RECSILICON

ANNUAL REPORT 2019

CONTENTS

BOARD OF DIRECTORS

JENS ULLTVEIT-MOE

Chairman of the Board of Directors since November 2013, Mr. Ulltveit-Moe is currently Chairman of Umoe Group, a company he established in 1984. Prior to Umoe, his career included McKinsey in New York and London, The Dutch SHV Group, and Knut Knutsen OAS. He has also served as Chairman of the Board for PGS, Kverneland, Sevan Marine and REC. Mr. Ulltveit-Moe has a Master degree in Business and Economics from the Norwegian School of Economics and Business Administration (NHH) and a Master degree in International Affairs from Colombia University.

INGER BERG ØRSTAVIK

Member of the Board of Directors since November 2013, Ms. Ørstavik is a professor at the Department of Private Law, University of Oslo, as well as a board member in Nordic Semiconductor ASA. She has previously been a partner with Advokatfirmaet Schjødt AS and a lawyer at the office of the Attorney General for Civil Affairs. Ms. Ørstavik also has experience as an arbitrator in intellectual property and contract disputes, and she has been a member of the Norwegian Board of Appeal for Industrial Property Rights. She taught international human rights law at Fudan University in Shanghai, China. Ms. Ørstavik has a law degree from the University of Oslo, a Ll.M. from Ruprecht-Karls-Universität in Heidelberg, Germany, and a Ph.D. from the University of Oslo in the areas of patent law and competition law.

RAGNHILD WIBORG

Member of the Board of Directors since May 2013, Ms. Wiborg has over 30 years' experience in financial markets and an extensive network both within the international and Nordic business communities. She has working experience from, CEO of Wiborg Kapitalforvaltning, CIO and fund manager of Odin Fund Management and different positions in investment banks such as Pareto Securities, ABG Sundal & Collier and First Chicago (JP Morgan). She is a member of the BoD in several listed companies; Gränges AB, Intrum AB, Sbanken ASA, INSR ASA and as well as Chair of the board of EAMSolar ASA. Ms. Wiborg holds a degree in Business and Economics (Civilekonom) with a major in International Business from Stockholm School of Economics and Business Administration as well as master studies from Fundacao Getulio Vargas, Brasil and from Sorbonne University.

ESPEN KLITZING

Member of the Board of Directors since November 2013. Until August 2019, Mr. Klitzing was CFO of Umoe Group. He is Chairman of the Board of Alliance Venture Polaris AS and Alliance venture Spring AS, as well as a board member of DNB Life Insurance and a member of the Stock Exchange Appeals Committee. Prior to Umoe he was a Principal at McKinsey & Company, CFO and Deputy CEO at Norges Bank Investment Management, CEO of Petrojarl ASA and Storebrand Life Insurance, and held various management positions in Storebrand Group. Mr. Klitzing holds a degree in Business and Economics (Siviløkonom) from the Norwegian School of Economics and Business Administration (NHH).

LETTER FROM THE CEO

Silicon (Si) is the second most abundant element on Earth, behind only oxygen. REC Silicon purifies raw silicon through a complicated chemical process resulting in 99.99999999999 % pure silicon gas (SiH4) and polysilicon (Si) for the semiconductor and solar industries. These materials are key components in various semiconductor products that continuously transform our daily lives and are key to the rapidly growing solar energy industry, which competes with traditional coal and natural gas generated electricity. Silicon gas may also be a key component to more efficient batteries that are expected to transform energy storage capabilities, which will lead to significant changes to many industries such as the conversion from internal combustion engines to electric powered vehicles in the automotive industry.

Our Butte facility manufactures polysilicon and silicon gases for the semiconductor industry. The semiconductor market experienced some softness in 2019. Inventory adjustments and slower demand in the end market resulted in lower sales of semiconductor polysilicon and silicon gases than the previous year, but a recovery in demand is expected in 2020. REC Silicon continues to focus on its unique technology to make the highest quality semiconductor polysilicon and supply the semiconductor market with about 70 percent of the global demand for silicon gases. Based off our silane process, REC Silicon has successfully developed silicon gas precursors and derivatives which complement our offering of silane.

> "REC Silicon continues to focus on its unique technology to make the highest quality semiconductor polysilicon and supply the semiconductor market."

As with the entire solar value chain, 2019 was a very turbulent year for the polysilicon industry. In China, which is the manufacturing hub of PV solar panels, solar installations declined for the third consecutive year. A reduced domestic PV market in China was counterbalanced, however, with increased exports to India, Europe and other markets. The global demand for 2019 ended at ~120 GW, an increase of ~16 percent compared to the previous year. Despite the increased installations, several new polysilicon plants in Xinjiang and Inner Mongolia provinces generated an oversupply of polysilicon resulting in prices below the cash cost for many of the existing polysilicon producers. These low prices have led to consolidations and shut downs of non-competitive capacity, which should lead to a more balanced market in 2020 and gradually provide the basis for increased prices for polysilicon.

Difficult solar market conditions were exasperated by REC Silicon's lack of access to the Chinese market, a consequence of the trade dispute between the US and China. REC Silicon found itself in the impossible position of having no access to the Chinese wafer customers which represent more than 90 percent of the global polysilicon market. The lack of access to China ultimately culminated into the decision to completely cease production at the Moses Lake facility in May 2019 followed by a layoff of most of the workforce in July 2019.

It was therefore highly appreciated when on January 15, 2020, the governments of the US and China entered into the Phase 1 trade deal which included AD/CVD free import of US polysilicon into China. The impact of such a deal is the long-awaited reopening of the Chinese market for REC Silicon after more than five years of surviving with the burden of an extra import duty of 57 percent. The Phase 1 trade deal provides for polysilicon sales for the next two years with the expectation from the US government that the agreement will continue into the foreseeable future.

Lower cost and higher efficiency solar panels together with energy storage improvements have resulted in solar energy becoming increasingly competitive with conventional energy sources without subsidies. The less reliance on economic incentives will generate far more stable long-term growth and a more diversified geographical market for the solar energy in the future. The forecasted growth of PV installations coupled with the available capacity of polysilicon indicates that the polysilicon market should be in balance by the end of 2020 and will gradually require new capacity.

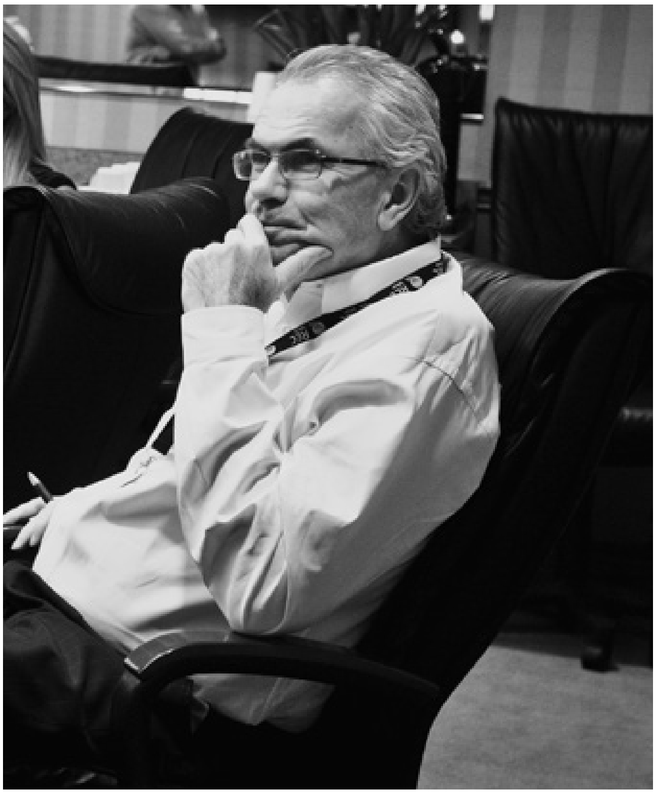
REC Silicon owns 15 percent of a JV plant located in Yulin in the Shaanxi Province of China. This Yulin JV plant successfully qualified our FBR B reactors that are semiconductor grade capable and optimal for monocrystalline PV applications. Qualifications are also in process with customers for Siemens production from the facility. Operational improvements continue to be made that will ensure the long-term success of this plant. REC Silicon continues to support the Yulin JV with our best qualified employees.

Financially, it has been a very demanding year for REC Silicon. The trade dispute with China together with the general market situation resulted in negative cash flow through 2019. The share price development followed the negative financial situation and fell about 60 percent. Layoffs and cost cutting have been necessary and, unfortunately, the financial situation has not permitted the continued development of business opportunities. In May, we raised equity through the issuance of new shares that added new liquidity of about USD 19 million.

Semiconductor and solar markets were expected to gradually improve during the second half of 2020. However, the COVID-19 outbreak has created great uncertainty about the near-term outlook. Until the economic consequences of COVID-19 are better understood, we will closely monitor the situation and take the steps necessary to maintain the financial stability of the Company. The decision to restart the FBR facility in Moses Lake will be postponed until we are confident that we can access markets in China and that there will be sufficient demand for solar grade granular polysilicon.

Our long term and dedicated largest shareholder, UMOE, decided to divest its shareholding in December and the shares were acquired by Aker Capital. The whole REC Silicon organization looks forward to working with Aker and our other shareholders to develop and position the company for future growth.

The shutdown of the Moses Lake facility was of course difficult for REC Silicon's entire organization, in addition to the repercussions felt by the local community, our suppliers, and our customers. We lost a lot of very talented people that were dedicated to REC Silicon's success. Despite this reduction in the workforce, REC Silicon still possesses talented and dedicated employees that will allow both the successful restart of the Moses Lake facility when conditions are optimal and will also allow the Butte facility to maintain excellence in operations and consistent financial results.



Tore Torvund
President and CEO

BOARD OF DIRECTORS' REPORT

2019 HIGHLIGHTS (COMPARED TO 2018)

> Cash balance of $29.4 million at December 31, 2019
- Cash decrease of $2.4 million in 2019
- Net proceeds from private placement of equity $19.0 million
- Cash outflows from operations of ($13.0) million
  - EBITDA loss of ($12.9) million
  - Working capital decrease of $20.2 million
  - Interest payments of ($17.6) million

> Revenues of $160.2 million and EBITDA Loss of $12.9 million
- Compared to 2018 revenues of $221.2 million (27.6% Decrease)
- Compared to 2018 EBITDA loss $4.9 million

> Silicon gas sales volumes of 3,380MT
- Compared to 2018 sales volumes of 3,600MT (6.1% decrease)
- 3.5% Decrease in average silane gas prices

> Total polysilicon sales volumes of 5,892MT
- Compared to 7,784MT in 2018 (24.3% decrease)
- Average prime granular polysilicon price decrease of 36.7%
- Polysilicon inventory decrease of 2,783MT

> Semiconductor segment polysilicon sales
- Sales volumes of 1,111MT (28.4% decrease)
- 9% Semiconductor grade polysilicon price increase

> Successful completion of private placement of equity
- Settled on May 14, 2019
- NOK 170 million in gross proceeds (25,438,187 shares at NOK 6.70)

> Shutdown of Moses Lake FBR facility on May 15, 2019
- Caused by the ongoing solar trade dispute between the China and the U.S.
- Workforce reduction announced on July 15, 2019
- Long-term shutdown until significant positive developments in solar grade polysilicon markets occur
- $20 million additional impairment of assets

> Process to evaluate the sale of the Butte, Montana plant is on-going
- Will be sold only if an acceptable bid is received
- Proceeds will be used to retire debt, provide a buffer for contingent liabilities, and to restart FBR

> Phase I trade agreement between the U.S. and China
- Advised by U.S. Administration that China solar grade polysilicon markets will open
- Will evaluate the potential restart of FBR production

BUSINESS ACTIVITIES

REC Silicon ASA was established in Norway on December 3, 1996. The Company is headquartered in Fornebu, Norway.

REC Silicon is a global leader in silane-based, high-purity silicon materials, delivering high-purity polysilicon and silicon gases to the solar and electronics industries.

REC Silicon 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 United States. REC Silicon's sales and marketing activities for sales of solar grade polysilicon, semiconductor grade silicon and silicon gases are carried out in China, Japan, Korea, Taiwan, and in the United States. The Group's investment in the Yulin JV is held by REC Silicon Pte. Ltd. in Singapore.

STRATEGY AND OBJECTIVES

REC Silicon's strategy is to maintain its position as a low-cost leader and technological innovator in the silicon materials industry.

REC Silicon intends to improve its competitive position and:

- Maintain liquidity (retain cash)
- Optimize efficiency of utilized assets
- Manage inventories by adjusting production capacity utilization
- Focus on cost control – mitigate the effects of FBR curtailment
- Focus on continued quality improvements
- Optimize semiconductor polysilicon product offerings
- Support Yulin JV

2019 SUMMARY

FINANCIAL HIGHLIGHTS

Key Financials - REC Silicon Group

(USD IN MILLION)	2019	2018
Revenues	**160.2**	221.2
EBITDA	**-12.9**	-4.9
EBITDA margin	**-8.0%**	-2.2%
EBIT excluding impairment charges	**-62.2**	-66.5
Impairment charges	**-20.4**	-340.5
EBIT	**-82.6**	-407.1
EBIT margin	**-51.6%**	-184.0%
Profit/loss before tax	**-127.0**	-348.0
Profit/loss	**-127.0**	-341.6
Earnings per share, basic and diluted (USD)	**-0.47**	-0.13
Polysilicon production in MT (Siemens and granular)	**3,109**	9,280
Polysilicon sales in MT (Siemens and granular)	**5,892**	7,784
Multicrystalline brick sales in MT	**0**	2
Silicon gas sales in MT	**3,380**	3,600

Revenues

Total revenues declined by USD 61.0 million to USD 160.2 million in 2019 compared to USD 221.2 million during 2018, a decrease of 27.6 percent. The decrease is primarily a result of 24.3 percent lower sales volumes of polysilicon. In addition, total average sales prices in 2019 for polysilicon decreased by 23.5 percent due to lower average solar grade polysilicon prices which declined by 37.1 percent compared to 2018. Silicon Gas sales volumes decreased by 6.1 percent and average sales prices for silane gas declined by 3.5 percent.

Operations
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 resulted in the shutdown of the FBR facility in Moses Lake, Washington on May 15, 2019. After this date, all polysilicon produced by REC Silicon was manufactured in the Semiconductor Materials segment from its plant in Butte, Montana.

Polysilicon production in 2019 declined by 6,176MT (66.5 percent) to 3,109MT compared to 9,280MT in 2018. This was largely a result of the shutdown of the FBR facility in Moses Lake which produced 5,841MT less in 2019 than it produced during 2018. In addition, polysilicon production in the Semiconductor Materials segment declined by 335MT due to delays in the start-up of new wafer capacity and the completion of product qualifications.

Primarily as a result of the shutdown of the FBR facility, polysilicon inventories declined by 2,783MT.

Earnings
Earnings Before Financial Items and Income taxes (EBIT) for 2019 was a loss of USD 82.6 million which included impairment charges of USD 20.4 million (See note 8 to the consolidated financial statements). This represents a decreased loss compared to an EBIT loss of 407.1 million in 2018 which included impairment charges of USD 340.5 million.

EBITDA for 2019 was a loss of USD 12.9 million compared to a loss of USD 4.9 million in 2018. EBITDA contributed by the Semiconductor Materials segment declined by USD 14.4 million and was primarily the result of lower manufacturing capacity utilization, higher electricity costs, and lower average product sales prices. The EBITDA loss contributed by the solar materials segment was unchanged compared to the prior year; effectively, the costs to shut down the FBR facility in Moses Lake were offset by the decrease in costs to maintain the facility in a non-operating status subsequent to the shutdown. In Other and Eliminations, net operating costs declined by USD 6.4 million due to cost reduction initiatives, the workforce reduction announced on July 15, 2019, and decreases in activity levels as a result of the shutdown of the FBR facility.

Technology, Research, and Development
REC Silicon's long-term competitive position is based on cost efficiency and industry leading product performance. REC Silicon's research and technology development activities are designed to enhance quality, improve efficiency, and reduce production costs of our products to add value to our customers and further enhance our competitive position.

However, research and development efforts have been limited due to the Company's current liquidity position. During 2019, research and development efforts were focused on maintaining minimum research lab operations to support the silicon gas and semiconductor grade polysilicon businesses.

Cash expenditures for research and development were USD 1.4 million in 2019 compared to USD 2.2 million in 2018.

SEGMENT INFORMATION

SEMICONDUCTOR MATERIALS SEGMENT
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.

Key financial - Semiconductor Materials

(USD IN MILLION)	2019	2018
Revenues	**126.7**	152.9
EBITDA contribution	**37.8**	52.2
Contribution margin	**29.8%**	34.2%
Polysilicon production in MT (Siemens)	**1,339**	1,696
Polysilicon sales in MT (Siemens)	**1,111**	1,552
Silicon gas sales in MT	**3,379**	3,599

Markets
Semiconductor grade polysilicon markets are improving; however, fixed sales contracts, excess inventories, and delays in the start-up of new wafer capacity continue to limit sales opportunities for REC Silicon. Semiconductor grade polysilicon consumers are operating at higher capacity utilization rates and inventories are declining.

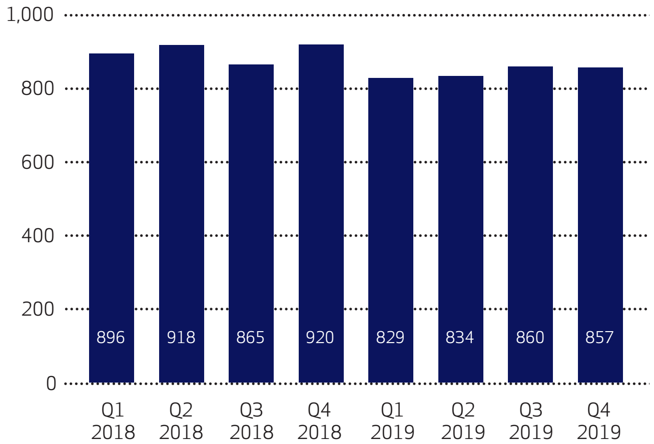
Demand for silicon gases in semiconductor applications remained strong due to advances in technology. However, REC Silicon's sales volumes declined compared to 2018 due to the transfer of manufacturing capacity for basic flat panel displays into China and volatility in the PV market segment. Prices continued to drift downward as competitors attempted to increase production capacity utilization using price incentives to fight for market share. In addition, tariffs on silicon gas imports from the United States were enacted by China.

Financial Performance
In 2019, revenues for the Semiconductor Materials segment were USD 126.7 million compared to USD 152.9 million in 2018; a decrease of 17.1 percent.

Total polysilicon sales in 2019 declined by 28.4 percent while the underlying volumes of semiconductor grade polysilicon sales decreased by 33.8 percent to 713MT. Demand for semiconductor devices was below expectations and supply chain participants reduced polysilicon purchases in order to lower excess inventory levels which had been increased because of the potential for supply limitations and the expectation of increases in polysilicon prices. In turn, these conditions resulted in delays in the start-up of new wafer capacity and the completion of product qualifications. Total average polysilicon sales prices declined by 2.3 percent. However, average prices realized for semiconductor grade polysilicon increased by 9.2 percent due to an

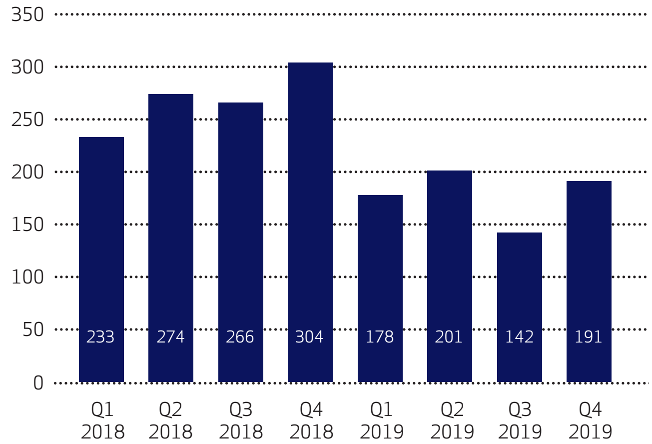
Silicon Gas Sales

Sales Volumes (MT)



Semiconductor Polysilicon Sales

Sales Volumes (MT)



increase in sales prices (4.8 percent) and a higher share of total sales volumes for the highest quality float zone (FZ) polysilicon.

Silicon gas sales volumes were 3,379MT, a 6.1 percent decrease compared to 3,599MT in 2018. Average annual prices for silane gas decreased by 3.5 percent. In semiconductor applications, demand for silicon gases continues to grow due to improvements in technology. However, overall demand has been adversely affected by lower manufacturing capacity utilization across the semiconductor device supply chain and the shift of basic flat panel display capacity into China. Prices for lower end segments of demand (PV and basic flat panel) continue to decline due to oversupply of silane gas in Chinese markets.

Total polysilicon production in the Semiconductor Materials segment decreased by 357MT to 1,339MT in 2019 compared to 1,696MT in 2018. The underlying production volumes of semiconductor grade polysilicon declined by 259MT to 867MT for 2019. As indicated in revenues above, the decline in production volumes are a result of lower than expected demand, customer efforts to manage excess polysilicon inventory, delays in the start-up of new wafer capacity, and delays in the completion of product qualifications.

The Semiconductor Materials segment contributed USD 37.8 million of income during 2019 compared to USD 52.2 million in 2018. The decrease in earnings reflects lower product prices discussed above as well as lower manufacturing capacity utilization as a result of lower polysilicon and silicon gas sales volumes. In addition, electricity costs increased to approximately USD 40/MWh during 2019 from USD 35/MWh in 2018 which had an adverse impact on earnings of an estimated USD 3.3 million.

Income contributed by the Semiconductor Materials segment represents revenues less production costs for products sold during the period and excludes depreciation, amortization, impairment, and selling, general, and administrative expenses.

SOLAR MATERIALS SEGMENT

REC Silicon has the capability to manufacture polysilicon for the solar energy markets from its manufacturing facility in Moses Lake, Washington.

Key financial - Solar Materials

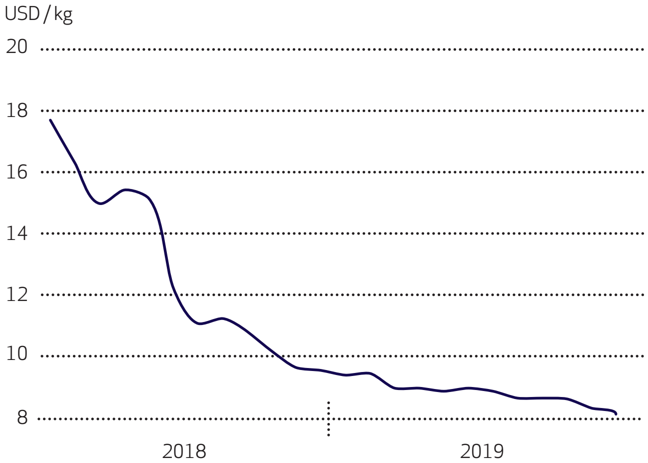
(USD IN MILLION)	2019	2018
Revenues	**33.4**	69.2
EBITDA contribution	**-26.6**	-26.6
Contribution margin	**-79.7%**	-38.4%
Polysilicon production in MT (Siemens and granular)	**1,770**	7,584
Polysilicon sales in MT (Siemens and granular)	**4,781**	6,232
Multicrystalline brick sales in MT	**0**	2

Impacts of the ongoing solar trade dispute between China and the United States, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon resulted in the shutdown of the FBR polysilicon plant in Moses Lake, Washington on May 15, 2019. On July 15, 2019 the Company announced that the FBR facility had been placed in a long-term shutdown and that a corresponding workforce reduction was being implemented. This shutdown is intended to retain the liquidity necessary for the Company to meet its ongoing financial obligations and to maintain operations at the Semiconductor Materials facility in Butte, Montana. The FBR facility in Moses Lake will remain in a non-operating status until access to polysilicon markets in China is restored or other significant positive developments in solar grade polysilicon markets occur.

Markets

End use PV demand for 2019 is estimated at 120.7GW (PV InfoLink – PV Market Monthly Note – December 2019). This represents an increase of approximately 16 percent from 103.9GW in 2018. For most of 2019, PV installations inside China was adversely impacted by Chinese

Polysilicon Spot Price Development



* PV Insights - Avg. of Mono and Multi crystalline polysilicon prices

government policy decisions to limit financial incentives to encourage PV installation. Overall, lower demand for PV installations resulted in lower module prices which in turn drove PV demand outside China higher. Late in 2019, demand inside China increased as projects were completed in advance of the expiration of existing programs for solar power feed in tariffs. Solar grade polysilicon prices continued to decline due to lagging demand and increases in supply as polysilicon capacity expansions inside China were commissioned. To limit inventory growth and stabilize polysilicon prices, startup schedules for capacity expansions were delayed, capacity utilization at existing operations was decreased, and higher cost polysilicon capacity was shut down. However, average polysilicon spot prices declined by 15 percent to approximately USD 8.1/kg compared to USD 9.5/kg at the end of 2018.

Financial Performance

Revenues for the Solar Materials segment were USD 33.4 million during 2019 compared to USD 69.2 million in 2018. As a result of the shutdown of the FBR facility on May 15, 2019, sales volumes of solar grade granular polysilicon declined from 6,232MT in 2018 to 4,781MT in 2019. Granular polysilicon inventories declined by 3,011MT as remaining inventories were largely depleted by year end (excluding fines and powders).

Granular polysilicon production volume decreased from 7,548MT in 2018 to 1,770MT in 2019 due to the curtailment of FBR operations on May 15, 2019. In 2019, the FBR plant operated near 25 percent capacity and continued to demonstrate the low-cost capability of the FBR technology despite operating at only a fraction of its production capacity. After the May 15, 2019 shutdown, the Company quickly executed initiatives to reduce spending levels and to maintain the Company's liquidity. Activities and spending levels at the Moses Lake facility have been reduced to levels which allow the plant to be safely maintained in a long-term, non-operating status while preserving the ability to restart the plant if market conditions improve. The Company has successfully implemented initiatives to continue to reduce net expenses.

The Solar Materials segment contributed a loss of USD 26.6 million to the Company's EBITDA loss during 2019 and 2018. Effectively, the costs to shut down the FBR facility in Moses Lake were offset by the decrease in costs to maintain the facility in a non-operating status subsequent to the shutdown. The Company estimates net costs of approximately USD 4.0 million per quarter to maintain the FBR facility in Moses Lake in a non-operating status.

The loss contributed by the Solar Materials segment represents revenues less production costs for products sold during the period and excludes depreciation, amortization, impairment, and selling, general, and administrative expenses.

On January 15, 2020 the Phase I economic and trade agreement was signed by the Government of the United States and the Government of China. This agreement prioritizes polysilicon and contains commitments for China to purchase goods manufactured in the United States during 2020 and 2021 which include solar grade polysilicon. REC Silicon has been advised by US government officials that specific commitments for China to purchase specific quantities of solar grade polysilicon manufactured in the United States are contained in non-public annexes to the agreement and that these commitments override the extension of tariffs on US made polysilicon announced by the Ministry of Commerce of the People's Republic of China on January 19, 2020.

The Company is evaluating the potential impacts of the Phase I trade agreement. The timing or outcome of any decision to resume operations at the FBR facility in Moses Lake remains uncertain.

OTHER AND ELIMINATIONS

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, China, and the United States.

Key financial - Other and Eliminations

(USD IN MILLION)	2019	2018
Revenues	**-0.1**	-0.9
EBITDA contribution	**-24.1**	-30.5
Polysilicon sales in MT (Siemens and granular)	**0**	0
Silicon gas sales in MT	**1**	1

Net operating costs in Other and Eliminations decreased to USD 24.1 million during 2019 compared to USD 30.5 million in 2018. Overall, the decrease in costs is a result of costs reduction initiatives, the workforce reduction announced on July 15, 2019, and decreases in activity levels as a result of the shutdown of the FBR facility in Moses Lake. Net operating costs during 2019 included reorganization costs of USD 2.2 million due to the shutdown of the FBR facility. In addition, net costs for 2018 included USD 2.6 million due to increases in provisions for estimated impairments of customer accounts receivable.

Investment (Yulin JV)
During the fourth quarter of 2019, Company management determined that REC Silicon's 15 percent ownership share of the Yulin JV no longer afforded it the control necessary to justify the use of the equity method of accounting. While REC Silicon continues to exert significant influence over the technical aspects of operating the manufacturing facility, the Company's ability to influence decisions related to the work force, operational planning, purchasing, finance, and other areas of oversight and control have diminished through time. As a result, the method of accounting for this investment in associates was changed from the equity method to the fair value method during the fourth quarter. This change in accounting method resulted in a loss from investment in associates of USD 23.8 million for the fourth quarter which has been reported in profit and loss for the period. The loss from associates included a loss of USD 9.9 million in currency losses reclassified from other comprehensive income. This currency loss was caused by a stronger USD since the investment was made in February 2014 and has been reported as a component of other comprehensive income during prior periods. In addition, the loss from associates included a gain of USD 29.7 million due to the recognition of deferred income associated with the sale of technology to the Yulin JV and a loss of USD 43.6 million due to an impairment loss as a result of the remeasurement of the investment to its estimated market value using discounted future cash flows (see note 9 to the consolidated financial statements).

The Yulin JV produced approximately 6,110MT of total polysilicon during 2019. FBR polysilicon production was 6,016MT for 2019. In addition, the Yulin JV loaded 47MT of silane during 2019. The relatively low utilization rate of the capacity of the Yulin plant in 2019 was due to an incident during the first quarter of 2019 that impacted production for several months and difficult market conditions for solar grade polysilicon.

However, the Yulin JV has demonstrated the production of high purity granular polysilicon and will be installing high purity liners as they are delivered.

Both silane units and the FBR reactors have demonstrated design capacities and utilization rates are expected to increase through time. For 2020, the Yulin JV targets FBR polysilicon production of 10,000MT, Siemens polysilicon production of 60MT, and 300MT of loaded silane.

FINANCIAL ITEMS

Financial items - REC Silicon Group

(USD IN MILLION)	2019	2018
Financial income	**0.7**	0.9
Interest expenses on borrowings	**-13.0**	-13.6
Interest expense on leases	**-5.0**	0.0
Capitalized borrowing cost	**0.1**	-0.0
Expensing of up-front fees and costs	**-0.3**	-0.2
Other financial expenses	**-1.4**	-4.2
Net financial expenses	**-19.6**	-18.0
Net currency gains/losses	**-1.2**	3.1
Net financial items	**-20.2**	-14.0

Net financial items were USD 20.2 million in 2019 compared to USD 14.0 million in 2018.

Net currency gains/losses are primarily related to the impact of exchange rate fluctuations on liabilities and cash deposits denominated in NOK. In addition, net currency gains/losses include fluctuations between transaction currencies and the USD which is the primary currency for the group.

Interest expenses on borrowings in 2019 decreased to USD 13.0 million compared to USD 13.6 million in 2018. This decrease of USD 0.6 million is due to lower interest expense on the Company's debt due to the retirement of NOK bonds (REC03) and the USD convertible bond and the issuance of the senior secured bonds in 2018 which lowered the Company's debt by approximately USD 61.4 million (See note 17 to the consolidated financial statements).

Interest expense on leases during 2019 of USD 5.0 million is due to the implementation of IFRS 16 Leases by the Company on January 1, 2019 (See Note 7 to the consolidated financial statements).

Other financial expenses in 2019 include primarily imputed interest on prepayments from customers and interest on the pension obligation. Other financial expenses declined by USD 2.8 million to USD 1.4 million in 2019 due primary to the premium paid to redeem the USD convertible bonds and NOK bonds (REC03) in 2018.

INCOME TAX
The loss before tax of USD 127.0 million in 2019 resulted in no effective tax impact since it is offset by changes in unrecognized deferred tax assets. These losses represent an increase in the Company's unrecognized deferred tax asset. The losses will continue to be available to offset taxable income during future periods.

The income tax benefit of USD 6.5 million in 2018 was related to the anticipated refund of Alternative Minimum Tax in the United States for USD 6.0 million and USD 0.4 million associated with the settlement of REC Silicon's commitment to contribute equity to the Yulin JV.

See note 18 to the consolidated financial statements.

PROFIT AND LOSS
The loss from total operations was USD 127.0 million in 2019 compared to USD 341.6 million in 2018.

CASH FLOW
Net cash outflows from operating activities were USD 13.0 million in 2019 compared to net cash outflows of USD 10.1 million in 2018. Cash outflows during 2019 were primarily a result of an EBITDA loss of USD 12.9 million, interest payments of USD 17.6 million, a payment of USD 3.1 million associated with the settlement of REC Silicon's obligation to contribute additional equity to the Yulin JV (See note 9 to the consolidated financial statements in this report), and USD 1.8 million contribution to the frozen defined benefit pension plan in the United States. These were offset by a decrease in working capital of USD 20.2 million and a refund of USD 2.7 million in alternative minimum tax in the United States. The remaining USD 0.5 million cash outflow can be attributed to changes in other assets and liabilities and the impact of changes in exchanges rates.

The decrease in working capital of USD 20.2 million consisted of customer collections in excess of sales of USD 5.3 million and a decrease in the value of inventories of USD 21.5 million. These were offset by a decrease in accounts payable of USD 6.6 million. The decline in working capital is largely due to the shutdown of the FBR facility in Moses Lake as remaining inventories are drawn down and accounts receivable are collected. Finished inventories decreased by 2,783MT of which 3,011MT was FBR granular polysilicon.

Net cash outflows from investing activities was USD 0.6 million in 2019 compared to USD 1.2 million in 2018. Capital spending continues to include only the capital necessary to maintain safe and reliable operations. All expansion projects have been halted due to market conditions. Capital expenditures were USD 2.0 million in 2019 compared to USD 1.7 million in 2018. In 2019, this was offset by sales of land adjacent to the plant in Moses Lake, Washington for USD 1.5 million. The remaining cash outflow in 2019 is a result of an increase in restricted cash balances.

In 2019, cash inflows from financing activities were USD 11.2 million and were primarily a result of the private placement of the Company's stock (25,438,187 shares at NOK 6.70 per share) resulting in net proceeds of USD 19.0 million. This was offset by a reduction of USD 7.8 million in lease liabilities which have been imputed based upon the requirements of IFRS 16 Leases (see note 7 to the consolidated financial statements). In 2018, cash outflows from financing activities were USD 61.4 million and were a result of the Company's successful efforts to refinance its debt. The Company issued a USD Senior Secured bond for USD 110 million and retired existing bonds that were nearing their maturity (see note 17 to the consolidated financial statements).

In total, cash balances decreased by USD 2.4 million in 2019 to USD 29.4 million at December 31, 2019.

FINANCIAL POSITION
Shareholders' equity decreased to USD 0.8 million (0.3 percent equity ratio) at December 31, 2019 compared to USD 106.7 million (29.9 percent equity ratio) at December 31, 2018.

This decrease was a primarily result of the loss from operations of USD 45.5 million. In 2019, the loss from operations included impairment charges of USD 20.4 million and USD 24.2 million loss from investment in associates. In addition, other comprehensive income in 2019 was USD 2.1 million and included a loss of USD 5.9 million due to the re-measurement of defined benefit pension plans and net currency losses of USD 1.9 million which were more than offset by the transfer of USD 9.9 million in currency losses associated with the Yulin JV (see note 9 to the consolidated financial statements).

Net debt increased by USD 51.1 million to USD 150.6 million at December 31, 2019 from USD 99.4 million at December 31, 2018. This increase was primarily a result of the implementation of IFRS 16 Leases which resulted in the recognition of lease liabilities of USD 48.6 million at December 31, 2019. In addition, cash balances decreased by USD 2.4 million as discussed above. The remaining USD 0.1 million increase can be attributed to the amortization of capitalized borrowing costs partially offset by changes in the NOK denominated indemnification loan caused by a stronger USD relative to the NOK.

Net debt includes convertible bonds at fair value and unamortized loan fees. Including bonds at fair value and excluding unamortized capitalized borrowing costs, nominal net debt was USD 152.0 million at December 31, 2019 which represents an increase of USD 50.8 million from USD 101.2 million at December 31, 2018 (See note 17 to the consolidated financial statements).

GOING CONCERN
Current market conditions and the solar trade dispute between the United States and China have forced the curtailment of production at the FBR facility in Moses Lake, Washington. Management and the Board of Directors have placed the FBR plant in a long-term shutdown to reduce spending and to maintain the Company's liquidity. This shutdown of the FBR facility is intended to retain the liquidity necessary to maintain operations at the semiconductor materials facility in Butte, Montana. The timing and length of the shutdown are dependent on whether REC Silicon is able to regain access to the Chinese market for polysilicon or other significant positive developments in solar grade polysilicon markets. Additional impairments and provisions would be required if the FBR facility is not restarted.

In addition, general economic conditions and the effects of the trade war between China and the United States is having an adverse impact on markets served by the semiconductor materials facility in Butte, Montana. In response, the Company has implemented plans to reduce spending and activity levels to conserve cash.

The Group reported consolidated equity of USD 0.8 million at December 31, 2019. The low equity level reported by the consolidated group is caused by the impairment of the Solar Materials segment (see note 3 fixed assets) and the relatively low carrying of operating assets in the Semiconductor Materials segment. However, the Company reported net equity of USD 148.2 million in the financial statements of the parent company, REC Silicon ASA, at December 31, 2019. The parent company equity consists of share capital of USD 33.9 million and other equity and retained earnings of USD 114.3 million. The Board of Directors considers the equity level of the Company adequate for the Company's current situation. The Board of Directors will monitor equity levels and take appropriate action as necessary.

The Board of Directors also makes reference to the risk factors discussed in this report. Specifically, the sections on the Company's liquidity risk and the impacts of tariffs imposed by China on US polysilicon which create 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 indemnification loan or the outcome of tax examinations are negative (See note 31 to the consolidated financial statements), the Company will not have the liquidity necessary to meet its financial obligations and continue to support the working capital requirements of ongoing operations.

The economic impact of the current global response to the COVID-19 (novel coronavirus) outbreak are expected to adversely impact the Company's liquidity risk. The impacts of the COVID-19 outbreak are dependent upon the extent and duration of the outbreak. If markets served by the Company are impacted further and/or do not recover quickly, the Company's liquidity risk will increase further. In addition, if the impact of COVID-19 lasts for an extended period of time and/or capital markets are substantially degraded, the Company's ability to raise additional capital and sell assets may be adversely affected.

The risk factors described above indicate that material uncertainty exists and cast significant doubt on the Company's ability to continue as a going concern. Management and the Board of Directors have identified initiatives to reduce spending and to improve the efficiency of the Company's operations. If necessary, the Company plans to sell assets, issue debt, and/or issue additional equity to obtain additional capital. The Board of Directors believes that these initiatives and plans are realistic and are sufficient to support the assumption that the Company has the ability to meet its financial obligations and continue to support the working capital requirements of ongoing operations for the next 12 months.

Accordingly, the Board of Directors confirms that the Financial Statements have been prepared under the assumption that the Company is a going concern and that this assumption is appropriate at the date of the accounts.

REC SILICON ASA (NGAAP)

Financial Review

REC Silicon ASA (the Company) prepares its financial statements according to NGAAP. The Company is a holding company with corporate management and financial functions.

In 2019, REC Silicon ASA had a negative EBIT of USD 1.6 million compared to a negative EBIT of USD 1.7 million in 2018. The Company recorded a net loss of USD 85.0 million in 2019. The net loss included net financial expenses of USD 83.3 million which includes impairment of loans to subsidiaries in the United States of USD 13.7 million, impairment of shares in REC Silicon AS of USD 57.0 million, and interest expenses of USD 13.3 million. Interest income from subsidiaries was suspended for 2019 and 2020 due to the financial position and outlook of the borrowing companies. Interest income was USD 70.7 million in 2018. The remaining USD 0.7 million of net financial items was due to interest income, other financial expenses, and currency gains and losses. In 2018, the net loss included USD 391.1 million due to the impairment of REC Silicon ASA's loans to its subsidiaries in the United States and USD 10.0 million due to the impairment of REC Silicon Pte. Ltd. (See note 31 to the consolidated financial statements and note M to the financial statements for REC Silicon ASA).

Total equity for the parent Company was USD 148.2 million at December 31, 2019 compared to USD 214.2 million at December 31, 2018. This decrease is a result of the net loss of USD 85.0 million discussed above which was partly offset by USD 19.0 million in net proceeds from the private placement of equity.

Allocation of the Net Loss for the Parent Company

The Board proposes that the net loss for the year of USD 85.0 million be distributed to Share Premium (USD 16.1 million) and other equity (USD 68.9 million).

Organization

REC Silicon ASA had one employee at the end of 2019.

Change of Control

The USD Senior Secured bond agreement and the indemnification loan have change of control provisions. If a shareholder or a group of shareholders gains control of more than 50 percent of the share capital, bondholders acquire a put option entitling them to cancel the commitments and declare all outstanding amounts and accrued unpaid interest due and payable. More detailed information can be obtained from the bond trustee, Nordic Trustee ASA.

RISK FACTORS

The Group's activities expose it to a variety of financial risks, including currency risk, interest-rate risk, liquidity risk, credit risk, refinancing risk and others (See note 3 to the consolidated financial statements).

Market Risk

REC Silicon believes that there are significant uncertainties related to the market development going forward. This uncertainty relates primarily to supply and demand balance and its effect on polysilicon and silicon gas prices due in part to the ongoing trade dispute between the United States and China.

The impact of tariffs imposed on US polysilicon by China have prevented REC Silicon from participating in key polysilicon markets. As a result, REC Silicon has been forced to shut down the FBR plant in in Moses Lake, Washington to reduce spending and to maintain the Company's liquidity.

The shutdown of the FBR facility is intended to retain the liquidity necessary to maintain operations at the semiconductor materials facility in Butte, Montana.

In addition, general economic conditions and the effects of the trade war between China and the United States has had an adverse impact on markets served by the semiconductor materials facility in Butte, Montana. REC Silicon is also evaluating the potential impacts of the Phase I trade agreement on the overall economy and its impact on markets served by the Butte, Montana semiconductor materials facility.

On January 15, 2020 the Phase I economic and trade agreement was signed by the Government of the United States and the Government of China. This agreement has the potential to re-open solar grade polysilicon markets in China. The Company is evaluating the potential impacts of the Phase I trade agreement. The impacts of this agreement on conditions in markets in which the Company participates remains uncertain.

Recent world events indicate that the spread of COVID-19 (novel coronavirus) is having an adverse impact on the economy and is disrupting global supply chains. Specifically, there have been reports of underutilization of production capacity in industry segments served by REC Silicon. REC Silicon anticipates that its customers will experience a disruption of operations caused by the response to and the impact of the COVID-19 outbreak. The impacts of the COVID-19 outbreak are dependent upon the extent and duration of the outbreak.

Liquidity Risk

Impacts of tariffs imposed on US polysilicon imposed by China have effectively prevented REC Silicon from participating in key polysilicon markets and forced the Company to shut down the FBR facility in Moses Lake, Washington. In addition, general economic conditions and the effects of the trade war between China and the United States is having an adverse impact on markets served by the semiconductor materials facility in Butte, Montana and has increased the Company's liquidity risk.

Current market conditions and the shutdown of the FBR facility in Moses Lake place substantial risks on the Company's liquidity and its ability to meet operating cash flow requirements.

The spread of COVID-19 (novel coronavirus) is having an adverse impact on the economy and is disrupting global supply chains. Specifically, capital markets have been impacted and may adversely affect the Company's ability to raise additional capital if required. The impacts of the COVID-19 outbreak are dependent upon the extent and duration of the outbreak.

In addition, the minimum liquidity required by the covenants of the USD Senior Secured Bond is USD 15.0 million (See note 17 to the consolidated financial statements).

Accordingly, there is substantial risk associated with the Company's liquidity in 2020 (see Going Concern above).

Credit Risk

Credit risk is primarily related to accounts receivable and guarantees provided for discontinued operations. In accounts receivable, sources of credit risk include geographic, industry and customer concentrations; and risks related to the collection. Policies and procedures are in place for managing credit risk, including obtaining securities where possible. Market and customer specific developments affect credit risk.

Currency Risk

The Company's net cash flows from continuing operations are primarily in USD. Debt is denominated in USD and NOK. Accordingly, the Group's currency risk on a consolidated basis relates primarily to the sufficiency of net positive cash flows in USD to meet liabilities in NOK. The Group does not currently hold any hedging instruments to offset the risk of changes in exchange rates between the USD and NOK.

CORPORATE GOVERNANCE

Good corporate governance is essential to ensure that our business is run in a way that protects the long-term interest of all stakeholders. The Board of Directors has approved and implemented corporate governance principles endorsing and complying with the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. The Group's compliance with the Code of Practice is described in the report on Corporate Governance for 2019 which is included in this Annual Report.

Social and Environmental Responsibility

Sustainability is at the core of REC Silicon's business model. The Company acknowledges its responsibilities toward the environment, society, and the local communities in which it operates.

It is a Board responsibility to secure acceptable sustainability performance. To ensure compliance with policies, REC Silicon's management monitors performance through specific Key Performance Indicators (KPIs), reports results monthly and quarterly, and executes audits on all levels in the organization.

The Environment

REC Silicon's environment and climate policy commits the Company to maximize the positive contribution from its products and to minimize negative environmental impacts and reduce its carbon footprint. To achieve these goals, REC Silicon includes environmental considerations in the design, manufacture, and delivery of its products.

The Company sets clear objectives, monitors performance regularly, reports results, and audits to ensure continuous improvement. The Company's Pollution Prevention Plan and Process Safety Management Plan cover environmental risks in its operations and the annual, quarterly, monthly and weekly reporting includes emissions to air and water, as well as waste management.

The production of silicon materials is energy intensive and varies based upon the volume and mix of products manufactured. Total energy consumption decreased by 31.5 percent. Greenhouse gas emissions decreased by 25.7 percent because the reduction in energy usage at Moses Lake has a lower impact on greenhouse gas emissions because it

	2019	2018	% CHANGE
Energy			
Direct energy consumption (GWh)	**329**	620	-47%
Electricity (GWh)	**683**	857	-20%
Total energy use (GWh)	**1,012**	1,477	-31%
CO_2 emissions			
Direct emissions (tCO_2-eq)	**66,773**	126,740	-47%
Indirect emissions from electricity (tCO_2-eq)	**176,051**	199,959	-12%
Total CO_2 emissions (tCO_2-eq)	**242,824**	326,699	-26%
Water			
Water consumption (million m^3/yr)	**2.6**	2.5	5%
Waste water discharge (million m^3/yr)	**1.4**	1.4	4%
Waste			
Recycled waste (MT)	**56**	79	-29%
Non-hazardous waste (MT)	**5,454**	11,493	-53%
Hazardous waste (MT)	**60**	167	-64%
Total waste (MT)	**5,515**	11,660	-53%
Other figures			
Total number of permit breaches	**0**	1	-100%

is supplied by renewable sources. The decrease in energy usage was driven by the shutdown of the FBR facility on May 15, 2019.

Waste from the manufacturing processes is sorted and recycled with third-party waste management services. REC Silicon's production and maintenance cycles cause variations in waste generation. In 2019, the Company had a 52.7 percent decrease in total waste generation, with a reduction in recycled waste of 29.0 percent. This decrease consisted of a 52.5 percent decrease in nonhazardous waste, and a 64.0 percent decrease in hazardous waste. Water consumption increased by 4.6 percent compared to 2018 and wastewater discharge increased by 3.7 percent.

The Company registered zero environmental permit breaches in 2019 compared to one in 2018. There were no serious incidents or environmental releases in 2019.

Our Employees

Health and safety have the highest priority, and the Company aims to prevent all work-related accidents, injuries, and occupational illnesses. The target is zero incidents, zero injuries, and no harm to employees, contractors, partners, customers and communities.

REC Silicon had 284 employees as of December 31, 2019, down from 407 in 2018. This decrease is due to workforce reduction and employee attrition primarily because of the uncertainty caused by the continuing trade dispute between China and the United States.

To achieve a world-class safety culture, REC Silicon's employees take part in the Company's continuous safety-focused improvement efforts daily. This includes assessing all work activities to eliminate inherent risks as well as applying control measures. The Company has an extensive set of HSE procedures, safety departments at each facility, and employee-driven processes that monitor, audit, and further develop safety procedures, practices and protocols. All employees have the right and the responsibility to stop unsafe activities as needed.

Emphasis is placed on training employees and leadership in the Job Safety Analysis (JSA) method, which is applied to high-risk and nonstandard work activities. In 2019, employees performed 529 Safe Job Analyses and 380 Hazard Recognition Audits. Despite a challenging business environment, the number of lost time injuries (LTI) was reduced to zero injuries in 2019, and the number of total recordable injuries decreased from 8 in 2018 to 4 in 2019.

REC Silicon's compensation policy provides a benefit for paid time off (PTO). For employees in the State of Washington, a portion of an employee's PTO accrual is designated as Sick PTO in accordance with state regulations. Designated Sick PTO hours can only be used if the employee has sufficient PTO accrued. In 2019, 1,465 hours were designated as Sick PTO in Washington. REC does not separately identify sick days in compensating employees in the State of Montana. Accordingly, average sickness rates have not been provided. The Company maintains a health and wellness program which facilitates healthy lifestyle choices and activities.

REC Silicon is committed to equal opportunity employment and practices. All employees and applicants are treated without regard to age, gender, sexual orientation, nationality, race, religion, disability, marital situation or any other protected status. REC Silicon's policies clearly state the Company's expectations and provide examples of unwelcome behavior and reporting and complaints procedures. Of the employees, 17 percent are women. In the management group, 25 percent are women, and 50 percent of the Board members are women.

Human Rights

REC Silicon's Code of Conduct states that the Company supports fundamental human rights and will abstain from participating in any business activities that may compromise human rights, including child labor and forced labor. The main risk of human rights violations is in the Company's overseas and extended supply chain. REC Silicon's major purchases are electricity (produced regionally), industrial gases (produced at adjacent sites), and Metallurgical Grade Silicon (purchased from domestic and international sources).

Ethics and sustainability are part of REC Silicon's supply chain management process. The Company seeks to contract services, purchase materials, hire, and lease equipment in a manner that ensures that REC Silicon's own sustainability policies are met. The Company's standard terms and conditions require adherence to standards on human rights, freedom of association, child and forced labor, corruption, and occupational health and safety.

All strategic suppliers had contractual clauses or are subject to regulations regarding respect for human rights. There were no human right violations reported in 2019.

Anti-Corruption

REC Silicon sets high standards of integrity and believes that a sound business must be based on value-based management and clear guidelines on ethics and sustainability. The Code of Conduct, the Anti-Corruption Policy, and related procedures describe the behavior expected of our employees.

REC Silicon operates in a challenging business environment. The Code of Conduct and the Anti-Corruption Policy are backed by procedures that give practical guidance to help employees in their day-to-day work. Every employee is required to sign the Code of Conduct to acknowledge their commitment to adherence. New employees receive training on the Code of Conduct, including information about REC Silicon's Anti-Corruption policy and procedures.

REC Silicon investigates all potential integrity concerns and cooperates fully with the authorities. The Company takes every accusation of corruption seriously, performs thorough investigations, reports to the Board of Directors, and takes necessary action. No adverse action will be taken against an employee due to complaints submitted in good faith. Complaints can be made anonymously.

No incidents of corruption were reported in 2019.

Local Communities

REC Silicon and its employees together donated approximately USD 50 thousand to local communities, compared to USD 84 thousand in the previous year. REC Silicon's employees contributed 27 percent of the total by donating nearly USD 11 thousand in payroll deductions to United Way.

Employees also provided approximately 1,200 volunteer hours to programs and charitable organizations in 2019 compared to 2,000 hours in 2018. Because of reductions in the workforce, the number of volunteer hours contributed declined in 2019. However, REC and its employees remain committed to and are an integral component of local communities.

During 2019, contributions were primarily made to community assistance projects, youth programs, and education. REC Silicon sponsored activities including Solar Races and Energy Science Days, a program that engages 1,400 students and dozens of REC Silicon employees annually. REC Silicon donated to education programs including Montana Tech in Butte and Big Bend Community College in Moses Lake. REC Silicon employees also participated in community clean-up drives, local charity events, and on-site blood drives.

MARKET OUTLOOK

Industry forecasts estimate that semiconductor device production will increase during 2020 which is expected to result in stronger demand for semiconductor grade polysilicon in the second half of the year. At the beginning of 2020, REC Silicon's shipments of semiconductor grade polysilicon are expected to be seasonally weak due to contractual delivery times and reduced order levels to reduce customer inventory levels. Additional delays in the start-up of new wafer capacity and the completion of product qualifications may also adversely impact demand. For the year, REC Silicon's shipments of semiconductor grade polysilicon are expected to grow in certain key segments and are forecast by customers to increase in total compared to 2019 due to the completion of product qualifications and a stronger demand profile in the second half of the year. 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 result in demand growth.

Demand for silicon gases in certain semiconductor applications is expected to increase in 2020 compared to 2019. However, continued volatility in solar cell production, the shift of production of basic flat panel displays into China, and overcapacity in China are expected to adversely affect REC Silicon sales volumes. Competitive pressure due to overcapacity will continue to limit sales opportunities and is expected to place downward pressure on prices for silicon gases. For 2020 in total, current customer forecasts indicate that REC Silicon sales volumes of silicon gases will increase compared to 2019. In the longer term, demand for silicon gases is expected to recover due to technology improvements in flat panel display and semiconductor applications. In addition, macro-economic trends indicate that demand for consumer goods with silicon content is expected to grow.

End use PV demand for 2020 is expected to grow by approximately 9 percent to 132.1GW compared to 120.7GW in 2019 (PV InfoLink – PV Market Monthly Note – March 2020). Demand growth in 2020 is expected to be driven by increased PV demand in China which is forecast to increase from 26 percent of global PV demand in 2019 to 36 percent of global PV demand in 2020. Growth in PV demand is expected to be consistent with seasonal trends. Over the longer term, analysts' estimates of demand for PV installations indicate a balance between polysilicon supply and demand within the next 2 years. In addition, higher cost marginal producers have announced the shutdown of operations which is expected to have a material impact on the total supply of polysilicon to the solar industry. This is expected to place upward pressure on prices to encourage additional investments in polysilicon manufacturing capacity to support expected growth in the long-term demand for PV installations.

The COVID-19 (novel coronavirus) outbreak could adversely impact demand for the Company's products and disrupt supply chains which the Company relies upon to sell its products and to obtain materials and services (See note 33 to the consolidated financial statements).

TARGETS

The Company curtailed the operation of the FBR facility in Moses Lake as of May 15, 2019 and will not restart the FBR facility until significant positive developments in solar grade polysilicon markets occur. Therefore, no targets have been provided for the Solar Materials segment.

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

REC Silicon targets total polysilicon production of 960MT during 2020. Semiconductor grade polysilicon production is targeted at 620MT. Silicon gas sales volumes are targeted at 3,570MT during 2020.

These estimates do not reflect any estimated impacts of the Phase I trade agreement between the US and China or other developments in trade relations and their related impacts on the overall economy and on PV markets. The effects of additional developments in trade relations could impact demand for the Company's products.

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 "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 REC Silicon's activities described in section "Risk Factors" above.

Fornebu, March 23, 2020
Board of Directors

Jens Ulltveit-Moe
Chairman of the Board

Espen Klitzing
Member of the Board

Ragnhild Wiborg
Member of the Board

Inger Berg Ørstavik
Member of the Board

Tore Torvund
President and CEO

STATEMENT OF COMPLIANCE

The Board of Directors and the Chief Executive Officer (CEO) have today considered and approved the report from the Board of Directors and CEO, the financial statements for the Group and for the parent company REC Silicon ASA (the Company) for the year ending December 31, 2019.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements as stated in the Norwegian Accounting Act that are applicable at December 31, 2019. The financial statements for the Company have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway that are applicable at December 31, 2019. The report from the Board of Directors and CEO, including the report on corporate governance, for the Group and the Company has been prepared in accordance with the Norwegian Accounting Act and the Norwegian Accounting Standard no. 16 applicable at December 31, 2019.

We confirm that, to the best of our knowledge:

- The financial statements for the Group and the Company for the year ending December 31, 2019 have been prepared in accordance with applicable accounting standards, and
- The information in the financial statements gives a true and fair view of the Group's and the Company's assets, liabilities, financial position, and results of operations for the year ending December 31, 2019, and
- The report from the Board of Directors for the year ending December 31, 2019 includes a fair review of:
    - The development, results of operations and position for the Group and the Company, and
    - The principal risks and uncertainties for the Group and the Company.

Fornebu, March 23, 2020
Board of Directors

Jens Ulltveit-Moe
Chairman of the Board

Espen Klitzing
Member of the Board

Ragnhild Wiborg
Member of the Board

Inger Berg Ørstavik
Member of the Board

Tore Torvund
President and CEO

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

REC Silicon ASA (the "Company") and its subsidiaries (together REC Silicon Group/the Group), endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised on October 17, 2018.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE
The Board of Directors of REC Silicon ("Board") has prepared the following report that explains the Group's corporate governance practices and how it has complied with the Code of Practice in the preceding year. The application of the Code of Practice is based on the "comply or explain" principle and deviations from the code, if any, will be explained. The Group's corporate governance practices are subject to annual reviews and discussions by the Board.

REC Silicon Group deviated from the recommendations in the Code of Practice on two sections at year-end 2019. These deviations pertained to separate proxy voting for candidates to the Board (Section 6) and separate regulations for takeover bids (Section 14).

2. BUSINESS
REC Silicon believes the solar industry plays a key role as a long-term supplier of sustainable energy and its business is focused on the production of polysilicon and silicon gases for the solar and electronics industries. To make solar electricity competitive with traditional energy sources, the Group focuses on cost reduction and improvements to products. This should be achieved through the introduction of new process and product technologies as well as continuous productivity improvement and technology development.

The Group's business corresponds with the purpose of the Company which is described in its Articles of Association § 3: "The Company's purpose is development and sale of products and services related to renewable energy sources, and to perform other financial operations related to such. The Company may, through subscription of shares or in any other ways, including granting of loans, acquire interests in other companies with identical or similar purposes".

The Board of Directors has defined clear strategies, business goals and risk profile for the Group's business activities, to create value for its shareholders and ensure that its resources are utilised in an efficient and responsible manner to the benefit of all its stakeholders. Sustainability is at the core of REC Silicon's business model and the Company acknowledges its responsibilities toward the environment, society and the local communities in which it operates. The Board carries the responsibility to secure acceptable sustainability performance and has implemented various policies providing business practice guidance and reporting procedures to ensure continuous improvement.

The Group's strategies, business goals and risk profile are reviewed on an annual basis and presented in the annual report, quarterly reports, and at various investor meetings.

3. EQUITY AND DIVIDENDS
The Group's consolidated equity was USD 0.8 million on December 31, 2019, which represented 0.3 percent of total assets. The debt-to-equity ratio was 341.7. The Board monitors the Group's capital structure and takes actions necessary to ensure that it is appropriate for the current objectives, strategy, and risk profile. Reference is also made to the consolidated financial statements note 3.3 regarding capital structure and financing and note 3.1 regarding financial risk and to the report of the Board of Directors.

The Group's ambition is to give its shareholders a high and stable return on their investment and to be competitive compared with alternative investment opportunities with comparable risk.

To support committed investments and productivity improvements, the Board's view so far has been that retained earnings should be used within the Company. Accordingly, there has been no distribution of dividends to the shareholders since the Company was publicly listed in 2006, and no proposed dividend payments for the financial year 2019.

The Board will continue to assess the capital structure based on the goals, strategies, risk profile, and the financial situation of the Company.

At the Annual General Meeting (AGM) on May 9, 2019, the Board was granted the following authorities:

- Authority to acquire treasury shares in the Company (up to a maximum of ten percent of the face value of the share capital) in connection with the Company's share option program for its employees and/or to increase return on investment for the Company's shareholders. As of December 31, 2019, the authorisation has not been used.
- Authority to increase the share capital with up to NOK 279,400,000, which equals approximately ten percent of the existing share capital after the completion of the private placement. If the share capital is reduced, the authorisation shall be reduced accordingly. As of December 31, 2019, the authorisation has not been used.

These authorities are restricted to defined purposes and each mandate was considered separately. They are valid until the AGM in 2020 or no later than 15 months from the date of the 2019 AGM.

For further information about the mandates given to the Board, reference is made to the minutes from REC Silicon's 2019 AGM, which are available on the Company's website (www.recsilicon.com).

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company seeks to conform to the principles for equal treatment of shareholders and is generally cautious in transactions with shareholders, members of the Board of Directors, Group Management, or other related parties.

In the event of a share capital increase based on authorisation from the general meeting, where the pre-emptive rights of shareholders are set aside, grounds will be provided in the stock exchange notice in which the share capital increase is announced.

In 2019, REC Silicon completed a private placement to strengthen the Company's liquidity, where the pre-emptive rights of the shareholders were set aside. The waiver of the preferential rights was considered necessary in the interest of time and successful completion.
A contemplated subsequent offering directed towards all shareholders of the Company was considered, but not executed as the shares traded on the Oslo Stock Exchange, with sufficient trading volume, at prices below subscription price of the intended subsequent offering.

In connection with the private placement, the share capital was reduced by reduction of the nominal value of the shares from NOK 1 to NOK 0.10. At the time of the private placement, the Company's shares traded below nominal value and the subscription price. Pursuant to Oslo Stock Exchange's continuing obligations item 2.4, the quoted price for a company's share shall not be lower than NOK 1 for a 6-month period. Following completion of the share capital reduction and private placement, the AGM resolved to increase the share capital to facilitate a reverse share split and a suitable pricing of the Company's shares. The shares were consolidated in the ratio of 10:1. For details on the share capital reduction, private placement and reversed share split, see stock exchange releases from 2019.

For significant transactions with closely related parties, the Company uses valuations and statements from independent third parties if the transaction is not to be considered by the General Meeting. There were no agreements in 2019 between the Group and its shareholders, directors, Group Management or other related parties that could be described as a material transaction.

5. FREELY NEGOTIABLE SHARES

REC Silicon ASA has one class of shares and each share confers one voting right at the General Meetings. The Company's shares are listed on the Oslo Stock Exchange, where they are freely transferable. There are no restrictions on owning, trading or voting for shares in the articles of association.

6. GENERAL MEETINGS

The General Meeting is the Company's highest authority, and open to all shareholders. The Company encourages shareholders to participate and exercise their rights. To attend and vote at the General Meeting, shares must be registered in the Central Securities Depository (VPS) by the fifth business day prior to the General Meeting.

The AGM is held by the end of June every year in the municipality where the Company has its registered business address or in Oslo. The 2019 Annual General Meeting was held on May 9, 2019 in Oslo, with 37.87 percent of the Company's shares represented. The Board, auditor, or shareholders representing at least 5 percent of the shares can call for Extraordinary General Meetings when deemed necessary. There were no such meetings in 2019.

The notice of the General Meeting and supporting documents are made available on the Company's website no later than 3 weeks prior to the date of the meeting. Shareholders may however request the documents by mail. Efforts are made to ensure that proposed resolutions and supporting information are sufficiently detailed and comprehensive to allow the shareholders to form a view on all matters to be considered at the meeting. The notice includes information about shareholders' rights. The notice period, right to attend and agenda proposals are regulated in the Articles of Association.

Shareholders are entitled to request that specific matters be placed on the agenda of a general meeting by giving written notice to the Board within 7 days prior to the time limit for notice of the General Meeting together with a proposal for resolution and reasons why the matter is proposed for consideration. If the notice has already been distributed, a new notice shall be distributed if the time limit for notice to the General Meeting has not expired.

Shareholders wishing to participate at the General Meeting shall notify the Company within a specific time limit, and a minimum 5 days prior to the General Meeting. Shareholders who have not given notice within the time limit may be denied participation at the meeting.

Shareholders who cannot attend the General Meeting may vote by proxy. They may elect a proxy of their choice, and the Company also nominates a person that shareholders may elect as a proxy. Information about the procedures shareholders must observe to participate and vote is given together with the notice of the meeting. A proxy form is prepared in a way that allows separate voting instructions to be given for each matter considered. The Articles of Association allow the Board to accept written advance votes subject to the existence of a satisfactory method for verifying the identity of the shareholder.

The Articles of Association also allow the Board to accept votes cast through electronic communication. So far, no satisfactory solutions for written advance votes and electronic voting have been established, but the Board will continue to evaluate any solutions that become available.

The Chairman of the Board, the Board members, the auditor, and the members of the Nomination Committee are normally present at the General Meeting. All Board members are encouraged to participate at the meeting.

The General Meeting is opened by the Chairman of the Board who nominates an independent chair for election to lead the meeting.

Deviation from the Code of Practice:
The Code recommends that separate proxy voting for candidates to the Board be available for shareholders who are unable to attend the General Meeting in person. However, it is not possible to vote separately on each candidate nominated to the Board by way of proxy because the composition of the Board must be in accordance with applicable legislation regarding gender representation and qualifications for committee assignments. The nomination committee's proposal is given with respect to such legislation. Should a situation arise where the composition of the Board might conflict with applicable legislation, the situation and consequences of electing a board contrary to legislation should be discussed at the General Meeting and shareholders should base their votes on the views discussed.

7. NOMINATION COMMITTEE
The Articles of Association provide for a Nomination Committee consisting of 3 members. The members are elected by the General Meeting for a term of 2 years and the general assembly appoints the chair of the Committee. The remuneration of the Nomination Committee is decided by the General Meeting. The Nomination Committee makes proposals to the General Meeting for members to be elected to the Nomination Committee.

The Nomination Committee presents recommendations to the General Meeting regarding election of shareholder-elected members to the Board and the remuneration for members of the Board. The Committee's recommendations provide relevant information on the candidates and are based on consultations with the largest shareholder groups of the Company.

The Nomination Committee examines the annual report by the Board of Directors on the evaluation of its own work and takes its contents into consideration when making its recommendations on board composition. The Committee also consults with the CEO, the Chairman of the Board, the shareholder-elected Board members and the largest shareholders of the Company before submitting its proposals.

The Nomination Committee presents and provides the basis for the proposals by the Committee at the General Meeting and also reports on how its work has been carried out during the past year. The rules of procedure do not establish rules for rotation of the members of the Nomination Committee.

The current members of the Nomination Committee are Mr. Rune Selmar (chair) (re-elected in 2018), Ms. Live Haukvik Aker (re-elected in 2019), and Mr. Ole Jacob Ræstad (re-elected in 2019). Mr. Ole Jacob Ræstad currently holds the positions as CEO of Umoe Gas Carriers AS and CFO of Knutsen OAS Shipping, both related to the Umoe Group, which is controlled by Board Chairman Jens Ulltveit-Moe. The remaining members of the Nomination Committee are independent of the Board of Directors and Group Management.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE
The Board consists of between 3 and 12 directors, of which up to 8 are elected by the shareholders. Board members and the Chairman of the Board are elected by the shareholders for terms of one year. At December 31, 2019, the Board consisted of 4 directors.

The directors are presented in the Annual Report and on the Company's website with information about education and experience. Currently 2 of the 4 shareholder-elected members are women.

All members of the Board are independent of Group Management. All Board members are independent of material business contacts. Board members Ragnhild Wiborg and Inger Berg Ørstavik were independent of the Company's main shareholders for all of 2019. On December 2, 2019, Umoe AS announced that it had sold all of its shareholding in REC Silicon ASA. After this date, all Board members were independent of the Company's main shareholders.

Board members are encouraged to acquire shares with due consideration to the requirements of the Securities Trading Act and Company procedure for primary insiders. The Company assists Board members' compliance with mandatory disclosure obligations. Primary insiders should abstain from short-term transactions in financial instruments and apply due care and diligence with regard to ownership periods.

9. WORK OF THE BOARD OF DIRECTORS
The Board has the ultimate responsibility for the management of the Company and the Group and for supervising management.

The Board has adopted "Rules of procedures for the Board of Directors". The rules describe Board responsibilities, duties and administrative procedures as well as the tasks and duties of the Chief Executive Officer. The Board has also adopted a Chart of Authority regulating matters that are to be decided by the Board and matters that may be decided by Group Management. The Chart of Authority distinguishes between investment decisions, customer contracts, procurement contracts, compensation, and finance and is reviewed on an annual basis. The Board holds at least one meeting per year with the auditor and without any members of Group Management or administration present.

The Board has adopted guidelines to ensure that they will be informed of possible interests of Board members or members of Group Management or close associates in any transaction or matter dealt with by the Board, as well as guidelines for handling of such situations. The Board must review and approve all transactions between the Group and Group Management or the Board of Directors.

REC Silicon ASA's offices are owned by Umoe AS and leased to the Company. Umoe AS is controlled by Board Chairman Jens Ulltveit-Moe.

The Board engages a third-party consultant to evaluate the performance of the Board of Directors. This evaluation is based upon interviews with members of the Board and members of management interacting with the Board. The evaluation is designed to measure Board performance in its entirety and be reflective of best practices in governance. The results of this evaluation are provided to the Chairman of the Board of Directors and incorporated in the work of the Board of Directors as appropriate. The evaluation is normally conducted every second year, depending on changes in the composition of the Board. The Board did not consider it necessary to conduct a new evaluation in 2019.

The Board has established two committees: an Audit Committee and a Compensation Committee.

Audit Committee
The Audit Committee consists of 2 Board members, both independent of Group Management. The Committee collectively has the competence required in the Public Limited Liability Companies Act § 6-42. Both members are independent according to § 6-42 Public Limited Liability Companies Act, and both members have the required qualifications within accounting and auditing. At December 31, 2019, the audit committee members were Ms. Ragnhild Wiborg (chair) and Mr. Espen Klitzing.

The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, auditing, control, and prepares discussions and resolutions for Board meetings. It has no decision-making authority. In addition, under the whistle-blower procedure, complaints from employees and other concerned parties are received and followed up by the Committee. The Chief Financial Officer participates in the meetings of the Audit Committee. The Committee holds at least one meeting per year with the auditor and without the Chief Financial Officer or any other members of the Group Management and administration present.

The Audit Committee held 6 meetings in 2019 and was in regular contact with the Company's auditor regarding audits of the statutory accounts. The Committee also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

The Committee makes recommendations to the Board with respect to appointment, retention and termination of the Group's auditor as well as the auditor's fees. The Committee reviews complaints regarding accounting, internal controls, and auditing matters.

The tasks and rules of procedure of the Audit Committee are further regulated in the Audit Committee Charter.

Compensation Committee
The Compensation Committee consists of 2 members of the Board, which are independent of the group management. The Committee supports the Board by preparing resolutions on the terms and conditions of employment for the Chief Executive Officer and the general principles and strategies for compensation of Group Management including bonus and share based compensation as well as other personnel matters.

The tasks and procedures of the Compensations Committee are further regulated in the Compensation Committee Charter. At December 31, 2019, the Compensation Committee members were Mr. Jens Ulltveit-Moe and Ms. Inger Ørstavik.

During 2019, the Compensation Committee met 3 times.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Group's risk management system shall ensure that the Group has a systematic and uniform approach to risk management. The system defines roles, responsibilities, processes and procedures, standards, tools and documentation, including considerations related to integrating stakeholders in relation to the Company's value creation.

Group Management sets the context in which risks are managed and supervises the risk management process. Group Management performs separate risk evaluations based on a top-down approach. Risk assessments are presented to the Audit Committee and the Board of Directors. The Board performs a review of risks in connection with the approval of the annual budget.

MEMBERS OF BOARD OF DIRECTORS	POSITION	BOARD MEMBER SINCE	UP FOR ELECTION	PARTICIPATION AT BOARD MEETINGS IN 2019
Jens Ulltveit-Moe	Chairman	2013	2020	15 of 15
Ragnhild Wiborg	Board member	2013	2020	15 of 15
Espen Klitzing	Board member	2013	2020	15 of 15
Inger Berg Ørstavik	Board member	2013	2020	15 of 15
Terje Osmundsen	Board member	2016	N/A	7 of 15 (left the Board as of May 9, 2019)

Group Management regularly updates the Board of Directors including operational reviews, HSE (Health, Safety and Environment) measures, financial highlights and key performance indicators. Prior to each Board meeting, the CEO prepares a report to the Board of Directors, which includes this information in addition to any items requested by Board members and items requiring action by the Board of Directors.

Because the Group operates internationally, it is required to comply with numerous national and international laws and regulations. All business activities and processes must be conducted in accordance with laws, and regulations.

To strengthen internal control, the Group has established an Anticorruption Policy and procedures, provided training to employees and managers, and performed a fraud risk assessment. Whistleblower complaints and other internal control activities are presented to the Audit Committee according to the Audit committee charter.

To ensure consistent financial reporting throughout the Group, financial information is reported through a computerized financial reporting system utilizing a common chart of accounts and procedures designed to ensure the consistency of information reported. Subsidiaries accumulate transactional information, period end balances, and performance statistics through ERP systems designed to meet the business requirements of each operation. Quarterly and year-end reporting processes are expanded to meet various supplementary requirements.

The quarterly and yearly reporting process and significant accounting and reporting issues are discussed with the Audit Committee in the presence of the external auditor.

The Group's financial risk management is described in the consolidated financial statements (note 3). Reference is also made to the Board of Directors' report that includes an analysis of the financial statements and the risk factors.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board receive remuneration in accordance with their individual roles. Board members who participate in the Audit Committee or the Compensation Committee receive additional compensation.

Board remuneration is not linked to Company performance and members are not granted share options.

Details on the remuneration of the Board of Directors are disclosed in the consolidated financial statements (note 16).

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board of Directors, but if they do, this shall be disclosed to the full Board. The remuneration for such additional duties will be approved by the Board of Directors. There were no such assignments in 2019.

12. REMUNERATION OF THE GROUP MANAGEMENT

The Board determines remuneration of the Chief Executive Officer.

Group Management remuneration has been established according to guidelines from the Board. The Board presented its policy on the remuneration of Management at the General Meeting in May 2019. The general meeting approved the policy. The Board of Directors' statement regarding compensation of leading employees has been included in the consolidated financial statements (note 16) which are available on the Company's website.

The remuneration of the Group Management consists of a basic salary, relevant fringe benefits and membership in the Company's pension and insurance schemes. The remuneration also includes performance bonuses for selected individuals based on an annual performance-related compensation system. In addition, the Board has adopted an incentive program for retaining key personnel. The performance bonuses are linked to the Group's financial performance and defined KPI's over time and includes incentives related to performance employees can influence. There are absolute limits for the performance-related remuneration, where maximum performance bonus pay-out for the management varies between 33-100 percent of the yearly fixed base salary.

The Board extends long-term incentive programs for keeping key personnel, whereby employees' entitlements are linked to the share price development of the Company's shares. The program, which is a 6-year program started in 2014, includes a lock-up period of the shares and absolute limit for the maximum gain in each calendar year. Details on the features and awards made under this plan are disclosed in the consolidated financial statements (note 32).

At the General Meeting in 2019, the general assembly voted separately on the compensation to leading employees and the statement regarding long-term incentive plans.

Details on the remuneration of the Chief Executive Officer and other members of Group Management are disclosed in the consolidated financial statements (note 16).

13. INFORMATION AND COMMUNICATION

The Company treats its investors equally. Timely information is published simultaneously to all investors in accordance with applicable legislation and regulation in order to provide the best possible basis for evaluation of Company performance. All information is provided in English.

The Board has adopted an Investor Relations (IR) policy specifying, among other things, who is entitled to speak on behalf of the Company on various subjects and with guidelines for the Company's contact with shareholders other than through General Meetings. Interim reports are published on a quarterly basis, in line with Oslo Stock Exchange's recommendations.

Interim reports include presentations to provide an overview of operational and financial developments, market outlook, and the

Company's prospects. The presentations are open to the public and made available through a webcast. The Chief Executive Officer, the Chief Financial Officer and the IR Officer are normally present at the quarterly presentations. Furthermore, the Company keeps an ongoing dialogue with its investors and makes presentations to analysts and investors through various conferences and events.

The Company observes a "Silent Period" extending from the last day of the quarter until operating results are released publicly. During this period, Group Management is not available for discussions with investors or analysts. The IR Officer is available on a limited basis to provide material previously released and to facilitate the collection and distribution of consensus forecasts. The Investor Relations function is in charge of coordinating the Company's communications to the market and to existing and potential investors of the Company. The Investor Relations Officer is an independent contractor that reports to the Chief Financial Officer.

14. TAKE-OVERS

The Company has no defence mechanism to prevent take-over bids. The Board is open to initiatives that are commercially and financially attractive for the shareholders. The Board will assess potential offers in accordance with applicable legislation and Code of Practice requirements in due course.

Any transaction that effectively constitutes a disposal of a majority of the Company's activities will be decided by the General Meeting.

Deviation from the Code of Practice:

The Board has not established separate guidelines in the event of a take-over bid as recommended by the Code of Practice. Take-over bids are usually specific, one-off, events which makes preparation of guidelines challenging. In the event of a take-over process, the Board will ensure that the Company's shareholders are treated equally, and that the Company's activities are not unnecessarily interrupted. The Board will further seek to comply with the relevant recommendations from the Code of Practice.

15. AUDITOR

The Company's external auditor, KPMG, is elected by the General Meeting and is regarded as independent from the Company.

The Board of Directors requires the auditor to participate at Board meetings with respect to the Annual Financial Statements and provide comments related to the accounting principles and the Financial Statements. The auditor comments on any material changes in the Company's accounting principles, material estimates used to calculate accounting figures, and reports disagreements between the auditor and Group Management.

The auditor presents significant identified weaknesses and proposals for improvements of the internal control procedures annually to the Board with an annual confirmation that the auditor has satisfied the requirements for independence together with a summary of all services provided to the Group. The auditor meets with the Audit Committee and the Board once a year without the Chief Executive or any other member of the Group Management present.

The auditor is also required to participate in meetings of the Audit Committee and present the main features of the audit plan to the Committee.

Remuneration of the auditor is approved by the General Meeting. The auditor provides a break-down between audit and non-audit services, and information is provided to the General Meeting about non-audit services provided by the auditor. The Board has issued guidelines regarding Group Management's use of the auditor for services other than audit. These guidelines include a list of services that are pre-approved for fees up to NOK 500,000 and requires audit committee approval for all other non-audit services or if fees are more than NOK 500,000.

The auditor participates at the AGM and presents the independent auditor's report.

FINANCIAL STATEMENTS

REC SILICON GROUP & REC SILICON ASA

REC SILICON GROUP

REC SILICON ASA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION REC SILICON GROUP

(USD IN MILLION)	NOTES	2019	2018
ASSETS			
Non-current assets			
Intangible assets	6	**1.1**	11.8
Land and buildings	6	**39.1**	41.1
Machinery and production equipment	6	**73.1**	90.9
Other tangible assets	6	**4.2**	4.8
Assets under construction	6	**3.9**	9.4
Property, plant and equipment	6	**120.2**	146.2
Right of use assets	7	**33.8**	0.0
Investments in associates	9	**0.0**	34.2
Other investments	9	**18.0**	0.0
Other non-current receivables	12	**4.1**	6.4
Financial assets and prepayments		**22.1**	40.6
Total non-current assets		**177.3**	198.6
Current assets			
Inventories	13	**47.7**	79.1
Trade and other receivables	12	**30.5**	40.8
Current tax assets	18	**1.3**	2.7
Restricted bank accounts	14	**4.4**	4.4
Cash and cash equivalents	14	**29.4**	31.8
Total current assets		**113.4**	158.7
Total assets		**290.6**	357.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION REC SILICON GROUP

(USD IN MILLION)	NOTES	2019	2018
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital		**2,812.3**	3,158.0
Other equity and retained earnings		**-2,811.4**	-3,051.3
Total shareholders' equity		**0.8**	106.7
Non-current liabilities			
Retirement benefit obligations	19	**19.5**	15.5
Non-current provision, interest calculation	6, 20	**3.3**	3.0
Non-current financial liabilities, interest bearing	17	**109.0**	108.6
Non-current lease liabilities	7	**41.6**	0.0
Non-current prepayments, interest calculation	20	**0.5**	4.2
Other non-current liabilities, not interest bearing		**0.1**	5.3
Total non-current liabilities		**174.0**	136.6
Current liabilities			
Trade payables and other liabilities	20	**56.6**	62.1
Current tax liabilities	18	**24.3**	24.5
Derivatives	11	**1.4**	1.5
Current financial liabilities, interest bearing	17	**22.4**	22.7
Current lease liabilities	7	**7.0**	0.0
Current prepayments, interest calculation	20	**4.1**	3.2
Total current liabilities		**115.8**	114.0
Total liabilities		**289.8**	250.6
Total equity and liabilities		**290.6**	357.3

Fornebu, March 23, 2020
Board of Directors

Jens Ulltveit-Moe
Chairman of the Board

Espen Klitzing
Member of the Board

Ragnhild Wiborg
Member of the Board

Inger Berg Ørstavik
Member of the Board

Tore Torvund
President and CEO

CONSOLIDATED STATEMENT OF INCOME REC SILICON GROUP

(USD IN MILLION)	NOTES	2019	2018
Revenues	5	**160.2**	221.2
Cost of materials		**-25.6**	-57.3
Changes in inventories		**-20.7**	1.5
Employee benefit expenses	16, 24, 32	**-44.9**	-59.7
Other operating expenses	22	**-79.9**	-110.1
Other income and expenses	23	**-2.0**	-0.5
EBITDA [1]		**-12.9**	-4.9
Depreciation	6	**-42.0**	-61.1
Amortization	6	**-0.3**	-0.5
Depreciation of right of use assets	7	**-7.1**	0.0
Impairment	6, 7, 8	**-20.4**	-340.5
Total depreciation, amortization and impairment		**-69.8**	-402.2
EBIT [2]		**-82.6**	-407.1
Profit/loss from investments in associates	9	**-24.2**	73.0
Financial income	25	**0.7**	0.9
Net financial expenses	25	**-19.6**	-18.0
Net currency gains/losses	25	**-1.2**	3.1
Net financial items		**-20.2**	-14.0
Profit/loss before tax		**-127.0**	-348.0
Income tax expense/benefit	18	**0.0**	6.5
Profit/loss		**-127.0**	-341.6
Attributable to:			
Owners of REC Silicon ASA		**-127.0**	-341.6
Earnings per share (In USD)			
-basic	26	**-0.47**	-1.34
-diluted	26	**-0.47**	-1.34

[1] EBITDA - EBIT excluding depreciation, amortization and impairment.
[2] EBIT - Profit/loss from total operations excluding income tax expenses/benefit, net financial items, and share of profit/loss from investments in associates.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME REC SILICON GROUP

(USD IN MILLION)	2019	2018
Profit/loss	-127.0	-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
Remeasurement of defined benefit plans	-5.9	3.5
Currency translation effects	0.0	1.5
Sum items that will not be reclassified to profit or loss	-5.9	3.1
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences		
- taken to equity	-1.9	-3.7
- transferred to profit/loss for the period [2]	9.9	0.0
Sum items that may be reclassified subsequently to profit or loss	8.0	-3.7
Total other comprehensive income	2.1	-0.6
Total comprehensive income	-124.9	-342.2
Total comprehensive income attributable to:		
Owners of REC Silicon ASA	-124.9	-342.2

[1] Impact of adopting IFRS 9.
[2] See note 9 investments.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY REC SILICON GROUP

		ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA						
(USD IN MILLION)	NOTES	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	**TOTAL PAID-IN CAPITAL**	OTHER EQUITY	COMPREHENSIVE INCOME	**TOTAL EQUITY**
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	32	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	-342.1	**-342.1**
At December 31, 2018		405.3	2,710.9	41.8	**3,158.0**	174.3	-3,225.6	**106.7**
Year 2019								
At January 1, 2019		405.3	2,710.9	41.8	**3,158.0**	174.3	-3,225.6	**106.7**
Share issue	15	2.9	16.1	0.0	**19.0**	0.0	0.0	**19.0**
Share capital reduction	15	-364.8	0.0	0.0	**-364.8**	364.8	0.0	**0.0**
Total comprehensive income		0.0	0.0	0.0	**0.0**	0.0	-124.9	**-124.9**
At December 31, 2019		43.4	2,727.0	41.8	**2,812.3**	539.0	-3,350.5	**0.8**

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 2018				
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**
Year 2019				
Accumulated at January 1, 2019	20.0	20.9	-3,266.4	**-3,225.6**
Profit/loss	0.0	0.0	-127.0	**-127.0**
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	0.0	0.0	-5.9	**-5.9**
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	-5.9	**-5.9**
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-1.9	0.0	0.0	**-1.9**
Currency translation differences transferred to profit/loss for the period	9.9	0.0	0.0	**9.9**
Sum items that may be reclassified to profit or loss	8.0	0.0	0.0	**8.0**
Total other comprehensive income for the period	8.0	0.0	-5.9	**2.1**
Total comprehensive income for the period	8.0	0.0	-132.9	**-124.9**
Accumulated at December 31, 2019	27.9	20.9	-3,399.3	**-3,350.5**

CONSOLIDATED STATEMENT OF CASH FLOWS TOTAL OPERATIONS REC SILICON GROUP

(USD IN MILLION)	NOTES	2019	2018
Cash flows from operating activities			
Profit/loss before tax[1]		**-127.0**	-348.0
Income taxes paid/received	18	**2.7**	0.7
Depreciation, amortization and impairment	6, 7, 8	**69.8**	402.2
Investment in associates, impairment financial assets, gains/losses on sale	9	**24.2**	-72.5
Changes in receivables, prepayments from customers etc.	12	**5.4**	9.7
Changes in inventories	13	**21.5**	3.8
Changes in payables, accrued and prepaid expenses	20	**-7.8**	-5.7
Changes in provisions	20	**0.0**	-0.3
Changes in VAT and other public taxes and duties	20	**0.0**	0.0
Changes in derivatives	11	**0.0**	-0.1
Currency effects not cash flow or not related to operating activities	25	**-0.5**	-1.7
Other items[2]		**-1.4**	1.9
Net cash flow from operating activities		**-13.0**	-10.1
Cash flows from investing activities			
Proceeds/Payments finance receivables and restricted cash	14	**0.0**	0.0
Proceeds from sale of property, plant and equipment and intangible assets	6	**1.5**	0.6
Payments for property, plant and equipment and intangible assets	6	**-2.0**	-1.7
Net cash flow from investing activities		**-0.6**	-1.2
Cash flows from financing activities			
Increase in equity	15	**19.0**	0.0
Payments of lease liabilities	7	**-7.8**	0.0
Payments of borrowings and up-front/waiver loan fees[3]	17	**0.0**	-171.4
Proceeds from borrowings	17	**0.0**	110.0
Net cash flow from financing activities		**11.2**	-61.4
Effect on cash and cash equivalents of changes in foreign exchange rates	25	**0.0**	0.0
Net increase/decrease in cash and cash equivalents		**-2.4**	-72.7
Cash and cash equivalents at the beginning of the period		**31.8**	104.5
Cash and cash equivalents at the end of the period		**29.4**	31.8
[1] PROFIT/LOSS BEFORE TAX FROM OPERATIONS INCLUDES			
Interest Paid		**-17.6**	-14.9
Interest Received		**0.7**	0.8

[2] In 2019, Other items includes an adjustment of pension liabilities
[3] Payment of borrowings include fees and costs for issue and repurchase of interest bearing debt.

INDEX OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REC SILICON GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REC SILICON GROUP

1 GENERAL INFORMATION

REC Silicon ASA was established in Norway on December 3, 1996. The Company is headquartered in Fornebu, Norway.

Company and its subsidiaries (together, "REC Silicon Group" or "Group") have a presence in the international solar energy industry. Group operations are focused on the production of polysilicon and silicon gases for the solar and electronics industries.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Fornebuveien 84, Lysaker.

These consolidated financial statements have been approved for issue by the Board of Directors on March 23, 2020 and are subject to approval by the Annual General Meeting scheduled for May 12, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), relevant interpretations, and the Norwegian Accounting Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by the impairment of certain assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Actual outcomes may differ substantially. It also requires management to exercise judgment in applying the Group's accounting policies. Areas involving a high degree of judgment or complexity, and areas where assumptions and estimates have a significant impact are disclosed in note 4.

2.2 CONSOLIDATION

(A) Subsidiaries

Subsidiaries are entities controlled by the Group. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date control is obtained until the date that control ceases.

All subsidiaries are owned 100 percent and there are no non-controlling interests.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated.

(B) Joint ventures

A joint venture is an arrangement where two or more parties have joint control. Joint control exists only when decisions require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by the equity method of accounting.

(C) Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for by the equity method of accounting.

2.3 SEGMENT REPORTING

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. The Company's organization structure, management team, operating strategy, and performance measurement reporting support the determination that these businesses represent separate distinguishable operating segments. Accordingly, there are two operating segments: Solar Materials (Moses Lake, Washington) and Semiconductor Materials (Butte, Montana). The operating segments include revenues less cost of manufacturing excluding depreciation for products sold. Other includes 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.

2.4 FOREIGN CURRENCY TRANSLATION

(A) Functional and presentation currency

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"). The Group's reporting currency continues to be USD. Accordingly, these consolidated financial statements are presented in USD.

(B) Transactions and balances

Transaction in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates on the reporting date. Foreign exchange gains and losses resulting from the settlement or the translation of monetary assets and liabilities are recognized in the statement of income, except when deferred in equity as qualifying hedges or as a part of a net investment.

(C) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate;

(ii) Income and expenses for each statement of income are translated at average exchange rates for the reporting period (based on monthly average rates); and

(iii) All esulting exchange differences from translation are recognized as a separate component of other comprehensive income (OCI).

On consolidation, exchange differences arising from the translation of the net investment in subsidiaries, including monetary items that are regarded as a part of the net investment, are included in OCI. When a subsidiary is disposed of, exchange differences are recognized in the statement of income as part of the gain or loss on sale. At December 31, 2019 and 2018, an intercompany loan to REC Silicon, Inc. of USD 132 million was regarded as a part of the net investment in REC Silicon Inc.

2.5 CURRENT/NON-CURRENT

Assets and liabilities are classified as current when they are expected to be realized or settled within 12 months after the reporting date.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and un-reversed impairment losses. Cost includes expenditures that are directly attributable to the acquisition, construction or installation of the item. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Costs are included in an asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and costs can be measured reliably.

Depreciation is calculated using the straight-line method based on the costs of the assets less any residual value over their estimated useful lives.

2.7 INTANGIBLE ASSETS

(A) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets. Goodwill is carried at cost less accumulated impairment losses. Goodwill related to equity accounted investments is included in the carrying value of investments. At December 31, 2019 and 2018 the Group had no goodwill.

(B) Other intangible assets

Other intangible assets that have finite useful lives are carried at cost less accumulated amortization and un-reversed impairment. Amortization is calculated using the straight-line method on the costs of assets over their estimated useful lives from the date they are available for use. The Group has no intangible assets with indefinite useful lives.

(C) Research and development

Research expenditures are recognized in expense as incurred. Development expenditures (relating to the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes or systems) are capitalized when it is probable that the project will be successful considering its commercial and technological feasibility. Costs expensed in prior reporting periods are not later capitalized. Other development expenditures are recognized in expense as incurred.

2.8 IMPAIRMENT OF ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized in the statement of income for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash inflows that are largely independent from the cash inflows from other assets can be identified (cash-generating units). Generally, any impairment is allocated to goodwill first, then proportionately to other non-current assets within a cash-generating unit. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment includes losses associated with assets determined to have no future economic benefits and assets that are replaced prior to the end of their useful lives.

2.9 FINANCIAL ASSETS

Financial assets are classified and subsequently measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income based on both the use of the assets within the entity's business model and the nature of the cash flows. A financial asset is derecognized when expired or when the entity no longer has control of the cash flows related to the assets. Any rights or obligations retained in any transfer of assets are booked separately as assets or liabilities. Financial liabilities are classified and subsequently measured at amortized cost, except for financial liabilities (including derivatives) which are classified at fair value.

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes default or delinquency by a debtor; indications that a debtor or issuer will enter bankruptcy; and adverse changes in the payment status of borrowers or issuers.

The Group considers evidence of impairment for financial assets measured at amortized cost at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

2.10 ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are recognized at fair value on the date a derivative contract is entered into and are subsequently measured for changes in fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative unless the Group has the intention and ability to settle the contracts net. The method of recognizing resulting gains or losses depends on whether the derivative is designated and qualifies as a hedging instrument and the nature of the item being hedged. Derivatives are categorized as held for trading unless they are designated and qualify as hedging instruments. The Group has an option contract as part of the indemnification agreements in connection with the REC Wafer Norway AS bankruptcy (note 11).

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. No embedded derivatives are separated.

2.11 TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment. A provision for the impairment of trade receivables is recognized based upon lifetime expected credit losses (ECLs). The Group calculates ECLs based upon the Group's historic credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment. In addition, provisions are recorded for accounts which are greater than 60 days past due unless there is a clear indication that payment will be received. Balances are written off when collection efforts have been exhausted and the probability of recovery is unlikely.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits at banks, and money market funds with terms less than three months.

2.13 PAID-IN EQUITY CAPITAL

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of any income tax, from the proceeds.

2.14 BORROWINGS

Borrowings are recognized initially at fair value. Borrowings that are not maintained at fair value through profit or loss are recognized net of transaction costs and subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period the borrowings are outstanding using the effective interest method. Commitment fees for bank credit facilities are recognized as part of interest expenses as incurred.

A financial liability is removed from the statement of financial position when the obligation is discharged, cancelled, or expires. Substantial modifications to the terms of existing financial liabilities or an exchange of debt instruments with an existing lender at substantially different terms are treated as extinguishments of the original liability. The difference between the carrying amount of a financial liability and the consideration paid to extinguish the liability is recognized in profit or loss.

2.15 INVENTORIES

Inventories are stated at the lower of cost or net realizable value (NRV).

Purchased inventories are stated at average cost less estimated obsolescence. Reserves for obsolescence include the write down of items no longer required (held for disposal) and the estimated decline in NRV caused by slow moving items.

The cost of finished goods and work in progress inventories are determined on a first in, first out basis and consists of raw materials, direct labor, other direct costs, and related indirect overheads. Costs associated with abnormal waste or unused normal operating capacity are not included in inventories. NRV is the estimated sales price less incremental costs to complete and sell the item. Net adjustments to reduce inventory to the lower of cost or NRV are recognized in inventory changes in the statement of income.

2.16 INCOME TAX

Income tax expense (benefit) includes current and deferred tax. Income tax expense (benefit) is recognized in profit or loss except to the extent it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the estimated tax payable or receivable on the taxable income or loss for the year, and any adjustments to tax payable for previous years. Deferred tax includes the effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also includes the carry forward of unused net operating losses and credits.

Current and deferred tax amounts are determined using rates and laws that have been enacted or substantially enacted at the reporting date or are expected to apply when temporary differences reverse. Net deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deferred amounts can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

Utilization of net operating losses and tax credit carry forwards are subject to certain limitations under Section 382 and 383 of the Internal Revenue Code of the United States in the event of a change in the Company's ownership.

The Group reclassifies the currency effects on a loan regarded as part of a net investment (see note 2.4 (c)) and a related calculated income tax from profit or loss to OCI. The reclassification of income tax is made regardless of whether REC Silicon ASA reports a net tax expense/benefit and does not affect recognition of deferred tax assets or deferred tax liabilities in the statement of financial position.

2.17 PROVISIONS

Provisions for product warranties, onerous contracts, asset retirement obligations, restructuring costs, termination benefits, loss on financial guarantees, environmental restoration, and legal claims are recognized when: The Group has a present or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are discounted only when the effect is material and the distribution in time can be reliably estimated.

2.18 PENSION/POST RETIREMENT OBLIGATIONS

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity via other comprehensive income in the period in which they arise.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Obligations for contributions to defined contribution pension plans are recognized as an expense during the period incurred.

2.19 REVENUE RECOGNITION

REC Silicon's primary performance obligation is related to sale of goods in which the performance obligations are the delivery of an agreed volume of products within an agreed specification. REC Silicon has both short term and long-term contracts. Spot market sales, normally one month, cover delivery of an agreed volume at market price at the date the order is placed. The short-term contracts cover a period of a few months and up to one year, where the prices normally are fixed within a volume range. REC Silicon also has some long-term contracts that cover a period longer than one year. In these contracts the prices are normally negotiated on an annual basis.

Revenue is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which REC Silicon expects to be entitled in exchange for those goods or services. Control is transferred to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms specified within sales contracts. Generally, the main terms are "ex works" terms where the buyer arranges and pays for the main carriage and the risk is transferred to buyer when the goods are handed to the carrier engaged by the buyer.

The Group recognizes a provision for discounts and expected returns when a discount provisions or a right of return is specified in purchase contracts. The Group recognizes revenue from the sale of goods measured at the fair value of consideration received or receivable, which includes a provision of allowances for discounts and expected returns.

Goods are normally sold with standard warranties that the goods comply with the agreed-upon specifications. These standard warranties are accounted for using IAS 37 Provisions, Contingent Liabilities and Contingent Assets. REC Silicon does not have any other significant obligations for returns or refunds.

2.20 LEASES

For 2018, leases were classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other leases were classified as operating leases. Operating leases consist primarily of agreements where the Group is entitled to the output of leased process gas facilities which cannot be separated from the underlying lease. Leases were evaluated at inception, based on the substance of the transaction. The evaluation of leases requires substantial judgment. At December 31, 2018, the Group had no finance leases.

On January 1, 2019 the Group implemented IFRS 16 Leases. In accordance with this standard, the Group recognizes, measures, presents, and discloses leases using a single on-balance sheet model. Accordingly, the group recognized a lease liability and a right-of-use asset associated with the Group's lease arrangements at December 31, 2019. The Group also separately recognized the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the Statement of Income for the year ended December 31, 2019. Leases of 'low-value' assets and short-term leases (lease terms of 12 months or less) are recognized as expense in profit or loss when incurred.

2.21 GOVERNMENT GRANTS

Government grants are recognized at their fair values when there is reasonable assurance that the grants will be received and that the Group will comply with attached conditions. Government grants related to assets are presented in the statement of financial position as a reduction to the carrying amount of the assets and reduce depreciation in the statement of income. Government grants relating to income are deducted from related expenses.

Government grant assets are recognized for the unsettled portions of grants and are discounted if the effect of discounting is significant. Significant changes to estimates of timing of utilization or discount rates are recognized as a change in the grant asset and offset to production assets or expenses based on the classification at the inception of the grant.

2.22 STATEMENT OF CASH FLOWS

The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash line items. Interest received and paid are reported as a part of operating activities, except borrowing costs capitalized as part of the construction of a non-current asset that are included in investing activities, and payment of up-front and loan fees that are reported as part of financing activities.

Operating activities include all cash flow effects from derivatives. Currency gains and losses are recognized in the statement of income. Amounts related to borrowing (financing activities), non-current financial assets and investments (investing activities) and unrealized gains or losses on cash and cash equivalents held at the end of the periods are reclassified in a separate line item under operating activities.

Financing activities include the repayment of prepayments received from customers on which interest is calculated.

The consolidated statement of cash flows presents changes in cash balances with respect to total operations (continuing and discontinued) and therefore does not reflect the performance of continuing operations during prior periods or the performance that is likely to be achieved in future periods.

2.23 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The Group adopted new and amended standards and interpretations issued by the IASB and approved by the EU that are relevant to its operations and effective for reporting periods beginning on or before January 1, 2019. The most relevant of these are:

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 7).

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 is 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 and low-value 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.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks, including currency risk, interest-rate risk, liquidity risk, credit risk, refinancing risk and others.

The goals for the Group finance policy and the treasury operations are primarily to minimize the risk of financial distress, secure long-term funding, manage currency risk of expected future net cash flows, and manage interest rate risk. The Company's finance policy sets the framework and limits for hedging activities in the Group. It defines risk management objectives, responsibilities and operational requirements.

The disclosures that are required regarding financial risks below focus on the risks that arise from financial instruments and how they have been managed. Derivative financial instruments may be used to reduce risks from commercial transactions; the existence of derivative financial instruments exposes the Company to additional risks.

(A) Currency risk

The Company operates internationally and is exposed to currency risk. At December 31, 2019, the Group's working capital is almost exclusively in USD, equity is in NOK, and debt is in NOK and USD. Currency risk arises from transactions in currencies other than the Group's reporting currency, the potential tax liability denominated in NOK, and borrowings denominated in NOK. Currency risk relates primarily to the sufficiency of net positive cash flows in USD to meet liabilities denominated in NOK.

Net cash flow is defined as the consolidated external cash flows of the Group. The Group's policy provides the ability to hedge external net cash flows with a maximum time horizon of 24 months. The purpose is to reduce the currency risk of expected future net cash flows. The Company manages currency risk on an overall level.

At December 31, 2019 and 2018, the Group did not hold any derivative financial instruments related to mitigating currency risks.

(B) Credit risk

Credit risk is the risk of loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation and is primarily related to trade receivables. The Group maintains policies to ensure that credit is extended to customers with appropriate liquidity and credit histories in combination with requiring guarantees when appropriate.

(C) Liquidity risk and going concern

Liquidity risk is measured by subtracting the Group's liabilities from cash considering historic and anticipated operating results. Liquidity risk management requires maintaining sufficient available cash or access to capital markets to compensate for anticipated volatility in operating cash flows or to fund additional investments.

Liquidity risk is impacted by changes in market conditions, potential claims against the Company, and uncertainty associated with critical judgements used to arrive at accounting estimates. In addition, the Company's access to capital markets may be impacted by overall market conditions (notes 4, 17, and 30).

The Company does not have any scheduled repayments of borrowings in 2020. The indemnification loan was callable in February 2016. The Company received a claim dated December 16, 2019 under the indemnification loan. According to the letter, the claim is based on an assumption that the loss will exceed the declared amount when the estates are concluded. However, the relevant bankruptcy estates have not yet been concluded. Therefore, the amount of loss suffered by the claimant as a result of the bankruptcy cannot be calculated at this time. Given this and other uncertainties concerning the basis for the claim, the Company has responded by denying the claim. The status and timing of the indemnification loan is subject to uncertainty.

In addition, the minimum liquidity required by the covenants of the USD Senior Secured Bond (note 17) is USD 15 million.

Current market conditions and the solar trade dispute between the United States and China have forced the curtailment of production at the FBR facility in Moses Lake, Washington. Management and the Board of Directors have placed the FBR plant in a long-term shutdown to reduce spending and to maintain the Company's liquidity. This shutdown of the FBR facility is intended to retain the liquidity necessary to maintain operations at the semiconductor materials facility in Butte, Montana. The timing and length of the shutdown are dependent on whether REC Silicon is able to regain access to the Chinese market for polysilicon or other significant positive developments in solar grade polysilicon markets. Additional impairments and provisions would be required if the FBR facility is not restarted.

In addition, general economic conditions and the effects of the trade war between China and the United States is having an adverse impact on markets served by the semiconductor materials facility in Butte, Montana. In response, the Company has implemented plans to reduce spending and activity levels to conserve cash.

The Group reported consolidated equity of USD 0.8 million at December 31, 2019. The low equity level reported by the consolidated group is caused by the impairment of the Solar Materials segment (see note 3 fixed assets) and the relatively low carrying of operating assets in the Semiconductor Materials segment. However, the Company reported net equity of USD 148.2 million in the financial statements of the parent company, REC Silicon ASA, at December 31, 2019. The parent company equity consists of share capital of USD 33.9 million and other equity and retained earnings of USD 114.3 million. The Board of Directors considers the equity level of the Company adequate for the Company's current situation. The Board of Directors will monitor equity levels and take appropriate action as necessary.

The Board of Directors also makes reference to the risk factors discussed in this report. Specifically, the sections on the Company's liquidity risk and the impacts of tariffs imposed by China on US polysilicon which create 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 indemnification loan or the outcome of tax examinations are negative (See note 31 to the consolidated financial statements), the Company will not have the liquidity necessary to meet its financial obligations and continue to support the working capital requirements of ongoing operations.

The economic impact of the current global response to the COVID-19 (novel coronavirus) outbreak are expected to adversely impact the Company's liquidity risk. The impacts of the COVID-19 outbreak are dependent upon the extent and duration of the outbreak. If markets served by the Company are impacted further and/or do not recover quickly, the Company's liquidity risk will increase further. In addition, if the impact of COVID-19 lasts for an extended period of time and/or capital markets are substantially degraded, the Company's ability to raise additional capital and sell assets may be adversely affected.

The risk factors described above indicate that material uncertainty exists and cast significant doubt on the Company's ability to continue as a going concern. Management and the Board of Directors have identified initiatives to reduce spending and to improve the efficiency of the Company's operations. If necessary, the Company plans to sell assets, issue debt, and/or issue additional equity to obtain additional capital. The Board of Directors believes that these initiatives and plans are realistic and are sufficient to support assumption that the Company has the ability to meet its financial obligations and continue to support the working capital requirements of ongoing operations for the next 12 months.

Accordingly, the Board of Directors confirms that the Financial Statements have been prepared under the assumption that the Company is a going concern and that this assumption is appropriate at the date of the accounts.

(D) Interest rate risk

Changes in market interest rates affect the fair value of assets and liabilities or the variability in cash payments. The Group is exposed to interest rate risk through funding and cash management activities, primarily in REC Silicon ASA. Cash in bank accounts and liabilities have primarily carried variable interest rates. The Company has borrowings through bonds and indemnification loans.

Interest income and interest expense in the statement of income, as well as interest receipts and payments, are influenced by interest rate changes for financial instruments that carry variable interest rates. See note 30 for interest rate sensitivity.

(E) Hedging of risk related to supply of raw material/commodities

When the Group is exposed to changes in the total costs from specific input factors it may hedge the associated risk. As of year-end 2019 and 2018, no hedges were in place, except certain forward energy purchase contracts.

3.2 FAIR VALUE ESTIMATION

Fair value estimation is discussed in note 30.

3.3 CAPITAL STRUCTURE AND FINANCING

In determining the appropriate capital structure for the Group, various factors have been considered. These include risks associated with the Group's business profile and the fact that the polysilicon production has high capital intensity.

The Group's goal is to maintain sufficient capital to maintain current operating cash flow requirements and to meet debt service obligations. Taking into account market volatility and risk related to future cash flows, the Group aims to maintain a capital structure with a high ratio of equity funding.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Management's judgments in applying the Group's accounting policies which have the most significant effect on the financial statements are discussed below and in the relevant notes.

(A) Deferred tax

According to current regulations and tax treaties between Norway and the USA, withholding tax of 15 percent applies to any dividend paid by the Group's operations in the USA to the parent company in Norway. The Company controls the distribution of future dividends from the US operations and has determined that those profits will not be distributed in the foreseeable future. Consequently, the Group has not recognized deferred tax liability on undistributed earnings (note 18).

(B) Functional currencies

The Group's presentation currency is USD. The functional currencies of REC Silicon AS and REC Solar AS are NOK. The functional currency of all other group companies is USD. The activities of the Group are primarily in the subsidiaries in the USA. Functional currency affects the reporting of currency gains and losses and exchange differences as well as hedging strategies and effects. Facts or circumstances may change in the future.

(C) Development expenditures

The Group conducts research and development activities and projects. Some costs incurred in the development phase of an intangible asset may be capitalized if the recognition criteria are fulfilled. Determining fulfillment of capitalization criteria represents a critical judgment that is made based upon the facts and circumstances of an individual project.

(D) Cash-generating units for impairment testing

The selection of cash generating units for impairment testing is a critical and difficult judgement. For impairment testing REC Silicon consisted of two cash generating units.

(E) Environmental liability

The Group's operations are subject to environmental laws and regulations. These laws and regulations and their interpretations are subject to change. Changes may require investment and/or increased costs to meet more stringent standards or to take remedial actions related to past activities.

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY – CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts included in or affecting the Group's financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared.

(A) Impairment

Changes in facts and in management's evaluations and assumptions may give rise to further impairment losses, or reversals. The estimated recoverable amounts of the Group's assets are sensitive to small changes to key assumptions (notes 8 and 9).

Financial assets are also periodically reviewed for impairment. Provisions for losses on trade receivables have been made using a provision matrix based on the Group's historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment. Actual losses may turn out significantly different from the evaluations made based on the knowledge and assumptions at the time of approving the accounts.

(B) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required to determine the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Provisions for anticipated tax audit issues are based on estimates of whether additional taxes will be due. If estimates change or actual outcomes differ from current estimates, current and deferred tax assets or liabilities will be adjusted accordingly.

Tax authorities in the various tax jurisdictions may challenge the calculation of taxes payable. These challenges may lead to changes in taxable income and result in changes to income tax expenses in the period of change. Management is required to estimate the probability and magnitude of potential tax adjustments. Estimates may change as additional information becomes available and may vary substantially from actual determinations.

The Company has received notices of reassessment from the Norwegian Central Tax office for large Enterprises regarding the deductibility of losses on loans and guarantees to subsidiaries and joint ventures. See note 31 for further information.

(C) Going Concern

Estimates to support the use of the going concern assumption are dependent upon projections of results of operations during future periods. If assumptions regarding market conditions, results of operations, and other pertinent projections do not develop as expected, conclusions drawn based upon these estimates may not be valid. See note 31.

(D) Contingent liabilities

See note 31.

5 SEGMENT INFORMATION

Revenues from customers constituting more than ten percent of total revenues for year ended December 31, 2019

	SEMICONDUCTOR MATERIALS		SOLAR MATERIALS		REC SILICON	
(USD IN MILLION)		%		%		%
Customer 1	49.7	39.3%			49.7	31.1%
Customer 2			21.4	64.2%	22.2	13.9%
Customer 3	21.5	17.0%			21.5	13.4%
Customer 4			7.0	21.0%	7.0	4.4%

Revenues from customers constituting more than ten percent of total revenues for year ended December 31, 2018

	SEMICONDUCTOR MATERIALS		SOLAR MATERIALS		REC SILICON	
(USD IN MILLION)		%		%		%
Customer 1	34.3	22.4%			50.9	23.0%
Customer 2			34.1	49.3%	34.3	15.5%
Customer 3	23.4	15.3%			23.4	10.6%
Customer 4	16.1	10.5%			16.1	7.3%
Customer 5			10.5	15.2%	10.5	4.8%

Geographic distribution of revenues based on customer location for year ended December 31, 2019

	SEMICONDUCTOR MATERIALS		SOLAR MATERIALS		INTERNAL SALES		REC SILICON	
(USD IN MILLION)		%		%		%		%
China	23.4	18.4%	30.0	89.6%	0.0	100.0%	53.3	33.3%
Korea	51.9	40.9%	0.1	0.2%	0.0	0.0%	51.9	32.4%
USA	16.2	12.8%	0.1	0.2%	0.0	0.0%	16.3	10.2%
Japan	15.1	11.9%	0.0	0.0%	0.0	0.0%	15.1	9.4%
Taiwan	9.0	7.1%	2.1	6.2%	0.0	0.0%	11.1	6.9%
Denmark	6.5	5.1%	0.0	0.0%	0.0	0.0%	6.5	4.0%
Czech Republic	1.3	1.0%	0.0	0.0%	0.0	0.0%	1.3	0.8%
Hong Kong	0.0	0.0%	1.2	3.7%	0.0	0.0%	1.2	0.8%
Belgium	1.1	0.9%	0.0	0.0%	0.0	0.0%	1.1	0.7%
Other	0.9	0.7%	0.0	0.0%	0.0	0.0%	0.9	0.6%
Singapore	0.8	0.7%	0.0	0.0%	0.0	0.0%	0.8	0.5%
France	0.3	0.2%	0.0	0.0%	0.0	0.0%	0.3	0.2%
Canada	0.1	0.1%	0.0	0.0%	0.0	0.0%	0.1	0.1%
Germany	0.1	0.1%	0.0	0.0%	0.0	0.0%	0.1	0.1%
Norway	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total revenues	126.7	100.0%	33.4	100.0%	0.0	100.0%	160.2	100.0%

Geographic distribution of revenues based on customer location for year ended December 31, 2018

(USD IN MILLION)	SEMICONDUCTOR MATERIALS	%	SOLAR MATERIALS	%	INTERNAL SALES	%	REC SILICON	%
Korea	60.3	39.7%	0.0	0.0%	0.0	0.0%	60.3	27.3%
China	41.1	26.5%	18.2	26.3%	-0.9	100.0%	58.4	26.4%
Taiwan	8.9	5.9%	48.8	70.6%	0.0	0.0%	57.7	26.1%
Japan	16.2	10.7%	0.2	0.3%	0.0	0.0%	16.4	7.4%
USA	15.5	10.2%	0.2	0.3%	0.0	0.0%	15.7	7.1%
Denmark	6.2	4.1%	0.0	0.0%	0.0	0.0%	6.2	2.8%
Singapore	0.6	0.4%	1.0	1.5%	0.0	0.0%	1.6	0.7%
Czech Republic	1.5	1.0%	0.0	0.0%	0.0	0.0%	1.5	0.7%
Other	0.9	0.6%	0.0	0.0%	0.0	0.0%	0.9	0.4%
Belgium	0.9	0.6%	0.0	0.0%	0.0	0.0%	0.9	0.4%
France	0.7	0.5%	0.0	0.0%	0.0	0.0%	0.7	0.3%
Norway	0.0	0.0%	0.4	0.6%	0.0	0.0%	0.4	0.2%
Hong Kong	0.0	0.0%	0.2	0.4%	0.0	0.0%	0.2	0.1%
Germany	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Canada	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total revenues	152.9	100.0%	69.2	100.0%	-0.9	100.0%	221.2	100.0%

Customer location is based on the sales ship-to address. Customers may distribute the products to other countries.

Revenues by category for year ended December 31, 2019

(USD IN MILLION)	SEMICONDUCTOR MATERIALS	%	SOLAR MATERIALS	%	INTERNAL SALES	%	REC SILICON	%
Silane gas	89.0	70.2%	0.0	0.0%	0.0	100.0%	89.0	55.6%
Polysilicon	37.2	29.4%	33.4	99.9%	0.0	0.0%	70.6	44.1%
Other	0.5	0.4%	0.0	0.1%	0.0	0.0%	0.6	0.4%
Total revenues	126.7	100.0%	33.4	100.0%	0.0	100.0%	160.2	100.0%

Revenues by category for year ended December 31, 2018

(USD IN MILLION)	SEMICONDUCTOR MATERIALS	%	SOLAR MATERIALS	%	INTERNAL SALES	%	REC SILICON	%
Silane gas	99.3	65.0%	0.0	0.0%	0.0	3.0%	99.3	44.9%
Polysilicon	53.2	34.8%	69.1	99.9%	-0.8	97.0%	121.5	54.9%
Other	0.3	0.2%	0.1	0.1%	0.0	0.0%	0.4	0.2%
Total revenues	152.9	100.0%	69.2	100.0%	-0.9	100.0%	221.2	100.0%

Segment information for the year ended December 31, 2019

(USD IN MILLION)	SEMICONDUCTOR MATERIALS	SOLAR MATERIALS	OTHER & ELIMINATIONS	TOTAL
Revenues	126.7	33.4	0.1	160.2
Cost of materials	-18.1	-7.5	0.0	-25.6
Change in inventories	2.8	-23.5	0.0	-20.7
Employee benefit expense	-21.3	-12.5	-11.1	-44.9
Other operating expenses	-52.4	-16.9	-10.7	-79.9
Other income and expenses	0.0	0.3	-2.3	-2.0
Total current costs	-88.9	-60.0	-24.1	-173.0
EBITDA contribution	37.8	-26.6	-24.1	-12.9
Depreciation of fixed assets	-26.5	-14.6	-0.8	-42.0
Amortization	0.0	-0.3	0.0	-0.3
Depreciation of leased assets	-3.6	-3.4	0.0	-7.1
Impairment	-0.1	-20.1	-0.2	-20.4
Total depreciation, amortization, and impairment	-30.3	-38.5	-1.0	-69.8
EBIT contribution	7.5	-65.1	-25.1	-82.6

Segment information for the year ended December 31, 2018

(USD IN MILLION)	SEMICONDUCTOR MATERIALS	SOLAR MATERIALS	OTHER & ELIMINATIONS	TOTAL
Revenues	152.9	69.2	-0.9	221.2
Cost of materials	-22.9	-34.7	0.4	-57.2
Change in inventories	0.5	1.1	0.0	1.5
Employee benefit expense	-21.4	-20.6	-17.7	-59.7
Other operating expenses	-56.7	-41.4	-12.0	-110.2
Other income and expenses	-0.1	-0.1	-0.3	-0.5
Total current costs	-100.7	-95.8	-29.7	-226.1
EBITDA contribution	52.2	-26.6	-30.5	-4.9
Depreciation of fixed assets	-21.2	-39.2	-0.8	-61.1
Amortization	0.0	-0.2	-0.3	-0.5
Impairment	55.5	-400.7	4.7	-340.5
Total depreciation, amortization, and impairment	34.4	-440.1	3.6	-402.2
EBIT contribution	86.6	-466.7	-26.9	-407.1

Substantially all of the Group's non-current assets are located in the United States.

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

(USD IN MILLION)	**2019**	2018
Non-Contract Revenue	**102.8**	153.8
Structured (Regional/Volume pricing)	**52.3**	59.6
Tiered (Volume pricing)	**5.1**	7.8
Contract Revenue	**57.4**	67.4
Total	**160.2**	221.2

6 FIXED ASSETS

Property, plant and equipment

(USD IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	**TOTAL PROPERTY PLANT AND EQUIPMENT**
Carrying value at January 1, 2018	50.5	416.7	12.0	61.1	**540.3**
Net additions [1]	0.0	4.7	0.3	-0.3	**4.7**
Disposals	-0.4	0.0	0.0	0.0	**-0.5**
Depreciation and amortization	-2.7	-56.3	-2.1	0.0	**-61.1**
Impairment [2]	-6.3	-274.1	-5.4	-51.4	**-337.2**
Carrying value at December 31, 2018	41.1	90.9	4.8	9.4	**146.2**
At December 31, 2018					
Historical cost	147.5	2,131.6	80.0	65.8	**2,424.8**
Accumulated depreciation/amortization/impairment	-106.4	-2,040.7	-75.1	-56.4	**-2,278.7**
Carrying value at December 31, 2018	41.1	90.9	4.8	9.4	**146.2**
Carrying value at January 1, 2019	41.1	90.9	4.8	9.4	**146.2**
Net additions [1]	0.9	10.5	0.3	0.2	**11.9**
Disposals	-1.2	-1.6	-0.1	0.0	**-2.9**
Depreciation and amortization	-2.5	-38.3	-1.1	0.0	**-42.0**
Impairment [2]	0.9	11.6	0.1	-5.7	**6.9**
Carrying value at December 31, 2019	39.1	73.1	4.2	3.9	**120.2**
At December 31, 2019					
Historical cost	140.9	2,141.5	80.5	60.4	**2,423.3**
Accumulated depreciation/amortization/impairment	-101.8	-2,068.4	-76.3	-56.6	**-2,303.1**
Carrying value at December 31, 2019	39.1	73.1	4.2	3.9	**120.2**

[1] Net additions include transfers from assets under construction
[2] See note 8 for details of impairments

Specification of useful lives and depreciation

At year-end 2019, estimated useful lives by asset class were as follows:

- Land and Buildings 0-31.5 years (weighted average approximately 19.3 years)
- Machinery and equipment 3-32 years (weighted average approximately 5.1 years)
- Other tangible fixed assets (weighted average approximately 6.9 years)

Assets under construction are not yet ready for their intended use and depreciation has not started.

Reviews of estimated useful lives of property, plant, and equipment for 2019 and 2018 resulted in only minor changes.

Intangible assets

(USD IN MILLION)	ASSETS UNDER DEVELOPMENT	OTHER	**TOTAL INTANGIBLE ASSETS**
Carrying value at January 1, 2018	11.5	4.1	**15.7**
Internal Development	-0.1	0.0	**-0.1**
Amortization	0.0	-0.5	**-0.5**
Impairment [1]	0.0	-3.3	**-3.3**
Carrying value at December 31, 2018	11.5	0.3	**11.8**
At December 31, 2018			
Historical cost	13.0	67.0	**80.0**
Accumulated amortization/impairment	-1.5	-66.7	**-68.2**
Carrying value at December 31, 2018	11.5	0.3	**11.8**
Carrying value at January 1, 2019	11.5	0.3	**11.8**
Internal Development	-10.7	10.7	**-0.1**
Amortization	0.0	-0.3	**-0.3**
Impairment [1]	-0.2	-10.1	**-10.3**
Carrying value at December 31, 2019	0.5	0.6	**1.1**
At December 31, 2019			
Historical cost	0.8	67.9	**68.7**
Accumulated amortization/impairment	-0.3	-67.3	**-67.6**
Carrying value at December 31, 2019	0.5	0.6	**1.1**

[1] See note 8 for details of impairments

Intangible assets above have estimated useful lives, over which the assets are amortized on a straight-line basis. Intangible assets under development are not ready for their intended use, and consequently amortization has not started.

Intangible assets are primarily related to software (3-5 years) and FBR technology in REC Silicon (10-20 years).

Reviews of estimated useful lives of intangible assets for 2019 and 2018 resulted in only minor changes.

7 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	-0.2	-6.9	0.0	0.0	**-7.1**
Additions	3.2	0.2	0.0	0.0	**3.4**
Impairment [1]	-2.9	-14.0	0.0	0.0	**-17.0**
Adjustments	0.0	25.6	0.0	0.0	**25.6**
Termination	0.0	0.0	0.0	0.0	**0.0**
Balance at December 31, 2019	0.1	33.7	0.0	0.0	**33.8**

[1] See note 8 for details of impairments

Lease liabilities

(USD IN MILLION)	2019
Maturity analysis - contractual undiscounted cash flows	
Less than 1 year	**12.6**
1 - 2 years	**8.6**
2 - 3 year	**7.8**
3 - 4 years	**7.8**
4 - 5 years	**5.6**
More than 5 years	**50.9**
Total undiscounted lease liabilities at December 31	**93.2**
Lease liabilities included in the statement of financial position at December 31	**48.6**
Current	**7.0**
Non-current	**41.6**

Adjustments include USD 25.3 million associated with a 15-year extension of a long-term lease on the existing plant gas facility in Butte, Montana in addition to USD 0.3 million for semi-annual and annual CPI index adjustments related to plant gas facility leases.

The Company includes rights to extend or terminate leases in the lease term when the Company intends to exercise a right to extend or terminate a lease. The Company is not a party to any lease that includes material rights to extend or terminate the term of a lease.

The weighted average incremental borrowing rate applied to lease liabilities at December 31, 2019 is 13.1 percent.

Leases recognized in profit or loss

(USD IN MILLION)	2019
Interest on lease liabilities	**5.0**
Expenses relating to short-term leases	**1.4**
Expenses relating to leases of low-value assets, excluding short-term leases	**0.0**

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

In 2019, the Group made lease payments totaling USD 12.8 million, comprised of USD 7.8 million of lease liability payments and USD 5.0 million imputed interest. See note 25 below.

In addition, payments of USD 1.4 million related to leases for low-value-assets and short-term durations which are exempt under IFRS 16 have been expensed in 2019. See note 22 below.

8 IMPAIRMENTS OF CASH-GENERATING UNITS

REC Silicon routinely monitors assets for indications that the carrying values of assets are no longer recoverable. If impairment indicators exist, impairment tests will be carried out to determine whether the carrying value of affected assets can be justified. If estimates conclude that asset values are no longer recoverable, the assets are written down to the recoverable amount which is the greater of fair value less cost to sell and value in use (discounted cash flows).

CASH-GENERATING UNITS

REC Silicon consisted of two cash generating units at December 31, 2019 and 2018

Management has performed an evaluation of the Company's operations and determined that the Group consisted of two cash generating units (CGUs) based upon the Company's operations and management structures. This determination included consideration for segment reporting which includes segments for Solar Materials and Semiconductor Materials which were determined by management to represent the smallest units for which cash flows can be reasonably determined. Net Costs associated with Other have been allocated to the individual CGUs based upon estimated activity, volume, and revenue factors.

SUMMARY OF IMPAIRMENT TESTS

During 2019, the shutdown of the FBR facility in Moses Lake, decreases in the Company's market capitalization, recurring net operating losses, and continued uncertain market conditions for solar grade polysilicon were determined to be indicators of impairment for the Solar Materials Segment. Accordingly, impairment testing was performed at June 30, 2019, September 30, 2019, and December 31, 2019 on the Solar Materials CGU. The net carrying value of the Solar Materials CGU exceeded the resulting value in use calculated at June 30, 2019. Therefore, additional impairments of USD 20.0 million were made against the property, plant, and equipment of the of the Solar Materials CGU at June 30, 2019. Impairment testing performed at September 30, 2019 and December 31, 2019 on the Solar Materials CGU resulted in estimated values in use that approximated the carrying value of the Solar Materials CGU. Consequently, no additional impairment or reversal of impairment was recognized at September 30, 2019 or December 31, 2019.

During 2018, changes in solar grade polysilicon market conditions, production capacity curtailments due to uncertainty caused by trade barriers imposed by China, and carrying values in excess of the value of the Company's market capitalization were determined to be indicators of impairment for the Solar Materials Segment. Impairment testing was performed at June 30, 2018 on both CGUs and resulted in the recognition of net impairment expense of USD 340.5 million. The net carrying value of the Solar Materials CGU exceeded the resulting value in use calculated at June 30, 2018. Therefore, an additional impairment of USD 396.7 million was taken against the property, plant and equipment of the Solar Materials CGU at June 30, 2018. Impairment testing was performed on the Semiconductor Materials CGU because of the determination that the Company consisted on two CGUs. The resulting value in use of the Semiconductor Materials CGU exceeded the net carrying value at June 30, 2018. Therefore, net impairments to the Semiconductor Materials CGU recorded during previous periods of USD 56.3 million were reversed. Impairment testing was also performed at September 30, 2018 and December 31, 2018 on the Solar Materials CGU only. At these dates, the resulting value in use was estimated to approximate the carrying value of the Solar Materials CGU. Consequently, no additional impairment or reversal of impairment was recognized at December 31, 2018.

Impairments charges are included in the line item "impairment" in the statement of income.

BASIS FOR THE IMPAIRMENT TESTS

Recoverable amounts for each cash-generating unit subject to impairment testing are based on value in use. Value in use has been estimated using discounted cash flows over a 5-year period with the last year used as a basis for estimating terminal value.

Future cash flows are estimated on the basis of the budget for the next year and the subsequent four forecast years. A terminal value is calculated from the estimated cash flows generated in the last forecast year. A growth rate of zero has been used during the terminal period for both years presented. EBITDA less capital expenditures and changes in working capital have been used to estimate future cash flows.

Future cash flows do not include the effects of improvements or enhancements to asset performance. However, assets under construction for which investment has been committed are included with estimated expenditures to complete and estimated cash flows from their operations.

The carrying amounts of cash-generating units include tangible fixed assets, intangible assets, and net working capital only.

DISCOUNT RATE

The discount rate applied is based on the Company's cost of capital which has been estimated using the weighted average of the required rates of return for the Company's equity and debt (WACC). The required rate of return for the Company's equity is estimated using the capital assets pricing model (CAPM). The required rate of return on debt is estimated on the basis of a risk-free rate of return plus a credit risk premium derived from analysis of the debt costs and loading of public companies similar to REC Silicon. The discount rate is estimated on an after-tax basis and adjusted to estimate the equivalent before tax discount rate using the Company's estimated before and after-tax cash flows and evaluated for reasonableness. The discount rates used at December 31, 2019 and 2018 are reflected in the table below:

Discount rates (%)

	2019		2018	
	POST-TAX	PRE-TAX	POST-TAX	PRE-TAX
Semiconductor Materials CGU			12.9	15.2
Solar Materials CGU	13.5	16.2	14.5	17.1

KEY ASSUMPTIONS AND SENSITIVITIES

Key assumptions include future revenues (sales prices and sales volume), cost of major inputs, conversion costs and efficiency (production volume), and maintenance capital expenditures.

Price trends are difficult to predict in the current market environment and external views of anticipated market conditions differ widely. When possible, REC Silicon has used third party analyses to estimate product prices. When third party estimates are not available or vary widely, REC Silicon uses internal estimates based on experience and market intelligence to estimate market conditions and prices. Estimates of long term average solar grade polysilicon prices used in this analysis are at levels which management believes are sufficient to attract the capital necessary for new cost-effective polysilicon capacity to support supply chain expansion consistent with analysts' estimates of growth in end use demand for PV installations.

Estimates of future cash flows include the assumption that market conditions will support an increase in production capacity utilization of the Moses Lake FBR facility to 100 percent capacity utilization in 2022. If access to solar grade polysilicon markets is not restored and idled capacity is not restarted, additional impairment charges would be required. Current market conditions result in negative cashflows until FBR production is restarted. As a result, the estimated timing of the increase in capacity utilization is a key assumption. If market conditions do not improve or if REC Silicon does not regain access to polysilicon markets in China, additional impairment would be required. This sensitivity is reflected in the table of sensitivities below in the line volume (production and sales).

Costs have been estimated using contractual obligations, third party indexes when appropriate, and historical spending trends adjusted for inflation.

Capital expenditures have been estimated using past experience and an evaluation of anticipated replacement requirements of specific items of equipment (useful lives of fixed assets).

The table below presents the estimated change in impairment of the Solar Materials CGU due to an isolated change in the key assumption for all years. Spending includes fixed manufacturing costs, selling general and administrative expenses, and capital expenditures in total. The estimates are based on the assumptions used in the December 31, 2019 impairment analysis.

KEY ASSUMPTION (USD IN MILLION)	CHANGE	ESTIMATED CHANGE IN IMPAIRMENT
Post-tax discount rate	+/-1% point	-9.7/+11.6
Sales prices	+/-2%	+/-20.8
Volume (production and sales)	+/-2%	+/-12.3
Spending	+/-2%	+/-10.0

Negative amounts represent an estimated increase in impairment.

CARRYING VALUE

The tables below reflect the development of carrying values for each.

	DECEMBER 31, 2019			
(USD IN MILLION)	ELECTRONIC MATERIALS	SOLAR MATERIALS	OTHER	TOTAL
Trade and other receivables	22.3	5.8	1.4	29.4
Inventories	40.3	7.4	0.0	47.7
Current assets	62.5	13.2	1.4	77.1
Long term assets	118.1	27.9	9.2	155.2
Trade payables and other liabilities	-10.9	-3.3	-6.9	-21.1
Long term liabilities	-19.5	0.0	0.0	-19.5
Allocation of other	2.9	0.7	-3.7	0.0
Carrying values	153.2	38.6	0.0	191.8

	DECEMBER 31, 2018			
(USD IN MILLION)	ELECTRONIC MATERIALS	SOLAR MATERIALS	OTHER	TOTAL
Trade and other receivables	25.5	11.3	3.9	40.8
Inventories	34.1	45.0	0.0	79.1
Current assets	59.6	56.3	3.9	119.9
Long term assets	109.8	38.0	10.2	158.0
Trade payables and other liabilities	-14.3	-33.8	-6.7	-54.7
Long term liabilities	-15.5	0.0	0.0	-15.5
Allocation of other	5.2	2.3	-7.5	0.0
Carrying values	144.9	62.8	0.0	207.6

9 INVESTMENTS

INVESTMENT IN ASSOCIATES

The Group entered into a joint arrangement in China; Shaanxi Non-Ferrous Tian Hong REC Silicon Materials Co., Ltd. (Yulin JV) in February 2014. 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.

The Framework Agreement provided that SNF would make REC Silicon's outstanding capital contribution of USD 169 million to the Yulin JV and the equity ownership of the Yulin JV would be adjusted to SNF holding 85 percent and REC Silicon holding 15 percent. REC Silicon agreed to and paid the Yulin JV USD 0.6 million in interest to the Yulin JV in March 2018. In addition, REC Silicon agreed to a penalty of USD 10.4 million to be paid to SNF in annual installments. The first installment of USD 2.1 million was paid in Q1 of 2018, the second installment of USD 3.1 million was paid in Q2 2019. The final installment of USD 5.2 million is due in March of 2020. The remaining installment amount has been reported as a liability in the consolidated statement of financial position at December 31, 2019.

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

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

During the fourth quarter of 2019, Company management determined that REC Silicon's 15 percent ownership share of the Yulin JV no longer afforded it the control necessary to justify the use of the equity method of accounting. While REC Silicon continues to exert significant influence over the technical aspects of operating the manufacturing facility, the Company's ability to influence decisions related to the work force, operational planning, purchasing, finance, and other areas of oversight and control have diminished through time. As a result, the method of accounting for this investment in associates was changed from the equity method to the fair value method during the fourth quarter.

When the accounting method of an investment is changed from the equity method to fair value, all deferred gains and losses are recognized in profit / loss. The remaining deferred gain associated with the sale of technology to the Yulin JV of USD 29.7 million has been included in profit/loss from investments in associates in the consolidated statement of income during the fourth quarter of 2019. The release of the deferred gain resulted in a carrying value for the investment of USD 73.3 million.

During the Group's review of impairment indicators, impairment indicators were identified that could result in the impairment of the Company's investment in the Yulin JV. The market value of the investment was estimated using a similar method used to evaluate the impairment of cash generating units described in note 3. In addition, assumption used to estimate the value of the Yulin JV are consistent with those used for impairment testing in note 3 fixed assets. Discounted estimated future cash flows from Yulin JV operations over a 5-year period with the last year used as a basis for the terminal value. A discount rate of 13.5 percent was estimated on an after-tax basis and adjusted to estimate the equivalent before tax discount rate of 15.1 percent. The estimated value of the investment in the Yulin JV exceeded the carrying amount of the investment. Therefore, an impairment loss of USD 43.6 million has been included in the loss from investments in associates.

The total loss from investments reported in the Consolidated Statement of Income is USD 24.2 million which consists primarily of a loss of USD 9.9 million reclassification of currency losses from other comprehensive income, a gain USD 29.7 million due to the recognition of deferred income due associated with the sale of technology to the Yulin JV, and a loss of USD 43.6 million due to impairment. In addition, the loss for 2019 includes USD 0.3 million for REC Silicon's share of the JV's profit and loss for the period during which the JV was reported using the equity method of accounting.

The following table presents a reconciliation of the Group's investment in in the Yulin Joint Venture in China using the equity method of accounting:

Investment in associates - equity method

(USD IN MILLION)	2019	2018
Carrying value at January 1	34.2	-34.7
Share of joint venture profit/loss	-0.3	-0.5
Deferred income/expense	0.0	0.8
Change in deferred gain of tech transfer	29.7	67.2
Change in retained earnings due to change in ownership	0.0	5.0
Effects of changes in currency exchange rates	-1.9	-3.7
Impairment of investment in associates	-43.6	0.0
New cost basis of fair value Investment	-18.0	0.0
Carrying value at December 31	0.0	34.2

OTHER INVESTMENTS

In accordance with International Accounting Standard (IAS) 28, the carrying amount of the investment at the date the equity method was discontinued has been reported as the initial new cost basis of the investment in the Yulin JV at fair value and has been reported in the line other investments in the consolidated statement of financial position at December 31, 2019. The Company has designated the investment in the Yulin JV as an equity security at FVTPL.

10 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its subsidiaries, associates, joint ventures and with its Group Management and Board of Directors.

Transactions with subsidiaries have been eliminated on consolidation and are not reported as related party transactions in the consolidated financial statements for the Group.

KEY MANAGEMENT COMPENSATION, SHAREHOLDINGS, LOANS ETC.

Group Management and Board of Directors' compensation, ownership of REC Silicon ASA shares, options and bonds, loan agreements and guarantees are shown in note 16.

RELATED COMPANIES

REC Silicon Inc. invoiced the Yulin JV USD 3.4 million in 2019 and USD 7.5 million in 2018 for engineering and project services. In addition, REC Silicon sold product to the JV for USD 0.0 million in 2019. REC Silicon paid an installment of USD 3.1 million in 2019 in relation to the deferred payment of the USD 15.0 million contribution due July 2016. See note 9 above.

11 DERIVATIVE FINANCIAL INSTRUMENTS

Fair values and carrying amounts

	2019		2018	
(USD IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Option contract	0.0	1.4	0.0	1.5
Total	0.0	1.4	0.0	1.5

Derivatives consist of an option contract which is a part of the indemnification agreement associated with the REC Wafer bankruptcy and are denominated in NOK.

Distribution of derivatives

	2019		2018	
(USD IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Total non-current derivatives	0.0	0.0	0.0	0.0
Total current derivatives	0.0	1.4	0.0	1.5
Total derivatives	0.0	1.4	0.0	1.5

12 RECEIVABLES

Trade and other receivables

(USD IN MILLION)	2019	2018
Trade receivables and accrued revenues	37.6	44.3
Provision for loss on trade receivables	-14.4	-14.4
Trade receivables - net	23.2	29.9
Prepaid costs	6.0	9.0
VAT and other public taxes and duties receivables	0.0	0.0
Other non-current and current receivables	1.3	1.9
Total Trade and other receivables	30.5	40.8

Specification of provision for loss on receivables

(USD IN MILLION)	2019	2018
At January 1	-14.4	-11.8
Change in provision for loss	0.0	-2.6
At December 31	-14.4	-14.4

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.

At December 31, 2019 Other non-current receivables relate to municipal bonds of USD 2.8 million issued by a local taxing district in the United States which are secured by future property tax payments made by the Company. The remaining USD 1.3 million relates to tax amounts expected to be refunded in 2020 and 2021 due to the elimination of the Alternative Minimum Tax (AMT) in the United States.

13 INVENTORIES

Inventories in the statement of financial position

(USD IN MILLION)	2019 BEFORE WRITEDOWNS	2019 WRITEDOWNS	2019 AFTER WRITEDOWNS	2018 BEFORE WRITEDOWNS	2018 WRITEDOWNS	2018 AFTER WRITEDOWNS
Stock of materials, merchandise, production supplies	4.2	0.0	4.2	4.9	0.0	4.9
Spare parts	42.2	-32.9	9.3	42.5	-19.0	23.5
Work in progress	10.7	-1.1	9.6	12.5	-1.7	10.8
Finished goods	41.6	-17.0	24.6	90.9	-51.0	39.9
Total	98.7	-51.0	47.7	150.8	-71.7	79.1

Inventories have been written down to estimated net realizable values. Write-downs of materials and spare parts represent the estimated obsolescence related to items held in inventories at cost. Write-downs of work in progress and finished goods have been estimated by comparing the net realizable value of anticipated sales to the manufacturing costs of items held in inventory.

14 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

Cash and cash equivalents are primarily bank deposits.

Restricted bank accounts (not included as cash and cash equivalents)

(USD IN MILLION)	2019	2018
Restricted bank accounts non-current	0.0	0.0
Restricted bank accounts current	4.4	4.4
Total restricted bank accounts	4.4	4.4

At December 31, 2019 and December 31, 2018, restricted bank accounts consisted of USD 3.8 million security for the indemnification loan, USD 0.2 million security for bank guarantees for REC Solar AS (a subsidiary of the Company) and restricted cash for the US subsidiaries of USD 0.4 million.

15 SHAREHOLDER INFORMATION

The following shareholders held one percent or more of the total outstanding shares in REC Silicon ASA at December 31.

		2019		2018	
NAME OF SHAREHOLDERS		NO. OF SHARES	OWNERSHIP	NO. OF SHARES	OWNERSHIP
AKER CAPITAL AS	Ordinary	64,217,774	22.95%	0	0.00%
VERDIPAPIRFONDET DNB TEKNOLOGI	Ordinary	19,562,286	6.99%	55,514,652	2.18%
CACEIS BANK	Nominee	8,517,119	3.04%	14,970,049	0.59%
BNP PARIBAS	Nominee	6,731,327	2.41%	203,432	0.01%
SKANDIA TIME GLOBAL	Ordinary	6,479,671	2.32%	18,011,216	0.71%
NORDNET BANK AB	Nominee	2,824,391	1.01%	25,382,933	1.00%
MORGAN STANLEY & CO. INTERNATIONAL	Ordinary	2,328,079	0.83%	41,679,942	1.64%
UBS SWITZERLAND AG	Nominee	893,609	0.32%	116,367,535	4.57%
UBS AG	Nominee	123,927	0.04%	116,367,535	4.57%
UMOE AS	Ordinary	0	0.00%	583,840,870	22.95%
FOLKETRYGDFONDET	Ordinary	0	0.00%	105,432,618	4.14%
THE BANK OF NEW YORK MELLON (US)	Nominee	0	0.00%	32,373,395	1.27%

The list of shareholdings above is based on the VPS shareholder register at December 31, 2019 and 2018. Actual shareholding may deviate due to the use of nominee accounts, share lending, forward contracts or other contractual arrangements.

At December 31, 2019, REC Silicon ASA had 24,878 shareholders (24,553 at December 31, 2018). The total number of outstanding shares was 279,820,066 at December 31, 2019 and 2,543,818,785 at December 31, 2018, each with a par value of NOK 1.

PRIVATE PLACEMENT OF EQUITY
On May 14, 2019 new share capital reflecting the issue of the 25,438,187 new A-shares approved at the Company's annual general meeting (AGM) was registered in the Norwegian Register of Business Enterprises. As of that date, the Company's share capital is NOK 2,569,256,972, consisting of 2,543,818,785 ordinary shares and 25,438,187 class A-shares, all of NOK 1 par value.

SHARE CAPITAL REDUCTION
On July 3, 2019 the share capital reduction and the conversion of the Class A Shares (see shareholder matters above) was completed and registered with the Norwegian Register of Business Enterprises. Consequently, the new share capital of the Company is NOK 279,820,065.50 divided on 2,798,200,655 ordinary shares, each with a par value of NOK 0.10.

REVERSE SHARE SPLIT
On July 9, 2019 the Company's shares were combined in a ratio of 10:1, whereby 10 old shares were combined to give 1 new share. Subsequent to the share consolidation, the Company has 279,820,066 shares in issue, each with a nominal value of NOK 1.

At the Annual General Meeting on May 9, 2019, the Board was authorized to increase the share capital with up to NOK 279,400,000, which was approximately 10 percent of the share capital at that time, through one or more increases in the share capital. The Annual General meeting also authorized the Board to acquire treasury shares in the Company (up to a maximum of ten percent of the nominal value of the existing share capital). Both authorizations were valid until the 2020 Annual General Meeting, but in any event not longer than 15 months.

16 MANAGEMENT AND BOARD OF DIRECTORS' COMPENSATION, LOANS, SHARES, BONDS

Salary and other compensation to the Group's Board of Directors and Management for 2019 and 2018 are described below. With regard to the determination of salary and other compensation for leading employees for 2020, the Board of Directors will propose guidelines at the 2020 Annual General Meeting that include factors mentioned below.

The success of REC is dependent on the competencies, performance and dedication of our employees. Compensation packets are designed to support recruitment, development and retention of the right talent, reward past achievements, and incentivize future strong performance.

Fixed base salary levels are determined based on the local market conditions for positions.

Performance bonuses are considered and provided for employees whose achievement of performance objectives can be measured through clearly established result parameters or Key Performance Indicators (KPIs). KPI's should include both financial performance and operational performance tied to each operating facility. Maximum performance bonus payouts are defined in the bonus plan document and range from 15 percent to 20 percent of an employee's annual salary. Bonus payouts are contingent upon the company's financial condition and performance. Maximum performance bonus payout for REC Silicon Management varies between 33 percent and 100 percent of their established annual salary.

The Group offers supplementary pension and personnel insurance to employees in accordance with local standards.

In addition to the above-mentioned compensation components, the Group offers housing allowances, car allowances, cell phones, and a limited number of other benefits to selected employees.

The Board of Directors also wishes to implement a synthetic incentive program in 2020 whereby employees' entitlements are linked to the share price development of the Company's shares. The program is expected to be a six-year program, where the first three years are a lock up period and the next three years will be the period over which the incentive payments will become payable, provided always that the share price is above the strike price. The strike price will be set at the time of grant to the market price at such time + 10 percent. There will be a maximum gain in each calendar year for each employee under the program, equal to the base salary for the employee for the calendar year. The entitlements under the program will be lost if the employee's employment is terminated. Total benefits offered under the program are subject to limitations.

The Board of Directors has implemented incentive programs during previous periods whereby employee entitlements are linked to the share price development of the Company's shares. See note 32 for details of share-based compensation programs.

Compensation of the Group Management for 2019

(AMOUNTS IN USD)

NAME	BASE SALARY	BONUS EARNED AND MAX %	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Tore Torvund	807,649	0	-11,969	102,975	92,889
President and CEO		100%			
James A. May II	284,612	0	-4,741	19,600	2,167
CFO		40%			
Total 2019	1,092,260	0	-16,710	122,575	95,055

Compensation of the Group Management for 2018

(AMOUNTS IN USD)

NAME	BASE SALARY	BONUS EARNED AND MAX %	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Tore Torvund	801,315	0	-45,022	102,975	90,750
President and CEO		100%			
James A. May II	280,618	0	-17,599	16,307	12,113
CFO		40%			
Total 2018	1,081,933	0	-62,621	119,282	102,863

All amounts are exclusive of social security tax. There were no payments and benefits from the Group for services outside their functions as Group Management. Base salary represents the amount, including holiday pay that was paid in the year.

Bonus amounts represent bonuses earned during each year and are normally paid and reported as taxable income for the employee in the subsequent year.

Pension benefits include benefits earned with respect to defined benefit plans and contributions related to defined contribution plans.

Other taxable benefits include company car / coverage of automobile expenses / vehicle allowance, telephone and internet service, newspapers, health club memberships, reimbursement of home-office related expenses, cash in lieu of paid time off, and certain other benefits. The benefits vary, and the amounts in the table are the amounts that are taxable based on rules and regulations in the relevant tax jurisdictions.

At December 31, 2019 and 2018, members of the Group Management have contracts that entitle them to severance benefits beyond the normal notice period if employment is terminated by the Group. These severance payments are equal to six months of salary for Mr. Torvund and three months of salary for Mr. May.

Compensation of the Board of Directors paid in 2019

(AMOUNTS IN USD)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Jens Ullveit-Moe	59,949	0
Espen Klitzing	39,966	5,709
Ragnhild Wiborg	35,969	5,709
Inger Berg Ørstavik	35,969	5,709
Terje Osmundsen	35,969	5,709
Total period April 27, 2018 – May 9, 2019	207,822	22,838

Compensation of the Board of Directors paid in 2018

(AMOUNTS IN USD)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Jens Ullveit-Moe	62,894	0
Espen Klitzing	37,736	6,289
Ragnhild Wiborg	37,736	6,289
Inger Berg Ørstavik	37,736	6,289
Terje Osmundsen	37,736	6,289
Total period May 3, 2017 – April 26, 2018	213,838	25,157

LOANS AND GUARANTEES FOR GROUP MANAGEMENT, BOARD OF DIRECTORS AND SHAREHOLDERS

At December 31, 2019 and 2018 there were no outstanding loans or guarantees to members of Group Management, Board members or shareholders or their closely related parties.

SHAREHOLDINGS, OPTIONS AND BONDS

The number of shares and options owned by members of the Board of Directors and the Group Management, including closely related parties, are shown in the table below. The table includes board members and key management at December 31, 2019 and 2018. Refer to note 32 for details of the share option program.

Shares and options presented in the tables below for 2018 reflect shares prior to the reverse split on July 9, 2019 (see note 15).

	OPTIONS		SHARES	
NAME	**2019**	2018	**2019**	2018
Tore Tovund	**1,422,761**	10,727,613	**163,149**	1,631,486
James A. May II	**317,523**	2,422,697	**274,204**	2,742,043
Jens Ulltveit-Moe	**0**	0	**0**	583,840,870
Espen Klitzing	**0**	0	**45,000**	450,000
Ragnhild Wiborg	**0**	0	**6,500**	65,000
Terje Osmundsen	**NA**	0	**NA**	615,000

Details of options outstanding at December 31, 2019

	NUMBER OF OPTIONS		
NAME	TORE TORVUND	JAMES A. MAY II	NOK
2019 Program	350,000	75,253	8.1
2018 Program	350,000	70,011	15.2
2017 Program	350,000	50,692	11.9
2016 Program	122,048	40,642	19.2
2015 Program	122,652	40,843	23.0
2014 Program	128,062	40,082	35.0
Total	1,422,761	317,523	

Board member Espen Klitzing held USD 0.2 million of the USD Senior Secured bonds at December 31, 2019.

17 BORROWINGS

Financial liabilities, interest bearing

(USD IN MILLION)	**2019**	2018
Non-current financial liabilities, interest bearing		
Senior Secured Bond	**110.0**	110.0
Capitalized Borrowing Cost [1)]	**-1.0**	-1.4
Total non-current financial liabilities, interest bearing	**109.0**	108.6
Current financial liabilities, interest bearing		
Indemnification Loan (NOK)	**22.8**	23.0
Capitalized Borrowing Cost [1)]	**-0.4**	-0.3
Total current financial liabilities, interest bearing	**22.4**	22.7

[1)] Amortized as part of effective interest.

Movements in borrowing

(USD IN MILLION)	INDEMNIFICATION LOAN	USD SENIOR SECURED BOND	TOTAL
Balance at January 1, 2019	23.0	108.3	**131.3**
Change capitalized borrowing cost	0.0	0.3	**0.3**
Effect of changes in foreign exchange rates	-0.2	0.0	**-0.2**
Balance at December 31, 2019	22.8	108.6	**131.4**

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At December 31, 2019, the indemnification loan is NOK 200.0 million (USD 22.8 million) and can only be called when certain conditions are met. Once the loan is called, outstanding amounts will bear interest at a rate of NIBOR plus 0.5 percent.

The Company has received a claim dated December 16, 2019 of NOK 150 million from Nordea under the indemnification loan. According to the claim letter from Nordea, Nordea's current claim for NOK 150 million is based on an assumption that its loss will exceed said amount when the estates are concluded. However, the relevant bankruptcy estates have not yet been concluded. Therefore, the amount of loss suffered by Nordea as a result of the bankruptcy cannot be calculated at this time. Given this and other uncertainties concerning the basis for the claim, the Company has responded by denying the claim. The status and timing of the indemnification loan is subject to uncertainty.

The Company and certain subsidiaries are jointly and severally liable for the USD Senior Secured Bond (REC04, ISIN NO0010820590). REC Silicon ASA, REC Silicon AS, REC Silicon, Inc., REC Solar Grade Silicon, LLC., REC Advance Silicon Materials, LLC., and REC Silicon Pte. Ltd. have provided a guarantee. In addition, the equity and substantially all of the tangible and intangible assets of REC Advanced Silicon Materials, LLC. have been pledged as security in the bond agreement. The net book value of net assets pledged as security was approximately USD 167 million at December 31, 2019 and approximately USD 154 million at December 31, 2018. Covenants imposed by the bond include a requirement to maintain minimum liquidity of USD 15 million. In addition, the bond agreement provides limitations on borrowing, asset sales, and other transactions under certain conditions. The bond agreement includes a cross default clause should the Company default on any financial indebtedness above certain threshold amounts. Please see the registration document at www.recsilicon.com for additional details.

At December 31, 2019 and 2018, the Company had complied with all financial covenants and other restrictions in the loan agreements.

The following are the contractual maturities of financial liabilities and assets at December 31, 2019

AT DECEMBER 31, 2019 (USD IN MILLION)	CARRYING AMOUNT	MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE / RECEIVED AND CASH EQUIVALENTS						
		UNDETER-MINED	0-6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	LATER THAN 3 YEARS	TOTAL
Assets								
Inventories	47.7	0.0	40.9	2.5	3.0	1.3	0.0	**47.7**
Trade and other receivables	30.5	0.0	26.5	4.0	0.0	0.0	0.0	**30.5**
Current tax assets	1.3	0.0	1.3	0.0	0.0	0.0	0.0	**1.3**
Restricted bank accounts	4.4	3.6	0.0	0.0	0.6	0.0	0.2	**4.4**
Cash and cash equivalents	29.4	0.0	29.4	0.0	0.0	0.0	0.0	**29.4**
Total	113.4	3.6	98.2	6.5	3.6	1.3	0.2	**113.4**
Financial liabilities, tax and retirement benefit obligations								
Retirement benefit obligations	19.5	0.0	0.6	0.8	1.8	1.8	14.5	**19.5**
USD Senior Secured Bond	110.0	0.0	0.0	0.0	0.0	0.0	110.0	**110.0**
Trade payables and other liabilities	55.5	25.9	23.9	2.7	0.2	-0.4	3.1	**55.5**
Accrued finance cost	7.7	4.9	2.7	0.0	0.0	0.0	0.0	**7.7**
Current tax liabilities	24.3	24.3	0.0	0.0	0.0	0.0	0.0	**24.3**
Derivatives	1.4	1.4	0.0	0.0	0.0	0.0	0.0	**1.4**
Indemnification loan	22.8	22.8	0.0	0.0	0.0	0.0	0.0	**22.8**
Lease Liabilities	48.6	0.0	6.3	6.3	8.6	7.8	19.7	**48.6**
Total	289.8	79.5	33.6	9.7	10.6	9.2	147.2	**289.8**
Net	-176.5	-75.8	64.6	-3.3	-7.0	-7.9	-147.1	**-176.5**

In the table above, obligations with an undetermined maturity include obligations for which the timing of payments is not contractually specified or are currently callable under certain conditions and have not been called.

For further information regarding lease liabilities see note 7.

The following are the contractual maturities of borrowing:

AT DECEMBER 31, 2019 (USD IN MILLION)	CARRYING AMOUNT	MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE						
		TOTAL	APR 2020	OCT 2020	2021	2022	2023	2023
Capitalized Borrowing Cost	-1.4							
USD Senior Secured Bond	110.0	154.3	6.3	6.3	12.7	12.7	116.3	116.3
Indemnification Loan (NOK)	22.8	22.8						
Total	131.4	177.1	6.3	6.3	12.7	12.7	116.3	116.3

AT DECEMBER 31, 2018 (USD IN MILLION)	CARRYING AMOUNT	MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE						
		TOTAL	APR 2019	OCT 2019	2020	2021	2022	2023
Capitalized Borrowing Cost	-1.7							
USD Senior Secured Bond	110.0	166.9	6.3	6.3	12.7	12.7	12.7	116.3
Indemnification Loan (NOK)	23.0	23.0						
Total	131.4	189.9	6.3	6.3	12.7	12.7	12.7	116.3

The differences between carrying amounts and total expected payments in the tables above are due primarily to discounting. Interest payments are estimated using the interest rates at December 31, 2019 and 2018. All cash flows are undiscounted. Amounts in other currencies than USD are translated at the exchange rates at December 31, 2019 and 2018, respectively.

The nominal interest rates and currency distribution (notional amounts) at December 31, 2019 were as follows

	INTEREST RATE (%)		CURRENCY	AMOUNTS IN MILLION	BORROWER
USD Senior Secured Bond	11.50	Fixed	USD	110.0	REC Silicon ASA
Indemnification loans	2.00	Variable	NOK	200.0	REC Silicon ASA

The nominal interest rates and currency distribution (notional amounts) at December 31, 2018 were as follows

	INTEREST RATE (%)		CURRENCY	AMOUNTS IN MILLION	BORROWER
USD Senior Secured Bond	11.50	Fixed	USD	110.0	REC Silicon ASA
Indemnification loans	2.00	Variable	NOK	200.0	REC Silicon ASA

18 INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

Recognized income tax expense

(USD IN MILLION)	2019	2018
Current income tax expense (-) / benefit (+)	0.0	6.0
Deferred tax expense (-) / benefit (+)	0.0	0.4
Total income tax expense (-) / benefit (+) in the statement of income	0.0	6.5

Relationship of income tax expense/benefit to profit/loss from continuing operations

(USD IN MILLION)	2019	2018
Profit/loss before tax	-127.0	-348.0
Tax calculated at domestic tax rates applicable to profits /losses in the respective countries	32.5	93.7
Effects of changes in tax rates and use of another tax rate for parts of profits /losses	0.6	-12.3
Associated companies	-9.2	0.8
Expenses not deductible for tax purposes	-0.1	-0.9
Effects of not recognized deferred tax assets, including reversal of previous years	-23.4	-73.4
Change in estimates of prior years income taxes	0.0	6.0
Other permanent differences	-0.4	-7.4
Total income tax expense (-) / benefit (+) in the statement of income	0.0	6.5
Effective tax rate	0%	2%

The income tax benefit of USD 6.5 million in 2018 was related to the anticipated refund of Alternative Minimum Tax in the United States for USD 6.0 million and USD 0.4 million associated with the settlement of REC Silicon's commitment to contribute equity to the Yulin JV.

Other permanent differences in 2019 and in 2018 are related to tax calculations in REC Silicon ASA where the tax balances are denominated in NOK and the Financial Statements are in USD. This gives rise to differences in profit/loss between the tax calculation and the Financial Statement.

The income tax calculation for the Group is primarily based on blended corporate income tax rates of 22 percent in Norway and approximately 22.7 percent in the USA.

Income tax for REC Silicon in the USA is based on nominal 21 percent federal tax rate plus estimated state taxes. The effective tax rate for REC Silicon in the USA was 0 percent in 2019 and -1.0 percent in 2018.

Income tax assets and liabilities in the statement of financial position

(USD IN MILLION)	2019	2018
Current tax assets	1.3	2.7
Current tax liabilities	24.3	24.5
Net current tax assets (+) / liabilities (-)	-23.0	-21.9
Deferred tax assets	0.0	0.0
Deferred tax liabilities	0.0	0.0
Net deferred tax assets (+) / liabilities (-)	0.0	0.0

Current income tax assets relate to a refund of Alternative Minimum Tax in the United State. Current tax liabilities for 2019 and 2018 are related to the change in estimates for prior years' income taxes for REC Silicon ASA (see note 31).

Deferred tax assets and liabilities, based on classification as current and non-current are as follows

(USD IN MILLION)	2019	2018
Deferred tax assets		
Deferred tax asset to be recovered after 12 months	60.8	59.5
Deferred tax asset to be recovered within 12 months	5.3	5.4
Offset deferred tax assets and liabilities	-66.2	-64.9
Total	0.0	0.0
Deferred tax liabilities		
Deferred tax liability to be settled after 12 months	66.2	64.9
Deferred tax liability to be settled within 12 months	0.0	0.0
Offset deferred tax assets and liabilities	-66.2	-64.9
Total	0.0	0.0
Net deferred tax liabilities	0.0	0.0

Tax losses and tax credit carry-forwards are presented as deferred tax assets to be recovered after 12 months in the table above.

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2019

(USD IN MILLION)	BALANCE JAN 1	RECOGNIZED IN INCOME	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31
Total non-current assets	-62.4	-2.1	0.0	0.6	-63.9
Total current assets	0.0	0.0	0.0	0.0	0.0
Total non-current liabilities	-0.4	0.1	0.0	0.0	-0.3
Total current liabilities	5.4	0.0	0.0	-0.1	5.3
Tax losses and tax credits carry-forward recognized [1)]	57.4	1.9	0.0	-0.6	58.8
Total	0.0	0.0	0.0	0.0	0.0

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2018

(USD IN MILLION)	BALANCE JAN 1	RECOGNIZED IN INCOME	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31
Total non-current assets	-51.4	-14.8	0.0	3.8	-62.4
Total current assets	0.0	0.0	0.0	0.0	0.0
Total non-current liabilities	-0.4	0.0	0.0	0.0	-0.4
Total current liabilities	6.0	-0.3	0.0	-0.3	5.4
Tax losses and tax credits carry-forward recognized [1)]	45.4	15.5	0.0	-3.5	57.4
Total	-0.4	0.4	0.0	0.0	0.0

1) Tax losses and tax credit carry-forwards recognized at December 31, 2019 related to REC Silicon in the USA were USD 0.0 million and USD 58.8 million related to REC Silicon ASA. Tax losses and tax credit carry-forwards recognized at December 31, 2018 related to REC Silicon in the USA were USD 0.0 million and USD 57.4 million related to REC Silicon ASA.

Accumulated income taxes recognized to equity at December 31

(USD IN MILLION)	2019	2018
Effect of transition to IAS 39 at January 1, 2005	2.3	2.3
Effect of actuarial gains and losses	-3.9	-2.1
Effect of conversion of convertible bonds	-61.0	-61.0
Effect of costs for capital increase	8.6	8.5
Effect of translation differences on loans as part of net investment	12.6	12.6
Total deferred tax	-41.4	-39.7
Current tax - effect of costs for capital increase	13.1	13.1
Total	-28.3	-26.6

The following main deferred tax assets have not been recognized at December 31

(USD IN MILLION)	2019	2018
Total non-current assets	37.8	26.0
Total current assets	-0.2	-0.7
Total non-current liabilities	45.3	43.1
Total current liabilities	17.0	15.1
Tax losses carry forward	388.0	378.7
Total	487.8	462.2

Distribution of the deferred tax assets that have not been recognized at December 31

(USD IN MILLION)	2019	2018
REC Silicon ASA (Norway)	69.6	67.5
REC Solar AS (Norway)	178.2	180.1
REC Silicon US operations	238.1	212.7
Other	1.9	1.9
Total	487.8	462.2

The deferred tax asset in the United States was generated due to net operating losses on a tax basis (most of which expire between 2032 and 2037), the accelerated reversal of book to tax differences for depreciation caused by the recognition of impairment (financial statement only), and other taxable temporary differences which are expected to reverse on a more definite schedule. Due to requirements in IAS 12 for convincing evidence of the available of future taxable income to offset prior tax losses, the deferred assets were derecognized in 2017.

In Norway, net operating losses do not expire. The increase in deferred tax assets not recognized in REC Silicon ASA is primarily due to increase of tax loss carry forwards and interest limitation, that are primarily partly offset by increase in unrealized currency gains on intercompany USD loans held by the Company and translation differences caused by changes in currency rates. The decrease in REC Solar AS is primarily due to translation differences caused by changes in currency rates.

Deferred tax assets have not been recognized due to requirements in IAS 12 for convincing evidence of available future taxable income to offset prior tax losses.

Refer to note 31 contingent liabilities for discussion of notices of reassessment from the Central Tax office for large Enterprises.

A 15 percent withholding tax would apply to any dividends paid from the USA (see notes 2.16 and 4.1(A)).

19 RETIREMENT BENEFIT OBLIGATIONS AND EXPENSES

The cost of defined pension benefit plans is expensed in the period that the employee renders services and becomes eligible to receive benefits. The cost of defined contribution plans is expensed as contributions become payable.

REC Silicon has an employer-sponsored defined contribution retirement plan (401 (k)) for employees in the United States. The REC Silicon subsidiary REC Advanced Silicon Materials LLC (ASiMI) in the United States had defined benefit plans at the time it was acquired in 2005. At that time, these plans were frozen, and no future benefits are accruing to the members of the plans. Previous pension rights remain unchanged and are fully vested. The tables below for defined benefit plans are related to Advanced Silicon Materials LLC only.

REC Silicon maintains a defined contribution plan for its employee in Norway.

For defined benefit plans, the plan assets and the projected benefit obligations were measured at December 31, 2019 and 2018. An independent actuary performed actuarial calculations. The present value of the projected defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

Defined benefit plans

(USD IN MILLION)	2019	2018
Gross retirement benefit obligations at January 1	38.5	42.6
Interest cost on pension obligations	1.5	1.4
Remeasurements recognized through OCI	5.3	-4.0
Benefits paid, paid-up policies and disability obligation	-1.6	-1.6
Gross retirement benefit obligations at December 31	43.8	38.5
Fair values of plan assets at January 1	23.0	22.5
Actuarial return on plan assets	0.4	0.3
Pension premiums	2.5	1.8
Benefits paid, paid-up policies and disability reserve	-1.6	-1.6
Fair value of plan assets at December 31	24.3	23.0
Funded status at December 31	19.5	15.5
Net retirement benefit obligations at December 31	19.5	15.5

The plan assets relate to one of three ASiMI plans and are currently invested in stable value funds.

Retirement benefit obligations in the statement of financial position

(USD IN MILLION)	2019	2018
Net retirement benefit obligations at January 1	15.5	20.1
Net periodic benefit costs including net interest	0.6	0.7
Remeasurements recognized through OCI	5.9	-3.5
Pension premiums and benefits paid	-2.5	-1.8
Net retirement benefit obligations at December 31	19.5	15.5

The amounts recognized in the statement of income are as follows

(USD IN MILLION)	2019	2018
Total benefit plans	0.0	0.0
Defined Contribution	1.9	2.4
Total contribution expenses (see note 24)	1.9	2.4
Net interest expense	0.6	0.7

Remeasurements of the net defined benefit liability recognized through Other Comprehensive Income (gains (-)/losses (+))

(USD IN MILLION)	2019	2018
Experience adjustments	0.0	0.0
Effects of changes in assumptions	5.4	-4.0
Total remeasurements (gains (-)/losses (+)) on gross retirement benefit obligations	5.3	-4.0
Return on plan assets, excluding amounts included in interest	0.6	0.5
Total remeasurements (gains (-)/losses (+)) recognized through Other Comprehensive Income	5.9	-3.5

During 2019 the effects of changes in assumptions were due to a decrease in discount rate and changes in financial and demographic assumptions for the ASiMI plans.

The cumulative re-measurement loss recognized to equity through other comprehensive income was USD 24.4 million before income taxes at December 31, 2019. Of this, a loss of USD 24.4 million was related to ASiMI (excluding translation difference).

At December 31, 2019, the mortality table was updated from the Adjusted RP-2014 base rates with projection scale MP-2017 to the Adjusted RP-2014 base rates with projection scale MP-2018. Adjusted RP-2014 means that RP-2014 was adjusted to 2006 by removing improvement based on MP-2014 and then used as the base table as of 2006.

The principal actuarial assumptions used to determine retirement benefit obligations at December 31

	2019	2018
Discount rate	3.04	4.09
Future salary increases	NA	NA
Future pension increases	NA	NA
Future increase in social security base amount	NA	NA
Future turnover	NA	NA

The assumptions used to determine the benefit cost for the year are determined at the beginning of the year. The expected return for the ASiMI plans equals the discount rate.

The expected remaining service life (average, in years) of the defined benefit obligation for the ASiMI plans are approximately 9.5 at December 31, 2019 and 9.8 at December 31, 2018. Pension premiums of USD 1.4 million are expected to be paid during 2020 to the ASiMI defined benefit plans.

For the ASiMI benefit plans, a one percentage point increase (decrease) in discount rate is estimated to decrease (increase) the pension obligation by approximately USD - 5.1 (6.3) million at December 31, 2019.

20 TRADE PAYABLES, PROVISIONS AND OTHER LIABILITIES

Non-financial liabilities, interest calculation

(USD IN MILLION)	2019	2018
Non-current prepayments interest calculation	0.5	4.2
Current portion of prepayments interest calculation	4.1	3.2
Total prepayments, interest calculation	4.6	7.4

Trade payables and other liabilities

(USD IN MILLION)	2019	2018
Trade and other payables	9.0	17.4
Accrued costs for capex - external	0.0	0.0
VAT and other public taxes and duties payables	30.0	28.6
Accrued operating costs - external	3.6	4.3
Accrued finance costs - external	7.7	7.4
Other non-interest bearing liabilities [1)]	6.2	4.4
Trade payables and other liabilities	56.6	62.1

[1)] Includes payment penalty of USD 5.2 million in relation to outstanding capital contribution from REC Silicon to the Yulin JV (see note 8 and 29).

Provisions

(USD IN MILLION	2019	2018
Provisions, current	0.0	0.0
Provisions, non-current	0.0	0.0
Non-current provision, interest calculation	3.3	3.0
Total provision	3.3	3.0

Specification of provisions

(USD IN MILLION	ASSET RETIREMENT OBLIGATION	TOTAL
At January 1, 2019	3.0	3.0
Net periodic asset retirement obligation costs including net interest	0.3	0.3
At December 31, 2019	3.3	3.3

Estimated fair values of the Group's guarantees, indemnification loans and option contract related to the REC Wafer bankruptcy are not reported as provisions but included in other line items in the statement of financial position.

NON-CURRENT PROVISIONS
During 2019 the Company recorded additional provision for ARO's of USD 0.3 million.

At December 31, 2019 the Company has recorded USD 3.3 million in asset retirement obligations (AROs). These obligations consist of USD 1.5 million to restore leased waste water containment ponds to conditions specified in the lease agreement and USD 1.8 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 2 years for the waste water containment ponds. The restoration of the production sites is discounted between 8 to 11.5 percent and between 26 to 39 years. 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.

21 GOVERNMENT GRANTS

There were no government grants at December 31, 2019 or 2018.

22 OTHER OPERATING EXPENSES

(USD IN MILLION)	2019	2018
Freight, postage and transportation	4.3	5.2
Energy and water	33.2	37.2
Lease expenses	2.4	19.4
Total operating, service and maintenance costs	26.0	31.5
Consultancy and auditor fees	8.5	11.2
Own work capitalized on fixed assets	0.0	-0.1
IT and telecommunications costs	2.4	2.5
Travel and entertainment costs	1.8	2.7
Insurance costs	3.6	4.3
Loss on receivables [1]	0.0	2.6
Other operating costs [2]	-2.3	-6.5
Other operating expenses	79.9	110.1

[1] Loss on receivables (see note 12).
[2] Other Operating Costs include the reimbursement of expenses incurred on behalf of the JV (see note 10).

Auditor's remuneration

(USD IN MILLION)	2019	2018
Statutory Audit (only relating to statutory auditor)	0.4	0.6
Other assurance services (only relating to statutory auditor)	0.0	0.0
Tax advisory services (only relating to statutory auditor)	0.2	0.1
Other non-audit services (only relating to statutory auditor)	0.0	0.1
Total auditors remuneration	0.6	0.9

23 OTHER INCOME AND EXPENSES

(USD IN MILLION)	2019	2018
Restructuring cost and employee termination benefits	-2.3	-2.0
State of WA excise tax refund for year 2014	0.0	1.3
State of WA excise tax ruling for years 2017 and 2018	-0.3	0.0
Insurance proceeds related to equipment damaged by July 1, 2016 fire	0.6	0.0
Gain/loss on disposal of non-current assets	0.1	0.1
Total other income and expenses	-2.0	-0.5

During both 2019 and 2018 the Group incurred employee termination costs related to headcount reductions.

24 EMPLOYEE BENEFITS

(USD IN MILLION)	2019	2018
Salaries	34.0	46.3
Bonus and sales commission - employees	0.0	0.3
Share option expense	-0.1	-0.4
Social security tax	2.6	3.2
Defined Contribution	1.9	2.4
Other employee related costs	6.6	7.9
Employee benefit expenses	44.9	59.7

The average number of permanent employees during 2019 was 342. The average number of permanent employees during 2018 was 461.

There were no loans or guarantees provided to employees at December 31, 2019 or 2018.

25 FINANCIAL INCOME AND EXPENSES

(USD IN MILLION)	2019	2018
Interest income from financial assets not at fair value through profit or loss	0.7	0.9
Calculated interest income	0.0	0.0
Total income from financial assets not at fair value through profit or loss	0.7	0.9
Interest expenses for the convertible bonds (fair value through profit or loss)	0.0	-2.1
Interest expenses for the NOK Bonds REC03 (partially fair value through profit or loss)	0.0	-2.0
Interest expenses for CTO tax dispute	-0.4	-0.4
Interest expenses for USD Senior Secured Bond	-12.7	-9.1
Interest expenses for financial liabilities not at fair value through profit or loss	0.0	0.0
Expensing of up-front fees and costs	-0.3	-0.2
Interest on lease liabilities	-5.0	0.0
Other calculated interest expenses	-0.5	-0.7
Other expenses from financial assets and liabilities	-0.6	-3.5
Net financial expenses	-19.6	-18.0
Net currency gains/losses	-1.2	3.1
Total net gains/losses derivatives and fair value hedge (excluding interest)	0.0	0.0
Fair value through profit or loss - convertible bonds (excluding interest)	0.0	0.0
Total fair value through profit or loss	0.0	0.0
Net financial items	-20.2	-14.0

Interest income in 2019 includes interest on bank accounts of USD 0.4 million and interest on municipal bonds of USD 0.2 million.

Calculated interest is interest calculated on prepayments (see note 20).

ADDITIONAL INFORMATION TO THE STATEMENT OF CASH FLOWS ON INTEREST, UP-FRONT FEES, AND OTHER COSTS PAID.
Interest paid is approximately USD 12.7 million in 2019 and USD 14.9 million in 2018.

26 EARNINGS PER SHARE

BASIC
Basic earnings per share (EPS) is calculated by dividing the profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares issued during the year, excluding treasury shares.

The weighted average number of ordinary shares in the table below have been adjusted for the reverse share split on July 9, 2019 (see note 15).

	2019	2018
Profit/loss (USD IN MILLION)	-127.0	-341.6
Weighted average number of ordinary shares in issue (IN MILLION)	270.5	254.4
Basic earnings per share (USD per share)	-0.47	-1.34

DILUTED
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the convertible bonds and employee share options. Earnings are adjusted to reverse interest expense, currency gains or losses, changes in fair value and the related tax amounts of the convertible bonds. The calculation is made individually for each of the convertible bonds. If the effect increases EPS from continuing operations, it is anti-dilutive, and is then not included in diluted EPS.

The calculation shows that the share options are anti-dilutive for 2019 and 2018. Consequently, dilutive EPS equals basic EPS for both years.

27 DIVIDENDS PER SHARE

The Board of Directors did not propose any dividend payments for financial years 2019 or 2018.

28 RESEARCH AND DEVELOPMENT

(USD IN MILLION)	2019	2018
Research and development expense	1.8	2.6
Development capitalized	0.0	0.0
Total research and development	1.8	2.6

Research and development activities consist of improvements to current production processes and equipment as well as activities designed to enhance quality, improve efficiency, and reduce production cost.

29 COMMITMENTS, GUARANTEES, PLEDGES

Purchase obligations consist of significant items for which the Group is contractually obligated to purchase from third parties at December 31, 2019 and 2018. Operating lease payments show contractual minimum future payments.

In cases where contracts can be terminated or reduced, the reduced amount has been included as estimated payments in the first period subsequent to the reporting period. Consequently, the amounts presented in the table represent the estimated unavoidable portion of the Group's expected future costs related to purchase obligations and lease payments. It does not reflect the Group's expected future cash outflows.

Purchase obligations and operating lease payments are undiscounted and exclude the payment of amounts recognized for other assets, liabilities, and investments.

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

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	2020	2021	2022	2023	2024	AFTER 2024
Total purchase of goods and services	14.5	14.5	0.0	0.0	0.0	0.0	0.0
Total minimum operating lease payments	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total purchase obligations and minimum operating lease payments	14.6	14.6	0.0	0.0	0.0	0.0	0.0

Purchase obligations consist primarily of long-term contracts for Metallurgical Grade Silicon. Operating leases are short-term or low-value leases that meet the exceptions in IFRS 16 Leases.

In 2018, REC Silicon entered into a supplemental agreement in relation to investment in the Yulin JV in China. According to the agreement, the currently outstanding amounts that REC Silicon agreed to pay to the other investor in the Yulin JV include USD 5.2 million in 2020 (note 9 and 29). This amount has not been included in the table above.

GUARANTEES AND PLEDGES

Bank guarantees at December 31, 2019 amounted to USD 4.7 million related to performance guarantees (REC Solar), and salary related liabilities. Restricted cash balances related to guarantees were USD 4.4 million (see note 14).

Bank guarantees at December 31, 2018 amounted to USD 4.7 million related to purchases of energy, performance guarantees (REC Solar), and salary related liabilities. Restricted cash balances related to guarantees were USD 4.4 million (see note 14).

The Group provided parent company guarantees for the REC Solar Group related to the performance of solar panels and systems and the sale of REC ScanModule AB. The Group has been provided with offsetting guarantees by REC Solar Holdings AS. The guarantees are valid for relevant warranty periods and are limited by warranties provided on solar panels and systems. Parent company guarantees for REC Solar were USD 54.7 million at December 31, 2019 and 2018. The guarantees will decrease from 2022 to 2039 when they will expire in their entirety.

The Company has provided guarantees and indemnification agreements in connection with the bankruptcy of a former subsidiary (see notes 11, 17 and 30).

30 OTHER INFORMATION FINANCIAL INSTRUMENTS

FAIR VALUES OF FINANCIAL INSTRUMENTS
The estimated fair values of the Group's financial instruments are based on market prices and the valuation methods described below.

Financial instruments recognized at fair values (partially or in whole)

(USD IN MILLION)	2019 ASSETS	2019 LIABILITIES	2018 ASSETS	2018 LIABILITIES
Derivatives option related to REC Wafer bankruptcy	**0.0**	**1.4**	0.0	1.5

Determining the categorization of fair value measurements in accordance with IFRS 13 involves judgment.

Level 2
USD Convertible bonds: The Group accounted for these instruments at fair value. The convertible bonds were not listed on any exchange but was traded in limited markets. Quotations published by Bloomberg and actual trades were used to estimate fair value. At year-end, the value was adjusted to the tax assessment value published by Norges Fondsmeglerforbund. This value was an estimate of fair value. The USD Convertible bonds were extinguished on September 11, 2018.

NOK bonds (REC03): The fair value adjustment recognized in the financial statements at December 31, 2017 was due to a fair value hedge from the fixed swap interest rate to the floating NIBOR rate. In November 2013, the hedging designation was revoked and the hedged part of the bonds is no longer adjusted to their fair values (see note 17). The NOK denominated bonds (REC03) were extinguished on May 3, 2018.

Level 3
Option contract is part of the indemnification agreements in connection with the REC Wafer Norway AS bankruptcy, and the estimated fair value is subject to change. Changes in estimated fair value, when they occur, are reported as part of the net gain on disposal of discontinued operations. There are no anticipated cash flows associated with this option until estimated maturity, the earliest of which was in February 2016. The option contract has not been settled as of the issue date of these financial statements. The option price is dependent on the share price of the Company and dividend payout from the REC Wafer Norway AS's bankruptcy estate. At yearend 2015, this option had matured, and the associated liability amounts became fixed with respect to changes in the Company's share price. A ten percent change to the dividend payout from REC Wafer Norway AS's bankruptcy estate would result in a corresponding change of NOK 1 million (USD 0.1 million at year end) in the fair value of the liability.

Other financial liabilities and assets
The USD Senior Secured bonds (REC04) are traded on the Oslo Stock Exchange. Although trading is limited, market values of the bonds were estimated using trades near year-end (level 2 in the fair value hierarchy).

The NOK bonds (REC03) was traded on the Oslo Stock Exchange. Although trading was limited, market values of the bonds were estimated using trades near year-end (level 2 in the fair value hierarchy). The NOK denominated bonds (REC03) were extinguished on May 3, 2018.

(USD IN MILLION)	2019 NOMINAL VALUE	2019 CARRYING VALUE	2019 ESTIMATED FAIR VALUE	2018 NOMINAL VALUE	2018 CARRYING VALUE	2018 ESTIMATED FAIR VALUE
REC04	**110.0**	**109.0**	**116.1**	110.0	108.6	108.9

For all remaining financial assets and liabilities, the carry amounts represent a reasonable approximation of fair value.

CREDIT RISK

The maximum credit risks related to financial assets are estimated in the table below.

	2019		2018	
(USD IN MILION)	CARRYING AMOUNT	MAX. EXPOSURE	CARRYING AMOUNT	MAX. EXPOSURE
Cash and bank (incl. restricted bank accounts)	33.8	33.8	36.2	36.2
Trade receivables and accrued revenues	23.2	23.2	29.9	29.9
Other non-current and current receivables	1.6	1.6	4.5	4.5
Finance receivables and short-term loans	3.8	3.8	3.8	3.8
Total	62.4	62.4	74.3	74.3

The bank guarantees, parent company guarantees, and indemnification agreements (see note 29) expose the Group to credit risk. The fair values of bank and parent company guarantees are estimated at zero. The maximum amount of the indemnification agreements is NOK 270 million and has been recognized in liabilities for NOK 212.7 million (USD 22.2 million) at December 31, 2019.

At December 31, 2019, USD 5.8 million of trade receivables were insured by the Export–Import Bank of the United States.

Shared characteristics that identify each concentration of trade receivables at December 31

GEOGRAPHICAL	2019	2018	SECTOR	2019	2018	INDUSTRY	2019	2018
China	65%	66%	Manufacturing	69%	70%	Solar	50%	50%
Other Asia	16%	16%	Wholesale	27%	29%	Electronic	47%	49%
Taiwan	8%	8%	Other	3%	1%	Other	3%	1%
North America	3%	5%						
Japan	4%	3%						
Europe	4%	2%						
Hong Kong	0%	0%						
Total	100%	100%		100%	100%		100%	100%

The table above is calculated with respect to gross trade receivables only. The provision for loss on trade receivables is exclusively concentrated on customers in the solar industry in China and Taiwan.

The Group is dependent on a small number of customers. In 2019, three customers represented approximately 60 percent of revenue (three customers in 2018 represented 50 percent) for the Group. Approximately 50 percent of the revenue in 2019 for the Solar Materials segment was represented by one customer (one customer in 2018) while the Semiconductor segment consisted of two customers in 2019 (three customers in 2018). Three customers represented approximately 60 percent of total trade receivables for The Group at December 31, 2019 (four customers represented approximately 50 percent at December 31, 2018). Approximately 100 percent of the trade receivables in 2019 for the Solar Materials segment was represented by two customers (three customers in 2018 represented approximately 50 percent), while the Semiconductor segment consisted of two customers that represented approximately 50 percent (four customers in 2018). See note 5 Segment Information above.

Generally, a more challenging and competitive market environment increases credit risk due to financially weaker customers and extended payment terms. Amounts overdue but not impaired between 90 and 365 days were associated with one customer for 2019 and zero customers for 2018.

Analysis of aging of receivables at December 31, 2019

		AGING OF RECEIVABLES				
			PAST DUE			
(USD IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	<30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS
Trade receivables	37.6	17.0	1.1	1.0	4.2	14.4
Provision for loss on trade receivables	-14.4	0.0	0.0	0.0	0.0	-14.4
Other non-current and current receivables	1.3	1.3	0.0	0.0	0.0	0.0
Total receivables	24.5	18.2	1.1	1.0	4.2	0.0
Prepaid Costs	6.0					
Total trade and other receivables	30.5					

Analysis of aging of receivables at December 31, 2018

(USD IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	AGING OF RECEIVABLES PAST DUE < 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS
Trade receivables	44.3	27.7	2.2	0.0	0.0	14.4
Provision for loss on trade receivables	-14.4	0.0	0.0	0.0	0.0	-14.4
Other non-current and current receivables	1.9	1.9	0.0	0.0	0.0	0.0
Total receivables	31.7	29.5	2.2	0.0	0.0	0.0
Prepaid Costs	9.0					
Total trade and other receivables	40.8					

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. The Company has prepared analyses to calculate an ECL estimated at 0.33 percent of sales. However, because expected credit losses are low and accounts receivable consists of relatively large outstanding balances, use of the ECL to record credit losses at the time of sale would result in provisions for losses on trade receivables for future sales. Therefore, the Company uses the ECL rate as a guideline and evaluates the potential that balances will not be received based upon days outstanding, customer payment histories, and other information regarding past due balances. In general, provisions are recorded for accounts which are greater than 60 days past due unless there is a clear indication that payment will be received.

At December 31, 2019, approximately 72 percent of not due trade receivables were secured by bank guarantees. At December 31, 2018, approximately 22 percent of the not due receivables were secured by bank guarantees. In addition, primarily through the Export-Import Bank of the United States, accounts receivable secured by credit insurance were approximately 27 percent of the past due receivables at December 31, 2019.

SENSITIVITIES

Interest rate sensitivity

A change in interest rates will affect interest payments on variable interest rate liabilities, cash, and restricted cash. The net effect of a one percentage point increase (decrease) in interest rates is estimated to affect profit or loss for the year by USD -0.1 (0.1) million calculated on outstanding amounts at December 31, 2019 and 2018.

Exchange rate sensitivity

The table below shows the estimated impact of a 10 percent increase in foreign currency rates compared to functional currencies for each entity. A decrease in the same percentage would create the opposite effect. The amounts calculated in the table below are for REC Silicon ASA at period end and do not reflect fluctuations during the year. On January 1, 2018, REC Silicon ASA changed the functional and reporting currency from NOK to USD. The table below for changes in 2019 and 2018 shows the effects on positions denominated in NOK.

For 2019 and 2018 the exchange rate sensitivity for financial assets is primarily cash and financial liabilities denominated in NOK.

Exchange rate sensitivity on financial instruments at December 31

(USD IN MILLION)	CHANGE + 10% COMPARED TO FUNCTIONAL CURRENCIES 2019	2018
Financial assets	**1.9**	0.5
Financial liabilities	**-5.4**	-5.4
Total	**-3.5**	-4.9
Of which to equity		
USD receivables as part of net investment	**0.0**	0.0
Rest is to profit or loss	**-3.5**	-4.9

31 CLAIMS, DISPUTES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group is involved in legal disputes in the ordinary course of business. Provisions are recognized for the expected outcomes in accordance with applicable accounting rules. Provisions are based on Group Management's estimate of likely outcomes based on prior experience, the source, and the facts and circumstances of a claim. The final outcomes of such disputes and litigation are subject to significant uncertainty and actual outcomes may vary from provisions recognized. Provisions are adjusted to reflect the most recent facts and circumstances.

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 the Chinese 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 Company curtailed the operation of its FBR production facility in Moses Lake, Washington during the second quarter of 2019. The timing and length of the shutdown are dependent on whether significant positive developments in solar grade polysilicon markets occur. Additional impairments and provisions would be required if the FBR facility is not restarted.

In addition, general economic conditions and the effects of the ongoing trade war between China and the United States is having an adverse impact on markets served by the semiconductor materials facility in Butte, Montana. In response, management and the board of directors has devised and will implement a plan to reduce spending and activity levels to further conserve cash.

On January 15, 2020 the Phase I economic and trade agreement was signed by the Government of the United States and the Government of China. The Company is evaluating the potential impacts of the Phase I trade agreement. The timing or outcome of any decision to resume operations at the FBR facility in Moses Lake remains uncertain (see note 33).

PROPERTY TAXES

REC Silicon has appealed property taxes in Grant County, Washington (USA). The 2012 assessment year is currently subject to an appeal pending before the Washington Court of Appeals. On November 8, 2018 the Thurston County Superior Court issued a ruling affirming the 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.

In addition, REC Silicon has received a Notice of Change of Value from Grant County for the 2013, 2014, and 2015 assessment years and has appealed these valuations. REC Silicon received Notice of Change of Value for years 2016-2019 assessment years and agreed with the valuation.

The timing and outcome of these appeals is subject to uncertainty.

For the years presented, there were no differences between expenses recognized and amounts claimed by Grant County. The total provision in the statement of financial position is USD 27.7 million at December 31, 2019 and USD 26.8 million at December 31, 2018 and represents the Group's liability should the assessments of value asserted by Grant County be upheld. Under relevant law and previous agreements, REC Silicon is required to pay only the undisputed amounts and a portion of the disputed amounts while the appeals are pending. Payments made in 2019 for 2018 property taxes totaled USD 1.9 million and payments made in 2018 for 2017 property taxes totaled USD 2.8 million and are not subject to appeal.

INCOME TAXES

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

The Company filed a response with supporting arguments and additional documentation in opposition to findings in the CTO's draft decision. REC Silicon continues to believe that the losses are tax deductible and that the Company's position will eventually prevail. The CTO is expected to issue an additional draft decision. The Company will have another opportunity to comment on the new draft decision prior to the issuance of a final decision. When a final decision is issued, any resulting tax is generally due two weeks after the decision.

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

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

The resulting short-term liabilities of approximately USD 29.3 million, income tax payable of approximately USD 24.3 million, and interest payable of approximately USD 4.9 million, has been reported in current liabilities.

INDEMNIFICATION LOAN
See note 17

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At December 31, 2019, the indemnification loan is NOK 200.0 million (USD 22.8 million) and can only be called when certain conditions are met. Once the loan is called, outstanding amounts will bear interest at a rate of NIBOR plus 0.5 percent.

The Company received a claim dated December 16, 2019 of NOK 150 million from Nordea under the indemnification loan. According to the letter, Nordea's claim for NOK 150 million is based on an assumption that its loss will exceed said amount when the estates are concluded. However, the relevant bankruptcy estates have not yet been concluded. Therefore, the amount of loss suffered by Nordea as a result of the bankruptcy cannot be calculated at this time. Given this and other uncertainties concerning the basis for the claim, the Company has responded by denying the claim. The status and timing of the indemnification loan is subject to uncertainty.

32 SHARE-BASED COMPENSATION

In 2014, 2015, and 2016 REC Silicon granted 8,000,000 share options during each year, and in 2017, 2018, and 2019 12,000,000 share options were granted to certain key employees. These programs are for six years. The first three years are a lock-up period. The vesting of the options for eligible employees will take place in equal parts in the fourth, fifth and sixth years of each program, on each June 30 of each year. The options were granted at a strike price of NOK 3.50 in 2014, NOK 2.30 for 2015, NOK 1.92 for 2016, 1.19 in 2017, 1.52 in 2018, and 0.81 in 2019. These option programs are synthetic programs; the options will be settled in cash. Cash payments due to an eligible employee following any disbursement date is limited to a maximum amount in each calendar year equal to the employee's base annual salary effective January 1st in the year of the disbursement. Any unexercised options are forfeited upon termination of employment.

Due to the reverse share split (See note 15 above) all previous granted options are divided by 10 and all strike prices are multiplied by 10. See table below.

Fair values were estimated using the Black-Scholes option price model. Expected volatility was based on historical volatility and no dividends were expected in the periods. Expected lifetime and vesting periods were set at the time of allocation based on expectations that employees would exercise options early due to the structure of the programs, including the annual profit cap, and the volatility of the Company's share price.

OPTIONS OUTSTANDING AT DECEMBER 31, 2019

PROGRAM	EXERCISE PRICE (NOK)	NO. OPTIONS	TOTAL FAIR VALUE (USD MILLION)	REMAINING CONTRACTUAL LIFE (YEAR)
2014	35.00	648,193	0.00	0.50
2015	23.00	647,559	0.00	1.50
2016	19.20	648,309	0.01	2.50
2017	11.90	1,016,558	0.04	3.50
2018	15.20	1,200,000	0.05	4.50
2019	8.10	1,200,000	0.12	5.50
Total		5,360,619	0.22	

Differences between the number of options granted for each year and the number of outstanding options in the table above are due to options that have been forfeited upon termination of employment. Options forfeited for 2019 and 2018 were zero and 499,668 respectively.

The amount recognized in the statement of income for share based compensation was a credit of USD 0.1 million in 2019 and a credit of USD 0.4 million in 2018.

33 EVENTS AFTER THE REPORTING PERIOD

PHASE I TRADE AGREEMENT BETWEEN THE US AND CHINA
On January 15, 2020 the Phase I economic and trade agreement was signed by the Government of the United States and the Government of China. This agreement prioritizes polysilicon and contains commitments for China to purchase goods manufactured in the United States during 2020 and 2021. REC Silicon has been advised by US government officials that specific commitments for China to purchase specific quantities of solar grade polysilicon manufactured in the United States are contained in non-public annexes to the agreement. REC Silicon has received indication from these US government officials that Chinese markets for solar grade polysilicon are open to US solar grade polysilicon without tariffs and that these commitments override the extension of tariffs on US made polysilicon announced by the Ministry of Commerce of the People's Republic of China on January 19, 2020.

The Company is evaluating the potential impacts of the Phase I trade agreement. The timing or outcome of any decision to resume operations at the FBR facility in Moses Lake remains uncertain. The Company has not considered the potential impacts of this agreement in calculating estimates used to prepare these financial statements. For example, this agreement has the potential to accelerate the restart of the FBR facility in Moses Lake, Washington compared to estimates used to determine the value in use for impairment testing described in note 3 above.

COVID-19 OUTBREAK (NOVEL CORONAVIRUS)
Recent world events indicate that the spread of COVID-19 (novel coronavirus) is having an adverse impact on the economy and is disrupting global supply chains. Specifically, there have been reports of underutilization of production capacity in industry segments served by REC Silicon. REC Silicon anticipates that its customers will experience a disruption of operations caused by the response to and the impact of the COVID-19 outbreak. In addition, REC Silicon has restricted travel to the Asia-Pacific region to protect its employees and to prevent further spread of the virus. The COVID-19 outbreak has the potential to increase market risks, liquidity risks, and credit risk faced by the Company. The impacts of the COVID-19 outbreak on REC Silicon's financial performance are dependent upon the extent and duration of the outbreak. Company management will continue to monitor the situation and take appropriate action as additional developments occur.

BALANCE SHEET (NGAAP)
REC SILICON ASA

AT DECEMBER 31 (USD IN THOUSAND)	NOTES	2019	2018
ASSETS			
Non-current assets			
Equipment and intangible assets	B	30	30
Investments in subsidiaries	C	13,060	66,909
Non-current receivables from subsidiaries	D	277,448	291,174
Restricted bank accounts non-current	E	3,628	3,619
Total non-current assets		294,166	361,733
Current assets			
Other receivables		114	214
Restricted bank accounts current	E	191	190
Total current receivables		306	404
Cash and cash equivalents	E	18,862	16,970
Total current assets		19,168	17,373
Total assets		313,334	379,106

BALANCE SHEET (NGAAP) REC SILICON ASA

AT DECEMBER 31 (USD IN THOUSAND)	NOTES	2019	2018
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	G	**33,918**	310,033
Share premium	G	**0**	0
Total paid-in capital	G	**33,918**	310,033
Other equity and retained earnings	G	**114,307**	-95,865
Total shareholders' equity	G	**148,225**	214,167
Non-current liabilities			
Interest-bearing liablities	F	**108,605**	108,275
Total non-current liabilities		**108,605**	108,275
Current liabilities			
Trade payables		**24**	27
Current tax payables	I, Q	**24,323**	24,549
Social security tax, VAT and other taxes		**14**	11
Interest-bearing liabilities	F	**22,778**	22,990
Derivatives	L	**1,446**	1,460
Other current liabilities	L	**7,918**	7,626
Total current liabilites		**56,504**	56,663
Total liabilities		**165,109**	164,938
Total equity and liabilities		**313,334**	379,106

Fornebu, March 23, 2020
Board of Directors

Jens Ulltveit-Moe
Chairman of the Board

Espen Klitzing
Member of the Board

Ragnhild Wiborg
Member of the Board

Inger Berg Ørstavik
Member of the Board

Tore Torvund
President and CEO

INCOME STATEMENT (NGAAP) REC SILICON ASA

YEAR ENDED DECEMBER 31 (USD IN THOUSAND)	NOTES	2019	2018
Revenues		0	0
Employee benefit expenses	H	-405	-461
Other operating expenses	J	-1,243	-1,240
EBIT		-1,647	-1,702
Interest income, internal	K	0	70,654
Interest income, external		351	541
Other financial income		28	0
Interest expense, external	K	-13,347	-13,823
Other financial expenses	K	-26	-2,844
Net currency gains/losses	K	344	3,075
Impairment of financial assets	M	-70,676	-391,889
Net financial items		-83,325	-334,286
Profit/loss before income tax		-84,972	-335,988
Income tax expenses	I	0	0
Profit/loss for the year		-84,972	-335,988
Profit/loss for the year is distributed as follows			
Share premium	G	-16,115	-238,854
Other equity (uncovered loss)	G	-68,857	-97,133
Total distributed		-84,972	-335,988

STATEMENT OF CASH FLOWS (NGAAP) REC SILICON ASA

YEAR ENDED DECEMBER 31 (USD IN THOUSAND)	2019	2018
Cash flows from operating activities		
Profit/loss before tax	-84,972	-335,988
Impairment losses financial assets [1]	70,676	391,889
Changes in receivables external	99	53
Changes in payables	291	-1,262
Currency effects not cash flow or not related to operating activities [2]	-450	-1,811
Other items [3]	330	3,205
Net cash flow from operating activities	-14,027	56,086
Cash flow from investing activities		
Investment in equity in subsidiaries	-3,100	-2,783
Investment in loan to subsidiaries	0	-57,300
Proceeds from finance receivables and restricted cash	-10	201
Net cash flow from investing activities	-3,110	-59,881
Cash flow from financing activities		
Increase in equity	19,030	0
Payments of borrowings and up-front/waiver loan fees	0	-171,404
Proceeds from borrowing	0	110,000
Net cash flow from financing activities	19,030	-61,404
Net increase/decrease in cash and cash equivalents	1,893	-65,199
Cash and cash equivalents at the beginning of the period	16,970	82,169
Cash and cash equivalents at the end of the period	18,862	16,970

[1] Impairment losses financial assets. See note M.

[2] The Currency gains and losses are primarily related to liabilities in NOK.

[3] Other items consist of the expensing of up-front loan fees and amortization of interests. For 2018, Other items also include Excess premium paid related to buyback of NOK bond and USD Convertible bond.

INDEX OF THE NOTES TO THE FINANCIAL STATEMENTS REC SILICON ASA

NOTES TO THE FINANCIAL STATEMENTS REC SILICON ASA

A SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL INFORMATION

REC Silicon ASA (the Company) is a holding company with corporate management and financial functions.

The financial statements have been prepared in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP) in effect at December 31, 2019. The Company's reporting and functional currency is in US Dollar (USD).

The reporting currency used in the consolidated financial statements is US Dollar (USD). The consolidated financial statements of the Group have been prepared in accordance with IFRS. The Company's accounting principles are similar to the accounting principles for the Group unless otherwise noted. Financial statement disclosures for the Company that are substantially different from the disclosures for the Group are shown below. See notes to the consolidated financial statements.

Group contributions and dividends that are subject to approval by the Annual General Meeting are recognized according to IFRS in the consolidated financial statements at the time of approval. For the Company's financial statements according to NGAAP, these are recognized in the fiscal year they relate to. Group contributions to subsidiaries are recognized as investment in shares in subsidiaries, net of tax.

Subsidiaries, jointly controlled entities, and associates are carried at the lower of cost or estimated recoverable amount in the Company's financial statements. In the consolidated financial statements, these are consolidated or accounted for using the equity method.

In the consolidated financial statements, the convertible USD bond loans issued in 2013 have been measured at fair value. In the Company's financial statements, they are measured at amortized cost. (The convertible USD bond was settled in 2018.)

In the Company's financial statements, payments expected to be made during the next 12 months on non-current financial assets or liabilities are not reclassified to current financial assets or liabilities. In the consolidated financial statements, these are reclassified.

The financial statements are presented in USD, rounded to the nearest thousand unless otherwise stated. As a result of rounding adjustments, 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.

The financial statements of the Company have been approved for issue by the Board of Directors on March 23, 2020 and are subject to approval by the Annual General Meeting scheduled for May 12, 2020.

B EQUIPMENT AND INTANGIBLE ASSETS

The carrying amount of equipment and intangible assets consist of non-depreciable office items. Other depreciable office equipment and furniture are fully depreciated.

C SHARES IN SUBSIDIARIES

COMPANY	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE	CARRYING AMOUNT DECEMBER 31 (USD IN THOUSAND) 2019	2018
REC SILICON AS	100%	Bærum	**12,938**	66,787
REC SOLAR AS	100%	Bærum	**122**	122
Total			**13,060**	66,909

In 2019 the Company increased the equity in REC Silicon AS with USD 3,100 thousand (USD 2,783 thousand in 2018).

In 2019 the Company impaired the shares in REC Silicon AS with USD 56,950 thousand as a consequence of REC Silicon AS similar impairment of their shares in REC Silicon Pte Ltd.

SUB-SUBSIDIARIES	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE
REC Solar AS subsidiaries		
Gitzeli Solar Energy Production S.A.	100%	Greece
REC Greece S.A.	100%	Greece
REC Silicon AS subsidiaries		
REC Silicon Inc	100%	Moses Lake, USA
REC Solar Grade Silicon LLC	100%	Moses Lake, USA
REC Advanced Silicon Materials LLC	100%	Butte, USA
REC Silicon Pte. Ltd.	100%	Singapore

At December 31, 2019, REC Solar AS's subsidiaries were under liquidation.

D RECEIVABLES FROM SUBSIDIARIES

Non-current interest-bearing receivables from subsidiaries are USD loans to the subsidiaries in USA (REC Silicon Inc. and REC Solar Grade Silicon LLC) with carrying value USD 277,448 thousand at December 31, 2019 and USD 291,174 thousand at December 31, 2018. In 2019 and 2018 the Company has impaired these receivables by USD 13,726 thousand and USD 391,889 thousand respectively. See note M.

E CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

Cash and cash equivalents consist of bank deposits.

Restricted bank accounts (not included as cash and cash equivalents)

(USD IN THOUSAND)	2019	2018
Non-current	3,628	3,619
Current	191	190
Total restricted bank accounts	3,820	3,809

At December 31, 2019 and 2018 current restricted bank accounts include USD 8 thousand to secure employees' tax deductions in REC Silicon ASA.

See note 14 to the consolidated financial statements for a description of restricted bank accounts.

F INTEREST BEARING LIABILITIES

(USD IN THOUSAND)	2019	2018
Non-current		
USD senior secured bond	110,000	110,000
Unamortized fees	-1,395	-1,725
USD senior secured bond	108,605	108,275
Total non-current interest bearing liabilities	108,605	108,275
Current		
Indemnification loan	22,778	22,990
Total interest bearing liabilities	131,383	131,265

See note 17 to the consolidated financial statements for details of the Company's interest-bearing liabilities.

G EQUITY

(USD IN THOUSAND)	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY AND RETAINED EARNINGS (UNCOVERED LOSSES)	TOTAL
Equity at January 1, 2018	310,033	238,854	1,268	**550,155**
Loss for the year	0	-238,854	-97,133	**-335,988**
Equity at December 31, 2018	310,033	0	-95,865	**214,167**
Share issue	2,915	16,115	0	**19,030**
Share Capital reduction	-279,029	0	279,029	**0**
Loss for the year	0	-16,115	-68,857	**-84,972**
Equity at December 31, 2019	33,918	0	114,307	**148,225**

At December 31, 2019, REC Silicon ASA had 24,878 shareholders (24,553 at December 31, 2018). The total number of outstanding shares was 279,820,066 at December 31, 2019 and 2,543,818,785 at December 31, 2018, each with a par value of NOK 1.

PRIVATE PLACEMENT OF EQUITY
On May 14, 2019 new share capital reflecting the issue of the 25,438,187 new A-shares approved at the Company's annual general meeting (AGM) was registered in the Norwegian Register of Business Enterprises. As of that date, the Company's share capital was NOK 2,569,256,972, consisting of 2,543,818,785 ordinary shares and 25,438,187 class A-shares, all of NOK 1 par value. The A-shares were issued at NOK 6.70 each with 10 voting rights. The net proceed was NOK 166,100 thousand (USD 19,030 thousand) after deduction of NOK 4,336 thousand (USD 497 thousand).

SHARE CAPITAL REDUCTION
The share capital reduction was implemented by reducing the par value of the ordinary share from NOK 1.00 to NOK 0.10. Total reduction equal to USD 279,029 thousand was transferred to other equity according to the AGM decision. On July 3, 2019 the share capital reduction and the conversion of the Class A Shares was completed and registered with the Norwegian Register of Business Enterprises. Consequently, the new share capital of the Company was NOK 279,820,065.50 divided on 2,798,200,655 ordinary shares, each with a par value of NOK 0.10. At the same time, 5 shares were issued with a par value of NOK 0.10. The Company share capital was NOK 279,820,066 divided on 2,798,200,660 ordinary shares, each with a par value of NOK 0.10.

REVERSE SHARE SPLIT
On July 9, 2019 the Company's shares were combined in a ratio of 10:1, whereby 10 old shares were combined to give 1 new share. Subsequent to the share consolidation, the Company has 279,820,066 shares in issue, each with a nominal value of NOK 1. After the reverse share split, all shares have the same voting rights.

H EMPLOYEE BENEFITS

Employee benefit expenses

(USD IN THOUSAND)	2019	2018
Payroll	-342	-389
Social security tax	-49	-55
Pension expense including social security tax	-11	-12
Other employee related costs	-2	-4
Employee benefit expenses	-405	-461

The average number of employees measured in man-years was 1 during 2019 and 2018. There were no loans or guarantees to employees at December 31, 2019 and 2018.

Payroll includes compensation to Board of Directors. For compensation and shareholdings for Group management and Board of Directors see note 16 to the consolidated financial statements.

PENSION PLANS
At December 31, 2019 the Company maintained a defined contribution pension plan for employees that fulfill the requirements of Norwegian law: "Lov om obligatorisk tjenestepensjon".

I INCOME TAXES

Recognized income tax expense

(USD IN THOUSAND)	2019	2018
Current income tax benefit (+) / expense (-) for the year	0	0
Total deferred tax benefit (+) / expense (-) for the year	0	0
Total income tax benefit (+) / expense (-) for the year in the income statement	0	0

[1] Changes in estimates related to prior years, see note Q for further information.

Relationships of income tax expense/benfit to profit / loss before taxes

(USD IN THOUSAND)	2019	2018
Profit/Loss before taxes	-84,972	-335,988
Tax calculated at domestic tax rate of 22% (23% 2018)	18,694	77,277
Expenses not deductible for tax (permanent differences)	-81	-89
Impairment loss (permanent differences) [1]	-15,549	-90,135
Other permanent differences [2]	-385	-7,409
Effects of not recognized deferred tax assets, including reversal of previous years	-2,680	20,355
Current income tax benefit (+) / expense (-) for the year	0	0
Total income tax benefit (+) / expense (-) for the year in the income statement	0	0
Effective tax rate	0%	0%

[1] Impairment of financial assets.
[2] Other permanent differences consist of income and cost registered in USD financial statement, but not applicable for tax calculation, and income and cost registered in NOK Tax financial statement, but not applicable for the USD financial statement.

Current income tax

(USD IN THOUSAND)	2019	2018
Profit/Loss before taxes	-84,972	-335,988
Impairment and losses on shares and loans - permanent differences	70,676	391,889
Expenses not deductible for tax (permanent differences)	367	387
Other permanent differnces [1]	1,750	32,213
Changes in temporary differences	3,446	-79,623
Basis for income tax before utilization (-) / increase (+) of tax losses carried forward	-8,734	8,878
Utilization (-) / increase (+) of tax losses carried forward	8,734	-8,878
Basis for current tax in the income statement	0	0
Estimated 22 percent current income tax (23% in 2018)	0	0
Current income tax benefit (+) expense (-) for the year	0	0
Basis for current tax in the income statement	0	0
Cost for capital increase	-497	0
Tax loss carried forward	497	0
Basis for current tax in balance sheet	0	0
Current tax asset (+) / liability (-)	0	0

[1] Other permanent differences consist of income and cost registered in USD financial statement, but not applicable for tax calculation, and income and cost registered in NOK Tax financial statement, but not applicable for the USD financial statement.

Specification of temporary differences and tax losses, deferred tax assets and liabilities

(USD IN THOUSAND)	2019	2018
Fixed assets	**-86**	-125
Up-front fee and Capitalized borrowing cost	**1,264**	1,772
Interest bearing liabilities	**-22,778**	-23,019
Derivatives	**-1,446**	-1,462
Net unrealized gains on non-current foreign exchange receivables and liabilities	**299,438**	293,178
Other	**-9,111**	-9,208
Interest limitation	**-12,328**	0
Tax losses carried forward	**-571,405**	-568,094
Total temporary differences and tax loss carried forward	**-316,454**	-306,957
Tax percentage	**22%**	22%
Deferred tax assets (-) / liabilities (+)	**-69,620**	-67,530
Deferred tax assets not recognized	**69,620**	67,530
Deferred tax assets (-) / liabilities (+) in the balance sheet	**0**	0
Change in deffered tax assets (-)/ liabilities (+) in the balance sheet	**0**	0
Total deferred tax benefit (-)/ expense (+) for the year	**0**	0

The following are the deferred tax liabilities (+) and assets (-) recognized by the Company and movement during 2019

(USD IN THOUSAND)	BALANCE JAN 1, 2019	RECOGNIZED IN INCOME	RECOGNIZED IN EQUITY	TRANSLATION DIFFERENCES	BALANCE DEC 31, 2019
Fixed assets	-125	38	0	1	**-86**
Up-front fee and capitalized borrowing cost	1,772	-489	0	-20	**1,264**
Interest bearing liabilities	-23,019	0	0	241	**-22,778**
Derivatives	-1,462	0	0	15	**-1,446**
Net unrealized gains on non-current foreign exchange receivables and liabilities	293,178	9,301	0	-3,040	**299,438**
Other	-9,208	0	0	96	**-9,111**
Interest limitation	0	-12,295	0	-33	**-12,328**
Tax losses carried forward	-568,094	-8,734	-497	5,920	**-571,405**
Total	-306,957	-12,180	-497	3,180	**-316,454**

The following are the deferred tax liabilities (+) and assets (-) recognized by the Company and movement during 2018

(USD IN THOUSAND)	BALANCE JAN 1, 2019	RECOGNIZED IN INCOME	TRANSLATION DIFFERENCES	BALANCE DEC 31, 2019
Fixed assets	-344	214	5	**-125**
Up-front fee and capitalized borrowing cost	32	1,861	-121	**1,772**
Interest bearing liabilities	-24,544	170	1,355	**-23,019**
Derivatives	-1,548	0	86	**-1,462**
Net unrealized gains on non-current foreign exchange receivables and liabilities	233,754	77,378	-17,955	**293,178**
Other	-9,750	0	543	**-9,208**
Tax losses carried forward	-610,370	8,878	33,398	**-568,094**
Total	-412,770	88,501	17,312	**-306,957**

J OTHER OPERATING EXPENSES

Specification of other operating expenses

(USD IN THOUSAND)	2019	2018
Operating lease expenses	-14	-22
Audit remuneration	-169	-205
Consultancy fee	-518	-410
Insurance	-145	-195
Other operating expenses	-396	-408
Total Other operating expenses	-1,243	-1,240

Audit remuneration

(USD IN THOUSAND)	2019	2018
Statutory audit	-113	-173
Other non-audit services	-57	-32
Total auditor's remuneration expensed	-169	-205

In addition, fee in amount of USD 4 thousand has been capitalized related to the issuance of share capital.

Future payment obligations

The future aggregate minimum payment obligation are as follows

	2019			2018		
(USD IN THOUSAND)	OPERATING LEASE	OTHER	TOTAL	OPERATING LEASE	OTHER	TOTAL
No later than 1 year	7	40	47	7	40	47
Later than 1 year but not later than 5 years	0	0	0	0	0	0
Later than 5 years	0	0	0	0	0	0
Total	7	40	47	7	40	47

K INTEREST AND CURRENCY

INTEREST INCOME, INTERNAL

The Company conducts financing for the Group. The Company has loans to the US operation. See note D and M. In 2019 the Company and the borrowers agreed to make addendums to the loan agreements. Due to the borrowers' financial position and outlook for the next two years (2019 and 2020) no interest should be calculated and paid. If the circumstances change during the period, the interest shall be changed back to the interest described in the loan agreements. No interest has been recognized in 2019.

INTEREST EXPENSES, EXTERNAL

Specification of interest expenses, external

(USD IN THOUSAND)	2019	2018
Calculated interest on tax liability	-367	-386
Interest USD Senior Secured bond	-12,980	-9,281
Interest USD Convertible bond	0	-2,078
Interest NOK bond	0	-2,079
Total Interest expenses, external	-13,347	-13,823

Interest expenses on USD Senior Secured bond include expensing of upfront fees, see note 25 to the consolidated financial statements.

OTHER FINANCIAL EXPENSES

Other financial expenses for 2018 include USD 2,799 thousand related to excess price paid for buy back of USD Convertible bond and NOK bond.

CURRENCY GAINS AND LOSSES

Specification of net currency gains and losses

(USD IN THOUSAND)	2019	2018
Net currency gains on liabilities denominated in NOK	495	2,058
Net currency gains / losses on other - mainly bank deposit	-151	1,017
Total Net currency gains and losses	344	3,075

L DERIVATIVES, OTHER CURRENT LIABILITIES

DERIVATIVES

The indemnification option contract was the only derivative instrument held by the Company. The overview of derivatives in note 11 to the consolidated financial statement is therefore representative for the Company for the periods presented.

See notes 3 and 11 to the consolidated financial statements for a description, purpose, and accounting policies for derivatives.

Specification of other current liabilities

AT DECEMBER 31 (USD IN THOUSAND)	2019	2018
Accrued interest on interest-bearing liabilities	2,741	2,741
Accrued interest on tax liabilities [1]	4,938	4,616
Accrued operating costs	239	269
Total Other current liabilities	7,918	7,626

[1] See note Q.

M IMPAIRMENT OF FINANCIAL ASSETS

Impairment of shares in REC Silicon AS

(USD IN THOUSAND)	2019	2018
At cost January 1	105,004	102,222
New Shares	3,100	2,783
At cost December 31	108,104	105,004
Accumulated impairment at January 1	-38,217	-38,217
Impairment	-56,950	0
Accumulated impairment at December 31	-95,167	-38,217
Carrying value at December 31	12,938	66,787

REC Silicon ASA owns all the shares in REC Silicon AS which owns REC Silicon Inc. that is the holding company of the US operations. In addition, REC Silicon AS owns all the shares in REC Silicon Pte Ltd.

In 2019 REC Silicon AS impaired the value of the shares in REC Silicon Pte Ltd with NOK 460,6 million. As a consequence of the impairment loss in REC Silicon AS, REC Silicon ASA impaired their shares in REC Silicon AS.

Impairment of loan to US operations

(USD IN MILLION)	2019	2018
Par value at January 1	1,001,928	944,628
Accumulated impairment at January 1	-710,754	-318,865
Carrying value at January 1	291,174	625,763
Addition	0	57,300
Impairment	-13,726	-391,889
Carrying value at December 31	277,448	291,174
Par value at December 31	1,001,928	1,001,928
Accumulated impairment at December 31	-724,480	-710,754

The impairment loss represents the book value in excess of the fair value of loans to REC Silicon ASA's US subsidiaries.

Estimates of the value of US operations were calculated using the fair values of financial assets and liabilities held by the US entities and the net present value of cash flows of operations in the United States.

N RESEARCH AND DEVELOPMENT

REC Silicon ASA did not conduct any activities associated with research and development during 2019 and 2018.

O GUARANTEES AND INDEMNIFICATION AGREEMENTS

At December 31, 2019 bank guarantees amounted to USD 1,137 thousand (USD 1,112 thousand at December 31, 2018). These guarantees were cosigned by REC Solar.

The Company and some of its subsidiaries are jointly and severally liable for certain loans established by the Company.

- Relevant loan agreement at December 31, 2019 was as follows:
  - REC04: USD Senior Secured Callable bond, USD 110 million. The tenor is from April 13, 2018 to April 13, 2023

- The Company and the following subsidiaries of the Company are jointly and several liable for the above-mentioned loan at December 31, 2019: REC Silicon AS, REC Silicon Inc., REC Advanced Silicon Materials LLC, REC Solar Grade Silicon LLC REC Silicon Pte. Ltd.

The Company has provided guarantees and indemnification agreements in connection with the bankruptcy of REC Wafer Norway AS in 2012. The maximum amount of the indemnification agreements is NOK 270 million (USD 30,751 thousand). Liabilities have been estimated based upon conditions contained in these agreements for NOK 212.7 million (USD 24,225 thousand) at December 31, 2019. Indemnification loans estimated to NOK 200 million (USD 22,778 thousand and an option agreement with estimated fair value of NOK 12.7 million (USD 1,446 thousand).

See note 29 and 30 to the consolidated financial statements for more information.

P RELATED PARTIES

Related parties' transactions for the Company are primarily interest income (see the income statement and note K) and loans to its subsidiaries (see note D and M). These loans are included in non-current receivables from subsidiaries (see the balance sheet). In 2019 and 2018, the Company contributed equity to REC Silicon AS (see note C). Group Management and Board of Directors' compensation, ownership of shares and options, loan agreements and guarantees are shown in note 16 to the consolidated financial statements.

Q CONTINGENT LIABILITIES

See note 31 to the consolidated financial statements. Specifically, notices of reassessment from the Central Tax Office for Large Enterprises. As a consequence, the Company recognized in 2017 an income tax NOK 213.6 million – USD 26,029 thousand.

At December 31, 2019 the tax liability is estimated to USD 24,323 thousand (USD 24,549 thousand at December 31, 2018). The changes in estimates due to currency fluctuation.

An estimated interest on the tax liability of USD 4,504 thousand was expensed in 2017. In 2019 USD 367 thousand has been expensed (USD 386 thousand in 2018). At December 31, 2019 accrued interest on tax liabilities is USD 4,938 thousand.

AUDITOR'S REPORT

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of REC Silicon ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of REC Silicon ASA, which comprise:

- The financial statements of the parent company REC Silicon ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of REC Silicon ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements and the Board of Directors' report, which indicates that there is substantial risk associated with the Company's liquidity in 2020, due to impacts of the tariffs imposed on US polysilicon by China, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon. As stated in Note 3 and the Board of Directors' report, these events or conditions, along with other matters as set forth in Note 31 and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

REC Silicon ASA

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Asset Impairment

Refer to page 10 in the Board of Director's report, the accounting policies on page 37, the critical accounting judgments and key sources of estimation uncertainty described in Note 4 on page 43, and Note 8 on page 50 in the consolidated financial statements.

The Key Audit Matter	*How the matter was addressed in our audit*
The impairment assessment of the Solar Materials CGU with a total carrying value of USD 38.6 million is considered a risk area due to the size of the balances, recent impairments and the current economic environment in the Group's operating segment and jurisdictions, including the ongoing trade war. The recoverable amount is determined based on value in use calculations which rely on external factors, managements' assumptions, and estimated future performance. Key assumptions applied in management's assumptions are future market development and conditions, discount rates applied for cash flow forecast, future long-term sales prices, cash flow growth assumptions, and estimated timing of cash flows. Significant auditor judgement is required when evaluating whether management's assessment is reasonable and supportable. Impairment charges of USD 20.0 million have been recognised during the year.	Our audit procedures in this area included,: - We assessed management's process and results for identification and classification of cash generating units (CGUs) to evaluate whether they were appropriate and in accordance with IAS 36; - We evaluated the historical accuracy of management's budgets and forecasts and challenged management on the current year cash flow forecasts as well as the timing of future cash flows; - We evaluated the growth assumptions and management's future business plan assumptions with reference to current market conditions; - We used KPMG valuation specialists to assess the mathematical and methodological integrity of management's impairment models and the discount rates applied with reference to market data; - We evaluated management's sensitivity analysis to determine the impact of reasonably possible changes; and - We considered whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying assets impairment assessments. From the audit evidence obtained, we consider management's assessment of the carrying value of property, plant and equipment to be in accordance with the requirements under the relevant accounting standards.

REC Silicon ASA

Impairment on investment in Yulin JV

Refer to page 11 in the Board of Director's report, the accounting policies on page 38, the critical accounting judgments and key sources of estimation uncertainty described in Note 4 on page 43, and Note 9 on page 53 in the consolidated financial statements.

The Key Audit Matter	*How the matter was addressed in our audit*
The impairment assessment of the investment in Yulin JV with a total carrying value of USD 18.0 million is considered a risk area due to the size of the balances, recent impairment and the current economic environment in the solar material market, including the ongoing trade war. The fair value is determined based on value in use calculations which rely on external factors, managements' assumptions, and estimated future performance. Key assumptions applied in management's assumptions are future market development and conditions, discount rates applied for cash flow forecast, future long-term sales prices, cash flow growth assumptions, and estimated timing of cash flows. Significant auditor judgment is required when evaluating whether management's assessment is reasonable and supportable. Impairment charges of USD 43.6 million have been recognised during the year.	Our audit procedures in this area included, among others: - We evaluated the historical accuracy of management's budgets and forecasts and on that background challenged management on the current year cash flow forecasts as well as the timing of future cash flows; - We assessed the growth assumptions and management's future business plan assumptions with reference to current market conditions; - We used KPMG valuation specialists to assess the mathematical and methodological integrity of management's impairment models and the discount rates applied with reference to market data; - We obtained and evaluated management's sensitivity analysis to determine the impact of reasonably possible changes; and - We considered whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying assets impairment assessments. From the audit evidence obtained, we consider management's assessment of the carrying value of other investments to be in accordance with the requirements under the relevant accounting standards.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REC Silicon ASA

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

REC Silicon ASA

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report including CSR and in the statement on Corporate Governance concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 23 March 2020
KPMG AS

Vegard Tangerud
State Authorised Public Accountant

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 82.6 million for the year ended December 31, 2019 and a loss of 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 5 Segment Information, 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 12.9 million for the year ended December 31, 2019 and a loss of 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 5 Segment Information, 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.

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 5 Segment Information

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 5 Segment Information.

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, 2019, the equity ratio is 0.3 percent and is calculated by dividing USD 0.8 million total shareholders' equity by USD 290.6 million in total assets.

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 17 Borrowings 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, 2019, net debt was USD 150.6 million or USD 131.4 million carrying value of the Company's debt (from note 17 Borrowings) plus 48.6 million current and non-current lease liabilities (from the statement of financial position) less USD 29.4 million in cash in 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 17 Borrowings) 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 (excluding interest) less cash and cash equivalents.

The contractual repayment values of debt can be found in note 17 Borrowings in the table under the caption contractual repayments including interest and cash can be found in the statement of financial position on the line titled cash and cash equivalents.

At December 31, 2019, nominal net debt was USD 152.0 million or USD 132.8 million contractual repayment values of the Company's debt plus 48.6 million current and non-current lease liabilities (from the statement of financial position) less USD 29.4 million in cash in 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 less USD 31.8 million in cash in cash equivalents.

Graphic production: Artbox AS Print: Printbox AS

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 US 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