

A photograph of two men in industrial settings. The man on the left wears a blue hard hat with a headlamp, safety glasses, and a tan work shirt. The man on the right wears a white hard hat with goggles, safety glasses, and a light blue work shirt. They are both leaning on a yellow metal railing. In the background, there are industrial structures and a clear blue sky.

RECSiLICON

# SECOND QUARTER 2016

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REPORT

## SECOND QUARTER HIGHLIGHTS

(Compared to First Quarter 2016)

- > Revenues of USD 71.1 million and EBITDA Loss of USD 14.3 million
  - Polysilicon Sales Volumes of 3,634MT (5.8% Decrease)
  - 9.7% Solar Grade Polysilicon Sales Price Increase
- > Decreased Efficiency due to Capacity Curtailment in Moses Lake
  - Total Polysilicon Production of 1,671MT (13.7% Decrease)
  - Polysilicon Inventory Decline of 1,963MT
  - FBR Cash Cost of USD 33.7/kg
- > FBR Production Restarted in Moses Lake
  - Silane III Restarted in May 2016 – Currently Producing Near Capacity
  - Silane IV Currently in Restart
- > Silicon Gas Sales
  - Sales Volume of 610MT (14.8% Increase)
  - 2.8% Silane Gas Price Decrease
- > June 30, 2016 Cash Balance of \$91.3 million
  - \$16.3 million Cash Flows from Operating Activities Includes:
    - \$5.9 million Receipts from Electricity Refund (Included in Other Income)
    - \$5.0 million Receipts from Customer Prepayment
  - \$21.2 million Bond (REC02) Retired in May 2016
  - Indemnification Loan Not Called in Second Quarter 2016
- > Yulin JV on Track for Startup in Second Half 2017

## FINANCIAL HIGHLIGHTS

### Key financials - REC Silicon Group

(USD IN MILLION)	Q2 2016	Q2 2015	JUN 30, 2016	JUN 30, 2015	YEAR 2015	Q1 2016
Revenues	71.1	93.0	139.9	167.4	329.9	68.8
EBITDA	-14.3	5.8	-27.8	30.6	-13.0	-13.4
EBITDA margin	-20.2%	6.2%	-19.8%	18.3%	-4.0%	-19.5%
EBIT excluding impairment charges	-38.1	-29.4	-75.7	-40.9	-147.2	-37.5
Impairment charges	0.0	0.0	0.0	0.0	-151.6	0.0
EBIT	-38.1	-29.4	-75.7	-40.9	-298.8	-37.5
EBIT margin	-53.7%	-31.6%	-54.1%	-24.4%	-90.6%	-54.5%
Profit/loss before tax from continuing operations	-39.1	-42.8	-119.4	-10.6	-190.1	-80.2
Profit/loss from continuing operations	-19.0	-30.9	-83.4	15.7	-62.8	-64.4
Profit/loss from discontinued operations, net of tax	0.0	0.8	0.0	0.1	0.2	0.0
Earnings per share from continuing operations, basic and diluted (USD)	-0.01	-0.01	-0.03	0.01	-0.03	-0.03
Polysilicon production in MT (Siemens and granular)	1,671	5,071	3,608	10,281	16,883	1,937
Polysilicon sales in MT (Siemens and granular)	3,634	3,817	7,491	6,208	13,460	3,857
Polysilicon (Multicrystalline Bricks) in MT	0	2	0	2	482	0
Silicon gas sales in MT	610	989	1,140	1,725	3,076	531

## REC SILICON

REC Silicon produces polysilicon and silicon gases for the solar and electronics industries at plants in Moses Lake, Washington and in Butte, Montana. REC Silicon targets polysilicon production of approximately 13,600MT in 2016 and employs approximately 600 people.

Second quarter 2016 revenues were USD 71.1 million, an increase of 3.2 percent compared to USD 68.8 million in the first quarter of 2016. Higher revenues were primarily a result of increased silicon gas sales volumes of 14.8 percent compared to the prior quarter. Polysilicon sales volumes declined by 5.8 percent while average solar grade polysilicon prices increased by approximately 9.7 percent resulting in revenues from polysilicon sales broadly unchanged from the first quarter of 2016.

Polysilicon sales volumes excluding fines and powder were 3,634MT compared to 3,857MT in the first quarter of 2016. Polysilicon sales volumes including fines and powder were 3,996MT which is in line with volume expectations provided with the Company's first quarter 2016 earnings release. The Company's access to Chinese markets continues to be restricted. However, the Company's successful efforts to increase market share outside of China have resulted in sales volumes approaching those required to sell all solar grade polysilicon produced by the Company when running at full capacity. Increases in spot prices throughout the first half of 2016 indicate that demand for solar grade polysilicon is nearing a balance with polysilicon supply. While the average of spot price indices for solar grade polysilicon increased by 21.1 percent during the second quarter, average solar grade polysilicon prices realized by REC Silicon increased by 9.7 percent during the same period. This demonstrates the Company's strategy to leverage its competitive low cost advantage and offer high discounts to increase market share outside of China.

REC Silicon's polysilicon inventories declined by 1,963MT due to the curtailment of FBR production at the Company's Moses Lake production

facility. Increased restrictions to product availability have resulted in faster collection times and a decrease in days trade receivables outstanding from approximately 57 days at March 31, 2016 to approximately 45 days at June 30, 2016.

Silicon gas sales volumes during the second quarter of 2016 increased by 14.8 percent to 610MT from 531MT during the first quarter of 2016. Silicon gas sales volumes were 190MT below announced targets of 800MT. Overall demand for silicon gases remains stable, however, anticipated sales for Crystalline PV cell applications are below expectations due to slow collections and return of modules by customers within this market segment. Second quarter 2016 silane gas sales prices decreased by 2.8 percent compared to the first quarter of 2016 due to the geographic and market segment mix of sales opportunities.

Total polysilicon production volume in the second quarter decreased to 1,671MT (13.7 percent decline) compared to 1,937MT during the first quarter of 2016. Production volumes were impacted by the curtailment of production capacity at the Moses Lake facility previously announced. FBR cash production cost increased to USD 33.7/kg compared to USD 24.8/kg in the first quarter. High FBR cash costs for the period were a result of low production volumes and do not reflect the low cost capability of the Company's FBR technology demonstrated during previous periods. Siemens solar grade and semiconductor grade polysilicon production decreased by 15 percent to 645MT during the second quarter. During the second quarter, the Company received USD 5 million to replace and modify a firm long term sales contract for semiconductor grade polysilicon. The follow-on agreement represents a linked transaction and includes provisions for sales volumes of up to 330MT at a fixed price through December 2020. Accordingly, the USD 5 million receipt was recorded as a prepayment and will be amortized to income as contract amounts are realized or expire.

Other income and expenses for the second quarter include a partial refund of electricity costs from prior years of USD 5.9 million associated with rate increases which have been reversed through administrative proceedings with the Federal Energy Regulatory Commission (FERC) in the United States. During the second quarter, other income and expenses were USD 2.2 million due to a change in estimated property tax payable for 2012 due to the property tax dispute with Grant County, Washington (USA). See risks and uncertainties below, note 31 to the consolidated financial statements for 2015, and note 8 to this report.

EBITDA for the second quarter of 2016 was a loss of USD 14.3 million compared to a loss of USD 13.4 million in the first quarter of 2016. The loss in the current quarter primarily reflects reduced manufacturing efficiency caused by low production volumes due to the curtailment of FBR production at the Company's manufacturing facility in Moses Lake, WA. EBITDA decreased compared to the prior quarter due to additional overhead expenses to complete planned maintenance in Silane III and Silane IV and lower manufacturing volumes compared to the first quarter. In addition, second quarter EBITDA included bad debt expense of approximately USD 1.5 million due to non-payment of outstanding receivables by a Chinese customer.

#### MARKET DEVELOPMENT

During the second quarter of 2016, average spot price indices for solar grade polysilicon continued to increase reflecting continued high wafer capacity utilization and corresponding polysilicon demand. Despite an anticipated downturn in third quarter end use PV demand, wafer production rates remained high due to a perceived shortage of wafer capacity and expected increases in PV installations in the fourth quarter of 2016 and the first quarter 2017. In addition, increases in spot prices indicate that excess polysilicon inventories have declined and are now at levels necessary to support supply chain activities. Regional market imbalances caused by the trade dispute between the US and China continue to impact polysilicon prices.

Total PV installations for 2016 are estimated in a range from 65 GW to 68 GW according to multiple external sources. PV installations are estimated at 34.4 GW (I.H.S. PV Demand Tracker) for the first half of 2016 meaning that approximately 51% of anticipated 2016 PV installations are complete. During previous years, the attainment of demand estimates relied heavily on high demand late in the year. Spot prices increased by approximately 21% in the second quarter compared to the first quarter and averaged USD 16.92/kg at the end of June 2016. Opportunities for long term fixed price contracts continue to be available demonstrating the expectation of continued increases in spot prices.

REC Silicon continues to successfully qualify polysilicon and increase crucible share by focusing marketing efforts on customers outside of China. However, the trade dispute continues to prevent shipments of REC Silicon solar grade polysilicon into China. Regional imbalances caused by the trade dispute have resulted in larger increases to spot prices inside of China.

Markets for semiconductor grade polysilicon demonstrated lower growth than previously estimated. Lagging demand for consumer electronics products translated into delays to capacity expansions.

Resulting weakness in polysilicon demand put additional downward pressure on prices available in spot markets and limited REC Silicon's opportunities for spot market sales to the most specialized of products and applications.

Silicon gas markets were also impacted by lagging demand for consumer electronics products. In addition, the quality of customers in the PV segment resulted in reduced shipments to customers who do not pay or return equipment as required by the terms and conditions of sales agreements. These conditions resulted in lower than expected silicon gas shipments as distributors reduced inventories generated by lower than expected demand and allowed regional suppliers to assume the risk of sales to unreliable customers in the PV segment.

#### RESEARCH AND DEVELOPMENT

REC Silicon incurred R&D expenses of USD 1.5 million during the second quarter of 2016 compared to USD 1.7 million during the first quarter of 2016.

The Process Development Facility was not operated during the second quarter of 2016 due to the temporary curtailment of production in Moses Lake. However, significant progress has been made by analyzing results from previous runs and performing laboratory tests to develop future strategies to verify hypotheses. These efforts are aimed at improving process efficiency and operational stability of the FBR-B reactor. In addition, findings are being applied to the FBR-A reactor technology to improve efficiencies in current operations. The Process Development Facility is expected to resume testing during the third quarter of 2016.

Research efforts have been focused on the analysis of numerous samples from various sections of Silane III and Silane IV which were accessible due to the curtailment of production and the extensive maintenance work carried out during the second quarter. Knowledge gleaned from this analysis is expected to contribute to operating capabilities and ensure more stable operations in future periods.

#### FINANCIAL ITEMS

Net currency gains and (losses) relate primarily to internal loans (loans of approximately USD 0.9 billion at June 30, 2016) that are not eliminated on consolidation.

See note 6 for additional information on borrowings.

#### INCOME TAX

REC Silicon reported an income tax benefit from continuing operations of USD 20.1 million for the second quarter of 2016. The tax benefit is due to a decrease in deferred tax liabilities caused by the taxable loss of USD 39.1 million during the second quarter of 2016. The taxable loss consists of an EBITDA loss of USD 14.3 million and depreciation, amortization and impairment of USD 23.8 million primarily associated with operations in the United States. In addition, the Company recognized USD 0.9 million for its share of the Yulin JV's loss, net financial expenses of USD 3.6 million, financial income of USD 1.0

**Financial items - REC Silicon Group**

(USD IN MILLION)	Q2 2016	Q2 2015	JUN 30, 2016	JUN 30, 2015	YEAR 2015	Q1 2016
Financial income	1.0	0.6	1.2	1.4	3.4	0.3
Interest expenses on borrowings	-3.3	-3.2	-6.8	-6.4	-13.7	-3.5
Capitalized borrowing cost	0.0	0.8	0.9	1.6	3.7	0.9
Expensing of up-front fees and costs	-0.0	-0.0	-0.1	-0.1	-0.2	-0.0
Other financial expenses	-0.2	-0.2	-0.5	-0.7	-1.1	-0.2
Net financial expenses	-3.6	-2.7	-6.5	-5.6	-11.2	-2.9
Net currency gains/losses	8.0	-20.1	-34.1	37.3	115.1	-42.1
Fair value adjustment convertible bonds	-5.5	8.7	-2.7	-1.2	3.3	2.7
Net financial items	-0.1	-13.4	-42.1	31.8	110.5	-41.9

million, and a loss of USD 5.5 million for adjustments to the carrying value of the USD convertible bond. The tax effects of net currency gains of USD 8.0 million primarily for the parent Company during the second quarter of 2016 were offset by an increase in unrecognized deferred tax assets and resulted in income with no effective tax impact.

**CASH FLOW**

Net cash flows from operating activities was USD 16.3 million in the second quarter of 2016. Cash inflows from operations were driven by a decrease in working capital of USD 36.9 million. Working capital decreases consisted of a decrease in inventories of USD 28.0 million and customer collections in excess of sales of USD 12.8 million. The decrease in inventories reflects a decrease in polysilicon inventories of 1,963MT due to continuing sales while production capacity at the Moses Lake facility has been halted. Customer collections during the second quarter included a prepayment of USD 5 million associated with a renegotiation of a firm long term contract for semiconductor grade polysilicon. Decreases in cash include an EBITDA loss of USD 14.3 million, interest payments of USD 7.4 million, and a decrease in accounts payable of USD 4.0 million.

Net cash outflows from investing activities consisted of capital expenditures of USD 3.3 million for the second quarter of 2016.

Net cash outflows from financing activities were USD 21.2 million (NOK 179.5 million) for the retirement of a NOK denominated bond (REC02) in May 2016.

The net currency exchange effect on cash balances for the period resulted in a loss of USD 1.7 million due to the impact of a weaker US dollar on cash deposits in NOK.

Cash balances decreased by USD 10.2 million to USD 91.3 million at June 30, 2016.

**FINANCIAL POSITION**

Shareholders' equity decreased to USD 869.5 million (75 percent equity ratio) at June 30, 2016, compared to USD 898.2 million (74 percent) at March 31, 2016. This decrease was primarily a result of the loss from total operations of USD 19.0 million. The remaining changes were a

result of net currency losses of USD 9.7 million included in other comprehensive income.

Net debt decreased by USD 6.9 million to USD 76.8 million at June 30, 2016, from USD 83.7 million at March 31, 2016. This decrease was primarily the result of the retirement of a NOK denominated bond in May 2016 for USD 21.2 million (NOK 179.5 million) offset by the decrease in cash balances of USD 10.2 million discussed above. In addition, net debt increased by USD 5.5 million due to higher carrying values of the Company's debt due to the fair value adjustments to the USD convertible bond. The remaining decrease of USD 1.4 million can be attributed to lower carrying values of the Company's NOK denominated debt due to a weaker US dollar.

Net debt includes convertible bonds at fair value. Including bonds at nominal value, nominal net debt decreased by USD 12.6 million to USD 96.9 million at June 30, 2016 compared to USD 109.5 million at March 31, 2016.

See note 17 to the consolidated financial statements for 2015 and note 6 to this report for further information on interest bearing liabilities.

**RISKS AND UNCERTAINTIES**

During the second quarter of 2016, REC Advanced Silicon Materials LLC (ASiMi) located in Butte, Montana received a partial refund of electricity costs paid in prior years due to rate increases incorrectly implemented by its utility provider in 2010. An association of large industrial electricity customers initiated administrative proceedings with the United States Federal Energy Regulatory Commission (FERC) to reverse the rate increases and to obtain refunds of excess payments. In June of 2016, FERC ruled in favor of the large customer group and awarded the refund of excess payments including interest. ASiMi received a refund of approximately USD 6.6 million including accrued interest of USD 0.7 million. The utility provider has filed a notice of appeal with the D.C. Court of Appeals. REC Silicon believes that FERC's ruling will be sustained by the appeals court. The Company has reported other income of USD 5.9 million and interest income of USD 0.7 million in the second quarter 2016 financial statements. No provision has been made for any potential liability should the utility provider prevail on appeal.

On July 13, 2016, Hemlock Semiconductor's motion for summary judgment was granted by the United States District Court Eastern

District of Michigan in its dispute regarding polysilicon supply agreements with SolarWorld. It is anticipated that this ruling will create conditions that are conducive to a resolution to the solar trade dispute between the United States and China. However, the timing or outcome of any resolution to the trade dispute remains uncertain.

Please refer to the annual report for 2015, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

## MARKET OUTLOOK

GTM Research reduced their estimate of 2016 end use demand for PV systems to 65GW from their previous estimate of 66GW. Third quarter installations are expected to decrease to 14GW compared to 19GW during the second quarter according to I.H.S. Technology. This decline was anticipated and is primarily a result of policy changes in China. However, wafer capacity utilization is expected to remain high in order to meet requirements caused by anticipated strong PV system demand in the fourth quarter of 2016 and the first quarter of 2017. Because near term polysilicon demand is dependent upon the anticipation of a return to more normal installation patterns in future periods, polysilicon consumers are somewhat apprehensive and will limit inventory growth should increases in end use demand not materialize.

Despite increase in spot prices for solar grade polysilicon, marginal polysilicon producers continue to struggle to maintain liquidity. All known competitive silane based solar grade polysilicon initiatives have ceased operation. However, established polysilicon producers continue to implement incremental capacity projects to increase throughput and lower unit costs as demand rises. Spot prices are expected to remain stable through the third quarter of 2016 and then increase during subsequent quarters as end use PV demand growth is realized.

Semiconductor polysilicon markets are expected to continue to suffer from excess inventory levels and reduced market access caused by firm long term contracts. The continued execution of long term fixed contracts may be uncertain due to low spot price levels. REC Silicon will continue to benefit from opportunities in certain specialized applications. However, overall spot market activity is expected to be limited until excess inventories are consumed.

Silicon gas demand is expected to increase during the next two quarters as inventories are depleted and seasonal demand increases are realized. Ability to access the higher growth PV segment will continue to be limited until operating practices and shipping terms can be adjusted to allow sales to high risk customers. Overall, demand for silicon gases is expected to lag behind previous estimates due to lower end use demand growth for flat panel displays and semiconductors. Therefore, demand growth for silicon gases will be increasingly dominated by demand for crystalline PV cells. Despite this, silicon gas prices are expected to remain near current levels.

## GUIDANCE

### PRODUCTION TARGETS

REC Silicon targets polysilicon production of approximately 4,490MT and 5,520MT in the third and fourth quarter of 2016 respectively. Increased polysilicon production rates for the second half of 2016 reflect the restart of production at the Moses Lake facility. Silane III was restarted in May 2016 and is currently operating near maximum capacity. The restart of Silane IV has been delayed due to a fire on July 1, 2016 which resulted in equipment damage to one of the three hot oil heaters. The Company currently anticipates that Silane IV will resume production early in the third quarter of 2016 at rates near two thirds capacity through the third quarter and then return to full rates in the fourth quarter of 2016. The Company anticipates that the FBR facility will be operating at rates approaching full capacity during Q4 of 2016. In addition, management continues to estimate that Silane III and Silane IV are capable of running for two years without an extended maintenance outage.

Polysilicon production targets for 2016 have been reduced from 14,740MT reflected in previous guidance to approximately 13,618MT, a decrease of 1,122MT. The majority of this decrease is attributable to the effects of the fire on July 1, 2016 described above. In addition, polysilicon produced using the Siemens process is expected to decline by only 83MT, however, this anticipates a decrease in semiconductor grade polysilicon production of 634MT. This decrease is attributable to continuing weak market conditions experienced during previous quarters as well as the renegotiation of a firm long term contract during the second quarter resulting in lower semiconductor sales volumes in future periods. As part of the follow-on contract, the Company received USD 5 million prepayment as discussed on page 3 of this report.

Silicon gas sales volumes are targeted at 800MT and 900MT for the third and fourth quarters of 2016 respectively. Silicon gas sales volume targets for 2016 in total have been reduced to 2,840MT from previous guidance of 3,360MT. This decrease reflects lower than anticipated sales to crystalline PV cell applications due to slow collections and return of modules.

### Cost Targets

REC Silicon targets decreased FBR cash production costs during the second half of 2016 due to increased production rates discussed in the Production Targets section above. FBR cash production costs are expected to be USD 12.0/kg in the third quarter and USD 10.1/kg in the fourth quarter. Third quarter cash production costs are expected to be approximately USD 1.8/kg higher than estimates provided by the Company during the first quarter 2016 earnings release. Fourth quarter production costs are expected to decline to USD 10.1/kg as Silane IV returns to full production which is similar to guidance provided with the first quarter results.

**Production targets**

POLYSILICON PRODUCTION VOLUME (MT)	ACTUAL RESULTS Q1 2016	ACTUAL RESULTS Q2 2016	TARGETS Q3 2016	TARGETS Q4 2016	TARGETS 2016
Granular	1,175	1,026	3,830	4,710	10,741
Semiconductor Grade	351	155	250	260	1,016
Siemens Solar	412	490	410	550	1,861
Total	1,937	1,671	4,490	5,520	13,618
Silicon Gas Sales Volume (MT)	531	610	900	900	2,940

**Cost targets**

POLYSILICON PRODUCTION VOLUME	ACTUAL RESULTS Q1 2016	ACTUAL RESULTS Q2 2016	TARGETS Q3 2016	TARGETS Q4 2016	TARGETS 2016
FBR Cash Cost (USD/kg)	24.8	33.7	12.0	10.1	14.6

**INVESTMENT AND EXPANSION**

For 2016, capital expenditures are expected to be approximately USD 11 million including USD 2 million for expansion initiatives. Cost impacts from the hot oil heater fire at the Moses Lake facility are not included in this estimate because damage assessment and recovery cost estimate development are currently in process.

Activities associated with all expansion projects have been halted due to market conditions. Ongoing expenditures associated with expansion initiatives consist only of items for which non-cancelable commitments exist.

Until market conditions improve, the Company will defer and delay capital spending when possible while maintaining safe operating conditions in order to maintain liquidity.

The Yulin JV is on track for startup during the second half of 2017. Structural steel installation is underway, detailed engineering and procurement are nearing completion, and equipment installation contracts have been awarded.

**FORWARD LOOKING STATEMENTS**

This report contains statements regarding the future in connection with the Group's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group's activities described in section 'Risks and Uncertainties' above, in REC Silicon's Annual Report 2015, including the section Risk Factors in the Board of Directors' Report.

## 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 condensed financial statements for the first half year 2016 and the financial information in this report that is relevant for the first half year 2016 (together "the first half year 2016 report").


The first half year 2016 report has been prepared in accordance with IAS 34 as adopted by the EU and additional disclosure requirements for the first half year report as stated in the Norwegian Securities Trading Act (Verdipapirhandelloven).

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year 2016 gives a true and fair view of the Group's consolidated assets, liabilities, financial position, and results of operations. To the best of our knowledge, the first half year 2016 report includes a fair review of important events during the period and their effects on the condensed set of financial statements for the first half year 2016, together with a description of the principal risks and uncertainties for the remaining months of the financial year as well as transactions with related parties that have a material effect on financial position or the results for the period.

Fornebu, July 20, 2016  
Board of Directors

  
Espen Klitzing  
Member of the Board

  
Jens Ulltveit-Moe  
Chairman of the Board

  
Ragnhild Wiborg  
Member of the Board

  
Terje Osmundsen  
Member of the Board

  
Tore Torvund  
President and CEO

  
Inger Berg Ørstavik  
Member of the Board





# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTES	JUN 30, 2016	JUN 30, 2015	DEC 31, 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	2	20.8	23.5	21.9
Land and buildings	2	61.3	79.4	62.8
Machinery and production equipment	2	563.5	775.6	605.2
Other tangible assets	2	15.1	20.5	16.2
Assets under construction	2	66.7	52.9	65.8
Property, plant and equipment	2	706.5	928.4	750.0
Government grant assets		111.0	117.8	110.8
Financial assets and prepayments		4.1	8.7	4.1
Deferred tax assets		71.1	0.0	34.5
<b>Total non-current assets</b>		<b>913.4</b>	<b>1,078.3</b>	<b>921.2</b>
<b>Current assets</b>				
Inventories	5	97.6	181.8	141.6
Trade and other receivables	10	54.2	115.6	70.3
Current tax assets		0.0	0.4	0.0
Restricted bank accounts		4.2	4.2	3.7
Cash and cash equivalents		91.3	49.2	95.4
<b>Total current assets</b>		<b>247.4</b>	<b>351.1</b>	<b>311.0</b>
<b>Total assets</b>		<b>1,160.7</b>	<b>1,429.5</b>	<b>1,232.2</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTES	JUN 30, 2016	JUN 30, 2015	DEC 31, 2015
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Paid-in capital		3,158.0	3,115.3	3,158.0
Other equity and retained earnings		-2,288.5	-2,079.4	-2,237.0
Total shareholders' equity		869.5	1,035.9	921.0
<b>Non-current liabilities</b>				
Retirement benefit obligations		17.8	18.1	18.2
Deferred tax liabilities		4.8	69.4	5.5
Investments in Associates	3	31.7	23.8	28.5
Non-current financial liabilities, interest bearing	6	144.4	132.5	138.8
Non-current prepayments, interest calculation		5.8	2.4	1.1
Other non-current liabilities, not interest bearing		0.3	0.1	0.2
Total non-current liabilities		204.8	246.4	192.3
<b>Current liabilities</b>				
Trade payables and other liabilities		59.0	87.3	72.5
Derivatives	4	1.5	1.8	1.4
Current financial liabilities, interest bearing	6	23.8	54.7	42.9
Current prepayments, interest calculation		2.1	3.4	2.0
Total current liabilities		86.4	147.2	118.9
Total liabilities		291.2	393.6	311.2
Total equity and liabilities		1,160.7	1,429.5	1,232.2

# CONSOLIDATED STATEMENT OF INCOME

## REC SILICON GROUP

(USD IN MILLION)	NOTES	Q2 2016	Q2 2015	JUN 30, 2016	JUN 30, 2015	YEAR 2015
Revenues		71.1	93.0	139.9	167.4	329.9
Cost of materials	5	-11.4	-29.2	-23.5	-56.7	-96.1
Changes in inventories	5	-20.8	8.5	-37.9	51.0	12.0
Employee benefit expenses		-19.8	-23.7	-41.6	-46.6	-89.5
Other operating expenses		-39.4	-42.8	-72.9	-84.5	-169.2
Other income and expenses 1)		6.1	0.0	8.3	0.0	-0.1
EBITDA		-14.3	5.8	-27.8	30.6	-13.0
Depreciation	2	-23.3	-34.4	-46.9	-69.9	-131.1
Amortization	2	-0.5	-0.8	-1.0	-1.5	-3.1
Impairment	2	0.0	0.0	0.0	0.0	-151.6
Total depreciation, amortization and impairment		-23.8	-35.2	-47.9	-71.5	-285.7
EBIT		-38.1	-29.4	-75.7	-40.9	-298.8
Share of profit/loss of investments in associates	3	-0.9	0.0	-1.6	-1.6	-1.8
Financial income		1.0	0.6	1.2	1.4	3.4
Net financial expenses		-3.6	-2.7	-6.5	-5.6	-11.2
Net currency gains/losses		8.0	-20.1	-34.1	37.3	115.1
Fair value adjustment convertible bonds	6	-5.5	8.7	-2.7	-1.2	3.3
Net financial items		-0.1	-13.4	-42.1	31.8	110.5
Profit/loss before tax from continuing operations		-39.1	-42.8	-119.4	-10.6	-190.1
Income tax expense/benefit from continuing operations		20.1	11.9	36.0	26.3	127.3
Profit/loss from continuing operations		-19.0	-30.9	-83.4	15.7	-62.8
Profit/loss from discontinued operations, net of tax	9	0.0	0.8	0.0	0.1	0.2
Profit/loss from total operations		-19.0	-30.2	-83.4	15.8	-62.6
<b>Attributable to:</b>						
Owners of REC Silicon ASA		-19.0	-30.2	-83.4	15.8	-62.6
<b>Earnings per share (In USD)</b>						
From continuing operations						
-basic		-0.01	-0.01	-0.03	0.01	-0.03
-diluted		-0.01	-0.01	-0.03	0.01	-0.03
<b>Earnings per share (In USD)</b>						
From total operations						
-basic		-0.01	-0.01	-0.03	0.01	-0.03
-diluted		-0.01	-0.01	-0.03	0.01	-0.03

1) In 2016, Other items includes recognition of USD 5.9 million of electricity refund and USD 2.2 million of property tax.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## REC SILICON GROUP

(USD IN MILLION)	Q2 2016	Q2 2015	JUN 30, 2016	JUN 30, 2015	YEAR 2015
Profit/loss from total operations	-19.0	-30.2	-83.4	15.8	-62.6
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	-0.8
Currency translation effects	-10.0	21.9	42.0	-40.5	-132.3
Sum items that will not be reclassified to profit or loss	-10.0	21.9	42.0	-40.5	-133.1
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences					
- taken to equity	0.3	-2.7	-10.1	6.1	19.6
Sum items that may be reclassified subsequently to profit or loss	0.3	-2.7	-10.1	6.1	19.6
Total other comprehensive income	-9.7	19.2	31.9	-34.4	-113.6
Total comprehensive income	-28.7	-11.0	-51.5	-18.5	-176.2
<b>Total comprehensive income attributable to:</b>					
Owners of REC Silicon ASA	-28.7	-11.0	-51.5	-18.5	-176.2

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## REC SILICON GROUP

(USD IN MILLION)	ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA						
	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL EQUITY
<b>June 30, 2015</b>							
At January 1, 2015	377.1	2,696.4	41.8	3,115.3	174.0	-2,234.9	1,054.4
Equity share option plan	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-18.5	-18.5
At June 30, 2015	377.1	2,696.4	41.8	3,115.3	174.0	-2,253.4	1,035.9
<b>Year 2015</b>							
At January 1, 2015	377.1	2,696.4	41.8	3,115.3	174.0	-2,234.9	1,054.4
Equity share option plan	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Share issue	28.2	14.5	0.0	42.7	0.0	0.0	42.7
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-176.2	-176.2
At December 31, 2015	405.3	2,710.9	41.8	3,158.0	174.0	-2,410.9	921.0
<b>June 30, 2016</b>							
At January 1, 2016	405.3	2,710.9	41.8	3,158.0	174.0	-2,410.9	921.0
Equity share option plan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-51.5	-51.5
At June 30, 2016	405.3	2,710.9	41.8	3,158.0	174.0	-2,462.5	869.5

## This table presents details of comprehensive income

(NOK IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
<b>June 30, 2015</b>				
Accumulated at January 1, 2015	18.1	20.9	-2,273.9	-2,234.9
Profit/loss from total operations	0.0	0.0	15.8	15.8
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Currency translation effects	0.0	0.0	-40.5	-40.5
Sum items that will not be reclassified to profit or loss	0.0	0.0	-40.5	-40.5
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	8.0	0.0	0.0	8.0
Tax on currency translation differences taken to equity	-1.9	0.0	0.0	-1.9
Sum items that may be reclassified to profit or loss	6.1	0.0	0.0	6.1
Total other comprehensive income for the period	6.1	0.0	-40.5	-34.4
Total comprehensive income for the period	6.1	0.0	-24.6	-18.5
Accumulated at June 30, 2015	24.2	20.9	-2,298.5	-2,253.4
<b>Year 2015</b>				
Accumulated at January 1, 2015	18.1	20.9	-2,273.9	-2,234.9
Profit/loss from total operations	0.0	0.0	-62.6	-62.6
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	-0.8	-0.8
Currency translation effects	0.0	0.0	-132.3	-132.3
Sum items that will not be reclassified to profit or loss	0.0	0.0	-133.1	-133.1
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	24.7	0.0	0.0	24.7
Tax on currency translation differences taken to equity	-5.1	0.0	0.0	-5.1
Sum items that may be reclassified to profit or loss	19.6	0.0	0.0	19.6
Total other comprehensive income for the period	19.6	0.0	-133.1	-113.6
Total comprehensive income for the period	19.6	0.0	-195.7	-176.2
Accumulated at December 31, 2015	37.7	20.9	-2,469.6	-2,410.9
<b>June 30, 2016</b>				
Accumulated at January 1, 2016	37.7	20.9	-2,469.6	-2,410.9
Profit/loss from total operations	0.0	0.0	-83.4	-83.4
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Currency translation effects	0.0	0.0	42.0	42.0
Sum items that will not be reclassified to profit or loss	0.0	0.0	42.0	42.0
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-11.8	0.0	0.0	-11.8
Tax on currency translation differences taken to equity	1.7	0.0	0.0	1.7
Sum items that may be reclassified to profit or loss	-10.1	0.0	0.0	-10.1
Total other comprehensive income for the period	-10.1	0.0	42.0	31.9
Total comprehensive income for the period	-10.1	0.0	-41.4	-51.5
Accumulated at June 30, 2016	27.6	20.9	-2,511.0	-2,462.5

# CONSOLIDATED STATEMENT OF CASH FLOWS

## TOTAL OPERATIONS

### REC SILICON GROUP

(USD IN MILLION)	NOTES	Q2 2016	Q2 2015	JUN 30, 2016	JUN 30, 2015	YEAR 2015
<b>Cash flows from operating activities</b>						
Profit/loss before tax from total operations 1)		-39.1	-42.1	-119.4	-10.5	-189.9
Income taxes paid/received		0.0	0.0	0.0	-3.1	-3.0
Depreciation, amortization and impairment	2	23.8	35.2	47.9	71.5	285.7
Fair value adjustment convertible bond	6	5.5	-8.7	2.7	1.2	-3.3
Equity accounted investments, impairment financial assets, gains/losses on sale	3	0.9	0.0	1.6	1.6	1.8
Gains/losses on disposal of discontinued operations	9	0.0	-0.8	0.0	-0.1	-0.2
Changes in receivables, prepayments from customers etc.	10	12.7	13.7	26.0	10.1	38.2
Changes in inventories	5	28.0	-11.3	44.0	-53.6	-13.4
Changes in payables, accrued and prepaid expenses		-8.2	0.1	-17.4	-2.3	-3.8
Changes in provisions		0.0	0.0	0.0	0.0	0.0
Changes in VAT and other public taxes and duties		0.1	3.0	0.1	2.9	2.5
Changes in derivatives		0.0	-0.8	0.0	-0.1	-0.3
Currency effects not cash flow or not related to operating activities		-7.2	20.4	33.5	-35.8	-111.7
Other items		-0.2	-0.1	-0.3	-0.3	-1.0
Net cash flow from operating activities		16.3	8.7	18.8	-18.5	1.6
<b>Cash flows from investing activities</b>						
Proceeds from finance receivables and restricted cash		0.0	0.8	0.0	0.8	0.8
Payments finance receivables and restricted cash		-0.3	0.0	-0.3	0.0	0.0
Proceeds from sale of property, plant and equipment and intangible assets		0.0	0.0	0.0	0.0	0.0
Payments for property, plant and equipment and intangible assets	2	-3.3	-14.1	-4.9	-28.5	-54.7
Proceeds from investment grants		0.0	0.0	0.0	0.0	5.7
Proceeds/payments from disposal of subsidiaries, net of cash disposed of		0.0	0.0	0.0	0.0	0.0
Net cash flow from investing activities		-3.6	-13.3	-5.2	-27.7	-48.2
<b>Cash flows from financing activities</b>						
Increase in equity		0.0	0.0	0.0	0.0	42.7
Payments of borrowings and up-front/waiver loan fees		-21.2	0.0	-21.2	0.0	-6.7
Proceeds from borrowings		0.0	0.0	0.0	0.0	17.1
Net cash flow from financing activities		-21.2	0.0	-21.2	0.0	53.1
Effect on cash and cash equivalents of changes in foreign exchange rates		-1.7	0.9	3.6	-1.0	-7.4
Net increase/decrease in cash and cash equivalents		-10.2	-3.8	-4.1	-47.3	-1.0
Cash and cash equivalents at the beginning of the period		101.5	52.9	95.4	96.4	96.4
Cash and cash equivalents at the end of the period		91.3	49.2	91.3	49.2	95.4
1) PROFIT/LOSS BEFORE TAX FROM TOTAL OPERATIONS CONSISTS OF						
Profit/loss before tax from continuing operations		-39.1	-42.8	-119.4	-10.6	-190.1
Profit/loss before tax from discontinued operations		0.0	0.8	0.0	0.1	0.2
Profit/loss before tax from total operations		-39.1	-42.1	-119.4	-10.5	-189.9

# NOTES

## 1 GENERAL

### THE GROUP

REC Silicon ASA (the Company) and its subsidiaries (together REC Silicon Group, REC Silicon, or Group) are a leading producer of advanced silicon materials, delivering high-purity polysilicon and silicon gases to the solar and electronics industries worldwide.

REC Silicon ASA is headquartered in Fornebu, Norway and operates manufacturing facilities in Moses Lake, Washington and Butte, Montana in the USA. REC Silicon's subsidiaries include: REC Silicon Inc., REC Solar Grade Silicon LLC, and REC Advanced Silicon Materials LLC in the US. REC Silicon's marketing activities for sales of solar grade polysilicon, semiconductor grade silicon and silicon gases are carried out in China, Japan, Korea, Taiwan, and the United States. The Group's joint venture operations are held in REC Silicon Pte Ltd in Singapore.

### BASIS OF PREPARATION

The financial statements are presented in million USD. As a result of rounding, 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.

### FINANCIAL STATEMENTS

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with IAS 34. They have not been audited or subject to a review by the auditor. They do not include all of the information required for full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2015. The consolidated financial statements for 2015 are available upon request from the Company's registered office in Fornebu, Norway or at [www.recsilicon.com](http://www.recsilicon.com).

The Board of Directors has prepared these interim financial statements under the assumption that the company is a going concern and is of the opinion that this assumption was realistic at the date of the accounts. Please refer to the section "Risks and Uncertainties" in this report for additional information.

### ACCOUNTING POLICIES

The consolidated financial statements for 2015 were prepared in accordance with IFRS as adopted by the EU and the Norwegian Accounting Act. The accounting policies adopted by the Company are consistent with those of the previous financial year. See note 2.24 to the consolidated financial statements for 2015.

### ESTIMATES AND JUDGMENTS

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the consolidated financial statements for 2015.

### DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

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

The Company has identified the following APMs used in reporting:

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

**EBIT Margin** - EBIT divided by revenues.

**EBITDA** - EBIT excluding depreciation, amortization and impairment.

**EBITDA Margin** - EBITDA divided by revenues.

**Net Debt** - Carrying value of interest bearing debt instruments less cash and cash equivalents.

**Nominal Net Debt** - Contractual principal repayment values of interest bearing debt instruments less cash and cash equivalents.

**FBR Cash Cost** - Variable, direct, and indirect manufacturing costs excluding depreciation and amortization divided by units produced (excluding fines and powder). FBR Cash Cost does not include general and administrative costs.

**Equity Ratio** - Total shareholders' equity divided by total assets.



## 2 FIXED ASSETS

See note 6 to the consolidated financial statements for 2015.

### 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 January 1, 2016	62.8	605.2	16.2	65.8	750.0	21.9	771.9
Net additions 1)	0.1	2.2	0.2	0.9	3.4	-0.2	3.2
Depreciation and amortization	-1.6	-44.0	-1.3	0.0	-46.9	-1.0	-47.9
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying value at June 30, 2016	61.3	563.5	15.1	66.7	706.5	20.8	727.2
At June 30, 2016							
Historical cost	144.8	2,053.4	78.5	71.5	2,348.2	85.2	2,433.4
Accumulated depreciation/amortization/impairment	-83.6	-1,489.9	-63.5	-4.8	-1,641.8	-64.4	-1,706.2
Carrying value at June 30, 2016	61.3	563.5	15.1	66.7	706.5	20.8	727.2

1) Net additions include transfers from assets under construction

### IMPAIRMENT REVIEWS

See note 7 to the consolidated financial statements for 2015.

The Group has conducted a review of impairment indicators and has not identified any indicators which would give rise to a change in impairment compared to December 31, 2015.

### 3 EQUITY ACCOUNTED INVESTMENTS (ASSOCIATES AND JOINT VENTURES)

The Group has entered into a joint arrangement in China; Shaanxi Non-Ferrous Tian Hong REC Silicon Materials Co., Ltd. (Yulin JV). The Group has a 49 percent interest and joint control, therefore, it is a joint venture and is accounted for according to the equity method.

The Group's share of net assets does not reflect its 49 percent ownership interest in the Yulin JV due to differences in timing of equity contributions by the JV partners.

The following table presents a reconciliation of the Group's investment in the Yulin joint venture:

(USD IN MILLION)	JUN 30, 2016
Carrying value at January 1, 2016	-28.5
Equity contributions	0.0
Amortization of basis difference in technology contributed	0.0
Share of joint venture profits/loss	-1.6
Effects of changes in currency exchange rates	-1.6
Carrying value at June 30, 2016	-31.7

The following table presents the major classification of assets and liabilities reflected on the Yulin JV's statement of financial position at June 30, 2016:

(USD IN MILLION)	JUN 30, 2016
Non-current assets	522.3
Other Current assets	11.4
Cash	61.5
Non-current liabilities	-240.8
Current liabilities	-49.3
Net Assets (100%)	305.1
REC Silicon's share of net assets	65.3
Adjusted for technology transfer	-97.0
Carrying amount of REC's interest	-31.7

See note 7 below and note 8 to the consolidated financial statements for 2015.

### 4 DERIVATIVES

See notes 3 and 11 to the consolidated financial statements for 2015.

Derivatives consist of an option contract which is a part of the indemnification agreement associated with the REC Wafer bankruptcy. Changes in estimated fair values have been reported as part of the profit/loss from discontinued operations on the statement of income.

At June 30, 2016, the option contract was a liability valued at USD 1.5 million (USD 1.4 million at December 31, 2015).

## 5 INVENTORIES

See note 13 to the consolidated financial statements for 2015.

### Inventories at end of period

(USD IN MILLION)	JUN 30, 2016			DEC 31, 2015		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	15.8	0.0	15.8	21.9	0.0	21.9
Spare parts	42.3	-14.1	28.2	42.5	-13.4	29.2
Work in progress	12.0	-2.0	10.1	11.8	-1.8	10.0
Finished goods	64.2	-20.6	43.6	125.8	-45.3	80.5
Total	134.3	-36.7	97.6	202.0	-60.5	141.6

## 6 BORROWINGS AND GUARANTEES

See notes 3 and 17 to the consolidated financial statements for 2015.

Carrying amounts of interest bearing liabilities at June 30, 2016 and contractual repayments (excluding interest payments) are specified in the table below.

(USD IN MILLION)	CARRYING AMOUNT		CONTRACTUAL PAYMENTS, EXCLUDING INTEREST		
	CURRENCY	USD	TOTAL	2016	2018
Unamortized upfront fees (NOK)	-1.4	-0.2	0.0	0.0	0.0
NOK bonds (NOK)	449.7	53.7	54.4	0.0	54.4
USD convertible bond (USD)	90.8	90.8	110.0	0.0	110.0
Indemnification loan (NOK)	200.0	23.9	23.9	23.9	0.0
Total		168.1	188.2	23.9	164.4

The difference between carrying amounts and contractual repayments of the USD convertible bonds are due to fair value adjustments. The difference for the NOK bonds is related to fair value interest rate hedges. The fair value hedges have been revoked and the remaining fair value adjustments are being amortized prospectively as part of the effective interest.

### Guarantees

See note 29 to the consolidated financial statements for 2015.

At June 30, 2016, the Company had provided USD 5.1 million in bank guarantees against which the Company has pledged USD 4.0 million of restricted cash. This included bank guarantees for the benefit of REC Solar of USD 1.3 million with USD 0.2 million of restricted cash as security.

The Company has also provided parent company guarantees related to the performance of solar panels and systems sold by the REC Solar Group. These guarantees were USD 54.7 million at June 30, 2016 and December 31, 2015.

The Company has been provided with offsetting guarantees by REC Solar Holdings AS as part of the sale of REC Solar in 2013.

**Fair values of financial instruments**

See note 30 to the consolidated financial statements for 2015.

The option contract contained in the indemnification agreement associated with the REC Wafer Norway AS bankruptcy is subject to level 3 of the fair value hierarchy of IFRS 13. The value of this option has increased from USD 1.4 million at December 31, 2015 to USD 1.5 million at June 30, 2016 due to the impact of changes in currency translation rates.

The Group estimates that the carrying values of financial instruments approximate fair values except for the NOK bond REC03 (level 2).

The fair value of the USD convertible bond at June 30, 2016 is estimated at 83 percent of nominal value, compared to 80 percent at December 31, 2015. The increase is due primarily to changes in the share price and consequently the value of the embedded option.

(USD IN MILLION)	JUN 30, 2016		
	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
REC03	54.4	53.7	50.9

**USD convertible bond**

(USD IN MILLION)	AT ISSUE SEP 2013	JUN 30, 2016	JUN 30, 2015	DEC 31, 2015	CHANGE TO P/L Q2 2016	CHANGE TO P/L Q2 2015	CHANGE TO P/L JUN 30, 2016	CHANGE TO P/L JUN 30, 2015
Nominal value	110.0	110.0	110.0	110.0				
Value of the total loan	110.0	90.8	93.5	88.0	5.5	-8.7	2.7	1.2

Estimated fair values exclude accrued interest. Increase (decrease) in fair value is recognized as an expense (income) in the statement of income.

## 7 COMMITMENTS

### Contractual purchase obligations and minimum operating lease payments at June 30, 2016

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	DISTRIBUTION OF PAYMENTS						
		REMAINING 2016	2017	2018	2019	2020	2021	AFTER 2021
<b>Purchase of goods and services</b>								
REC Silicon	54.3	46.1	3.5	0.2	0.2	1.5	1.5	1.5
Other	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total purchase of goods and services	54.4	46.1	3.5	0.2	0.2	1.5	1.5	1.5
<b>Minimum operating lease payments</b>								
REC Silicon	66.0	10.1	18.9	14.0	8.9	7.8	2.1	4.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total minimum operating lease payments	66.0	10.1	18.9	14.0	8.9	7.8	2.1	4.2

REC Silicon is a partner in a joint venture in China (See Note 3). REC Silicon has agreed to contribute additional equity to the joint venture of USD 15 million in August 2016 and USD 154 million in August 2017 which have not been included in the table above. REC Silicon expects to delay or cancel these contributions if the Company does not have sufficient liquidity when the equity contribution commitments are scheduled.

## 8 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

During the second quarter of 2016, REC Advanced Silicon Materials LLC (ASiMi) located in Butte, Montana received a refund of electricity costs paid in prior years due to rate increases incorrectly implemented by its utility provider in 2010. An association of large industrial electricity customers initiated administrative proceedings with the United States Federal Energy Regulatory Commission (FERC) to reverse the rate increases and to obtain refunds of excess payments. In June of 2016, FERC ruled in favor of the large customer group and awarded the refund of excess payments including interest. ASiMi received a refund of approximately USD 6.6 million including accrued interest of USD 0.7 million. The utility provider has filed a notice of appeal with the D.C. Court of Appeals. REC Silicon believes that FERC's ruling will be sustained by the appeals court. The Company has reported other income of USD 5.9 million and interest income of USD 0.7 million in the second quarter 2016 financial statements. No provision has been made for any potential liability should the utility provider prevail on appeal.

On July 13, 2016, Hemlock Semiconductors motion for summary judgement was granted in its dispute regarding polysilicon supply agreements with SolarWorld. It is anticipated that this ruling will create conditions that are conducive to a resolution to the solar trade dispute between the United States and China. However, the timing or outcome of any resolution to the trade dispute remains uncertain.

Please refer to the annual report for 2015, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

## 9 DISCONTINUED OPERATIONS

Amounts related to discontinued operations are due to changes in estimates used to value assets and liabilities associated with operations which were sold or disposed of during prior years.

See notes 2.22 and 9 to the consolidated financial statements for 2015 for further information on discontinued operations.

## 10 RECEIVABLES

See note 12 and 30 to the consolidated financial statements for 2015.

### Aging of receivables at June 30, 2016

(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	55.4	33.0	1.1	0.9	0.3	0.0	20.2
Provision for loss on trade receivables	-20.2	0.0	0.0	0.0	0.0	0.0	-20.2
Other non-current and current receivables	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Total receivables	35.6	33.4	1.1	0.9	0.3	0.0	0.0
Prepaid Costs	18.7						
Total trade and other receivables	54.2						

## 11 TRANSACTIONS WITH RELATED PARTIES

See note 10 and note 16 to the consolidated financial statements for 2015.

In the first half of 2016, REC Silicon invoiced Yulin JV USD 4.2 million for engineering and project services.

REC Silicon ASA offices are owned by shareholder UMØE AS and leased to the Company.

## 12 SEGMENT INFORMATION

See notes 2.3 and 5 to the consolidated financial statements for 2015 for further information on segments.

## 13 EVENTS AFTER THE REPORTING PERIOD

On July 1, during the restart of Silane IV a fire occurred in one of three gas fired oil heaters. The fire resulted in damage to the gas fired oil heater involved in the incident. Assessments of damage and estimates of recovery costs are currently being prepared. No amounts have been included in these financial statements to recognize the impairment due to damaged equipment or any costs associated with repair, replacement, or remediation efforts associated with this incident.

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**About REC Silicon**

REC Silicon ASA is a leading producer of advanced silicon materials, supplying high-purity polysilicon and silicon gases to the solar and electronics industries worldwide. We combine over 30 years experience and best-in-class proprietary technology to deliver on customer expectations. Our two U.S. based plants have a capacity of more than 20,000 MT high-purity polysilicon. REC Silicon is headquartered in Fornebu, Norway and listed on the Oslo stock exchange under the ticker: REC.

For more information, go to: [www.recsilicon.com](http://www.recsilicon.com)