



RECSiLICON



# THIRD QUARTER 2020

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REPORT

## THIRD QUARTER HIGHLIGHTS

(Compared to second quarter 2020)

- > Revenues of USD 30.3 million and EBITDA of USD 17.9 million
  - EBITDA includes \$16.0M due to the settlement of the property tax dispute in Grant County Washington
- > September 30, 2020 cash balance of \$35.9M
  - Cash increase of \$4.3M
  - Cash inflows from operating activities of \$3.6M
- > Silicon gas sales
  - Sales volume of 746MT (vs. 831MT in Q2'20)
  - 3.4% Silane gas price increase vs. Q2'20
- > Semiconductor segment polysilicon sales
  - Semiconductor grade polysilicon sales volume of 174MT
  - 9.0% Semiconductor grade polysilicon price increase vs. Q2'20
- > Tax examination by Norwegian Central Tax Office dropped
  - Results in reversal of \$22.5M Tax Liability and \$4.7M Accrued Interest Liability
  - Increase of \$27.3M in Shareholders' Equity
- > Settlement of property tax dispute with Grant County, Washington
  - Results in the reversal of \$17.6M in net liabilities
  - Remaining liability of \$9.9M imputed from payment schedule (\$3M by Dec. 2020 plus 6 annual installments of \$1.8M)
  - Non-cash contribution to EBITDA of \$16M in Q3'20

## SUBSEQUENT TO QUARTER END

- > Business cooperation agreements signed
  - Violet Power – efforts to establish a non-Chinese PV value Chain
  - Group 14 Technologies – construction of a silicon anode battery pilot plant in Moses Lake
- > Private placement of equity successfully completed
  - Completed on October 14, 2020
  - Settlement to occur 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 expected November 2020 NOK 698 million in gross proceeds (64,610,592 shares at NOK 10.8)

## FINANCIAL HIGHLIGHTS

### Key Financials - REC Silicon Group

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019	Q2 2020
Revenues	30.3	36.4	86.0	128.4	160.2	31.0
EBITDA	17.9	-5.6	21.9	-9.9	-12.9	2.9
EBITDA margin	59.1%	-15.5%	25.5%	-7.7%	-8.0%	9.5%
EBIT excluding impairment charges	9.4	-16.9	-10.6	-48.2	-62.2	-9.1
Impairment charges	0.0	-0.2	-23.0	-20.3	-20.4	-23.0
EBIT	9.4	-17.1	-33.6	-68.5	-82.6	-32.1
EBIT margin	31.1%	-47.1%	-39.0%	-53.3%	-51.6%	-103.6%
Profit/loss before tax	8.2	-20.2	-42.7	-81.5	-127.0	-40.2
Profit/loss	30.7	-20.2	-20.1	-81.5	-127.0	-40.2
Earnings per share, basic and diluted (USD)	0.11	-0.07	-0.07	-0.30	-0.47	-0.14
Polysilicon production in MT (Siemens and granular)	237	340	714	2,828	3,109	234
Polysilicon sales in MT (Siemens and granular)	401	1,155	874	5,249	5,892	385
Silicon gas sales in MT	746	860	2,308	2,523	3,380	831

## 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 the solar trade dispute between China and 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 30.3 million for the third quarter of 2020 compared to USD 31.0 million for the second quarter (a decrease of 2.2 percent). All revenues for the quarter were generated by the Semiconductor Materials segment. There were no revenues in the Solar Materials segment compared to USD 0.3 million in the prior quarter.

Total polysilicon production volume for the third quarter of 2020 was 237MT. 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 163MT during the third quarter.

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 impact of this agreement has been included in financial results for the third quarter of 2020 because the agreement was used to estimate liabilities that existed at September 30, 2020. The settlement resulted in a decrease in total liabilities of USD 17.6 million and has a positive non-cash impact on EBITDA of USD 16.0 million during the third quarter 2020. In addition, the Company recorded a note payable of USD 9.9 million representing the present value of future payments from REC Silicon to Grant County specified in the settlement agreement.

EBITDA for the third quarter was USD 17.9 million. Excluding the impact of the property tax settlement discussed above, EBITDA for the third quarter was USD 1.9 million compared to USD 2.9 million in the second quarter of 2020. The decrease in EBITDA can primarily be attributed to lower sales and production volumes of silicon gases.

### Summary of second quarter results by segment

(USD IN MILLION)	Q3 2020	
	REVENUES	EBITDA
Semiconductor Materials	30.3	7.3
Solar Materials	0.0	14.6
Other & Eliminations	0.0	-4.0
Total	30.3	17.9

### MARKET DEVELOPMENT

Semiconductor grade polysilicon markets are dominated by long term sales contracts and high polysilicon inventory levels. During the third quarter, REC Silicon's sales opportunities were limited by lower than anticipated demand and excess inventory levels due to slower than expected recovery from measures taken to mitigate the spread of COVID-19. However, 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 continues to be affected by oversupply and lower than expected demand in automotive applications due primarily to measures taken to control the COVID-19 outbreak. REC Silicon's third quarter sales volumes of semiconductor polysilicon declined due to timing as customers delayed shipments to reduce inventories. However, the Company took advantage of spot market opportunities to sell lower quality grades of polysilicon which resulted in an increase in total polysilicon sales volumes of 24.2 percent for the third quarter compared to the second quarter.

REC Silicon's sales volumes of silicon gases declined due to lower demand for silicon gases for solar PV and older technology flat panel display applications in China as they continue to disengage from supply arrangement with the United States where feasible. Third quarter demand for silicon gases remained strong in semiconductor and high-end flat panel display applications. In semiconductor applications, demand for silicon gases continues to grow due to improvements in technology and the commissioning of new capacity.

Global demand for PV installations continues to grow in spite of expectations of a slowdown due to the COVID-19 pandemic. However, market demand slowed near the end of the third quarter due to increases in module prices. Module prices were impacted by supply limitations. Minor impacts due to glass and EVA film supply were seen. The largest impact was through cell/wafer/polysilicon supply chain.

Industrial incidents at two polysilicon manufacturers and annual maintenance at others resulted in a supply shortage of polysilicon that lead to sharp price increases. Polysilicon price increases were passed along the value chain. Once module prices were increased, project developers with flexible project schedules delayed module purchases. During the third quarter, polysilicon prices increased to USD 12.3/kg compared to USD 7.2/kg at the end of the second quarter. Increases in module prices can be directly attributed to polysilicon price increases and resulted in the softening of demand near the end of the third quarter. Supply chain participants were reluctant to build inventory due to uncertain demand caused in part by COVID-19 and factory utilization was reduced throughout the value chain.

## 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 30.3 million during the third quarter of 2020 and were broadly unchanged compared to revenues of USD 30.7 million during the prior quarter. In general, lower silicon gas sales volumes were offset by higher silane gas prices.

Total polysilicon sales volumes increased to 401MT during the third quarter compared to 323MT during the second quarter of 2020. Semiconductor grade polysilicon sales volumes decreased by 30MT to 174MT. Solar grade polysilicon sales volumes increased by 107MT to 227MT for the third quarter. Average polysilicon prices decreased substantially due to higher sales volumes of solar grade polysilicon as a percent of total sales. Average prices realized for semiconductor grade polysilicon increased by 9.0 percent due in part to the impact of lower tariffs imposed by China on sales prices for the highest quality Float Zone (FZ) grades of polysilicon which increased by 6.1 percent. In addition, average prices for semiconductor polysilicon increased due to higher sales volumes of the higher priced FZ grades of polysilicon as a percentage of total semiconductor polysilicon sold.

Total silicon gas sales volumes decreased by 10.2% to 746MT during the third quarter of 2020 compared to 831MT during the second quarter. Sales prices realized by REC Silicon for silane gas increased by 3.4 percent during the third quarter.

Total polysilicon production volume for the third quarter of 2020 was 237MT which was broadly unchanged compared to 234MT for the second quarter. Polysilicon inventories decreased by 163MT during the third quarter.

The Semiconductor Materials segment contributed USD 7.3 million of income to the Company's EBITDA during the third quarter of 2020. This represents a decrease of USD 2.1 million compared to USD 9.4 million contributed during the second quarter. The decrease in EBITDA can primarily be attributed to lower sales and production volumes of silicon gases. In addition, the higher mix of lower margin solar grade sales volumes as a percentage of total polysilicon sales had an adverse impact on income for the quarter.

### Key Financials - Semiconductor Materials

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019	Q2 2020
Revenues	30.3	29.7	85.5	96.7	126.7	30.7
EBITDA contribution	7.3	8.2	24.6	32.5	37.8	9.4
Contribution margin	24.0%	27.5%	28.8%	33.6%	29.8%	30.5%
Polysilicon production in MT (Siemens)	237	340	714	1,058	1,339	234
Polysilicon sales in MT (Siemens)	401	194	811	808	1,111	323
Silicon gas sales in MT	746	860	2,308	2,522	3,379	831

### Key Financials - Solar Materials

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019	Q2 2020
Revenues	0.0	6.6	0.4	31.7	33.4	0.3
EBITDA contribution	14.6	-6.1	9.5	-22.8	-26.6	-2.3
Contribution margin	N/A	-91.8%	2122.2%	-72.0%	-79.7%	-861.9%
Polysilicon production in MT (Siemens and granular)	0	0	0	1,770	1,770	0
Polysilicon sales in MT (Siemens and granular)	0	961	63	4,441	4,781	62

### Key Financials - Other and Eliminations

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019	Q2 2020
Revenues	0.0	0.0	0.1	0.0	0.1	0.0
EBITDA contribution	-4.0	-7.7	-12.2	-19.5	-24.1	-4.1
Silicon gas sales in MT	0	0	0	1	1	0

## 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 the 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 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 business cooperation agreements with Violet Power to develop a non-Chinese solar PV value chain and with Group 14 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 and to enhance FBR production quality capabilities and 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 and note 14.

Revenues for the Solar Materials segment were zero during the third quarter of 2020 compared to USD 0.3 million during the second quarter which represented small sales volumes from remaining granular polysilicon inventories.

The Solar Materials segment contributed EBITDA of USD 14.6 million during the third quarter of 2020 which 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 USD 0.3 million refund of sales and use taxes from prior periods. Excluding these items, the Solar Materials segment contributed a loss of USD 1.7 million to the Company's EBITDA during the third quarter of 2020 compared to a loss of USD 2.3 million during the second quarter of 2020. This decrease in expenses can primarily be attributed to a USD 0.8 million decrease in estimated property taxes for 2020 offset by USD 0.3 million lower revenues.

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

## Financial Items - REC Silicon Group

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019	Q2 2020
Financial income	0.1	0.2	0.2	0.5	0.7	0.0
Interest expenses on borrowings	-2.8	-3.3	-9.7	-9.8	-13.0	-3.6
Interest expense on leases	-2.2	-1.5	-5.4	-3.5	-5.0	-1.7
Capitalized borrowing cost	0.1	0.0	0.2	0.0	0.1	0.1
Expensing of up-front fees and costs	-0.1	-0.1	-0.3	-0.2	-0.3	-0.1
Other financial expenses	4.5	-0.4	3.8	-1.2	-1.4	-0.3
Net financial expenses	-0.6	-5.2	-11.3	-14.6	-19.6	-5.6
Net currency gains/losses	-0.7	2.0	1.9	1.5	-1.2	-2.5
Net financial items	-1.3	-3.0	-9.1	-12.6	-20.2	-8.1

## 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 4.0 million during the third quarter of 2020 compared to USD 4.1 million during the second quarter of 2020.

## INVESTMENTS (YULIN JV)

The Yulin JV produced approximately 1300MT of FBR granular polysilicon and 19MT of siemens polysilicon during the third quarter of 2020. In addition, the Yulin JV loaded approximately 50MT of silane during the third quarter.

The Yulin JV is ramping up production of high purity granular polysilicon using 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 going forward.

## FINANCIAL ITEMS

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

During the third quarter of 2020, interest expense on borrowings included a reversal of USD 0.4 million interest expense recognized during prior periods due to the settlement of the property tax dispute with Grant County. The remaining interest expense of approximately USD 3.2 million is associated with the Senior Secured Bonds.

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

Other financial expenses include the reversal of USD 4.7 million of interest on unpaid taxes reported for prior periods associated with the tax examination by the Norwegian Central Tax Office which was dropped during the third quarter of 2020.

Net currency gains and (losses) are primarily related to the impact of exchange rate fluctuations between transaction currencies and the USD

which is the primary functional currency for the group. Currency gains and losses for the third quarter of 2020 consisted of losses of approximately USD 0.7 million associated with liabilities denominated in NOK due to a weaker USD.

See note 8 for additional information on borrowings.

## INCOME TAX

The profit before tax of USD 8.2 million during the third quarter of 2020 resulted in no effective tax impact since it is offset by changes in unrecognized deferred tax assets and can primarily be attributed to the Company's operations in the United States. This income represents a decrease in the Company's unrecognized deferred tax asset. Accumulated losses will continue to be available to offset taxable income during future periods.

On September 30, 2020, REC Silicon was informed by the Norwegian Tax Administration through legal counsel that issues raised to deny deductions taken by REC Silicon during tax years 2009 through 2011 had been dropped. In addition, the Norwegian Tax Administration informed that after a thorough examination, also considering the elapsed time, they did not find a reason to move forward with other issues raised in the draft decision including the classification of capital inflows as equity deposits.

As a result, the tax benefit of USD 22.5 million for the third quarter represents the reversal of estimated tax expense previously reported by the Company as a result of this examination.

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

## CASH FLOW

Net cash inflows from operating activities were USD 3.6 million during the third quarter of 2020. Cash inflows included EBITDA of USD 17.9 million which included USD 16.0 million representing the non-cash settlement of the property tax dispute with Grant County, Washington discussed above. In addition, cash inflows included a decrease in working capital of USD 3.3 million and gain of USD 0.5 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 3.9 million and an increase in accounts payable of USD 0.7 million. These were offset by sales in excess of customer collections of USD 1.3 million. Cash outflows included interest payments of USD 1.4 million and contributions to the U.S. pension plan of USD 0.7 million.

Cash inflow from investing activities were USD 1.0 million and were a result of the collection of USD 1.3 million due to the maturity of municipal bonds held by the Company offset by capital expenditures of USD 0.3 million.

Cash outflows from financing activities were USD 0.3 million and were the result of a reduction in lease liabilities which have been imputed based upon the requirements of IFRS 16 Leases. See note 4 for additional information on leases.

In total, cash balances increased by USD 4.3 million to USD 35.9 million at September 30, 2020.

## FINANCIAL POSITION

Shareholders' equity increased to a deficit of USD 19.2 million (negative 7.4 percent equity ratio) on September 30, 2020, compared to a deficit of USD 49.9 million (negative 18.6 percent equity ratio) on June 30, 2020. This increase was the result of a profit of USD 30.7 million during the third quarter. On October 14, 2020, the Company successfully completed a private equity placement to raise approximately NOK 1 billion. This transaction is expected to increase equity by approximately USD 104 million and will occur in two tranches. On October 27, 2020, the Company received net proceeds of NOK 290.2 million (approximately USD 31.4 million) associated with the first tranche. Tranche 2 is expected to occur in November 2020 and is estimated to be NOK 673.4 million (approximately USD 72.9 million) net of the broker's fee and is subject to shareholder approval at an extraordinary general meeting scheduled for November 9, 2020. Please refer to note 14.

Net debt increased by USD 7.0 million to USD 184.5 million on September 30, 2020 from USD 177.5 million on June 30, 2020. Higher net debt was a result of the note payable associated with the settlement of the property tax dispute of USD 9.9 million, and an increase of USD 0.7 million in lease liabilities. In addition, the value of the NOK denominated indemnification loan increased by USD 0.6 million due to a weaker USD relative to NOK. These were offset by an increase in cash of USD 4.3 million.

The increase of USD 0.7 million in lease liabilities was largely a result of the deferral of payments associated with the modification of the long term lease for plant gases at the end of the second quarter which resulted in an increase in lease liabilities of USD 0.8 million and modifications to leases due to contractual increases in lease payments tied to economic indices of USD 0.2 million. These were offset by the repayment of USD 0.3 million in leases payable.

Net debt includes unamortized loan fees. Excluding unamortized loan fees, nominal net debt increased by USD 6.9 million to USD 185.6 million compared to USD 178.7 million on June 30, 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 has resulted in the disruption of economic activity on a global scale. Governmental authorities have mandated the curtailment of economic activities to reduce exposure and to limit the spread of the virus. Some economies are beginning to reopen, however, increases in infection rates may impact certain geographic areas and industries. 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. For example, the Company has placed restrictions on outside visitors and is using technology to conduct internal meetings remotely. The Company has issued a temporary sick leave policy to encourage employees with symptoms or potential direct exposure to the virus to follow quarantine procedures and not report for work. These procedures include protocols to test and quarantine employees with potential exposure to the COVID-19 virus in cooperation with local health department officials. REC Silicon continues to work with local authorities to ensure compliance with guidance and mandates issued by governmental authorities and the Department of Labor. Contingency plans have been established to maintain production with limitations on available workforce. REC Silicon will revise these procedures based on changes in mandates and guidance issued by governmental authorities and the U.S. Department of Labor.

Ten of REC Silicon's employees have reported positive tests for COVID-19. The Company has worked with local health authorities to quarantine affected employees and to conduct contact tracing to identify and isolate employees that may have been exposed to the virus. Steps have been taken to isolate workgroups in order to limit exposure and maintain operating activities. In addition, the Company has successfully used overtime to mitigate the impact of quarantined employees and production levels have not been adversely impacted. Currently, 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 the solar trade dispute between the United States and China. Accordingly, operating costs and activities were 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.

In January 2020, the Government of the United States and the Government of China signed the Phase I economic and trade agreement. This agreement contains commitments from China to purchase goods manufactured in the United States including solar grade polysilicon.

However, China has not implemented steps to fulfill its purchase commitments. The Company will continue efforts to influence an outcome which leads to restored access to solar grade polysilicon markets in China. However, the restoration of access to Chinese polysilicon markets remains uncertain.

On October 13, 2020, the Company entered into business cooperation agreements to develop a non-Chinese solar PV value chain and to develop a silicon anode production facility at the Moses Lake plant (see note 14).

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 creation of international trade barriers or additional sanctions to incentivize investment in Solar PV production capacity and to protect non-Chinese markets. 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 of 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.

When production at the Moses Lake facility is restarted, the reversal of impairments will be required.

#### **INDEMNIFICATION LOAN**

The Company has an indemnification loan related to the bankruptcy of a former subsidiary in 2012. At September 30, 2020, the indemnification loan is NOK 200 million (USD 21.1 million). 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 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. The status and timing of the indemnification loan is subject to uncertainty.

#### **GOING CONCERN**

The Company's liquidity has been adversely impacted by the deterioration of trade relations between the United States and China, uncertain market conditions, increased competition, and decreased demand for products manufactured by the Company. REC Silicon has been forced to shut-down the FBR facility in Moses Lake, Washington and to reduce manufacturing capacity utilization at the Semiconductor Materials plant in Butte, Montana in order to maintain liquidity.

In addition, if developments associated with the call of the indemnification loan are negative, the Company's liquidity risk would increase (refer to the section titled Indemnification Loan above).

The Group reported a consolidated equity deficit of USD 19.2 million at September 30, 2020. 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 value of operating assets in the Semiconductor Materials segment. However, the net equity of REC Silicon ASA, the parent company, is USD 166.6 million at September 30, 2020. The parent company equity consists of share capital of USD 33.9 million and other equity and retained earnings of USD 132.6 million. The Board of Directors has considered the equity level of the Company adequate for the Company's current situation.

On October 14, 2020, the Company successfully completed a private equity placement to raise approximately NOK 1 billion. This transaction is expected to increase the Company's equity by net proceeds of approximately USD 104 million and will provide the necessary liquidity to meet its financial obligations and continue to support operations. Refer to financial position above and note 14.

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

## MARKET OUTLOOK

The COVID-19 pandemic has resulted in the disruption of economic activity on a global scale. Governmental authorities have mandated the curtailment of economic activities to reduce exposure and to limit the spread of the virus. Some economies are beginning to reopen, however, increases in infection rates may impact 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 when 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 fourth quarter of 2020. Product delivery commitments are expected to be consistent with this view. 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 fourth quarter and are expected to continue strengthening over subsequent quarters, excluding seasonal fluctuations. 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.

End use PV demand is expected to increase during the fourth quarter as polysilicon producers resume production and polysilicon prices inside China start to decline. Analysts are beginning to increase forecasts for global PV installations for 2020. In January 2020, analysts targeted PV installations in a range from 125GW to 140GW. As a result of the COVID-19 pandemic, forecasts were adjusted down to a range from 105 GW to 110GW. Higher installations during the second and third quarters along with an optimistic outlook for the fourth quarter have resulted in increases in estimates of global PV demand to a range from 110GW to 120GW for 2020 in total. Concerns regarding the impact of the COVID-19 have been tempered by the industry's ability to mitigate the impact of the initial outbreak. Polysilicon inventories are expected to build, and prices are expected to decline as polysilicon producers resume production. Prices may experience additional downward pressure if producers attempt to draw down inventories in advance of year end. At the beginning of 2021, demand for solar PV installations is expected to remain strong and broadly keep pace with supply resulting in more stable polysilicon prices.

## GUIDANCE

The novel coronavirus (COVID-19) pandemic has resulted in an overall decline in economic activity. The continued spread of the pandemic has created substantial uncertainty and has made it difficult to estimate economic growth in the future. The ultimate impact of COVID-19 on the financial performance of REC Silicon is not reasonably estimable at this time. Accordingly, the Company is not providing estimates of production volumes or silicon gas sales volumes for the fourth quarter or the full year 2020 (See Risks and Uncertainties above).

### INVESTMENT AND EXPANSION ACTIVITIES

Capital expenditures were USD 0.3 million for the third quarter of 2020. Capital spending during the third quarter includes 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.

## 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	SEP 30, 2020	SEP 30, 2019	DEC 31, 2019
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	3	1.1	1.2	1.1
Land and buildings	3	37.2	39.9	39.1
Machinery and production equipment	3	48.2	72.8	73.1
Other tangible assets	3	3.4	3.9	4.2
Assets under construction	3	4.7	3.6	3.9
Property, plant and equipment	3	93.4	120.2	120.2
Right of use assets	4	35.6	34.5	33.8
Investments in associates	5	0.0	31.9	0.0
Other investments	5	18.0	0.0	18.0
Other non-current receivables		1.1	5.1	4.1
Financial assets and prepayments		19.1	37.0	22.1
<b>Total non-current assets</b>		<b>149.3</b>	<b>192.9</b>	<b>177.3</b>
<b>Current assets</b>				
Inventories	7	46.8	64.9	47.7
Trade and other receivables	12	22.4	30.6	30.5
Current tax assets		0.0	1.3	1.3
Restricted bank accounts		4.1	4.2	4.4
Cash and cash equivalents		35.9	46.2	29.4
<b>Total current assets</b>		<b>109.1</b>	<b>147.3</b>	<b>113.4</b>
<b>Total assets</b>		<b>258.4</b>	<b>340.2</b>	<b>290.6</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## REC SILICON GROUP

(USD IN MILLION)	NOTES	SEP 30, 2020	SEP 30, 2019	DEC 31, 2019
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Paid-in capital		2,812.3	2,812.3	2,812.3
Other equity and retained earnings		-2,831.5	-2,769.9	-2,811.4
Total shareholders' equity		-19.2	42.4	0.8
<b>Non-current liabilities</b>				
Retirement benefit obligations		18.9	15.0	19.5
Non-current provision, interest calculation	10	7.0	3.2	3.3
Non-current financial liabilities, interest bearing	8	120.1	108.8	109.0
Non-current lease liabilities	4	70.2	43.5	41.6
Non-current prepayments, interest calculation		0.0	1.1	0.5
Other non-current liabilities, not interest bearing		0.2	0.1	0.1
Total non-current liabilities		216.4	171.8	174.0
<b>Current liabilities</b>				
Trade payables and other liabilities		29.9	68.0	56.6
Current tax liabilities	11	0.0	23.5	24.3
Derivatives	6	1.3	1.4	1.4
Current financial liabilities, interest bearing	8	28.0	21.7	22.4
Current lease liabilities	4	2.0	6.8	7.0
Current prepayments, interest calculation		0.0	4.7	4.1
Total current liabilities		61.2	126.0	115.8
Total liabilities		277.6	297.9	289.8
Total equity and liabilities		258.4	340.2	290.6

# CONSOLIDATED STATEMENT OF INCOME

## REC SILICON GROUP

(USD IN MILLION)	NOTES	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019
Revenues		30.3	36.4	86.0	128.4	160.2
Cost of materials	7	-3.6	-5.0	-12.0	-21.4	-25.6
Changes in inventories	7	-4.5	-5.6	-0.4	-16.6	-20.7
Employee benefit expenses		-8.8	-10.4	-26.7	-35.6	-44.9
Other operating expenses		-11.7	-18.4	-41.4	-62.1	-79.9
Other income and expense		16.2	-2.6	16.4	-2.6	-2.0
EBITDA		17.9	-5.6	21.9	-9.9	-12.9
Depreciation	3	-7.8	-10.6	-30.2	-31.7	-42.0
Amortization	3	0.0	0.0	0.0	-0.3	-0.3
Depreciation of right of use assets	4	-0.7	-0.7	-2.2	-6.4	-7.1
Impairment	3, 4	0.0	-0.2	-23.0	-20.3	-20.4
Total depreciation, amortization and impairment		-8.5	-11.5	-55.5	-58.6	-69.8
EBIT		9.4	-17.1	-33.6	-68.5	-82.6
Profit/loss from investments in associates	5	0.0	-0.1	0.0	-0.4	-24.2
Financial income		0.1	0.2	0.2	0.5	0.7
Net financial expenses		-0.6	-5.2	-11.3	-14.6	-19.6
Net currency gains/losses		-0.7	2.0	1.9	1.5	-1.2
Net financial items		-1.3	-3.0	-9.1	-12.6	-20.2
Profit/loss before tax		8.2	-20.2	-42.7	-81.5	-127.0
Income tax expense/benefit		22.5	0.0	22.6	0.0	0.0
Profit/loss		30.7	-20.2	-20.1	-81.5	-127.0
<b>Attributable to:</b>						
Owners of REC Silicon ASA		30.7	-20.2	-20.1	-81.5	-127.0
<b>Earnings per share (In USD)</b>						
-basic		0.11	-0.07	-0.07	-0.30	-0.47
-diluted		0.11	-0.07	-0.07	-0.30	-0.47

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME REC SILICON GROUP

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019
Profit/loss	30.7	-20.2	-20.1	-81.5	-127.0
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss:					
Fair value adjustment on own credit risk <sup>1)</sup>	0.0	0.0	0.0	0.0	0.0
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	-5.9
Currency translation effects	0.0	0.0	0.0	0.0	0.0
Sum items that will not be reclassified to profit or loss	0.0	0.0	0.0	0.0	-5.9
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences					
- taken to equity	0.0	-2.5	0.0	-1.9	-1.9
- transferred to profit/loss for the period	0.0	0.0	0.0	0.0	9.9
Sum items that may be reclassified subsequently to profit or loss	0.0	-2.5	0.0	-1.9	8.0
Total other comprehensive income	0.0	-2.5	0.0	-1.9	2.1
Total comprehensive income	30.7	-22.7	-20.1	-83.4	-124.9
<b>Total comprehensive income attributable to:</b>					
Owners of REC Silicon ASA	30.7	-22.7	-20.1	-83.4	-124.9

1) Impact of adopting IFRS 9

## 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
<b>September 30, 2019</b>								
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	-83.4	-83.4
At September 30, 2019		43.4	2,727.0	41.8	2,812.3	539.0	-3,309.0	42.4
<b>Year 2019</b>								
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
<b>September 30, 2020</b>								
At January 1, 2020		43.4	2,727.0	41.8	2,812.3	539.0	-3,350.5	0.8
Share issue		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	-20.1	-20.1
At September 30, 2020		43.4	2,727.0	41.8	2,812.3	539.0	-3,370.5	-19.2

## This table presents details of comprehensive income

(USD IN MILLION)	TRANSLATION DIFFERENCES THAT CAN BE TRANSFERRED TO PROFIT AND LOSS	ACQUISITION	RETAINED EARNINGS	TOTAL
<b>September 30, 2019</b>				
Accumulated at January 1, 2019	20.0	20.9	-3,266.4	-3,225.6
Profit/loss	0.0	0.0	-81.5	-81.5
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	0.0	0.0
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	-1.9	0.0	0.0	-1.9
Sum items that may be reclassified to profit or loss	-1.9	0.0	0.0	-1.9
Total other comprehensive income for the period	-1.9	0.0	0.0	-1.9
Total comprehensive income for the period	-1.9	0.0	-81.5	-83.4
Accumulated at September 30, 2019	18.1	20.9	-3,347.9	-3,309.0
<b>Year 2019</b>				
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
<b>September 30, 2020</b>				
Accumulated at January 1, 2020	27.9	20.9	-3,399.3	-3,350.5
Profit/loss	0.0	0.0	-20.1	-20.1
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Fair value adjustment on own credit risk	0.0	0.0	0.0	0.0
Currency translation effects	0.0	0.0	0.0	0.0
Sum items that will not be reclassified to profit or loss	0.0	0.0	0.0	0.0
Items that may be reclassified to profit or loss:				
Currency translation differences taken to equity	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	0.0	0.0
Total comprehensive income for the period	0.0	0.0	-20.1	-20.1
Accumulated at September 30, 2020	27.9	20.9	-3,419.3	-3,370.5

# CONSOLIDATED STATEMENT OF CASH FLOWS

## TOTAL OPERATIONS

### REC SILICON GROUP

(USD IN MILLION)	NOTES	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019
<b>Cash flows from operating activities</b>						
Profit/loss before tax		8.2	-20.2	-42.7	-81.5	-127.0
Income taxes paid/received		0.0	0.0	2.8	2.7	2.7
Depreciation, amortization and impairment	3, 4	8.5	11.5	55.5	58.6	69.8
Investment in associates, impairment financial assets, gains/losses on sale	5	0.0	0.0	0.0	0.0	24.2
Changes in receivables, prepayments from customers etc.	12	-1.3	8.0	3.3	8.5	5.4
Changes in inventories	7	3.9	7.5	0.9	14.2	21.5
Changes in payables, accrued and prepaid expenses		-1.7	5.5	2.7	0.7	-7.8
Changes in VAT and other public taxes and duties		-16.1	-0.1	-18.8	0.0	0.0
Currency effects not cash flow or not related to operating activities		1.2	-3.2	-3.6	-1.8	-0.5
Other items		0.8	0.0	0.6	0.0	-1.4
<b>Net cash flow from operating activities</b>		<b>3.6</b>	<b>9.0</b>	<b>0.7</b>	<b>1.5</b>	<b>-13.0</b>
<b>Cash flows from investing activities</b>						
Proceeds/Payments finance receivables and restricted cash		1.2	0.5	1.5	0.1	0.0
Proceeds from sale of property, plant and equipment and intangible assets		0.0	0.0	0.2	1.2	1.5
Payments for property, plant and equipment and intangible assets	3	-0.3	-0.1	-0.9	-1.2	-2.0
<b>Net cash flow from investing activities</b>		<b>1.0</b>	<b>0.4</b>	<b>0.9</b>	<b>0.1</b>	<b>-0.6</b>
<b>Cash flows from financing activities</b>						
Increase in equity		0.0	0.0	0.0	19.0	19.0
Payments of lease liabilities	4	-0.3	-1.5	-3.4	-6.2	-7.8
Proceeds from borrowings		0.0	0.0	8.3	0.0	0.0
<b>Net cash flow from financing activities</b>		<b>-0.3</b>	<b>-1.6</b>	<b>4.9</b>	<b>12.8</b>	<b>11.2</b>
Effect on cash and cash equivalents of changes in foreign exchange rates		0.0	0.0	0.0	0.0	0.0
<b>Net increase/decrease in cash and cash equivalents</b>		<b>4.3</b>	<b>7.8</b>	<b>6.4</b>	<b>14.4</b>	<b>-2.4</b>
Cash and cash equivalents at the beginning of the period		31.6	38.4	29.4	31.8	31.8
Cash and cash equivalents at the end of the period		35.9	46.2	35.9	46.2	29.4

# 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](http://www.recsilicon.com).

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

### ACCOUNTING POLICIES

The consolidated financial statements for 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)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019
<b>REVENUES</b>					
Semiconductor Materials	30.3	29.7	85.5	96.7	126.7
Solar Materials	0.0	6.6	0.4	31.7	33.4
Other	0.0	0.0	0.1	0.0	0.0
Eliminations	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>30.3</b>	<b>36.4</b>	<b>86.0</b>	<b>128.4</b>	<b>160.2</b>
<b>EBITDA</b>					
Semiconductor Materials	7.3	8.2	24.6	32.5	37.8
Solar Materials	14.6	-6.1	9.5	-22.8	-26.6
Other	-4.0	-7.7	-12.2	-19.6	-24.1
Eliminations	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>17.9</b>	<b>-5.6</b>	<b>21.9</b>	<b>-9.9</b>	<b>-12.9</b>
<b>EBIT</b>					
Semiconductor Materials	2.2	1.0	5.4	9.5	7.5
Solar Materials	11.4	-10.2	-26.1	-57.6	-65.1
Other	-4.2	-7.9	-12.8	-20.3	-25.1
Eliminations	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>9.4</b>	<b>-17.1</b>	<b>-33.6</b>	<b>-68.5</b>	<b>-82.6</b>

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

### Semiconductor Materials - Segment

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019
Revenues	30.3	29.7	85.5	96.7	126.7
Cost of materials	-3.6	-4.9	-11.8	-14.0	-18.1
Change in inventories	-4.5	1.2	-1.2	4.7	2.8
Employee benefit expense	-5.2	-5.3	-15.1	-15.9	-21.3
Other operating expenses	-9.7	-12.5	-33.0	-39.0	-52.4
Other income and expenses	0.0	0.0	0.2	0.0	0.0
Total current costs	-23.0	-21.5	-60.9	-64.2	-88.9
EBITDA contribution	7.3	8.2	24.6	32.5	37.8
Depreciation of fixed assets	-4.5	-6.6	-17.5	-20.0	-26.5
Amortization	0.0	0.0	0.0	0.0	0.0
Depreciation of leased assets	-0.6	-0.6	-1.8	-3.1	-3.6
Impairment	0.0	0.0	0.0	0.0	-0.1
Total depreciation, amortization, and impairment	-5.1	-7.2	-19.3	-23.0	-30.3
EBIT contribution	2.2	1.0	5.4	9.5	7.5

### Solar Materials - Segment

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019
Revenues	0.0	6.6	0.4	31.7	33.4
Cost of materials	-0.1	-0.1	-0.2	-7.4	-7.5
Change in inventories	0.0	-6.7	0.8	-21.4	-23.5
Employee benefit expense	-1.5	-2.4	-4.6	-10.9	-12.5
Other operating expenses	-0.2	-3.1	-3.3	-14.5	-16.9
Other income and expenses	16.3	-0.3	16.3	-0.3	0.3
Total current costs	14.6	-12.7	9.1	-54.5	-60.0
EBITDA contribution	14.6	-6.1	9.5	-22.8	-26.6
Depreciation of fixed assets	-3.1	-3.8	-12.2	-11.1	-14.6
Amortization	0.0	0.0	0.0	-0.3	-0.3
Depreciation of leased assets	-0.1	-0.1	-0.4	-3.3	-3.4
Impairment	0.0	-0.2	-23.0	-20.1	-20.1
Total depreciation, amortization, and impairment	-3.3	-4.1	-35.6	-34.8	-38.5
EBIT contribution	11.4	-10.2	-26.1	-57.6	-65.1

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

(USD IN MILLION)	Q3 2020	Q3 2019	SEP 30, 2020	SEP 30, 2019	YEAR 2019
Non-Contract Revenue	19.4	22.1	50.5	85.2	102.8
Structured (Regional/Volume pricing)	10.0	13.1	33.0	39.2	52.3
Tiered (Volume pricing)	0.9	1.1	2.5	4.0	5.1
Contract Revenue	10.9	14.2	35.5	43.2	57.4
Total	30.3	36.4	86.0	128.4	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 <sup>1)</sup>	0.0	2.6	0.0	0.8	3.4	0.0	3.4
Depreciation and amortization	-1.9	-27.6	-0.8	0.0	-30.2	0.0	-30.3
Carrying value at September 30, 2020	37.2	48.2	3.4	4.7	93.4	1.1	94.5
At September 30, 2020							
Historical cost	140.9	2,144.1	80.5	61.3	2,426.8	68.7	2,495.5
Accumulated depreciation/amortization/impairment	-103.7	-2,096.0	-77.1	-56.6	-2,333.3	-67.6	-2,400.9
Carrying value at September 30, 2020	37.2	48.2	3.4	4.7	93.4	1.1	94.5

1) Net additions include transfers from assets under construction

#### IMPAIRMENT REVIEWS

See note 8 to the consolidated financial statements for 2019.

The Company conducted a review of impairment indicators at September 30, 2020. More specifically, the business cooperation agreements to partner with Violet Power to develop a non-Chinese Solar PV value chain and to partner with Group 14 Technologies to develop a silicon anode battery materials production facility were examined to determine if they indicated that impairment losses recognized in prior periods no longer exist or may have decreased.

An increase in the Solar CGU's fair value 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 (see note 11). Furthermore, the business cooperation agreements with Violet Power and Group 14 Technologies were established subsequent to the reporting period.

Accordingly, the Company has concluded that there are no indicators of impairment, or the reversal of impairment, that would give rise to a change in impairment compared to June 30, 2020.

## 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	TOTAL
Balance at January 1, 2020	0.1	33.7	0.0	0.0	33.8
Depreciation	0.0	-2.1	0.0	0.0	-2.2
Additions	0.0	0.0	0.0	0.1	0.1
Modification of existing leases	0.8	26.0	0.0	0.0	26.9
Impairment	0.0	-23.0	0.0	0.0	-23.0
Balance at September 30, 2020	0.9	34.6	0.0	0.1	35.6

The increase in right of use assets of USD 26.9 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 primarily to modification of existing leases due 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					
		2020	2021	2022	2023	2024	AFTER 2024
Lease liabilities at September 30, 2020 <sup>1)</sup>	135.5	2.7	10.8	10.7	10.7	14.3	86.2

1) Amounts listed are undiscounted

The weighted average incremental borrowing rate applied to lease liabilities at September 30, 2020 is 13.2 percent.

### Amounts recognised in profit or loss

(USD IN MILLION)	Q3 2020	SEP 30, 2020
Interest on lease liabilities	2.2	5.4
Depreciation of right-of-use assets	0.7	2.2
Gain (-)/Loss (+) due to terminations, purchases, impairments, and other changes	0.0	22.1
Expenses relating to short-term leases	0.1	0.2
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.0	0.0

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 recognised in the statement of cash flow

(USD IN MILLION)	Q3 2020	SEP 30, 2020
Total cash outflow for leases	1.7	7.9

## 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).

## 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 September 30, 2020, the option contract was a liability valued at USD 1.3 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)	SEP 30, 2020			DEC 31, 2019		
	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of raw materials	3.4	0.0	3.4	4.2	0.0	4.2
Spare parts	42.4	-33.1	9.3	42.2	-32.9	9.3
Work in progress	9.5	-1.6	8.0	10.7	-1.1	9.6
Finished goods	44.6	-18.5	26.1	41.6	-17.0	24.6
Total	99.9	-53.1	46.8	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 September 30, 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	2020	2021	2022	2023	AFTER 2023
Capitalized Borrowing Cost, non-current (USD) <sup>1)</sup>	-0.7	-0.7						
Capitalized Borrowing Cost, current (USD) <sup>1)</sup>	-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	0.5	5.5	2.3		
Grant County WA tax settlement (USD)	9.9	9.9	9.9	2.8	0.9	1.0	1.1	4.2
Indemnification loan (NOK)	200.0	21.1	21.1					
<b>Total</b>		<b>148.1</b>	<b>149.3</b>	<b>3.2</b>	<b>6.4</b>	<b>3.3</b>	<b>111.1</b>	<b>4.2</b>

1) Amortized as part of effective interest

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.

The indemnification loan is related to the bankruptcy of a former subsidiary in 2012. At September 30, 2020, the indemnification loan is NOK 200.0 million (USD 21.1 million). 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 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. The status and timing of the indemnification loan is subject to uncertainty (see note 11 below).

### Guarantees

See note 29 to the consolidated financial statements for 2019.

At September 30, 2020, the Company had provided USD 4.6 million in bank guarantees against which the Company has pledged USD 3.6 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 September 30, 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 1.3 million at September 30, 2020 and USD 1.4 million at December 31, 2019.

The fair value of the USD senior secured bond at September 30, 2020 is estimated at 99.5 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)	SEP 30, 2020	JUN 30, 2020	MAR 31, 2020	DEC 31, 2019
Nominal value	110.0	110.0	110.0	110.0
Capitalized Borrowing Cost, non-current <sup>1)</sup>	-0.7	-0.8	-0.9	-1.0
Net carrying amount, non-current	109.3	109.2	109.1	109.0
Capitalized Borrowing Cost, current <sup>1)</sup>	-0.4	-0.4	-0.4	-0.4
Net carrying amount	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 September 30, 2020

(USD IN MILLION)	TOTAL FUTURE PAYMENTS	REMAINING 2020	2021	2022	2023	2024	2025	AFTER 2025
Purchase of goods and services	2.2	2.0	0.2	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	0.0
Total purchase obligations and minimum lease payments	2.3	2.1	0.2	0.0	0.0	0.0	0.0	0.0

## 10 PROVISIONS

(USD IN MILLION)	2020
Carrying value at January 1	3.3
Change in estimate to asset retirement obligation	3.4
Net periodic asset retirement obligation costs including net interest	0.3
Carrying value at September 30	7.0

See note 20 to the consolidated financial statements for 2019.

The increase in the asset retirement obligation (ARO) of USD 3.4 million in the table above is the result of a recalculation of the retirement obligation due to the preparation of a revised estimate of the costs to restore leased waste water 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 included changes in conditions as well as more refined estimates of the cost of related activities.

The AROs represent the present value of estimated future costs discounted between 6 to 8 percent and between 10 to 40 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 has resulted in the disruption of economic activity on a global scale. Governmental authorities have mandated the curtailment of economic activities to reduce exposure and to limit the spread of the virus. Some economies are beginning to reopen, however, increases in infection rates may impact certain geographic areas and industries. 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. For example, the Company has placed restrictions on outside visitors and is using technology to conduct internal meetings remotely. The Company has issued a temporary sick leave policy to encourage employees with symptoms or potential direct exposure to the virus to follow quarantine procedures and not report for work. These procedures include protocols to test and quarantine employees with potential exposure to the COVID-19 virus in cooperation with local health department officials. REC Silicon continues to work with local authorities to ensure compliance with guidance and mandates issued by governmental authorities and the Department of Labor. Contingency plans have been established to maintain production with limitations on available workforce. REC Silicon will revise these procedures based on changes in mandates and guidance issued by governmental authorities and the U.S. Department of Labor.

Ten of REC Silicon's employees have reported positive tests for COVID-19. The Company has worked with local health authorities to quarantine affected employees and to conduct contact tracing to identify and isolate employees that may have been exposed to the virus. Steps have been taken to isolate workgroups in order to limit exposure and maintain operating activities. In addition, the Company has successfully used overtime to mitigate the impact of quarantined employees and production levels have not been adversely impacted. Currently, 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 the solar trade dispute between the United States and China. Accordingly, operating costs and activities were 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.

In January 2020, the Government of the United States and the Government of China signed the Phase I economic and trade agreement. This agreement contains commitments from China to purchase goods manufactured in the United States including solar grade polysilicon. However, China has not implemented steps to fulfill its purchase commitments. The Company will continue efforts to influence an outcome which leads to restored access to solar grade polysilicon markets in China. However, the restoration of access to Chinese polysilicon markets remains uncertain.

On October 13, 2020, the Company entered into business cooperation agreements to develop a non-Chinese solar PV value chain and to develop a silicon anode production facility at the Moses Lake plant (see note 14).



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 creation of international trade barriers or additional sanctions to incentivize investment in Solar PV production capacity and to protect non-Chinese markets. 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 of 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.

When production at the Moses Lake facility is restarted, the reversal of impairments will be required.

#### **INDEMNIFICATION LOAN**

The Company has an indemnification loan related to the bankruptcy of a former subsidiary in 2012. At September 30, 2020, the indemnification loan is NOK 200 million (USD 21.1 million). 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 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. The status and timing of the indemnification loan is subject to uncertainty.

#### **GOING CONCERN**

The Company's liquidity has been adversely impacted by the deterioration of trade relations between the United States and China, uncertain market conditions, increased competition, and decreased demand for products manufactured by the Company. REC Silicon has been forced to shut-down the FBR facility in Moses Lake, Washington and to reduce manufacturing capacity utilization at the Semiconductor Materials plant in Butte, Montana in order to maintain liquidity.

In addition, if developments associated with the call of the indemnification loan are negative, the Company's liquidity risk would increase (refer to the section titled Indemnification Loan above).

The Group reported a consolidated equity deficit of USD 19.2 million at September 30, 2020. 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 value of operating assets in the Semiconductor Materials segment. However, the net equity of REC Silicon ASA, the parent company, is USD 166.6 million at September 30, 2020. The parent company equity consists of share capital of USD 33.9 million and other equity and retained earnings of USD 132.6 million. The Board of Directors has considered the equity level of the Company adequate for the Company's current situation.

On October 14, 2020, the Company successfully completed a private equity placement to raise approximately NOK 1 billion. This transaction is expected to increase the Company's equity by approximately USD 104 million and will provide the necessary liquidity to meet its financial obligations and continue to support operations. Please refer to financial position and note 14.

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 September 30, 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	29.7	13.1	1.8	0.4	0.0	0.0	14.4
Provision for loss on trade receivables	-14.4	0.0	0.0	0.0	0.0	0.0	-14.4
Other current receivables	1.6	1.6	0.0	0.0	0.0	0.0	0.0
Total receivables	16.9	14.7	1.8	0.4	0.0	0.0	0.0
Prepaid Costs	5.5						
Total trade and other receivables	22.4						

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

## 13 TRANSACTIONS WITH RELATED PARTIES

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

In the third quarter of 2020, REC Silicon invoiced the Yulin JV USD 0.4 million for engineering and project services (see note 5 above).

## 14 EVENTS AFTER THE REPORTING PERIOD

### BUSINESS COOPERATION AGREEMENTS SIGNED

On October 13, 2020, the Company entered into business cooperation agreements to partner with Violet Power to develop a non-Chinese Solar PV value chain and to partner with Group 14 Technologies to develop a silicon anode battery materials production facility. See notes 11 (claims, disputes, contingent liabilities, and contingent assets) and 3 (fixed assets – impairment reviews) above.

### SETTLEMENT OF PROPERTY TAX DISPUTE WITH GRANT COUNTY, WASHINGTON

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 impact of this agreement has been included in financial results for the third quarter of 2020 because the agreement was used to estimate liabilities that existed at September 30, 2020. The settlement resulted in a decrease in total liabilities of USD 17.6 million and has a positive non-cash impact on EBITDA of USD 16.0 million during the third quarter 2020. In addition, the Company recorded a note payable of USD 9.9 million representing the present value of future payments from REC Silicon to Grant County specified in the settlement agreement.

### PRIVATE PLACEMENT OF EQUITY

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 (the "New Shares"), at a price per share of NOK 10.80 (the "Offer Price").

The net proceeds from the Private Placement will be used to fund expansion investments and activities at the Company's facilities in Butte and Moses Lake as well as for general corporate purposes. Upon completion of the Private Placement, the Company will have increased its liquidity and may enable the Company to prepare for the eventual restart of the Moses Lake plant.

The Private Placement consists of two separate tranches: one tranche with 27,982,000 New Shares in the Company ("Tranche 1") and a second tranche with 64,610,592 New Shares ("Tranche 2"). Settlement for Tranche 1 occurred on October 27, 2020 and Tranche 2 is expected to occur in November 2020 following approval by an Extraordinary General Meeting in the Company of the issuance of the New Shares under Tranche 2 (the "EGM").

The delivery of New Shares will be settled with existing and unencumbered shares in the Company that are already listed on the Oslo Stock Exchange, pursuant to a share lending agreement between Arctic Securities AS (on behalf of the Managers), the Company and Aker Capital AS. Accordingly, the shares delivered to the investors will be tradable upon delivery.

The completion of Tranche 1 was subject to approval by the Company's Board of Directors (the "Board") pursuant to an authorization granted by the Company's Annual General Meeting (AGM) 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 in 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. Subsequently, the new share capital of the Company will be NOK 307,802,066, divided into 307,802,066 shares of NOK 1 par value.

The completion of Tranche 2 is subject to the approval of issuance of shares under Tranche 2 by the EGM. Completion of Tranche 1 is not conditional upon completion of Tranche 2, and acquisition of shares under Tranche 1 will remain final and binding and cannot be revoked or terminated by the respective applicants if Tranche 2 is not completed.

The share loan from Aker Capital AS will be settled with (i) new shares in the Company to be resolved issued by the Board pursuant to an authorization granted by the Company's AGM held on 12 May 2020 (Tranche 1) and (ii) new shares in the Company to be issued following, and subject to, approval by the EGM (Tranche 2). The new shares re-delivered to Aker Capital AS in Tranche 2 will be issued on a separate ISIN and will not be tradable on the Oslo Stock Exchange until a listing prospectus has been approved by the Financial Supervisory Authority of Norway (the "Prospectus").

#### **EXTRAORDINARY GENERAL MEETING CALLED**

On October 19, 2020, the Company gave notice that the Extraordinary General Meeting of REC Silicon ASA will be held at Hotel Continental, Stortingsgata 24, Oslo Norway, on November 9 2020 at 16:30 CET to consider authorizing the issue of 64,610,592 shares (referred to as "Tranche 2" above) and a subsequent offering of up to 18,518,518 shares to the Company's shareholders who were not allocated shares in the private placement announced by the Company on October 14, 2020. The notice of general meeting can be accessed on the Company's website ([www.recsilicon.com](http://www.recsilicon.com)).

## 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 of USD 9.4 million has been reported for the third 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 17.9 million has been reported for the third 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 September 30, 2020, the equity ratio is -7.4 percent and is calculated by dividing USD 19.2 million total shareholders' deficit by USD 258.4 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 September 30, 2020, net debt was USD 184.5 million or USD 148.1 million total carrying value of the Company's debt (from note 8) plus USD 72.2 million current and non-current lease liabilities (from the balance sheet) less USD 35.9 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 September 30, 2020, nominal net debt was USD 185.6 million or USD 149.3 million contractual repayment values of the Company's debt (from note 8) plus USD 72.2 million current and non-current lease liabilities (from the balance sheet) less USD 35.9 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](http://www.recsilicon.com)