



RECSiLICON

FOURTH QUARTER 2017

REPORT

FOURTH QUARTER HIGHLIGHTS

(Compared to Third Quarter 2017)

- > Revenues of USD 78.0 million and EBITDA of USD 10.3 million
 - Polysilicon Sales Volume of 3,943MT (3.6% Decrease)
 - 1,328MT Polysilicon Inventory Decline
- > FBR Cash Cost of USD 10.4/kg
 - FBR Facility Continues Operation at ~50% Capacity Utilization
 - FBR Production Volume of 2,329MT (3.3% Increase)
- > Continued Strong Silicon Gas Sales Volumes
 - Sales Volumes of 969MT (7.2% Increase)
 - Silane Gas Price Decrease of 0.9%
- > December 31, 2017 Cash Balance of USD 104.5 million
 - Cash Increase of \$16.6M
 - \$18.8M Cash Flows from Operations
 - Anticipate Sufficient Liquidity to Meet Bond Maturity in May 2018 (REC03)
- > Yulin JV Started Up in December 2017
 - Full Capacity Utilization Expected in H2 2018
 - Resolution to Equity Contribution Negotiation Announced on February 1, 2018

FINANCIAL HIGHLIGHTS

Key Financials - REC Silicon Group

(USD IN MILLION)	Q4 2017	Q4 2016	YEAR 2017	YEAR 2016	Q3 2017
Revenues	78.0	80.4	272.4	271.2	75.5
EBITDA	10.3	4.9	19.8	-30.8	3.6
EBITDA margin	13.2%	6.1%	7.3%	-11.3%	4.7%
EBIT excluding impairment charges	-10.1	-16.5	-127.2	-123.0	-82.1
Impairment charges	-0.2	-14.1	-0.3	-93.1	-0.1
EBIT	-10.3	-30.5	-127.5	-216.0	-82.2
EBIT margin	-13.2%	-38.0%	-46.8%	-79.7%	-109.0%
Profit/loss before tax	-7.3	12.5	-209.2	-248.1	-119.8
Profit/loss	-153.1	34.6	-367.0	-147.4	-122.0
Earnings per share, basic and diluted (USD)	-0.06	0.01	-0.14	-0.06	-0.05
Polysilicon production in MT (Siemens and granular)	2,616	3,218	11,636	10,729	2,835
Polysilicon sales in MT (Siemens and granular)	3,943	3,801	13,503	13,067	4,091
Silicon gas sales in MT	969	822	3,501	2,734	904

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 11,330MT in 2018.

Revenues during the fourth quarter increased by 3.4 percent to USD 78.0 million. The increase in revenues can be attributed to an increase in the average sales prices realized for prime grade solar polysilicon and higher silicon gas sales volumes. These were offset by a decrease in total polysilicon sales volumes of 148MT.

Fourth quarter polysilicon sales volumes decreased by 3.6 percent to 3,943MT compared to 4,091MT during the prior quarter. Lower polysilicon sales volumes were a result of lower available inventory due to high sales volumes during the third quarter 2017. Continued strong demand for polysilicon resulted in a further reduction in inventories of 1,328MT during the fourth quarter of 2017.

Prices realized for prime solar grade polysilicon increased by 5.8 percent. Price increases are a result of continued strong demand as well as supply restrictions due to maintenance outages, and industrial accidents at competitor manufacturing facilities. REC Silicon's access to polysilicon markets in China continues to be restricted by the trade war.

The FBR facility in Moses Lake continued operations 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 for the fourth quarter was 2,616MT, broadly in line with guidance of 2,610MT provided on October 30, 2017. FBR production was 2,329MT or 69MT above guidance of 2,260MT. FBR cash cost was USD 10.4/kg which remains unchanged from the third quarter of 2017. FBR cash costs were 7.1 percent lower than guidance of USD 11.2/kg due to lower spending levels resulting from stable operations and minimal maintenance requirements. Cash production cost performance continues to demonstrate the world class capability of the Company's FBR technology in spite of low production capacity

utilization as a result of restricted access to polysilicon markets in China.

Silicon gas sales volumes increased by 7.2 percent during the fourth quarter of 2017 to 969MT compared to 904MT in the third quarter. Silicon gas sales volumes also exceeded guidance of 920MT provided with the third quarter earnings release on October 30, 2017. Demand for silicon gases remains strong overall and REC Silicon continues to successfully place silane for use in the lower price PV market segment. Increased sales volumes into the PV market and efforts by competitors to capture additional market share continues to place pressure on prices and average prices realized by REC Silicon for silane gas decreased by 0.9 percent during the fourth quarter.

EBITDA was USD 10.3 million for the fourth quarter 2017 compared to USD 3.6 million in the third quarter. Increases in EBITDA are a result of higher silicon gas sales volumes, higher prime solar grade polysilicon prices, and continued low cost performance of the Company's manufacturing operations.

MARKET DEVELOPMENT

Industry analysts estimate end use PV demand for the fourth quarter of 2017 of 22GW (I.H.S Markit PV Demand Market Tracker – Q4 2017 - December 6, 2017). This represents an increase of 2GW compared to forecasts near 20GW previously published by market analysts. Strong end use PV demand is the result of a rush to complete PV installations in advance of a decrease in feed in tariffs after June 2018 in China and accelerated module purchases in advance of the section 201 trade case ruling in the United States. As a result of strong demand and low inventory levels, supply remained tight and polysilicon prices continued to strengthen. Spot prices inside of China ended the fourth quarter at over USD 20/kg, an increase of approximately USD 1.5/kg compared to average spot prices at the end of the third quarter 2017. Spot prices outside of China increased by approximately USD 1.0/kg to USD 14/kg during the same time period. 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.

During the fourth quarter of 2017, REC Silicon's sales of semiconductor grade polysilicon continued to be limited to spot sales opportunities due

to high polysilicon inventory levels and a prevalence of fixed sales contracts within these markets. However, these fixed sales contracts are beginning to expire and REC Silicon has successfully completed product qualifications which is beginning to result in higher sales volumes of REC's semiconductor grade polysilicon. Fourth quarter semiconductor grade polysilicon sales volumes increased by approximately 70MT or 48 percent compared to the third quarter of 2017.

Fourth quarter shipments of silicon gases increased by 7 percent to 969MT compared to the third quarter of 2017. Increased demand is a result of higher utilization in PV cell production, capacity expansions for flat panel displays, and the continuing implementation of technology improvements in semiconductor applications. Sales prices realized by REC Silicon for silane gas declined by approximately 1 percent due primarily to higher sales volumes into the lower margin PV markets. In addition, REC Silicon has continued to offer price concessions to maintain market share as competitors offer discounts to increase production capacity utilization.

RESEARCH AND DEVELOPMENT

REC Silicon incurred R&D expenses of USD 0.9 million during the fourth quarter of 2017 compared to USD 1.0 million during the third quarter of 2017.

Research and development efforts on FBR continue to focus on fundamental aspects of the technology. The immediate objective is to improve process stability and quality with a focus on supporting Yulin FBR start up and optimization. Longer term, the objective is to improve our understanding of the FBR technology to form a foundation for future FBR technology development.

For silane, improved models have been developed for specific process steps and are being used to optimize operations at increased production rates and improve efficiency. Identified improvements are being implemented to extend time between planned maintenance shutdowns.

Research efforts are ongoing to improve analytical techniques in both polysilicon and silicon gases.

FINANCIAL ITEMS

Net currency gains and (losses) relate primarily to internal loans (loans of approximately USD 0.9 billion at December 31, 2017) that are not eliminated on consolidation.

Interest expenses include USD 0.6 million of interest payable to the Yulin JV and USD 10.4 million of penalties payable to Shaanxi Non-

Ferrous Tian Hong New Energy Co. Ltd. (SNF) associated with the framework agreement to resolve REC Silicon's commitment to contribute USD 169 million of equity capital to the JV. Under the agreement REC Silicon will pay USD 2.7 million in March 2018, USD 3.1 million in March 2019, and 5.2 million in March 2020. See note 13 for additional information on this framework agreement.

See note 6 for additional information on borrowings.

INCOME TAX

REC Silicon reported an income tax expense of USD 145.8 million for the fourth quarter of 2017. Tax expense during the quarter is due to the impact of a write-down of the deferred tax asset of USD 147.2 million reported for the third quarter of 2017. This write-down is a result of recurring net operating losses in the United States for which International Financial Reporting Standards specify that a deferred tax asset can be recognized only to the extent that the entity has sufficient taxable temporary differences or there is clear and convincing evidence that sufficient taxable income will be generated in future to use the deferred tax asset reported. The tax asset in the United States consists primarily of unused net operating losses and will continue to be available to offset taxable income during future periods.

The tax effects of the loss before tax from continuing operations of USD 7.3 million result in no effective tax impact since 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 18.8 million during the fourth quarter of 2017. Cash flows were primarily a result of EBITDA of USD 10.3 million and a decrease in working capital of USD 10.1 million. The decrease in working capital included a decrease in inventories of USD 10.3 million and an increase in accounts payable of USD 0.9 million offset by sales in excess of customer collections of USD 1.1 million. In addition, the Company paid interest of USD 1.8 million and collected USD 0.2 million associated with changes in other assets and liabilities.

Net cash outflows from investing activities were the result of capital expenditures of USD 0.3 million during the fourth quarter of 2017.

Financial Items - REC Silicon Group

(USD IN MILLION)	Q4 2017	Q4 2016	YEAR 2017	YEAR 2016	Q3 2017
Financial income	0.2	0.1	0.6	1.7	0.2
Interest expenses	-14.8	-3.2	-28.4	-13.3	-3.4
Capitalized borrowing cost	0.0	0.0	0.0	0.9	0.0
Expensing of up-front fees and costs	0.0	0.0	-0.1	-0.1	0.0
Other financial expenses	-0.3	-0.3	-1.7	-1.0	-0.4
Net financial expenses	-15.1	-3.5	-30.2	-13.5	-3.8
Net currency gains/losses	20.7	47.9	-34.1	-13.5	-34.1
Fair value adjustment convertible bonds	-2.5	-1.1	-16.2	-3.9	0.5
Net financial items	3.3	43.4	-79.9	-29.2	-37.2

The net currency exchange effect on cash balances for the period resulted in a loss of USD 1.8 million due to the impact of a stronger US dollar on cash deposits in NOK.

In total, cash balances increased by USD 16.6 million to USD 104.5 million at December 31, 2017.

FINANCIAL POSITION

Shareholders' equity decreased to USD 448.9 million (56 percent equity ratio) at December 31, 2017, compared to USD 622.6 million (65 percent equity ratio) at September 30, 2017. This decrease was primarily a result of the loss from total operations of USD 153.1 million which included tax expense of USD 145.8 million due to the write-down of deferred tax assets discussed in Income Taxes above. In addition, net currency losses of USD 20.6 million were included in other comprehensive income.

Net debt decreased by USD 16.3 million to USD 83.3 million at December 31, 2017, from USD 99.5 million at September 30, 2017. This decrease was a result of the increase in cash balances of USD 16.6 million discussed above and an increase of USD 0.3 million in carrying values due to an increase of USD 2.5 million in the fair value of the USD convertible bond which was offset by a USD 2.2 million decrease in the carrying values of the NOK denominated liabilities for REC03 and the indemnity loan.

Net debt includes convertible bonds at fair value. Including bonds at nominal value, nominal net debt decreased by USD 18.9 million to USD 85.4 million at December 31, 2017 compared to USD 104.3 million at September 30, 2017.

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

CHINA/USA TRADE WAR

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.

INCOME TAXES

REC Silicon previously received notices of reassessment from the Norwegian Central Tax Office (CTO) regarding tax returns for tax years 2009 through 2011. The CTO questioned the deductibility of losses on loans and guarantees provided to subsidiaries and affiliates. (See note 31 to the 2016 annual report)

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

The Company has filed a response with supporting arguments and additional documentation in opposition to findings in the CTO's draft decision. REC Silicon continues to believe that the losses are tax deductible and that the Company's position will eventually prevail. The CTO is expected to issue an additional draft decision. The Company will have another opportunity to comment on the new draft decision prior to the issuance of a final decision. When a final decision is issued, any resulting tax is generally due two weeks after the decision. The Company does not expect a final decision before the second half of 2018.

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

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

The resulting short-term liabilities of approximately USD 30 million, income tax payable of approximately USD 26 million, and interest payable of approximately USD 4 million, has been reported in current liabilities in the Company's fourth quarter 2017 financial statements. The tax and interest expense associated with this ongoing tax examination were reported in the second quarter of 2017.

GOING CONCERN

In order to meet debt maturity obligations in 2018, the Company will be required to refinance its debt, issue equity, or sell non-core assets. Accordingly, there is substantial risk associated with the Company's ability to continue as a going concern.

In addition, the indemnification loan was callable in February 2016. However, it has not been called and is not expected to be called before the second half of 2018 (see note 6 to this report and note 17 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 are evaluating alternatives including refinancing the Company's debt, divestment of non-core assets, and the issuance of additional equity. The Company has received several indications from potential advisors that capital markets will be receptive to the issuance of debt sufficient to meet liquidity requirements and maintain operations under current conditions. The Company's ability to continue as a going concern is dependent upon the success of these efforts.

Management and the Board of Directors believes that the Company will be successful in attracting the capital necessary to meet debt maturity obligations and continue as a going concern. Accordingly, these financial statements have been prepared under the assumption that the Company is a going concern.

OTHER

During 2016, REC Advanced Silicon Materials LLC (ASiMi) received a refund of USD 6.6 million 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

Global PV installations during 2018 are expected to increase by approximately 8 percent to 107GW (GTM Market Demand Tracker – February 1, 2018) compared to 2017. While China remains the largest PV market, demand in China is expected to decline from 52GW in 2017 to 48GW in 2018. However, demand for PV in markets outside of China are expected to grow by 12GW. First quarter 2018 end use PV demand is forecast near 22GW (I.H.S Markit PV Demand Market Tracker – Q4 2017 - December 6, 2017) which is broadly unchanged compared to the fourth quarter of 2017 and 3GW (17 percent) higher than the first quarter of 2017. Solar grade polysilicon prices are expected to increase due to higher input costs, primarily metallurgical grade silicon, for all polysilicon manufacturers. In addition, polysilicon prices are expected to remain higher in China due to the ongoing trade war between China and the United States. Balance between polysilicon supply and demand is expected to result in relatively stable prices throughout 2018. However, seasonally lower first quarter 2018 demand may create some downward pricing pressure as wafer producers limit polysilicon purchases to avoid inventory increases and polysilicon producers offer price discounts to maintain volumes.

Semiconductor grade polysilicon markets are expected to improve during 2018 as long term fixed contracts expire and inventories decline as a result of high semiconductor capacity utilization. Successful qualifications of REC Silicon products are expected to translate to higher sales volumes during 2018. Although first quarter sales volumes are expected to decline due to seasonality, first quarter 2018 sales volumes are expected to grow by approximately 60MT or 34 percent compared to the first quarter of 2017.

Demand for silicon gases is expected to remain strong during 2018. While first quarter 2018 silicon gas sales volumes are expected to

decline to 880MT or 9 percent compared to the fourth quarter of 2017, first quarter sales volumes are expected to be 8 percent higher than the first quarter of 2017. Higher sales volumes into lower margin PV markets and competitive pressure are expected to result in slightly lower prices during 2018.

GUIDANCE

PRODUCTION TARGETS

REC Silicon targets polysilicon production of 2,990MT during the first quarter of 2018. Polysilicon production rates continue to include the effects of FBR capacity curtailments at the Moses Lake facility due to restricted access to markets in China caused by the solar trade war between China and the United States. However, first quarter FBR production includes approximately 300MT additional production due to the operation of both Moses Lake Silane units at reduced capacities during the transition period as production is shifted between silane units due to previously planned maintenance activities. Production rates are expected to return to volumes reflecting approximately 50 percent capacity utilization. Anticipated production levels continue to approximate market demand for REC Silicon's solar grade polysilicon products. FBR production will return to full capacity utilization when the trade war is resolved or when market conditions dictate.

Polysilicon production targets for 2018 are estimated at approximately 11,330MT. Lower production during 2018 is due to the company's decision to focus on semiconductor grade polysilicon markets and limit the product of solar grade polysilicon announced during the third quarter of 2017.

Silicon gas sales volumes are targeted at 880MT for the first quarter of 2018 and 3,700MT for the full year 2018.

Cost Targets

REC Silicon targets FBR cash production costs of USD 11.1/kg for the first quarter of 2018 and USD 11.7/kg for the full year 2018. The increase in cash cost during 2018 are a result of an increase in metallurgical grade silicon prices. During the first quarter of 2018, this increase is offset by higher FBR production volumes. Cash cost targets continue to reflect successful initiatives to match cost and activity levels at reduced production capacity utilization caused by the trade war between China and the United States.

Production targets

POLYSILICON PRODUCTION VOLUME (MT)	ACTUAL RESULTS Q4 2017	ACTUAL RESULTS 2017	TARGETS Q1 2018	TARGETS 2018
Granular	2,329	9,379	2,620	9,760
Semiconductor Grade	156	844	210	870
Siemens Solar	131	1,412	160	700
Total	2,616	11,636	2,990	11,330
Silicon Gas Sales Volume (MT)	969	3,501	880	3,700

Cost targets

	ACTUAL RESULTS Q4 2017	ACTUAL RESULTS 2017	TARGETS Q1 2018	TARGETS 2018
FBR Cash Cost (USD/kg)	10.4	10.6	11.1	11.7

INVESTMENT AND EXPANSION ACTIVITIES

Capital expenditures for 2018 are expected to be approximately USD 4 million. Capital spending includes only the capital necessary to maintain safe and reliable operations. All expansion projects have been halted due to market conditions.

The Company will continue to defer and delay capital spending when possible while maintaining safe operating conditions in order to maintain liquidity.

The Yulin JV started up the first silane unit in December 2017 and the facility was operating at 25 percent capacity at year end. The second silane unit and remaining FBR reactors will be started in the second quarter of 2018 and the facility is expected to reach full capacity utilization in the second half of 2018. Business targets for the JV in 2018 include 8,000MT of Polysilicon Production (Siemens and Granular) and demonstrating the facilities' capability to produce high purity EG grade polysilicon. Total investment costs are projected within the budget of USD 1.25 billion.

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	DEC 31, 2017	SEP 30, 2017	DEC 31, 2016
ASSETS				
Non-current assets				
Intangible assets	2	15,7	16,1	17,3
Land and buildings	2	50,5	51,2	51,7
Machinery and production equipment	2	416,7	435,4	460,7
Other tangible assets	2	12,0	12,6	13,2
Assets under construction	2	61,1	60,8	69,7
Property, plant and equipment	2	540,3	560,0	595,2
Government grant assets		0,0	0,0	89,7
Financial assets and prepayments		3,8	3,8	3,8
Deferred tax assets		0,0	147,2	134,7
Total non-current assets		559,8	727,1	840,7
Current assets				
Inventories	5	82,9	93,2	104,1
Trade and other receivables	10	48,6	48,6	55,3
Current tax assets		0,0	0,0	0,6
Restricted bank accounts		4,4	4,5	4,0
Cash and cash equivalents		104,5	88,0	65,8
Total current assets		240,4	234,2	229,8
Total assets		800,2	961,3	1,070,6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	DEC 31, 2017	SEP 30, 2017	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		-2,709.1	-2,535.4	-2,376.0
Total shareholders' equity		448.9	622.6	782.0
Non-current liabilities				
Retirement benefit obligations		20.1	17.5	18.1
Deferred tax liabilities		0.4	1.1	4.5
Investments in Associates	3	34.7	34.8	35.7
Non-current financial liabilities, interest bearing	6	0.0	0.0	144.1
Non-current prepayments, interest calculation		5.5	5.5	5.9
Other non-current liabilities, not interest bearing		8.8	0.3	0.2
Total non-current liabilities		69.6	59.3	208.6
Current liabilities				
Trade payables and other liabilities		62.9	60.2	53.8
Provisions	8	0.3	0.5	0.0
Current tax liabilities	9	26.0	26.8	0.0
Derivatives	4	1.5	1.6	1.5
Current financial liabilities, interest bearing	6	187.8	187.5	23.1
Current prepayments, interest calculation		3.1	2.9	1.6
Total current liabilities		281.7	279.5	80.0
Total liabilities		351.3	338.7	288.6
Total equity and liabilities		800.2	961.3	1,070.6

CONSOLIDATED STATEMENT OF INCOME

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q4 2017	Q4 2016	YEAR 2017	YEAR 2016
Revenues		78.0	80.4	272.4	271.2
Cost of materials	5	-12.5	-15.4	-54.3	-60.0
Changes in inventories	5	-10.9	-5.9	-18.2	-29.0
Employee benefit expenses		-20.4	-17.1	-73.9	-74.6
Other operating expenses		-23.9	-32.2	-106.2	-140.3
Other income and expenses		0.0	-4.9	-0.1	2.0
EBITDA		10.3	4.9	19.8	-30.8
Depreciation	2	-20.0	-21.0	-145.2	-90.3
Amortization	2	-0.4	-0.4	-1.8	-1.9
Impairment	2	-0.2	-14.1	-0.3	-93.1
Total depreciation, amortization and impairment		-20.6	-35.5	-147.3	-185.3
EBIT		-10.3	-30.5	-127.5	-216.0
Share of profit/loss of investments in associates	3	-0.3	-0.4	-1.8	-2.9
Financial income		0.2	0.1	0.6	1.7
Net financial expenses		-15.1	-3.5	-30.2	-13.5
Net currency gains/losses		20.7	47.9	-34.1	-13.5
Fair value adjustment convertible bonds	6	-2.5	-1.1	-16.2	-3.9
Net financial items		3.3	43.4	-79.9	-29.2
Profit/loss before tax		-7.3	12.5	-209.2	-248.1
Income tax expense/benefit		-145.8	22.1	-157.8	100.7
Profit/loss		-153.1	34.6	-367.0	-147.4
Attributable to:					
Owners of REC Silicon ASA		-153.1	34.6	-367.0	-147.4
Earnings per share (In USD)					
-basic		-0.06	0.01	-0.14	-0.06
-diluted		-0.06	0.01	-0.14	-0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

REC SILICON GROUP

(USD IN MILLION)	Q4 2017	Q4 2016	YEAR 2017	YEAR 2016
Profit/loss	-153.1	34.6	-367.0	-147.4
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	-3.6	-0.9	-3.6	-0.9
Currency translation effects	-24.5	-58.5	43.6	17.1
Sum items that will not be reclassified to profit or loss	-28.1	-59.4	40.0	16.2
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences				
- taken to equity	7.5	9.5	-6.1	-7.9
Sum items that may be reclassified subsequently to profit or loss	7.5	9.5	-6.1	-7.9
Total other comprehensive income	-20.6	-49.9	33.9	8.2
Total comprehensive income	-173.7	-15.4	-333.1	-139.1
Total comprehensive income attributable to:				
Owners of REC Silicon ASA	-173.7	-15.4	-333.1	-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
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
Year 2017							
At January 1, 2017	405.3	2,710.9	41.8	3,158.0	174.3	-2,550.3	782.0
Equity share option plan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	-333.1	-333.1
At December 31, 2017	405.3	2,710.9	41.8	3,158.0	174.3	-2,883.4	448.9

This table presents details of comprehensive income

(USD IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
Year 2016				
Accumulated at January 1, 2016	37.7	20.9	-2,469.7	-2,411.1
Profit/loss	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
Year 2017				
Accumulated at January 1, 2017	29.8	20.9	-2,600.9	-2,550.2
Profit/loss	0.0	0.0	-367.0	-367.0
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	-3.6	-3.6
Currency translation effects	0.0	0.0	43.6	43.6
Sum items that will not be reclassified to profit or loss	0.0	0.0	40.0	40.0
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-7.7	0.0	0.0	-7.7
Tax on currency translation differences taken to equity	1.5	0.0	0.0	1.5
Sum items that may be reclassified to profit or loss	-6.1	0.0	0.0	-6.1
Total other comprehensive income for the period	-6.1	0.0	40.0	33.9
Total comprehensive income for the period	-6.1	0.0	-327.0	-333.1
Accumulated at December 31, 2017	23.7	20.9	-2,927.9	-2,883.3

CONSOLIDATED STATEMENT OF CASH FLOWS

TOTAL OPERATIONS

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q4 2017	Q4 2016	YEAR 2017	YEAR 2016
Cash flows from operating activities					
Profit/loss before tax		-7.3	12.5	-209.2	-248.1
Income taxes paid/received		0.0	0.0	0.6	0.0
Depreciation, amortization and impairment	2	20.6	35.5	147.3	185.3
Fair value adjustment convertible bond	6	2.5	1.1	16.2	3.9
Equity accounted investments, impairment financial assets, gains/losses on sale	3	0.3	0.4	1.8	2.9
Changes in receivables, prepayments from customers etc.	10	-1.1	-19.5	5.9	15.3
Changes in inventories	5	10.3	8.8	22.6	37.4
Changes in payables, accrued and prepaid expenses		12.2	-7.5	18.6	-12.8
Changes in provisions	8	-0.2	0.0	0.3	0.0
Changes in VAT and other public taxes and duties		0.7	0.0	1.0	0.0
Currency effects not cash flow or not related to operating activities		-18.9	-45.7	33.6	13.2
Other items		-0.4	1.8	0.1	6.8
Net cash flow from operating activities		18.8	-12.7	38.8	3.8
Cash flows from investing activities					
Proceeds from finance receivables and restricted cash		0.0	0.3	0.0	0.3
Payments finance receivables and restricted cash		0.0	0.0	-0.2	-0.2
Proceeds from sale of property, plant and equipment and intangible assets		0.0	0.0	0.0	0.0
Payments for property, plant and equipment and intangible assets	2	-0.3	-4.2	-2.6	-14.5
Net cash flow from investing activities		-0.3	-3.9	-2.8	-14.4
Cash flows from financing activities					
Increase in equity		0.0	0.0	0.0	0.0
Payments of borrowings and up-front/waiver loan fees		0.0	0.0	0.0	-21.2
Net cash flow from financing activities		0.0	0.0	0.0	-21.2
Effect on cash and cash equivalents of changes in foreign exchange rates		-1.8	-4.4	2.8	2.2
Net increase/decrease in cash and cash equivalents		16.6	-21.0	38.8	-29.7
Cash and cash equivalents at the beginning of the period		88.0	86.8	65.8	95.4
Cash and cash equivalents at the end of the period		104.5	65.8	104.5	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 International Financial Reporting Standards (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.

New Standards and interpretations not yet adopted

IFRS 9 Financial Instruments, final version issued July 2014 and effective for annual periods beginning on or after January 1, 2018, presents revised guidance on the classification and measurement of financial instruments. The Group will adopt IFRS 9 for reporting periods beginning on January 1, 2018. The Group has performed an analysis to classify financial instruments according to requirements of IFRS 9 and has determined the impact of IFRS 9 on reporting for these financial instruments.

Financial instruments included in assets primarily consist of customer accounts receivable. The examination of account receivable included the calculation of the expected credit loss (ECL) rate based on the Company's experience of defaults of payment of accounts receivable by customers. This analysis concluded that the provision for loss on trade receivables (see note 10 below) is consistent with the credit losses estimated in applying the requirements of IFRS 9.

Financial instruments in liabilities include a fixed rate convertible bond denominated a currency other than the Company's functional currency. REC Silicon has classified the entire bond as a liability and recognizes changes in fair values through profit and loss in accordance with IAS 39. IFRS 9 specifies that changes in the fair value due to changes in REC Silicon own credit risk be reported as a component of other comprehensive income (OCI) with the remaining change in value reported in profit and loss. REC Silicon estimates that the effects of this change will not be material and will restate the figures for 2017 in 2018. All other financial instruments in liabilities are unaffected by the implementation of IFRS9.

IFRS 15 Revenue from Contracts with Customers, issued in May 2014, establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration which an entity expects to be entitled to in the exchange for goods or services. The new revenue standard is applicable for all entities and will supersede all current revenue recognition requirements under IFRS. IFRS 15 applies to periods beginning on or after January 1, 2018 with early adoption permitted. The Group has reviewed customer contracts to assess the impact of IFRS 15 and have determined that there is no impact to current practices regarding revenue recognition policies. The Group has adopted the new standard as of January 1, 2018.

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.

Provisions for onerous contracts are an estimate of cost involved in meeting obligations under the contracts and whether they exceed the economic benefits expected to be received or for which no benefits are expected to be received.

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.

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
Exchange differences	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net additions 1)	0.2	8.8	0.5	-8.4	1.1	-0.2	1.0
Government grant	3.8	83.0	2.7	0.0	89.5	0.3	89.7
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	-5.1	-135.8	-4.3	0.0	-145.2	-1.8	-146.9
Impairment	0.0	-0.2	0.0	-0.2	-0.3	0.0	-0.3
Carrying value at December 31, 2017	50.5	416.7	12.0	61.1	540.3	15.7	556.0
At December 31, 2017							
Historical cost	148.2	2,135.9	80.7	66.1	2,430.9	80.0	2,510.9
Accumulated depreciation/amortization/impairment	-97.7	-1,719.3	-68.7	-5.0	-1,890.6	-64.4	-1,955.0
Carrying value at December 31, 2017	50.5	416.7	12.0	61.1	540.3	15.7	556.0

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 determined that the value of the Company's market capitalization and the continued impact of the trade war between China and the United States (See note 9 below), and the Company's history of net losses could give rise to a change in impairment. Accordingly, impairment testing was performed at December 31, 2017.

Management determined that the Group continues to contain only one cash generating unit. Value in use has been estimated using discounted cash flows over a 5-year period with the last year used as a basis for terminal value. A discount rate of 12.9 percent was estimated on an after-tax basis and adjusted to estimate the equivalent before tax discount rate of 15.2 percent.

The forecasts used to arrive at estimated future cash flows contain the assumption that the trade dispute will be resolved during 2019. Should the trade dispute remain unresolved, additional impairment would be required.

The resulting value in use at December 31, 2017 is estimated to approximate the carrying value of REC Silicon. Therefore, no additional impairment or reversal of impairment has been recognized.

3 EQUITY ACCOUNTED INVESTMENTS (ASSOCIATES AND JOINT VENTURES)

Subsequent to the date of these financial statements, REC Silicon entered into an agreement which resolved its capital contribution commitments to the Yulin JV. See note 13 below.

REC Silicon 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)	DEC 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 profit/loss	-1.8	-2.9
Deferred income/expense	-1.2	0.0
Effects of changes in currency exchange rates	4.0	-4.3
Carrying value at December 31	-34.7	-35.7

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

(USD IN MILLION)	DEC 31, 2017	DEC 31, 2016
Non-current assets	1,060.6	704.0
Other Current assets	32.2	56.9
Cash and cash equivalents	1.0	4.0
Non-current liabilities	-552.5	-313.2
Current liabilities	-236.2	-162.2
Net Assets (100%)	305.1	289.5
REC Silicon's share of net assets	63.6	61.3
Deferred income/expense	-1.2	0.0
Adjusted for technology transfer	-97.0	-97.0
Carrying amount of REC's interest	-34.7	-35.7

See note 7 and 13 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.

At December 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)	DEC 31, 2017			DEC 31, 2016		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	9.8	0.0	9.8	14.1	0.0	14.1
Spare parts	42.8	-16.2	26.6	41.5	-13.9	27.6
Work in progress	12.2	-0.8	11.4	10.1	-1.4	8.7
Finished goods	51.1	-16.1	35.1	84.1	-30.3	53.8
Total	116.0	-33.1	82.9	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 December 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)	-0.3	0.0	0.0	0.0
NOK bonds (NOK)	454.3	55.4	55.5	55.5
USD convertible bond (USD)	108.1	108.1	110.0	110.0
Indemnification loan (NOK)	200.0	24.4	24.4	24.4
Total		187.8	189.9	189.9

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.

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At December 31, 2017, the indemnification loan is NOK 200 million (USD 24.4 million) and can only be called if certain conditions are met. Once the loan is called, outstanding amounts will bear interest at a rate of NIBOR plus 0.5 percent. Although the indemnification loan was callable in February 2016, this loan has not been called and is not expected to be called before second half of 2018 (see note 9 below and note 17 to the consolidated financial statements for 2016).

Guarantees

See note 29 to the consolidated financial statements for 2016.

At December 31, 2017, the Company had provided USD 5.0 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 1.2 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 December 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 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 was USD 1.5 million at December 31, 2017 and December 31, 2016.

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 December 31, 2017 is estimated at 98 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)	DEC 31, 2017		
	NOMINAL VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
REC03	55.5	55.4	55.0

USD convertible bond

(USD IN MILLION)	AT ISSUE SEP 2013	DEC 31, 2017	DEC 31, 2016	CHANGE TO P/L Q4 2017	CHANGE TO P/L Q4 2016	CHANGE TO P/L YEAR 2017	CHANGE TO P/L YEAR 2016
Nominal value	110.0	110.0	110.0				
Value of the total loan	110.0	108.1	91.8	2.5	1.1	16.2	-3.3

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 December 31, 2017

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	2018	2019	2020	2021	2022	AFTER 2022
Purchase of goods and services	95.1	90.8	0.2	1.2	1.5	1.5	0.0
Minimum operating lease payments	51.1	16.8	13.9	13.6	2.5	2.1	2.1
Total purchase obligations and minimum lease payments	146.2	107.7	14.0	14.8	4.0	3.6	2.1

REC Silicon is a partner in a joint venture in China (See Note 3). REC Silicon agreed to contribute additional equity to the joint venture of USD 15 million and USD 154 million in July 2017. The Company entered into an agreement to settle its equity commitment on February 1, 2018. Under this agreement, REC Silicon agreed to pay interest of USD 0.6 million in March 2018 and penalties of USD 10.4 million in annual installments of USD 2.1 million in March of 2018, USD 3.1 million in March of 2019, and USD 5.2 million in March of 2020. These amounts have not been included in the table above. See note 13 below.

8 PROVISIONS

During the third quarter, the Group recognized expense of USD 0.7 million for an onerous contract associated with manufacturing equipment under a non-cancellable operating lease at the Moses Lake facility. The equipment is no longer required to support operations due to reduced capacity utilization caused by the trade war between China and the United States. During the fourth quarter, USD 0.2 million of the provision was utilized to offset payments. At December 31, 2017, the Group recognized a provision of USD 0.3 million equal to the remaining lease obligation which expires in May 2018.

9 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CHINA/USA TRADE WAR

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.

INCOME TAXES

REC Silicon previously received notices of reassessment from the Norwegian Central Tax Office (CTO) regarding tax returns for tax years 2009 through 2011. The CTO questioned the deductibility of losses on loans and guarantees provided to subsidiaries and affiliates. (See note 31 to the 2016 annual report)

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

The Company has filed a response with supporting arguments and additional documentation in opposition to findings in the CTO's draft decision. REC Silicon continues to believe that the losses are tax deductible and that the Company's position will eventually prevail. The CTO is expected to issue an additional draft decision. The Company will have another opportunity to comment on the new draft decision prior to the issuance of a final decision. When a final decision is issued, any resulting tax is generally due two weeks after the decision. The Company does not expect a final decision before the second half of 2018.

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

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

The resulting short-term liabilities of approximately USD 30 million, income tax payable of approximately USD 26 million, and interest payable of approximately USD 4 million, has been reported in current liabilities in the Company's fourth quarter 2017 financial statements. The tax and interest expense associated with this ongoing tax examination were reported in the second quarter of 2017.

GOING CONCERN

To meet debt maturity obligations in 2018, the Company will be required to refinance its debt, issue equity, or sell non-core assets. Accordingly, there is substantial risk associated with the Company's ability to continue as a going concern.

In addition, the indemnification loan was callable in February 2016. However, it has not been called and is not expected to be called before the second half of 2018 (see note 6 to this report and note 17 to the consolidated financial statements for 2016).

In the event 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 are evaluating alternatives including refinancing the Company's debt, divestment of non-core assets, and the issuance of additional equity. The Company has received several indications from potential advisors that capital markets will be receptive to the issuance of debt sufficient to meet liquidity requirements and maintain operations under current conditions. The Company's ability to continue as a going concern is dependent upon the success of these efforts.

Management and the Board of Directors believes that the Company will be successful in attracting the capital necessary to meet debt maturity obligations and continue as a going concern. Accordingly, these financial statements have been prepared under the assumption that the Company is a going concern.

OTHER

During 2016, REC Advanced Silicon Materials LLC (ASiMi) received a refund of USD 6.6 million 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.

10 RECEIVABLES

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

Aging of receivables at December 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	52.6	35.7	5.1	0.0	0.0	0.0	11.8
Provision for loss on trade receivables	-11.8	0.0	0.0	0.0	0.0	0.0	-11.8
Other non-current and current receivables	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Total receivables	41.1	36.0	5.1	0.0	0.0	0.0	0.0
Prepaid Costs	7.5						
Total trade and other receivables	48.6						

11 TRANSACTIONS WITH RELATED PARTIES

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

In the fourth quarter of 2017, REC Silicon invoiced the Yulin JV USD 3.2 million for engineering and project services. In addition, REC Silicon sold product to the JV for USD 0.9 million in the fourth quarter of 2017. Amounts commensurate with REC Silicon's ownership have been eliminated and are reflected as deferred income/expense in REC Silicon's investment in the JV (see note 3 above).

REC Silicon ASA office is owned by shareholder UMOE AS and leased to the Company.

12 SEGMENT INFORMATION

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

13 EVENTS AFTER THE REPORTING PERIOD

On February 1, 2018, REC Silicon Pte. Ltd (REC Silicon) and Shaanxi Non-Ferrous Tian Hong New Energy Co. Ltd. (SNF) entered into an agreement concerning the outstanding capital contribution from REC Silicon to the Yulin JV.

The Framework Agreement provides that SNF will make REC Silicon's outstanding capital contribution of USD 169 million to the Yulin JV and the equity ownership of the Yulin JV will be adjusted to SNF holding 85 percent and REC Silicon holding 15 percent. REC Silicon will make an interest payment of USD 0.6 million to the Yulin JV within 30 days of signing the Framework Agreement and a penalty payment of USD 10.4 million to SNF in annual installments of USD 2.1 million in March of 2018, USD 3.1 million in March of 2019, and USD 5.2 million in March of 2020. These amounts have been reported in interest expense on the consolidated statement of income and in liabilities on the consolidated statement of financial position at December 31, 2017.

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

The corporate governance of the Yulin JV will be adjusted according to the new equity interest structure. The Board of Directors of the Yulin JV will be adjusted to five directors, of which four will be appointed by SNF and one will be appointed by REC. REC will nominate the Chief Technology Officer while the remaining executive management of the Yulin JV will be nominated by SNF. Upon a buy-back by REC of the 34 percent equity interest, the corporate governance structure will be restored to the terms of the original Yulin JV contract.

While REC Silicon is continuing to evaluate the impact of this transaction, the Company believes that this investment in associates will continue to be accounted for using the equity method of accounting (see note 3 above). However, the investment will be reduced to reflect REC Silicon's ownership percentage of 15 percent. The adjustment in ownership percentage is expected to result in the recognition of USD 67.3 million associated with the deferral of the gain realized on the transfer of FBR technology to the JV and USD 8.8 million profit from investments in associates associated with the JV operating losses since inception. Accordingly, the investment account will be adjusted to USD 41.4 million during the first quarter of 2018 compared to a liability of USD 34.7 million at December 31, 2017.

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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