REC

ANNUAL REPORT 2008

RENEWABLE ENERGY CORPORATION ASA

REC BOARD OF DIRECTORS 2008

OLE ENGER (60)

Chairman of the Board of Directors in Renewable Energy Corporation ASA (REC ASA) since May 2007. Member of the board since November 2004. CEO and President of Sapa AB. Mr. Enger holds a masters degree from the Norwegian University of Life Sciences and a business degree from the Norwegian School of Economics.

(Ole Enger resigned as Chairman and Member of the Board on March 27, 2009 and took on the position as President and CEO of REC ASA on April 04, 2009).

TORE SCHIØTZ (51)

Vice Chairman of the board since May 2007. Former Chairman of the Board of Directors from December 2001. Currently Group Senior Vice President in Hafslund ASA and Managing Director Hafslund Venture. Chairman of the Board of Directors of Elis and Fesil. Member of the Board of Directors of Cogen, Metallkraft and Hafslund Telekom. Mr. Schiøtz holds an MBA from the Norwegian School of Management and holds a CEFA Degree.

(Tore Schiøzt was elected Chairman of the Board when Ole Enger resigned).

SUSANNE ELISE MUNCH THORE (48)

Member of the Board of Directors since May 2006. Currently partner of the law firm Wikborg, Rein & Co, Oslo. Member of the Board of Directors Oslo Areal AS. Ms. Munch Thore holds a Cand.jur (law) degree from the University of Oslo, a Master of Laws from Georgetown University and a Diploma of International Affairs from John Hopkins School of Advanced International Studies.

ROAR ENGELAND (49)

Member of the Board of Directors since November 2005. Currently Executive Vice President, Financial Investments and Corporate development, in Orkla ASA. Chairman of the Board of Orkla Finance and Orkla Eiendom AS. Mr. Engeland holds a Masters of Philosophy and a Masters of Business Administration from INSEAD, France and is a graduate of the Norwegian Military Academy.

LINE GEHEB (45)

Member of the Board of Directors since May 2006. Currently Senior Adviser, Petorer AS. Member of the Board of Directors of Geheb A/S. Ms. Geheb holds a Masters degree in Chemical Engineering from the Norwegian Institute of Technology, Trondheim, and has attended the Master of Management Program at the Norwegian School of Management.

MARCEL EGMOND BRENNINKMEIJER (50)

Member of the Board of Directors since May 2002. Currently Chairman and founder of Good Energies. President and delegate of the administrative board of Good Energies AG. Member of the supervisory board of Q-Cells AG. Mr. Brenninkmeijer has a higher national diploma in business studies from Kingston Polytechnic and has done an executive studies program at the International Institute for Management Development (''IMD'') in Switzerland and Harvard Business School in the United States.

CHRISTIAN BERG (40)

Member of the Board of Directors since May 2007. Currently President and CEO of Hafslund. Board memberships also include Oslo Pensjonsforsikring AS and AS Hamang Papirfabrik. Mr. Berg holds an MBA degree from the Norwegian School of Economics and Business Administration.

INGER JOHANNE SOLHAUG (39)

Member of the Board of Directors since May 2007. Currently Managing Director of Nidar. Ms. Solhaug holds a degree from the Norwegian School of Economics and Business Administration (NHH).

JØRN MOBÆK (47)

Member of the Board of Directors since May 2007. Employees elected representative. Currently Warehouse Leader at REC Wafer Norway AS, Herøya multi.

ROLF B. NILSEN (43)

Member of the Board of Directors since May 2007. Employees elected representative. Member of the Board of Directors of REC ScanWafer AS, from 2004 - 2007. Currently Operator in REC Wafer Norway AS. Mr. Nilsen has been Local Union leader for REC Wafer Norway AS, Glomfjord multi, since 2004. Mr. Nilsen has a degree from technical college.

UNNI KRISTIANSEN (35)

Deputy member of the Board of Directors, attending since December 2007. Employees elected representative. Currently Group Chief Accountant in REC ASA.
Ms. Kristiansen holds a degree from Norwegian School of Economics and Administration (NHH).

ARE GLØERSEN (29)

Deputy member of the Board of Directors, attending since February 2009. Employees elected representative. Mr Gløersen has worked at REC ScanCell AS since 2003, and is currently involved in the Singapore Cell project. Mr. Gløersen holds a Masters degree in Astronautical Engineering from Narvik University College/ University of Washington.

REC ANNUAL REPORT 2008
CONTENTS

REPORT FROM THE BOARD OF DIRECTORS

HIGHLIGHTS

- Continued growth in production and revenue.
- Operating profit affected by expansion costs and production ramp-up.
- Gains on embedded derivatives contributed to strong net profit.
- Delays and cost overruns on some of the expansion projects.
- Shortfall of polysilicon production affected output across the value chain.
- High investment level in construction of next generation solar plants.
- Secured major long-term contracts and high order backlog.

KEY EVENTS IN 2008

The REC Group (REC) achieved revenue growth of 23 percent to NOK 8 191 million in 2008, generated by increased production in all the business segments. On a constant currency basis revenue increased by 25 percent, which was in line with the revenue forecast offered by the company at the beginning of 2008. Production of polysilicon increased by eight percent in 2008, production of wafers by 21 percent, and production of cells and modules by 181 percent and 90 percent, respectively. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased by three percent to NOK 3 279 million in 2008, and the EBITDA-margin declined from 48 percent to 40 percent.

On a constant currency basis, and adjusted for expansion costs, EBITDA increased by 12 percent and the EBITDA-margin declined from 50 percent to 45 percent. This is mainly because of lower production efficiency during ramp-up new capacity, lower production yield and tight availability of solar grade polysilicon during 2008.

Compared to 2007, REC Silicon showed the strongest development in revenue and EBITDA. This was partly due to higher prices for both silane gas and polysilicon. This in turn increased materials costs in REC Wafer, and contributed to a slight EBITDA decline from the previous year. EBITDA also declined in REC Solar, despite strong growth in production and revenue. This is explained by a slower than expected ramp-up of new capacity, an inventory build-up towards the end of the year, and increased provisions. The positive contribution from the 33.3 percent ownership in Sovello AG (formerly EverQ GmbH) increased from 2007.

Earnings before Interest and Taxes (EBIT) declined two percent to NOK 2 529 million in 2008. Profit before tax more than doubled to NOK 4 379 million. This includes large non-cash gains on embedded derivatives which also contributed to the 130 percent increase in basic and diluted earnings per share to NOK 6.20.

REC's strategy for profitable growth implies high investments in technology developments and new production capacity. Capital expenditure more than doubled to NOK 10 billion in 2008, with a large part relating to the construction of a new plant for production of silane gas and granulated polysilicon (the FBR-project) in Moses Lake, Washington. Investments will continue to increase in 2009, with the bulk of capital expenditure allocated to the construction of REC's new solar industrial complex in Singapore.

To secure the off-take of the increased production, REC in 2008 continued to sign long-term agreements for delivery of silane gas, polysilicon and wafers. Total order inflow was approximately NOK 25 billion, bringing the long-term external order backlog in REC Silicon and REC Wafer to approximately NOK 65 billion at the end of 2008 (calculated based on exchange rates as per December 31 2008 and includes all sales to Sovello).

Approximately NOK 11 billion of the backlog is for delivery in 2009. In addition, REC Solar had entered into sales contracts for approximately 80 percent of the planned 2009 production of cells and modules by the end of 2008.

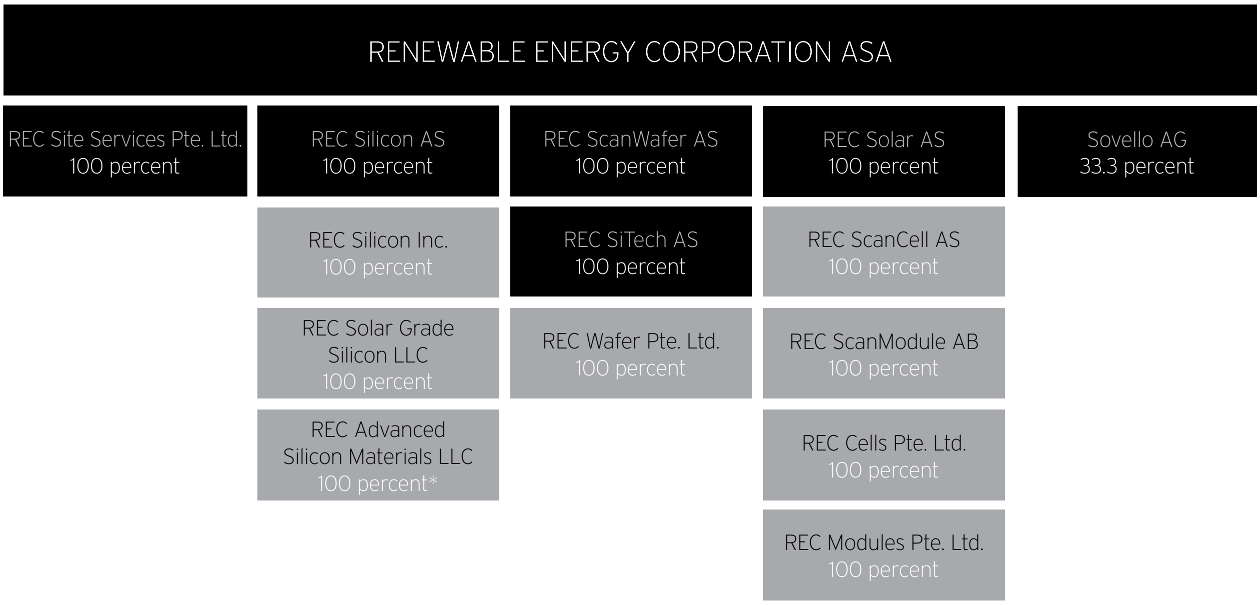
ACTIVITIES

GROUP PRESENTATION

REC was established on December 3, 1996, and has grown to become one of the world's largest players in the photovoltaic (PV) solar energy industry. The Group headquarters are located in Sandvika, outside Oslo, Norway.

REC's business structure comprises the three business segments REC Silicon, REC Wafer, and REC Solar. In addition, REC owns 33.3 percent of Sovello in Germany. Sovello is proportionately consolidated on a line-by-line basis in REC's consolidated Financial Statements.

The operations are carried out in six subsidiaries and one joint venture: REC Solar Grade Silicon LLC and REC Advanced Silicon Materials LLC in the USA, REC ScanWafer AS, REC SiTech AS and REC ScanCell AS in Norway, REC ScanModule AB in Sweden and Sovello AG in Germany.



The chart shows an the principal ownership structures in Renewable Energy Corporation ASA per December 31, 2008 and is not a complete representation of all the companies and ownership structures in the Group.

* Komatsu America Corporation holds B units representing 25 percent of the ownership. These units carry no voting rights neither rights to dividend payments. REC reports this as an interest bearing liability.

MISSION AND VISION – SMART ENERGY FOR A CLEANER FUTURE

Although the economic outlook has radically reduced demand visibility in the short-term, energy demand is expected to continue to increase in the long-term, and the climate change problem is still escalating. The positive long-term fundamentals for the solar power industry thus remain intact.

The world still needs to develop sustainable alternatives to traditional energy sources, as the UN expects a quadrupling of annual carbon emissions in the 21st century unless active climate policies are quickly implemented. REC believes an attractive carbon footprint and declining energy-pay back times will make the PV solar industry an essential part in the development of a sustainable energy balance.

The company's mission statement "Smart Energy for a Cleaner Future" signals REC's commitment to play a leading role in the development of a sustainable energy market, and REC's vision is to develop the company into the world's leading provider of highly competitive solar energy solutions. REC's business concept is expected to advance the competitiveness of solar energy and create value through innovation, operational excellence, and industry-wide expertise.

Electricity generated from solar power still makes up a very small part of the global electricity supply but the solar industry is increasingly offering competitive power in the best suited geographical regions.

In many regions, the development of solar power is also supported by incentive programs and governmental policies on the use of renewable energy. Indications are that governments will maintain their environmental priorities also through the economic downturn, and the security of energy supply is also a factor supporting installations of PV solar.

REC believes that subsidies supported most of the demand in 2008, and that the total amount of support programs is expected to increase going forward. However, as the industry grows, the current forecast is that supply is expected to exceed demand by 2012. The solar power industry will thus increasingly have to compete at grid-parity electricity prices in more markets.

This is within reach. REC made a commitment with its '2010 cost roadmap', which is designed to almost halve the production costs per watt of a module from world-class 2005 production to production in best plants in 2010. The Fluidized Bed Reactor (FBR) technology will offer more energy efficient polysilicon production, and with thinner wires and wafers and new crystallization technologies for wafer production at Herøya and in Singapore, and new cell technologies for higher output solar cells and modules in Singapore, REC believes its cost roadmap is largely on track. At the best REC plants throughout the value chain, REC believes that its lowest production cost may fall below 1 Euro per watt. Production costs at this level should open up further market opportunities for the solar industry.

As indicated above, much of the expected cost improvements are to be derived from the implementation of new technologies in expansion projects, such as the FBR-plant for production of granulated polysilicon and the new wafer, cell and module tech-nologies which will be deployed in the new solar power complex in Singapore. REC will continue a high level of research and tech-nology development in the years to come, to realize the further substantial scope for cost improvements also beyond 2010.

STRATEGY – PROFITABLE GROWTH

REC has grown its activities at a fast pace ever since the establishment of the company, and remains committed to a strategy of profitable growth. To fulfill this ambition, REC will continue to link the strengths across its integrated PV value chain, to make photovoltaic solar energy accessible and affordable. REC is scaling up its activities throughout the value chain, from silane gas and polysilicon production to module systems deliveries. The integrated model provides in-depth industry insights, consistent manufacturing principles and operational synergies. Ongoing capacity expansion programs will ensure a continued balanced approach also going forward.

REC Silicon, one of the largest producers of polysilicon in the world, increased its production capacity by 8 percent through continuous improvements in 2008. The position will be further strengthened with the opening of its new 6 500 MT plant for production of granulated polysilicon in 2009. Including all current ongoing expansions, production capacity of polysilicon should almost triple to around 17 500 MT in 2011, and increased silane gas capacity should allow the total amount of silane gas allocated to the merchant market to grow to more than 3 500 MT.

REC Wafer is among the world's largest producers of multicrystalline wafers for solar cell production. Production increased by 15 percent to almost 600 MW in 2008, and further capacity expansions are expected to increase production capacity to around 2.4 GW in 2011.

REC Solar significantly increased production of both solar cells and modules in 2008, and will make leaps in production capacity with the construction of the Singapore solar complex. Capacity is expected to increase from the current 225 MW of solar cells and 150 MW of modules to some 780 MW of solar cells and 740 MW of modules in 2011, with production being ramped-up from early 2010. In addition to production of solar cells and modules, REC Solar participates in selected PV system project developments.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

The strategic objective of profitable growth is reachable only with a cost-efficient asset base, and REC deploys significant resources into developing and industrializing technical and process innovations across the solar energy value chain.

REC has introduced a series of innovations to the industry, and continued to build on a strong IPR portfolio counting around 60 patents granted and close to 150 patents pending. Key patents cover REC's production technologies for silane gas, Siemens reactors, fluidized bed reactors and polysilicon deposition, crystallization technology, wafer sawing, washing, singulation and kerf loss recycling, as well as cell and module processes and designs.

During the year, the technology team in REC Silicon was heavily involved in the finalization of the FBR project, with completion of four years of pilot trials and transfer of critical process safety information to the operational organization ahead of the start-up of Silicon III. In REC Wafer, the focus has been on full-scale testing of new crystallization and furnace technologies for improvements of multicrystalline wafers, as well as testing of new wire saws, new singulation systems, and other new equipment and quality control systems which are integral parts of the new wafer plants at Herøya. Together with SiGen, REC also continued testing of possible new technologies eliminating traditional wire saws and kerf-loss in the wafering process, and became in 2008 the first in the world to cut 50 micron wafers from an ingot.

Within the downstream operations in cells and modules, focus has been on establishing the new laboratory facilities and optimizing production equipment design for thinner wafers. The development of higher efficiency devices has also continued, partly for the existing facilities but even more importantly for the new cells and module plants in Singapore.

To continue the drive for innovative technology development for both existing and planned facilities, REC has invested in three new technology centers. The silane gas and polysilicon technology center in Moses Lake and Sandvika was completed in 2008, whereas the wafer technology center at Herøya will be completed in 2009. The cell/module technology center was largely completed at the corporate headquarter in Sandvika in 2008.

Total research and development expenses increased to NOK 213 million in 2008. In addition, (i) some R&D expenditure was capitalized related to the FBR and furnace technology, (ii) some of the development costs related to introduction of new technology into mass production were carried by the manufacturing plants and not reported as R&D, and (iii) significant investments made in the new technology centers were capitalized in the expansion projects.

COST ROADMAP

REC's 2010 cost roadmap targets a reduction in the production cost per watt of a module of almost 50 percent from 2005 to 2010, when comparing 'best plant' in 2010 with 'world-class' 2005 production.

Several key elements in the cost reduction program will not take full effect until new facilities are fully up and running in 2009-2010.

The FBR plant will be a significant contributor to cost reductions in 2009. The plant was started up in March 2009 and will go through a production ramp-up period for the remainder of the year. FBR is expected to reduce energy consumption in chemical vapor deposition by more than 80 percent compared to standard Siemens reactors. Lower energy consumption and other scale and operational benefits are expected to enable REC to reduce polysilicon production cost significantly compared to a traditional plant based on Siemens technology.

Within wafer production, the company experienced a slower than expected implementation of a new wafer sawing process in

2008. In 2009, REC expects to introduce new crystallization technologies in the ongoing ramp-up of new production at Herøya, and together with improved sawing processes this is expected to make a significant contribution to cost reductions. REC experienced slower than expected improvements in cell efficiency and module manufacturing costs in 2008, primarily due to delays in the ramp-up of new production capacity and consequently less scale benefits and less time for process optimization. However, cell efficiency improved in the second half of the year and unit costs in module manufacturing were significantly reduced compared to 2007. Overall, manufacturing costs through the value chain were reduced by approximately 12 percent from the best plants in fourth quarter 2007 to the best plants in fourth quarter 2008.

Ongoing production ramp-up and optimization work is expected to push the company substantially further down the cost reduction curve for cell and module manufacturing.

Overall, the benefits of technological advances and large-scale production are expected to enable REC to bring module costs to below 1 Euro per watt produced at the 'best plant'.

Looking beyond 2010, REC will continue to seek cost reductions through developments of scalable new technologies. REC expects to make further progress in sawing technologies and is progressing with tests of sawless wafer cutting processes. In the downstream activities, REC continues research on lower cost and higher efficiency cell processes, and REC is also carrying out early-phase research and evaluation on totally new technologies for PV modules.

EXPANSION PROJECTS UNDER EXECUTION

The largest expansion project under construction in 2008 was REC Silicon's new plant for production of silane gas and granulated polysilicon, the so-called Silicon III. This has also been named the FBR-project after the fluidized bed reactor technology used for polysilicon deposition.

Silicon III was initially scheduled for start-up in 2008 but was for several reasons delayed into the first quarter 2009. This primarily relates to delays in equipment deliveries due to a tight global engineering, procurement and construction market in 2007-2008, as discussed in the report from the Board of Directors for 2007.

However, deliveries of standard carbon steel pipes and pipe welds in the fourth quarter 2008 failed to meet the specifications and REC Silicon's rigorous safety policies, and the start-up of the silane gas section of the plant was postponed into the first quarter 2009 to allow for thorough inspections and repairs.

Following the completion of the repairs, REC Silicon has performed a series of system checks and start-up procedures, and production started up in March 2009. Due to the complexity of the start-up and ramp-up processes of the large chemical plant some further interruptions are expected in the early phase.

Final cost of the project is currently estimated at approximately USD 880 million. When fully up and running, Silicon III is expected to produce an annual volume of 6 500 MT of granulated polysilicon, and thus doubles REC Silicon's polysilicon production capacity. As production at the new plant is expected to be gradually increased through the year, REC Silicon targets a production in the range of 10 000-11 000 MT in 2009 based on an ideal ramp-up program.

Construction is also ongoing on Silicon IV, which is expected to come on-stream in the first half of 2010. For commercial reasons REC Silicon changed the scope of this plant during 2008, to accommodate for increased silane gas volumes at the expense of polysilicon capacity. Silicon IV mainly consists of a silane production unit, silane loading facilities and additional investments in FBR-reactors, and is expected to add 9 000 MT of silane gas capacity.

The cost estimate of Silicon IV currently stands at approximately USD 800 million. The estimate has increased due to the experiences from Silicon III, and also the result of procurement activities for direct materials which are almost completed. Despite the cost increase, both Silicon III and Silicon IV remain economically sound projects based on updated business plans.

REC Wafer is in the midst of a series of expansion projects. One of two new multicrystalline wafer plants started ramp-up in October 2008 (Herøya III), whereas the second is expected to start up in the second quarter 2009 (Herøya IV). From start-up, each of the production lines will go through 9-12 month ramp-up periods before reaching the total design capacity of 650 MW.

The cost estimate for the two new wafer plants remains unchanged at approximately NOK 2.5 billion.

Ramp-up is also ongoing at REC's expanded multicrystalline wafer plant in Glomfjord, which was officially opened on September 30, 2008.

Engineering and construction continues on the monocrystalline ingot and wafering plant in Glomfjord, which is expected to increase production capacity from approximately 40 MW to 300 MW by the end of 2010. This is somewhat later than previously expected. The project cost estimate is roughly NOK 500 million above initial estimates but estimated rate of return remains satisfactory also after the cost revision. The cost overruns are partly explained by extensive reengineering and change orders, and general cost escalation but also unsatisfactory project management. The project management has been replaced and project execution and control has been tightened in line with the new REC Group Project Management System.

Overall, total production of wafers is expected to exceed 1,000 MW in 2009, up from less than 600 MW in 2008. In 2008, REC Solar completed the construction of a new 180 MW cell plant in Narvik and manufacturing lines with a capacity of 105 MW at the module plant in Glava. Total annual production capacity currently stands at 225 MW of solar cells and 150 MW of solar modules.

REC in 2008 decided to start construction of a new major solar complex in Singapore. The Singapore project is designed to increase total wafer capacity to approximately 2.4 GW, solar cell capacity to approximately 780 MW and module capacity to approximately 740 MW by 2011. Construction commenced immediately after the investment decision was taken in June 2008, and has progressed as planned. The first output is expected in the first half of 2010.

Due to a less strained construction market, the Singapore project trends towards lower capital expenditure in local currencies compared to the initial investment case.

REC has outlined several future expansion projects, including a proposed second build-out phase in Singapore, and a new large polysilicon and silane gas project in Bécancour, Canada. Although REC continues its internal planning to prepare for these projects, in the current uncertain economic environment the company is restricting the use of external resources in order to contain costs and maintain the focus on execution of ongoing projects.

CONTRACT UPDATE – REC SILICON AND REC WAFER

During 2008, REC Silicon and REC Wafer continued to secure major long-term contracts for external deliveries of silane gas, polysilicon, and wafers, totaling a contract value of around NOK 25 billion. This calculation is based on exchange rates at December 31, 2008 and includes all sales to Sovello.

The vast majority of the contracts are based on a take-or-pay principle, with increasing take-out volumes with pre-determined price structures, and typical contract lengths of five to seven years.

REC Silicon signed a silicon powder contract in 2008, with a total estimated value of around NOK 3.5 billion. Earlier in the year, the company also signed close to USD 1 billion (~NOK 7 billion) worth of long-term contracts for supply of silane gas with a number of major distributors in the merchant market.

REC Wafer signed six major contracts during 2008, with a total estimated value of more than NOK 15 billion, including LG Electronics Inc. at the turn of the year.

The remaining value of external contracts entered into by REC Silicon and REC Wafer was approximately NOK 65 billion at the end of 2008, based on exchange rates at December 31, 2008 and including all sales to Sovello.

Approximately NOK 11 billion of the current contract portfolio is scheduled for delivery in 2009, approximately NOK 13 billion for 2010, and the remaining NOK 41 billion for deliveries scheduled for 2011-2015.

It should be noted that the future value of the contracts measured in NOK in part depends on future developments in currency exchange rates, and that several of the contracts allow for some adjustments of take-out volumes in any given period. For the silane gas contracts, the complexity in silane gas storage also requires certain flexibility in the administration of contract terms. However, the contract structures overall leave limited room for adjustments, and provide a reasonably robust outlook for sales in the near- and medium-term.

REC Silicon has in excess of 20 external customers. The customer list include leading industry names such as (in alphabetical order) Air Liquide, Air Products and Chemicals, Praxair, Shin-Etsu Handotai, Sovello, and Sumco Techxiv.

REC Wafer has approximately 15 external customers. The customer list include leading producers like (in alphabetical order) BP Solar, China Sunergy, Gintech, Mitsubishi, Motech, Moser Baer, Photovoltech, Q-Cells, Sharp, Solland, Suniva, and SunTech.

CONTRACT UPDATE – REC SOLAR

The sales contract structure in REC Solar differs from REC Wafer and REC Silicon, as the contracts in this segment typically are frame agreements or other types of contracts that allow annual or more frequent price negotiations.

Going into 2009, the overall demand visibility in the module market was considerably lower than in previous years, primarily due to the global financial turmoil which has resulted in generally lower availability of project financing.

Given the weaker market sentiment, REC Solar was satisfied to have entered into contracts covering more than 80 percent of its estimated production volume in 2009 at the end of 2008. This is approximately the same level of contract coverage as in previous years but it should be noted that REC Solar plans for a significant increase in cell and module production during 2009.

REC Solar has expanded deliveries to existing customers and added new customers to secure a relatively high level of contract coverage. The customer base counts more than 20 of the leading system integrators, installers and distributors in major markets such as Germany, Spain, Italy, France, and USA.

THE FINANCIAL STATEMENTS

Pursuant to Section 3-3a of the Norwegian Accounting Act, the Directors confirm that the Financial Statements have been prepared under the assumption that the enterprise is a going concern and that this assumption was realistic at the date of the accounts.

The REC reports its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and the Norwegian Accounting Act. The financial statements for the parent company, REC ASA, have been prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP). For more information, please refer to the Financial Statements and note disclosures.

CONSOLIDATED INCOME STATEMENT

Selected key figures*

(NOK million)	2008	2007
Revenues	8 191	6 642
EBITDA	3 279	3 172
EBITDA – margin	40%	48%
EBIT	2 529	2 588
EBIT – margin	31%	39%
Net financial items	1 850	–610
Profit before tax	4 379	1 977
Earnings per share, basic and diluted, in NOK	6.20	2.70
Expansion costs**	383	153
Adjusted EBITDA	3 662	3 325
Adjusted EBITDA – margin	45%	50%

* These amounts are found in, or calculated based, on the consolidated income statement.

** Expansion costs include costs for early recruitment and training, etc. until start of production. Expansion costs are estimated based on internal reporting and are not reported separately in the financial statements.

Constant currency: Note that some amounts in the report have been adjusted for currency translation effects, using exchanges rates for 2007 for both periods. This adjustment only eliminates the effect of translating the results for REC Silicon (US), REC ScanModule (Sweden) and Sovello (Germany) from their functional currencies to NOK. This adjustment does not eliminate other effects that currency fluctuations have had on the REC financials.

REC achieved revenue of NOK 8 191 million in 2008, an increase of 23 percent from NOK 6 642 million in 2007. On a constant currency basis revenue increased 25 percent from 2007 to 2008, which was in line with the expected revenue increase indicated by REC early in 2008. Revenue increased in all the business segments.

EBITDA increased by three percent to NOK 3 279 million in 2008, and the EBITDA margin declined from 48 percent to 40 percent. EBITDA increased in REC Silicon but declined in REC Wafer and REC Solar. The EBITDA contribution from Sovello (formerly EverQ) increased from the previous year.

The lower margin was partly a result of expansion costs. Adjusted for expansion costs EBITDA increased by ten percent in 2008, and on a constant currency basis the adjusted EBITDA increased by 12 percent. REC's growth strategy means that expansion costs will continue to impact EBITDA negatively also going forward.

Growth initiatives also affect margins negatively during ramp-up of new production capacity, as low capacity utilization typically mean higher unit costs.

Depreciation, amortization and impairment increased by NOK 165 million to NOK 750 million, as commercial production commenced on several expansion projects. Depreciation and amortization are expected to continue to increase as assets currently under construction are being put to their intended use in the years to come. Net financial items were a positive NOK 1 850 million in 2008, which was an improvement of almost NOK 2.5 billion from 2007. The change was primarily due to currency effects, especially affecting the estimated fair values of derivatives.

REC has over the past years entered into several USD-denominated contracts with customers for whom USD is not the functional currency. For accounting purposes, REC treats these sales contracts as if they were denominated in NOK. Embedded forward purchases of foreign currency are separately accounted for on a fair value basis, with changes in fair value being recognized as a financial item. Hedge accounting has thus not been applied.

The net result from derivatives improved by approximately NOK 1.9 billion to NOK 1 436 million in 2008, whereas net currency gains increased by more than NOK 600 million to NOK 291 million.

Besides the above, financial items were negatively affected by higher average net debt in 2008, as a result of the high investment level. This was partly counterbalanced by a higher level of capitalized borrowing costs.

The reported profit before tax was NOK 4 379 million in 2008, compared to NOK 1 977 million in 2007, whereas the net profit after tax of NOK 3 064 million compares to NOK 1 333 million in 2007. Reported earnings per share was NOK 6.20 on both a basic and diluted basis, compared to NOK 2.70 in 2007.

CASH FLOW AND LIQUIDITY

The net cash flow from operating activities was NOK 1 917 million in 2008, compared to NOK 3 055 million in 2007. The decline reflects significantly increased net working capital as a result of higher activity, and also higher income taxes paid. It should also be noted that a large part of the gains on derivatives and currency, which were major contributors to the increase in profit before tax in 2008, did not have the same cash flow effects in 2008.

Net cash flow from investing activities amounted to NOK -9 964 million in 2008, compared to NOK -4 453 million in 2007. This almost in entirety reflects payments for property, plant, equipment (PP&E) and intangible assets in the major expansion projects. The cash payments for capital expenditure in 2008 primarily related to the construction of the FBR-plant Silicon III, new wafer plants and the Singapore project. REC Silicon accounted for NOK 4.8 billion of the payments for PP&E and intangibles, REC Wafer for NOK 3.2 billion, REC Solar for NOK 0.9 billion, and others, including Sovello, for NOK 0.8 billion. Net cash flow from financing activities was NOK 2 773 million in 2008, compared to NOK 254 million in 2007. This reflects proceeds from borrowings in excess of NOK 4 billion and repayment of borrowings of almost NOK 1.3 billion.

Cash and cash equivalents was NOK 497 million at December 31, 2008, which was a decrease from NOK 5 795 million in 2007. Net debt was NOK 6.1 billion at December 31, 2008, compared to a net cash position of NOK 3.0 billion in 2007. These figures exclude restricted bank accounts and prepayments but include net debt of Sovello with NOK 0.7 billion at December 31, 2008. At December 31, 2008, REC had unutilized credit facilities and loan commitments of approximately NOK 11.5 billion measured at December 31, 2008 exchange rates.

BALANCE SHEET

The total assets of REC were NOK 30.2 billion at the end of 2008, which was an increase of NOK 12.3 billion during the year. This primarily reflects an increase in non-current assets of NOK 12.6 billion to NOK 23.0 billion, as a result of the capital expenditure.

Net working capital, excluding derivatives and cash and cash equivalents, increased by NOK 0.7 billion to NOK 0.6 billion. Excluding accruals and payables for capital expenditure, working capital increased by NOK 1.6 billion, mainly due to higher activity and build-up of inventories.

Equity increased by NOK 4.8 billion to NOK 16.5 billion, primarily reflecting the profit for the period and currency translation differences. Due to the increased asset base, the equity ratio declined to 55 percent from 66 percent at December 31, 2007.

Total interest bearing financial liabilities amounted to NOK 6.6 billion at December 31, 2008, excluding prepayments. This was an increase from NOK 2.8 billion at December 31, 2007. NOK 1.4 billion was classified as current interest-bearing financial liabilities, compared to NOK 0.5 billion at the end of 2007.

CONTRACTUAL COMMITMENTS

See note 29 to the consolidated financial statements. At December 31, 2008, REC had committed minimum contractual purchase obligations of NOK 5.6 billion for goods and services and contractually committed capital expenditure of NOK 9.3 billion. In addition REC had approved but not committed capital expenditure of approximately NOK 8.5 billion. NOK 1.3 billion of the contracted goods and services, NOK 7.5 billion of the contracted and NOK 5.5 billion of the approved capital expenditure is expected to be paid in 2009.

Note that the bulk of the contractually committed and approved capital expenditure are denominated in foreign currencies, primarily USD, SGD, and EUR, and that currency developments affect the translation into NOK

SEGMENT ANALYSIS

REC SILICON

REC Silicon produces polysilicon and silane gas for the photovoltaic industry and the electronics industry at two plants in Moses Lake, Washington and in Butte, Montana. A third plant started production in March, 2009, and a fourth silane gas plant is under construction. REC Silicon's polysilicon production capacity is expected to almost triple from 2008 to 2011, to around 17 500 MT. REC Silicon employs more than 700 people.

REC SILICON KEY FINANCIAL FIGURES

(NOK IN MILLION)	2008	2007
Revenues	3 033	2 496
EBITDA	1 540	1 347
EBITDA – margin	51%	54%
Expansion costs	162	69
Adjusted EBITDA	1 702	1 416
Adjusted EBITDA – margin	56%	57%
Polysilicon production in MT*	6 241	5 780
Polysilicon sale in MT	6 549	5 698
Silane gas sale in MT	1 838	1 351

*Polysilicon production for 2008 includes 70 MT of granular "starter–bed" material, not for sale.

Revenue increased 22 percent to NOK 3 033 million in 2008. Measured in USD the increase was 26 percent. The increase was primarily explained by higher production of both silane gas and polysilicon, as well as an increase of around six percent in average selling prices measured in USD.

Production of grade-A polysilicon increased eight percent in 2008. At 6 241 MT the production fell below the initial estimate, which included material from the new Silicon III where start-up was delayed into the first quarter of 2009. Sales of polysilicon increased 15 percent to 6 549 MT, including sales of secondary grade material which remained in strong demand due to the continued tight polysilicon market. Silane gas sales increased 36 percent to 1 838 MT, with particularly high deliveries towards the end of the year. REC thus further strengthened its dominant position in the commercial merchant market for silane gas.

Approximately 70 percent of the polysilicon volumes were shipped to REC companies, including one-third of sales volumes delivered to Sovello. Internal sales were about the same percentage in the previous year.

EBITDA increased by 14 percent to NOK 1 540 million in 2008 and the EBITDA-margin declined by three percentage points to 51 percent. Expansion costs increased by NOK 93 million to NOK 162 million in 2008. Adjusted for expansion costs, EBITDA increased 20 percent in 2008, with only a one percentage-point decline in margin to 56 percent. On a constant currency basis, and adjusted for expansion costs, EBITDA increased by approximately 25 percent from 2007 to 2008.

Expansion costs for the full year were slightly lower than the estimated NOK 200 million. In 2009, expansion costs are expected at approximately NOK 100 million.

Polysilicon production is expected to increase significantly in 2009 to approximately 10 000 MT - 11 000 MT, primarily depending on the pace of the production ramp-up of Silicon III.

REC WAFER

REC Wafer produces monocrystalline and multicrystalline ingots and wafers for the solar cell industry at two sites, in Glomfjord and at Herøya in Norway. REC Wafer employs about 950 people. Wafer production increased by 15 percent to 582 MW in 2008, and excluding the Singapore project production capacity is expected to increase to more than 1.7 GW by 2010.

REC WAFER KEY FINANCIAL FIGURES

(NOK IN MILLION)	2008	2007
Revenues	4 894	4 360
EBITDA	1 674	1 813
EBITDA – margin	34%	42%
Expansion costs	121	9
Adjusted EBITDA	1 796	1 822
Adjusted EBITDA – margin	37%	42%
Wafer production in MW (at 15% cell efficiency)	542	468
Mono ingot production in MW (at 20% cell efficiency)	40	38
Total production in MW	582	506
Wafer sale in MW (at 15% cell efficiency)	537	465
Mono ingot sale in MW (at 20% cell efficiency)	40	38
Total sale in MW	577	503

Revenue from the operation in REC Wafer increased 12 percent to NOK 4 894 million in 2008, which reflects a production increase of 15 percent and a slight decline in average selling prices compared to 2007. Measured in megawatt (MW), overall production was 582 MW in 2008, of which 93 percent were multicrystalline wafer and the remainder monocrystalline ingots. The production fell below the initial production targets. This is mainly explained by tight polysilicon availability, which led to a prolonged scheduled shutdown in the summer and some challenges on production yields. Sales were roughly in line with production for the year.

EBITDA declined eight percent to NOK 1 674 million in 2008. This is affected by an increase in expansion costs of NOK 112 million to NOK 121 million. Adjusted EBITDA declined one percent, and adjusted margin declined five percentage points to 37 percent. Expansion costs fell below the expected estimate of NOK 200 million for 2008, due to lower cost levels both in Singapore and at Herøya. Expansion costs are expected at NOK 140 million in 2009.

The decline in adjusted EBITDA partly reflects higher polysilicon prices. Unit costs are also typically higher than normalized levels during ramp-up of new production lines, due to lower capacity utilization. Production yield issues also negatively affected the margin.

REC Wafer continues to grow and targets a production level of approximately 1 000 MW in 2009.

REC SOLAR

REC Solar produces solar cells in Narvik, Norway and solar modules in Glava, Sweden. REC Solar employs approximately 660 people. Total installed production capacity is 225 MW for solar cells and 150 MW for solar modules. Further expansion in Singapore is expected to add 550 MW of production capacity for solar cells and 590 MW of production capacity for solar modules during 2010.

REC SOLAR KEY FINANCIAL FIGURES

(NOK IN MILLION)	2008	2007
Revenues	2 347	1 116
EBITDA	148	171
EBITDA – margin	6%	15%
Expansion costs	65	52
Adjusted EBITDA	213	223
Adjusted EBITDA – margin	9%	20%
Cell production in MW	132	47
Module production in MW	80	42
Contract manufacturing MW	7	0
Cell sale in MW	121	47
Module sale in MW	81	43

REC Solar achieved a revenue increase of 110 percent to NOK 2 347 million in 2008. The growth was driven by a sharp increase in pro-duction and sales volumes, as average selling prices declined by approximately nine percent compared to 2007.

Despite the sharp production volume increase over 2007, revenue fell below the initial target of NOK 2 650-2 850 million for the full year. The shortfall is partly due to limited availability of raw materials but also lower production than expected from new production lines during ramp-up. In the latter part of the year, the company put limitations on the release of product following the discovery of a design weakness in the junction box for a series of modules produced. This led to a build-up of module inventory and lower revenue.

Solar cell production increased by 181 percent to 132 MW, whereas module production increased by 90 percent to 80 MW. A small portion of modules were produced by contract manufacturers. In 2009, cell production is estimated to increase disproportionate to module production, and this is expected to result in increased sales of cells and/or contract manufacturing of modules.

EBITDA declined by 13 percent to NOK 148 million in 2008. This is only partially explained by an increase in expansion costs of NOK 13 million to NOK 65 million, and EBITDA adjusted for expansion costs declined four percent to NOK 213 million.

REPORT FROM THE BOARD OF DIRECTORS

During 2008 the EBITDA was negatively impacted by a one-time provision of NOK 61 million for estimated expenses for potential repairs of modules with possibly malfunctioning junction boxes. The EBITDA was also negatively affected by other one-off items of NOK 16 million, including increased provisions for loss on receivables.

Adjusted both for expansion costs and one-off items EBITDA increased by 29 percent compared to 2007, although the EBITDA margin was still lower than in the previous year. The reason is higher average unit costs and lower production yield during ramp-up of the significant amounts of new production capacity.
REC Solar com-pleted the new cells and module lines in 2008, and does not expect any expansion costs related to the existing facilities in 2009.

In 2009, cell production is expected to be close to the design capacity of 225 MW, whereas module production is expected to be approximately 150 MW plus contract manufacturing.

REC Solar in 2008 continued to broaden its customer base in terms of actual deliveries as well as contracts for increased volumes in 2009. With sales offices in main solar markets such as Germany, Spain, Italy, France and USA, the company now counts more than 20 of the leading system integrators, installers and distributors as its customers, and had at the end of 2008 secured contracts covering more than 80 percent of the estimated production volume in 2009. In percent of estimated production, this contract coverage is on the same level as in previous years.

With the construction of the Singapore project, cell capacity is expected to increase by 550 MW and module capacity by 590 MW during 2010. As part of the preparations for this, REC expects to incur expansion costs of NOK 110 million in 2009.

SOVELLO

Sovello (formerly EverQ) produces solar modules in Thalheim, Germany, based on the Evergreen string-ribbon technology, and is owned 33.3 percent each by REC, Evergreen and Q-Cells. REC proportionately consolidates Sovello's financial statements on a line-by-line basis. Sovello currently operates two plants with a total production capacity of 100 MW, and employs approximately 1,150 people.

SOVELLO - KEY FINANCIAL FIGURES

(NOK IN MILLION)	2008	2007
Revenues	601	371
EBITDA	128	57
EBITDA – margin	21%	15%
Sovello's total module production in MW	85	50

Note: Financial figures in the table refer to proportionate consolidation of REC's 33.3 percent ownership. Production in MW refers to 100 percent.

REC in 2008 recognized NOK 601 million in revenue and NOK 128 million in EBITDA from its 33.3 percent ownership in Sovello.

Sovello's revenue increased by 62 percent compared to 2007. The EBITDA margin increased six percentage-points to 21 percent, and EBITDA increased by 126 percent compared to the previous year. Sovello's total module production increased from 50 MW to 85 MW in 2008. Towards the end of the year the company almost completed the construction of a third plant which is designed to double production capacity to 180 MW. Test production in the new wafer line started in January 2009, and the new cell and module lines are expected to be brought on stream during April 2009.

See the consolidated financial statements for a description of Sovello's breach of covenants at December 31, 2008 (note 17), the European Commission's re-examination of the grounds for granting investment aid, and REC's undertakings related to Sovello (notes 29 and 31).

ELIMINATIONS

Elimination of internal profit depends on internal sales and inter-company inventory changes, and should generally be expected to continue to increase as REC grows across the entire value chain. In 2008, elimination of revenue was NOK 2 757 million and elimination of EBITDA NOK 83 million. Elimination of revenue was NOK 1 729 million and elimination of EBITDA NOK 92 million in 2007. Elimination of internal profit increased in the latter part of 2008, primarily due to unrealized internal profit on increased volumes of cells and modules due to the module inventory build-up.

REC ASA

REC ASA prepares its Financial Statements according to NGAAP. REC ASA is a holding company comprising parts of Group Management, corporate functions, corporate Research & Development, a corporate project management organization, and REC's in-house bank.

REC ASA reported revenue of NOK 72 million and a negative EBIT of NOK 118 million for 2008, compared to revenue of NOK 28 million and a negative EBIT of NOK 127 million in 2007.

Profit before tax increased to NOK 1 356 million from NOK 501 million in 2007, with the change mainly explained by higher group contribution and interest income from companies in the REC Group. Currency gains also contributed positively but were partially offset by losses on currency derivatives.

The profit for the year was NOK 990 million compared to NOK 340 million in 2007.

Total equity for the parent company amounted to NOK 10 841 million at December 31, 2008. The increase during the year reflects the profit for the year.

Total assets increased to NOK 21 436 million from NOK 11 693 million at December 31, 2007. The sharp increase reflects that REC ASA conducts most external financing of the

Group, and had drawn the 2006 credit facility in full at December 31, 2008. REC ASA has reduced cash and cash equivalents significantly through the year, and provided loans to the subsidiaries to finance parts of the expansion projects.

REC ASA is the counterparty to all derivative transactions for REC ASA and its subsidiaries, and fair value adjustments on derivatives increased total assets. Cash contributed as equity capital or non-current loans to subsidiaries are placed in the cash pool system until utilized by the subsidiaries for capital expenditure, and this also contributed to the increase in total assets of REC ASA.

ALLOCATION OF PROFITS

The Board proposes that the profit for the year of NOK 990 million is transferred to other equity. Following this, the parent company had a distributable equity of NOK 2 080 million at December 31, 2008.

Due to the growth strategy and corresponding extensive investment requirements, the Board believes the funds may best be put to use within the company. The Board thus does not propose any dividends to be paid to the shareholders for 2008.

RISK FACTORS

MARKET AND OPERATIONAL RISK FACTORS

The global market for PV solar systems has shown strong growth ever since REC was established in 1996. Growth picked up at the turn of the millennium and continued at a strong pace also in 2008. In practice, for 2008 as a whole, growth was limited by supply side factors such as the tight availability of solar grade polysilicon.

Demand factors are expected to play an increasingly important role in clearing the supply and demand balance in the years to come. Solar power is capital intensive, with relatively high up-front investments but low operating expenses and a fairly stable long-term energy output and cash flow. Given the current economic climate, lower availability of funding of up-front investments has probably become the most dominant factor for the short-term market development.

In addition to the number of sun hours, demand for solar power in individual regions will in general also depend on incentive structures, interest rates, energy/electricity prices, and purchasing power.

The growth of solar power has traditionally been supported by a range of different incentive programs in major markets such as Germany, Spain, Italy, Japan and California, and incentive schemes like feed-in tariffs and tax credits have increasingly been adopted in more markets, most notably in the Mediterranean market.

In the US, the main news in 2008 was that the federal tax credit program was extended. As expected, Germany resolved to accelerate the decline in feed-in tariffs from 2009, following significant market growth during 2008. It should also be noted that incentive structures in Spain, which was one of the main growth contributors last year, are capped at significantly lower volume levels than in 2008.

Political and economical developments may potentially negatively affect incentive-driven demand. However, REC believes government initiatives will continue to support solar power investments, and estimates that subsidized demand should increase towards 2012. Demand for PV solar power has also been supported by healthy economic growth and increased purchasing power, and low interest rates for several years. Economic growth has now come to a standstill in many regions, and although interest rates have come down the credit spreads have increased for most industrial players. REC primarily addresses this risk through its ongoing cost reduction program. Cost reductions significantly reduce investors' pay-back time for PV systems. Over time, such cost reductions should enable REC to compete profitably in many regions even without the support of subsidies.

High power prices intensified the focus on alternative power sources in 2007 and the first part of 2008. Oil and gas prices have subsequently declined dramatically from their peak levels. However, the retail power price level is the most important comparison in determining the competiveness of solar energy in a given region, not the price of oil and gas. Most energy analysts argue that medium- and long-term power prices should be less volatile as demand continues to increase over time. However, short-term variations could influence demand for PV solar power negatively.

On the supply side, access to solar grade polysilicon has been tight for several years and this situation continued also in 2008. Although REC strives to balance its production capabilities across the value chain, this affected its production of wafers and to a certain extent also cells and modules in 2008.

REC's balance is expected to be restored during 2009 and 2010 as captive polysilicon production increases, and will shield the company from this risk factor going forward.

The solar power industry has been and will continue to be subject to rapid technological change, frequent improvements, new products and services, and changing customer requirements. Competitors may launch new products and services earlier or at more competitive prices, or secure exclusive rights to new technologies. REC believes it holds a solid position from which to meet competition, and rates its technology and IPR among the best in the silicon and wafer segments of the industry. To fortify and expand its technological fundament, the company increased its R&D resources in 2008 and will maintain R&D expenditures at this level also in 2009.

REC has over the past years made a number of major investment decisions, which will involve development of a number of new technologies which have not been fully tested in real-scale high- volume production. The construction and ramp-up of new manufacturing facilities involving new technologies also carry a risk of cost overruns, such as the company has experienced in the construction of Silicon III and Silicon IV in the US, and in the construction of a new monocrystalline ingot plant in Norway. To further mitigate the inherent risks in its expansion projects, REC significantly strengthened its project management resources in 2008, and implemented a new Group-wide REC Group Project Management System to improve its ability to execute ongoing and future expansion projects timely and on budget.

With its increasing downstream activities, REC is also gradually more exposed to the 25 year warranty risk related to modules sold. Late in 2008 REC experienced its first severe warranty exposure, with failure of the junction box on a series of modules produced. A repair strategy is currently in preparation. REC Solar is substantially scaling up its product qualification efforts and resources in order to minimize such risks for the future.

FINANCIAL RISK FACTORS

See the consolidated financial statements for more information, especially notes 3 and 30.

The finance policy aims to create predictability and stability in operational cash flows and values. The policy sets the framework and limits for hedging activities in REC in order to maintain a low to moderate financial risk profile. All hedging transactions are undertaken in order to reduce negative impacts of changes in financial markets on values and operational cash flow. REC uses financial instruments and natural hedges, including signing sales contracts that balance out costs in different currencies, to hedge net exposures arising from operational, financing and investment activities in accordance with the finance policy.

Currency risk

REC operates internationally and is exposed to currency risk, primarily to fluctuations in US Dollar (USD), Euro (EUR), Singapore Dollar (SGD) and Norwegian Krone (NOK), arising from commercial transactions and assets and liabilities in currencies other than the entities' functional currencies. When presenting the Financial Statements in NOK, currency developments will also affect translation of profit and loss and balance sheet items of foreign entities.

REC's finance policy is to economically currency hedge at least 80 percent of expected future cash flows on a rolling 12 month basis. The policy defines coverage of the net exposure for a 48 month period, with gradually declining hedging coverage.

REC seeks to reduce the risk associated with the net currency exposure primarily by use of various financial instruments, such as forward contracts and currency options.

Interest rate risk

Interest hedging instruments may be used to control and minimize the company's interest cost within the framework defined in the finance policy. Over time, REC believes that its interest expenses will be minimized by mainly having a floating interest rate.

Credit risk

REC has historically had limited losses on receivables. However, the financial turmoil during second half of 2008 has reduced visibility for credit risks related to counterparties, including customers and banks. REC has some concentration of credit risk as it has few but large customers in the solar, silicon gases and electronic industry in Europe, USA and Asia. Policies are in place to ensure that sales of products are made to customers with an appropriate credit history, and the company also applies requirements for various payment guarantees or prepayments, and to some extent credit insurance. The credit risk of the customers and the banks providing guarantees is reviewed regularly.

Derivative counterparties and deposits are limited to financial institutions with high credit quality (credit ratings in the A or AA categories assigned by Standard & Poor's or Moody's). For bank derivatives, the credit risk is limited to any positive market value. REC only enters into derivatives with a defined group of banks. The twenty banks participating with commitments in the 2008 credit facilities are in the defined group of banks. All the banks currently used as derivative counterparties have credit ratings in the A or AA categories assigned by Standard & Poor's or Moody's.

REC has credit exposure related to loans, guarantees and undertakings provided for external parties, including Sovello.

Any positive market values in embedded derivatives relate to contractually committed future sales of wafers. Parts of the long term contracts are secured by bank guarantees from banks with high credit quality and/or prepayments.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, REC aims to maintain a high degree of financial flexibility by keeping sufficient cash and cash equivalents or committed credit facilities available. In the current financial climate, most companies world-wide face challenges related to funding, and REC may also find it more difficult to fulfill the targets in its finance policy.

REC is currently committed to major construction projects that require high amounts of capital expenditure, in which positive cash flows are expected in subsequent periods. Consequently, the liquidity risk has increased.

Funding and covenants

REC had a net debt position of NOK 6.1 billion at the end of 2008 including net debt of NOK 0.7 billion in Sovello but excluding restricted bank accounts and prepayments on which interest is calculated.

REC fully utilized a credit facility established in 2006, which initially was NOK 5,425 million. REC has started the repayment of this facility with semi-annual installments, with the first installment in the first quarter 2008 and the last in the first quarter 2012. See note 17 to the consolidated financial statements for more information.

REC ASA in 2008 entered into two new financing agreements, one of which was a bilateral loan of SGD 1 billion (~NOK 4.5 billion calculated using December 31, 2008 exchange rate) for financing of up to 30 percent of the expenditure in the Singapore expansion project. Starting in the first quarter 2009, REC may draw on the loan over two years, after which semi-annual installments must be paid over five years. REC established guarantee facilities of SGD 1 050 million for the loan later in the year, with a five year maturity. Provided consent from the bank the guarantee can be extended to match the more than seven year total duration of the loan.

The other arrangement is a multicurrency revolving credit facility of NOK 6 275 million, with the same 20 banks that provided the guarantee facilities. The credit facility has one tranche of NOK 2.1 billion with three-year maturity and one tranche of NOK 4.2 billion with five-year maturity. Both tranches shall be repaid in full upon maturity.

Although REC will not pay installments on the new loan and credit facility in 2009, REC will pay interest on drawn amounts and commitment fees for undrawn amounts. The interest rates for the loan and credit facilities are partly floating and partly fixed. The floating rates are based on LIBOR plus a margin depending on REC's ratio of net interest bearing debt to EBITDA.

The NOK exchange rate affects the amounts available under the multi-currency credit facilities, as limits are determined in NOK although REC will mainly borrow in USD and EUR. The current limits under the credit facilities and loan may be insufficient to finance all of the ongoing expansions, and some additional funding may be required in 2010.

Varying between the different facilities, the covenants limit the ratio of net debt to EBITDA and also require a minimum ratio of EBITDA to net interest paid. REC was well within the relevant limits at the end of 2008 (see note 3.3). However, the net debt of REC is expected to increase in 2009 and 2010 due to expenditures on the Singapore project and other expansion projects such as the construction of Silicon IV. The main EBITDA contribution from these projects will come in later periods, and the ratio of net interest bearing debt to EBITDA is thus also expected to increase. It should also be noted that currency developments may affect EBITDA as well as net debt.

For the credit facility entered into in 2008, the main covenant is that the ratio of net interest bearing debt to EBITDA may be up to 3.0 for two consecutive quarters before returning to below 2.5. Under certain scenarios, compliance to this might prove challenging for REC, if EBITDA turns out to be lower than currently forecasted or the net debt higher than currently estimated.

See note 17 to the consolidated financial statements for a description of Sovello's breach of covenants at December 31, 2008.

ORGANIZATION AND SUSTAINABILITY

SAFETY FIRST

REC completed 2008 with no work-related fatalities in more than 6.5 million worked hours. The number of lost time injuries was reduced to 23. The Lost Time Injury (LTI) rate was 3.5 and the Total Recordable Injury (TRI) rate was 10.6. These results are not satisfactory and REC will during 2009 strengthen the systematic safety efforts. The Singapore expansion project has so far succeeded with only 2 lost time injuries, resulting in an LTI-rate of only 0.8.

The working environment in REC is generally regarded as satisfactory. In 2008, the absence rate due to sickness was 3.4 percent, which is an improvement to the previous year. This is a satisfactory result in an expanding industry and also a good indication of the sound business culture in REC.

EMPLOYMENT AND LABOR PRACTICES

The number of employees increased nearly 35 percent to approximately 2 400 at the end of 2008 (excluding Sovello), an increase of about 600 people over the past year. This reflects growth in all the business segments as well as in the area of project management. In addition REC had by year end 2008 close to 280 contracted employees.

REC is committed to equal opportunity employment and practices. All employees and applicants shall be treated without regard to age, gender, sexual orientation, nationality, race, religion, disability, marital situation or any other protected status. REC has succeeded in recruiting individuals and teams globally with the necessary competence, potential and cultural fit needed to realize the strategy for profitable growth.

Of the total of the approximately 2 400 REC employees as of the end of 2008, 22 percent were female compared to 20 percent in 2007. Out of the total of ten executives in the Group Management team, three were female. Women comprised 17 percent of REC's management level staff compared to 11 percent in 2007, and 42 percent of the company's Board of Directors.

DEVELOPING A SUSTAINABILITY ROADMAP

REC provides competitive solar energy solutions to meet the need for clean energy. The Group generates value and advance the competitiveness of solar energy through innovative technology, operational excellence and industry-wide expertise. Sustainability is therefore integral to the strategy of REC. Both REC and the solar industry in general depend on the sustainability of solar energy as a key selling point. This generates customer preference, financial and regulatory support from governments and broader acknowledgement by the society at large.

REC aims to extend its competitiveness through high performance in sustainability, to match its focus on product quality and reducing the cost of solar energy, the world's most abundant source of renewable energy. This will position the company as a leader, improve the risk management performance of the company and ensure its ability to attract the best talent.

To support its rapid growth, REC is developing a comprehensive approach, structure and governance process for managing sustainability risk and opportunities. The company appointed a Vice President for corporate social responsibility in 2008. All performance responsibilities lie with the divisions. Two cross-group networks have been established with dedicated leaders from all REC's business divisions, acting as advisory boards to REC management on HSE and sustainable supply chain and partner relationships. A comprehensive sustainability roadmap is to be developed in 2009.

SUSTAINABILITY REPORTING

During 2008, REC has engaged in a detailed process of expanding and improving the data management process for sustainability reporting. A set of standard metrics to support the REC sustainability strategy has been developed and is to be assigned to operating management. These metrics will be phased into the REC reporting process over the course of the period to 2010.

SUSTAINABILITY MANAGEMENT SYSTEMS

As a process manufacturing company whose primary business involves handling chemicals and gases, safety management has always been a top business priority for REC. REC complies with all regulations and strives to conduct business in a trustworthy manner. REC is currently structuring and aligning the sustainability management system across the Group with the goal to produce world-class results, by focusing on environment and climate, safety and health and business conduct performance management.

EMERGENCY PREPAREDNESS PLAN

REC has established a group-wide emergency preparedness plan, in order to minimize harms resulting from any incident and to secure business continuity. The plan includes risk and vulnerability analysis, general principles, definitions of responsibilities, notification procedures, operational action plans and reporting requirements. REC will continue to strengthen its efforts in emergency preparedness, through preventive training, work procedures and risk management.

ENVIRONMENT

REC is focused on continually reducing the negative environmental impact of its products. REC uses hydropower for all its silicon operations and the majority of its wafer and cell operations. Through this practice and a broad program of focusing on cost reduction and operational efficiency, the company has a very attractive carbon footprint per module produced.

In silicon refining, REC operates with a closed loop cycle process, and the small waste volumes are handled according to requirements. All silicon waste is recycled within the manufacturing process and other inputs recovered and reused. REC also participates in the industry-wide PV Cycle program, which seeks to establish a waste management scheme to secure environment-friendly disposal and recycling of PV modules at the end of their usable life.

ENERGY PAYBACK

Energy payback time is one of the key elements in REC's contribution to the environment. This measure is determined by the amount of time it takes a PV system to generate the energy used to produce it. REC is currently among the industry leaders with its low energy payback time and expects to take an even more leading position as soon as its new FBR based silicon is in full production. The FBR process is expected to reduce energy consumption by more than 80 percent in the most energy intensive step in the production process of a solar module, thereby significantly contribute to lowering the energy payback time to an estimated level of about one year.

CORPORATE GOVERNANCE

The Board of Directors seeks to provide effective governance of business and affairs to ensure long-term benefits of REC's stakeholders, and puts emphasis on transparency and equal treatment of its shareholders. Approved and implemented Corporate Governance principles are built on a set of rules and procedures, which, along with the charters and key practices of the Board Committees, provide the framework for the governance in REC. The Board will annually review the Corporate Governance policy.

REC endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised December 4, 2007. The Board of Director's has adopted a report on Corporate Governance for 2008 in accordance with the Code of Practice. The report is included in the Annual Report on page 18.

OUTLOOK

As discussed above, REC believes the long-term fundamentals for the photovoltaic industry remain strong. However, the solar market is not immune to the effects of the global financial turmoil. Lower availability of funding and severe economic uncertainty is currently limiting visibility of demand for solar energy in 2009.

The growth of REC going forward will also depend on the ramp-up and future output of new plants for polysilicon, wafers, cells and modules, which are complex tasks involving new technologies with inherent risks for interruptions and delays. There is also a risk of delays and/or cost escalations in other extension projects under execution.

Provided that the ramp-up processes run according to schedules, REC expects to significantly increase the polysilicon and wafer production capacity in 2009. REC has entered into reasonably robust contracts for the delivery of these volumes, with substantial long-term sales at pre-arranged prices. Estimated revenue from external deliveries from REC Silicon and REC Wafer under these contracts amounts to approximately NOK 11 billion for 2009 (based on exchange rates at December 31, 2008 and including all sales to Sovello). In addition, REC Solar had at the end of 2008 entered into contracts covering more than 80 percent of the estimated production of modules for 2009.

REC is committed to its strategy of profitable growth, which hinges on the continuation of a large-scale expansion program involving low-cost technologies. The focus in 2009 will be on risk mitigation and execution of the construction of the Singapore project.

STATEMENT

The Board of Directors and the Chief Executive Officer have today considered and approved the report from the Board of Directors report and the financial statements for the REC Group and the parent company REC ASA for the year ending December 31, 2008. The consolidated financial statements of REC have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements as stated in the Norwegian Accounting Act that are applicable per December 31, 2008. The financial statements for the parent company REC ASA have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway that are applicable per December 31, 2008. The Directors report for the REC Group and REC ASA has been prepared in accordance with the Norwegian Accounting Act and the Norwegian Accounting Standard no. 16 applicable per December 31, 2008.

We confirm that, to the best of our knowledge:

- The financial statements for the REC Group and REC ASA for the year ending December 31, 2008 have been prepared in accordance with applicable accounting standards.
- The information in the financial statements gives a true and fair view of the REC Group's and REC ASA's assets, liabilities, financial position and results of operations for the year ending December 31, 2008.
- The report from the Board of Directors report for the year ending December 31, 2008 includes a fair review of:
  - The development, results of operations and position for the REC Group and REC ASA.
  - The principal risks and uncertainties for the REC Group and REC ASA.

Sandvika, March 23, 2009
Board of Directors

Ole Enger
Chairman of the Board

Marcel Egmond Brenninkmeijer
Member of the Board

Tore Schiøtz
Vice Chairman of the Board

Roar Engeland
Member of the Board

Susanne Elise Munch Thore
Member of the Board

Line Geheb
Member of the Board

Inger Johanne Solhaug
Member of the Board

Rolf B. Nilsen
Member of the Board

Christian Berg
Member of the Board

Are Gløersen
Deputy member of the Board

Jørn Mobæk
Member of the Board

Unni Kristiansen
Deputy member of the Board

Erik Thorsen
President & CEO

CORPORATE GOVERNANCE

THE BOARD OF DIRECTOR'S REPORT ON CORPORATE GOVERNANCE

Renewable Energy Corporation ASA (REC or the Company) endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised December 4, 2007. The Board has adopted the following report that explains how REC meets the requirements of the Code of Practice and explains possible deviations for 2008:

Implementation and reporting on Corporate Governance

REC's objective is to create long-term values for its shareholders.

REC believes sound business must be based on value-based management and clear ethical guidelines.

REC's mission is smart energy for a cleaner future. To enable us to carry out the mission, the Board has adopted a common set of core values:

RESPONSIBILITY
ENTHUSIASM
COMMITMENT
INNOVATION
DRIVE

The values have been introduced to all employees, and the Company has implemented various programs in order to maintain focus on and live the values.

BUSINESS

The purpose of the Company is described in the Articles of Association § 3:

"The Company's purpose is development and sale of products and services related to renewable energy sources, and to perform other financial operations related to such. The Company may, through subscription of shares or in any other ways, including granting of loans, acquire interests in other companies with identical or similar purposes".

REC believes the solar industry will play a key role as a long-term supplier of sustainable energy and its business is focused on developing competitive solar energy solutions. REC's strategic ambition is built on an integrated value chain, reaching from silane and polysilicon production through module and systems delivery. To make solar energy fully competitive with traditional energy sources, REC's prime focus is cost reduction. This should be achieved through the introduction of new process and product technologies as well as through continuous productivity improvement.

REC's strategies and goals are presented in the Capital Market Days and in the annual and quarterly reports.

EQUITY AND DIVIDENDS

The Group's consolidated equity was NOK 16 512 million on December 31, 2008, which was equivalent to 55 percent of total assets.

The equity level is monitored and evaluated on a continuous basis by the Board. Reference is also made to note 3.3 to the consolidated financial statements regarding capital structure.

The REC group's ambition is to give its shareholders a high and stable return on their investment and to be competitive compared with alternative investment opportunities with comparable risk. This should be achieved, first and foremost, through strong and profitable growth. To support the growth strategy, expansion plans and productivity improvements, the Board believes retained earnings should be put to profitable use within the Company. Accordingly there has been no distribution of dividends to the shareholders since the Company was publicly listed in 2006 and no distribution is proposed for 2008.
The Board considers this approach to be the most likely also for the next few years. The Board will however make a yearly assessment based on the goals and strategies and the financial results of the Company.

At the annual general meeting (AGM) of REC ASA on May 19, 2008, the Board was authorized to increase the share capital by NOK 49 000 000 through one or more increases of the share capital. The mandate extends to increases through contributions of cash or other assets. The Board is authorized to waive the pre-emption rights of existing shareholders. The authorization is valid until the next annual meeting, but not in any event for a period longer than 15 months from the authorization was given.

The authorization to increase the share capital was based on a recommendation from the Board to utilize business opportunities in the best possible way including acquisitions and increased capacity and to support employees' purchases of shares. Specific purposes were not specifically defined in the authorization itself. The Board will prepare possible future authorizations based on the recommendations in the Code of Practice.

At the annual general meeting the Board was also authorized to acquire shares in the Company on behalf of the Company up to a maximum of 10 percent of the nominal value of the Company's share capital. The Board's purchase of shares under this mandate can be exercised between a minimum price of NOK 10 per share and a maximum of NOK 500 per share. The shares may be acquired or disposed of through ordinary sales or in accordance with the Company's option program. The authorization is valid until the next annual meeting in 2009 or until withdrawal by a decision of the general meeting by simple majority.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

REC has one class of shares and each share confers one vote at the general meeting. The Articles of Association contain no restrictions on voting rights.

REC did acquire own shares in November 2008 in order to fulfill its obligations according to the 2008 Employee Share Purchase Program. All shares were acquired at the stock exchange.

In 2008 there were no new agreements between the Company and shareholders, directors, executive management or a party closely associated with such individuals that could be described as a material transaction. Reference is also made to note 31 to the consolidated financial statements regarding related party transactions.

The Board has adopted guidelines to ensure that the Board will be informed of any possible conflict between a Board member and a member of the executive management or his close associates and the Company in relation to any transaction or matter dealt with by the Board.

FREELY NEGOTIABLE SHARES

REC ASA is listed on the Oslo Stock Exchange. All shares are without any restrictions and freely negotiable.

GENERAL MEETINGS

The AGM is the Company's supreme body. According to the Articles of Association, the AGM is to be held by the end of June every year.

The notice of the meeting and the resolutions with supporting documentation, including the recommendations of the nomination committee, are sent to the shareholders no later than two weeks prior to the date of the general meeting.

Shareholders that cannot attend the meeting may vote by proxy. Information about the procedures the shareholder must observe in order to participate and vote is given together with the notice of the meeting. The shareholder also receives a form for appointment of a proxy. Efforts are being made to set the deadline for participation close to the meeting date.

The Chairman of the Board and some of the Board members and the members of the Nomination Committee are normally present at the annual general meeting. The auditor is also present. The Chairman of the Board has acted as chairman of the general meetings.

So far the Company has not complied with all the recommendations in the Code of Practice in relation to the AGM. The Board aims to fulfill the following requirements from 2009:

- Ensure that all relevant information related to the annual general meeting will be made available on the website minimum three weeks prior to the general meeting.
- Ensure that the shareholders are given information about how to propose resolutions in respect of matters to be dealt with on the annual general meeting.
- Make arrangements to ensure the election of an independent chairman of the general meeting.
- Ensure that the shareholders are given opportunity to vote separately for each candidate nominated for election.
- Open up in the proxy form for use of proxy on each item on the agenda.
- Encourage all Board members to be present at the AGM.

NOMINATION COMMITTEE

The Articles of Association sets out that the Company shall have a Nomination Committee with three members. The members are elected by the AGM for a term of two years and the AGM appoints the chairman of the committee. The remuneration of the Nomination Committee is decided by the AGM. The Nomination Committee makes proposals to the AGM for members to be elected to the Nomination Committee. The composition of the committee is in accordance with the requirement of independence in the Code of Practice.

The Nomination Committee presents recommendations to the AGM regarding the election of the shareholder-elected members of the Board and the remuneration for members of the Board. The Committee's recommendations must be justified and provide relevant information of the candidates.

The Board annually prepares an evaluation of its work. The Nomination Committee examines this report and takes its contents into consideration when making its recommendations on board composition. The Committee also consults with the largest shareholders of the Company before submitting its proposals.

Information of the members on the Nomination Committee and deadlines for submitting proposals to the Committee will be included on the Company's website.

The chairman of the Nomination Committee presents and provides the basis for the proposals from the committee at the AGM and also provides an account of how the committee has carried out its work.

The rules of procedure does not establish rules for rotation of the members of the Nomination Committee

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE.

REC has agreed with its employees not to have a corporate assembly in the parent company or its subsidiaries.

The Board consists of twelve directors. Eight are elected by the shareholders and four are elected by the employees of the REC group companies in Norway. All members are elected for a term of two years.

The directors are presented on the inside cover of the Annual Report. of the annual report with information about education and experience. Three of the eight shareholder-elected members are women.

All the shareholder-elected members of the Board are independent of the Company's executive management. A majority is independent of material business contacts.

The following two Board members are independent of the Company's main shareholders:

Line Geheb
Susanne Elise Munch-Thore

The Board elects its own Chairman.

According to its rules of procedure, the Nomination Committee must ensure that the composition of the Board at all times is in accordance with applicable legislation and regulations of the Oslo Stock Exchange.

The Nomination Committee shall base its recommendation on the candidates' experience, qualifications and their capacity to serve as directors of the Company in a satisfactory manner.

The Board members have not been specifically encouraged to own shares.

THE WORK OF THE BOARD OF DIRECTORS
The Board has the ultimate responsibility for the management of the Company and for supervising its day-to-day management.

The Board adopts and reviews the Company's strategy.

The Board has adopted "Rules of procedures for the Board of Directors" for the work of the Board. The procedure describes the Board's responsibilities, duties and administrative procedures. The procedure furthermore describes the tasks and duties of the CEO. The Board has also adopted a Chart of Authority regulating matters that must be decided by the Board and matters that may be decided by the administration with a description of the appropriate level of decision. The Chart of Authority regulates amongst others investments, customer contracts, procurement, compensation policy and finance.

The Board reviews its performance on an annual basis.

The Board has established three committees – the Audit Committee, the Compensation Committee and the Corporate Governance Committee.

THE AUDIT COMMITTEE
The Audit Committee consists of two members of the Board and acts as a preparatory body to the Board with respect to the fulfillment of its responsibility related to assessment and control of financial risk, financial reporting, auditing and control.

The Audit Committee sees that the external auditor has satisfactory auditing procedures and competence and makes recommendations to the Board and the AGM concerning appointment of external auditor. The Committee also makes recommendations with regard to the external auditor's fees.

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

The Audit Committee held five meetings in 2008.

THE COMPENSATION COMMITTEE
The Compensation Committee consists of four members of the Board each of whom is independent of the executive management. The Committee acts as a preparatory body to the Board with respect to terms and conditions of employment for the Chief Executive Officer and with respect to general principles and strategies for the compensation of leading executives of the REC Group.

The tasks and procedures of the Compensations Committee are further laid down in the Compensations Committee Charter.

The Compensation Committee held two meetings in 2008.

THE CORPORATE GOVERNANCE COMMITTEE
The Corporate Governance Committee acts as a preparatory and monitoring body and assists the Board in executing its responsibilities on matters of corporate governance.

The Committee consists of three members of the Board and the CEO.

The tasks and procedures of the Corporate Governance Committee are further laid down in the Corporate Governance Committee Charter.

The Corporate Governance Committee held four meetings in 2008.

RISK MANAGEMENT AND INTERNAL CONTROL
The management generates monthly reports that are sent to the Board. The reports include operational reviews including HSE, financial highlights and key performance indicators. These issues are also discussed in all Board meetings.

All projects report status on cost/schedule including forecast every month. Present risk picture including mitigating actions are included in the report. The report is presented to the management and on a regular basis to the Board.

The Company has systems and guidelines for monthly, quarterly and annual financial reporting and has established internal control activities in relation to the financial reporting. The Board's Audit Committee is also supervising internal control systems related to financial reporting. The CFO attends the meetings in the audit committee.

In addition to the foregoing, the Board will from 2009 perform a separate annual review of risk areas and internal control systems.

The Group's financial risk management is described in note 3 to the consolidated financial statements.

The Annual Report includes a risk report on page 24.

The Board of Directors report includes an analysis of the financial statements and the key risk factors, in the Annual Report on page 13 and 14.

The Company's Code of Conduct contains a provision where employees are encouraged to report any concern or complaint related to REC's conduct including the Company's accounting, internal accounting controls and auditing matters to any member of the Board or the Audit Committee. No adverse action may be taken against an employee due to such complaint. Complaints may be confidential.

REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board receive remuneration in accordance with their individual roles. Board members who participate in the Audit Committee, Compensation Committee and Corporate Governance Committee receive additional compensation, see note 16 to the consolidated financial statements. All rates are disclosed.

The remuneration is not linked to the Company's performance and the members are not granted share options. None of the shareholder elected members of the Board have taken on specific assignments for the Company in addition to their appointment as members of the Board.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board determines all aspects of the remuneration of the CEO.

REC's remuneration policy for executive management has been established according to guidelines from the Board. The Board gave a statements of the remuneration of the management at the AGM in May 2008 and the AGM approved the statements.

The remuneration of the executive management consists of the following main elements:

- Basic salary
- Variable pay based on an annual performance related pay system
- Stock option schemes
- Payments in kind, e.g. car and telephone allowances
- Pension and insurance schemes

The bonus program and the value of the options are linked to the Company's earning performance over time and include incentives related to performance that the employees can influence.

All aspects of the remuneration of the CEO and all members of the executive management are disclosed in note 16 to the consolidated financial statements regarding management compensation, loans and shareholding.

INFORMATION AND COMMUNICATIONS

REC treats its investors equally. Timely information is given and published simultaneously to all investors in accordance with applicable legislation and regulations in order to provide the best possible basis for the valuation of the Company. Presentations that are open to the public are conducted in connection with every quarterly report and are also made available through a webcast. Analyst Q&A conference calls are usually held in the afternoon on the same day as the quarterly report is released. The quarterly presentations are normally given by the CEO. The CFO and Investor Relations Officer participate at the quarterly presentations and from time to time other members of the executive management. In addition, the Company keeps an on-going dialogue with its investors and makes presentations to analysts and investors through various conferences and investor events.

The Investor Relations (IR) function is in charge of coordinating the Company's communications to the market and to existing and potential investors of the Company. The Investor Relations Officer is a member of the executive management group and reports to the CFO.

The annual report is sent to all shareholders, electronically or by post, and is published on the Company's website. The quarterly reports and all announcements to the Stock Exchange are published on the Company's website.

The financial calendar is published on the website.

TAKE-OVERS

The Company has no defense mechanism that can prevent take-over bids. The Board is open to initiatives that are commercially and financially attractive for the owners of the Company. If an offer is made for the Company's shares, the Board will assess the offer and make a recommendation to the shareholders on whether or not to accept the offer.

The Board is responsible to ensure that all shareholders are treated equally and is obliged to act professionally and in accordance with applicable principles of good corporate governance.

Any transaction that effectively will constitute a disposal of a majority of the Company's activities will be decided by the general meeting.

AUDITOR

The Company's external auditor is independent in relation to the Company and is elected by the annual general meeting.

The auditor participates at the Board meetings where the Board deals with the annual accounts and he provides comments related to the audit and the Financial Statements. The auditor also participates in the meetings of the Audit Committee.

The auditor meets with the Board annually and submits the main features of the plan for the audit of the Company. The Board meets with the auditor at least once a year.

The remuneration of the auditor is approved by the AGM.

The Board has not yet issued guidelines regarding executive management use of the auditor for services other than audit.

The Board will ensure that the auditor from 2009 at least once a year presents a review of the Company's internal control procedures to the Board. The Board will also ensure that he from 2009 provides the Board with an annual written confirmation that the auditor satisfies the requirements for independence together with a summary of all services in addition to audit work that have been undertaken for the Company. Furthermore, the Board will initiate a procedure whereby it meets with the auditor at least once a year without the presence of the CEO or any other member of the executive management.

The report is also available on www.recgroup.com.

ARTICLES OF ASSOCIATION

The Articles of Association can be found on www.recgroup.com.

GENERAL MEETING

The annual general meeting (AGM) is the Company's supreme body. Pursuant to the Articles of Association and the Norwegian Public Limited Companies Act, the AGM shall:

- Approve the report of the Board with the financial statements including allocation of profits or deficits
- Elect the share-holder representatives of the Board
- Determine the remuneration of the Board
- Elect the nomination committee
- Elect the auditor and stipulate the auditor's fee
- Deal with any other matter listed in the notice of the meeting

According to the Articles of Association the AGM shall be held by the end of June every year.

More information about the AGM can be found in the Board's report on corporate governance on page 19. The notice of the AGM with documentation will be posted on www.recgroup.com at the latest three weeks in advance of the AGM.

REC ASA held its annual general meeting on May 19, 2008. Minutes and protocol from the annual general meeting can be found on www.recgroup.com

NOMINATION COMMITTEE

MEMBER	SINCE
Dag Opedal	19.05.08
Rune Selmar	20.04.06
Stig Grimsgaard Andersen	14.05.07

More information about the work of the Nomination Committee can be found on page 19 in the Board's report on corporate governance.

BOARD OF DIRECTORS

REC´s Board of Directors consists of 12 directors. Eight of these are elected by the shareholders and four are elected by and among employees in the Norwegian REC companies. The Board held nine meetings in 2008. For information about Board members shareholding, see note 16 to the consolidated financial statements.

MEMBER	SINCE
Ole Enger (Chairman from 14.05.07)	08.11.04 to 27.03.09
Tore Schiøtz (Chairman from 27.03.09)	14.12.01
Marcel E. Brenninkmeijer	28.05.02
Roar Engeland	16.11.05
Line Geheb	09.05.06
Susanne E. Munch Thore	09.05.06
Inger Johanne Solhaug	14.05.07
Christian Berg	14.05.07
Mona Steinsvik	14.05.07 to 17.02.09
Rolf B. Nilsen	14.05.07
Jørn Mobæk	14.05.07
Unni Kristiansen (deputy)	11.12.07
Are Gløersen (deputy)	17.02.09

Terry Whittall is personal deputy to Rolf B. Nilsen. Thae Kanmo is personal deputy to Jørn Mobæk. Marten Walman and Jon-Einar Kristensen are non-personal deputies to Mona Steinsvik (until 17.02.09), Rolf B. Nilsen and Jørn Mobæk.

An overview of REC's Board of Directors can be found at www.recgroup.com. Information about the work of the Board can be found on page 20 in the Board's report on corporate governance.

BOARD COMMITTEES
The Board has established three committees – a Compensation Committee, an Audit Committee, and a Corporate Governance Committee.

COMPENSATION COMMITTEE

MEMBER	SINCE
Ole Enger	14.09.05 to 27.03.09
Inger Johanne Solhaug	19.09.07
Marcel E. Brenninkmeijer	19.09.07
Rolf B. Nilsen	19.09.07

More information about the tasks and work of the compensation committee can be found on page 20 in the Board's report on corporate governance.

AUDIT COMMITTEE

MEMBER	SINCE
Roar Engeland	15.12.05
Christian Berg	20.06.07

More information about the tasks and work of the Audit Committee can be found on page 20 in the Board's report on corporate governance.

CORPORATE GOVERNANCE COMMITTEE

MEMBER	SINCE
Tore Schiøtz	23.05.06
Line Geheb	23.05.06
Susanne E. Munch Thore	19.09.07
Erik Thorsen	19.09.07

More information about the tasks and work of the Corporate Governance Committee can be found on page 20 in the Board's report on corporate governance.

RISK REPORT

Renewable Energy Corporation ASA (REC) and its subsidiaries are exposed to risks related to economic and industry developments, political risks, and company specific risks. These risks may constrain the Company's operations and adversely affect the financial performance.

Please refer to the Report from the Board of Directors for a review of the risks related to market and operational risk factors in the PV industry as well as financial risks.

OPERATIONAL RISKS

REGULATORY COMPLIANCE RISK

By nature, REC's operations involve the handling of a range of different chemicals as well as the operation of industrial equipment. These operations are subject to a variety of regulations, which REC must meet. As a result, REC's reputation and labor relations could be at risk, should the company fail to meet its obligations in complying with these regulations.

The company is intensifying the sustainability management, designed to ensure that REC stays in compliance with all regulatory requirements and generally accepted industry best sustainability practices.

SEVERE INCIDENT RISK

As a company with significant chemicals processing operations, REC's business involves a risk to the employee safety, the environment, the company's assets, reputation and community standing if a severe incident occurs from acts of nature or willful damage by third parties.

The company has an extensive security program designed to protect its operations from damage. REC has also developed a comprehensive Emergency Preparedness Plan, designed to mitigate damage from any severe incident.

PROJECT EXECUTION

REC's growth strategy is dependent on its ability to successfully bring on new production capacity on time within budget. REC has several parallel large expansion projects ongoing, which introduce innovative new technologies. These carry an inherent risk of delays and/or cost overruns, which the Company experienced with some its expansion projects in 2008.

REC has a separate corporate function responsible for planning and execution of projects in the REC Group, and has developed and implemented a REC Group Project Management System to mitigate project executions risks.

PRODUCTION

REC is expanding its manufacturing capacity across the PV value chain, and continuously strives to improve its management of the highly complex processes involved in production of polysilicon, wafers, solar cells and modules. The company may nevertheless experience lower than anticipated yields, especially during the ramp-up of new production plants and lines.

SALES

As described in the report from the Board of Directors, a significant part of the Company's revenue and contract portfolio is based on sales to a relatively concentrated customer portfolio. If one or more of these customers are unable to fulfill the terms of the contract, this could have an adverse effect on REC's operational and financial performance.

A substantial portion of REC's products is sold internally to other REC divisions. Sustained interruption in production could adversely affect the performance in other REC business areas and hence REC's overall performance.

SUPPLIER AND SUBCONTRACTOR RISK

REC's polysilicon, wafer, solar cell and module manufacturing operations all rely on external subcontractors and suppliers of services and goods to varying degrees. This operating model inherently contains a risk to the company's goodwill and branding, if supplies fail to meet agreed or generally accepted standards in areas such as environmental compliance, human rights, labor relations and product quality. The scope of this risk increased in 2008, as REC's business has grown in size and extended into many new geographic markets, including the construction of a new production facility in Singapore.

To mitigate this risk, REC has in 2008 developed a set of supplier contract requirements. These will be further standardized in 2009 in order to secure a sustainable supply chain management.

KNOWLEDGE RISKS

INTELLECTUAL PROPERTY PROTECTION

REC continuously seeks to protect important proprietary intellectual property and requires employees, consultants and companies to sign confidentiality agreements. Steps taken to protect proprietary intellectual property may not be adequate, and inability to obtain and enforce intellectual property rights may harm the Company's performance.

REC may also face intellectual property infringement claims which could be time-consuming and costly to defend and potentially result in loss of significant rights.

HUMAN RESOURCES

REC has grown rapidly and expects growth to continue. As a result the organization is expanding and becoming more complex. REC in 2008 added approximately 600 employees and will need to continue to hire a large number of employees in the years to come. The future success of REC depends on the ability to add qualified personnel, and the company also works continuously to retain key executives and employees.

The majority of REC's employees in Norway and Sweden are represented by labor unions under collective bargaining agreements. These agreements typically govern terms and conditions of employment and resolution of disputes. Work stoppage as a result of labor disputes could have a material negative effect on REC's operating and financial performance.

RISK MANAGEMENT

The REC Group has developed and implemented effective management and control systems for early recognition and assessment of risks. The Audit Committee will focus on the various risks that could negatively affect REC and monitor the management's ability to plan for and mitigate these risks.

SENSITIVITY ANALYSIS

The following table presents the ceteris paribus sensitivity of REC's revenue and EBITDA to hypothetical changes in prices and exchange rates for 2008.

(NOK IN MILLION)	REVENUES	EBITDA
+/− 10% change in price of polysilicon	+/− 250	+/− 100
+/− 10% change in price of wafers	+/− 490	+/− 350
+/− 10% change in price of cell	+/− 190	+/− 30
+/− 10% change in NOK/USD	+/− 300	+/− 150
+/− 10% change in NOK/EUR	+/− 210	+/− 170

Please refer to Note 30 for more information on interest and currency sensitivity on financial instruments.

SHAREHOLDERS' MATTERS

KEY DATA PER SHARE

(NOK IN MILLION)	2008	2007
Market capitalization at year–end (NOK million)	31 883	136 431
Number of shares traded (million)	1 283	740
Number of shares at year–end (million)	494.3	494.3
Market price at year–end (NOK)	64.5	276.0
Highest market price during the year (NOK)	273.0	301.0
Lowest market price during the year (NOK)	42.5	116.0
Average price (NOK)	130.0	200.8

The REC share is listed on the Oslo Stock Exchange under the ticker code REC. More than 500 investor meetings and a large number of presentations were held during the year in Norway and internationally. At the end of 2008, REC's total market capitalization was NOK 31 833 million; around 35 analysts worldwide are regularly publishing research on the company

RETURN ON INVESTMENT

The REC Group's ambition is to give its shareholders a high and stable return on their investment. This should be achieved, first and foremost, through strong and profitable growth, at least in line with the growth of the solar energy market. To support REC's growth strategy and expansion plans, the Board believes retained earnings should be put to profitable use within the company. Shareholder value should be generated through capacity expansions throughout the entire value chain, and through further productivity improvements.

Accordingly, no distribution of dividends to the Company's shareholders is proposed for 2008.

SHAREHOLDER/IR POLICY

REC has a shareholder policy approved by REC's Board of Directors to ensure the provision of accurate, relevant and timely information to the capital market.

Investors and capital market participants are to be provided consistent, timely and precise information simultaneously. As REC is an international enterprise, with investors across the globe, all news and press releases are and will be published in English only.

REC will make quarterly earnings presentations available as casts and PowerPoint presentations in real time.

The shareholder policy is available on www.recgroup.com.

SHARE DATA

The share price decreased significantly throughout 2008, bringing the total market capitalization from NOK 134 945 million at the beginning of the year, to NOK 31 883 million at the end of the year. REC did not issued any new shares during 2008.

SHARE PRICE DEVELOPMENT THROUGHOUT 2008

The share price development during 2008 can be seen above as well as the performance of the Oslo Stock Exchange (OBX) and the NEX renewable index.

SHAREHOLDERS

As at December 31, 2008, the REC Group had close to 24 000 shareholders, and the total number of outstanding shares at the end of the year was 494.3 million, each with a nominal value of NOK 1.

Share distribution and main shareholders are described in the tables on the next page.

SHARE LIQUIDITY

High turnover in the REC share is important for our investors since this will reduce the cost of capital, and will further attract major Norwegian and international investors.

In 2008, more than 1.16 million trades were executed from January 2 to December 30, 2008. In the same period the total trading in the REC share was 1.3 billion shares. This represents a turnover velocity of 259 percent, calculated as the total number

SHAREHOLDERS SPREAD AS PER DECEMBER 31, 2008

NUMBER OF SHARES FROM	NUMBER OF SHARES TO	NO. OF SHAREHOLDERS	NO. OF SHARES	PERCENT
1	100	6 188	472 697	0.10%
101	1 000	13 235	6 034 158	1.22%
1 001	10 000	3 636	10 877 964	2.20%
10 001	100 000	473	15 730 292	3.18%
100 001	1 000 000	153	48 795 030	9.87%
1 000 001		29	412 404 584	83.43%
		23 714	494 314 725	100.00%

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2008

	SHAREHOLDER	PERCENT	NO. OF SHARES	TYPE	NAT
1	Elkem AS	23.45%	115 935 300		NOR
2	Q–Cells AG	17.19%	84 956 767		GER
3	Orkla ASA	16.28%	80 489 700		NOR
4	Hafslund Venture AS	14.24%	70 411 520		NOR
5	Folketrygdfondet	2.33%	11 508 650		GBR
6	Citibank N.A. New York branch	1.04%	5 120 000	Nom	USA
7	Clearstream Banking S.A.	0.84%	4 132 966	Nom	LUX
8	State Street Bank and Trust Co.	0.66%	3 266 043	Nom	USA
9	Sumitomo Corporation	0.62%	3 062 000		JPN
10	Deutsche Bank AG London	0.50%	2 489 045	Nom	GBR
11	State Street Bank and Trust Co.	0.50%	2 478 868	Nom	USA
12	JP Morgan Chase Bank	0.48%	2 364 000	Nom	GBR
13	Bank of New York Mellon	0.45%	2 233 034	Nom	USA
14	Bank of New York, Brussels branch	0.45%	2 214 365	Nom	BLE
15	JP Morgan Chase Bank	0.44%	2 187 837	Nom	GBR
16	Skandinaviska Enskilda Banken	0.41%	2 012 345	Nom	SWE
17	Citibank N.A. (London branch)	0.36%	1 795 475	Nom	GBR
18	BGL	0.34%	1 699 778	Nom	LUX
19	Bank of New York, Brussels Branch	0.32%	1 598 967	Nom	BLE
20	DnB NOR Norge	0.29%	1 432 299	Nom	NOR

of shares traded in the period as a percentage of the average total registered number of shares.

During 2008, REC was the third most traded share on the Oslo Stock Exchange, measured in turnover by value and number of shares, surpassed only by StatoilHydro, and Yara International.

INVESTOR RELATIONS ACTIVITIES
REC puts emphasis on transparency and equal treatment of shareholders, and on informing all investors and analysts with the same information at the same time.

The Investor Relations section of REC's website is an important tool, and this section contains up-to-date information on the Company's financial performance and stock market information. In addition, users can find an updated financial calendar, detailed company information and other important data for the financial markets.

In conjunction with the release of its interim financial results, REC gives a public presentation to investors, analyst and press. The presentation is web-casted and it is also possible to participate by telephone.

During the year, REC has participated in various renewable energy- and PV conferences as well as holding around 500 physical meetings and several hundred phone meetings with Norwegian and international investors. The cities covered by

SHAREHOLDERS' MATTERS

REC during road shows in 2008 include: Oslo, Stockholm, Goteborg, Copenhagen, London, Paris, Frankfurt, Zurich, Genève, Valencia, New York, Boston, San Francisco, LA and Seattle.

At the end of the year, the number of analysts who regularly follow REC amounted to around 35, of which 12 are based in Norway. An updated list of analysts following the company can be found under investor relations at www.recgroup.com

FINANCIAL CALENDAR 2009

DATE	EVENT
18.02.2009	Q4 2008
29.04.2009	Q1 2009
19.05.2009	Annual General Meeting
11.08.2009	Q2 2009
27.10.2009	Q3 2009
Fall of 2009	Capital Markets Day
February 2010	Q4 2009

REGISTRAR
If you have any questions regarding your holding of REC shares, please contact our registrar in Norway:

DnB NOR VPS Service
Registrars Department
Stranden 21
0021 Oslo
Norway
Phone: +47 22 48 35 90
Fax: +47 22 48 11 71

CONTACT
For further information about investing in REC, please use the contact information below:

Jon André Løkke
Investor Relation Officer
Phone: +47 67 57 44 50
Email: ir@recgroup.com

Bjørn R. Berntsen
Shareholder Services
Phone: +47 67 57 44 50
Email: ir@recgroup.com

Mail address
PO Box 594
N-1302 Sandvika
Norway

Office address
Kjørboveien. 29, Sandvika

FINANCIAL STATEMENTS REC GROUP & REC ASA

CONTENTS REC GROUP

PAGE

CONTENTS REC ASA

PAGE

CONSOLIDATED BALANCE SHEET
REC GROUP

AT DECEMBER 31 (NOK IN THOUSAND)	NOTES	2008	2007
ASSETS			
Non–current assets			
Goodwill	7	916 513	799 456
Other intangible assets	7	476 847	256 359
Intangible assets	7	1 393 360	1 055 815
Land and buildings	6	2 116 270	1 330 940
Machinery and equipment	6	4 619 685	3 151 642
Other tangible assets	6	170 313	112 695
Assets under construction	6	12 531 392	3 039 626
Property, plant and equipment	6	19 437 660	7 634 903
Prepaid capital expenditure		1 556 987	909 654
Investments in associates	8	287 787	8 548
Investments in shares	10	2 306	1 237
Other non–current receivables		167 572	180 194
Restricted bank accounts	14	115 517	340 774
Financial assets		573 182	530 754
Deferred tax assets	18	21 022	230 758
Total non–current assets		22 982 211	10 361 884
Current assets			
Inventories	13	1 669 885	655 165
Trade and other receivables	12	2 219 520	1 019 802
Current tax assets		19 406	0
Derivatives	11	2 810 349	92 918
Restricted bank accounts	14	10 674	20 671
Cash and cash equivalents	14	496 819	5 794 897
Total current assets		7 226 653	7 583 453
Total assets		30 208 864	17 945 336

CONSOLIDATED BALANCE SHEET
REC GROUP

AT DECEMBER 31 (NOK IN THOUSAND)	NOTES	2008	2007
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital	15	494 315	494 315
Share premium and other paid in capital	15	8 548 839	8 548 841
Paid in capital	15	9 043 154	9 043 156
Other equity and retained earnings excl.profit for the period		4 404 704	1 380 097
Profit for the period		3 064 233	1 333 459
Other equity and retained earnings	15	7 468 937	2 713 556
Minority interests	15	309	346
Total shareholders' equity	15	16 512 400	11 757 058
Non–current liabilities			
Retirement benefit obligations	19	156 420	116 200
Deferred tax liabilities	18	927 783	310 320
Provisions and other non–interest bearing liabilities	20	149 130	116 871
Non–current financial liabilities, interest bearing	17	5 156 564	2 312 593
Non–current prepayments, interest calculation	17	419 192	326 554
Total non–current liabilities		6 809 089	3 182 538
Current liabilities			
Trade payables, provisions and other liabilities	20	3 057 615	1 334 985
Current tax liabilities		299 952	480 413
Derivatives	11	1 902 327	706 363
Current financial liabilities, interest bearing	17	1 438 784	483 979
Current prepayments, interest calculation	17	188 697	0
Total current liabilities		6 887 375	3 005 740
Total liabilities		13 696 464	6 188 278
Total equity and liabilities		30 208 864	17 945 336

Sandvika, March 23, 2009
Board of Directors

Ole Enger
Chairman of the Board

Marcel Egmond Brenninkmeijer
Member of the Board

Tore Schiøtz
Vice Chairman of the Board

Roar Engeland
Member of the Board

Susanne Elise Munch Thore
Member of the Board

Line Geheb
Member of the Board

Inger Johanne Solhaug
Member of the Board

Rolf B. Nilsen
Member of the Board

Christian Berg
Member of the Board

Are Gløersen
Deputy member of the Board

Jørn Mobæk
Member of the Board

Unni Kristiansen
Deputy member of the Board

Erik Thorsen
President & CEO

CONSOLIDATED INCOME STATEMENT
REC GROUP

YEAR ENDED DECEMBER 31 (NOK IN THOUSAND)	NOTES	2008	2007
Revenues	5	8 190 806	6 642 043
Cost of materials		−2 012 120	−1 310 700
Changes in inventories		311 190	38 180
Employee benefit expenses	24	−1 545 186	−1 033 432
Other operating expenses	22	−1 665 837	−1 163 819
EBITDA		3 278 853	3 172 272
Depreciation	6	−678 160	−481 997
Amortization	7	−36 174	−91 725
Impairment	6,7	−35 725	−10 859
EBIT		2 528 794	2 587 691
Share of loss of associates	8,25	−2 936	−45 465
Financial income	25	181 319	314 639
Net financial expenses	25	−31 974	−63 563
Net currency gains/−losses	25	291 440	−345 737
Net gains/−losses derivatives	25	1 436 116	−470 218
Impairment financial assets	25	−24 170	0
Net financial items	25	1 849 795	−610 344
Profit before tax		4 378 589	1 977 347
Income tax expense	18	−1 314 370	−643 994
Profit for the period		3 064 219	1 333 353
Attributable to			
Minority interests		−14	−106
Equity holders of REC ASA		3 064 233	1 333 459
Earnings per share for profit attributable to the equity holders of REC ASA (in NOK per share)			
− basic	26	6.2	2.7
− diluted	26	6.2	2.7

EBITDA is earnings before net financial items, income taxes, depreciation, amortization and impairment.
EBIT is earnings before net financial items and income taxes.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE
REC GROUP

YEAR ENDED DECEMBER 31 (NOK IN THOUSAND)	TRANSLATION DIFFERENCES	TAX	PENSION	CASH FLOW HEDGE	ACQUISITION	CHANGE IN ACCOUNTING PRINCIPLE	PROFIT/ −LOSS	TOTAL
Year 2007								
At January 1, 2007	−8 413	58 285	−24 557	−121 158	210 934	−49 918	456 164	521 337
Currency translation differences	−331 652	33 089	0	0	0	0	0	−298 563
Actuarial gain/−loss on defined benefit pension schemes	0	480	−8 617	0	0	0	0	−8 137
Effect of Sovello acquisition	0	0	0	0	23 322	0	0	23 322
Cash flow hedges								
− valuation gain/−loss taken to equity	0	−30 139	0	107 569	0	0	0	77 430
− transferred to profit/−loss for the period*	0	2 492	0	−8 900	0	0	0	−6 408
Total income and expense recognized directly in equity	−331 652	5 922	−8 617	98 669	23 322	0	0	−212 356
Profit for the period	0	0	0	0	0	0	1 333 353	1 333 353
Total income and expense in the period	−331 652	5 922	−8 617	98 669	23 322	0	1 333 353	1 120 997
At December 31, 2007	−340 065	64 207	−33 174	−22 489	234 256	−49 918	1 789 517	1 642 334
Year 2008								
At January 1, 2008	−340 065	64 207	−33 174	−22 489	234 256	−49 918	1 789 517	1 642 334
Currency translation differences	1 701 655	−62 246	0	0	0	0	0	1 639 409
Actuarial gain/−loss on defined benefit pension schemes	0	−6 784	14 307	0	0	0	0	7 523
Cash flow hedges								
− valuation gain/−loss taken to equity	0	−761	0	2 139	0	0	0	1 378
− transferred to profit/−loss for the period*	0	−15 276	0	54 556	0	0	0	39 280
Total income and expense recognized directly in equity	1 701 655	−85 067	14 307	56 695	0	0	0	1 687 590
Profit for the period	0	0	0	0	0	0	3 064 219	3 064 219
Total income and expense in the period	1 701 655	−85 067	14 307	56 695	0	0	3 064 219	4 751 809
At December 31, 2008	1 361 590	−20 860	−18 867	34 206	234 256	−49 918	4 853 736	6 394 143
Total change attributable to								
Equity holders of REC ASA	1 701 678	−85 067	14 307	56 695	0	0	3 064 233	4 751 846
Minority interest	−23	0	0	0	0	0	−14	−37
Total change in period	1 701 655	−85 067	14 307	56 695	0	0	3 064 219	4 751 809

***Cash flow hedge − transferred to profit/−loss for the period affected the following line items in the income statement**

(NOK IN THOUSAND)	2008	2007
Revenues	−14 570	34 987
Cost of materials	−39 986	−26 087
Total	−54 556	8 900

CONSOLIDATED STATEMENT OF CASH FLOW
REC GROUP

YEAR ENDED DECEMBER 31 (NOK IN THOUSAND)	NOTES	2008	2007
Cash flow from operating activities			
Profit before tax		4 378 589	1 977 347
Income taxes paid		−877 321	−365 020
Depreciation, amortization and impairment		750 059	584 581
Associates and impairment financial assets		27 106	45 463
Changes in receivables and prepayments from customers		−556 849	−130 187
Changes in inventories		−890 298	−172 798
Changes in payables and prepaid expenses		588 536	115 421
Changes in derivatives		−1 463 452	606 124
Currency effects not cash flow or not related to operating activities		−168 949	369 342
Other items		129 988	24 841
Net cash flow from operating activities		1 917 409	3 055 114
Cash flow from investing activities			
Cash payments for shares (incl. associates)		−210 467	−3 309
Proceeds from finance receivables and restricted cash		205 147	17 251
Payments finance receivables and restricted cash		−215 230	−185 400
Proceeds from sale of property, plant and equipment and intangible assets		1 425	2 360
Payments for property, plant and equipment and intangible assets		−9 747 617	−4 301 550
Proceeds from investment grants		2 857	45 825
Cash payments on purchase of subsidiaries and joint ventures, net of cash purchased	9	0	−28 369
Net cash flow from investing activities		−9 963 885	4 453 192
Cash flow from financing activities			
Repayment of equity/treasury shares		−2	−916
Repayment of borrowings		−1 288 969	−343 400
Proceeds from borrowings		4 062 181	598 735
Net cash flow from financing activities		2 773 210	254 419
Effect on cash and cash equivalents of changes in foreign exchange rates		−24 812	−336 991
Net decrease in cash and cash equivalents		−5 298 078	−1 480 651
Cash and cash equivalents at beginning of the period*		5 794 897	7 275 548
Cash and cash equivalents at the end of the period*		496 819	5 794 897

*Cash and cash equivalents excludes restricted bank accounts.

INDEX OF THE FINANCIAL STATEMENT NOTES
REC GROUP

1. GENERAL INFORMATION

Renewable Energy Corporation ASA (the Company) and its subsidiaries (together the REC Group) have a significant presence in the international solar energy industry. The areas of operation are principally the development and sale of products related to the photovoltaic (PV) industry. The Company is a limited company incorporated and domiciled in Norway. The address of its registered office is Kjørboveien 29, Sandvika.

These consolidated financial statements have been approved for issue by the Board of Directors on March 23, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements are presented in NOK, rounded to the nearest thousand, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column. The consolidated financial statements of the REC Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the REC Group's accounting policies. The 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.

2.2 CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the REC Group has the power to govern the financial and operating policies, generally requiring a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights or options that are currently exercisable or convertible are considered when assessing whether the REC Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the REC Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the REC Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of REC Group's share of the identifiable net assets acquired is recorded as goodwill (see note 2.7). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. Step acquisitions: both an increase in ownership of a jointly controlled entity that becomes a subsidiary and an increase in ownership in a subsidiary company are accounted for in accordance with the requirements of IFRS 3 *Business Combinations* with goodwill being recognized at each step of the acquisition when applicable.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Jointly controlled entities

The REC Group's interests in jointly controlled entities are accounted for by proportionate consolidation. Accordingly, the REC Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the REC Group's financial statements (see note 9). Unrealized gains on transactions between the REC Group and its jointly controlled entities are eliminated to the extent of REC Group's interest in the entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. An increase in ownership of a shareholding that becomes a jointly controlled entity is accounted for in accordance with the requirements of IFRS 3 *Business Combinations* with goodwill being recognized at each step of the acquisition when applicable (see note 2.7).

(c) Associates

Associates are entities over which the REC Group has significant influence but not control or joint control, generally encompassing a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost (see note 2.7). The REC Group's share of its associates' post-investment profits or losses is recognized in the income statement. The cumulative post-investment movements are adjusted against the carrying amount of the investment. When the REC Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the REC Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions between the REC Group and its associates are eliminated to the extent of the REC Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 SEGMENT REPORTING

A business segment is a distinguishable component of the REC Group that is engaged in providing products that are subject to risks and returns that are different from those of other business segments; this also corresponds to the internal management reporting in the REC Group. A geographical segment breakdown is based on the REC Group's major markets and site locations (see note 5).

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the REC Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in NOK which is the parent company's functional and presentation currency.

(b) Transactions and balances

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

(c) Group companies

The results and financial position of all the REC Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) Assets and liabilities for each balance sheet presented are translated at the closing rate;
(ii) Income and expenses for each income statement are translated at average exchange rates; and
(iii) All resulting exchange differences from translation are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, including monetary items that are regarded as a part of the net investment, and of borrowings and other currency instruments designated as hedges of such investments, are included in shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale. The REC Group did not at December 31, 2008 or 2007 hold any borrowings or other currency instruments accounted for as net investment hedges.

2.5 CURRENT/NON–CURRENT

An asset/liability is classified as current when it is expected/due to be realized or settled within twelve months after the balance sheet date. All derivatives that are not designated and effective as hedging instruments are accounted for as "held for trading" and classified as current assets/liabilities. Further, derivatives that hedge purchase and sale of goods are classified as current assets/liabilities.

2.6 PROPERTY, PLANT AND EQUIPMENT

Land and buildings primarily consist of operating plants and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation and unreversed impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition, construction or installation of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the REC Group and the cost of the item can be measured reliably. All other costs are charged to the income statement during the financial period in which they are incurred. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. For the REC Group, capitalization of borrowing costs during a year is limited to the total amount of external borrowing costs incurred for the parent company and subsidiaries during the relevant year. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to their residual values over their estimated useful lives. The assets' residual values, if any, depreciation method and useful lives are reviewed at least annually and related depreciation rates are adjusted prospectively. Depreciation commences when the assets are ready for their intended use.

2.7 INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the REC Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill related to associates is included in the carrying value of investments in associates. Goodwill is carried at cost less accumulated impairment losses.

(b) Other intangible assets

Other intangible assets that have a definite useful life are carried at historical cost less accumulated amortization and unreversed impairment losses. Amortization is calculated using the straight-line method to allocate the cost of other intangible assets over their estimated useful lives. Amortization commences when the assets are ready for their intended use. The REC Group has no intangible assets with indefinite lives other than goodwill. The assets' residual values, if any, amortization method and useful lives are reviewed at least annually and related amortization rates are adjusted prospectively.

(c) Research and development

Research expenditures are recognized as an expense as incurred. Costs incurred on development projects (relating to the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes or systems) are capitalized as intangible assets when it is probable that the project will be successful considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods. Development costs with a finite useful life that have been capitalized are amortized from the time the assets are ready for their intended use, which normally is at commencement of the commercial use.

2.8 IMPAIRMENT AND DERECOGNITION OF NON–FINANCIAL ASSETS AND CASH GENERATING UNITS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested at least annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in a separate line item as a part of earnings before interest and taxes (EBIT) in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to individual or groups of cash-generating units for the purpose of impairment testing. Currently, each of those individual or groups of cash-generating units represents the REC Group's investment determined by each operating company except for REC Silicon where goodwill is allocated to the primary reporting segment. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Losses on derecognition include assets that are disposed of and assets with no foreseeable future economic benefits. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are reported as a part of EBIT. When applicable, gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the disposed entity. Losses due to assets assessed as having no future economic benefits are reported as an impairment loss.

2.9 FINANCIAL ASSETS AND LIABILITIES

The REC Group classifies its financial assets in the following categories: held for trading (derivatives, except for derivatives that are designated and effective as hedging instruments), loans and receivables, available-for-sale financial assets and hedging instruments. Financial liabilities are held for trading (derivatives, except for derivatives that are designated and effective as hedging instruments), hedging instruments or recognized at amortized cost. The classification depends on the purpose for which the financial assets and liabilities were acquired or incurred.

Management determines the classification of REC's financial assets and liabilities at initial recognition and re-evaluates this designation when appropriate.

Financial assets and liabilities held for trading comprises primarily derivatives that are not designated and effective as hedging instruments, including the ineffective portion of a qualifying hedging instrument.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are primarily shares owned less than 20 percent. Financial assets and liabilities are initially recognized at fair value plus transaction costs except for derivatives. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the REC Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets held for trading are subsequently carried at fair value, unless fair value cannot be reliably measured in which case they are measured at cost. For the years ended December 31, 2008 and 2007, the REC Group had insignificant available-for-sale financial assets and these are recognized at cost as fair value cannot be reliably measured. Derivatives are the only financial items classified as held for trading. Loans and receivables are carried at amortized cost which for current items approximates historical cost.

Gains or losses arising from changes in the fair value of financial assets and liabilities held for trading are included in the income statement as part of financial items.

2.10 ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The REC Group uses derivative financial instruments to hedge a portion of its risks associated with interest rate and foreign currency fluctuations. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative, as long as the REC Group has no intention and ability to settle the contracts net. The method of recognizing the resulting gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. Derivatives are categorized as held for trading unless they are designated and qualify as hedging instruments.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with gains or losses reported in profit or loss. Currently, for the REC Group this is relevant for currency derivatives embedded in committed sales contracts in which the currency in the contract is not the functional currency of one of the parties to the contract.

The embedded currency derivative is separated based on the forward currency rates at the date of the contract and the host contract is treated as a sales contract in the relevant REC entity's functional currency.

Beginning in 2006, the REC Group designated certain derivative financial instruments to hedge a portion of its risks associated with foreign currency fluctuations related to highly probable future purchase or sales transactions and applied hedge accounting. At the inception of a hedge relationship, the REC Group formally designates and documents the hedge relationship to which the REC Group wishes to apply hedge accounting and the risk management objective and the strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to change in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the years ending December 31, 2008 and 2007, the REC Group only applied cash flow hedges in REC Wafer to hedge some highly probable transactions such as the purchase and sale of goods in a foreign currency. At the end of 2008, the designation as hedge has been revoked. In 2008 and 2007, Sovello applied hedge accounting for some interest rate swaps. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecasted sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecasted transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecasted transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

2.11 INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost for inventory with different nature or use is determined using the first-in, first-out (FIFO) or average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The REC Group is integrated in the value chain, and REC entities sell goods to other REC entities. Consequently, finished goods for one REC entity become raw materials or work in progress for another REC entity. The classification by the separate entities is also used in the classification in REC's consolidated financial statements.

2.12 TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less provisions for impairment. A provision for impairment of trade receivables is recognized in the income statement and is established when there is objective evidence that the REC Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments, are considered indicators that the trade receivable is impaired.

2.13 CASH AND CASH EQUIVALENTS, RESTRICTED BANK ACCOUNTS

Cash and cash equivalents include cash in hand and demand deposits at banks and money market funds. Bank accounts that according to agreements cannot be used within twelve months are classified as non-current restricted bank accounts. They are classified as current restricted bank accounts when the restriction is expected to be more than three months but less than twelve months. Restricted bank accounts are not included as a part of cash and cash equivalents in the balance sheet or cash flow statement.

2.14 SHARE CAPITAL

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

2.15 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period the borrowings are outstanding using the effective interest method.

2.16 INCOME TAX

Income tax expense represents the total of the tax currently payable (current tax) and the change in deferred tax allocated to the income statement. The current tax is based on taxable profit for the year. Taxable profit differs from profit/loss before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (temporary differences) and it further excludes items that are never taxable or deductible. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not recognized. For the REC Group this is relevant for some government grants.

Current and deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related tax asset is realized or the tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the REC Group intends to settle its current tax assets and current tax liabilities on a net basis.

Deferred tax is provided on undistributed earnings in subsidiaries, associates and jointly controlled entities to the extent that the future dividend is taxable, except where the timing of any dividend is controlled by the REC Group and it is probable that the dividend will not be distributed in the foreseeable future (see notes 4 and 18).

2.17 PROVISIONS

Provisions for environmental restoration, asset retirement obligations, restructuring costs, long-term bonuses, product warranties and legal claims are recognized when: the REC Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Assessment of fair value and likelihood is made at each reporting date. Provisions are measured at the management's best estimate of the expenditures expected to be required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material (see notes 4 and 20).

2.18 PENSION/POST RETIREMENT OBLIGATIONS

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity via the Statement of Recognized Income and Expense in the period in which they arise.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. A curtailment occurs when the Group either is demonstrably committed to make a material reduction in the number of employees covered by a plan; or amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

For defined contribution plans, the REC Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, the plan is accounted for as if it were a defined contribution plan.

2.19 REVENUE RECOGNITION

Revenues are primarily generated from sale of goods: Polysilicon, Silane gas, Wafers, Ingots, Cells and Modules.

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates, discounts and expected returns.

Revenues are normally reported gross with a separate recording of expenses to vendors of products or services. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. The REC Group's opinion is that it has no significant difficulties in deciding when delivery has occurred. Delivery is normally according to terms in the relevant contracts. When REC products are sold with a right of return for damaged goods, experience is used to estimate and provide for such returns at the time of sale.

When sub-contractors are used to perform parts of the production, eg wafer cutting or cell or module production, revenues are not recognized on the delivery to these sub-contractors as they are regarded as agents. Instead a cost for the production service is recognized at the time the revenue for sale to the customer is recognized.

The REC Group has some long-term contracts in different segments where sales prices and volumes are predetermined, with some adjusting mechanisms. The contracts are often take-or-pay contracts. The volumes and prices may vary between years, and some are declining over time and some increasing. The customer may also be able to choose various product types and qualities each period. The REC Group has determined that each year's prices and quantities are separate deliveries and revenues should be recognized according to the contract terms for the individual year.

Some products, primarily modules, are sold with product warranties. The expected warranty amounts are recognized as an expense at the time of sale, and are adjusted for subsequent changes in estimates or actual outcomes (see notes 4 and 20).

2.20 INTEREST AND DIVIDEND INCOME

Interest income is accrued on a time basis. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, normally on the declaration date.

2.21 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other leases are classified as operating leases. The evaluation is based on the substance of the transaction. The criteria that primarily has been the decisive factor for the REC Group in concluding that a finance lease exists is when the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset at the inception of the lease.

According to IFRIC 4 *Determining whether an arrangement contains a lease* the REC Group may enter into an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments. Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset; and (b) the arrangement conveys a right to use the asset (see note 4).

Assets held under finance leases are recognized as assets of the REC Group at their estimated fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The leased assets are depreciated over the shorter of the useful life of the asset or the lease term. The corresponding liability to the lessor is included in the balance sheet as an interest-bearing liability. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Initial direct costs in negotiating and securing a lease for the REC Group as the lessee are added to the amount recognized as an asset for a finance lease and recognized as an intangible asset for an operating lease.

Significant prepayments made in an operating lease for the REC Group as the lessee are amortized over the minimum lease term and included as a part of amortization in the income statement.

2.22 DIVIDEND DISTRIBUTION

Dividend distributions to the Company's shareholders are recognized as a liability in the REC Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.23 GOVERNMENT GRANTS

Government grants are recognized at their fair values when there is reasonable assurance that the grants will be received and the REC Group will comply with all attached conditions (see note 21). Government grants related to assets are presented in the balance sheet as a reduction to the carrying amount of the assets and reduce depreciation in the income statement. Government grants relating to income are deducted in reporting the related expenses.

2.24 NEW STANDARDS ETC.

(a) Standards, interpretations and amendments to published standards implemented in 2008

There were no new standards, interpretations or amendments to published standards that have affected the consolidated financial statements for 2008.

(b) Standards, interpretations and amendments to published standards that are not effective at December 31, 2008

Certain new standards, amendments and interpretations to existing standards have been published and shall be applied for periods beginning on or after January 1, 2009. The Group has not adopted these early.

(i) Those that may have an effect on the REC Group's Financial Statements in the future, based on facts and circumstances at December 31, 2008

IFRS 8 *Operating segments* (effective from January 1, 2009. Early adoption is possible). IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The proposals would therefore require explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognized in the income statement and balance sheet. The REC Group anticipate that IFRS 8 will not have a material affect on REC Group's segment reporting, and will implement IFRS 8 at January 1, 2009.

Revised IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after January 1, 2009. Early adoption is possible). IAS 1 replaces IAS 1 *Presentation of Financial Statements* (revised in 2003) as amended in 2005. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The REC Group will implement IAS 1 at January 1, 2009 and has evaluated that the impact of IAS 1 is limited.

Revised IAS 23 *Borrowing Costs* (effective for annual periods beginning on or after January 1, 2009. Early adoption is possible). The revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. This change in IAS 23 will not constitute a change in accounting policy for the REC Group.

IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008. IFRIC 12 was not approved by the EU Commission as of March 23, 2009). IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. The REC Group has not identified any Service Concession in the past for which IFRIC 12 will change the accounting, but IFRIC 12 may be relevant for future periods.

Revised IFRS 3 *Business Combinations*. The IFRS replaces IFRS 3 (as issued in 2004) and comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. Earlier application is permitted, provided that IAS 27 (as amended in 2008) is applied at the same time. The revised IFRS 3 was not approved by the EU Commission as of March 23, 2009. The objective of the IFRS is to enhance the relevance, reliability and comparability of the information that an entity provides in its financial statements about a business combination and its effects. It does that by establishing principles and requirements for how an acquirer:

- recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree;
- recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase;
- and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

The REC Group has not concluded on the potential impact of the revised IFRS 3 or whether the REC Group will implement the IFRS early.

Revised IAS 27 *Consolidated and Separate Financial Statements.* The amended standard must be applied for annual periods beginning on or after July 1, 2009. Earlier application is permitted. However, an entity must not apply the amendments for annual periods beginning before July 1, 2009 unless it also applies IFRS 3 (as revised in 2008). The revised IAS 27 was not approved by the EU Commission as of March 23, 2009. The objective of IAS 27 is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. The standard specifies:

- the circumstances in which an entity must consolidate the financial statements of another entity (being a subsidiary);
- the accounting for changes in the level of ownership interest in a subsidiary;
- the accounting for the loss of control of a subsidiary; and
- the information that an entity must disclose to enable users of the financial statements to evaluate the nature of the relationship between the entity and its subsidiaries.

The REC Group has not concluded on the potential impact of the revised IAS 27 or whether the REC Group will implement the IAS early.

Improvements to IFRSs. The REC Group's evaluation is that the impacts of these improvements to IFRSs are limited for the REC Group, and primarily relate to classification of derivatives. The REC Group has classified all its derivatives as current. According to the amendments a financial asset or liability that is not held for trading purposes, such as a derivative that is not a financial guarantee contract or a designated hedging instrument, should be presented as current or non-current on the basis of its settlement date. This amendment shall apply for annual periods beginning on or after 1 January 2009. The REC Group will implement this amendment at January 1, 2009.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*. The REC Group has not used hedge accounting for net investments to date and IFRIC 16 is not expected to affect accounting in previous periods for the REC Group. The interpretation is effective for annual periods beginning on or after October 1, 2008. Earlier application is permitted. It was not approved by the EU Commission as of March 23, 2009.

Eligible Hedged Items (an amendment to IAS 39 Financial Instruments: Recognition and Measurement). Entities are required to apply the amendment retrospectively for annual periods beginning on or after July 1, 2009, with earlier application permitted. It was not approved by the EU Commission as of March 23, 2009. The REC Group has evaluated that the amendment will not affect the REC Group's financial statements and has not decided if it will implement the amendments early.

(ii) Those that are not expected to affect the REC Group's financial statements compared to the accounting policies in place at December 31, 2008, including because they relate to issues that have not been relevant or significant for financial years up to, and including December 31, 2008, are

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (as revised in 2007) and consequential amendments to IFRS 7 *Financial Instruments: Disclosures*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*. The amendments result from proposals that were contained in an exposure draft of proposed amendments to IAS 32 and IAS 1—*Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation* published in June 2006.

Amendments to IFRS 2 Share-based Payment. The amendments finalize the proposals that were contained in the exposure draft of proposed amendments to IFRS 2—*Vesting Conditions and Cancellations* published in February 2006.

IFRIC 11 *IFRS 2—Group and Treasury Share Transactions.* This Interpretation addresses two issues. The first is whether the following transactions should be accounted for as equity-settled or as cash-settled under the requirements of IFRS 2: (a) an entity grants to its employees rights to equity instruments of the entity (eg share options), and either chooses or is required to buy equity instruments (ie treasury shares) from another party, to satisfy its obligations to its employees; and (b) an entity's employees are granted rights to equity instruments of the entity (eg share options), either by the entity itself or by its shareholders, and the shareholders of the entity provide the equity instruments needed.

IFRIC 13 *Customer Loyalty Programmes*. This Interpretation applies to customer loyalty award credits that, (a) an entity grants to its customers as part of a sales transaction, ie a sale of goods, rendering of services or use by a customer of entity assets; and

(b) subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The Interpretation addresses accounting by the entity that grants award credits to its customers.

IFRIC 14, IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The issues addressed in this interpretation are: (a) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, (b) how a minimum funding requirement might affect the availability of reductions in future contributions, (c) when a minimum funding requirement might give rise to a liability.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements.*

IFRIC 15 *Agreements for the Construction of Real Estate*.

IFRIC 17 *Distributions of Non-cash Assets to Owners*.

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

The REC Group finance policy gives guidance to handling these risk factors. This document, approved by the board, defines risk management objectives, responsibilities and operational requirements concerning liquidity management, currency hedging, capital structure, corporate funding, counterparty risk and commodity risk.

The finance policy aims at creating predictability and stability in operational cash flows and values, and preserving the carrying value of net investments, long-term receivables, deposits and borrowings. The policy sets the framework and limits for hedging activities in the REC Group in order to maintain a low to moderate financial risk profile. All hedging transactions are undertaken in order to reduce negative impacts of changes in financial markets on values and operational cash flow. The REC Group uses financial instruments to hedge net exposures arising from operational, financing and investment activities in accordance with the finance policy.

(a) Currency risk

The REC Group operates internationally and is exposed to currency risk, primarily to fluctuations in US Dollar (USD), Euro (EUR), Singapore Dollar (SGD) and Norwegian Krone (NOK), arising from commercial transactions in currencies other than the entities' functional currencies, recognized assets and liabilities, and net investments in foreign operations. REC strives to economically hedge risks related to currencies.

The REC Group's finance policy is to economically currency hedge at least 80 percent of expected future cash flows on a rolling 12 month basis. The policy defines coverage of the net exposure for a 48 month period, with gradually declining hedging coverage.

The REC Group focuses on achieving stability and predictability in operating cash flows, preserving the carrying value of net investments, and giving predictability of highly probable future payments for investments in foreign currencies (normally Board approved and for which the currency of the transaction can be determined).

Future cash flows are projected and netted. To manage currency risk arising from commercial transactions, REC entities mainly use various forward contracts or options. REC subsidiaries manage their currency risk by entering into foreign exchange contracts through REC ASA or by using embedded derivatives. REC ASA manages the currency risk on an overall REC Group level and establishes external foreign exchange rate contracts with banks. Hedge accounting according to IAS 39 *Financial Instruments* has been used for cash flow hedges of certain revenues and expenses of REC Wafer. In the fourth quarter of 2008, REC Wafer discontinued this hedge accounting. Currency hedging is also performed in other REC Group companies without hedge accounting. This primarily relates to REC ASA for foreign currency monetary items and REC ScanCell's net sales in EUR as long as REC ScanCell's functional currency was NOK. In 2008 and 2007, REC Wafer's hedges of future purchases in USD using embedded derivatives were not hedge accounted.

In order to achieve stability and predictability in operational cash flows and investments, the REC Group will consider whether hedge accounting under IAS 39 should be used for hedging of currency risk. To achieve IAS 39 hedge accounting there are extensive requirements for documentation, effectiveness testing, calculating fair values and ineffectiveness, conducting accounting entries, providing note disclosures etc. These requirements have a cost due to the resources needed in order to achieve and maintain IAS 39 hedge accounting. However, even though economic hedge is achieved, IAS 39 hedge accounting may not be achievable or only partially achievable in some cases.

Currency developments will affect translation of profit and loss and balance sheet items of foreign entities, as well as other financial items in foreign currencies such as cash, receivables, debt and derivatives.

(b) Credit risk

REC has historically had limited losses on receivables. However, the financial turmoil during the second half of 2008 has reduced visibility for credit risks related to counterparties, including customers and banks. The REC Group has some concentrations of credit risk as it has a few large wholesale customers in the solar, silicon gases and electronic industry in Europe, USA and Asia. Policies are in place to ensure that sales of products are made to customers with an appropriate credit history in combination with requirements for various payment guarantees or prepayments and to some extent credit insurance. However, at December 31, 2008 REC Solar and Sovello experienced that some accounts receivables were not paid in due time. Most long term sales contracts in REC Silicon and REC Wafer are partially secured by bank guarantees from high-credit-quality banks (A or AA categories assigned by Standard & Poor's or Moody's) or prepayments. The credit risk of the customers and the banks providing guarantees are reviewed periodically. In total, the credit quality of trade receivables at December 31, 2008 and 2007 was regarded as good.

Intra group balances are eliminated on consolidation of subsidiaries. The REC Group proportionally consolidates 33.33 percent of Sovello, and consequently the REC Group has credit exposure related to loans, guarantees and undertakings provided for Sovello. Sovello's breach of financial covenants at December 31, 2008 and uncertainties related to Sovello's government grants, see note 29, implies increased credit risk and risk of need for additional funding of Sovello that may have a negative effect for the REC Group. The REC Group also has provided some loans to other external parties, including a vendor of REC Wafer. At December 31, 2008, the main parts of a convertible loan to CSG Solar AG was impaired, see note 25. The loan to the vendor of REC Wafer was made in connection with cost plus delivery agreements.

Derivative counterparties and deposits are limited to high-credit-quality financial institutions. For bank derivatives, the credit risk is limited to any positive market value. REC only enters into derivatives with a defined group of banks. The twenty banks participating with commitments in the 2008 credit facilities are in the defined group of banks. All the banks currently used as derivative counterparties have credit ratings in the A or AA categories assigned by Standard & Poor's or Moody's.

Any positive market values in embedded derivatives relate to contractually committed future sales of wafers. Parts of the long term contracts are secured by bank guarantees from high-credit-quality banks and/or prepayments.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the REC Group aims to maintain a high degree of financial flexibility by keeping sufficient cash and cash equivalents or committed credit facilities available. The REC Group entered into credit facility agreements in 2006 and 2008 (see note 17).

The NOK exchange rate affects the amounts in NOK available under the multi-currency credit facilities, see 3.3 below. The 20 banks participating with commitments in the 2008 credit facilities are responsible for their respective commitments. Even though the banks currently have credit ratings in the A or AA categories assigned by Standard & Poor's or Moody's, there is a risk that one or more banks may not provide the required funding to meet their commitments under the credit facilities. In that case the available funding secured by REC may be reduced.

REC's credit facilities include several financial covenants, see note 17. A potential non-compliance with covenants may eventually give the banks the right to terminate the credit facility agreements.

The same risk applies to Sovello's credit facilities with a syndicate of banks. See also note 17 regarding Sovello's breach of covenants at December 31, 2008. Sovello and the owners are in dialogue with the banks to repair the situation. This may have an impact on REC's obligations towards Sovello or its banks.

Any further Board approvals for new expansion projects will be conditional upon the REC Group having secured any required additional funding for such expansion projects.

(d) Interest rate risk

Changes in market interest rates affect the fair value of assets and liabilities or the cash flows. The REC Group is exposed to interest rate risk through funding and cash management activities. Interest bearing assets and liabilities primarily carry variable interest rates. The credit lines have interest rates with reference to LIBOR (three, six or 12 month at REC's option) for drawn amounts plus margins that varies according to predetermined financial ratios for net debt to EBITDA. Subsequent to the equity increase in May 2006, the REC Group has held interest-bearing assets primarily exposed to changes in NOK interest rates and to some extent USD interest rates (see note 30 for interest rate sensitivity). These interest-bearing assets have been reduced gradually during 2008. Borrowings through REC ASA are primarily exposed to changes in USD, EUR and NOK interest rates. In February 2009 REC ASA started drawing on a SGD credit line which carries a fixed interest rate. Borrowings of Sovello carry primarily EUR interest rates, that are fixed or for which interest rate swaps have been entered into for the purpose of converting the net exposure to fixed rate. Interest income and interest expense in the income statement, as well as interest receipts and payments, are influenced by interest rate changes for financial instruments that carry variable interest rates.

Interest hedging instruments may be used to control and minimize the company's interest cost within the framework defined in the finance policy. Over time, the REC Group believes that its interest expenses will be minimized by mainly having a floating interest rate.

(e) Hedging of risk related to input factors

According to the finance policy, REC subsidiaries that have a high portion of total costs from a specific input factor shall hedge the risk of significant negative movements in prices. The extent of a significant negative movement is evaluated in each case considering the effect of price increases and price volatility for the relevant input factor on the operating results for the subsidiary. Price risk for the input factor should be hedged primarily through long-term contracts. Financial instruments may also be used for hedging significant changes in the price of important input factors. As of year-end 2008 and 2007, no such hedges have been conducted, except entering into some energy purchase contracts.

3.2 FAIR VALUE ESTIMATION

The only significant items that are recognized at fair value in the consolidated financial statements at, and for the years ending December 31, 2008 and 2007 are foreign exchange derivatives, including embedded derivatives. The fair values of foreign exchange derivatives (see note 11) are calculated based on traded currency rates at the reporting dates. Main value drivers are spot exchange rates and forward premium for standard periods based on interbank interest rates. For more complex instruments (flexible and participating forward contracts) the value drivers also include option volatilities and the calculation includes usage of commonly accepted valuation models.

The instruments have several input variables, and a valuation technique is needed. The valuation technique is to estimate the value of an opposite instrument traded at market rate at the balance sheet date that will close the original position. The differences in cash flows between the original instrument and the new instrument (based on market values) are discounted with market interest rates and the net present value is the estimated fair value. The option elements in the flexible and participating forward contracts are calculated using modified Black-Scholes option pricing models.

The fair value calculations were performed by independent banks. The fair values of embedded derivates are calculated based on value drivers and discount rates provided by independent banks. Fair values of embedded derivatives are calculated using estimated forward currency bid-rates at December 31. The bid rate takes into consideration normal credit risk of the counterparty to a bank, but does not take into consideration credit risk on REC's counterparties to the contracts (i.e. the customers).

The options on shares in Mainstream Energy are not fair valued due to the complexity of the structure, see note 8.

Estimated fair values of financial instruments are shown in note 30.

3.3. CAPITAL STRUCTURE

The REC Group is engaged in production of silane gas and polysilicon for the solar and electronic industry, wafers and ingots for solar applications, and manufacturing of solar cells and solar modules. In light of the REC Group's ambitions to have strong, profitable growth at least in line with the development of the PV industry, the REC Group needs to define an appropriate and sustainable capital structure as well as fund expected growth. In determining the appropriate capital structure for the REC Group, various factors have been considered. These include risks associated with the REC Group's business profile, the fact that the PV industry has high capital intensity, particularly upstream, and the expected unfavorable impact on the demand for REC Group's products and higher cost of capital from increased interest rates. Also, PV is a relatively new business with limited history and is still dependent on governmental incentives in various countries.

The finance policy states that the REC Group should strive to have sufficient equity capital at all times to implement the business strategies and have financial flexibility in relation to possible new investments and acquisitions. In addition, the REC Group should develop and maintain access to various sources of funding. Further, the REC Group should strive to have financial flexibility in relation to creditors and the capital markets. In order to support the REC Group's growth ambitions and have sufficient financial flexibility in relation to new investment opportunities, the REC Group should maintain a capital structure that has good headroom in relation to the financial covenants as defined in the NOK 5 425 million Multicurrency Term and Revolving Facilities Agreement dated March 23, 2006 (as amended and restated pursuant to an Amendment and Restatement Agreement), as well as the NOK 6 275 million Revolving Credit Facility and the SGD 1 050 million Guaranty Facility dated September 30, 2008.

Covenants vary between the different facilities, including covenants that require a maximum net debt to EBITDA (gearing ratio), a minimum ratio of EBITDA to net interest paid and a minimum equity ratio. The gearing ratio definition in the 2006 Facilities Agreement and the gearing ratio in the 2008 Facilities Agreement are not identically defined. In the 2008 Facilities Agreement, there will be no breach of the gearing ratio covenant if the gearing ratio exceeds 2.5 but not 3.0 for a maximum of two consecutive quarters during 2009 and/or 2010. The 2006 agreement uses EBITDA for the two preceding quarters and an estimate for the two coming quarters. The calculations exclude amounts from the proportionate consolidation of Sovello. See note 17 regarding Sovello's breach of financial covenants at December 31, 2008.

The REC Group may adjust the amount of dividend paid to shareholders, repurchase shares, issue new shares, sell assets, repay or issue debt in order to maintain or modify the capital structure. For 2008 and 2007 the Board of Directors recommended not paying dividends. In the current financial climate, the REC Group face challenges as do most other companies world wide relating to access to funding, which could make it difficult to fulfill the finance policy.

The debt facility signed in September 2008 has a borrowing amount limit defined in NOK even if the majority of this debt both will be drawn and serviced by other currencies (e.g. EUR and USD) to match investments made in these currencies. The NOK exchange rate affects the amounts available under the multi-currency credit facilities with borrowing amounts determined in NOK as REC mainly will borrow in USD and EUR. The current borrowing amounts under the credit facilities and loan may be insufficient to finance all of the ongoing expansions and some additional funding may be required in 2010.

During 2009 and 2010 expenditures on the project in Singapore and other expansion projects, including the construction of the fourth plant in the US, will increase the net debt in the REC Group. EBITDA will not increase correspondingly as EBITDA from these expansion projects are expected in later years. Currency effects may also contribute negatively on the net debt and consequently on the covenant calculations. If EBITDA should be weaker or net debt higher than currently forecasted during 2009 and 2010, REC may be in a situation where the net debt to EBITDA ratio is outside the covenant ratio under the credit facilities.

Neither REC ASA nor any of its subsidiaries are subject to other externally imposed capital requirements.

The table below shows the calculation of the gearing ratio (defined as in the 2008 Facilities Agreement). It also shows the interest cover ratio, and equity ratio at December 31

(NOK IN THOUSAND)	2008	2007[6]
Interest–bearing financial liabilities [1]	6 595 348	2 796 572
Cash and cash equivalents [2]	–496 819	–5 794 897
Net debt REC Group including Sovello [3]	6 098 529	–2 998 325
Of which Sovello net debt proportionally consolidated	661 083	351 415
Net debt excluding Sovello [3]	5 437 446	–3 349 740
EBITDA REC Group	3 278 853	3 172 272
Of which net effect of Sovello proportionally consolidated	120 485	56 514
EBITDA excluding Sovello	3 158 368	3 115 758
Total assets REC Group	30 208 864	17 945 337
Of which effect of Sovello proportionally consolidated	1 248 684	711 209
Total assets excluding Sovello	28 960 180	17 234 128
Total equity REC Group	16 512 400	11 757 060
Of which effect of Sovello proportionally consolidated	240 086	64 984
Total equity REC Group excluding Sovello	16 272 314	11 692 076
Net Debt to EBITDA [4] (Gearing ratio)	1.7	NA [3]
Equity ratio (Min 30%) [5]	56%	68%
Interest Cover ratio (Min 4.0) [5]	81/12	NA

[1] Excludes prepayments, see note 17.
[2] Excludes restricted bank accounts, see note 14.
[3] REC Group was in a net cash position at December 31, 2007.
[4] The calculation is based on the 2008 facility agreement which states that the gearing ratio may exceed 2.5 but not 3.0 for a maximum of two consecutive quarters during 2009 and/or 2010.
[5] Interest paid excludes Sovello and calculated interest on prepayments. For 2008, if payments of upfront loan fees are included, the ratio decreases from 81 to 12. REC Group had net interest income in 2007.
[6] Some amounts in the table have been changed compared to the Financial Statements for 2007.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 CRITICAL JUDGMENTS IN APPLYING THE REC GROUP'S ACCOUNTING POLICIES

Management's judgments having the most significant effect on amounts recognized in the financial statements are discussed below and in the relevant notes.

(a) Deferred tax on undistributed earnings

According to current regulations and tax treaty, withholding tax of 15 percent would apply on any dividends paid by the REC Group's operations in the US to the parent company in Norway. At the end of 2008, a tax on three percent of dividends received from shares covered by the Norwegian participation exemption rules was introduced. The effective tax rate on relevant dividends is thus below one percent. REC ASA controls the distribution of future dividends from the US operations, and has determined that those profits will not be distributed in the foreseeable future. Consequently, REC ASA has not recognized a deferred tax liability on these undistributed earnings. REC's understanding is that Group Contribution can be distributed within Norway without being taxed under the new rule mentioned above. If, at a later point in time these evaluations change or dividends are distributed under the current regulations and tax treaty, additional tax expense will be recognized in the relevant periods.

(b) Functional currencies

The REC Group's presentation currency and the parent company's (REC ASA's) functional currency is Norwegian Krone. The REC Group management has evaluated the functional currency of the different REC entities. For some entities the facts and circumstances are mixed and the conclusion is not readily apparent, as revenues and expenses currently are in several currencies and deliveries are made to several countries. Currently, pricing is determined by a significant demand for products in several markets and from government incentives. Government incentives and the relative attractiveness of selling to different countries change over time. Europe is currently, and in the foreseeable future, the main market for REC cell and module entities, and it has been determined that EUR is the functional currency for these. This implies that for some entities the functional currency will change compared to previous periods.

Functional currency affects the reporting of currency gains and losses and exchange differences as well as hedging strategies and effects. The evaluation of what is the functional currency for the separate entities may change over time if there are relevant and significant changes in facts or circumstances. A change in functional currency must be made prospectively from the date of the change.

(c) Development expenditures

The REC Group conducts numerous research and development activities and projects. Some costs incurred in the development phase of an intangible asset may be capitalized if the recognition criteria are fulfilled. Costs that at the time they are incurred do not fulfill the requirements are expensed and cannot be capitalized at a later stage. Consequently, there may be development costs that cannot be capitalized because the REC Group cannot demonstrate that all requirements are fulfilled at the relevant points in time. At year-end 2008 and 2007, most development costs have been expensed, except some costs relating to the Fluidized Bed Reactor (FBR) project in REC Silicon, subsequent to the decision in 2006 to build a new plant utilizing the FBR technology, and some furnace development activities in REC Wafer (see note 7).

(d) Business combinations; pre-existing contractual arrangements

At the time of the acquisition of ASiMI and SGS in 2005, the REC Group had pre-existing customer relationships with the acquired companies. There is no clear guidance in the current IFRS 3 *Business Combinations* on how a pre-existing customer relationship should be accounted for in a business combination. IFRS 3 requires that all assets and liabilities are valued on a market participant basis. This means that the basis of the valuation is the value to any acquirer (market participant), and should not take into account any specific assumptions relating to the actual buyer (entity specific). The REC Group has recognized the pre-existing customer relationship as an intangible asset (original fair value of approximately USD 15 million) and amortizes over the estimated remaining customer relationship period (10 – 16 years, see note 7). The REC Group has determined that there was no settlement gain or loss on the effective settlement of the pre-existing relationship.

(e) Leases

IFRIC 4 requires that the determination of whether an arrangement is or contains a lease should be based on the substance of the arrangement. If an arrangement contains a lease, the requirements of IAS 17 shall apply to the lease element of the arrangement. Other elements of the arrangement not within the scope of IAS 17 shall be accounted for in accordance with other standards.

Some arrangements in which the REC Group is a party include payments for the right to use the assets and payments for other elements in the arrangement (e.g. for output from a facility). The fair value of the assets, the lease and other elements in the arrangement may not be available for the REC Group, and the REC Group has to make its best estimate of these values. This may also affect the determination of whether the leases are finance or operating leases.

For the 2008 and 2007 note disclosures the future minimum payments for lease and other elements in some arrangements in REC Silicon have been reported as part of purchase commitments (see note 29). These contracts, as well as a similar but smaller agreement in REC Solar have been determined to contain operating leases. In 2006, REC Wafer began accounting for capacity contracts that were determined to contain leases and purchases of goods and services. The lease parts were for production facilities and equipment for recovery of exhausted slurry, and were in 2006 determined to contain operating and finance leases (see notes 7 and 29). At the end of 2007, REC Wafer entered into additional capacity contracts. The production facilities were not completed at year-end 2007 and 2008, and the estimated total minimum payments for the lease and commodity output elements of the new contracts are reported as contractual commitments (see note 29). In 2007, REC Solar determined that a lease of a production building was a finance lease. The conclusions, balance sheet amounts and note disclosures were, among other things, affected by the REC Group's estimates of fair values.

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY – CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts included in or affecting the REC Group's financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the company's financial condition and results and requires management to make estimates about the effect of matters that are inherently uncertain, and which are subjective or complex. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, utilizing trends and other methods considered reasonable in the particular circumstances, as well as forecasts as to how these might change in the future.

(a) Impairment

The REC Group tests annually whether goodwill or intangible assets not ready for their intended use, have suffered any impairment. Property, plant and equipment, other intangible and financial assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors management considers important and which could trigger an impairment review include; significant fall in market values; a significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

The recoverable amounts of assets and cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in development and marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods. For the periods presented, no significant impairments on property, plant and equipment or intangible assets including goodwill have been recognized (see notes 6, 7 and 8).

Financial assets are also periodically reviewed for objective evidence of impairment. No significant impairments have been recognized in 2008 or 2007, see also notes 8 and 25 for impairment losses related to CSG Solar AG.

The current financial climate increases the risk that impairments may occur in future periods.

(b) Depreciation and amortization

Depreciation and amortization are based on management estimates of the future useful lives of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions, expectations for replacements or disposal of assets and other factors. Technological developments are difficult to predict and the REC Group's views on the trends and pace of development may change over time. Management periodically reviews the expected future useful lives of property, plant and equipment and intangible assets taking into consideration the factors mentioned above and other important factors. In case of significant changes in estimated useful lives, depreciation and amortization charges are adjusted prospectively. In the case of replacements or disposals any remaining carrying value will be recognized to the income statement, net of any proceeds receivable.

(c) Business combinations, joint ventures and associated companies

The REC Group is required to allocate the purchase price of acquired companies, including joint ventures and associates, to the assets acquired and liabilities assumed based on their estimated fair values. Such valuations require management to make significant estimates and assumptions. The acquired intangible assets recognized by the REC Group include customer relationships, order backlog, customer contracts (of which one is recognized as a liability, see note 20), developed technology and in-process research and development. The significant tangible assets primarily include processing property, plant and equipment. Critical estimates in the evaluations of useful lives for such assets include, but are not limited to; contract periods and expected developments in technology and markets. Critical estimates in valuing certain assets include, but are not limited to; future expected net cash flows for customer contracts and hypothetic patent licensing, and replacement costs for in-process research and development and property, plant and equipment. Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

(d) Income taxes

The REC Group is subject to income taxes in several jurisdictions. Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The REC Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. If the actual outcome differs from management's current estimates, REC Group will need to increase or decrease current and deferred tax assets or liabilities.

The REC Group companies perform significant transactions with each other and with other related parties. These are primarily sale of products to the next step in the production chain, and to some extent services for the benefit of the other party. The REC Group companies shall negotiate terms and conditions as between unrelated parties, including transfer prices. For some of the products there are limited directly comparable sales to external parties and the information on directly comparable transactions between external parties are limited. For some of the products, prices in the spot market and in long-term contracts are significantly different. In addition prices in long-term contracts vary significantly, among other things based on at which point in time the contracts were entered into and the length of the contracts. Tax authorities of the different countries may have different views on the transfer prices used with potential negative effects for the REC Group.

(e) Provisions

In connection with the sale of solar modules by REC ScanModule AB, a 5 year limited warranty that the product is free of defects in materials and workmanship, a 10 year limited warranty of 90 percent power output and a 25 year limited warranty of 80 percent of power output of the solar modules are provided. This is customary in the market for solar modules. The REC Group believes that the material in the solar modules made by REC ScanModule is capable of producing a relative steady output for a period of at least 25 years. However, neither the REC Group nor any of its competitors have a 25-year history. Management's estimates of warranty provisions take into consideration, among other things, limited experience for sales where a third party takes over the warranty liability and comparison to other companies. During 2007 and 2008, the REC Group has made further evaluations of the provisions. Tests related to the long-term power output part of the warranty have been promising, but not conclusive at year-end. At December 31, 2008 provision for REC ScanModule excluding specific events, amounted to 0.9 percent of accumulated sales, of which 0.8 percent related to power output. In addition other specific events have been identified, especially problems with junction boxes discovered at the end of 2008, see note 20.

REC Group's jointly controlled entity Sovello AG produces solar modules using a different technology and also provides warranties. During 2008, Sovello reduced its provisions for warranties.

Management believes that the assumptions are reasonable, but they are inherently uncertain and unpredictable and, as a result, future estimates and actual results may differ from the current estimates.

f) Pension costs, pension obligations and pension plan assets

The calculation of pension costs and net pension obligations (the difference between pension obligations and pension plan assets) is made based on a number of estimates and assumptions. Changes in, and deviations from, estimates and assumptions (actuarial gains and losses) affect the fair value of net pension liabilities. Changes are recognized in the financial statements with the effect to equity through the consolidated statement of recognized income and expense. Key assumptions and sensitivity analyses are outlined in note 19.

5. SEGMENT INFORMATION

The segment information presented shows the main components of the REC Group's business that is evaluated on a regular basis by management. Financial and operational information are prepared specifically for each segment for the purpose of assessing performance and allocating resources. Financial information is disclosed primarily on the same basis as presented internally. However, amounts for assets and liabilities and financial income and expenses are not shown per segment in the internal reporting.

The REC Group's primary format for reporting segment information is business segments. The REC Group's segments are managed separately and each segment represents a strategic business area that offers different products and serves different markets. The REC Group's segments are REC Silicon, REC Wafer and REC Solar. In addition, the REC Group reports "Other".

REC Silicon produces silane gas, solar grade polysilicon for the photovoltaic industry as well as electronic grade polysilicon for the electronic industry. REC Silicon is comprised of the operating companies REC Solar Grade Silicon LLC (SGS) and REC Advanced Silicon Materials LLC (ASiMI) located in the USA. Revenues are based on long term contracts for the electronic industry (primarily in Asia), while solar grade polysilicon is primarily sold internally to REC Wafer on long-term contracts based on arms-length terms, conditions and market expectations that existed at the time terms were fixed.

REC Wafer is comprised of multicrystalline wafer manufacturing in Glomfjord and Herøya (Norway) and monocrystalline ingots at a separate plant in Glomfjord. The main customers are currently located in Germany and Japan, while some is sold internally to REC Solar at arms-length prices. Revenues are based on multi-year contracts reducing volatility and securing a steady cash flow.

REC Solar is comprised of solar cells manufacturing in Narvik (Norway) and solar modules in Glava (Sweden). During 2008 the REC Group has established sales companies in Europe. Europe has been REC Solar's main market, with Germany as the largest. Revenues are based on short term contracts, and therefore influenced significantly by market price fluctuations.

Other consist of companies and activities that in themselves are not significant to be reported as separate segments. The main operating company is Sovello (33.33 percent owned). Sovello produces solar modules based on the Evergreen string-ribbon technology and is a joint venture between the REC Group, EverGreen Solar Inc. and Q-Cells AG. A second plant was constructed in 2007 and a third plant is under construction. Other also includes REC ASA with Group functions and activities (see separate financial statements) and REC Site Services Pte Ltd. REC Site Services was established as an organizational structure for on-site project management services in Singapore and will also own and operate some buildings and infrastructure.

Intercompany sales and transfers within the Group are based on arms-length prices. Intercompany service transactions are based on cost oriented prices.

Group contribution and dividends are not included in the profit and loss statements for the segments or Other. Segment revenues and expenses include transactions eliminated on consolidation. The large amounts for assets and liabilities in Other were due to Group internal receivables and payables. Investment in shares in subsidiaries and jointly controlled entities are not included in the balance sheets for the segments or Other.

Profit and loss for the year ended December 31, 2008

(NOK IN THOUSAND)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ELIMINATIONS	TOTAL
Revenues – third parties	1 706 356	3 543 447	2 339 934	601 069	0	8 190 806
Revenues – REC Group	1 326 463	1 350 098	7 391	71 941	−2 755 893	0
Total revenues	3 032 819	4 893 545	2 347 325	673 010	−2 755 893	8 190 806
EBITDA	1 540 171	1 674 341	147 795	−13	−83 441	3 278 853
Depreciation, amortization and impairment	−196 846	−331 892	−168 908	−52 413	0	−750 059
EBIT*	1 343 325	1 342 449	−21 113	−52 426	−83 441	2 528 794
Associated companies	0	3 453	−4 150	−2 239	0	−2 936
Net currency gains/−losses	49	−57 517	−138 130	487 038	0	291 440
Gain/−losses derivatives	0	2 236 187	−361 237	−438 834	0	1 436 116
Other financial items	−135 638	−24 388	−96 730	602 090	−220 159	125 175
Profit/−loss before taxes	1 207 736	3 500 184	−621 360	595 629	−303 600	4 378 589

* The segment result is EBIT.

Profit and loss for the year ended December 31, 2007

(NOK IN THOUSAND)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ELIMINATIONS	TOTAL
Revenues – third parties	1 317 869	3 836 453	1 116 254	371 467	0	6 642 043
Revenues – REC Group	1 177 950	523 103	49	28 265	−1 729 367	0
Total revenues	2 495 819	4 359 556	1 116 303	399 732	−1 729 367	6 642 043
EBITDA	1 347 080	1 813 037	170 654	−66 976	−91 523	3 172 272
Depreciation, amortization and impairment	−175 677	−274 095	−56 754	−78 055	0	−584 581
EBIT*	1 171 403	1 538 942	113 900	−145 031	−91 523	2 587 691
Associated companies	0	0	0	−45 465	0	−45 465
Net currency gains/−losses	−30	−9 046	4 676	−341 337	0	−345 737
Gain/−losses derivatives	0	−649 455	48 417	130 820	0	−470 218
Other financial items	−71 837	−17 882	−8 100	157 385	191 510	251 076
Profit/−loss before taxes	1 099 536	862 559	158 893	−243 628	99 987	1 977 347

* The segment result is EBIT.

Balance sheet and investments for the year ended December 31, 2008

(NOK IN THOUSAND)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ELIMINATIONS	TOTAL
Goodwill	307 455	342 328	0	266 730	0	916 513
Other non current assets*	11 988 487	5 558 306	2 346 698	10 748 024	−8 596 839	22 044 676
Cash and cash equivalents	216 064	10 606	5 552	264 597	0	496 819
Other current assets	2 144 997	4 876 902	2 420 092	5 232 729	−7 964 292	6 710 428
Tax assets	4 203	13 873	181 537	6 304	−165 489	40 428
Total assets	14 661 206	10 802 015	4 953 879	16 518 384	−16 726 620	30 208 864
Other non−current liabilities	97 410	77 238	107 324	23 578	0	305 550
Non−current liabilities, interest bearing	9 869 099	47 864	217 852	4 380 571	−8 939 630	5 575 756
Other current liabilities	1 107 725	2 397 117	1 223 208	1 129 885	−897 993	4 959 942
Current liabilities, interest−bearing	189 742	3 775 262	3 051 800	1 413 639	−6 802 962	1 627 481
Tax liabilities	471 019	845 315	5 736	145 959	−240 294	1 227 735
Purchase of non current assets**	4 930 590	3 282 586	751 974	988 716	−44 373	9 909 493

* Excluding investments in shares in subsidiaries and joint ventures and deferred tax assets.

** Including property, plant and equipment, intangible assets, goodwill and acquired business.

Balance sheet and investments for the year ended December 31, 2007

(NOK IN THOUSAND)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ELIMINATIONS	TOTAL
Goodwill	237 700	342 325	4 181	215 250	0	799 456
Other non current assets*	4 937 441	2 811 509	984 375	3 215 997	−2 617 652	9 331 670
Cash and cash equivalents	111 285	10 345	3 800	5 669 467	0	5 794 897
Other current assets	527 080	977 252	412 767	1 424 788	−1 553 331	1 788 556
Tax assets	208	181 696	13 823	32 899	2 132	230 758
Total assets	5 813 714	4 323 127	1 418 946	10 558 401	−4 168 851	17 945 336
Other non−current liabilities	98 746	71 986	37 127	25 212	0	233 071
Non−current liabilities, interest bearing	3 324 189	60 299	227 795	1 631 066	−2 604 202	2 639 147
Other current liabilities	521 082	1 365 107	275 623	182 530	−302 994	2 041 348
Current liabilities, interest−bearing	1 533	651 237	452 418	458 863	−1 080 072	483 979
Tax liabilities	357 201	435 180	39 556	8 104	−49 308	790 733
Purchase of non current assets**	2 693 141	454 364	770 915	279 990	0	4 198 410

* Excluding investments in shares in subsidiaries and joint ventures and deferred tax assets.

** Including property, plant and equipment, intangible assets, goodwill and acquired business.

Assets and investments by geographical location of the company for the year ended December 31, 2008

(NOK IN THOUSAND)	USA	SINGAPORE	NORWAY	OTHER	ELIMINATIONS	TOTAL
Goodwill	307 455	0	342 328	266 730	0	916 513
Other non current assets*	11 988 487	2 423 771	17 244 607	1 084 938	−10 697 127	22 044 676
Cash and cash equivalents	215 769	−1 501	239 108	42 732	711	496 819
Other current assets	2 144 988	2 294 503	9 188 704	1 351 529	−8 269 296	6 710 428
Tax assets	4 101	0	148 595	39 790	−152 058	40 428
Total assets	14 660 800	4 716 773	27 163 342	2 785 719	−19 117 770	30 208 864
Other non−current liabilities	97 410	0	135 246	82 024	−9 130	305 550
Non−current liabilities, interest bearing	9 869 099	0	4 465 808	189 688	−8 948 839	5 575 756
Other current liabilities	1 107 680	662 852	3 752 111	590 441	−1 153 142	4 959 942
Current liabilities, interest−bearing	188 697	0	7 091 910	1 149 836	−6 802 962	1 627 481
Tax liabilities	471 019	0	983 110	13 900	−240 294	1 227 735
Purchase of non current assets**	4 930 590	1 064 953	3 593 507	364 816	−44 373	9 909 493

* Excluding investments in shares in subsidiaries and joint ventures and deferred tax assets.

** Including property, plant and equipment, intangible assets, goodwill and acquired business.

Assets and investments by geographical location of the company for the year ended December 31, 2007

(NOK IN THOUSAND)	USA	NORWAY	OTHER	ELIMINATIONS	TOTAL
Goodwill	237 700	346 409	215 347	0	799 456
Other non current assets*	4 937 441	6 677 658	719 670	−3 003 099	9 331 670
Cash and cash equivalents	111 061	5 580 411	103 425	0	5 794 897
Other current assets	527 081	2 467 283	430 577	−1 636 385	1 788 556
Tax assets	0	208 904	15 435	6 419	230 758
Total assets	5 813 283	15 280 665	1 484 357	−4 632 968	17 945 336
Other non−current liabilities	98 746	107 299	38 325	−11 299	233 071
Non−current liabilities, interest bearing	3 324 189	1 540 806	384 742	−2 610 590	2 639 147
Other current liabilities	521 040	1 637 034	257 609	−374 335	2 041 348
Current liabilities, interest−bearing	0	1 411 276	152 775	−1 080 072	483 979
Tax liabilities	357 142	462 299	20 600	−49 308	790 733
Purchase of non current assets**	2 693 141	1 156 966	348 303	0	4 198 410

* Excluding investments in shares in subsidiaries and joint ventures and deferred tax assets.
** Including property, plant and equipment, intangible assets, goodwill and acquired business.

Geographic distribution of external revenues based on customer location

(NOK IN THOUSAND)	2008	2007
Germany	3 150 482	2 298 933
Europe (excluding Germany)	1 542 946	1 233 140
USA	615 070	620 613
Japan	1 801 224	1 567 167
Asia (excluding Japan)	1 074 795	731 694
Other countries	6 288	190 496
Total revenues	8 190 806	6 642 043

Geographic distribution of external revenues based on company location

(NOK IN THOUSAND)	2008	2007
Norway	3 838 004	3 866 693
Sweden	2 041 410	1 081 274
USA	1 706 356	1 313 108
Other countries (inclusive Germany)	605 036	380 968
Total revenues	8 190 806	6 642 043

6. PROPERTY, PLANT AND EQUIPMENT

(NOK IN THOUSAND)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Carrying value at January 1, 2007	1 005 228	2 886 853	130 933	620 787	4 643 801
Translation differences	−56 963	−228 973	−11 668	−243 378	−540 982
Net additions*	435 284	910 414	22 511	2 662 217	4 030 426
Disposals	−666	−2 716	−2 104	0	−5 486
Depreciation	−51 488	−404 323	−26 186	0	−481 997
Impairment	−455	−9 613	−791	0	−10 859
Carrying value at December 31, 2007	1 330 940	3 151 642	112 695	3 039 626	7 634 903
At December 31, 2007					
Cost price	1 452 682	4 079 905	184 535	3 039 626	8 756 748
Accumulated depreciation/impairment	−121 742	−928 263	−71 840	0	−1 121 845
Carrying value at December 31, 2007	1 330 940	3 151 642	112 695	3 039 626	7 634 903
Carrying value at January 1, 2008	1 330 940	3 151 642	112 695	3 039 626	7 634 903
Translation differences	136 399	499 071	24 370	2 135 385	2 795 225
Net additions*	732 189	1 563 888	66 296	7 356 381	9 718 754
Disposals	0	94	−1 609	0	−1 515
Depreciation	−82 994	−567 151	−28 015	0	−678 160
Impairment	−264	−27 859	−3 424	0	−31 547
Carrying value at December 31, 2008	2 116 270	4 619 685	170 313	12 531 392	19 437 660
At December 31, 2008					
Cost price	2 332 988	6 194 591	282 570	12 531 392	21 341 541
Accumulated depreciation/impairment	−216 718	−1 574 906	−112 257	0	−1 903 881
Carrying value at December 31, 2008	2 116 270	4 619 685	170 313	12 531 392	19 437 660

*Net additions include transfers from assets under construction.

Estimated useful lives of assets included in the different classes are primarily in the range of: buildings 5-33 years; machinery and equipment 3-20 years and other tangible fixed assets 3-7 years. The effects of the annual analysis of the useful lives resulted in a minor change in depreciation for 2007 and 2008.

Finance leases at December 31

(NOK IN THOUSAND)	2008	2007
Cost – capitalized finance leases	333 135	333 068
Accumulated depreciation	−56 707	−26 335
Carrying value	276 428	306 733
Land and buildings	217 877	233 687
Machinery and equipment	58 310	70 170
Other	241	2 876
Carrying value	276 428	306 733

Finance leases at December 31, 2008 were primarily lease of production equipment for recovery of exhausted slurry for REC Wafer and the lease of a cell plant in REC ScanCell.

Slurry is the cutting fluid used when sawing silicon blocks into wafers. The plant is built adjacent to REC ScanWafer's plants at Herøya, Norway. The agreement is a capacity agreement where REC Wafer is expected to take all of the output of the plant (see note 29). The finance lease elements of the agreement are for the machinery and are fixed according to the total capital expenditure incurred and may increase for any further capital expenditure. The carrying value was NOK 58 million at December 31, 2008. The minimum contract term for the total contract was extended in 2007 and is until December 31, 2018, and shall be prolonged automatically for two-year periods unless terminated by either party with twelve months notice. The assets under the financial lease are paid over seven years, and are depreciated over the shorter of estimated useful lives and the lease term.

The cell plant was completed at the end of 2007. The minimum contract term is until 2022. The lease agreement has a renewal option of two periods of five years each, and the lease agreement contains a purchase option in the third year. The carrying value was NOK 218 million at December 31, 2008.

7. INTANGIBLE ASSETS

(NOK IN THOUSAND)	GOODWILL	ASSETS UNDER CONSTRUCTION	CUSTOMER RELATIONSHIPS	OTHER	TOTAL
Carrying value at January 1, 2007	792 284	62 281	82 961	109 708	1 047 234
Translation differences	−42 833	−9 519	−10 730	−4 581	−67 663
Effect final PPA	50 005	0	0	0	50 005
Net additions*	0	317	0	67 459	67 776
Internal development	0	14 518	0	35 670	50 188
Disposals	0	0	0	0	0
Amortization	0	0	−6 060	−85 665	−91 725
Carrying value at December 31, 2007	799 456	67 597	66 171	122 591	1 055 815
At December 31, 2007					
Cost price	799 456	67 597	105 314	275 359	1 247 726
Accumulated amortization	0	0	−39 143	−152 768	−191 911
Carrying value at December 31, 2007	799 456	67 597	66 171	122 591	1 055 815
Carrying value at January 1, 2008	799 456	67 597	66 171	122 591	1 055 815
Translation differences	121 235	30 414	18 015	18 441	188 105
Net additions*	0	49 738	0	97 604	147 342
Internal development	0	43 397	0	0	43 397
Disposals	0	0	0	−946	−946
Amortization	0	0	−5 819	−30 355	−36 174
Impairment	−4 178	0	0	0	−4 178
Carrying value at December 31, 2008	916 513	191 146	78 367	207 334	1 393 360
At December 31, 2008					
Cost price	916 513	191 146	136 220	351 900	1 595 779
Accumulated amortization	0	0	−57 853	−144 566	−202 419
Carrying value at December 31, 2008	916 513	191 146	78 367	207 334	1 393 360

*Net additions include transfers from assets under construction.

Effect of final purchase price allocation (PPA) in 2007 was related to Sovello, see note 9.

The intangible assets included above have estimated finite useful lives, over which the assets are amortized on a straight-line basis. Intangible assets under construction are not ready for their intended use, and consequently amortization has not started. At December 31, 2008 and 2007, assets under construction related primarily to the Fluid Bed Reactor technology in REC SGS. Other assets under construction include REC ASA's technology agreement with SiGen and furnace technology in REC ScanWafer. Customer relationships are amortized over the expected customer relationship period. At December 31, 2008 and 2007, customer relationships were primarily related to pre-existing relationships at the time of acquisition of ASiMI and SGS, and are amortized over a period of 10 to 16 years. Negative value of a delivery contract is reported as a liability, see note 20. Other intangible assets at December 31, 2008 were primarily related to furnace technology in REC Wafer (10 years) and software (3-8 years). Silane technology in REC Silicon was fully amortized during 2008. Order backlog in Sovello was fully amortized during 2007.

Impairment test goodwill

Goodwill is allocated to the cash-generating units or groups of cash-generating units at December 31 as follows.

Carrying amounts of goodwill at December 31

(NOK IN THOUSAND)	2008	2007
REC Silicon (segment)	307 457	237 702
REC ScanWafer AS	330 001	330 001
REC SiTech AS	12 324	12 324
REC Solar (segment)	0	4 179
Sovello AG	266 730	215 250
Total REC Group	916 513	799 456

The changes in the carrying amounts of goodwill during 2008 were primarily due to translation differences and impairments in the REC Solar segment.

Recoverable amounts for the cash-generating units (group of units) are based on value in use. Value in use has been estimated by discounted cash flows. Business plans approved by the management have been used in the calculation. EBITDA less capital expenditure and change in working capital has been used as estimates of cash flows.

To the best of management's judgment, the cash flows do not include effects from expansion and enhancement investments that are not committed and where construction has not started. Cash flows and discount rates are pre-tax.

The business plan period used is four years, except for Sovello for which different scenarios have been used. Much of the sales for the coming years are already contracted for REC Silicon and REC ScanWafer. At year-end 2008, the first years of the cash flow estimates for REC Silicon, REC ScanWafer and REC SiTech include significant capital expenditure compared to these companies' size. Despite this, the discounted cash flow estimates for the business plan period are close to the carrying amounts of these entities.

To arrive at the estimated recoverable amount, the REC Group uses an estimated stable cash flow and a growth rate factor to estimate a terminal value. A growth rate factor of zero has been used in the calculations at December 31, 2008, which is the same as for 2007. This is below the average expected growth rate for the photovoltaic (PV) industry. Growth rates used for the industry take into consideration effects of future technology improvements etc. that cannot be included the same way in the impairment test. However, REC's major committed improvements related to the new FBR technology and debottlenecking in REC Silicon and new wafer plants at Herøya and Glomfjord are included and have affected the business plan period as the construction and work is in progress. The lower growth rate also reflects that prices are expected to decline until grid parity is reached. At the same time it is expected that cost savings will be realized through the value chain, among other things due to these price reductions.

Key assumptions are defined as those to which the units' (group of units') recoverable amounts are most sensitive. Based on the analysis performed, the management's opinion is that except for Sovello there are no individual key assumptions at December 31, 2008 or 2007, for which the recoverable amounts are sensitive when comparing to the carrying amounts. Generally, in the current situation the PV industry is dependent on government incentives to the end users and is also affected by market interest rates and availability of capital. Critical factors and key assumptions would be development in prices and cost reductions over time to be competitive to other sources of energy. Prices are expected to decrease until grid parity is reached. Cost reduction depends on further technological developments and future investments. Future cash flows that relate to assets under construction are sensitive to successful completion according to plan and budget as well as successful implementation of technological innovations embedded in these assets.

The value in use calculation of Sovello has been compared to external valuations received in September 2008, adjusted for significant decrease in market values up to year-end due to the financial turmoil. The estimated fair value of Sovello has under certain value in use scenarios been estimated at 5–30 percent above the carrying value. The value in use calculation has incorporated significant price reductions without corresponding cost reductions. The largest risk related to the values of Sovello is the further financing of its operations. Development in sales prices, discount rates and receiving payments of anticipated government grants are also important for the discounted cash flows. Assuming further financing of its operations, events that could lead to impairment include: not receiving payments of government grants, increase in the discount rate from eight percent to above ten percent and an additional price reduction in the terminal year of five percent without being able to reduce costs.

The discount rates are based on Weighted Average Cost of Capital (WACC). The cost of a company's market value of debt and equity capital, weighted accordingly to reflect its capital structure, gives its WACC. The WACC rates used to discount future cash flows are based on ten years risk free rates in the relevant markets and take into account the debt premium, market risk premium, gearing and asset beta. In 2007 the REC Group was in a net cash position and during 2008 the REC Group turned into a net debt position due to large expansion projects. The factors used to calculate WACC could change over time. For 2008, the WACC for the US operations (REC Silicon) is estimated to 7.7 percent, a decrease of approximately two percentage points from 2007. The change is primarily due to increased debt ratio and reduced risk free rate, partially offset by increase in asset beta. In the German market (Sovello) the WACC is estimated to eight percent, a reduction from 2007 by approximately 1.6 percentage points, primarily due to increased debt ratio. Reduced risk free rate has been offset by increase in asset beta. For Norway the WACC is estimated to 9.6 percent, a decrease of approximately 0.4 percentage points from 2007. The change is primarily due to increased debt ratio and reduced risk free rate, partially offset by increase in asset beta.

8. INVESTMENTS IN ASSOCIATES

(NOK IN THOUSAND)	2008	2007
At January 1	8 548	52 658
Share of loss in associates	−2 936	−26 552
Impairment	0	−18 913
Total loss and impairment	−2 936	−45 465
Investment in associates	207 131	3 309
Transferred from shares	540	0
Transferred to shares	−6 399	0
Exchange differences	80 903	−1 954
At December 31	287 787	8 548

Share of loss is after tax and minority interest of associates, including fair value adjustments. In 2007 this refers to CSG Solar AG. In April 2008, REC Solar acquired a 20 percent ownership interest/voting right in Mainstream Energy Inc. located in California, USA. The investment supports REC's ambition to take an active role in the building of robust and scalable market channels, and marks the entry in the increasingly important US market. Mainstream Energy conducts its operations through AEE Solar Inc., which is one of the largest distributors of renewable energy systems and equipment in the USA, and the large PV system integrator REC Solar Inc. (not to be confused with REC's business segment REC Solar). The initial purchase price allocation, which was performed by independent financial experts, has been determined as provisional pending the completion of the final valuation of the fair values of assets acquired and liabilities assumed including evaluation of the accounting treatment/valuation of call and put options on additional shares in Mainstream Energy. The preliminary cost price for the acquisition of 20 percent ownership was NOK 207 million, consisting of estimated fair value of net assets of NOK 42 million and goodwill of NOK 165 million. Under the agreement between REC and the other shareholders of Mainstream Energy, REC can increase its shareholding to a majority position through options that can be exercised over the next 3 years. The specific terms and conditions in any subsequent transactions are dependent on the future performance of Mainstream Energy. See also note 30.

The REC Group owns shares in Si Pro AS and Meløy Bedriftsservice AS, both located at Glomfjord (Norway). REC is a major customer of these companies. Previously these companies were reported as shares available for sale. In 2008, REC has determined that it has significant influence over these companies, and they are consequently accounted for using the equity method. The ownership interest/voting rights for Si Pro AS is 18 percent and Meløy Bedriftsservice AS 20 percent.

The REC Group reduced its ownership in CSG Solar AG from 21.7 to 7.5 percent during 2008. For more information see note 10.

The REC Group's share of figures for the associates at December 31, 2008 (including fair value adjustments and goodwill)

	ASSETS	LIABILITIES	REVENUES	LOSS
Total	334 035	46 247	184 616	−2 936

9. JOINTLY CONTROLLED ENTITIES

SOVELLO AG (FORMERLY EVERQ GMBH)

Effective from December 19, 2006, the REC Group increased its ownership in Sovello from 15 percent to 33.33 percent. From this date, Sovello became a jointly controlled entity of the REC Group and is proportionately consolidated in the consolidated financial statements of the REC Group.

The purchase price allocation was finalized at December 14, 2007. After discussions between the ventures the total cost price for REC for the acquisition of the additional 18.33 percent share was NOK 384 million, of which NOK 303 million was paid in cash in 2006 and the remaining in 2007. The effect of the final purchase price allocation was an increase in cost price of NOK 79 million that was allocated as increased cash and cash equivalents of NOK 52 million, increased goodwill of NOK 50 million and increased values of net assets recognized to equity of NOK 23 million.

Sovello was founded in December 2004 and manufactures solar modules based on String Ribbon Technology. Sovello is based in Thalheim, Germany. Sovello's first factory started production mid 2006, and the second factory started production in the first quarter of 2007. A third factory is under construction and is planned to start production in the first half of 2009.

Sovello has been the REC Group's only jointly controlled entity in 2008 and 2007. Sovello's total assets were less than six percent of REC Group's total assets at December 31, 2008 and profit for 2008 constituted less than two percent. Because Sovello is proportionately consolidated, the company has been mentioned in several notes due to facts and circumstances at December 31, 2008 and 2007, despite its limited effect on the REC Group.

For more information regarding Sovello see notes 17, 29 and 31.

Details at the time of acquisition taking into account the final purchase price allocation

(NOK IN THOUSAND)	
Cost price acquisition from 15% to 33.33%	383 509
Carrying value of the initial 15% shareholding	37 114
Increased values of net assets recorded to equity	100 227
Total (33.33%)	520 850
Estimated fair value of net assets (33.33%)	301 299
Goodwill	219 551

The goodwill arising from the acquisition of Sovello is related to the anticipated profitability of its operations and technology hedge for the REC Group. Estimated fair value of net assets included estimated intangible assets of NOK 57 million, primarily related to order backlog that was fully amortized during 2007.

The amounts in the tables below represent REC Group's 33.33 percent share of Sovello that was included in the income statements, cash flow statements and balance sheet items. The amounts include goodwill and fair value adjustments.

Balance sheet items

(NOK IN THOUSAND)	2008	2007
Ownership at December 31	33.33%	33.33%
Non−current assets (incl. goodwill)	1 091 011	767 177
Current assets	578 296	364 655
Total assets	1 669 307	1 131 832
Non−current liabilities	186 498	390 193
Current liabilities	818 854	250 303
Total liabilities	1 005 352	640 496

Profit and loss

(NOK IN THOUSAND)	2008	2007
Ownership in the period	33.33%	33.33%
Revenues	601 064	371 413
Expenses	−519 681	−389 936
Net financial items	−18 576	−15 499
Income taxes	−14 825	12 990
Profit/−loss after income tax	47 982	−21 032

Cash flow

(NOK IN THOUSAND)	2008	2007
Ownership in the period	33.33%	33.33%
Net cash flow from operating activities	−62 920	−30 545
Net cash flow from investing activities	−164 936	−368 147
Net cash flow from financing activities	156 501	380 146
Net cash flow in the period	−71 355	−18 546
Cash and cash equivalents at January 1	99 672	122 194
Foreign currency effect on cash and cash equivalents	9 584	−3 976
Cash and cash equivalents at December 31	37 901	99 672

Net cash payment

(NOK IN THOUSAND)	2007
Payment for the increase in share from 15% to 33.33% paid in cash	−80 665
Cash and cash equivalents acquired*	52 296
Acquisition of joint venture, net of cash acquired	−28 369

* The amount represents the REC Group's 33.33 percent share of equity paid to Sovello in connection with the final purchase price allocation in 2007.

10. INVESTMENTS IN SHARES

(NOK IN THOUSAND)	2008	2007
At January 1	1 237	1 126
Transferred to associated companies [1]	−540	0
Additions	3 336	111
Transferred from associated companies [2]	6 399	0
Impairment	−8 126	0
At December 31	2 306	1 237

[1] The investments in Si Pro AS and Meløy Bedriftsservice AS were transferred to associated companies in 2008.

[2] The investment in CSG Solar AG was reduced in February 2008 from 21.7 percent to 8.7 percent. At December 31, 2008 REC ASA's shareholding was 7.5 percent. REC has made an evaluation of impairment and this resulted in an impairment of shares and the loan provided to CSG Solar AG, see note 25.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Fair values and carrying amounts at December 31

	2008		2007	
(NOK IN THOUSAND)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Foreign exchange forward contracts	69 359	1 895 363	92 918	92 070
Embedded foreign exchange forward contracts	2 732 438	3 196	0	613 855
Sovello's derivatives	8 552	3 768	0	438
Total	2 810 349	1 902 327	92 918	706 363
− of which designated as hedging instruments*	0	685 149	15 183	51 649

* Including any ineffective part and changes in fair value subsequent to revoking of the hedge designation in the fourth quarter of 2008, see below. See the consolidated statement of recognized income and expense for the part recognized to equity.

REC uses financial derivatives to reduce interest rate and currency risk exposure. The REC Group manages the hedging of net cash flows exposed to foreign exchange rate risk as a portfolio on the basis of anticipated future cash flows. Sovello uses interest rate swaps to convert floating interest rate to fixed interest rate. See also note 3 for information on the REC Group's general policy for covering of currency risk and interest rate risk.

Contractual cash flows in foreign exchange forward contracts at December 31, 2008

		2009		2010			2011	2012
(CURRENCY IN THOUSAND)		FX FLEX FORW	FX FORWARD	CC SWAP	FX FLEX FORW	FX FORWARD	FX FORWARD	FX FORWARD
BOUGHT CURRENCY	GBPNOK	2 232	0	0	0	0	0	0
	SGDUSD	0	200 000	0	0	0	0	0
	CHFNOK	13 290	0	0	0	0	0	0
SOLD CURRENCY	EURUSD	0	−10 000	0	0	0	0	0
	EURNOK	−203 000	−320 000	0	−180 000	−93 000	−32 000	−20 000
	USDNOK	0	−220 000	−334 000	0	−91 000	−260 000	−112 000

Contractual cash flows in foreign exchange forward contracts at December 31, 2007

(CURRENCY IN THOUSAND)		2008 FX FLEX FORW	2008 FX FORWARD	2009 FX FLEX FORW	2010 FX FLEX FORW
BOUGHT CURRENCY	GBPNOK	6 059	0	1 532	0
	CHFNOK	57 032	170	9 400	0
	USDNOK	116 540	0	0	0
	EURNOK	10 559	7 900	2 891	0
SOLD CURRENCY	EURNOK	−340 840	−25 960	−206 000	−180 000
	USDNOK	−100 000	−133 000	0	0

The tables above show contractual currency amounts for the different type of instruments, per year. Positive amounts are the first currency mentioned bought forward with payment of the second currency. Negative amounts are the first currency mentioned sold forward with receipt of the second currency. FX Forward is an outright foreign exchange forward contract. FX Flex Forw (foreign exchange flexible forward) is forward currency contracts with an option element. CC Swap (cross currency interest rate swap) consists of an exchange of two currency principal amounts. The tenor amount is included in the table. In addition, REC pays USD floating interest rate and receives NOK floating interest rate. This is matching internal loans provided to the US subsidiary REC SGS.

Fair value of exchange forward contracts at December 31, 2008

(NOK IN THOUSAND)		2009 FX FLEX FORW	2009 FX FORWARD	2010 CC SWAP	2010 FX FLEX FORW	2010 FX FORWARD	2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	GBPNOK	−3 987	0	0	0	0	0	0
	SGDUSD	0	27 497	0	0	0	0	0
	CHFNOK	21 102	0	0	0	0	0	0
SOLD CURRENCY	EURUSD	0	325	0	0	0	0	0
	EURNOK	−359 661	−305 453	0	−315 857	−64 133	−19 897	−11 481
	USDNOK	0	−181 286	−615 141	0	−1 927	14 598	−10 704
Total		−342 546	−458 916	−615 141	−315 857	−66 060	−5 299	−22 185

The table above shows a specification of fair values, equaling carrying amounts, at December 31, 2008 of derivatives distributed by type of instrument, year of maturity and currency.

Embedded foreign exchange forward contracts at December 31, 2008

CONTRACTUAL CASH FLOWS (USD IN THOUSAND)	TOTAL	2009	2010	2011	2012	LATER
Total contract value*	2 889 752	273 002	428 643	603 785	510 411	1 073 911

Embedded foreign exchange forward contracts at December 31, 2007

CONTRACTUAL CASH FLOWS (USD IN THOUSAND)	TOTAL	2008	2009	2010	2011	LATER
Total contract value*	1 613 045	109 609	250 613	284 705	317 218	650 900

* Represents the estimated total contract values for sales of wafers in USD to customers that do not have USD as their functional currency.

REC Wafer has entered into sales contracts in USD which are not in the functional currency of either of the contracting parties. For accounting purposes this shall be reported as if the commodity sales contracts were in NOK and forward purchases of USD shall be separated and fair valued (embedded derivatives) with changes in fair values recognized to profit or loss. This accounting treatment has no cash flow effect. The reason for entering into the sales contracts in USD was to provide economic hedges of future purchases of polysilicon in USD in line with REC's finance policy.

Sovello's derivatives at December 31, 2008

CONTRACTUAL CASH FLOWS (CURRENCY IN THOUSAND)	TOTAL	2009	2010
EUR floating to fixed interest rate swap contracts (net cash outflow)	−411	−330	−81
USDEUR Foreign exchange forward contracts (sale of USD)	−13 333	−13 333	0

Sovello's derivatives at December 31, 2007

CONTRACTUAL CASH FLOWS (CURRENCY IN THOUSAND)	TOTAL	2008	2009	2010
EUR floating to fixed interest rate swap contracts (net cash outflow)	−486	−332	−98	−56

* REC's 33.3 percent share of Sovello.

HEDGING ACTIVITIES

Cash Flow Hedging

REC Wafer used hedge accounting for the year ended December 31, 2007 and up to the fourth quarter of 2008 for parts of its cash flow hedging activities, primarily related to currency hedge of purchase of polysilicon in USD and sale of wafers in EUR. In the fourth quarter of 2008, REC Wafer discontinued its hedge accounting, and at year-end 2008 REC ASA and its subsidiaries had no hedge accounting. However, amounts previously recognized in equity remain in equity until the forecasted transactions occur. Sovello had some hedge accounting related to interest rate swaps.

The ineffectiveness recognized in the income statement that arises from cash flow hedges was a loss of NOK 76 million in 2008 and a loss of NOK 27 million in 2007.

For the currency hedges at December 31, 2008, the cash flows are expected to occur

(NOK IN THOUSAND)	CARRYING AMOUNTS 2008	EXPECTED CASH FLOW PROFILE AT DEC. 31, 2008 (IN NOK THOUSAND EQUIVALENTS) TOTAL	2009	2010
Currency exchange contracts (forward sales) 1)	−681 381	−3 118 880	−1 664 480	−1 454 400
Interest rate swaps 2)	−3 768	−4 056	−3 254	−802
Total 3)	−685 149	−3 122 936	−1 667 734	−1 455 202

1) Sale of EUR and receive NOK. The designation was revoked in the fourth quarter of 2008. The cumulative gains on the hedging instruments remains recognized directly in equity from the period when the hedge was effective until the forecast transaction occurs or is no longer expected to occur. The amount recognized in equity at December 31, 2008 was a gain of NOK 38 million.

2) Sovello – pay fixed and receive floating interest.

3) The cumulative amount recognized in equity at December 31, 2008 was a gain of NOK 34 million.

For the currency hedges at December 31, 2007, the cash flows are expected to occur

(NOK IN THOUSAND)	CARRYING AMOUNTS 2007	EXPECTED CASH FLOW PROFILE AT DEC. 31, 2007 (IN NOK THOUSAND EQUIVALENTS) TOTAL	2008	2009	2010
Currency exchange contracts (forward sales) 1)	5 385	−4 558 877	−1 439 997	−1 664 480	−1 454 400
Currency exchange contracts (forward purchase) 2)	−41 413	406 990	406 990	0	0
Interest rate swaps	−438	3 865	2 639	777	449
Total 3)	−36 466	−4 148 022	−1 030 368	−1 663 703	−1 453 951

1) Sale of EUR and receive NOK.

2) Purchase of USD and pay NOK.

3) The cumulative amount recognized in equity at December 31, 2007 was a loss of NOK 22 million.

The cash flows are expected to affect profit or loss in the same periods as they occur. There are no forecasted cash flow transactions for which hedge accounting was used in 2008 and 2007 which are no longer expected to occur.

12. TRADE AND OTHER RECEIVABLES

(NOK IN THOUSAND)	2008	2007
Trade receivables	1 153 823	694 088
Less provision for impairment of trade receivables	−4 330	−250
Trade receivables − net	1 149 493	693 838
Prepayments	101 387	44 823
Other receivables	968 640	281 141
Total	2 219 520	1 019 802

The REC Group had minimal losses on receivables.
For more information see notes 3 and 31.

13. INVENTORIES

(NOK IN THOUSAND)	2008	2007
Raw materials etc	1 121 609	482 463
Work in progress	178 084	95 376
Finished goods	380 734	83 496
Reserve for obsolescence	−10 542	−6 170
Total	1 669 885	665 165

14. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

(NOK IN THOUSAND)	2008	2007
Bank deposits	496 802	2 072 410
Money Market Funds	17	3 722 487
Total cash and cash equivalents	496 819	5 794 897

The Money Market Funds were gradually reduced during 2008 due to the significant capital expenditure for expansion projects.

The REC Group uses a multi currency Nordea Bank cash pool for the Nordic entities and a DnB NOR Bank cash pool for other REC entities operating internationally. Under these agreements REC ASA is the Group account holder, whereas certain other REC companies are sub-account holders or participants (group account systems). The banks can offset overdrafts against deposits, so that the net position represents the net balance between the bank and REC ASA. The cash pools include overdraft facilities of in total NOK 350 million at December 31, 2008 (NOK 260 million at December 31, 2007). Net deposits in the cash pool were NOK 226 million and NOK 208 million at December 31, 2008 and 2007, respectively.

The REC Group has purchased a bank guarantee in the favor of Bærum Municipality covering employees' tax deductions in REC ASA, REC Solar AS, REC ScanWafer, REC SiTech and REC ScanCell. At the end of 2008 and 2007, the guarantee amount was NOK 34 million.

In the agreement with Komatsu America Corporation (Komatsu, see note 17) there are various provisions that are intended to protect Komatsu's retained interest in ASiMI. Among other things, the agreement prohibits ASiMI and REC Silicon Inc. from pooling funds with those of any other person or entity. At December 31, 2008, such bank deposits were in total NOK 216 million (2007: NOK 111 million), in addition to restricted bank accounts of NOK 126 million (2007: NOK 361 million). These funds were not generally available for the REC Group as a whole. At December 31, 2008 and 2007 cash and cash equivalents of Sovello were NOK 38 million and NOK 100 million, respectively (REC's 33.33 percent share).

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

(NOK IN THOUSAND)	2008	2007
Current	10 674	20 671
Non–current	115 517	340 774
Total restricted bank accounts	126 191	361 445

Total restricted bank accounts at December 31, 2008 related to a cash deposit of REC Silicon that has been pledged for certain property tax payment obligations, see note 29. The corresponding amount at December 31, 2007 was NOK 109 million.

REC Silicon received prepayments of USD 87 million in May 2007 from Sovello related to a long-term polysilicon delivery agreement. Of this amount, USD 45 million plus accumulated interest was at December 31, 2007 held in an escrow account and restricted from general use by the REC Group. The amounts were to be released according to deliveries of polysilicon, expected to start at the end of 2008. At the end of 2008, USD 12.4 million of this prepayment was repaid to Sovello, and the remaining cash balance was released for general use by REC Silicon and will count as part prepayment of the volumes to be shipped in 2009.

15. EQUITY AND SHAREHOLDER INFORMATION

(NOK IN THOUSAND)	ATTRIBUTABLE TO EQUITY HOLDERS OF REC ASA: SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER PAID IN CAPITAL	TOTAL PAID IN CAPITAL	OTHER EQUITY	RECOGNIZED INCOME & EXPENSE	TOTAL	MINORITY INTEREST	TOTAL EQUITY
At January 1, 2007	494 326	0	8 266 689	283 056	9 044 070	1 071 110	521 337	10 636 517	0	10 636 517
Repayments for shares not issued	−11	0	−905	0	−916	0	0	−916	0	−916
Transaction with minority	0	0	0	0	0	0	0	0	461	461
Total recognized income and expense	0	0	0	0	0	0	1 121 112	1 121 112	−115	1 120 997
At December 31, 2007	494 315	0	8 265 785	283 056	9 043 156	1 071 110	1 642 449	11 756 713	346	11 757 058
Share option plan	0	0	0	0	0	3 533	0	3 533	0	3 533
Treasury shares	0	−2	0	0	−2	0	0	−2	0	−2
Total recognized income and expense	0	0	0	0	0	0	4 751 846	4 751 846	−37	4 751 809
At December 31, 2008	494 315	−2	8 265 785	283 056	9 043 154	1 074 643	6 394 295	16 512 090	309	16 512 400

At December 31, 2008, the REC Group had 23 700 shareholders. The total number of outstanding shares at December 31, 2008 and December 31, 2007 was 494 314 725 each with a par value of NOK 1.

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

NAME OF SHAREHOLDERS	2008 NO OF SHARES	2008 OWNERSHIP	2007 NO OF SHARES	2007 OWNERSHIP
Elkem AS	115 935 300	23.45%	115 935 300	23.45%
Q–Cells AG	84 956 767	17.19%	84 956 767	17.19%
Orkla ASA	80 489 700	16.28%	80 489 700	16.28%
Hafslund Venture AS	70 411 520	14.24%	70 411 520	14.24%
Folketrygdfondet	11 508 650	2.33%	0	0.00%
Citibank N.A. New York branch	5 120 000	1.04%	0	0.00%
Clearstream Banking S.A.	4 132 966	0.84%	2 384 568	0.48%
State Street Bank and Trust Co.	3 266 043	0.66%	24 399 083	4.94%
Sumitomo Corporation	3 062 000	0.62%	5 139 000	1.04%
Brown Brothers Harriman & Co.	0	0.00%	8 205 875	1.66%

At the Annual General Meeting (AGM) held on May 19, 2008 the Board was granted the authority to increase the share capital by a maximum of 49,000,000 shares in one or more issuances and at a subscription price per share to be fixed by the Board in connection with each issuance. The authority is valid until the next AGM, but in any case maximum 15 months. At the AGM held on May 19, 2008 the Board was authorized to repurchase up to ten percent of the face value of the Company's share capital at a price per share of between NOK 10 and NOK 500. This authorization is valid for 18 months from the date of the AGM or until it is rescinded by a resolution of a subsequent AGM.

16. COMPENSATION TO THE MANAGEMENT AND BOARD, LOANS AND SHAREHOLDINGS

According to the Norwegian Public Limited Companies Act § 6 -16a, the Board of Directors shall establish a specific declaration regarding determination of salary and other compensation to leading employees. Also, according to the Norwegian Public Limited Company Act § 5-6 (3), an advisory voting on the Board of Director's guidelines for determining executives' compensation for the upcoming fiscal year shall be held at the General Meeting. If the guidelines include share based payment schemes, such schemes must also be approved by the General Meeting.

Salary and other compensation for 2008 and 2007 are addressed below. In regards to determination of salary and other compensation for leading employees for the upcoming fiscal year, the Board of Directors will propose guidelines for the General Meeting 2009 that include factors mentioned below.

The competencies, performance and commitment of the employees are critical success factors for the short term and long term value creation of REC. Hence, key compensation goals are to support attraction, development and retention of the right talent, reward past achievements, and incent future strong performance and practice of REC's Core Values. Compensation packages should be put together to support this.

Fixed base salary level should be determined locally and reflect local market average level for corresponding positions and qualifications in relevant businesses.

Performance bonus should be considered and provided for selected individuals whose achievement of performance objectives can be measured through clearly defined results parameters within areas that the individual by virtue of his or her position, qualifications and performance can influence.

REC offers supplementary pension schemes to employees in accordance with normal standard for similar companies (see below and note 19). Effective January 1, 2007, REC offers an additional supplementary pension scheme (contribution plan) to Norwegian employees with base salary level above 12 G. This plan also includes some defined benefits for the employee in case of disability and for spouse and children in case of death.

In addition to the above mentioned compensation components, REC offers a car allowance, phone coverage and a limited number of other benefits to selected employees.

In addition to base salary and performance bonus, REC's compensation plan for 2008 included a new REC share option program for executives, key leaders and employees, as a replacement for the Long Term Incentive Plan (LTIP) 2007. LTIP 2007 is explained further below and the share option program is described in note 23. At the Annual General Meeting (AGM) 2009 the REC Board will propose to continue the share option program for 2009. The suggested 2009 program is structured in such a way that potential individual profit cap from the option program during any one year should be limited from 1 to 1.5 years fixed salary. The profit cap should be differentiated through the establishment of two participant categories that determine the participant's maximum profit cap. In addition, a max two years' fixed salary profit cap is suggested for members of Group Management.

The number of options allocated for 2009 will be established based on the potential max profit cap, earned over the six year program duration, and based on the following assumptions: 1) The REC stock price development outperforms the Oslo Stock Exchange (OSE) by 25 percent, assuming an OSE annual average of ten percent. 2) Strike price for the option to be calculated as ten percent above the average trading price on the first trading day after the AGM. Strike price will be adjusted for extraordinary dividends (not normal dividends).

The first three years will be considered a lock-up period. Exercising of options can take place in the fourth, fifth and sixth year, with four exercising periods per year. These periods will be 14 days after presentation of the quarterly interim results. Options not exercised are lost upon termination of employment contract.

There will be an annual allocation subject to Board of Directors' approval each individual year. The Board will ask the AGM for allocations and authorizations to support each year's program. The total stock option program should at any time not exceed one percent of the total number of outstanding shares, fully diluted.

Compensation of the Group management for 2008 7) 9)

(AMOUNTS IN NOK (IF NOT OTHERWISE STATED))		BONUS	SHARE BASED	PENSION	OTHER TAXABLE
NAME	BASE SALARY 6)	EARNED 1)	PAYMENT 3)	BENEFITS 4)	BENEFITS 5)
Erik Thorsen	3 313 409	660 000	193 635	1 010 992	255 115
President and CEO		60%			
John Andersen	2 246 958	402 000	130 849	587 526	132 436
EVP and COO		60%			
Erik Sauar	1 904 754	475 000	111 486	414 891	74 523
SVP and CTO		50%			
Gøran Bye	USD 375 000	USD 90 000	146 683	USD 56 498	USD 43 107
EVP 8)		60%			
Ingelise Arntsen	2 045 610	318 000	165 859	496 532	168 432
EVP		60%			
Bjørn Brenna	2 141 065	371 000	165 859	501 371	179 179
EVP and CFO		50%			
Svànaug Bergland	1 296 390	312 000	101 706	348 281	130 282
SVP		50%			
Jon Andre Løkke	1 300 736	156 000	76 280	204 224	147 103
SVP		40%			
Einar Kilde	1 944 244	300 000	156 473	418 442	211 411
EVP Projects		30%			
Kristine Ryssdal	502 274	100 000	81 427	124 604	50 365
SVP & CLO		40%			
Total 2008 ii)	18 810 071	3 063 901	1 330 258	4 425 456	1 591 967

Compensation of the Group management for 2007 7) 9)

(AMOUNTS IN NOK (IF NOT OTHERWISE STATED))		BONUS		PENSION	OTHER TAXABLE
NAME	BASE SALARY 6)	EARNED 1)	LTIP 2)	BENEFITS 4)	BENEFITS 5)
Erik Thorsen	2 999 038	1 275 000	0	834 104	232 025
President and CEO		50 %	0%		
Reidar Langmo	116 667	0	0	16 794	36 000
SVP		NA	0%		
John Andersen	2 020 386	735 000	1 050 000	251 546	128 993
EVP and COO		50%	50%		
Erik Sauar	1 685 679	527 000	850 000	184 490	74 750
SVP and CTO		40%	50%		
Gøran Bye	USD 325 000	USD 126 000	975 000	USD 48 893	USD 15 000
EVP		50%	50%		
Ingelise Arntsen	1 053 032	500 000	0	177 538	586 911
EVP		50%	0%		
Bjørn Brenna	2 028 489	800 000	1 000 000	371 694	178 437
EVP and CFO		50%	50%		
Svànaug Bergland	1 104 473	374 000	440 000	281 423	133 808
SVP		40%	40%		
Jon Andre Løkke	1 161 280	273 600	342 000	127 128	147 447
SVP		30%	30%		
Einar Kilde	166 667	0	0	28 730	410 452
EVP Projects		30%	0%		
Total 2007 ii)	14 300 536	5 166 386	4 657 000	2 560 007	2 017 738

i) All amounts are exclusive of social security tax.

ii) Compensation to Gøran Bye in USD has been calculated at average USD/NOK exchange rates, except for bonus that has been calculated at year−end rates, for the relevant years to arrive to the total NOK amounts in the tables.

The guidelines for 2008 for determination of salary and other compensations for leading employees has been as outlined above. The only changes in the compensation agreements for leading employees during 2008 are adjustments of the amounts, as shown in the table above, and the changes in the composition of the Group management.

1) The bonuses are annual performance bonuses that are not to exceed the percentage of base salary as stated in the table. The amounts in the table above represent the bonuses earned during the fiscal year, and are normally paid and reported as taxable income for the employee in the subsequent year. The bonus amounts should be understood as the total of the bonus and vacation pay on the bonus, if appropriate. The purpose of the bonus scheme is to award, incentivize, attract, and retain the right talent and to award and incentivize outstanding performance in business critical functions, taking both short and long term value creation into consideration.

2) Identified REC Group's employees became in 2007 invited to participate in the Company's Long Term Incentive Plan (LTIP 2007). The LTIP 2007 was a plan under which an "LTIP Pool" is set aside in the initial earnings year and then paid out to eligible employees in three equal annual installments on March 1, of each of the three subsequent years. Each LTIP participant is entitled to a share of the LTIP Pool equal to his or her LTIP earning ratio, which ranges from 15-50 percent of the individual employee's fixed salary. LTIP participants are required to use 25 percent of each annual LTIP payment to purchase shares in REC ASA and to deposit the shares at a separate VPS for the remainder of the three-year LTIP period ("LTIP period") under which the LTIP payment was made. If an employee terminates his/her employment contract before the end of each LTIP period, the remaining part of the unpaid LTIP Pool and all REC shares relating to the relevant LTIP pool will be retained by the company.

   The LTIP program has an annual cap. The amounts included in the table represent the total benefits that are earned during 2007, and that will be paid out in the three subsequent years, as described above, provided the person is still employed by the REC Group at the time of payment. The amounts are expensed in the income statement over a period up to four years. The LTIP Pool for 2007 was based on the REC Group's actual financial performance compared to budgeted financial performance. Due to the positive development for the REC Group during 2007, the LTIP program reached the cap. The LTIP amounts should be understood as the total of the bonus and vacation pay on the bonus, if appropriate.

   The LTIP was established as one driving force in developing the company, and its purpose is to award and incentivize outstanding performance and attract and retain strong talent in business critical functions. Particular considerations will be given to critical success factors, such as long term value creation, continued growth and development of the REC Group's market and/or technological position.

3) In 2008, a REC share option program replaced the LTIP. The share option program is further described in note 23, and the number of options for the Group Management is shown in a table below. The estimated fair values of the options are expensed over the estimated vesting period of more than three years, and the amounts shown in the preceding table are the amounts expensed in 2008. There were no share based payment agreements in the REC Group in 2007.

4) The amounts in the tables for pension benefits include change in accumulated benefit obligation (ABO) for the year for defined benefit obligations and the expense for the year for defined contribution plans. ABO is the net present value of pension benefits earned based on the current pension qualifying income. The Group management, except for Gøran Bye, has pension benefits via REC's Group pension plan in Norway, see note 19. In general, REC's pension plan in Norway provides for lifetime retirement benefit coverage of 67 percent of pension qualifying income at the time of retirement up to 12 G (see definition in note 19) if the employee as retired has fully earned rights in the pension plan (30 years). It includes some spouse, children and disability pension rights. The amounts are calculated using the same assumptions as used in note 19, excluding social security tax.

   Mr. Thorsen can retire at the age of 65 and is entitled to annual retirement pension equal to 65 percent of his base salary at the time of retirement.

   As from January 1, 2007, the REC Group established an additional defined contribution pension plan for Norwegian employees with salaries over 12 G. The plan provides a contribution of 15 percent of base salary above 12 G per year of employment plus or minus a calculated return based on a defined index, which is to be paid out upon retirement. It also includes some spouse, children and disability pension rights. Gøran Bye was not part of this program, and as from January 1, 2007 Gøran Bye was entitled to an additional pension contribution from REC amounting to 15 percent of his base salary with a deduction of 12 G.

5) Other taxable benefits include benefits like company car/coverage of automobile expenses/vehicle allowance, telephone and Internet service, newspapers, health club memberships, reimbursement of home-office related expenses and certain other benefits. The benefits vary, and the amounts in the table are the amounts that are reported as taxable income in the relevant year, based on rules and regulations in the relevant tax laws. Bonus and LTIP payments are not included because earned bonus and LTIP are reported separately.

Ingelise Arntsen has in addition received commuting flat housing allowance and coverage of expenses for commuting, which is not a taxable benefit and not included in the table.

6) Base salary represents the amounts, including holiday pay that has been paid in the year. Base salary is normally adjusted at January 1. Kristine Ryssdal was employed on September 15, 2008, Ingelise Arntsen on June 1, 2007, Einar Kilde on December 1, 2007 and Reidar Langmo was not a part of the Group management from February 1, 2007. The base salaries are for months of employment.

7) All amounts include payments and benefits from REC ASA and subsidiaries to the Group management. Einar Kilde has from October 1, 2008 had dual employment (REC ASA and REC Site Services Pte. Ltd.). There were no payments and benefits from REC companies for services outside the function as Group management.

8) Gøran Bye's employment with REC was terminated in February, 2009.

9) During the years 2007 and 2008 no payments were made, or benefits earned, for termination of employment for any of the members of the Group management.

The following members of the Group management have arrangements that at December 31, 2008 and 2007 entitle them to special benefits if the employment is terminated, beyond the normal notice period of 6 months:

REC ASA may terminate Mr. Thorsen's employment contract at any time and with immediate effect, upon payment of up to 24 months of salary if the agreement is terminated. In the event of dismissal, Mr. Thorsen would be entitled to the first twelve months of the compensation, but any amounts in excess of this that he receives from another employer would be deducted from the balance.

In the event Mr. Bye's contract is terminated by REC, he is entitled to a severance payment equal to six months of his salary together with a pension allowance, a vehicle allowance and a bonus calculated on a pro rata basis, and an allowance for his relocation to Norway.

In the event that Mr. Andersen's contract is terminated by REC, he is entitled to a severance payment equal to six months of salary.

Mr. Brenna is entitled to a severance payment equal to 12 months of his salary if his contract is terminated. In the event of dismissal, Mr. Brenna would be entitled to the first six months of the compensation, but any amounts in excess of this that he receives from another employer would be deducted from the balance.

Ms. Bergland is entitled to two years' salary in the event of her early termination. In the event of dismissal, Ms. Bergland would be entitled to the first twelve months of the compensation, but any amounts in excess of this that she receives from another employer would be deducted from the balance.

In the event that Ms. Arntsen's contract is terminated by REC, she is entitled to a severance payment equal to six months of her salary.

In the event that Mr. Løkke's contract is terminated by REC, he is entitled to a severance payment equal to six months of his salary.

In the event that Mr. Sauar's contract is terminated by REC, he is entitled to a severance payment equal to six months of his salary.

Except as noted above, no members of the Group management or Board of Directors have service contracts with the REC Group that provide for benefits upon termination of employment.

Compensation of the Board of Directors paid in 2008

(AMOUNTS IN NOK) NAME	BOARD COMPENSATION [10]	COMPENSATION FOR COMMITTEES [10] [11]
Ole Enger [12]	350 000	40 000
Tore Schiøtz	220 000	40 000
Christian Berg	200 000	40 000
Marcel Egmond Brenninkmeijer	200 000	40 000
Roar Engeland [12]	200 000	40 000
Line Geheb	200 000	40 000
Susanne Munch Thore [12]	200 000	40 000
Inger Johanne Solhaug [12]	200 000	40 000
Total period May 14, 2007 – May 19, 2008	1 770 000	320 000

Compensation of the Board of Directors paid in 2007

(AMOUNTS IN NOK) NAME	BOARD COMPENSATION [10]	COMPENSATION FOR COMMITTEES [10] [11]
Ole Enger [12]	200 000	40 000
Tore Schiøtz	350 000	40 000
Christian Berg [13]	0	20 000
Marcel Egmond Brenninkmeijer	200 000	40 000
Roar Engeland [12]	200 000	40 000
Rune Bjerke [15]	118 800	23 760
Line Geheb	200 000	40 000
Susanne Munch Thore [12]	200 000	40 000
Karen Helene Ulltveit–Moe [14]	200 000	40 000
Inger Johanne Solhaug [13]	0	0
Total period April 20, 2006 – May 14, 2007	1 668 800	323 760

Compensation to employee elected board members paid in 2008 [16]

(AMOUNTS IN NOK) NAME	BOARD COMPENSATION [10]	COMPENSATION FOR COMMITTEES [10] [11]
Mona Stensvik	200 000	0
Rolf B. Nilsen	200 000	40 000
Jørn Mobæk	200 000	0
Rita Glenne	113 514	0
Unni Iren Kristiansen	86 486	0
Total period May 14, 2007 – May 19, 2008	800 000	40 000

Ordinary salary etc. paid, and pension benefits earned, for employee elected board members 2008

(AMOUNTS IN NOK) NAME	SALARY	BONUS PAID	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Mona Stensvik	460 875	5 387	5 388	13 297
Rolf B. Nilsen	414 386	41 392	−18 938	11 383
Jørn Mobæk	510 616	24 360	−4 330	10 827
Unni Iren Kristiansen	702 149	165 375	94 370	23 156
Total 2008	2 088 026	236 514	76 490	58 663

Ordinary salary etc. paid, and pension benefits earned, for employee elected board members 2007 [17]

(AMOUNTS IN NOK) NAME	SALARY)	BONUS PAID	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Mona Stensvik	266 499	12 895	14 446	9 396
Rolf B. Nilsen	263 418	27 652	15 525	2 700
Jørn Mobæk	285 294	17 421	26 422	0
Rita Glenne [18]	580 855	0	71 463	23 727
Unni Iren Kristiansen [18]	33 871	0	7 571	3 376
Total May 14 – December 31, 2007	1 429 937	57 968	135 427	39 199

10) The amounts in the table represent the amounts that were paid in 2008 and 2007, respectively and that were approved by the Annual General Meetings (AGM) as compensation for the periods between the AGMs. Compensation of the Board of Directors for the period May 19, 2008 to May 19, 2009, will be decided by the AGM on May 19, 2009.
11) Committees are: Audit Committee, Compensation Committee and Corporate Governance Committee.
12) Compensation paid to the companies in which they are employed.
13) Members effective from the AGM May 14, 2007.
14) Member up to AGM May 14, 2007.
15) Member up to December 22, 2006.
16) No board compensation or compensation for committees has been paid in 2007 to employee elected board members.
17) For the employee elected board members, their salaries, bonuses and other taxable benefits paid from May 14, 2007 are included.

18) Rita Glenne did not participate in board meetings from December 11, 2007 and informed the board that she resigned as a board member. Unni Iren Kristiansen has attended the board meetings from December 11, 2007 as a deputy board member. Rita Glenne is included in the table above for the period May 14 to December 11, 2007. Unni Iren Kristiansen is included in the table above for the period December 11 to December 31, 2007.

None of the shareholder elected board members received compensation from any other REC Group companies. Any compensation received by other companies outside the REC Group is not included.

Loans and guarantees for Group management and Board of Directors

On July 8, 2005, the Company loaned Erik Thorsen NOK 700 000, and on December 8, 2005, the Company loaned Svànaug Bergland NOK 500 000. The purpose of each of these loans was to facilitate the borrower's purchase of a car. Each of the loans is interest and installment free for two years. The terms of the loans have been extended. In each case, if the borrower resigns from the Company, the loan will become due and payable. The loans are secured by mortgage on their houses.

Total loans outstanding for the Group management and employee elected board members in the 2008 Employee Share Purchase Program

(AMOUNTS IN NOK) NAME	AT DECEMBER 31, 2008
Ingelise Arntsen	23 333
Einar Kilde	23 333
Kristine Ryssdal	23 333
Mona Stensvik	23 333
Rolf B. Nilsen	23 333
Jørn Mobæk	23 333
Unni Iren Kristiansen	23 333

No board member or other shareholders than mentioned above, including their closely related parties had any loans or guarantees at December 31, 2008 or 2007.

Shareholdings and options

The number of shares and options owned by members of the Board of Directors and the REC Group management, including their closely related parties, are shown in the table below. The table includes those that were members at December 31, 2008 or 2007.

(AMOUNTS IN NOK) NAME	OPTIONS 2008	SHARES 2008	SHARES 2007
Erik Thorsen (shares also through Toleko AS)	29 779	250 200	250 000
John Andersen Jr.	20 123	133 975	133 975
Erik Sauar (shares also through Sauar Invest AS)	17 145	367 963	367 270
Gøran Bye (shares also through Schoutbynacht AS)	22 558	34 800	29 585
Ingelise Arntsen	25 507	6 255	1 500
Bjørn Brenna (shares also through RBBR Invest AS)	25 507	34 608	33 800
Svànaug Bergland	15 641	11 016	10 680
Jon André Løkke (shares also through Ludens AS)	11 731	89 643	88 938
Einar Kilde	24 064	505	0
Kristine Ryssdal	20 454	505	NA [1)]
Ole Enger	0	2 000	0
Tore Schiøtz (shares through Granhaug Industrier AS)	0	250 000	250 000
Mona Stensvik	0	805	300
Jørn Mobæk	0	605	100
Rolf B. Nilsen	0	505	0
Rita Glenne	NA [2)]	NA [2)]	20 116
Unni Iren Kristiansen	0	2 005	1 500

[1)] Not part of REC Mangement at December 31, 2007.
[2)] Not part of REC Board at December 31, 2008.

17. BORROWINGS

(NOK IN THOUSAND)	2008	2007
Non–current financial liabilities, interest bearing		
Bank borrowings	4 194 319	1 246 911
Amounts due to Komatsu	666 183	479 074
Finance lease liabilities	265 717	288 094
Sovello – bank borrowings [1]	0	139 318
Sovello – shareholders' loans [2]	30 345	159 196
Total non–current financial liabilities, interest bearing	5 156 564	2 312 593
Current financial liabilities, interest bearing		
Current bank borrowings	745 888	306 290
Current portions of finance lease liabilities	24 257	25 116
Sovello – bank borrowings [1]	394 768	152 573
Sovello – shareholders' loans [2]	273 871	0
Total current financial liabilities, interest bearing	1 438 784	483 979
Total financial liabilities, interest bearing [3]	6 595 348	2 796 572
Non–financial liabilities, interest calculation [4]		
Non–current prepayments, interest calculation	419 192	326 554
Current prepayments, interest calculation	188 697	0
Total prepayments, interest calculation	607 889	326 554

[1] All of Sovello's bank borrowings are classified as current at December 31, 2008, due to non–compliance with covenants.

[2] The main parts of Sovello's shareholder's loans are due to be repaid at December 31, 2009 and are classified as current. However, they may be prolonged in the case an IPO has not been conducted with proceeds to Sovello sufficient to repay all shareholders' loans.

[3] The carrying amounts of interest bearing liabilities include remaining capitalized up–front fees and costs totalling NOK 253 million and NOK 24 million at December 31, 2008 and 2007, respectively.

[4] Prepayments received for future deliveries of polysilicon by REC Silicon. Interest is calculated on the prepayments, and is not payable or stated in the agreements. The portion that is estimated to be taken to income according to deliveries during next 12 months is classified as current.

Bank borrowings are unsecured but contain provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledge) and also contain covenants limiting disposals of significant subsidiaries and assets. Bank borrowings also include covenants that require a maximum net interest bearing debt to EBITDA (2.5), a minimum ratio of EBITDA to net interest paid (4.0) and a minimum equity ratio (30%). For the 2008 credit facility, the net interest bearing debt to EBITDA ratio must not exceed 3.0 for any two subsequent quarters before returning to a limit of 2.5. At December 31, 2008 REC had good headroom for all these financial covenants (see note 3), but due to the large expansion projects this situation is expected to change during 2009.

Bank borrowings in Sovello are secured and contain a number of covenants. REC's 33.33 percent share of bank borrowings in Sovello amounted to NOK 395 million and NOK 292 million at December 31, 2008 and 2007, respectively. As per December 31, 2008, Sovello was not in compliance with all of the covenants. Sovello received a waiver from the banks prior to December 31, 2008 of the banks' termination right. The waiver has been extended to March 30, 2009.

Financial leases are primarily for the second cell plant in Narvik and the SiC facility at Herøya, see note 6. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

At August 1, 2005, the REC Group acquired a 100 percent interest in Advanced Silicon Materials LLC (ASiMI) from Komatsu America Corporation (Komatsu). While Komatsu retains a 25 percent minority interest in ASiMI, it does not retain any voting rights or rights to dividends. It accumulates instead a fixed periodic interest, and REC accounts for it as a non-current liability. The liability matures on July 29, 2010. The amounts due to Komatsu are unsecured. There are various provisions that are intended to protect Komatsu's retained interest in ASiMI. Among other things, the agreement requires REC Silicon to maintain a ratio of current assets to current liabilities of at least 1.5. At December 31, 2008 REC Silicon was in compliance with this requirement, but at December 31, 2007, the current ratio was 1.1. REC Silicon has a cure period under the agreement for, and received in 2008 a waiver of, this noncompliance at year-end 2007. The waiver waived this non compliance retroactively as of December 31, 2007 and was conditioned upon compliance with this ratio by March 31, 2008.

The following are the contractual maturities of non-derivative financial liabilities, interest bearing, including estimated interest payments [1)]

AT DECEMBER 31, 2008 (NOK IN THOUSAND)	CARRYING AMOUNT	TOTAL EXPECTED PAYMENTS	0–6 M 2009	6–12 M 2009	2010	2011	2012	2013	AFTER 2013
		MATURITY ANALYSIS – CONTRACTUAL PAYMENTS TO BE MADE							
Bank borrowings [2)]	4 940 206	5 495 204	240 003	639 775	1 291 019	2 645 782	678 624	0	0
Amounts due to Komatsu	666 183	744 529	0	0	744 529	0	0	0	0
Finance lease liabilities	289 974	418 105	20 952	20 083	40 165	40 165	40 165	35 575	221 000
Sovello – bank borrowings	394 768	416 293	202 479	87 184	126 630	0	0	0	0
Sovello – Shareholders' loans	304 217	322 751	8 063	281 934	32 753	0	0	0	0
Total	6 595 348	7 396 882	471 498	1 028 976	2 235 097	2 685 947	718 789	35 575	221 000

The following are the contractual maturities of non-derivative financial liabilities, interest bearing, including estimated interest payments [1)]

AT DECEMBER 31, 2007 (NOK IN THOUSAND)	CARRYING AMOUNT	TOTAL EXPECTED PAYMENTS	2008	2009	2010	2011	2012	AFTER 2012
		MATURITY ANALYSIS – CONTRACTUAL PAYMENTS TO BE MADE						
Bank borrowings [2)]	1 553 201	1 786 182	387 122	369 736	352 350	676 974	0	0
Amounts due to Komatsu	479 074	575 611	0	0	575 611	0	0	0
Finance lease liabilities	313 210	460 182	42 019	41 282	40 174	40 165	40 165	256 376
Sovello borrowings	451 087	485 661	172 011	252 451	61 199	0	0	0
Total	2 796 572	3 307 636	601 152	663 469	1 029 334	717 139	40 165	256 376

[1)] The difference between carrying amount and total expected payments represent interest and remaining parts of loan fees etc. for bank borrowings. Interest payments are estimated using the interest rates at December 31, 2008 and 2007, respectively. All cash flows are undiscounted. Amounts in other currencies than NOK are translated at the exchange rates at December 31, 2008 and 2007, respectively. Commitment fees to be paid under the credit facilities and guarantee facility (see below and note 3 for description) are not included in the tables above.

[2)] Expected payments are based on the NOK amounts stated in the 2006 credit facility agreement. However, the actual installments, net of drawings, may be affected by changes in currency rates because the credit facility is stated in NOK but a significant part is drawn in foreign currencies, especially USD, see table below. If the currency rates at the payment dates in the first quarter of 2009 are unchanged compared to December 31, 2008, an additional NOK 107 million must be paid as installment in the first quarter of 2009. This is because the remaining outstanding amounts for each drawing are measured in NOK at each payment date.

The nominal interest rates and currency distribution (notional amounts) at December 31, 2008 were as follows

	INTEREST RATE (%)		CURRENCY	AMOUNT IN THOUSAND CURRENCY	BORROWER
Bank overdrafts	4.3	Variable	NOK	0	REC ASA
Bank borrowings	4.3	Variable	NOK	522 705	REC ASA
Bank borrowings	1.8	Variable	USD	601 362	REC ASA
Bank borrowings	3.7	Variable	EUR	46 695	REC ASA
Sovello – bank borrowings	4.4 – 6.9	Variable	EUR	40 333	Sovello
Sovello – shareholders' loans	5.4 – 6.7	Fixed	EUR	25 217	Sovello
Sovello – shareholders' loans	6.0 – 6.7	Fixed	USD	7 925	Sovello
Amounts due to Komatsu	6.6	Fixed	USD	96 218	ASiMI
Finance leases	6.7	Fixed	NOK	226 443	REC ScanCell
Finance leases	4.7	Fixed	NOK	63 531	REC ScanWafer

The nominal interest rates and currency distribution (notional amounts) at December 31, 2007 were as follows

	INTEREST RATE (%)	CURRENCY	AMOUNT IN THOUSAND CURRENCY	BORROWER
Bank overdrafts	5.6 Variable	NOK	0	REC ASA
Bank borrowings	6.2 Variable	NOK	792 565	REC ASA
Bank borrowings	5.2 Variable	USD	145 000	REC ASA
Sovello – bank borrowings	6.0 Variable	EUR	36 667	Sovello
Sovello – shareholders' loans	5.4 Fixed	EUR	20 000	Sovello
Amounts due to Komatsu	6.6 Fixed	USD	77 189	ASiMI
Finance leases	6.7 Fixed	NOK	236 147	REC ScanCell
Finance leases	4.7 Fixed	NOK	76 717	REC ScanWafer

For the amounts due to Komatsu, the effective interest rate is 8.1 percent due to fair value adjustment in the purchase price allocation in 2005. Effective interest rates for the other interest bearing liabilities outstanding at December 31, 2008 and 2007 approximate the nominal interest rates.

Credit facilities at December 31

	2008		2007	
(NOK IN THOUSAND)	TOTAL	UNDRAWN	TOTAL	UNDRAWN
Total credit facilities*	16 582 800	11 497 800	5 685 000	3 935 000

* The amounts due to Komatsu, the financial leases and Sovello borrowings or credit lines are not included in the credit facilities in this table. Sovello had an undrawn credit line of EUR 18.8 million and EUR 7.3 million at December 31, 2008 and 2007, respectively (REC's 33.33 percent share). However, due to the breach of covenants at December 31, 2008, the credit line was put on hold.

REC ASA entered into a Credit Facility Agreement for NOK 5 425 million with a syndicate of seven banks dated March 23, 2006.

REC ASA entered into a bilateral loan agreement on June 30, 2008 for financing of up to 30 percent of the expenditure in the Singapore expansion project, maximum SGD 1 000 million. The drawdown period for the loan is two years starting from the first drawing in February 2009 and the repayment period is five years starting from the latest drawing in 11 equal semi-annual installments. The total facility could therefore run for more than seven years. The outstanding loan amounts must be covered by guarantees issued under Facility B described below.

REC ASA entered into agreements for a credit facility of NOK 6 275 million (Facility A) and a guarantee facility for SGD 1 050 million (Facility B) on September 30, 2008 with a syndicate of twenty banks. The purpose of Facility A is to finance the Singapore expansion project and it consists of a three year maturity tranche (NOK 2 092 million) and a five year maturity tranche (NOK 4 183 million). Facility A is a multi-currency revolving credit facility and will be repaid in full at maturity. Facility B is a guarantee facility for the SGD 1 000 million loan described above. Facility B has a five year maturity and can be extended to match the more than seven year SGD facility described above provided consent is received from the banks. No amounts were outstanding under Facility A or Facility B at December 31, 2008.

The interest rates for the loan and credit facilities are partly floating based on LIBOR plus a margin depending on the ratio of net interest bearing debt to EBITDA, and partly fixed. In 2009, REC ASA is not required to pay any installments on the facility and loan established in 2008, but will pay interest for drawn amounts and commitment fees for undrawn amounts. These payments are not included in the table above for maturity analysis - contractual payments to be made.

At December 31, 2008, total credit facilities consisted of the NOK 6 275 million credit facility, the SGD 1 000 million bilateral loan agreement (translated at exchange rate at December 31, 2008), the NOK 5 425 million credit facility reduced by installments according to the agreement of NOK 340 million (net NOK 5 085 million, that was drawn in full and had a carrying amount of NOK 5 192 million at December 31, 2008) and NOK 350 million overdraft facilities related to the Group cash pool systems in Nordea Bank and DnB NOR Bank.

The amount under the NOK 5 425 million credit facility agreement is available for general investments and corporate purposes. The SGD loan and the NOK 6 275 million credit facility are available for financing capital expenditure related to the Singapore expansion project.

18. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

Recognized income tax expense

(NOK IN THOUSAND)	2008	2007
Current income tax expense	673 349	747 227
Deferred tax expense/−benefit	641 021	−103 233
Total income tax expense in the income statement	1 314 370	643 994

Current income tax expense include expenses of NOK 15 million for 2008 and benefits of NOK 7 million for 2007 as adjustments of prior periods. Deferred tax expense/-benefit for 2008 and 2007 include benefits of NOK 20 million and expenses of 6 million, respectively, as adjustments of prior periods.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows

(NOK IN THOUSAND)	2008	2007
Profit before tax	4 378 589	1 977 347
Tax calculated at domestic tax rates applicable to profits in the respective countries	1 339 056	661 956
Change in tax rate and tax regulation	−3 417	−5 778
Tax credits, expenses deductible in tax and income not subject to tax	−27 406	−22 850
Expenses not deductible for tax purposes	10 895	11 806
Effects of not recognized temporary differences this year or reversal of previous years'	193	−166
Adjustment of prior year's income taxes	−4 951	−974
Tax charge	1 314 370	643 994
Effective tax rate	30.0 %	32.6%

The income tax in Norway and Sweden is based on a corporate income tax rate of 28 percent. The income tax in the USA is based on nominal 35 percent federal tax rate plus state tax (between zero (State of Washington) to 7 percent (Montana)). The effective tax rate in the USA for 2008 was 34.6 percent (34.7 percent for 2007). The tax expense in the USA is also affected by tax credits, Domestic Production Activities Deduction and other expenses deductible in tax. These effects, including adjustment for prior years, reduced the tax expense for 2008 in the USA by NOK 29 million (NOK 37 million for 2007) compared to a calculation using 37 percent (38 percent for 2007) nominal tax rate. The nominal tax rate for Sovello in Germany has been reduced from 33 percent in 2007 to 23 percent as from January 1, 2008. This had only a minor effect on the tax expense. REC's operations in Singapore had a loss before tax of 23 million in total. No tax income or deferred tax assets or liabilities have been calculated for the Singapore operations and a zero tax rate has been used in the calculations in the preceding table.

The difference between current tax in the income statement for the year and the balance sheet at year end was primarily due to the fact that some of the income tax for the financial year is being paid during the year in USA and Sweden.

Estimation of the amounts of deferred tax assets and liabilities that may be recovered or settled within and after 12 months, primarily based on the balance sheet classification as current and non-current are as follows

(NOK IN THOUSAND)	2008	2007
Deferred tax assets		
Deferred tax asset to be recovered after 12 months	560 003	139 698
Deferred tax asset to be recovered within 12 months	548 721	267 734
Offset deferred tax assets and liabilities	−1 087 702	−176 674
Total	21 022	230 758
Deferred tax liabilities		
Deferred tax liability to be settled after 12 months	1 917 747	475 659
Deferred tax liability to be settled within 12 months	97 738	11 335
Offset deferred tax assets and liabilities	−1 087 702	−176 674
Total	927 783	310 320
Net deferred tax liabilities	−906 761	−79 562

The following are the major deferred tax liabilities (-) and assets (+) recognized by the group and movements during 2007 and 2008

(NOK IN THOUSAND)	NON CURRENT ASSETS*	EMPLOYEE BENEFITS	TAX LOSSES	OTHER**	TOTAL
Net deferred tax at January 1, 2007	−367 191	20 651	2 634	112 934	−230 972
Recognized in income statement	−133 492	7 568	−1 057	230 214	103 233
Recognized to equity	0	480	0	5 442	5 922
Translation differences	53 760	−109	−81	−11 314	42 255
Net deferred tax at December 31, 2007	−446 923	28 590	1 496	337 275	−79 562
Recognized in income statement	−568 211	15 080	5 594	−93 484	−641 021
Recognized to equity	0	−6 784	0	−78 283	−85 067
Translation differences	−135 291	366	456	33 358	−101 111
Net deferred tax at December 31, 2008	−1 150 425	37 252	7 546	198 866	−906 761

* Non current assets are primarily accelerated tax depreciation and temporary differences at acquisition of business.

** Unrealized gains/losses on derivatives and net unrealized losses on non−current currency liabilities and receivables were the largest items in "other" for 2008. Other also includes inventories and accrued expenses. The amount in "other" recognized to equity relates to cash flow hedge and translation differences.

Total income taxes recognized to equity as from January 1, 2004 excluding translation differences on deferred tax (minus is reduction to equity)

(NOK IN THOUSAND)	2008	2007	2006	2005	2004	TOTAL
Effect of transition to IAS 39 at January 1, 2005	0	0	0	13 977	0	13 977
Effect of actuarial gains and losses	−6 784	480	406	8 813	631	3 546
Effect of convertible bonds	0	0	−371 170	0	0	−371 170
Effect of translation differences	−62 246	33 089	0	0	0	−29 157
Effect of cash flow hedge	−16 037	−27 647	33 918	0	0	−9 766
Total deferred tax	−85 067	5 922	−336 846	22 790	631	−392 570
Current tax − effect of costs for capital increase	0	0	41 986	0	0	41 986
Total	−85 067	5 922	−294 860	22 790	631	−350 584

Deferred tax assets have not been recognized with respect to the following temporary differences

(NOK IN THOUSAND)	2008	2007
Government grants for investments	64 886	28 305
Tax losses	3 603	2 914
Total	68 489	31 219

The increase in government grants for investments relates primarily to Sovello. REC Group's 33.33 percent share of Sovello's non-taxable government grants recognized subsequent to the acquisition at December 19, 2006 is included in the table above.

At December 31, 2008 and 2007, accumulated undistributed earnings for REC's ownership shares in companies in the USA were approximately NOK 2 100 million and NOK 1 300 million, respectively. A 15 percent withholding tax would amount to NOK 315 million and NOK 195 million, respectively, that has not been recognized as a deferred tax liability. See notes 2.16 and 4.

At the end of 2008, a tax on three percent of dividends received from shares covered by the Norwegian participation exemption rules was introduced. The effective tax rate on relevant dividends is thus below one percent. No deferred tax liability has been recognized.

19. RETIREMENT BENEFIT OBLIGATIONS AND EXPENSES

The Group provides defined benefit pension plans for all employees in Norway. Parts of the pensions are paid by the Norwegian government that provides social security payments to all retired Norwegian citizens. Such payments are calculated by reference to a base amount annually approved by the Norwegian parliament (G-regulation). Benefits are determined based on the employee's length of service and compensation. The plans include benefits in case of disability and some plans include benefits for spouse and children in case of death. The cost of pension benefit plans is expensed over the period that the employee renders services and becomes eligible to receive benefits.

The REC Group offers primarily contribution plans to employees outside of Norway. REC Silicon has an employer-sponsored retirement plan (401 (k)) for employees in the USA, in which the contributions to the plan are determined each year. ASiMI had defined benefit plans at the time it was acquired in 2005. Subsequent to the acquisition, the ASiMI defined benefit plans were frozen and no future benefits are accruing to the members of the plans. Previous pension rights remained unchanged.

Some of the Norwegian subsidiaries participate in a defined benefit multi-employer early retirement plan. For this plan, and the defined benefit multi-employer plans in REC ScanModule AB, the administrators are not able to calculate the REC Group's share of assets and liabilities and these plans are consequently accounted for as defined contribution plans. Contributions to these plans of NOK 7 million and NOK 6 million were included as pension expenses for 2008 and 2007, respectively.

As from January 1, 2007, the REC Group established an additional defined contribution pension plan for Norwegian employees with salaries over 12 G. The plan provides a contribution of 15 percent of base salary above 12 G per year of employment plus or minus a calculated return based on a defined index, which is to be paid upon retirement. It also includes some spouse, children and disability pension rights.

The plan assets and the projected benefit obligations (net present value of pension benefits earned at the balance sheet date based on expected pension qualifying income at the time of retirement) were measured at December 31, 2008 and 2007. Independent actuaries performed the actuarial calculations. The present value of the projected defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The discount rate for the defined benefit plan in Norway was estimated based on the interest rate on Norwegian government bonds. Average time before the payments of earned benefits was calculated at just above 40 years, and the discount rate was projected through a reference to swap interest rates, as the longest duration for Norwegian government bonds is 10 years. The assumption for salary increase, increase in pension payments and G-regulation are referenced to guidelines from the Norwegian Accounting Standards Board and are tested against historical observations, statements made about the future developments and the relationship between different assumptions.

Defined benefit plans

(NOK IN THOUSAND)	2008	2007
Gross retirement benefit obligations at January 1	321 428	283 773
Service cost	78 660	48 625
Interest cost on pension obligations	16 251	13 838
Actuarial gains and losses	−17 682	10 967
Benefits paid, paid−up policies and disability obligation	−19 005	−13 627
Translation differences	44 645	−22 145
Gross retirement benefit obligations at December 31	424 298	321 428
Fair values of plan assets at January 1	215 328	186 967
Actual return on plan assets	6 191	15 829
Pension premiums	41 327	44 037
Benefits paid, paid−up policies and disability reserve	−19 005	−13 627
Translation differences	39 392	−17 875
Fair value of plan assets at December 31	283 233	215 328
Funded status at December 31	141 065	106 100
Accrued social security tax	11 385	8 772
Net retirement benefit obligations at December 31	152 450	114 872

Retirement benefit obligations in the balance sheet are as follows

(NOK IN THOUSAND)	2008	2007
Defined benefit plans		
Net retirement benefit obligations at January 1	114 872	103 231
Net periodic benefit costs	91 593	53 960
Actuarial gains and losses recognized directly in equity	−14 307	8 617
Pension premiums	−41 327	−44 037
Social security tax on pension premiums	−3 635	−2 630
Translation differences	5 254	−4 270
Net defined benefit obligations at December 31	152 450	114 872
Defined contribution plans	3 970	1 328
Total net retirement benefit obligations at December 31	156 420	116 200

The amounts recognized in the income statement are as follows

(NOK IN THOUSAND)	2008	2007
Current service cost	78 660	48 625
Interest cost on gross retirement benefit obligations	16 251	13 838
Expected return on plan assets (net of administration cost)	−11 696	−13 572
Employer's social security tax on defined benefit costs	8 377	5 069
Total benefit plans	91 593	53 960
Contribution plans including employer's social security tax	23 669	18 039
Total pension expenses (see note 24)	115 261	71 999

Subsequent to the acquisition of ASiMI in 2005, its schemes were frozen and no future benefits are accruing to the members of the plans. Previous pension rights remained unchanged. Net pension liability for the ASiMI schemes was NOK 29 million and NOK 16 million, at December 31, 2008 and 2007, respectively. For 2008 and 2007, a net pension cost of NOK 2 million and income of NOK 2 million were recognized in the income statement, respectively. An actuarial loss of NOK 10 million and NOK 7 million was recognized to equity in 2008 and 2007, respectively. Employer's contributions were NOK 5 million and NOK 17 million in 2008 and 2007, respectively, and translation differences increased the net liability by NOK 5 million in 2008 and reduced the net liability by NOK 4 million in 2007 when converting the USD amounts to NOK.

Cumulative actuarial losses recognized to equity were NOK 19 million before taxes and NOK 16 million after taxes.

Actuarial losses/-gains on gross retirement benefit obligations (exclusive of social security tax) consist of

(NOK IN THOUSAND)	2008	2007	2006	2005	2004
(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)	−2 532	28 041	3 467	9 966	−387
(b) the effects of changes in actuarial assumptions	−15 150	−17 073	1 524	17 955	5 502
Total actuarial losses/−gains on gross retirement benefit obligations	−17 682	10 967	4 991	27 921	5 115

The difference to actuarial losses/-gains on net retirement benefit obligations is actuarial gain/loss on plan assets and social security tax.

Overview of the funded status at December 31 the last five years, exclusive of social security tax

(NOK IN THOUSAND)	2008	2007	2006	2005	2004
Gross Pension Obligations	424 298	321 428	283 773	266 269	44 025
Fair value of plan Assets	283 233	215 328	186 967	158 155	24 622
Funded status	141 065	106 100	96 806	108 114	19 403

The actuary risk tables for probability for mortality and marriage in Norway that are based on advice in accordance with published statistics and experience, were changed at December 31, 2007 with an update at December 31, 2008. The names of the risk tables at year-end 2007 and 2008 were: Mortality K2005, Marriage K2005 and Disability IR02.

Distribution of plan assets at estimated fair values at December 31

(NOK IN THOUSAND)	TOTAL		NORWEGIAN PLANS		ASIMI PLANS	
ASSET CATEGORY	2008	2007	2008	2007	2008	2007
Bonds, commercial paper	163 925	158 783	71 575	42 576	92 350	116 208
Shares	7 029	21 461	7 029	21 461	0	0
Properties	20 031	13 500	20 031	13 500	0	0
Other (incl. cash and money market funds)	92 249	21 584	18 509	8 998	73 741	12 585
Total	283 233	215 328	117 143	86 535	166 091	128 793

During 2007, the investment strategy of plan assets for ASiMI was changed to reduce volatility. For the Norwegian plans the part invested in equity securities is limited to a maximum of 35 percent.

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

	2008 NORWAY	2007 NORWAY	2006 NORWAY	2008 ASIMI	2007 & 2006 ASIMI
Discount rate	3.8%	4.5%	4.4%	5.8%	5.8%
Future salary increases	4.0%	4.3–4.5%	4.0%	NA	NA
Future pensions increases	2.3–3.8%	4.3%	4.0%	NA	NA
Future increase in social security base amount (G)	3.8%	4.3%	4.0%	NA	NA
Future turnover	stepwise	stepwise	4%<50 years		
	from 10% to 0%	from 10% to 0%	2%>50 years	NA	NA

The assumptions used to determine the benefit cost for the year are those determined at the beginning of the year. The expected long-term return on the Norwegian schemes' plan assets was 5.5 percent and 5.4 percent for calculation of the pension expense for 2008 and 2007, respectively. For the ASiMI schemes it was five percent and eight percent, respectively. Expected long-term return is calculated based on the estimated risk free interest rates at the balance sheet dates adjusted for the expected long-term yield on the different investment categories above the risk free rates, based on historical long-term yields and deducting expected administration costs.

The average expected remaining service lives in years for the Norwegian plans were about 16 at December 31, 2008 and 2007. The corresponding lives for ASiMi plans were about 14 and 15, respectively.

The number of employees in the defined benefit Norwegian plans was 1 326 and 935 at December 31, 2008 and 2007, respectively. The corresponding number for ASiMI plans was 700.

Pension premiums expected to be paid to the defined benefit plans during 2009 are NOK 49 million for the Norwegian plans including social security tax and zero for ASiMI plans.

The expected contributions to the plans in 2009 and the following estimates are based on facts and circumstances at December 31, 2008. Actual results may deviate from these estimates. Changes in other assumptions that are not included in the table below may also affect the liabilities and expenses. These include risk tables for mortality, marriage and disability that are based on advice in accordance with published statistics and experience. The expected total pension expense for 2009 for the Norwegian benefit plans, based on the assumptions and members of the plan as of year-end 2008, is NOK 95 million. Of this, current service cost is estimated to NOK 84 million excluding social security tax (SST). Gross pension obligations excluding SST for the Norwegian benefit plans as of year-end 2008 were NOK 230 million. The table below shows an estimate of the potential effects (percentage) of changes (percentage points) in the key assumptions for the defined benefit plans in Norway on gross retirement benefit obligations at December 31, 2008 and current service cost for 2009, excluding SST.

Estimated effects of change in assumptions

	DISCOUNT RATE		FUTURE SALARY INCREASE		SOCIAL SECURITY BASE AMOUNT (G)		ANNUAL ADJUSTMENTS TO PENSIONS		TURNOVER	
Changes in assumptions*	+1%	−1%	+1%	−1%	+1%	−1%	+1%	−1%	+1%	−1%
Gross pension obligation 2008 (excl SST)	−22%	39%	19%	−13%	−7%	9%	13%	−10%	−6%	7%
Current service cost 2009 (excl SST)	−22%	38%	20%	−14%	−7%	8%	9%	−13%	−7%	9%

* Percentage points.

For the ASiMI benefit plans there would be no effect of changes in future salary increases, change in the social security base amount, annual adjustments to pensions or turnover. A one percentage point increase/decrease in discount rate is estimated to affect the pension obligation at December 31, 2008 by approximately NOK -24/30 million.

20. TRADE PAYABLES, PROVISIONS AND OTHER NON–INTEREST BEARING LIABILITIES

(NOK IN THOUSAND)	2008	2007
Current		
Provisions	52 105	7 232
Trade payables	858 416	449 711
Payables and accrued costs for capital expenditures	1 459 913	583 876
Other non–interest bearing liabilities	687 181	294 166
Total trade payables, current provisions and other liabilities	3 057 615	1 334 985
Non-current		
Provisions	83 846	34 527
Negative value delivery contract*	65 284	82 344
Total non–current provisions and other non–interest bearing liabilities	149 130	116 871

* A long–term delivery contract that was fair valued in the purchase price allocation of ASiMI. Because it has a negative value it is not classified as an intangible asset. The fair value assessment is recognized as a reduction of cost over five years from August 2005.

Specification of provisions

(NOK IN THOUSAND)	WARRANTIES	OTHER PROVISIONS	TOTAL
At January 1, 2007	25 657	2 682	28 339
Additional provisions	16 279	14 729	31 008
Unused amounts reversed	−11 163	−697	−11 860
Exchanged differences	−1 791	−41	−1 832
Used during the year	−684	−3 212	−3 896
At December 31, 2007	28 298	13 461	41 759
Additional provisions	81 681	15 251	96 932
Unused amounts reversed	−2 134	−168	−2 302
Exchange differences	7 751	1 284	9 035
Used during the year	−1 494	−7 979	−9 473
At December 31, 2008	114 102	21 849	135 951

Distribution of total provisions

(NOK IN THOUSAND)	2008	2007
Provisions current	52 105	7 232
Provisions non–current	83 846	34 527
Total provisions	135 951	41 759

A provision is a liability of uncertain timing or amount. Current provisions are expected to be paid within one year. Non-current provisions are primarily warranties and asset retirement obligations of which approximately half are not expected to be paid within five years at December 31, 2008.

Increase in provisions for warranties in 2008 is primarily related to REC ScanModule. At the end of 2008 a design weakness was discovered in the junction box in a series of modules produced. A provision of NOK 61 million has been recognized as the best estimate of the costs for potential repair work. However, the calculation of the provision is based on a number of assumptions for the timing and extent of repairs. The size of the provision will be reviewed as the actual scope of the potential repair work is being determined.

For more information on provisions see note 4.

21. GOVERNMENT GRANTS

(NOK IN THOUSAND)	2008	2007
Recognized in balance sheet – grants related to assets	28 101	58 664
Recognized in income statement – grants related to income	6 886	6 678
Total	34 987	65 323

Grants are recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants related to assets are recognized to the income statement at the same time as depreciation of the related assets, and are not included in the second line in the table above. Grants related to income are grants that compensate period expenses.

A government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received. For parts of the government grants related to assets there are some restrictions that must be complied with. Conditions for Sovello are to keep the fixed asset over a period of 5 years and to achieve a specified number of employees.

The European Commission has informed Sovello that it intends to re-examine the grounds for granting Sovello investment aid of up to EUR 30 million for the construction of the first and second plant. For more information see note 29.

22. OTHER OPERATING EXPENSES

(NOK IN THOUSAND)	2008	2007
Energy and water costs	519 284	401 514
Operating, service and maintenance costs	320 618	248 875
Operating lease expenses	42 341	21 502
Freight, postage & transportation	60 734	43 025
IT and telecommunication costs	75 481	47 172
Travel and entertainment costs	87 145	46 880
Insurance costs	49 959	52 831
Sales, marketing and advertising costs	26 440	24 655
Consultancy, temporary contract workers, and auditors fees	368 382	247 505
Own work capitalized on fixed assets	−152 882	−57 350
Loss/−gain on disposal of fixed assets	−4	3 553
Other*	268 339	83 657
Total other operating expenses	1 665 837	1 163 819

* Other includes cost reduction relating to the negative value of the long−term delivery contract of NOK 33 million in 2008 (NOK 35 million in 2007), see note 20.

(NOK IN THOUSAND)	2008	2007
Statutory audit fees	10 195	6 437
Other assurance services	1 342	590
Tax advisory services	375	300
Other non−audit services	260	645
Total auditor's remuneration	12 172	7 972

Amounts are exclusive of VAT.

Statutory audit fees contain: all procedures and work performed to ensure proper reporting and statutory audit, technical assistance with preparation of the reported figures and statutory financial statement, audit to be able to sign off tax papers (Norwegian specific mandatory work), and audit or agreed upon procedures for period accounts.

Other assurance services contain: all attestation services expected to be performed by the company's auditor due to legal requirements or requirements from third party including performance of agreed upon procedures for period accounts.

Tax advisory services contain: technical assistance with preparation of tax papers, guidance to the client to explain how the tax regulation/ tax law is to be understood, evaluation of chosen tax solutions, assistance when the client will file complaints to the tax authorities, and assistance if the client needs to report to the tax authorities, or needs to follow up any questions.

Other non-audit services contain: extended audit based request from the management or general assembly that will result in any attestation, counseling to ensure that the client is able to report a financial statement; i.e. assistance with technical issues, agreed-upon procedures, and all other eligible auditor services not included in any of the above.

23. SHARE–BASED COMPENSATION

The annual general meeting of REC ASA (AGM) approved May 19, 2008 a share option program for management and key personnel. In addition the AGM approved an employee share purchase program.

Share option program

71 employees were granted 638 464 options under the share option program for 2008. The program has a profit cap of one to two years fixed salary. The program is a six year program with a lock-up period in the first three years. The number of share options awarded is limited to a maximum profit gain in each calendar year of the exercising period relative to base annual salary effective at January 1 in the year of exercise. The profit gain is calculated as the difference between the exercise price and the market price at the time of exercise.

Fair values were estimated based on the Black-Scholes option price model. Expected volatility of 59 percent was based on historical volatility and comparison to other companies, no dividends are expected in the period and risk free interest rates were set to 4.9 - 5.3 percent. Expected lifetime of the 2008 option program was set to 3.5 years based on expectations that employees will exercise the options early due to the structure of the program, including annual profit cap, and the high volatility of the REC ASA share price. Average estimated vesting period is 3.2 years.

The total share option program should not at any time exceed one percent of the total number of outstanding shares, fully diluted.

		PER OPTION	PER SHARE	
	NO. OF OPTIONS	ESTIMATED FAIR VALUE AT GRANT DATE	AVERAGE EXERCISE PRICE	MARKET PRICE AT GRANT DATE
Outstanding at Jan 1, 2008	0			
Granted May 20, 2008	192 055	34	179	170
Granted June 2, 2008	425 955	30	179	152
Granted June 30, 2008	20 454	25	179	132
Forfeited in 2008	16 694	30	NA	NA
Exercised in 2008	0	NA	NA	NA
Expired in 2008	0	NA	NA	NA
Outstanding at Dec 31, 2008	621 770	NA	179	NA
Exercisable at Dec 31, 2008	0	NA	NA	NA

Weighted average remaining contractual life at December 31, 2008 is 5.6 years.

The share option expense recognized in 2008 was NOK 3.5 million. At year end 2008, total remaining estimated fair value not recognized was NOK 15.7 million. Calculation of social security tax is based on intrinsic value at end of the period.

Employee share purchase program
The program offered all employees in REC ASA and its subsidiaries to purchase shares up to a maximum market value of NOK 35 000 per employee with a discount of 15-20 percent. The number of shares allocated was 294 546 at a weighted average share price of NOK 69 on November 3, 2008. 33 percent of the employees participated in the program.

24. EMPLOYEE BENEFITS

(NOK IN THOUSAND)	2008	2007
Payroll	1 078 121	733 629
Bonus	98 618	74 930
Social security tax	123 396	84 425
Pension costs incl. social security tax	115 261	71 999
Other employee related costs	129 790	68 449
Total employee benefit expenses	1 545 186	1 033 432

The average number of permanent employees during 2008 measured in man-years was 2 171 (2007: 1 587). Number of permanent employees at December 31, 2008 was 2 418 (2007: 1 795). In addition the average number of permanent employees in Sovello AG during 2008 measured in man-years was 1 083 (2007: 828) and the number of permanent employees at December 31, 2008 was 1 164 (2007: 990).

Total loans and guarantees to employees amounted to NOK 16.8 million at December 31, 2008 of which NOK 15.1 million related to the Employee Share Purchase Program (ESPP). All REC employees were offered a 12-month interest free loan for the amount of shares each employee purchased in the 2008 ESPP, see note 23. The loans are repaid in 12 equal installments starting in November 2008. Total loans and guarantees to employees amounted to NOK 1.8 million at December 31, 2007.

25. FINANCIAL INCOME AND EXPENSES

(NOK IN THOUSAND)	2008	2007
Share of loss of associates*	−2 936	−45 465
Interest income for financial assets not at fair value through profit or loss	174 387	314 639
Other income from financial assets and liabilities	6 932	0
Total financial income not at fair value through profit or loss	181 319	314 639
Interest expenses for financial liabilities not at fair value through profit or loss	−253 553	−183 880
Capitalization of borrowing costs	226 038	121 011
Other expenses from financial assets and liabilities	−4 459	−694
Total financial expenses not at fair value through profit or loss	−31 974	−63 563
Net exchange gains/−losses	291 440	−345 737
Net gains/−losses on bank derivatives classified as held for trading (IAS 39)**	−1 858 352	171 814
Net gains/−losses on embedded derivatives classified as held for trading (IAS 39)	3 294 468	−642 032
Total net gains/−losses on derivatives classified as held for trading (IAS 39)**	1 436 116	−470 218
Impairment loss on investments in shares	−8 126	0
Impairment loss on other non−current receivables	−16 044	0
Total impairment financial assets	−24 170	0
Net financial items	1 849 795	−610 344

* Include impairment loss in 2007, see note 8.

** Include ineffective part of hedging instruments.

Borrowing costs capitalized and included in the cost of qualifying assets during 2008 were primarily related to REC Silicon (USA) and REC Wafer (Norway), at an effective interest rate of approximately five percent and six percent, respectively. For 2008, capitalization of borrowing costs has been limited to the total amount of external borrowing costs incurred for the parent company and subsidiaries during the year.

Borrowing costs capitalized and included in the cost of qualifying assets during 2007 were primarily related to REC Silicon (USA) at an effective interest rate of approximately seven percent. REC Wafer, REC Solar (Norway) and Sovello (Germany) also contributed with effective interest rates of approximately 5.5 percent.

26. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares (see note 15).

(NOK IN THOUSAND)	2008	2007
Profit attributable to equity holders of the company (NOK in thousand)	3 064 233	1 333 459
Weighted average number of ordinary shares in issue (in thousand)	494 315	494 318
Basic earnings per share (NOK per share)	6.2	2.7

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(NOK IN THOUSAND)	2008	2007
Diluted earnings per share (NOK per share)	6.2	2.7

27. DIVIDENDS PER SHARE

Due to the growth strategy and aggressive expansion plans the Board believes that the funds can be put into best use within the company, and therefore do not propose any dividends to be paid out to the shareholders for 2008 or 2007.

28. RESEARCH AND DEVELOPMENT

(NOK IN THOUSAND)	2008	2007
Research and development expenses	213 248	111 403

The research and development activities consist of continuous development of current production processes and equipment as well as next generation production technologies designed to reduce silicon cost, enhance quality while reducing wafer thickness, improve cell and module efficiency, and reduce production cost throughout the value chain.

29. COMMITMENTS, GUARANTEES, PLEDGES

The purchase obligation amounts consist of items for which the REC Group is contractually obligated to purchase from a third party at December 31, 2008 and 2007. For purchase of goods and services it has taken into account possibilities for termination of contracts, and these amounts only constitute the contracted minimum portion of the REC Group's expected future costs. Operating lease payments are shown in a separate table below. Repayment of debt, including finance leases, is shown in note 17.

The amounts presented in the table do not reflect the REC Group's expected future cash outflows on a stand-alone basis.

Contractual purchase obligations at December 31, 2008

	TOTAL FUTURE	DISTRIBUTION OF PAYMENTS					
(NOK IN THOUSAND)	PAYMENTS*	2009	2010	2011	2012	2013	AFTER 2013
Purchase of goods and services							
REC Silicon	1 902 693	675 191	417 379	232 804	74 671	73 929	428 718
REC Wafer	3 178 027	421 859	386 105	429 466	400 494	316 601	1 223 504
REC Solar	101 001	32 219	32 219	32 219	724	724	2 896
Sovello**	437 572	180 993	53 013	55 825	32 320	32 319	83 102
Other	2 969	828	815	793	530	2	1
Total purchase of goods and services	5 622 262	1 311 089	889 531	751 107	508 739	423 575	1 738 221
Capex – property, plant and equipment							
REC Silicon	1 117 920	1 099 009	18 911	0	0	0	0
REC Wafer	2 560 744	2 119 364	414 686	26 695	0	0	0
REC Solar	3 383 579	2 340 044	1 043 534	0	0	0	0
Sovello	120 166	120 166	0	0	0	0	0
Other	2 139 408	1 841 685	292 758	4 965	0	0	0
Total capex – property, plant and equipment	9 321 816	7 520 268	1 769 889	31 660	0	0	0
Total contractual obligations**	14 944 078	8 831 357	2 659 420	782 767	508 739	423 575	1 738 221

Contractual purchase obligations at December 31, 2007 ***

	TOTAL FUTURE	DISTRIBUTION OF PAYMENTS					
(NOK IN THOUSAND)	PAYMENTS*	2008	2009	2010	2011	2012	AFTER 2012
Purchase of goods and services							
REC Silicon	814 307	359 345	74 239	70 175	35 269	35 182	240 097
REC Wafer	2 413 354	367 855	236 100	195 200	198 600	204 500	1 211 100
REC Solar	81 719	61 422	7 617	7 612	724	724	3 620
Sovello**	95 524	95 524	0	0	0	0	0
Other	2 942	673	632	618	596	423	0
Total purchase of goods and services	3 407 846	884 819	318 588	273 605	235 189	240 829	1 454 817
Capex – property, plant and equipment							
REC Silicon	1 294 601	1 294 601	0	0	0	0	0
REC Wafer	1 940 474	1 277 444	663 030	0	0	0	0
REC Solar	322 430	322 430	0	0	0	0	0
Sovello	98 820	98 820	0	0	0	0	0
Total capex – property, plant and equipment	3 656 325	2 993 295	663 030	0	0	0	0
Total contractual obligations**	7 064 171	3 878 114	981 618	273 605	235 189	240 829	1 454 817

* Payments are undiscounted.

** Amounts do not include Sovello's committed purchases of polysilicon from the REC Group. Neither does it include REC's undertakings to contribute equity capital or subordinated loans to Sovello under certain scenarios, see below.

*** Contractual purchase of goods and services in REC Wafer has been adjusted downwards compared to the amounts previously reported in the note for 2007. The adjustment is to reflect that the table should include only the minimum committed payments, taking into account possible termination of contracts even if it is not probable. The adjustment has also reduced total purchase of goods and services and total contractual obligations in the table for 2007, as well as amounts referred in the text below.

The contractually committed minimum purchase of goods and services for REC Silicon include agreements that provide rights to the output of certain gases of specified facilities which are being constructed to serve the production needs associated with the expansions at the Moses Lake facility. At December 31, 2008 and 2007 it was concluded that these agreements include operating leases of the facilities. The estimated fair values of the commodity output elements of the contracts have been concluded to constitute the majority of the contractual payments. The lease portions are estimated to be nominal. The total payments included in the tables above for these contracts are NOK 590 million at December 31, 2008 and NOK 260 million at December 31, 2007. The plant III facility was completed in 2008 and the plant IV facility was not completed at December 31, 2008.

Certain property tax payments in REC Silicon are included whereby the company operates one of its facilities in an area designated by the taxing authorities as a special industrial financing district. The payments associated with these property taxes are expected to be made through the period ending December 31, 2022. The total undiscounted amounts of these payments were NOK 195 million and NOK 170 million at December 31, 2008 and 2007, respectively.

The contractually committed minimum purchase of goods and services for REC Wafer include NOK 2 087 million at December 31, 2008 (NOK 2 139 million at December 31, 2007) for cost plus capacity contracts for recycling of exhausted slurry and mixing and supply of slurry at production facilities located at REC Wafer's sites in Norway. At the end of 2007, REC Wafer entered into new agreements for the expansions in Glomfjord and Herøya, and an extension of the first contract. The estimated fair values of the goods and services (non-lease elements) of the first contract are included in the tables above with a total of NOK 350 million at December 31, 2008 and NOK 385 million at December 31, 2007. The estimated fair values of the lease components of the first capacity contract are included in the operating lease table below and as finance lease liabilities in note 17. The minimum term of the two new contracts are ten years and the first contract has been extended to thirteen years. All three capacity contracts for slurry are based on a cost-plus principle in which the vendor obtains coverage of investments and expenses within specified limits. The exact amounts of the investments related to the two new contracts entered into at the end of 2007 will not be known before the completion of the construction, which originally were expected to be in the middle of 2008 and the beginning of 2009 for the respective contracts but at December 31, 2008 are expected to be completed at June 30, 2009. The payments for coverage of the vendors operating expenses may change according to the output and efficiency of the production process. In the tables above for December 31, 2008 and 2007, the total estimated minimum payment obligations for the two new capacity contracts are included with NOK 1 737 million at December 31, 2008 and NOK 1 754 million at December 31, 2007. These total payment obligations include the estimated minimum contractual payments for the lease components and for the goods and services to be received.

Capex is capital expenditure; purchase of assets that are to be capitalized and used for more than one period. Contractually committed capex at December 31, 2008 was primarily related to the expansion in Singapore, the expansion projects in the USA and the wafer plants at Herøya and Glomfjord. Contractually committed capex at December 31, 2007 was primarily related to the expansion of the wafer plants and the expansion projects in the USA. In addition to contractually committed capex, the REC Group had approved capex of approximately NOK 8.5 billion at December 31, 2008, of which approximately NOK 5.5 billion is expected to be paid in 2009 and the remaining primarily in 2010.

The future aggregate minimum lease payments under non—cancellable operating leases are as follows at December 31

(NOK IN THOUSAND)	2008	2007
Not later than 1 year	34 476	24 487
Later than 1 year but not later than 5 years	97 619	80 840
Later than 5 years	36 340	39 363
Total	168 435	144 690

The operating leases at December 31, 2008 and 2007 were primarily related to a production building for REC ScanCell, the lease of the corporate headquarters and the production building for the first contract for recovery of slurry in REC Wafer as described above.

Contractual sales

REC Silicon and REC Wafer had a remaining external long-term contract portfolio with a total value of approximately NOK 65 billion at December 31, 2008 (calculated based on exchange rates at December 31, 2008 and includes all sales to Sovello). Approximately NOK 11 billion of the total NOK 65 billion contract portfolio is scheduled for delivery in 2009 and approximately NOK 13 billion in 2010. The remaining contract portfolio of approximately NOK 41 billion refers to deliveries scheduled in 2011-2015. Parts of the contract values are either secured with bank guarantees or up-front payments.

With regard to the total take-or-pay contracts, some adjustments in the take-out volumes can be made for a given year provided that sufficient prior notice has been given. Beyond this, customers have little flexibility to adjust volumes. For the silane gas contracts in REC Silicon, complexities in storing silane gas require certain flexibility in administering contract terms. Actual shipments cannot disregard fluctuation in market demand and actual merchant market consumption.

For 2009, most of the expected production of REC Wafer and REC Silicon is contractually committed to be sold to external customers or used internally. For 2009, more than 70 percent of the expected production of REC Wafer is contractually committed to be sold to external customers. This external contract coverage is expected to be reduced to more than 50 percent in 2010. The corresponding amounts for REC Silicon are more than 40 percent for both years, including all sales to Sovello.

Contracted external sales and the planned increases in own use depend on successfully building up new capacity. The figures are based on already approved capacity expansions at the existing sites, excluding Singapore, and reflect facts and assumptions at December 31, 2008.

For REC Wafer, the contracts entered into in 2006 - 2008 contain the right for both the customer and REC Wafer to reduce deliveries for the following year by up to ten percent without this being considered a breach of contract. In addition, in the event of a lack of raw materials, REC Wafer has the right on a pro rata basis to reduce deliveries.

Sales contracts for polysilicon contain rights for both the customer and REC Silicon to reduce deliveries for the following year by up to ten percent dependent on the individual contract, without this being considered a breach of contract. However, REC Silicon will in most cases where the volume is unspecified have to make up for such volumes later. In addition, if production problems should occur due to force majeure, REC Silicon has the right on a pro rata basis to reduce deliveries. The delays in production from the new production plant in Moses Lake will lead to pro rated reductions in deliveries to the three customers impacted by this delay: Sovello AG, REC ScanWafer AS and REC SiTech AS. For REC Silicon's existing delivery contract to Sovello, the up-front payment of USD 42 million and remaining part of the USD 33 million pre-payment shall be repaid if REC Silicon cannot fulfill its obligations under the contract. For the silane gas contracts in REC Silicon, complexities in storing silane gas require certain flexibility in administering contract terms. Actual shipments cannot disregard fluctuation in market demand and actual merchant market consumption.

Guarantees, pledges and undertakings

Purchased bank guarantees that are not secured by assets of the REC Group are not included in the information below.

REC ASA and its subsidiaries have restrictions under the existing credit facilities for providing financial support to third parties, including the making of any (whether actual or contingent) loans, credit or guarantee, indemnity or other assurance against financial loss to or for the benefit of any person, or otherwise voluntarily assume any liability in respect of any obligation of any other person. The credit facilities also contain negative pledge clauses, see note 17.

2008

REC ASA and the other two shareholders of Sovello have provided undertakings to external banks for any additional capital need for completion of construction of Sovello's third plant in event of cost overruns or non-compliance with financial loan covenants and for any loss of investment grants for Sovello (see below). See also note 17 regarding Sovello's breach of loan covenants and note 31 for related parties transactions with Sovello. According to the agreement, the EUR 30 million guarantee REC ASA provided in 2007 was terminated in 2008.

Sovello had at December 31, 2008 recognized investment grants of EUR 66 million (100 percent figure for Sovello) of which EUR 28 million had been received in cash. A syndicate of banks has advanced as a bridge financing most of the remaining EUR 38 million grants receivable. In the undertaking signed individually by all the three shareholders of Sovello in relation to Sovello's EUR 193 million syndicated loan agreement, the shareholders have an obligation to contribute additional equity capital or subordinated loans, in the amount of 33.33 percent each of the amount by which the investment grants are not granted in the projected amounts or are required to be repaid. REC's 33.33 percent of the total investment grants amounted to EUR 22 million at December 31, 2008.

Payments of the grants to Sovello are dependent on an EU approval process and that funds are available. The European Commission informed Sovello in the first half of 2008 that it intended to re-examine the grounds for granting Sovello investment aid of up to EUR 30 million for the construction of the first and second plant. After careful review, and supported by external advice, Sovello believes that it qualifies for the investment grants in question. Consequently, no provisions have been recognized for this issue.

Sovello has provided collateral for its bank loans (carrying value at December 31, 2008 of EUR 40 million for REC's 33.33 percent share) by way of security of non-current and current assets, with carrying values of EUR 132 million at December 31, 2008 (REC's 33.33 percent share).

REC Silicon has through an external bank issued letters of credit available to provide credit enhancement and has provided liquidity support for certain purchase agreements. REC Silicon has pledged inventory, receivables and other deposit accounts with the bank in relation to a USD 19 million Letter of Credit Facility under which letters of credit for USD 12 million have been issued at December 31, 2008. The carrying value of total inventory, receivables and other deposits pledged was USD 331 million at December 31, 2008. REC Silicon has pledged USD 18 million at December 31, 2008 of assets that are held as certificate of deposits (reported as restricted bank accounts in the balance sheet and in note 14) for certain property tax payments described above as part of contractual payment obligations.

Government grants with remaining value of SEK 8 million at December 31, 2008 are secured by the total assets of REC ScanModule AB. The carrying amount of total assets of REC ScanModule AB was SEK 1.2 billion at December 31, 2008.

2007

At December 31, 2007 REC ASA had provided a financial guarantee limited to EUR 30 million for bank financing of Sovello's second plant. Sovello had at December 31, 2007 recognized investment grants of EUR 57 million (100 percent figure for Sovello) of which EUR 28 million had been received in cash. A syndicate of banks has advanced as a bridge financing most of the remaining EUR 29 million grants receivable. In the Guarantee and Undertaking signed individually by all the three shareholders of Sovello in relation to Sovello's EUR 142 million syndicated loan agreement, the shareholders have an obligation to contribute additional equity capital, in the amount of 33.33 percent each of the amount by which the investment grants are not granted in the projected amounts or are required to be repaid. REC's 33.33 percent of the total investment grants amounted to EUR 19 million at December 31, 2007.

Sovello's bank loans of EUR 37 million (REC's 33.33 percent share) are secured by assets with carrying amounts in Sovellos balance sheet of EUR 70 million at December 31, 2007 (REC's 33.33 percent share).

REC Silicon has pledged inventory, receivables and other deposit accounts with the bank in relation to a USD 8 million Letter of Credit Facility under which letters of credit for USD 6.8 million have been issued at December 31, 2007. The carrying value of total inventory, receivables and other deposits pledged was USD USD 109 million at December 31, 2007. REC Silicon has pledged USD 20.1 million at December 31, 2007 of assets that are held as certificate of deposits (reported as part of the restricted bank accounts in the balance sheet and in note 14) for certain property tax payments described above as part of contractual payment obligations.

Government grants with remaining value of SEK 12 million at December 31, 2007 are secured by the total assets of REC ScanModule AB. The carrying amount of total assets of REC ScanModule AB was SEK 408 million at December 31, 2007.

30. OTHER INFORMATION FINANCIAL INSTRUMENTS

Refer also to note 3 financial risk management.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Group's financial instruments are based on market prices and the valuation methodologies described below.

Interest bearing financial liabilities and finance receivables

None of the REC Group's interest bearing liabilities has market quotes. The interest-bearing liabilities under the 2006 credit facility have floating interest rates based on LIBOR plus a margin depending on the ratio of net interest bearing debt to EBITDA. This ratio is regarded as an adjustment for credit risk based on the margins in the market at the time the credit facilities were established. At December 31, 2007, the margins were estimated to equal the margins in the market, and consequently the fair values of floating rate liabilities were assumed to be equal to the carrying amounts. During 2008, the credit margins in the market have increased considerably, primarily due to the financial turmoil. At December 31, 2008 there is limited visibility for market values of liabilities similar to REC's, and REC believes that the market is negatively affected by the financial crises worldwide and there are few comparable transactions. REC entered into agreements for new credit facilities at the end of September 2008 that management believes provide a basis for estimating market margins for REC. Management believes the margins in the market have increased further subsequent to entering into the new credit facilities.

Fair value for fixed rate liabilities, finance lease liabilities and finance receivables are calculated using estimated interest rates at the balance sheet dates for similar liabilities. The same difficulties and uncertainties as discussed above are present for these.

Derivatives

Fair values of foreign currency forward contracts (including embedded derivatives) and interest rate swaps are estimated by the present value of future cash flows, calculated by using quoted forward rates as of December 31, 2008 and 2007, respectively. Option elements in flexible and participating forward contracts are valued using appropriate option pricing models. See note 3.2 for further description. All these derivatives are recognized in the balance sheet at estimated fair values.

REC Solar AS owns 20 percent of Mainstream Energy Inc. see note 8. Under the agreement between REC and the other shareholders of Mainstream Energy, call options for REC and put options for the other shareholders (put options effective only if REC has majority) may increase REC's shareholding in future years. The specific terms and conditions in any subsequent transactions are dependent on the future performance of Mainstream Energy. The number of shares that can be exercised under the call and put options are interrelated and will consequently vary according to if and when the options are exercised. Based on the structure, complexity and interdependency of the put and call options, REC's preliminary view is that the options cannot be separated and reliably fair valued.

Trade and other receivables and payables

Discounting is not considered to have material effect on trade and other receivables and payables, and they are assumed to be equal to the carrying amount.

Equity securities available for sale

The REC Group only has a limited amount of unlisted shares and fair values are assumed to be equal to the carrying amounts. Companies that are consolidated in the REC Group, proportionally consolidated or accounted for by using the equity method, are not included in the table below.

Cash and cash equivalents and restricted bank accounts

All cash and cash equivalents and restricted bank accounts have floating interest rates. Fair values are assumed to be equal to the carrying amounts.

Estimated fair values of financial instruments at December 31

	2008		2007	
(NOK IN THOUSAND)	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Cash and bank (incl. restricted bank accounts)	623 010	623 010	6 156 342	6 156 342
Trade receivables	1 149 493	1 149 493	693 838	693 838
Other non–current and current receivables	709 102	709 102	281 486	281 486
Finance receivables and short–term loans	441 829	434 440	179 850	176 914
Shares available for sale	2 306	2 306	1 237	1 237
Derivatives – assets	2 810 349	2 810 349	92 918	92 918
Derivatives – liabilities	–1 902 327	–1 902 327	–706 363	–706 363
Payables and accrued cost	–3 305 462	–3 305 462	–1 533 843	–1 533 843
Provisions and other obligations	–201 235	–201 235	–41 758	–41 758
Interest bearing liabilities	–6 595 348	–6 377 312	–2 796 572	–2 825 395
Total	–6 268 283	–6 057 636	2 327 135	2 295 376

The table above does not include prepayments and a negative value of a delivery contract. Prepayments are not defined as financial instruments. Prepayments include prepaid costs (see note 12), prepaid capital expenditure (see the consolidated balance sheet) and non-current prepaid costs. In addition prepayments related to deliveries from REC Silicon are reported as current and non-current prepayments, interest calculation (see the consolidated balance sheet and note 17). These liabilities are not to be repaid in cash, unless REC Silicon is not able to deliver according to the agreements. The negative value of a delivery contract of NOK 65 million at December 31, 2008 and NOK 82 million at December 31, 2007 is included as other obligations in the balance sheet but is per definition not a financial liability (see note 20). The table does not include any amounts related to the loan and credit facility established in June and September 2008, except up-front fees etc. as no amounts were drawn under these arrangements at December 31, 2008.

Contractual maturities of financial liabilities

Information on contractual maturities of financial liabilities is found in note 11 for derivatives, note 17 for borrowings and note 20 for provisions. All current liabilities are expected to be paid within one year from the balance sheet dates. In addition, REC ASA has granted a loan commitment of EUR four million that Sovello can draw at any time, and has provided undertakings to Sovello's banks, see note 31.

Credit risk

The maximum credit risks related to financial instruments at December 31 are estimated in the table below

	2008		2007	
(NOK IN THOUSAND)	CARRYING AMOUNT	MAX. EXPOSURE	CARRYING AMOUNT	MAX. EXPOSURE
Cash and bank (incl. restricted bank accounts)	623 010	623 010	6 156 342	6 156 342
Trade receivables	1 149 493	1 149 493	693 838	693 838
Other non−current and current receivables	709 102	709 102	281 486	281 486
Finance receivables and short−term loans	441 829	441 829	179 850	179 850
Embedded derivatives − assets	2 732 438	2 732 438	0	0
Other derivatives − assets	77 911	77 911	92 918	92 918
Guarantees, loan commitment - Sovello*	0	26 307	0	238 830
Total	5 733 783	5 760 090	7 404 434	7 643 264

* Not included undertakings REC has to Sovello's banks, see note 31.

Overall, management's judgment is that REC's credit risk is limited, but the financial turmoil in the second half of 2008 has reduced the visibility related to future performance and development of REC's counterparties and consequently has increased the risk.

REC Group's trade receivables are primarily from a limited number of wholesale customers in the solar, silicon gases and electronic industry in Europe (especially Germany), USA and Asia. Policies are in place to ensure that sales of products are only made to customers with an appropriate credit history in combination with requirements for various payment guarantees or prepayments and to some extent credit insurance. Some of the trade receivables at December 31, 2008 and 2007 were overdue. However, the credit quality of trade receivables at December 31, 2008 and 2007 was regarded as good and the REC Group has experienced minimal losses on receivables.

A large part of other receivables are receivables for taxes and grants payable by governments and are regarded to have a low credit risk.

Finance receivables are primarily unsecured loans to related parties and to a vendor. The largest amount at year-end 2008 is REC ASA's loans to Sovello AG by NOK 300 million ((2/3 of EUR 45.7 million) (NOK 159 million in 2007). 1/3 is reported as REC Group internal and eliminated on proportional consolidation). It also includes NOK 140 million in loans and receivables from a vendor at December 31, 2008 (NOK 8 million in 2007). It also includes NOK 2 million as the carrying amount of a convertible loan to CSG Solar AG at December 31, 2008 (NOK 13 million in 2007). An impairment loss was recognized on the loan and on shares in CSG in 2008, see note 25. The REC Group's equity investment in CSG was considered impaired at year-end 2007, but the convertible loan was at that time not impaired.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. Positive values in embedded derivatives relate to contractually committed future sales of wafers. Parts of the long term contracts are secured by bank guarantees from high-credit-quality banks and/or prepayments.

Interest rate sensitivity

All interest bearing assets and liabilities are accounted for at amortized cost, except for derivatives. The cross currency interest rate swaps carry variable interest rates. Sovello's interest rate swaps are limited amounts. Consequently, a change in interest rates will have a marginal effect on the values of financial instruments in the balance sheet.

A change in market interest rates will affect the interest payments on interest bearing liabilities, cash and cash equivalents and restricted bank accounts. The net effect of a one percentage point increase (decrease) in interest rates is estimated to increase (decrease) net interest costs for the year by NOK 50 million calculated on outstanding amounts at December 31, 2008. The same calculation at December 31, 2007 was an increase (decrease) in net interest income of approximately NOK 40 million. These calculations are not adjusted for capitalization of borrowing costs.

Exchange rate sensitivity

The REC Group has estimated the effect on financial assets and financial liabilities of a 10 percent change in currencies other than the entities functional currencies at December 31, 2008 and 2007. The REC Group has no single functional currency, and the effects are calculated for each entity in its functional currency, converted to NOK using the exchange rates at December 31, 2008 and 2007, respectively. The calculations include intercompany receivables and payables. It excludes net investments in subsidiaries, joint ventures and associates but includes receivables that are regarded as a part of net investments in foreign entities. The estimated effects of increase and decrease in foreign exchange rates differs for bank derivatives, primarily flexible and participating forwards because these derivatives include an option element within predetermined bands of currency rates.

"Total to equity" is an estimate of the effect that could affect equity through the consolidated statement of recognized income and expenses excluding effects to profit or loss. It also excludes translation differences on net investments in foreign currencies, except receivables regarded as a part of the net investments. Exchange rate effects on derivatives that are designated and qualify for hedge accounting and on a USD 140 million loan to REC Silicon that is regarded as a part of the net investment is estimated to be recognized to equity, based on the facts and circumstances at December 31, 2008 and 2007. In the calculation it has been assumed that all changes in fair values of derivatives that are designated and qualify as hedge accounting at December 31, 2007 are recognized to equity with no ineffectiveness to profit or loss. At December 31, 2008 the hedge designation has been revoked and all changes in fair values will affect profit or loss.

The calculation should not be viewed as an estimate of what the effects could be for the financial year for changes in currency rates. This is, among other things, due to the fact that the amounts of financial instruments in foreign currencies may change during the year at the same time as changes in currency rates may occur unevenly throughout the year. If there is a change in the amounts of derivatives that are designated and qualify for hedge accounting compared to December 31, more or less effects would be recognized to equity versus profit or loss.

The tables below show an estimate of the effects of a ten percent change in foreign currencies compared to functional currencies for each entity and totaled to arrive at the estimated effects for the REC Group.

Exchange rate sensitivity on financial instruments at December 31, 2008

	CHANGE +10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN THOUSAND)	EUR	USD	SGD	OTHER	TOTAL
Financial assets and liabilities					
Financial assets	68	796 410	−198 269	14 901	613 109
Financial liabilities	−104 069	−463 509	10 587	−30 280	−587 270
Net excluding derivatives	−104 001	332 901	−187 683	−15 379	25 839
Derivatives					
Bank derivatives	−732 635	−655 399	29 763	9 394	−1 348 877
Embedded derivatives	0	1 763 228	0	0	1 763 228
Net derivatives	−732 635	1 107 829	29 763	9 394	414 351
Total	−836 636	1 440 730	−157 920	−5 984	440 190
Of which to equity					
USD receivable as part of net investment	0	97 985	0	0	97 985
Derivatives hedge accounting	0	0	0	0	0
Total to equity	0	97 985	0	0	97 985
Rest is to P&L	−836 636	1 342 746	−157 920	−5 984	342 206

Exchange rate sensitivity on financial instruments at December 31, 2008

	CHANGE −10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN THOUSAND)	EUR	USD	SGD	OTHER	TOTAL
Financial assets and liabilities					
Financial assets	−68	−796 410	198 269	−14 901	−613 109
Financial liabilities	104 069	463 509	−10 587	30 280	587 270
Net excluding derivatives	104 001	−332 901	187 683	15 379	−25 839
Derivatives					
Bank derivatives	677 236	613 382	−27 057	−8 540	1 255 470
Embedded derivatives	0	−1 763 228	0	0	−1 763 228
Net derivatives	677 236	−1 149 397	−27 057	−8 540	−507 758
Total	781 237	−1 482 298	160 626	6 838	−533 597
Of which to equity					
USD receivable as part of net investment	0	−97 985	0	0	−97 985
Derivatives hedge accounting	0	0	0	0	0
Total to equity	0	−97 985	0	0	−97 985
Rest is to P&L	781 237	−1 384 313	160 626	6 838	−435 612

Exchange rate sensitivity on financial instruments at December 31, 2007

	CHANGE +10% COMPARED TO FUNCTIONAL CURRENCIES			
(NOK IN THOUSAND)	EUR	USD	OTHER	TOTAL
Financial assets and liabilities				
Financial assets	62 301	399 751	86	462 138
Financial liabilities	−39 053	−98 316	−13 415	−150 784
Net excluding derivatives	23 248	301 435	−13 329	311 354
Derivatives				
Bank derivatives	−509 037	−106 967	16 148	−599 856
Embedded derivatives	0	748 621	0	748 621
Net derivatives	−509 037	641 653	16 148	148 764
Total	−485 789	943 088	2 819	460 117
Of which to equity				
USD receivable as part of net investment	0	75 754	0	75 754
Derivatives hedge accounting	−427 477	−4 221	0	−431 698
Total to equity	−427 477	71 533	0	−355 944
Rest is to P&L	−58 312	871 555	2 819	816 062

Exchange rate sensitivity on financial instruments at December 31, 2007

	CHANGE −10% COMPARED TO FUNCTIONAL CURRENCIES			
(NOK IN THOUSAND)	EUR	USD	OTHER	TOTAL
Financial assets and liabilities				
Financial assets	−62 301	−399 751	−86	−462 138
Financial liabilities	39 053	98 316	13 415	150 784
Net excluding derivatives	−23 248	−301 435	13 329	−311 354
Derivatives				
Bank derivatives	524 916	9 216	−50 516	483 616
Embedded derivatives	0	−748 621	0	−748 621
Net derivatives	524 916	−739 405	−50 516	−265 005
Total	501 668	−1 040 840	−37 187	−576 359
Of which to equity				
USD receivable as part of net investment	0	−75 754	0	−75 754
Derivatives hedge accounting	365 930	−75 070	0	290 860
Total to equity	365 930	−150 824	0	215 106
Rest is to P&L	135 738	−890 016	−37 187	−791 465

31. RELATED PARTY TRANSACTIONS

The REC Group has related party relationships with its subsidiaries, associates, joint ventures and with its Group management and Board of Directors and principle shareholders. Transactions with subsidiaries are eliminated on consolidation.

The principle shareholders in REC ASA that had significant influence over the REC Group at year-end 2008 and 2007 were Elkem AS and Orkla ASA. Orkla ASA is the ultimate owner of Elkem AS, and their combined ownership interests at year-end 2008 and 2007 were 39.7 percent.

Good Energies Investments B.V. was a related party due to ownership of REC ASA shares up to February 2007, when it sold all its REC ASA shares. Its ownership interest was 34.4 percent at year-end 2006. Hafslund Venture AS was a related party due to ownership of REC ASA shares up to the end of March 2007, when it reduced its ownership interest. Its ownership interest was 21.3 percent at year-end 2006. The ultimate parent companies of theses shareholders at the relevant points in time were: Good Energies Investment BV was owned by COFRA Holding Aktiengesellschaft (Switzerland); and Hafslund Venture AS was owned by Hafslund ASA (Norway).

In 2007, the REC Group purchased goods and services from Elkem AS for NOK 5 million. Besides this, in 2008 and 2007, the REC Group had insignificant purchase/sales from/to related parties in the normal course of business except as described below.

Amounts below in NOK are calculated at average exchange rates for profit or loss items and at year-end exchange rates for balance sheet items.

Key management compensation etc.
Group management and Board of Directors' compensation, ownership of REC ASA shares and options and loan agreements are shown in note 16.

Joint venture
Sovello AG (formerly EverQ GmbH) became a jointly controlled entity at December 19, 2006. At the end of 2007, REC ASA contributed additional equity capital to Sovello. See note 9.

2008
Sale of polysilicon from REC Silicon to Sovello amounted to NOK 222 million (USD 39.3 million), of which NOK 2 million (USD 0.3 million) was outstanding at year-end. At the end of 2008, REC Silicon and Sovello agreed that the USD 45 million part of the USD 87 million prepayment made in 2007 should no longer be restricted. USD 12.4 million was repaid to Sovello in order to allow sourcing of polysilicon from other sources than REC to compensate for the delayed start-up of Plant III (FBR), leaving total prepayments of USD 74.6 million.

REC ASA and the two other shareholders have provided shareholders' loans, subordinated to the bank loans, loan commitments and guarantees to Sovello and undertakings to external banks relating to Sovello. At year-end 2008, REC ASA had outstanding shareholder's loans to Sovello of NOK 450 million (EUR 45.7 million) and a loan commitment of NOK 39 million (EUR 4 million). Of the loans, NOK 411 million (EUR 41.7 million) is due to be repaid at December 31, 2009, but it may be prolonged in the case an IPO has not been conducted with proceeds to Sovello sufficient to repay all shareholders' loans. During 2008, according to the agreement, the EUR 30 million guarantee provided in 2007 was terminated. During 2008, Sovello paid NOK 18 million (EUR 2.2 million) to REC ASA as interest and guarantee fees.

REC ASA and the other two shareholders have provided undertakings to external banks for additional capital need, including for completion of construction of the third plant in case of cost overruns or non-compliance with financial loan covenants and for any loss of investment grants. See also note 17 regarding Sovello's breach of financial loan covenants and note 29 regarding the European Commission's intention to re-examine the grounds for granting Sovello investment aid.

2007
During 2007, the REC Group sold goods and services to Sovello for NOK 56 million and had receivables on Sovello related to these deliveries of NOK 5 million at December 31, 2007.

In 2007, REC ASA provided a guarantee limited to EUR 30 million for Sovello's bank borrowings for a guarantee premium of 0.75 percent pro anno and recognized guarantee fee of NOK 1.2 million in 2007. A guarantee of NOK 74 million provided in 2006 was terminated.

At December 31, 2007, REC ASA had outstanding loans to Sovello of NOK 239 million (EUR 30 million), and received interest income of NOK 12.6 million on these loans in 2007.

In 2006, Sovello and the REC Group entered into a long term agreement for supply of polysilicon from REC Silicon to Sovello that also incorporated and replaced a supply agreement from 2005. As a part of the agreement, in May 2007 Sovello made prepayments of a total of USD 87 million and has also paid interest of USD 0.3 million due to late payment. The prepayments shall not be repaid in cash if REC Silicon delivers polysilicon under the agreement, but will be recognized as a part of the revenues from the sale of polysilicon. Of the prepayments, USD 45 million plus interest was held as restricted bank account, see note 14.

Associates

In April 2008, REC Solar AS acquired a 20 percent ownership interest in Mainstream Energy Inc. Under the agreement between REC Solar AS and the other shareholders of Mainstream Energy Inc., call and put options (put options effective only if REC Solar AS has majority) may increase REC Solar AS's shareholding in future years. The specific terms and conditions in any subsequent transactions are dependent on the future performance of Mainstream Energy. The number of shares that can be exercised under the call and put options are interrelated and will consequently vary according to if and when the options are exercised. In the second half of 2008, REC ScanModule AB made sales of modules of NOK 101 million to REC Solar Inc. and AEE Solar Inc. (USA), subsidiaries of Mainstream Energy Inc., of which NOK 47 million was outstanding at year-end 2008.

The Norwegian companies Si Pro AS and Meløy Bedriftsservice AS, located at Glomfjord (Norway) are associates of REC (owned by REC ScanWafer AS and REC SiTech AS). During 2008, the REC Wafer segment purchased goods and services for NOK 33 million and NOK 17 million, respectively, of which in total NOK 5 million was outstanding at year-end 2008. Total purchases from these companies in 2007 amounted to NOK 31 million, of which in total NOK 2 million was outstanding at year-end 2007.

CSG Solar AG was an associated company and a related party up to February 1, 2008 when REC reduced its ownership by not participating in full in a capital increase of CSG Solar AG. In July 2007, REC ASA provided a convertible loan to CSG Solar AG of EUR 2 million, of which EUR 0.4 million is reported as equity contribution. Interest of NOK 0.5 million was in 2007 accrued and added to the loan.

32. EVENTS AFTER THE BALANCE SHEET DATE

No events after the balance sheet date December 31, 2008 and up to the time these financial statements have been approved for issue have been identified that require disclosure.

BALANCE SHEET (NGAAP)
REC ASA

AT DECEMBER 31 (NOK IN THOUSAND)	NOTES	2008	2007
ASSETS			
Non–current assets			
Intangible assets	D	39 286	7 447
Deferred tax assets	J	0	1 044
Property and equipment	C	15 445	50 128
Shares in subsidiaries	H	2 267 699	1 187 202
Non–current interest bearing receivables from subsidiaries		8 681 697	2 361 563
Shares in jointly controlled entity and associate	I	420 623	429 171
Non–current interest bearing receivables from jointly controlled entity and associate		450 396	251 441
Other investments	I	123 497	70
Total investments		11 943 912	4 229 447
Other receivables		1 865	0
Total non current assets		12 000 508	4 288 066
Current assets			
Group account system, subsidiaries	O	6 803 850	1 080 072
Trade receivables from subsidiaries		42 710	13 544
Trade receivables from others		414	297
VAT and other taxes		0	10 759
Receivables on group contributions from subsidiaries		787 000	665 000
Other receivables from subsidiaries		92 698	84
Other receivables from jointly controlled entity and associate		0	550
Accrued revenues from subsidiaries		46 590	19 262
Other receivables		7 285	16 445
Derivatives, internal	L	1 358 282	0
Derivatives, external	L	69 360	29 548
Total current receivables		9 208 189	1 835 561
Cash and cash equivalents	B	227 476	5 569 796
Total current assets		9 435 665	7 405 357
Total assets		21 436 173	11 693 423

BALANCE SHEET (NGAAP)
REC ASA

AT DECEMBER 31 (NOK IN THOUSAND)	NOTES	2008	2007
EQUITY & LIABILITIES			
Shareholders equity			
Share capital	K	494 315	494 315
Treasury shares	K	−2	0
Share premium reserve	K	8 265 784	8 265 784
Contributed capital	K	283 056	283 056
Total paid in capital		9 043 153	9 043 155
Other equity and retained earnings	K	1 797 868	804 647
Total shareholders equity		10 841 021	9 847 802
Non−current liabilities			
Interest bearing liabilities to financial institutions	G	4 945 091	1 559 240
Retirement benefit obligations	E	19 553	12 114
Deferred tax liabilities	J	55 188	0
Non−current provisions		0	7 500
Total non−current liabilities		5 019 832	1 578 854
Current liabilities			
Trade payables to subsidiaries		1 173	752
Group account system, subsidiaries	O	3 295 274	0
Trade payables to others		17 885	43 970
Current tax liabilities	J	280 692	169 581
Social security, VAT and other taxes		7 115	4 378
Current provisions		1 410	3 151
Other current liabilities		34 871	20 692
Derivatives, internal	L	41 537	0
Derivatives, external	L	1 895 363	24 243
Total current liabilities		5 575 320	266 767
Total liabilities		10 595 152	1 845 621
Total equity and liabilities		21 436 173	11 693 423

Sandvika, March 23, 2009
Board of Directors

Ole Enger
Chairman of the Board

Marcel Egmond Brenninkmeijer
Member of the Board

Tore Schiøtz
Vice Chairman of the Board

Roar Engeland
Member of the Board

Susanne Elise Munch Thore
Member of the Board

Line Geheb
Member of the Board

Inger Johanne Solhaug
Member of the Board

Rolf B. Nilsen
Member of the Board

Christian Berg
Member of the Board

Are Gløersen
Deputy member of the Board

Jørn Mobæk
Member of the Board

Unni Kristiansen
Deputy member of the Board

Erik Thorsen
President & CEO

INCOME STATEMENT (NGAAP)
REC ASA

AT DECEMBER 31 (NOK IN THOUSAND)	NOTES	2008	2007
Revenues from subsidiaries		71 945	28 319
Total revenues		71 945	28 319
Employee benefit expenses	E	−96 496	−77 192
Other operating expenses	F	−90 473	−74 617
Depreciation and amortization	C	−3 279	−3 018
Operating loss (EBIT)		−118 303	−126 508
Group contributions from subsidiaries		787 000	665 000
Interest income, internal		217 334	51 545
Interest income, external		379 365	421 214
Interest expenses		−158 873	−111 802
Other financial expenses		−3 172	−3 763
Currency gains/−losses		726 871	−458 647
Net gains on internal derivatives	L	78 060	0
Net gains/−losses on external derivatives	L	−525 858	137 155
Impairment loss financial assets	I	−26 318	−73 336
Profit before taxes		1 356 106	500 858
Income tax expense	J	−366 412	−161 317
Profit for the year		989 694	339 541
Profit for the year is distributed as follows			
Other equity	K	989 694	339 541
Total distributed		989 694	339 541

STATEMENT OF CASH FLOW (NGAAP)
REC ASA

YEAR ENDED DECEMBER 31 (NOK IN THOUSAND)	NOTES	2008	2007
Cash flow from operating activities			
Profit before tax		1 356 106	500 858
Taxes paid		−199 067	−75 605
Depreciation and amortization		3 279	3 018
Impairment loss financial assets		26 318	73 336
Changes in trade receivables		−141 559	202 292
Changes in trade payables		397	25 098
Effects of group contributions		−122 000	−254 516
Currency effects not cash flow or not related to operating activities		−509 212	452 471
Change in derivatives		514 563	22 928
Changes in other accrued income and expenses		7 426	8 152
Net cash flow from operating activities		936 251	958 032
Cash flow from investing activities			
Cash payment for shares		−1 083 676	−82 028
Payment finance receivables		−4 871 943	−1 101 530
Net change group account system		−2 722 069	−339 842
Purchase of equipment and intangible assets		−44 731	−43 460
Proceeds from sale of property and equipment		36 795	0
Net cash flow from investing activities		−8 685 624	−1 566 860
Cash flow from financing activities			
Repayment of borrowings		−1 143 900	−225 190
Proceeds from borrowings		3 632 358	0
Repayment of equity/treasury shares		−2	−916
Net cash flow from financing activities		2 488 456	−226 106
Effect on cash and cash equivalents of changes in foreign exchange rates		−81 403	−298 544
Net change in cash and cash equivalents		−5 342 320	−1 133 478
Cash and cash equivalents at January 1	B	5 569 796	6 703 274
Cash and cash equivalents at December 31	B	227 476	5 569 796

Net change group account system is presented net because of high turnover and large amounts.

INDEX OF THE FINANCIAL STATEMENT NOTES
REC ASA

A. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

REC ASA is a holding company and contains parts of the Group management, corporate functions, corporate research and development, a corporate project management organization and the REC Group's inhouse bank. These activities were scaled up during 2008 and 2007 due to increased activity and complexity of the REC Group. With effect from January 1, 2008, parts of the research and development and the business development departments were transferred to REC Solar AS. Revenues comprise sales of Group services to REC subsidiaries, primarily on a cost plus basis.

The financial statements of REC ASA have been prepared in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at December 31, 2008. The functional and reporting currency of REC ASA is Norwegian Krone (NOK). The consolidated financial statements of the REC Group have been prepared in accordance with IFRS. However, except as stated, REC ASA's accounting principles are similar to the accounting principles for the REC Group, as described in the consolidated financial statements. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the consolidated financial statements for the Group.

Group contributions and dividends that are subject to approval by the Annual General Meeting are recognized in the consolidated accounts at the time of approval. For REC ASA's financial statements, these are recognized in the fiscal year they relate to. For REC ASA this is relevant for Group contributions receivable from subsidiaries. In REC ASA's financial statements, subsidiaries, jointly controlled entities and associates are carried at the lower of cost and estimated fair value. In the consolidated accounts, these are consolidated, proportionately consolidated and accounted for using the equity method, respectively. In REC ASA's financial statements, payments expected to be made during the next 12 months on non-current financial assets or liabilities are not reclassified to current financial assets or liabilities. In the consolidated accounts, these are reclassified.

B. CASH AND CASH EQUIVALENTS

(NOK IN THOUSAND)	2008	2007
Bank deposits	227 459	1 847 309
Money Market Funds	17	3 722 487
Total cash and cash equivalents	227 476	5 569 796

In 2008 and 2007, REC ASA had a guarantee through Nordea Bank covering employees' tax deductions.
See note 14 to the consolidated financial statements for a description of the cash pools in the REC Group.

C. PROPERTY, PLANT AND EQUIPMENT

(NOK IN THOUSAND)	2008 LEASEHOLD IMPROVEMENTS	2008 OFFICE EQUIPMENT	2008 MACHINERY & EQUIPMENT	2008 TOTAL	2007 TOTAL
Cost at January 1	31 818	2 220	20 048	54 086	11 010
Additions	754	7 013	4 283	12 050	43 076
Disposals	−30 537	−81	−14 099	−44 717	0
Cost at December 31	2 035	9 152	10 232	21 419	54 086
Accumulated depreciation at December 31	148	2 828	2 998	5 974	3 958
Carrying value at December 31	1 887	6 324	7 234	15 445	50 128
Depreciation for the year	−55	2 185	307	2 437	3 018
Estimated useful life, years	Up to 10	Up to 5	Up to 5		
Depreciation plan	Straight line	Straight line	Straight line		

REC ASA sold machinery and equipment used by REC Solar in its research and development activities in the laboratory at Kjørbo, as well as rebuilding of the leased basement for the laboratory with effect from January 1, 2008.

D. INTANGIBLE ASSETS

(NOK IN THOUSAND)	2008 INTERNALLY GENERATED INTANGIBLES	2008 ASSET UNDER CONSTRUCTION	2008 SOFTWARE	2008 TOTAL	2007 TOTAL
Cost at January 1	1 923	5 524	0	7 447	0
Additions	2 319	29 196	1 166	32 681	7 447
Cost at December 31	4 242	34 720	1 166	40 128	7 447
Accumulated amortization at December 31	742	0	100	842	0
Carrying value at December 31	3 500	34 720	1 066	39 286	7 447
Amortization for the year	742	0	100	842	0
Estimated useful life, years	3	Not determined	6.8		
Amortization method	Straight line	Not determined	Straight line		

Internally generated intangibles consist of REC ASA's intranet. Assets under construction consist primarily of a technology agreement with SiGen. Assets under construction are not ready for their intended use. Software consists of IFS accounting system.

E. EMPLOYEE BENEFITS

Employee benefit expenses

(NOK IN THOUSAND)	2008	2007
Payroll	62 697	52 573
Social security tax	8 873	7 521
Pension expense incl. social security tax	17 488	12 036
Other employee related costs	7 438	5 062
Employee benefit expenses	96 496	77 192

The average number of employees measured in man-years was 54 during 2008 and 40 during 2007. Total loans to employees in REC ASA were NOK 2.4 million at December 31, 2008 of which NOK 0.7 million related to the Employee Share Purchase Program (ESPP). This program was approved by the annual general meeting of REC ASA on May 19, 2008. All employees were offered a 12 month interest free loan for the amount of shares each employee purchased in the 2008 ESPP. The loans are repaid in 12 equal installments starting in November 2008. The annual general meeting of REC ASA also approved on May 19, 2008 a share option program for management and key personnel. At December 31, 2008 the expense for the share option program amounted to NOK 1.7 million. The amounts recognized to equity for the share option program amounts to NOK 3.5 million, of which NOK 1.8 million are receivables from subsidiaries. For compensation, loans and shareholdings for the Group management and Board of Directors, see note 16 to the consolidated financial statements. Total loans to employees at December 31, 2007 were NOK 1.7 million.

Pension expenses

(NOK IN THOUSAND)	2008	2007
Service cost	13 849	9 149
Interest cost	596	675
Expected return on plan assets (incl. administration expense)	−461	−379
Social security tax	1 972	1 332
Total expense for benefit plans	15 956	10 777
Expense for contribution plans	1 532	1 259
Total pension expenses	17 488	12 036

Accumulated actuarial losses recognized directly to equity as of December 31

(NOK IN THOUSAND)	2008	2007
Gross before tax	1 870	1 858
Less tax	−524	−520
Accumulated actuarial losses recognized directly to equity	1 346	1 338

Retirement benefit obligations in the balance sheet at December 31

(NOK IN THOUSAND)	2008	2007
Accumulated benefit obligations (excluding future salary increases)	17 389	10 011
Effect of expected future salary increases	7 627	7 137
Projected benefit obligations	25 016	17 148
Fair value of plan assets	−10 324	−7 634
Funded status	14 692	9 514
Accrued social security tax	2 072	1 341
Total defined benefit plans	16 764	10 855
Contribution plans	2 789	1 259
Total retirement benefit obligation in the balance sheet	19 553	12 114

REC ASA's defined benefit pension plan for all employees fulfills the requirements according to the Norwegian law: "Lov om obligatorisk tjenestepensjon". For information on assumptions used and description of the pension plan, see note 19 to the consolidated financial statements.

F. OTHER OPERATING EXPENSES

Specification of other operating expenses

(NOK IN THOUSAND)	2008	2007
Operating lease expenses	7 460	2 790
Operating and maintenence costs	2 453	150
Audit remuneration	2 745	2 653
Consultancy fees	56 788	52 032
Travel costs	8 761	7 099
Marketing, representation, meeting and conference expenses	3 060	2 400
Insurance	900	1 210
IT and telecommunication costs	6 562	4 574
Other office expenses	1 744	1 709
Total other operating expenses	90 473	74 617

Audit remuneration

(NOK IN THOUSAND)	2008	2007
Statutory audit fees	2 235	2 119
Other assurance services	0	81
Tax advisory	287	119
Other non−audit services	223	334
Total auditor's remuneration expensed	2 745	2 653

Amounts are exclusive VAT.

For description of the services, see note 22 to the consolidated financial statements.

FUTURE PAYMENT OBLIGATIONS

The future aggregate minimum lease payments under non–cancellable operating leases are as follows

(NOK IN THOUSAND)	2008
Not later than 1 year	11 265
1–2 years	10 994
2–3 years	10 861
3–4 years	9 178
4–5 years	8
Later than 5 years	1
Total	42 307

In addition, REC ASA had committed future payments under service contracts of NOK 3.0 million at December 31, 2008. Total future aggregate minimum lease payments at December 31, 2007 were NOK 36.2 million, and committed future payments under service contracts were NOK 5.9 million. The operating leases in 2008 and 2007 were primarily related to lease of the new headquarter at Kjørbo in Sandvika.

G. LIABILITIES TO FINANCIAL INSTITUTIONS

For information regarding liabilities to financial institutions, see note 17 to consolidated financial statement.

H. SHARES IN SUBSIDIARIES

(NOK IN THOUSAND)	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE	CARRYING AMOUNT
REC Silicon AS	100%	Bærum	223 132
REC ScanWafer AS	100%	Bærum	743 524
REC Solar AS	100%	Bærum	193 365
REC SiTech AS	100%	Meløy	27 070
REC Technology Ventures AS	100%	Bærum	111
REC Site Services Pte. Ltd.	100%	Singapore	1 080 497
Total			2 267 699

Except for REC SiTech AS and REC Site Services Pte. Ltd., the subsidiaries own shares in other subsidiaries as described in their respective financial statements.

I. JOINTLY CONTROLLED ENTITY, ASSOCIATE AND OTHER INVESTMENTS

Shares in jointly controlled entity at December 31, 2008

(NOK IN THOUSAND)	OWNERSHIP/ VOTING RIGHT	ACQUISITION COST	CARRYING AMOUNT
Sovello AG, Thalheim, Germany	33.33%	420 623	420 623
Total		420 623	420 623

CSG Solar AG was as an associated company until February 2008, when REC ASA reduced its ownership. For more information, see notes 8 and 10 to the consolidated financial statements.

Other investments at December 31, 2008

(NOK IN THOUSAND)	OWNERSHIP/ VOTING RIGHT	ACQUISITION COST	CARRYING AMOUNT
CSG Solar AG, Thalheim, Germany	7.5%	85 064	1 454
Affitech AS, Oslo, Norway	1.7%	525	70
Total shares		85 589	1 524
Non current receivables			121 973
Total other investments			123 497

In 2008 REC ASA recognized an impairment loss on shares in CSG Solar of NOK 10.3 million (NOK 73.3 million in 2007).

At December 31, 2008 REC ASA had non current receivables from CSG Solar with a carrying value of NOK 2 million, after an impairment loss of NOK 16 million in 2008.

REC ASA had a loan to a vendor to the REC Group of NOK 120 million at December 31, 2008.

During 2008, REC ASA recognized interest income of NOK 18.2 million from Sovello and NOK 1.4 million from CSG Solar. For more information see note 31 to the consolidated financial statements.

J. INCOME TAXES

(NOK IN THOUSAND)	2008	2007
Profit before taxes	1 356 106	500 858
Permanent differences	11 510	75 275
Part of group contribution not taxable	−59 000	0
Changes in temporary differences	−200 841	29 515
Basis for current tax	1 107 775	605 648
Current tax expense for the year (28%)	310 177	169 581
Deferred tax expense/−benefit	56 235	−8 264
Total tax expense for the year	366 412	161 317

Current tax expense includes an expense of NOK 29 million and deferred tax expense includes a benefit of NOK 29 million for 2008 as adjustments of prior periods. This current tax was paid during 2008, reducing current tax liability compared to the current tax expense for 2008. Permanent differences for 2008 and 2007 include impairment of shares in CSG Solar AG.

Specification of temporary differences

(NOK IN THOUSAND)	2008	2007
Fixed assets	3 088	2 808
Receivables	−15 127	272
Pension liability	−19 553	−12 113
Derivatives	−509 258	5 305
Net unrealized losses on non−current foreign exchange receivables and liabilities	737 951	0
Total	197 101	−3 728
28% deferred tax assets (−) / liabilities (+)	55 188	−1 044

K. EQUITY

(NOK IN THOUSAND)	SHARE CAPITAL	TREASURY SHARES	CAPITAL NOT REGISTERED	SHARE PREMIUM RESERVE	CONTRIBUTED CAPITAL	OTHER EQUITY	TOTAL
Equity at January 1, 2007	494 172	0	13 129	8 253 714	283 056	460 752	9 504 823
Issue of shares	154	0	−13 129	12 975	0	0	0
Repayments of shares not issued	−11	0	0	−905	0	0	−916
Actuarial gains/−losses on defined pension scheme	0	0	0	0	0	6 047	6 047
Deferred taxes on actuarial gains/losses	0	0	0	0	0	−1 693	−1 693
Profit for the year	0	0	0	0	0	339 541	339 541
Equity at December 31, 2007	494 315	0	0	8 265 784	283 056	804 647	9 847 802
Share option program	0	0	0	0	0	3 535	3 535
Treasury shares	0	−2	0	0	0	0	−2
Actuarial gains/−losses on defined pension scheme	0	0	0	0	0	−12	−12
Deferred taxes on actuarial gains/losses	0	0	0	0	0	4	4
Profit for the year	0	0	0	0	0	989 694	989 694
Equity at December 31, 2008	494 315	−2	0	8 265 784	283 056	1 797 868	10 841 021

Share capital at December 31, 2008 and 2007 consisted of 494 314 725 shares at par value NOK 1. There is one class of shares which all have the same voting rights. See note 15 to the consolidated financial statements for more information.

REC ASA's distributable equity at December 31, after allocations amounted to

(NOK IN THOUSAND)	2008	2007
Contributed capital	283 056	283 056
Other equity	1 797 868	804 647
Loans – employee share purchase program	−747	0
Deferred tax assets	0	−1 044
Distributable equity	2 080 177	1 086 659

L. DERIVATIVES

See notes 3 and 11 to the consolidated financial statements for a description of derivatives. Derivative transactions are entered into for the purpose of economic hedge, but hedge accounting has not been applied.

At December 31, 2008 REC ASA is the counterparty to all external derivatives for REC ASA and subsidiaries.

External derivatives for REC ASA, not back-to-back with subsidiaries; notional amounts at December 31, 2008

(CURRENCY IN THOUSAND)		2009 FX FORWARD	2010 CC SWAP
BOUGHT CURRENCY	SGDUSD	200 000	0
SOLD CURRENCY	EURUSD	−10 000	0
	USDNOK	0	−334 000

External derivatives for REC ASA, back-to-back with subsidiaries; notional amounts at December 31, 2008

		2009		2010		2011	2012
(CURRENCY IN THOUSAND)		FX FLEX FORW	FX FORWARD	FX FLEX FORW	FX FORWARD	FX FORWARD	FX FORWARD
BOUGHT CURRENCY	GBPNOK	2 232	0	0	0	0	0
	CHFNOK	13 290	0	0	0	0	0
SOLD CURRENCY	EURNOK	−203 000	−320 000	−180 000	−93 000	−32 000	−20 000
	USDNOK	0	−220 000	0	−91 000	−260 000	−112 000

The total of the two tables above corresponds to the table for the REC Group in note 11 to the consolidated financial statements.

Internal derivatives consist of the opposite side of the back-to-back contracts in the table above. In addition, at December 31, 2008 REC ASA had entered into agreements to buy EUR 60 million from subsidiaries in 2009 (FX forward) that are not back-to-back with external counterparties.

At December 31, 2007 REC ASA had three flexible forward currency contracts, one for sale of USD 100 million and two for purchase of a total of USD 50 million. In addition REC ASA had two currency swap contracts for the total sale of USD 133 million.

M. RESEARCH AND DEVELOPMENT

Research and development expenses in REC ASA, net of the parts invoiced to the subsidiaries were NOK 16 million in 2008 (2007: NOK 27 million). In addition comes a technology agreement with SiGen, for which the payments have been capitalized, see note D.

REC ASA's corporate technology department conducts and coordinates research and development within the REC Group, primarily related to next generation technologies and enhancement of existing technologies.

It is expected that research and development costs will create future profitability.

N. GUARANTEES

REC ASA had provided parent company guarantees for subsidiaries that amounted to NOK 625 million at December 31, 2008.

O. GROUP ACCOUNT SYSTEM

The REC Group uses a multi currency Nordea Bank cash pool for the Nordic entities and a DnB NOR Bank cash pool for other REC entities operating internationally (group account system). Under these agreements REC ASA is the Group account holder, whereas certain other REC companies are sub-account holders or participants. The cash pool system includes overdraft facilities for the participants.

AUDITOR'S REPORT

KPMG

KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

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

To the Annual Shareholders' Meeting of Renewable Energy Corporation ASA

AUDITOR'S REPORT FOR 2008

Respective Responsibilities of Directors and Auditors
We have audited the annual financial statements of the Renewable Energy Corporation ASA as of 31 December 2008, showing a profit TNOK 989 694 for the parent company and a profit of TNOK 3 064 219 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of recognised income and expense and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the parent company's financial statement. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion
We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent Company as of 31 December 2008, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2008, the results of its operations, its cash flows and the statement of recognised income and expense for the year then ended, is in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations

Oslo, 23 March 2009
KPMG AS

Arve Gevoll
State Authorized Public Accountant
Note: This translation from Norwegian has been prepared for information purposes only

ADDRESSES

Renewable Energy Corporation ASA
Kjørboveien 29
PO Box 594
NO-1302 Sandvika
Norway
Tel: +47 67 57 44 50
Fax: +47 67 57 44 99

REC SILICON:

REC Silicon Inc
1616 S. Pioneer Way
Moses Lake, Washington 98837
USA
Tel: +1 509 793 9000
Fax: + 1 509 764 9945

REC Solar Grade Silicon LLC
3322 Road "N" N.E.
Moses Lake, Washington 98837
USA
Tel: +1 509 765 2106
Fax: +1 509 766 9325

REC Advanced Silicon Materials LLC
119140 Rick Jones Way
Silver Bow, Montana 59750
USA
Tel : +1 406 496 9898
Fax: +1 406 496 9854

REC Silicon Inc
77 Sugar Creek Center Blvd.
Suite 550
Sugar Land, Texas 77478
USA
Tel: +1 281 325 3800
Fax: +1 281 325 3818

REC Advanced Silicon Materials LLC
24 F HSBC Tower
1000 Lu Jia Zui Ring Road
Pudong, Shanghai
China PC 200120
Tel: +86 21 6841 2035
Fax: +86 21 6841 1050

REC Advanced Silicon Materials LLC
12th Floor, Ark Mori Building
1-12-32 Akasaka Minato-ku
Tokyo 107-6012
Japan
Tel: + 81 3 4360 8253
Fax: + 81 3 4360 8201

REC WAFER:

REC Wafer Norway AS
Kjørboveien 29
PO Box 594
NO-1302 Sandvika
Norway
Tel: +47 67 57 44 50
Fax: +47 67 57 44 99

REC Wafer Norway AS
Glomfjord plant, multi
Ørnesveien 3
NO-8160 Glomfjord
Norway
Tel: +47 75 72 32 00
Fax: +47 75 71 90 13

REC Wafer Norway AS
Glomfjord plant, mono
Ørnesveien 3
PO Box 100
NO-8160 Glomfjord
Norway
Tel: +47 75 72 30 00
Fax: +47 75 72 30 01

REC Wafer Norway AS
Herøya plant, multi
Tormod Gjestlandsveg 31
NO-3908 Porsgrunn
Norway
Tel: +47 35 93 70 00
Fax: +47 35 93 70 01

REC SOLAR:

REC Solar AS
Kjørboveien 29
PO Box 594
NO-1302 Sandvika
Norway
Tel: +47 67 57 44 50
Fax: +47 67 57 44 99

REC ScanCell AS
Teknologiveien 10
NO-8512 Narvik
Norway
Tel: +47 76 96 45 00
Fax: +47 76 96 45 01

REC ScanModule AB
Hillringsberg
SE-670 20 Glava
Sweden
Tel: +46 570 75 22 00
Fax: +46 570 75 22 01

REC Solar Germany GmbH
Prinzregentenstrasse 20
D-80538 München
Germany
Tel: +49 89 442 3859 0
Fax: +49 89 442 3859 99

REC Solar Spain S.L.U.
Viladecans Business Park
Edificio Australia
c/ Antonio Machado 78-80
08840 Viladecans (Barcelona)
Spain
Tel: +34 936 476 012
Fax: +34 936 476 010

REC Solar Italy Srl
Centro Direzionale Milanofiori
Street 4, Building Q7
5th floor
20089 Rozzano (Milano)
Italy
Tel: +39 028 920 0146
Fax: +39 025 753 5283

OFFICES IN SINGAPORE:

Operations office:
3 International Business Park
Nordic European Centre, #03-01
Singapore 609927
Tel: +65 64 99 75 00
Fax: +65 64 99 75 48/9

Project office:
20A Tuas South Avenue 14
Singapore 637311
Tel: +65 65 78 93 00
Fax: +65 65 78 93 51

Design: Creuna/REC Text: Creuna and Crux Kommunikasjon AS Print: RK Grafisk AS

REC

Renewable Energy Corporation ASA
Kjørboveien 29
PO Box 594
No–1302 Sandvika
Norway
Tel: +47 67 57 44 50
Fax: +47 67 57 44 99

www.recgroup.com