

The logo for RECSiLICON, featuring the word in a stylized, metallic, sans-serif font. The 'i' in 'Si' is lowercase and italicized, while the other letters are uppercase. The background of the slide is a photograph of an industrial facility at dusk, with various towers, pipes, and structural steel illuminated by artificial lights against a dark blue sky.

RECSiLICON

SECOND QUARTER
2018

PRESENTATION

Disclaimer

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This presentation was prepared for the second quarter 2018 results on July 19, 2018. Information contained herein will not be updated. The following slides should be read and considered in connection with the information given orally during the presentation.

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Agenda

REC Silicon Q2 Financial Results

T. Torvund, CEO

Financial Overview

J.A. May II, CFO

Market Outlook

T. Torvund

Trade Update

T. Torvund

Yulin JV Update

T. Torvund

Short Term Strategy

T. Torvund

Guidance

T. Torvund

Q & A

Highlights

Revenues: \$58.9M
EBITDA: (\$ 9.6M) Loss

Continued Strong Silicon Gas Sales Volumes

- Sales Volume of 918MT (2.4% Increase vs. Q1'18)
- 2.1% Silane Gas Price Increase vs. Q1'18

June 30, 2018 Cash Balance of \$42.4M

- Cash Decrease of \$69.6M
- Debt Repayment of \$59.5M (Net)
- Cash Outflows from Operations \$7.1M

FBR Cash Cost of \$13.4/kg

- FBR Capacity Utilization Decreased to ~25% in June

Yulin JV Operating at Reduced Capacity Utilization

- ~1,000MT of Granular Produced in Q2'18 (Secondary Quality)
- ~1,800MT Produced YTD vs. Target of 8,000MT for 2018

Impairment Charges of \$340.4M

- Market Disruption Due to Curtailment of Solar Incentives in China
- Market Barriers Prevent Access to Primary Polysilicon Markets in China
- ~30% Workforce Reduction in Moses Lake on July 2, 2018

Key Metrics

Polysilicon Sales Volume **

Total	2,077MT
Inventory Increase	401MT

FBR Production

Actual	2,078MT
Guidance*	2,280MT
Deviation	-8.8%

FBR Cash Cost

Actual	\$13.4/kg
Guidance*	\$13.4/kg
Deviation	0.0%

Total Polysilicon Production

Actual	2,491MT
Guidance*	2,660MT
Deviation	-6.4%

Semiconductor Production

Actual	267MT
Guidance*	270MT
Deviation	-1.0%

Silicon Gases Sales Vol.

Actual	918MT
Guidance*	910MT
Deviation	0.9%

* Guidance Presented April 26, 2018

** Excludes Fines and Powders



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FINANCIAL REVIEW

Summary of Segments

(USD million)	Q2 2018		Q1 2018		YTD 2018	
	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA
Solar Materials (Moses Lake)	20.4	(15.9)	32.7	8.4	53.1	(7.5)
Semiconductor Materials (Butte)	38.6	14.4	37.7	17.5	76.3	32.0
Other	-	(8.1)	-	(10.8)	-	(19.0)
Eliminations	(0.0)	(0.0)	(0.8)	(0.4)	(0.9)	(0.5)
REC Silicon Group	58.9	(9.6)	69.6	14.6	128.6	5.0

Key Financial Results

Solar Materials

Revenues: \$20.4M (37.7% Decrease vs. Q1'18)

EBITDA Contribution: (\$15.9M) Loss

- › Polysilicon Sales Volumes 1,742MT (32.0% Decrease vs. Q1'18)
 - (7.2%) Average Price Decrease vs. Q1'18
 - (5.0%) Prime Grade Solar Price Decrease vs. Q1'18

Semiconductor Materials

Revenues: \$38.6M (2.3% Increase vs. Q1'18)

EBITDA Contribution: \$14.4M

- › Polysilicon Sales Volumes 335MT (1.9% Decrease vs. Q1'18)
 - 7.7% Average Price Increase vs. Q1'18
 - 5.9% Semiconductor Grade Price Increase vs. Q1'18
- › Silicon Gas Sales Volumes 918MT (2.4% Increase vs. Q1'18)
 - 2.1% Silane Price Increase vs. Q1'18

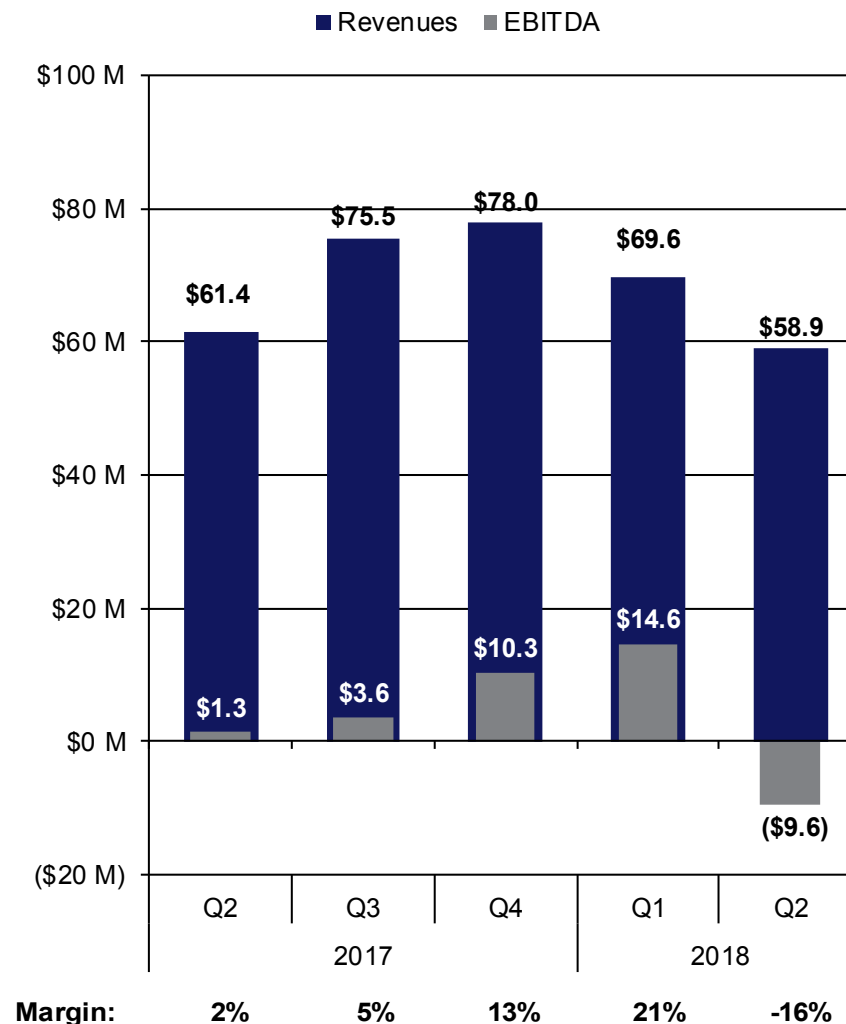
Other and Eliminations

Net Cost: \$8.2M(27.7% Decrease vs. Q4'17)

- › Higher Expenses in Q1'18 Due to Efforts to Monetize Non-Core Assets and Re-Finance Debt

EBITDA Loss of (\$9.6M)

- › Solar Grade Polysilicon Price Decrease of 7.2%
- › Lower Production Volumes - FBR Cash Cost of \$13.4/kg
- › Includes Bad Debt Expense of \$2.2M
- › High Silicon Gas Sales Volumes



Cash Flows

Cash Outflows From Operating Activities (\$7.1M)

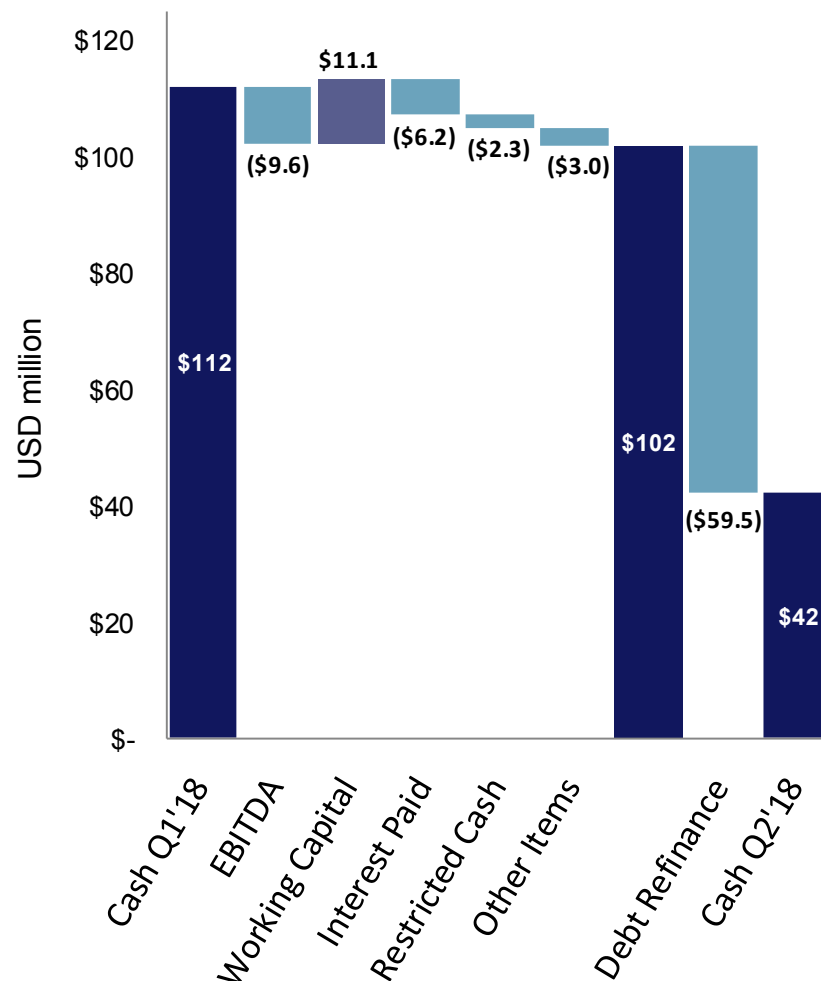
- › EBITDA - Loss of (\$9.6M)
- › Working Capital Decrease \$11.1M
 - Inventories \$8.9M; Receivables \$6.4M; Payables (\$4.1M)
- › Interest Payments (\$6.2M)
- › Other (\$2.4M)
 - Currency Loss of (\$1.9M) (Stronger USD)

Cash Outflows From Investing Activities (\$3.0M)

- › Capex \$0.6M (Included in Other)
- › Increase in Restricted Cash (\$2.3M)

Cash Outflows From Financing Activities (\$59.5M)

- › (\$ 56.6M) Repurchase and Maturity of REC03
- › (\$111.3M) Repurchase of USD Convertible
- › \$110.0M Issue of Senior Secured USD Bond
- › (\$ 1.6M) Loan Costs



Liquidity at June 30, 2018

Nominal Debt - \$136.0M

- › Decreased by (\$58.3M) in Q2'18
 - (\$108.5M) Repayment of USD Convertible
 - (\$ 58.6M) Repayment of REC03
 - \$110.0M Issue of USD Senior Secured Bond
 - (\$ 1.2M) Due to Weaker USD Relative to NOK

Nominal Net Debt - \$93.6M

- › Increased by \$11.3M in Q2'18
 - Decrease in Cash of \$69.6M
 - Increase in Nominal Debt of (\$58.3M)

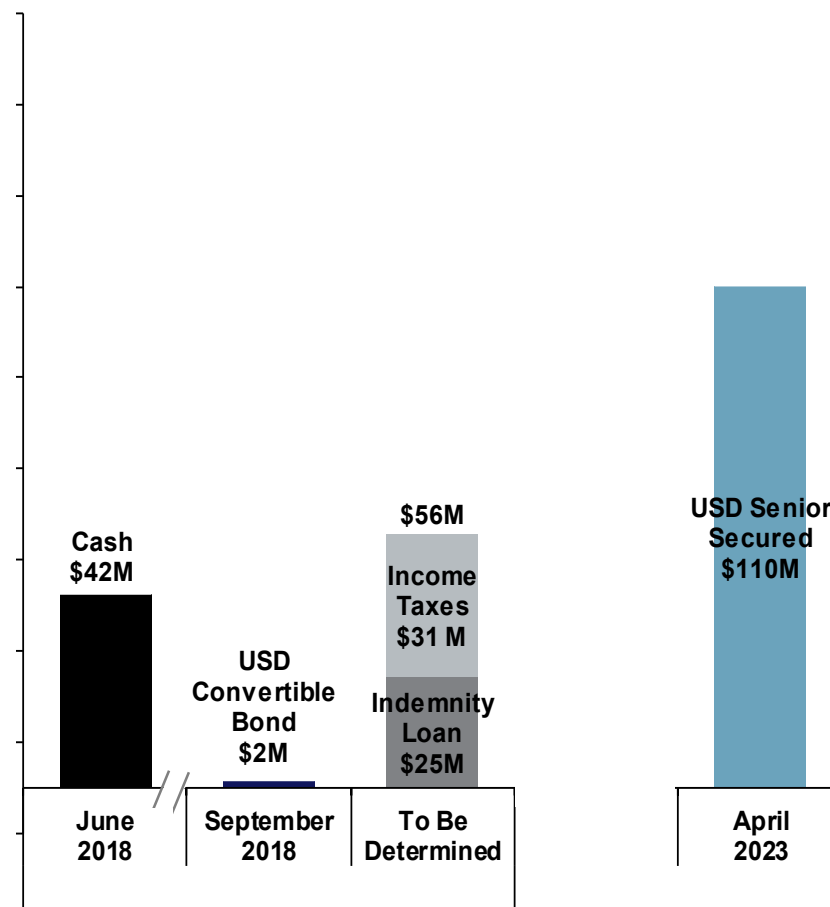
Indemnity Loan - \$25M

- › Callable Beginning in February 2016
- › Has not Been Called
- › Due Date is Uncertain

Reassessment of Tax - \$31M

- › Uncertain Timing and Outcome

USD Million



The image features a large, dense pile of dark, spherical silicon granules in the center. The background is a vibrant blue with a subtle grid pattern. Two white diagonal lines intersect at the center, and a yellow diagonal line runs from the bottom left towards the center. The word 'RECSiLICON' is written in a stylized font in the top left corner.

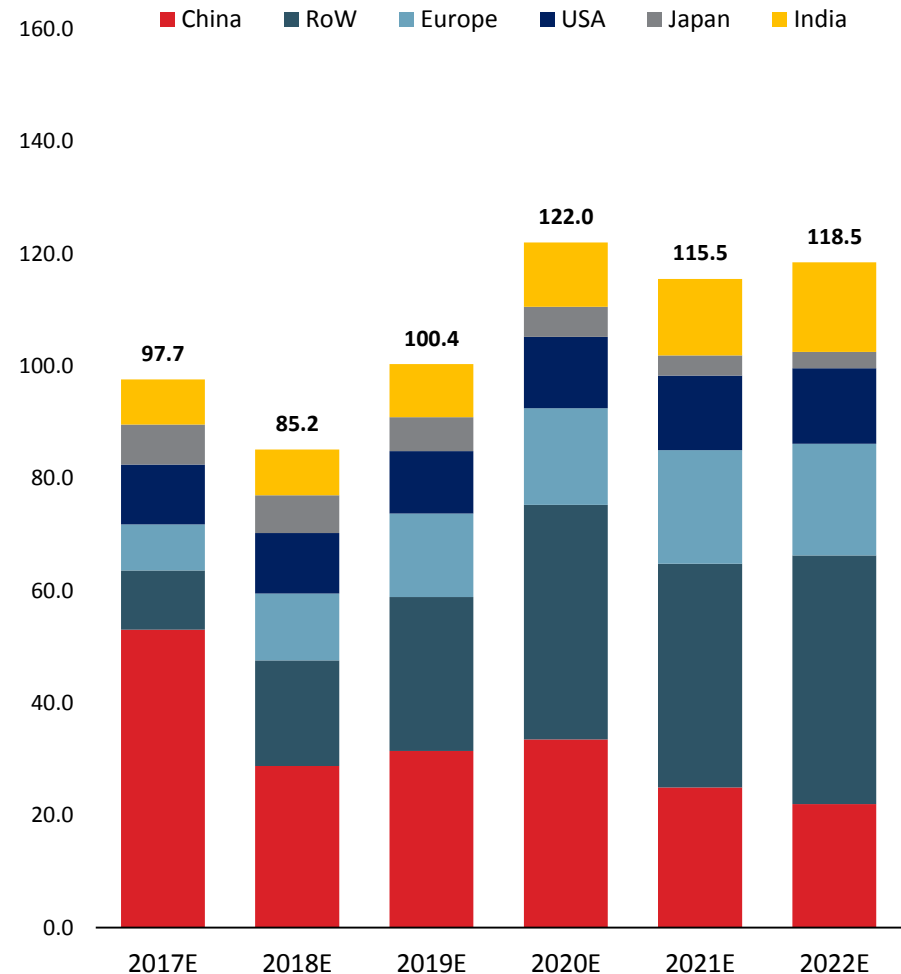
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MARKET
OUTLOOK

GTM Global PV Installation Forecast

- › Global Installations to Fall in 2018 After Changes from China, US, and India
- › China Announced Policy Changes that Will Severely Impact Installations in 2018
- › US 201 Went into Effect in February Pulling Down Imports
- › India Has Proposed Anti-dumping Duties on Modules/Cells From China, and Malaysia
- › All Other Markets Have Demand But Have Put Purchases With Expectations of Lower Prices

GTM Global Installation Forecast 2017-2022



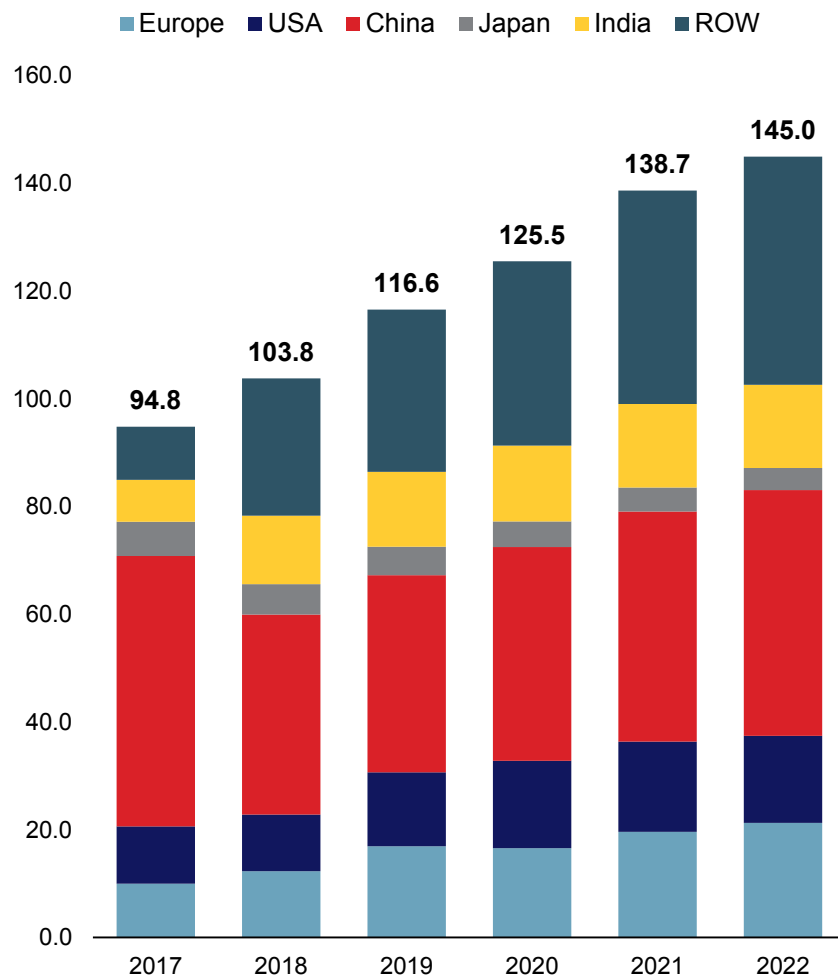
Source: GTM Research, PV Pulse (July 2018)

IHS Predicts Lower Demand for Q3 But Rebound in Q4 2018

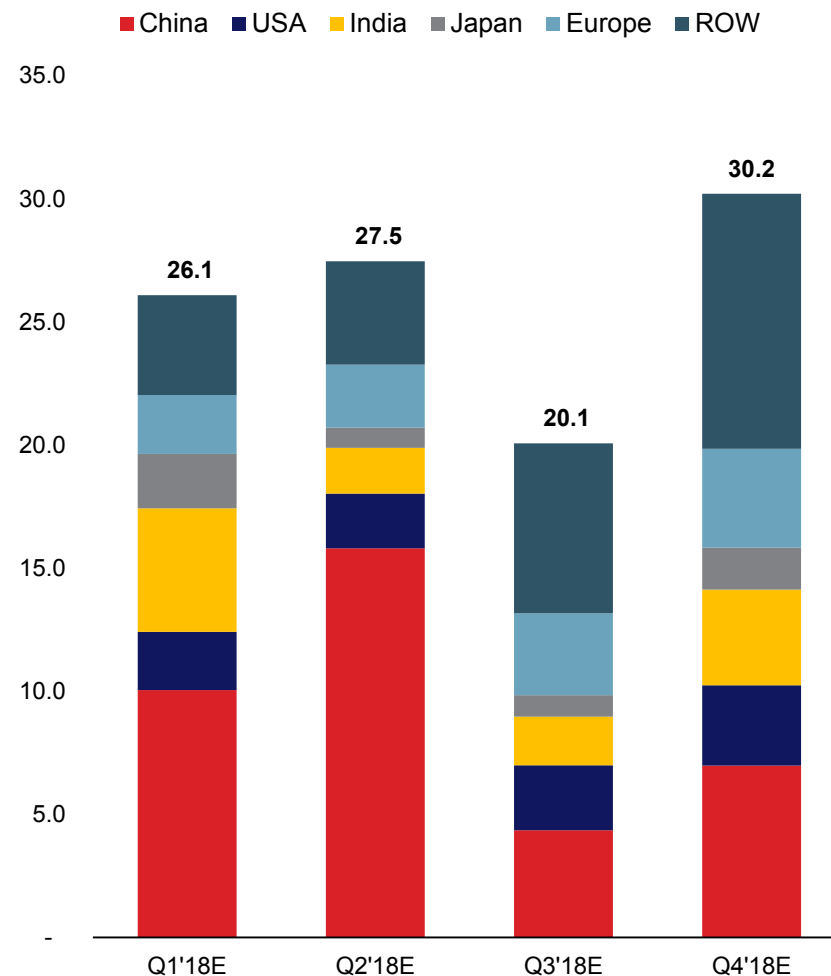
SECOND QUARTER

2018

IHS Installations 2017-2022



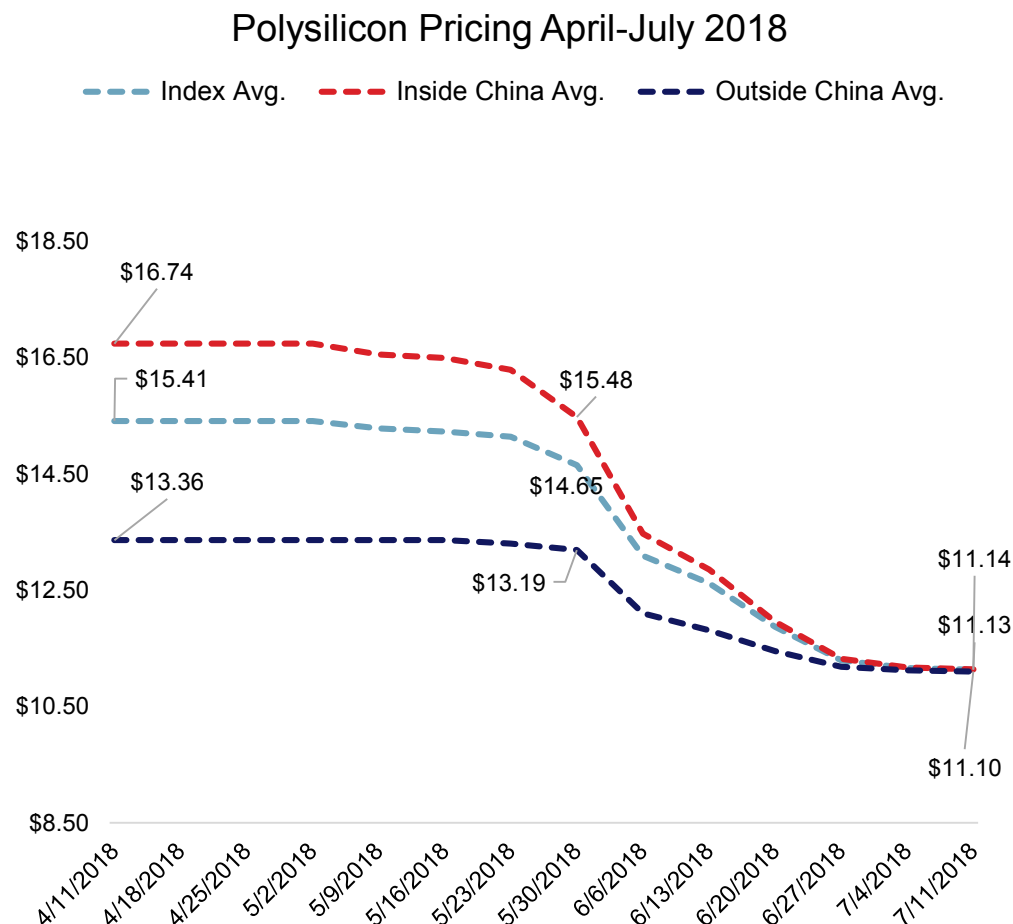
IHS Quarterly Installations 2018



IHS Markit, Technology Group, IHS Markit PV installations Tracker - June 15, 2018

Polysilicon Prices Dropped Sharply in Q2'18

- › Market Prices Declined Due to Reduced Demand in China
- › REC Prime Grade Solar Price Decreased 5% vs. Q1'18
 - Contracted Early in the Quarter
- › REC Expects Prices to Remain at Current Levels During Q3'18

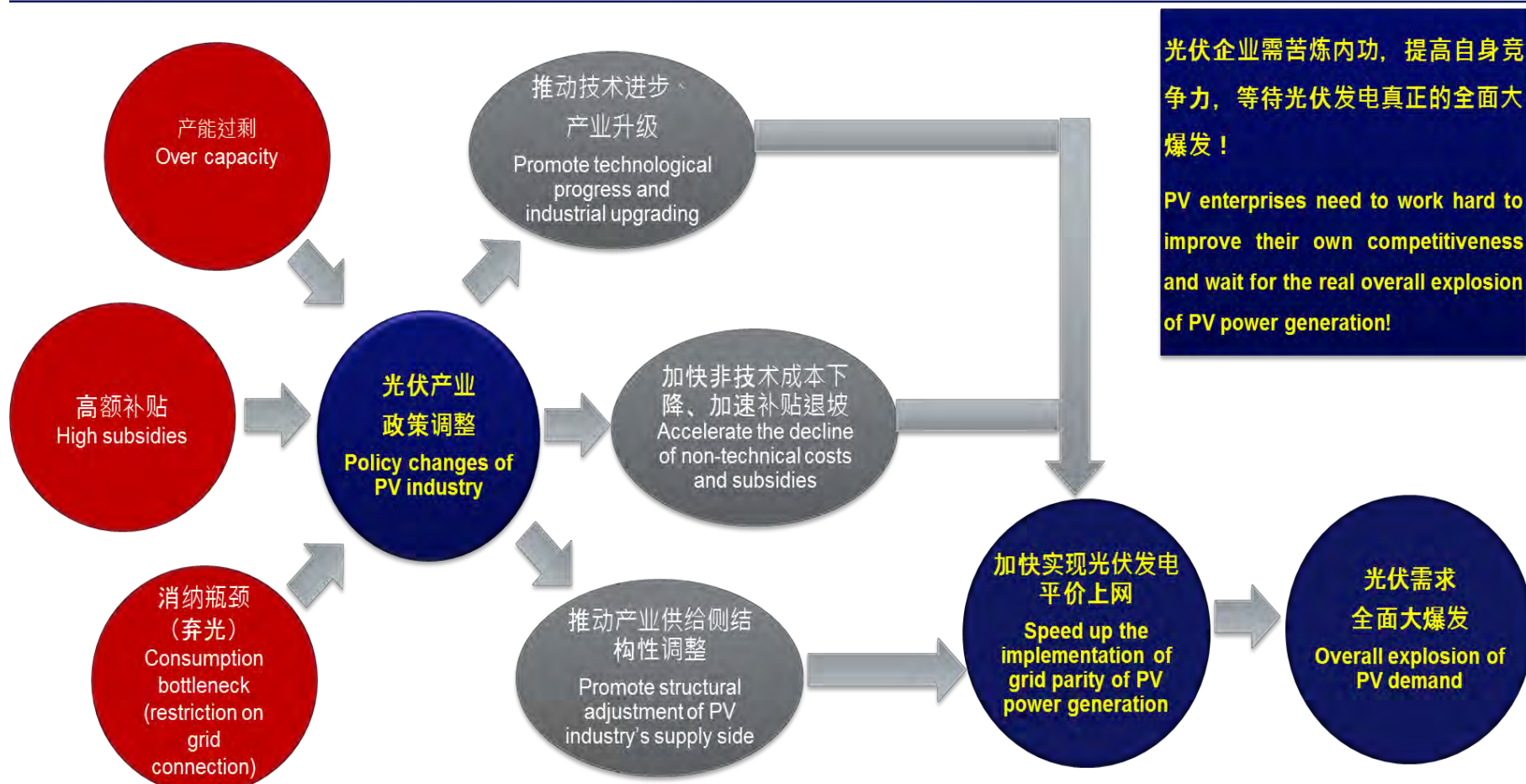


四、“531”新政背后的深意

Implications of “531” PV New Policy

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2018



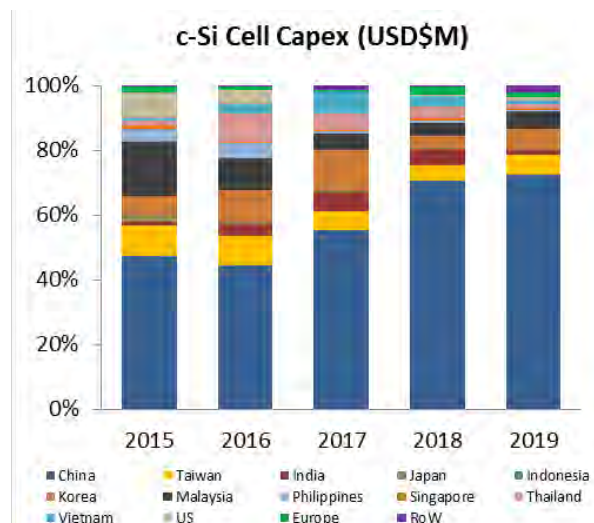
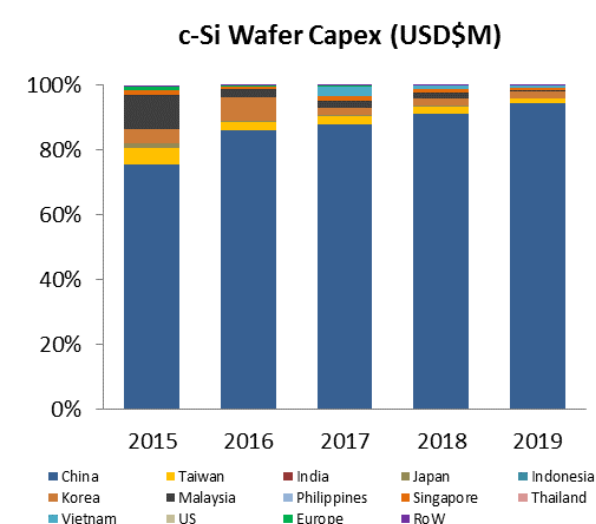
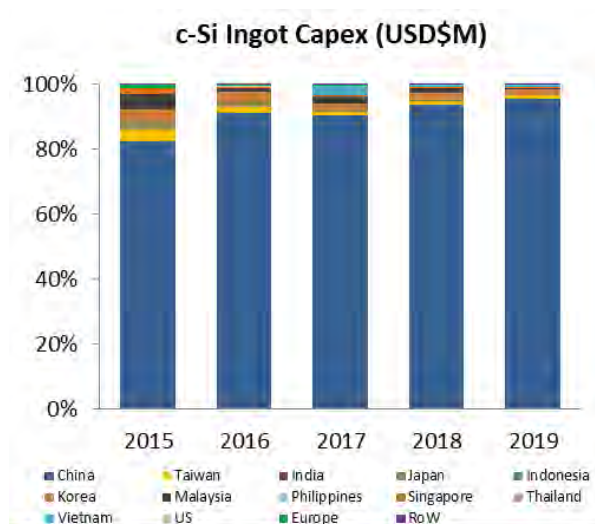
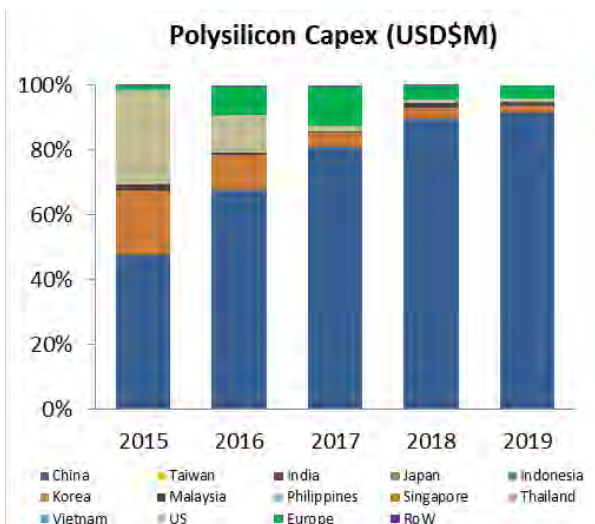
- 到2020年光伏发电平价上网之后，中国光伏电站年度新增安装量会接近100GW，全球安装量在200GW左右
- By 2020, when the PV power generation achieved grid parity, China's annual PV installation will be close to 100GW, and global PV installation will be around 200GW.

Source: Shaanxi Non-Ferrous July 2018

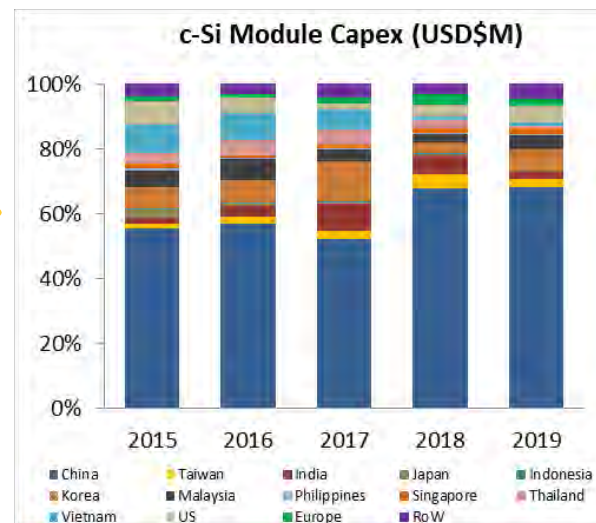
China Continues to Dominate Investments Within Polysilicon, Ingots and Wafers

SECOND QUARTER

2018



More Diversity



PV-Tech : Solar Media Market Research May 2018 (Report 2018/9)

Competitor View on Cost of FBR vs. Siemens

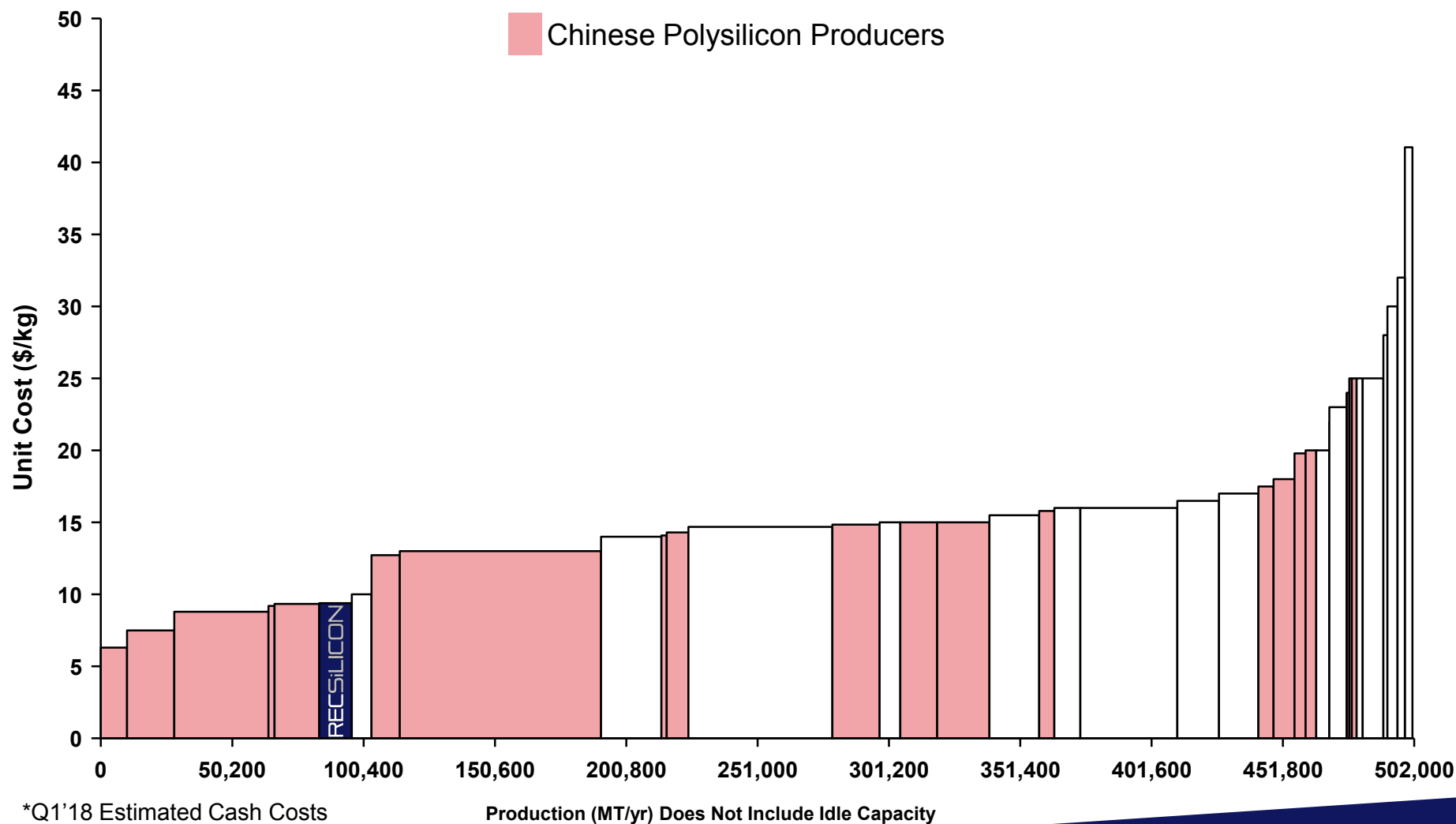
- › FBR Power Consumption
↘62%
- › FBR Labor Cost ↘58%
- › FBR Capex and Depreciation ↘27%
- › FBR Production Cost is 41% Lower Than Siemens



FBR is the Most Cost Competitive Way to Produce Polysilicon for the Solar Industry

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2018



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TRADE WAR UPDATE

US & China are Potentially Preparing for a Negotiation on Trade Relations

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2018

› **Section 201**

- Affects all Imported Cells & Modules into US from all Countries
- 4 Year Remedy Announced Effective in Early February 2018
 - 30% Tariff on Cells & Modules, Stepdown to 5% Over 4 Years
 - 2.5 GW Cell Quota

› **Section 301**

- Chinese Solar Cells & Modules Named on Recent Section 301 List

› **Potential Tariffs in Excess of 90% for Chinese Cells and Modules**

- Section 201 Tariffs Cumulative to Existing AD/CVDs on Chinese & Taiwanese Cells and Modules, Any Section 301 Tariff Also Cumulative
- Chinese Solar Cell & Modules Now Less Than 1% of Total US Solar Product Imports (in 2018)

› **President Trump Express Commitment to Pursue Settlement for US Polysilicon**

- New USG is Focused on Value of US Polysilicon Industry
- Section 201 Announcement Noted “The U.S. Trade Representative Will Engage in Discussions...**that could lead to positive resolution of the separate antidumping and countervailing duty measures currently imposed on Chinese solar products and U.S. polysilicon...**”

The Solar Trade War Has Created Turmoil For The US Solar Industry

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gtm: Solar Grid Edge Storage Wind More Trending Podcasts Resources

MARKETS & POLICY

Struggling US Polysilicon Producers Are a Forgotten Casualty in the Solar Trade War With China

Polysilicon production, once dominated by America, has been taken over by China. It's a direct consequence of tariffs and failed negotiations.

EMMA FOERINGER MERCHANT | MARCH 29, 2018



The U.S. polysilicon industry still awaits a solution to fix the issues.



REUTERS

Solar trade row with China forces REC Silicon to cut U.S. jobs

Bloomberg

Markets

Solar Squabble Shows How a Trump Trade War With China Could Backfire

Bloomberg News

February 26, 2017, 8:01 AM PST

- ▶ REC Silicon lost 350 workers in the U.S. over three years
- ▶ Company to open \$1 billion plant in China with 650 workers

The Seattle Times

Solar power industry in turmoil a half year after U.S. slapped tariffs on imports

Originally published July 14, 2018 at 6:00 am | Updated July 13, 2018 at 11:30 pm



Chicago Tribune

REC Silicon Laying Off 100 Workers At US Factory

REC Silicon Cuts Down 40% Workforce At Moses Lake Facility Citing Trade War Between US & China

06:52 AM (Beijing Time) - 03 July 2018

TAIYANGNEWS
ALL ABOUT SOLAR POWER

Analysis: How Trump's trade war with China could go sideways on him

FORTUNE

Trump's Tariffs Have Led to Layoffs at U.S. Manufacturers

This company is a victim of the US-China solar dispute

11:01 PM ET Tue, 3 July 2018



The Washington Post
Democracy Dies in Darkness

How Trump's trade war with China could go sideways on him

South Carolina, and polysilicon manufacturer REC Silicon announced it would lay off 100 people - all citing

Aaron Blake • Politics • Jul 7, 2018



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YULIN JV UPDATE

Yulin JV Current Production Status

Fluid Bed Reactor Status:

- › ~1,800 MT Granular Polysilicon Produced Through End of June 2018
- › Remaining FBR Reactors Ready to Start

Silane Unit Status:

- › Silane 20 Unit Running at Half Capacity
- › Silane 10 Unit Started on July 10, 2018

Siemens Reactor Status:

- › Siemens Reactors Finishing Pre-production Preparations
- › Commercial CZ Production Continues
- › FZ Production Started Up

Total Investment Within Budget of \$1.25 Billion



A photograph of an industrial facility, likely a refinery or chemical plant. In the foreground, a long, straight walkway with yellow metal railings and a metal grate floor leads towards the background. To the right of the walkway, there are various industrial structures, including large white storage tanks, blue metal buildings, and complex piping systems. The background shows a vast, flat landscape under a blue sky with scattered white clouds. In the far distance, a range of blue mountains is visible.

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SHORT TERM STRATEGY

Butte Semiconductor Materials Business Status

- › Strong Silicon Gas Market
 - TFT
 - Semiconductor

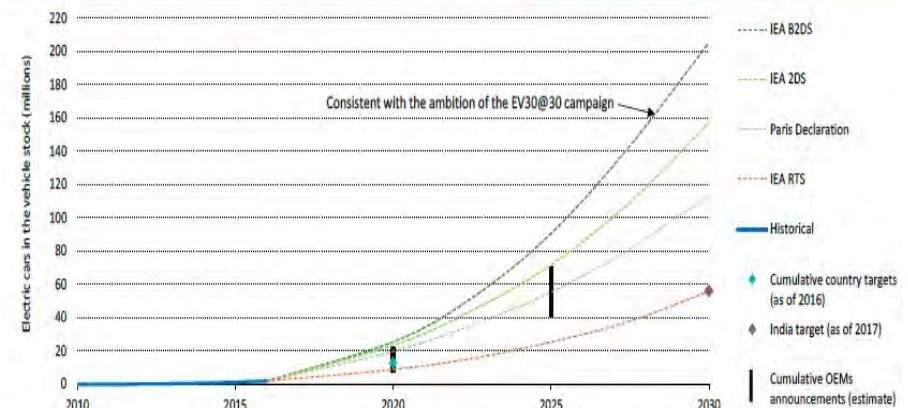
- › Semiconductor
 - Float Zone
 - Only 2 Companies Able to Meet Quality Requirements



- Battery Management System
- Brake Vacuum Booster - electric
- Regenerative Braking
- Steering – electric
- A/C compressor – electric
- PC heat - electric



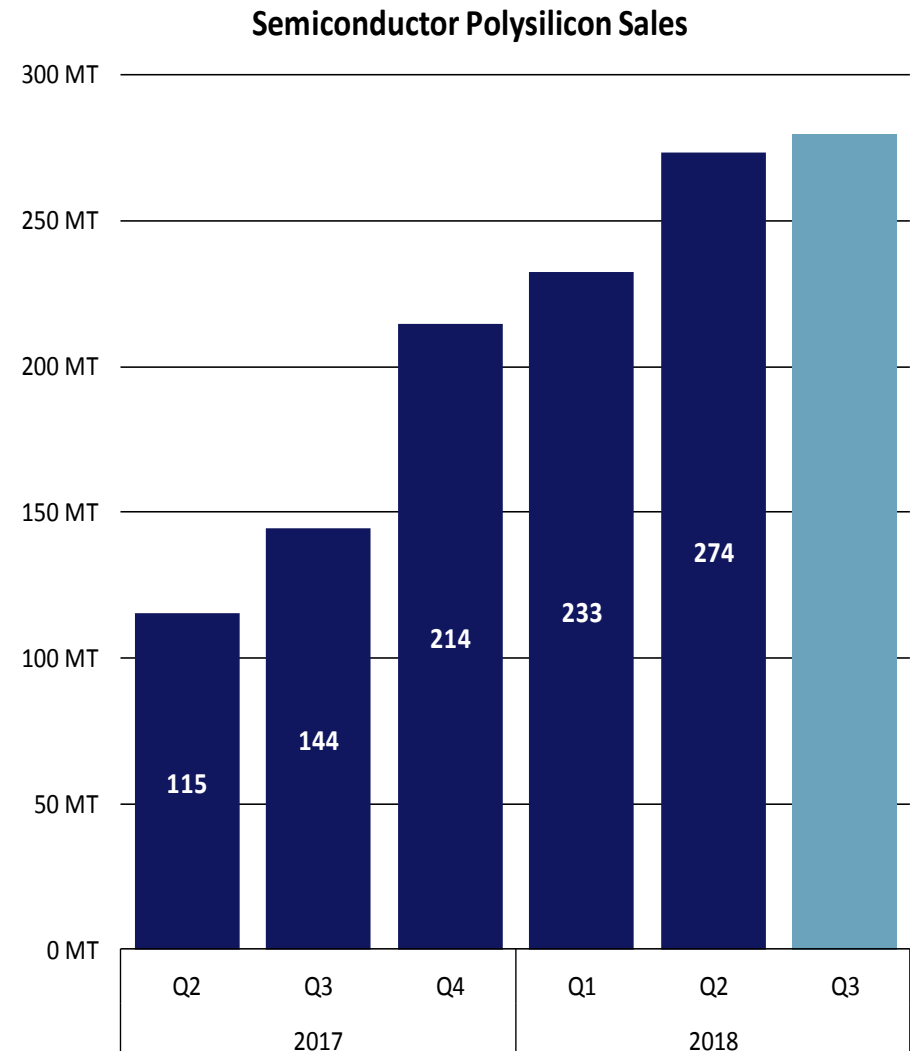
Figure 9 • Deployment scenarios for the stock of electric cars to 2030



© OECD/IEA 2017
Global EV Outlook 2017

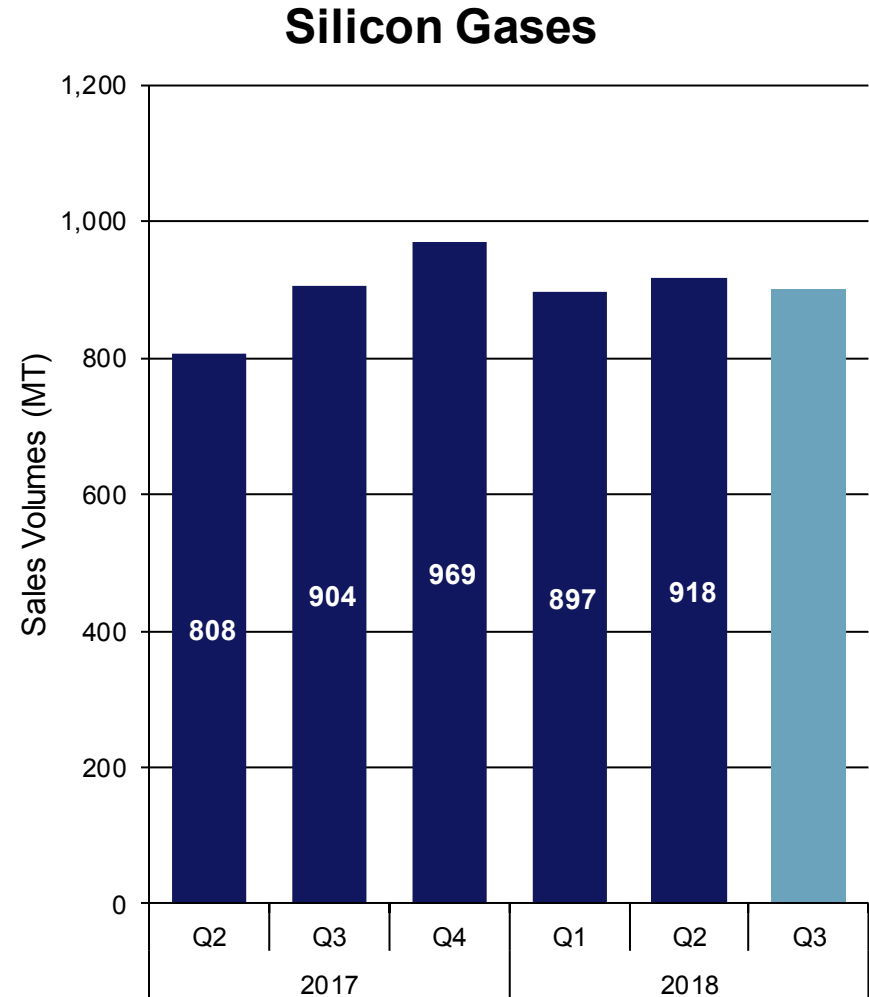
Semiconductor Grade Polysilicon Sales

- › Semiconductor Polysilicon Sales Increased 17.6% Compared to Q1'18
- › Successfully Qualified for Semiconductor Grade Customers
 - Float Zone
 - Semiconductor CZ Grade
- › Expect to Sell ~280MT in Q3'18



Strong Silicon Gas Sales

- › Silicon Gas Sales Volumes 918MT
 - 2.4% Increase Compared to Q1'18
 - 13.7% Increase Compared to Q2'17
- › Continued Strong Demand in Silicon Gas Markets
- › Expect to Sell ~900MT in Q3'18



Moses Lake Solar Materials Business Strategy

Actions Taken:

- › Reduced FBR Utilization
 - Operating at ~25% Capacity
 - Manage Inventory Levels

- › Layoffs on July 2, 2018
 - Workforce Reduction of ~85 Employees (~30% of Moses Lake)

- › Reduced Costs
 - Match Spending to Current Production Levels

Next Steps:

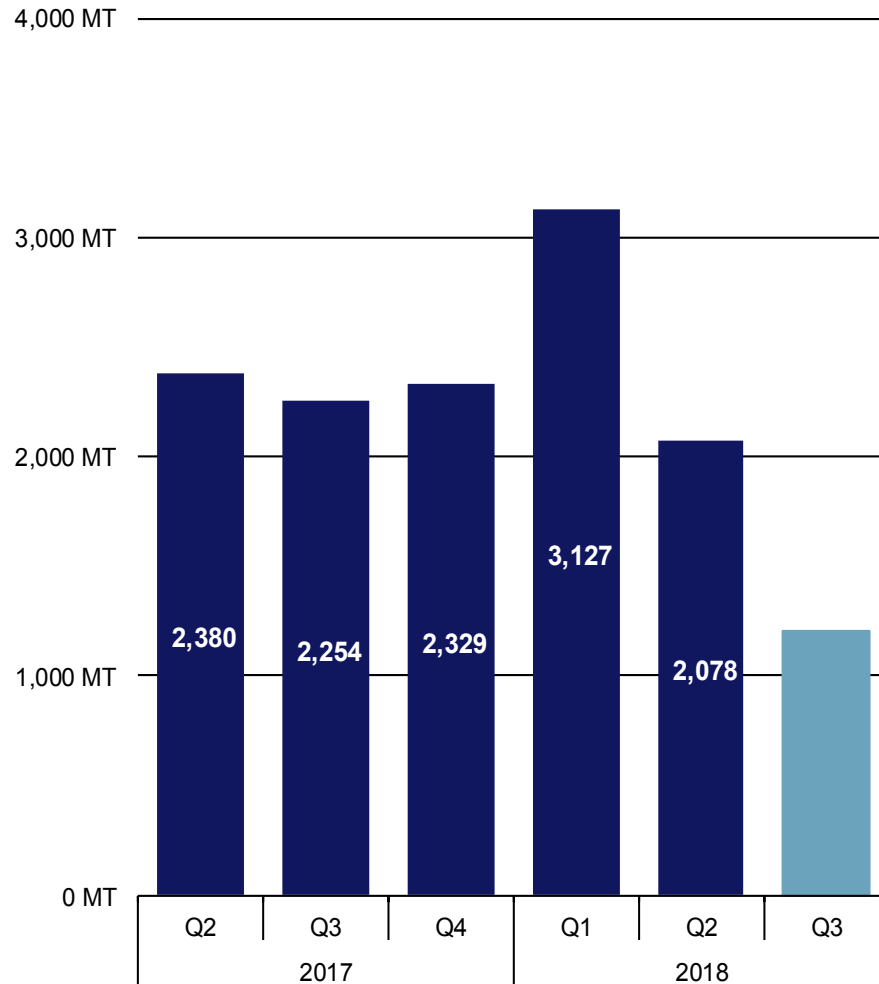
- › Critical Customer Relationships
 - Explore Long-term Agreements with Existing Customers

- › Reviewing All Costs
 - Reduce Expenditure Levels
 - Renegotiate Contract Terms

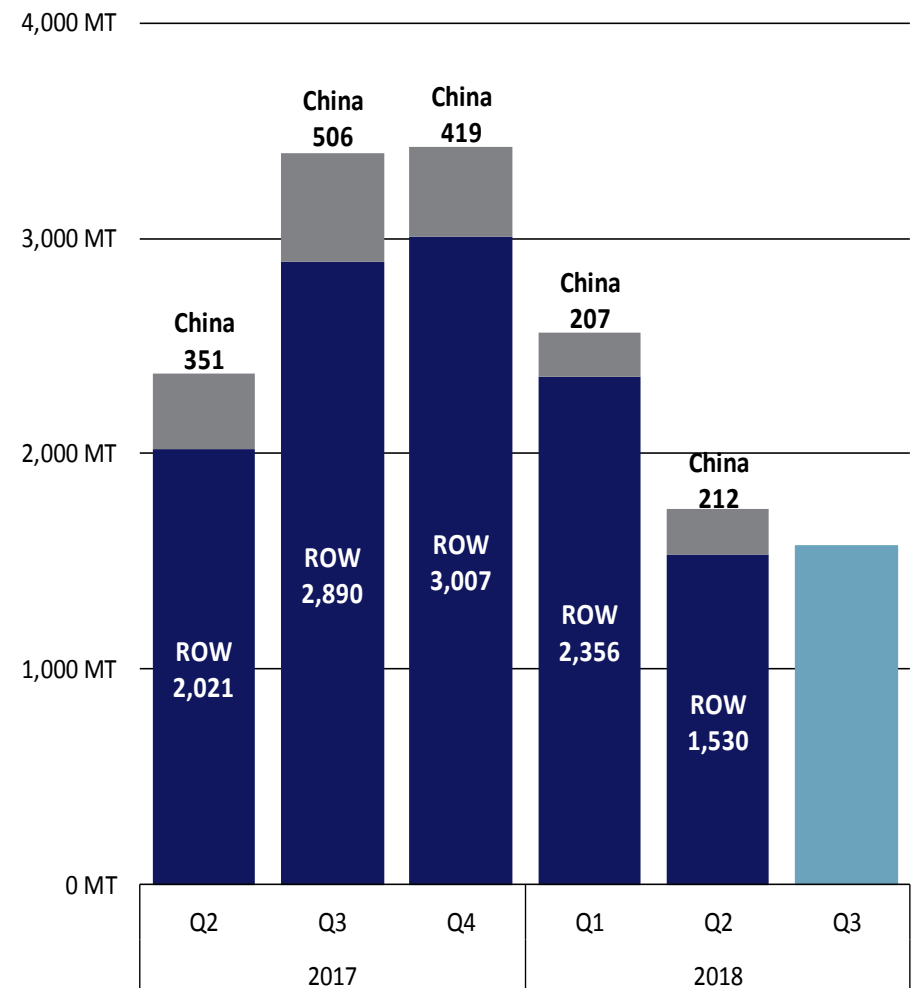
- › Subject to the Above: Evaluate Suspension of Solar Materials Business in the United States

FBR Production Aligned with Sales

FBR Production



FBR Sales



Note: Excludes Fines & Powder

A photograph of an industrial facility, likely a refinery or chemical plant, at night. The scene is viewed through a yellow metal railing in the foreground. The facility is illuminated by numerous lights, creating a bright contrast against the dark blue night sky. The railing runs diagonally across the frame, leading the eye towards the complex structures of the plant in the background.

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GUIDANCE

Updated 2018 Guidance

FBR Production	
Q3	1,200MT
Q4	1,200MT
2018	7,606MT

FBR Cash Cost	
Q3	\$15.9/kg
Q4	\$15.2/kg
2018	\$12.4/kg

Total Polysilicon Production	
Q3	1,630MT
Q4	1,640MT
2018	9,284MT

Semiconductor Production	
Q3	300MT
Q4	320MT
2018	1,137MT

Silicon Gas Sales	
Q3	900MT
Q4	960MT
2018	3,675MT

2018 CapEx *	
Maintenance	\$3M

* Additions to Property Plant and Equipment



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Q3 2018 Reporting
October 24, 2018

Have a nice summer!

recsilicon.com

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