



RECSiLICON



The background of the slide features a photograph of an industrial facility, likely a silicon refinery, under a blue sky with scattered white clouds. In the foreground, there are blue and yellow structural elements of a walkway or platform, creating a sense of depth. The facility includes large grey buildings, a tall distillation column, and various pipes and scaffolding. A yellow diagonal line separates the image from the white text area below.

FOURTH QUARTER 2018

REPORT

FOURTH QUARTER HIGHLIGHTS

(Compared to Third Quarter 2018)

- > Revenues of USD 48.9 million and EBITDA Loss of USD 3.8 million
 - Total Polysilicon Sales Volume of 1,690MT (51.9% Increase)
 - 26MT Total Polysilicon Inventory Decrease
- > Silicon Gas Sales
 - Sales Volume of 920MT (6.3% Increase)
 - 1.6% Silane Gas Price Decrease
- > December 31, 2018 Cash Balance of USD 31.8 million
 - Cash Decrease of USD 9.2 million
 - Cash Outflows from Operations USD 8.7 million
 - Includes USD 6.3M Interest Payment
 - \$2.0M Decreased Investment in Working Capital
- > > FBR Production Costs of \$14.6/kg
 - FBR Capacity Utilization ~25%
 - Lower Spending due to Continued Efforts to Reduce Costs
 - FBR Production Volume of 1,209MT (3.3% Increase)
- > Yulin JV Start-up
 - ~1,850MT FBR Polysilicon Produced
 - Production of Electronic Grade Siemens Polysilicon Demonstrated
- > Temporary Shutdown of FBR Proposed Beginning March 1, 2019
 - Maintain Sales from Existing Inventories
 - Dependent on Market Developments and Restored Access to the Chinese Market

FINANCIAL HIGHLIGHTS

Key Financials - REC Silicon Group

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017	Q3 2018
Revenues	48.9	78.0	221.2	272.4	43.7
EBITDA	-3.8	10.3	-4.9	19.8	-6.1
EBITDA margin	-7.7%	13.2%	-2.2%	7.3%	-14.0%
EBIT excluding impairment charges	-14.4	-10.1	-66.5	-127.2	-16.9
Impairment charges	0.0	-0.2	-340.5	-0.3	-0.1
EBIT	-14.4	-10.3	-407.1	-127.5	-16.9
EBIT margin	-29.5%	-13.2%	-184.0%	-46.8%	-38.7%
Profit/loss before tax	-13.4	-4.8	-348.0	-192.8	-20.3
Profit/loss	-8.0	-150.6	-341.6	-350.6	-19.6
Earnings per share, basic and diluted (USD)	0.00	-0.06	-0.13	-0.14	-0.01
Polysilicon production in MT (Siemens and granular)	1,664	2,616	9,280	11,636	1,615
Polysilicon sales in MT (Siemens and granular)	1,690	3,943	7,784	13,503	1,113
Multicrystalline brick sales in MT	0	0	2	1	0
Silicon gas sales in MT	920	969	3,600	3,501	865

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 produced 9,280MT of polysilicon in 2018.

Revenues during the fourth quarter of 2018 were USD 48.9 million, an increase of 11.8 percent compared to USD 43.7 million during the third quarter. Increased revenues are a result of higher sales volumes for solar grade polysilicon and silicon gases.

Total polysilicon production volume was 1,664MT and was in line with guidance of 1,660MT provided on October 24, 2018. Production volumes continue to include the FBR production capacity utilization rates of approximate 25 percent due to the continued solar trade war between China and the United States. Polysilicon inventories remained near prior quarter levels with a decrease of 26MT.

EBITDA was a loss of USD 3.8 million for the fourth quarter of 2018 compared to an EBITDA loss of USD 6.1 million during the third quarter of 2018. The EBITDA loss is the result of challenging market conditions for solar grade polysilicon and limited access to markets in China due to the solar trade war. Third quarter EBITDA included USD 1.9 million in termination benefits due to the workforce reduction in July 2018 and a USD 1.3 million sales tax refund. The increase in EBITDA compared to the third quarter can be attributed to lower spending levels in the solar materials segment and increased sales volumes of silicon gases in the semiconductor materials segment.

Summary of fourth quarter results by segment

(USD IN MILLION)	Q4 2018	
	REVENUES	EBITDA
Solar Materials	9.9	-9.1
Semiconductor Materials	39.0	11.0
Other & Eliminations	0.0	-5.6
Total	48.9	-3.8

MARKET DEVELOPMENT

End use PV demand for the fourth quarter of 2018 is estimated near 28.5GW (IHS Markit PV Installations Tracker – Q4 2018). This represents an increase of approximately 22 percent and 5.2GW compared to the third quarter. Demand increased due to the elimination of minimum PV price requirements in Europe and demand increases in the US, India, and other markets outside of China due to installation growth driven by low PV module prices. Inside China, demand declined compared to the previous quarter, however, demand related to specific programs have stabilized and exhibited signs of growth late in the fourth quarter. Polysilicon prices continued to decline compared to the previous quarter, although prices did stabilize in mid-November and remained relatively flat for the remainder of the fourth quarter. Spot prices inside China at the end of the fourth quarter were estimated at approximately USD 9.0/kg, a decrease of USD 1.3/kg (13 percent) compared to spot prices at the end of the third quarter 2018. During the same period, spot prices outside of China decreased by USD 1.0/kg (10 percent) to USD 10.0/kg. Overall, demand remained weak and excess capacity continued to place downward pressure on prices. Polysilicon producers continue to reduce capacity utilization to manage liquidity and there are signals that certain manufacturers will not resume operations.

Semiconductor grade polysilicon markets continue to be dominated by long term fixed sales contracts and high polysilicon inventory levels. However, these fixed sales contracts have begun to expire. In addition, growing demand for semiconductor devices and the development of technology continues to reduce excess inventories creating additional sales opportunities for REC Silicon. During the fourth quarter, demand for smaller diameter wafers showed signs of softening due primarily to uncertainty caused by trade relations between the US and China. Demand for larger diameter wafers remained strong although concern is growing due to high inventory levels intended to meet future anticipated increases in demand. REC Silicon's sales volumes of semiconductor grade polysilicon continued to increase because of successful product qualifications which have translated into firm orders.

Overall, demand for silicon gases remained strong during the fourth quarter. However, reduced production capacity utilization by PV manufacturers, particularly in China, continues to adversely impact demand for silicon gases in the PV segment. Demand for silicon gases for flat panel displays and in semiconductor applications continues to grow due to improvements in technology and overall increases in demand for semiconductor devices. Prices continue to drift downward as competitors attempt to increase production capacity utilization using price discount incentives.

RESEARCH AND DEVELOPMENT

REC Silicon incurred R&D expenses of USD 0.5 million during the fourth quarter of 2018 compared to USD 0.4 million during the third quarter.

Research efforts are focused on maintaining minimum research lab operations and the development of analysis capabilities for testing silicon gases which has previously been outsourced.

SEGMENT INFORMATION

SOLAR MATERIALS

REC Silicon manufactures polysilicon for the solar energy markets from its manufacturing facility in Moses Lake, Washington. This facility uses best-in-class proprietary Fluidized Bed Reactor (FBR) technology to produce low cost high purity polysilicon for the solar industry. The Moses Lake plant is the world's largest producer of granular polysilicon with approximately 18,000MT of polysilicon production capacity.

Revenues for the Solar Materials segment were USD 9.9 million during the fourth quarter of 2018, an increase of 60.6 percent compared to USD 6.2 million during the third quarter of 2018. This increase was due to higher polysilicon sales volumes partially offset by lower average sales prices.

Sales volumes of granular solar grade polysilicon increased to 1,270MT during the fourth quarter of 2018 compared to 658MT during the third quarter, an increase of 93.1%. Although demand for solar grade polysilicon has stabilized, demand continues to be soft as a result of reductions in financial support for PV installations announced by China in June 2018. Excess polysilicon capacity continues to place downward pressure on polysilicon prices and result in a 16.6% decline in prices for prime grade polysilicon realized by REC Silicon during the fourth quarter.

Granular polysilicon production volume was 1,209MT and 18MT higher than market guidance of 1,190MT provided on October 24, 2018. Production rates reflect the operation of the FBR facility at approximately 25 percent of capacity.

Fourth quarter FBR production costs were USD 14.6/kg which is USD 0.7/kg lower than guidance provided with the third quarter earnings release. Decreased FBR production costs can be attributed to the continued success of cost reduction initiatives to reduce spending levels along with slightly higher than anticipated production volumes.

REC Silicon's sales opportunities are limited by restricted access to the Chinese markets because of the solar trade war between China and the United States. The Company has idled production capacity, reduced its workforce, and reduced spending levels to maintain liquidity. However,

Key Financials - Solar Materials

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017	Q3 2018
Revenues	9.9	37.1	69.2	127.8	6.2
EBITDA contribution	-9.1	3.8	-26.6	-1.7	-9.9
Contribution margin	-92.5%	10.4%	-38.4%	-1.3%	-161.5%
Polysilicon production in MT (Siemens and granular)	1,209	2,329	7,584	9,380	1,170
Polysilicon sales in MT (Siemens and granular)	1,270	3,426	6,232	11,450	658
Multicrystalline brick sales in MT	0	0	2	1	0

Key Financials - Semiconductor Materials

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017	Q3 2018
Revenues	39.0	41.9	152.9	147.5	37.6
EBITDA contribution	11.0	16.7	52.2	55.3	9.3
Contribution margin	28.2%	39.8%	34.2%	37.5%	24.7%
Polysilicon production in MT (Siemens)	455	287	1,696	2,256	446
Polysilicon sales in MT (Siemens)	420	518	1,552	2,093	455
Silicon gas sales in MT	920	999	3,599	3,582	865

Key Financials - Other and Eliminations

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017	Q3 2018
Revenues	0.0	-0.9	-0.9	-2.9	0.0
EBITDA contribution	-5.6	-10.2	-30.5	-33.9	-5.4
Polysilicon sales in MT (Siemens and granular)	0	0	0	-39	0
Silicon gas sales in MT	0	-30	1	-80	0

under current market conditions, the Company will not be able to continue operating the FBR facility at 25 percent production capacity utilization and maintain sufficient liquidity to meet the operating cash flow requirements of the Company's operation. Therefore, the Company may decide to temporarily curtail the operation of the FBR facility in Moses Lake until market conditions improve and/or the facility can be operated at increased production capacity utilization. See Going Concern in Risks and Uncertainties below.

The Solar Materials segment contributed a loss of USD 9.1 million to the Company's EBITDA loss during the fourth quarter of 2018. This compares to a loss of USD 9.9 million for the Solar Materials segment during the third quarter of 2018. The decreased loss is primarily a result of higher sales volumes and lower spending levels partially offset by lower polysilicon sales prices compared to the third quarter. EBITDA contribution represents revenues less cash costs of manufacturing for products sold during the period and excludes selling, general, and administrative expenses.

SEMICONDUCTOR MATERIALS

REC Silicon manufactures polysilicon and silicon gases for semiconductor markets from its manufacturing facility in Butte, Montana. This facility is the world's largest supplier of silicon gases for semiconductor, flat panel display, and solar applications. The facility uses a silane based siemens polysilicon processing technology to produce the highest quality (FZ) polysilicon for use in the semiconductor industry. The Butte plant has a capacity of approximately 4,500MT of silicon gas loading and 2,000MT polysilicon production.

Semiconductor segment revenues were USD 39.0 million during the fourth quarter of 2018 compared to USD 37.6 million during the third quarter of 2018, an increase of 3.8 percent.

Polysilicon sales volumes decreased by 35MT to 420MT in the fourth quarter compared to 455MT during the third quarter of 2018. This decrease was the result of lower solar grade polysilicon sales volumes while semiconductor grade polysilicon sales volumes increased by 37MT to 304MT during the same period. Average prices realized on total polysilicon sales decreased by 3.1 percent while the underlying price realizations for semiconductor grade polysilicon decreased by 4.7 percent compared to the prior quarter.

Silicon gas sales volumes were 920MT during the fourth quarter of 2018 or 70MT above market guidance provided on October 24, 2018. This represents a 6.3 percent increase compared to sales volumes for

the third quarter of 2018. Sales prices realized by REC Silicon for silane gas decreased by approximately 1.6 percent.

Semiconductor polysilicon production was 290MT compared to guidance of 340MT provided with the third quarter earnings release. This decrease is largely the result of lower quality yields which resulted in 30MT additional solar grade polysilicon production. The remaining decrease in production can be attributed to production schedule changes to take advantage of off peak utility rates.

The Semiconductor Materials segment contributed USD 11.0 million of income to the Company's EBITDA loss during the fourth quarter of 2018. This contribution represents revenues less cash costs of manufacturing for products sold during the period and excludes selling, general, and administrative expenses. Compared to the third quarter, EBITDA contributed by the Semiconductor Materials segment increased by USD 1.7 million due to higher silicon gas sales partially offset by lower price realizations.

OTHER AND ELIMINATIONS

The segment Other includes general administrative and sales activities in support of the manufacturing facilities in the United States and the Company's headquarters in Fornebu, Norway. It also includes costs associated with the Company's representative offices in Taiwan, Korea, Singapore, China, and the United States.

Operating costs in Other and Eliminations were USD 5.6 million during the fourth quarter of 2018 and are comparable to operating costs of USD 5.4 million during the third quarter.

INVESTMENT IN ASSOCIATES (YULIN JV)

The Yulin JV has produced approximately 5,400MT of polysilicon in 2018. The silane units and the FBR reactors have demonstrated design capacity and utilization rates continue to increase. The siemens reactors have been commissioned and have demonstrated production of Czochralski (CZ) grade polysilicon and Float Zone (FZ) polysilicon.

For 2019, the JV is targeting approximately 14,000MT polysilicon production.

FINANCIAL ITEMS

Net financial expenses are primarily associated with interest expenses and fees associated with the Senior Secured Bonds issued by the Company during the second quarter of 2018 which mature in 2023.

Financial Items - REC Silicon Group

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017	Q3 2018
Financial income	0.1	0.2	0.9	0.6	0.3
Interest expenses on borrowings	-3.3	-14.8	-13.6	-28.4	-3.3
Expensing of up-front fees and costs	-0.1	0.0	-0.2	-0.1	-0.1
Other financial expenses	-0.3	-0.3	-4.2	-1.7	-0.3
Net financial expenses	-3.7	-15.1	-18.0	-30.2	-3.7
Net currency gains/losses	4.7	20.7	3.1	-34.1	0.1
Fair value adjustment convertible bonds	0.0	0.0	0.0	0.2	0.0
Net financial items	1.2	5.8	-14.0	-63.5	-3.3

Net currency gains and (losses) are primarily related to the impact of exchange rate fluctuations between transaction currencies and the USD which is the primary functional currency for the group. REC Silicon ASA changed functional currency from NOK to USD beginning on January 1, 2018 due to changes in the Company's capital structure with the maturity of REC03 and the issuance of the USD senior secured bond on April 13, 2018. During periods prior to January 1, 2018, net currency gains and (losses) related primarily to the impact of exchange rate changes to internal loans (loans of approximately USD 1.0 billion at December 31, 2017) that are not eliminated on consolidation.

See note 7 for additional information on borrowings.

INCOME TAX

REC Silicon reported an income tax benefit of USD 5.3 million for the fourth quarter of 2018 related to the elimination of alternative minimum tax for corporations in the United States. The Company expects to receive a USD 2.7 million refund with the filing of its tax return for 2019. The remaining USD 2.7 million is expected to be received in 2020 and 2021.

The tax effects of the loss before tax of USD 13.3 million resulted in no effective tax impact since they are offset by changes in unrecognized deferred tax assets. Primarily, this represents an increase in the Company's unrecognized deferred tax asset in the United States. The deferred tax asset in the United States was derecognized in the first quarter of 2018 and consists primarily of unused net operating losses that will continue to be available to offset taxable income during future periods.

See note 18 to the consolidated financial statements for 2017 for additional information on income taxes.

CASH FLOW

Net cash outflows from operating activities were USD 8.7 million during the fourth quarter of 2018. Cash outflows were primarily a result of interest payments of USD 6.3 million and an EBITDA loss of USD 3.8 million. These were offset by a decrease in working capital of USD 2.0 million. The decreased investment in working capital was due to a decrease in inventory of USD 7.4 million driven primarily by decreases in stocks of raw materials. Changes in working capital also included sales in excess of customer collections of USD 3.1 million and a decrease in accounts payable of USD 2.3M. The remaining USD 0.6 million decrease in cash can be attributed to contributions of USD 0.5 million to the defined benefit plan in the United States and USD 0.1 million for changes in other assets and liabilities.

Cash outflows from investing activities of USD 0.2 million included capital expenditures of USD 0.5 million offset by a return of restricted cash of USD 0.2 million. The remaining difference is the result of rounding.

Cash outflows from financing activities were USD 0.2 million and were a result of fees associated with the Senior Secured USD Bond.

In total, cash balances decreased by USD 9.2 million to USD 31.8 million at December 31, 2018.

FINANCIAL POSITION

Shareholders' equity decreased to USD 106.8 million (30 percent equity ratio) at December 31, 2018, compared to USD 111.2 million (30 percent equity ratio) at September 30, 2018. This decrease was a result of a loss from total operations of USD 8.0 million and a net currency gain of USD 3.5 million included in other comprehensive income.

Net debt increased by USD 7.7 million to USD 99.4 million at December 31, 2018, from USD 91.7 million at September 30, 2018. This increase is a result of the decrease in cash balances of USD 9.2 million discussed above offset by a decrease in the value of the NOK denominated indemnification loan by USD 1.5 million due to the impact of a stronger USD.

Net debt includes unamortized loan fees. Excluding unamortized loan fees, nominal net debt increased by USD 7.7 million to USD 101.2 million at December 31, 2018 compared to USD 93.5 million at September 30, 2018.

See note 17 to the consolidated financial statements for 2017 and note 7 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 Company continues to work to obtain a favorable resolution. REC Silicon remains focused on identifying sales opportunities 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. The timing and amount of any potential outcome is subject to substantial uncertainty. See note 31 to the 2017 annual report.

PROPERTY TAX

REC Silicon has contested Grant County Washington's valuations of taxable property. On November 8, 2018 the Thurston County Superior Court issued a ruling affirming Board of Tax Appeals (BTA) revised valuation of REC Silicon's property for assessment year 2012. On December 4, 2018 the Company appealed this ruling to the Washington Court of Appeals. The ruling does not affect amounts reflected in the Company's financial statements and the Company will not be required to pay the disputed tax amounts until all appeals are exhausted.

Assessments for the years 2013 through 2015 have also been appealed.

The timing and outcome of these appeals is subject to uncertainty. Please see note 31 to the 2017 REC Silicon Annual Report.

GOING CONCERN

Impacts of the solar trade war between China and the United States, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon have increased the Company's liquidity risk.

Current market conditions and the continued operation of the FBR facility in Moses Lake at 25 percent capacity utilization place substantial risks on the Company's liquidity and its ability to meet operating cash flow requirements. Accordingly, management and the board of directors have formulated a plan to curtail the operation of the FBR facility near March 1, 2019 unless trade negotiations between China and the United States yield tangible indications that REC Silicon's access to markets in China will be restored or other significant positive developments occur in the marketplace. Depending on the results of trade talks, REC Silicon will execute plans to temporarily curtail operation of the FBR facility in order to maintain the liquidity necessary to maintain the operation of the semiconductor materials segment. If this plan is implemented, the Company's current liquidity position is considered sufficient to meet the operating cash flow requirements for remaining operations and to meet debt service obligations for the next twelve months. Estimates used to arrive at this conclusion include the assumptions that markets for the Company's semiconductor polysilicon and silicon gas products remain stable.

Accordingly, these financial statements have been prepared under the assumption that the Company is a going concern.

However, if conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative, the liquidity risk for the Company will increase. The indemnification loan was callable in February 2016. This loan has not been called and the due date is uncertain. (see note 10 and 2017 Annual Report note 17). The Company's tax filings for prior years continue to be under examination by the Norwegian Central Tax Office (see 2017 Annual Report note 31) and the timing and impact of a ruling remain uncertain.

Please refer to the annual report for 2017, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

MARKET OUTLOOK

First quarter 2019 end use PV demand is expected to decrease by 1.5GW to 27GW compared to the fourth quarter of 2018 (IHS Markit PV Installation Market Tracker, Q4 2018). Analysts estimate that end use PV demand during the first and second quarters of 2019 will remain broadly in line with fourth quarter 2018 demand. They estimate demand

will increase through the second half of 2019 and will result in demand growth near 15% in 2019 compared to 2018. On November 21, 2018, China National Renewable Energy Centre (CNREC) released preliminary guidance for cumulative installed capacity of 220GW in China by 2020. While not final, this and similar announcements are expected to provide more clarity and increases to estimates of demand in 2019 and subsequent years. Additional polysilicon manufacturing capacity is expected to start-up during 2019 placing continued downward pressure on market prices. However, solar grade polysilicon prices are expected to increase in 2019 because current prices are below cash manufacturing costs for most polysilicon producers. In addition, higher cost marginal producers are expected to cease operations leading to more balance between supply and demand.

Demand for semiconductor grade polysilicon is expected to continue to grow as long term fixed contracts expire and semiconductor grade polysilicon inventories decline. This is especially true for large diameter wafers and certain high-end applications that are well suited to REC Silicon's product portfolio. Inventories are expected to continue declining due to high semiconductor production capacity utilization, competitor rationalization, and the startup of new silicon wafer capacity. During the first quarter of 2019, REC Silicon's shipments of semiconductor grade polysilicon are expected to decline due to seasonality and other timing factors. However, REC Silicon's shipments of semiconductor polysilicon for 2019 are expected to exhibit growth consistent with prior periods. Over the longer term, macro demand factors associated with data transmission and storage, mobility, and increasing Silicon content in automobiles and other consumer goods are expected to continue to result in demand growth.

Overall, 2019 demand for silicon gases in semiconductor and flat panel display applications is expected to remain strong. However, continuing volatility in solar markets will translate to lower demand for silicon gases in the PV segment. During the first half of 2019, uncertainty caused by trade relations between the US and China and high inventory levels is expected to affect demand for silicon gases. For the entire year, demand is expected to remain high due to capacity expansions for flat panel displays, and the continuing implementation of technology improvements in semiconductor applications. REC Silicon expects shipments for 2019 to continue to exhibit growth consistent with prior periods.

GUIDANCE

The targets presented below are based on the assumption that the FBR facility in Moses Lake continues to operate at approximately 25 percent of production capacity. Management has formulated a plan to maintain the Company's liquidity which may entail a temporary curtailment of FBR production. Should this occur, Granular production volume would be lower and unit production costs would be higher than the targets presented below. The magnitude of these changes would be dependent upon the timing of the implementation of this plan.

PRODUCTION TARGETS

REC Silicon targets polysilicon production of 1,630MT during the first quarter of 2019 and 6,630MT for the full year 2019. Polysilicon production rates continue to include the operation of the FBR facility in Moses Lake at only 25% of its production capacity due to the solar trade war.

Silicon gas sales volumes are targeted at 850MT for the first quarter of 2019 and 3,840MT for the full year 2019. This estimate reflects the impacts of current trade restrictions and uncertainty in the PV sector due to market uncertainty. The effects of any additional trade sanctions could impact demand for silicon gases.

Cost Targets

REC Silicon targets FBR production costs of USD 12.8/kg for the first quarter of 2019 and USD 13.0/kg for the full year 2019. These estimates include the impact of the implementation of International Financial Reporting Standard (IFRS) 16 regarding leases. Effectively, this standard classifies obligations for lease payments previously included in cash costs to liabilities and assets. It also effectively reclassifies amounts reported by the Company between EBITDA, depreciation of leased assets, and interest expense. FBR production costs and depreciation of leased assets taken together are materially equivalent to amounts previously reported as FBR cash production costs. Changes in lease agreements will shift costs between production costs and depreciation of leased assets.

Considering the impacts of IFRS 16, production costs plus depreciation of leased assets of USD 14.4/kg in the first quarter of 2019 and USD 14.6/kg for the full year 2019 continue to reflect reduced capacity utilization of approximately 25 percent and are comparable to USD 14.6/kg in the fourth quarter of 2019.

INVESTMENT AND EXPANSION ACTIVITIES

Capital expenditures for 2019 are expected to be approximately USD 4.0 million. Capital spending includes only the capital necessary to maintain safe and reliable operations. The Company will continue to defer and delay capital spending when possible, while maintaining safe operating conditions to maintain liquidity.

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 2017, including the section Risk Factors in the Board of Directors' Report.

Production targets

POLYSILICON PRODUCTION VOLUME (MT)	ACTUAL RESULTS		TARGETS	
	Q4 2018	2018	Q1 2019	2019
Granular	1,209	7,584	1,180	4,770
Semiconductor Grade	313	1,126	290	1,210
Siemens Solar	142	570	160	650
Total	1,664	9,280	1,630	6,630
Silicon Gas Sales Volume (MT)	920	3,600	850	3,840

Cost targets

	ACTUAL RESULTS		TARGETS	
	Q4 2018	2018	Q1 2019	2019
FBR Production Costs	\$14.6	\$12.2	\$12.8	\$13.0
Depreciation of Leased Assets	0.0	0.0	1.6	1.6
Depreciation of Fixed Assets	2.9	4.9	2.9	2.5
FBR Manufacturing Cost (USD/kg)	\$17.5	\$17.1	\$17.3	\$17.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	DEC 31, 2018	SEP 30, 2018	DEC 31, 2017
ASSETS				
Non-current assets				
Intangible assets	3	11.8	11.8	15.7
Land and buildings	3	41.1	41.7	50.5
Machinery and production equipment	3	90.9	97.2	416.7
Other tangible assets	3	4.8	5.3	12.0
Assets under construction	3	9.4	9.0	61.1
Property, plant and equipment	3	146.2	153.3	540.3
Investments in Associates	4	34.2	34.3	0.0
Other non-current receivables		6.4	3.8	3.8
Financial assets and prepayments		40.6	38.1	3.8
Total non-current assets		198.6	203.2	559.8
Current assets				
Inventories	6	79.1	86.5	82.9
Trade and other receivables	11	40.8	34.4	48.6
Current tax assets	11	2.7	0.0	0.0
Restricted bank accounts		4.4	4.6	4.4
Cash and cash equivalents		31.8	41.0	104.5
Total current assets		158.7	166.5	240.4
Total assets		357.3	369.7	800.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	DEC 31, 2018	SEP 30, 2018	DEC 31, 2017
EQUITY AND LIABILITIES				
Shareholders' equity				
Paid-in capital		3,158.0	3,158.0	3,158.0
Other equity and retained earnings		-3,051.3	-3,046.8	-2,709.1
Total shareholders' equity		106.7	111.2	448.9
Non-current liabilities				
Retirement benefit obligations		15.5	19.4	20.1
Deferred tax liabilities		0.0	0.0	0.4
Investments in Associates	4	0.0	0.0	34.7
Non-current provision, interest calculation	9	3.0	0.0	0.0
Non-current financial liabilities, interest bearing	7	108.6	108.3	0.0
Non-current prepayments, interest calculation		4.2	3.8	5.5
Other non-current liabilities, not interest bearing		5.3	5.3	8.8
Total non-current liabilities		136.6	136.8	69.6
Current liabilities				
Trade payables and other liabilities		62.1	65.9	62.9
Provisions	9	0.0	0.0	0.3
Current tax liabilities	10	24.5	26.1	26.0
Derivatives	5	1.5	1.6	1.5
Current financial liabilities, interest bearing	7	22.7	24.5	187.8
Current prepayments, interest calculation		3.2	3.6	3.1
Total current liabilities		114.0	121.6	281.7
Total liabilities		250.6	258.5	351.3
Total equity and liabilities		357.3	369.7	800.2

CONSOLIDATED STATEMENT OF INCOME

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017
Revenues		48.9	78.0	221.2	272.4
Cost of materials	6	-12.4	-12.5	-57.3	-54.3
Changes in inventories	6	-0.2	-10.9	1.5	-18.2
Employee benefit expenses		-12.7	-20.4	-59.7	-73.9
Other operating expenses		-27.4	-23.9	-110.1	-106.2
Other income and expenses		0.0	0.0	-0.5	-0.1
EBITDA		-3.8	10.3	-4.9	19.8
Depreciation	3	-10.6	-20.0	-61.1	-145.2
Amortization	3	0.0	-0.4	-0.5	-1.8
Impairment	3	0.0	-0.2	-340.5	-0.3
Total depreciation, amortization and impairment		-10.6	-20.6	-402.2	-147.3
EBIT		-14.4	-10.3	-407.1	-127.5
Share of profit/loss of investments in associates	4	-0.1	-0.3	73.0	-1.8
Financial income		0.1	0.2	0.9	0.6
Net financial expenses		-3.7	-15.1	-18.0	-30.2
Net currency gains/losses		4.7	20.7	3.1	-34.1
Fair value adjustment convertible bonds	7	0.0	0.0	0.0	0.2
Net financial items		1.2	5.8	-14.0	-63.5
Profit/loss before tax		-13.4	-4.8	-348.0	-192.8
Income tax expense/benefit		5.3	-145.8	6.5	-157.8
Profit/loss		-8.0	-150.6	-341.6	-350.6
Attributable to:					
Owners of REC Silicon ASA		-8.0	-150.6	-341.6	-350.6
Earnings per share (In USD)					
From continuing operations					
-basic		0.00	-0.06	-0.13	-0.14
-diluted		0.00	-0.06	-0.13	-0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

REC SILICON GROUP

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017
Profit/loss from total operations	-8.0	-150.6	-341.6	-350.6
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss:				
Fair value adjustment on own credit risk	0.0	-2.5	-1.9	-16.4
Remeasurement of defined benefit plans	3.5	-3.6	3.5	-3.6
Currency translation effects	0.0	-24.5	1.5	43.6
Sum items that will not be reclassified to profit or loss	3.5	-30.6	3.1	23.6
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences				
- taken to equity	0.0	7.5	-3.7	-6.1
- transferred to profit/loss for the period	0.0	0.0	0.0	0.0
Sum items that may be reclassified subsequently to profit or loss	0.0	7.5	-3.7	-6.1
Total other comprehensive income	3.5	-23.1	-0.6	17.5
Total comprehensive income	-4.5	-173.7	-342.2	-333.1
Total comprehensive income attributable to:				
Owners of REC Silicon ASA	-4.5	-173.7	-342.2	-333.1

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 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
Year 2018							
At January 1, 2018	405.3	2,710.9	41.8	3,158.0	174.3	-2,883.4	448.9
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	-342.2	-342.2
At December 31, 2018	405.3	2,710.9	41.8	3,158.0	174.3	-3,225.6	106.7

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 2017				
Accumulated at January 1, 2017	29.8	20.9	-2,600.9	-2,550.3
Profit/loss from total operations	0.0	0.0	-350.6	-350.6
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Fair value adjustment on own credit risk	0.0	0.0	-16.4	-16.4
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	23.6	23.6
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	23.6	17.5
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	-2,883.4
Year 2018				
Accumulated at January 1, 2018	23.7	20.9	-2,927.9	-2,883.4
Profit/loss from total operations	0.0	0.0	-341.6	-341.6
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Fair value adjustment on own credit risk	0.0	0.0	-1.9	-1.9
Remeasurement of defined benefit plans	0.0	0.0	3.5	3.5
Currency translation effects	0.0	0.0	1.5	1.5
Sum items that will not be reclassified to profit or loss	0.0	0.0	3.1	3.1
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-3.7	0.0	0.0	-3.7
Tax on currency translation differences taken to equity	0.0	0.0	0.0	0.0
Sum items that may be reclassified to profit or loss	-3.7	0.0	0.0	-3.7
Total other comprehensive income for the period	-3.7	0.0	3.1	-0.6
Total comprehensive income for the period	-3.7	0.0	-338.5	-342.2
Accumulated at December 31, 2018	20.0	20.9	-3,266.4	-3,225.6

CONSOLIDATED STATEMENT OF CASH FLOWS

TOTAL OPERATIONS

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017
Cash flows from operating activities					
Profit/loss before tax		-13.4	-4.8	-348.0	-192.8
Income taxes paid/received		0.0	0.0	0.7	0.6
Depreciation, amortization and impairment	3	10.6	20.6	402.2	147.3
Fair value adjustment convertible bond	7	0.0	0.0	0.0	-0.2
Equity accounted investments, impairment financial assets, gains/losses on sale	4	0.1	0.3	-72.5	1.8
Changes in receivables, prepayments from customers etc.	11	-4.6	-1.1	9.7	5.9
Changes in inventories	6	7.4	10.3	3.8	22.6
Changes in payables, accrued and prepaid expenses		-2.7	12.2	-5.7	18.6
Changes in provisions	9	0.0	-0.2	-0.3	0.3
Changes in VAT and other public taxes and duties		-2.9	0.7	0.0	1.0
Changes in derivatives		-0.1	0.0	-0.1	0.0
Currency effects not cash flow or not related to operating activities		-3.0	-18.9	-1.7	33.6
Other items		-0.2	-0.4	1.9	0.1
Net cash flow from operating activities		-8.7	18.8	-10.1	38.8
Cash flows from investing activities					
Proceeds/Payments finance receivables and restricted cash		0.2	0.0	0.0	-0.2
Proceeds from sale of property, plant and equipment and intangible assets		0.0	0.0	0.6	0.0
Payments for property, plant and equipment and intangible assets	3	-0.5	-0.3	-1.7	-2.6
Net cash flow from investing activities		-0.2	-0.3	-1.2	-2.8
Cash flows from financing activities					
Increase in equity		0.0	0.0	0.0	0.0
Payments of borrowings 1)		-0.2	0.0	-171.4	0.0
Proceeds from borrowings		0.0	0.0	110.0	0.0
Net cash flow from financing activities		-0.2	0.0	-61.4	0.0
Effect on cash and cash equivalents of changes in foreign exchange rates		0.0	-1.8	0.0	2.8
Net increase/decrease in cash and cash equivalents		-9.2	16.6	-72.7	38.8
Cash and cash equivalents at the beginning of the period		41.0	88.0	104.5	65.8
Cash and cash equivalents at the end of the period		31.8	104.5	31.8	104.5

1) Payment of borrowings include fees and costs for issue and repurchase of interest bearing debt.

NOTES

1 GENERAL

THE GROUP

REC Silicon ASA (the Company) and its subsidiaries (together REC Silicon Group, REC Silicon, or the 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. Due to 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 the information required for full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2017. The consolidated financial statements for 2017 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 2017 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 fiscal year. See note 2.24 to the consolidated financial statements for 2017.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard, which supersedes all prior revenue recognition requirements under IFRS, applies to periods beginning January 1, 2018. The group adopted IFRS 15 on the required effective date using the modified retrospective approach. The group has not identified any implementation effect or significant impact on accounting policies related to revenues. There were no impacts or changes to the opening balances.

See note 2 for a disaggregation of revenues by contract type.

The Group's main revenues come from the sale of its own manufactured goods in different segments:

1. Silicon gas and polysilicon for the semiconductor industries
2. Polysilicon for the photovoltaic industry

For the sale of manufactured goods, the Group has concluded that revenue should be recognized at the point in time when control of the asset is transferred to the customer, which is usually at the point of shipment of goods and in accordance with Incoterms listed within the contract. Therefore, based on the Group's assessment, the adoption of IFRS 15 did not impact the Group's revenue and profit or loss. There was no impact on equity on the date of implementation.

With regard to variable consideration, some contracts with customers provide discounts or a right of return. Prior to the adoption of IFRS 15, the Group recognized revenue from the sale of goods measured at fair value of the consideration received or receivable, which included a provision of allowances for discounts and expected returns. Such provisions give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception and updated thereafter. Under the new standard, an entity may include some or all of the provisions in the transaction price – but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The Group has concluded that application of the IFRS 15 will result in the same treatment as under the prior IFRS.

The Group provides warranties for the products to be in conformance to specifications and does not provide extended warranties or maintenance services in its contracts with customers. Such warranties are assurance-type warranties and are not deemed a separate performance obligation.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group adopted IFRS 9 retrospectively, except for hedge accounting which is implemented prospectively. Comparative figures are not prepared as there is no requirement for this.

(a) Classification and measurement of financial assets and financial liabilities

The Group completed an analysis to classify financial instruments in accordance with the requirements of IFRS 9. The analysis of assets, including customer accounts receivable, determined that the current provision for loss on trade receivables is consistent with the credit losses estimated using the requirements outlined in IFRS 9. Therefore, reclassification for these instruments is not required.

Additional analysis of liabilities concluded that changes in fair value related to changes in own credit risk, associated with the fixed rate convertible bond should be reported as a component of other comprehensive income (OCI). Other changes in fair value are reported through Profit and Loss. Prior to the implementation of IFRS 9, all changes in fair value were reported through Profit and Loss. IFRS 9 was implemented on January 1, 2018, an adjustment of USD 1.9 million to fair value of the USD convertible bonds related to own credit risk was reclassified to OCI at January 1, 2018, and figures for 2017 have been restated (see note 7 below).

(b) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either "12-month ECLs" or "lifetime ECLs":

12-month ECLs - ECLs that result from possible default events within the 12 months after the reporting date

Lifetime ECLs - ECLs that result from all possible default events over the expected life of a financial instrument

Based on requirements of IFRS 9, the Group has determined that only its municipal bond and accounts receivables are subject to estimating the probability of impairment using the ECL model.

i) Municipal Bonds

The Group has determined that the municipal bonds meet the exception provided at IFRS 9 for financial instruments that have low credit risk at the reporting date. Accordingly, the Group estimates that the expected credit loss has not changed since inception and the risk of credit loss approaches zero. Therefore, no impairment will be recorded on this asset.

The Group will continually monitor the risks associated with this asset. Should any conditions arise to indicate an increase in credit risk, the asset will be impaired according.

ii) Accounts Receivables

For account receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Based on its assessment, the impact of adopting IFRS 9 which requires the Company to estimate expected credit losses (ECL) based upon historical experience is included in the provision for doubtful accounts (see note 11).

(c) Hedge accounting

Currently, the Group has no hedge relationships for which hedge accounting is applied. Previously the Group had some fair value interest hedge of a NOK loan. The fair value hedges have been revoked and the remaining fair value adjustments are being amortized prospectively as part of the effective interest. The Group did not identify any significant impact of implementing IFRS 9 hedge accounting.

New Standards and Interpretations Not Yet Adopted**IFRS 16 Leases**

IFRS 16, issued in January 2016, replaces existing leases guidance, including IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives, SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease, and establishes a balance sheet lease accounting model that will increase transparency and comparability.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 requires lessees and lessors to make more extensive disclosure than under IAS 17.

The group has set up a project team which has reviewed all of the group's leasing arrangements in light of the new lease accounting rules in IFRS 16. As of the reporting date, the Group has a total of USD 38.1 million related to non-cancellable operating lease commitments as of December 31, 2018, see note 8. Based on the information currently available, of these commitments, approximately USD 1.7 million relate to short-term leases which will be recognized as expense in profit or loss when incurred.

For the remaining lease commitments, the group expects to recognize on January 1, 2019 right-of-use assets of approximately USD 29.8 million (including asset retirement obligations (ARO)), lease liabilities of USD 28.4 million and ARO provisions of USD 1.4 million. The group expects that net profit will decrease by approximately USD 2.2 million for 2019 due to interest expenses and depreciation associated with the ARO as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately USD

11.5 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. EBITDA is expected to increase by USD 14.2 million which represents the lease payments on finance leases which will be offset by USD 13.6 million in depreciation of leased assets and USD 2.7 million in interest expense associated with lease liabilities.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements.

The standard is expected to have accounting effect from January 1, 2019. The group intends to apply the modified retrospective approach and will not restate comparative amounts for the prior year. The group is in the process of finalizing the analysis of the impact of the standard. The actual impacts of adopting the standard on January 1, 2019 may be subject to change.

SEGMENT INFORMATION

REC Silicon produces silicon gas and polysilicon for the semiconductor industries at its manufacturing facility in Butte, Montana. The Company also produces polysilicon for the photovoltaic industry at its manufacturing facility in Moses Lake, Washington. Incremental changes to the Company's organization structure, management team, operating strategy, and performance measurement reporting have led to the determination that these businesses represent separate distinguishable operating segments. Beginning in 2018, there are two operating segments; Solar Materials and Semiconductor Materials. The operating segments include revenues less cost of manufacturing excluding depreciation for products sold while Other include general, administrative, and selling expenses which support both operating segments in addition to administrative costs for the Company's headquarters in Fornebu, Norway. Eliminations include the reversal of the impact of transactions between group members and affiliates. The results of the operating segments plus Other and Eliminations taken together reconcile to total EBITDA for the Group.

Group Management continues to be headed by the Chief Executive Officer (CEO), and the CEO makes decisions regarding the allocation of resources and performance assessment for all segments. Accordingly, the CEO is regarded as the Chief Operating Decision Maker (CODM).

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Due to changes in the Company's capital structure the selection of functional currency was reevaluated at January 1, 2018 and it was determined that the Company's functional currency should be changed from NOK to USD. Accordingly, REC Silicon ASA's account balances at January 1, 2018 were converted to USD. Amounts reported for REC Silicon ASA for periods beginning on January 1, 2018 and later are stated using USD as the functional currency. Amounts reported for periods beginning prior to January 1, 2018 are stated using NOK as the functional currency. The Group's reporting currency continues to be USD.

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 2017.

2 SEGMENT INFORMATION

See notes 2.3 and 5 to the consolidated financial statements for 2017 and note 1 to these financial statements for further information on segments.

The following table summarizes key financial results by segment:

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017
Revenues				
Solar Materials	9.9	37.1	69.2	127.8
Semiconductor Materials	39.0	41.9	152.9	147.5
Other	0.0	0.0	0.0	0.0
Eliminations	0.0	-0.9	-0.9	-2.9
Total	48.9	78.0	221.2	272.4
EBITDA				
Solar Materials	-9.1	3.8	-26.6	-1.7
Semiconductor Materials	11.0	16.7	52.2	55.3
Other	-5.6	-9.7	-30.0	-32.7
Eliminations	0.0	-0.5	-0.5	-1.2
Total	-3.8	10.3	-4.9	19.8
EBIT				
Solar Materials	-12.9	-12.3	-466.7	-131.1
Semiconductor Materials	4.3	12.8	86.6	39.5
Other	-5.9	-10.2	-26.4	-34.7
Eliminations	0.0	-0.5	-0.5	-1.2
Total	-14.4	-10.3	-407.1	-127.5

The following tables reflect the financial results of each operating segment:

Solar Materials - Segment

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017
Revenues	9.9	37.1	69.2	127.8
Cost of materials	-6.1	-8.8	-34.7	-36.1
Change in inventories	-1.2	-6.9	1.1	-20.8
Employee benefit expense	-4.1	-6.9	-20.6	-25.3
Other operating expenses	-7.7	-10.6	-41.4	-47.3
Other income and expenses	0.1	0.0	-0.1	0.0
Total current costs	-19.0	-33.2	-95.8	-129.4
EBITDA contribution	-9.1	3.8	-26.6	-1.7
Depreciation of fixed Assets	-3.7	-15.9	-39.2	-128.9
Amortization	0.0	-0.1	-0.2	-0.4
Impairment	0.0	-0.2	-400.7	-0.2
Total depreciation, amortization, and impairment	-3.7	-16.2	-440.1	-129.5
EBIT contribution	-12.9	-12.3	-466.7	-131.1

Semiconductor Materials - Segment

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017
Revenues	39.0	41.9	152.9	147.5
Cost of materials	-6.3	-3.8	-22.9	-19.6
Change in inventories	1.0	-4.1	0.5	2.7
Employee benefit expense	-5.2	-6.2	-21.4	-24.6
Other operating expenses	-17.5	-11.1	-56.7	-50.6
Other income and expenses	0.0	0.0	-0.1	0.0
Total current costs	-28.0	-25.2	-100.7	-92.2
EBITDA contribution	11.0	16.7	52.2	55.3
Depreciation of fixed Assets	-6.7	-3.9	-21.2	-15.7
Amortization	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	55.5	-0.1
Total depreciation, amortization, and impairment	-6.7	-3.9	34.4	-15.8
EBIT contribution	4.3	12.8	86.6	39.5

The following table disaggregates revenues by contract type and reconciles to total revenues.

(USD IN MILLION)	Q4 2018	Q4 2017	YEAR 2018	YEAR 2017
Non-Contract Revenue	33.5	56.4	153.8	194.7
Structured (Regional/Volume pricing)	14.0	18.2	59.6	62.2
Tiered (Volume pricing)	1.4	3.3	7.8	15.5
Contract Revenue	15.4	21.6	67.4	77.7
Total	48.9	78.0	221.2	272.4

3 FIXED ASSETS

See note 6 to the consolidated financial statements for 2017.

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, 2018	50.5	416.7	12.0	61.1	540.3	15.7	556.0
Net additions 1)	0.0	4.7	0.3	-0.3	4.7	-0.1	4.6
Disposals	-0.4	0.0	0.0	0.0	-0.5	0.0	-0.5
Depreciation and amortization	-2.7	-56.3	-2.1	0.0	-61.1	-0.5	-61.6
Impairment	-6.3	-274.1	-5.4	-51.4	-337.2	-3.3	-340.5
Carrying value at December 31, 2018	41.1	90.9	4.8	9.4	146.2	11.8	158.0
At December 31, 2018							
Historical cost	147.5	2,131.6	80.0	65.8	2,424.8	80.0	2,504.8
Accumulated depreciation/amortization/impairment	-106.4	-2,040.7	-75.1	-56.4	-2,278.7	-68.2	-2,346.8
Carrying value at December 31, 2018	41.1	90.9	4.8	9.4	146.2	11.8	158.0

1) Net additions include transfers from assets under construction

IMPAIRMENT REVIEWS

See note 7 to the consolidated financial statements for 2017.

The Group conducted a review of impairment indicators. Impairment indicators that could give rise to a change in impairment included carrying value in excess of the Company's market capitalization and continued uncertainty associated with the trade war between China and the United States.

Management has determined that the Group contains two cash generating units (CGUs). This determination was based upon segment reporting to include segments Solar Materials and Semiconductor Materials which were accordingly determined by management to represent the smallest units for which cash flows can be reasonably determined.

Impairment indicators identified relate specifically to the Solar Materials segment. Accordingly, impairment testing was performed on the Solar Materials CGU at December 31, 2018.

Value in use has been estimated for the Solar Materials CGU using discounted cash flows over a 5-year period with the last year used as a basis for the terminal value. A discount rate of 14.5 percent was estimated on an after-tax basis and adjusted to estimate the equivalent before tax discount rate of 18.5 percent.

Impacts on long term polysilicon market conditions caused by the trade war between the US and China are difficult to determine. Forecasts used to arrive at estimated future cash flows include the assumption that market conditions will support an increase in production capacity utilization of the Moses Lake FBR facility to 50 percent capacity utilization in 2020 and 100% capacity utilization in 2021. Should the impacts of the trade war continue, additional impairment of the Solar Materials CGU would be required.

The resulting value in use of the Solar Materials CGU is estimated to approximate the carrying value of the Solar Materials CGU at December 31, 2018. Therefore, no additional impairment or reversal of impairment has been recognized.

4 EQUITY ACCOUNTED INVESTMENTS (ASSOCIATES AND JOINT VENTURES)

In February 2014, REC Silicon entered into a joint arrangement in China; Shaanxi Non-Ferrous Tian Hong REC Silicon Materials Co., Ltd. (Yulin JV). On February 1, 2018, REC Silicon Pte, Ltd (REC Silicon) and Shaanxi Non-Ferrous Tian Hong New Energy Co. Ltd. (SNF) entered into a supplemental agreement in relation to outstanding capital contribution.

The Framework Agreement provides that SNF will make REC Silicon's outstanding capital contribution of USD 169 million and the equity ownership of the Yulin JV will be adjusted. REC Silicon agreed to pay the Yulin JV USD 0.6 million for interest and SNF USD 2.1 million. These payments were made in March of 2018. The remaining payments to SNF include USD 3.1 million in March of 2019 and USD 5.2 million in March of 2020. The remaining installment amounts have been reported as liabilities in the consolidated statement of financial position at December 31, 2018.

The framework agreement provides that REC Silicon's ownership is reduced to a 15 percent interest. REC Silicon will also appoint the Yulin JV Chief Technology Officer (CTO) and maintain one seat on the JV's board of directors. This arrangement continues to be recognized as an associate and is accounted for according to the equity method. See note 33 to the consolidated financial statements for 2017.

The adjustment to reduce REC Silicon's ownership interest to 15 percent resulted in the recognition of USD 67.2 million associated with the deferral of the gain realized on the transfer of FBR technology to the JV and USD 5.0 million profit from investments in associates associated with the JV operating losses since inception.

The Group's share of net equity does not reflect its 15 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, 2018	DEC 31, 2017
Carrying value at January 1	-34.7	-35.7
Share of joint venture profit/loss	-0.5	-1.8
Deferred income/expense	0.8	-1.2
Change in Deferred Gain of Tech Transfer due to change in ownership	67.2	0.0
Change in Retained earnings due to change in ownership	5.0	0.0
Effects of changes in currency exchange rates	-3.7	4.0
Carrying value at end of period	34.2	-34.7

The following table presents the major classification of assets and liabilities reflected on the Yulin JV's statement of financial position at December 31, 2018:

(USD IN MILLION)	DEC 31, 2018	DEC 31, 2017
Non-current assets	1,201.6	1,060.6
Other Current assets	42.5	32.2
Cash and cash equivalents	3.4	1.0
Non-current liabilities	-599.0	-552.5
Current liabilities	-207.5	-236.2
Net Assets (100%)	441.0	305.1
REC Silicon's share of net equity	64.4	63.6
Deferred income/expense	-0.4	-1.2
Adjusted for technology transfer	-29.8	-97.0
Carrying amount of REC's interest	34.2	-34.7

At December 31, 2019, REC Silicon determined that because of uncertainty in polysilicon markets the investment in associates should be reviewed to ensure that the value of the JV was sufficient to support the investment reported above. As part of these procedures, future cash flows of the JV were estimated considering anticipated plant capabilities and market conditions similar to those assumed for the impairment testing discussed in Note 3 above. While this plant is not fully operational and significant uncertainty exists regarding the development of solar grade polysilicon markets, the resulting value in use of the Yulin JV is estimated to support the carrying value of REC Silicon's investment in the Yulin JV.

See note 8 to the consolidated financial statements for 2017.

5 DERIVATIVES

See notes 3 and 11 to the consolidated financial statements for 2017.

Derivatives consist of an option contract which is a part of the indemnification agreement associated with the REC Wafer bankruptcy.

At December 31, 2018, the option contract was a liability valued at USD 1.5 million (USD 1.5 million at December 31, 2017).

6 INVENTORIES

See note 13 to the consolidated financial statements for 2017.

Inventories at end of period

(USD IN MILLION)	DEC 31, 2018			DEC 31, 2017		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	4.9	0.0	4.9	9.8	0.0	9.8
Spare parts	42.5	-19.0	23.5	42.8	-16.2	26.6
Work in progress	12.5	-1.7	10.8	12.2	-0.8	11.4
Finished goods	90.9	-51.0	39.9	51.1	-16.1	35.1
Total	150.8	-71.7	79.1	116.0	-33.1	82.9

7 BORROWINGS AND GUARANTEES

See notes 4 and 17 to the consolidated financial statements for 2017.

On March 23, 2018, the Company announced that it had successfully completed a USD 110 million senior secured bond issue with a maturity date of April 13, 2023.

As part of this bond issue, the Company repurchased senior unsecured bonds maturing May 3, 2018 (ISIN NO0010607476, REC03) and USD convertible bonds maturing September 11, 2018 (ISIN NO0010687304). The Company agreed to repurchase approximately NOK 9 million of REC03 at a price of 100.5 percent of par value (plus accrued interest). Further, the Company bought back and canceled a total of approximately USD 108.5 million of the USD convertible bonds. The bond was settled on April 13, 2018.

The remainder of the USD convertible bond USD 1.5 million was paid on the maturity date.

Carrying amounts of interest bearing liabilities at December 31, 2018 and contractual repayments (excluding interest payments) are specified in the table below.

(USD IN MILLION)	CARRYING AMOUNT		CONTRACTUAL PAYMENTS, EXCLUDING INTEREST		
	CURRENCY	USD	TOTAL	2019	2023
Unamortized upfront fees (USD)	-1.7	-1.7	0.0	0.0	0.0
USD senior secured bond	110.0	110.0	110.0	0.0	110.0
Indemnification loan (NOK)	200.0	23.0	23.0	23.0	0.0
Total		131.3	133.0	23.0	110.0

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At December 31, 2018, the indemnification loan is NOK 200 million (USD 23.0 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 (see note 10 below and note 17 to the consolidated financial statements for 2017).

Guarantees

See note 29 to the consolidated financial statements for 2017.

At December 31, 2018, 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 December 31, 2018 and December 31, 2017.

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 2017.

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, 2018 and December 31, 2017.

The fair value of the USD senior secured bond at December 31, 2018 is estimated at 100 percent of nominal value.

USD senior secured bond

(USD IN MILLION)	DEC 31, 2018	SEP 30, 2018	JUN 30, 2018
Nominal value	110.0	110.0	110.0
Unamortized upfront fees (USD)	-1.7	-1.7	-1.5
Net carrying amount	108.3	108.3	108.5

The following table represents change due to IFRS 9 related to the USD convertible bond.

(USD IN MILLION)	CHANGES DUE TO IFRS 9			
	Q4 2017	Q4 2018	YEAR 2017	YEAR 2018
Profit/Loss	0.0	0.0	-0.2	0.0
Other Comprehensive Income	2.5	0.0	16.4	1.9
Total	2.5	0.0	16.2	1.9

8 COMMITMENTS

Contractual purchase obligations and minimum operating lease payments at December 31, 2018

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	2019	2020	2021	2022	2023	AFTER 2023
Purchase of goods and services	44.5	39.8	1.3	1.6	1.6	0.1	0.0
Minimum operating lease payments	38.1	14.8	13.7	5.3	2.1	2.1	0.0
Total purchase obligations and minimum lease payments	82.6	54.6	15.1	6.9	3.8	2.3	0.0

9 PROVISIONS

NON-CURRENT PROVISIONS

During the fourth quarter of 2018, the Company recorded USD 3.0 million in asset retirement obligations (AROs). These obligations consist of USD 1.4 million to restore leased waste water containment ponds to conditions specified in the lease agreement and USD 1.6 million for the eventual cleanup of the Company's manufacturing operations in Moses Lake, Washington and Butte, Montana.

The AROs represents the present value of estimated future costs discounted at 8 percent for 10 years for the waste water containment ponds and 40 years for restoration of production sites. The restoration of production sites is subject to significant uncertainty due to variability in restoration requirements imposed by regulatory authorities as well as the timing of restoration.

CURRENT PROVISIONS

During the third quarter of 2017, 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 first quarter of 2018, USD 0.2 million of the provision was utilized to offset payments. At March 31, 2018, the Group recognized a provision of USD 0.1 million equal to the remaining lease obligation which expired in May 2018. As of December 31, 2018, no additional provision was made.

10 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 Company continues to work to obtain a favorable resolution. REC Silicon remains focused on identifying sales opportunities 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. The timing and amount of any potential outcome is subject to substantial uncertainty. See note 31 to the 2017 annual report.

PROPERTY TAX

REC Silicon has contested Grant County Washington's valuations of taxable property. On November 8, 2018 the Thurston County Superior Court issued a ruling affirming Board of Tax Appeals (BTA) revised valuation of REC Silicon's property for assessment year 2012. On December 4, 2018 the Company appealed this ruling to the Washington Court of Appeals. The ruling does not affect amounts reflected in the Company's financial statements and the Company will not be required to pay the disputed tax amounts until all appeals are exhausted.

Assessments for the years 2013 through 2015 have also been appealed.

The timing and outcome of these appeals is subject to uncertainty. Please see note 31 to the 2017 REC Silicon Annual Report.

GOING CONCERN

Impacts of the solar trade war between China and the United States, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon have increased the Company's liquidity risk.

Current market conditions and the continued operation of the FBR facility in Moses Lake at 25 percent capacity utilization place substantial risks on the Company's liquidity and its ability to meet operating cash flow requirements. Accordingly, management and the board of directors have formulated a plan to curtail the operation of the FBR facility near March 1, 2019 unless trade negotiations between China and the United States yield tangible indications that REC Silicon's access to markets in China will be restored or there are other significant positive developments occur in the marketplace. Depending on the results of trade talks, REC Silicon will execute plans to temporarily curtail operation of the FBR facility in order to maintain the liquidity necessary to maintain the operation of the semiconductor materials segment. If this plan is implemented, the Company's current liquidity position is considered sufficient to meet the operating cash flow requirements for remaining operations and to meet debt service obligations for the next twelve months. Estimates used to arrive at this conclusion include the assumptions that markets for the Company's semiconductor polysilicon and silicon gas products remain stable.

Accordingly, these financial statements have been prepared under the assumption that the Company is a going concern.

However, if conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative, the liquidity risk for the Company will increase. The indemnification loan was callable in February 2016. This loan has not been called and the due date is uncertain. (see note 10 and 2017 Annual Report note 17). The Company's tax filings for prior years continue to be under examination by the Norwegian Central Tax Office (see 2017 Annual Report note 31) and the timing and impact of a ruling remain uncertain.

Please refer to the annual report for 2017, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

11 RECEIVABLES

See notes 12 and 30 to the consolidated financial statements for 2017.

Aging of receivables at December 31, 2018

(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	44.3	27.7	2.2	0.0	0.0	0.0	14.4
Provision for loss on trade receivables	-14.4	0.0	0.0	0.0	0.0	0.0	-14.4
Other non-current and current receivables	4.5	4.5	0.0	0.0	0.0	0.0	0.0
Total receivable	34.4	32.2	2.2	0.0	0.0	0.0	0.0
Prepaid Costs	9.0						
Total trade and other receivable	43.4						

The provision for doubtful accounts includes the impact of adopting IFRS 9 which requires the Company to estimate expected credit losses (ECL) based upon historical experience. There was no bad debt expense recorded for the fourth quarter of 2018.

12 TRANSACTIONS WITH RELATED PARTIES

See notes 10 and 16 to the consolidated financial statements for 2017.

In the fourth quarter of 2018, REC Silicon invoiced the Yulin JV USD 1.5 million for engineering and project services (see note 4 above).

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

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

An Alternative Performance Measure (APM) is a measure of historic 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 - EBIT is an acronym for Earnings Before Tax and represents profit/loss from total operations excluding income tax expense/benefit, net financial items, and share of profit/loss from investments in associates.

EBIT is reflected on the consolidated statement of income on the line titled EBIT. EBIT has been reported as a loss of USD 14.4 million for the fourth quarter of 2018 and USD 407.1 million for the year ended December 31, 2018.

EBIT Margin - EBIT margin is calculated by dividing EBIT by revenues. EBIT and revenues are reflected on the Company's statement of income, in note 2 segments, and in the financial highlight tables in this report in lines titled similarly.

EBIT margin has been calculated and is reported in the financial highlight tables for REC Silicon Group.

EBITDA - EBITDA is an acronym for Earnings Before Tax, Depreciation, and Amortization. EBITDA is EBIT excluding depreciation, amortization and impairment.

EBITDA is reflected on the consolidated statement of income on the line titled EBITDA. EBITDA has been reported as a loss of USD 3.8 million for the fourth quarter of 2018 and USD 4.9 million for the year ended December 31, 2018.

EBITDA Margin - EBITDA margin is calculated by dividing EBITDA by revenues. EBITDA and revenues are reflected on the Company's statement of income, in note 2 segments, and in the financial highlight tables in this report in lines similarly titled.

EBITDA margin has been calculated and is reported in the financial highlight tables for REC Silicon Group, in the key financials table for each operating segment, and in note 2 segments.

EBITDA Contribution - EBITDA contribution is used to describe the contribution of each of the operating segments, other, and eliminations to the Company's total EBITDA. For the operating segments, EBITDA contributions represents revenues less cost of manufacturing excluding depreciation and amortization. For other, EBITDA contribution represents primarily operating costs.

A table reconciling the EBITDA contribution of each operating segment along with other and eliminations to the Company's total EBITDA can be found in note 2 segments.

EBIT Contribution - EBIT contribution is used to describe the contribution of each of the operating segments, other, and eliminations to the Company's total EBIT. For the operating segments, EBIT contributions represents revenues less cost of manufacturing including depreciation and amortization. For other, EBIT contribution represents primarily operating costs.

A table reconciling the EBIT contribution of each operating segment along with other and eliminations to the Company's total EBIT can be found in note 2 segments.

Equity Ratio - The equity ratio is calculated by dividing total shareholders' equity by total assets. Total shareholders' equity and total assets are reflected on lines similarly titled on the Company's statement of financial position.

At December 31, 2018, the equity ratio is 30 percent and is calculated by dividing USD 106.7 million total shareholders' equity by USD 357.3 million in total assets.

Net Debt - Net debt is the carrying value of interest bearing debt instruments less cash and cash equivalents.

The carrying value of debt can be found in note 7 borrowing in the table under the caption carrying amount and cash can be found in the statement of financial position on the line titled cash and cash equivalents.

At December 31, 2018, net debt was USD 99.4 million or USD 131.3 million carrying value of the Company's debt (from note 7) less USD 31.8 million in cash in cash equivalents.

Nominal Net Debt – Nominal Net debt is the contractual repayment values of interest bearing debt instruments less cash and cash equivalents.

The contractual repayment values of debt can be found in note 7 borrowing in the table under the caption contractual repayments excluding interest and cash can be found in the statement of financial position on the line titled cash and cash equivalents.

At December 31, 2018, nominal net debt was USD 101.2 million or USD 133.0 million contractual repayment values of the Company's debt (from note 7) less USD 31.8 million in cash in cash equivalents.

FBR Manufacturing Costs - Variable, direct, and indirect manufacturing costs excluding depreciation and amortization divided by production volume (excluding fines and powder). FBR Manufacturing Costs do not include general and administrative costs.

The following table demonstrates the components and calculation of FBR Manufacturing Costs for the fourth quarter and the full year 2018:

	Q4 2018		2018	
	USD MILLION	USD/KG	USD MILLION	USD/KG
Cost of Materials	6.1		34.7	
Employee Benefit Costs	4.1		20.6	
Other operating expenses	7.7		41.4	
Less: Idle facility costs	-0.2		-1.2	
Change in Semi-finished Inventories	-0.0		-3.0	
Production costs	17.6	14.6	92.5	12.2
Depreciation of fixed assets	3.7		39.2	
Amortization	0.0		0.2	
Less: Idle facility depreciation	-0.1		-1.2	
Change in Semi-finished Inventories	-0.1		-1.0	
Depreciation and amortization costs	3.5	2.9	37.2	4.9
Polysilicon production in MT	1,209		7,584	

Amounts for cost of materials, employee benefit costs, other operating expenses, depreciation of fixed assets, and amortization can be found in the table reflecting the operating results of the solar materials segment in note 2 segments. Polysilicon production can be found in the key financials table for the Solar Materials segment. Idle facility costs are taken from calculations used to assign manufacturing costs to produced inventories and represent silane gas loading facilities in Moses Lake which are not currently utilized. Change in semi-finished inventories represent changes in work in process and include the transfer of worked materials between facilities at cost.

Current and predicted FBR manufacturing costs are reflected in the table titled Costs Targets in the guidance section of this report.

FOR MORE INFORMATION, PLEASE CONTACT**James A. May II**Chief Financial Officer
REC Silicon ASA

Phone: +1 509 989 1023

Email: james.may@recsilicon.com

Nils Ove Kjerstad

IR Contact Europe

Phone: +47 9135 6659

Email: nils.kjerstad@crux.no

RECSILICON**REC Silicon ASA**

Fornebuveien 84

PO Box 63

1324 Lysaker

Norway

Phone +47 407 24 086

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