

RECSiLICON



FIRST QUARTER 2017

REPORT

FIRST QUARTER HIGHLIGHTS

(Compared to Fourth Quarter 2016)

- > Revenues of USD 57.5 million and EBITDA of USD 4.6 million
 - Polysilicon Sales of 2,509MT (34.0% Decrease)
 - EBITDA Includes:
 - \$1.2M Other Income
 - \$1.8M Collection of Reserved Accounts Receivable
- > FBR Cash Cost of USD 10.7/kg
 - FBR Facility Continues Operation at ~50% Capacity Utilization
 - Demonstrates Low Cost Capability at Reduced Production Rates
- > Strong Silicon Gas Sales Volumes
 - Volumes Unchanged Compared to Q4 2016
 - 8.8% Silane Gas Price Decrease due to Sales Mix
- > March 31, 2017 Cash Balance of USD 80.9 million
 - Cash Increase of \$15.2M
 - Primarily due to a Decrease in Working Capital Invested
 - Expect to Remain Near Cash Neutral Throughout 2017
 - No Debt Maturities in 2017
- > Yulin JV on Track for Start-up in Second Half of 2017

FINANCIAL HIGHLIGHTS

Key financials - REC Silicon Group

(USD IN MILLION)	Q1 2017	Q1 2016	YEAR 2016	Q4 2016
Revenues	57.5	68.8	271.2	80.4
EBITDA	4.6	-13.4	-30.8	4.9
EBITDA margin	8.0%	-19.5%	-11.3%	6.1%
EBIT excluding impairment charges	-15.9	-37.5	-123.0	-16.5
Impairment charges	0.0	0.0	-93.1	-14.1
EBIT	-16.0	-37.5	-216.0	-30.5
EBIT margin	-27.8%	-54.5%	-79.7%	-38.0%
Profit/loss before tax	-33.7	-80.2	-248.1	12.5
Profit/loss	-27.1	-64.4	-147.4	34.6
Earnings per share, basic and diluted (USD)	-0.01	-0.03	-0.06	0.01
Polysilicon production in MT (Siemens and granular)	3,127	1,937	10,729	3,218
Polysilicon sales in MT (Siemens and granular)	2,509	3,857	13,067	3,801
Silicon gas sales in MT	820	531	2,734	822

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 12,320MT in 2017.

First quarter 2017 revenues were USD 57.5 million compared to USD 80.4 million in the fourth quarter of 2016. Lower first quarter revenues are a result of lower polysilicon sales volumes. Revenues from silicon gas remained strong as silicon gas sales volumes remained unchanged from the prior quarter.

Total polysilicon sales volumes were near expectations and decreased by 34 percent to 2,509MT compared to 3,801MT in the fourth quarter of 2016. Wafer producers operated near full capacity during the quarter which pushed average solar grade polysilicon prices higher. However, prices declined near the end of the quarter due to uncertainty in end use PV demand.

The Company continues to operate the Moses Lake FBR facility at reduced capacity utilization due to the trade war between China and the United States. FBR production will return to full capacity utilization when the trade dispute is resolved or when market conditions dictate.

Total polysilicon production was 3,127MT or 1.5 percent above guidance provided with the fourth quarter 2016 earnings release on February 16, 2017. In addition, FBR cash cost was USD 10.7/kg or 3.1 percent below guidance of USD 11.0/kg. As predicted, this demonstrates the low cost capability of the Company's FBR technology despite lower production capacity utilization rates imposed by restricted access to Chinese Polysilicon markets.

First quarter Silicon gas sales volumes were 820MT or 9.4 percent above guidance of 750MT as sales into the PV sector exceeded expectations. Because available prices for PV grade silicon gases are lower, average prices for silane gas realized by REC Silicon declined by 8.8 percent during the first quarter of 2017.

Other income and expenses for the first quarter was income of USD 1.2 million. Items in other income included adjustments to insurance claims associated with the hot oil heater fire in July 2016 and the refund of insurance premiums for previous years.

EBITDA for the first quarter of 2017 was USD 4.6 million compared to USD 4.9 million in the fourth quarter of 2016. EBITDA also includes USD 1.8 million due to the collection of trade accounts receivable previously reserved. EBITDA excluding other income and the collection of reserved accounts receivable reflects continued strong silicon gas sales and low FBR cash costs despite the decline in revenues compared to the prior quarter due primarily to lower polysilicon sales volumes. The overall trend in improving EBITDA is a direct result of the Group's successful efforts to match spending and activity levels with decreased capacity utilization in order to match production volume with market demand.

MARKET DEVELOPMENT

First quarter 2017 end use PV demand is estimated at 17.9 GW which was near expectations of 17.0 GW. This can primarily be attributed to China where PV installations are estimated at 5.2 GW for the first quarter which is 1.2 GW higher than prior estimates. Average spot prices for the first quarter increased by approximately 9 percent compared to the fourth quarter of 2016. However, the anticipated acceleration of demand in advance of Chinese feed in tariff (FiT) rate decreases at midyear did not materialize by the end of the quarter. Supply chain participants quickly curtailed orders to avoid building inventories. In turn, demand for polysilicon softened and placed downward pressure on prices for solar grade polysilicon. Average spot prices for solar grade polysilicon sales ended the quarter in a range from USD 14.5/kg to USD 16.0/kg. Prices inside of China declined more rapidly than in remaining markets but continue to be higher due to supply constraints caused by the solar trade war. Prices in China ended the quarter near USD 15.5/kg compared to USD 13.5/kg outside of China. REC Silicon's sales opportunities continue to be limited by restricted access to the Chinese markets because of the trade war between China and the United States.

Markets for semiconductor grade polysilicon continue to exhibit signs of improvement. However, semiconductor grade polysilicon markets are

dominated by longer term fixed sales contracts which limit spot market sales opportunities for REC Silicon. As a result, REC Silicon's product sales are anticipated to be heavily weighted near the end of 2017. Newer production capacity employing large diameter wafer technology is producing at near full capacity utilization. Excess polysilicon inventories continue to decline while spot market opportunities are becoming more prevalent.

Demand for silicon gases remained strong and continues to grow due to the addition of production capacity for flat panel displays and in semiconductor applications. REC Silicon's gas shipments into the PV sector exceeded expectations despite uncertainty in end use demand. However, the credit worthiness of customers, and less demanding quality requirements in the PV sector continue to result in excess supply and limit acceptable opportunities for shipments of REC Silicon's gas products.

RESEARCH AND DEVELOPMENT

REC Silicon incurred R&D expenses of USD 1.0 million during the first quarter of 2017 compared to USD 1.1 million during the fourth quarter of 2016.

The FBR process development facility was not operated during the first quarter due to the partial curtailment of the silane production in Moses Lake. However, data taken from active production processes and analysis of laboratory studies of fluidization properties are being used to develop strategies to increase productivity and yield.

In the silane area, efforts to optimize raw material specifications has resulted in additional understanding of the effects of trace impurities on the rate and control of chemical reactions in production processes.

Research efforts to further improve analytical techniques in both polysilicon and silicon gases have continued.

FINANCIAL ITEMS

Net currency gains and (losses) relate primarily to internal loans (loans of approximately USD 0.9 billion at March 31, 2017) 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 6.6 million for the first quarter of 2017. The tax benefit is due to an increase in deferred tax assets caused by the taxable loss of USD 33.7 million during the first quarter of 2017. The taxable loss consists of EBITDA of USD 4.6 million and depreciation and amortization of USD 20.6 million primarily associated with operations in the United States. The effective tax rate in the United States has decreased substantially to approximately 18 percent due to limitations on the deductibility of intercompany interest expense. In addition, the Company recognized USD 0.5 million for its share of the Yulin JV's loss and net financial expenses of USD 17.3 million. The tax effects of net currency gains and losses are primarily associated with the parent Company and result in no effective tax impact because they are offset by changes in unrecognized deferred tax assets.

See note 18 to the consolidated financial statements for 2016 for additional information on income taxes.

CASH FLOW

Net cash flows from operating activities were USD 15.7 million in the first quarter of 2017. Cash inflows were driven by a decrease in working capital of USD 13.1 million. Working capital changes consisted of customer collections in excess of sales of USD 15.0 million and an increase in trade accounts payable of USD 0.9 million offset by an increase in inventories of USD 2.8 million. In addition, the Company paid USD 1.8 million in interest and generated USD 4.6 million in EBITDA. The remaining USD 0.2 million of cash outflows was due to transactions associated with other assets and liabilities.

Net cash outflows from investing activities was due to capital expenditures of USD 0.8 million during the fourth quarter of 2016.

The net currency exchange effect on cash balances for the period resulted in a gain of USD 0.2 million due to the impact of a weaker US dollar on cash deposits in NOK.

In total, cash balances increased by USD 15.2 million to USD 80.9 million at March 31, 2017.

Financial items - REC Silicon Group

(USD IN MILLION)	Q1 2017	Q1 2016	YEAR 2016	Q4 2016
Financial income	0.1	0.3	1.7	0.1
Interest expenses on borrowings	-3.2	-3.5	-13.3	-3.2
Capitalized borrowing cost	0.0	0.9	0.9	0.0
Expensing of up-front fees and costs	0.0	0.0	-0.1	0.0
Other financial expenses	-0.6	-0.2	-1.0	-0.3
Net financial expenses	-3.8	-2.9	-13.5	-3.5
Net currency gains/losses	-3.7	-42.1	-13.5	47.9
Fair value adjustment convertible bonds	-9.9	2.7	-3.9	-1.1
Net financial items	-17.3	-41.9	-29.2	43.4

FINANCIAL POSITION

Shareholders' equity decreased to USD 758.9 million (71 percent equity ratio) at March 31, 2017, compared to USD 782.0 million (73 percent) at December 31, 2016. This decrease was a result of the loss from total operations of USD 27.1 million. The remaining changes were a result of net currency gains of USD 4.1 million included in other comprehensive income.

Net debt decreased by USD 4.8 million to USD 96.7 million at March 31, 2017, from USD 101.5 million at December 31, 2016. This decrease was a result of the increase in cash balances of USD 15.2 million discussed above offset by an increase of USD 10.4 million to carrying values due primarily to an increase of USD 9.9 million in the market value of the USD convertible bond. The remaining USD 0.5 million is due to the effects of a weaker US dollar on the Company's NOK denominated debt.

Net debt includes convertible bonds at fair value. Including bonds at nominal value, nominal net debt decreased by USD 14.8 million to USD 105.5 million at March 31, 2017 compared to USD 120.3 million at December 31, 2016.

See note 17 to the consolidated financial statements for 2016 and note 6 to this report for further information on interest bearing liabilities.

RISKS AND UNCERTAINTIES

REC Silicon's access to polysilicon markets in China continues to be restricted by the solar trade war between China and the United States. The Group continues to work to obtain a favorable resolution. REC Silicon remains focused on identifying sales opportunities outside of China to mitigate the impact of the trade war. The timing or outcome of any potential resolution remains uncertain.

The Company's current liquidity position is considered sufficient to meet expected operating cash flow requirements and debt service obligations through March 31, 2018. Although the Company has no debt maturities until 2018, it is unlikely that current liquidity plus cash generated by operations will be sufficient to meet all debt maturities and the equity contribution to the Yulin JV. In addition, the indemnification loan, which was callable in February 2016 has not been called and is not expected to be called before 2018 (see note 6 to this report and note 17 to the consolidated financial statements for 2016). The Company's tax filings for prior years continue to be under examination by the Norwegian Central Tax Office (see note 31 to the consolidated financial statements for 2016). In the event that conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative, the liquidity risk for the Company will increase. Management and the Board of Directors are focused on the Group's liquidity requirements and is evaluating alternatives including refinancing a portion of the Company's debt.

During 2016, REC Advanced Silicon Materials LLC (ASiMi) received a refund of USD 6.6M for electricity costs in prior years due to a ruling by the Federal Energy Regulatory Commission (FERC) due to incorrectly implemented rate increases. 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. No provision has been made for any potential liability should the utility provider prevail on appeal.

Please refer to the annual report for 2016, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

MARKET OUTLOOK

According to external sources, PV installations for 2017 are estimated to be in a range from 78GW to 81GW. Current estimates reflect increasing consensus indicating modest growth in demand for 2017 compared to prior estimates suggesting a possible retraction in annual installations compared to 2016. Expectations of an acceleration in PV demand for the first half of 2017 due to a reduction of feed in tariffs (FiTs) in China at midyear have not materialized. Accordingly, estimates of end use PV demand for the second quarter of 2017 have declined by 1.1 GW to 20.4 GW. Anticipated end use PV demand for the second half of 2017 increased by 2.0GW resulting in an estimate of 79.1 GW for the full year 2017 (I.H.S. Market Tracker – Q1 2017). Increases in polysilicon prices will lag behind increases in demand due to increases in inventory levels and uncertain market conditions. However, the quick response to uncertain market conditions at the end of the first quarter limited inventory growth and increases in demand are expected to consume excess inventories and increase price momentum.

Markets for semiconductor grade polysilicon are expected to continue to improve. Trade organizations and industry analysts expect high wafer production capacity utilization to result in demand growth of 4 to 5 percent in 2017. Increasing wafer demand is being driven by the adoption of new memory chip configurations and more advanced process technologies using large diameter wafers. Recent news articles and customer enquiries indicate that memory makers are seeking long term supply contracts to insure a sufficient supply of wafers. Spot market sales opportunities for REC Silicon are expected to increase as excess polysilicon inventories are depleted and existing long term contracts expire. However, demand is expected to be somewhat volatile as customers balance inventory levels and long term purchase commitments with expectations for improved market conditions.

Silicon gas markets are expected to remain strong throughout 2017. Improvements in semiconductor markets are having a commensurate impact on silicon gas markets. Improvements in memory technology translates to increases in silicon gas utilization per square inch of wafer surface area. Within the PV Segment, REC Silicon will continue to carefully identify sales opportunities that limit exposure to credit risk by requiring prepayments and third party guarantees. Overall, Silicon gas prices are expected to remain stable within each segment, however, average prices realized will decline due to efforts to maintain sales volumes and increase market share in PV applications.

GUIDANCE

PRODUCTION TARGETS

REC Silicon targets polysilicon production of 3,040MT in the second quarter of 2017. Polysilicon production rates include the effects of FBR capacity curtailments at the Moses Lake facility because of restricted access to markets in China caused by the solar trade war between China and the United States. Current production levels approximate market demand for REC Silicon's solar grade polysilicon products. FBR production will return to full capacity utilization when the trade dispute is resolved or when market conditions dictate.

Polysilicon production targets for 2017 are estimated at approximately 12,320MT and include operation of the FBR facility in Moses Lake at approximately fifty percent capacity utilization throughout 2017.

Silicon gas sales volumes are targeted at 800MT for the second quarter of 2017 and approximately 3,300MT for the full year 2017. Silicon gas sales targets reflect a continuation of strong market demand through the year and have been increased by 100MT for 2017 of which 50MT is due to actual results for the first quarter of 2017.

Cost Targets

REC Silicon targets FBR cash production costs of USD 11.0/kg for the second quarter and the full year 2017. Cash cost targets reflect the successful implementation of initiatives to match cost and activity levels with reduced production utilization due to the trade war between China and the United States.

INVESTMENT AND EXPANSION ACTIVITIES

For 2017, capital expenditures are expected to be approximately USD 10 million. Capital spending estimates include only the capital necessary to maintain operations in a safe and reliable manner. All activities associated with all expansion projects have been halted due to market conditions.

The Company will continue to identify opportunities to 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. Construction is progressing and quality testing of piping, electrical, and instrumentation systems is underway. The commissioning team from REC Silicon has been identified and is at the JV site advising JV operations personnel in preparation for plant commissioning.

Production targets

POLYSILICON PRODUCTION VOLUME (MT)	ACTUAL RESULTS Q1 2017	TARGETS Q2 2017	TARGETS 2017
Granular	2,416	2,350	9,510
Semiconductor Grade	271	280	1,060
Siemens Solar	440	410	1,750
Total	3,127	3,040	12,320
Silicon Gas Sales Volume (MT)	820	800	3,300

Cost targets

	ACTUAL RESULTS Q1 2017	TARGETS Q2 2017	TARGETS 2017
FBR Cash Cost (USD/kg)	10.7	11.0	11.0

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 "Market 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 for 2016, including the section Risk Factors in the Board of Directors' Report.

Fornebu, May 2, 2017
Board of Directors

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	MAR 31, 2017	MAR 31, 2016	DEC 31, 2016
ASSETS				
Non-current assets				
Intangible assets	2	16.9	21.4	17.3
Land and buildings	2	51.0	62.0	51.7
Machinery and production equipment	2	442.1	584.2	460.7
Other tangible assets	2	12.7	15.5	13.2
Assets under construction	2	68.4	65.2	69.7
Property, plant and equipment	2	574.2	727.0	595.2
Government grant assets		89.7	110.9	89.7
Financial assets and prepayments		3.8	4.1	3.8
Deferred tax assets		138.9	52.7	134.7
Total non-current assets		823.4	916.0	840.7
Current assets				
Inventories	5	108.4	125.6	104.1
Trade and other receivables	9	45.5	64.3	55.3
Current tax assets		0.6	0.0	0.6
Restricted bank accounts		4.0	3.9	4.0
Cash and cash equivalents		80.9	101.5	65.8
Total current assets		239.4	295.4	229.8
Total assets		1,062.8	1,211.4	1,070.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	MAR 31, 2017	MAR 31, 2016	DEC 31, 2016
EQUITY AND LIABILITIES				
Shareholders' equity				
Paid-in capital		3,158.0	3,158.0	3,158.0
Other equity and retained earnings		-2,399.1	-2,259.8	-2,376.0
Total shareholders' equity		758.9	898.2	782.0
Non-current liabilities				
Retirement benefit obligations		17.9	18.0	18.1
Deferred tax liabilities		2.0	6.2	4.5
Investments in Associates	3	35.7	28.9	35.7
Non-current financial liabilities, interest bearing	6	154.4	139.5	144.1
Non-current prepayments, interest calculation		6.3	1.1	5.9
Other non-current liabilities, not interest bearing		0.2	0.2	0.2
Total non-current liabilities		216.5	193.8	208.6
Current liabilities				
Trade payables and other liabilities		61.0	70.2	53.8
Derivatives	4	1.5	1.5	1.5
Current financial liabilities, interest bearing	6	23.2	45.8	23.1
Current prepayments, interest calculation		1.6	1.8	1.6
Total current liabilities		87.4	119.3	80.0
Total liabilities		303.9	313.1	288.6
Total equity and liabilities		1,062.8	1,211.4	1,070.6

CONSOLIDATED STATEMENT OF INCOME

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q1 2017	Q1 2016	2016
Revenues		57.5	68.8	271.2
Cost of materials	5	-14.9	-12.1	-60.0
Changes in inventories	5	7.3	-17.1	-29.0
Employee benefit expenses		-17.7	-21.8	-74.6
Other operating expenses		-28.7	-33.5	-140.3
Other income and expenses		1.2	2.2	2.0
EBITDA		4.6	-13.4	-30.8
Depreciation	2	-20.1	-23.6	-90.3
Amortization	2	-0.4	-0.5	-1.9
Impairment	2	0.0	0.0	-93.1
Total depreciation, amortization and impairment		-20.6	-24.1	-185.3
EBIT		-16.0	-37.5	-216.0
Share of profit/loss of investments in associates	3	-0.5	-0.8	-2.9
Financial income		0.1	0.3	1.7
Net financial expenses		-3.8	-2.9	-13.5
Net currency gains/losses		-3.7	-42.1	-13.5
Fair value adjustment convertible bonds	6	-9.9	2.7	-3.9
Net financial items		-17.3	-41.9	-29.2
Profit/loss before tax		-33.7	-80.2	-248.1
Income tax expense/benefit		6.6	15.8	100.7
Profit/loss		-27.1	-64.4	-147.4
Attributable to:				
Owners of REC Silicon ASA		-27.1	-64.4	-147.4
Earnings per share (In USD)				
-basic		-0.01	-0.03	-0.06
-diluted		-0.01	-0.03	-0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

REC SILICON GROUP

(USD IN MILLION)	Q1 2017	Q1 2016	YEAR 2016
Profit/loss	-27.1	-64.4	-147.4
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	-0.9
Currency translation effects	4.4	52.2	17.1
Sum items that will not be reclassified to profit or loss	4.4	52.2	16.2
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences			
- taken to equity	-0.4	-10.4	-7.9
Sum items that may be reclassified subsequently to profit or loss	-0.4	-10.4	-7.9
Total other comprehensive income	4.1	41.8	8.2
Total comprehensive income	-23.0	-22.8	-139.1
Total comprehensive income attributable to:			
Owners of REC Silicon ASA	-23.0	-22.8	-139.1

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
March 31, 2016							
At January 1, 2016	405.3	2,710.9	41.8	3,158.0	174.1	-2,411.1	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	-22.7	-22.8
At March 31, 2016	405.3	2,710.9	41.8	3,158.0	174.1	-2,433.9	898.2
Year 2016							
At January 1, 2016	405.3	2,710.9	41.8	3,158.0	174.1	-2,411.1	921.0
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	-139.1	-139.1
At December 31, 2016	405.3	2,710.9	41.8	3,158.0	174.3	-2,550.3	782.0
March 31, 2017							
At January 1, 2017	405.3	2,710.9	41.8	3,158.0	174.3	-2,550.3	782.0
Equity share option plan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-23.0	-23.0
At March 31, 2017	405.3	2,710.9	41.8	3,158.0	174.3	-2,573.3	758.9

This table presents details of comprehensive income

(USD IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
March 31, 2016				
Accumulated at January 1, 2016	37.7	20.9	-2,469.5	-2,411.1
Profit/loss from total operations	0.0	0.0	-64.4	-64.4
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	51.9	51.9
Sum items that will not be reclassified to profit or loss	0.0	0.0	51.9	51.9
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-12.5	0.0	0.0	-12.5
Tax on currency translation differences taken to equity	2.2	0.0	0.0	2.2
Sum items that may be reclassified to profit or loss	-10.4	0.0	0.0	-10.4
Total other comprehensive income for the period	-10.4	0.0	51.9	41.8
Total comprehensive income for the period	-10.4	0.0	-12.5	-22.6
Accumulated at March 31, 2016	27.4	20.9	-2,481.9	-2,433.9
Year 2016				
Accumulated at January 1, 2016	37.7	20.9	-2,469.6	-2,411.1
Profit/loss from total operations	0.0	0.0	-147.4	-147.4
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	-0.9	-0.9
Currency translation effects	0.0	0.0	17.1	17.1
Sum items that will not be reclassified to profit or loss	0.0	0.0	16.2	16.2
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-8.7	0.0	0.0	-8.7
Tax on currency translation differences taken to equity	0.7	0.0	0.0	0.7
Sum items that may be reclassified to profit or loss	-7.9	0.0	0.0	-7.9
Total other comprehensive income for the period	-7.9	0.0	16.2	8.2
Total comprehensive income for the period	-7.9	0.0	-131.2	-139.1
Accumulated at December 31, 2016	29.8	20.9	-2,600.9	-2,550.2
March 31, 2017				
Accumulated at January 1, 2017	29.8	20.9	-2,600.9	-2,550.2
Profit/loss from total operations	0.0	0.0	-27.1	-27.1
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Currency translation effects	0.0	0.0	4.4	4.4
Sum items that will not be reclassified to profit or loss	0.0	0.0	4.4	4.4
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-0.5	0.0	0.0	-0.5
Tax on currency translation differences taken to equity	0.2	0.0	0.0	0.2
Sum items that may be reclassified to profit or loss	-0.4	0.0	0.0	-0.4
Total other comprehensive income for the period	-0.4	0.0	4.4	4.1
Total comprehensive income for the period	-0.4	0.0	-22.7	-23.0
Accumulated at March 31, 2017	29.4	20.9	-2,623.6	-2,573.3

CONSOLIDATED STATEMENT OF CASH FLOWS

TOTAL OPERATIONS

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q1 2017	Q1 2016	YEAR 2016
Cash flows from operating activities				
Profit/loss before tax		-33.7	-80.2	-248.1
Income taxes paid/received		0.0	0.0	0.0
Depreciation, amortization and impairment	2	20.6	24.1	185.3
Fair value adjustment convertible bond	6	9.9	-2.7	3.9
Equity accounted investments, impairment financial assets, gains/losses on sale	3	0.5	0.8	2.9
Changes in receivables, prepayments from customers etc.	9	15.5	13.3	15.3
Changes in inventories	5	-2.8	16.0	37.4
Changes in payables, accrued and prepaid expenses		2.3	-9.3	-12.8
Changes in VAT and other public taxes and duties		0.0	0.0	0.0
Changes in derivatives		0.0	0.0	0.0
Currency effects not cash flow or not related to operating activities		3.7	40.7	13.2
Other items		-0.1	-0.2	6.8
Net cash flow from operating activities		15.7	2.4	3.8
Cash flows from investing activities				
Proceeds from finance receivables and restricted cash		0.0	0.0	0.3
Payments finance receivables and restricted cash		0.0	0.0	-0.2
Proceeds from sale of property, plant and equipment and intangible assets		0.0	0.0	0.0
Payments for property, plant and equipment and intangible assets	2	-0.8	-1.6	-14.5
Net cash flow from investing activities		-0.8	-1.6	-14.4
Cash flows from financing activities				
Payments of borrowings and up-front/waiver loan fees		0.0	0.0	-21.2
Net cash flow from financing activities		0.0	0.0	-21.2
Effect on cash and cash equivalents of changes in foreign exchange rates		0.2	5.2	2.2
Net increase/decrease in cash and cash equivalents		15.2	6.1	-29.7
Cash and cash equivalents at the beginning of the period		65.8	95.4	95.4
Cash and cash equivalents at the end of the period		80.9	101.5	65.8

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 2016. The consolidated financial statements for 2016 are available upon request from the Company's registered office in Fornebu, Norway or at 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 2016 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 2016.

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 2016.

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

An Alternative Performance Measure (APM) is a 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.

Equity Ratio – Total shareholders' equity divided by total assets.

2 FIXED ASSETS

See note 6 to the consolidated financial statements for 2016.

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, 2017	51.7	460.7	13.2	69.7	595.2	17.3	612.5
Net additions 1)	0.0	0.3	0.0	-1.2	-0.9	0.0	-0.9
Depreciation and amortization	-0.7	-18.9	-0.5	0.0	-20.1	-0.4	-20.6
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying value at March 31, 2017	51.0	442.1	12.7	68.4	574.2	16.9	591.1
At March 31, 2017							
Historical cost	145.8	2,060.5	79.2	73.3	2,358.7	79.9	2,438.7
Carrying value at March 31, 2017	51.0	442.1	12.7	68.4	574.2	16.9	591.1

1) Net additions include transfers from assets under construction

IMPAIRMENT REVIEWS

See note 7 to the consolidated financial statements for 2016.

The Group conducted a review of impairment indicators and did not identify any indicators which would give rise to a change in impairment compared to December 31, 2016.

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)	MAR 31, 2017	DEC 31, 2016
Carrying value at January 1	-35.7	-28.5
Equity contributions	0.0	0.0
Amortization of basis difference in technology contributed	0.0	0.0
Share of joint venture profits/loss	-0.5	-2.9
Effects of changes in currency exchange rates	0.5	-4.3
Carrying value at March 31	-35.7	-35.7

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

(USD IN MILLION)	MAR 31, 2017	DEC 31, 2016
Non-current assets	783.1	704.0
Other Current assets	65.8	56.9
Cash and cash equivalents	4.1	4.0
Non-current liabilities	-394.9	-313.2
Current liabilities	-167.3	-162.2
Net Assets (100%)	290.9	289.5
REC Silicon's share of net assets	61.3	61.3
Adjusted for technology transfer	-97.0	-97.0
Carrying amount of REC's interest	-35.7	-35.7

See note 7 below and note 8 to the consolidated financial statements for 2016.

4 DERIVATIVES

See notes 3 and 11 to the consolidated financial statements for 2016.

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 March 31, 2017, the option contract was a liability valued at USD 1.5 million (USD 1.5 million at December 31, 2016).

5 INVENTORIES

See note 13 to the consolidated financial statements for 2016.

Inventories at end of period

(USD IN MILLION)	MAR 31, 2017			DEC 31, 2016		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	9.7	0.0	9.7	14.1	0.0	14.1
Spare parts	43.1	-14.6	28.5	41.5	-13.9	27.6
Work in progress	9.0	-1.1	7.9	10.1	-1.4	8.7
Finished goods	91.2	-28.8	62.4	84.1	-30.3	53.8
Total	152.9	-44.6	108.4	149.8	-45.7	104.1

6 BORROWINGS AND GUARANTEES

See notes 3 and 17 to the consolidated financial statements for 2016.

Carrying amounts of interest bearing liabilities at March 31, 2017 and contractual repayments (excluding interest payments) are specified in the table below.

(USD IN MILLION)	CARRYING AMOUNT		CONTRACTUAL PAYMENTS, EXCLUDING INTEREST	
	CURRENCY	USD	TOTAL	2018
Unamortized upfront fees (NOK)	-1.2	-0.2	0.0	0.0
NOK bonds (NOK)	450.3	55.9	56.6	56.6
USD convertible bond (USD)	90.7	90.7	110.0	110.0
Indemnification loan (NOK)	200.0	24.8	24.8	24.8
Total		171.4	191.4	191.4

The difference between carrying amounts and contractual repayments of the USD convertible bonds is 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.

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At March 31, 2017 the indemnification loan is NOK 200 million (USD 23.3 million) and can only be called if certain conditions are met. Once the loan is called, outstanding amounts will bear interest at a rate of NIBOR plus 0.5%. Although the indemnification loan was callable in February 2016, this loan has not been called and is not expected to be called before 2018 (see note 8 below and note 17 to the consolidated financial statements for 2016.)

Guarantees

See note 29 to the consolidated financial statements for 2016.

At March 31, 2017, the Company had provided USD 4.7 million in bank guarantees against which the Company has pledged USD 3.8 million of restricted cash. This included bank guarantees for the benefit of REC Solar of USD 1.1 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 March 31, 2017 and December 31, 2016.

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 2016.

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 at March 31, 2017 and December 31, 2016 was USD 1.5 million.

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 March 31, 2017 is estimated at 93 percent of nominal value, compared to 84 percent at December 31, 2016. Fair value of the USD convertible bond is estimated using recent transactions reported for the bond.

(USD IN MILLION)	MAR 31, 2017		
	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
REC03	53.1	52.7	50.9

USD convertible bond

(USD IN MILLION)	AT ISSUE SEP 2013	MAR 31, 2016	DEC 31, 2016	MAR 31, 2017	CHANGE TO P/L Q1 2016	CHANGE TO P/L YEAR 2016	CHANGE TO P/L Q1 2017
Nominal value	110.0	110.0	110.0	110.0			
Value of the total loan	110.0	85.3	91.9	101.8	-2.7	3.9	9.9

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 March 31, 2017

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	REMAINING 2017	2018	2019	2020	2021	2022	AFTER 2022
Purchase of goods and services	48.4	41.0	3.0	0.2	1.2	1.5	1.5	0.0
Minimum operating lease payments	53.5	15.4	14.2	8.8	8.8	2.1	2.1	2.1
Total purchase obligations and minimum lease payments	101.9	56.4	17.3	9.0	9.9	3.6	3.6	2.1

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 169 million in the third quarter of 2017 which has not been included in the table above. REC Silicon expects to delay or cancel these contributions.

8 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

REC Silicon's access to polysilicon markets in China continues to be restricted by the solar trade war between China and the United States. The Group continues to work to obtain a favorable resolution. REC Silicon remains focused on identifying sales opportunities outside of China to mitigate the impact of the trade war. The timing or outcome of any potential resolution remains uncertain.

The Company's current liquidity position is considered sufficient to meet expected operating cash flow requirements and debt service obligations through March 31, 2018. Although the Company has no debt maturities until 2018, it is unlikely that current liquidity plus cash generated by operations will be sufficient to meet all debt maturities and the equity contribution to the Yulin JV. In addition, the indemnification loan, which was callable in February 2016 has not been called and is not expected to be called before 2018 (see note 6 to this report and note 17 to the consolidated financial statements for 2016). The Company's tax filings for prior years continue to be under examination by the Norwegian Central Tax Office (see note 31 to the consolidated financial statements for 2016). In the event that conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative, the liquidity risk for the Company will increase. Management and the Board of Directors are focused on the Group's liquidity requirements and is evaluating alternatives including refinancing a portion of the Company's debt.

During 2016, REC Advanced Silicon Materials LLC (ASiMi) received a refund of USD 6.6M for electricity costs in prior years due to a ruling by the Federal Energy Regulatory Commission (FERC) due to incorrectly implemented rate increases. 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. No provision has been made for any potential liability should the utility provider prevail on appeal.

Please refer to the annual report for 2016, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

9 RECEIVABLES

See note 12 and 30 to the consolidated financial statements for 2016.

Aging of receivables at March 31, 2017

(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	47.7	27.9	1.4	0.0	0.0	0.0	18.4
Provision for loss on trade receivables	-18.4	0.0	0.0	0.0	0.0	0.0	-18.4
Other non-current and current receivables	1.5	1.5	0.0	0.0	0.0	0.0	0.0
Total receivables	30.7	29.4	1.4	0.0	0.0	0.0	0.0
Prepaid Costs	14.7						
Total trade and other receivables	45.5						

10 TRANSACTIONS WITH RELATED PARTIES

See note 10 and note 16 to the consolidated financial statements for 2016.

In the first quarter of 2017, REC Silicon invoiced Yulin JV USD 2.1 million for engineering and project services.

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

11 SEGMENT INFORMATION

See notes 2.3 and 5 to the consolidated financial statements for 2016 for further information on segments.

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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