

RECSiLICON



FOURTH QUARTER
2020

REPORT

FOURTH QUARTER HIGHLIGHTS

(Compared to third quarter 2020)

- > Revenues of \$36.0M and EBITDA of \$1.9M
 - 18.8% increase in revenues vs. Q3'20

- > December 31, 2020 cash balance of \$134.9M
 - Cash increase of \$99.0M
 - Cash outflows from operating activities of \$2.8M
 - Private placement of equity NOK 1 billion

- > Silicon gas sales
 - Sales volume of 881MT (vs. 746MT in Q3'20)
 - 2.8% Silane gas price decrease vs. Q3'20

- > Semiconductor segment polysilicon sales
 - Semiconductor grade polysilicon sales volume of 250MT (vs. 174MT in Q3'20)
 - 0.2% Semiconductor grade polysilicon price decrease vs. Q3'20

- > Private placement of equity successfully completed
 - Completed on October 14, 2020
 - Settlement occurred in 2 tranches
 - Tranche 1 received on October 27, 2020 - NOK 302 million in gross proceeds (27,982,000 shares at NOK 10.8)
 - Tranche 2 received on November 19, 2020 - NOK 698 million in gross proceeds (64,610,592 shares at NOK 10.8)

- > Solar Materials Developments
 - Increases in PV demand is driving polysilicon prices higher
 - Substantial increases in available polysilicon capacity will be required to meet increases in PV demand
 - Continued interest in developing a Non-Chinese PV supply chain

- > Battery Materials Developments
 - High level of interest by several battery materials companies to secure silane supply
 - Group14 Technologies installing pilot facility at Moses Lake plant

- > Yulin JV
 - Write down of investment due to estimates of fair value
 - Mono capable FBR production
 - Design capacities demonstrated

FINANCIAL HIGHLIGHTS

Key Financials - REC Silicon Group

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019	Q3 2020
Revenues	36.0	31.8	122.1	160.2	30.3
EBITDA	1.9	-3.0	23.8	-12.9	17.9
EBITDA margin	5.3%	-9.4%	19.5%	-8.0%	59.1%
EBIT excluding impairment charges	-5.3	-14.0	-15.9	-62.2	9.4
Impairment charges	0.0	-0.2	-23.0	-20.4	0.0
EBIT	-5.3	-14.1	-38.9	-82.6	9.4
EBIT margin	-14.8%	-44.5%	-31.9%	-51.6%	31.1%
Profit/loss before tax	-26.6	-45.5	-69.3	-127.0	8.2
Profit/loss	-26.6	-45.5	-46.7	-127.0	30.7
Earnings per share, basic and diluted (USD)	-0.08	-0.16	-0.16	-0.47	0.11
Polysilicon production in MT (Siemens and granular)	192	281	906	3,109	237
Polysilicon sales in MT (Siemens and granular)	338	643	1,212	5,892	401
Silicon gas sales in MT	881	857	3,189	3,380	746

REC SILICON GROUP

REC Silicon produces polysilicon and silicon gases for the solar and electronics industries at plants in Moses Lake, Washington and in Butte, Montana. Impacts of Chinese tariffs on polysilicon manufactured in the United States, uncertain market conditions, and reduced demand for the Company's solar grade polysilicon has resulted in the shutdown of the FBR polysilicon plant in Moses Lake, Washington (see Risks and Uncertainties below).

Revenues were USD 36.0 million for the fourth quarter of 2020 compared to USD 30.3 million for the third quarter (an increase of 18.8 percent). Nearly all revenues for the quarter were generated by the Semiconductor Materials segment. Revenues in the Solar Materials segment were USD 0.1 million during the fourth quarter compared to no revenues in the prior quarter.

Total polysilicon production volume for the fourth quarter of 2020 was 192MT. Because the FBR facility in Moses Lake, Washington has been shut down, all polysilicon produced was from the Semiconductor Materials facility in Butte, Montana. Total polysilicon inventories decreased by 146MT during the fourth quarter.

EBITDA for the fourth quarter was USD 1.9 million. EBITDA for the fourth quarter included other income which consisted of a refund of USD 0.7 million of energy transmission fees from prior periods offset by the anticipated resolution of a claim by a former employee for USD 0.2 million. EBITDA during the third quarter was USD 17.9 million and included USD 16.2 million in other income which was primarily a result of the settlement of the property tax dispute with Grant County, Washington. EBITDA for the fourth quarter excluding other income was USD 1.4 million compared to EBITDA for the third quarter excluding other income of USD 1.7 million. The USD 0.3 million decrease in underlying EBITDA for fourth quarter compared to the third quarter can primarily be attributed to accruals for employee incentive programs offset by higher silicon gas sales volumes, higher semiconductor grade polysilicon sales volumes, and higher silane gas production volumes.

Summary of fourth quarter results by segment

(USD IN MILLION)	Q4 2020	
	REVENUES	EBITDA
Semiconductor Materials	35.9	11.7
Solar Materials	0.1	-2.8
Other & Eliminations	0.0	-7.0
Total	36.0	1.9

MARKET DEVELOPMENT

Markets for semiconductor grade polysilicon are dominated by long-term sales contracts and high polysilicon inventory levels. During the fourth quarter, REC Silicon's shipments increased due to higher than anticipated demand despite excess inventory levels caused by measures taken to mitigate the spread of COVID-19. Demand for silicon wafers continued to grow, particularly for large diameter wafers intended for use in memory and advanced logic applications. Demand for smaller diameter wafers has begun to recover, however, demand continues to be limited by capacity bottlenecks in the value chain as automotive applications recover and users look to re-build depleted wafer inventories. In addition, REC Silicon's fourth quarter sales volumes of semiconductor polysilicon increased as expected as new customer capacity began to come online and the supply chain reacted to anticipated increases in end use demand. While polysilicon inventories have declined, excess inventories remain a concern and are expected to decline further as anticipated increases in demand are realized.

REC Silicon's shipments of silicon gases increased due to high demand in semiconductor and flat panel display applications as utilization factors in these segments exceeded recent trends. In addition, REC Silicon began to ship to some new locations as a result of market share gains. However, demand for silicon gases in solar PV and older technology flat panel display applications in China continues to decline as they disengage from supply arrangements with the United States where feasible. Demand for silicon gases in high-end flat panel display applications remained strong and demand in semiconductor applications continued to grow due to improvements in technology and the commissioning of new capacity.

Global demand for PV installations remained strong during the fourth quarter of 2020 despite restrictions implemented to combat the COVID-19 pandemic. Module prices continued to increase during the fourth quarter due to strong demand, shortages of module component materials, and higher international container shipping costs. Project developers with flexible schedules delayed module purchases in hopes of lower module prices in the first quarter of 2021. Polysilicon prices ended the fourth quarter near USD 11.1/kg compared to USD 12.3/kg at the end of the third quarter due to increased capacity utilization as polysilicon manufacturers restarted production following industrial incidents during the third quarter. Increased polysilicon production capacity utilization resulted in some increases in inventories, however, expected increases in polysilicon demand resulted in the stabilization of prices near year end.

SEGMENT INFORMATION

SEMICONDUCTOR MATERIALS

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

Semiconductor segment revenues were USD 35.9 million during the fourth quarter of 2020 compared to revenues of USD 30.3 million during the prior quarter. In general, this increase is a result of higher sales volumes of silicon gases and semiconductor grade polysilicon.

Key Financials - Semiconductor Materials

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019	Q3 2020
Revenues	35.9	30.0	121.4	126.7	30.3
EBITDA contribution	11.7	5.3	36.3	37.8	7.3
Contribution margin	32.6%	17.7%	29.9%	29.8%	24.0%
Polysilicon production in MT (Siemens)	192	281	906	1,339	237
Polysilicon sales in MT (Siemens)	338	303	1,149	1,111	401
Silicon gas sales in MT	881	857	3,189	3,379	746

Key Financials - Solar Materials

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019	Q3 2020
Revenues	0.1	1.7	0.5	33.4	0.0
EBITDA contribution	-2.8	-3.8	6.7	-26.6	14.6
Contribution margin	-2810.4%	-223.8%	1233.4%	-79.7%	N/A
Polysilicon production in MT (Siemens and granular)	0	0	0	1,770	0
Polysilicon sales in MT (Siemens and granular)	0	340	63	4,781	0

Key Financials - Other and Eliminations

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019	Q3 2020
Revenues	0.0	0.0	0.1	0.0	0.0
EBITDA contribution	-7.0	-4.5	-19.3	-24.1	-4.0
Silicon gas sales in MT	0	0	0	1	0

Total polysilicon sales volumes decreased from 401MT during the third quarter to 338MT during the fourth quarter. However, semiconductor grade polysilicon sales volumes increased by 76MT to 250MT while solar grade polysilicon sales volumes decreased by 138MT to 88MT for the fourth quarter. Because of higher sales volumes of semiconductor grade polysilicon, revenues from polysilicon sales increased by approximately 37 percent. Average polysilicon prices increased sharply compared to the prior quarter due to a higher sales volumes of semiconductor grades of polysilicon as a percent of total sales. Average prices realized for semiconductor grade polysilicon were broadly unchanged compared to the prior quarter due to changes in sales volumes between grades. However, average prices for Float Zone (FZ) and Czochralski (CZ) polysilicon increased by 5% and 16% respectively due in part to the impact of lower tariffs imposed by China.

Total silicon gas sales volumes increased by 18.1% to 881MT during the fourth quarter of 2020 compared to 746MT during the third quarter. Sales prices realized by REC Silicon for silane gas decreased by 2.8 percent during the fourth quarter.

Total polysilicon production volume for the fourth quarter of 2020 was 192MT compared to 237MT for the third quarter. Polysilicon inventories decreased by 146MT during the fourth quarter.

The Semiconductor Materials segment contributed USD 11.7 million of income to the Company's EBITDA during the fourth quarter of 2020. This represents an increase of USD 4.4 million compared to USD 7.3 million contributed during the third quarter. The increase in EBITDA can primarily be attributed to higher silicon gas sales volumes, higher semiconductor grade polysilicon sales volumes, and higher silane gas production volumes offset by accruals for employee incentive programs.

SOLAR MATERIALS

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

Impacts of Chinese tariffs on polysilicon manufactured in 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 during 2019.

The Company expects to restart the Moses Lake manufacturing facility when Chinese markets for solar grade polysilicon re-open, a non-Chinese Solar PV value chain is developed, and/or silicon anode battery technology based on silane gas is commercialized. On October 13, 2020, the Company entered into memorandums of understanding with Violet Power to develop a non-Chinese solar PV value chain and with Group14 Technologies to develop a full-scale, co-located commercial silicon anode production facility at the Moses Lake plant. On October 14, 2020, the Company successfully completed a private equity placement to raise the capital necessary to maintain existing operations, to enhance FBR production quality capabilities, and to restart the Moses Lake production facility. The Company expects to restart production at the Moses Lake facility to supply polysilicon to a non-Chinese monocrystalline Solar PV value chain and a co-located silicon anode battery material plant. REC Silicon intends to make the decision to restart production at the Moses Lake facility before year end 2021. Please see Risks and Uncertainties below.

Revenues for the Solar Materials segment were USD 0.1 million during the fourth quarter of 2020 and represented small sales volumes from remaining granular polysilicon inventories.

The Solar Materials segment contributed a loss of EBITDA of USD 2.8 million during the fourth quarter of 2020 compared to income of USD 14.6 million during the third quarter. Third quarter EBITDA included the non-cash reversal of USD 16.0 million of expense due to settlement of the property tax dispute with Grant County, Washington and a USD 0.3 million refund of sales and use taxes from prior years. Excluding these items, the Solar Materials segment contributed a loss of USD 2.5 million to the Company's EBITDA during the third quarter of 2020.

Expenditures in the Solar Materials segment include only those expenditures required to maintain the plant in a non-operating status.

OTHER AND ELIMINATIONS

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

Operating costs in Other and Eliminations were USD 7.0 million during the fourth quarter of 2020 and included USD 2.5 million in costs related to the Company's synthetic stock option plan due to increases in the Company's share price and the Company's employee incentive program related to company performance. Excluding these items, net costs for the fourth quarter were USD 4.5 million and broadly in line with prior period results.

CAPITAL EXPENDITURES AND INVESTMENTS

CAPITAL EXPENDITURES

Capital expenditures were USD 0.4 million for the fourth quarter and USD 1.3 million for 2020. Capital spending during the quarter included only the capital necessary to maintain safe and reliable operations. In the future, the Company is planning to invest additional maintenance capital and is planning to expand production capacity for specialty silicon gases in the semiconductor materials segment (Butte, Montana production facility). The Company also intends to initiate long lead activities supporting a restart of the Moses Lake production facility.

INVESTMENTS (YULIN JV)

During the fourth quarter of 2020, REC Silicon performed an analysis to estimate the fair value of its investment in the Yulin JV using discounted estimated future cashflows.

Due to the impact of continuing losses, continued delays in realizing designed production capacities, and continued deterioration in REC Silicon's ability to influence business decisions, increases in anticipated cashflows have not been realized. In addition, the Yulin JV has accumulated additional long-term debt to fund operating losses, to complete construction, and to maintain operations. As a result, estimated enterprise value less long-term debt results in a deficit equity value. REC Silicon has no obligation to contribute additional equity as a result of these deficits. Accordingly, REC Silicon adjusted the investment in the Yulin JV to a value of zero and recognized a loss of USD 18.0 million to income during the fourth quarter of 2020 (see note 5 Investments).

REC Silicon has not made the final equity settlement payment of USD 4.7 million which was payable during December 2020 due to delinquent outstanding invoices for services provided to the Yulin JV by REC Silicon and disagreements with respect to performance testing criteria and interpretation specified in the Technology Transfer Agreement (TTA). REC Silicon is currently seeking a resolution to these issues.

The Yulin JV continues to increase production, quality performance, and is steadily increasing product sales. Both silane units and the FBR reactors have demonstrated design capacities and utilization rates are increasing. The Yulin JV is increasing production of high purity granular polysilicon using high purity liners as they are delivered.

During the fourth quarter of 2020 the Yulin JV produced approximately 2,109MT of FBR granular polysilicon and 14MT of siemens polysilicon. For the full year of 2020, the Yulin JV produced a total of 5,855 MT of FBR granular polysilicon and 74 MT of siemens polysilicon. In addition, the Yulin JV loaded approximately 68MT of silane during the fourth quarter and 169 MT for 2020.

FINANCIAL ITEMS

Net financial expenses are primarily associated with interest expense on borrowings, interest expense on lease liabilities, up-front fees for the Senior Secured Bonds which mature in 2023, and changes in the fair value of investments.

During the fourth quarter of 2020, the Company recognized an USD 18 million loss due to changes in the fair value of financial equity investment through profit and loss. This loss is associated with the Company's investment in the Yulin JV and has been described under investments (Yulin JV) above and note 5 to these financial statements.

The Company recognized interest expense on borrowings including USD 3.2 million associated with the Senior Secured Bonds and USD 0.3M associated with a note with Grant County, Washington to settle disputed property taxes.

The Company recognized interest of USD 2.2 million on imputed liabilities for leased assets during fourth quarter. See note 4 for additional information on leases.

Net currency gains and (losses) are primarily related to the impact of exchange rate fluctuations between transaction currencies and the USD which is the primary functional currency for the group. Net currency gains during the fourth quarter of 2020 were the result of the impact of a weaker USD relative to the NOK on cash deposits in NOK which were offset by losses associated with liabilities denominated in NOK due to a weaker USD.

See note 8 for additional information on borrowings.

INCOME TAX

The loss before tax of USD 26.6 million during the fourth quarter of 2020 resulted in no effective tax impact since it is offset by changes in unrecognized deferred tax assets. The loss before tax includes a loss of USD 18.0 million associated with the write-down of the investment in the JV to its estimated fair value (see note 5 Investments). The remaining loss can primarily be attributed to the Company's operations in the United States. These losses represent an increase in the Company's

unrecognized deferred tax asset. Accumulated losses will continue to be available to offset taxable income during future periods.

See note 18 to the consolidated financial statements for 2019 for additional information on income taxes.

CASH FLOW

Net cash outflows from operating activities were USD 2.8 million during the fourth quarter of 2020. Cash inflows included EBITDA of USD 1.9 million a decrease in working capital of USD 0.4 million and gain of approximately USD 4.6 million due to the impact of a weaker USD on cash balances denominated in NOK. The decrease in working capital was due to a decrease in inventories of USD 5.5 million which was offset by a decrease in accounts payable and sales in excess of customer collections of USD 4.9 million. Cash outflows included interest payments of USD 8.5 million and contributions to the U.S. pension plan of USD 1.1 million.

Cash outflows from investing activities were USD 0.8 million and were a result of capital expenditures of USD 0.4 million and increases in restricted cash balances of USD 0.4 million.

Cash inflows from financing activities were USD 102.6 million and were the result of the placement of equity which was settled on November 19, 2020 resulting in net proceeds of USD 105.9 million (See note 14). This was offset by payments resulting in the reduction in lease liabilities based upon the requirements of IFRS 16 Leases of USD 0.5 million (See note 4) and the property tax note of USD 2.8 million (See note 8).

In total, cash balances increased by USD 99.0 million to USD 134.9 million at December 31, 2020.

FINANCIAL POSITION

Shareholders' equity increased to USD 59.0 million (17.3 percent equity ratio) on December 31, 2020 from a deficit of USD 19.2 million (negative 7.4 percent equity ratio) on September 30, 2020. This increase was primarily the result of the private placement of equity of USD 105.9 million (See note 14) which was completed on October 14,

Financial Items - REC Silicon Group

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019	Q3 2020
Financial income	0.1	0.1	0.3	0.7	0.1
Interest expenses on borrowings	-3.5	-3.3	-13.2	-13.0	-2.8
Interest expense on leases	-2.2	-1.5	-7.6	-5.0	-2.2
Capitalized borrowing cost	0.1	0.1	0.3	0.1	0.1
Net change in fair value of financial equity investment through profit and loss	-18.0	0.0	-18.0	0.0	0.0
Expensing of up-front fees and costs	-0.1	-0.1	-0.4	-0.3	-0.1
Other financial expenses	-0.2	-0.3	3.6	-1.4	4.5
Net financial expenses	-24.0	-5.0	-35.2	-19.6	-0.6
Net currency gains/losses	2.6	-2.7	4.5	-1.2	-0.7
Net financial items	-21.3	-7.5	-30.4	-20.2	-1.3

2020. This was offset by a loss of USD 26.6 million during the fourth quarter and a loss of USD 1.1 million associated with the remeasurement of defined benefit plans included in other comprehensive income.

Net debt decreased by USD 99.8 million to USD 84.7 million on December 31, 2020 from USD 184.5 million on September 30, 2020. The decrease in net debt was primarily due to an increase in cash of USD 99.0 million discussed above. In addition, debt decreased due to repayments of the property tax note of USD 2.8 million and lease liabilities under IFRS 16 of USD 0.4 million. These were offset by an increase of USD 2.3 million in the indemnification loan due to a weaker USD relative to the NOK.

Net debt includes unamortized loan fees. Excluding unamortized loan fees, nominal net debt decreased by USD 99.9 million to USD 85.7 million compared to USD 185.6 million on December 31, 2020.

See note 17 to the consolidated financial statements for 2019 and note 8 to this report for further information on interest bearing liabilities.

RISKS AND UNCERTAINTIES

Please refer to the annual report for 2019, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

IMPACT OF COVID-19 GLOBAL PANDEMIC

The COVID-19 pandemic continues to represent a substantial risk to REC Silicon's operations, the markets in which it participates, and general economic conditions. The ultimate impact of COVID-19 on the financial performance of the Company's operations is dependent upon the duration of the outbreak and the timing and success in resuming economic activities.

REC Silicon continues to prioritize the health and safety of its employees in order to maintain the ability to meet product demand, to maintain production capabilities, and to minimize the impact of the pandemic on REC Silicon's operations. REC Silicon has limited business travel and taken action to maintain social distancing protocols. REC Silicon continues to work with local authorities to ensure compliance with guidance and mandates issued by governmental authorities and the Department of Labor.

REC Silicon anticipates that policies, procedures, and activities to mitigate the impact of COVID-19 will be sufficient to maintain current production levels and prevent a substantial adverse impact on operations.

Company management and the Board of Directors will continue to monitor the situation and take appropriate action as additional developments occur.

ANTICIPATED RESTART OF FBR PRODUCTION FACILITY IN MOSES LAKE

REC Silicon's FBR facility in Moses Lake, Washington was shut down during the second quarter of 2019 due to difficult market conditions and Chinese tariffs on polysilicon produced in the United States. Accordingly, operating costs and activities have been reduced to levels

required to safely maintain the facility in a non-operating status and to retain the capability to restart the facility in the future.

The Company expects to restart the Moses Lake manufacturing facility when Chinese markets for solar grade polysilicon re-open, a non-Chinese Solar PV value chain is developed, silicon anode battery technology based on silane gas is commercialized, and/or other significant positive developments occur in solar grade polysilicon markets.

On October 13, 2020, the Company entered into memorandums of understanding with Violet Power to develop a non-Chinese solar PV value chain and with Group14 Technologies to develop a silicon anode production facility at the Moses Lake plant.

The Company's plans to reopen the FBR facility are in part dependent upon the development of a solar PV value chain outside of China which will require REC Silicon to make additional investments in FBR processes to enable product quality suitable for high purity monocrystalline PV markets. The creation of a solar value chain outside China may also depend on the implementation of incentives and initiatives to encourage the adoption of low carbon solar PV panels and trade measures to incentivize investments in solar PV production capacity outside of China. Accordingly, the development of a functional non-Chinese Solar PV value chain is subject to substantial uncertainty.

In addition, the Company's plans to reopen the FBR facility are in part dependent upon the development and commercialization of technology for the use of silane to manufacture silicon anode material for use in lithium-ion batteries. Capital investments will also be required to supply silane to a co-located silicon anode material manufacturing facility. Accordingly, the realization of demand for the Group's products for use in lithium-ion batteries is subject to substantial uncertainty.

Additional impairments and provisions would be required if the FBR facility is not restarted.

If production at the Moses Lake facility is restarted, the reversal of impairments might be required.

INDEMNIFICATION LOAN

The Company has an indemnification loan related to the bankruptcy of a former subsidiary in 2012. At December 31, 2020, the indemnification loan is NOK 200 million (USD 23.4 million). The Company received a claim dated December 16, 2019 under the indemnification loan. The claim is based on an assumption that the loss will exceed the declared amount when the bankruptcy estates are concluded. However, the relevant bankruptcy estates have not yet been concluded, and accordingly, the amount of loss suffered by the claimant as a result of the bankruptcy cannot be calculated at this time. On this basis, as well as on basis of other uncertainties concerning the basis for the claim, the Company has responded by denying the claim.

On November 13, 2020, the claimant filed a cause of action with the Asker and Bærum District Court. REC Silicon intends to defend the cause of action.

The status and timing of the indemnification loan is subject to uncertainty.

GOING CONCERN

During prior periods, the Company's liquidity has been adversely impacted by contingent liabilities, market conditions, and the shut-down of the FBR facility in Moses Lake, Washington.

On October 14, 2020, the Company successfully completed a private equity placement to raise approximately NOK 1 billion (See note 14). As a result, the Company has sufficient liquidity to meet its financial obligations and to support ongoing operations.

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

MARKET OUTLOOK

The COVID-19 pandemic has disrupted economic activity on a global scale. Governmental authorities have taken measures to limit the spread of COVID-19 which have resulted in a substantial interruption of economic activities. Economic activities are beginning to recover as governments ease pandemic related mandates. However, increases in infection rates may adversely impact economic activities in certain geographic areas and industries. The ultimate impact of COVID-19 on markets served by the Company is dependent upon the duration of the outbreak and the timing and success in resuming economic activities. Accordingly, the outlook for markets provided below is focused on the long-term development of markets and assumes that economies recover from the COVID-19 pandemic.

Large manufacturers within the semiconductor supply chain continue to indicate that demand for semiconductor devices and flat panel displays are expected to remain strong through the first quarter of 2021. Because of REC Silicon's position near the beginning of the supply chain, positive impacts on demand for polysilicon and silicon gases is expected to lag relative to end use demand. Accordingly, customer orders for REC Silicon's semiconductor grade polysilicon and silicon gases have remained stable during the beginning of the first quarter and are

expected to continue strengthening over subsequent quarters. However, seasonal fluctuations particularly for semiconductor polysilicon during the first quarter are expected to adversely impact REC Silicon's sales volumes during the first quarter of 2021. 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. In addition, the adoption of new process technology is expected to increase demand for REC Silicon's advanced silicon gas products.

Analysts expect PV demand to grow substantially during 2021 with increasing renewable energy support and expected COVID-19 economic recovery. China is forecast for a substantial increase in PV demand and will remain the largest PV market. In the United States, the extension of the ITC credit is expected to encourage another record installation year. Analysts have set a wide range for PV installations and targets global demand for 2021 between 150GW and 190GW (BNEF). The first half of 2021 should remain strong due to projects initiated in 2020. The second half of 2021 should benefit from the COVID-19 economic recovery efforts and increasing incentives to support clean energy initiatives. Increases in demand for polysilicon is expected to outpace polysilicon supply and place upward pressure on prices.

FORWARD LOOKING STATEMENTS

This report contains statements regarding the future in connection with the Group's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Market Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group's activities described in the section "Risks and Uncertainties" above and in REC Silicon's Annual Report for 2019, including the section Risk Factors in the Board of Directors' Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	DEC 31, 2020	SEP 30, 2020	DEC 31, 2019
ASSETS				
Non-current assets				
Intangible assets	3	1.0	1.1	1.1
Land and buildings	3	35.6	37.2	39.1
Machinery and production equipment	3	50.5	48.2	73.1
Other tangible assets	3	3.1	3.4	4.2
Assets under construction	3	6.1	4.7	3.9
Property, plant and equipment	3	95.4	93.4	120.2
Right of use assets	4	35.7	35.6	33.8
Other investments	5	0.0	18.0	18.0
Other non-current receivables		1.1	1.1	4.1
Financial assets and prepayments		1.1	19.1	22.1
Total non-current assets		133.3	149.3	177.3
Current assets				
Inventories	7	41.3	46.8	47.7
Trade and other receivables	12	27.5	22.4	30.5
Current tax assets		0.0	0.0	1.3
Restricted bank accounts		4.5	4.1	4.4
Cash and cash equivalents		134.9	35.9	29.4
Total current assets		208.2	109.1	113.4
Total assets		341.4	258.4	290.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REC SILICON GROUP

(USD IN MILLION)	NOTES	DEC 31, 2020	SEP 30, 2020	DEC 31, 2019
EQUITY AND LIABILITIES				
Shareholders' equity	14			
Paid-in capital		2,918.2	2,812.3	2,812.3
Other equity and retained earnings		-2,859.2	-2,831.5	-2,811.4
Total shareholders' equity		59.0	-19.2	0.8
Non-current liabilities				
Retirement benefit obligations		18.9	18.9	19.5
Non-current provision, interest calculation	10	14.7	7.0	3.3
Non-current financial liabilities, interest bearing	8	118.0	120.1	109.0
Non-current lease liabilities	4	69.7	70.2	41.6
Non-current prepayments, interest calculation		0.0	0.0	0.5
Other non-current liabilities, not interest bearing		1.6	0.2	0.1
Total non-current liabilities		222.9	216.4	174.0
Current liabilities				
Trade payables and other liabilities		26.1	29.9	56.6
Current tax liabilities	11	0.0	0.0	24.3
Derivatives	6	1.5	1.3	1.4
Current financial liabilities, interest bearing	8	29.8	28.0	22.4
Current lease liabilities	4	2.1	2.0	7.0
Current prepayments, interest calculation		0.0	0.0	4.1
Total current liabilities		59.6	61.2	115.8
Total liabilities		282.5	277.6	289.8
Total equity and liabilities		341.4	258.4	290.6

CONSOLIDATED STATEMENT OF INCOME

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019
Revenues		36.0	31.8	122.1	160.2
Cost of materials	7	-4.0	-4.2	-16.0	-25.6
Changes in inventories	7	-4.4	-4.0	-4.7	-20.7
Employee benefit expenses		-12.7	-9.4	-39.4	-44.9
Other operating expenses		-13.6	-17.8	-55.1	-79.9
Other income and expense ¹⁾		0.6	0.6	16.9	-2.0
EBITDA		1.9	-3.0	23.8	-12.9
Depreciation	3	-6.5	-10.3	-36.7	-42.0
Amortization	3	0.0	0.0	-0.1	-0.3
Depreciation of right of use assets	4	-0.7	-0.7	-2.9	-7.1
Impairment	3, 4	0.0	-0.2	-23.0	-20.4
Total depreciation, amortization and impairment		-7.3	-11.1	-62.7	-69.8
EBIT		-5.3	-14.1	-38.9	-82.6
Profit/loss from investments in associates	5	0.0	-23.8	0.0	-24.2
Financial income		0.1	0.1	0.3	0.7
Net financial expenses		-24.0	-5.0	-35.2	-19.6
Net currency gains/losses		2.6	-2.7	4.5	-1.2
Net financial items ²⁾		-21.3	-7.5	-30.4	-20.2
Profit/loss before tax		-26.6	-45.5	-69.3	-127.0
Income tax expense/benefit		0.0	0.0	22.6	0.0
Profit/loss		-26.6	-45.5	-46.7	-127.0
Attributable to:					
Owners of REC Silicon ASA		-26.6	-45.5	-46.7	-127.0
Earnings per share (In USD)	14				
-basic		-0.08	-0.16	-0.16	-0.47
-diluted		-0.08	-0.16	-0.16	-0.47

1) 2020 Includes USD 16.0M for property tax settlement, 0.7M for energy transmission refund from prior period, 0.2M for sales tax refund from prior period, and 0.2 related to an employment claim.

2) See financial items table in part 1 of this report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME REC SILICON GROUP

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019
Profit/loss	-26.6	-45.5	-46.7	-127.0
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	-1.1	-5.9	-1.1	-5.9
Currency translation effects	0.0	0.0	0.0	0.0
Sum items that will not be reclassified to profit or loss	-1.1	-5.9	-1.1	-5.9
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences				
- taken to equity	0.0	0.0	0.0	-1.9
- transferred to profit/loss for the period ¹⁾	0.0	9.9	0.0	9.9
Sum items that may be reclassified subsequently to profit or loss	0.0	9.9	0.0	8.0
Total other comprehensive income	-1.1	4.0	-1.1	2.1
Total comprehensive income	-27.7	-41.5	-47.7	-124.9
Total comprehensive income attributable to:				
Owners of REC Silicon ASA	-27.7	-41.5	-47.7	-124.9

1) See note 5 (Investments)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY REC SILICON GROUP

(USD IN MILLION)	NOTES	ATTRIBUTABLE TO EQUITY HOLDERS OF REC SILICON ASA						
		SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL EQUITY
Year 2019								
At January 1, 2019		405.3	2,710.9	41.8	3,158.0	174.3	-3,225.6	106.7
Share issue		2.9	16.1	0.0	19.0	0.0	0.0	19.0
Share Capital Reduction		-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
Year 2020								
At January 1, 2020		43.4	2,727.0	41.8	2,812.3	539.0	-3,350.5	0.8
Share issue	14	10.2	95.7	0.0	105.9	0.0	0.0	105.9
Total comprehensive income		0.0	0.0	0.0	0.0	0.0	-47.7	-47.7
At December 31, 2020		53.6	2,822.7	41.8	2,918.2	539.0	-3,398.2	59.0

This table presents details of comprehensive income

(USD IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
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
Year 2020				
Accumulated at January 1, 2020	27.9	20.9	-3,399.3	-3,350.5
Profit/loss	0.0	0.0	-46.7	-46.7
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
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	-1.1	-1.1
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	0.0	0.0	0.0	0.0
Sum items that may be reclassified to profit or loss	0.0	0.0	0.0	0.0
Total other comprehensive income for the period	0.0	0.0	-1.1	-1.1
Total comprehensive income for the period	0.0	0.0	-47.7	-47.7
Accumulated at December 31, 2020	27.9	20.9	-3,447.0	-3,398.2

CONSOLIDATED STATEMENT OF CASH FLOWS

TOTAL OPERATIONS

REC SILICON GROUP

(USD IN MILLION)	NOTES	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019
Cash flows from operating activities					
Profit/loss before tax		-26.6	-45.5	-69.3	-127.0
Income taxes paid/received		0.0	0.0	2.8	2.7
Depreciation, amortization and impairment	3, 4	7.3	11.1	62.7	69.8
Investment in associates, impairment financial assets, gains/losses on sale	5	18.0	24.2	18.0	24.2
Changes in receivables, prepayments from customers etc.	12	-4.9	-3.0	-1.7	5.4
Changes in inventories	7	5.5	7.3	6.4	21.5
Changes in payables, accrued and prepaid expenses		-5.8	-8.5	-3.2	-7.8
Changes in provisions	10	0.0	0.0	0.0	0.0
Changes in VAT and other public taxes and duties		2.2	0.0	-16.6	0.0
Changes in derivatives		0.0	0.0	0.0	0.0
Currency effects not cash flow or not related to operating activities		2.5	1.3	-1.1	-0.5
Other items		-0.9	-1.4	-0.3	-1.4
Net cash flow from operating activities		-2.8	-14.5	-2.2	-13.0
Cash flows from investing activities					
Proceeds/Payments finance receivables and restricted cash		-0.4	-0.1	1.1	0.0
Proceeds from sale of property, plant and equipment and intangible assets		0.0	0.3	0.2	1.5
Payments for property, plant and equipment and intangible assets	3	-0.4	-0.8	-1.3	-2.0
Net cash flow from investing activities		-0.8	-0.7	0.1	-0.6
Cash flows from financing activities					
Increase in equity	14	105.9	0.0	105.9	19.0
Payments of lease liabilities	4	-0.5	-1.6	-3.9	-7.8
Payments of borrowings ¹⁾		-2.8	0.0	-2.8	0.0
Proceeds from borrowings		0.0	0.0	8.3	0.0
Net cash flow from financing activities		102.6	-1.6	107.5	11.2
Effect on cash and cash equivalents of changes in foreign exchange rates		0.0	0.0	0.0	0.0
Net increase/decrease in cash and cash equivalents		99.0	-16.8	105.5	-2.4
Cash and cash equivalents at the beginning of the period		35.9	46.2	29.4	31.8
Cash and cash equivalents at the end of the period		134.9	29.4	134.9	29.4

1) Payment of borrowings is the annual payment related to the Grant County Washington Property tax settlement

NOTES

1 GENERAL

THE GROUP

REC Silicon ASA (the Company) and its subsidiaries (together REC Silicon Group, REC Silicon, or the Group) are a leading producer of advanced silicon materials, delivering high-purity polysilicon and silicon gases to the solar and electronics industries worldwide.

REC Silicon ASA is headquartered in Lysaker, Norway and operates manufacturing facilities in Moses Lake, Washington and Butte, Montana in the USA. REC Silicon's subsidiaries include: REC Silicon Inc., REC Solar Grade Silicon LLC, and REC Advanced Silicon Materials LLC in the US. REC Silicon's marketing activities for sales of solar grade polysilicon, semiconductor grade silicon and silicon gases are carried out in China, Japan, Korea, Taiwan, and the United States. The Group's investment in the Yulin JV are held in REC Silicon Pte Ltd in Singapore.

BASIS OF PREPARATION

The financial statements are presented in USD, rounded to the nearest tenth of million, unless otherwise stated. As a result, of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

FINANCIAL STATEMENTS

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with IAS 34. They have not been audited or subject to a review by the auditor. They do not include all the information required for full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2019. The consolidated financial statements for 2019 are available upon request from the Company's registered office in Lysaker, Norway or at www.recsilicon.com.

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

ACCOUNTING POLICIES

The consolidated financial statements for 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The accounting policies adopted by the Company are consistent with those of the previous fiscal year. See note 2.23 to the consolidated financial statements for 2019.

SEGMENT INFORMATION

REC Silicon produces silicon gas and polysilicon for the semiconductor industries at its manufacturing facility in Butte, Montana. The Company also has the capability to produce polysilicon for the photovoltaic industry at its manufacturing facility in Moses Lake, Washington. Due to market conditions and the ongoing solar trade dispute between China and the United States, the manufacturing facility in Moses Lake, Washington has been shut down (see note 11 below). Accordingly, there are two operating segments: Solar Materials and Semiconductor Materials. 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 Lysaker, Norway. Eliminations include the reversal of the impact of transactions between group members and affiliates. The results of the operating segments plus Other and Eliminations taken together reconcile to total EBITDA for the Group.

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

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

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). REC Silicon AS and REC Solar AS have a functional currency of NOK. The Company and its remaining subsidiaries have a functional currency of USD. The Group's reporting currency is USD. See note 2.4 to the consolidated financial statements for 2019.

ESTIMATES AND JUDGMENTS

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the consolidated financial statements for 2019.

2 SEGMENT INFORMATION

See notes 2.3 and 5 to the consolidated financial statements for 2019 and note 1 to these financial statements for further information on segments.

The following table summarizes key financial results by segment:

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019
REVENUES				
Semiconductor Materials	35.9	30.0	121.4	126.7
Solar Materials	0.1	1.7	0.5	33.4
Other	0.0	0.0	0.1	0.0
Eliminations	0.0	0.0	0.0	0.0
Total	36.0	31.8	122.1	160.2
EBITDA				
Semiconductor Materials	11.7	5.3	36.3	37.8
Solar Materials	-2.8	-3.8	6.7	-26.6
Other	-7.0	-4.5	-19.3	-24.1
Eliminations	0.0	0.0	0.0	0.0
Total	1.9	-3.0	23.8	-12.9
EBIT				
Semiconductor Materials	7.8	-1.9	13.2	7.5
Solar Materials	-5.9	-7.5	-32.0	-65.1
Other	-7.2	-4.8	-20.0	-25.1
Eliminations	0.0	0.0	0.0	0.0
Total	-5.3	-14.1	-38.9	-82.6

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

Semiconductor Materials - Segment

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019
Revenues	35.9	30.0	121.4	126.7
Cost of materials	-3.9	-4.1	-15.7	-18.1
Change in inventories	-4.9	-1.9	-6.1	2.8
Employee benefit expense	-5.7	-5.4	-20.8	-21.3
Other operating expenses	-10.3	-13.4	-43.3	-52.4
Other income and expenses	0.5	0.0	0.8	0.0
Total current costs	-24.2	-24.7	-85.1	-88.9
EBITDA contribution	11.7	5.3	36.3	37.8
Depreciation of fixed assets	-3.3	-6.5	-20.7	-26.5
Amortization	0.0	0.0	0.0	0.0
Depreciation of leased assets	-0.6	-0.6	-2.4	-3.6
Impairment	0.0	-0.1	0.0	-0.1
Total depreciation, amortization, and impairment	-3.9	-7.3	-23.2	-30.3
EBIT contribution	7.8	-1.9	13.2	7.5

Solar Materials - Segment

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019
Revenues	0.1	1.7	0.5	33.4
Cost of materials	-0.1	-0.1	-0.3	-7.5
Change in inventories	0.5	-2.1	1.3	-23.5
Employee benefit expense	-2.0	-1.6	-6.6	-12.5
Other operating expenses	-1.3	-2.4	-4.6	-16.9
Other income and expenses	0.0	0.7	16.3	0.3
Total current costs	-2.9	-5.5	6.2	-60.0
EBITDA contribution	-2.8	-3.8	6.7	-26.6
Depreciation of fixed assets	-3.0	-3.5	-15.2	-14.6
Amortization	0.0	0.0	-0.1	-0.3
Depreciation of leased assets	-0.1	-0.1	-0.5	-3.4
Impairment	0.0	0.0	-23.0	-20.1
Total depreciation, amortization, and impairment	-3.2	-3.7	-38.8	-38.5
EBIT contribution	-5.9	-7.5	-32.0	-65.1

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

(USD IN MILLION)	Q4 2020	Q4 2019	YEAR 2020	YEAR 2019
Non-Contract Revenue	22.9	17.6	73.4	102.8
Structured (Regional/Volume pricing)	11.7	13.1	44.7	52.3
Tiered (Volume pricing)	1.4	1.1	3.9	5.1
Contract Revenue	13.1	14.2	48.6	57.4
Total	36.0	31.8	122.1	160.2

3 FIXED ASSETS

See note 6 to the consolidated financial statements for 2019.

Property, plant and equipment and intangible assets

(USD IN MILLION)	LAND AND BUILDINGS	MACHINERY AND PRODUCTION EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT	TOTAL INTANGIBLE ASSETS	TOTAL
Carrying value at January 1, 2020	39.1	73.1	4.2	3.9	120.2	1.1	121.4
Net additions ¹⁾	0.0	9.5	0.1	2.3	11.9	0.0	11.9
Disposals	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Depreciation and amortization	-2.5	-33.3	-0.9	0.0	-36.7	-0.1	-36.8
Impairment ²⁾	-0.9	1.1	-0.1	0.0	0.1	0.0	0.1
Carrying value at December 31, 2020	35.6	50.5	3.1	6.1	95.4	1.0	96.4
At December 31, 2020							
Historical cost	140.9	2,150.3	79.1	62.7	2,432.9	68.7	2,501.6
Accumulated depreciation/amortization/impairment	-105.2	-2,099.7	-76.0	-56.6	-2,337.5	-67.7	-2,405.2
Carrying value at December 31, 2020	35.6	50.5	3.1	6.1	95.4	1.0	96.4

1) Net additions include transfers from assets under construction

2) Includes reallocation of previous impairment (see note 4 for additional impairment)

IMPAIRMENT REVIEWS

See note 8 to the consolidated financial statements for 2019.

Management has determined that the Group continues to consist of two cash generating units (CGUs). The Company's CGUs are derived from the reported segments for Solar Materials and Semiconductor Materials. Financial attributes associated with Other and Eliminations have been allocated to the individual CGUs based upon estimated activity, volume, and revenue factors.

The Company conducted a review of impairment indicators at December 31, 2020. For the Solar CGU, impairment indicators were identified that could give rise to a change in impairment as a result of increases in the market capitalization of the Company, recurring net operating losses, and changes in the timing of the anticipated restart of FBR production at the Moses Lake facility.

This review included the estimated impacts of the business cooperation agreements to partner with Violet Power to develop a non-Chinese Solar PV value chain and to partner with G14 to develop a silicon anode battery materials production facility. An increase in the Solar CGU's fair value due to these agreements is difficult to estimate because the development of a functional non-Chinese Solar PV value chain and/or the realization of demand for the Group's products for use in lithium-ion batteries are subject to substantial uncertainty. In addition, the enhancement of the FBR plants current capabilities would be required to enable the production of polysilicon for a supply chain outside of China or to deliver gases for use in lithium-ion batteries. Therefore, management has determined that until REC Silicon undertakes specific activities to bring about the desired effects intended by these agreements, they should not be used in evaluating the impairment of the Company's non-financial assets.

Forecasts used to arrive at estimated future cash flows include the assumption that market conditions will support the restart of production in the Moses Lake FBR facility in 2023.

The resulting value in use of the Solar Materials CGU is estimated to approximate the carrying value at December 31, 2020. Therefore, no additional impairment or reversal of impairment has been recognized.

Additional impairment of the Solar Materials CGU would be required if the FBR facility is not restarted. Conversely, if the facility is restarted to supply silane for battery materials and polysilicon for a solar supply chain outside of China, a reversal might be required.

4 LEASES

See note 7 to the consolidated financial statements for 2019.

Right-of-Use assets

(USD IN MILLION)	MACHINERY	GAS PLANTS	COMPUTER HW/SW	MOTOR VEHICLES	MOTOR VEHICLES	TOTAL
Balance at January 1, 2020	0.1	33.7	0.0	0.0	0.0	33.8
Depreciation	-0.1	-2.8	0.0	0.0	0.0	-2.9
Additions	0.0	0.0	0.0	0.1	0.1	0.2
Modification of existing leases	1.6	26.0	0.0	0.0	0.0	27.7
Impairment	0.0	-23.0	0.0	0.0	0.0	-23.0
Balance at December 31, 2020	1.7	33.9	0.0	0.1	0.1	35.7

The increase in right of use assets of USD 27.9 million was largely the result of a modification of long-term leases associated with the supply of process gases to the Moses Lake facility (USD 25.8 million). These leases were extended through December of 2028. This lease contains an option for early termination on or after December 31, 2023 if the FBR facility is not in operation and notice is provided by REC Silicon. In addition, the agreement contains a security interest in the Moses Lake facility of up to USD 10 million. The remaining increases are due to the remeasurement of asset retirement obligations associated with leases and the modification of existing leases related to contractual increases in lease payments tied to economic indices.

Lease Liabilities

(USD IN MILLION)	TOTAL FUTURE LEASE PAYMENTS	MATURITY ANALYSIS - CONTRACTUAL PAYMENTS TO BE MADE					
		2021	2022	2023	2024	2025	AFTER 2025
Lease liabilities at December 31, 2020 ¹⁾	132.9	10.8	10.8	10.7	14.3	14.3	71.9

1) Amounts listed are undiscounted

The weighted average incremental borrowing rate applied to lease liabilities at December 31, 2020 is 13.2 percent.

Amounts recognized in profit or loss

(USD IN MILLION)	Q4 2020	2020
Interest on lease liabilities	2.2	7.6
Depreciation of right-of-use assets	0.7	2.9
Gains (-) and losses (+) due to terminations, purchases, impairments, and other changes	-0.8	21.4
Expenses relating to short-term leases	0.0	0.2
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.0	0.0

Net losses due to changes in leases recognized in profit or loss are the result of increases of USD 1.6 million to asset retirement obligations (See note 10) and impairments of USD 23.0 million associated with leased items (See Note 3).

Right-of-use assets associated with contracts with a term of 12 months or less are expensed in accordance with the IFRS 16 short-term exemption.

Amounts recognized in the statement of cash flow

(USD IN MILLION)	Q4 2020	2020
Total cash outflow for leases	2.7	10.6

5 INVESTMENTS

OTHER INVESTMENTS

See note 9 to the consolidated financial statements for 2019.

The Group has an investment in China; Shaanxi Non-Ferrous Tian Hong REC Silicon Materials Co., Ltd. (Yulin JV). REC Silicon's ownership is 15 percent of the Yulin JV. The Company has designated the investment in the Yulin JV as an equity security at fair value through profit/loss (FVTPL).

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, assumptions 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 13.1 percent was estimated on an after-tax basis.

Due to the impact of continuing losses, continued delays in realizing designed production capacities, and continued deterioration in REC Silicon's ability to influence business decisions, increases in anticipated cashflows have not been realized. In addition, the Yulin JV has accumulated additional long-term debt to fund operating losses, to complete construction, and to maintain operations. As a result, estimated enterprise value less long-term debt results in a deficit equity value.

REC Silicon has no obligation to contribute additional equity as a result of these deficits.

Accordingly, REC Silicon adjusted the investment in the Yulin JV to a value of zero and recognized a loss of USD 18.0 million to income during the fourth quarter of 2020.

6 DERIVATIVES

See notes 3, 11, and 30 to the consolidated financial statements for 2019.

Derivatives consist of an option contract which is a part of the indemnification agreement associated with the REC Wafer bankruptcy (see note 11 below).

At December 31, 2020, the option contract was a liability valued at USD 1.5 million (USD 1.4 million at December 31, 2019).

7 INVENTORIES

See note 13 to the consolidated financial statements for 2019.

Inventories at end of period

(USD IN MILLION)	DEC 31, 2020			DEC 31, 2019		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	2.2	0.0	2.2	4.2	0.0	4.2
Spare parts	42.4	-33.1	9.3	42.2	-32.9	9.3
Work in progress	11.4	-1.0	10.4	10.7	-1.1	9.6
Finished goods	35.8	-16.4	19.4	41.6	-17.0	24.6
Total	91.8	-50.5	41.3	98.7	-51.0	47.7

8 BORROWINGS AND GUARANTEES

See notes 4, 17, and 30 to the consolidated financial statements for 2019.

Carrying amounts of interest-bearing liabilities at December 31, 2020 and contractual repayments (excluding interest payments) are specified in the table below.

(USD IN MILLION)	CARRYING AMOUNT		CONTRACTUAL PAYMENTS, EXCLUDING INTEREST					
	CURRENCY	USD	TOTAL	2021	2022	2023	2024	AFTER 2024
Capitalized Borrowing Cost, non-current (USD) ¹⁾	-0.6	-0.6						
Capitalized Borrowing Cost, current (USD) ¹⁾	-0.4	-0.4						
Senior secured bond (USD)	110.0	110.0	110.0			110.0		
C.A.R.E.S. Act loan (USD)	8.3	8.3	8.3	6.0	2.3			
Grant County WA tax settlement (USD)	7.2	7.2	7.2	0.9	1.0	1.1	1.2	3.0
Indemnification loan (NOK)	200.0	23.4	23.4					
Total		147.8	148.9	6.8	3.3	111.1	1.2	3.0

1) Amortized as part of effective interest

On October 14, 2020, the Company entered into a settlement agreement with Grant County, Washington settling its property tax dispute for tax years 2012 through 2015. REC Silicon agreed to pay Grant County USD 3 million by December 15, 2020 and USD 1.75 million each year for the next six years. The settlement resulted in the recognition of a note payable using an interest rate of 11.5 percent used to impute the value of the liability. The note is effectively secured, as a matter of law, by the real property at the Moses Lake plant. At December 31, 2020, the remaining fair value of the property tax note was USD 7.2 million after the initial payment of USD 3 million on December 15, 2020. Total remaining undiscounted payments on the property tax note are USD 10.5 million.

On May 4, 2020, REC Silicon executed promissory notes guaranteed by the Government of the United States as part of the Coronavirus Aid, Relief, and Economic Security Act (C.A.R.E.S. Act) of USD 4.4 million for REC Solar Grade Silicon LLC and USD 3.8 million for REC Advanced Silicon Materials LLC (total of USD 8.3 million). Each note carries interest at an annual rate of 1 percent (365-day simple interest basis) and is payable in 17 equal monthly installments beginning in December 2020 with the final payment due in May 2022. The loans were funded on May 6, 2020. Funds are provided in the form of loans that may be forgiven when used for payroll costs, interest on mortgages, rent, and utilities. Forgiveness is based upon REC Silicon maintaining employee headcount and salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease within this period. As of December 31, 2020, all repayments of the C.A.R.E.S. Act loans have been delayed pending REC Silicon's application to have the loans forgiven. Interest will continue to accrue during the delay.

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At December 31, 2020, the indemnification loan is NOK 200.0 million (USD 23.4 million). The Company received a claim dated December 16, 2019 under the indemnification loan. The claim is based on an assumption that the loss will exceed the declared amount when the bankruptcy estates are concluded. However, the relevant bankruptcy estates have not yet been concluded, and accordingly, the amount of loss suffered by the claimant as a result of the bankruptcy cannot be calculated at this time. On this basis, as well as on basis of other uncertainties concerning the basis for the claim, the Company has responded by denying the claim. On November 13, 2020, the claimant filed a cause of action with the Asker and Bærum District Court. REC Silicon intends to defend the cause of action. The status and timing of the indemnification loan is subject to uncertainty.

Guarantees

See note 29 to the consolidated financial statements for 2019.

At December 31, 2020, the Company had provided USD 5.1 million in bank guarantees against which the Company has pledged USD 4.0 million of restricted cash. This included bank guarantees for the benefit of REC Solar of USD 1.1 million with USD 0.2 million of restricted cash as security.

The Company has also provided parent company guarantees related to the performance of solar panels and systems sold by the REC Solar Group. These guarantees were USD 54.7 million at December 31, 2020 and December 31, 2019.

The Company has been provided with offsetting guarantees by REC Solar Holdings AS as part of the sale of REC Solar in 2013.

Fair values of financial instruments

See note 30 to the consolidated financial statements for 2019.

The option contract in the indemnification agreement associated with the REC Wafer Norway AS bankruptcy is subject to level 3 of the fair value hierarchy of IFRS 13. The value of this option was USD 1.5 million at December 31, 2020 and USD 1.4 million at December 31, 2019

The fair value of the USD senior secured bond at December 31, 2020 is estimated at 108.7 percent of nominal value. The USD senior secured bond is subject to level 2 of the fair value hierarchy of IFRS 13.

USD Senior Secured Bond

(USD IN MILLION)	DEC 31, 2020	SEP 30, 2020	JUN 30, 2020	MAR 31, 2020	DEC 31, 2019
Nominal value	110.0	110.0	110.0	110.0	110.0
Capitalized Borrowing Cost, non-current ¹⁾	-0.6	-0.7	-0.8	-0.9	-1.0
Net carrying amount, non-current	109.4	109.3	109.2	109.1	109.0
Capitalized Borrowing Cost, current ¹⁾	-0.4	-0.4	-0.4	-0.4	-0.4
Net carrying amount	109.0	108.9	108.8	108.7	108.6

1) Amortized as part of effective interest

9 COMMITMENTS

Contractual purchase obligations and minimum operating lease payments at December 31, 2020

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	2021	2022	2023	2024	2025	AFTER 2025
Purchase of goods and services	11.3	11.3	0.0	0.0	0.0	0.0	0.0
Minimum operating lease payments	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total purchase obligations and minimum lease payments	11.4	11.4	0.0	0.0	0.0	0.0	0.0

10 PROVISIONS

(USD IN MILLION)	Q4 2020	2020
Carrying value at beginning of period	7.0	3.3
Change in estimate of asset retirement obligation	7.6	11.0
Net periodic interest on asset retirement obligation	0.1	0.4
Carrying value at December 31, 2020	14.7	14.7

See note 20 to the consolidated financial statements for 2019.

Increases in the asset retirement obligation (ARO) of USD 7.6 million in the fourth quarter and USD 11.0 million for 2020 in the table above are the result of the recalculation of the retirement obligation due to the preparation of a revised estimate of costs to restore leased wastewater containment ponds to a condition specified in the lease and for the eventual cleanup of the Company's manufacturing operations in Moses Lake, Washington. The revised estimate include changes in conditions as well as more refined estimates of the cost of related restoration activities. In addition, the ARO increased during the fourth quarter due to a change in the estimated interest rates used to impute the estimated provision from a range between 8.0 percent and 11.5 percent to a range between 4.0 percent and 5.4 percent.

The AROs represent the present value of estimated future costs discounted between 4.0 to 5.4 percent and between 8 and 39.5 years.

11 CLAIMS, DISPUTES, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS

Please refer to the annual report for 2019, specifically, note 31 to the consolidated financial statements and the risk factors section of the Board of Directors' Report.

IMPACT OF COVID-19 GLOBAL PANDEMIC

The COVID-19 pandemic continues to represent a substantial risk to REC Silicon's operations, the markets in which it participates, and general economic conditions. The ultimate impact of COVID-19 on the financial performance of the Company's operations is dependent upon the duration of the outbreak and the timing and success in resuming economic activities.

REC Silicon continues to prioritize the health and safety of its employees in order to maintain the ability to meet product demand, to maintain production capabilities, and to minimize the impact of the pandemic on REC Silicon's operations. REC Silicon has limited business travel and taken action to maintain social distancing protocols. REC Silicon continues to work with local authorities to ensure compliance with guidance and mandates issued by governmental authorities and the Department of Labor.

REC Silicon anticipates that policies, procedures, and activities to mitigate the impact of COVID-19 will be sufficient to maintain current production levels and prevent a substantial adverse impact on operations.

Company management and the Board of Directors will continue to monitor the situation and take appropriate action as additional developments occur.

ANTICIPATED RESTART OF FBR PRODUCTION FACILITY IN MOSES LAKE

REC Silicon's FBR facility in Moses Lake, Washington was shut down during the second quarter of 2019 due to difficult market conditions and Chinese tariffs on polysilicon produced in the United States. Accordingly, operating costs and activities have been reduced to levels required to safely maintain the facility in a non-operating status and to retain the capability to restart the facility in the future.

The Company expects to restart the Moses Lake manufacturing facility when Chinese markets for solar grade polysilicon re-open, a non-Chinese Solar PV value chain is developed, silicon anode battery technology based on silane gas is commercialized, and/or other significant positive developments occur in solar grade polysilicon markets.

On October 13, 2020, the Company entered into memorandums of understanding with Violet Power to develop a non-Chinese solar PV value chain and with Group 14 Technologies to develop a silicon anode production facility at the Moses Lake plant.

The Company's plans to reopen the FBR facility are in part dependent upon the development of a solar PV value chain outside of China which will require REC Silicon to make additional investments in FBR processes to enable product quality suitable for high purity monocrystalline PV markets. The creation of a solar value chain outside China may also depend on the implementation of incentives and initiatives to encourage the adoption of low carbon solar PV panels and trade measures to incentivize investments in solar PV production capacity outside of China. Accordingly, the development of a functional non-Chinese Solar PV value chain is subject to substantial uncertainty.

In addition, the Company's plans to reopen the FBR facility are in part dependent upon the development and commercialization of technology for the use of silane to manufacture silicon anode material for use in lithium-ion batteries. Capital investments will also be required to supply silane to a co-located silicon anode material manufacturing facility. Accordingly, the realization of demand for the Group's products for use in lithium-ion batteries is subject to substantial uncertainty.

Additional impairments and provisions would be required if the FBR facility is not restarted.

If production at the Moses Lake facility is restarted, the reversal of impairments might be required.

INDEMNIFICATION LOAN

The Company has an indemnification loan related to the bankruptcy of a former subsidiary in 2012. At December 31, 2020, the indemnification loan is NOK 200 million (USD 23.4 million). The Company received a claim dated December 16, 2019 under the indemnification loan. The claim is based on an assumption that the loss will exceed the declared amount when the bankruptcy estates are concluded. However, the relevant bankruptcy estates have not yet been concluded, and accordingly, the amount of loss suffered by the claimant as a result of the bankruptcy cannot be calculated at this time. On this basis, as well as on basis of other uncertainties concerning the basis for the claim, the Company has responded by denying the claim.

On November 13, 2020, the claimant filed a cause of action with the Asker and Bærum District Court. REC Silicon intends to defend the cause of action.

The status and timing of the indemnification loan is subject to uncertainty.

GOING CONCERN

During prior periods, the Company's liquidity has been adversely impacted by contingent liabilities, market conditions, and the shut-down the FBR facility in Moses Lake, Washington.

On October 14, 2020, the Company successfully completed a private equity placement to raise approximately NOK 1 billion (See note 14). As a result, the Company has sufficient liquidity to meet its financial obligations and to support ongoing operations.

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

12 RECEIVABLES

See notes 12 and 30 to the consolidated financial statements for 2019.

Aging of receivables at December 31, 2020

(USD IN MILLION)	TOTAL CARRYING AMOUNT	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED PAST DUE					IMPAIRED
		NOT DUE	< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	
Trade receivables and accrued revenues	34.6	18.7	0.6	0.8	0.1	0.0	14.4
Provision for loss on trade receivables	-14.4	0.0	0.0	0.0	0.0	0.0	-14.4
Other current receivables	1.6	1.6	0.0	0.0	0.0	0.0	0.0
Total receivables	21.9	20.3	0.6	0.8	0.1	0.0	0.0
Prepaid Costs	5.6						
Total trade and other receivables	27.5						

There was no bad debt expense recorded for the fourth quarter of 2020.

13 TRANSACTIONS WITH RELATED PARTIES

See notes 10 and 16 to the consolidated financial statements for 2019.

In the fourth quarter of 2020, REC Silicon purchased small quantities of finished granular polysilicon from the JV for analytical purposes and invoiced USD 0.3 million in engineering and project services (see note 5 above) to the Yulin JV.

14 SHAREHOLDER MATTERS

On October 14, 2020, the Company raised approximately NOK 1,000 million in gross proceeds through the Private Placement of 92,592,592 new shares, at a price per share of NOK 10.80.

The Private Placement consisted of two separate tranches: one tranche with 27,982,000 new shares in the Company and a second tranche with 64,610,592 new shares. The settlement of Tranche 1 occurred on October 27, 2020 and the settlement for Tranche 2 occurred on November 19, 2020 following approval by an Extraordinary General Meeting in the Company of the issuance of the New Shares under Tranche 2. The completion of Tranche 1 was subject to approval by the Company's Board of Directors pursuant to an authorization granted by the Company's Annual General Meeting held on May 12, 2020. The Board of Directors of REC resolved to issue 27,982,000 new shares in the Company, referred to as the "Tranche 1" shares.

The registration of the new shares issued in Tranche 1 with the Norwegian Register of Business Enterprises was completed on October 26, 2020 and the Company received proceeds of NOK 290.2 million (approximately USD 31.4 million) net of the brokers fee on October 27, 2020. Subsequent to this registration, the new share capital of the Company was NOK 307,802,066, divided into 307,802,066 shares of NOK 1 par value.

The registration of the new shares issued in Tranche 2 with the Norwegian register of Business Enterprises was completed on November 18, 2020 and the Company received proceeds of NOK 673.4 million (approximately USD 74.7 million) net of the brokers fee on November 19, 2020. Subsequent to this registration, the new share capital was NOK 372,412,658 divided into 372,412,658 shares of NOK 1 par value.

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 – 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 5.3 million for the fourth quarter of 2020.

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

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

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

EBITDA is reflected on the consolidated statement of income on the line titled EBITDA. EBITDA of USD 1.9 million has been reported for the fourth quarter of 2020.

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

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

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

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

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

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

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

At December 31, 2020, the equity ratio is 17.3 percent and is calculated by dividing USD 59.0 million total shareholders' equity by USD 341.4 million in total assets.

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

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

At December 31, 2020, net debt was USD 84.7 million or USD 147.8 million total carrying value of the Company's debt (from note 8) plus USD 71.8 million current and non-current lease liabilities (from the balance sheet) less USD 134.9 million in cash and cash equivalents.

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

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

At December 31, 2020, nominal net debt was USD 85.7 million or USD 148.9 million contractual repayment values of the Company's debt (from note 8) plus USD 71.8 million current and non-current lease liabilities (from the balance sheet) less USD 134.9 million in cash and cash equivalents.

FOR MORE INFORMATION, PLEASE CONTACT

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About REC Silicon

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

For more information, go to: www.recsilicon.com