

ENERGIZING LIFE TOGETHER



FOURTH
QUARTER AND
PRELIMINARY
FULL YEAR
2014

REPORT

“REC’s fourth quarter 2014 result has benefitted from stronger sales volumes to Europe and the US. Currency movements have impacted the relative attractiveness of our key markets.

We are pleased with the reduction in solar panel cash costs achieved in Q4 2014 and will continue to focus on cost reductions going into 2015.

We are pleased that the proposed acquisition with Bluestar Elkem was approved at the EGM at 15 January 2015. Bluestar Elkem has not yet received the necessary Chinese regulatory approvals required for closing the transaction. The time schedule presented at the EGM at the 15 January 2015, assuming payment of proceeds to shareholders in May 2015, is not expected to be met awaiting Chinese regulatory approvals. Distribution of liquidation proceeds to investors is expected 14 – 16 weeks after final closing conditions have been fulfilled.”



Martin Cooper
CEO

FOURTH QUARTER AND PRELIMINARY FULL YEAR REPORT 2014

INCREASED SALES VOLUMES TO EUROPE AND THE US

HIGHLIGHTS:

- Announcement of agreement of sale of the business of REC Solar ASA to Bluestar Elkem Investment Co. Ltd
- Module revenues of USD 176.6million, up 18.5% from Q3 2014 due to strong sales in Europe and the USA
- EBITDA of USD 16.7 million, up 11.3% from Q3 2014
- 258 MW of module production, up 3.8% from Q3 2014
- Solar panel cash cost at USD ~60 cents/Wp in Q4 2014, down ~2 cents/Wp from Q3 2014 (excl. exceptional items). Dec. 2014 cash cost at USD 59 cents/Wp
- REC's sales price for solar panels down 7.2% from Q3 2014 due to unfavourable currency development and increased sales to the utility segment
- Appointment of Steve O'Neil, as CEO, effective from March 25, 2015

FINANCIAL HIGHLIGHTS

REC has only one reportable segment. Although the System business is not significant enough to constitute a separate operating segment, the following table separates the ordinary Module business from the System business in order to give the reader a better understanding of the different performance levels between the two operations.

(USD IN MILLION)	Q4 2014	Q3 2014	1 JAN 2014 TO 31 DEC 2014
Module Business	176.6	149.1	659.7
System Business	3.4	0.0	20.5
Total Revenues	180.0	149.1	680.2
Module Business	16.2	15.1	68.8
System Business	0.5	(0.1)	0.1
Total EBITDA	16.7	15.0	68.9
Depreciation and amortization	(4.2)	(4.8)	(19.6)
EBIT	12.5	10.1	49.4
Profit before tax	23.1	23.7	75.4
Profit after tax	24.1	22.5	73.9
EBITDA Margin			
Module Business	9.2%	10.1%	10.4%
System Business	14.8%	NA	0.6%
Total	9.3%	10.0%	10.1%
Earnings per share (In USD)			
-basic	0.60	0.56	1.85
-diluted	0.60	0.56	1.85

In Q4 2014, REC revenues were USD 180.0 million, up from USD 149.1 million in Q3 2014.

The Module business earned revenues of USD 176.6 million in Q4 2014, up from USD 149.1 million in the previous quarter. The increase in module revenue is mainly due to increased sales volume to Europe and the US. The average module selling price for the Module business was down by 7.2% compared to Q3 2014 while the sales volume was up 24%. Total solar panel production was 258 MW in Q4 2014, up 3.8% from the previous quarter.

The finished solar panel inventory value at the end of Q4 2014 was approximately USD 105.0 million (excluding inventory for System business), decreasing by 4.5% from Q3 2014. The decrease in solar panel inventory reflects the strong increase in sales volume in Q4 2014.

The System business earned revenue of USD 3.4 million in Q4 2014, up from nil revenue from the previous quarter. The revenue is primarily from the sale of the Italian roof top portfolio and sale of green certificates from the Mizil project in Romania.

In Q4 2014, REC's EBITDA was USD 16.7 million, up from USD 15.0 million in Q3 2014 and EBITDA margin was 9.3% compared to 10.0% in Q3 2014.

The Module business Q4 2014 EBITDA was USD 16.2 million, up from USD 15.1 million in Q3 2014. The increase was mainly due to a strong

increase in sales offset by recognition of transactions costs relating to the sale of REC Solar Holdings AS and its subsidiaries to Bluestar Elkem. The System business' EBITDA was USD 0.5 million in Q4 2014, compared to a loss of USD 0.1 million in Q3 2014.

MARKET DEVELOPMENT

Average global solar panel prices fell by approximately 0.9% from Q3 2014 to Q4 2014 while the average selling price ("ASP") for REC's solar panels fell by approximately 7.2% from Q3 2014 to Q4 2014. The decline in REC's ASP, measured in USD, was mainly due to a weakening of the EUR and JPY currency rates and increased sales to the utility scale segment.

The global solar module demand is expected to have been 45 GW in 2014, up 20% from 2013, according to IHS. The Chinese and US market had the highest growth among the main regions with demand development in Japan more flat.

REC's sales in Europe in Q4 2014, measured in MW, increased by 23.4% from Q3 2014, and by 4.6% relative to Q4 2013. Approximately 53% of REC's Q4 2014 modules were sold in Europe. The UK market was the most important market for REC in Europe in Q4 2014.

REC's sales in the US in Q4 2014, measured in MW, increased 62.1% from Q3 2014 due to increased deliveries. At year-end 2014, REC had signed binding supply agreements totalling 622 MW for delivery in the US in 2015 and 2016.

REC's sales in Japan in Q4 2014, measured in MW, increased by 6.6% from Q3 2014, and decreased by 36% relative to Q4 2013. Increased competition, unfavourable currency development and lower volumes to a major client have led to lower REC sales in the Japanese market.

Currency movements are impacting the relative attractiveness of our key markets. The strengthening of the USD currency versus other currencies has increased the importance of the US market.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization amounts to USD 4.2 million in Q4 2014 compared to USD 4.8 million in Q3 2014.

NET FINANCIAL ITEMS

Net financial items amount to a gain of USD 11.7 million in Q4 2014 compared to a gain of USD 9.8 million in Q3 2014. The increase is mainly due to unrealized currency gains from revaluation of net assets.

TAX

Income tax income for Q4 2014 amounted to USD 1.0 million compared to an Income tax expense of USD 1.2 million in Q3 2014. The tax income in Q4 2014 is mainly due to the release of a tax provision accounted for in Q2 2014 related to REC's European module sales.

TECHNOLOGY AND R&D

The Group incurred R&D expenses of USD 4.1 million in Q4 2014, compared to USD 4.7 million in Q3 2014.

REC has research and development activities for solar grade silicon wafers, solar cells, and solar panels, which are carried out in close collaboration with the production organization in Singapore. In addition, there are field test programs to evaluate performance of panels under real-life conditions.

In the wafer area, one major technology development program targets further improvements in directional solidification of silicon for high performance multi crystalline wafers. A series of potential improvements are driven through innovative design of furnace nucleation in order to minimize the generation of dislocation defects in the wafer bulk. The program aims to increase both productivity and cell efficiency. Within this area, REC is also testing options for reducing the cost of solar grade silicon feedstock, by introducing new methods that yield high quality wafers throughout the silicon brick lengths. The other major wafer project focuses on wafer sawing processes. A new sawing process with both improved productivity and yield has been introduced in this quarter. This process is also characterized by very efficient use of slurry volumes, which significantly reduces a high cost factor in the wafering process. The process development has been completed with excellent results, and it is now introduced in commercial production for several wafer saw units. The full conversion is expected to be completed around the end of the year. REC is working to replace the current expensive slurry processing system with a more cost effective technology.

The solar cell development projects focus on technologies for further improvements of the cell efficiency by reducing losses in the front part of the cell and implementation of rear surface passivation layers. One of REC's cell production lines has been configured for producing multicrystalline silicon cells with rear surface passivation layers (PERC cells), and more lines will be converted when this cell type is introduced in the new "REC TwinPeak Series" module products. REC's multicrystalline PERC cells have both higher efficiency and better energy yield than standard cells, and the production costs are only marginally higher than conventional cells. All REC cell lines can in principle be converted to lines for producing PERC cells with moderate investments and short conversion times.

The solar panel technology is industry-leading for panels using multicrystalline silicon cells both with respect to measured solar panel efficiency and with respect to production of electricity (yield) in actual installations. The technology development projects target improved performance by reducing electrical losses and improving efficiency. These technologies include cells with four busbars, modules with split junction boxes, and a module design with cells cut into two rectangular cells. Altogether, these improvements together with cell technology improvements can increase module power by more than 10 Wp. All technologies are intended to be implemented in the new "TwinPeak" modules that will be manufactured on the new module production lines, while some technology elements also will be gradually introduced in the existing module production lines.

REC leverages its integrated production capability (wafer to modules) in order to be cost efficient, to increase solar panel power output, and to maintain solar panel reliability and quality.

NET CASH FLOW

At 31 December 2014, REC's cash balance was USD 89.9 million. This compares to the cash balance on 30 September 2014 of USD 73.2 million. The increase is mainly due to the strong profit in the quarter and working capital management. The capital expenditures in Q4 2014 were USD 26.0 million for property, plant and equipment. The main expenditures are related to furnace upgrades and the debottlenecking of the existing production lines.

OUTLOOK

All targets are subject to changes in market conditions and operational performance.

MARKET OUTLOOK

Industry analyst IHS expects global PV demand in 2015 to be around 53 GW, an increase of approximately 17% from 2014. The largest part of the growth is expected to come from stronger demand in the US. Installations in China are expected to grow by 10% from 2014 to 2015 and are expected to account for 27% of global demand in 2015.

PV installations in Europe are expected to grow by 18% from 2014 to 2015 and are expected to account for 20% of global demand in 2015. The UK PV market is expected to remain as the largest installation market in Europe in 2015. The ROC scheme in UK for PV projects larger than 5 MW ends on 1 April 2015.

PV installations in the Americas are expected to grow by 37% from 2014 to 2015 and are expected to account for 23% of global demand in 2015.

PV installations in Japan are expected to decrease by 4% from 2014 to 2015 and are expected to account for 17% of global demand in 2015.

The solar industry has moved towards a more balanced supply-demand ratio, but it is still maintaining some excess production capacity. Solar panel prices in Q1 2015 are expected to drift down. Foreign currency development and ongoing trade disputes and political uncertainties could influence the supply and pricing landscape.

MANUFACTURING

Based on the current operational forecast, REC expects to produce ~260 MW of solar panels in Q1 2015 compared to 258 MW in Q4 2014. The total module production in 2015 is expected to be ~1200 MW while the capacity is ~1300 MW at 2015 year end. REC expects to have a wafer capacity of ~980 MW and cell capacity of ~810 MW at the end of 2015.

REC started shipment of its 72 cell panels to the US at the end of Q4 2014. The expansion of the product scope to 72 cell panels for the US market that required some changes to existing module lines has been completed.

Expansion on schedule to reach 1.3 GW module production capacity by 2H 2015. The capacity expansion includes the phase-in of two new lines in 1H 2015. These new lines will facilitate introduction of new and proven technologies and broaden the product offering to REC's client base. REC is expected to improve its premium quality and realize next generation REC modules with lower cost, higher power and improved reliability.

COST DEVELOPMENT AND CAPEX

Q4 2014 solar panel cash costs, excluding exceptional items, are down to ~USD 60 cents/Wp. REC targets 7 - 9% reduction in solar panel cash costs from Q4 2014 to Q4 2015. (from ~60 to ~USD 55 cents/Wp). REC has negotiated a new electricity contract reducing the costs of solar panel cash cost by USD 1.5 cents/Wp effective Q2 2015.

REC will continue its cost reductions in 2015 through:

- Reduced silicon feed stock and external block costs;
- Increased furnace and module output;
- Cell efficiency improvements;
- Continued OMC reductions and operational improvements; and
- Reduced electricity prices

2015 capex expenditures are expected to be ~USD 50 million. Of this USD34 million is new capex the balance is projects approved in 2014 that will be completed in 2015. The main investments include:

- Enhancement of technologies
- Operations improvements and factory maintenance
- Two additional module lines in the factory to increase module capacity by 300 MW.

RISKS AND UNCERTAINTIES

The Company emphasizes that the information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, many of which are beyond its control and all of which are subject to risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the development of global energy market prices, continued government subsidies and incentives, trade disputes, changes in governmental regulations, rapid technological change and the attractiveness of REC Solar's technology, competitive pressure in the industry and ability to continuously improve its manufacturing processes and product qualities.

For a further description of other relevant risk factors we refer to the prospectus for the REC Solar ASA share offering, dated 3 October 2013. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

CONSOLIDATED FINANCIAL STATEMENTS IN COMPLIANCE WITH IAS 34

REC Solar ASA was incorporated on 15 July 2013. From this date until 25 October 2013, the Company had no trading activity. It was listed on the Oslo Stock Exchange on 25 October 2013, the same day that it acquired the solar entities previously owned by REC Silicon ASA. REC's first annual report will be prepared for the period from 15 July 2013 to 31 December 2014.

The following pages from 7 to 19 present the consolidated financial statements in compliance with IAS 34 (non-audited).

CONSOLIDATED BALANCE SHEET REC

(USD IN MILLION)	NOTES	31 DEC 2014	30 SEP 2014 [#]	31 DEC 2013 [#]
ASSETS				
Non-current assets				
Other intangible assets	2	14.1	15.3	19.7
Intangible assets	2	14.1	15.3	19.7
Land and buildings	2	31.1	30.4	33.3
Machinery and production equipment	2	39.2	34.5	40.5
Other tangible assets	2	3.3	2.9	3.3
Assets under construction	2	27.7	15.8	-
Property, plant and equipment	2	101.3	83.6	77.1
Prepaid lease, non-current		11.3	11.9	13.3
Prepaid capex		-	-	0.2
Equity accounted investments	13	2.5	3.5	13.2
Investments in shares (available for sale)	13	3.6	4.2	-
Other non-current receivables	10	4.0	2.7	3.1
Financial assets		10.1	10.5	16.2
Deferred tax assets		0.2	0.1	1.6
Total non-current assets		137.0	121.4	128.2
Current assets				
Inventories	4	107.8	108.1	106.2
Prepaid lease		0.5	0.6	0.6
Prepayments		1.4	11.8	2.6
Trade and other receivables	10	143.1	128.7	139.3
Current tax assets		0.8	1.0	0.9
Current derivatives	3	7.8	7.8	-
Restricted bank accounts		4.0	1.5	0.1
Cash and cash equivalents		89.9	73.2	67.2
Total current assets		355.2	332.6	316.9
Total assets		492.2	454.0	445.1

[#] Restated, please see note 11 for additional information

CONSOLIDATED BALANCE SHEET

REC

(USD IN MILLION)	NOTES	31 DEC 2014	30 SEP 2014 [#]	31 DEC 2013 [#]
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		6.7	6.7	6.7
Other paid-in capital		124.6	124.6	124.6
Paid-in capital		131.4	131.4	131.4
Other equity and retained earnings		103.2	103.2	0.1
Other comprehensive income for the period		-39.8	-21.6	2.9
Profit and loss for the period		73.9	49.7	100.2
Total shareholders' equity		268.7	262.7	234.6
Non-current liabilities				
Provisions	5	89.7	92.4	95.0
Total non-current liabilities		89.7	92.4	95.0
Current liabilities				
Trade payables and other liabilities		129.8	91.9	110.9
Provisions	5	2.1	3.1	4.0
Current tax liabilities		1.7	3.9	0.5
Other derivatives	3	0.2	-	-
Total current liabilities		133.9	98.8	115.5
Total liabilities		223.5	191.2	210.5
Total equity and liabilities		492.2	454.0	445.1

^{#)} Restated, please see note 11 for additional information

CONSOLIDATED STATEMENT OF INCOME

REC

(USD IN MILLION)	NOTES	Q4 2014	Q3 2014	1 JAN 2014 TO 31 DEC 2014	15 JUL 2013 TO 31 DEC 2013 ^{(1)¶}
Revenues		180.0	149.1	680.2	123.1
Cost of materials		-99.6	-87.9	-407.8	-65.5
Changes in inventories and write downs		-6.9	9.7	7.7	-6.1
Employee benefit expenses		-21.3	-22.3	-86.0	-13.1
Other operating expenses		-38.0	-34.1	-130.3	-22.1
Other income and expenses	7	2.6	0.4	5.3	-1.2
EBITDA excluding other income from negative goodwill		16.7	15.0	68.9	15.2
Other income from negative goodwill	11	-	-	-	91.3
EBITDA		16.7	15.0	68.9	106.5
Depreciation	2	-3.1	-3.7	-15.0	-2.9
Amortization	2	-1.1	-1.2	-4.5	-0.8
Total depreciation and amortization		-4.2	-4.8	-19.6	-3.7
EBIT		12.5	10.1	49.4	102.8
Share of gain/(loss) of equity accounted investments		-1.0	3.8	2.7	-0.3
Financial income		-	-	0.1	0.1
Net financial expenses		-0.8	-0.3	-1.5	-0.3
Net currency gains/losses		12.5	2.3	16.4	-1.1
Net gains/losses other fin instruments		-	7.7	8.3	-
Net financial items		11.7	9.8	23.3	-1.4
Profit before tax		23.1	23.7	75.4	101.0
Income tax expense		1.0	-1.2	-1.5	-0.1
Profit		24.1	22.5	73.9	100.9
Profit excluding other income from negative goodwill		24.1	22.5	73.9	9.6
Attributable to:					
Owners of REC Solar ASA		24.1	22.5	73.9	100.9
Earnings per share (In USD)					
From total operations					
-basic		0.60	0.56	1.85	6.05
-diluted		0.60	0.56	1.85	6.05

¹⁾ Includes activities in the Holding company REC SOLAR ASA prior to the acquisition

^{¶)} Restated, please see note 11 for additional information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

REC

(USD IN MILLION)	Q4 2014	Q3 2014	1 JAN 2014 TO 31 DEC 2014
Profit for the period	24.1	22.5	73.9
Other comprehensive income, net of tax:			
currency translation differences of foreign operations taken to equity	-18.2	-18.8	-39.8
Sum of items that may be reclassified subsequently to profit or loss	-18.2	-18.8	-39.8
Total other comprehensive income for the period	-18.2	-18.8	-39.8
Total comprehensive income for the period	5.9	3.7	34.1
Total comprehensive income for the period attributable to			
Owners of REC Solar ASA	5.9	3.7	34.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

REC

(USD IN MILLION)	ATTRIBUTABLE TO EQUITY HOLDERS OF REC SOLAR ASA					
	SHARE CAPITAL	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL EQUITY
Year 2014						
At 1 January 2014	6.7	124.6	131.4	0.1	103.2	234.6
Total comprehensive income for the period	-	-	-	-	34.1	34.1
At 31 December 2014	6.7	124.6	131.4	0.1	137.3	268.7

CONSOLIDATED STATEMENT OF CASH FLOWS

REC

(USD IN MILLION)	Q4 2014	Q3 2014	1 JAN 2014 TO 31 DEC 2014
Profit before tax for the period	23.1	23.7	75.4
Adjustments for:			
Depreciation and amortization	4.2	4.9	19.6
Loss on sales of property, plant and equipment	-0.1	-	0.2
Change in fair value of derivatives	0.0	-7.8	-7.8
Share of gain/loss of equity accounted investments	1.1	-3.8	-2.7
Changes in trade and other receivables	-26.0	-18.0	-49.5
Changes in inventories	-4.6	-21.0	-14.4
Changes in trade and other payables	39.5	4.4	27.2
Changes in provisions	1.3	2.1	4.5
Net cash flow from operating activities	38.5	-15.5	52.5
Cash flows from investing activities			
Proceed from equity accounted investments	-	5.4	12.1
Acquisition of property, plant and equipment and intangible assets	-26.0	-11.0	-51.8
Proceeds from sales of property, plant and equipment	-	0.1	0.1
Proceeds from government grants	12.8	-	24.4
Net cash used in investing activities	-13.2	-5.5	-15.2
Cash flows from financing activities			
Net cash flow from financing activities	-	-	-
Net increase in cash and cash equivalents	25.3	-21.0	37.3
Effect of exchange rate fluctuations	-8.6	-2.9	-14.6
Cash and cash equivalents at the beginning of the period	73.2	97.1	67.2
Cash and cash equivalents at the end of the period	89.9	73.2	89.9

NOTES

1 GENERAL

BASIS OF PREPARATION

The financial statements are prepared in USD, rounded to the nearest 0.1 million, 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.

ACCOUNTING POLICIES

Details of the accounting policies can be obtained in the Appendix of this report.

2 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(USD IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT	TOTAL INTANGIBLE ASSETS	TOTAL
Carrying value at 1 January 2014 [#]	33.3	40.5	3.3	-	77.1	19.7	96.8
Exchange differences	-4.1	-4.9	-0.4	-2.5	-11.9	-2.0	-13.9
Net additions ¹⁾	5.0	15.3	1.3	30.2	51.7	0.4	52.2
Government grant	-0.1	-	-	-	-0.1	-	-0.1
Disposals	-0.3	-0.2	-	-	-0.5	-	-0.5
Depreciation and amortization ²⁾	-2.7	-11.5	-0.8	-	-15.0	-4.0	-18.9
Carrying value at 31 December 2014	31.1	39.2	3.3	27.7	101.3	14.1	115.4
At 31 December 2014							
Cost price	33.9	52.4	4.1	27.6	118.0	18.4	136.5
Accumulated depreciation/amortization/impairment	-2.7	-13.2	-0.8	-	-16.7	-4.3	-21.0
Carrying value at 31 December 2014	31.1	39.2	3.3	27.6	101.3	14.1	115.4

¹⁾ Net additions include transfers from assets under construction

²⁾ Amortization for Total Intangible Assets does not include amortization of prepaid lease

^{#)} Restated, please see note 11 for additional information

IMPAIRMENT REVIEWS

In recognising the recently completed fair value assessment of the Group's property, plant and equipment and intangible assets acquired on 25 October 2013, REC assessed that there is no impairment loss indicators on the Group's property, plant and equipment and intangible assets.

3 DERIVATIVES

REC is exposed to foreign currency exchange rate risks, especially with regards to the EURO, Singapore Dollar and US Dollar. In order to minimize the total risk to currency volatility, REC entered into currency forward contracts for a part of its future cash flows. The Foreign Exchange forward contracts are not designated as hedging instruments and are entered into with maturity dates ranging from one month to 12 months, where changes in fair value are dealt with through profit and loss.

Fair values and carrying amounts

(USD IN MILLION)	31 DEC 2014		30 SEP 2014	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Foreign exchange forward contracts	7.8	-0.2	7.8	-

Distribution of derivatives

(USD IN MILLION)	31 DEC 2014		30 SEP 2014	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Total non-current derivatives	-	-	-	-
Total current derivatives	7.8	-0.2	7.8	-
Total derivatives	7.8	-0.2	7.8	-

The fair value hierarchy of the derivatives is level 2. Market values are calculated using mid-rates (excluding margins) as determined by the bank where the derivatives contracts are entered based on available market rates at present.

Contractual cash flows in foreign exchange forward contracts as at 31 Dec 2014

(CURRENCY IN MILLION)	FLEXI FX FORWARD 2015/2016	
Bought currency	SGD/EUR	114.4
	USD/EUR	90.6
Sold currency	AUD/USD	-8.3
	JPY/USD	-1,820.5

The table above shows contractual currency amounts by year of maturity. Positive (negative) amounts are the principal amount of the first currency mentioned bought (sold) forward with payment (receipt) of the second currency.

The table below shows the same contracts, but summarizes the future currency exposure in total for contractual cash flows in foreign exchange forward contracts as at 31 December 2014.

Future currency exposure, bought currency (+), sold currency (-) per year as at 31 Dec 2014

(CURRENCY IN MILLION)	USD 2015/2016	EUR 2015/2016	SGD 2015/2016	AUD 2015	JPY 2015
EUR/USD	90.6	-70.0	-	-	-
EUR/SGD	-	-70.0	114.4	-	-
AUD/USD	6.7	-	-	-8.3	-
JPY/USD	15.5	-	-	-	-1,820.5
Total	112.8	-140.0	114.4	-8.3	-1,820.5

At 31 December 2014, REC estimated net positive external future cash flows in Euro, Australian Dollar and Japanese Yen and net negative cash flows in USD and SGD. REC is hedging parts of these cash flows by entering into derivative transactions for purchase of USD/EUR, SGD/EUR, USD/AUD and USD/JPY.

Fair value of foreign exchange forward contracts as at 31 Dec 2014

(USD IN MILLION)		FLEXI FX FORWARD 2015/2016	
Bought currency	SGD/EUR	1.3	
	USD/EUR	6.2	
Sold currency	AUD/USD	-0.1	
	JPY/USD	0.2	
Total		7.7	

The table above shows a specification of fair values equaling carrying amounts, at 31 December 2014 of currency derivatives distributed by year of maturity and currency.

4 INVENTORIES

(USD IN MILLION)	31 DEC 2014	30 SEP 2013 [#]	31 DEC 2013 [#]
Stock of materials, merchandise, production supplies	38.2	33.3	17.9
Spare parts	12.6	13.1	12.0
Work in progress	2.1	2.8	9.8
Finished goods	54.8	58.9	66.4
Total	107.8	108.1	106.2

[#]) Restated, please see note 11 for additional information

5 PROVISIONS

(USD IN MILLION)	RESTRUCTURING & EMPLOYEE TERMINATION BENEFITS	WARRANTIES	ASSET RETIREMENT OBLIGATIONS	ONEROUS CONTRACTS	LEGAL	TOTAL
At 1 January 2014 [#]	1.5	61.2	35.1	0.8	0.4	99.0
Additional provisions	0.2	5.2	-	-	-	5.4
Unused amounts reversed	-0.5	-0.3	-	-0.1	-	-0.9
Exchange differences	-	-8.5	-1.6	-0.2	-	-10.3
Increase in provisions due to interest	-	0.1	0.4	-	-	0.5
Used during the year	-1.2	-0.2	-0.6	-	-	-2.0
At 31 December 2014	-	57.5	33.3	0.6	0.4	91.8

[#]) Restated, please see note 11 for additional information

Warranties are primarily product and power output warranties related to the sale of solar panels. Asset retirement obligations are related to REC's obligation to restore the land on which the Singapore manufacturing plant is currently operating.

6 BORROWINGS

REC has no borrowings from third parties as at 31 December 2014.

7 OTHER INCOME AND EXPENSES

(USD IN MILLION)	Q4 2014	Q3 2014	1 JAN 2014 TO 31 DEC 2014	15 JUL 2013 TO 31 DEC 2013
Restructuring cost and employee termination benefits	0.5	-	0.4	-1.2
Onerous contracts	0.1	-	0.1	-
Other income	1.9	0.4	5.0	-
Gain/loss on disposal of non-current assets	0.1	-	-0.2	-
Total other income and expenses	2.6	0.4	5.3	-1.2

Other income of USD 1.9 million in Q4 2014 and USD 0.4 million in Q3 2014 relates to insurance reimbursement from the fire incident that occurred in Q1 2014.

8 COMMITMENTS, GUARANTEES

Contractual purchase obligations and minimum operating lease payments at 31 December 2014

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	2015	2016	2017	2018	2019	AFTER 2019
Purchase of goods and services							
Total purchase of goods and services	124.6	117.1	7.1	0.3	0.2	-	-
Minimum operating lease payments							
Total minimum operating lease payments	4.4	1.4	1.2	0.8	0.6	0.4	-
Capex							
Total capex	20.3	20.1	0.2	-	-	-	-

The purchase obligation amounts consist of items for which REC is contractually obligated to purchase from a third party as at 31 December 2014. Operating lease payments show contractual minimum future payments. Only significant contracts are included.

REC Silicon Group has provided bank guarantees and parent company guarantees primarily related to the performance of solar panels and systems. It is stipulated in the sale agreement between REC Silicon and REC Solar ASA, that for guarantees under which a formal substitution of REC Silicon as a guarantor or counter-guarantor is not possible, REC Solar ASA should indemnify REC Silicon for all losses incurred. The bank guarantees amount to USD 2.1 million and run through April 2015. The parent company guarantees are valid for the relevant warranty periods and are limited by warranties provided on solar panels and systems. It also includes a guarantee provided by REC Solar AS in 2011 in connection with the sale of the previous subsidiary REC ScanModule AB.

In addition, REC has entered into guarantees agreements with banks and financial institutions amounting to USD 66.3 million.

9 CONTINGENT LIABILITIES / DISPUTES

REC Americas LLC is a defendant in a lawsuit initiated in California (USA) in June 2013 by a potential customer claiming approximately USD 6.4 million in damages after REC Americas LLC had terminated ongoing contract discussions. REC Americas LLC has not recognized any provisions related to this case as of 31 December 2014. The matter was settled on 8 January 2015 and the lawsuit withdrawn, with payment of an agreed amount to the potential customer.

REC Solar France SAS and REC Solar Germany GmbH are defendants in a lawsuit initiated in France in April 2014 by a potential customer claiming approximately USD 1.2 million in damages after REC had terminated ongoing contract discussions. REC Solar Germany GmbH has made provisions related to this case as of 31 December 2014. It is expected that the hearing will be postponed due to the delay in submission of documents by the potential customer.

10 TRADE AND OTHER RECEIVABLES

Specification of provision for loss on trade and other receivables

(USD IN MILLION)	2014
At 1 January 2014	-
Change in provision for loss on receivables	-0.1
Provisions for loss on trade receivables	-0.2
Exchange difference	0.1
At 31 December 2014	-0.2
Realized gain/(loss) on trade receivables in 2014	0.6
Change in provision for loss on receivables	-
Gain/(Loss) on trade receivables in the statement of income in 2014	0.6

Analysis of aging of trade and other receivables at 31 December 2014

(USD IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED PAST DUE				IMPAIRED
			<30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	
Trade receivables and accrued revenues	130.7	114.3	15.5	0.2	0.5	0.2	-
Provision for loss on trade receivables	-0.1	-	-	-	-	-0.1	-
Other non-current and current receivables	15.8	15.3	-	0.1	-	0.4	-
Finance receivables and short-term loans	0.6	0.6	-	-	-	-	-
Total	147.0	130.2	15.5	0.3	0.5	0.5	-

11 BUSINESS COMBINATION

During Q4 2014, REC has finalized the purchase price allocation from the acquisition of 100% of the shares of the former Solar Division from REC Silicon Group. The following changes to the balance sheet at the acquisition date have been effected as follows:

Specification of provision for loss on trade and other receivables

(USD IN MILLION)	PRELIMINARY PPA	FINAL PPA	CHANGE
Negative goodwill	-98.9	-91.3	7.6
Property, plant and equipment	76.9	75.9	-1.0
Inventories	114.5	115.1	0.6
Trade and other current receivables	142.1	137.7	-4.4
Trade and other payables	-65.9	-64.5	-1.4
Other current liabilities	-34.8	-38.6	3.8
Provisions current	-2.8	-3.2	0.4

The change in property, plant and equipment is caused by a re-evaluation of machinery and production equipment under construction.

Inventory has changed due to the re-assessment of the fair value of two System projects.

The fair value of Trade and other current receivables is mainly due to a re-assessment of government grant receivables and the settlement of claims in relation with the bankruptcy of REC Wafer Norway AS.

The decrease in Trade and other payables is linked to a mistake in the preliminary purchase price allocation that was discovered during the twelve month period.

The increase in other current liabilities and provisions is due to re-assessment of accruals in relation to legal disputes and bonuses payments.

12 RISK FACTORS

ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") 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 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 REC'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 "critical accounting estimate" is one which is both important to the portrayal of the company's financial condition and results and requires management to make estimates about the effect of matters that are inherently uncertain, and which are subjective or complex. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, as well as forecasts as to how these might change in the future.

For a further description of relevant estimation uncertainty and critical accounting estimates (impairment, depreciation and amortization, income taxes and provisions), we refer to the prospectus for REC share offering, dated 3 October 2013 (www.recgroup.com).

13 RELATED PARTIES

INVESTMENTS IN ASSOCIATES

On 29 January 2014, Mainstream Energy Corporation ("Mainstream"), which is an associate of REC, has spun off its residential business from its commercial/industrial business and merged it into Sunrun Inc. ("Sunrun"). Sunrun is a Delaware (USA) corporation operating in the solar financing sector.

The fair value of Mainstream as per spin-off date was attributed in whole to the residential business. As a consideration, REC received a minority interest in Sunrun. REC's ownership interest/voting rights in the remaining Mainstream business remained 20 percent.

Sella Invest di ESB srl. & Co. sas (Sella) is an associate of REC which was founded to develop solar rooftop projects in the northern and central Italy. REC System has a 20 percent ownership right and 33.3 percent interest in profit or loss.

INVESTMENTS IN SHARES (AVAILABLE FOR SALE)

Following Mainstream's spin-off of its residential business and merger (as described above) with Sunrun, REC owns a minority interest in Sunrun. The investment is accounted for as an available-for-sale asset. As the fair value of this unquoted investment is unavailable, and there is no quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less impairment.

INVESTMENTS IN JOINT VENTURES

REC has an ownership interest in a joint venture entity in the USA which is active in project development in California. According to IFRS 11 Joint Arrangements, the Solar Group's interest in jointly controlled entities is accounted for according to the equity method for total operations. It is disclosed in the Income statement in the line item "share of gain/loss of equity accounted investments" shown between EBIT and Net financial items.

14 SUBSEQUENT EVENTS

At the EGM on the 15 January 2015, the shareholders in REC Solar ASA approved the transfer of all assets and liabilities of REC Solar ASA pursuant to an agreement with Bluestar Elkem Investment Co. Ltd ("Bluestar Elkem"). The closing of the transaction is pending Chinese regulatory approvals and completion of audited group accounts for REC Solar ASA for the period 25 October 2013 to 31 December 2014.

Bluestar Elkem has not yet received the necessary Chinese regulatory approvals required for closing the transaction. The time schedule presented at the EGM at the 15 January 2015, assuming payment of proceeds to shareholders in May 2015, is not expected to be met due to awaiting Chinese regulatory approvals. Distribution of liquidation proceeds to investors is expected 14 – 16 weeks after final closing conditions have been fulfilled (i.e. Chinese approvals).

In February 2015, REC entered into an agreement to sell a majority of its shares in REC Solar Commercial Corporation to Duke Energy. After the sale, REC will hold 7.6% of the shares in REC Solar Commercial Corporation. The remaining shares are subject to a put/call option.

In February 2015, REC Solar announced that it has appointed Steve O'Neil, as CEO, effective from March 25, 2015.

STATEMENT BY THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer have today considered and approved the unaudited condensed financial statements for the preliminary full year 2014 and the financial information in this report that is relevant for the preliminary full year 2014.

The preliminary full year 2014 has been prepared in accordance with IAS 34 as adopted by European Union ("EU") and additional disclosure requirements for the preliminary full year report as stated in the Norwegian Verdipapirhandellov (Security Trading Act).

We confirm that, to the best of our knowledge, the unaudited condensed set of consolidated financial statements, statement of changes in equity and statement of cashflow for the preliminary full year 2014 gives a true and fair view of REC Solar Group's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge the preliminary full year 2014 report includes a fair review of important events in the period and their effects on the unaudited condensed set of financial statements for the preliminary full year 2014 and related parties significant transactions that have a material effect on financial position or results for REC Solar Group for the period.

Oslo, 25 February 2015
Board of Directors

Øystein Stray Spetalen
Member of the Board

Ole Enger
Chairman of the Board

Jan Christian Opsahl
Member of the Board

Mimi K. Berdal
Member of the Board

Martin Cooper
CEO

Anne Lise Meyer
Member of the Board

APPENDIX 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements are presented in USD, rounded to the nearest one hundred thousand, 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.

The interim consolidated financial statements of REC have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared under the historical cost convention.

1.2 CONSOLIDATION FOR THE COMBINED FINANCIAL STATEMENTS

(A) Subsidiaries

Subsidiaries are all entities over which REC has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to REC. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by REC. The consideration transferred of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred over the fair value of REC Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income. Step acquisitions: an increase in ownership of a jointly controlled entity or an associate that becomes a subsidiary is controlled entity or an associate that becomes a subsidiary is accounted for using the acquisition method as at the date of control. An increase in ownership in a subsidiary is accounted for in accordance with the requirements of IAS 27 Consolidated and Separate Financial Statements as a transaction with equity holders with no change in the carrying amounts of assets or liabilities. At the time control is lost, a gain or loss is calculated.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized gains have been present on intercompany sales of intermediate products.

(B) Jointly controlled entities

REC's interests in jointly controlled entities are accounted for by the equity method of accounting. Investments in jointly controlled entities are recognised initially at cost. REC's share of the jointly controlled entities' profits and losses are recorded on its consolidated Profit and Loss Statement as "Share of profit/loss of equity accounted investments". An increase in ownership of a shareholding that becomes a jointly controlled entity is accounted for in accordance with the requirements of IFRS 3 Business Combinations with goodwill being recognized at each step of the acquisition when applicable. For the periods presented, REC had interests in two jointly controlled entities in the PV systems area.

(C) Associates

Associates are entities over which REC has significant influence but not control or joint control, generally encompassing a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost.

REC's share of its associates' post-investment profits or losses and amortization and impairment of fair value adjustments are recognized in the statement of income. The cumulative post-investment movements are adjusted against the carrying amount of the investment. When REC's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, REC does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions between REC and its associates are eliminated to the extent of REC's interest in the associates. Mainstream Energy Inc. and Sella Invest di ESB srl. & Co sas (Sella) have been treated as associates.

1.3 SEGMENTS

It has been evaluated that REC has only one operating and reportable segment, which is REC as a whole.

1.4 FOREIGN CURRENCY TRANSLATION

(A) Functional and presentation currency

Items included in the financial statements of each of REC's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The 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 reporting date exchange rates. 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 REC 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 year (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 foreign entities, including monetary items that are regarded as a part of the net investment, and of borrowings and other currency instruments designated as hedges of such investments, are included in OCI. When a foreign operation is disposed, such exchange differences are recognized in the statement of income as part of the gain or loss on sale. For the periods presented, REC did not hold any borrowings or other currency instruments accounted for as net investment hedges.

1.5 CURRENT/NON-CURRENT

An asset/liability is classified as current when it is expected/due to be realized or settled within twelve months after the reporting date.

1.6 PROPERTY, PLANT AND EQUIPMENT

Land and buildings consist primarily of operating plants and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation and un-reversed impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition, construction or installation of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to REC and the cost of the item can be measured reliably. All other costs are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to their residual values over their estimated useful lives. The assets' residual values, if any, depreciation method and useful lives are reviewed at least annually and related depreciation rates are adjusted prospectively. Depreciation commences when the assets are ready for their intended use.

1.7 INTANGIBLE ASSETS

(A) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of REC's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill related to associates is included in the carrying value of investments in associates. Goodwill is carried at cost less accumulated impairment losses.

If the acquisition costs are less than the proportional share of the acquired company's net assets measured at fair value (negative goodwill), the matter is first reviewed again and any remaining difference is recognized directly in the consolidated statement of comprehensive income (bargain purchase).

(B) Other intangible assets

Other intangible assets that have a finite useful life are carried at historical cost less accumulated amortization and un-reversed impairment losses. Amortization is calculated using the straight-line method to allocate the cost of other intangible assets over their estimated useful lives. Amortization commences when the assets are ready for their intended use. REC has no intangible assets with indefinite useful lives. The assets' residual values, if any, amortization method and useful lives are reviewed at least annually and related amortization rates are adjusted prospectively.

(C) Research and development

Research expenditures are recognized as an expense as incurred. Costs incurred on development projects (relating to the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes or systems) are capitalized as intangible assets when it is probable that the project will be successful considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods. Development costs with a finite useful life that have been capitalized are amortized from the time the assets are ready for their intended use, which normally is at commencement of the commercial use.

1.8 IMPAIRMENT AND DERECOGNITION OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested at least annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in a separate line item as a part of earnings before interest and taxes (EBIT) 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 and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level that based on judgment generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Goodwill is allocated to individual or groups of cash-generating units for the purpose of impairment testing. Generally, any indicated impairment for a specific cash-generating unit is first allocated to goodwill, then proportionately to other non-current assets in the cash-generating unit, but not lower than the individual or group of assets' recoverable amount, if determinable. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Losses on de-recognition include assets that are disposed of and assets with no foreseeable future economic benefits. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are reported as a part of the statement of income. When applicable, gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the disposed entity. Losses due to assets assessed as having no future economic benefits are reported as an impairment loss.

1.9 FINANCIAL ASSETS

REC classifies its financial assets primarily as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The category loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost which for current receivables approximates to historical cost. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and REC has transferred substantially all risks and rewards of ownership.

1.10 ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

REC has derivative financial instruments in the form of foreign exchange forward contracts. These contracts do not qualify for hedge accounting according to IAS 39. All changes in value (Mark-to-Market) are recognized directly through profit and loss.

1.11 TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less provisions for impairment. A provision for impairment of trade receivables is recognized in the statement of income and is established when there is objective evidence that REC will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments, are considered indicators that the trade receivable is impaired.

1.12 CASH AND CASH EQUIVALENTS

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

1.13 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.

1.14 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred unless it is at fair value through profit or loss. Borrowings are 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 the bank credit facilities are recognized as part of interest expenses as incurred. A financial liability (or a part of a financial liability) is removed from the statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between REC and an existing lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

1.15 INVENTORIES AND CONSTRUCTION CONTRACT COSTS

Inventories are stated at the lower of cost or net realizable value. Cost for inventory with different nature or use is determined using the first-in, first-out (FIFO) or average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated variable and incremental costs to complete and sell the asset. REC is integrated in the value chain, and REC entities sell goods to other REC entities. Consequently, finished goods for one REC entity become raw materials or work in progress for another REC entity. The classification by the separate entities is also used in the classification in REC's consolidated financial statements. Eligible costs relating to building of PV systems for sale in the ordinary course of business in REC Systems has been accounted for as inventories or construction contract costs, as applicable.

1.16 INCOME TAX

Income tax expense represents the total of the tax currently payable (current tax) and the change in deferred tax allocated to the statement of income. The current tax is based on taxable profit (and in some instances loss) for the year. Taxable profit/loss differs from profit/loss before tax as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years (temporary differences) and it further excludes items that are never taxable or deductible (permanent differences). Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Recognition of any deferred tax assets is based on REC on a stand-alone basis. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not recognized. For REC this is relevant primarily for some buildings in Singapore.

Current and deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the reporting date and are expected to apply when the related tax asset is realized or the tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and REC intends to settle its current tax assets and current tax liabilities on a net basis. Deferred tax is provided on undistributed earnings in subsidiaries, associates and jointly controlled entities to the extent that the future dividend is taxable, except where the timing of any dividend is controlled by REC and it is probable that the dividend will not be distributed in the foreseeable future. For the periods presented, no deferred tax has been recognized.

1.17 PROVISIONS

Provisions for product warranties, onerous contracts, asset retirement obligations, restructuring costs and legal claims are recognized when: REC has a present legal 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 not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Assessment of fair value and likelihood is made at each reporting date. Provisions are measured at the management's best estimate of the expenditures expected to be required to settle the obligation at the reporting date, and are discounted to present value where the effect is material and the distribution in time can be reliably estimated.

1.18 PENSION/POST RETIREMENT OBLIGATIONS

REC has no defined benefit pension plans. For defined contribution plans, REC has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

1.19 REVENUE RECOGNITION

Revenues are primarily generated from sale of goods consisting of solar panels and PV systems (Photovoltaic systems or installations offering electricity for commercial, residential or large-scale application). Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates, discounts and expected returns. Revenues are normally reported gross with a separate recording of expenses to vendors of products or services. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred (transferred significant risks and rewards of ownership and control) or services have been rendered, the price is fixed or determinable, collectability is reasonably assured (probable that future economic benefits will be realized) and the costs can be measured reliably. Recognition of revenues from construction contracts are recognized according to percentage of completion. REC's opinion is that it has no significant difficulties in deciding when delivery has occurred, except to some extent for the PV systems projects. Delivery is normally according to terms in the relevant contracts. When REC products are sold with a right of return for damaged goods, experience is used to estimate and provide for such returns at the time of sale. For some of the PV systems projects, judgment is needed to decide if it is a construction contract or sale of goods and services, which affects when revenue shall be recognized. Sales of PV systems that are realized by sale of special purpose entities are also accounted for as mentioned above. When sub-contractors are used to perform parts of the production, e.g. wafer cutting or cell or solar panel production, revenues are not recognized on the delivery to these sub-contractors. Instead a cost for the production service is recognized at the time the revenue for sale to the customer is recognized. Solar panels and to some extent PV systems are sold with product warranties. The expected warranty amounts are recognized as an expense at the time of sale, and are adjusted for subsequent changes in estimates or actual outcomes.

1.20 INTEREST AND DIVIDEND INCOME

Interest income is accrued on a time basis. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, normally on the declaration date.

1.21 LEASES

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. Other leases are classified as operating leases. The evaluation is based on the substance of the transaction. The criteria that primarily has been the decisive factor for REC in concluding that a finance lease exists is when the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset at the inception of the lease. In determining minimum lease terms and payments it has been taken into consideration the possibility of termination of contracts. According to IFRIC 4 Determining whether an arrangement contains a lease REC may enter into an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments. Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset; and (b) the arrangement conveys a right to use the asset. Assets held under finance leases are recognized as assets of REC at their estimated fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The leased assets are depreciated over the shorter of the useful life of the asset or the lease term. The corresponding liability to the lessor is included in the statement of financial position as an interest bearing liability. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease. Significant prepayments made in an operating lease for REC as the lessee are amortized over the minimum lease term and included as a part of amortization in the statement of income.

1.22 GOVERNMENT GRANTS

Government grants are recognized at their fair values when there is reasonable assurance that the grants will be received and REC will comply with all 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 in reporting the related expenses.

1.23 DISCONTINUED OPERATIONS

A discontinued operation is a component of REC that either 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. There are no discontinued operations for the periods presented.

1.24 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 and dividends received 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, up-front and waiver loan fees that are reported as part of financing activities. For the statement of cash flows, net currency gains or losses are split into items estimated to relate to borrowings (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. These amounts are included in the line item under operating activities "currency effects not cash flow or not related to operating activities" as an adjustment to the amount reported in the statement of income and reclassified as relevant. The remaining currency gains or Investing activities include cash flows related to non-current receivables and non-current prepayments (assets), even if these originated due to purchase or sale of goods and services.

1.25 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

A number of new accounting standards, amendments to standards and interpretations are effective for year ending 31 December 2014. They are:

- Investment Entities (Amendments to IFRS 10, IFRS12 and IAS 27)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- IFRIC 21 Levies
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

A number of new accounting standards, amendments to standards and interpretations are not yet effective, but available for early adoption. They are:

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements to IFRSs 2010-2012 Cycle – various standards
- Annual Improvements to IFRSs 2011-2013 Cycle – various standards
- IFRS 14 Regulatory Deferral Accounts
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with Customers

REC did not early adopt any of the above. None of these are expected to have significant impact on the consolidated financial statements of REC.

NOTES



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REC is a leading global provider of solar energy solutions. With more than 15 years of experience, we offer sustainable, high performing products, services and investments for the solar industry. Together with our partners, we create value by providing solutions that better meet the world's growing energy needs. REC is headquartered in Norway and listed on the Oslo Stock Exchange (ticker: RECSOL). Our 1,700 employees worldwide generated revenues of USD 680 million in 2014.

Find out more about REC at www.recgroup.com