



RECSiLICON



The background of the slide is a photograph of a large industrial facility, likely a semiconductor manufacturing plant. It features a high ceiling with a complex network of steel beams, pipes, and large rectangular air conditioning units. A long row of industrial machinery, possibly wafer processing equipment, is visible in the foreground and middle ground. The floor is polished and reflective. A prominent yellow diagonal line runs from the bottom left towards the top right, separating the image from the text area.

# FIRST QUARTER 2019

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REPORT

## FIRST QUARTER HIGHLIGHTS

(Compared to fourth quarter 2018)

- > Revenues of USD 45.0 million and EBITDA loss of USD 4.7 million
  - Total polysilicon sales volume of 2,004MT (18.6% Increase)
  - 496MT Total polysilicon inventory decrease
- > March 31, 2019 cash balance of USD 25.4 million
  - Cash decrease of USD 6.4 million
  - Cash outflows from operations USD 3.5 million
    - Excludes lease payments of USD 3.4M
  - Working capital decrease of USD 2.0 million
- > FBR production costs of \$13.5/kg
  - FBR capacity utilization ~25%
  - Depreciation of leased assets of \$1.5/kg
  - FBR production volume of 1,091MT (vs. target of 1,180MT)
- > Silicon gas sales
  - Sales volume of 829MT (vs. guidance of 850MT)
  - 3.3% Silane gas price decrease

## Subsequent to Quarter End

- > Successful private placement of equity
  - Completed on April 9, 2019 (settlement expected in May)
  - NOK 170 million in gross proceeds (254,381,870 shares at NOK 0.67)
- > Curtailment of FBR production on May 15, 2019
  - Long-term shutdown by June 30, 2019 if access to China market not restored
  - Continue to operate stable and profitable Butte facility
  - Long term neutral cash flows in current market conditions

## FINANCIAL HIGHLIGHTS

### Key Financials - REC Silicon Group

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018	Q4 2018
Revenues	45.0	69.6	221.2	48.9
EBITDA	-4.7	14.6	-4.9	-3.8
EBITDA margin	-10.4%	21.0%	-2.2%	-7.7%
EBIT excluding impairment charges	-18.5	-5.6	-66.5	-14.4
Impairment charges	0.0	-0.1	-340.5	0.0
EBIT	-18.5	-5.7	-407.1	-14.4
EBIT margin	-41.1%	-8.1%	-184.0%	-29.5%
Profit/loss before tax	-23.4	60.1	-348.0	-13.4
Profit/loss	-23.4	60.5	-341.6	-8.0
Earnings per share, basic and diluted (USD)	-0.01	0.02	-0.13	0.00
Polysilicon production in MT (Siemens and granular)	1,508	3,523	9,280	1,664
Polysilicon sales in MT (Siemens and granular)	2,004	2,904	7,784	1,690
Multicrystalline brick sales in MT	0	2	2	0
Silicon gas sales in MT	829	897	3,600	920

## REC SILICON GROUP

REC Silicon produces polysilicon and silicon gases for the solar and electronics industries at plants in Moses Lake, Washington and in Butte, Montana.

Revenues during the first quarter of 2019 were USD 45.0 million, a decrease of 7.9 percent compared to USD 48.9 million during the fourth quarter of 2018. The decrease in revenues is largely a result of lower sales volumes of semiconductor grade polysilicon and silicon gases in the Semiconductor Materials segment. This was partially offset by higher sales volumes of granular polysilicon in the Solar Materials segment.

First quarter 2019 total polysilicon production volume was 1,508MT and was below the target of 1,630MT provided in the Company's fourth quarter 2018 financial report. The decrease in production is a result of maintenance activities in the FBR facility in Moses Lake. Production volumes continue to reflect FBR production capacity utilization rates of approximately 25 percent due to restricted access to solar grade polysilicon markets in China due to tariffs imposed by the Chinese government on US polysilicon. Polysilicon inventories decreased by 496MT during the quarter.

EBITDA was a loss of USD 4.7 million for the first quarter of 2019 compared to an EBITDA loss of USD 3.8 million during the fourth quarter of 2018. The EBITDA loss is the result of challenging market conditions for solar grade polysilicon and limited access to markets in China. First quarter 2019 EBITDA includes the impact of implementing IFRS 16 Leases which resulted in USD 3.4 million lower manufacturing overhead spending due to the reclassification of lease payments. As a result, the EBITDA loss for the first quarter of 2019, adjusted for the impacts of IFRS 16, increased by USD 4.3 million compared to the fourth quarter of 2018. This decrease in EBITDA can largely be attributed to historically high electricity costs for the Company's manufacturing facility in Butte, Montana.

### Summary of first quarter results by segment

(USD IN MILLION)	Q1 2019	
	REVENUES	EBITDA
Solar Materials	12.9	-7.4
Semiconductor Materials	32.2	9.2
Other & Eliminations	0.0	-6.5
Total	45.0	-4.7

### MARKET DEVELOPMENT

End use PV demand for the first quarter of 2019 is estimated at 27.6GW (IHS Markit PV Installations Tracker – Q1 2019). This represents a decrease of approximately 1GW compared to fourth quarter 2018. Due in part to low PV module prices, India rushed to complete installations ahead of March 31st while markets in China were slow due to the spring holiday season. Spot prices inside China at the end of the first quarter were estimated at approximately USD 8.5/kg, a decrease of USD 0.4/kg (5 percent) compared to spot prices at the end of the fourth quarter 2018. During the same period, spot prices outside of China decreased by USD 0.8/kg (9 percent) to USD 8.7/kg. Overall, demand remained steady from fourth quarter while excess capacity again continued to place downward pressure on prices. Polysilicon producers continue to reduce capacity utilization to manage liquidity and inventories. Some polysilicon manufacturers are not expected to 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, lower than expected growth in demand and excess inventories continue to limit sales opportunities for REC Silicon. Concern is growing due to high inventory levels intended to meet anticipated increases in demand which has been slow to develop, especially in memory devices. During the first quarter, demand for smaller diameter wafers continued to soften while demand for larger diameter wafers remained strong. REC Silicon's sales volumes of semiconductor grade polysilicon were



affected by low seasonal ordering and because REC Silicon lowered production levels in response to historically high electricity costs for the Butte manufacturing facility during the first quarter.

Overall, demand for silicon gases remained strong during the first quarter. However, reduced production capacity utilization by PV cell manufacturers continues to adversely impact demand for silicon gases in the PV segment. Demand for silicon gases for flat panel displays and in semiconductor applications continue to grow due to improvements in technology and overall increases in demand. 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 0.3 million during the first quarter of 2019 compared to USD 0.5 million during the fourth quarter of 2018.

Research efforts are focused on maintaining minimum research lab operations and support for the silicon gas business.

## 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 12.9 million during the first quarter of 2019, an increase of 30.2 percent compared to USD 9.9 million during the fourth quarter of 2018. This increase was a result of higher polysilicon sales volumes.

Sales volumes of granular solar grade polysilicon increased to 1,742MT during the first quarter of 2019 compared to 1,270MT during the prior quarter, an increase of 37.2 percent. Excess polysilicon capacity continues to place downward pressure on polysilicon prices and resulted in a 0.6% decline in prices for prime grade polysilicon realized by REC Silicon during the first quarter.

Granular polysilicon production volume was 1,091MT and 89MT lower than the target of 1,180MT provided on February 12, 2019. Lower production was a result of maintenance in the FBR facility which resulted in a delay in processing finished units near the end of the quarter. Production rates continued to reflect the operation of the FBR facility at approximately 25 percent of capacity.

First quarter FBR production costs were USD 13.5/kg which is USD 0.7/kg higher than targets provided with the fourth quarter earnings release due to lower production than targeted.

REC Silicon's sales opportunities continue to be limited by restricted access to polysilicon markets in China. The Company has idled production

capacity, reduced its workforce, and reduced spending levels to maintain liquidity. However, 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 has decided to curtail the operation of the FBR facility in Moses Lake beginning on May 15, 2019. Unless access to polysilicon markets in China is restored, the facility will be placed in a long-term shutdown by June 30, 2019. See Going Concern in Risks and Uncertainties below.

The Solar Materials segment contributed a loss of USD 7.4 million to the Company's EBITDA loss during the first quarter of 2019. The loss during the first quarter of 2019 includes the impact of implementing IFRS 16 Leases which resulted in USD 1.8 million lower manufacturing overhead costs due to the reclassification of lease payments. As a result, the Solar Materials Segment loss for the first quarter of 2019 would have been approximately USD 9.2 million. This is broadly in line with loss of USD 9.1 million for the Solar Materials segment during the fourth quarter of 2018. 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 32.2 million during the first quarter of 2019 compared to USD 39.0 million during the fourth quarter of 2018, a decrease of 17.6 percent.

Polysilicon sales volumes decreased by 158MT to 262MT during the first quarter compared to 420MT during the fourth quarter of 2018. This decrease was the result of lower semiconductor grade polysilicon sales volumes which decreased by 125MT to 178MT for the quarter. In addition, solar grade polysilicon sales decreased by 32MT to 84MT during the same period. Average prices realized on total polysilicon sales increased by 1.8 percent while the underlying price realizations for semiconductor grade polysilicon increased by 16.8% due to higher average prices for float zone (FZ) grade polysilicon.

Total silicon gas sales volumes (including eliminations) were 829MT during the first quarter of 2019 or 21MT below market guidance provided on February 12, 2019. This represents a 9.8 percent decrease compared to sales volumes for the fourth quarter of 2018. Sales prices realized by REC Silicon for silane gas decreased by approximately 3.3 percent.

Semiconductor grade polysilicon production was 285MT compared to guidance of 290MT provided with the fourth quarter earnings release. Historically high electricity costs resulted in the rationalization of reactor starts near the end of the quarter and will result in lower production during the second quarter of 2019 (see targets below).

## Key Financials - Solar Materials

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018	Q4 2018
Revenues	12.9	32.7	69.2	9.9
EBITDA contribution	-7.4	8.4	-26.6	-9.1
Contribution margin	-57.3%	25.6%	-38.4%	-92.5%
Polysilicon production in MT (Siemens and granular)	1,091	3,127	7,584	1,209
Polysilicon sales in MT (Siemens and granular)	1,742	2,563	6,232	1,270
Multicrystalline brick sales in MT	0	2	2	0

## Key Financials - Semiconductor Materials

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018	Q4 2018
Revenues	32.2	37.7	152.9	39.0
EBITDA contribution	9.2	17.5	52.2	11.0
Contribution margin	28.5%	46.5%	34.2%	28.2%
Polysilicon production in MT (Siemens)	417	396	1,696	455
Polysilicon sales in MT (Siemens)	262	342	1,552	420
Silicon gas sales in MT	828	896	3,599	920

## Key Financials - Other and Eliminations

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018	Q4 2018
Revenues	0.0	-0.8	-0.9	0.0
EBITDA contribution	-6.5	-11.3	-30.5	-5.6
Polysilicon sales in MT (Siemens and granular)	0	0	0	0
Silicon gas sales in MT	1	1	1	0

The Semiconductor Materials segment contributed USD 9.2 million of income to the Company's EBITDA loss during the first quarter of 2019. EBITDA contributed by the Semiconductor Materials segment during the first quarter of 2019 includes the impact of implementing IFRS 16 Leases which resulted in USD 1.6 million lower manufacturing overhead costs due to the reclassification of lease payments. Semiconductor Materials segment income for the first quarter of 2019 would have been approximately USD 7.6 million without the implementation of IFRS 16. This represents USD 3.4 million lower income compared to income of USD 11.0 million for the fourth quarter of 2018. This decrease in Semiconductor Materials segment earnings is largely due to historically high electricity costs during the quarter (approximately USD 3.0 million). The remaining decrease can be attributed to lower silicon gas and polysilicon sales volumes.

## 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 6.5 million during the first quarter of 2019 and are comparable to spending rates during prior periods.

## INVESTMENT IN ASSOCIATES (YULIN JV)

The Yulin JV produced approximately 1130 MT of polysilicon during the first quarter of 2019. In February, operational issues in the silane units resulted in a production outage. Production was restarted in late March.

The plant is currently operating one silane unit and is expected to begin operating both silane units during the second quarter of 2019.

Both silane units and the FBR reactors have demonstrated design capacities and utilization rates are expected to increase throughout 2019.

## 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.

During the first quarter of 2019, the Company implemented IFRS 16 Leases. As a result, the Company recognized interest of USD 0.7 million during the quarter. See note 4 for additional information on leases.

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. Currency losses of USD 0.6 million for the first quarter of 2019 are primarily a result of the impact of a weaker USD relative to NOK on liabilities denominated in NOK. This was partially offset by the impact of a stronger USD relative to the Chinese Renminbi (CNY) on the investment in the Yulin JV.

See note 8 for additional information on borrowings.

## INCOME TAX

During the first quarter of 2019, the tax effects of the loss before tax of USD 23.4 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 unrecognized deferred tax asset in the United States 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 2018 for additional information on income taxes.

## CASH FLOW

Net cash outflows from operating activities were USD 3.5 million during the first quarter of 2019. Cash outflows were primarily a result of an EBITDA loss of USD 4.7 million during the quarter and USD 0.7 million in interest on lease obligations. 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 accounts receivable of USD 2.0 million and an increase in accounts payable of USD 0.2 million. These were offset by increased inventories of USD 0.3 million. The remaining USD 0.1 million cash outflow was due to changes in other assets and liabilities.

Cash outflows from investing activities of USD 0.1 million were a result of capital expenditures.

Cash outflows from financing activities were USD 2.8 million and were the result of a reduction in lease liabilities which have been imputed based upon the requirements of IFRS 16 Leases. See note 4 for additional information on leases.

In total, cash balances decreased by USD 6.4 million to USD 25.4 million at March 31, 2019.

## FINANCIAL POSITION

Shareholders' equity decreased to USD 85.0 million (23 percent equity ratio) at March 31, 2019, compared to USD 106.7 million (30 percent equity ratio) at December 31, 2018. This decrease was a result of a loss from total operations of USD 23.4 million offset by a net currency gain of USD 1.6 million included in other comprehensive income.

Net debt increased by USD 34.7 million to USD 134.1 million at March 31, 2019, from USD 99.4 million at December 31, 2018. This increase is largely a result of the implementation of IFRS 16 leases which resulted in the recognition of a lease liability of USD 27.9 million at March 31, 2019. In addition, cash balances decreased by USD 6.4 million as discussed above. The remaining USD 0.4 million increase is due to changes in the value of the NOK denominated indemnification loan caused by a weaker USD relative to NOK.

Net debt includes unamortized loan fees. Excluding unamortized loan fees, nominal net debt increased by USD 34.6 million to USD 135.8 million at March 31, 2019 compared to USD 101.2 million at December 31, 2018.

See note 17 to the consolidated financial statements for 2018 and note 8 to this report for further information on interest bearing liabilities.

## RISKS AND UNCERTAINTIES

Please refer to the annual report for 2018, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

### CHINESE TARIFFS ON US POLYSILICON

REC Silicon's access to polysilicon markets in China continues to be restricted by tariffs imposed by the Chinese government on US

### Financial Items - REC Silicon Group

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018	Q4 2018
Financial income	0.2	0.3	0.9	0.1
Interest expenses on borrowings	-3.3	-3.3	-13.6	-3.3
Interest expense on leases	-0.7	0.0	0.0	0.0
Expensing of up-front fees and costs	-0.1	0.0	-0.2	-0.1
Other financial expenses	-0.4	-0.4	-4.2	-0.3
Net financial expenses	-4.4	-3.7	-18.0	-3.7
Net currency gains/losses	-0.6	-4.2	3.1	4.7
Net financial items	-4.8	-7.6	-14.0	1.2

polysilicon. The Company continues to work to re-gain access to markets in China market for its solar grade polysilicon products produced in the United States. REC Silicon remains focused on identifying sales opportunities in markets outside of China. 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.

### PROPERTY TAX

REC Silicon has contested Grant County Washington's valuations of taxable property. The appeal for year 2012 is currently before the Washington Court of Appeals. The Company has also appealed assessments for the years 2013 through 2015. The Company will not be required to pay disputed tax amounts until all appeals are exhausted. The timing and outcome of these appeals is subject to uncertainty.

### GOING CONCERN

Impacts of the ongoing trade dispute between China and the United States, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon continue to contribute to the Company's high liquidity risk.

Current market conditions and the continued operation of the FBR facility in Moses Lake at 25 percent capacity utilization are not sufficient to maintain the Company's liquidity and its ability to meet operating cash flow requirements. Management and the board of directors have initiated a plan to curtail the operation of the FBR facility beginning on May 15, 2019 to reduce spending and to maintain liquidity. Unless access to polysilicon markets in China is restored, the facility will be placed in a long-term shutdown by June 30, 2019. The timing and length of the shutdown are dependent on whether REC Silicon is able to regain access to the Chinese market for polysilicon as a result of trade negotiations between China and the United States or other significant positive developments in solar grade polysilicon markets. The curtailment is intended to retain the liquidity necessary to maintain operation of the semiconductor materials facility in Butte, Montana. Additional impairments and provisions would be required if the FBR facility is not restarted. In addition, the Company completed a 10 percent private placement of equity on April 9, 2019. Estimated net proceeds of approximately USD 18 million is expected to be received by the Company during May. As a consequence of these actions, the Company's current liquidity position, estimated results of operations, and the proceeds from the private placement of equity are considered sufficient to meet the operating cash flow requirements for remaining operations and to meet debt service obligations for the next twelve months assuming no payments on the indemnity loan or unfavorable outcome of the notices of reassessment from the Norwegian Central Tax Office (the tax examinations). Estimates used to arrive at this conclusion include the assumptions that markets for the Company's semiconductor polysilicon and silicon gas products remain stable.

Please refer to the Company's annual report for 2018. Specifically, the sections on the Company's liquidity risk and the impacts of tariffs imposed by China on US polysilicon which creates significant uncertainty

for the Group, its customers, certain other competitors, and the industry as a whole. In addition, if conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative (See note 31 to the consolidated financial statements for 2018), the Company plans to issue additional equity, issue debt, and/or sell assets to satisfy financial obligations and to meet operating cash flow requirements.

Accordingly, these financial statements have been prepared under the assumption that the Company is a going concern. However, the events and conditions discussed above, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

## MARKET OUTLOOK

Second quarter 2019 end use PV demand is expected to increase by 2.4GW to 30GW compared to the fourth quarter of 2018 (IHS Markit PV Installation Market Tracker, Q1 2019). Analysts estimate that end use PV demand during the second and third quarters of 2019 will increase and fourth quarter 2019 is anticipated to set a record of 37.2GW for PV installations. Before the end of the second quarter, China is expected to provide regulations that will encourage PV demand increases in China for the remainder of the year. However, additional polysilicon manufacturing capacity is expected to start-up during 2019 which will place continued downward pressure on market prices. Solar grade polysilicon prices are expected to increase during the second half of 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.

Current forecasts estimate semiconductor device production to remain near current levels for the remainder of 2019. However, some analysts predict stronger second half demand for certain large diameter wafer segments and certain high-end applications that are well suited to REC Silicon's product portfolio. During the second quarter of 2019, REC Silicon's shipments of semiconductor grade polysilicon are expected to increase, but will continue to be affected by delays in the start-up of new wafer capacity, completion of product qualifications, and REC Silicon lowered production levels during the first quarter in response to historically high electricity costs for the Butte manufacturing facility during the first quarter. For 2019, REC Silicon's shipments of semiconductor grade polysilicon are expected to grow in certain key segments, however, overall volume will decrease compared to 2018 due to the timing of product qualifications and weakness in demand for smaller diameter wafers. Over the long run, 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. In addition, uncertainty caused by trade relations between the US and China and high inventory levels may adversely impact 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. Continued competitive pressure in some regions due to overcapacity will continue to limit sales opportunities and is expected to place downward pressure on prices for silicon gases. REC Silicon expects shipments for 2019 to continue to exhibit growth consistent with prior years.

## GUIDANCE

The Company will curtail the operation of the FBR facility in Moses Lake as of May 15, 2019. Further, the Company intends to place the FBR facility in a long-term shutdown by June 30, 2019 unless access to polysilicon markets in China is restored.

The targets presented below include the impact of curtailing FBR operations at May 15, 2019. These targets include the assumption that production in FBR facility in Moses Lake will be zero during the third and the fourth quarters of 2019.

The Company will continue to operate its manufacturing facility in Butte, Montana.

### PRODUCTION TARGETS

REC Silicon targets polysilicon production of 980MT during the second quarter of 2019 and 3,301MT for the full year 2019. Polysilicon production rates include the impact of curtailing production at the FBR facility in Moses Lake on May 15, 2019.

Silicon gas sales volumes are targeted at 960MT for the second quarter of 2019 and 3,830MT 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.

#### Production targets

POLYSILICON PRODUCTION VOLUME (MT)	ACTUAL RESULTS	TARGETS	
	Q1 2019	Q2 2019	2019
Granular	1,091	620	1,711
Semiconductor Grade	285	220	1,040
Siemens Solar	133	140	550
Total	1,508	980	3,301
Silicon Gas Sales Volume (MT)	829	960	3,830

#### Cost targets

	ACTUAL RESULTS	TARGETS	
	Q1 2019	Q2 2019	2019
FBR Production Costs	\$13.5	\$16.7	\$19.8
Depreciation of Leased Assets	1.5	2.5	3.7
Depreciation of Fixed Assets	3.2	5.5	5.6
FBR Manufacturing Cost (USD/kg)	\$18.2	\$24.7	\$29.1

### Cost Targets

REC Silicon targets FBR production costs of USD 16.7/kg for the second quarter of 2019 and USD 19.8/kg for the full year 2019. These estimates include the impact of reduced volumes and operating costs due to the curtailment of the FBR manufacturing facility on May 15, 2019.

In addition, cost estimates include the impact of the implementation of International Financial Reporting Standard (IFRS) 16 regarding leases on January 1, 2019. 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 19.2/kg in the second quarter of 2019 and USD 23.5/kg for the full year 2019 can be compared to amounts reported for periods prior to January 1, 2019.

### INVESTMENT AND EXPANSION ACTIVITIES

Capital expenditures for 2019 are expected to be approximately USD 3.0 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 and in REC Silicon's Annual Report for 2018, including the section Risk Factors in the Board of Directors' Report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTES	MAR 31, 2019	MAR 31, 2018	DEC 31, 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	3	11.8	15.3	11.8
Land and buildings	3	40.4	49.4	41.1
Machinery and production equipment	3	80.0	398.6	90.9
Other tangible assets	3	4.4	11.8	4.8
Assets under construction	3	9.5	60.3	9.4
Property, plant and equipment	3	134.3	520.1	146.2
Right of use assets	4	28.8	0.0	0.0
Investments in Associates	5	35.7	40.6	34.2
Other non-current receivables		6.4	3.8	6.4
Financial assets and prepayments		42.2	44.4	40.6
Total non-current assets		217.1	579.8	198.6
<b>Current assets</b>				
Inventories	7	79.4	89.7	79.1
Trade and other receivables	12	44.4	52.8	40.8
Current tax assets	12	2.7	0.0	2.7
Restricted bank accounts		4.4	4.6	4.4
Cash and cash equivalents		25.4	112.0	31.8
Total current assets		156.3	259.1	158.7
Total assets		373.4	838.9	357.3

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTES	MAR 31, 2019	MAR 31, 2018	DEC 31, 2018
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Paid-in capital		3,158.0	3,158.0	3,158.0
Other equity and retained earnings		-3,073.0	-2,646.6	-3,051.3
Total shareholders' equity		85.0	511.4	106.7
<b>Non-current liabilities</b>				
Retirement benefit obligations		15.3	19.9	15.5
Non-current provision, interest calculation	4, 10	3.1	0.0	3.0
Non-current financial liabilities, interest bearing	8	108.7	0.0	108.6
Non-current lease liabilities	4	16.2	0.0	0.0
Non-current prepayments, interest calculation		4.4	5.0	4.2
Other non-current liabilities, not interest bearing		0.2	5.9	5.3
Total non-current liabilities		147.8	30.7	136.6
<b>Current liabilities</b>				
Trade payables and other liabilities		77.2	69.8	62.1
Provisions	10	0.0	0.1	0.0
Current tax liabilities	11	24.8	27.5	24.5
Derivatives	6	1.5	1.6	1.5
Current financial liabilities, interest bearing	8	22.9	194.2	22.7
Current lease liabilities	4	11.7	0.0	0.0
Current prepayments, interest calculation		2.5	3.5	3.2
Total current liabilities		140.6	296.8	114.0
Total liabilities		288.4	327.5	250.6
Total equity and liabilities		373.4	838.9	357.3

# CONSOLIDATED STATEMENT OF INCOME

## REC SILICON GROUP

(USD IN MILLION)	NOTES	Q1 2019	Q1 2018	YEAR 2018
Revenues		45.0	69.6	221.2
Cost of materials	7	-9.4	-16.5	-57.3
Changes in inventories	7	-1.7	7.9	1.5
Employee benefit expenses		-12.9	-18.6	-59.7
Other operating expenses		-25.7	-27.9	-110.1
Other income and expenses		0.0	0.1	-0.5
EBITDA		-4.7	14.6	-4.9
Depreciation	3	-10.6	-19.9	-61.1
Amortization	3	0.0	-0.3	-0.5
Depreciation of right of use assets	4	-3.2	0.0	0.0
Impairment	3	0.0	-0.1	-340.5
Total depreciation, amortization and impairment		-13.8	-20.3	-402.2
EBIT		-18.5	-5.7	-407.1
Share of profit/loss of investments in associates	5	-0.1	73.3	73.0
Financial income		0.2	0.3	0.9
Net financial expenses		-4.4	-3.7	-18.0
Net currency gains/losses		-0.6	-4.2	3.1
Net financial items		-4.8	-7.6	-14.0
Profit/loss before tax		-23.4	60.1	-348.0
Income tax expense/benefit		0.0	0.4	6.5
Profit/loss		-23.4	60.5	-341.6
<b>Attributable to:</b>				
Owners of REC Silicon ASA		-23.4	60.5	-341.6
<b>Earnings per share (In USD)</b>				
From continuing operations				
-basic		-0.01	0.02	-0.13
-diluted		-0.01	0.02	-0.13



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## REC SILICON GROUP

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018
Profit/loss	-23.4	60.5	-341.6
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on own credit risk 1)	0.0	-1.9	-1.9
Remeasurement of defined benefit plans	0.0	0.0	3.5
Currency translation effects	0.0	1.5	1.5
Sum items that will not be reclassified to profit or loss	0.0	-0.4	3.1
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences			
- taken to equity	1.6	2.4	-3.7
Sum items that may be reclassified subsequently to profit or loss	1.6	2.4	-3.7
Total other comprehensive income	1.7	2.0	-0.6
Total comprehensive income	-21.8	62.5	-342.2
<b>Total comprehensive income attributable to:</b>			
Owners of REC Silicon ASA	-21.8	62.5	-342.2

1) Impact of adopting IFRS 9

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## REC SILICON GROUP

(USD IN MILLION)	ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA						
	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL EQUITY
<b>March 31, 2018</b>							
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	62.5	62.5
At March 31, 2018	405.3	2,710.9	41.8	3,158.0	174.3	-2,820.9	511.4
<b>Year 2018</b>							
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
<b>March 31, 2019</b>							
At January 1, 2019	405.3	2,710.9	41.8	3,158.0	174.3	-3,225.6	106.7
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	-21.8	-21.8
At March 31, 2019	405.3	2,710.9	41.8	3,158.0	174.3	-3,247.3	85.0

## This table presents details of comprehensive income

(USD IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
<b>March 31, 2018</b>				
Accumulated at January 1, 2018	23.7	20.9	-2,927.9	-2,883.4
Profit/loss	0.0	0.0	60.5	60.5
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	0.0	0.0
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	-0.4	-0.4
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	2.4	0.0	0.0	2.4
Sum items that may be reclassified to profit or loss	2.4	0.0	0.0	2.4
Total other comprehensive income for the period	2.4	0.0	-0.4	2.0
Total comprehensive income for the period	2.4	0.0	60.1	62.5
Accumulated at March 31, 2018	26.0	20.9	-2,867.8	-2,820.9
<b>Year 2018</b>				
Accumulated at January 1, 2018	23.7	20.9	-2,927.9	-2,883.4
Profit/loss	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
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
<b>March 31, 2019</b>				
Accumulated at January 1, 2019	20.0	20.9	-3,266.4	-3,225.6
Profit/loss	0.0	0.0	-23.4	-23.4
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Fair value adjustment on own credit risk	0.0	0.0	0.0	0.0
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Currency translation effects	0.0	0.0	0.0	0.0
Sum items that will not be reclassified to profit or loss	0.0	0.0	0.0	0.0
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	1.6	0.0	0.0	1.6
Sum items that may be reclassified to profit or loss	1.6	0.0	0.0	1.6
Total other comprehensive income for the period	1.6	0.0	0.0	1.7
Total comprehensive income for the period	1.6	0.0	-23.4	-21.8
Accumulated at March 31, 2019	21.6	20.9	-3,289.8	-3,247.3

# CONSOLIDATED STATEMENT OF CASH FLOWS

## TOTAL OPERATIONS

### REC SILICON GROUP

(USD IN MILLION)	NOTES	Q1 2019	Q1 2018	YEAR 2018
<b>Cash flows from operating activities</b>				
Profit/loss before tax		-23.4	60.1	-348.0
Income taxes paid/received		0.0	0.0	0.7
Depreciation, amortization and impairment	3, 4	13.8	20.3	402.2
Equity accounted investments, impairment financial assets, gains/losses on sale	5	0.0	-72.9	-72.5
Changes in receivables, prepayments from customers etc.	12	2.2	2.4	9.7
Changes in inventories	7	-0.3	-6.9	3.8
Changes in payables, accrued and prepaid expenses		3.5	-1.2	-5.7
Changes in provisions	10	0.0	-0.2	-0.3
Changes in VAT and other public taxes and duties		0.0	0.1	0.0
Changes in derivatives		0.0	0.1	-0.1
Currency effects not cash flow or not related to operating activities		0.6	5.8	-1.7
Other items		0.0	-0.2	1.9
Net cash flow from operating activities		-3.5	7.4	-10.1
<b>Cash flows from investing activities</b>				
Proceeds/Payments finance receivables and restricted cash		0.0	-0.2	0.0
Proceeds from sale of property, plant and equipment and intangible assets		0.0	0.5	0.6
Payments for property, plant and equipment and intangible assets	3	-0.1	-0.3	-1.7
Net cash flow from investing activities		-0.1	0.0	-1.2
<b>Cash flows from financing activities</b>				
Payments of lease liabilities	4	-2.8	0.0	0.0
Payments of borrowings and up-front/waiver loan fees 1)		0.0	0.0	-171.4
Proceeds from borrowings		0.0	0.0	110.0
Net cash flow from financing activities		-2.8	0.0	-61.4
Effect on cash and cash equivalents of changes in foreign exchange rates		0.0	0.0	0.0
Net increase/decrease in cash and cash equivalents		-6.4	7.4	-72.7
Cash and cash equivalents at the beginning of the period		31.8	104.5	104.5
Cash and cash equivalents at the end of the period		25.4	112.0	31.8

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 USD, rounded to the nearest tenth of million, unless otherwise stated. As a result, of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes 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 2018. The consolidated financial statements for 2018 are available upon request from the Company's registered office in Fornebu, Norway or at [www.recsilicon.com](http://www.recsilicon.com).

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

### ACCOUNTING POLICIES

The consolidated financial statements for 2018 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 2018.

#### IFRS 16 Leases

IFRS 16 was issued in January 2016, and outlines the principles for the recognition, measurement, presentation and disclosure of leases requiring lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under IAS 17 and established a balance sheet lease accounting model that increases transparency and comparability.

The new standard which supersedes existing lease guidance, including IAS 17, IFRIC 4, and SIC-27 applies to periods beginning January 1, 2019. The group adopted IFRS 16 on the required effective date using the modified retrospective approach. As a result, the Group will not restate comparative amounts for the prior year (See note 4).

IFRS 16 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) which will be recognized as expense in profit or loss when incurred.

At the commencement date of a lease, a lessee recognizes 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 are 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 disclosures than under IAS 17.



The group has reviewed all of the lease arrangements and at January 1, 2019 recognized right-of-use assets of USD 28.9 million and lease liabilities of USD 28.9 million (See note 4). Short-term leases will continue to be recognized as expense in profit or loss when incurred.

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

## **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. 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 is 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).

An operating segment is a distinguishable component of the Group that is engaged in providing products that are subject to similar risks and returns and corresponds to management reporting.

## **FOREIGN CURRENCY TRANSLATION**

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). REC Silicon AS and REC Solar AS have a functional currency of NOK. The Company and its remaining subsidiaries have a functional currency of USD. The Group's reporting currency is USD. See note 2.4 to the consolidated financial statements for 2018.

## **ESTIMATES AND JUDGMENTS**

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the consolidated financial statements for 2018.

## 2 SEGMENT INFORMATION

See notes 2.3 and 5 to the consolidated financial statements for 2018 and note 1 to these financial statements for further information on segments.

The following table summarizes key financial results by segment:

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018
Revenues			
Solar Materials	12.9	32.7	69.2
Semiconductor Materials	32.2	37.7	152.9
Other	0.0	0.0	0.0
Eliminations	0.0	-0.8	-0.9
Total	45.0	69.6	221.2
EBITDA			
Solar Materials	-7.4	8.4	-26.6
Semiconductor Materials	9.2	17.5	52.2
Other	-6.5	-10.8	-30.0
Eliminations	0.0	-0.4	-0.5
Total	-4.7	14.6	-4.9
EBIT			
Solar Materials	-12.7	-7.6	-466.7
Semiconductor Materials	0.9	13.7	86.6
Other	-6.7	-11.2	-26.4
Eliminations	0.0	-0.4	-0.5
Total	-18.5	-5.7	-407.1

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

### Solar Materials - Segment

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018
Revenues	12.9	32.7	69.2
Cost of materials	-5.1	-12.9	-34.7
Change in inventories	-4.6	7.3	1.1
Employee benefit expense	-4.4	-6.3	-20.6
Other operating expenses	-6.1	-12.4	-41.4
Other income and expenses	0.0	0.0	-0.1
Total current costs	-20.2	-24.4	-94.7
EBITDA contribution	-7.4	8.4	-26.6
Depreciation of fixed Assets	-3.7	-15.9	-39.2
Amortization	0.0	-0.1	-0.2
Depreciation of leased Assets	-1.6	0.0	
Impairment	0.0	-0.1	-400.7
Total depreciation, amortization, and impairment	-5.3	-16.0	-440.1
EBIT contribution	-12.7	-7.6	-466.7

## Semiconductor Materials - Segment

(USD IN MILLION)	Q1 2019	Q1 2018	YEAR 2018
Revenues	32.2	37.7	152.9
Cost of materials	-4.4	-3.9	-22.9
Change in inventories	2.9	0.5	0.5
Employee benefit expense	-5.3	-5.5	-21.4
Other operating expenses	-16.2	-11.3	-56.7
Other income and expenses	0.0	0.0	-0.1
Total current costs	-23.0	-20.2	-100.2
EBITDA contribution	9.2	17.5	52.2
Depreciation of fixed Assets	-6.7	-3.9	-21.2
Amortization	0.0	0.0	0.0
Depreciation of leased Assets	-1.6	0.0	
Impairment	0.0	0.0	55.5
Total depreciation, amortization, and impairment	-8.3	-3.9	34.4
EBIT contribution	0.9	13.7	86.6

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

(USD IN MILLION)	Q1 2019	Q1 2018
Non-Contract Revenue	27.5	48.6
Structured (Regional/Volume pricing)	13.2	17.6
Tiered (Volume pricing)	1.5	3.4
Contract Revenue	14.7	21.0
Total	42.2	69.6

### 3 FIXED ASSETS

See note 6 to the consolidated financial statements for 2018.

## 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, 2019	41.1	90.9	4.8	9.4	146.2	11.8	158.0
Net additions 1)	0.0	-1.4	0.0	0.1	-1.3	0.0	-1.3
Depreciation and amortization	-0.7	-9.5	-0.4	0.0	-10.6	0.0	-10.6
Carrying value at March 31, 2019	40.4	80.0	4.4	9.5	134.3	11.8	146.1
At March 31, 2019							
Historical cost	147.5	2,130.2	80.0	65.9	2,423.6	80.0	2,503.5
Accumulated depreciation/amortization/impairment	-107.1	-2,050.2	-75.6	-56.4	-2,289.3	-68.2	-2,357.4
Carrying value at March 31, 2019	40.4	80.0	4.4	9.5	134.3	11.8	146.1

1) Net additions include transfers from assets under construction

**IMPAIRMENT REVIEWS**

See note 7 to the consolidated financial statements for 2018.

The Group conducted a review of impairment indicators at March 31, 2019 and did not identify any indicators of impairment that would give rise to a change in impairment compared to December 31, 2018.

**4 LEASES****Right-of-Use assets**

(USD IN MILLION)	MACHINERY	GAS PLANTS	COMPUTER HW/SW	MOTOR VEHICLES	TOTAL
Balance at January 1, 2019	0.0	28.8	0.1	0.0	28.9
Depreciations	-0.1	-3.1	0.0	0.0	-3.2
Additions	3.1	0.0	0.0	0.0	3.1
Adjustments	0.0	0.0	0.0	0.0	0.0
Termination	0.0	0.0	0.0	0.0	0.0
Elimination of residual value	0.0	0.0	0.0	0.0	0.0
Balance at March 31, 2019	3.1	25.7	0.1	0.0	28.8

**Lease Liabilities**

(USD IN MILLION)	TOTAL FUTURE LEASE PAYMENTS	MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE					
		2019	2020	2021	2022	2023	AFTER 2023
Lease liabilities at March 31 1)	32.6	10.3	12.7	3.3	2.4	2.4	1.5

1) Amounts listed are undiscounted.

The weighted average incremental borrowing rate applied to lease liabilities at the initial application on January 1, 2019 is 10.1 percent.

**Leases expensed in the period**

(USD IN MILLION)	Q1 2019
Interest on lease liabilities	0.7
Expenses relating to short-term leases	0.6
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.0

Right-of-use assets associated with contracts which expire in 2019 are expensed in accordance with the short-term exemption available upon implementation of IFRS 16.

In the first quarter, the Group made lease payments totaling USD 4.0 million which included payments of USD 3.4 million (including imputed interest) on lease contracts and USD 0.6 million recognized in current period expense for leases exempted from IFRS 16 as low value and short-term leases.



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

The Group is a party to 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 contributions. REC Silicon's ownership is 15 percent of the Yulin JV. See note 8 to the consolidated financial statements for 2018.

The Group's share of net equity does not reflect its 15 percent ownership interest in the Yulin JV, due to the 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 in China:

(USD IN MILLION)	MAR 31, 2019	DEC 31, 2018
Carrying value at January 1	34.2	-34.7
Share of joint venture profit/loss	-0.1	-0.5
Deferred income/expense	0.0	0.8
Change in Deferred Gain of Tech Transfer due to change in ownership	0.0	67.2
Change in Retained earnings due to change in ownership	0.0	5.0
Effects of changes in currency exchange rates	1.6	-3.7
Carrying value at end of period	35.7	34.2

The following table presents the major classification of assets and liabilities reflected on the Yulin JV's statement of financial position at January 31, 2019:

(USD IN MILLION)	MAR 31, 2019	DEC 31, 2018
Non-current assets	1,245.1	1,201.6
Other Current assets	55.1	42.5
Cash and cash equivalents	22.3	3.4
Non-current liabilities	-785.0	-599.0
Current liabilities	-86.0	-207.5
Net Assets (100%)	451.5	441.0
REC Silicon's share of net equity	65.9	64.4
Deferred income/expense	-0.4	-0.4
Adjusted for technology transfer	-29.8	-29.8
Carrying amount of REC's interest	35.7	34.2

See note 8 to the consolidated financial statements for 2018.

## 6 DERIVATIVES

See notes 3 and 11 to the consolidated financial statements for 2018.

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

At March 31, 2019, the option contract was a liability valued at USD 1.5 million (USD 1.5 million at December 31, 2018).

## 7 INVENTORIES

See note 13 to the consolidated financial statements for 2018.

### Inventories at end of period

(USD IN MILLION)	MAR 31, 2019			DEC 31, 2018		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	7.0	0.0	7.0	4.9	0.0	4.9
Spare parts	42.5	-19.9	22.5	42.5	-19.0	23.5
Work in progress	9.1	-1.3	7.7	12.5	-1.7	10.8
Finished goods	80.7	-38.6	42.1	90.9	-51.0	39.9
Total	139.2	-59.8	79.4	150.8	-71.7	79.1

## 8 BORROWINGS AND GUARANTEES

See notes 4 and 17 to the consolidated financial statements for 2018.

Carrying amounts of interest bearing liabilities at March 31, 2019 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
Capitalized Borrowing Cost, non-current (USD) 1)	-1.3	-1.3			
Capitalized Borrowing Cost, current (USD) 1)	-0.3	-0.3			
Senior secured bond (USD)	110.0	110.0	110.0	0.0	110.0
Indemnification loan (NOK)	200.0	23.3	23.3		
Total		131.6	133.3	0.0	110.0

1) Amortized as part of effective interest.

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At March 31, 2019, the indemnification loan is NOK 200 million (USD 23.3 million) and can only be called if certain conditions are met. Once the loan is called, outstanding amounts will bear interest at a rate of NIBOR plus 0.5 percent. Although the indemnification loan was callable in February 2016, this loan has not been called (see note 11 below and note 17 to the consolidated financial statements for 2018).

### Guarantees

See note 29 to the consolidated financial statements for 2018.

At March 31, 2019, the Company had provided USD 4.8 million in bank guarantees against which the Company has pledged USD 3.9 million of restricted cash. This included bank guarantees for the benefit of REC Solar of USD 1.1 million with USD 0.2 million of restricted cash as security.

The Company has also provided parent company guarantees related to the performance of solar panels and systems sold by the REC Solar Group. These guarantees were USD 54.7 million at March 31, 2019 and December 31, 2018.

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 2018.

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 March 31, 2019 and December 31, 2018.

The fair value of the USD senior secured bond at March 31, 2019 is estimated at 100 percent of nominal value.

### USD Senior Secured Bond

(USD IN MILLION)	MAR 31, 2019	DEC 31, 2018
Nominal value	110.0	110.0
Capitalized Borrowing Cost, non-current 1)	-1.3	-1.4
Net carrying amount, non-current	108.7	108.6
Capitalized Borrowing Cost, current 1)	-0.3	-0.3
Net carrying amount	108.4	108.3

1) Amortized as part of effective interest.

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

(USD IN MILLION)	CHANGES DUE TO IFRS 9			
	Q1 2019	Q1 2018	MAR 31, 2019	YEAR 2018
Profit/Loss	0.0	0.0	0.0	0.0
Other Comprehensive Income	0.0	1.9	0.0	1.9
Total	0.0	1.9	0.0	1.9

## 9 COMMITMENTS

### Contractual purchase obligations and minimum operating lease payments at March 31, 2019

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	2019	2020	2021	2022	2023	2024	AFTER 2024
Purchase of goods and services	14.7	14.3	0.3	0.0	0.0	0.0	0.0	0.0
Minimum operating lease payments	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Total purchase obligations and minimum lease payments	15.3	14.9	0.3	0.0	0.0	0.0	0.0	0.0

## 10 PROVISIONS

### NON-CURRENT PROVISIONS

During 2018, the Company recorded USD 3.0 million in asset retirement obligations (AROs). These obligations consisted 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.

(USD IN MILLION)	2019
Carrying value at January 1	3.0
Net periodic asset retirement obligation costs including net interests	0.1
Carrying value at March 31	3.1

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.

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

Please refer to the annual report for 2018, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

### CHINESE TARIFFS ON US POLYSILICON

REC Silicon's access to polysilicon markets in China continues to be restricted by tariffs imposed by the Chinese government on US polysilicon. The Company continues to work to re-gain access to markets in China market for its solar grade polysilicon products produced in the United States. REC Silicon remains focused on identifying sales opportunities in markets outside of China. 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.

### PROPERTY TAX

REC Silicon has contested Grant County Washington's valuations of taxable property. The appeal for year 2012 is currently before the Washington Court of Appeals. The Company has also appealed assessments for the years 2013 through 2015. The Company will not be required to pay disputed tax amounts until all appeals are exhausted. The timing and outcome of these appeals is subject to uncertainty.

### GOING CONCERN

Impacts of the ongoing trade dispute between China and the United States, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon continue to contribute to the Company's high liquidity risk.

Current market conditions and the continued operation of the FBR facility in Moses Lake at 25 percent capacity utilization are not sufficient to maintain the Company's liquidity and its ability to meet operating cash flow requirements. Management and the board of directors have initiated a plan to curtail the operation of the FBR facility beginning on May 15, 2019 to reduce spending and to maintain liquidity. Unless access to polysilicon markets in China is restored, the facility will be placed in a long-term shutdown by June 30, 2019. The timing and length of the shutdown are dependent on whether REC Silicon is able to regain access to the Chinese market for polysilicon as a result of trade negotiations between China and the United States or other significant positive developments in solar grade polysilicon markets. The curtailment

is intended to retain the liquidity necessary to maintain operation of the semiconductor materials facility in Butte, Montana. Additional impairments and provisions would be required if the FBR facility is not restarted. In addition, the Company completed a 10 percent private placement of equity on April 9, 2019. Estimated net proceeds of approximately USD 18 million is expected to be received by the Company during May. As a consequence of these actions, the Company's current liquidity position, estimated results of operations, and the proceeds from the private placement of equity are considered sufficient to meet the operating cash flow requirements for remaining operations and to meet debt service obligations for the next twelve months assuming no payments on the indemnity loan or unfavorable outcome of the notices of reassessment from the Norwegian Central Tax Office (the tax examinations). Estimates used to arrive at this conclusion include the assumptions that markets for the Company's semiconductor polysilicon and silicon gas products remain stable.

Please refer to the Company's annual report for 2018. Specifically, the sections on the Company's liquidity risk and the impacts of tariffs imposed by China on US polysilicon which creates significant uncertainty for the Group, its customers, certain other competitors, and the industry as a whole. In addition, if conditions surrounding the call of the indemnity loan or the outcome of tax examinations are negative (See note 31 to the consolidated financial statements for 2018), the Company plans to issue additional equity, issue debt, and/or sell assets to satisfy financial obligations and to meet operating cash flow requirements.

Accordingly, these financial statements have been prepared under the assumption that the Company is a going concern. However, the events and conditions discussed above, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

## 12 RECEIVABLES

See notes 12 and 30 to the consolidated financial statements for 2018.

### Aging of receivables at March 31, 2019

(USD IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	AGING OF RECEIVABLES PAST DUE				IMPAIRED
			< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	
Trade receivables and accrued revenues	41.5	26.4	0.7	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	31.6	30.9	0.7	0.0	0.0	0.0	0.0
Prepaid Costs	15.5						
Total trade and other receivable	47.1						

There was no bad debt expense recorded for the first quarter of 2019.

## 13 TRANSACTIONS WITH RELATED PARTIES

See notes 10 and 16 to the consolidated financial statements for 2018.

In the first quarter of 2019, REC Silicon invoiced the Yulin JV USD 0.9 million for engineering and project services (see note 5 above).

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

## 14 EVENTS AFTER THE REPORTING PERIOD

### **CURTAILMENT OF FBR OPERATIONS BEGINNING ON MAY 15, 2019**

The Company has previously announced and currently plans to curtail the operation of the FBR facility in Moses Lake, Washington beginning on May 15, 2019. Furthermore, unless access to polysilicon markets in China is restored, the facility will be placed in a long-term shutdown by June 30, 2019. The curtailment is intended to retain the liquidity necessary to maintain operation of the semiconductor materials facility in Butte, Montana. The length of the shutdown is dependent on whether REC Silicon is able to regain access to the Chinese market for polysilicon as a result of trade negotiations between China and the United States or other significant positive developments in solar grade polysilicon markets.

### **PRIVATE PLACEMENT OF EQUITY ON APRIL 9, 2019**

On April 9, 2019 the Company raised approximately NOK 170 million in gross proceeds through a private placement (the "Private Placement") of 254,381,870 offer shares (the "Offer Shares"), at a price per share of NOK 0.67 (the "Subscription Price"). The Private Placement took place, and the Subscription Price was set, through an accelerated book-building process after close of markets on April 9, 2019. The Private Placement was substantially oversubscribed.

The net proceeds from the Private Placement will be used to strengthen and contain the Company's liquidity situation until access to the Chinese polysilicon market is restored. Specifically, the proceeds will be used for (i) non-recurring restructuring costs of USD 3.7 million to curtail and shut down Moses Lake FBR production, unless access to the Chinese market is restored, (ii) settle the remaining payments to the Yulin JV of USD 3.1 million and USD 5.2 million and (iii) for general corporate purposes.

The Offer Shares will be settled with existing and unencumbered shares in the Company that are already listed on the Oslo Stock Exchange, pursuant to an agreement between SpareBank 1 Markets AS, the Company, and Umoe AS. The shares delivered to the subscribers will thus be tradable upon delivery, expected May 10, 2019.

Subject to approval by the Company's AGM, Umoe AS has undertaken to use the full proceeds received from the settlement of the Private Placement to acquire new A-shares in the Company. All of the new A-shares will be converted into ordinary shares as soon as practically possible, expected within eight (8) weeks from the settlement date.



## 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 18.5 million for the first quarter of 2019.

**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 4.7 million for the first quarter of 2019.

**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 March 31, 2019, the equity ratio is 23 percent and is calculated by dividing USD 85.0 million total shareholders' equity by USD 373.4 million in total assets.

**Net Debt** - Net debt is the carrying value of interest bearing debt instruments (including financing leases) less cash and cash equivalents.

The carrying value of debt can be found in note 8 borrowing in the table under the caption carrying amount, the amounts of lease liabilities are reflected on the balance sheet, and cash can be found in the statement of financial position on the line titled cash and cash equivalents.

At March 31, 2019, net debt was USD 134.1 million or USD 131.6 million total carrying value of the Company's debt (from note 8) plus USD 27.9 million current and non-current lease liabilities (from the balance sheet) less USD 25.4 million in cash and cash equivalents.

**Nominal Net Debt** – Nominal Net debt is the contractual repayment values of interest bearing debt instruments (including financing leases) less cash and cash equivalents.

The contractual repayment values of debt can be found in note 8 borrowing in the table under the caption contractual repayments excluding interest, the amounts of lease liabilities are reflected on the balance sheet, and cash can be found in the statement of financial position on the line titled cash and cash equivalents.

At March 31, 2019, nominal net debt was USD 135.8 million or USD 133.3 million contractual repayment values of the Company's debt (from note 8) plus USD 27.9 million current and non-current lease liabilities (from the balance sheet) less USD 25.4 million in cash and 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 first quarter of 2019:

	Q1 2019	
	USD MILLION	USD/KG
Cost of Materials	5.1	
Employee Benefit Costs	4.4	
Other operating expenses	6.1	
Less: Idle facility costs	-0.2	
Change in Semi-finished Inventories	-0.7	
Production costs	14.7	13.5
Depreciation of fixed assets	3.7	
Amortization	0.0	
Depreciation of leased assets	1.6	
Less: Idle facility depreciation	-0.1	
Change in Semi-finished Inventories	-0.1	
Depreciation and amortization costs	5.1	4.7
Polysilicon production in MT	1091	

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**

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**About REC Silicon**

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

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