<b>-1,393</b>	<b>1,032</b>
<b>Total shareholders' equity</b>			<b>2,104</b>
<b>Total equity and liabilities</b>			<b>3,136</b>

### Note:

- Subject to change resulting from final allocation of shared assets, including REC brand
- Subject to change resulting from final revision

Note: Financials are subject to final review

# Main balance sheet items

## REC Group Pro Forma at 30 June, 2013



(NOK IN MILLION)	REC SILICON	OTHER	ELIMINATIONS/ ADJUSTMENTS	REC ASA PRO FORMA
Intangible assets	116	0		116
Property, plant and equipment	6,823	0		6,823
Prepaid capex	0	0		0
Prepaid lease, non-current	0	0		0
Government grant assets	736	0		736
Financial assets and prepayments	64	8,091	-8,006	150
Deferred tax assets	0	0		0
<b>Total non-current assets</b>	<b>7,740</b>	<b>8,091</b>	<b>-8,006</b>	<b>7,825</b>
Inventories	735	0		735
Prepaid lease, current	0	0		0
Trade and other receivables	461	510	-449	522
Assets held for sale	0	0		0
Current tax assets	17	0		17
Current derivatives	0	1		1
Restricted bank accounts	0	100		100
Cash and cash equivalents	570	1,428	87	2,085
<b>Total current assets</b>	<b>1,783</b>	<b>2,040</b>	<b>-362</b>	<b>3,461</b>
<b>Total assets</b>	<b>9,523</b>	<b>10,131</b>	<b>-8,368</b>	<b>11,286</b>
Retirement benefit obligations	104	21		124
Deferred tax liabilities	682	0	25	706
Provisions	2	0		2
Non-current derivatives	0	30		30
Non-current financial liabilities, interest bearing	6,162	2,490	-6,162	2,490
Non-current prepayments, interest calculation	53	0		53
Other non-current liabilities, not interest bearing	0	0		0
<b>Total non-current liabilities</b>	<b>7,002</b>	<b>2,540</b>	<b>-6,137</b>	<b>3,405</b>
Trade payables and other liabilities	352	243	-34	560
Provisions	1	3		4
Current tax liabilities	0	0		0
Current derivatives	0	140		140
Current financial liabilities, interest bearing	1	1,862	-699	1,164
Current prepayments, interest calculation	86	0		86
<b>Total current liabilities</b>	<b>441</b>	<b>2,248</b>	<b>-734</b>	<b>1,955</b>
<b>Total liabilities</b>	<b>7,443</b>	<b>4,788</b>	<b>-6,871</b>	<b>5,360</b>
<b>Total shareholders' equity</b>				<b>5,926</b>
<b>Total equity and liabilities</b>				<b>11,286</b>

### Note:

- Subject to change resulting from final allocation of shared assets, including REC brand
- Subject to change resulting from final revision
- Analysis shown does not include cost of transaction, but does include a cash inflow of NOK 800m from the transaction

Note: Financials are subject to final review