ENERGIZING LIFE TOGETHER

REC

ANNUAL REPORT 2012

REC is a leading global provider of solar electricity solutions. With nearly two decades of expertise, we offer sustainable, high-performing products, services and investment opportunities for the solar and electronics industries. Together with our partners, we create value by providing solutions that better meet the world's growing electricity needs. Our 2,300 employees worldwide generated revenues of more than NOK 7 billion in 2012, approximately EUR 1 billion or USD 1.3 billion.

OUR VISION

We want every person to benefit from electricity directly from the sun.

OUR MISSION

We create value through efficient and sustainable solar products, services and investment opportunities together with our partners to better meet growing electricity needs globally.

OUR VALUES

RESPONSIBLE
We focus on safety and responsible business practices. We consider the long-term value and effect of everything we do. As a reliable partner, we deliver on our promise.

EXPERIENCED
We have a strong heritage, our skills and expertise allow us to improve and be more effective in everything we do. Through customer insights and innovation, we strive to meet the future demands of the solar and electronics industries.

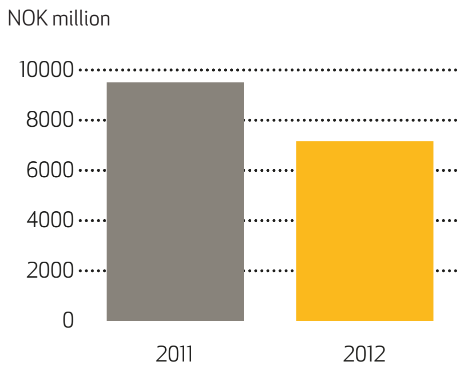
COLLABORATIVE
By working together we create greater value. Collaboration helps us to reach our goals and achieve mutual success.

STRAIGHTFORWARD
We work in a way that is open-minded, transparent and honest. Clear communication builds trust and confidence, and strengthens our working relationships.

CONTENTS

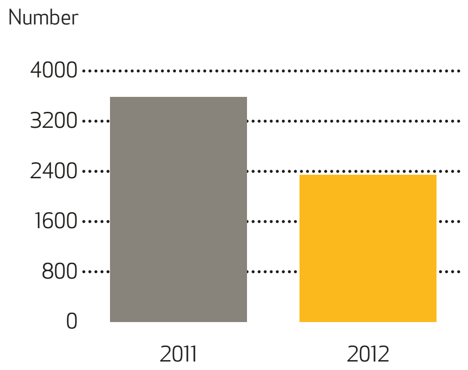
2012 KEY FIGURES

REVENUES



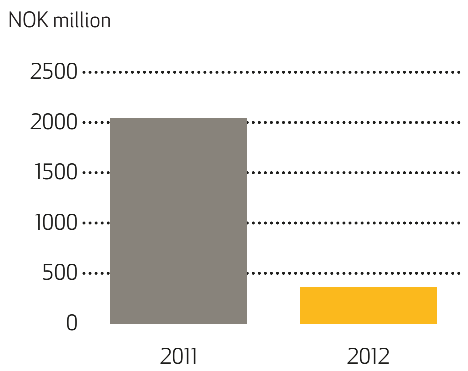
7.1 BILLION

EMPLOYEES



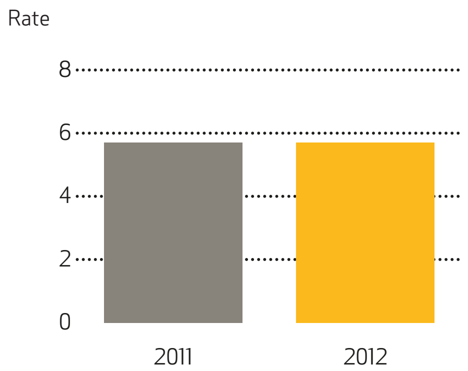
2,346 PEOPLE

EBITDA



360 MILLION

TOTAL RECORDABLE INJURIES (TRI)



5.7 TRI

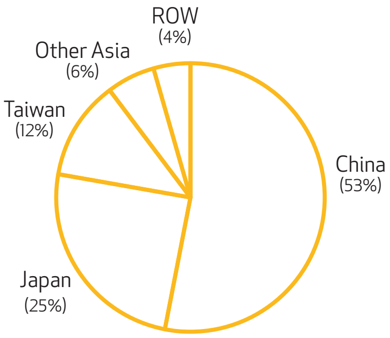
FINANCIAL FIGURES – NOK IN MILLION	2012	2011
Revenues[1]	**7 145**	9 500
EBITDA	**360**	2 043
EBITDA margin	**5%**	22%
EBIT	**7 528**	-4 108
EBIT margin	**105%**	-43%
Net financial items	**-480**	185

[1] Amounts are re-presented for discontinued operation REC Wafer

NUMBER / RATE [1]	2012	2011
Employees	**2 346**	3 587
Total recordable injury rate	**5.7**	5.7
Lost-time injury rate	**2.0**	1.4

[1] Rate is calculated by the number of injuries per million worked hours

OUR SILICON BUSINESS



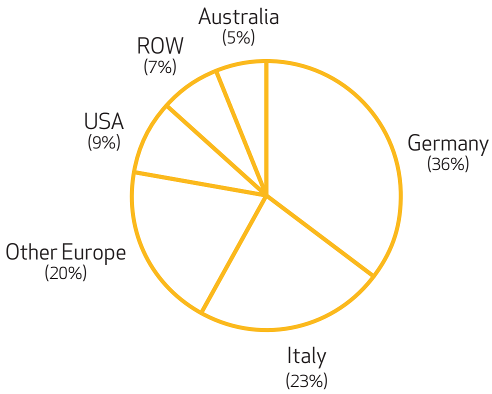
EXTERNAL REVENUE BY CUSTOMER LOCATION

21,702 MT

POLYSILICON SOLD IN 2012

FINANCIAL FIGURES – NOK IN MILLION	2012	2011
Revenues	**3 261**	5 585
EBITDA	**755**	2 781
EBITDA margin	**23%**	50%
Sale of polysilicon MT (Siemens and granular)	**21 702**	18 706
Sale of silane gas in MT	**1 467**	1 651

OUR SOLAR BUSINESS



EXTERNAL REVENUE BY CUSTOMER LOCATION

777 MW

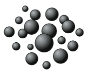
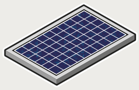
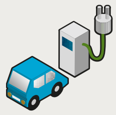
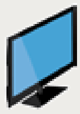
SOLAR PANELS SOLD IN 2012

FINANCIAL FIGURES – NOK IN MILLION	2012	2011
Revenues	**4 087**	5 856
EBITDA	**-372**	-30
EBITDA margin	**-9%**	-1%
Sale of solar panels in MW	**777**	594

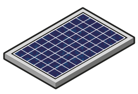
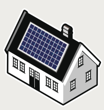
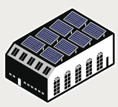
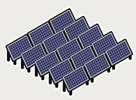
OUR PRODUCT OFFERING

OUR PRODUCTS	HOW OUR PRODUCTS ARE USED

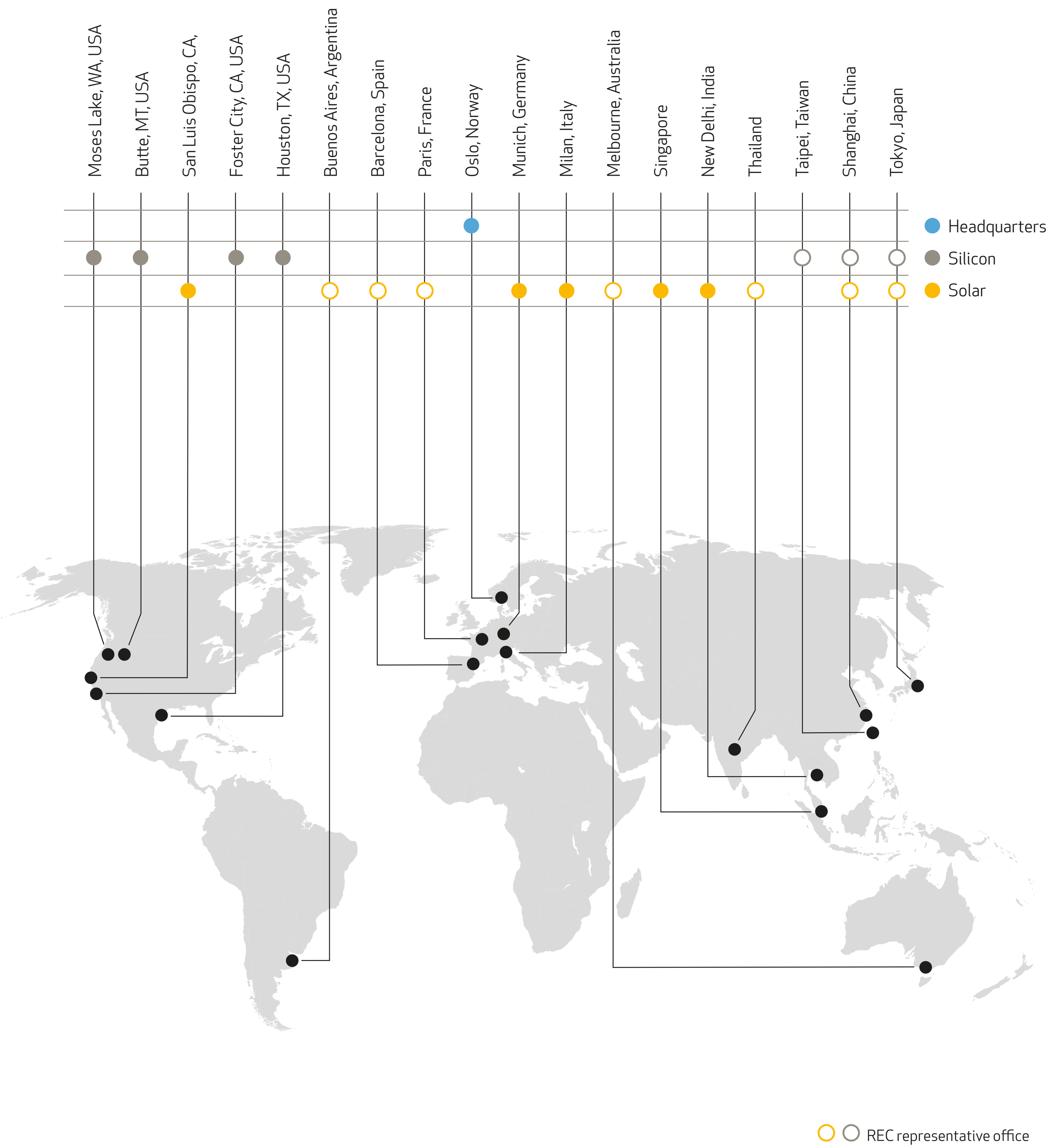
SILICON

 Polysilicon	 Solar panels
 Electronic grade and Float Zone polysilicon	 Semiconductor and green energy technologies
 Silane gases	 Semiconductor, flat panel displays and thin film technologies

SOLAR

 Solar panels	 Residential housing	 Commercial buildings	 Power plants

WORLDWIDE PRESENCE



GRID PARITY AT OUR DOORSTEP

The solar industry is going through trying times, and REC has certainly experienced the effects of overcapacity and heavy price pressure on solar products in 2012. We still continue with undiminished strength to cut costs through efficient operation and technology development in order to provide affordable solar electricity solutions for the world's growing electricity needs. Our strategy is founded in the belief that solar will become a very important source of electricity over the next decade, which is confirmed by the growth we are starting to see in new markets.

We are looking back on a year that had the entire solar industry in deep distress. All pure play solar companies have been suffering under the current conditions. There has been news of plant closures and insolvencies every month. The desperate situation for the solar industry is the result of a downward spiral of oversupply and shifting demand resulting in prices not even covering the cash cost of production. No one is making money in the solar industry at the moment. It has turned into a fight for the survival of the fittest.

The big paradox is that the rate at which the cost of solar electricity has come down has exceeded even the most optimistic projections, demonstrating the competitiveness of solar and paving the way for huge market opportunities globally in the near future. Over the past 30 years, the price of solar panels has decreased by over 20 percent every time the cumulative sold volume of solar panels has doubled. The steep learning curve for the industry has been extraordinary by any standard, driving the costs down dramatically in particular in the past five years. In 2008, the average price per kilowatt hour of electricity based on solar was about 35 eurocents. In 2010, it was down to 20 eurocents per kilowatt hour. Today you can obtain a solar electricity price down to about 7 eurocents per kilowatt hour in the best locations. The holy grail of the solar industry – grid parity – is now at our doorstep.

So why is solar deployment not booming at the moment, you may ask. The road to large-scale grid connection takes time and there are still obstacles on the way. For solar to become a mainstream source of energy, it will need to integrate seamlessly into the electricity grid. This will require stable and effective regulations for grid connection and construction. Policy-makers need to make some forward-looking decisions concerning improvements to the energy infrastructure for efficient integration of renewables, including solar.

Grid operators must do their share in supporting faster and easier grid-connection for solar energy implementation. As the solar industry is increasingly able to deliver capacity and competitiveness to the energy market, a certain resistance from traditional carbon-based energy suppliers has emerged. They have raised unfounded claims that large-scale integration of renewables is causing an unsustainable burden to the grid. On this issue it is very important that policy-makers act based on facts, ensuring the development of robust solutions for sustainable energy supply.

Of course, the solar industry itself must adapt and mature. In the past year, a promising upsurge of new solar markets outside of Europe and increasingly outside the known Feed in Tariff system has emerged. REC welcomes this development, and is expanding its business to regions like Asia, South America and the Middle East to meet demand from these new markets.

The solar industry continues to deliver larger volumes every year. By the end of 2012, a landmark was reached as the world's cumulative solar electricity capacity surpassed 100 gigawatts (GW), adding 29 GW in the year.

REC's vision is that every person should benefit from electricity directly from the sun. By delivering reliable, high-performing solar products and solutions which generate clean energy, REC contributes to decarbonizing the energy mix. Sustainability is therefore an integral part of our business model. Through a combination of cost- and energy efficient operations, the use of advanced technology and maximizing use of clean energy in our production, REC has achieved an industry leading energy payback time of about one year and a light carbon footprint for our solar panels. In the short term, we will continue to improve the operational and environmental performance of our operations. In the longer term, implementation of new technology in existing production lines and investing in additional FBR production capacity will contribute to further lowering the carbon footprint of solar products.

Safety remains a key priority for REC, and for 2012 we are pleased to report a world-class safety performance in our Singapore facility with a lost time injury rate of 0.3 (number of lost time injuries per million worked hours). In June, at our Silicon operation in Moses Lake, we had a significant incident involving a chemical hose failure during cleanup. This led to a visible vapor cloud. No-one was injured, but ten people were examined and then released. Since then several changes have been implemented to mitigate reoccurrence. Throughout REC we continue to work systematically to improve our safety performance by assessing risk, standardizing work and training our employees to reach our target which is zero incidents.

> REC's vision is that every person should benefit from electricity directly from the sun. By delivering reliable, high-performing solar products and solutions which generate clean energy, REC contributes to decarbonizing the energy mix.

The challenging market conditions in 2012 led REC to close all of the wafer production in Norway, after having closed the Norwegian solar cell and parts of the wafer production in 2011. This marks the end of an era for REC, as the Norwegian wafer production was the pioneering origin on which the current global REC operation was built. My gratitude goes to the employees who lost their jobs after working hard to improve operations and cut costs. Due to the continued challenging market environment further operation was unfortunately not viable.

I am pleased to report strong operational performance in 2012. Our Solar plant in Singapore has over-performed, meeting targets ahead of schedule again, and thereby reducing the cash cost of solar panels by 34 percent from the end of 2011 to the end of 2012. In Silicon, the production of granular solar grade material based on our FBR process was increased and thereby cutting the cash costs of FBR by about 14 percent in the same period.

The market situation for solar will eventually turn and the market balance will improve. There is scope for polysilicon prices to improve. For solar panels, however, we have to maintain the competitiveness with fossil fuels and as an industry we have to be able to live with current price levels. To return to profitability, we therefore need to continue to cut costs by improving our operational performance, focusing on technology development and strengthening our market position.

I am more convinced than ever that solar will become a very important source of electricity over the next decade. We are starting to see signs of market recovery, but we still expect 2013 to be a challenging year. Based on REC's high quality assets, operational performance and our solid financial position relative to most players in the solar industry, the foundation for the long term success of REC is in place.

Ole Enger
CEO & President REC

BOARD OF DIRECTORS

MIMI K. BERDAL*
(BORN 1958, FEMALE, NORWEGIAN)

Member of the Board of Directors since May 2011. Currently independent legal and corporate counselor. Prevailing directorships include Chairman of Infratek ASA, Deputy Chairman of Q-Free ASA and Gassco AS, member of the boards of Gjensidige Pensjon og Sparing Holding AS, Copeinca ASA, Itera ASA, Camposol PLC and Intex Resources ASA. Ms. Berdal holds a law degree from the University of Oslo, Norway.

PETER A. RUZICKA
(BORN 1964, MALE, NORWEGIAN)

Member of the Board of Directors since May 2012. Managing Director of Canica AS since 2006. Directorships include Chairman of the Board of Jernia AS and Chairman of the Board of Stein Erik Hagen Stiftelse for Klinisk Hjerteforskning (Foundation for Clinical Heart Research), Chairman of the Board of Komplett AS and board member of Orkla ASA. Mr. Ruzicka holds an MBA and a degree in Business Economics from the Norwegian School of Management (BI).

HELÉNE VIBBLEUS BERGQUIST*
(BORN 1958, FEMALE, SWEDISH)

Member of the Board of Directors since May 2010. Currently independent Management Consultant. Member of the boards of Trelleborg AB, TradeDoubler AB, Tyréns AB and Nordic Growth Market NGM AB. Vice Chairman of the Board of Swedish International Development Cooperation Agency (SIDA). Ms Vibbleus Bergquist holds a Bachelor of Science degree in Business Administration from the University of Linköping Sweden and was formerly an Authorized Public Accountant in Sweden.

ODD CHRISTOPHER HANSEN*
(BORN 1953, MALE, NORWEGIAN)

Member of the Board of Directors since June 2009. Currently self-employed and independent advisor. Member of the Board of Directors of Bertel O.Steen AS. Mr. Hansen is a senior advisor to EQT. Member of the Board of Directors of The Norwegian Crown Prince and Crown Princess' Humanitarian Fund. Mr. Hansen holds a degree from the Norwegian School of Economics and Business Administration (NHH), and a Master of Science degree in International Management from Sloan School of Management at Massachusetts's Institute of Technology.

SILJE JOHNSEN*
(BORN 1976, FEMALE, NORWEGIAN)

Member of the Board of Directors since May 2011. Employees elected representative. Currently Corporate Legal Counsel in Renewable Energy Corporation ASA. Deputy board member in REC Wafer Norway AS and REC Solar AS. Ms. Johnsen holds a law degree from the University of Oslo, Norway.

* Independent of major shareholders

BOARD OF DIRECTORS' REPORT

2012 HIGHLIGHTS

→ Continued solar market volume growth, but overcapacity across the value chain led to steep price decline throughout the year.
→ Continued cost reductions facilitate growth in new markets and solar is fast becoming competitive with conventional sources of electricity.
→ Strong operational performance with cost reductions and improved market position.
→ EBITDA from continuing operations of NOK 360 million down from NOK 2,043 million in 2011.
→ Impairment losses of NOK 6,550 million affecting EBIT from continuing operations.
→ Equity issuance of net NOK 1.6 billion, and net debt reduced through the year by NOK 2.9 billion to NOK 1.8 billion.
→ Due to the weak market conditions all remaining wafer production in Norway was permanently shut down in 2012.

2012 SUMMARY

Changes in solar support schemes and macroeconomic uncertainty led to slowed global demand growth in 2012 compared to previous years. Continued capacity additions, particularly in polysilicon, reinforced the prevailing overcapacity and led to steep price decline on solar components throughout 2012.

These difficult market conditions forced a number of solar players into insolvency and led to permanent closure of high cost capacity, delayed start up of new capacity and reduced capacity utilization across the value chain.

The solar market is currently changing as demand in the historically important markets in Europe is stagnating while demand is growing in other regions of the world. Towards the end of 2012, China, Japan and the US represented the strongest growth markets. Overall, industry analysts are estimating global PV demand in 2012 to be approximately 29 GW, up from about 27 GW in 2011.

REC has in 2012 continued to focus on reducing costs, enhancing products and adapting the organization to changes in the market.

Also in 2012, our Silicon business increased production of granular solar grade polysilicon based on the FBR process and the cash cost of producing FBR was thereby reduced by about 14 percent from the fourth quarter 2011 to the fourth quarter 2012. Our Solar business continued to grow production volumes, expand presence in new markets and improve operational performance. The solar panel cash cost in Singapore hence declined by 34 percent from the fourth quarter 2011 to the fourth quarter 2012.

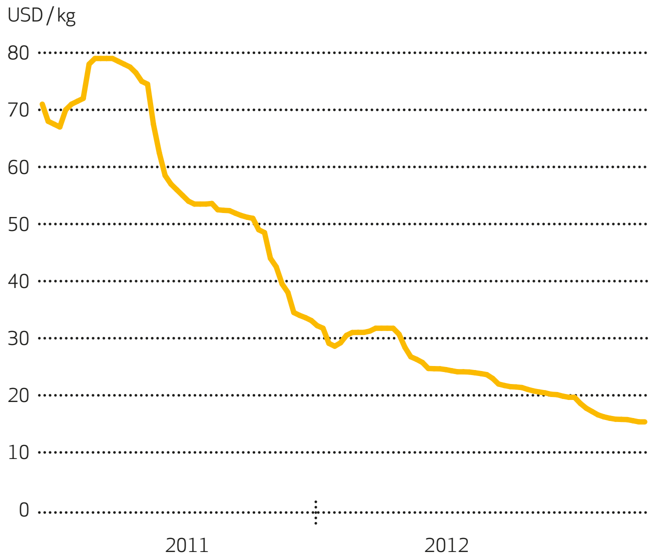
Despite significant cost reductions, the challenging market conditions forced REC to close all remaining wafer production capacity in Norway in the first half of 2012, after closing the solar cell and parts of wafer production capacity in Norway in 2011.

Sale of polysilicon increased by 16 percent in 2012 to about 21,700 MT, and solar panel sale increased 31 percent to about 780 MW. REC's average selling prices for Siemens and granular polysilicon declined 39 percent from the fourth quarter 2011 to the fourth quarter 2012, and the average selling prices for solar panels declined 38 percent in the same period. REC Silicon significantly increased sales into the spot market through the year as wafer production capacity in Norway was shut down and further as REC Solar temporarily started the purchasing of third party blocks from the fourth quarter 2012.

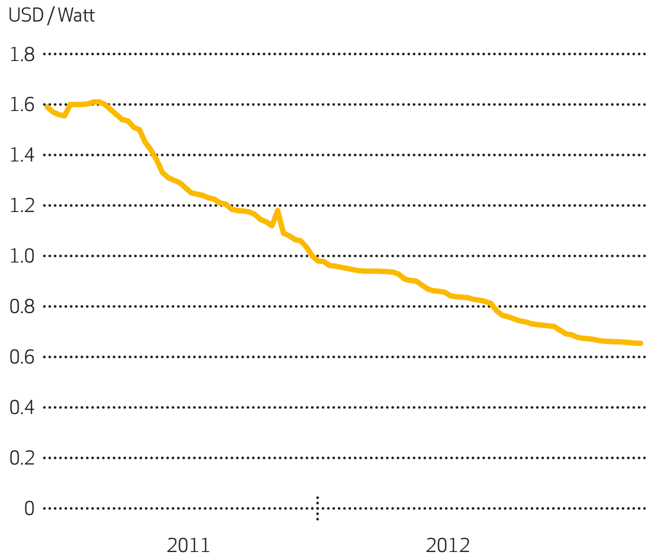
REC's revenues from continued operations decreased 25 percent from 2011 to NOK 7,145 million in 2012. As explained above, revenues severely were affected by reduced selling prices, partly offset by increased sales volumes.

EBITDA from continuing operations decreased to NOK 360 million from NOK 2,043 million in 2011. The decrease is explained by sharp price declines for all products, only partly offset by cost reductions and increased sales volumes. Price declines also led to increased inventory writedowns.

EBIT from continuing operations decreased to negative NOK 7,528 million in 2012 compared to negative NOK 4,108 million in 2011. REC recognized impairment losses of NOK 6,550 million, primarily on property, Polysilicon spot price development



Solar panel spot price development



plant, equipment and intangible assets in Singapore and the US, compared to NOK 4,290 million in 2011. Depreciation and amortization decreased to NOK 1,337 million from 1,861 million in 2011.

Net financial items decreased to negative NOK 480 million in 2012 from positive NOK 185 million in 2011. Increase in fair value of the convertible bond contributed negatively to the result in 2012, while decrease in fair value contributed positively in 2011. Reduction of interest expenses and net financial gains due to currency fluctuations contributed positively in 2012 compared to 2011.

Income tax benefits of NOK 1,392 million for 2012 are primarily due to a reduction of deferred tax liabilities due to the loss in REC Silicon and calculation of deferred tax on the fair value adjustment of the convertible bond.

REC reports a pre-tax loss from continuing operations of NOK 8,008 million and a loss after tax from continuing operations of NOK 6,615 million for the year 2012.

Payments for capital expenditure amounted to NOK 0.3 billion in 2012. Net debt decreased during the year from NOK 4.7 billion to NOK 1.8 billion. Equity decreased by NOK 5.1 billion to NOK 7.1 billion during the year, reflecting primarily the loss for the year and currency translation differences, partially offset by share issues of NOK 1.6 billion.

ACTIVITIES

Group Presentation

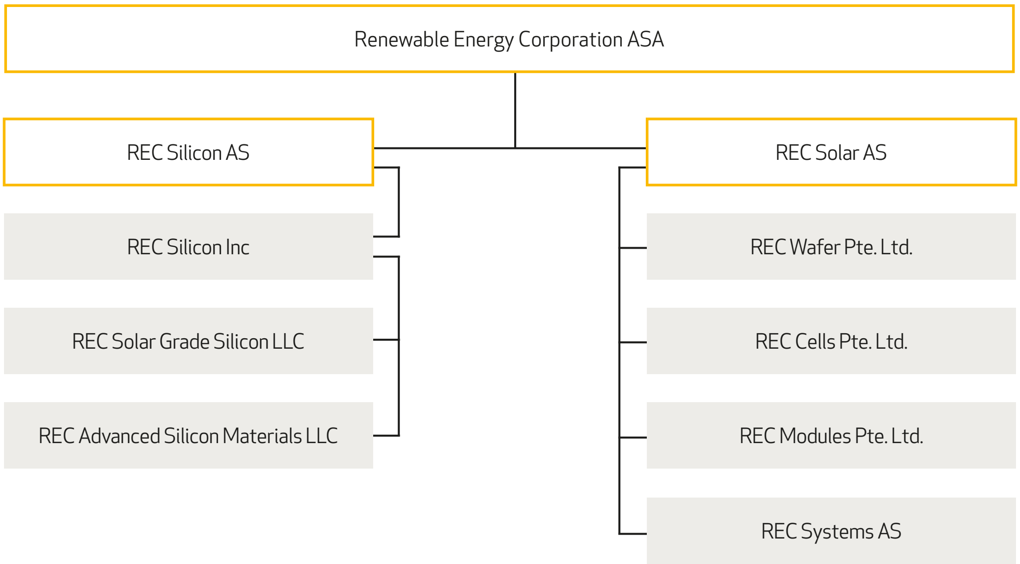
REC was established in Norway on December 3, 1996, and has grown to become a leading global provider of solar electricity solutions. With nearly two decades of expertise, we offer sustainable, high-performing products, services and investment opportunities for the solar and electronics industries. REC is headquarted in Sandvika, outside Oslo, Norway.

REC's business structure comprises the two business segments REC Silicon and REC Solar. During the year the third segment REC Wafer was deconsolidated. Production was in 2012 carried out in the following subsidiaries; REC Solar Grade Silicon LLC and REC Advanced Silicon Materials LLC in the US, REC Wafer Norway AS (closed down in 2012), and REC Wafer Pte Ltd, REC Cells Pte Ltd, and REC Modules Pte Ltd in Singapore. REC's sales and marketing activities for solar panels, systems integration and project development are handled by subsidiaries in Germany, Italy, USA, India, Japan and Singapore.

Vision, mission and core values

Global energy demand is expected to continue to increase over the coming years, and the climate change problems are still escalating. The world needs to promote 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 reduced cost, attractive carbon footprint and declining energy pay-back time will make solar energy an essential part of the future global electricity generation mix.

REC redefined its brand platform during 2012. Our vision statement - "We want every person to benefit from electricity directly from the sun" - signals REC's commitment to play a leading role in the development of a sustainable energy markets. To help us realize our vision REC will seek to create value through efficient and sustainable solar products, services and investments opportunities together with our partners to better



The chart shows the principal legal structure of Renewable Energy Corporation ASA per December 31, 2012 and is not a complete representation of all the companies and ownership structures in the Group.

meet the growing electricity needs globally. The new core values - Responsible, Experienced, Collaborative and Straightforward describe the way we work, guiding us to achieve our vision.

Strategy

Up until 2011, REC went through a phase of construction and ramp up of significant new production capacity, mainly in the US and in Singapore. Since then REC has focused on cost reductions, further optimization of our assets and improved product quality.

> REC believes reduced cost, attractive carbon footprint and decreasing energy pay-back time will make solar energy an essential part of the future global electricity generation mix.

Over the last couple of years overcapacity and steep price declines have put severe margin pressure on all market participants. In this context, REC will in the short term continue to focus on cash preservation and cost reductions. Investments will be made in implementation of technology to improve product performance and REC will further strengthen the market organization, especially in Asia and USA. In the longer term REC will seek to leverage the industry leading FBR technology to expand our polysilicon production capacity.

Technology, research, and development

A long-term competitive position is only attainable with cost efficiency and leading product performance. REC therefore deploys significant resources into developing and industrializing product and process innovations along the entire solar energy value chain.

REC has introduced a series of innovations to the solar industry, and the company continues to build on an IPR portfolio counting 56 patents granted and approximately 190 patents pending. Key patents and patent applications cover REC's production technologies for silane gas, Siemens reactors, FBR and polysilicon deposition, ingot crystallization, wafer production processes, and REC's solar cell and panel processes and designs.

REC's polysilicon technology efforts in 2012 have been directed towards improvements in productivity for silane and polysilicon products. The silane technology development has been focused on effective waste management and fouling prevention, thereby improving productivity and reliability. The FBR-B technology development has reached a level demonstrating close to electronic grade polysilicon quality in the pilot reactor. The Float Zone polysilicon (FZ) technology efforts have further widened our product offerings and improved both physical and electronic properties of our products.

REC's wafer development programs concentrated on developing a new method for producing multicrystalline ingots and on implementing this method for 2000 kg crystallization furnaces (C2000). By the end of 2012 full scale production tests demonstrated that the new method was able to consistently produce silicon ingots that after wafer sawing and cell processing yielded solar cells with higher efficiency.

With limited capex available for implementation of new technology, REC's solar cell production achieved an average cell efficiency of 17.1 percent for all production lines combined by the end of 2012, up from 16.8 percent in 2011. Key technologies, which are already in industrial production in one production line, are expected to improve the average efficiency with the fan-out of REC's technology program. Production scale tests with other elements of the efficiency improvement program demonstrated their capability of further contributing to increased cell efficiency.

REC's solar panels deliver leading power rating and energy yield for panels with multicrystalline silicon cells. This position was kept by important improvements to the panel technology in 2012. Manufactured in Singapore, REC Peak Energy Series panels have been installed in various types of PV systems throughout Europe, USA and Asia.

Total research and development expenses for total operations were NOK 183 million in 2012, compared to NOK 308 million in 2011. The 2011 expenses included NOK 62 million of impairment related to a technology development agreement. 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.

THE FINANCIAL STATEMENTS

Pursuant to Section 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the Financial Statements have been prepared under the assumption that the company is a going concern and that this assumption was realistic at the date of the accounts. In this evaluation, the Board of Directors has assumed that the company will be able to refinance the interest bearing liabilities that are scheduled to be repaid in 2014, see note 17 to the consolidated financial statements. The company is in the final stage of reaching an agreement with its banks on reduced covenant requirements for 2013 for its undrawn credit facility and indemnification loans, so the risk that these requirements cannot be met in 2013 is considerably reduced. The Board of Directors also makes reference to the risk factors discussed in this report. Especially it will mention the ongoing trade disputes and the significant uncertainty this creates for the company, its competitors and customers and the industry as a whole. The Board of Directors has no basis for having any opinion or view on the outcome and its potential effect on the company at this point in time.

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, Renewable Energy Corporation 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.

Selected key figures from the statement of income for the REC Group 1)

NOK IN MILLION	2012	2011
Revenues	**7 145**	9 500
EBITDA	**360**	2 043
EBITDA margin	**5%**	22%
EBITDA excluding special items 2)	**140**	2 108
EBITDA margin excluding special items	**2%**	22%
Depreciation and amortization	**-1 337**	-1 861
EBIT before impairment charges	**-977**	182
Impairment	**-6 550**	-4 290
EBIT	**-7 528**	-4 108
EBIT margin	**-105 %**	-43 %
Net financial items	**-480**	185
Profit/loss before tax from continuing operations	**-8 008**	-3 923
Income tax expense/benefit from continuing operations	**1 392**	-372
Profit/loss from continuing operations	**-6 615**	-4 295
Profit/loss from discontinued operations, net of tax	**588**	-5 735
Profit/loss from total operations	**-6 027**	-10 030

1) From the second quarter 2012, external profit and loss items of REC Wafer are re-presented as discontinued operations. Consequently, the historic figures for most line items in the statement of income are re-presented and differ from what was previously reported. The table above shows continuing operations, with discontinued operations presented as one line item. Discontinued operations remain consolidated in the consolidated financial statements, with the internal transactions between continuing and discontinued operations being eliminated in the consolidation. As a consequence, only income and expense from external transactions of REC Wafer are re-presented as discontinued operations. It also includes estimated net gain on deconsolidation in the third quarter 2012. This means that the line items and results presented for continuing and discontinued operations will not represent the activities of the operations as if they were standalone entities, for past periods or likely to be earned in future periods. In the third quarter 2012, REC Wafer filed for bankruptcy and has been deconsolidated with recognition of a gain on deconsolidation. See note 9 to the consolidated financial statements for further information.

2) Specification of special items

	2012	2011
Costs for restructuring	**0**	-59
Writedowns of inventories and other expenses due to capacity shut downs	**0**	-52
Contract settlements	**220**	0
Sale of subsidiary REC Solar	**0**	47
Total	**220**	-65

SEGMENT REVIEW

REC Silicon

REC Silicon produces polysilicon and silane gas for the solar industry and the electronics industry at plants in Moses Lake, Washington and in Butte, Montana. REC Silicon targets a polysilicon production of 20,000 MT in 2013 and employs approximately 830 people.

FINANCIAL FIGURES - NOK IN MILLION	2012	2011
Revenues	3 261	5 585
EBITDA	755	2 781
EBITDA margin	23 %	50 %
EBITDA excluding special items [1]	571	2 781
EBITDA margin excluding special items	17 %	50 %
Depreciation and amortization	-1 019	-961
EBIT before impairment charges	-265	1 821
Impairment	-2 983	-20
EBIT	-3 248	1 801
EBIT margin	-100 %	32 %
Polysilicon production in MT (Siemens & granular)	21 405	19 050
- of which solar- and electronic grade	18 791	16 672
Polysilicon sale in MT (Siemens and granular)	21 702	18 706
Silane gas sale in MT	1 467	1 651

[1] Special items include contract cancellation income

Revenues amounted to NOK 3,261 million for the year 2012, down 42 percent from 2011. The revenue decline is explained by reduced selling prices for polysilicon and silane gas, partly offset by growth in polysilicon sales volume and cost reductions.

Polysilicon sales volume increased by 16 percent to 21,702 MT in 2012, reflecting increased production volumes. Sales volumes of solar grade polysilicon to third party customers increased throughout 2012, after REC Wafer scaled back and later closed wafer production in Norway and REC Solar started purchasing blocks.

REC Silicon delivered silane gas and polysilicon to approximately 85 external customers in 2012. The top five external customers accounted for approximately 56 percent of REC Silicon's total sales revenue in 2012, compared to approximately 38 percent in 2011. Geographically 54 percent of external sales revenues came from China, 25 percent from Japan, 18 percent from rest of Asia and four percent from the rest of the world.

REC's average selling prices for Siemens and granular polysilicon declined 39 percent from the fourth quarter 2011 to the fourth quarter 2012. Despite a significant increase in polysilicon available for sale in the spot market, REC was able to secure volume off-take for all 2012 production.

In 2012, REC Silicon increased production of granular solar grade polysilicon based on the FBR process and the cash cost of FBR was thereby reduced by about 14 percent from the fourth quarter 2011 to the fourth quarter 2012.

Silane gas sales amounted to 1,467 MT in 2012, down 11 percent from 2011. The average selling price for silane gas was down 36 percent from the fourth quarter 2011 to the fourth quarter 2012. Sales volumes and selling prices were negatively affected by weakening markets during 2012.

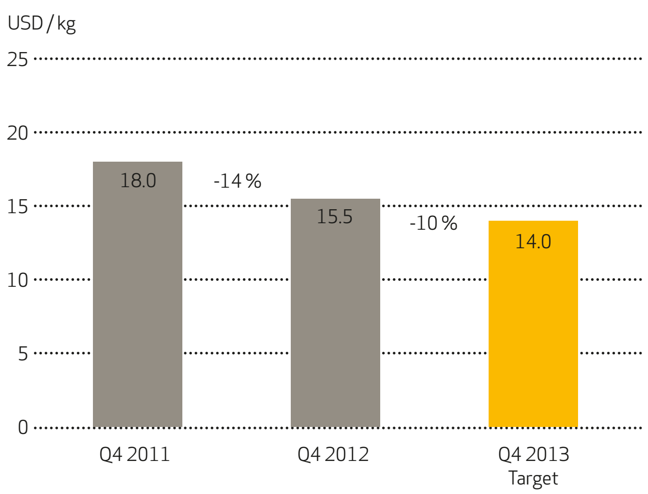
EBITDA amounted to NOK 755 million for the year 2012, down from NOK 2,781 million in 2011. EBITDA margin thus ended at 23 percent down from 50 percent in 2011. The lower EBITDA is explained by sharp price declines, partly offset by cost reductions and increased sales volumes.

Due to the weak markets REC Silicon recognized impairments of fixed assets of NOK 2,983 million, primarily at year-end 2012. Please also refer to notes 4 and 7 to the consolidated financial statements for further discussion of the impairments.

On January 10, 2013, REC Silicon announced a temporary closure of the Silicon I facility producing solar grade chunk material based on the Siemens process. The facility has a production capacity of about 2,400 MT of polysilicon.

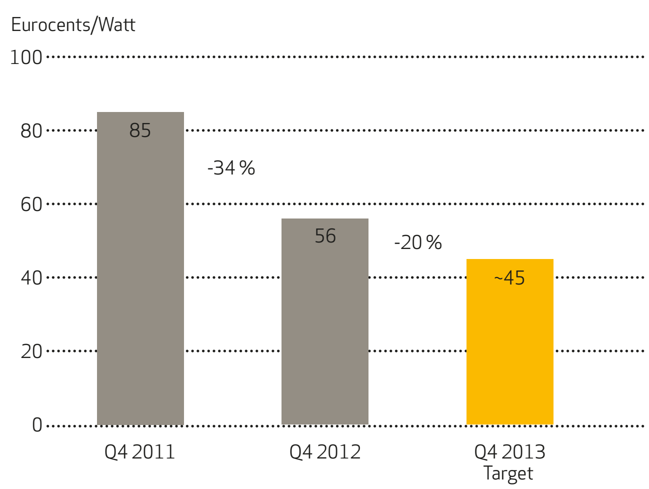
FBR polysilicon - cash cost

Includes SG&A and R&D



Solar panel - cash cost

Includes SG&A and R&D



REC Solar

REC Solar produces wafers, cells and solar panels, and engages in project development in selected market segments. REC Solar operates an integrated site for wafer, cell and solar panel production in Singapore. REC Solar targets to produce 850 MW of solar panels in 2013 and employs approximately 1,470 people.

FINANCIAL FIGURES – NOK IN MILLION	2012	2011
Revenues	4 087	5 856
EBITDA	-372	-30
EBITDA margin	-9%	-1%
EBITDA excluding special items [1]	-408	35
EBITDA margin excluding special items	-10%	1%
Depreciation and amortization	-304	-874
EBIT before impairment charges	-675	-904
Impairment	-3 638	-4 206
EBIT	-4 313	-5 110
EBIT margin	-106%	-87%
Production of solar panels in MW	722	644
Contract manufacturing in MW	25	55
Sale of solar panels in MW	777	594

[1] Special items include restructuring costs, onerous contracts, writedowns of inventories due to capacity shut downs, supplier contract settlement and gain on sale of subsidiary.

REC Solar revenues amounted to NOK 4,087 million in 2012, down 30 percent from 2011. The decrease reflects declined selling prices partly offset by increased sales volumes.

Total sales volume increased by 31 percent to 777 MW in 2012. The sales growth reflects increased production at the integrated wafer, cell and solar panel plant in Singapore. REC's average selling prices for solar panels declined 38 percent from the fourth quarter 2011 to the fourth quarter 2012.

REC Solar has in 2012 expanded deliveries to existing customers and developed new customer relationships. The customer base of REC Solar counted approximately 190 of the leading system integrators, installers and distributors in major markets such as Germany, Italy, France, UK, the US, Australia, India and Japan. The top five external customers accounted for approximately 36 percent of the sales revenue in 2012, compared to approximately 27 percent in 2011. Geographically 79 percent of external sales in REC Solar came from Europe, mainly Germany and Italy, nine percent from the US while 12 percent came from the rest of the world.

REC continued to build brand recognition in existing and new markets through a significant presence at a number of the largest solar conferences and international fairs, hosting partner visits to the Singapore facility, and a number of other regional market activities.

REC's project development business realized 34 MW of projects in 2012, compared to 66 MW in 2011. REC Systems recognized revenue of NOK 441 million and EBITDA of negative 12 million in 2012.

REC Solar continued to grow production volumes and the solar panel cash cost in Singapore declined by 34 percent from the fourth quarter 2011 to the fourth quarter 2012.

EBITDA was negative NOK 372 million for the year 2012 compared to negative NOK 30 million in 2011. The EBITDA decline reflects significant price declines and inventory writedowns, partly offset by increased sales volume and reduced unit production costs.

For the year 2012, REC Solar recognized impairments of fixed assets of NOK 3,638 million, compared to NOK 4,206 million in 2011. Most of the 2012 impairments were recognized in the second quarter, please also refer to notes 4 and 7 to the consolidated financial statements for further discussion of the impairments

REC Wafer (discontinued operations)

REC Wafer filed for bankruptcy on August 13, 2012. REC Wafer discontinued all production of multicrystalline ingots and wafers in the second quarter, subsequent to the Board of Directors' decision on April 24, 2012. Decision was made to permanently shut down the monocrystalline wafer facility on March 20, 2012. Half of the previous production capacity was closed down in the second half of 2011. REC's wafer operation in Singapore is reported as part of REC Solar.

NOK IN MILLION [1]	2012	2011
Revenues	585	4 413
EBITDA	-296	21
EBIT	-49	-6 203

[1] The line items and results presented for discontinued operations in the statement of income for the REC Group are only external items for REC Wafer and estimated net gain on deconsolidation and do not represent the activities of the operations of REC Wafer as an individual segment (as presented in this section). This is because there has been significant trading between continuing and discontinued operations and the net gain on disposal of discontinued operations. REC Wafer has been consolidated as part of the REC Group up to August 13, 2012 when it was filed for bankruptcy.

Financial highlights – Other [1]

NOK IN MILLION	2012	2011
Revenues	57	92
EBITDA	-558	-140
EBIT	-624	-230

[1] Other consists primary of Renewable Energy Corporation ASA.

Eliminations – REC Group total operations

NOK IN MILLION	2012	2011
Elimination revenues	-506	-2 580
Elimination EBITDA	1 199	234

The gain on deconsolidation of net liabilities of REC Wafer of NOK 1,241 million is reported as part of EBITDA for 2012 in REC Group eliminations. On consolidation this has been re-presented and included as part of discontinued operations for the REC Group. For 2012, eliminations of EBITDA also include a reclassification between EBITDA and impairment of approximately NOK 120 million, that reduces EBITDA and impairment.

Besides this, elimination of EBITDA is primarily unrealized internal profit for internal sales of polysilicon. Elimination of internal profit depends on internal sales, sales prices and production costs and intercompany inventory changes.

The positive amount for reversal of internal profits in 2012 was primarily due to reduced internal sales price and volume of polysilicon. There is no remaining unrealized internal profit in the statement of financial position at December 31, 2012.

FINANCIAL REVIEW

See above for discussion of revenues, EBITDA and segment results

Depreciation, amortization and impairment

For the year 2012, depreciation and amortization for continuing operations amounted to NOK 1,337 million, compared to NOK 1,861 million for 2011. The reduction compared to 2011 was primarily due to the significant impairments during 2011 and at June 30, 2012 that reduced the basis for depreciation and amortization.

Impairment losses for continuing operations were NOK 6,550 million for 2012, compared to NOK 4,290 million for 2011. Impairment losses for 2012 related primarily to the REC Singapore cash-generating unit (CGU) in REC Solar in the second quarter and to REC Silicon at the end of the year. Impairments in 2011 were primarily related to REC Solar's Singapore CGU but also REC ScanCell AS that was shut down during the year.

See notes 4 and 7 to the consolidated financial statements for further discussions of the impairments.

Financial items

Financial items – REC Group

NOK IN MILLION	2012	2011
Share of profit/loss of associates	-3	-97
Financial income	50	50
Financial expenses	-447	-639
Capitalized borrowing cost	6	12
Net financial expenses	-440	-628
Net currency gains/losses	-185	0
Net gains/losses embedded derviatives	0	0
Net gains/losses derivatives and fair value hedge	483	16
Impairment and gains/losses on financial instruments	29	1
Fair value adjustment convertible bonds	-415	841
Net financial items	-480	185

Decreased interest bearing liabilities and borrowing costs and lower expensing of up-front fees and costs for the terminated and repaid bank facilities and bond loans contributed to decreased financial expenses in 2012 compared to 2011.

Currency affected net financial items through net currency gains/losses and net gains/losses on derivatives to a larger extent in 2012 than in 2011, primarily due to the strengthening of NOK during 2012 while in 2011 NOK strengthened to EUR but weakened to USD and SGD. Changes in the estimated fair value of a EUR 320 million convertible bond is recognized to profit or loss. Estimated fair value increased in 2012 while it decreased in 2011, contributed to a loss in 2012 compared to a gain in 2011.

See note 25 to the consolidated financial statements for further discussion.

Income tax

Income tax benefits of NOK 1,392 million for 2012 are primarily reduction in deferred tax liabilities in REC Silicon due to the losses for the year (including impairment, excluding parts of goodwill) and calculation of deferred tax on the fair value adjustment of the convertible bond. In 2011, deferred tax assets were not recognized in Norway on tax losses carried forward or on other net tax reducing temporary differences. Also for 2012 no tax has been calculated on the results of the Norwegian operations. Deferred tax assets have not been recognized on the losses in REC Solar.

Please see note 18 and 31 to the consolidated financial statements for further information on REC's tax positions and tax calculations.

Discontinued operations

Profit/loss from discontinued operations relates to REC Wafer that was closed down in the second quarter 2012 and filed for bankruptcy in the third quarter. Discontinued operations remain consolidated in the consolidated financial statements up to the time of loss of control, with the internal transactions between continuing and discontinued operations being eliminated in the consolidation. As a consequence, only income and expense from external transactions of REC Wafer are re-presented as discontinued operations, as well as gain/loss on deconsolidation. This means that the line items and results presented for discontinued operations will not represent the activities of the operations of REC Wafer as an individual entity or segment.

The net gain in 2012 on deconsolidation is due to derecognition of liabilities of REC Wafer in excess of its assets. This has partially been offset by loss on receivables, guarantees and indemnification agreements, primarily in Renewable Energy Corporation ASA.

See note 9 to the consolidated financial statements for further information about discontinued operations.

Consolidated statement of comprehensive income

Comprehensive income was negative NOK 6,692 million for 2012, reflecting primarily the loss for the period but also translation differences of negative NOK 632 million and actuarial loss of NOK 33 million. Comprehensive income for 2011 was negative NOK 9,955 million.

STATEMENT OF FINANCIAL POSITION AND CASH FLOW

The developments in the statement of financial position during 2012 primarily reflect the significant loss, including impairments of fixed assets, deconsolidation of REC Wafer, share issue and reduction of interest bearing debt.

Equity and debt

Equity amounted to NOK 7.1 billion (52 percent) at December 31, 2012, compared to 12.2 billion (50 percent) at year-end 2011.

Net debt was NOK 1.8 billion at December 31, 2012, a decrease of NOK 2.9 billion from the year-end 2011. Net debt includes REC's convertible bond at fair value and finance leases but excludes prepayments on which interest is calculated.

See note 17 to the consolidated financial statements for details of the REC Group's debt financing.

On June 22, 2012 REC announced a refinancing proposal that included an issue of new shares raising gross proceeds of NOK 1,300 million through a successfully placed private placement, a subsequent repair offering of up to NOK 300 million, a new bank debt facility and a refinancing of REC's convertible bond. The subsequent repair offering was on June 27, 2012 proposed to be increased to up to NOK 375 million.

> On July 4, 2012 REC announced a revised refinancing proposal that included an issue of new shares raising gross proceeds of NOK 1,675 million.

On July 4, 2012 REC announced a revised refinancing proposal that included an issue of new shares raising gross proceeds of NOK 1,300 million through a new successfully placed private placement, a subsequent offering of up to NOK 375 million and a proposed refinancing of REC's bank debt facility to a new NOK 2,000 million revolving credit facility with maturity in April 2014. In connection with the REC Wafer Norway AS bankruptcy, Renewable Energy Corporation ASA took on some liabilities, and loan commitments have been established, maximized to NOK 246 million. See note 3 to the consolidated financial statements for more information on new and revised covenants in the new bank debt facilities.

No amounts have been drawn under the new revolving credit facility at December 31 2012 leaving NOK 2 billion as undrawn amount.

Cash flow for total operations

Net cash flow from operating activities for total operations was NOK 1,292 million for 2012 compared to NOK 3,098 million for 2011.

EBITDA for total operations for 2012 excluding net gain on deconsolidation of REC Wafer of NOK 812 million, was negative NOK 84 million while net cash flow from operating activities for total operations was positive NOK 1,292 million. Reduction in working capital, primarily inventories and trade receivables was the main reason for the difference. Previously received prepayments from customers taken to income in the first half year due to contract terminations was offset by provisions recognized as part of EBITDA but not paid. Due to the bankruptcy of REC Wafer, a larger part of the provisions will not be paid in the future by REC, see note 20 to the consolidated financial statements for further information on provisions. Realized gains on derivatives contributed positively by NOK 574 million (of which FX contracts NOK 639 million), which more than offset net paid interest of NOK 340 million.

Net cash flow from investing activities was negative NOK 386 million compared to negative NOK 609 million in 2011. Net cash flow from investing activities for 2012 includes NOK 69 million in net cash outflow in the third quarter due to deconsolidation of REC Wafer, of which NOK 74 million represents the cash in REC Wafer that was derecognized. Information per segment for additions and payments for property, plant and equipment, and intangible assets in 2012 is outlined in note 5 to the consolidated financial statements.

Net cash flow from financing activities was negative NOK 571 million in 2012 compared to negative NOK 1,732 million in 2011. REC received new equity of net NOK 1,635 million through share issues in the third quarter 2012 and repaid the old bank credit facility, see note 17 to the consolidated financial statements. The finance lease in REC Scancell was terminated, with cash payments of approximately NOK 80 million. Waiver and upfront fees and cost of NOK 52 million were paid during the year for the bank facilities. In 2011, REC repaid loans from Eksportfinans and brought back and issued NOK Bonds. Proceeds from financing activities include received "prepayments, interest calculations" of approximately NOK 34 million in 2012, and NOK 115 million in 2011.

Contractual commitments

Please see note 29 to the consolidated financial statements for 2012.

RENEWABLE ENERGY CORPORATION ASA (NGAAP)

Financial review

Renewable Energy Corporation ASA prepares its financial statements according to NGAAP, and the amounts referred to below for Renewable Energy Corporation ASA are NGAAP figures. Renewable Energy Corporation ASA is a holding company comprising parts of Group Management and corporate functions, including REC's in-house bank.

Renewable Energy Corporation ASA reported revenue of NOK 34 million and a negative EBIT of NOK 155 million in 2012, compared to revenue of NOK 86 million and a negative EBIT of NOK 238 million in 2011. Revenues declined due to reduced activity. Compared to EBIT presented above under "Financial highlights - other", Renewable Energy Corporation ASA in its separate financial statements presents the estimated losses related to the bankruptcy of REC Wafer of approximately NOK 426 million in 2012 as part of financial items.

Loss before taxes of NOK 3,424 million compares to a loss before taxes of NOK 13,498 million in 2011, and the loss for the year of NOK 3,425 million compares to a loss of NOK 13,217 million in 2011.

For both years, due to significant losses and write-downs of assets in its subsidiaries, Renewable Energy Corporation ASA had to contribute capital to subsidiaries and recognize significant write-downs and losses on shares in, and loans to subsidiaries. Funding of the Group and bank derivative transactions for hedging purposes is conducted primarily through Renewable Energy Corporation ASA, contributing to gains and losses, income and expenses as part of financial items (see discussion of financial items above). Due to the large amounts of loans to subsidiaries, interest income exceeded interest expenses for Renewable Energy Corporation ASA for 2012 and 2011.

Total equity for the parent company Renewable Energy Corporation ASA amounted to NOK 4,774 million at December 31, 2012, down from NOK 6,581 million in 2011. The decrease is due to the loss for the year, partially offset by the share issues in the third quarter.

Total assets decreased to NOK 10,702 million at December 31, 2012 from NOK 14,620 million at December 31, 2011. The decrease is primarily due to the losses and write-downs of loans to, and shares in subsidiaries.

Coverage of the loss for the parent company (Renewable Energy Corporation ASA)

The Board of Directors proposes that the loss for the year of NOK 3,425 million is covered as follows:

Share premium reserve	-3 441
Other equity	16
Total	-3 425

The parent company had no distributable equity at December 31, 2012. Consequently, the Board of Directors does not propose any dividends for the financial year 2012.

Organization

Renewable Energy Corporation ASA had 43 employees as per year end 2012. The average number of full time equivalent employees was 44.6. Sickness rate in 2012 was just above 4 percent. The work environment in 2012 has been influenced by the restructuring of the organization in Norway, which also affected the corporate centre.

Renewable Energy Corporation ASA is focusing on equal opportunities irrespective of gender. There should be no discrimination related to gender in cases such as compensation, promotion or recruitment. In Renewable Energy Corporation ASA the female share is 24 percent and 10 percent of the managers are female. Renewable Energy Corporation ASA continues to focus on having compensation and working conditions that discriminate neither gender nor nationality.

Change of control

The following information is relevant for Renewable Energy Corporation ASA with reference to the Norwegian Securities Trading Act section 5-8a.

The credit facility agreement (credit facility) has a change of control provision applicable if a shareholder or a group of shareholders acting in concert gains control of more than 50 percent of the share capital. Such an event is a termination event under the agreement entitling the lenders to cancel the commitments and declare all outstanding amounts and accrued unpaid interest due and payable.

The senior bond agreements (ISINNO 001 53650.01, ISIN NO 001 060748.4 and ISIN NO 001 060747.6) have provisions similar to the change of control provision in the credit facility conferring a put option on the bondholders if a change of control event occurs. The bondholders in the subordinated convertible bond agreement (ISIN NO0010543457) will in the event of a change of control in REC be entitled to convert their bonds into shares in Renewable Energy Corporation ASA. More detailed information can be obtained from the bond trustee, Norsk Tillitsmann ASA.

Renewable Energy Corporation ASA is party to certain framework derivative agreements entered into with banks which contain provisions to the effect that change of control under certain circumstances may entitle the counterparties to early termination of the agreements.

Change of control of Renewable Energy Corporation ASA may also under certain circumstances affect agreements entered into by subsidiaries directly or indirectly controlled by Renewable Energy Corporation ASA. In particular, the agreement underlying the government grants received for the investments in Singapore requires the consent of the Economic Development Board of Singapore and JTC Corporation for any change of control in Renewable Energy Corporation ASA. In addition, under US tax laws, a change of control of Renewable Energy Corporation ASA or REC Silicon Inc. could limit the amount of certain manufacturing tax credits received by REC which are still unused, or the new owner could even be subject to recapture rules for any portion of the credit that has already been used.

RISK FACTORS

REC is an industrial corporation exposed to various market and operational risks as well as financial risks. REC is exposed to variations in prices on the products REC sells, commodities and raw materials, trade disputes, liquidity and refinancing, credit, currency exchange rates, interest rates and a number of other risks.

REC believes that there are significant uncertainties related to the market development going forward.

If any of the risks described in this section materialize, individually or together with other circumstances, they may substantially impair the business of REC and have material adverse effects on the company's business prospects, financial condition or results of operations. The order in which the individual risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of the severity or significance of individual risks. In addition to the following risks, other risks of which the company is currently unaware, or which it does not currently consider to be material, may materialize and have adverse effects on the company's business, prospects, financial condition or results of operations.

Market and operational risk factors

REC believes that there are significant uncertainties related to the market development going forward. The uncertainty primarily relates to the effects of the changes in solar energy subsidy schemes in key solar markets, the market supply and demand balance and prices going forward and the outcome of trade disputes.

Germany and Italy represented about 59 percent of REC Solar's external revenues in 2012, primarily from sales of solar panels. Further reductions and changes of the subsidy schemes in these and other markets are expected to continue to put pressure on PV systems and solar panel prices, and may also reduce overall demand. Demand may also be negatively affected by introduction of policies with a predefined maximum of annual installed capacity qualifying for subsidies and by complex permitting processes.

Reduced feed-in tariffs and continued oversupply may lead to further price pressure across the solar value chain. Oversupply may also lead to build-up of inventory through the value chain and reduce capacity utilization in the industry.

Trade barriers, trade restrictions and unfair trade practices may have a significant negative impact on REC's ability to sell its products, selling prices and cost of operations. Should REC be restricted from selling into important markets or competitors achieve unfair competitive advantages, this could have a significant adverse effect on the company's business and financial results.

In particular, the ongoing trade disputes between the United States (US), China and the European Union (EU) may have a significant negative impact on REC. REC was named a respondent in a trade case investigation initiated by the Chinese Ministry of Commerce ("MOFCOM") on July 20, 2012 against polysilicon imports from the US into China. MOFCOM initiated the investigation following the receipt of a petition by Chinese producers in which the petitioners seek anti dumping ("AD") duties of approximately 54 percent on US imports and approximately 49 percent on Korean imports into China, and countervailing duties ("CVD") in relation to any government subsidies found to have been received by US respondents that contravene international trade laws. The size of any AD or CVD tariffs eventually imposed on REC (if any) will depend on the outcome of the investigation by MOFCOM. It is expected that MOFCOM will announce the preliminary results from its investigation later this year. China is a very important market for REC's polysilicon operations. Should RECs customers become subject to AD or CVD tariffs imposed by MOFCOM this could have a significant adverse effect on REC.

The share of REC's sales of solar grade polysilicon to third party customers has increased after REC closed wafer production in Norway and further as REC Solar temporarily started purchasing blocks from the fourth quarter 2012. In light of the current market conditions this is increasing the exposure to short-term contracts and the spot market.

The solar 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, and implement and/or secure exclusive rights to new technologies.

REC has set targets for cost reductions going forward, based on a number of improvement initiatives. These cost targets are ambitious with high execution risks. In general, optimization of equipment to increase production volume and reduce costs is important for the future profitability of the company.

With increased sales of solar panels and ambitious targets for cost reduction, REC is more exposed to risks associated with the industry-standard of up to 25 year warranty on solar panels. REC has scaled up its efforts on product qualification and quality assurance considerably to reduce the risks of product claims.

REC will from time to time be involved in disputes and legal or regulatory proceedings. In addition to the risk of losing disputes and legal or regulatory proceedings, they may be expensive and time-consuming, and could divert management's attention from REC's business.

Financial risk factors

The goals for the REC Group finance policy and the treasury operations are mainly to minimize the risk for financial distress, secure long term funding, reduce refinancing risk, hedge currency risk related to expected future net cash flows and manage interest rate risk. REC's finance policy sets the framework and limits for hedging activities in the REC Group. It defines risk management objectives, responsibilities and operational requirements. The REC Group finance policy was revised in December 2012 with limited changes from 2011.

All hedging transactions are undertaken in order to reduce negative impacts of changes in financial markets on expected future net cash flow. Policies related to credit risk are implemented.

Please also refer to the consolidated financial statements for more information, particularly notes 3 and 30.

Currency risk

REC operates internationally and is exposed to currency risk. The Group is primarily exposed 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's primary focus is currency hedging of the forecasted external net cash flow of the Group. NOK is the functional currency of the parent company Renewable Energy Corporation ASA and the reporting currency for the REC Group. Net cash flow is defined as the consolidated external cash flows from operations, finance costs and capital expenditure. The REC Group's policy is to hedge currency risk between 50 and 100 percent of the forecasted consolidated external net cash flow on a 24 month rolling basis.

To manage currency risk arising from commercial transactions, REC entities use various forward contracts or options. In addition REC swaps the currency exposure of interest bearing debt from NOK to EUR and USD by using currency derivative contracts. Renewable Energy Corporation ASA manages the currency risk on an overall REC Group level and establishes external foreign exchange rate contracts with banks. However, entering into currency derivative contracts increase currency risk on financial instruments related to the financial statement even if the purpose is to hedge the currency risk of estimated future cash flows in relation to NOK. By entering into currency derivative contracts REC establish financial instruments and consequently expose itself for changes in the fair value of currency derivatives in the financial statements. In addition, recognized financial assets and liabilities, especially internal receivables and payables and external interest bearing liabilities, in currencies other than the separate entities functional currencies are affected by changes in currency rates. In 2012 and 2011, REC has not used hedge accounting according to IAS 39 *Financial Instruments: Recognition and Measurement for currency hedges*.

> The solar industry has been and will continue to be subject to rapid technological change, frequent improvements, new products and services and changing customer requirements.

Credit risk

REC has a concentration of its customers in the solar industry. Generally a more challenging and competitive market environment has increased, and may further increase, credit risk, in particular through sales to financially weak customers, extended payment terms and sales into new and immature markets. In 2012, relatively limited losses on trade receivables have been realized for continuing operations and the losses have been related to only few customers, and REC has limited past history to recognize provisions for loss on accounts receivables. It is a risk that REC by the assessments of individual receivables and customers is not able to identify and make provision for losses before they are realized. See note 3, 12 and 30 to the consolidated financial statements. In 2012 losses were also realized on loans and receivables related to the REC Wafer bankruptcy.

On an ongoing basis the REC Group, based on individual evaluation of the customers and the amounts receivables outstanding, has recognized provisions for losses on receivables. However, the REC Group has experienced that an increasing part of the customers are overdue in settling the amounts owed. Many companies in the solar industry are struggling with their liquidity due to the difficult market conditions. The Management evaluates that the credit risk is increased at December 31, 2012 compared to December 31, 2011. During the year, a number of companies have announced that they are under financial distress or have filed for bankruptcy. REC has also experienced this in 2012 through the bankruptcy of its subsidiary REC Wafer Norway AS.

Policies are in place to ensure that sales of products are made to customers with an acceptable credit history, and the company also applies requirements for various payment guarantees or prepayments, and to some extent credit insurance. However, it is increasingly difficult to obtain external supporting security, consequently the unsecured part of trade receivables has increased. Credit risk may also increase by abrupt changes in market conditions by changes in government incentives. REC Silicon has increased its exposure to spot sales. This may increase the credit risk.

REC Silicon and REC Solar have during 2012 increased the number of customers, and thereby reduced somewhat the risk related to concentration of a limited number of customers. However, the customers are to a large extent exposed to the same industry. In 2011 and 2012, no single customer exceeded ten percent of revenues or trade receivables but some of the customers are relatively large. At year-end 2012, the ten largest trade receivables constituted 49 percent of total trade receivables (52 percent in2011).

At year-end 2012, 33 percent of trade receivables were overdue compared to 23 percent at year-end 2011 (30 percent excluding REC Wafer's trade receivables).

Interest rate risk

Changes in market interest rates affect the fair value of assets and liabilities or the variability in cash payments. The REC Group is exposed to interest rate risk through funding and cash management activities, primarily in Renewable Energy Corporation ASA. At December 31, 2012, approximately 47 percent of REC's debt has variable interest rates (interest periods shorter than 12 months) while 53 percent has fixed interest rates (longer than 12 months).

Interest hedging instruments may be used to control and minimize the company's interest cost and risk related to fluctuations in interest rates within the framework defined in the finance policy. The risk towards fluctuations in interest rates is measured by modified duration, see note 3 to the consolidated financial statements for further description. The modified duration at year end 2012 was 1.2 years.

Financing and liquidity risk

REC shall strive to maintain access to various sources of funding. Due to the dynamic nature of the underlying businesses, REC aims to maintain a high degree of financial flexibility by keeping sufficient cash and cash equivalents or committed credit facilities available.

In light of REC Group's ambition to be a leading long term player in the PV industry, positioned for further growth when market balance improves, the REC Group seek to maintain an appropriate sustainable capital structure and maintain access to various sources of funding.

The liquidity risk has increased during 2012 due to the challenging financial market and a weak solar market with lower prices. Renewable Energy Corporation ASA increased its paid in equity by net NOK 1,635 million through shares issues in the third quarter 2012 and thereby improved the liquidity situation.

REC has significant debt maturities in 2014. REC will work on several alternatives for refinancing.

According to REC's finance policy, REC shall at all times maintain financial ratios within the limits defined in the loan agreements of Renewable Energy Corporation ASA and subsidiaries, and take the necessary measures that are available to avoid financial distress. Neither the senior NOK bonds nor the subordinated convertible EUR bond contain financial covenants. There are cross default clauses between all the loan and bond agreements above certain threshold amounts.

REC completed a refinancing and entered into a new revolving credit facility and indemnification loans for the Group in the third quarter 2012. See note 17 to the consolidated financial statements. There are covenants in these new bank loan agreements that REC needs to comply with. The new bank facility matures in 2014 together with a senior bond and a subordinated EUR convertible bond. There is a risk that REC will not be able to refinance these loans and bonds. Unless market conditions improve, it is likely that the prevailing covenant requirements in the bank loan agreements may not be met. REC is in the financial stage of reaching an agreement with its banks on reduced covenant requirements for 2013 for its undrawn credit facility and indemnification loans, so the risk that these requirements cannot be met in 2013 is considerably reduced.

At December 31, 2012, REC complied with all financial covenants in the loan agreements. Please refer to note 3 and 17 to the consolidated financial statements for further information on the loan agreements and covenants.

Other

There are risks related to estimation uncertainty, as the assumptions used as basis for Management's estimations are inherently uncertain and unpredictable and, as a result, future estimates and actual results may differ significantly from the current estimates.

As discussed in note 4 and 7 to the consolidated financial statements for 2012 changes in key assumptions and judgments could lead to recognition of additional, or reversal of, impairment losses. Key assumptions include, but are not limited to the future performance, revenue generating capacity, reinvestment level, future market development and discount rate. The recent history has shown major changes in key assumptions. Critical judgment includes Management's determination of cash generating units, especially for REC Silicon. It should also be noted that the market value of the Renewable Energy Corporation ASA shares on the Oslo stock exchange is lower than the carrying value of equity.

REC has recently shut down all of its Norwegian wafer and cell operations. REC Wafer Norway AS filed for bankruptcy on August 13, 2012 and is currently under receivership. Renewable Energy Corporation ASA has provided certain guarantees and entered into indemnification agreements related to the bankruptcy, refer also to note 9 to the consolidated financial statements. In addition, the receiver is currently investigating certain intra-Group transactions prior to the bankruptcy. Although REC does not expect a rescission of any transactions, rescissions are possible and may then imply additional costs to the Group.

REC's production processes, particularly in Moses Lake, Washington, Butte, Montana involve manufacturing, processing, storage, use, handling, distribution and transport of silane gas and other substances of an explosive or hazardous nature. Accidents or mishandlings involving these substances could cause severe or critical damage or injury to property and human health. Such an event could result in civil lawsuits and/or regulatory enforcement proceedings, both of which could lead to significant liabilities. REC may incur significant costs to comply with, or as a result of, health, safety, environmental and other laws and regulations.

The success of REC depends on qualified executives and employees, in particular certain executive officers and employees with certain expertise. The loss of executives and key employees in the area of technology, or other employees in key positions could have a material adverse effect on REC. Considerable expertise could be lost or access thereto gained by competitors. Challenging solar markets and weak financial results of REC is significantly increasing the risk of loss of key personnel. There can be no assurance that the Group will be successful in retaining these executives and the employees in key positions or in hiring new employees with corresponding qualifications.

ORGANIZATION AND SUSTAINABILITY

REC is committed to making safe and sustainable solar energy affordable and accessible globally. This means continuous focus on reducing the cost and enhancing the value of solar products, while keeping safety at the forefront and always striving for a high environmental and governance standard.

REC acknowledges its responsibilities as a company to be held accountable to shareholders, investors, employees, and society. Everywhere REC operates it will continuously seek to limit any negative effects caused by its activities. Sustainability is integral to the way that REC does business.

Sustainability reporting

REC's sustainability reporting addresses the issues that are material to the company and our stakeholders. REC has since 2011 used the Global Reporting Initiative (GRI) framework to measure and report on sustainability performance. The GRI is internationally recognized, and its framework establishes a transparent means through which to report on the following six indicator areas: economics, environment, labor, human rights, society, and product responsibility. For a complete coverage of REC's sustainability policies and performance, please see the sustainability chapter in this annual report. Unless otherwise specified, all figures given in this section are re-presented to exclude REC Wafer and only include sites operating throughout 2012.

People and organization

The number of permanent employees in REC was 2,346 at the end of 2012. This is a decrease of 35 percent mainly explained by the permanent shut down of manufacturing sites in Norway as part of the major re-organization to optimize REC's assets and activities. REC Silicon and REC Solar saw a decrease in employees of 18 percent. Large-scale re-organizations are always challenging, and REC worked extensively to find satisfactory solutions for all employees, in dialogue with labour unions and local authorities.

Of the total number of employees at the end of 2012, 31 percent were female. All seven executives in the Group Management team at the end of the year were male. In the company's Board of Directors, 50 percent of Directors were female at the end of 2012.

There are currently no specific gender equality or anti-discrimination activities or plans but REC's Code of Conduct clearly commits REC and its subsidiaries to equal opportunity practices. All employees and applicants shall be treated without regard to age, gender, sexual orientation, nationality, race, religion, disability, marital status or any other protected status. REC has succeeded in recruiting individuals and teams globally with the necessary competence, potential and cultural fit needed.

Health and Safety

Health and Safety has the highest priority in REC and our target is zero harm.

To achieve a world class safety culture REC's health and safety management system includes setting clear performance and improvement targets for all units, weekly and monthly HSE job observations performed by management as well as extensive management and team involvement in each incident investigation. HSE performance and systems are developed, monitored, audited, and reviewed to identify trends, measure progress, assess compliance, drive continuous improvement, manage risks and provide assurance that governing processes are working effectively.

All employees at REC manufacturing sites are represented in formal joint management-worker health and safety committees, where they monitor and advice on occupational health and safety programs.

Average absenteeism rate due to sickness is 1.8 percent. In light of the many challenges in 2012, this number is highly satisfactory.

REC ended 2012 with no work-related fatalities in more than 5.4 million worked hours across the workforce. The number of Lost Time Injuries (LTI) was 11, giving an LTI rate of 2.0 (number of LTI per million worked hours) compared to 1.4 in 2011. This negative development is mainly due to an increase in the number of incidents in REC Silicon. The number of Total Recordable Injuries (TRI) for 2012 was 31. The TRI-rate (number of TRI per million worked hours) remained unchanged from 2011 at 5.7. REC will continue to work on improving the safety performance and reducing the TRI rate.

Environment and climate

While REC produces clean and renewable energy, the production of solar panels is not without environmental impact. Our main concerns are CO_2 and other emissions that contribute to global climate change or give adverse effects on local air quality. Other concerns are material use and water consumption that depletes the natural resources, and waste generation that creates local pollution to the ground.

REC's energy consumption per unit was 658 MWh/MW in 2012, a reduction by 9 percent from 2011. The CO_2 emissions have also been reduced, and are down 4 percent to 156 metric tons of CO_2-eq/MW in 2012. To gain more knowledge of the emissions from our production, we have in 2012 improved the monitoring and reporting of other emissions such as SOx, NOx and VOC.

We also began to see the results of our increased efforts in water management and waste management: Water consumption was reduced by approximately five percent in 2012. Our total waste increased by 12 percent in 2012, but our recycling of non-hazardous material increased by 69 percent and we achieved a significant reduction of hazardous waste.

For a complete record of our environmental figures, please see the sustainability chapter in this Annual Report on page 36.

Corporate governance

Good corporate governance is essential to ensure that our business is run in a way that protects the long-term interests of all stakeholders. The Board of Directors has approved and implemented corporate governance principles endorsing and complying with the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised on October 23, 2012. REC's compliance with the Code of Practice is described in detail in the report on Corporate Governance for 2012 which is included in this Annual Report on page 26.

OUTLOOK

Market outlook

Changes in solar support schemes and macroeconomic uncertainty led to slower global demand growth in 2012 than in previous years.

The solar market is changing as demand in the historic important markets in Europe is stagnating while demand is growing in most other regions of the world. Entering 2013, China, Japan and the US represent the strongest growth markets, but demand visibility is low. In particular, Chinese authorities have recently signaled strengthened support for solar and announced favorable regulation to promote a significant increase in the use of solar over the next few years.

Solar system prices have come down significantly over the last 12 months. REC is in the first half of 2013 developing a solar power plant in Europe at cost below 1 EUR/Watt. System cost of 1 EUR/Watt yields solar electricity cost of ~7-8 Eurocents/kWh, without any subsidies, in the sun rich regions of the world.

This demonstrates that the levelized cost of electricity from solar now is below the retail electricity price in several regions around the world, and reaching wholesale prices in selected markets (e.g. Italian islands).

The cost of stimulating the installation of solar systems is hence reduced significantly, and increased interest for solar as a clean and reliable source of energy from policymakers and both industrial and residential energy consumers can be observed.

Overall, industry analysts are estimating global solar demand in 2013 to be in the range of 32-37 GW, up from about 29 GW in 2012.

Despite recent price stability after supply adjustments analysts continue to forecast overcapacity and depressed pricing also in 2013.

The ongoing trade disputes between the United States, China and the European Union may have a significant negative impact on REC. See the "Risk factors" section above for further description of this issue. REC has not made provisions for any potential unfavorable outcome of the trade disputes.

Production targets
Full year 2013 production targets as well as the actual full year 2012 production figures are summarized in the table below.

	FY2012 ACTUAL	FY2013 TARGET
Granular & Siemens polysilicon	21,405 MT	~ 20,000 MT
Solar panels	746 MW	~850 MW

On January 10, 2013, REC announced a temporary closure of the Silicon 1 facility in Moses Lake producing solar grade chunk material based on the Siemens process representing about 2,400 MT of annual capacity.

After this, REC Silicon targets 2013 polysilicon production of 20,000 MT is based on increased production of FBR. FBR runs at an annualized capacity of about 16,500 MT or more than 80 percent of REC Silicon's total polysilicon production capacity.

The silane gas end markets, primarily flat panel displays, semi-conductors and PV, are expected to stabilize and resume its cyclical growth pattern in the second half of 2013.

REC Solar expects to increase production to 850 MW in 2013, based on further optimization of the Singapore facility. The target solar panel volume implies insourcing of about 100 MW of solar cells.

All production targets are subject to changes in market conditions and operational performance.

Cost targets
See separate tables providing a breakdown of the actual fourth quarter 2011 and 2012 production costs and the cost targets for the fourth quarter 2013 for granular polysilicon and solar panels.

REC Silicon targets a granular polysilicon production cost of 19.5 USD/kg, including SG&A and R&D, by the fourth quarter 2013.

REC Solar continues to implement a number of cost improvement initiatives, and targets total cost for solar panels in Singapore of 47 Eurocents/Watt, including SG&A and R&D by the fourth quarter 2013.

		Q4 2011 ACTUAL	Q4 2012 ACTUAL	Q4 2013 TARGET
REC Silicon	SG&A and R&D	4	3	2.5
FBR (USD/kg)	Depreciation	8	7	5.5
	Cash production cost	14	12.5	11.5
	Total	26	22.5	19.5
REC Solar	SG&A and R&D	11	6	
Solar panels	Depreciation	15	2	
(Eurocents/Watt)	Cash conversion cost	57	43	
	Silicon at market price	18	7	
	Total	101	58	47

Capex and depreciation
Total capex for 2013 is expected to be below NOK 300 million. Depreciation and amortization is in 2013 expected to be approximately NOK 0.9 billion.

FORWARD LOOKING STATEMENTS
This report contains statements regarding the future in connection with REC's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to REC's activities described in section 'Risk factors' above and in the prospectus for the private placement and subsequent offering of shares, dated July 27, 2012, specially the section "risk factors".

Sandvika, March 21, 2013

Peter Ruzicka
Member of the Board

Mimi K. Berdal
Chairman of the Board

Odd Christopher Hansen
Member of the Board

Heléne Vibbleus Bergquist
Member of the Board

Silje Johnsen
Member of the Board

Ole Enger
President and CEO

STATEMENT OF COMPLIANCE

The Board of Directors and the Chief Executive Officer have today considered and approved the Board of Directors' report, the financial statements for the REC Group and for the parent company Renewable Energy Corporation ASA for the year ending December 31, 2012.

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, 2012. The financial statements for the parent company Renewable Energy Corporation ASA have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway that are applicable per December 31, 2012. The Board of Directors' report for the REC Group and Renewable Energy Corporation ASA has been prepared in accordance with the Norwegian Accounting Act and the Norwegian Accounting Standard no. 16 applicable per December 31, 2012.

We confirm that, to the best of our knowledge:

- the financial statements for the REC Group and Renewable Energy Corporation ASA for the year ending December 31, 2012 have been prepared in accordance with applicable accounting standards, and
- the information in the financial statements gives a true and fair view of the REC Group's and Renewable Energy Corporation ASA's assets, liabilities, financial position and results of operations for the year ending December 31, 2012, and
- the Board of Directors' report for the year ending December 31, 2012 includes a fair review of:
  - the development, results of operations and position for the REC Group and Renewable Energy Corporation ASA, and
  - the principal risks and uncertainties for the REC Group and Renewable Energy Corporation ASA.

Sandvika, March 21, 2013

Peter Ruzicka
Member of the Board

Mimi K. Berdal
Chairman of the Board

Odd Christopher Hansen
Member of the Board

Heléne Vibbleus Bergquist
Member of the Board

Silje Johnsen
Member of the Board

Ole Enger
President and CEO

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Renewable Energy Corporation ASA ("REC" or the "Company", including its subsidiaries worldwide, sometimes also referred to as "REC Group") endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised on October 23, 2012.

The latest amendments to the Code of Practice are also incorporated into the reporting requirements of the Accounting Act. The Code of Practice and the Accounting Act are available at www.nues.no and at www.lovdata.no respectively. The Board of Directors has adopted the following report that explains how REC meets the requirements of the Code of Practice and the Accounting Act and explains possible deviations for 2012.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE
REC's objective is long-term value creation for its shareholders.

REC believes sound business must be based on value-based management and clear guidelines on ethics and sustainability. These are our superior governance principles and core values:

We are driven by our ambitious vision: "We want every person to benefit from electricity directly from the sun."

Our mission is: "We create value through efficient and sustainable solar products, services and investment opportunities together with our partners to better meet the growing electricity needs globally."

Our values guide us to achieve our vision and mission:

- Responsible
- Experienced
- Collaborative
- Straightforward

The core values are part of the Company's Corporate Governance Principles and have been introduced to all REC employees. The Company has implemented various programs in order to maintain focus on and live these values.

REC's ethical values and corporate social responsibility are also described in the Code of Conduct and certain other group policies on sustainability. The Code of Conduct includes requirements for compliance with laws, ethical behavior and professional integrity for all employees and members of the Board of Directors of the Company and its subsidiaries. In addition, REC has adopted the following group policies:

- Anti-Corruption policy
- Business conduct policy
- Safety and health policy
- Quality and improvement policy
- Environment and climate policy

The Corporate Governance principles, the Code of Conduct and the group policies have been adopted by the Board of Directors and are reviewed on a regular basis. These documents are available on REC's website.

2. 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 plays a key role as a long-term supplier of sustainable energy and its business is focused on developing competitive solar energy solutions. To make solar electricity fully competitive with traditional energy sources, REC focuses on cost reduction and improvement of products. This should be achieved through introduction of new process and product technologies as well as continuous productivity improvement and technology development. REC's strategies and goals are presented in the annual and quarterly reports, at Capital Market Days and at various investor meetings.

3. EQUITY AND DIVIDENDS

REC's consolidated equity was NOK 7,135 million on December 31, 2012, which was equivalent to approximately 52 percent of total assets.

The Board of Directors considers that the equity capital is appropriate for the Company's current objectives, strategy and risk profile. Reference is also made to note 3.3 to the consolidated financial statements regarding capital structure and financing and to the Board of Directors' report. The Board of Directors expects the Company to be able to refinance the interest bearing liabilities that are scheduled to be repaid in 2014, see note 17 to the consolidated financial statements regarding borrowings. Reference is also made to the risk factors discussed in the Board of Directors' report.

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

To support committed investments and productivity improvements, the Board of Directors' view so far has been that 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.

The REC Group and Renewable Energy Corporation ASA reported large losses in 2011 and 2012, and Renewable Energy Corporation ASA had no distributable equity at December 31, 2012. Consequently, the Board of Directors does not propose any dividend payments for the financial year 2012.

Reference is made to note 3.3 to the consolidated financial statements. The Board of Directors will continue to make a yearly assessment based on the goals and strategies and the financial situation of the Company.

At the Annual General Meeting (AGM) on May 22, 2012, the Board of Directors was granted the following authorities:

- Authority to issue convertible bond(s) and loans with warrants (up to ten percent of the existing share capital).
- Authority to acquire treasury shares in the Company (up to a maximum of ten percent of the nominal value of the existing share capital).
- Authority to increase the share capital (up to ten percent of the existing share capital).

Reference is made to note 15 to the consolidated financial statements for a more detailed description of the mandates including defined purposes and time limits for utilization. There was separate voting for each purpose.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

REC has one class of shares and each share confers one voting right at the General Meetings. The Articles of Association contain no restrictions on voting rights. REC seeks to conform to the principles for equal treatment of shareholders and is generally cautious as regards transactions with shareholders, members of the Board of Directors, Group Management or parties related to the above.

REC completed a capital increase in 2012 in the form of a private placement to existing and new shareholders combined with a subsequent repair issue, see the Board of Directors' report. It was considered that the selected transaction structure was the best possible structure and that the inherent unequal treatment of some of the company's shareholders was therefore justified and in compliance with relevant laws and regulations.

REC did not acquire own shares in 2012. Shares acquired in previous years in relation to employee share programs have been acquired through the stock exchange.

There were no agreements in 2012 between REC or a REC Group company and shareholders, members of the Board of Directors, Group Management or a party closely associated with such individuals that could be described as a material transaction. Reference is also made to note 10 to the consolidated financial statements regarding related party transactions.

The Board of Directors has adopted guidelines to ensure that the Board of Directors will be informed of any possible interests of a member of the Board of Directors or a member of the Group Management or close associates in any transaction or matter dealt with by the Board of Directors, as well as guidelines for the handling of such a situation.

5. FREELY NEGOTIABLE SHARES

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

6. GENERAL MEETINGS

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

The notice of a General Meeting and the proposed resolutions are sent to the shareholders and made available at the Company's website no later than three weeks prior to the date of the General Meeting.

The supporting documentation, including the recommendations of the nomination committee, is available on the Company's website no later than three weeks prior to the General Meeting and is not distributed to the shareholders according to the Articles of Association unless specifically requested.

Efforts are being made to ensure that the proposed resolutions and supporting information are sufficiently detailed and comprehensive to allow the shareholders to form a view on all matters to be considered at the meeting. The invitation includes information about shareholders' rights at the meeting.

The Company regularly states in the notice of the meeting that shareholders wishing to participate at the General Meeting shall notify the Company within a specific time limit. The time limit cannot expire earlier than five days prior to the General Meeting. Shareholders who have not given notice within the time limit may be denied participation at the meeting. Registration of attendance may be done by e-mail, fax or electronically via the Company's website. Separate voting on each candidate for election to the Board of Directors and nomination committee is offered at the General Meeting.

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

Shareholders that cannot attend the meeting may vote by proxy. The shareholders may elect a proxy of their choice, and the Company also nominates a person that the shareholders may elect to vote on their behalf. Information about the procedures the shareholders must observe in order to participate and vote is given together with the notice of the meeting. The shareholders also receive a form for appointment of a proxy. The proxy form is prepared in a way that allows separate voting instructions to be given for each matter to be considered. It is however not possible to vote separately on each candidate nominated to the Board of Directors by way of instructing the proxy prior to the General Meeting. This is due to the fact that the composition of the Board of Directors must be in accordance with applicable legislation regarding gender representation and qualifications for the audit committee. The nomination committee's proposal is given with due respect to such legislation. Should a situation arise where the composition of the Board of Directors may be in conflict with applicable legislation, the situation and consequences of electing a board contrary to applicable legislation should be discussed at the General Meeting and the shareholders should base their voting on the views discussed at the meeting.

The Articles of Association allow the Board of Directors to accept written advance votes subject to the existence of a satisfactory method for verifying the identity of the shareholder. The Articles of Association also allow the Board of Directors to accept that votes may be cast through electronic communication. So far, no satisfactory solutions for written advance votes and electronic voting have been established, but the Board of Directors will continue to evaluate the situation based on the solutions available at any time.

The General Meeting is opened by the Chairman of the Board of Directors who proposes an independent chairman to be elected to chair the meeting.

The protocols of the General Meetings are available on the Company's website.

7. NOMINATION COMMITTEE

The Articles of Association provide for a Nomination Committee consisting of 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 current Committee is in accordance with the requirement of independence in the Code of Practice. Rules of procedure for the Nomination Committee have been adopted by the General Meeting and are available on the Company's website.

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

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

Information on the members of the Nomination Committee and deadlines for submitting proposals to the Committee are included on the Company's website. The Nomination Committee presents and provides the basis for the proposals by the Committee at the AGM and also reports on how the Committee has carried out its work during the past year. The rules of procedure do not establish rules for rotation of the members of the Nomination Committee

The Board has the ultimate responsibility for the management of the Company and the Group and for supervising its day-to-day management.

8. 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. As there is no corporate assembly, the employees have extended representation in the Board of Directors.

The Board of Directors consists of between five and twelve directors (six directors as of December 31, 2012, currently five). Up to eight are elected by the shareholders. Following the shutdown of REC's cell and wafer business in Norway and the considerable reduction of REC employees in Norway, the number of members of the Board of Directors elected by the employees of the REC group companies in Norway has been reduced to one. The shareholder-elected members are elected for a term of one year. The employee-elected members are elected for a term of two years.

The Directors are presented in the Annual Report with information about education and other directorships. Currently two of the four shareholder-elected members and the employee-elected member are women.

All the shareholder-elected members of the Board of Directors are independent of the Company's Group Management. A majority of the members of the Board of Directors are independent of material business contacts.

The following three shareholder-elected members of the Board of Directors are independent of the Company's main shareholders:

- Mimi Berdal
- Odd Christopher Hansen
- Heléne Vibbleus Bergquist

The Board of Directors elects its own Chairman according to the Articles of Association and the Public Limited Liability Companies Act § 6-1 (2).

According to its rules of procedure, the Nomination Committee must ensure that the composition of the Board of Directors is in accordance with applicable legislation and regulations of the Oslo Stock Exchange at all times. The Nomination Committee bases its recommendations on the candidates' experience, qualifications and their capacity to serve as directors of the Company in a satisfactory manner.

The recommendation from the Nomination Committee with information about the proposed candidates is available on the Company's website at least 21 days prior to the AGM.

Members of the Board of Directors have not been specifically encouraged to acquire shares but members may acquire shares with due consideration to the requirements of the Securities Trading Act and the Company's procedure for primary insiders. The Company assists the members of the Board of Directors to comply with mandatory disclosure obligations. It is also stated in the Company's procedure for primary insiders that primary insiders should abstain from short-term transactions in REC related financial instruments, and that they should apply due care and diligence with regard to ownership periods.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for the management of the Company and the Group and for supervising its day-to-day management.

The Board of Directors has adopted an annual plan for its work with respect to fixed items. Other items are added as required. The Board of Directors held 22 board meetings in 2012 which were well attended by all members of the Board of Directors with limited absences.

The Board of Directors regularly adopts and reviews the Company's strategy.

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

The Board of Directors currently has one committee – the Audit Committee

The Board of Directors reviews its own performance, including the work of the Board of Directors committee, annually.

The Audit Committee

The Audit Committee consists of two members of the Board of Directors who are both independent of the Company's Group Management and material business contacts as well as independent of the Company's main shareholders. The Committee has collectively the competence required in the Public Limited Liability Companies Act § 6-42. Both members are independent according to § 6-42 Public Limited Liability Companies Act, and one member has the required qualifications within accounting and auditing.

The Audit Committee acts as a preparatory body that supports the Board of Directors in fulfilling its responsibilities with respect to financial reporting, auditing and control and prepares discussions and resolutions for the Board of Directors' plenary meetings. It has no decision-making authority. The duties and responsibilities of the Audit Committee are to

- prepare the Board of Directors' follow-up of the financial reporting process,
- monitor the internal control and risk management system,
- have regular contact with the company's elected auditor regarding the auditing of the annual accounts,
- assess and monitor the auditor's independence including the extent to which services other than auditing services that are provided by the auditor or auditing company comprise a threat to the auditor's independence,
- make recommendations to the Board of Directors and the General Assembly with regard to the appointment, retention or termination of the external auditors as well as with regard to the external auditors' fees, and
- review any complaints regarding accounting, internal controls or auditing matters.

In addition, under the whistleblower procedure, complaints from employees and other concerned parties are received and followed up by the Committee. The Chief Financial Officer participates in the meetings of the Committee. The Committee holds at least one meeting per year with the auditor and without the Chief Financial Officer or any other members of the Group Management and the administration present.

The Audit Committee held eight meetings in 2012 and has been in regular contact with the Company's auditor regarding auditing of the Group and statutory accounts and is also assessing and monitoring the auditor's independence, including assessing and monitoring non-audit services provided by the auditor to REC Group.

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

Other Committees
The Board of Directors decided not to form a Compensation Committee in 2012 as the tasks of the Committee should be performed by the plenum.

The Board of Directors decided not to form a Corporate Governance Committee in 2012 as the reporting on corporate governance as described in the Accounting Act and the NUES principles should be prepared as part of the Audit Committee's tasks.

10. RISK MANAGEMENT AND INTERNAL CONTROL

REC's risk management system shall ensure that REC has a systematic and uniform approach to risk management. The system defines roles, responsibilities, processes and procedures, standards, tools and documentation. Group Management sets the context in which risks are managed, i.e. how risks are to be identified, analyzed, controlled, monitored and reviewed. It also supervises the risk management process. However, the segments are the "risk-owners" and responsible for ensuring that risk management is a systematic, integrated part of their day-to-day operations. Each segment identifies and analyzes risks in order to establish or update its risks picture through a bottom-up process. In addition, each segment must carry out a top-down analysis.

Each segment reports a risk picture every year as an integrated part of the planning process as well as an update in connection with the quarterly reporting. REC Group Management performs a separate and additional risk evaluation based on a top-down approach. The quarterly risk assessment is presented to the Board of Directors.

In addition, REC Group Management generates monthly reports that are sent to the Board of Directors including operational reviews, HSE (Health, Safety and Environment), financial highlights and key performance indicators. REC Group Management also submits quarterly sustainability reports to the Board of Directors.

REC has a decentralized management model. In order to achieve a common approach to risk profiling and internal control throughout the Group, the Group has issued a "Group Chart of Authority" approved by the Board of Directors. The Chart of Authority is also valid for all subsidiaries. It defines the roles, responsibilities, limitations and main principles (procedures) to be followed for investments, customer contracts, procurement, legal approval of contractual agreements and personal disbursements.

Since REC operates internationally, it is required to comply with numerous national and supranational laws and regulations. All business activities and processes must therefore be conducted in accordance with such laws, and regulations relating to the Group's activities.

To strengthen the internal control, REC has in 2012 established a new Group Anti-Corruption Policy and procedures, provided training to relevant employees and managers and performed a fraud risk assessment. The outcome of the assessment, Whistleblower complaints and other internal control activities are regularly presented to the Audit Committee according to the Audit Committee Charter.

To ensure a consistent financial reporting throughout the Group, the financial information is reported through the Group's common web-based reporting system, Hyperion Financial Management (HFM). Every month, each reporting unit reports figures in HFM based on output from its own ERP system, except for January and July. HFM has a chart of accounts and forms designed for group reporting to meet the requirements of IFRS that are used by all entities. HFM has built-in controls in the forms and reports designed to check that the reported information is consistent. The quarterly and year-end reporting processes are expanded to meet various supplementary information requirements. The consolidation process primarily takes place on Group level but also on segment level where consolidated financial information is required. The reporting in HFM is the basis for the management review on segment and Group level. The review is performed each reporting month.

Group Finance monitors changes in accounting and reporting requirements for the Group, implements relevant changes in HFM and provides the reporting units with adequate information and guidelines. Group Finance provides relevant training in HFM when required. Prior to the year-end reporting Group Finance conducts meetings with the reporting units where reporting requirements and accounting issues (if applicable) are discussed.

Prior to each quarterly reporting Group Finance conducts preparation meetings with the segments and selected entities to discuss issues and ensure a timely and accurate reporting based on a fixed agenda.

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

In connection with the quarterly reporting, each segment issues a representation letter to the Group Chief Financial Officer, confirming amongst others the completeness, accuracy and reliability of the reporting.

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

11. REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board of Directors receive remuneration in accordance with their individual roles. Members of the Board of Directors who participate in the Audit Committee receive additional compensation, see note 16 to the consolidated financial statements. All compensation is 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 of Directors has taken on specific assignments for the Company in addition to their appointment as members of the Board of Directors.

12. REMUNERATION OF THE GROUP MANAGEMENT

The Board of Directors determines all aspects of the remuneration of the Chief Executive Officer.

REC's remuneration policy for the Group Management has been established according to guidelines from the Board of Directors. The Board of Directors presented its policy on the remuneration of the Management at the AGM in May 2012 and a revision of that policy at the Extraordinary General Meeting (EGM) in July 2012. The General Meetings approved the policy and its revision.

The remuneration of the Group Management consists of the following main elements:

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

In addition, retention bonus agreements have been entered into. For further information see note 16 to the consolidated financial statements.

The Board of Directors decided not to use the authorization given by the EGM in July 2012 to introduce a synthetic share option program for the Group Management.

The variable pay is linked to the Company's financial performance over time and includes incentives related to performance that the employees can influence. There are absolute limits for performance-related remuneration.

The remuneration of the Chief Executive Officer and the other members of the Group Management are disclosed in note 16 to the consolidated financial statements.

13. INFORMATION AND COMMUNICATION
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 Chief Executive Officer and the Chief Financial Officer normally hold the quarterly presentations. The Investor Relations Officer participates at the quarterly presentations and from time to time members of the Group Management in addition to the Chief Executive Officer and the Chief Financial Officer. Furthermore, the Company keeps an ongoing 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 reports to the Chief Executive Officer.

The annual report is sent to the shareholders on request. The annual and quarterly reports, all announcements to the Stock Exchange, the latest presentations and the financial calendar are published in the Investor section on the Company's website.

The Board of Directors has adopted an IR policy specifying, inter alia, who is entitled to speak on behalf of the Company on various subjects and with guidelines for the Company's contact with shareholders other than through General Meetings.

14. TAKE-OVERS
The Company has no defense mechanism that can prevent take-over bids. The Board of Directors is open to initiatives that are commercially and financially attractive for the shareholders of the Company. The Board of Directors will assess a potential offer for the Company's shares in accordance with applicable legislation and adequate requirements in the Code of Conduct in due course. No other guidelines have been established by the Board of Directors in the event of a take-over bid.

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

15. AUDITOR
The Company's external auditor is independent from the Company and is elected by the AGM.

The auditor participates at the Board of Directors' meetings where the Board of Directors deals with the annual accounts and provides comments related to the accounting principles and the financial statements. At the meeting the auditor comments on any material changes in the Company's accounting principles, comments on material estimated accounting figures and reports if there are disagreement between the auditor and the Group Management of the Company.

The auditor annually presents a review to the Board of Directors of the most significant identified weaknesses and proposals for improvements of the internal control procedures. The auditor provides the Board of Directors with an annual 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.

The auditor meets with the Audit Committee and the Board of Directors once a year without the Chief Executive Officer or any other member of the Group Management or administration present.

The auditor also participates in the meetings of the Audit Committee and submits the main features of the audit plan for the REC Group to the Audit Committee.

The remuneration of the auditor is approved by the AGM. The auditor provides a break-down between audit and non-audit services, and the AGM is given information about non-audit services provided by the auditor.

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

The Board of Directors has issued guidelines regarding use of the auditor for services other than audit.

SHAREHOLDER MATTERS

The REC share is listed on the Oslo Stock Exchange under the ticker code REC.

In 2012 REC held more than 100 investor meetings and a large number of presentations in Norway as well as internationally. At year-end REC's market capitalization was NOK 2,262 million. Around 15 analysts are regularly publishing research on the company.

Key share data

	2012	2011	2010
Market capitalization at year-end (NOK million)	**2 262**	3 311	17 739
Number of shares traded (million)	**4 165**	3 877	3 755
Number of shares at year-end (million)	**2 113.8**	997.2	997.2
Market price at year-end (NOK)	**1.07**	3.32	17.79
Highest market price during the year (NOK)	**5.20**	22.05	37.27
Lowest market price during the year (NOK)	**0.63**	3.00	14.64

SHAREHOLDER/IR POLICY

REC has implemented an investor relations policy approved by REC's Board of Directors.

The following principles are guiding REC's investor relations activities:

- Openness and transparency
- Equal treatment of all participants in the capital market
- Honest and direct communication
- Responsiveness and high availability of Management

As REC is an international enterprise, with investors across the globe, all news and press releases are published in English only.

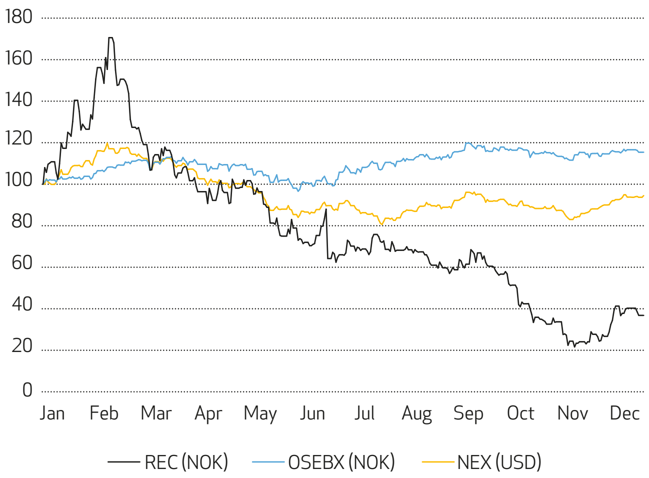
REC makes quarterly earnings presentations available as webcasts in real time.

SHARE DATA

The share price decreased throughout 2012, bringing the total market capitalization from NOK 3,311 million at the beginning of the year, to NOK 2,262 million at the end of the year.

Share price development in 2012

INDEXED, 01.01.2012 = 100



In the third quarter of 2012, REC issued about 1,117 million new shares raising gross proceeds of NOK 1,675 million through a private placement and a later subsequent offering.

The REC share price development during 2012 as well as the performance of the Oslo Stock Exchange (OSEBX) and the NEX renewable index is shown in a separate graph.

SHAREHOLDERS

As per December 31, 2012, REC had about 28,000 shareholders, and the total number of outstanding shares at the end of the year was approximately 2,114 million, each with a nominal value of NOK 1.

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

The list of shareholdings is based on the VPS shareholder register as per December 31, 2012. Actual shareholding may deviate through use of nominee accounts, share lending, forward contracts or other contractual

Shareholders spread as per December 31, 2012

NUMBER OF SHARES FROM	NUMBER OF SHARES TO	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE
1	100	3 060	183 862	0.01%
101	1 000	10 161	4 739 849	0.22%
1 001	10 000	9 595	36 935 242	1.75%
10 001	100 000	4 332	152 022 546	7.19%
100 001	1 000 000	1 041	309 214 126	14.63%
1 000 001	-	161	1 610 723 160	76.2%
		28 350	2 113 818 785	100.00%

20 largest shareholders as per December 31, 2012

	SHAREHOLDER	OWNERSHIP	TYPE	HOLDING	NAT
1	ORKLA ASA	15.59%		329 569 968	NOR
2	UMOE AS	9.52%		201 163 877	NOR
3	SKANDINAVISKA ENSKILDA BANKEN AB	7.61%		160 761 110	NOR
4	CANICA AS	3.63%		76 666 666	NOR
5	VERDIPAPIRFONDET DNB NORDIC TECHNOLOGY	3.48%		73 462 635	NOR
6	FOLKETRYGDFONDET	2.11%		44 706 736	NOR
7	SKANDINAVISKA ENSKILDA BANKEN	2.02%	NOM	42 802 601	SWE
8	BNYM SA/NV - BNY GCM CLIENT ACCS	1.57%	NOM	33 124 225	BLE
9	CACEIS BANK LUXEMBOURG	1.46%	NOM	30 814 649	LUX
10	VERDIPAPIRFONDET DNB NORGE (IV)	1.17%		24 810 603	NOR
11	SKAGEN KON-TIKI	1.09%		23 110 218	NOR
12	VERDIPAPIRFONDET DNB SMB	1.01%		21 387 776	NOR
13	DNB LIVSFORSIKRING ASA	0.86%		18 115 639	NOR
14	VERDIPAPIRFONDET DNB GLOBAL SELEKT	0.84%		17 797 983	NOR
15	HOLBERG NORGE	0.69%		14 674 086	NOR
16	JPMORGAN CLEARING CORP.	0.67%	NOM	14 154 178	USA
17	FONDSFINANS SPAR	0.66%		14 000 000	NOR
18	ASP INVEST ATLE PEDERSEN	0.62%		13 200 000	NOR
19	KONTRARI AS	0.62%		13 000 000	NOR
20	STATE STREET BANK AND TRUST CO.	0.58%	NOM	12 195 178	USA
	Total 20 largest	55.80%		1 179 518 128	
	Other	44.20%		934 300 657	
	Total number of shares	100.00%		2 113 818 785	

arrangement. The company is informed that Umoe AS at December 31, 2012 in addition has 55 million shares held on a forward contract.

Identification of shareholders registered on nominee accounts is carried through every quarter, the latest as per December 31, 2012.

GEOGRAPHICAL DISTRIBUTION

Nearly 80 percent of the outstanding shares in REC are held in Norway, the remaining shares are held by shareholders all across the world. The geographical split below is based on the identification of shareholders registered on nominee accounts as per December 31, 2012.

	COUNTRY	NUMBER OF SHARES	PERCENTAGE
1	Norway	1 666 375 685	78.83%
2	United Kingdom	155 186 423	7.34%
3	Sweden	72 790 895	3.44%
4	United States	67 280 310	3.18%
5	Finland	42 431 919	2.01%
	Total 5 largest	2004 065 232	94.81%
	Other markets	109 753 553	5.19%
	Total number of shares	2 113 818 785	100.00%

SHARE LIQUIDITY

High turnover in the REC share is important for REC's investors as this will reduce the cost of capital, and further attract investors.

In 2012, about 720,000 trades were executed and the total trading value was about NOK 9.3 billion. About 4.2 billion shares were traded in the year and this represents a turnover velocity of 276 percent, calculated as the total number of shares traded in the period as a percentage of the average total registered number of shares.

INVESTOR RELATIONS ACTIVITIES

REC puts emphasis on transparency and equal treatment of shareholders, and on informing all investors and analysts 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 share price information. In addition, users can find an updated financial calendar, company presentations and reports, 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, analysts 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 more than 100 meetings with Norwegian and international investors. The cities covered by REC during road shows in 2012 include: Oslo, London, New York, Frankfurt, Zürich and Copenhagen.

At the end of the year, the number of sell-side analysts that regularly follow REC was around 15, of which nine were based in Norway. An updated list of analysts following the company can be found on the investors section of the REC website, www.recgroup.com.

FINANCIAL CALENDAR 2013

EVENT	DATE
Fourth quarter 2012	February 8, 2013
First quarter 2013	April 24, 2013
Annual General Meeting	May 3, 2013
Second quarter 2013	July 18, 2013
Third quarter 2013	October 24, 2013
Fourth quarter 2013	February, 2014

REGISTRAR

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

DnB Bank ASA
Registrars Department
Phone: +47 23 26 80 21
Fax: +47 22 48 11 71
E-mail: kua@dnb.no

CONTACT

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

Mikkel Tørud
SVP Investor Relations & Business Development
Phone: +47 97 69 91 44
Phone: +47 67 57 44 50
E-mail: ir@recgroup.com

Mail address
PO Box 594
1302 Sandvika
Norway

Office address
Kjørboveien 29, Sandvika

SUSTAINABILITY

REC's culture is driven by our vision - We want every person to benefit from electricity directly from the sun. We are committed to making efficient and sustainable solar energy affordable and accessible globally.

This means continuous focus on reducing the cost and enhancing the value of solar products, while keeping safety at the forefront and always striving for a high environmental and governance standard. We collaborate closely with our partners to create value through efficient and sustainable solar products, services and solutions that better meet the world's growing demand for electricity.

Sustainability is integral to the way that REC does business. We acknowledge our responsibilities towards our shareholders, investors, employees, and society. Everywhere we operate we continuously seek to limit any negative effects caused by our activities.

2012 has been a challenging year for REC as the solar market has been dominated by oversupply followed by strong price pressure on our products. We continue to work hard to cut costs further in order to make solar a mainstream source of energy and therebyreduce carbon emissions from the global energy mix. The way we plan to succeed in offering affordable, sustainable solar solutions is through a combination of cost- and energy efficient operations, the use of advanced technology and maximize the use of clean energy in our production. REC has achieved an industry leading energy payback time of one year and a light carbon footprint for our solar panels. In the short term, we will continue to improve the operational and environmental performance of our operations. In the longer term, implementation of new technology in existing production lines and investing in additional Fluidized Bed Reactor (FBR) production capacity will contribute to further lowering the carbon footprint of solar products for the global market.

SUSTAINABILITY REPORTING

REC's sustainability reporting addresses the issues that are material to the company and our stakeholders. Since 2011, REC has reported according to the Global Reporting Initiative (GRI). The GRI is internationally recognized, and its framework establishes a transparent means through which to report on the following six indicator areas: economy, environment, labor, human rights, society, and product responsibility. The selection of reporting parameters is based on our assessment of material topics to our company, our industry and our key stakeholders.

REC's most important stakeholder groups are our employees, suppliers, customers, investors, authorities and the local communities in which we operate. We understand the importance of having transparent and regular dialogue with all of our stakeholders to ensure that we understand their issues and concerns and provide them with information.

The current report fulfills the requirement of a C level as defined by the GRI G3.1 guidelines. A table of all GRI indicators covered within this report is included on page 46. This report covers the following topics:

- Governing Sustainability
- Economic Sustainability
- People and Organization
- Health and Safety
- Environment and Climate
- Sustainability in the Supply Chain
- Stakeholder Relations
- Product Responsibility

Data reported covers only sites operating through all of 2012, which means that our discontinued operation, REC Wafer, is not included in the data. To allow comparison with our performance in 2011, data for 2011 has been re-presented, excluding data from discontinued operation REC Wafer . All data is complete for REC manufacturing sites. However, we do not cover support functions at the head office and in our sales organization which accounts for a very small portion of REC's total operation. The exception is climate accounting, which covers REC as a whole. The report only covers fully owned REC companies. Data calculation is done in line with GRI methodology unless otherwise specified. The report is not externally verified.

GOVERNING SUSTAINABILITY

Policies

The Group Policies on Sustainability define the REC way of working with sustainability both internally and in the various markets in which REC operates. They were adopted by the Group Management in 2010 and the content meets the NUES standards. The policies are communicated internally and on the website. The Group Policies consist of the Business Conduct Policy, the Safety and Health Policy, the Environment and Climate Policy, and the Quality and Improvement Policy. The policies are governing documents for all REC activities. They are reviewed regularly by the Board of Directors.

- The Business Conduct Policy promotes transparency and accountability with the highest level of business ethics in all of REC's activities. The Business Conduct Policy supports sustainability, human rights, labor practices, business ethics, transparency and avoidance of corruption.
- The Safety and Health Policy targets zero harm to employees, contractors, partners, customers and members of the public.
- The Environment and Climate Policy shall maximize the positive contribution from renewable and climate-friendly solar energy at affordable prices.
- The Quality and Improvement Policy provides a continuous focus on quality and improvements in running operations.

Managing sustainability performance
To ensure compliance with the Group Policies, REC sets annual objectives and monitors performance through specific KPIs, reports results monthly and quarterly, and executes audits on all levels in the organization.

The Board of Directors gets quarterly sustainability reports focusing on KPI scorecard and risks. It is a Board responsibility to secure acceptable performance, also within the sustainability area.

> We collaborate closely with our partners to create value through efficient and sustainable solar products, services and solutions that better meet the world's growing demand for electricity.

To support the implementation of the Group Policies, we have developed a comprehensive HSE management system which consists of 14 HSE principles and an assessment tool where all internal HSE processes are covered. Expectations and practical implementation methods are explained in order to secure and improve HSE standards and share best practices throughout REC. The assessment tool rates the implementation methods on a scale of Low – Average – Good – Best Practice – World Class, according to the use of the REC Business System rules and principles.

All manufacturing plants perform self-assessments regularly according to the REC HSE principles, and the results are used for prioritizing improvement actions and programs.

Certifications
To ensure quality in all parts of the production, REC uses the ISO 9001 certification as a basis framework. REC's manufacturing units and the infrastructure provider REC Site Services in Singapore have ISO 9001 certification. In REC Silicon, the ISO 9001 has been achieved for the Butte manufacturing facility.

To further improve the environmental aspects of the production process, REC has been focusing on implementation of the ISO 14001 standard. The ISO 14001 is a framework to assist organizations in developing their own environmental management system. All business units in Singapore have achieved the ISO 14001 certification and are undergoing annual audits by a third party.

OHSAS 18001 is an international occupational health and safety management system standard intended to help organizations control occupational health and safety risks. The four units in Singapore implemented the OHSAS 18001 during 2011, and achieved the certification at the end of the same year.

Similarly, the polysilicon facility in Butte is actively pursuing the US OSHA equivalent to OHSAS 18001, called the Voluntary Protection Program (VPP). The VPP recognizes companies who have implemented effective health and safety management systems where management, labor, and OSHA work cooperatively and proactively to prevent fatalities, injuries, and illnesses through a system focused on: hazard prevention and control; worksite analysis; training; and management commitment and worker involvement. VPP participants are exempted from OSHA programmed inspections while they maintain their VPP status.

Business conduct
REC sets high standards of integrity and believes that sound business must be based on value-based management and clear guidelines on ethics and sustainability.

Our core values are: Responsible, Experienced, Collaborative, and Straightforward

The REC Code of Conduct is an integrity framework, built on the foundation of the REC Group policy of Business Conduct and the REC core values that describes the behavior expected of employees. It contains practical instructions to help employees in their day-to-day work and is underpinned by standards and policies covering issues such as corruption and illegal payments.

The Code of Conduct is available in English and was revised and approved by the Group Management in February 2012. Every employee has to sign the Code of Conduct to acknowledge their commitment of adherence.

We have a dedicated whistleblower channel and encourage all employees, contractors, vendors, and other stakeholders of REC to report concerns or complaints related to REC's business conduct. REC investigates all potential integrity concerns and cooperates fully with law enforcement agencies. The Audit Committee will be informed of all complaints related to accounting and auditing matters. The Board will be informed of specific complaints as required and will also be provided regularly with general updates of complaints received. No adverse action will be taken against an employee due to complaints submitted in good faith. Complaints can be made anonymously.

In 2012, REC established a new Anti-Corruption Policy and related procedures. In connection with the implementation, a large part of the relevant employees and managers, especially within our sales, purchasing, and finance departments, have been trained by representatives of REC Legal and the internal control group. REC's operative business units REC Silicon and REC Solar have been analyzed for risk of corruption by the internal control group as part of our standard fraud risk assessments at regular intervals in 2012.

REC takes every accusation of corruption seriously, performs a thorough investigation, reports to the Board of Directors and takes the necessary actions. In 2012, there have been two incidents where internal procedures with regards to our business conduct were not adhered to. Following both incidents Management reacted immediately and performed the necessary actions.

Compliance

Applicable laws, regulations, permits, codes, standards, practices, and other requirements are identified and complied with, and documentation is managed through formally controlled processes. Records are maintained and readily available.

In 2012, REC was subject to no legal actions for anti-competitive behavior, anti-trust or monopoly practices, and received no monetary or non-monetary fines for non-compliance in this area.

> REC sets high standards of integrity and believes that sound business must be based on value-based management and clear guidelines on ethics and sustainability.

In 2012, REC was subject to no legal cases regarding corrupt practices or discrimination, nor to non-monetary fines for non-compliance with laws and regulations concerning the provision and use of any products and services.

REC has a range of HSE-related permits for operations at its sites, and maintains a record of any non-compliance as part of regulatory HSE requirements. Non-compliances constitute breach of permit, citations or violations identified by regulatory audits.

In June 2012 there was a significant incident in REC Silicon. The incident was caused by a ruptured hose leading to the formation of a vapor cloud. No-one was injured, but ten people were examined and then released. Since the incident several changes have been implemented to avoid reoccurrence. In addition to this incident, eight non-compliances of less environmental impact were recorded; making the total reported permit breaches nine for 2012. In all permit breach cases, the local environmental authorities were notified, and corrective and preventative measures taken to improve operational routines and design weaknesses. The number of new and open non-compliances represents an important KPI for sustainability, and is reported weekly, monthly and quarterly to ensure special focus from site management.

ECONOMIC SUSTAINABILITY

REC's financial performance in 2012 was affected by very difficult market conditions for the solar industry as a result of overcapacity leading to steep price declines of solar products. REC's revenues from continued operations decreased 25 percent from 2011 to NOK 7,145 million in 2012. The sharp price decline was partly offset by REC sales growth and cost reductions due to strong operational performance.

The table on the next page summarizes the direct economic value generated and distributed by REC in 2012 and 2011.

PEOPLE AND ORGANIZATION

REC has gone through a major transformation during the last couple of years and the company has been focusing on achieving cost reductions and necessary re-structuring to make our business competitive.

Following a phase of construction and ramp up of production capacity in US and Singapore, REC has in the recent years focused on cost reductions and optimization of assets and activities. This has led to a re-organization in several steps and a significant decrease in number of employees over the past two years. The main changes have been the discontinuation of wafer and cell production in Norway, and moving sales and marketing activities from Norway to Germany as well as down-sizing and optimization of the remaining activities. While such re-organizations are always challenging, REC worked extensively to find good solutions for all employees, in dialogue with our labour unions and local authorities. We have gone beyond the legal requirements for lay-off processes in terms of notice periods and financial assistance, and have provided counselling for redundant employees.

The total number of permanent employees decreased by 18 percent in 2012, or 35 percent if one includes the discontinuation of REC Wafer in Norway. The total turnover for 2012 was 27 percent, up from 14 percent from 2011, 36 percent if one includes the discontinuation of REC Wafer in Norway. Except for REC Wafer the largest turnover was in REC Solar where there was a 25 percent turnover.REC Silicon only had a slight reduction of staff.

Of the total 2,346 employees at the end of 2012, the percentage of female employees has remained constant at 31 percent. Of the total of seven executives in the Group Management team at the end of the year, none were female. At year end 2012, three of six Directors in the company's Board of Directors were women.

REC and its subsidiaries are 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,

Economic value generated and distributed

NOK IN MILLION		2012	2011 [1]
Direct economic value generated		**7 423**	9 579
Revenues		**7 145**	9 500
	Other income	**233**	47
	Interest income and other financial income	**45**	32
Direct economic value distributed		**-7 434**	-7 660
Operating cost	Cost of material and changes in inventories and writedowns	**-3 530**	-3 452
	Other operating expenses	**-2 321**	-2 773
Employee compensation		**-1 167**	-1 279
Payments to capital providers	Interest expenses and fees	**-429**	-458
Income tax paid (-) / received (+)		**14**	302
Economic value retained		**-11**	1 919

1) 2011 amounts are re-presented to exclude discontinued operation REC Wafer. Re-presented amounts for 2010 are not available and therefore not included.

Total workforce and turnover by December 31, 2012

NUMBER AND PERCENTAGE	TOTAL 2012	2012 REC SILICON	2012 REC SOLAR	2012 REC ASA	TOTAL 2011	% CHANGE 2012/2011
Total number of employees	**2 346**	832	1471	43	2 869	-18 %
Number of full time employees	**2 340**	832	1468	40	2 863	-18 %
Number of part time employees	**6**	0	3	3	6	0 %
Percentage female employees	**31 %**	14 %	40 %	33 %	31 %	0 %
Total number of resignations	**575**	70	489	16	457	26 %
Turnover (%)	**27 %**	8 %	25 %	29 %	14 %	95 %

Average sickness rate in 2012

NUMBER AND PERCENTAGE	TOTAL 2012	2012 REC SILICON	2012 REC SOLAR	2012 REC ASA	TOTAL 2011	CHANGE 12/11
Percentage absence due to sickness	**1.8%**	1.2%	2.2%	4.4%	1.6%	13%

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.

REC allows for freedom of association in line with international conventions, and works to ensure that employees are treated in a fair manner. Where employees are unionized and national regulations allows for collective bargaining agreements, REC will facilitate these discussions. By year end 2012, there were no active unions represented in REC companies. In 2012, one of the members of the REC Board of Directors was an employee-elected representative, elected from and by the employees in Renewable Energy Corporation ASA in 2011 to serve for two years.

The sickness rate is calculated based on days of absence as percent of number of actual workdays per year per full time employee. This means that vacation and regular holidays have been excluded. 2012 saw a slight increase in sickness rate to 1.8, but in light of the many challenges in 2012, this number is highly satisfactory.

REC also encourages that all employees have annual performance reviews with their manager, covering both specified tasks for the period and development activities. In 2012 approximately 75 percent of the employees received these reviews.

HEALTH AND SAFETY

Health and Safety work

Health and Safety has the highest priority in REC. We believe that all accidents, injuries, and occupational illnesses are preventable. Our target is zero harm to our employees, contractors, partners, customers and communities.

To achieve a world class safety culture, REC employees are involved in continuous improvement in their daily way of working. This includes risk assessing all work activities to eliminate inherent risks or apply control measures

> Health and Safety has the highest priority in REC. We believe that all accidents, injuries and occupational illnesses are preventable.

In REC Solar, extensive work has been undertaken to standardize all work instructions and risk assessments as part of the OHSAS 18001 certification process. In REC Silicon, emphasis has been put on training employees and management in the Safe Job Analysis method, which has been applied to high risk and non-standard work activities. REC Silicon has in 2012 empowered two dedicated resources, one for the Moses Lake facility and one for the Butte facility, to not only address high risk, but also day to day tasks as part of the Job Safety Analysis process, as this is the area where REC Silicon has experienced an increase in number of incidents.

Another key area for continuous improvement is incident management. All employees are encouraged to register hazards and incidents in order to identify and implement preventive measures that can eliminate recurrences and reduce the total level of risk.

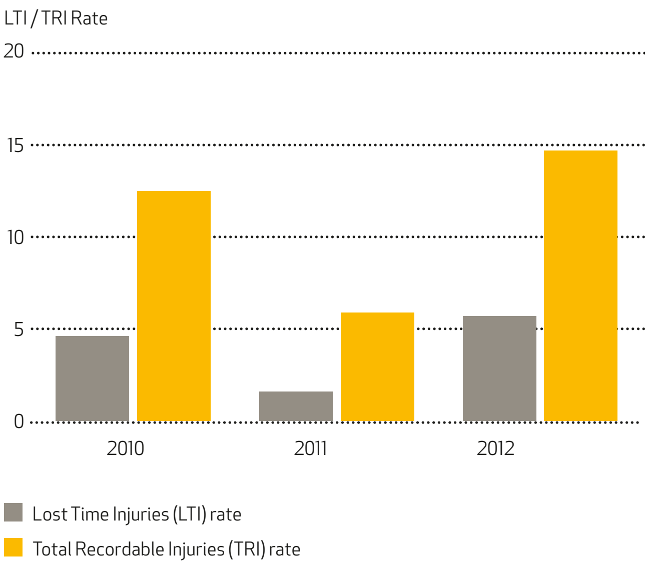
All employees at REC manufacturing sites are represented in formal joint management-worker health and safety committees, where they monitor and advice on occupational health and safety programs. The form of the local committees varies according to local requirements. In the US sites, formal safety committees are established with members representing all areas. They actively review weekly and monthly the progress in health and safety programs and follow up on outstanding issues. In Singapore, there are formal health and safety committees within each business unit, with both management and employee representatives that meet monthly to discuss and resolve issues to protect the work environment.

Safety performance
A summary of REC's safety performance is provided below. REC ended 2012 with no work-related fatalities in 5.4 million worked hours across the workforce.

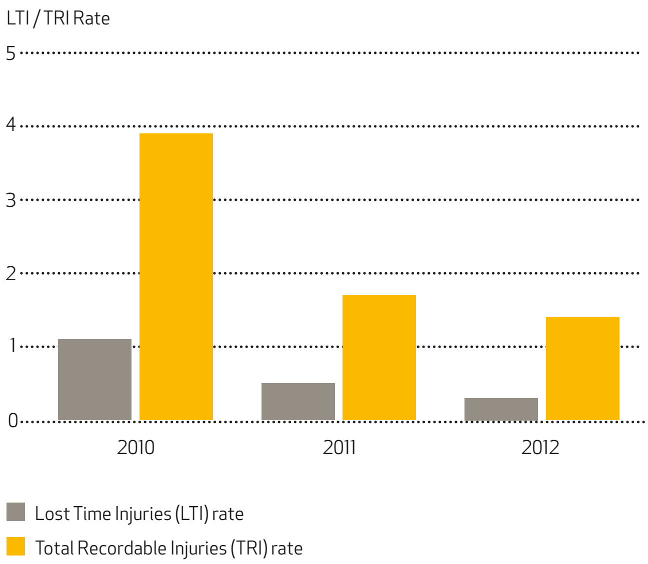
The LTI- rate (number of Lost Time Injuries per million worked hours) in REC increased to 2.0 in 2012, which is up from 1.6 in 2011. This negative development is mainly due to an increase in the number of incidents in REC Silicon which cause an unwanted increase in the LTI-rate from 1.6 to 5.7 (254 percent) for this business segment. For the TRI-rate (number of Total Recordable Injuries per million worked hours), the same trend is evident, with the TRI-rate in REC Silicon increasing from 5.9 in 2011 to 14.7 in 2012. This equals an increase of 149 percent. On a group level the TRI-rate in 2012 is 5.7 which is unchanged from 2011. The poor safety performance in REC Silicon will be addressed and followed up closely in 2013.

On the positive side, REC Solar demonstrates world class safety standards with an LTI-rate of 0.3 and a TRI-rate of 1.4. The strong trend for improvements recorded in REC Solar from 2010 to the present is a result of increased focus on systematic safety leadership and standardization throughout the organization. This includes setting clear performance and improvement targets for all units, weekly and monthly

REC Silicon



REC Solar



HSE job observations performed by management as well as extensive management and team involvement in each incident investigation. HSE performance and systems are developed, monitored, audited, and reviewed to identify trends, measure progress, assess compliance, drive continuous improvement, manage risks and provide assurance that governing processes are working effectively.

ENVIRONMENT AND CLIMATE

REC is committed to maximize the positive contribution from renewable and climate-friendly solar energy at affordable prices globally. This includes maximizing the energy efficiency of its products, minimizing negative environmental impacts and carbon footprint as well as preventing pollution from all business activities and products. REC operates in compliance with national legislation and applicable external requirement related to the environmental aspects of its activities.

Environmental performance

Both REC and the solar industry in general depend on the safety and sustainability of solar electricity products. A summary of REC's environmental performance is provided below.

Energy and emissions

To ensure that REC's operation has minimal negative impact on the environment, efforts are continually made to reduce energy use and carbon emissions. Wherever possible, REC uses clean energy sources such as hydroelectric power.

In 2012, the total amount of electricity used at REC was 1,764 GWh, down by two percent from 2011. Emissions of CO_2-equivalents due to the generation of electricity have been calculated on the basis of:

- Carbon free hydroelectric power for Moses Lake
- NorthWest electricity grid mix for Butte
- Natural gas power for Singapore

This resulted in the indirect emissions of 450,917 metric tons of CO_2-equivalents. In addition, the natural gas and diesel consumption was 1,059 GWh, resulting in direct emissions of 217,599 metric tons of CO_2-equivalents. In total the energy consumption was 658 MWh/MW in 2012, down nine percent from 2011, and the total emissions of CO_2-equivalents were 156 metric tons/MW. This is a four percent reduction from 2011.

In REC Solar, there is a strong commitment to save energy with a site goal to reduce consumption by seven percent from 2010 to 2012. Several initiatives were identified to achieve this goal, including minor adjustments and larger operational changes, and a 4 GWh reduction was achieved in 2012 due to these initiatives. In total REC Solar reduced its relative energy consumption per MW produced by 15 percent and the total energy use has been reduced by 4 percent in 2012 (11 GWh).

REC Silicon focuses on production efficiency, and the relative energy use has been reduced from 783 MWh/MW in 2011 to 721 MWh/MW in 2012 (an 8 percent reduction) and the production has increased by 12 percent. In total the energy use has increased by four percent (87 GWh) in REC Silicon.

Carbon footprint and energy efficiency

REC solar panels have a very light carbon footprint and low Energy Payback Time thanks to continuous technological innovation and focus on energy efficient operation.

To understand the environmental impact of the REC solar panel, REC commissioned the independent Dutch research institute ECN (www.ecn.nl) to analyze the complete lifecycle of an REC solar panel according to the standard ISO 14040 based on data from the first quarter of 2011. This followed from a similar study conducted in 2007.

For the study, ECN analyzed REC's production data and calculated the primary energy consumption involved during each step of production, including raw material extraction and all transportation up to when the solar panel is assembled, to recycling. Generic data for installation and recycling was used to calculate the Energy Payback Time of a complete system. The data is based on a yearly solar insolation value of 1700 kWh/m², which is a typical value for a Southern European Mediterranean location such as Barcelona or a mid-US location such as New Jersey.

REC ended 2012 with no work-related fatalities in 5.4 million worked hours across the workforce.

The lifecycle analysis showed that REC silicon, wafer, cell and solar panel productions have record low carbon footprints compared to any other PV solar technology, with a carbon footprint of 21 g CO_2-eq/kWh for solar panels containing 100 percent silicon produced by the proprietary Fluidized Bed Reactor (FBR) and wafers, cells and solar panels produced in Singapore. We are constantly working to make an even lighter carbon footprint through innovation, technology, and optimization.

A solar panel's Energy Payback Time is the time it takes for the solar panel to generate the same amount of energy required for its manufacture. The lower this figure, the faster the solar panel can make a contribution to a cleaner energy future. The 2011 results for the energy consumed throughout the lifetime of a solar panel are in the lowest in the industry, even with the inclusion of recycling. In 2007, the Energy Payback Time of an REC solar panel was 1.4 years. In the first quarter 2011, REC had reduced it to 1.2 years thanks to continuous technological innovation throughout the value chain. With the ownership of the complete solar value chain, REC was able to provide ECN with comprehensive data from the whole lifecycle, giving the customer a complete overview of the environmental impact of solar panel production.

Waste management

Material and waste management are important aspects of REC's environmental policy. REC continually investigates opportunities to

Environmental performance 2012

INDICATOR	2012 REC TOTAL	2012 REC SILICON	2012 REC SOLAR	2011 REC TOTAL [1]	CHANGE 12/11
Energy					
Direct energy consumption (GWh)	**1 059**	1 058	1	941 [2]	13%
Electricity (GWh)	**1 764**	1 515	249	1807	-2%
CO_2 emissions					
Direct emissions (MT CO_2-eq)	**217 599**	217 386	204	192 212 [2]	13 %
Indirect emissions from electricity (MT CO_2-eq)	**450 917**	339 869	111 010	429 504	5 %
Total CO_2 emissions (MT CO_2-eq)	**668 516**	557 256	111 213	621 715	8 %
Energy and CO_2 emissions per produced unit					
Produced units (MW)	**4 290**	3 568 [3]	722	3 819	12 %
Energy per unit (MWh/MW)	**658**	721	346	720	-9 %
CO_2 emission per unit (MT CO_2-eq/MW)	**156**	156	154	163	-4 %
Emissions					
NOx (MT)	**445**	102	343	n.r.	n.r.
SOx (MT)	**21**	1	19	n.r.	n.r.
Volatile organic compounds (VOC) (MT)	**14**	14	0	n.r.	n.r.
Particular matter (PM) (MT)	**109**	107	1	n.r.	n.r.
HF (MT)	**2**	NA	2	n.r.	n.r.
HCl (MT)	**2**	NA	2	n.r.	n.r.
Cl_2 (MT)	**3**	NA	3	n.r.	n.r.
Water					
Municipal water consumption (million m³/yr)	**3.7**	1.2	2.5	3.8	-3%
Surface water consumption (million m³/yr)	**3.2**	3.2	NA	3.5	-9%
Waste water discharge (million m³/yr)	**3.1**	1.3	1.8	4.0	-21%
Waste					
Recycled waste (MT)	**2 172**	246	1 926	1 288	69%
Non-hazardous waste to incineration (MT)	**2 991**	0	2 991	0 [4]	
Non-hazardous waste to landfill (MT)	**16 428**	16 428	0	11 421 [4]	44%
Hazardous waste treatment (MT)	**9 113**	57	9 056	14 631 [4]	-38%
Total waste (MT)	**30 704**	16 730	13 973	27 340	12%
Raw materials					
Metal grade silicon (MT)	**29 476**	29 476	NA	28 445	4%
Polysilicon (MT)	**3 889**	NA	3 889	4362	-11%
Recycled polysilicon (%)	**18%**	NA	18%	16%	17%
Aluminium Process Pastes (MT)	**267**	NA	267	237 [5]	13%
Silver Process Pastes (MT)	**36**	NA	36	47 [5]	-23%
Glass (MT)	**41 559**	NA	41 559	40 338 [5]	3%
Ethyl vinyl acetate (MT)	**4 225**	NA	4 225	3 791	11%
Polyester backsheet	**5 194**	NA	5 194	4 445	17%
Aluminium (MT)	**8 195**	NA	8 195	7 206	14%
Silicon carbide (MT)	**10 872**	NA	10 872	n.r.	n.r.
Recycled silicon carbide (%)	**64%**	NA	64%	n.r.	n.r.
Polyethylene glycol (PEG) (MT)	**15 361**	NA	15 361	n.r.	n.r.
Polyethylene glycol (PEG) (%)	**92%**	NA	92%	n.r.	n.r.
Other figures					
Ozone-depleting substances (MT CFC-11 eq)	**0**	0	0	0	0%
Number of permit breaches	**9**	9	0	8	13%

[1] 2011 figures are re-presented, excluding the discontinued operation REC Wafer to make figures comparable
[2] 2011 direct energy use and direct CO_2 emissions have been recalculated and corrected due to errors in the 2011 reporting
[3] Energy and carbon intensity indicators have been calculated based on produced units, defined as installed capacity in MW. Due to different product outputs across business segments it is difficult to have a uniform basis for produced units; therefore a conversion factor has been adopted. For REC Silicon, MT (metric tons) of polysilicon have been converted to installed capacity in MW, using the factor 6 g/W.
[4] Waste figures for 2011 are corrected for an error in 2011 resulting in hazardous waste to landfill and incineration reported as non-hazardous waste to landfill and incineration in 2011
[5] Re-stated 2011 figures for process pastes (silver and aluminium) and glass, due to calculation errors in 2011.

enhance material reuse and recycling with its design and production processes, in order to minimize resource consumption. Throughout the product design process, REC works to reduce material and packaging, without compromising on quality.

In general all the waste from the manufacturing processes is sorted and recycled to a high degree with third party waste management facilities. In 2012, REC delivered over 2,172 tons of material for recycling, which represents a 69 percent increase from 2011.

In the polysilicon production, REC operates with a closed loop cycle process, and the small waste volumes are handled according to regulatory requirements. All polysilicon waste is recycled within the manufacturing process and other inputs recovered and reused. For instance, REC does not dispose of silicon tetrachloride as a waste, as it is consumed within the closed silane manufacturing process.

In REC Solar, waste is one of the significant environmental aspects identified in our environmental management system (ISO14001). Waste reduction programs were established in 2010 to reduce the general waste with five percent through a two year period. By the end of 2012, REC Solar had been able to reduce general waste with 24 percent from the 2010 baseline. The aim in 2010 was to reduce sludge containing hydrogen fluoride with 20 percent. By the end of 2012, REC Solar had reduced sludge containing hydrogen fluoride with 37 percent over a two year period. In 2010, REC Solar set out to reduce waste water containing hydrogen fluoride with 35 percent over two years. By the end of 2012 REC Solar had reduced waste water containing hydrogen fluoride with 95 percent from the baseline in 2010.

Water management

REC used 6.9 million cubic meters of water in 2012 compared to 7.3 million cubic meters in 2011. In Singapore, REC Solar's water supplies used to be inadequate and precarious. Today the situation is different, with a very successful water management securing sustainable and diversified supplies through innovative policies, technologies, and engineering solutions. Water used for equipment and material processes is now obtained using high-grade reclaimed water. It is produced from treated used water that is purified using advanced membrane technologies and ultra-violet disinfection. This treatment process is carried out by a Singapore public water supplier. There is currently no restriction on REC's water use, but due to cost there are several internal recycling projects to reduce the consumption, and the total consumption decreased by five percent in 2012.

REC Silicon represents 64 percent of our water usage, with production in Butte and Moses Lake. In Moses Lake, the water comes from the municipal water supply, while in Butte, the water source is Silver Lake, a protected water body. However, REC's consumption does not have any significant effect on the water sources and there are no current or future restrictions on either facility. In both REC Silicon facilities, there are internal recycling projects to reduce the water consumption due to costs and capacity for waste water treatment.

Regarding waste water quality and discharges, the sites have various requirements. In REC Solar, the waste water goes into the public sewer and has to meet quality requirements according to the Sewerage and Drainage Act, comprising a long range of substances, including e.g. heavy metals, salts, COD, SS and VOC.

In the REC Silicon facility in Moses Lake, the process waste water is discharged into the City of Moses Lake's sewage system, except for the waste water containing high content of chloride, sodium and silicate. This is stored and treated internally by REC. Effluent limits are given on pH, oil and grease, TDS, chloride, sodium, fluoride, BOD, and TSS, while many more components are regularly monitored (including heavy metals and priority pollutants). In Butte, the waste water is discharged into the local rivers, after meeting limits on e.g. COD, SS, TDS, dissolved oxygen, oil and grease, N, P, chlorine, and various metals (Cu, Ni, Zn, Pb, As) as well as passing a toxicity test.

SUSTAINABILITY IN THE SUPPLY CHAIN

Suppliers are important business partners for REC, and REC seeks to ensure that activities in the supply chain are carried out in accordance with internationally recognized principles for human rights, working conditions, environmental management and anti-corruption efforts.

To be able to achieve our ambitious targets, REC seeks to contract services as well as the purchase, hire, or lease of equipment, and materials in a manner which ensures that REC's own sustainability policies are met, including audits and contractual obligations.

Our focus has been on implementing a standardized sourcing process for significant direct material suppliers to REC Solar's wafer, cell, and solar panel production. Suppliers in these areas typically represent more than 80 percent of REC Solar's annual spend. Sustainability has formed a key part of supplier pre-qualification reviews, supplier audits, supplier performance management, and supplier development. The sustainability issues cover human rights, freedom of association, child and forced labor, corruption as well as occupational health and safety.

In 2012, 88 percent of direct material suppliers for REC Solar have undergone audits on sustainability. Of these, none of the suppliers were identified as having significant risk regarding the sustainability issues.

Audits for REC Silicon suppliers started in 2012, with 27 percent of suppliers assessed.

STAKEHOLDER RELATIONS

REC's most important stakeholder groups are its own employees, suppliers, customers, investors, authorities and the local communities in which the company operates. We understand the importance of having transparent and regular dialogue with all of our stakeholders to ensure that we both understand their issues and concerns and provide them with information.

Stakeholder engagement in REC takes on many forms, depending on type of stakeholder group. Stakeholder identification is based on whom REC is directly responsible for as well as those that are directly affected by our activities. The stakeholders are consulted with on different subjects through both formal and informal channels.

Employee relations

REC has approximately 2,300 employees worldwide, and employee involvement and engagement lies at the heart of our corporate culture and business system. Employees are regularly consulted on health and safety issues through the formal health and safety committees. The most important subject in 2011-2012 in terms of employee relations has been the restructuring of the organization and shut-down of capacity in Norway. In this context the unions have been involved in the whole process. A close dialogue was also kept with representatives for the regional and local governments and other affected stakeholders.

Customer relations

REC works to maintain customer relations by various means. REC Solar communicates with customers on a continuous basis through the global sales and support force, regular newsletters, and at customer events. Customers can also provide feedback directly online, related to their own products. REC boasts industry-leading customer programs for closer collaboration with customers including the REC Partner Program for distributors and project developers, and the REC Solar Professional Program for installers.

> REC Silicon's manufacturing sites are deeply rooted in the local society in which they operate and play an important role in providing employment in the local community.

REC Silicon engages with customers more in relation to specific technical issues, and works closely with customers to better understand their needs in order to provide optimum solutions. REC Silicon also provides comprehensive product and safety training, 24-hour customer support, and routinely works with partners to develop right-fit solutions. For this work, REC received the 2011 Frost & Sullivan's Customer Value Enhancement Award in 2012, commending our customer-centric approach.

Investor relations

REC has a strong relationship with its investors. Senior management engages in dialogue with investor groups on a frequent basis. Strong focus on sustainability among investors has influenced REC to improve its sustainability reporting and the transparency of its business. REC will continue to develop its reporting and disclosure, which will be used as a basis against which to measure and drive continual improvements in sustainability performance.

Community engagement

REC recognizes that it is a key player in the communities in which it operates. In 2012, the value of REC donations and community investments reached approximately NOK 1.3 million, up from NOK 900,000 in 2011. While the REC Solar plants are located in an industrial area on the outskirts of Singapore with little impact on local communities, REC Silicon's manufacturing sites are deeply rooted in the local society in which they operate and play an important role in providing employment in the local community.

REC Silicon has established a community affairs strategy to guide the provision of strategic support to charitable organizations and increasing local community participation. REC Silicon also seeks to reinforce relationships with local authorities, industrial and community neighbors through participation in community affiliations. REC Silicon is currently involved in or supporting local emergency planning committees, hospitals, and local fire departments. REC Silicon also operates an employee volunteer program, where employees can personally volunteer in community projects and organizations, with the support of senior management. Our employees have logged hundreds of volunteering hours with local non-profit organization in 2012.

REC Solar has also started donations in 2012 by supporting two social projects in Tanzania. REC Solar donated more than 100 REC Peak Energy Series solar panels for two off-grid rooftop installations: One installation was deployed at a school in Bagamoyo and the other one at Lutindi Mental Hospital. Only 14 percent of the population in Tanzania has access to electricity, and only two percent of the rural population. Many areas of the world do not have easy and direct access to a grid, which is the case for much of Tanzania. Here, off-grid solar electricity is a practical solution to meeting electricity needs which inspired REC to donate these two roof-mounted installations. By using off-grid solutions, electricity is partly used directly as it is being generated and partly stored in high quality solar batteries to be consumed during the evening hours. REC Solar is looking for further social projects that can be implemented together with partners and bringing to life REC's vision that every person should benefit from electricity directly from the sun.

REC does not donate to political parties, politicians or political institutions – our only political engagement is participating in dialogue to improve framework conditions for the solar industry.

Memberships

REC is a member of a number of industry bodies and organizations in its key markets. REC has been a full member of PV CYCLE since 2008. PV CYCLE is a non-profit association of solar manufacturers, working to establish operational collection and recycling solutions for end-of-life solar panels. REC has been represented on the Board since 2010. REC is also active in several of the working groups of the European Photovoltaic Industry Association (EPIA), e.g. the Policy Working Group. Through our membership in EPIA, we contribute to the development of predictable, sustainable and just frameworks for the deployment of solar energy.

An overview of all the trade associations and industry bodies of which REC is a member can be found on the REC website in the sustainability section.

PRODUCT RESPONSIBILITY

Product Stewardship is ensured in the whole lifecycle from R&D, design, sourcing, manufacturing, distribution, installation, maintenance, decommissioning through to disposal and recycling.

The process of further developing products, whether it is lower cost polysilicon, higher quality wafers, more efficient solar cells or higher performance solar panels, is a continuous process at REC. While commercial considerations are critical for the technological innovations, additional factors like environmental, health and safety policies play an increasingly important role. Market development pushes REC to provide highly efficient products at a low cost and at the same time remain a responsible citizen.

REC has adopted the principle of product stewardship promoting the development of reduced health and environmental impacts from our products. Product stewardship seeks to ensure that throughout the entire lifecycle of a solar panel - from R&D, design, sourcing, manufacturing, distribution, installation, operation, maintenance, and decommissioning through disposal as well as recycling - that all products are in compliance with relevant legislative regulations. The table below indicates the life cycle stages where health and safety impacts for the various product categories are assessed for improvement.

Life cycle stages where health and safety impacts of the products are assessed for improvement

STAGE	POLYSILICON	SILICON GASES	WAFERS	MODULES
Development of product concept		x	x	x
Research & development		x	x	x
Certification		x		x
Manufacturing and production		x	x	x
Marketing and promotion	x	x	x	x
Storage distribution and supply		x		x
Product use and service		x		x
Disposal, reuse or recycling		x		x

Product certifications

REC solar panels are designed to meet the highest quality standards and provide stable output over the lifetime of the product. Our most recent solar panel, the REC Peak Energy Series, is certified according to CE, UL 1703, IEC 61215 and IEC 61730 as well as being certified to IEC 62716 (Ammonia Resistance) and IEC 61701 (Salt Mist Resistance – Severity Level 6). In addition to these certifications, thanks to process optimization and innovation in REC's Singapore production facilities, REC solar panels have now also passed one of the most demanding PID (potential-induced degradation) test protocols in the industry, with test conditions of:

- Negative voltage of 1,000 Volts
- Ambient temperature of 60°C
- Relative humidity of 85 percent
- Test period of 96 hours

In addition to the external certification process, REC's internal qualification for components and products exceeds the requirements of the certification standards, and all products are in compliance with relevant prevailing legislative regulations such as REACH, RoHS, and the WEEE Directives. REC continues to be a prominent member of the independent Europe-wide recycling scheme PV Cycle (read more in the paragraph about Recycling of solar panels below).

Material and product safety

REC Silicon provides material safety data sheets for all of its product families. The data sheets are available online on the REC website in a variety of languages, and provide details of all relevant classifications or regulatory information required for respective countries and regions.

The data sheets provide, alongside other pertinent information, information on the product content, the safe use of the product and emergency response, toxicological and ecological information, and advice on product disposal. REC Silicon also publishes additional technical notices to address other specific issues encountered where advice is required.

REC Solar provides product data sheets as well as installation instructions and guidelines for solar panels to ensure the product safety for customers. The documents are available in a variety of languages on the REC website.

Recycling of solar panels

REC is committed to a sustainable waste management. During the past years, we have been an active member of PV Cycle, the European association for recycling end-of-life solar panels. This year, a revised EU Directive on Waste from Electrical and Electronic Equipment (WEEE) was adopted. It implies that the collection of end-of-life solar panels is no longer voluntary, but will become a legal requirement. The EU member states must amend the national legislation on waste by February 2014. During the transition period in 2013, REC will continue to support the voluntary collection of broken solar panels through PV Cycle.

With a minimum lifetime of 25 years for solar panels, and the solar industry still in its infant stage, only a very few solar panels require recycling today. REC nevertheless supports the inclusion into the EU Directive because this will create a level playing-field amongst the solar producers and make sure that this topic is well addressed in the mid-term perspective when the need for recycling will increase significantly.

GRI-INDEX

●	Reported fully
○	Reported partly
n.a.	Not applicable
n.r.	Not reported

The page numbers in the index specify where answers are provided to each indicator in the annual report from REC for 2012.

DISCLOSURE TO GRI STANDARD		PAGE	CROSS-REFERENCES/COMMENTS	STATUS
	STRATEGY AND ANALYSIS			
1.1	CEO Statement about the relevance of sustainability to the organisation and its strategy	8-9	Letter from the CEO	●
1.2	Description of key impacts, risks, and opportunities	8-9		○
	ORGANIZATIONAL PROFILE			
2.1	Name of the organization.	1	REC	●
2.2	Primary brands, products, and/or services	6-7, 12-13		●
2.3	Operational structure of the organization	13		●
2.4	Location of organization's headquarters.	7	Sandvika, Norway	●
2.5	Countries where the organization operates	7		●
2.6	Nature of ownership and legal form.	13, 32-34		●
2.7	Markets served	12-13, 15-16		●
2.8	Scale of the reporting organization	4-5		●
2.9	Significant changes during the reporting period regarding size, structure, or ownership	11-17		●
2.10	Awards received in the reporting period.	44		●
	REPORT PARAMETERS			
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.		Calendar year (1.1.2012-31.12.2012)	●
3.2	Date of most recent previous report (if any).		2011	●
3.3	Reporting cycle (annual, biennial, etc.)		Annually	●
3.4	Contact point for questions regarding the report or its contents.	34	Contact details to SVP IR & Business Development	●
3.5	Process for defining the report content (Materiality)	36		●
3.6	Boundary of the report	36		●
3.7	Any specific limitations on the scope or boundary of the report	36		●
3.8	Basis for reporting on joint ventures, subsidiaries, etc.	36		●
3.9	Data measurement techniques and the bases of calculations	36		
3,10	Explanation of the effect of any re-statements of information provided in earlier reports	36		●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods	36		●
3.12	Table identifying the location of the Standard Disclosures in the report.	46-49	This table	●
3.13	Policy and current practice with regard to seeking external assurance for the report	36		●
	GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
4.1	Governance structure of the organization	26-29		●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	10	The Chairman is not an executive officer in REC	●
4.3	The number of members of the board that are independent and/or non-executive members.	28		●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board.	27-29	Through elected employee representatives in the Board	●
4.5	Linkage between compensation for members of Board and Management and the organization's performance - economic, social and environmental	29-30		●
4.6	Processes in place for the board to ensure conflicts of interest are avoided.	27		●
4.7	Process for determining the qualifications and expertise of the board for guiding the organization's strategy on economic, environmental, and social topics.	28		●

DISCLOSURE TO GRI STANDARD		PAGE	CROSS-REFERENCES/COMMENTS	STATUS
4.8	Internally developed statements of mission or values, codes of conduct, and principles	12, 36-37		●
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of performance	29-30		●
4,10	Processes for evaluating the board's own performance	29-30		●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		n.r.	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives	29		○
4.13	Memberships in associations	44-45		●
4.14	List of stakeholder groups engaged by the organization	43-44		●
4.15	Basis for identification and selection of stakeholders with whom to engage	43		●
4.16	Approaches to stakeholder engagements.	43-44		○
4.17	Key topics and concerns that have been raised through stakeholder engagement		n.r.	
	ECONOMIC PERFORMANCE INDICATORS			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	38-39		●
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	12		○
EC3	Coverage of the organization's defined benefit plan obligations	123-126		●
EC4	Significant financial assistance received from government	128	n.r.	○
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage		n.r.	
EC6	Policy, practices, and proportion of spending on locally-based suppliers		n.r.	
EC7	Procedures for local hiring and proportion of senior management hired from the local community		n.r.	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	44		○
EC9	Understanding and describing significant indirect economic impacts		n.r.	
	ENVIRONMENTAL PERFORMANCE INDICATORS			
EN1	Materials used by weight or volume	41		●
EN2	Percentage of materials used that are recycled input materials	41		○
EN3	Direct energy consumption by primary energy source	41-42		●
EN4	Indirect energy consumption by primary source	41-42		●
EN5	Energy saved due to conservation and efficiency improvements	42		●
EN6	Initiatives to provide energy-efficient or renewable energy based products and services.	8-9, 12	Letter from the CEO & REC Mission	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	42		●
EN8	Total water withdrawal by source	41, 43		●
EN9	Water sources significantly affected by withdrawal of water.	43		●
EN10	Percentage and total volume of water recycled and reused		n.r.	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value		n.r.	
EN12	Description of significant impacts of activities, products, and services on biodiversity		n.r.	
EN13	Habitats protected or restored.		n.r.	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		n.r.	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations.		n.r.	
EN16	Total direct and indirect greenhouse gas emissions by weight	41-42		●
EN17	Other relevant indirect greenhouse gas emissions by weight (from indirect energy use excluding electricity, heat, steam)		n.r.	

DISCLOSURE TO GRI STANDARD		PAGE	CROSS-REFERENCES/COMMENTS	STATUS
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		n.r.	
EN19	Emissions of ozone-depleting substances by weight	41		●
EN20	NO_x, SO_x, and other significant air emissions by type and weight	41		●
EN21	Total water discharge by quality and destination	41, 43		●
EN22	Total weight of waste by type and disposal method	41-43		●
EN23	Total number and volume of significant spills	41	n.a.	●
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous.	41-43	n.a.	●
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	43	n.a.	●
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		n.r.	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		n.r.	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	38		●
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		n.r.	
EN30	Total environmental protection expenditures and investments by type.		n.r.	
	LABOR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	39		●
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	39		●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.		n.r.	
LA15	Return to work and retention rates after parental leave, by gender		n.r.	
LA4	Percentage of employees covered by collective bargaining agreements	39		●
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		n.r.	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	40		●
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	39-40		●
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases		n.a.	
LA9	Health and safety topics covered in formal agreements with trade unions.		n.r.	
LA10	Average hours of training per year per employee by gender, and by employee category		n.r.	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		n.r.	
LA12	Percentage of employees receiving regular performance and career development reviews by gender	39		○
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	38-39		●
LA14	Ratio of basic salary of men to women by employee category, by significant locations of operations		n.r.	
	HUMAN RIGHTS			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights, or that have undergone human rights screening		n.r.	
HR2	Percentage of significant suppliers and contractors and other business partners that have undergone screening on human rights and actions taken	43		●
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		n.r.	
HR4	Total number of incidents of discrimination and corrective actions taken	38		●

DISCLOSURE TO GRI STANDARD		PAGE	CROSS-REFERENCES/COMMENTS	STATUS
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	43		●
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective elimination of child labour	43	No violations or risks were reported through whistleblowing channel or human rights screening of significant suppliers	●
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	43	No violations or risks were reported through whistleblowing channel or human rights screening of significant suppliers	●
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		n.a.	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		n.a.	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		n.r.	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.		n.r.	
	SOCIETY			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	44		○
SO9	Operations with significant potential or actual negative impacts on local communities.		n.r.	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		n.r.	
SO2	Percentage and total number of business units analyzed for risks related to corruption	38		○
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	38		○
SO4	Actions taken in response to incidents of corruption	38		●
SO5	Public policy positions and participation in public policy development and lobbying	44		●
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	44		●
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	38		●
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	38		●
	PRODUCT RESPONSIBILTY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	45		●
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	45		●
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	45		●
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.		n.r.	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	44		●
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		n.r.	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		n.r.	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		n.r.	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	45		●

REC GROUP & RENEWABLE ENERGY CORPORATION ASA

REC GROUP

RENEWABLE ENERGY CORPORATION ASA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION REC GROUP

(NOK IN MILLION)	NOTES	2012	2011
ASSETS			
Non-current assets			
Goodwill	6,7	**0**	263
Other intangible assets	6	**127**	398
Intangible assets	6	**127**	661
Land and buildings	6	**828**	3 179
Machinery and production equipment	6	**6 205**	11 534
Other tangible assets	6	**214**	318
Assets under construction	6	**147**	395
Property, plant and equipment	6	**7 394**	15 425
Prepaid lease, non-current	6	**143**	198
Government grant asset	12	**675**	756
Investments in associates	8	**95**	74
Other non-current receivables	12	**161**	335
Embedded derivatives	11	**0**	5
Other derivatives	11	**100**	74
Financial assets and prepayments		**355**	488
Deferred tax assets	18	**8**	5
Total non-current assets		**8 703**	17 534
Current assets			
Inventories	13	**1 318**	2 383
Prepaid lease, current	6	**7**	11
Trade and other receivables	12	**1 720**	2 553
Assets held for sale		**0**	14
Current tax assets	18	**26**	70
Other derivatives	11	**63**	310
Restricted bank accounts		**3**	0
Cash and cash equivalents	14	**1 923**	1 596
Total current assets		**5 059**	6 936
Total assets		**13 762**	24 470

CONSOLIDATED STATEMENT OF FINANCIAL POSITION REC GROUP

(NOK IN MILLION)	NOTES	2012	2011
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		**2 114**	997
Other paid-in capital		**16 875**	16 356
Paid-in capital		**18 989**	17 353
Other equity and retained earnings		**-5 827**	4 868
Profit and loss for the period from total operations		**-6 027**	-10 030
Other equity and comprehensive income		**-11 854**	-5 161
Total shareholders' equity		**7 135**	12 192
Non-current liabilities			
Retirement benefit obligations	19	**124**	125
Deferred tax liabilities	18	**969**	2 518
Provisions	20	**344**	447
Embedded derivatives	11	**0**	7
Other derivatives	11	**55**	86
Non-current financial liabilities, interest bearing	17	**3 760**	6 113
Non-current prepayments, interest calculation	20	**40**	214
Total non-current liabilities		**5 292**	9 511
Current liabilities			
Trade payables and other liabilities	20	**1 212**	1 742
Provisions	20	**47**	354
Current tax liabilities	18	**1**	29
Embedded derivatives	11	**0**	55
Other derivatives	11	**17**	79
Current financial liabilities, interest bearing	17	**-29**	159
Current prepayments, interest calculation	20	**88**	349
Total current liabilities		**1 335**	2 767
Total liabilities		**6 627**	12 278
Total equity and liabilities		**13 762**	24 470

Sandvika, March 21, 2013

Peter Ruzicka
Member of the Board

Mimi K. Berdal
Chairman of the Board

Odd Christopher Hansen
Member of the Board

Heléne Vibbleus Bergquist
Member of the Board

Silje Johnsen
Member of the Board

Ole Enger
President and CEO

CONSOLIDATED STATEMENT OF INCOME RE-PRESENTED FOR DISCONTINUED OPERATIONS REC GROUP

(NOK IN MILLION)	NOTES	2012	2011
Revenues	5	**7 145**	9 500
Cost of materials	13	**-3 080**	-3 840
Changes in inventories and writedowns	13	**-450**	388
Employee benefit expenses	24	**-1 167**	-1 279
Other operating expenses	22	**-2 307**	-2 664
Other income and expenses	23	**220**	-62
EBITDA		**360**	2 043
Depreciation	6	**-1 224**	-1 740
Amortization	6	**-113**	-121
Impairment	6,7	**-6 550**	-4 290
Total depreciation, amortization and impairment		**-7 887**	-6 151
EBIT		**-7 528**	-4 108
Share of profit/loss of associates	8,25	**-3**	-97
Financial income	25	**50**	50
Net financial expenses	25	**-440**	-628
Net currency gains/losses	25	**-185**	0
Net gains/losses derivatives and fair value hedge	25	**483**	16
Impairment and gains/losses on financial instruments	25	**29**	1
Fair value adjustment convertible bonds	25	**-415**	841
Net financial items		**-480**	185
Profit/loss before tax from continuing operations		**-8 008**	-3 923
Income tax expense/benefit from continuing operations	18	**1 392**	-372
Profit/loss from continuing operations		**-6 615**	-4 295
Profit/loss from discontinued operations, net of tax	9	**588**	-5 735
Profit/loss from total operations		**-6 027**	-10 030
Attributable to:			
Owners of REC ASA		**-6 027**	-10 030
Earnings per share (In NOK)			
From continuing operations			
-basic	26	**-4.01**	-3.20
-diluted	26	**-4.01**	-3.40
Earnings per share (In NOK)			
From total operations			
-basic	26	**-3.65**	-7.47
-diluted	26	**-3.65**	-7.46

Discontinued operations include external profit and loss items of REC Wafer and net gain on disposal, and are shown as a single amount in the statement of income for the REC Group. This re-presentation does not indicate the profits earned by continuing or discontinued operations, as if they were standalone entities, for past periods or likely to be earned in future periods. See note 9.

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

EBIT is earnings before net financial items and income taxes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME REC GROUP

(NOK IN MILLION)	2012	2011
Profit/loss for the period from total operations	-6 027	-10 030
Other comprehensive income, net of tax:		
Currency translation differences	-632	100
Actuarial gain/loss on defined benefit pension schemes	-33	-26
Total other comprehensive income for the period	-665	75
Total comprehensive income for the period	-6 692	-9 955
Total comprehensive income for the period attributable to:		
Owners of REC ASA	-6 692	-9 955

Details of comprehensive income is presented on the next page.

This table presents details of the consolidated statement of comprehensive income above (continued from previous page):

(NOK IN MILLION)	TRANSLATION DIFFERENCES	TAX	PENSION	ACQUISITION	CHANGE IN ACCOUNTING PRINCIPLE	PROFIT/LOSS FROM TOTAL OPERATIONS	**TOTAL**
Year 2011							
Accumulated at January 1, 2011	6	23	-3	234	-50	3 497	**3 706**
Loss for the period from total operations	0	0	0	0	0	-10 030	**-10 030**
Other comprehensive income:							
Currency translation differences	105	-5	0	0	0	0	**100**
Actuarial gain/loss on defined benefit pension schemes	0	-7	-19	0	0	0	**-26**
Total other comprehensive income for the period	105	-12	-19	0	0	0	**75**
Total comprehensive income for the period	105	-12	-19	0	0	-10 030	**-9 955**
Accumulated at December 31, 2011	111	11	-22	234	-50	-6 533	**-6 249**
Year 2012							
Accumulated at January 1, 2012	111	11	-22	234	-50	-6 533	**-6 249**
Loss for the period from total operations	0	0	0	0	0	-6 027	**-6 027**
Other comprehensive income:							
Currency translation differences	-647	16	0	0	0	0	**-632**
Actuarial gain/loss on defined benefit pension schemes	0	0	-33	0	0	0	**-33**
Total other comprehensive income for the period	-647	16	-33	0	0	0	**-665**
Total comprehensive income for the period	-647	16	-33	0	0	-6 027	**-6 692**
Accumulated at December 31, 2012	-536	27	-54	234	-50	-12 560	**-12 940**
Total comprehensive income for the period attributable to:							
Owners of REC ASA	-647	16	-33	0	0	-6 027	**-6 692**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY REC GROUP

	ATTRIBUTABLE TO EQUITY HOLDERS OF REC ASA						
(NOK IN MILLION)	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	**TOTAL PAID-IN CAPITAL**	OTHER EQUITY	COMPREHENSIVE INCOME	**TOTAL EQUITY**
Year 2011							
At January 1, 2011	997	16 073	283	**17 353**	1 091	3 706	**22 151**
Equity share option plan	0	0	0	**0**	-4	0	**-4**
Total comprehensive income for the period	0	0	0	**0**	0	-9 955	**-9 955**
At December 31, 2011	997	16 073	283	**17 353**	1 087	-6 249	**12 192**
Year 2012							
At January 1, 2012	997	16 073	283	**17 353**	1 087	-6 249	**12 192**
Equity share option plan	0	0	0	**0**	-2	0	**-2**
Share issue	1 117	519	0	**1 635**	0	0	**1 635**
Total comprehensive income for the period	0	0	0	**0**	0	-6 692	**-6 692**
At December 31, 2012	2 114	16 592	283	**18 989**	1 086	-12 940	**7 135**

CONSOLIDATED STATEMENT OF CASH FLOWS TOTAL OPERATIONS REC GROUP

(NOK IN MILLION)	2012	2011
Cash flows from operating activities		
Profit/loss before tax from total operations[1]	-7 419	-9 303
Income taxes paid/received	14	302
Depreciation, amortization and impairment	7 640	12 375
Fair value adjustment convertible bond	415	-841
Associates, impairment financial assets, gains/losses on sale	-29	48
Gains/losses on disposal of discontinued operations	-812	0
Changes in receivables, prepayments from customers etc.	122	-149
Changes in inventories	848	134
Changes in payables, accrued and prepaid expenses	-196	-238
Changes in provisions	415	307
Changes in VAT and other public taxes and duties	-2	23
Changes in derivatives	86	317
Currency effects not cash flow or not related to operating activities	173	-11
Other items[2]	37	135
Net cash flow from operating activities	1 292	3 098
Cash flows from investing activities		
Cash payments for shares (incl. associates)	-33	-5
Proceeds from finance receivables and restricted cash[3]	36	55
Payments finance receivables and restricted cash[3]	-26	-59
Proceeds from sale of property, plant and equipment and intangible assets	4	45
Payments for property, plant and equipment and intangible assets	-298	-729
Proceeds from investment grants	0	51
Proceeds/payments from disposal of subsidiaries, net of cash disposed of	-69	34
Net cash flow from investing activities	-386	-609
Cash flows from financing activities		
Increase in equity	1 635	0
Payments of borrowings and up-front/waiver loan fees	-2 982	-5 302
Proceeds from borrowings[4]	776	3 570
Net cash flow from financing activities	-571	-1 732
Effect on cash and cash equivalents of changes in foreign exchange rates	-9	-10
Net increase/decrease in cash and cash equivalents	326	748
Cash and cash equivalents at the beginning of the period	1 596	849
Cash and cash equivalents at the end of the period	1 923	1 596

[1] PROFIT/LOSS BEFORE TAX FROM TOTAL OPERATIONS CONSISTS OF (See note 9)

(NOK IN MILLION)	2012	2011
Profit/loss before tax from continuing operations	-8 008	-3 923
Profit/loss before tax from discontinued operations	588	-5 380
Profit/loss before tax from total operations	-7 419	-9 303

[2] Other items consist primarily of up-front/waiver loan fees.
[3] Proceeds/payments from finance receivables and restricted cash include also loans, non-current receivables and non-current prepaid cost..
[4] Proceeds from borrowings include prepayments, interest calculation.

INDEX OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REC GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REC GROUP

01 GENERAL INFORMATION

Renewable Energy Corporation ASA (the Company/REC ASA) and its subsidiaries (together REC/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 REC Group is engaged in production of polysilicon and silane gas for the solar and electronic industry, manufacturing of wafers, cells, and solar panels, and development of PV systems. The Company is a public limited liability 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 21, 2013 and are subject to approval by the Annual General Meeting on May 3, 2013.

02 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 million, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column. The comparative figures in the financial statements and notes have been re-presented for discontinued operations where relevant, see note 9.

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 impairment of some assets, the revaluation of derivative instruments and a EUR convertible bond loan measured at fair value as well as fair value adjustments of parts of the fixed interest rate NOK bond loans. 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. 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 acquisition method of accounting is used to account for the acquisition of subsidiaries by the REC Group. The consideration transferred 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. 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 non-controlling interest. The excess of the consideration transferred 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 consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income. Step acquisitions: an increase in ownership of a jointly controlled entity or an associate that becomes a subsidiary is accounted for using the acquisition method as at the date of control. An increase in ownership in a subsidiary is accounted for in accordance with the requirements of IAS 27 *Consolidated and Separate Financial Statements* as a transaction with equity holders with no change in the carrying amounts of assets or liabilities. At the time control is lost, a gain or loss is calculated. At December 31, 2012 and 2011 and for the annual periods ending on these dates, all REC Subsidiaries have been owned 100 percent by REC, with no non-controlling interests. During 2012, REC Wafer Norway AS was deconsolidated due to loss of control as a consequence of it filing for bankruptcy (see note 9).

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized gains have been present on intercompany sales of intermediate products.

(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. 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. 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). In 2012 and 2011, REC has primarily interest in one jointly controlled entity in the PV systems area (see note 8).

(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 and amortization and impairment of fair value adjustments are recognized in the statement of income. 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. During 2012 and 2011 the only associate of any significance was Mainstream Energy Inc. and from the second half of 2012 Sella Invest di ESB srl. & Co. sas (Sella). At December 31, 2012 all investment in the associate Sella was regarded as a part of the net investment (see note 8).

2.3 SEGMENT REPORTING

An operating 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 operating segments; this also corresponds to the internal management reporting in the REC Group. During 2012 the REC Wafer segment was deconsolidated, and as of December 31, 2012 the segments are REC Solar and REC Silicon, as well as Other. The Group Management is headed by the Chief Executive Officer (CEO), and the CEO is the one that makes decisions across segments. Consequently, REC regards the CEO as the chief operating decision maker. Geographical information 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 reporting date exchange rates. Foreign exchange gains and losses resulting from the settlement or the translation of monetary assets and liabilities are recognized in the statement of income, except when deferred in equity as qualifying 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 statement of financial position presented are translated at the closing rate;

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

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

On consolidation, exchange differences arising from the translation of the net investment in 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 other comprehensive income (OCI). When a foreign operation is disposed, such exchange differences are recognized in the statement of income as part of the gain or loss on sale. The REC Group did not at December 31, 2012 or 2011 hold any borrowings or other currency instruments accounted for as net investment hedges. At December 31, 2012 and 2011, REC regarded approximately USD 130 million loans to REC Silicon as a part of the net investment in REC Silicon.

2.5 CURRENT/NON-CURRENT

An asset/liability is classified as current when it is expected/due to be realized or settled within 12 months after the reporting date.

2.6 PROPERTY, PLANT AND EQUIPMENT

Land and buildings consist primarily of operating plants and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation and un-reversed 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 statement of income 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. 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 finite useful life are carried at historical cost less accumulated amortization and un-reversed 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 useful lives. 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

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 statement of income for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level that based on judgment generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Goodwill is allocated to individual or groups of cash-generating units for the purpose of impairment testing. Generally, any indicated impairment for a specific cash-generating unit is first allocated to goodwill, then proportionately to other non-current assets in the cash-generating unit, but not lower than the individual or group of assets' recoverable amount, if determinable. See note 4.1 (G) and 7 for information on cash-generating units and the significant impairment losses recognized in 2012 and 2011. 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 the statement of income. 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

The REC Group classifies its financial assets primarily in the following categories: at fair value through profit or loss, and loans and receivables. For the years ended December 31, 2012 and 2011, the REC Group had insignificant available-for-sale financial assets and had no held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The category financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges in hedge accounting. Gains or losses arising from changes in the fair value are recognized in the statement of income as part of financial income or expenses. For the years ended December 31, 2012 and 2011, the REC Group had only derivatives in this category.

The category loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost which for current receivables approximates to historical cost.

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the REC Group has transferred substantially all risks and rewards of ownership.

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. According to IAS 39, 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. For the REC Group this has been relevant for currency derivatives embedded in committed wafer sales contracts in which the currency in the contract is not the functional currency of one of the parties to the contract or a commonly used currency (see note 4.1(D)). The embedded currency derivative was separated based on the forward currency rates at the date of the contract and the host contract was treated as a sales contract in the relevant REC entity's functional currency. At December 31, 2012 subsequent to the deconsolidation of REC Wafer no embedded derivatives are separated. Refer also to 2.14 Borrowings below for the convertible bond.

REC applies fair value hedge accounting for the NIBOR interest part of fixed rate NOK bond loans (hedge items) using interest rate derivatives. The change in fair value of the part of the fixed interest bond relating to NIBOR, as well as the derivatives is recognized to profit or loss as parts of financial items. The part of the fixed rate bond that represents the credit risk premium at the inception (pricing) of the bond as well as the variable NIBOR rate of the derivatives are recognized at amortized cost (reported as interest expense).

2.11 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 statement of income 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. See note 12.

2.12 CASH AND CASH EQUIVALENTS

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

2.13 PAID-IN EQUITY CAPITAL

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

2.14 BORROWINGS

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

REC ASA established a fixed rate convertible bond in the fourth quarter of 2009 that is denominated in a foreign currency (EUR). A foreign currency convertible bond is not a compound financial instrument and is classified wholly as a liability in the financial statements. Following IAS 39, by definition, foreign currency denominated convertible debt contains embedded derivative in relation to the conversion option, and the foreign exchange rates must be remeasured to market at reporting date. For the 2009 convertible bond, REC recognizes the change in the fair value of the whole convertible bond, and not just the embedded derivative, through profit or loss as a part of financial income or expenses.

REC ASA established a fixed rate Norwegian Krone bond at the end of the third quarter of 2009 and repurchased parts in 2011 and issued further Norwegian Krone bonds. REC has fair value hedged the NIBOR parts of the fixed interest using interest rate swaps. The change in fair value of the hedged part is recognized through profit or loss.

A financial liability (or a part of a financial liability) is removed from the statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between REC and an existing lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss. The repayment and cancelling of a bank credit facility in August 2012 in relation to the establishment of a new bank credit facility and repurchase of parts of the Norwegian Krone bonds in 2011 were accounted for as extinguishment of debt.

2.15 INVENTORIES AND CONSTRUCTION CONTRACT COSTS
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 the estimated variable and incremental costs to complete and sell the asset.

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.

Eligible costs relating to building of PV systems for sale in the ordinary course of business in REC Systems has been accounted for as inventories or construction contract costs, as applicable.

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 statement of income. The current tax is based on taxable profit (and in some instances loss) for the year. Taxable profit/loss differs from profit/loss before tax as reported in the statement of income 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 (permanent differences). 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 primarily for some buildings in Singapore.

Current and deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the reporting 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 (see note 4.2 (C)). 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. For REC this is in practice only relevant for undistributed earnings from REC Silicon in the USA, on which no deferred tax has been recognized (see notes 4.1 (A) and 18).

2.17 PROVISIONS
Provisions for product warranties, onerous contracts, asset retirement obligations, restructuring costs, loss on financial guarantees, environmental restoration 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. 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 reporting date, and are discounted to present value where the effect is material and the distribution in time can be reliably estimated. In 2011 and 2012 REC recognized significant provisions in relation to the close down of parts of the Norwegian operations (see notes 4.2 (D) and 20). A large part of this related to REC Wafer which was deconsolidated as of August 13, 2012 and has been re-presented as discontinued operations.

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

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

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. 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. In 2011 and 2012, the REC Group recognized gains on the curtailment of defined benefit plans in connection with restructuring in Norway (see note 19).

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, which for REC Group is relevant for an early retirement plan in Norway (see note 19).

2.19 REVENUE RECOGNITION
Revenues are primarily generated from sale of goods: polysilicon, silane gas, solar panels and PV systems. Up to the deconsolidation of REC Wafer it also included sale of wafers.

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 (transferred significant risks and rewards of ownership and control) or services have been rendered, the price is fixed or determinable, collectability is reasonably assured (probable that future economic benefits will be realized) and the costs can be measured reliably. Recognition of revenues from construction contracts also depends on being able to measure reliably the stage of contract completion.

The REC Group's opinion is that it has no significant difficulties in deciding when delivery has occurred, except to some extent for the PV system projects. 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. For some of the PV system projects, judgment is needed to decide if it is a construction contract or sale of goods and services, which affects when revenue shall be recognized. As the REC Group has gained more experience in the sale of PV systems and the probability of realizing future economic benefits, more revenue has been recognized at the time of sale even with extended payment terms. Sales of PV systems that are realized by sale of special purpose entities are also accounted for as mentioned above.

When sub-contractors are used to perform parts of the production, e.g. wafer cutting or cell or solar panel production, revenues are not recognized on the delivery to these sub-contractors. 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 had some long-term contracts in the REC Silicon and REC Wafer segments where sales prices and volumes have been predetermined, with some adjusting mechanisms. The amount of such contracts has been reduced, and the REC Wafer segment has been discontinued. The contracts includes take-and/or-pay contracts. The volumes and prices may vary between years, and some have been 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 solar panels, 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 4.2 (D) 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. In determining minimum lease terms and payments it has been taken into consideration the possibility of termination of contracts.

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 4.1(E)).

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 statement of financial position as an interest bearing liability. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the 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 statement of income.

2.22 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 statement of financial position as a reduction to the carrying amount of the assets and reduce depreciation in the statement of income. Government grants relating to income are deducted in reporting the related expenses.

2.23 DISCONTINUED OPERATIONS

A discontinued operation is a component of the REC Group that either has been disposed of, abandoned or is classified as held for sale, and represents a separate major line of business or geographical area of operations.

Profit or loss after tax from discontinued operations is excluded from continuing operations and reported separately as profit (loss) from discontinued operations. The amounts ascribed to the continuing and discontinued operations are income and expense only from transactions with counterparties external to the group and net gains/losses on loss of control. Prior periods' profit (loss) from discontinued operations is re-presented. Prior periods are not restated in the statement of financial position. For 2012 and 2011 this relates to REC Wafer, see note 9 and 4.1 (F).

2.24 STATEMENT OF CASH FLOWS

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

Operating activities include all cash flow effects from derivatives, and the difference between the amounts reported as gains or losses in the statement of income and net amounts paid or received is reported in the line item "change in derivatives". REC Group is sensitive to changes in currency exchange rates and recognize currency gains and losses in the statement of income, primarily reported by REC ASA. For the statement of cash flows, the net currency gains or losses are split into items estimated to relate to borrowings (financing activities), non-current financial assets and investments (investing activities) and unrealized gains or losses on cash and cash equivalents held at the end of the periods. These amounts are included in the line item under operating activities "currency effects not cash flow or not related to operating activities" as an adjustment to the amount reported in the statement of income and reclassified as relevant. The remaining currency gains or losses are consequently included as part of operating activities.

Investing activities include cash flows related to non-current receivables and non-current prepayments (assets), even if these originated due to purchase or sale of goods and services.

Financing activities include cash flows related to issue of new shares, net of costs for the capital increase. The income tax effect on these costs does not materialize as cash flow in the same period, and is included in the separate line under operating activities for income taxes paid/received. Proceeds from borrowings include prepayments received from customers on which interest is calculated. Payments of borrowing include the main parts of payments of up-front and waiver loan fees and other incremental costs that are directly attributable to the issue of loan and guarantee facilities.

2.25 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year. In addition, the REC Group has adopted the following new and amended standards and interpretations issued by the IASB and approved by the EU that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2012, none of which has impacted the Group's consolidated financial statements for 2012:

- Improvements to IFRSs issued May 2011
- IAS 12 *Deferred tax: Recovery of Underlying Assets - amendments*

No standards or interpretations were adopted early by the Group in 2012

At the date of authorisation of these financial statements, the following standards and interpretations that could affect the Group were issued but not effective:

IFRS 9 *Financial Instruments* and related amendments to IFRS 7 regarding transition (effective from January 1, 2015, but not yet approved by the EU). The present IFRS 9 is phase one of the IASB's project plan for the replacement of IAS 39, that consists of three main phases. The three phases are:

- Phase one: *Classification and measurement.* IFRS 9 *Financial Instruments* was published in November 2009 and contained requirements for financial assets. Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading which may be held at fair value through equity. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. Gains and losses on own credit arising from financial liabilities designated at fair value through profit or loss will be excluded from the statement of income and instead taken to other comprehensive income. In December 2011, the Board amended IFRS 9 to require application for annual periods beginning on or after January 1, 2015 and to not require the restatement of comparative-period financial statements upon initial application. In November 2011, the Board tentatively decided to consider making limited modifications to IFRS 9.
- Phase two: *Impairment methodology.* The supplementary document *Financial Instruments: Impairment* was published in January 2011. The comment period closed on April 1, 2011 and redeliberations are ongoing.
- Phase three: *Hedge accounting.* The exposure draft *Hedge Accounting* was published in December 2010.The comment period closed on 9 March 2011. In September 2012 the IASB posted to its website a draft of the forthcoming general hedge accounting requirements that will be added to IFRS 9.

The potential impact of the standard on the REC Group's consolidated financial statements has not been concluded. However, as the REC Group accounts for a EUR convertible bond at fair value through profit or loss, gains and losses on own credit will according to phase one be excluded from the statement of income and instead taken to other comprehensive income.

Improvements to IFRSs (effective for annual periods beginning on or after January 1, 2013 but it is not yet approved by the EU). The changes are primarily in order to remove inconsistencies and to clarify the wording of standards and interpretations. There are separate transition provisions for each standard. These changes have limited effect for the REC Group. REC has during 2011 and 2012 clarified some definitions and classifications relating to spare parts as inventory and as equipment, and has made some reclassifications in the statement of financial position. The amounts are not material, and no retrospective adjustments have been made.

IFRS 10 *Consolidated Financial Statements* (effective from January 1, 2013. The EU requires application at the latest by January 1, 2014. Earlier application is permitted). IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists;

- Identify how decisions about the relevant activities are made;
- Assess whether the entity has power over the relevant activities by considering only the entity's substantive rights:
- Assess whether the entity is exposed to variability in returns; and
- Assess whether the entity is able to use its power over the investee to affect returns for its own benefit
- Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change.

REC believes it has no significant entities for which the determination of control is difficult to assess, and that entities that are jointly controlled are not included in scope of IFRS 10, and as such believes that IFRS 10 will have limited effect for the REC Group.

IFRS 11 *Joint Arrangements* (effective from January 1, 2013. The EU requires application at the latest by January 1, 2014. Earlier application is permitted). The IFRS supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 Jointly *Controlled Entities—Non-Monetary Contributions by Venturers*. IFRS 11 establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities. According to IFRS 11, joint arrangements are divided into two types, each having its own accounting model.

- Joint operations whereby the jointly controlling parties, known as joint operators, have rights to assets and obligations for the liabilities, relating to the arrangement;
- Joint ventures whereby the joint controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

In terms of IFRS 11, all joint ventures will have to be equity accounted.

The REC Group currently accounts for jointly controlled entities (joint ventures) using proportionate consolidation. REC currently has limited jointly controlled entities (see note 8). When implementing IFRS 11 and IAS 28 (2011), REC Group's jointly controlled entities need to be accounted for according to the equity method, with restatement of comparative figures.

IAS 28 *Investments in Associates and Joint Ventures* (2011) (effective from January 1, 2013. The EU requires application at the latest by January 1, 2014. Earlier application is permitted). IAS 28 (2011) supersedes IAS 28 *Investments in Associates* (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include:

- Investment in a joint venture shall be accounted for using the equity method;
- IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and
- If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

REC's evaluation is that the effect for the REC Group is that its investments in joint ventures must be accounted for using the equity method. See the discussion related to IFRS 11.

IFRS 12 *Disclosure of Interests in Other Entities* (effective from January 1, 2013. The EU requires application at the latest by January 1, 2014. Earlier application is permitted). IFRS 12 combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities (special purpose vehicles and other off balance sheet vehicles). The required disclosures aim to provide information to enable user to evaluate:

- The nature of, and risks associated with, an entity's interests in other entities; and
- The effects of those interests on the entity's financial position, financial performance and cash flows.

REC expects the effects to be limited due to the REC Group's relatively uncomplicated structure and involvement in other entities.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (effective from January 1, 2013. Earlier application is permitted, but it is not yet approved by the EU). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. The amendments also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. REC expects the amendments to have limited effects for REC.

Amendments to IFRS 10 *Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted, but it is not yet approved by the EU). The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* / IAS 39 *Financial Instruments: Recognition and Measurement* in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. REC's current evaluation is that the Amendments will have no effect for REC.

IFRS 13 *Fair Value Measurement* (effective from January 1, 2013. Earlier application is permitted). IFRS 13 requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will be applied prospectively and comparatives will not be restated. IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in IFRS 13 are as follows:

- Fair value is an exit price;
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
- Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
- Price is not adjusted for transaction costs;
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs;
- The three-level fair value hierarchy is extended to all fair value measurements.

REC's evaluation is that it already complies with the main requirements for its existing fair value measurements and disclosures, but expects some additional disclosures for its annual financial statements and quarterly reports. IFRS 13 introduces a new definition of "an active market", and has changed the definition in IAS 36 *Impairment of assets* of "an active market". The wording of the new definition in IAS 36 is different from the previous definition. However, IASB has explained in its basis for conclusions that although different words are used, that definition is consistent with the definitions of an active market already in IFRSs, including IAS 36. As such, REC has concluded that the new text does not change the IAS 36 definition in substance, and the additional guidance in the previous IAS 36 definition should be used to understand the active market definition in the context of IAS 36. If not, it may have required a change of the REC Group's cash-generating units with potential impairment effects if a current cash-generating unit is split into several cash-generating units, of which one or more may have estimated recoverable amounts below its carrying values. See note 4.1 (G) and 7 for further discussion of cash-generating units.

Amendments to IAS 19 *Employee Benefits* (effective from January 1, 2013. Earlier application is permitted). The amendments relate broadly to the accounting for defined benefit obligations and termination benefits. For defined benefit plans the amendments include:

- Remeasurements ("actuarial gains and losses") are recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss are no longer permitted;
- Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation;
- Increased disclosure requirements for defined benefit plans, including characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The REC Group's evaluation is that the amendments to IAS 19 for defined benefit plans will not have significant effects, especially as the REC Group has limited defined benefit plans and already recognizes actuarial gains or losses to other comprehensive income. Furthermore, the REC Group expects limited effect of the change in estimated return on plan assets to be included in profit or loss, with corresponding opposite effect on remeasurements to other comprehensive income. The REC Group may elect to present net interest as part of financial items in the statement of income instead of included as part of pension expense. Some more disclosures may be required.

The amended IAS 19 also made some changes and clarifications to the definition and recognition of termination benefits. It clarified that benefits payable in exchange for services are not termination benefits. Termination benefits shall not be recognized before the earlier of when the entity no longer is able to withdraw an offer of those benefits and when recognizing restructuring costs.

The REC Group recognized termination benefits and restructuring costs at the end of 2011 and during 2012. Some of the costs recognized in 2011 were paid in 2012 for conducting the restructuring and closedowns of the cell and parts of the wafer production activities in Norway, both costs for employees and for external parties. The REC Group's interpretation is that the services performed in 2012 in relation to the restructurings do not provide any future economic benefits, as they are to perform the closedown of the operations, and as such should not be deferred according to the amended IAS 19. Consequently, REC's evaluation is that the amendments to IAS 19 in relation to termination benefits should not have significant effects.

Amendments to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after July 1, 2012. Earlier application is permitted). The amendments to IAS 1 require companies preparing financial statements in accordance with IFRSs to group together items within other comprehensive income that may be reclassified to the profit or loss section of the statement of income. The changes do not address the issue of which items of income and expense should be included in profit or loss or other comprehensive income.

REC Group expects to make some adjustments in its presentation of other comprehensive income at implementation of the amended IAS 1.

Amendments to IAS 32 *Financial Instruments- Presentation: Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted). The amendments clarify:

- The meaning of "currently has a legally enforceable right of set-off"; and
- That some gross settlement systems may be considered equivalent to net settlement.

The evaluation is that these clarifications have no significant effect on the REC Group.

Amendments to IFRS 7 *Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities* (effective retrospectively for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Earlier application is permitted). It amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The evaluation is that these amendments have no significant effect on the REC Group.

The management anticipates that these standards and interpretations will be adopted at the IASB effective dates provided the standards and interpretations are approved by the EU.

03 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

The goals for the REC Group finance policy and the treasury operations are primarily to minimize the risk for financial distress, secure long term funding, reduce refinancing risk, hedge currency risk of expected future net cash flows and manage interest rate risk. REC's finance policy sets the framework and limits for hedging activities in the REC Group. It defines risk management objectives, responsibilities and operational requirements. The REC Group finance policy was revised in December 2012 with limited changes from 2011.

All hedging transactions are undertaken in order to reduce negative impacts of changes in financial markets on net cash flow. The REC Group uses financial instruments to hedge net exposures arising from operating, financing and investment activities. The REC Group has centralized its treasury function to REC ASA. By concentrating financial management and operations in REC ASA, economies of scale and better control of financial risks are achieved.

The disclosures that are required regarding financial risks below focus on the risks that arise from financial instruments and how they have been managed. However, from management's perspective some of the financial instruments, especially currency derivatives, are entered into with the purpose of reducing risks from commercial transactions while the existence of these financial instruments exposes the company to risks.

(a) Currency risk

REC operates internationally and is exposed to currency risk. The Group is primarily exposed 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's primary focus is hedging the currency risk of external net cash flow of the Group in currencies other than NOK. NOK is the functional currency of the parent company REC ASA and the reporting currency for the REC Group. Net cash flow is defined as the consolidated external cash flows from operations, finance costs and capital expenditure. The REC Group's policy is to hedge between 50 and 100 percent of forecasted consolidated external net cash flow on a 24 month rolling basis. The purpose is to reduce the currency risk of the expected future net cash flows for the Group measured in NOK.

To manage currency risk arising from commercial transactions, REC entities use various forward contracts or options. In addition REC swaps parts of the currency exposure of interest bearing debt from NOK to EUR and USD since future cash flows are estimated to arise from these currencies. REC ASA manages the currency risk on an overall REC Group level and establishes external foreign exchange rate contracts with banks.

See note 30 for currency sensitivities of derivatives and other financial assets and liabilities. Entering into currency derivative contracts increases currency risk from financial instruments related to the financial statements even if the purpose is to reduce the currency risk of estimated future cash flows in relation to NOK. This is because by entering into currency derivative contracts REC establishes financial instruments and consequently exposes itself to changes in the fair value or cash flows of the financial instruments. In addition, recognized financial assets and liabilities (especially internal receivables and payables and external interest bearing liabilities) in currencies other than the separate entities' functional currencies are affected by changes in currency rates.

In 2011 and 2012, REC did not use hedge accounting according to IAS 39 *Financial Instruments Recognition and Measurement* for currency hedges.

Currency developments will also affect translation of the statement of income and financial position of foreign entities, as well as other financial items in foreign currencies such as cash equivalents, receivables, debt and derivatives.

(b) Credit risk
REC has a concentration of its customers in the solar industry. Generally a more challenging and competitive market environment has increased, and may further increase, credit risk, in particular through sales to financially weak customers, extended payment terms and sales into new and immature markets. 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 it is increasingly difficult to obtain external supporting security, consequently the unsecured part of the trade receivables has increased compared to 2011. Credit risk may also increase due to abrupt changes in market conditions from changes in government incentives. During 2012 and 2011 REC increased the number of customers somewhat, and thereby reduced the risk related to concentration of a limited number of customers. Still, a limited number of customers constitute a large portion of revenues and receivables. In 2012 and 2011, no single customer exceeded ten percent of revenues or trade receivables for the REC Group (even though there may be such large customers within the segments). However, the customers are to a large extent exposed to the same industry. See note 30 for further discussion of credit risk related to receivables.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. For derivatives traded with banks, the credit risk is regarded as limited to any positive market value, as ISDA (International Swaps and Derivatives Association) or master netting agreements are in place and some interest rate derivative instruments are settled net. REC only enters into derivative contracts with a defined group of banks. All the banks currently used as derivative counterparties have credit ratings in the A or higher categories assigned by Standard & Poor's or Moody's.

(c) Financing and liquidity risk
According to the finance policy, REC shall ensure as far as possible given the market situation that sufficient liquidity is available for periods with volatility in operating cash flows, and maintain flexibility for possible new investments and acquisitions by keeping one or more long-term committed revolving credit facilities and/or cash on deposit.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having availability to funding due to the dynamic nature of the underlying businesses.

The liquidity risk has increased during 2012, due to the challenging financial market and the weak solar market with lower prices. REC ASA increased its paid in equity by net NOK 1,635 million through shares issues in the third quarter 2012 and thereby improved the liquidity situation.

REC has significant debt maturities in 2014. REC will work on several alternatives for refinancing.

For further details regarding the financing of REC ASA and subsequent available liquidity see below and note 15 and 17.

(d) Interest rate risk
Changes in market interest rates affect the fair value of assets and liabilities or the variability in cash payments. The REC Group is exposed to interest rate risk through funding and cash management activities, primarily in REC ASA. Cash in bank accounts and liabilities have historically primarily carried variable interest rates. REC has borrowings through credit facilities, bonds, convertible bond and finance leases (not at year-end 2012).

Borrowings through REC ASA are primarily exposed to changes in USD, EUR and NOK interest rates. REC ASA has entered into interest rate derivatives, both to swap variable interest to fixed and to swap fixed rate exposure to variable interest rates, see note 11.

Interest hedging instruments have been used to control the debt's exposure towards interest rate fluctuations within the framework defined in the finance policy. The debt's price sensitivity towards fluctuations or volatility in interest rates is measured by modified duration. Market interest rate volatility affects the pricing of the net debt and is also impacting the Group's net interest costs. Interest rate fluctuations affect the pricing of the debt instruments less when the modified duration is low. The modified duration expresses the price effect of a one percent change in interest rates measured by years. The net debt of REC Group shall have a modified duration not exceeding 3 years. Normally, the modified duration for REC Group should be between 0.5 - 2.0 years. At December, 31 2012 the modified duration was 1.2 years.

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

(e) Hedging of risk related to supply of raw material/commodities
According to the finance policy, REC subsidiaries that have a high portion of total costs from a specific input factor may 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 2012 and 2011, no such hedges were conducted, except entering into some energy purchase contracts.

3.2 FAIR VALUE ESTIMATION
Fair value estimation is discussed in note 30.

3.3 CAPITAL STRUCTURE AND FINANCING
In determining the appropriate capital structure for the 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 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 REC Group shall at all times strive to have sufficient equity capital to implement the business strategies and have financial flexibility in relation to possible new investments. Taking into account the market volatility and the risk related to future cash flows from operations and investments, the REC Group shall aim to maintain a sound and sustainable capital structure which means that in periods with high volatility and major expansion projects, the REC Group should have a high ratio of equity funding.

REC shall at all times maintain financial key figures within financial covenants defined in the various loan agreements entered into, and take necessary measures that are available to avoid financial distress.

REC raised new equity and entered into a new revolving credit and indemnification facilities in the third quarter 2012, see note 17. On June 22, 2012 REC announced a refinancing proposal that included an issue of new shares raising gross proceeds of NOK 1.3 billion through a successfully placed private placement, a subsequent repair offering of up to NOK 300 million, a new bank debt facility and a refinancing of REC's convertible bond. The subsequent repair offering was on June 27, 2012 proposed to be increased to up to NOK 375 million. In conjunction with the private placement, the Board of Directors of REC had undertaken to refinance the Company's bank debt facilities into a new NOK 2.0 billion revolving credit facility with maturity in May 2015 and to present for the holders of the convertible bond a refinancing proposal. The bondholders' meeting held on July 3, 2012 did not approve the proposed changes for the convertible bond loan. The convertible bond proposal was subsequently withdrawn, and REC revised the refinancing proposal. On July 4, 2012 REC announced a revised refinancing proposal that included an issue of new shares raising gross proceeds of NOK 1.3 billion through a new successfully placed private placement, a subsequent offering of up to NOK 375 million and a proposed refinancing of REC's revolving credit facility to a new NOK 2.0 billion revolving credit facility with maturity in April 2014. The proposal was approved by the Extraordinary General Meeting on July 27, 2012. The old revolving credit facility was repaid and settled on August 10, 2012. No amounts have been drawn under the new credit facility at December 31, 2012.

There are covenants in the new bank credit facilities (revolving credit facility and indemnification loans) that REC needs to comply with. The new revolving credit facility matures in 2014 together with a senior bond and a subordinated convertible bond. There is a risk that REC will not be able to refinance these loans and bonds. REC has not drawn on the new bank facilities at December 31, 2012. See the consolidated statement of changes in equity for the equity of the REC Group and note 17 for REC Group's interest bearing liabilities.

The significant loss for 2012 has reduced equity considerably during the year, partially offset by the share issues. Equity amounted to NOK 7.1 billion (52 percent) at December 31, 2012, compared to NOK 12.2 billion (50 percent) at year-end 2011. REC's targets for equity capital are reflected in the statements above relating to the finance policy, and the bank loan agreement has minimum equity ratio requirements (and with different definition), see below. If REC does not succeed in refinancing its debt that matures in 2014, it is likely that it will be dependent on new equity to be able to repay this debt. At December 31, 2012 REC had unused revolving credit facility of NOK 2 billion. The net debt of the REC Group was NOK 1.8 billion at December 31, 2012, a decrease of NOK 2.9 billion during the year. Net debt includes bank debt, senior domestic bonds partially at fair value, the convertible bond at fair value and finance leases, reduced by bank deposits. Due to the REC Group's own credit, the fair values of REC's interest bearing liabilities are below the notional amounts and the amounts that shall be repaid at maturity (see note 17 and 30). In nominal amounts, net debt at December 31, 2012 was NOK 2.5 billion. The equity and net debt definitions for the covenant calculations differ in some aspects from the calculations above, especially because the EUR convertible bond is regarded as equity for the covenant calculations.

According to REC's finance policy, REC shall at all times maintain financial ratios within the limits defined in the loan agreements of REC ASA and subsidiaries, and take the necessary measures that are available to avoid financial distress. Neither the senior NOK bonds nor the convertible EUR bond contains financial covenants. There are cross default clauses between all the loan agreements above certain threshold amounts. Please refer to note 17 for further information on the loan agreements. The calculations of financial covenants have certain adjustments compared to the reported IFRS numbers. At December 31, 2012, REC complied with all financial covenants in the loan agreements.

The solar market is expected to remain challenging in 2013 and REC's margins and cash flow are hence expected to be low. For 2013 REC currently has adequate liquidity and ample headroom in its banking facilities, within its agreed financial covenant levels. However, unless market conditions improve, it is likely that the prevailing covenant requirements in the bank loan agreements may not be met. REC is in the final stage of reaching an agreement with its banks on reduced covenant requirements for 2013 for its undrawn credit facility and indemnification loans, so the risk that these requirements cannot be met in 2013 is considerably reduced.

Below is shown the overview of covenants attached to the 2012 bank credit facilities (the revolving credit facility and indemnification loans).

- No cash flow covenants until second quarter 2013
- Liquidity reserve covenant: Above 3.45 from the third quarter 2012 declining to above 1.95 (second quarter 2013) and 1.95 until and including fourth quarter 2013
  - Liquidity reserve: (Free cash + available credit lines - 50 percent of next 12 months debt repayments) / next 12 months net paid interest costs
- Nominal EBITDA covenant from second quarter to fourth quarter 2013:
  - Sum of EBITDA of first quarter and second quarter 2013 above NOK 300 million (for second quarter reporting)
  - Sum of EBITDA of second quarter and third quarter 2013 above NOK 400 million (for third quarter reporting)
  - Sum of EBITDA of third quarter and fourth quarter 2013 above NOK 400 million (for fourth quarter reporting)
  - EBITDA excluding cost of closing production capacity in Norway used in nominal EBITDA covenant calculation
- Net debt/EBITDA (leverage ratio) covenant: Below 3.2 in first quarter 2014
  - Net debt in leverage ratio excludes convertible bond debt and financial leases in capacity contracts
  - EBITDA excluding cost of closing production capacity in Norway used in nominal EBITDA covenant calculation
- Interest coverage covenant: Above 2.00 in first quarter 2014
- Restriction of CAPEX, but allows for execution of REC's current business plans.
- 30 percent equity ratio
  - Equity in equity ratio includes convertible bond debt

The credit facilities contain, among other things, negative pledge clauses, restrictions in providing any security interest on any of the REC Group's assets, acquiring or disposing of assets or businesses, providing of financial support and incurring financial indebtedness. In the event of change of control of REC ASA's shares, the loans shall be repaid in full. There are restrictions on investments.

04 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Management's judgments in applying the REC Group's accounting policies having the most significant effect on amounts recognized in the financial statements or reported as note disclosures are discussed below and in the relevant notes.

(A) Deferred tax on undistributed earnings

According to current regulations and tax treaty between Norway and the USA, withholding tax of 15 percent would apply on any dividends paid by the REC Group's operations in the USA to the parent company in Norway. 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. 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 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 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 has been the main market for REC Solar's cells, wafer and solar panels entities, and it has been determined that EUR is the functional currency for these.

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 2012, most development costs were expensed as incurred, except some costs relating to the Fluidized Bed Reactor (FBR) project in REC Silicon (see note 6) and development of software systems for own use.

(D) Embedded derivatives – Related to REC Wafer (discontinued operations)

According to IAS 39 *Financial Instruments: Recognition and Measurement* an embedded foreign currency derivative in a host contract for the sale of a non-financial item where the price is denominated in a foreign currency is closely related to the host contract provided it is not leveraged, does not contain an option feature, and requires payments denominated in one of the following currencies:

(i) The functional currency of any substantial party to that contract;

(ii) The currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world (such as the US dollar for crude oil transactions); or

(iii) A currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place (e.g. a relatively stable and liquid currency that is commonly used in local business transactions or external trade).

REC's understanding is that the exception in (ii) above is not relevant for the products sold by REC. REC believes that there are different interpretations in practice for number (iii) above. REC has interpreted this narrowly, and that this exception is relevant only for a few countries that REC has trade relations with and that it usually refers to the situation in which the local currency of a country is not stable, causing businesses in that environment generally to adopt a more stable and liquid currency for internal and cross-border trade. For REC this means that most contracts that are not denominated in the functional currency of any substantial party to that contract contain embedded currency derivatives that must be separated and fair valued. This was relevant for some wafer sales contracts in USD. REC Wafer has been deconsolidated during 2012 and presented as discontinued operations, and no embedded derivatives are remaining in the statement of financial position at December 31, 2012.

(E) Leases

IFRIC 4 *Determining whether an Arrangement contains a Lease* 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 *Leases* 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. In some instances, REC Group is not able to reliably estimate these values. In addition, a contract may also require substantial judgment to decide if it contains right to use an asset according to IFRIC 4 and consequently if it includes a lease.

For the 2012 and 2011 note disclosures the future minimum payments in some arrangements in REC Silicon and REC Solar (REC Wafer Pte Ltd) were determined to contain operating leases and purchase commitments. These are reported as part of commitments for purchase of goods and services (see note 29) as the REC Group is not able to reliably estimate and separate the values of the different components.

REC Wafer had several capacity contracts that were determined to contain leases and purchases of goods and services. The lease parts were for production facilities and equipment for production and recovery of exhausted slurry, and contained operating and finance leases (see notes 6 and 29). The contracts were separated into finance leases, operating leases and commodity and service executory contracts, based on estimates of fair values of the different components. REC Wafer was deconsolidated during 2012 and presented as discontinued operations, and no finance leases are remaining in the statement of financial position at December 31, 2012 and for REC Wafer no purchase commitments or operating leases are included in the note disclosure at December 31, 2012.

In 2007, REC Solar determined that a lease of a production building was a finance lease. The lease contract was terminated and settled during 2012.

The conclusions, carrying amounts and note disclosures were, among other things, affected by the REC Group's estimates of fair values.

(F) Discontinued operations

As a consequence of the close down of all the production in REC Wafer, it has been reported as discontinued operations from the second quarter 2012. REC Wafer continued to be consolidated as a subsidiary until it filed for bankruptcy on August 13, 2012. Normal consolidation procedures have been applied. REC's interpretation of IFRS 5 and IAS 27 is that only Group external profit and loss items shall be included in results from discontinued operations. As a consequence, the amounts ascribed to the continuing and discontinued operations are income and expense only from transactions with counterparties external to the group. This means that the results presented on the face of the statement of income will not represent the activities of the operations as individual entities, particularly as there has been significant trading between continuing and discontinued operations. REC's understanding is that it shall not reclassify Group internal items to external items and not present pro forma figures.

In addition to the external profit and loss items of REC Wafer, a net gain on loss of control of REC Wafer on August 13, 2012 was estimated and recognized. According to IAS 27 (and IFRS 10), the net gain on deconsolidation was calculated by derecognizing assets and liabilities of REC Wafer, recognizing the estimated fair values of consideration received and recognizing the resulting difference as a net gain on disposal of discontinued operations. In connection with the bankruptcy of REC Wafer, REC ASA took on some liabilities and guarantees related to the operations of REC Wafer and recognized losses on receivables. REC has evaluated that these are directly related to the bankruptcy, falls in under the criteria in IAS 27 to be included in the net gain on loss of control of REC Wafer and according to IFRS 5 shall be included in results from discontinued operations. REC has evaluated that potential future changes in fair values of the main part of these liabilities, guarantees and losses according to IFRIC 5.35 are adjustments to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation, and consequently shall be included in discontinued operations.

(G) Cash-generating units for impairment testing
An asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Value in use and, therefore, recoverable amount and any impairment of fixed assets, is determined for the asset's cash-generating unit. Identification of an asset's cash-generating unit involves judgment by the REC Management, and may affect the amounts of impairments. This is especially the case where assets that have significantly different cost prices or carrying values are grouped together. Cash inflows may also be available for individual or group of assets, but management's judgment is that the cash inflows are not largely independent of the cash inflows from other assets or groups of assets.

For the 2012 impairment test, the judgment that REC Silicon still is one cash-generating unit is a critical and difficult judgment. Currently the assets in Butte are used both to produce solar grade polysilicon, and to a larger extent higher grade polysilicon to the semiconductor and electronics market. Silane gas is currently shipped from Butte. In the current market, the qualities and products sold from Butte that are not solar grade achieve higher prices than solar grade polysilicon produced by the assets in Moses Lake and Butte. The FBR plant in Moses uses the new FBR technology and was built in a period with high demand for construction services and capacity for the solar industry, which contributed to high capital expenditures. The assets in Butte were acquired in 2005 for a relatively low cost and have been depreciated over quite a few years. This means that if the Moses Lake assets had been viewed as a separate cash-generating unit, the impairment losses would have been significantly higher, as the Butte assets cannot be written up.

See note 7 for further description of the cash-generating units.

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. In practice, the significant drop in sales prices during the last years has been a strong impairment indicator.

The recoverable amounts of assets and cash-generating units have primarily been determined based on value-in-use calculations. These calculations require the use of estimates including, but not limited to estimates of future performance, revenue generating capacity of the assets, reinvestment levels, assumptions of the future market conditions, and discount rate.

In defining the discount rate for the cash-generating units, REC uses the commonly used WACC (weighted average cost of capital) as a starting point. The build-up of the discount rate requires use of estimates and judgments by management that may have significant effect on impairment charges. The discount rate shall reflect market participants' views. REC ASA shares are listed on the Oslo Stock Exchange and the main part of its shareholders is Norwegian. The share is very liquid. Management therefore believes that Norwegian practice and view in building up the discount rates should be used also for foreign cash generating units but adjusting for local risk free rates (and if it had been relevant, any country specific risk). Among other things due to the significant overcapacity in the solar industry and reduced prices and the uncertainty in the financial market related to REC's financial situation, REC's market value has decreased over some time. REC has increased the risk premiums for equity and debt compared to 2011. REC has been downgraded in shadow credit ratings as a consequence of expectations of continued weak market conditions as well as increased refinancing concerns. Credit spreads on REC's bonds observed in the market at year end are in Management's opinion largely negatively affected by risks other than those related to the estimated cash flows from the assets. Management believes it is not appropriate to use the currently observed implied credit risk premiums on the bonds in the discount rate as long as it expects to continue to be a going concern. REC Management has used beta on the REC ASA shares (daily observations since the Initial Public Offering compared to the Oslo Stock Exchange main index) and estimated long-term debt and equity ratios. REC Management acknowledges, and has observed that others have other views on the factors impacting the discount rate as well as in estimating future cash flows.

REC Silicon is the main asset measured in value for the REC Group. REC Management has observed that market participants, analysts etc. have added additional premiums to the discount rate for REC Silicon, and estimated lower future cash flows. The market capitalization of REC ASA shares is below book value of equity, and there are significant uncertainties related to the future cash flows to be generated by the assets among other things due to the overall market and price developments and the unresolved outcome of the ongoing trade disputes, etc. Consequently, in connection with the preparation of the annual financial statements for 2012 additional risk adjustments for identifiable and unidentifiable factors that market participants would reflect in pricing the future cash flows have been made for the REC Silicon cash-generating unit, primarily by adjusting the discount rate but also some adjustments to the estimated future cash flows. Management will evaluate the need for these adjustments in future periods. See note 7 for sensitivities, including estimated effects of changing discount rates.

Changes in circumstances and in management's evaluations and assumptions may give rise to further impairment losses, or reversals, in the relevant periods. See note 7 for further discussion of key assumptions. The estimated recoverable amounts of REC's assets are sensitive to only small changes to key assumptions.

According to IAS 36 *Impairment of assets*, cash flow projections shall exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. To the best of management's judgment, the cash flows do not include restructuring or effects from expansion and enhancement investments that are not committed. However, in the cash flow estimates with ongoing reduction in prices and costs and a number of process improvement initiatives initiated and planned (see note 7), REC may not have been able to identify and exclude all effects that relates to asset enhancements or new technologies according to IAS 36. In 2012 and 2011, significant impairment charges were recognized (see notes 6 and 7).

Financial assets are also periodically reviewed for impairment. See note 8 for impairment of shares in the associate Mainstream Energy Inc. in 2011. REC has a concentration of its customers in the solar industry. Generally a more challenging and competitive market environment has increased, and may further increase credit risk, in particular through sales to financially weak customers, extended payment terms and sales into new and immature markets. REC has a limited number of customers. In 2012, relative small amounts have been realized as losses on trade receivables for continuing operations. Provisions for losses on trade receivables have been made based on an individual evaluation, and there is not reliable historical or peer data to make an assessment of group of trade receivables. It is a risk that the actual losses will turn out significantly different from the evaluations made based on the knowledge and assumptions at year-end 2012 (see notes 3, 12 and 30).

(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 (see note 6). In the case of replacements or disposals any remaining carrying value will be recognized to the statement of income, net of any proceeds receivable.

Significant changes in key assumptions (especially sales prices) in the impairment tests in 2012 and 2011 gave rise to material impairment charges. This has reduced the remaining depreciable amounts. All of the assets of REC Wafer Norway AS and REC ScanCell AS were taken out of use as it was decided to close down all the production capacity in Norway during 2011 and 2012. Impairment of assets that are still in use has to a minor extent affected REC's evaluation of useful lives for these assets.

(C) 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 current 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. See also note 31 regarding contingent liabilities.

The REC Group companies perform significant transactions with each other and with other related parties, even though it has been reduced during the past two years. These are primarily sale of products to the next step in the production chain or to Sales or Systems companies, financing arrangements 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.

Several entities in the REC Group have reported losses over the latest years, giving rise to deferred tax assets. IAS 12 *Income Taxes* states that a deferred tax asset shall be recognized for all deductible temporary differences to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. When an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity. IAS 12 also states that unused tax losses are strong evidence that future taxable profit may not be available. The current history and the highly volatile and uncertain market development has increased uncertainty of future profit forecasts, and REC has recognized very limited parts of the deferred tax assets (see note 18).

(D) Provisions

REC has provided warranties in connection with the sale of solar panels and PV systems. REC solar panels sold from September 1, 2011 include a ten year limited product warranty and a 25 year linear power output warranty, that guarantees at least 97 percent output during the first year of performance and a maximum 0.7 percent reduction of power output per year from year 2-25 ("new warranty"). Solar panels sold prior to this have a five year limited warranty that the product is free of defects in materials and workmanship, a ten year limited warranty of 90 percent power output and a 25 year limited warranty of 80 percent power output of the solar panels ("old warranty"). Warranties are customary in the market for solar panels. The warranties are not sold stand alone. If a defect occurs or the product does not reach the warranted power output levels during the warranty period, for the new warranty REC will, at its sole option, repair or replace or supply additional solar panels, or refund the current market price of an equivalent product at the time of the claim (for the old warranty the original price, with annual reduction for the output warranty). The REC Group believes that the materials in the solar panels made by REC are capable of producing a relatively 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 this into consideration.

During 2011 and 2012 additional tests were made, research was studied and REC believes the quality of its solar panels have improved. It is also expected that the cost of producing solar panels will be further reduced going forward, which will also reduce the outflow of economic resources needed to fulfill any warranty claims. REC believes the risk for claims under the warranties is low, but cannot rule out the possibility that a large claim may occur as there is past history for claims under the product warranty and new materials and production processes have been introduced. Historically, the largest claims under the warranties were recognized in 2008 and 2009 related to a design weakness that was discovered at the end of 2008 in the junction boxes in a series of Solar panels produced by REC ScanModule AB.

In estimating the provision, REC has made references to the estimates made by its competitors. As the estimates and timing are highly uncertain, REC has not discounted the provisions but instead estimated them as a percentage of revenues (0.8%) at the time of sale of the modules.

REC guarantees minimum performance of some PV systems that are constructed and sold by REC (liquidated damages for any shortfall of guaranteed power output for twenty years), primarily measured during the second year of operation. REC has evaluated that it is not probable that the Company will incur outflow of economic resources under this guaranty, and has not recognized any provision. REC also has a limited warranty for faults and defects during the first two years of operation of a PV system, for which only a minor provision has been recognized.

The REC Group had at December 31, 2011 also recognized significant provisions for restructuring, onerous contracts and asset retirement and restoration obligations. A large part of these related to the decisions to close down the cells and parts of the wafer production capacities in Norway, and the restoration of the leased land in Singapore after the end of the lease period. During 2012 significant additional provisions were recognized as part of discontinued operations due to the decision to close down all the remaining REC Wafer operations, of which parts were paid and the remaining derecognized at the time of deconsolidation of REC Wafer in August 2012.

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 significantly from the current estimates. See note 20 for more information.

(E) Embedded derivatives – REC Wafer (discontinued operations)

REC had wafer sales contracts for which embedded derivatives were separated and accounted for as derivatives (see note 4.1(D)). The contracts stated future cash flows, with some limited adjustment mechanisms. However, REC experienced that contracts were terminated, renegotiated or not complied with. Consequently, REC needed to estimate the future cash flows in the separate contracts. If it was probable that a customer would not honor the contract or that changes would be agreed, REC made downwards adjustments of the estimated future cash flows. During 2011 the estimated cash flows were significantly reduced and during 2012 all wafer sales contracts were terminated (see notes 3, 11, 25 and 30).

(F) Discontinued operations

See note 4.1 (F) relating to REC Wafer as discontinued operations, and liabilities and guarantees taken on by REC ASA. The fair values of the liabilities and guarantees are only preliminarily estimated, and the values are subject to changes, and are among other things dependent on the ultimate dividends from REC Wafer and the financial performance of the REC Group. Parts may not be finally determined and paid before June 2017.

(G) Trade disputes

REC was named a respondent in a trade case investigation initiated by the Chinese Ministry of Commerce ("MOFCOM") on July 20, 2012 against polysilicon imports from the US into China. MOFCOM initiated the investigation following the receipt of a petition by Chinese producers in which the petitioners seek anti dumping ("AD") duties of approximately 54 percent on US imports and approximately 49 percent on Korean imports into China, and countervailing duties ("CVD") in relation to any government subsidies found to have been received by US respondents that contravene international trade laws. The size of any AD or CVD tariffs eventually imposed on REC (if any) will depend on the outcome of the investigation by MOFCOM. It is expected that MOFCOM will announce the preliminary results from its investigations later this year. China is a very important market for REC's polysilicon operations. Should REC become subject to AD or CVD tariffs imposed by MOFCOM this could have a significant adverse effect on REC. REC has no basis for having any opinion or view on the outcome and its potential effect on the company at this point in time or making any specific adjustments to assets or liabilities due to potential unfavorable outcome of trade disputes.

05 SEGMENT INFORMATION

The segment information presented shows the main components of the REC Group's business that are evaluated on a regular basis by the chief operating decision maker.

The term "chief operating decision maker" (CODM) is taken from IFRS 8 *Operating segments* and identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. The REC Board of Directors is responsible for the overall strategy of the company, approving annual budgets and major investments, internal controls etc. The Board periodically receives information about the performance of the company. REC understands the term CODM as relating to an operating level, and not on a strategic decision level. The Group Management consists of the segment managers and corporate functions. It periodically receives information on the operations, and some decisions are made in Group Management meetings. The Group Management is headed by the Chief Executive Officer (CEO), and the CEO is the one that makes decisions across segments. Consequently, REC regards the CEO as the CODM.

Financial and operational information are prepared specifically for each segment for the purpose of assessing performance and allocating resources. Segment results are disclosed in accordance with IFRS, which is the same basis as presented internally. However, the internal reporting also shows a breakdown of operating expenses included in EBITDA that are not shown separately in the tables below. The financial market currently focuses on EBITDA as measurement of segment results. Consequently, this is also the primary focus of REC Management with regards to segment results. However, in the internal reporting EBIT is also shown, the difference to EBITDA being depreciation, amortization and impairment. Amounts for assets and liabilities, financial income and expenses are not shown per segment in the internal reporting. Consequently, it is REC's understanding that such details are not required to be presented per segment in the tables below. However, for the 2012 and 2011 reporting REC has elected to present amounts for non-current assets per segment, and also assets and liabilities per segment.

The REC Group's primary format for reporting segment information is operating segments. The REC Group's segments are managed separately and each segment represents a strategic business area that offers products different from the other segments. The REC Group's segments are REC Silicon, REC Wafer and REC Solar. In addition, the REC Group reports "Other". In 2012, all the remaining production in REC Wafer was shut down and REC Wafer Norway AS subsequently filed for bankruptcy. For the periods presented as of December 31, 2012, discontinued operations are external income and expense items of REC Wafer and the net gain on deconsolidation of REC Wafer, see note 9 for further details.

REC Silicon produces silane gas and 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 for silane gas and electronic grade polysilicon are mainly based on long term contracts. As some contracts have been terminated, expired or up for renegotiation the contract mix might be changed. However, the proportion of long term contracts is expected to be maintained at the same level as previously. Solar grade polysilicon is sold externally in the spot market and internally to REC Wafer and REC Solar on long-term contracts based on arms-length terms, conditions and market expectations that existed at the time terms were fixed. As a consequence of the market development, internal prices were reduced starting in the fourth quarter 2011 and further during 2012. The share of solar grade polysilicon sold internally decreased during 2011 and has further decreased during 2012, as a consequence of the discontinuance of the wafer production capacity in REC Wafer (Norway) and that REC Solar from the fourth quarter 2012 temporarily started purchase of blocks for wafer production. REC Silicon's external customers are mainly located in Asia.

REC Solar is comprised of an integrated plant in Singapore producing multicrystaline wafers, cells and solar panels, REC Site Services (Singapore) and development of PV systems. It also included cells manufacturing in Narvik (Norway) that was decided to be closed down in the fourth quarter 2011. The wafers and cells are primarily used internally to produce solar panelsin Singapore. REC Systems pursues project development opportunities based on REC solar panels in selected segments. REC Solar has established sales companies and offices in Europe, USA and Asia. Europe has traditionally been REC Solar's main market, with Germany as the largest. Revenues are based on short term contracts and will therefore be influenced by market fluctuations.

"Other" consist of companies and activities that in themselves are not significant enough to be reported as separate segments. It includes primarily REC ASA with Group functions and activities (see separate financial statements).

REC Wafer comprised multicrystalline wafer manufacturing in Glomfjord and Herøya (Norway) and monocrystalline wafer manufacturing at a separate plant in Glomfjord. The main customers were located in Asia and Europe, while a part of the production was sold internally to REC Solar at arms-length prices. Revenues were been based on long term take-and/or-pay contracts. In 2011 and the first part of 2012, REC Wafer agreed to terminate a majority of these contracts by receiving cancellation fees. REC Wafer Norway AS filed for bankruptcy on August 13, 2012. REC Wafer discontinued all production of multicrystalline ingots and wafers in the second quarter, subsequent to the Board decision on April 24, 2012. The decision was made to permanently shut down the monocrystalline wafer facility on March 20, 2012. Half of the previous production capacity was closed down in the second half of 2011.

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

Refer to the separate report from the Board of Directors for discussion of segment performance.

No single customer represented more than ten percent of the consolidated external revenues for the Group in 2012 or 2011.

Segment information for the year ended December 31, 2012

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ADJUSTMENT FOR DISCONTIUNED OPERATIONS	ELIMINATIONS	REC GROUP CONTINUING OPERATIONS
Revenues - External	3 062	339	4 082	1	-339	0	7 145
Revenues - Internal	200	246	5	55	0	-506	0
Total revenues	3 261	585	4 087	57	-339	-506	7 145
EBITDA	755	-296	-372	-558	-368	1 199	360
Depreciation and amortization	-1 019	0	-304	-13	0	0	-1 337
Impairment	-2 983	247	-3 638	-52	-247	122	-6 550
EBIT	-3 248	-49	-4 313	-624	-615	1 321	-7 528
Additions of non-current assets	224	18	168	3	NA	-122	291
Non-current assets at December 31 [1]	6 705	0	937	23	NA	0	7 664

[1] Non-current assets include property, plant, equipment, intangibles, prepaid capex and prepaid lease.

From August 13, 2012 the REC Group has only two reporting segments due to disposal of REC Wafer.

In 2012 all segments recognized writedowns of, and realized losses on sales of inventories. Included in EBITDA for REC Silicon for 2012 is contract cancellation income of NOK 197 million. Included in EBITDA for REC Solar for 2012 is an income of NOK 36 million for settlement with a previous vendor of junction boxes and net restructuring expenses of NOK 7 million. Included in EBITDA for REC Wafer for 2012 is income for cancellation of wafer sales contracts of NOK 821 million, restructuring costs and other expenses of NOK 168 million and expenses for onerous contracts of NOK 750 million. See note 9 for discontinued operations.

EBITDA for Other for 2012 includes estimated losses in REC ASA related to the bankruptcy of REC Wafer Norway AS of approximately NOK 426 million. On consolidation this has been re-presented and included as part of discontinued operations for the REC Group. A gain on deconsolidation of net liabilities of REC Wafer of NOK 1,241 million is reported as part of EBITDA for 2012 in Eliminations. On consolidation this has been re-presented and included as part of discontinued operations for the REC Group. Eliminations of EBITDA also include a reclassification between EBITDA and impairment of approximately NOK 120 million that reduces EBITDA and impairment. This is because REC Wafer recognized to income the remaining prepayments from REC Solar for Intellectual Property Rights, and REC Solar recognized the same as impairment of intangibles. This has no net effect on the consolidated REC Group. Besides this, EBITDA of Eliminations is primarily unrealized internal profit for internal sales of polysilicon. The positive amount for reversal of internal profits in 2012 was primarily due to reduced internal sales price and volume of polysilicon. There is no remaining unrealized internal profit in the statement of financial position at December 31, 2012. See note 7 for impairments.

Segment information for the year ended December 31, 2011

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ADJUSTMENT FOR DISCONTIUNED OPERATIONS	ELIMINATIONS	REC GROUP CONTINUING OPERATIONS
Revenues - External	3 645	3 867	5 852	3	-3 867	0	9 500
Revenues - Internal	1 940	547	5	89	0	-2 580	0
Total revenues	5 585	4 413	5 856	92	-3 867	-2 580	9 500
EBITDA	2 781	21	-30	-140	-824	234	2 043
Depreciation and amortization	-961	-417	-874	-26	417	0	-1 861
Impairment	-20	-5 807	-4 206	-64	5 807	0	-4 290
EBIT	1 801	-6 203	-5 110	-230	5 400	234	-4 108
Additions of non-current assets	157	252	288	10	NA	0	707
Non-current assets at December 31 [1)]	11 269	34	4 916	66	NA	0	16 285

[1)] Non-current assets include property, plant, equipment, intangibles, prepaid capex and prepaid lease.

In 2011 all segments recognized writedowns of, and realized losses on sales of inventories, primarily in REC Wafer and REC Solar. Included in EBITDA for REC Solar for 2011 is a gain on sale of a subsidiary of NOK 47 million, restructuring costs of NOK 56 million and expenses for onerous contracts of NOK 43 million. Included in EBITDA for REC Wafer for 2011 is income for cancellation of wafer sales contracts of NOK 945 million, restructuring costs of NOK 161 million and expenses for onerous contracts of NOK 132 million. See note 9 for discontinued operations. Positive EBITDA in Eliminations in 2011 was primarily reduction of unrealized internal profits due to reduced inventories in REC Wafer and reversal of writedowns of inventories in REC Solar. See note 7 for impairments.

Assets and liabilities for the segments

Below are tables showing assets and liabilities for the segments at December 31, 2012 and 2011. Eliminations are primarily related to Group internal receivables, payables and investments in subsidiaries. Eliminations in the line items cash and cash equivalents and current financial liabilities, interest bearing are related to the Group account systems (see note 14). REC Wafer has been deconsolidated as of August 13, 2012.

As there have been some differences between legal and reporting structure related to reporting of profit or loss and equity, and the level where consolidation entries are made, equity of the segments are not shown and cannot necessarily be calculated as assets minus liabilities.

Assets and liabilities for the segments at December 31, 2012

(NOK IN MILLION)	REC SILICON	REC SOLAR	OTHER	ELIMINATIONS	REC GROUP
Intangible assets	113	14	0	0	127
Property, plant and equipment	6 592	779	23	0	7 394
Prepaid lease, non-current	0	143	0	0	143
Government grant asset	675	0	0	0	675
Financial assets and prepayments	73	196	7 610	-7 524	355
Deferred tax assets	0	8	0	0	8
Total non-current assets	7 454	1 141	7 632	-7 524	8 703
Inventories	488	830	0	0	1 318
Prepaid lease, current	0	7	0	0	7
Trade and other receivables	626	1 016	459	-381	1 720
Current tax assets	17	8	1	0	26
Current derivatives	0	0	63	0	63
Restricted bank accounts	0	3	0	0	3
Cash and cash equivalents	620	723	2 383	-1 803	1 923
Total current assets	1 752	2 588	2 905	-2 185	5 059
Total assets	9 205	3 728	10 537	-9 709	13 762
Retirement benefit obligations	100	1	23	0	124
Deferred tax liabilities	758	0	0	210	969
Provisions	0	342	2	0	344
Non-current derivatives	0	0	55	0	55
Non-current financial liabilities, interest bearing	5 690	0	4 526	-6 456	3 760
Non-current prepayments, interest calculation	40	0	0	0	40
Total non-current liabilities	6 588	343	4 606	-6 245	5 292
Trade payables and other liabilities	397	922	274	-381	1 212
Provisions	0	41	6	0	47
Current tax liabilities	0	1	0	0	1
Current derivatives	0	0	17	0	17
Current financial liabilities, interest bearing	1	889	883	-1 803	-29
Current prepayments, interest calculation	88	0	0	0	88
Total current liabilities	486	1 853	1 180	-2 185	1 335
Total liabilities	7 074	2 196	5 787	-8 430	6 627

Assets and liabilities for the segments at December 31, 2011

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ELIMINATIONS	REC GROUP
Intangible assets	568	0	77	17	0	661
Property, plant and equipment	10 701	34	4 641	49	0	15 425
Prepaid lease, non-current	0	0	198	0	0	198
Government grant asset	756	0	0	0	0	756
Financial assets and prepayments	70	989	257	9 646	-10 474	488
Deferred tax assets	0	0	4	0	2	5
Total non-current assets	12 094	1 023	5 177	9 712	-10 472	17 534
Inventories	742	308	1 413	0	-80	2 383
Prepaid lease, current	0	0	11	0	0	11
Trade and other receivables	764	661	1 226	461	-559	2 553
Assets held for sale	0	14	0	0	0	14
Current tax assets	64	0	6	0	0	70
Current derivatives	0	0	0	310	0	310
Cash and cash equivalents	537	11	902	3 046	-2 900	1 596
Total current assets	2 106	993	3 559	3 817	-3 539	6 936
Total assets	14 200	2 016	8 736	13 529	-14 012	24 470
Retirement benefit obligations	91	20	5	9	0	125
Deferred tax liabilities	2 182	0	9	0	326	2 518
Provisions	0	114	332	2	0	447
Non-current derivatives	0	7	0	86	0	94
Non-current financial liabilities, interest bearing	6 126	687	180	6 412	-7 292	6 113
Non-current prepayments, interest calculation	200	14	0	0	0	214
Other non-current liabilities	0	113	0	0	-113	0
Total non-current liabilities	8 599	956	526	6 509	-7 079	9 511
Trade payables and other liabilities	515	358	1 231	199	-561	1 742
Provisions	0	234	114	6	0	354
Current tax liabilities	0	0	29	0	0	29
Current derivatives	0	55	0	79	0	134
Current financial liabilities, interest bearing	1	1 653	4 006	3	-5 504	159
Current prepayments, interest calculation	157	192	0	0	0	349
Total current liabilities	673	2 493	5 380	287	-6 065	2 767
Total liabilities	9 272	3 448	5 906	6 796	-13 144	12 278

Geographic distribution of non-current assets based on company location

(NOK IN MILLION)	**2012**	2011
Norway	**5**	154
United States	**6 728**	11 311
Singapore	**928**	4 815
Other countries	**3**	5
Total non-current assets [1]	**7 664**	16 285

[1] Non-current assets include property, plant, equipment, intangibles, prepaid capex and prepaid lease.

Geographic distribution of external revenues for continuing operations based on customer location for the year ended December 31, 2012

(NOK IN MILLION)	REC SILICON	REC SOLAR	OTHER	REC GROUP
Germany	0	1 472	0	1 472
Italy	9	939	0	948
Spain	0	143	0	143
France	3	145	0	148
Netherlands	0	149	0	149
United Kingdom	8	80	0	87
Other Europe	43	287	1	331
USA	51	358	0	408
China	1 644	0	0	1 644
Hong Kong	90	0	0	90
Japan	756	3	0	758
South Korea	77	0	0	77
Taiwan	356	0	0	356
Singapore	10	176	0	186
India	0	84	0	84
Other Asia	5	19	0	24
Australia	0	228	0	228
Other countries	11	1	0	13
Total external revenues	3 062	4 082	1	7 145

Geographic distribution of external revenues for continuing operations based on customer location for the year ended December 31, 2011

(NOK IN MILLION)	REC SILICON	REC SOLAR	OTHER	REC GROUP
Germany	112	1 527	0	1 639
Italy	8	1 631	0	1 639
Spain	0	336	0	336
France	27	474	0	501
Netherlands	0	431	0	431
United Kingdom	12	369	0	382
Other Europe	79	280	2	361
USA	174	382	1	556
China	1 422	10	0	1 432
Hong Kong	413	6	0	419
Japan	783	7	0	790
South Korea	100	0	0	100
Taiwan	468	31	0	499
Singapore	22	44	0	66
India	0	66	0	66
Other Asia	11	0	0	12
Australia	0	188	0	188
Other countries	15	67	0	82
Total external revenues	3 645	5 852	3	9 500

Customer location is based on the invoicing address. Customers may distribute the products to other countries.

Revenues by category

(NOK IN MILLION)	2012	2011
Polysilicon	**2 550**	2 936
Silane gas	**472**	663
Wafers and ingots	**10**	44
Cells	**7**	37
Solar panels	**3 779**	4 680
PV Systems [1]	**251**	1 082
Other	**76**	57
Total revenues	**7 145**	9 500

1) PV Systems include NOK 199 million construction contract revenues in 2012 and NOK 785 million in 2011.

Property, plant and equipment and intangible assets per segement 2012

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ELIMINATIONS	REC GROUP
Carrying value at January 1, 2012	11 269	34	4 718	66	0	16 087
Translation differences	-763	0	-154	-3	0	-920
Net additions including goverment grants [2]	201	18	225	26	-122	348
Disposals	0	-299	-66	-1	0	-365
Depreciation and amortization [1]	-1 019	0	-292	-13	0	-1 325
Impairment	-2 983	247	-3 638	-52	122	-6 304
Carrying value at December 31, 2012	6 705	0	793	23	0	7 521
Of which						
Property, plant and equipment	6 592	0	779	23	0	7 394
Intangible assets	113	0	14	0	0	127
Payments of PP&E and intangibles, net of investment grants [2]	133	21	141	3	0	298
[1] Amortization of prepaid lease in the statement of income not included in the table above	0	0	-12	0	0	-12

Property, plant and equipment and intangible assets per segement 2011

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER	ELIMINATIONS	REC GROUP
Carrying value at January 1, 2011	11 852	6 006	9 704	147	0	27 709
Translation differences	220	0	-86	1	0	135
Net additions including goverment grants [2]	176	252	216	10	0	655
Disposals	0	0	-47	-2	0	-49
Depreciation and amortization [1]	-961	-417	-863	-26	0	-2 266
Impairment	-20	-5 807	-4 206	-64	0	-10 097
Carrying value at December 31, 2011	11 269	34	4 718	66	0	16 087
Of which						
Property, plant and equipment	10 701	34	4 641	49	0	15 425
Intangible assets	568	0	77	17	0	661
Payments of PP&E and intangibles, net of investment grants [2]	211	121	337	9	0	678
[1] Amortization of prepaid lease in the statement of income not included in the table above	0	0	-12	0	0	-12

[2] The differences between additions and payments for property, plant and equipment and intangible assets primarily relate to government grants, changes in prepayments, accruals and payables for capital expenditure and recognition of asset removal obligations. In the fourth quarter 2012, spare parts with net carrying values of NOK 105 million have been reclassified to property, plant and equipment.

06 FIXED ASSETS

Property plant and equipment

(NOK IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Carrying value at January 1, 2011	8 150	17 136	439	861	**26 586**
Exchange differences	-30	157	3	-6	**124**
Net additions[1]	172	678	61	-449	**462**
Government grant - reduction to cost price[2]	0	13	0	13	**27**
Disposals	-11	-37	0	0	**-49**
Depreciation - continuing operations	-299	-1 350	-90	0	**-1 740**
Depreciation - discontinued operations	-97	-299	-7	0	**-402**
Impairment - continuing operations[3]	-2 338	-1 759	-69	-1	**-4 166**
Impairment - discontinued operations[3]	-2 368	-3 005	-19	-24	**-5 416**
Carrying value at December 31, 2011	3 179	11 534	318	395	**15 425**
At December 31, 2011					
Cost price	9 583	22 734	730	437	**33 484**
Accumulated depreciation and impairment	-6 404	-11 200	-412	-42	**-18 058**
Carrying value at December 31, 2011	3 179	11 534	318	395	**15 425**
Carrying value at January 1, 2012	3 179	11 534	318	395	**15 425**
Exchange differences	-128	-716	-20	-19	**-883**
Net additions[1]	36	432	91	-242	**317**
Government grant - reduction to cost price[2]	0	-9	0	43	**34**
Disposals	-276	-87	-2	0	**-365**
Depreciation - continuing operations	-115	-1 044	-66	0	**-1 224**
Impairment - continuing operations[3]	-2 080	-3 916	-107	-58	**-6 160**
Impairment - discontinued operations[3]	211	10	0	28	**249**
Carrying value at December 31, 2012	828	6 205	214	147	**7 394**
At December 31, 2012					
Cost price	5 745	15 472	625	222	**22 064**
Accumulated depreciation and impairment	-4 917	-9 268	-411	-75	**-14 670**
Carrying value at December 31, 2012	828	6 205	214	147	**7 394**

1) Net additions include transfers from assets under construction. In the fourth quarter 2012, spare parts with net carrying value of NOK 105 million have been reclassified to property, plant and equipment.
2) The positive amounts are due to adjustments of goverment grants recognized in previous periods.
3) See note 7 for details of impairments.

Specification of useful lives and depreciation

Estimated useful lives for the asset class other tangible fixed assets is 2-30 years. Assets under construction are not yet ready for their intended use, and depreciation has not started.

The tables below show specifications of useful lives and estimated depreciation in 2012 and 2013 for the asset class land and buildings and asset class machinery and equipment.

Specification of useful lives and depriciation year-end 2012 for land and buildings, machinery and equipment

LAND AND BUILDINGS

(NOK IN MILLION)	USEFUL LIVES (RANGE IN YEARS)	WEIGHTED AVERAGE USEFUL LIVES (YEARS) [1]	IMPAIRMENT 2012	DEPRECIATION 2012	COST PRICE, DECEMBER 31, 2012	CARRYING VALUE, DECEMBER 31, 2012	ESTIMATED DEPRECIATION 2013 [2]
REC Silicon	5 - 31	29	172	28	753	440	20
REC Solar	10 - 28	20	1 885	85	4 945	366	22
Other operations	2 - 10	3	22	1	47	22	11
Continuing operations			2 080	115	5 745	828	53
Discontinued operation	NA	NA	-211	0	0	0	0
Total operation			1 869	115	5 745	828	53

MACHINERY AND EQUIPMENT

(NOK IN MILLION)	USEFUL LIVES (RANGE IN YEARS)	WEIGHTED AVERAGE USEFUL LIVES (YEARS) [1]	IMPAIRMENT 2012	DEPRECIATION 2012	COST PRICE, DECEMBER 31, 2012	CARRYING VALUE, DECEMBER 31, 2012	ESTIMATED DEPRECIATION 2013 [2]
REC Silicon	2 - 20	14	2 368	860	11 268	5 880	666
REC Solar	2 - 28	10	1 530	179	4 165	324	56
Other operations	3 - 5	3	18	4	40	0	0
Continuing operations			3 916	1 044	15 472	6 204	722
Discontinued operation	NA	NA	-10	0	0	0	0
Total operation			3 906	1 044	15 472	6 204	722

Specification of useful lives and depriciation year-end 2011 for land and buildings, machinery and equipment

LAND AND BUILDINGS

(NOK IN MILLION)	USEFUL LIVES (RANGE IN YEARS)	WEIGHTED AVERAGE USEFUL LIVES (YEARS) [1]	IMPAIRMENT 2011	DEPRECIATION 2011	COST PRICE, DECEMBER 31, 2011	CARRYING VALUE, DECEMBER 31, 2011	ESTIMATED DEPRECIATION 2012 [2]
REC Silicon	5 - 32	29	0	26	809	687	35
REC Solar	10 - 28	21	2 338	268	5 475	2 468	159
Other operations	3 - 10	7	0	6	35	23	6
Continuing operation			2 338	299	6 319	3 179	200
Discontinued operation	10 - 20	17	2 368	97	3 264	0	0
Total operation			4 706	396	9 583	3 179	200

MACHINERY AND EQUIPMENT

(NOK IN MILLION)	USEFUL LIVES (RANGE IN YEARS)	WEIGHTED AVERAGE USEFUL LIVES (YEARS) [1]	IMPAIRMENT 2011	DEPRECIATION 2011	COST PRICE, DECEMBER 31, 2011	CARRYING VALUE, DECEMBER 31, 2011	ESTIMATED DEPRECIATION 2012 [2]
REC Silicon	2 - 20	14	20	817	11 919	9 481	848
REC Solar	5 - 28	10	1 738	522	5 149	1 996	313
Other operations	3 - 5	3	2	11	41	22	12
Continuing operation			1 759	1 350	17 109	11 500	1 173
Discontinued operation	5 - 10	8	3 005	299	5 625	34	0
Total operation			4 764	1 649	22 734	11 534	1 173

[1] Weighted average useful life per class of assets is estimated by weighing the individual assets' useful lives with their relative part of the segment's total cost price.
[2] Estimated depreciation is calculated based on cost price and estimated useful life at December 31, translated to NOK at December 31, exchange rates. For impaired assets the depreciation is calculated based on the remaining carrying values and estimated remaining useful lives at December 31. It does not include assets under construction or effects of any additions or disposals subsequent to December 31 for each year. The actual depreciation may deviate from the estimates in the table due to, among other things, changes in currency exchange rates, changes in estimated useful life, impairments, additions and disposals. Estimated depreciation cannot be calculated as cost price divided by weighted average useful life. Depreciation was in 2012 lower than estimated, primarily due to significant impairments recognized during the year.

The annual analysis for 2012 of the useful lives resulted primarily in an estimated increase in depreciation of NOK 45 million in 2013 for machinery and equipment in REC Silicon, before the effect of impairment at year-end 2012. The effects of the annual analysis for 2011 resulted in only minor changes in estimated useful lives. The significant impairments during 2012 will affect depreciation in 2013, as illustrated above.

Finance leases included in property, plant and equipment

(NOK IN MILLION)	LEASED LAND AND BUILDINGS	LEASED MACHINERY AND EQUIPMENT	TOTAL
Carrying value at January 1, 2011	515	665	**1 180**
Net additions	0	105	**105**
Depreciation - continuing operations	-8	0	**-8**
Depreciation - discontinued operations	-20	-69	**-89**
Impairment - continuing operations	-114	0	**-114**
Impairment - discontinued operations	-308	-701	**-1 010**
Carrying value at December 31, 2011	65	0	**65**
Cost - capitalized finance leases	606	0	**606**
Accumulated depreciation and impairment	-541	0	**-541**
Carrying value at December 31, 2011	65	0	**65**
Carrying value at January 1, 2012	65	0	**65**
Disposals	-65	0	**-65**
Carrying value at December 31, 2012	0	0	**0**
Cost - capitalized finance leases	0	0	**0**
Accumulated depreciation and impairment	0	0	**0**
Carrying value at December 31, 2012	0	0	**0**

Finance leases at January 1, 2011 were leases of production equipment and part of the building structure for production and recovery of exhausted slurry for REC Wafer Norway AS and a lease of the second cell plant in REC ScanCell AS. The finance lease in REC Wafer was impaired to zero in 2011, and to NOK 65 million for the plant in REC ScanCell. In 2012, REC Wafer has been deconsolidated from August 13, and the lease agreement for the plant in REC ScanCell was terminated and settled in the third quarter (see note 25). Consequently, at December 31, 2012 REC does not have any finance lease agreements.

Intangible assets

(NOK IN MILLION)	GOODWILL	ASSETS UNDER DEVELOPMENT	CUSTOMER/ VENDOR RELATIONSHIPS	OTHER	TOTAL
Carrying value at January 1, 2011	587	230	53	253	**1 123**
Exchange differences	6	-6	1	11	**11**
Net additions[1]	0	-190	0	311	**121**
Internal developement	0	45	0	0	**45**
Amortization - continuing operations[2]	0	0	-6	-104	**-109**
Amortization - discontinued operations[2]	0	0	0	-14	**-14**
Impairment - continuing operations[3]	0	-62	0	-62	**-124**
Impairment - discontinued operations[3]	-330	0	0	-61	**-391**
Carrying value at December 31, 2011	263	16	48	333	**661**
At December 31, 2011					
Cost price	632	79	118	847	**1 676**
Accumulated amortization and impairment	-368	-63	-70	-514	**-1 015**
Carrying value at December 31, 2011	263	16	48	333	**661**
Carrying value at January 1, 2012	263	16	48	333	**661**
Exchange differences	-19	-1	-1	-16	**-37**
Net additions[1]	0	-9	0	2	**-7**
Internal developement	0	3	0	0	**3**
Amortization - continuing operations[2]	0	0	0	-101	**-101**
Impairment - continuing operations[3]	-245	-2	-47	-96	**-390**
Impairment - discontinued operations[3]	0	0	0	-2	**-2**
Carrying value at December 31, 2012	0	7	0	120	**127**
At December 31, 2012					
Cost price	256	72	28	570	**926**
Accumulated amortization and impairment	-256	-65	-28	-450	**-799**
Carrying value at December 31, 2012	0	7	0	120	**127**

1) Net additions include transfers from assets under development. The negative additions of NOK 9 million in assets under development for 2012 are assets reclassified to property, plant and equipment.
2) Total amortization in the statement of income consists of amortization of intangible assets in the table above and amortization of prepaid lease in the table below.
3) See note 7 for details of impairments.

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

At December 31, 2011 customer relationships were related to pre-existing relationships at the time of acquisition of ASiMI and SGS. The relationships were impaired in 2012. Other intangible assets at December 31, 2012 and 2011 were primarily related to software (3-8 years) and FBR technology in REC Silicon (20 years). It also included furnace technology in REC Wafer that was impaired in 2011 and disposed of in 2012.

The annual analysis for 2012 of the useful lives resulted primarily in an increase in estimated useful life of some software in REC Silicon from 3-5 year to 7 years, from January 1, 2013. This is estimated to decrease amortization in 2013 by NOK 54 million before the effect of the impairment at year-end 2012. The effects of the annual analysis for 2011 resulted in only minor changes in estimated useful lives.

Prepaid lease

Prepaid lease relates to lease of land in Singapore. See note 29 for further information.

Prepaid lease

(NOK IN MILLION)	2012	2011
Carrying value at January 1	209	115
Exchange differences	-10	2
Additions	0	104
Disposal[1)]	-37	0
Amortization	-12	-12
Carrying value at December 31	151	209

1) At the end of 2012, REC was allowed to return the part of land in Singapore that is not in use.

Distribution of total prepaid lease

(NOK IN MILLION)	2012	2011
Current	7	11
Non-current	143	198
Total	151	209

07 IMPAIRMENTS OF CASH-GENERATING UNITS AND GOODWILL

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

Carrying amount of goodwill at December 31

(NOK IN MILLION)	2012	2011
REC Silicon	0	263
Total REC Group	0	263

In 2012 goodwill related to REC Silicon and in 2011 goodwill related to REC Wafer Multi were written down to zero.

CASH-GENERATING UNITS

Recoverable amount shall be estimated for the individual asset. The recoverable amount of an individual asset cannot be determined if the asset's value in use cannot be estimated to be close to its fair value less costs to sell and the asset does not generate cash inflows that are largely independent of those from other assets. In such cases, value in use and, therefore, recoverable amount, can be determined only for the asset's cash-generating unit.

An asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's cash-generating unit involves judgment by the REC Management.

Management monitors the operations primarily by segments, but also by product lines and by individual locations. The different segments sell primarily products to external parties that are different from products of the other segments. Part of REC Silicon's production of polysilicon is sold internally to REC Solar and to REC Wafer when it had production and was a part of the REC Group. REC Silicon and REC Solar produce intermediate products in their own value chains. If an active market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a cash-generating unit, even if some or all of the output is used internally. An active market is a market in which all the following conditions exist: (a) the items traded within the market are homogeneous; (b) willing buyers and sellers can normally be found at any time; and (c) prices are available to the public.

In 2011, REC decided to close down the cell production in REC ScanCell Norway and parts of the multi wafer production in Norway (the oldest plants). In 2011, REC Management evaluated that changes in facts and circumstances lead to changes in cash-generating units. The cash-generating units at December 31, 2011 were REC Silicon, REC Wafer Multi Norway, REC Wafer Mono, REC Singapore and REC ScanCell.

At December 31, 2012 the cash-generating units are REC Silicon and REC Singapore. REC Wafer Multi Norway and REC Wafer Mono closed all production during 2012 and were subsequently disposed of, and REC ScanCell has no production or assets left at year-end.

REC Silicon produces polysilicon that is used in the electronic and solar industry. REC Silicon also produces silane gas used in its production of polysilicon and a minor part is sold externally. REC Silicon currently supplies a large percentage of the world total silane gas market. Management has evaluated that it is currently not an active market as defined in IAS 36 for the large amount of silane that is used internally, and that the silane producing assets consequently need to be grouped with polysilicon producing assets. Further, management's judgment is that the polysilicon plants constitute one cash-generating unit, as REC can produce and sell the products from plants in Butte or Moses Lake (with some adjustments). In January 2013, REC decided to temporarily stop production in the oldest polysilicon plant in Moses Lake. Management judgment is that the future cash inflows for the polysilicon plants cannot be determined individually. REC has consequently evaluated that REC Silicon still is one cash-generating unit. This is a critical and difficult judgment. Currently the assets in Butte are used to produce solar grade polysilicon, and to a larger extent higher grade polysilicon to the semiconductor and electronics market. Silane gas is currently shipped from Butte. In the current market, the qualities and products sold from Butte that are not solar grade achieve higher prices than solar grade polysilicon produced by the assets in Moses Lake and Butte. The FBR plant in Moses Lake uses the new FBR technology and was built in a period with high demand for construction services and capacity for the solar industry, which contributed to high capital expenditures. The assets in Butte were acquired in 2005 for a relatively low cost and have been depreciated over quite a few years. This means that if the Moses Lake assets had been viewed as a separate cash-generating unit, the impairment losses for 2012 would have been significantly higher, as the Butte assets cannot be written up.

The integrated plant in Singapore produces wafers and solar cells that are intermediate products in REC Singapore's production of solar panels. The identification of cash-generating units requires judgment by management. Wafers and cells produced by REC in Singapore are by management not regarded as "interchangeable" with other wafers and cells and the customers tend to demand traceability to the plants. Management believes this indicates that wafers and cells are not homogenous. The solar industry is gradually becoming more dominated by integrated players. REC Singapore is run as one integrated site and will reduce or increase capacity through its value chain based on sales forecasts for solar panels. In Singapore, REC produces intermediate products that will be produced to optimize its own value chain. Management believes that there is no active market (as defined in IAS 36) for wafers and solar cells produced by REC Singapore, and that cash inflows for wafers and solar cells in Singapore are not independent from cash inflows for solar panels. Consequently, REC Singapore is regarded as one cash-generating unit. REC has a number of sales companies that sell REC Singapore solar panels, and these are included in the REC Singapore cash-generating unit.

REC Wafer produced multi and mono wafers. Mono wafers have higher solar efficiency, were sold separately from multi wafers in separate contracts and to different customers, were used in different cell production, and could by REC only be produced at a separate plant in Glomfjord. Management evaluated that the multi and mono wafers had separate cash inflows and were parts of separate cash-generating units.

The cell production in REC ScanCell was closed down in 2011 and was consequently evaluated separately for the impairment tests at December 31, 2011.

BASIS FOR THE IMPAIRMENT TESTS

Recoverable amounts for the cash-generating units are primarily based on value in use, except for assets that are taken out of use. Value in use has been estimated by discounted cash flows. The budget process in 2012, as for 2011, was affected by the significant uncertainty of future development in key assumptions, especially future prices and market development.

In previous years, the Board of Directors approved a budget for the coming year and was presented business plan figures for the subsequent four years based on budget and business plans prepared by the segments and other units. At the end of 2012 the segments and other units only prepared a budget for 2013. Projections for subsequent years were prepared on Group level and presented to the Board of Directors. The impairment tests at year-end 2012 are based on the 2013 budgets for the cash-generating units, with some adjustments to reflect updated information and assumptions. These have been used as basis for segment management to project cash flows for the period 2014 – 2017 for the cash-generating units, and the last year is used as basis for estimating a terminal value.

The carrying amounts of the cash-generating units include tangible fixed assets, intangible assets, prepaid lease and net working capital. EBITDA less capital expenditure and change in working capital has been used as estimates of cash flows for the calculation of recoverable amounts. Estimated tax on EBIT has also been included as appropriate to be consistent with the discount rates used, see below. Assets that are under construction or for which the investments are committed are included with estimated capital expenditure to complete and estimated future cash flows from their operations. However, REC is, according to IAS 36, not allowed to include effects of improvements or enhancements to the assets' performance. The industry is dependent upon such improvements, which will be the basis for a cost competitive position going forward. To arrive at the estimated recoverable amount, the REC Group uses an estimated stable cash flow from year six and a growth rate factor to estimate a terminal value of infinite future cash flows. However, for the Singapore entities, the period has been limited to the lease term of the land (2038) and capital expenditure, tax on EBIT and discount rate varies between the years. A growth rate factor of zero for the period subsequent to 2017 has been used in the calculations at year-end 2012, which is the same as for the 2011 impairment test. This is below the average expected growth rate for the photovoltaic industry. Growth rates used for the industry take into consideration effects of future capital expenditure and technology improvements that cannot be included the same way in the impairment test. 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.

According to IAS 36, cash flows and discount rates shall be pre-tax. In defining the discount rate for the cash-generating units, REC uses the commonly used WACC (weighted average cost of capital) as a starting point. The cost of a company's market value of debt and equity capital, weighted accordingly to reflect its expected long-term capital structure, gives its WACC. The rates used to discount future cash flows are based on ten year government and swap interest rates in the relevant markets (except for REC Singapore where a rate for each year is used) and take into account estimated risk premiums on debt and equity, gearing and beta. REC believes this takes into consideration the market's assessments of the time value of money and reflects the premium that the market would require from uncertain future cash flows based on the distribution estimated by REC. As a starting point the WACC can reflect risks specific to the asset for which the cash flow projections have not been adjusted. Shadow credit ratings of REC have in 2012 been downgraded as a consequence of expectations of continued weak market conditions as well as increased refinancing concerns. Credit spreads on REC bonds observed in the market at year end are in management's opinion largely negatively affected by risks other than those related to the estimated cash flows from the assets that Management believes is not appropriate to include in the estimated discount rate as long as it expects to continue to be a going concern. For assets with special uncertain future cash flows or for other sometimes unidentifiable factors that market participants would reflect in pricing the future cash flows, additional risk adjustments are added to the discount rate, or the cash flow estimates are adjusted. Estimating the discount rate is a critical accounting estimate, see note 4.2 (A).

WACC is a post-tax concept. IAS 36 states that when the basis used to estimate the discount rate is post-tax, that basis is adjusted to reflect a pre-tax rate. REC's understanding is that the discount rate cannot be adjusted to reflect a pre-tax rate by "reversing" the tax effects in the post-tax discount rate. Consequently, REC has adjusted the estimated EBIT (earnings before financial items and tax) for an estimated tax, referred to as NOPLAT (net operating profit less adjusted taxes). REC believes that it then uses a consistent approach to the cash flows and discount rate. The finance theory states that the enterprise value (value of the cash-generating units) should be the same pre- and post-tax. The corresponding pre-tax discount rate can then be calculated as the rate that will return the same present value for cash flows excluding any tax.

Future cash flows are estimated in different currencies and discounted using discount rates appropriate for that currency.

Discount rates (%)

	2012		2011	
	POST-TAX	**PRE-TAX**	POST-TAX	PRE-TAX
REC Silicon (USD)	**10.6**	**14.3**	7.8	11.7
REC Wafer Mono (NOK)	**NA**	**NA**	8.7	9.9
REC Wafer Multi Norway (NOK)	**NA**	**NA**	8.7	15.5
REC Singapore (EUR) 1)	**8.4 - 10.5**	**10.0**	7.7 - 9.3	9.1

1) For the REC Singapore cash-generating unit a differing post-tax discount rate per year is used for the land lease period up to 2038. The cash flows generated are tax exempt for an initial period, and for this period it has been used a tax rate of zero in the post-tax discount rate. In the 2012 impairment test, post-tax discount rates of 8.4 to 10.5 percent have been used over the whole period. Calculated as one rate for the whole period the post-tax discount rate is 9.4 percent. One pre-tax discount rate for the whole period calculated the same way is 10 percent for 2012. The pre-tax rate of 9.1 percent for Singapore for 2011 is calculated as one rate for the whole period (one post-tax rate would be 8.5 percent).

The discount rates used for 2012 are higher than for 2011, even though risk free rates are reduced. REC has increased the risk premiums used compared to 2011. For REC Silicon, additional risk adjustments have been added to the discount rate for 2012, see note 4.2 (A).

Specification of impairments for the year and remaining values PPE, intangibles and prepaid lease at December 31

	2012 IMPAIRMENTS	2012 REMAINING VALUES	2011 IMPAIRMENTS	2011 REMAINING VALUES
REC Silicon	2 983	6 705	20	11 269
REC Singapore	3 619	931	3 863	4 617
REC ScanCell	17	0	343	85
Other operations	53	28	64	82
Eliminations [1]	-122	0	0	0
Total continuing operations	6 550	7 664	4 290	16 053
REC Wafer Multi Norway	-247	NA	4 799	34
REC Wafer Mono	0	NA	1 008	0
Total discontinued operations	-247	NA	5 807	34

[1] Elimination of impairments in REC Singapore of the remaining prepayments for Intellectual Property Rights purchased from REC Wafer Norway AS.

The significant and continuing reduction to sales prices has been the primary reason for the impairments in 2012 and 2011. In 2011, the REC Singapore operations and REC ScanCell showed good cost and efficiency improvements, but from the second quarter 2011 the market development turned out much more negative than expected in the 2010 impairment tests. In addition, REC Wafer experienced some problems in its cost and quality improvement initiatives during 2011. 2012 showed the same developments. All wafer production in Norway was discontinued, and on August 13, 2012 REC Wafer Norway AS filed for bankruptcy. At year-end 2011 and 2012 the market capitalization of REC ASA was still below the carrying amount of equity for the Group. The market value at December 31, 2012 may be negatively affected by the unresolved refinancing of the significant debt maturities in 2014, see note 17.

The estimated values in use of REC's operating assets are sensitive to changes in prices and other key assumptions. There is a risk that the price projections and cost and volume targets that are used in the impairment tests cannot be achieved. This can result in a further reduction of the estimated cash flows and thereby the estimated values in use. This risk is mainly related to market developments, cost, volume and reinvestment levels. On the cost side it includes risks related to achievement of improvements without investments that according to IAS 36 *Impairment of assets* cannot be included in the impairment tests, as well as the ability to reduce raw material cost significantly without reducing quality and reliability.

2012

REC Singapore cash-generating unit

In the second quarter 2012, property, plant and equipment (PPE) and intangibles related to the integrated wafers, cells and solar panels plant in Singapore (REC Singapore cash-generating unit) were written down by NOK 3.5 billion. During the second quarter, market participants, analysts and REC adjusted downward their expected future sales prices. The effect on estimated value in use of reduced future sales prices has to some extent been offset by reduction to estimated future costs, including costs for polysilicon and increase in estimated volume and efficiency. These changes were based on effects realized and future plans and expectations. At year end 2012 the value in use for the REC Singapore cash-generating unit is estimated to approximate the carrying value. The carrying value of PPE, intangibles and prepaid lease of this cash-generating unit is NOK 0.9 billion at December 31, 2012. In addition the carrying value of the cash-generating unit includes working capital (see note 5 for assets and liabilities for the REC Solar segment, of which REC Singapore cash-generating unit is the main part). At December 31, 2012, market participants, analysts and REC have further reduced their expected future sales prices. However, management has estimated conversion cost, including cost of polysilicon, to be reduced further and that the EBITDA-margin per watt in the terminal year is unchanged compared to the second quarter 2012 impairment test. Volume in the medium term is reduced compared to the second quarter test. As for the second quarter impairment test, management has estimated reduction to future costs, including costs for polysilicon and increase in estimated volume and efficiency compared to the 2012 results. These changes were based on effects realized and future plans and expectations.

Impairments in REC Singapore in 2012 include NOK 122 million impairment loss in REC Wafer Pte. for the remaining prepayments for Intellectual Property Rights purchased from REC Wafer Norway AS. This is eliminated on consolidation and has no net effect on the consolidated REC Group.

REC Silicon cash-generating unit

During the second quarter, market participants, analysts and REC adjusted downward their expected future sales prices. Due to reduction to current and estimated future sales prices, the estimated value in use of REC Silicon was significantly reduced compared to December 31, 2011, but at June 30, 2012 the estimated value in use of REC Silicon was still estimated to be in excess of the carrying value. In the second quarter 2012, impairment of NOK 53 million was recognized in REC Silicon, primarily related to a customer relationship intangible asset.

At the end of 2012 impairments were recognized for REC Silicon in the amount of NOK 2.9 billion. At December 31, 2012 current and estimated future sales prices for polysilicon and silicon gases have been further reduced compared to previous impairment tests. This, as well as increased discount rate, is the primary reason for reduction in estimated value in use compared to the previous tests. In connection with the preparation of the annual financial statements for 2012, it was evaluated the need for adding additional risk premium to the discount rate for REC Silicon, see note 4.2 (A), which had a significant effect on the impairment losses that were recognized. Long term future price development and supply and demand are difficult to predict in the current market environment, and there are different external views. Over time it is expected that prices at least must exceed cost of building new capacity. There are examples in the industry now that new capacity is not started up, planned new capacity is put on hold, and existing capacity is curtailed.

See note 5 for assets and liabilities for the REC Silicon segment, which is the same as the REC Silicon cash-generating unit.

Other operations
Impairments in Other in 2012 relates primarily to the close down of the Cell Lab in Silicon Valley (US), as well as corporate assets.

2011
In the second quarter 2011 the solar market experienced sudden and significant reductions in prices and demand. This market development led market participants, analysts and REC to change their longer term views and assumptions at that time. This especially related to a downward shift in expected future sales prices. The cost improvements had not been realized according to plan in REC Wafer Multi Norway and REC Wafer Mono. Some initiatives to further increase quality decreased expected future volume and increased cost for REC Wafer Multi Norway. In the second quarter 2011, REC also decided to temporarily shut down parts of the multi wafer production capacity and solar cell production in REC ScanCell. Consequently, REC recognized impairment charges of NOK 6.5 billion in the second quarter 2011. Of this, NOK 3.8 billion was REC Wafer Multi Norway, NOK 1 billion was REC Wafer Mono, NOK 1.4 billion was REC Singapore and NOK 0.4 billion was REC ScanCell.

In the third quarter 2011, further impairments of NOK 1.2 billion were recognized, primarily in REC Wafer Multi Norway due to the permanent closedown of parts of the production capacity, the further depressed wafer market and the uncertainties related to the continuing wafer operations in Norway. The value in use for the fixed assets of the ongoing operations in REC Wafer Multi Norway and REC Wafer Mono were estimated to zero.

At the end of the fourth quarter 2011 there was continued significant uncertainty of the future market developments. The fourth quarter showed improved demand, but prices continued to decline. REC and external sources estimated a further downward shift in future sales prices compared to the impairment tests for previous periods. This was the main reason for recognition of further impairment charges in the fourth quarter of NOK 2.5 billion, primarily in the REC Singapore operations.

The estimated value in use of the cash-generating unit REC Silicon was still estimated to be well above its carrying value and the impairments related to assets taken out of use.

The impairment charges in "Other" for 2011 are primarily related to a technology development agreement with SiGen for mono wafer cutting.

The fixed assets in the closed down operations in Norway are recognized at their estimated sales values, or zero if not determinable, and for a building under finance lease at its estimated sublease value.

Key assumptions and sensitivities
Key assumptions are defined as those to which the units' recoverable amounts are most sensitive. Key assumptions include future revenues (sales prices and volume), cost of the major inputs, conversion costs and efficiency and maintenance capital expenditures. In addition, future cash flows are sensitive to successful achievement of expected capacity of the equipment, successful implementation of technological innovations embedded in these assets and realization of expected future cost reductions and efficiency and quality improvements of the operations. Through tuning of equipment and processes, continuous process improvements, use of improved materials etc, efficiency and volume is expected to improve and unit costs decrease. The sales price decrease is also expected to decrease costs of input, including the cost for maintenance capital expenditure. Optimization of sourcing of input materials is also expected to contribute to cost reductions. Changes in key assumptions going forward will change the estimated recoverable amounts, and may change the conclusions reached at year-end 2012.

REC Silicon
Long term future price development and supply and demand are difficult to predict in the current market environment, and there are different external views. Over time it is expected that prices at least must exceed cost of building new capacity. There are examples in the industry now that new capacity is not started up, planned new capacity is put on hold, and existing capacity is curtailed. The spot prices for polysilicon are currently very low. In the year-end 2012 impairment test it is assumed a development with low prices in 2013 but with increase in prices over time and total average polysilicon prices for all qualities except powder and fines reaching USD 28.5 per kg (prime solar grade USD 26 per kg) in the forecast period (2017) and no growth in the terminal period. These prices are before risk adjustments. It is expected that electronic grade and silane gas contracts will be renewed with moderate price adjustments. Sales prices have been estimated using current market prices adjusted for anticipated changes in market dynamics relative to changes in supply and demand. Cash cost of production should over time serve as the pricing floor (assuming rationality among suppliers) and eventually, long-term prices should allow for reinvestment level economics. But with the large amount of idled capacity, it is realistic not to see any large-scale expansion in the nearest years. Where available, price assumptions have been aligned to average of estimates of selected external sources, which is primarily for solar grade polysilicon. Where relevant, provisions of contracts with customers for deliveries in future periods are reflected in estimates of pricing and volume. However, as the REC internal demand has decreased, REC Silicon is now more exposed to the spot market prices and demand.

Volumes included in the impairment analysis are full production capacities, with some exceptions. Production volumes are expected to increase, through improved utilization of the assets, especially for the granular polysilicon production (FBR), and improved market conditions. Increasing production volumes by optimizing plant asset utilization via a number of operational excellence initiatives, and achieving stable and reliable plant operations remain the most important factors to continue to drive down product cost. In the impairment test it is assumed a start up of plant 1 in Moses Lake during 2014. Furthermore, a strong cost focus on major cost items such as electricity, natural gas, Metallurgical Grade Silicon, professional services and labor is of high priority to further drive down costs.

Estimates of capital expenditure reflect management's best estimate of ongoing maintenance capital required to maintain existing operations. The terminal year capital expenditure has been evaluated and reinvestments are expected to be much lower than the most current major expansions.

Based on risks related to many of the key assumptions, REC management has included risk adjustments to the cash flows in addition to the discount rate. See Note 4.2 (A).

For REC Silicon an impairment charge was recognized in 2012. Therefore, any unfavorable change in any key assumption would cause the estimated recoverable amounts to decline further below carrying value. The estimated value in use is very sensitive to changes in key assumptions. Compared to the assumptions used, a change in the estimate for all years (except for capital expenditure) of one of the following key assumptions is estimated in the table below. The estimates are based on the assumptions used in the December 31, 2012 impairment test and translated from USD to NOK using December 31, 2012 exchange rate.

KEY ASSUMPTION (NOK IN MILLION)	CHANGE	ESTIMATED CHANGE IN IMPAIRMENT [1]
Post-tax discount rate	+/-1%	-650/+750
Sales prices	-/+5%	-/+1 300
Volume	-/+5%	-/+900
Net cash flow	-/+5%	-/+350
Capex in terminal year	+/-30%	-/+550

[1] Minus is estimated increase in impairment. Amounts are rounded to nearest fifty million due to the sensitivity in the numbers for only minor changes in some assumptions.

If significant changes to the business or significant trends should justify a change of management judgment to REC Silicon no longer being one cash-generating unit, significant additional impairment losses should be expected based on the year-end 2012 impairment test.

REC Singapore

The solar panel prices for REC Singapore are estimated based on a selection of external sources and aligned to internal estimates. However, the estimates from different sources vary considerably and do not cover the period of the impairment tests. Experience has also shown that market demand and prices can change rapidly and significantly and prices are also dependent on government incentives. Sales prices for solar panels have dropped considerably, starting in 2009.

Assuming continued oversupply, REC believes that solar panel prices will be predominantly cost driven, although some price variations are seen in the market between "branded" an "non branded" players. Due to the current market oversupply, prices in 2012 have declined below many producers' production cost. Mid-term this situation is expected to continue in 2013 but from 2014 onwards prices are expected to level out more. However, prices are still believed to be at the marginal producers' production cost. Management has estimated average solar panel sales prices in the terminal year to 48 Eurocents/Watt. This is based on references to selected external estimates, as for previous periods' tests.

Estimated conversion cost improvements included in the impairment test are built on the performance improvements observed, expected scale advantages and detailed action plans for the near term. Cash cost reductions are mainly driven by overall continuous operational improvements, implementation of a committed project, restructuring performed in 2012 and increase in volume. The significant sales price decreases are also expected to decrease costs of input, including maintenance capital expenditure. REC Singapore's production volumes are expected to increase year-by-year compared to 2012 to the terminal year through process improvements.

Maintaining the existing assets is expected to require less capital expenditure than the original investments. REC Singapore's current technology was new at the time of original investment and required a premium price and was made at a time of high capacity utilization by the vendors making them able to charge high prices. As the profitability of the solar industry falls, the industry is likely to pass on some of this burden to its suppliers. There has been and will be shift from suppliers in Europe to Asia. In Singapore REC invested in infrastructure of a size that can be utilized to serve more plants than REC currently has invested in, and this has made the investment higher than needed for the current plants. It is assumed a reinvestment rate on machinery and equipment of less than half of the original investments. Technical infrastructure is expected to be reinvested at 100 percent and the buildings are not expected to be reinvested.

For REC Singapore an impairment charge was recognized in 2012. Therefore, any unfavorable change in any key assumption would cause the estimated recoverable amounts to decline further below carrying value. The estimated value in use is very sensitive to changes in key assumptions, especially sales prices and conversion cost. Compared to the assumptions used, a key assumptions change in the estimate for all years of one of the following is estimated in the table below. The estimates are based on the assumptions used in the December 31, 2012 impairment test and translated from EUR to NOK using December 31, 2012 exchange rate.

KEY ASSUMPTION (NOK IN MILLION)	CHANGE	ESTIMATED CHANGE IN IMPAIRMENT [1]
Post-tax discount rate	+/-1%	-/+100
Sales price	-/+1 Eurocent/Watt	-/+600
Cash cost	+/-1 Eurocent/Watt	-/+550
Silicon cost (USD/Kg)	+/-1 USD/Kg	-/+200
Annual capex	+/-15 NOK million	-/+100

[1] Minus is estimated increase in impairment. Amounts are rounded to nearest fifty million due to the sensitivity in the numbers for only minor changes in some assumptions.

2011

REC Silicon

Sales prices for REC Silicon were expected to decrease significantly in 2012 compared to the average for 2011, largely due to expected weak end user markets, but then to pick up year-by-year in subsequent years but not to return to the average 2011 level. Sales prices were estimated using year-end 2011 market prices adjusted for anticipated changes in market dynamics relative to changes in supply and demand. Where relevant, provisions of contracts with customers for deliveries in future periods were reflected in estimates of pricing and volume. However, as the REC internal demand has decreased, REC Silicon is now more exposed to the spot market prices and demand. Volumes included in the impairment analysis were near full production capacities. Production volumes were expected to increase, through improved utilization of the assets, especially for the granular polysilicon production.

Estimates of capital expenditure reflected management's best estimate of ongoing maintenance capital required to maintain existing operations.

For REC Silicon, the estimated recoverable amount in excess of carrying amount at year-end 2011 was approximately 70 percent. Compared to the assumptions used, an unfavorable change in the estimate for all years of approximately eleven percent for prices, or fourteen percent for volume or six percentage-point for the post-tax discount rate would cause the estimated recoverable amount to be reduced to the carrying amount. Parts of the estimated cost improvements are dependent on high capacity utilization of the various production equipment.

REC Singapore and REC Wafer

The solar panel prices for REC Singapore and wafer prices for REC Wafer were estimated based on a selection of external sources. However, the estimates from different sources vary considerably and do not cover the period of the impairment tests. Experience has also shown that market demand and prices can change rapidly and significantly and prices are also dependent on government incentives. Sales prices for solar panels and wafers have dropped considerably, starting in 2009. Over time, the wafer sales prices are expected to follow somewhat the same price curve/ development as for solar panels.

REC Singapore

REC expected continuous price reductions for solar panels from 2012. Assuming continued oversupply, REC believed that solar panel prices would be predominantly cost driven, in line with external views.

Due to the market over supply, prices in 2011 declined below many producers' production cost. Mid-term this situation was expected to stabilize during 2013 and therefore prices were believed to level out more. Long term, prices were expected to decline year-on-year, but at a slower pace towards the end of the period.

Estimated conversion cost improvements included in the impairment test were built on the performance improvements observed, expected scale advantages and detailed action plans for the first years. The significant sales price decreases were also expected to decrease costs of input, including maintenance capital expenditure.

REC Singapore's production volumes were expected to increase somewhat compared to 2011 through process improvements. The business plan included some capital expenditure programs that increase performance that were excluded for these impairment tests. The financial implications of excluding these items, in addition to lower capital expenditure, were decreased volumes available for sale. This meant lower sales volume and lower margins (lower efficiency, less economies of scale) compared to the business plan assumptions.

Maintaining the existing assets was expected to require less capital expenditure than the original investments. REC Singapore's current technology is new and required a premium price and was made at a time of high capacity utilization by the capex vendors making them able to charge high prices. As the profitability of the solar industry falls, the industry is likely to pass on some of this burden to its suppliers. There will also be shift from suppliers in Europe to Asia. In Singapore REC invested in infrastructure of a size that can be utilized to serve more plants than REC currently has invested in, and this has made the investment higher than needed for the current plants. From 2016 it was assumed a reinvestment rate on machinery and equipment of half of the original investments. Technical infrastructure was expected to be reinvested at 100 percent and the buildings were not expected to be reinvested.

For REC Singapore an impairment charge was recognized at year-end 2011. Therefore, any unfavorable change in any key assumption would cause the estimated recoverable amounts to decline further below carrying value. The estimated value in use is very sensitive to changes in key assumptions. Based on the assumptions used in the 2011 impairment tests, one Eurocent/Watt reduction to solar panel prices or one Eurocent increase in total cash costs for all years would increase impairment by approximately NOK 0.7 billion. An increase in polysilicon price by one USD was estimated to have an effect of approximately NOK 0.2 billion. An increase in annual capital expenditure by NOK 15 million was estimated to have an effect of approximately NOK 0.15 billion. An increase in post-tax discount rate by one percentage point was estimated to have an effect of approximately NOK 0.4 billion.

REC Wafer

REC decided in the fourth quarter of 2011 to permanently close down the three oldest multi production lines, Herøya 1&2 and Glomfjord Multi. Furthermore, approximately 60 percent of the remaining multi production capacity had been temporarily closed.

In 2011, the spot sales prices for multicrystalline wafers declined by approximately 70 percent from the peak at the end of March 2011. The monocrystalline price development saw a similar trend. The spot prices at the end of 2011 were believed to be below the cash cost of the marginal producer, mainly due to the need to reduce high inventories throughout the value chain. During 2011 and in the beginning of 2012 most of REC Wafer's long-term sales contracts were terminated against settlement fees. Consequently, future sales would be based on the prevailing market prices for wafers either through spot sales or market based contracts.

REC expected that after the significant price reductions in 2011 and expected reduction of production capacity for wafers, the wafer prices would improve somewhat in the nearest years, followed by reductions in subsequent years.

The cost improvements for both REC Wafer Mono and Multi had been slower than planned. However, positive results had been realized at the end of the year by extensive improvement work, and quality had improved. Still, REC Wafer Mono and Multi plants had a weak cost position compared to the industry and needed to make significant further improvements to become competitive.

Estimated conversion cost improvements included in the impairment test were built on the performance improvements observed, expected scale advantages and detailed action plans for the first years. The significant sales price decreases were also expected to decrease costs of input, including maintenance capital expenditure.

Volume in 2012 was negatively affected for REC Wafer Multi Norway by the temporary closedown of production capacity. In the impairment test it was expected that production started up in full from the middle of 2012. Production volumes in subsequent years were expected to increase somewhat year-on-year due to process improvements. For REC Wafer Mono one of the key issues is to increase the productivity of the ovens through operational improvements and further implementation of the recharge process. This was expected to substantially improve the production output and correspondingly reduce the cost per unit. For REC Wafer Mono, the utilization of the new production equipment was still in an implementation phase, and volumes were expected to increase year-on-year.

For REC Wafer Multi and Mono, the capital expenditure in the terminal year was estimated based on the initial investment, useful life and an expectation of significant reduced prices on machinery and equipment (50 percent). Technical infrastructure was expected to be reinvested at 100 percent and the buildings were not expected to be reinvested.

The wafer market (multi and mono) had remained depressed with further price declines, and there were considerable uncertainties related to the ongoing operations of REC Wafer at year-end 2011. Consequently, the values in use for the fixed assets of the ongoing operations in REC Wafer Multi Norway and REC Wafer Mono were estimated to zero.

REC decided on March 20, 2012 to permanently close down REC Wafer Mono.

REC ScanCell and the closed down parts of the REC Wafer Multi Norway operations

The fixed assets in the closed down operations in Norway were recognized at their estimated sales values, if determinable, otherwise zero. A building under finance lease was recognized at its estimated sublease value.

08 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

INVESTMENTS IN ASSOCIATES

(NOK IN MILLION)	2012	2011
At January 1	74	174
Share of loss in associates	-3	-4
Impairment	0	-93
Share of loss of associates	-3	-97
Investment in associates	33	0
Elimination of internal profit	-3	0
Disposals	-1	0
Exchange differences	-5	-4
At December 31	95	74

Share of loss is after tax and non-controlling interest of associates, including fair value adjustments. The main investment in associates is Mainstream Energy Inc. located in California, USA. In April 2008, REC Solar AS acquired a 20 percent ownership interest/voting right in this company. The investment supports REC's ambition to take an active role in the building of robust and scalable market channels, and marked the entry in the increasingly important US market. Mainstream Energy conducts its operating 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 segment REC Solar).

In the third quarter 2012, REC Systems entered into an agreement to invest in an associate Sella Invest di ESB srl. & Co. sas (Sella) which was founded to develop solar roof-top projects in the north and middle Italy. REC Systems has a 20 percent ownership right and 33.7 percent interest in profit or loss.

REC recognized impairment on the shares of Mainstream Energy of NOK 93 million in 2011. The estimated recoverable amount was based on different scenarios of estimated future cash flows. The impairment was a result of the challenging market conditions and related reduction in expected margins for Mainstream Energy relative to previous estimates.

REC Wafer Norway AS owned 20 percent of the shares in Meløy Bedriftsservice AS. REC Wafer Norway AS was deconsolidated in August 2012.

INVESTMENTS IN JOINT VENTURES

At December 31, 2012 and 2011 the REC Group has ownership interests in two joint venture entities in the USA within the REC Systems area, of which one has activity in development of a project. 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. The aggregate amounts of financial statement items are shown in separate tables below. The net cash flow from financing activities reflects capital contributions to the entities by the REC Group.

Items from the statement of financial position

(NOK IN MILLION)	2012	2011
Non-current assets	19	25
Current assets	39	11
Total assets	58	35
Non-current liabilities	0	0
Current liabilities	1	1
Total liabilities	1	1

Items from the statement of income

(NOK IN MILLION)	2012	2011
Revenues	0	0
Operating expenses	-3	-7
Loss after income tax	-3	-7

Items from the statement of cash flow

(NOK IN MILLION)	2012	2011
Net cash flow from operating activities	-14	-13
Net cash flow from investing activities	0	-17
Net cash flow from financing activities	28	31
Net cash flow in the period	14	2
Cash and cash equivalents at January 1	2	0
Foreign currency effect on cash and cash equivalents	-1	0
Cash and cash equivalents at December 31	16	2

09 DISCONTINUED OPERATIONS

For the periods presented as of December 31, 2012, only external income and expense items of REC Wafer and the net gain on deconsolidation of REC Wafer are included as discontinued operations.

In the second quarter 2012, the remaining production in REC Wafer was closed down. REC Wafer filed for bankruptcy and has been deconsolidated from August 13, 2012. REC Wafer was a separate segment, and REC has evaluated that it fulfilled the requirements to be reported as discontinued operations. Most line items in the consolidated statement of income for continuing operations have been re-presented for previous periods. Discontinued operations remain consolidated in the consolidated financial statements for the period up to loss of control, with the internal transactions between continuing and discontinued operations being eliminated in the consolidation. As a consequence, only income and expense from external transactions of REC Wafer are re-presented as discontinued operations, as well as items included in the net gain on deconsolidation of REC Wafer. This means that the line items and results presented for discontinued operations will not represent the activities of the operations of REC Wafer as an individual entity or segment, because there has been significant trading between continuing and discontinued operations and due to the net gain. This re-presentation does not indicate the profits earned by continuing or discontinued operations, as if they were standalone entities, for past periods or likely to be earned in future periods.

All property, plant, equipment and intangible assets of REC Wafer were impaired at December 31, 2011. In the second and third quarter 2012 REC Wafer reversed some impairment. REC Wafer had recognized provisions for onerous contracts, restructuring, asset retirement obligations etc. and income from termination and settlement of wafer sales contracts, see note 20 and below.

ANALYSIS OF DISCONTINUED OPERATIONS CONSOLIDATED STATEMENT OF INCOME REC GROUP

(NOK IN MILLION)	REC GROUP TOTAL OPERATIONS 2012	OF WHICH DISCONTINUED OPERATIONS 2012	REC GROUP RE-PRESENTED 2012	REC GROUP TOTAL OPERATIONS 2011	OF WHICH DISCONTINUED OPERATIONS 2011	REC GROUP RE-PRESENTED 2011
Revenues	7 484	339	7 145	13 366	3 867	9 500
Cost of materials	-3 286	-205	-3 080	-5 835	-1 995	-3 840
Changes in inventories and writedowns	-723	-273	-450	85	-303	388
Employee benefit expenses	-1 285	-118	-1 167	-2 001	-723	-1 279
Other operating expenses	-2 397	-90	-2 307	-3 334	-670	-2 664
Other income and expenses[1]	123	-97	220	586	648	-62
Gains/losses on disposal of discontinued operations	812	812	NA	NA	NA	NA
EBITDA	728	368	360	2 867	824	2 043
Depreciation	-1 224	0	-1 224	-2 142	-402	-1 740
Amortization	-113	0	-113	-135	-14	-121
Impairment	-6 304	247	-6 550	-10 097	-5 807	-4 290
Total depreciation, amortization and impairment	-7 640	247	-7 887	-12 375	-6 224	-6 151
EBIT	-6 912	615	-7 528	-9 508	-5 400	-4 108
Share of profit/loss of associates	-3	0	-3	-97	0	-97
Financial income	50	0	50	51	0	50
Net financial expenses	-466	-26	-440	-693	-65	-628
Net currency gains/losses	-191	-6	-185	-7	-7	0
Net gains/losses derivatives and fair value hedge	488	5	483	108	92	16
Impairment and gain/loss on financial assets	29	0	29	1	0	1
Fair value adjustment convertible bond	-415	0	-415	841	0	841
Net financial items	-507	-27	-480	205	20	185
Profit/loss before tax	-7 419	588	-8 008	-9 303	-5 380	-3 923
Income tax expense/benefit	1 392	0	1 392	-726	-355	-372
Profit/loss from continuing operations	NA	NA	-6 615	NA	NA	-4 295
Profit/loss from discontinued operations	NA	588	588	NA	-5 735	-5 735
Profit/loss from total operations	-6 027	NA	-6 027	-10 030	NA	-10 030

Profit/loss attributable to:	TOTAL OPERATIONS	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS	TOTAL OPERATIONS	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS
Owners of REC ASA	-6 027	588	-6 615	-10 030	-5 735	-4 295
Earnings per share (in NOK)						
-basic	-3.65	0.36	-4.01	-7.47	-4.27	-3.20
-diluted	-3.65	0.36	-4.01	-7.46	-4.06	-3.40

[1] Specification of other income and expenses for discontinued operations

(NOK IN MILLION)	2012	2011
Restructuring cost and employee termination benefits	-161	-161
Onerous contracts	-750	-132
Other expenses	-7	-4
Other income (Wafer sales contract cancellation income)	821	945
Other income and expenses [2]	-97	648

[2] exluding net gain on disposal of discontinued operations.

Net gain on disposal of discontinued operations

Net gain on disposal of discontinued operations has been estimated to NOK 812 million for 2012. No tax has been calculated on the net gain. The net gain is related to derecognition of net liabilities in REC Wafer of NOK 1.241 million at August 13, 2012, partially offset by liabilities taken on by REC ASA in connection with the bankruptcy of REC Wafer and loss on receivables, preliminary estimated to total NOK 429 million. The liabilities taken on by REC ASA are primarily guarantees and indemnification agreements related to parts of the liabilities of REC Wafer. Consequently, these are still liabilities for the REC Group, and are presented as a reduction to the liabilities derecognized in REC Wafer.

The fair values of the guarantees and indemnification agreements are only preliminarily estimated. The values are subject to changes, and are among other things dependent on the ultimate dividends from REC Wafer and the financial performance of the REC Group. Parts may not be finally determined and paid before June 2017. Loan agreements have been established for an estimated NOK 246 million of the indemnification agreements, recognized as interest bearing liabilities (see note 17).

Embedded derivatives for discontinued operations

The amounts in the line "net gains/losses derivatives and fair value hedge" for discontinued operations are derivatives embedded in some of the wafer sales contracts with future sale of wafers in USD; the receipt of USD was accounted for as a derivative for future purchase of USD. Net gain on embedded derivatives for 2011 was primarily due to significant reduction in estimated future cash flows under the relevant contracts, but also due to increase in the USD forward exchange rates. During 2012 the estimated future contractual cash flows were reduced to zero due to termination of contracts and the decision to close down the remaining REC Wafer production in the second quarter 2012.

The major classes of assets and liabilities at time of deconsolidation of REC Wafer on August 13, 2012

(NOK IN MILLION)	
Non-current assets	299
Current assets excluding cash and cash equivalents	53
Cash and cash equivalents	74
Total assets	425
Non-current interest bearing liabilities (finance leases)	592
Other non-current liabilities (primarily provisions)	173
Current interest bearing liabilities (finance leases)	172
Other current liabilities (primarily provisions)	729
Total liabilities	1 666

Cash flows of discontinued operations, REC Wafer (internal and external)

The table below shows the cash flows of REC Wafer. It includes cash flows to and from other REC Group companies. REC Wafer was a member of the REC Group account systems (see note 14) up to the third quarter 2012. REC Wafer's assets or liabilities in the Group account systems are receivables or payables to REC ASA, and eliminated on consolidation. Consequently in the presentation of the table, REC Wafer only reports limited cash and cash equivalents and a net change in the Group account systems. Net cash flow from investing activities includes a cash outflow of NOK 74 million which is the cash and cash equivalents at the time of deconsolidation.

(NOK IN MILLION)	2012	2011
Net cash flows from operating activities	470	245
Net cash flows from investing activities	-94	-161
Net cash flows from financing activities	-386	-84
Net increase/decrease in cash and cash equivalents	-11	1
Cash and cash equivalents at beginning of the period	11	10
Cash and cash equivalents at the end of the period	0	11

10 RELATED PARTY TRANSACTIONS

The amounts below in NOK are calculated at average exchange rates for profit or loss items and at year-end exchange rates for items in the statement of financial position.

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 and are not reported as related party transactions in the consolidated financial statements for the REC Group.

PRINCIPLE SHAREHOLDER
The principle shareholder in REC ASA that had significant influence over the REC Group at year-end 2011 was Orkla ASA with an ownership interest of 39.7 percent. On September 26, 2012 Orkla ASA announced that it had reduced its ownership in REC ASA to 15.9 percent of the voting rights. Subsequent to this Orkla ASA has no longer significant influence in REC ASA, and is therefore no longer a related party.

For the first three months of 2011, up to the time the previous subsidiaries in the Elkem Group were sold by Orkla ASA, REC Silicon bought goods and services for NOK 15 million from companies of the Elkem Group. REC Wafer purchased services for NOK 3 million from Orkla ASA in 2011.

KEY MANAGEMENT COMPENSATION, SHAREHOLDINGS, LOANS ETC.
Group Management and Board of Directors' compensation, ownership of REC ASA shares and options, loan agreements and guarantees are shown in note 16.

ASSOCIATES
In April 2008, REC Solar AS acquired a 20 percent ownership interest in Mainstream Energy Inc. In 2012, the REC Solar segment sold solar panels for NOK 282 million to companies in the Mainstream Energy Inc. Group, and had net receivables of NOK 60 million at December 31, 2012. In 2011, REC Solar sold solar panels for NOK 367 million to, and made purchases for NOK 2 million from Mainstream Energy Inc. Group, and had net receivables of NOK 132 million at December 31, 2011.

In the third quarter 2012, REC Systems entered into an agreement to invest in an associate Sella Invest di ESB srl. & Co. sas (Sella) which was founded to develop solar roof-top projects in the north- and middle Italy. REC Systems has a 20 percent ownership right and 33.7 percent interest in profit or loss, and has committed to invest EUR 7.2 million in the company of which EUR 4.5 million was paid in 2012. REC Systems constructs PV systems and delivers solar panels to entities that become subsidiaries of Sella (Sella Group). REC Systems has in 2012 recognized revenues of NOK 164 million, and has unbilled amounts of construction contract revenues of NOK 55 million and payables of NOK 7 million to Sella Group at December 31, 2012

The Norwegian company Meløy Bedriftsservice AS, located at Glomfjord (Norway) was an associate of REC Wafer Norway AS. REC Wafer made purchases of NOK 1 million and received dividends of NOK 1 million from Meløy Bedriftsservice AS for the period in 2012 up to the bankruptcy in August. In 2011, REC Wafer made purchases of NOK 17 million from Meløy Bedriftsservice AS.

JOINTLY CONTROLLED ENTITIES
The REC Group contributed equity to a jointly controlled entity in the USA within the REC Systems area of NOK 28 million in 2012 and NOK 31 million in 2011.

11 DERIVATIVE FINANCIAL INSTRUMENTS

Fair values and carrying amounts

	2012		2011	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Foreign exchange forward and option contracts	63	11	310	108
Interest rate swaps	100	55	74	57
Option contracts	0	7	0	0
Embedded foreign exchange forward contracts	0	0	5	62
Total	162	72	389	228
- of which designated as hedging instruments [1]	83	0	61	0

[1] Hedging instruments are "pay floating-receive fixed" interest rate swaps of the two NOK bonds REC01 (swap of NOK 650 million) and REC03 (swap of NOK 700 million) designated as fair value hedges.

Option contracts are part of the indemnification agreements in connection with the REC Wafer Norway AS bankruptcy, and the estimated fair value is subject to change. The change in estimated fair value has been reported as part of the net gain on disposal of discontinued operations, see note 9.

Distribution of derivatives

	2012		2011	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Embedded derivatives, non-current	0	0	5	7
Other derivatives, non-current	100	55	74	86
Total non-current derivatives	100	55	79	94
Embedded derivatives, current	0	0	0	55
Other derivatives, current	63	17	310	79
Total current derivatives	63	17	310	134
Total derivatives	162	72	389	228

The REC Group uses financial derivatives primarily to reduce currency risk and interest rate 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.

See also note 3 for information on the REC Group's general policy for covering of currency risk and interest rate risk.

2012
Contractual cash flows in foreign exchange forward and option contracts at December 31, 2012

(CURRENCY IN MILLION)		2013 FX FORWARD
BOUGHT CURRENCY	SGD/USD	331
	SGD/EUR	62
	EUR/USD	10
SOLD CURRENCY	EUR/NOK	-103
	USD/NOK	-231

FX Forward is a foreign exchange forward contract. The table above shows contractual currency amounts by year of maturity. Positive (negative) amounts are the principal amount of the first currency mentioned bought (sold) forward with payment (receipt) of the second currency.

The table below shows the same contracts, but summarizes the future currency exposure in total for contractual cash flows in foreign exchange forward and options contracts at December 31, 2012. The EUR, SGD and USD currencies noted in the table above have spot rates to NOK of 7.34, 4.56 and 5.57 at December 31, 2012.

Future currency exposure, bought currency (+), sold currency (-) per year

(CURRENCY IN MILLION)	EUR 2013	SGD 2013	USD 2013
EUR/NOK	-103	0	0
EUR/USD	10	0	-13
USD/NOK	0	0	-231
SGD/EUR	-40	62	0
SGD/USD	0	331	-270
Total	-133	393	-514

At December 31, 2012 the REC Group had estimated net positive external future cash flows in EUR and USD and net negative cash flows in SGD. REC is hedging parts of these cash flows by entering into derivative transactions for sale of EUR/NOK and USD/NOK and purchase of SGD/USD, SGD/EUR and EUR/USD forward (FX Forward). In addition REC swaps currency exposure of interest bearing debt from NOK and EUR to USD by using FX Forward contracts. The REC Group does not use hedge accounting for the FX Forwards contracts.

Compared to December 31, 2011 REC ASA has decreased SGD, EUR and USD future contracts in accordance with currency forecasts and the finance policy. FX contracts have provided cash contribution of approximately NOK 639 million for 2012.

Fair value of foreign exchange forward and option contracts at December 31, 2012

(NOK IN MILLION)		2013 FX FORWARD
BOUGHT CURRENCY	SGD/USD	8
	SGD/EUR	-11
	EUR/USD	1
SOLD CURRENCY	EUR/NOK	26
	USD/NOK	27
Total		52

The table above shows a specification of fair values, equaling carrying amounts, at December 31, 2012 of currency derivatives distributed by year of maturity and currency. The main reason for the unrealized gains on FX Forwards at December 31, 2012 is the appreciation of NOK versus EUR and USD compared to the time the contracts were entered into.

Principal amounts and fair value of interest rate swaps at December 31, 2012

		PRINCIPAL AMOUNT (CURRENCY IN MILLION)	FAIR VALUE (NOK IN MILLION)
PAY FIXED RATE	USD (2014)	150	-31
	NOK (2021)	160	-18
	NOK (2013)	380	-3
	EUR (2013)	60	-3
RECEIVE FIXED RATE	NOK (2014)	650	20
	NOK (2018)	700	63
	EUR (2014)	60	17
Total			45

The table above shows contractual principle currency amounts in interest rate swaps and a specification of fair values, equaling carrying amounts, at December 31, 2012 distributed by year of maturity and currency. The interest rate swaps have one fixed interest rate against a floating interest rate and there are no other cash flows or principal amounts. The interest rate swaps of NOK 650 million and NOK 700 million, where REC is paying floating interest rate, are fair value hedges of the NOK bonds fixed interest rates. The remaining interest swaps are general interest hedging.

Embedded derivatives (discontinued operations)

Embedded derivatives were found in some contracts for future sales of wafers in USD. In 2012 the estimated future contractual cash flows were reduced to zero due to termination of contracts and the decision to close down the remaining REC Wafer production in the second quarter. In the third quarter REC Wafer was deconsolidated due to the bankruptcy. For description and information about REC's embedded derivatives, see notes 4.1(D) and 30.

HEDGING ACTIVITIES 2012

Fair value hedging

REC ASA issued a NOK 1,250 million (REC01) 11 percent fixed rate bond in the third quarter 2009, with maturity in September 2014. The 11 percent fixed rate consists of a five year fixed interest plus a credit spread of 6.9 percent. At the same time, REC ASA entered into interest rate swaps to convert the fixed interest rate to a (six months) floating NIBOR rate. In April 2011, REC ASA issued two new senior unsecured bonds in the Norwegian market, NOK 500 million (REC02) and NOK 700 million (REC03) with five and seven year tenors respectively. As part of the bond offering, REC bought back NOK 600 million of the existing REC01 bond. REC ASA entered into interest rate swaps to convert the fixed interest rate of REC03 to a (six months) floating NIBOR rate. The fixed rate bonds REC01 of NOK 650 million remaining and REC03 of NOK 700 million in combinations with fixed-to-floating interest rate swaps, with matching terms and conditions as the bonds, have been designated as fair value hedge relationships.

The fair value of the interest rate derivatives at December 31, 2012 designated and effective as hedge instruments was a gain of NOK 83 million excluding accumulated interest, and a loss of NOK 84 million on the bonds.

2011

Contractual cash flows in foreign exchange forward contracts at December 31, 2011

(CURRENCY IN MILLION)		2012 FX FORWARD	2013 FX FORWARD
BOUGHT CURRENCY	SGD/NOK	375	0
	SGD/USD	60	135
	USD/NOK	60	0
SOLD CURRENCY	EUR/NOK	-675	0
	EUR/USD	-15	0
	USD/NOK	-440	0

FX Forward is a foreign exchange forward contract. The table above shows contractual currency amounts by year of maturity. Positive (negative) amounts are the principal amount of the first currency mentioned bought (sold) forward with payment (receipt) of the second currency. The EUR, SGD and USD currencies noted in the table above have spot rates to NOK of 7.75, 4.61 and 5.99 at December 31, 2011.

The table below shows the same contracts, but summarizes the future currency exposure in total for contractual cash flows in foreign exchange forward contracts at year end 2011 for EUR, SGD and USD.

Contractual cash flows in foreign exchange forward contracts at December 31, 2011

	FUTURE CURRENCY EXPOSURE, BOUGHT CURRENCY (+), SOLD CURRENCY (-) PER YEAR					
	EUR		SGD		USD	
(CURRENCY IN MILLION)	2012	2013	2012	2013	2012	2013
USD/EUR	-15	0	0	0	20	0
EUR/NOK	-675	0	0	0	0	0
USD/NOK	0	0	0	0	-380	0
SGD/NOK	0	0	375	0	0	0
SGD/USD	0	0	60	135	-46	-110
Total	-690	0	435	135	-406	-110

For currency exposure, the REC Group is exposed to net positive future operating cash flows in EUR and USD and net negative cash flows in SGD. The REC Group is hedging these cash flows by entering into derivative transactions for sale of EUR/NOK, EUR/USD and USD/NOK and purchase of SGD/NOK and SGD/USD forward (FX Forward). The REC Group does not use hedge accounting for the FX Forwards contracts. Compared to December 31, 2010 the REC Group has terminated the SEK forward contracts and increased USD, EUR and SGD forward contracts in accordance with currency forecasts and the finance policy. Renewing FX hedges that are maturing has given cash contribution throughout the year 2011 of NOK 573 million.

Fair values of foreign exchange forward contracts at December 31, 2011

(NOK IN MILLION)		2012 FX FORWARD	2013 FX FORWARD
BOUGHT CURRENCY	SGD/NOK	13	0
	SGD/USD	2	-30
	USD/NOK	11	0
SOLD CURRENCY	EUR/NOK	229	0
	EUR/USD	5	0
	USD/NOK	-28	0
Total		231	-30

The table above shows a specification of fair values, equaling carrying amounts, at December 31, 2011 of currency derivatives distributed by year of maturity and currency. The main reason for the unrealized gains on FX Forwards at December 31, 2011 is the appreciation of NOK versus EUR compared to the time the contracts were entered into.

Principal amounts and fair values of interest rate swaps at December 31, 2011

		PRINCIPAL AMOUNT (CURRENCY IN MILLION)	FAIR VALUE (NOK IN MILLION)
PAY FIXED RATE	USD (2014)	100	-42
	NOK (2021)	160	-12
	NOK (2013)	380	-1
	EUR (2013)	60	-1
RECEIVE FIXED RATE	NOK (2014)	650	19
	NOK (2018)	700	42
	EUR (2014)	60	13
Total			17

The table above shows contractual principle currency amounts in interest rate swaps and a specification of fair values, equaling carrying amounts, at December 31, 2011 distributed by year of maturity and currency. The interest rate swaps have one fixed interest rate against a floating interest rate and there are no other cash flows or principal amounts. The interest rate swaps of NOK 650 million and 700 million, where REC ASA is paying floating interest rate, are fair value hedges of the REC01 and REC03 NOK bonds' fixed rates. The remaining interest swaps are general interest hedging.

Estimated contractual cash flows in embedded foreign exchange forward contracts at December 31, 2011 (relates to REC Wafer, discontinued operation)

(USD IN MILLION)	TOTAL	2012	2013	2014	2015
Total contract value [1]	**232**	122	66	23	22

[1] Represents the estimated total contract values for sales of wafers in USD to customers that do not have USD as their functional currency and USD is not regarded as commonly used currency in the countries of the purchasers or seller (see note 4.1(D)).

REC Wafer had entered into sales contracts in USD which is not in the functional currency of either of the contracting parties and USD is not regarded as commonly used currency in the countries of the purchasers or seller. 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 measured at fair value (embedded derivatives) with changes in fair values recognized to profit or loss. The reasons for entering into the sales contracts in USD were partially requests by customers and to provide economic hedges of future purchases of polysilicon in USD in line with REC's finance policy at that time.

These wafer sales contracts state future cash flows, with some limited adjustment mechanisms. However, REC Wafer experienced that some contracts had not been complied with, renegotiated or terminated. If it was probable that a customer would not honor the contract based on individual assessment, REC made downward adjustment of the estimated future cash flows. The cash flows in some contracts that were disputed by the customers were reduced to the amount of any bank guarantee or zero. Future cash flows at December 31, 2011 were decreased compared to the cash flows estimated at December 31, 2010.

HEDGING ACTIVITIES 2011

Fair value hedging

The fair value hedge relations in 2011 were the same as described above for 2012.

The fair value of the interest rate derivatives at December 31, 2011 designated and effective as hedge instruments was a gain of NOK 61 million excluding accumulated interest, and a loss of NOK 61 million on the bonds.

12 DETAILS RECEIVABLES, CONSTRUCTION CONTRACTS IN PROGRESS AND GOVERNMENT GRANT ASSET

Trade and other receivables

(NOK IN MILLION)	2012	2011
Trade receivables and accrued revenues [1]	1 399	2 145
Provision for loss on trade receivables	-63	-9
Trade receivables - net	1 336	2 136
Prepaid costs	60	87
VAT and other public taxes and duties receivables	30	102
Government grant current receivables	143	116
Other current receivables	151	111
Total trade and other recievables	1 720	2 553

[1] Includes work in progress on construction contracts to be invoiced

Specification of provision for loss on trade receivables

(NOK IN MILLION)	2012	2011
At January 1	-9	-102
Change in provision for loss	-57	92
Exchange difference	3	1
At December 31	-63	-9
Realized loss on trade receivables	-13	-127
- of which transfered to discontinued operations	0	119
Change in provision	-57	92
- of which transfered to discontinued operations	0	-92
Loss on trade receivables in the statement of income	-70	-8

The provisions for loss on receivables are based on individual assessments of receivables. The provisions are made to arrive at the best estimate of the amounts recoverable of the receivables, taking into consideration security, probabilities for different outcomes and inherent risk in legal proceedings. The provisions for losses at year-end 2012 were primarily related to two customers. Due to the difficult market situation, credit risk is generally regarded as increased at December 31, 2012 compared to the end of 2011. The increased provision is based on individual assessments, but is also a reflection of an increased credit risk.

In 2012, relatively limited losses on trade receivables have been realized for continuing operations and the losses have been related to only a few customers, and the REC Group has limited past history to recognize provisions for loss on accounts receivables. It is a risk that the REC Group by the assessments of individual receivables and customers is not able to identify and make provision for losses before they are realized.

In addition to loss on trade receivables, in 2012 losses were also realized on loans and receivables related to the REC Wafer bankruptcy, and reported as a part of the net gains/losses on disposal of discontinued operations.

On an ongoing basis the REC Group, based on individual evaluation of the customers and the amounts receivables outstanding, has recognized provisions for losses on receivables. However, the REC Group has experienced that an increasing percentage of the customers are overdue in settling the amounts owed. Many companies in the solar industry are struggling with their liquidity due to the difficult market conditions. The management evaluates that the credit risk is increased at December 31, 2012 compared to December 31, 2011. During the year, a number of companies have announced that they are under financial distress or have filed for bankruptcy. The REC Group has also experienced this in 2012 through the bankruptcy of its subsidiary REC Wafer Norway AS.

The actual outcomes may differ from the estimates (see also notes 3 and 30).

Construction contracts in progress at year-end

(NOK IN MILLION)	2012	2011
Value of work performed on uncompleted construction contracts	161	0
Invoiced amount on uncompleted construction contracts	-106	0
Work in progress on uncompleted constructions contracts to be invoiced	55	0
Trade receivables from uncompleted construction contracts	0	0
Recoverable on uncompleted construction contracts	55	0
Advances from customers on uncompleted construction contracts	7	0

Construction contract revenues amounted to NOK 199 million for 2012 and NOK 785 million for 2011. At December 31, 2011 there were no construction contracts in progress.

The percentage of completion method is used to determine the contract revenue recognized in the period. The stage of completion of a contract in progress is determined by weighting the progress of a number of work phases in the project, each having a predefined weight considering complexity and time components.

Other non-current receivables etc.

(NOK IN MILLION)	2012	2011
Government grant non-current receivables	77	42
Financing receivables	60	140
Prepaid cost non-current	0	119
Other non-current receivables	24	29
Shares availabe-for-sale	0	6
Total other non-current receivables etc.	161	335

Government grant asset non-current

(NOK IN MILLION)	2012	2011
Government grant asset non-current	675	756

See note 21 for description of REC Silicon's Advanced Energy Manufacturing Tax Credit grant (AEMTC grant). The vehicle for receiving benefits under this program is a credit claimed on the US-company's annual tax return. The estimated present value of the future reduction to income tax payments is reported as government grant asset with NOK 675 million (USD 121 million) at December 31, 2012 and NOK 756 million (USD 126 million) at December 31, 2011. As it is not a contractual right to receive cash or another financial asset it is not regarded as a financial asset as defined in IAS 32 *Financial Instruments: Presentation*. The discount rates used are US government rates, reflecting the credit risk of the government. The estimated present value is reduced in 2012 due to change in the estimated timing of the future reduction to income tax payments, partially offset by a decrease in government interest rate.

13 INVENTORIES

The REC Group is integrated in the value chain, and REC entities sell goods to each other. 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.

Total cost of materials and change in inventories and writedowns in the statement of income

(NOK IN MILLION)	2012	2011
Raw materials	-1 056	-909
Other material cost	-2 024	-2 932
Change in goods in progress	68	-104
Change in finished goods	337	852
Writedown of inventories	-854	-359
Total cost of materials and changes in inventories and writedowns	-3 530	-3 452

The amounts for 2011 are re-presented for discontinued operations, see note 9.

There is no remaining unrealized internal profit in the statement of financial position at December 31, 2012. At December 31, 2011 elimination of unrealized internal profits reduced the inventory values compared to the sum of the segment values by NOK 80 million.

Inventory and allocation of writedowns in the statement of financial position at December 31

	2012			2011		
(NOK IN MILLION)	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS	BEFORE WRITEDOWNS	WRITEDOWNS	AFTER WRITEDOWNS
Stock of materials, merchandise, production supplies	285	-3	282	655	-97	558
Spare parts	286	-42	244	630	-180	450
Work in progress	299	-16	283	246	-5	241
Finished goods	604	-96	509	1 303	-169	1 133
Total	1 475	-157	1 318	2 834	-451	2 383

Inventories have been written down to estimated net realizable values. Prices of finished products have decreased significantly during both years presented. At the end of 2012, spare parts with net carrying values of NOK 105 million were reclassified to property, plant and equipment. Some of these were previously written down. The decisions in 2011 to close down the cell production and parts of the wafer production in Norway contributed to the main part of the write downs of stock of materials and spare parts at December 31, 2011.

Below is shown a reconciliation of the change in write downs of inventories in the statement of financial position. The amounts reported as writedowns in the statement of income and as realized are affected by the frequency of the valuation and reporting of inventories and writedowns. Generally, inventory valuation is performed each month, and this increases the gross amounts reported as writedowns in the statement of income and as realized. Realization of write downs in a period may have to be estimated as this may not be generated by the inventory system. In addition comes any additional losses on inventories sold. Inventories that have been sold at a loss (compared to the valuation at the end of the previous month or produced and sold during the same month) will be included in other line items and not as writedowns of inventories in the statement of income. Writedowns of inventories in the statement of income and realized writedowns are also affected by elimination of unrealized internal profits on consolidation, of which parts are recognized as a reduction to writedowns made by the separate entities, based on estimates of internal profits and how much has been realized in the periods.

Writedowns of inventories

(NOK IN MILLION)	2012	2011
Writedowns of inventories January 1 (statement of financial position)	-451	-59
Additional writedowns during the year from continuing operations (statement of income)	-854	-359
Additional writedowns during the year from discontinued operations (statement of income)	-236	-579
Realization of written down inventories	1 367	554
Translation difference	17	-7
Writedowns of inventories at December 31 (statement of financial position)	-157	-451

The deconsolidation of REC Wafer is included in realization of written down inventories with more than NOK 300 million in the third quarter 2012.

14 CASH AND CASH EQUIVALENTS

(NOK IN MILLION)	2012	2011
Group account systems (cash pools)	209	1 411
Other bank deposits	1 714	185
Total cash and cash equivalents	1 923	1 596

Cash and cash equivalents are primarily short term placements, the net external amounts in the group account systems and money market funds.

The REC Group uses multi currency group bank account systems to coordinate liquidity use of subsidiaries. Under these agreements, REC ASA is the Group account holder, whereas other REC companies are participants and hold a position only against REC ASA. The banks can offset overdrafts against deposits, so that the net position represents the net balance between the bank and REC ASA. The Group account systems include overdraft facilities of in total NOK 350 million at December 31, 2012 and 2011.

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 Wafer Norway AS (not at December 31, 2012) and REC ScanCell AS. At December 31, 2012, the guarantee amount was NOK 7 million (NOK 60 million at December 31, 2011).

15 SHAREHOLDER INFORMATION

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

	2012		2011	
NAME OF SHAREHOLDERS	NO. OF SHARES	OWNERSHIP	NO. OF SHARES	OWNERSHIP
Orkla ASA	329 569 968	15.59%	396 236 635	39.74%
Umoe AS	201 163 877	9.52%	21 532 090	2.16%
Skandinaviska Enskilda Banken AB	160 761 110	7.61%	0	0
Canica AS	76 666 666	3.63%	0	0
Verdipapirfondet DNB Nordic Technology	73 462 635	3.48%	17 230 104	1.73%
Folketrygdfondet	44 706 736	2.11%	28 175 871	2.83%
Skandinaviska Enskilda Banken (Nominee)	42 802 601	2.02%	14 567 211	1.46%
Bank of New York Mellon SA/NV (Nominee)	33 124 225	1.57%	17 117 998	1.72%
Caceis Bank Luxembourg	30 814 649	1.46%	1 777 930	0.18%
Verdipapirfondet DNB Norge	24 810 603	1.17%	4 689 859	0.47%
Skagen Kon-Tiki	23 110 218	1.09%	0	0
Verdipapirfondet DNB SMB	21 387 776	1.01%	4 250 000	0.43%

The list of shareholdings above is based on the VPS shareholder register as per December 31, 2012. Actual shareholding may deviate through use of nominee accounts, share lending, forward contracts or other contractual arrangement. The company is informed that Umoe AS at December 31, 2012 in addition has 55 million shares held on a forward contract (see note 16).

At December 31, 2012, REC ASA had 28,350 shareholders (29,251 at December 31, 2011). The total number of outstanding shares at December 31, 2012 was 2,113,818,785 (997,152,118 at December 31, 2011) each with a par value of NOK 1.

An Extraordinary General Meeting on July 27, 2012 approved an issue of new shares raising gross proceeds of NOK 1,300 million through a private placement and a subsequent offering of up to NOK 375 million. The private placement was paid and registered at the end of July. The subsequent offering was oversubscribed, and was paid and registered in the first half of September. A total number of 1,116,666,667 shares were issued at a price of NOK 1.50 each.

At the Annual General Meeting on May 22, 2012, the Board was authorized to resolve to raise one or more convertible loans or loans with warrants to be used for carrying out investments and acquisitions in line with the Company's strategy and/or providing the Company with financial flexibility. The sum of the loans principal amount shall not exceed NOK 4,985,000,000 and the share capital increase shall not exceed NOK 99,700,000 representing about ten percent of the share capital at that time. The Board is authorized to waive existing shareholders' pre-emptive rights to subscribe for loans and shares. The authorization is valid until the 2013 Annual General Meeting, but in any event not later than 15 months from when the authorization was given.

At the Annual General Meeting on May 22, 2012, the Board was 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 objectives of the authorization are specified to increase return to the shareholders by cancellation of shares, the fulfillment of the Company's obligation under the share purchase program for the employees, and in connection with the Company's share option program. The Board's purchase of shares under this mandate can be exercised between a minimum price of NOK 1 per share and a maximum of NOK 250 per share. The shares shall be acquired through ordinary purchase at the stock exchange. The authorization is valid until the next Annual General Meeting in 2013 or until withdrawal by a decision of the General Meeting by simple majority, but in any event not longer than 15 months from when the authorization was given.

At the Annual General Meeting on May 22, 2012, the Board was authorized to increase the share capital by up to NOK 99,700,000 through one or more increases in the share capital to be used for carrying out investments, acquisitions and mergers and/or for providing the Company with financial flexibility. Shares may be issued for contribution in form of cash or by transfer of other assets (contribution in kind). The Board is authorized to waive existing shareholders' pre-emptive rights to subscribe for shares. The authorization is valid until the 2013 Annual General Meeting, but in any event not later than 15 months from when the authorization was given.

At the extraordinary General Meeting on June 5, 2009 the Board was authorized to raise one or more convertible loans in order to ensure financial flexibility, including in connection with capital expenditures and/or mergers and acquisitions. The share capital increase should not exceed NOK 60 million. The Board was authorized to waive the pre-emptive rights of existing shareholders. The authorization was used by issuance of a convertible bond of EUR 320 million in October 2009. The bond may through conversion from the bond holders result in an increase of the share capital of NOK 70.8 million provided that no further adjustments of the conversion price takes place. The conversion price is EUR 4.50 per share. Further reference is made to note 17.

16 COMPENSATION TO THE MANAGEMENT AND BOARD OF DIRECTORS, LOANS AND SHAREHOLDINGS

According to the Norwegian Public Limited Liability 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 Liability 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 be approved by the General Meeting.

Salary and other compensation to the Company's Board of Directors and leading employees for 2012 and 2011 are described below. In regards to determination of salary and other compensation for leading employees for the 2013 fiscal year, the Board of Directors will propose guidelines to the Annual General Meeting (AGM) 2013 that include factors mentioned below.

The competencies, performance and dedication of the Company's 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 incentivize future strong performance, world class operations capabilities, and practice of REC's core values. Compensation packages should be put together to support this.

Fixed base salary levels are determined locally and reflect local market average levels for corresponding positions and qualifications in relevant businesses.

Performance bonuses are considered and provided for selected individuals whose achievement of performance objectives can be measured through clearly defined results parameters/KPIs. Results parameters/KPIs include both financial performance targets for REC Group/business segments as well as individual performance targets tied to the individual's area of responsibility. Some of these KPIs are directly linked towards HSE/safety indicators.

REC offers supplementary pension and personnel insurance schemes to employees in accordance with local standards for similar companies. Effective January 1, 2010, certain specific changes were made in the pension and personnel insurance arrangements for all Norwegian employees. The new schemes include a contribution plan for retirement benefits. Employees at January 1, 2010 that according to calculations are expected to earn less retirement pension funds in the new contribution plan compared to a paid up policy at the age of 67 in the previous defined benefit pension plan, are entitled to compensation (see note 19). REC offers an additional supplementary pension and personnel insurance scheme to Norwegian employees with fixed base salary level above 12 G.

In addition to the above mentioned compensation components, REC offers a car allowance/company car, phone coverage and a limited number of other benefits to selected employees (see further below).

In addition to fixed base salary and performance bonus, REC's compensation plan for 2011 included REC share options from REC's share option program for executives, key leaders and employees. The share option program was initiated in 2008. It is structured in such a way that potential individual profits from the aggregate of all REC option programs during any one year are limited to 1-1.5 years fixed base salary (2 years fixed base salary for members of Group Management). The profit cap varies by participant categories and is defined individually. See note 32. There will be an annual allocation subject to the Board of Directors' approval for each year. The Board of Directors will ask the AGM for approval of the guidelines for allocations and authorizations for issuing shares to support each year's program.

The Board decided not to implement a new long term incentive program in 2012, but has instead focused on retention to secure key employees and competence in the period to come.

To secure access to critical services in a very turbulent and uncertain period for the company, the Board at the turn of the year 2011/12 offered stay on agreements to selected employees that entitle them to 12 months base salary if they are not under notice per December 31, 2013, see below.

Compensation of the Group Management for 2012

(AMOUNTS IN NOK (IF NOT OTHERWISE STATED))

NAME	BASE SALARY	BONUS EARNED AND MAX %	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Ole Enger	5 272 352	1 500 000	493 783	464 841	226 872
President and CEO		100%			
John Andersen Jr. (To November 1, 2012)	2 907 509	1 940 897	2 177 535	426 273	139 978
EVP and COO		60%			
Alessandro Perotta (From March 1, 2012)	2 545 028	0	0	50 028	796 957
EVP Wafers, Cells & Modules		60%			
Tore Torvund	3 173 383	555 248	346 353	342 366	1 461 267
EVP Silicon		60%			
Bjørn Brenna (To November 30, 2012)	2 311 680	0	-1 141 144	401 114	197 709
EVP and CFO		50%			
Kjell Christian Bjørnsen (From December 1, 2012)	137 500	27 500	3 126	8 874	5 523
EVP and CFO		50%			
Øyvind Hasaas	2 045 850	326 025	270 294	363 181	61 476
EVP HR and Org. Development		50%			
Kristine Ryssdal (To February 29, 2012)	234 752	0	0	115 500	30 595
SVP & CLO		50%			
Florian Krumbacher (From March 1, 2012)	1 413 698	266 667	13 372	174 589	122 481
SVP & CLO		50%			
Mikkel Tørud (From December 1, 2012)	129 167	25 833	8 251	12 763	5 906
SVP IR & Business Development		50%			
Total 2012	20 170 919	4 642 170	2 171 570	2 359 530	3 048 764

Compensation of the Group Management for 2011

(AMOUNTS IN NOK (IF NOT OTHERWISE STATED))

NAME	BASE SALARY	BONUS EARNED AND MAX%	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Ole Enger	5 096 105	1 065 000	197 985	348 739	215 833
President and CEO		100%			
John Andersen Jr.	3 021 616	550 000	49 723	422 911	187 513
EVP and COO		60%			
Erik Sauar (to September 30, 2011)	1 567 502	247 500	-892 025	177 261	64 882
SVP and CTO		50%			
Tore Torvund	2 675 049	764 582	208 111	329 631	2 036 716
EVP		60%			
Bjørn Brenna	2 434 817	440 000	-31 993	357 034	197 630
EVP and CFO		50%			
Øyvind Hasaas	1 959 411	330 000	70 334	302 242	43 543
EVP		40%			
Kristine Ryssdal	1 892 518	0	-780 789	288 002	169 843
SVP & CLO		50%			
Total 2011	18 647 018	3 397 082	-1 178 654	2 225 820	2 915 960

All amounts are exclusive of social security tax. Compensation in foreign currencies has been translated to NOK at average exchange rates for the relevant years, except for bonuses which are calculated at year-end rates. All amounts include payments and benefits from REC ASA and subsidiaries to the Group Management. There were no payments and benefits from REC companies for services outside the function as Group Management. Øyvind Hasaas has received parts of his compensation from REC ASA and parts from REC Site Services Pte. Ltd. The share based payment is offered from REC ASA.

Changes to the Group Management in 2012: SVP & CLO Kristine Ryssdal resigned and was employed until April 30, 2012 but has not been a part of Group Management from February 29, 2012. Mr. Florian Krumbacher was appointed SVP & CLO and member of Group Management effective March 1, 2012. Mr. Alessandro Perrotta was appointed EVP Wafers, Cells & Modules and has been a member of Group Management from March 1, 2012. Mr. Alessandro Perrotta gave notice of resignation at the end of 2012, and is not a part of Group Management with effect from February 1, 2013. Mr. John Andersen Jr. resigned from his position as EVP Wafer, Cells & Modules with effect from March 1, 2012, but continued to be a part of Group Management as EVP & Group COO until November 1, 2012. Mr. Andersen is employed until June 30, 2013 and will receive severance payment for up to six months subsequent to this. EVP & CFO Bjørn Brenna resigned and was employed until December 31, 2012 but has not been a part of Group Management from November 30, 2012. Kjell Christian Bjørnsen was appointed EVP & CFO and Mikkel Tørud as SVP IR & Business Development, both effective December 1, 2012.

Changes to the Group Management in 2011: Erik Sauar resigned as CTO effective September 30, 2011 and has since then not been a member of the Group Management. He has continued as a part time strategic advisor and technology reviewer in many of the most important technology projects in REC.

The guidelines for 2012 for determination of salary and other compensations for leading employees have been as outlined above. The only changes in the compensation agreements for leading employees during 2012 are adjustments of the amounts, as shown in the tables above, and the changes in the composition of the Group Management, and the fact that no long term incentive program was issued in 2012 – this has in previous years been a share option program.

The amounts in the tables are for months being part of Group Management for persons that have taken a position during the relevant year and those that have left the Group Management but still are employed by the company for some time after leaving Group Management. For those that left the Group Management in 2012 this is relevant for John Andersen Jr., Kristine Ryssdal and Bjørn Brenna. For 2011 this is relevant for Erik Sauar. For persons that left the Group Management and the company at the same time, the amounts include all earned taxable remuneration and earned bonus during the year. For 2011 and 2012 this is not relevant.

Base salary in the tables above represents the amounts, including holiday pay that has been paid in the year (and for those that have stepped out of the Group Management and also terminated employment at the same time it also includes holiday pay earned and paid in the year). Fixed base salary is normally adjusted at January 1. During 2012, Tore Torvund's International Assignment contract was replaced by a local employment contract. This increased base salary and decreased other benefits and allowances which is not fully reflected in the table for 2012.

The bonuses are annual performance bonuses that are not to exceed the stated percentage of fixed base salary, except for John Andersen Jr. in 2012. John Andersen Jr. earned a retention bonus in 2012 of NOK 1,509,417 for fulfilling the main responsibilities and goals set in the employment termination agreement. The amounts in the tables 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 requires that the employee has not resigned at the relevant year-end. The bonus consists of a part related to the REC Group's or relevant segment's financial performance and a part related to individual targets. The financial part is between 20% and 50% of the total maximum bonus. 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 attract and retain the right talent and to award and incentivize outstanding, value-creating performance. The stay on bonuses described above and below were not earned at December 31, 2012 or 2011 and are consequently not included in the tables above.

In 2008, a REC share option program was established. The share option program is further described above and in note 32, 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 periods, and the amounts shown in the preceding tables are the amounts expensed in the relevant year. The amounts expensed for 2012 and 2011 have been reduced due the extension of the expected vesting periods from three to six years, see note 32. Negative amounts for share based payment in the tables represent forfeitures of options upon termination of employment, except for Bjørn Brenna in 2011. John Andersen Jr. kept the total share options he had been awarded, with total potential profit limited to 2 years fixed base salary at time of end of employment at REC. The amount in the table above for John Andersen Jr. for 2012 is the remaining estimated fair values at allocation that had not been expensed at December 31, 2011.

The amounts in the tables for pension benefits include for defined benefit obligations the relevant year's earning of benefits including interest on the balance, change in accumulated benefit obligation for the year for Mr. Enger's individual plan, and the expense (premiums) for the year for defined contribution plans. See note 19 for further description of the plans.

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 payments are not included because earned bonus is reported separately. Øyvind Hasaas has received commuting housing allowance in 2012 and 2011, which are not taxable benefits and not included in the tables.

Mr. Andersen Jr. is entitled to a severance payment equal to six months of his salary, starting from July 1, 2013 in accordance with his employment contact. Any amount in excess of this that he receives from another employer will be deducted from the balance. In addition he receives remuneration according to his employment contract in the normal notice period of six months starting from January 1, 2013, without the obligation to perform services for REC.

Ms. Ryssdal, Mr. Brenna and Mr. Sauar were entitled to severance payments if their contracts were terminated by REC. No payments were made under these contracts.

Tommy Kristensen (employee representative in the Board of Directors) had a stay-on agreement that entitled him to NOK 160.000 if he stayed with the company until April 1, 2012.

The following other members of the Group Management and Board of Directors have arrangements that at December 31, 2012 entitle them to special benefits if the employment is terminated, beyond the normal notice period of six months.

Mr. Enger's previous employment contract was to be automatically terminated at the time he reaches the age of 65 years (March 2013), this has been prolonged to July 14, 2014. In the event that Mr. Enger'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. Torvund'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. Hasaas's, Mr. Tørud's, Mr. Krumbacher's or Mr. Bjørnsen's contracts are terminated by REC, they are entitled to a severance payment equal to six months of their salaries. Any amount in excess of this that they receive from another employer will be deducted from the balance.

In addition to the above, Mr. Torvund, Mr. Hasaas, Mr Bjørnsen, Mr. Krumbacher, Mr. Tørud and Silje Johnsen (employee representative in the Board of Directors) have signed stay-on agreements that entitle them to 12 months base salary if they are not under notice per December 31, 2013. They will also be entitled to 12 months base salary if REC terminates their employment without cause or due to reasons relating to the company before this date. The amounts will be proportionally reduced in the case of absence for more than two months.

No other members of the Group Management and 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 2012

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Bjørn Wiggen (To May 22, 2012) [1]	425 000	50 000
Jens Ulltveit-Moe (From May 22, 2012)	0	0
Tore Schiøtz (To May 22, 2012)	250 000	50 000
Peter Arne Ruzicka (From May 22, 2012)	0	0
Odd Christopher Hansen	250 000	50 000
Hilde Myrberg (To May 22, 2012) [1]	250 000	0
Svein Tore Holsether (To May 22, 2012) [1]	275 000	50000
Bernt Reitan (To May 22, 2012)	250 000	0
Mimi Kristine Berdal	250 000	0
Heléne Vibbleus Bergquist	250 000	50 000
Total period May 25, 2011 – May 22, 2012	2 200 000	250 000

[1] Amounts paid to the company they are employed with.

Compensation of the Board of Directors paid in 2011

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Bjørn Wiggen/Dag Opedal [1) 2)]	425 000	50 000
Tore Schiøtz	250 000	50 000
Odd Christopher Hansen	250 000	50 000
Hilde Myrberg [1)]	250 000	50 000
Svein Tore Holsether/Roar Engeland [1) 3)]	250 000	50 000
Bernt Reitan	250 000	50 000
Susanne Munch Thore (To May 25, 2011)[1)]	250 000	50 000
Heléne Vibbleus Bergquist	250 000	50 000
Total period May 19, 2010 – May 25, 2011	2 175 000	400 000

1) Compensation paid to the companies in which they are employed.
2) Dag Opedal was Chairman to March 9, 2011, and was replaced by Bjørn Wiggen.
3) Roar Engeland was member to March 9, 2011, and replaced by Svein Tore Holsether.

Compensation of employee elected Board members paid in 2012

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Tommy Kristensen (To May 18, 2012)	250 000	0
Rolf B. Nilsen [1)]	250 000	50 000
Silje Johnsen	250 000	0
Hans Ødegård [2)]	250 000	0
Total period May 25, 2011 – May 22, 2012	1 000 000	50 000

1) Left the Board on June 30, 2012.
2) Left the Board on July 31, 2012.

Compensation of employee elected Board members paid in 2011

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Tommy Kristensen	250 000	0
Rolf B. Nilsen	250 000	50 000
Anders Langerød (To May 25, 2011)	250 000	0
Unni Iren Kristiansen (To May 25, 2011) [1)]	226 712	50 000
Silje Johnsen (From May 25, 2011) [1)]	23 288	0
Total period May 19, 2010 – May 25, 2011	1 000 000	100 000

1) Silje Johnsen was deputy for Unni Iren Kristiansen.

The amounts in the tables represent the amounts that were paid in 2012 and 2011, respectively and that were approved by the AGM as compensation for the periods between the AGMs. Compensation of the Board of Directors for the period May 22, 2012 to May 3, 2013, will be decided by the AGM on May 3, 2013.

Committees are: Audit Committee, Compensation Committee (not 2012) and Corporate Governance Committee (not 2012).

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

Ordinary salary etc. for employee elected Board members in2012

(AMOUNTS IN NOK)

NAME	SALARY PAID	BONUS EARNED	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Tommy Kristensen (To May 18, 2012)	255 936	160 000	-14 473	5 312
Rolf B. Nilsen (To June 30, 2012)	360 600	0	13 920	6 488
Silje Johnsen	952 060	47 119	100 554	19 276
Hans Ødegård (To July 31, 2012)	368 773	0	17 702	6 046
Total 2012	1 937 369	207 119	117 703	37 122

The negative amount for pension benefits for Tommy Kristensen relates to amounts in the compensation plan calculated at December 31, 2011 but was not earned and not paid out at the time of termination of employment (see note 19 for description of the compensation plan).

Ordinary salary etc. for employee elected Board members in 2011

(AMOUNTS IN NOK)

NAME	SALARY PAID	BONUS EARNED	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Tommy Kristensen	396 466	0	32 790	9 763
Rolf B. Nilsen	417 090	3 241	21 753	4 000
Anders Langerød (To May 25, 2011)	194 573	833	6 540	0
Unni Iren Kristiansen (To May 25, 2011)	229 356	22 997	33 592	5 960
Silje Johnsen (From May 25, 2011)	540 576	73 509	44 261	9 157
Hans Ødegård (From May 25, 2011)	259 841	167	13 138	2 333
Total 2011	2 037 901	100 748	152 075	31 214

Amounts for employee elected Board members are calculated for the period of being a member of the Board.

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

This information for the Group Management and Board of Directors relates to those that were members at the relevant points in time.

At December 31, 2012 and 2011 there were no outstanding loans or guarantees to members of Group Management, Board members or shareholders or their closely related parties, except the loan to a previous employee of NOK 0.5 million. Furthermore, the company has purchased bank guarantees for the unfunded defined benefit obligations and stay-on bonuses. These guarantees are for all relevant employees.

No Board member or other shareholders than mentioned above, including their closely related parties had any loans or guarantees at the relevant periods in time.

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, 2012 or 2011.

	OPTIONS		SHARES	
NAME	**2012**	2011	**2012**	2011
Ole Enger	**1 546 399**	1 546 399	**82 941**	32 941
John Andersen Jr. (To November 1, 2012)	**NA**	1 174 718	**NA**	292 798
Tore Torvund	**1 129 353**	1 129 353	**31 486**	16 486
Bjørn Brenna (shares also through RBBR Invest AS) (To November 30, 2012)	**NA**	1 034 251	**NA**	85 511
Øyvind Hasaas	**782 125**	782 125	**11 065**	6 065
Kristine Ryssdal (To February 29, 2012)	**NA**	0	**NA**	3 085
Florian Krumbacher (From March 1, 2012)	**130 402**	NA	**4 086**	NA
Alessandro Perotta (From March 1, 2012)	**0**	NA	**0**	NA
Kjell Christian Bjørnsen (From December 1, 2012)	**172 773**	NA	**6 003**	NA
Mikkel Tørud (From December 1, 2012)	**260 328**	NA	**8 666**	NA
Jens Ulltveit-Moe (shares also through Umoe AS and KAPUM AS) (From May 22, 2012) [1)]	**0**	NA	**256 212 862**	NA
Peter Arne Ruzicka (Shares through Ventotene Invest AS) (From May 22, 2012)	**0**	NA	**1 032 590**	NA
Odd Christopher Hansen	**0**	0	**900 000**	100 000
Heléne Vibbleus Bergquist	**0**	0	**0**	0
Mimi Kristine Berdal	**0**	0	**120 000**	0
Tore Schiøtz (shares through Granhaug Industrier AS) (To May 22, 2012)	**NA**	0	**NA**	558 017
Bernt Reitan (shares through Bekerei AS) (To May 22, 2012)	**NA**	0	**NA**	30 000
Svein Tore Holsether (To May 22, 2012)	**NA**	0	**NA**	15 000
Rolf B. Nilsen (To July 31, 2012)	**NA**	0	**NA**	1 681
Silje Johnsen	**0**	0	**8 569**	3 569

[1)] Includes 55 million shares held on a forward contract.

Details of options outstanding at December 31, 2012

		2011 PROGRAM		2010 PROGRAM		2009 PROGRAM		2008 PROGRAM	
NAME	TOTAL NUMBER DEC 31, 2012	NUMBER	STRIKE PRICE	NUMBER	STRIKE PRICE	NUMBER	STRIKE PRICE	NUMBER	STRIKE PRICE
Ole Enger	1 546 399	757 898	10.09	565 446	15.32	223 055	37.69	0	NA
Øyvind Hasaas	782 125	421 298	10.09	233 533	15.32	106 250	32.69	21 045	97.00
Tore Torvund	1 129 353	508 564	10.09	478 685	15.32	142 104	32.69	0	NA
Kjell Christian Bjørnsen	172 773	101 512	10.09	71 260	15.32	0	NA	0	NA
Florian Krumbacher	130 402	130 402	10.09	0	NA	0	NA	0	NA
Mikkel Tørud	260 328	124 583	10.09	92 948	15.32	32 994	32.69	9 803	97.00

Refer to the description above and note 32 for details of the share option program. In 2012 and 2011, according to the terms and conditions of the programs the strike price and number of options were adjusted to compensate for the dilutive effects of the share issues in 2012, 2010 and 2009.

17 BORROWINGS

Financial liabilities, interest bearing

(NOK IN MILLION)	2012	2011
Non-current financial liabilities, interest bearing		
Bank borrowings (REC ASA)	0	2 035
NOK Bond (REC ASA)	1 934	1 912
Up-front loan fees etc. (amortized as part of effective interest)	-16	-16
EUR convertible bond (REC ASA)	1 597	1 315
Indemnification loans (REC ASA)	246	0
Finance lease liabilities (REC Wafer and REC ScanCell)	0	868
Total non-current financial liabilities, interest bearing	3 760	6 113
Current financial liabilities, interest bearing		
Current portions of finance lease liabilities (REC Wafer and REC ScanCell)	0	186
Up-front loan fees etc. (amortized as part of effective interest)	-29	-27
Total current financial liabilities, interest bearing	-29	159
Total financial liabilities, interest bearing	3 731	6 272

On May 25, 2010 REC signed a new bank credit and guarantee facilities agreement of NOK 10 billion. On March 16, 2011 REC cancelled and repaid the NOK 1.3 billion loans from Eksportfinans. On March 31, 2011 REC cancelled NOK 1.4 billion of the NOK 10 billion bank credit and guarantee facilities agreement leaving almost NOK 8.6 billion as a revolving credit facility.

On March 20, 2012 REC signed an amendment to the bank loan agreement to improve the covenant path and exclude costs from EBITDA in the covenant calculation related to the closedown of production capacity in Norway. The facility amount was reduced from NOK 8.6 billion to NOK 4.0 billion.

On July 24, 2012 a NOK 2.0 billion revolving credit facility with maturity in April 2014 was signed, and the old revolving credit facility was repaid and settled on August 10. No amounts have been drawn under the new revolving credit facility at December 31, 2012.

In connection with the REC Wafer Norway AS bankruptcy (see note 9) REC ASA took on some liabilities, and some loan commitments (indemnification loans and credit facilities) have been established maximized to NOK 246 million.

No finance leases are remaining at December 31, 2012 due to the deconsolidation of REC Wafer Norway AS in connection with the bankruptcy on August 13 (finance lease liabilities of NOK 764 million) and termination and settlement of the finance lease in REC ScanCell AS in September 2012 (finance lease liabilities of NOK 180 million).

In April 2011, REC ASA issued new senior unsecured bonds in the Norwegian market; NOK 500 million (REC02) and NOK 700 million (REC03) with five and seven year tenors respectively. As part of the bond offering, REC bought back NOK 600 million of the existing NOK 1,250 million bond (REC01) for a total of NOK 660 million. The primary purpose of the transactions was to extend the company's debt maturity profile.

In October 2009, REC ASA issued a EUR 320 million convertible bond. The subordinated unsecured convertible bond has an annual coupon of 6.50 percent, payable quarterly in arrears on the specified payment dates. At issue it had a conversion price of EUR 6.49 per share that was adjusted to EUR 5.40 per share due to the dilution effect of the rights issue in May 2010 and further to EUR 4.52 per share due to the dilution effect of the 2012 share issues. The convertible bond was issued and will be redeemed at 100 percent of its principal amount and will, unless previously redeemed, converted or purchased and cancelled, mature on June 4, 2014. REC has the right to convert the bond into ordinary shares at any time on or after January 4, 2013, provided that the value of the underlying shares on the Oslo Stock Exchange (translated into EUR) on at least twenty trading days within a period of thirty consecutive trading days has exceeded 150 percent of the principal amount of the outstanding bond.

At December 31, 2012 the bank credit facilities (the revolving credit facility and indemnification loans) contain financial covenants and other restrictions. Neither the senior NOK bonds nor the convertible EUR bond contains financial covenants. However, there are cross default clauses between all the loan agreements above certain threshold amounts. The calculations of financial covenants have certain adjustments compared to the reported IFRS numbers. See note 3 for information on the main covenants in the new bank credit facilities. At December 31, 2012, REC complied with all financial covenants and other restrictions in the loan agreements.

According to REC's finance policy, REC shall at all times maintain financial ratios within the limits defined in the loan agreements of REC ASA and subsidiaries, and take the necessary measures that are available to avoid financial distress. Taking into account the market volatility and the risk related to future cash flow, REC is according to its finance policy targeting an average maturity on the debt portfolio above 3 years. At December 31, 2012 the average maturity is approximately 2.4 (approximately 2.7 at December 31, 2011). REC evaluates opportunities to increase debt maturity on an ongoing basis.

The bank borrowings and the Norwegian bonds are all senior debt while the convertible bond of EUR 320 million is subordinated. All the bonds and bank credit facilities agreements have negative pledge clauses with certain threshold amounts. The loans and credit facilities, except for the subordinated convertible bond of EUR 320 million and finance leases and indemnification loans, are guaranteed by REC ASA and material subsidiaries (see note R to the annual financial statements of REC ASA).

The following are the contractual maturities of financial liabilities including estimated interest

AT DECEMBER 31, 2012 (NOK IN MILLION)	CARRYING AMOUNT	TOTAL EXPECTED PAYMENTS	MATURITY ANALYSIS – CONTRACTUAL PAYMENTS TO BE MADE 2013	2014	2015	2016	2017	2018
Bank borrowings (REC ASA)	0	58	38	19	0	0	0	0
NOK Bonds (REC ASA)	1 934	2 365	143	793	83	568	52	726
Up-front loan fees [1]	- 46	0	0	0	0	0	0	0
Indemnification loans (REC ASA)	246	282	9	54	8	8	203	0
EUR convertible bond (REC ASA)	1 597	2 604	153	2 451	0	0	0	0
Total	3 731	5 307	343	3 317	91	575	255	726

[1] Amortized as part of effective interest.

AT DECEMBER 31, 2011 (NOK IN MILLION)	CARRYING AMOUNT	TOTAL EXPECTED PAYMENTS	MATURITY ANALYSIS – CONTRACTUAL PAYMENTS TO BE MADE 2012	2013	2014	2015	2016	AFTER 2016
Bank borrowings (REC ASA)	2 035	2 134	70	2 064	0	0	0	0
NOK Bonds (REC ASA)	1 912	2 560	161	161	792	96	571	779
Up-front loan fees [1]	- 43	0	0	0	0	0	0	0
EUR convertible bond (REC ASA)	1 315	2 871	161	161	2 548	0	0	0
Finance lease liabilities (REC Wafer and REC ScanCell)	1 054	1 252	237	222	193	175	151	274
Total	6 272	8 818	629	2 609	3 534	271	722	1 053

[1] Amortized as part of effective interest.

The fixed interest rate NOK bonds REC01 and REC03 are effectively swapped to variable 6 months NIBOR plus margins on the loans that were established at the time of the bond offerings. The margins are 6.9 percent in REC01 and 5.25 percent in REC03. The swapped variable interest rate was 9.08 percent for REC01 and 7.32 percent for REC03 at December 31, 2012. At December 31, 2011 the swapped variable interest rate was 10.08 percent for REC01 and 8.44 percent for REC03. Due to the effective fair value hedge of the fixed interest, the net interest rate reported in the statement of income is the variable rate. In the maturity analysis tables the fixed interest rates of 11 percent for REC01 and 9.75 percent for REC03 are used. The indemnification loans are related to the REC Wafer Norway AS bankruptcy (see note 9). These are loan commitments with the estimated indemnification amounts reported as interest bearing liabilities. The indemnification amounts have been preliminary estimated but the loan amounts have not been drawn and interest not started to accrue at December 31, 2012.

The differences between carrying amount and total expected payments in the tables above represent primarily discounting. Interest payments are estimated using the interest rates at December 31, 2012 and 2011, respectively. Commitment fees on undrawn amounts under the credit facilities are calculated using the commitment fee margins at the respective year-ends, and are included as payment of interest for bank borrowings. All cash flows are undiscounted. Amounts in other currencies than NOK are translated at the exchange rates at December 31, 2012 and 2011, respectively.

Bank borrowings in REC ASA are revolving credit facilities. Under the total credit facilities, REC ASA may draw and repay amounts drawn at intervals of three, six or twelve months, at REC ASA's choice. The amounts at December 31, 2011 were drawn at three month intervals. However, the contractual payments in the tables above are based on the contractual repayment dates of the tranches as described above.

The nominal interest rates and currency distribution (notional amounts) at December 31, 2012 were as follows

	INTEREST RATE (%)		CURRENCY	AMOUNTS IN MILLION CURRENCY	BORROWER
NOK Bond REC01	11.0	Fixed	NOK	650	REC ASA
NOK Bond REC02	6.2	Variable	NOK	500	REC ASA
NOK Bond REC03	9.8	Fixed	NOK	700	REC ASA
EUR convertible bond	6.5	Fixed	EUR	320	REC ASA
Indemnification loans	3.8	Variable	NOK	246	REC ASA

The nominal interest rates and currency distribution (notional amounts) at December 31, 2011 were as follows

	INTEREST RATE (%)		CURRENCY	AMOUNTS IN MILLION CURRENCY	BORROWER
Bank borrowings	2.8	Variable	EUR	2	REC ASA
Bank borrowings	1.7	Variable	USD	337	REC ASA
NOK Bond REC01	11.0	Fixed	NOK	650	REC ASA
NOK Bond REC02	7.3	Variable	NOK	500	REC ASA
NOK Bond REC03	9.8	Fixed	NOK	700	REC ASA
EUR convertible bond	6.5	Fixed	EUR	320	REC ASA
Finance leases	6.7	Fixed	NOK	193	REC ScanCell
Finance leases	3.4 - 11.1	Fixed	NOK	861	REC Wafer

Interest rates on bank borrowings consist of interbank rates (three, six or twelve months) plus a margin. The margin is determined for three months at the time based on the ratio of net debt to EBITDA. In addition REC ASA has to pay commitment fees for undrawn amounts under the bank credit facilities and has already paid up-front loan fees etc. The commitment fees also vary based on the ratio of net debt to EBITDA. Consequently, the effective interest rates for most borrowings are higher than the nominal interest rates. The NOK bonds REC01 and REC03 are effectively swapped to variable 6 months NIBOR plus margins (see above for interest rates including margins). Interest on the floating rate NOK bond (REC02) is determined every three months and based on the NIBOR rate plus a fixed margin of 4.35 percent.

Total undrawn revolving bank credit facilities were NOK 2.0 billion at December 31, 2012 and NOK 6.5 billion at December 31, 2011. This does not include NOK 350 million overdraft facility in the Group account systems. At December 31, 2012 the revolving credit facility is maturing in April 2014.

18 INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

The tables showing amounts from the statement of income have been re-presented for discontinued operations, see note 9.

Recognized income tax expense

(NOK IN MILLION)	**2012**	2011
Current income tax expense (-) / benefit (+)	**-2**	234
Deferred tax expense (-) / benefit (+)	**1 395**	-606
Total income tax expense (-) / benefit (+) in the statement of income from continuing operations	**1 392**	-372

Current income tax expense/benefit includes benefits of NOK 6 million for 2012 and NOK 68 million for 2011 as adjustments of prior periods. Deferred tax expense/benefit include benefits of NOK 4 million for 2012 and expenses of NOK 94 million for 2011, as adjustments of prior periods. Current income tax benefits for 2011 relate primarily to reclaiming of previously paid income tax in REC Silicon and a reclassification. The reclassification in 2011 is to change in deferred tax assets as REC ASA provided group contribution to subsidiaries to utilize tax losses and consequently did not pay the current tax expense and liability recognized in 2010.

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

(NOK IN MILLION)	2012	2011
Profit/loss before tax from continuing operations	-8 008	-3 923
Tax calculated at domestic tax rates applicable to profits /losses in the respective countries	2 065	454
Effects of changes in tax rates and use of another tax rate for parts of profits /losses	30	44
Tax credits, expenses deductible only for tax, and income not subject to tax	7	1 800
Results not taxable (Singapore)	-728	-673
Expenses not deductible for tax purposes	-86	-3
Effects of not recognized deferred tax assets, including reversal of previous years'	96	-1 942
Results from associated companies	-1	-27
Adjustment of prior year's income taxes	10	-26
Total income tax expense (-) / benefit (+) in the statement of income from continuing operations	1 392	-372
Effective tax rate	17%	-9%

Income tax benefits for 2012 are primarily reduction in deferred tax liabilities in REC Silicon due to the losses for the year (including impairment, excluding parts of goodwill) and calculation of deferred tax on the fair value adjustment of the convertible bond. In 2011, deferred tax assets were not recognized in Norway on tax losses carried forward or on other net tax reducing temporary differences. Also for 2012 no tax has been calculated on the results of the Norwegian operations. Deferred tax assets have not been recognized on the losses in REC Solar.

The tax expense for 2011 is affected by non-recognition of deferred tax assets, marginal tax effects in Singapore and estimated 36 percent effective tax rate on profits of REC Silicon in the USA. Deferred tax assets have to a limited degree been recognized on the impairment charges. Also, as a consequence of losses and reduced expectations to future profits in Norway, net deferred tax assets have not been recognized and previously recognized deferred tax assets have been reversed in 2011.

The income tax calculation for the REC Group is primarily based on corporate income tax rates of 28 percent in Norway, 36 percent in the USA, 17 percent in Singapore, and above 30 percent in a number of other European countries.

The line item in the table above "effects of changes in tax rates and use of another tax rate for parts of profits /losses" is primarily related to change in estimated tax rate for REC Silicon in the USA due to allocation of income between the states, and calculation of deferred tax on unrealized internal profits on inventories based on the tax rate used for the entity holding the inventory compared to 28 percent tax rate.

The line item "tax credits, expenses deductible only for tax and income not subject to tax" for 2011 is primarily realized losses on some of REC ASA's loans to Norwegian subsidiaries, giving rise to an estimated tax benefit of NOK 1,799 million. The losses were realized before the Norwegian tax law was changed on October 16, 2011.

A 17 percent tax rate has been applied for profit or loss items related to Singapore in the table in the line item "tax calculated at domestic tax rates applicable to profits/losses in the respective countries". However, only limited income tax has been recognized on the losses and on unrealized internal profits on inventories in the Singapore operations, due to a tax exempt period. This explains the main part of the amounts in the line item "results not taxable (Singapore)". For 2011 it also includes a deferred tax benefit of approximately NOK 70 million. In 2010 this was estimated to be unreversed deferred tax liabilities on fixed assets at the end of the tax-free period. The amount for 2011 is a reversal of the amount from 2010 due to the significant impairment of fixed assets in 2011. In addition, a deferred tax benefit of NOK 63 million was recognized in 2011 as a reversal of the deferred tax liability recognized at year-end 2010 on prepaid royalties from the Singapore operations to REC Wafer in Norway.

"Expenses not deductible" for 2012 are primarily parts of REC Silicon's impairment of goodwill.

Net deferred tax assets were not recognized in Norway in 2011, which is the main effect in the line item "effects of not recognized deferred tax assets, including reversal of previous years'".

The line item "adjustment of prior year's income taxes" for 2012 relates primarily to REC Systems in Germany and for 2011 primarily to REC Silicon in the USA.

The income tax for REC Silicon in the USA is based on nominal 35 percent federal tax rate plus estimated blended state taxes. The effective tax rate for REC Silicon in the USA was 34.3 percent on losses in 2012 and 36 percent on profits in 2011. The reduced effective tax rate is due to parts of the impairment of goodwill being not deductible.

Income tax assets and liabilities in the statement of financial position

(NOK IN MILLION)	2012	2011
Current tax assets	26	70
Current tax liabilities	1	29
Net current tax assets (+) / liabilities (-)	25	41
Deferred tax assets	8	5
Deferred tax liabilities	969	2 518
Net deferred tax assets (+) / liabilities (-)	-960	-2 512

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

(NOK IN MILLION)	2012	2011
Deferred tax assets		
Deferred tax assets to be recovered after 12 months	921	695
Deferred tax assets to be recovered within 12 months	65	149
Offset deferred tax assets and liabilities	-977	-839
Total	8	5
Deferred tax liabilities		
Deferred tax liabilities to be settled after 12 months	1 911	3 250
Deferred tax liabilities to be settled within 12 months	35	106
Offset deferred tax assets and liabilities	-977	-839
Total	969	2 518
Net deferred tax liabilities	-960	-2 512

Tax losses and tax credits carried forward are presented as deferred tax assets to be recovered after 12 months in the table above.

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2011

		RECOGNIZED IN INCOME				
(NOK IN MILLION)	BALANCE JAN 1, 2011	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2011
Total non-current assets	-2 014	-772	25	0	-95	-2 856
Total current assets	-18	55	2	0	3	43
Total non-current liabilities	25	-237	-45	-12	0	-269
Total current liabilities	-87	153	-62	0	1	5
Tax losses and tax credits carry-forward recognized	625	195	-275	0	18	564
Total	-1 468	-605	-355	-12	-73	-2 512

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2012

(NOK IN MILLION)	BALANCE JAN 1, 2012	RECOGNIZED IN INCOME CONTINUING OPERATIONS	RECOGNIZED IN INCOME DISCONTINUED OPERATIONS	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2012
Total non-current assets	-2 856	1 056	0	0	195	-1 605
Total current assets	43	-16	0	0	-5	23
Total non-current liabilities	-269	124	0	16	-3	-132
Total current liabilities	5	3	0	0	-1	7
Tax losses and tax credits carry-forward recognized [1)]	564	228	0	0	-45	747
Total	-2 512	1 395	0	16	142	-960

* Tax losses and tax credits carry-forward recognized at December 31, 2012 relates to REC Silicon in the USA.

Total accumulated income taxes recognized to other comprehensive income and equity excluding translation differences on deferred tax (minus is reduction to equity) at December 31

(NOK IN MILLION)	2012	2011
Effect of transition to IAS 39 at January 1, 2005	14	14
Effect of actuarial gains and losses	-13	-13
Effect of conversion of convertible bonds	-371	-371
Effect of costs for capital increase	51	51
Effect of translation differences on loans as part of net investment	24	9
Effect of cash flow hedge	0	0
Total deferred tax	-294	-309
Current tax - effect of costs for capital increase	80	80
Total	-214	-230

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

(NOK IN MILLION)	2012	2011
Total non-current assets	93	1514
Total current assets	0	88
Total non-current liabilities	7	63
Total current liabilities	0	88
Tax losses carry forward - not recognized	1 657	2043
Total	1 758	3 796

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

(NOK IN MILLION)	2012	2011
REC ASA and its subsidiaries in Norway	1 731	3 766
Other	27	30
Total	1 758	3 796

Tax losses carried forward and other deferred tax assets are not recognized due to requirements in IAS 12 for convincing evidence of future profits. There is no expiry date for tax losses in Norway. The reduction in deferred tax assets not recognized during 2012 is primarily due to the disposal of REC Wafer Norway AS.

At December 31, 2012 and 2011, accumulated undistributed earnings for REC ASA's ownership share in the REC Silicon Group in the USA were approximately USD 342 million and USD 768 million, respectively. A 15 percent withholding tax would apply on any dividends paid from the USA. No deferred tax liability has been recognized for this (see notes 2.16 and 4.1 (A)).

19 RETIREMENT BENEFIT OBLIGATIONS AND EXPENSES

The cost of defined pension benefit plans is expensed over the period that the employee renders services and becomes eligible to receive benefits. Cost for contribution plans are expensed as contributions are paid or payable.

REC has pension plans primarily for its employees in Norway (defined benefit and contribution plans), USA (defined benefit and contribution plans) and Singapore (contribution plan).

The Norwegian plans were changed from 2010, and now include a contribution plan for retirement benefits with annual contributions of five to eight percent of fixed base salary up to 12 G (the G-amount at December 31, 2012 was NOK 82,122 (NOK 79,216 in 2011)). The plans also include pension insurance for some disability, spouse and children pension rights. In addition, employees at January 1, 2010 that according to calculations are expected to earn less retirement pension funds in this contribution plan compared to a paid up policy at 67 years old in the previous defined benefit pension plan are entitled to compensation. This compensation plan is a defined benefit plan. The compensation is earned as a percentage of fixed base salary as service are rendered after January 1, 2010 and is contingent on the individual employee being older than a specified age in case of termination of employment. It varies according to age, years of employment after January 1, 2010 and between employees. No rights to payments were earned at January 1, 2010. The REC Group has an additional defined benefit pension plan for Norwegian employees with salaries over 12 G. The plan provides a contribution of 15 percent of fixed 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 or at termination of employment. A few individual pension plans also exist.

The Norwegian entities participate in a defined benefit multi-employer early retirement plan (AFP NHO). For this plan the administrator is not able to calculate the REC Group's share of assets and liabilities and this plan is consequently accounted for as a defined contribution plan. Contributions to this plan of NOK 3 million were included as pension expenses for 2012 (NOK 7 million in 2011). The reduction is due to the closedown of activities in Norway. The Norwegian AFP NHO plan was changed in 2010 with effect from 2011. The close of the old AFP NHO plan requires all member companies to pay premiums per employee to 2015 regardless of the actual number of early retirees in the company. At December 31, 2012 REC had no employees left in the old AFP NHO plan.

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 (contribution plan). The REC Silicon subsidiary ASiMI in the USA had defined benefit plans at the time it was acquired by REC 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 and are fully vested.

REC companies in Singapore pay contributions to the Central Provident Fund (CPF), which is a comprehensive social security savings plan. Working Singaporeans and their employers make monthly contributions to the CPF at contribution rates set by the CPF Board.

For defined benefit plans the plan assets and the projected benefit obligations (net present value of pension benefits earned at the measurement date based on expected pension qualifying income at the time of retirement) were measured at December 31, 2012 and 2011. Independent actuaries performed actuarial calculations. The present value of the projected defined benefit obligation, and the related current service cost, were measured using the projected unit credit method. For the Norwegian defined benefit plans, the discount rate has been estimated based on the interest rate on Norwegian government bonds. The assumptions 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. Expected future turnover is affected by historical observations and expectations of the future. The future turnover assumption in Norway was decreased at the end of 2012 after being increased at the end of 2011. For the defined benefit plan in REC ASiMI in the USA the discount rate is calculated based on the CitiGroup Pension Discount Curve.

Defined benefit plans

(NOK IN MILLION)	2012	2011	OF WHICH ASIMI PLANS 2012	OF WHICH ASIMI PLANS 2011	OF WHICH DISCONTINUED OPERATIONS 2012	OF WHICH DISCONTINUED OPERATIONS 2011
Gross retirement benefit obligations at January 1	241	212	209	166	19	21
Service cost	5	19	0	0	3	8
Interest cost on pension obligations	9	10	9	8	0	0
Actuarial gains (-) and losses (+)	27	19	14	40	0	-6
Benefits paid, paid-up policies and disability obligation	-25	-14	-8	-9	-8	-3
Settlements and curtailments	-1	-9	0	0	0	-1
Disposal of subsidiary	-12	0	0	0	-12	0
Translation differences	-15	4	-15	4	0	0
Gross retirement benefit obligations at December 31	229	241	208	209	3	19
Fair values of plan assets at January 1	120	124	119	124	1	0
Actual return on plan assets	2	0	2	0	0	0
Pension premiums	5	4	5	1	0	3
Benefits paid, paid-up policies and disability reserve	-10	-11	-8	-9	-1	-2
Settlements and curtailments	0	0	0	0	0	0
Disposal of subsidiary	0	0	0	0	0	0
Translation differences	-9	3	-9	3	0	0
Fair value of plan assets at December 31	108	120	108	119	0	1
Funded status at December 31	121	121	100	91	3	18
Accrued social security tax	3	4	0	0	0	2
Net retirement benefit obligations at December 31	124	125	100	91	3	20

Disposal of subsidiary is REC Wafer Norway AS. REC ASA has taken on some of the pension liabilities.

Retirement benefit obligations in the statement of financial position

(NOK IN MILLION)	2012	2011	OF WHICH ASIMI PLANS 2012	OF WHICH ASIMI PLANS 2011	OF WHICH DISCONTINUED OPERATIONS 2012	OF WHICH DISCONTINUED OPERATIONS 2011
Net retirement benefit obligations at January 1	125	94	91	42	20	21
Net periodic benefit costs	8	19	4	6	3	9
Actuarial gains and losses recognized directly in equity through OCI	33	19	17	42	0	-6
Pension premiums and benefits paid	-20	-8	-5	-1	-6	-3
Social security tax on pension premiums	-1	-1	0	0	0	0
Disposal of subsidiary	-14	0	0	0	-14	0
Translation differences	-7	1	-7	1	0	0
Net retirement benefit obligations at December 31	124	125	100	91	3	20

The amounts recognized in the statement of income are as follows

	TOTAL OPERATIONS		RE-PRESENTED FOR DISCONTINUED OPERATIONS	
(NOK IN MILLION)	**2012**	2011	**2012**	2011
Current service cost	**5**	19	**3**	11
Interest cost on gross retirement benefit obligations	**9**	10	**9**	9
Expected return on plan assets (net of administration cost)	**-5**	-2	**-5**	-2
Settlements and curtailments	**-1**	-9	**-1**	-8
Employer's social security tax on defined benefit costs	**0**	2	**0**	0
Total benefit plans	**8**	19	**6**	10
Contribution plans including employer's social security tax	**62**	98	**50**	67
Total pension expenses (see note 24)	**71**	118	**56**	77

Cumulative actuarial loss recognized to equity through other comprehensive income was NOK 54 million before income taxes at December 31, 2012 (NOK 22 million at December 31, 2011). Of this, a loss of NOK 81 million (NOK 64 million) was related to ASiMI.

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

(NOK IN MILLION)	**2012**	2011	2010	2009	2008
(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)	**-1**	-6	-7	-10	-3
(b) the effects of changes in actuarial assumptions	**28**	25	4	-16	-15
Total actuarial gains (-)/losses (+) on gross retirement benefit obligations	**27**	19	-3	-26	-18

The difference to actuarial gains/losses on net retirement benefit obligations is actuarial gains/losses on plan assets and social security tax (Norway). Effects of changes in actuarial assumptions in 2012 were primarily decrease in expected future turnover in Norway and decrease in discount rates, especially for the ASiMI plans. Experience adjustments in 2011 are primarily higher turnover and lower salary increases than expected in Norway. A change in mortality table for ASiMi plans and reduced discount rates were the main contributor to the actuarial loss on changes in actuarial assumptions in 2011 partially offset by increase in expected future turnover in Norway.

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

(NOK IN MILLION)	**2012**	2011	2010	2009	2008
Gross pension obligations	**229**	241	212	174	428
Fair value of plan assets	**108**	120	124	130	283
Funded status	**121**	121	88	44	145

The Norwegian defined benefit plans are unfunded. The plan assets relate primarily to one of the three ASiMI plans, and are currently invested in stable value funds.

The actuary risk tables in Norway are based on advice in accordance with published statistics and experience. The names of the risk tables are: Mortality K2005, Marriage K2005 and Disability IR02. The mortality table for ASiMi plans is based on the IRS 2012 Static Mortality Table for 2012 (IRS 2011 Static Mortality Table for 2011).

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

	NORWEGIAN PLANS (%)			ASIMI PLANS (%)		
	2012	2011	2010	**2012**	2011	2010
Discount rate	**2.2**	2.4	3.9-4.0	**3.9**	4.3	5.4
Future salary increases	**3.0-3.3**	3.8-4.0	3.8-4.0	**NA**	NA	NA
Future pensions increases	**0.1-3.0**	0.4-3.4	1.9-4.7	**NA**	NA	NA
Future increase in social security base amount (G)	**3.0**	3.8	3.8	**NA**	NA	NA
Future turnover		Stepwise		**NA**	NA	NA

The assumptions used to determine the benefit cost for the year are those determined at the beginning of the year. The Norwegian defined benefit plans are unfunded, so expected long-term return on plan assets is not relevant. However, the compensation plan and over 12 G plan contain guaranteed annual returns based on reference to different portfolios of assets. The expected long-term return for the ASiMI scheme was four percent for 2012 and two percent for 2011.

The average expected remaining service periods for participants in the Norwegian defined benefit plans at December 31, 2012 were about 9-10 years (7-13 at the end of 2011). The corresponding for the qualified ASiMi plan was about 12 years.

The total number of employees in the Norwegian defined benefit plans at the end of 2012 were 40 (580 at the end of 2011) for the compensation plan and 22 in the over 12 G plan (53 at the end of 2011). The reduction is due to the closedown of all production facilities in Norway, as well as transfer and scale down of functions. The corresponding number for ASiMI plans was 683 (685).

Pension premiums of NOK 7 million are expected to be paid during 2013 to the ASiMI plans accounted for as defined benefit plans.

Due to the relatively small amounts of defined benefit obligations for the Norwegian plans, no sensitivity analysis for possible changes in assumptions is provided at December 31, 2012. For the ASiMI benefit plans, a one percentage point increase (decrease) in discount rate is estimated to decrease (increase) the pension obligation by approximately NOK -28 (35) million at December 31, 2012.

20 TRADE PAYABLES, PROVISIONS AND OTHER LIABILITIES

Non-financial liabilities, interest calculation [1)]

(NOK IN MILLION	2012	2011
Non-current prepayments, interest calculation	40	214
Current part of prepayments, interest calculation	88	349
Total prepayments, interest calculation	127	563

1) These are prepayments received for future deliveries of polysilicon by REC Silicon, and at December 31, 2011 also wafers by REC Wafer for a period of more than one year at the time of receipt of the prepayments. Interest is calculated on the prepayments, but is not payable or stated in the agreements. The portion that is estimated to be taken to income according to deliveries during the next 12 months is classified as current.

Trade payables and other liabilities

(NOK IN MILLION)	2012	2011
Current		
Trade payables	568	733
Accured costs for capital expenditures	1	70
Payables for capital expenditures	4	27
VAT and other public taxes and duties payable	133	199
Accured operating costs	238	420
Accured finance costs	141	149
Prepaid revenues / prepaid from customers [1)]	13	16
Other non-interest bearing liabilities	115	128
Total	1 212	1 742

1) See also above for prepayments, interest calculations.

Provisions

(NOK IN MILLION)	2012	2011
Current	47	354
Non-current	344	447
Total	391	801

Specification of provisions

(NOK IN MILLION)	RESTRUCTURING & EMPLOYEE TERMINATION BENEFITS	WARRANTIES	ASSET RETIREMENT OBLIGATIONS	ONEROUS CONTRACTS	TOTAL
Continuing operations at January 1, 2011	52	118	197	6	**373**
Discontinued operations at January 1, 2011	0	0	0	0	**0**
At January 1, 2011	52	118	197	6	**373**
Additional provisions continuing operations	68	47	0	47	**162**
Additional provisions discontinued operations	161	0	0	132	**293**
Unused amounts reversed continuing operations	-6	-1	0	-1	**-8**
Exchange differences continuing operations	0	-1	1	1	**0**
Increase in provisions due to interest continuing operations	0	0	5	0	**5**
Recorded directly to statement of financial position continuing operations	0	0	22	0	**22**
Recorded directly to statement of financial position discontinued operations	0	0	100	0	**100**
Used during the year continuing operations	-65	-24	-4	-6	**-100**
Used during the year discontinued operations	-36	0	-2	-8	**-45**
Continuing operations at December 31, 2011	49	138	220	47	**454**
Disontinued operations at December 31, 2011	124	0	99	125	**348**
At December 31, 2011	174	138	319	171	**801**
Additional provisions continuing operations	19	31	0	6	**56**
Additional provisions discontinued operations	171	0	0	763	**934**
Unused amounts reversed continuing operations	-10	-3	-1	-1	**-14**
Unused amounts reversed discontinued operations	-10	0	0	-13	**-23**
Exchange differences continuing operations	0	-5	-2	-2	**-10**
Increase in provisions due to interest continuing operations	0	0	6	0	**6**
Recorded directly to statement of financial position discontinued operations	0	0	0	-134	**-134**
Used during the year continuing operations	-50	-2	-24	-24	**-100**
Used during the year discontinued operations	-206	0	-12	-101	**-319**
Disposal at the date of deconsolidation of discontinued operations	-80	0	-87	-640	**-806**
Continuing operations at December 31, 2012	8	160	198	26	**391**
Disontinued operations at December 31, 2012	0	0	0	0	**0**
At December 31, 2012	8	160	198	26	**391**

Estimated fair values of REC ASA's guarantees, indemnification agreements and option contract are not reported as provisions, but included in other line items in the statement of financial position, see note 9.

The provisions are estimated to be settled in:

(NOK IN MILLION)	TOTAL	2012	2013	2014	2015	2016	AFTER 2016
Provision at December 31, 2011, continuing operations	**454**	120	17	4	4	4	306
Provision at December 31, 2011, discontinued operations	**348**	234	18	17	17	9	54
Provision at December 31, 2011	**801**	354	34	20	20	13	360

(NOK IN MILLION)	TOTAL	2013	2014	2015	2016	2017	AFTER 2017
Provision at December 31, 2012	**391**	47	7	3	3	3	328

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, and some of the onerous contracts.

At the end of 2011 it was decided to close down the cell production in REC ScanCell AS in Norway. It was also decided to close down parts of the wafer production capacity in REC Wafer Norway AS. These account for the main part of the additional provisions in 2011 for restructuring and employee termination benefits. The provisions related primarily to salary and other costs to be paid without future economic benefits for the company, including costs to close down the relevant operations. Additional provisions in 2012 are primarily related to REC Wafer. REC Wafer discontinued all remaining production of multicrystalline ingots and wafers in the second quarter 2012, subsequent to the decision on April 24, 2012. A decision was made to permanently shut down the monocrystalline wafer facility on March

20, 2012. REC Wafer was deconsolidated in the third quarter 2012, and all remaining provisions have been taken out in the line item "disposal at the date of deconsolidation of discontinued operations" in the table.

Warranties are primarily product and power output warranties related to the sale of solar panels (see note 4.2 (D)). Remaining provisions related to a design weakness that was discovered at the end of 2008 in the junction box in a series of solar panels produced by REC ScanModule was included in the warranty provisions with NOK 22 million at January 1, 2011.

Asset retirement obligations at December 31, 2012 relates primarily to the Singapore plant. At the end of the lease period in 2038, REC has an obligation to remove assets and restore the land. Different possible scenarios of how the obligations can be fulfilled have been used to arrive at the estimated costs. As a consequence of the decisions in 2011 to close down production capacity in Norway, the related asset retirement obligations came much closer in time and the present values increased and were recorded directly in the statement of financial position as additions (capital expenditures) to fixed assets in 2011. During 2012 parts were realized and parts were taken out in the line item "disposal at the date of deconsolidation of discontinued operations" in the table.

Provisions for onerous contracts recognized in 2011 and 2012 were to a large extent related to the closedowns in Norway, primarily for REC Wafer. During 2012 parts were realized and parts were taken out in the line item "disposal at the date of deconsolidation of discontinued operations" in the table. Remaining provisions for onerous contracts at December 31, 2012 relates primarily to adjustments of the production in Singapore in 2011.

21 GOVERNMENT GRANTS

(NOK IN MILLION)	2012	2011
Recognized in the statement of financial position - grants related to assets	-34	-27
Recognized in the statement of income - grants related to income [1]	71	97
Total	37	70

[1] Recognized in the statement of income - grants related to income has been re-presented for discontinued operations for 2011.

Grants are recognized in the statement of income over the period necessary to match them with the costs that they are intended to compensate. Grants related to assets are recognized in the statement of income 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. To qualify for the grants recognized, several future conditions need to be fulfilled. Generally, in the event of breach of conditions, REC may have to repay grants. The future conditions include employment of a minimum number of selected employees in specific geographical areas for specified periods, retention period for some employees and restrictions on the disposal of assets and/or companies. The agreement underlying the government grants REC received for its investments in Singapore requires the consent of the Economic Development Board of Singapore and JTC Corporation for any change of control in REC ASA. In addition, under US tax laws, a change of control of REC ASA or REC Silicon Inc. could limit the amount of certain manufacturing tax credits received by REC which are still unused, or the new owner could even be subject to recapture rules for any portion of the credit that has already been used.

In 2010, REC Silicon recognized a receivable for an Advanced Energy Manufacturing Tax Credit grant (AEMTC grant) related to the capital expenditures in the FBR and silane gas plants in Moses Lake as a reduction to capital expenditure in the statement of financial position. The vehicle for receiving benefits under this program is a credit claimed on the US company's annual tax return, subject to the limitations of alternative minimum tax. Unused portions of the credit can be carried forward 20 years (for the main part this period started in 2010) and used to offset income tax during those periods subject to similar limitations. Any unused portions after 20 years are voided. As of December 31, 2012 no credits have been claimed by REC Silicon, and the total amount is still recognized as a government grant asset. The negative amount for grants related to assets in 2012 is primarily due to a decrease in the estimated present value of the AEMTC grant due to change in the estimated timing of the utilization, partially offset by a decrease in government interest rate. The negative amount in 2011 was primarily due to reduction in REC Silicon's basis for calculating the AEMTC grant due to a settlement with a capital expenditure vendor that has reduced qualifying capital expenditure. REC Silicon has recognized a non-current government grant asset including unwinding of interest of NOK 675 million (USD 121 million) at December 31, 2012 and NOK 756 million (USD 126 million) at December 31, 2011 (NOK amounts calculated at the relevant year-ends' USD/NOK rates).

22 OTHER OPERATING EXPENSES

(NOK IN MILLION)	2012	2011
Energy and water	**742**	790
Total operating, service and maintenance costs	**543**	664
Lease expenses	**178**	195
Freight, postage and transportation	**173**	134
IT and telecommunication costs	**88**	101
Travel and entertainment costs	**50**	64
Insurance costs	**43**	64
Sales, marketing and advertising costs	**30**	42
Consultancy and auditors fees	**338**	509
Own work capitalized on fixed assets	**-10**	-19
Warranty provision [1]	**29**	46
Loss on receivables [2]	**70**	8
Other operating costs	**33**	66
Other operating expenses	**2 307**	2 664

[1] Warranty provision, see note 20.
[2] Loss on receivables, see note 12.

The amounts for 2011 are re-presented for discontinued operations, see note 9.

Auditor's remuneration

(NOK IN MILLION)	2012	2011
Statutory Audit	**6.2**	6.1
Other assurance services - from auditor	**0.1**	0.4
Tax advisory services - from auditor	**4.7**	2.2
Other non-audit services - from auditor	**0.3**	0.6
Total auditor's remuneration	**11.3**	9.3

The amounts for 2011 are re-presented for discontinued operations, see note 9.
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 OTHER INCOME AND EXPENSES

(NOK IN MILLION)	2012	2011
Restructuring costs and employee termination benefits	-9	-62
Onerous contracts	-5	-46
Other income	233	0
Gain on disposal of subsidiary (excluding discontinued operations)	0	47
Total other income and expenses	220	-62

The amounts for 2011 are re-presented for discontinued operations. See note 9 for other income and expenses and net gain on disposal for discontinued operations.

Other income for 2012 relates primarily to termination of a polysilicon sales contract and settlements with another customer and a previous vendor of junction boxes.

In 2011, restructuring costs related primarily to the closedown of cell production in Norway (REC ScanCell AS) and onerous contracts primarily to some vendor contracts related to adjustment of the production capacity in Singapore. Gain on disposal in 2011 relates to the sale of the subsidiary REC ScanModule AB.

24 EMPLOYEE BENEFITS

(NOK IN MILLION)	2012	2011
Payroll	775	844
Bonus	100	105
Social security tax	57	66
Pension costs incl. social security tax	56	77
Other employee related costs	180	186
Total employee benefit expenses	1 167	1 279

The amounts for 2011 are re-presented for discontinued operations, see note 9.

The average number of permanent employees during 2012 measured in man-years was 2,497, excluding REC Wafer for the whole year (2011: 3,945 including REC Wafer). The number of permanent employees at December 31, 2012 was 2,346 (2011: 3,587).

Total loans and guarantees to employees amounted to NOK 0.5 million at December 31, 2012 (NOK 0.6 million at December 31, 2011).

25 FINANCIAL INCOME AND EXPENSES

(NOK IN MILLION)	2012	2011
Share of loss of associates	-3	-97
Interest income from financial assets not at fair value through profit or loss	49	50
Other income from financial assets and liabilities	2	0
Total income from financial assets not at fair value through profit or loss	50	50
Interest expenses for the convertible EUR bond (fair value through profit or loss)	-157	-162
Interest expenses for the NOK Bonds REC01 and REC03 (partially fair value through profit or loss)	-121	-124
Interest expenses for financial liabilities not at fair value through profit or loss	-131	-262
Capitalization of borrowing cost	6	12
Other expenses from financial assets and liabilities	-38	-92
Net financial expenses	-440	-628
Net currency gains/losses	-185	0
Net gain/loss derivatives not hedge accounting	484	16
Fair value hedge instruments (change in clean value of interest rate swaps) [1]	21	45
Fair value hedge objects (change in fair value NOK bonds) [1] [2]	-22	-45
Net gain/loss embedded derivatives	0	0
Total net gains/losses derivatives and fair value hedge (excluding interest)	483	16
Fair value through profit or loss - convertible EUR bond (excluding interest)	-415	841
Total fair value through profit or loss	69	858
Impairments and gains/losses on financial instruments	29	1
Net financial items	-480	185

1) The net of these two lines represents the ineffective parts in fair value hedge accounting.
2) Changes in fair value of NOK bonds due to changes in interest discounting curves for fixed interest rates.

The amounts for 2011 are re-presented for discontinued operations, see note 9.

Interest expenses for financial liabilities not at fair value through profit or loss include normal amortization of up-front/waiver fees and costs (NOK 26 million in 2012 and NOK 96 million in 2011) and the relevant period's commitment fees on undrawn credit facilities. Decreased interest bearing liabilities and borrowing costs contributed to decreased interest expenses for financial liabilities not at fair value through profit or loss in 2012 compared to 2011.

In connection with the refinancing of the bank credit agreement, REC expensed under "Other expenses from financial assets and liabilities" the remaining up-front fees of NOK 23 million in the third quarter 2012. The previous year's figures were affected by the expensing of remaining up-front fees and costs related to the loans from Eksportfinans (NOK 21 million in first quarter 2011) and NOK 60 million premium related to buyback of NOK 600 million of the NOK bond REC 01 in the second quarter 2011.

Capitalization of borrowing costs in both 2012 and 2011 was limited as most expansion projects were completed in 2010.

Net currency losses in 2012 are primarily related to currency losses for REC ASA on internal loans (loans of approximately USD 0.9 billion during 2012) to REC Silicon in the US, that are not eliminated on consolidation. This was partially offset by currency gains on interest bearing liabilities and internal cash pool liabilities in foreign currency. In 2011, the net currency gain/loss of zero was affected by several opposite effects, both external and internal effects not eliminated on consolidation, none of which were significant due to the relative small changes in currency rates.

See note 11 for description of derivatives. REC is exposed to estimated net positive future operating cash flows in EUR and USD, and net negative cash flows in SGD. REC is hedging parts of these expected net cash flows by selling EUR/NOK and USD/NOK forward and buying SGD/USD, SGD/EUR and EUR/USD forward. REC does not use hedge accounting for these foreign exchange contracts. During 2012 REC decreased the forward buy of SGD and forward sale of USD and EUR. The net gain in 2012 is primarily due to the weakening of EUR and USD against NOK. In 2011 net gains on derivatives due to the NOK strengthening against EUR and weakening against SGD was to a large extent offset by NOK weakening against USD.

Continuing operations reported no embedded derivatives for 2012 or 2011. See notes 9 and 11 for embedded derivatives related to discontinued operations (REC Wafer).

In October 2009, REC ASA issued a EUR 320 million fixed rate convertible bond, see note 17. Because EUR is not the functional currency of REC ASA, no part of the convertible loan can be reported as equity. The REC Group recognizes the change in the estimated fair value of the total convertible bond, and not just the embedded derivative, through profit or loss.

The estimated fair values are shown in the table below.

(EUR IN MILLION)	AT ISSUE	DEC 31, 2009	DEC 31, 2010	DEC 31, 2011	DEC 31, 2012	CHANGE 2011	CHANGE 2012
Nominal value	320	320	320	320	320	0	0
Value of the total loan	320	339	278	170	218	-109	48
Value bond element	249	262	272	170	218	-102	48
Value option element	71	77	7	0	0	-7	0

(NOK IN MILLION)	AT ISSUE	DEC 31, 2009	DEC 31, 2010	DEC 31, 2011	DEC 31, 2012	CHANGE 2011	CHANGE 2012
Nominal value	2 665	2 661	2 500	2 481	2 349	-19	-132
Value of the total loan	2 665	2 816	2 175	1 315	1 597	-860	282
Value bond element	2 073	2 176	2 124	1 315	1 597	-809	282
Value option element	592	641	51	0	0	-51	0

During 2012 the estimated fair value of the bond loan has increased while in 2011 the estimated fair value of the bond loan decreased, primarily due to the decrease in REC's credit spread (own risk) in 2012 and the increase in REC's credit spread in 2011. These changes in fair value are reported as gains and losses in the REC Group's statements of income. Changes in the estimated fair value of the total bond loan (for 2012 a total loss of NOK 282 million (a gain of NOK 860 million in 2011)) is recognized to profit or loss, of which the change in nominal value measured in NOK is included in the line item currency gains or losses (for 2012 a gain of NOK 132 million (a gain of NOK 19 million in 2011)) in the statement of income and the remaining as fair value adjustment of convertible bond (for 2012 a loss of NOK 415 million (a gain of NOK 841 million in 2011). Estimated fair value excludes accrued interest.

The effect of the estimated increase in REC's credit spread (own credit) of 380 basis points at December 31, 2012 compared to December 31, 2011 is estimated to have decreased the fair value by just above EUR 12 million.

In the third quarter 2012, REC ScanCell terminated and settled a finance lease contract, see note 6 and 17. REC has accounted for the settlement of the liability and surrendering of the leased asset as a linked transaction and recognized a net gain on this transaction of NOK 32 million. This is reported in financial items as part of the line item "impairment and gains/losses on financial instruments" in the table above. The net gain is calculated as the net effect of derecognition of the carrying value of the lease liability, the leased building, and the payments made in connection with the settlement.

ADDITIONAL INFORMATION TO THE STATEMENT OF CASH FLOWS ON PAID INTEREST AND UP-FRONT AND WAIVER FEES ETC.

Paid interest is estimated to be approximately NOK 402 million for 2012 and NOK 500 million for 2011. It does not include payment of up-front and waiver fees etc. of approximately NOK 52 million in 2012, and NOK 12 million in 2011. These fees were paid to establish new loans or to restructure or renegotiate existing loans. The fees are amortized over the duration of the loans as part of financial expenses. Paid interest mentioned above is not reduced by borrowing cost that is capitalized and reported as part of investing activities in the statement of cash flows.

26 EARNINGS PER SHARE

BASIC

Basic earnings per share (EPS) is calculated by dividing the profit/loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. The weighted average numbers of ordinary shares are adjusted retrospectively as a result of the bonus element (bonus factor) in the share issues in the third quarter 2012.

The bonus factor has been calculated to 1.35, with increase in the number of shares for the calculation of EPS before the share issues. In connection with a suggested refinancing solution of debt and equity, a private placement of 866.7 million shares and a repair issue of 200 million shares were suggested and announced on June 22, 2012, at an issue price of NOK 1.5 per share. This was well below the market price on June 21. The shares were traded exclusive of the right to participate in the subsequent offering on June 22, and a few days later the number of shares in the subsequent offering was increased from 200 million to 250 million shares. In connection with a change in the debt part of the revised suggested refinancing solution, the suggested share issues were on July 4 replaced by other suggested share issues at exactly the same number of shares and issue price. The REC share was not traded inclusive the subscription rights from June 22. Consequently, the calculation of the bonus factor is based on the share price at the end of the day June 21.

The bonus factor was calculated by dividing the fair value per share immediately before the announcement of the share issues (June 21) by the theoretical ex-rights fair value per share. The theoretical ex-rights fair value per share was calculated by adding the aggregate market value of the shares immediately before the announcement to the proceeds from the share issues, and dividing by the number of shares outstanding after the share issues.

	2012	2011
Profit/loss from continuing operations attributable to equity holders of the company (NOK IN MILLION)	-6 615	-4 295
Profit/loss from total operations attributable to equity holders of the company (NOK IN MILLION)	-6 027	-10 030
Weighted average number of ordinary shares in issue (IN MILLION)	1 649	1 342
Basic earnings per share from continuing operations (NOK per share)	-4.01	-3.20
Basic earnings per share from total operations (NOK per share)	-3.65	-7.47

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the convertible bond and employee share options. The convertible bond has a dilutive effect if EPS from continuing operations is reduced when adjusting for all effects on earnings and assuming the bond was converted to shares in full at the beginning of the period. If the effect of adjusting for the bond increases EPS from continuing operations, it is anti-dilutive, and is then not included in diluted EPS. Effects on earnings of the convertible bond are interest expenses, currency and fair value gains or losses and estimated income taxes.

Due to the share issues in 2012, the number of options and conversion price of the EUR 320 million convertible bond have been changed. The bonus factor for the convertible bond is 1.19 and was calculated based on the volume weighted average price five days before the announcement of the revised refinancing package on July 4, 2012. The conversion price has been reduced from EUR 5.4 to EUR 4.5 per share, and the number of options increased from 59.3 to 70.8 million. The new number of options for the convertible bond has been used for all periods presented in the calculation of diluted EPS.

The calculation shows that the convertible bond is anti-dilutive in 2012 and dilutive in 2011.

Details related to the share option programs are found in note 32. The share options are anti-dilutive for both 2012 and 2011.

	2012	2011
Adjusted profit/loss from continuing operations (NOK IN MILLION)	-6 615	-4 797
Adjusted profit/loss from total operations (NOK IN MILLION)	-6 027	-10 532
Weighted average number of ordinary and potential shares (IN MILLION)	1 649	1 413
Diluted earnings per share from continuing operations (NOK per share)	-4.01	-3.40
Diluted earnings per share from total operations (NOK per share)	-3.65	-7.46

27 DIVIDENDS PER SHARE

The Board of Directors did not propose any dividend payments for the financial year 2012 or 2011. REC ASA had no distributable equity at December 31, 2012 and 2011. The new bank loan agreement established in August 2012 prevents REC ASA from paying dividend.

28 RESEARCH AND DEVELOPMENT

(NOK IN MILLION)	2012	2011
Research and development expenses [1]	183	308
[1] Of which discontinued operations	10	65

The REC Group conducts research and development within several areas and in all segments. During 2012 the corporate research and development organization in REC ASA was terminated.

All costs in the relevant departments performing research and development are reported as research and development expenses for this note. However, some of the development costs related to introduction of new technology into mass production were carried by the manufacturing plants and not reported as research and development expenses. The 2011 expenses include a NOK 62 million impairment loss related to a technology development agreement. The 2012 expenses declined compared to 2011 partially due to the 2011 impairment loss and the wind up of the research and development center in REC Wafer during 2012.

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 solar panel efficiency, and reduce production cost throughout the value chain. See the report from the Board of Directors for more discussion of the 2012 research and development activities.

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, 2012 and 2011. Operating lease payments show contractual minimum future payments. Only larger contracts are included. Contractual maturities of borrowings, including finance leases, are shown in note 17.

Possibilities for termination of contracts based on REC's interpretation have been taken into account. In the case where contracts are interpreted as being possible to terminate with a lower amount, this amount has been used and shown as estimated payments in the first period subsequent to the reporting period. Consequently, the amounts presented in the table only constitute the estimated contracted unavoidable minimum portion of the REC Group's expected future costs. It does not reflect the REC Group's expected future cash outflows.

Contracts that are estimated to be onerous are not included in the tables for the amounts that are included in the estimates of provisions for onerous contracts in the statement of financial position (see note 20). The committed payments above the estimated future economic benefits of the contracts are included as provision for onerous contracts (discounted), and the remaining are included in the table for committed purchase obligations or operating lease payments.

Contracts that are disputed or terminated are included in the table only to the extent they have not been recognized as onerous contracts and to the extent of REC's best estimate of its minimum commitment.

The minimum amounts in some contracts may be subject to interpretations and the vendors may have other views than REC. If REC's interpretations are not accepted, the minimum commitments or onerous contracts may increase.

REC Wafer has been deconsolidated from August 13, 2012. Consequently, at December 31, 2012 the REC Group no longer reports any purchase obligations etc. for REC Wafer. REC ASA has recognized liabilities for guarantees, indemnification and compensation agreements, that are included in the statement of financial position and consequently not included in the table below for commitments.

Contractual purchase obligations and minimum operating lease payments at December 31, 2012

		DISTRIBUTION OF PAYMENTS					
(NOK IN MILLION)	TOTAL FUTURE PAYMENTS *	2013	2014	2015	2016	2017	AFTER 2017
Purchase of goods and services							
REC Silicon	1 419	694	219	100	101	102	203
REC Solar	413	368	39	6	0	0	0
Other	9	6	3	0	0	0	0
Total purchase of goods and services	1 841	1 068	261	107	101	102	203
Minimum operating lease payments							
REC Silicon	27	12	6	4	2	1	1
REC Solar	26	9	5	3	3	3	3
Other	30	8	7	5	5	5	1
Total minimum operating lease payments	83	29	18	13	10	9	5
Capex							
REC Silicon	0	0	0	0	0	0	0
REC Solar	94	94	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total capex	94	94	0	0	0	0	0

* Payments are undiscounted.

Committed capital contribution to associates expected to be paid in 2013 with NOK 20 million is not included in the table above.

Contractual purchase obligations and minimum operating lease payments at December 31, 2011

		DISTRIBUTION OF PAYMENTS					
(NOK IN MILLION)	TOTAL FUTURE PAYMENTS *	2012	2013	2014	2015	2016	AFTER 2016
Purchase of goods and services							
REC Silicon	1 877	897	352	105	103	104	315
REC Wafer	937	288	243	241	90	15	60
REC Solar	304	219	41	30	7	1	6
Other	9	9	0	0	0	0	0
Total purchase of goods and services	3 127	1 414	637	376	201	120	380
Minimum operating lease payments							
REC Silicon	23	9	5	3	2	2	2
REC Wafer	217	35	33	32	30	28	58
REC Solar	131	121	4	3	2	0	0
Other	8	7	1	0	0	0	0
Total minimum operating lease payments	378	173	43	38	35	30	59
Capex							
REC Silicon	2	2	0	0	0	0	0
REC Wafer	0	0	0	0	0	0	0
REC Solar	33	32	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total capex	35	34	0	0	0	0	0

* Payments are undiscounted.

CONTRACTUAL PURCHASE OBLIGATIONS

REC Silicon

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. These are constructed to serve the production needs associated with the Moses Lake and the Butte facilities. At December 31, 2012 and 2011 it was concluded that these agreements include operating leases of the facilities, but it was not possible to reliably separate the payments for commodity output and operating lease elements. The total payments are therefore reported in their entirety as purchase of goods and services in the tables above, with USD 112 million (NOK 623 million) at December 31, 2012 (USD 122 million (NOK 731 million) in 2011).

Certain property tax payments in REC Silicon are included whereby the company operates one of its facilities in an area (Butte) designated by the taxing authorities as a special industrial Tax Increment Financing District (TIFID). 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 USD 15 million (NOK 82 million) at December 31, 2012 (USD 16 million (NOK 97 million) in 2011). The commitment is related to the level of TIFID-bonds outstanding that have been used to finance investments in the industrial financing district. Each year the bonds are serviced and a portion paid down. REC Silicon has invested in the bonds (USD 12 million at December 31, 2012 and USD 14 million in 2011).

REC Solar

The contractually committed minimum purchase of goods and services for REC Solar at December 31, 2012 and 2011 relates primarily to the integrated production facility in Singapore. REC Solar has entered into a contract with a vendor in Singapore that contains lease of machinery and delivery of products and services. REC Solar is not able to separate the payments reliably, and has included the total amounts in the table for committed purchase of goods and services. The contract can be terminated by REC with some minimum payments, and the total minimum contractual amounts included in the table above at December 31, 2012 were NOK 164 million (NOK 131 million at December 31, 2011).

REC Wafer (discontinued operations and deconsolidated as of August 13, 2012)

The contractually committed minimum purchase of goods and services for REC Wafer at December 31, 2011 included approximately NOK 220 million related to capacity contracts for recycling, mixing and supply of slurry at production facilities located at REC Wafer's sites in Norway. The agreements also included lease elements, reported partially as operating lease (NOK 140 million at December 31, 2011, see the table above and discussion below) and partially as finance lease liabilities (NOK 861 million at December 31, 2011, see note 17). The minimum remaining terms of the contracts at December 31, 2011 were 4-9 years. For these capacity contracts, parts were in addition included as provision for onerous contracts (see note 20) relating to the wafer production capacity that was closed down in 2011.

The contractually committed minimum purchase of goods and services for REC Wafer at December 31, 2011 included approximately NOK 575 million for a long-term purchase contract for polysilicon from an REC external party. In addition, REC Wafer made prepayments under the contract, of which NOK 61 million was recognized as an asset at December 31, 2011. The remaining contract period at December 31, 2011 was 3.5 years. The prices in the contract were above market prices at December 31, 2011. The purchase contract was included in the impairment tests at December 31, 2011 for non-current assets, and no provision for onerous contract was recognized at December 31, 2011.

The remaining contractually committed minimum purchase of goods and services for REC Wafer at December 31, 2011 was primarily purchase of input to the wafer cutting process.

OPERATING LEASES

The future minimum operating lease payments at December 31, 2012 in the table above are considerably reduced compared to the previous year. This is primarily because REC Wafer was deconsolidated during 2012 and because REC Solar at the end of 2012 was allowed to return the part of land not in use in Singapore without having to make the last pre-payment that was scheduled in the fourth quarter 2012. REC leases land in Singapore with a remaining term of 25.5 years at December 31, 2012. There is an option to prolong the lease. According to the agreement, REC has made prepayments for the remaining lease term. At December 31, 2011 the remaining payment to be made during 2012 was estimated to be NOK 107 million. The prepaid lease amounts are reported in separate line items (current and non-current) in the statement of financial position, and amortized through profit or loss over the lease period.

REC Wafer (discontinued operations and deconsolidated as of August 13, 2012)

REC Wafer had entered into operating leases for the industrial buildings used in the capacity contracts for recycling, mixing and supply of slurry at Herøya. NOK 140 million was included as minimum operating lease payments at December 31, 2011 for these capacity contracts. The first operating lease contract was for a period of 10 years, with an option to prolong the lease for an additional five years and a purchase option at the end of the lease period at a price to be negotiated. The second operating lease contract was for a period of 10 years, with an option to prolong the lease for two times five years and a right of first refusal in the case of sale of the building. For these capacity contracts, parts were in addition included as provision for onerous contracts at December 31, 2011 (see note 20) relating to the wafer production capacity that was closed down in 2011. The main parts of the remaining operating leases for REC Wafer were leases of further buildings at Herøya.

GUARANTEES, PLEDGES AND UNDERTAKINGS

Purchased bank guarantees, cosigning of guarantees for Group companies and parent company guarantees, which are not secured by assets of the REC Group, are not included in the information below. Product guarantees and warranties are not included (see note 20). See also note R to the financial statements for REC ASA included as a part of this annual report.

REC ASA and its subsidiaries have restrictions under the existing credit facility for providing financial support to third parties, including the making of (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 bonds and bank credit facilities agreements also contain negative pledge clauses (see note 17).

One bank guarantee has security in bank accounts of THB 12 million (NOK 2 million) at December 31, 2012 and 2011.

In connection with sale of the previous subsidiary REC ScanModule AB in the beginning of 2011, REC Solar AS provided guarantees for any claims resulting from REC ScanModule AB's prior business conduct or relating to the share purchase agreement.

REC ASA took on some liabilities in connection with the bankruptcy of the subsidiary REC Wafer Norway AS, primarily in the form of guarantees and indemnification agreements related to parts of the liabilities of REC Wafer Norway AS, see note 9. These liabilities are recognized in the balance sheet at their estimated fair values. The guarantee amounts are not capped. The estimated fair values of the guarantees and indemnification agreements are subject to changes, and are among other things dependent on the ultimate dividends from REC Wafer Norway AS bankruptcy estate and the financial performance of the REC Group. Parts of the indemnification agreements may not be finally determined and paid before June 2017. Loan agreements have been established for an estimated NOK 246 million of the indemnification agreements, recognized as interest bearing liabilities (see note 17).

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.

In the statement of financial position, the financial instruments that are recognized (partially or in whole) at fair values are shown in the table below.

	2012		2011		
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES	FV HIERARCHY LEVEL
Convertible bond - fair value whole instrument	0	1 597	0	1 315	2
Norwegian bonds REC01 and REC03 - fair value hedge of market interest rate	0	1 434	0	1 412	2
Derivatives					
Currency and interest rate derivatives from banks	162	65	384	165	2
Option related to REC Wafer bankruptcy	0	7	0	0	3
Embedded derivatives	0	0	5	62	3

Deciding the level in the fair value (FV) hierarchy into which the fair value measurements are categorized according to IFRS 7 involves judgment.

Level 2

EUR Convertible bond: REC accounts for the combined instrument at fair value. The convertible bond is not listed on any exchange. However, the convertible bond is traded in the market and a number of banks set prices each trading day. Bloomberg makes a quotation list based on these prices that it publishes each trading day, but the volumes of trades are not shown. The prices per the quotation list from Bloomberg and actual trades are the basis for fair value used by REC during the year. At year-end the value is adjusted to the tax assessment value published by Norges Fondsmeglerforbund. This value is an estimate of fair value.

Norwegian bonds: The fair value adjustment for the NOK 650 million Norwegian bond REC01 and the NOK 700 million Norwegian bond REC03 is an estimate of the fair value of the fixed interest rate excluding the credit margin. The fair value adjustment recognized in the financial statements of the Norwegian bonds is due to fair value hedge from the fixed swap interest rate to the floating NIBOR rate. The Norwegian bonds are traded on the Oslo Stock Exchange, but the liquidity is limited. The market values of the two bonds are estimated by reference to trades around year-end and by Norges Fondsmeglerforbund at December 31, 2012 to NOK 606 million for REC01 and NOK 522 million for REC03 (NOK 622 million for REC01 and NOK 476 million for REC03 at December 31, 2011).

Derivative instruments purchased from banks: The fair value estimates are based on contractual cash flows and traded prices for input components. Fair values of foreign currency forward contracts and interest rate swaps are estimated to the present value of the future cash flows in the contracts, calculated by using quoted forward interest and currency rates as of December 31, 2012 and 2011, respectively. The fair values are compared to estimates by external parties.

Level 3

Option contracts are part of the indemnification agreements in connection with the REC Wafer Norway AS bankruptcy, and the estimated fair value is subject to change. The change in estimated fair value has been reported as part of the net gain on disposal of discontinued operations, see note 10. There are no cash flows in this option until final maturity. The option price is dependent of the share price of REC ASA and dividend payout from the REC Wafer Norway AS's bankruptcy estate.

The sensitivity of the option with an increase/decrease in REC's share price or decrease/increase in dividend payout from the REC Wafer Norway AS's bankruptcy estate of ten percent will result in a increased/decreased liability of NOK 1 million. A loss of NOK 7 million in 2012 is included in profit or loss of discontinued operations for this option held at December 31, 2012.

Embedded derivatives existed in some wafer sales contracts. As REC Wafer has been deconsolidated in 2012, no embedded derivatives existed at December 31, 2012. The fair values of embedded derivatives (EDs) are calculated by using quoted forward interest and currency bid-rates rates as of December 31, 2011 provided by independent banks, as well as cash flows and credit risk premiums estimated by REC. The forward currency rates are market rates for future delivery of currency calculated as the spot rate adjusted for the difference in interest rates between the currencies to the future point in time. The forward currency bid rate normally takes into consideration normal credit risk of the counterparty to a bank, but does not take into consideration credit risk of REC or of REC's counterparties to the contracts (i.e. the customers). See note 11 Derivatives for estimated cash flows. At December 31, 2011, estimated credit risk margins have been added to the interbank interest rates to arrive at discount rates. For contracts with estimated negative fair values (losses), estimated credit risk margins for REC are used, estimated between 5.0 percent and 7.3 percent in 2011.

REC Wafer had entered into wafer sales contracts in USD containing EDs that were separated and fair valued. These wafer sales contracts stated future cash flows, with some limited adjustment mechanisms. However, REC Wafer experienced that contracts were terminated, renegotiated or not complied with. If it was probable that a customer would not honor the contract based on individual assessment, REC made downward adjustments of the estimated future cash flows. Future cash flows at December 31, 2011 were reduced compared to the cash flows estimated at December 31, 2010. Cash flows were estimated to the most likely amount, but were uncertain. The cash flows in some contracts that were disputed by the customers were reduced to the amount of any bank guarantee or zero.

The estimated fair values of embedded derivatives at December 31, 2011 were positively affected by approximately NOK 92 million due to the reductions in the estimated future cash flows at December 31, 2011 compared to 2010 for wafer sales contracts that existed at year-end 2010. Increased estimated credit risk margins had limited effect on the estimated fair values of embedded derivatives.

Changes in estimated future cash flows and other input variables may have a significant effect on the fair value estimation.

For fair value measurements in Level 3 of the fair value hierarchy; embedded derivatives (ED)

(NOK IN MILLION)	2012	2011
Fair value January 1	-57	-280
Net gain/loss embedded derivatives incl. as part of financial expenses for discontinued operations [1]	-5	92
Realized cash flows during the year	63	131
Fair value December 31	0	-57

[1] Of which NOK 92 million in 2011 net gain included in profit or loss for discontinued operations for EDs held at December 31, 2011, and zero in 2012 as there were no remaining embedded derivatives at December 31, 2012. Net loss included in profit or loss for ED held at December 31, 2011 is calculated as the estimated fair value of cash flows in ED at December 31, 2011 minus estimated fair value of cash flows for 2012 and beyond in the calculation of fair value of EDs at December 31, 2010.

Effect on estimated fair value of reasonable change in assumptions for calculation of fair values of embedded derivatives at December 31

(NOK IN MILLION)	2012	2011
Increase/decrease in discount rate by 1 percentage point	NA	+0/-0
Future cash flows increase from the estimated cash flows to the original contractual amounts	NA	-15
- Of which amounts in breached contracts [1]	NA	-191
- Of which estimated changes in price and volumes in non-breached contracts	NA	176

[1] By breached contracts is meant contracts for which legal proceedings have been initiated and/or where bank guarantee has been drawn upon (if any)

Interest bearing financial liabilities and finance receivables
As described above, the convertible bond has been recognized at fair value. The Norwegian bonds REC01 and REC03 are listed on the Oslo Stock Exchange, and have been recognized at fair value with respect to changes in market interest rates, but not affected by changes in the REC credit risk. The difference to the quoted price should then represent company credit risk and liquidity risk.

None of the other REC Group's interest bearing liabilities has market quotes. The interest bearing liabilities under the bank credit facilities in 2012 and 2011 have floating interest rates based on XIBOR plus a margin depending on the ratio of net interest bearing debt to EBITDA. At December 31, 2012 the margin has been fixed to 3.75% since the revolving credit facility from 2012 has no covenant measuring net interest bearing debt to EBITDA until the first quarter of 2014. This ratio is based on net interest bearing debt to EBITDA updated quarterly and is regarded as an adjustment for credit risk based on the margins in the market at the time the credit facilities were established. From the second part of 2011 the credit spreads increased significantly for credits below investment grade as REC's implicit credit rating.

Fair value for fixed rate liabilities, bank borrowings, finance lease liabilities and finance receivables are calculated using estimated interest rates at the reporting dates for similar liabilities and assets. Significant difficulties and uncertainties are present for these estimates.

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
The REC Group has a very limited amount of unlisted shares and fair value is assumed to approximate the carrying amount. 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
All cash and cash equivalents have floating interest rates, and fair values are consequently estimated to be equal to the carrying amounts.

Estimated fair values of financial instruments at December 31

	2012		2011	
(NOK IN MILLION)	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Cash and bank (incl. restricted bank accounts)	1 925	1 925	1 596	1 596
Trade receivables and accrued revenues [1]	1 336	1 336	2 136	2 136
Other non-current and current receivables	419	419	375	375
Finance receivables and short-term loans	65	65	165	153
Shares available for sale	0	0	6	6
Derivatives - assets	162	162	389	389
Derivatives - liabilities	-72	-72	-228	-228
Payables and accrued cost	-1 199	-1 199	-1 727	-1 727
Interest bearing liabilities	-3 731	-3 288	-6 272	-5 577
Total	-1 095	-651	-3 560	-2 876

[1] Includes work in progress on construction contracts to be invoiced

The table above does not include tax assets or liabilities, retirement benefit obligations, prepayments, provisions, or government grant assets that are not to be settled in cash. Prepayments are not defined as financial instruments. Prepayments include prepaid costs (see note 12), non-current prepaid costs and prepaid revenues. In addition some prepayments received by REC Silicon and REC Wafer (not 2012) for future deliveries are reported as current and non-current prepayments, interest calculations (see the consolidated statement of financial position and note 20). These liabilities are not scheduled to be repaid in cash. Provisions are expected to be settled in cash but are accounted for according to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Advanced Energy Manufacturing Tax Credit is reported as government grant asset (see note 12). It will not be settled in cash but expected to be realized by reduced future payments of income taxes, and is not regarded as a financial asset.

Contractual maturities of financial liabilities
Information on contractual maturities of financial liabilities is found in note 11 for derivatives and note 17 for borrowings. All current liabilities are expected to be paid within one year from the reporting dates. In addition, estimated settlement dates for provisions are found in note 20.

CREDIT RISK

The maximum credit risks related to financial instruments are estimated in the table below:

	2012		2011	
(NOK IN MILION)	CARRYING AMOUNT	MAX. EXPOSURE	CARRYING AMOUNT	MAX. EXPOSURE
Cash and bank (incl. restricted bank accounts)	1 925	1 925	1 596	1 596
Trade receivables and accrued revenues [1)]	1 336	1 336	2 136	2 136
Other non-current and current receivables	419	419	375	375
Finance receivables and short-term loans	65	65	165	165
Embedded derivatives - assets	0	0	5	5
Other derivatives - assets	162	162	384	384
Total	3 908	3 908	4 661	4 661

[1)] Includes work in progress on construction contracts to be invoiced

See above for a description of what is included in the table.

REC ASA had not provided any parent company guarantees for subsidiaries at December 31, 2012. At December 31, 2011 parent company guarantees for subsidiaries amounted to NOK 6 million. These where related to future supply of goods and services and capital expenditure. REC ASA has cosigned bank guarantees as security for fulfillment of subsidiaries' commercial obligations in the ordinary course of business. The total amount of bank guarantees for subsidiaries amounted to NOK 280 million at December 31, 2012 and NOK 279 million at December 31, 2011. These guarantees are not regarded as financial guarantees for the consolidated financial statements for REC or for the purpose of these note disclosures.

The persistent price pressure and oversupply in the solar industry has increased the credit risk of REC's counterparties. Worldwide, most industries have experienced more difficult market conditions. REC Group's trade receivables are primarily from wholesale and manufacturing customers in the solar and electronic industry in Europe, USA and Asia. Refer to note 5 for distribution of external revenues.

Shared characteristics that identify each concentration of trade receivables and accrued revenues at December 31, 2012

GEOGRAPHICAL		SECTOR		INDUSTRY	
Germany	10%	Wholesale	47%	Solar Industry	78%
Italy	10%	Manufacturing	51%	Electronic Industry	15%
Other Europe	10%	Other	2%	Other	7%
North America	11%				
China	21%				
Japan	9%				
Singapore	12%				
Hong Kong	9%				
Other Asia, Oceania	8%				
Total	100%		100%		100%

Shared characteristics that identify each concentration of trade receivables and accrued revenues at December 31, 2011

GEOGRAPHICAL		SECTOR		INDUSTRY	
Germany	11%	Wholesale	39%	Solar Industry	89%
Italy	14%	Manufacturing	51%	Electronic Industry	11%
Other Europe	13%	Other	10%	Other	0%
North America	12%				
China	20%				
Japan	23%				
Singapore	0%				
Hong Kong	1%				
Other Asia, Oceania	6%				
Total	100%		100%		100%

REC has during 2011 and 2012 increased the number of customers, and thereby reduced somewhat the risk related to concentration of a limited number of customers. In 2012 and 2011, no single customer exceeded ten percent of revenues or trade receivables, but some of the customers are relatively large. At year-end 2012, the ten largest trade receivables constituted 49 percent (52 percent in 2011) of total trade receivables. Also, the REC Group's customers are to a large extent exposed to the same industry. Due to the closedown of REC Wafer's production capacity and termination of long-term wafer sales contracts, REC is more exposed to spot sales. This has increased the credit risk. Generally a more challenging and competitive market environment has increased credit risk through sales to financially weaker customers, new customers, extended payment terms and sales into new and immature markets.

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 it is increasingly difficult to obtain external supporting security, consequently the unsecured part of the trade receivables has increased compared to 2011. About 33 percent of the trade receivables at December 31, 2012 were overdue compared to 23 percent in 2011. If the 2011 figures are adjusted for REC Wafer's trade receivables, the overdue percentage would have been about 30 percent. In 2011 REC decreased its provisions for losses on trade receivables due to realization of losses, primarily related to two customers. At year-end 2012 the REC Group, based on individual evaluation of the customers and the amounts receivables outstanding, has recognized increased provisions for losses on receivables. The REC Group has experienced that an increasing part of the customers are overdue in settling the amounts owed. Many companies in the solar industry are struggling with their liquidity due to the difficult market conditions. The REC Management evaluates that the credit risk at December 31, 2012 is higher than at December 31, 2011.

Analysis of aging of receivables at December 31, 2012

(NOK IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED – PAST DUE < 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	IMPAIRED
Trade receivables and accrued revenues [1]	1 399	932	214	147	18	0	89
Provision for loss on trade recivables	-63	0	0	0	0	0	-63
Other non-current and current receivables	419	419	0	0	0	0	0
Finance receivables and short-term loans	65	65	0	0	0	0	0
Total	1 820	1 416	214	147	18	0	26

[1] Includes work in progress on construction contracts to be invoiced.

Analysis of aging of receivables at December 31, 2011

(NOK IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED – PAST DUE < 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	IMPAIRED
Trade receivables and accrued revenues	2 145	1 657	254	157	66	2	9
Provision for loss on trade recivables	-9	0	0	0	0	0	-9
Other non-current and current receivables	375	373	0	2	0	0	0
Finance receivables and short-term loans	165	165	0	0	0	0	0
Total [1]	2 676	2 195	255	158	66	2	0
[1] of which related to REC Wafer Norway AS	503	478	25	-3	3	0	0

The tables above do not include government grant asset, non-current (REC Silicon's Advanced Energy Manufacturing Tax Credit grant, see note 12)

See note 12 for more details of losses on trade receivables.

Approximately eight percent of trade receivables and accrued revenues not due and approximately 21 percent of trade receivables overdue were secured by bank guarantees, letters of credits, prepayments, credit insurance or pledge of assets at December 31, 2012.

Approximately 40 percent (20 percent excluding REC Wafer) of trade receivables and accrued revenues not due, 33 percent (35 percent excluding REC Wafer) of trade receivables overdue were secured by bank guarantees or prepayments at December 31, 2011.

NOK 250 million of other non-current and current receivables at December 31, 2012 (NOK 260 million at December 31, 2011) are government grant receivables (see note 12) and receivables for VAT and other taxes (not income taxes, as these are not included here as financial assets). These are regarded to have a low credit risk.

Finance receivables and short-term loans at December 31, 2012 are primarily municipality bonds in Moses Lake, Washington (NOK 65 million in 2012 and NOK 75 million in 2011) that are serviced by property tax payments by REC Silicon and in 2011 also an unsecured loan by REC ASA to a vendor of REC Wafer of NOK 90 million. The remaining part of this loan (NOK 80 million) was recognized as part of loss on disposal of discontinued operations in connection with REC Wafer Norway AS filing for bankruptcy in 2012.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions (see note 3).

SENSITIVITIES

Convertible EUR bond – sensitivity to changes in REC ASA share price

At December 31, 2012 and 2011 it is estimated that a ten percent increase (decrease) in REC ASA's share price will not change the estimated fair value of the convertible bond.

The currency and interest rate sensitivities related to the convertible bond are included in the calculations below.

Interest rate sensitivity

Interest bearing assets and liabilities are accounted for at amortized cost, except for derivatives, the EUR convertible bond and the fair value component with regards to changes in discount interest rates in the Norwegian bonds REC01 and REC03.

A change in interest rates will affect the interest payments on variable interest rate liabilities and cash and cash equivalents. The net effect of a one percentage point increase (decrease) in interest rates is estimated to affect profit or loss for the year by NOK -3 (3) million calculated on outstanding amounts at December 31, 2012. The same calculation at December 31, 2011 was NOK -23 (23) million. These calculations are not adjusted for capitalization of borrowing costs.

A one percentage point increase (decrease) in market interest rates is estimated to change the net estimated fair values of the bonds and derivatives with an effect to profit or loss by NOK 37 (-37) million at December 31, 2012. The same calculation at December 31, 2011 was NOK 48 (-48) million.

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, 2012 and 2011. 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, 2012 and 2011, respectively. The calculations include intercompany receivables and payables. They exclude net investments in subsidiaries, joint ventures and associates but include a receivable that is regarded as a part of net investments in a foreign entity.

"Of which to equity" is an estimate of the effect that could affect equity through other comprehensive income. It excludes translation differences on net investments in foreign currencies, except receivables regarded as a part of the net investments (a loan to REC Silicon in the USA of approximately USD 130 million).

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 through other comprehensive income versus profit or loss.

The tables below show an estimate of the effects of a 10 percent change in foreign currencies compared to functional currencies for each entity and totaled to arrive at the estimated effects for the REC Group.

The exchange rate sensitivity at December 31, 2012 for financial assets in USD relates primarily to REC ASA's loans to REC Silicon in the USA, of which only a part at December 31 is regarded as a part of the net investment and consequently recognized to equity through other comprehensive income. The main part of the remaining sensitivity on financial assets relates to Group internal receivables. The sensitivity of financial assets and financial liabilities in SGD in 2011 related primarily to Group internal receivable and payables in foreign currency, which has been reduced in 2012. The sensitivity of EUR financial liabilities relates primarily to the EUR convertible bond. The reduced sensitivity of USD compared to 2011 relates primarily to reduction of bank borrowings in USD in REC ASA.

There are no embedded derivatives at December 31, 2012 due to deconsolidation of REC Wafer in 2012. Beyond that the deconsolidation had minor effects on exchange rate sensitivity. See note 11 for information on derivatives.

The exchange rate sensitivity at December 31, 2011 for financial assets in USD relates primarily to REC ASA's total loans to REC Silicon in the USA. The main part of the remaining sensitivity on financial assets relates to group internal receivables. Sensitivity on financial liabilities relates primarily to interest bearing liabilities (see note 17) and Group internal payables. See note 11 for information on derivatives.

Exchange rate sensitivity on financial instruments at December 31, 2012

	CHANGE + 10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	**TOTAL**
Financial assets and liabilities					
Financial assets	32	611	37	9	**690**
Financial liabilities	-256	-63	-38	-3	**-360**
Net excluding derivatives	-224	548	0	6	**329**
Derivatives					
Other derivatives	-96	-289	179	0	**-206**
Embedded derivatives	0	0	0	0	**0**
Net derivatives	-96	-289	179	0	**-206**
Total	-320	259	179	6	**124**
Of which to equity					
USD receivables as part of net investment	0	73	0	0	**73**
Rest is to profit or loss	-320	185	179	6	**50**

Exchange rate sensitivity on financial instruments at December 31, 2012

	CHANGE - 10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	**TOTAL**
Financial assets and liabilities					
Financial assets	-32	-611	-37	-9	**-690**
Financial liabilities	256	63	38	3	**360**
Net excluding derivatives	224	-548	0	-6	**-329**
Derivatives					
Other derivatives	96	289	-179	0	**206**
Embedded derivatives	0	0	0	0	**0**
Net derivatives	96	289	-179	0	**206**
Total	320	-259	-179	-6	**-124**
Of which to equity					
USD receivables as part of net investment	0	-73	0	0	**-73**
Rest is to profit or loss	320	-185	-179	-6	**-50**

Exchange rate sensitivity on financial instruments at December 31, 2011

	CHANGE + 10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	**TOTAL**
Financial assets and liabilities					
Financial assets	41	659	160	2	**862**
Financial liabilities	-294	-190	-264	2	**-745**
Net excluding derivatives	-253	470	-104	4	**116**
Derivatives					
Other derivatives	-535	-309	263	0	**-581**
Embedded derivatives	0	127	0	0	**127**
Net derivatives	-535	-182	263	0	**-454**
Total	-788	288	159	4	**-338**
Of which to equity					
USD receivables as part of net investment	0	79	0	0	**79**
Rest is to profit or loss	-788	209	159	4	**-417**

Exchange rate sensitivity on financial instruments at December 31, 2011

	CHANGE -10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	**TOTAL**
Financial assets and liabilities					
Financial assets	-41	-659	-160	-2	**-862**
Financial liabilities	294	190	264	-2	**745**
Net excluding derivatives	253	-470	104	-4	**-116**
Derivatives					
Other derivatives	535	309	-263	0	**581**
Embedded derivatives	0	-127	0	0	**-127**
Net derivatives	535	182	-263	0	**454**
Total	788	-288	-159	-4	**338**
Of which to equity					
USD receivables as part of net investment	0	-79	0	0	**-79**
Rest is to profit or loss	788	-209	-159	-4	**417**

31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

REC is involved in some legal proceedings and disputes related to various contracts. The disputes concern primarily claims against REC submitted by vendors and other parties. The two largest issues disclosed at December 31, 2011 were related to REC Wafer Norway AS, and these cases developed further during the first half of 2012. On August 13, 2012 REC Wafer AS filed for bankruptcy and is currently under receivership. Consequently, the REC Group does not report the contingent liabilities and disputes of REC Wafer Norway AS at December 31, 2012 that are not taken over by the REC Group. The receiver is currently investigating certain intra-Group transactions prior to the bankruptcy. Although REC does not expect a rescission of any transactions, rescissions are possible and may then imply additional costs to the Group.

The two issues of REC Wafer Norway AS referred to above are:

- REC Wafer Norway AS ("REC Wafer") was defendant in an arbitration case against EKRO Resirk AS ("EKRO"), a former supplier of silicon cleaning and recycling services to REC Wafer. Under an agreement entered into between the parties in 2008, EKRO should have designed and built a new recycling plant close to the REC Group's factories at Herøya. REC Wafer terminated the agreement for material breach in October 2011 after EKRO had not been able to complete the plant according to the agreement. In December 2011, EKRO claimed NOK 165 million in compensation and damages from REC Wafer and initiated arbitration proceedings against REC Wafer in Norway. The arbitration panel was established in March 2012. REC Wafer contested EKRO's claim in its entirety, and had not made any provisions for these claims. EKRO has subsequently filed for bankruptcy.
- On April 18, 2012, REC Wafer initiated arbitration proceedings against SIC Processing AS ("SIC Processing"), a supplier of recycling services for exhausted slurry used in the wafer production process. The parties had entered into several cooperation and supply agreements. REC Wafer claimed a declaratory judgment that certain parts of SIC Processing's compensation under the agreements had been reduced to zero due to the closedown of SIC Processing's factories. The total compensation over the remaining contract period under these parts of the agreements prior to any reduction due to the closedown was estimated to a present value of approximately NOK 315 million. These parts of the agreements were included in the estimated total provisions for onerous contracts at the time of REC Wafer filing for bankruptcy, but at a much lower amount. SIC Processing has subsequently filed for bankruptcy.

REC has received claims for annual property taxes in Singapore and in Grant County, Washington State (USA). REC is contesting the size of the claims and believes the original claims are significantly overestimated. In 2011, the claim in Singapore was nearly halved, but REC is still contesting its size. Per December 31, 2012 REC has expensed all amounts in dispute in Singapore. In January 2013, Grant County and REC Solar Grade Silicon LLC have resolved the amounts of property taxes for the company's fiscal years 2009, 2010 and 2011. The agreement also addresses certain procedural aspects of the unsettled and still ongoing appeal involving property tax for the company's fiscal year 2012, to be paid in 2013.

REC Wafer Pte. Ltd. has received a Notice of Referral to Arbitration from a vendor claiming EUR 3.4 million penalty (as of November 30, 2012, estimated to have increased to EUR 3.8 million at December 31, 2012) related to volume reductions under a Cooperation and Supply Agreement and material breach of contract. REC Wafer Pte. Ltd. contests the claim and has not recognized any liability for this claim.

REC ASA has received notices of reassessment from the Central Tax Office for Large Enterprises regarding its income tax returns for 2009 and 2010 relating to losses on loans to REC ScanModule AB and loans and guarantees to Sovello GmbH. The disputed amounts correspond to a tax effect of NOK 372 million. REC ASA believes the losses are tax deductible and has made no provision for potential tax liabilities.

In REC ASA's 2011 income tax returns it has claimed that significant losses on loans to Norwegian subsidiaries that were realized in 2011 are tax deductible. The losses were realized prior to a change in the tax legislation which abolished the right to deduct such losses with effect from October 6, 2011. Based on the fact that the Central Tax Office for Large Enterprises has questioned the deductibility of the losses on the above-mentioned loans and guarantees to REC ScanModule AB and Sovello GmbH in 2009 and 2010, it cannot be ruled out that the Central Tax Office for large Enterprises may also question the deductibility of the losses that were realized on the loans to the Norwegian subsidiaries in 2011.

REC was named a respondent in a trade case investigation initiated by the Chinese Ministry of Commerce ("MOFCOM") on July 20, 2012 against polysilicon imports from the US into China. MOFCOM initiated the investigation following the receipt of a petition by Chinese producers in which the petitioners seek anti dumping ("AD") duties of approximately 54 percent on US imports and approximately 49 percent on Korean imports into China, and countervailing duties ("CVD") in relation to any government subsidies found to have been received by US respondents that contravene international trade laws. The size of any AD or CVD tariffs eventually imposed on REC (if any) will depend on the outcome of the investigation by MOFCOM. It is expected that MOFCOM announce the preliminary results from its investigation later this year. China is a very important market for REC's polysilicon operations. Should REC become subject to AD or CVD tariffs imposed by MOFCOM this could have a significant adverse effect on REC. REC has no basis for having any opinion or view on the outcome and its potential effect on the company at this point in time or making any specific adjustments to assets or liabilities due to potential unfavorable outcome of trade disputes.

32 SHARE-BASED COMPENSATION

REC ASA has from 2008 had share option programs for management and key personnel in REC ASA and subsidiaries. No options were issued in 2012.

SHARE OPTION PROGRAM
Each program is a six year program with a lock up period in the first three years. Exercising of options can take place in the fourth, fifth and sixth year, with four exercising periods per year. These periods will start after presentation of the quarterly financial results and last 14 days. Options not exercised are forfeited upon termination of the employment.

Each of the programs has a profit cap of one to two years fixed base salary. The number of share option awarded is limited to a maximum profit gain in each calendar year of the exercising period relative to annual fixed base 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.

The number of options allocated under the programs were established based on the potential maximum profit cap earned over the six year program duration and subject to the following assumptions: 1) The REC share price development outperforms the Oslo Stock Exchange (OSE) by 25 percent, assuming an OSE annual average increase of ten percent. 2) The exercise price for the option was calculated as ten percent above the weighted average trading price on the allocation date. The total number of options issued for 2011 was further reduced so that the total amount issued was limited to 0.8 percent of the outstanding shares (on a fully diluted basis) at the time of allocation.

PROGRAM	NO. OF EMPLOYEES GRANTED OPTIONS	NO. OF OPTIONS GRANTED ORIGINALLY	NO. OF OPTIONS GRANTED AFTER ADJUSTMENT OF 2009 AND 2010 BONUS ISSUE	NO. OF OPTIONS GRANTED AFTER ADJUSTMENT OF 2012 BONUS ISSUE	EXPECTED VOLATILITY	RISK FREE INTEREST RATES	AVERAGE EXPECTED LIFE TIME (YEAR)	AVERAGE ESTIMATED VESTING PERIOD (YEAR)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEAR) AT DEC 31 2011	2012
2008	71	638 464	873 546	1 175 541	59%	4.9% - 5.3%	3.5	6.2	2.6	1.6
2009	85	3 250 094	3 876 678	5 216 888	77%	3.4% - 3.9%	3.3	6.0	3.6	2.6
2010	68	7 245 411	7 245 411	9 750 228	81%	2.4%	3.3	6.0	4.6	3.6
2011	59	8 600 083	8 600 083	11 573 225	79%	2.6%	3.3	6.1	5.6	4.6
Total		19 734 052	20 595 718	27 715 882						

Fair value was estimated based on the Black-Scholes option price model. Expected volatility is based on historical volatility and no dividends are expected in the periods. Expected lifetime has been set at the time of allocation based on expectations that employees will exercise the options early due to the structure of the programs, including the annual profit cap, and the high volatility of the REC share price. This also determined the expected vesting period. In 2011, due to the continued low share price compared to the exercise prices the expected vesting periods were changed from approximately three years to approximately six years for the 2008, 2009 and 2010 programs. In 2012, the same adjustment was made for the 2011 program. This has reduced the accumulated expense recognized for these programs.

Calculation of social security tax is based on intrinsic value at end of period.

The amount recognized in the statement of income for share options was an income of NOK 1.7 million in 2012 and an income of NOK 4.1 million in 2011. At year-end 2012, total estimated fair value recognized to equity was NOK 14.6 million (NOK 16.4 million at December 31, 2011). Remaining estimated fair value to be expensed was NOK 15.6 million at December 31, 2012 (NOK 36 million at December 31, 2011).

		PER OPTION (NOK)	PER SHARE (NOK)	
	NO. OF OPTIONS	AVERAGE ESTIMATED FAIR VALUE AT GRANT DATE	AVERAGE EXERCISE PRICE	MARKET PRICE AT GRANT DATE
Outstanding at January 1, 2011 adjusted with bonus factor 2009 and 2010 [1]	10 352 910	4.80	32.48	NA
Granted at May 27, 2011	2 815 039	2.21	13.57	12.34
Granted at May 30, 2011	5 785 044	2.31	13.57	12.34
Forfeited in 2011 of 2008 program	-164 615	22.04	130.53	NA
Forfeited in 2011 of 2009 program	-794 825	6.28	44.00	NA
Forfeited in 2011 of 2010 program	-1 886 222	2.91	20.61	NA
Forfeited in 2011 of 2011 program	-1 254 654	2.26	13.57	NA
Exercised in 2011	0	NA	NA	NA
Expired in 2011	0	NA	NA	NA
Outstanding at December 31, 2011	14 852 677	3.52	22.93	NA
Exercisable at December 31, 2011	337 248	22.53	130.53	NA
Forfeited in 2012 of 2008 program	-195 510	22.62	130.53	NA
Forfeited in 2012 of 2009 program	-1 001 157	6.23	44.00	NA
Forfeited in 2012 of 2010 program	-1 969 778	2.91	20.61	NA
Forfeited in 2012 of 2011 program	-2 488 700	2.30	13.57	NA
Exercised in 2012	0	NA	NA	NA
Expired in 2012	0	NA	NA	NA
Outstanding at December 31, 2012	9 197 531	3.29	21.38	NA
Exercisable at December 31, 2012	1 240 010	8.23	35.50	NA
Outstanding at December 31, 2012 adjusted with bonus factor 2012 [2]	12 377 218	2.44	15.89	NA
Exercisable at December 31, 2012 adjusted with bonus factor 2012 [2]	1 668 695	6.12	26.38	NA

[1] The strike prices and number of options granted in the 2008 and 2009 program were adjusted in 2011 to compensate for the dilutive effects of the rights issues in 2009 and 2010.
[2] At the end of 2012, all the programs were adjusted for the dilutive effects of the share issues in 2012, see below.

At the beginning of 2011 adjustments were made for the share issues in 2009 and 2010. At the end of 2012 adjustments were made for the share issues in 2012. The adjustment factors are the bonus elements (dilutive effects), as discussed in note 26 Earnings per share, as follows:

ADJUSTED EXERCISE PRICE	ADJUSTED NUMBER OF OPTIONS
Old exercise price*1/Bonus factor	Old number*Bonus factor

Adjustment at December 31, 2012 for the share issues in 2012

	BEFORE ADJUSTED		BONUS FACTOR	ADJUSTMENT FACTOR		ADJUSTED	
PROGRAM	EXERCISE PRICE	NO. OPTIONS	2012	EXERCISE PRICE	NO. OPTIONS	EXERCISE PRICE	NO. OPTIONS
2008	130.53	141 737	1.35	0.74	1.35	97.00	190 737
2009	44.00	1 098 273	1.35	0.74	1.35	32.69	1 477 958
2010	20.61	3 100 792	1.35	0.74	1.35	15.32	4 172 770
2011	13.57	4 856 729	1.35	0.74	1.35	10.09	6 535 753
Total		9 197 531					12 377 218

These adjustments are to make the option holders equally well off as prior to the dilution in the rights issues. The total fair values are thus unchanged.

33 EVENTS AFTER THE REPORTING PERIOD

After the reporting period ended on December 31, 2012 and up to the date these financial statements have been approved for issue, no events have been identified that require disclosure.

BALANCE SHEET (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

AT DECEMBER 31 (NOK IN MILLION)	NOTES	2012	2011
ASSETS			
Non-current assets			
Intangible assets	B	8	17
Property and equipment	C	4	9
Shares in subsidiaries	D	1 820	3 222
Non-current interest bearing receivables from subsidiaries	E	5 690	6 126
Non-current interest bearing receivables external	F	0	91
Derivatives, external	G	100	74
Total non-current assets		7 622	9 538
Current assets			
Group account system, subsidiaries	H	788	2 900
Trade receivables from subsidiaries		14	12
Trade receivables from others		4	2
VAT and other taxes		1	2
Other receivables from subsidiaries		358	371
Other receivables		79	73
Derivatives	G	63	310
Total current receivables		1 306	3 670
Cash and cash equivalents	H	1 774	1 412
Total current assets		3 080	5 082
Total assets		10 702	14 620

BALANCE SHEET (NGAAP) RENEWABLE ENERGY CORPORATION ASA

AT DECEMBER 31 (NOK IN MILLION)	NOTES	2012	2011
EQUITY & LIABILITIES			
Shareholders equity			
Share capital	I	**2 114**	997
Share premium reserve	I	**2 660**	5 583
Total paid in capital		**4 774**	6 581
Other equity and retained earnings	I	**0**	0
Total shareholders equity		**4 774**	6 581
Non-current liabilities			
Interest bearing liabilities	J	**4 512**	6 385
Retirement benefit obligations	K	**23**	9
Deferred tax liabilities	L	**0**	0
Derivatives	G	**55**	86
Total non-current liabilities		**4 590**	6 480
Current liabilities			
Interest bearing liabilities		**-29**	0
Trade payables to subsidiaries		**1**	4
Group account system, subsidiaries	H	**1 071**	1 271
Trade payables to others		**6**	15
Social security, VAT and other taxes		**7**	7
Current provisions	M	**5**	6
Other current liabilities		**260**	177
Derivatives	G	**17**	79
Total current liabilities		**1 337**	1 559
Total liabilities		**5 928**	8 039
Total equity and liabilities		**10 702**	14 620

Sandvika, March 21, 2013

Peter Ruzicka
Member of the Board

Mimi K. Berdal
Chairman of the Board

Odd Christopher Hansen
Member of the Board

Heléne Vibbleus Bergquist
Member of the Board

Silje Johnsen
Member of the Board

Ole Enger
President and CEO

INCOME STATEMENT (NGAAP) RENEWABLE ENERGY CORPORATION ASA

YEAR ENDED DECEMBER 31 (NOK IN MILLION)	NOTES	2012	2011
Lease revenues and other revenues external		1	3
Revenues from subsidiaries		32	83
Total revenues		34	86
Employee benefit expenses	K	-89	-103
Other operating expenses	N	-87	-140
Depreciation, amortization and impairment	B, C	-13	-81
Operating loss (EBIT)		-155	-238
Interest income, internal		814	1 745
Interest income, external		35	14
Interest expenses, internal		-32	-17
Interest expenses, external	O	-390	-509
Other financial expenses	O	-35	-70
Currency gains/-losses	G	-187	-41
Net gains/- losses on internal derivatives	G	0	-60
Net gains/-losses on external derivatives	G	483	16
Writedowns and losses on financial assets	P	-3 957	-14 339
Profit/loss before taxes		-3 424	-13 498
Income tax expense/benefit	L	-1	281
Profit/loss for the year		-3 425	-13 217
Coverage of loss			
Share premium reserve	I	-3 441	-10 490
Contributed capital	I	0	-283
Other equity		16	-2 444
Total coverage of loss		-3 425	-13 217

STATEMENT OF CASH FLOWS (NGAAP) RENEWABLE ENERGY CORPORATION ASA

YEAR ENDED DECEMBER 31 (NOK IN MILLION)	2012	2011
Cash flows from operating activities		
Profit/loss before tax	-3 424	-13 498
Taxes paid/received	-1	0
Depreciation, amortization and impairment	13	81
Writedowns and losses financial assets	3 957	14 339
Changes in receivables	-14	135
Changes in payables	-21	-18
Changes in provisions	-1	4
Changes in VAT and other public taxes and duties	1	0
Changes in derivatives	144	323
Currency effects not cash flow or not related to operating activities[1]	189	36
Other items[2]	45	111
Net cash flow from operating activities	888	1 514
Cash flows from investing activities		
Cash payments for shares	-4 718	-9 058
Payment of group contribution gross	0	-643
Proceeds finance receivables	352	2 332
Payments finance receivables	-367	-434
Proceeds from sale of property, plant and equipment and intangible assets	0	1
Net change in internal part of group account system[1][3]	4 616	7 905
Payments for property, plant and equipment and intangible assets	0	-5
Net cash from disposal of subsidiaries	4	0
Net cash flow from investing activities	-112	98
Cash flows from financing activities		
Increase in equity	1 635	0
Payments of borrowings and up-front/waiver loan fees	-2 791	-4 207
Proceeds from borrowings	742	3 452
Net cash flow from financing activities	-414	-756
Net increase/decrease in cash and cash equivalents	363	857
Cash and cash equivalents at the beginning of the period	1 412	555
Cash and cash equivalents at the end of the period	1 774	1 412

1) Currency gains and losses are primarily related to interest bearing liabilities, loans to subsidiaries and the Group account systems. The net currency gains and losses in the Group account systems relates to Group internal receivables and REC ASA's external bank accounts. It is impractical to separate these effects in the Group account systems. However, the internal receivables and payables in the Group account systems are significantly higher than the external bank accounts. REC ASA has consequently included the net currency effects in the net change in the internal part of the Group account systems, as a part of investing activities in the statement of cash flows.

2) Other items consist primarily of the expensing of up-front loan fees.

3) See note 14 to the consolidated financial statements for a description of REC's Group account systems (cash pool). The Group account systems contain receivables and payables on subsidiaries (internal part) and REC ASA's external bank accounts. In the balance sheet, these are presented separately at December 31, 2012 and 2011.

INDEX OF THE NOTES TO THE FINANCIAL STATEMENTS RENEWABLE ENERGY CORPORATION ASA

NOTES TO THE FINANCIAL STATEMENTS RENEWABLE ENERGY CORPORATION ASA

A SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

Renewable Energy Corporation ASA (REC ASA) is a holding company and consists of parts of the Group management, corporate functions and the REC Group's in-house bank. During 2012 the corporate research and development and project management organizations were terminated. Revenues comprise sales of Group services to REC subsidiaries, primarily on a cost-plus basis. The activities have been scaled down during the last years in light of the reduced activities in Norway and cost reductions for the REC Group. Due to significant losses and write-downs of assets in its subsidiaries, REC ASA had to contribute capital during the year to subsidiaries and recognized significant write-downs and losses on shares in, and loans to subsidiaries. On August 13, 2012 the wholly owned subsidiary REC Wafer Norway AS filed for bankruptcy, and further losses, guarantees and liabilities were recognized by REC ASA.

The financial statements of REC ASA have been prepared in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP) in effect at December 31, 2012. 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 notes to 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 according to IFRS recognized in the consolidated financial statements at the time of approval. For REC ASA's financial statements according to NGAAP, these are recognized in the fiscal year they relate to. Group contributions to subsidiaries are recognized as investment in shares in subsidiaries, net of tax. In REC ASA's financial statements, subsidiaries, jointly controlled entities and associates are carried at the lower of cost and estimated recoverable amount. In the consolidated financial statements, these are consolidated, proportionately consolidated and accounted for using the equity method, respectively. In the consolidated financial statements, the convertible EUR bond issued in 2009 has been measured at fair value. In REC ASA's financial statements it is measured at amortized cost.

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 financial statements, these are reclassified.

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

The financial statements of REC ASA have been approved for issue by the Board of Directors on March 21, 2013 and are subject to approval by the annual general meeting on May 3, 2013.

B INTANGIBLE ASSETS

(NOK IN MILLION)	INTERNALLY GENERATED INTANGIBLES	ASSETS UNDER CONSTRUCTION	OTHER INTANGIBLE ASSETS	**2012 TOTAL**	2011 TOTAL
Cost at January 1	22	62	11	**96**	93
Additions	0	0	0	**0**	3
Disposals	0	0	-2	**-2**	0
Cost at December 31	23	62	9	**94**	96
Accumulated amortization at December 31	-14	0	-6	**-20**	-17
Accumulated impairment at December 31	0	-62	-3	**-65**	-62
Carrying value at December 31	8	0	0	**8**	17
Amortization for the year	-4	0	-2	**-6**	-7
Impairment for the year	0	0	-3	**-3**	-62
Estimated useful life, years	3	N/A	3-10		
Amortization method	Straight line	N/A	Straight line		

In 2011 REC ASA recognized impairment loss on a technology development agreement with SiGen for mono wafer cutting. Remaining intangible assets are to a large extent related to IT systems.

C PROPERTY, PLANT AND EQUIPMENT

(NOK IN MILLION)	LEASEHOLD IMPROVEMENTS	OFFICE AND OTHER EQUIPMENT	MACHINERY AND EQUIPMENT	**2012 TOTAL**	2011 TOTAL
Cost at January 1	14	16	2	**33**	37
Additions	0	0	0	**0**	2
Disposals	-9	-2	0	**-10**	-7
Cost at December 31	5	15	2	**22**	33
Accumulated depreciation at December 31	-2	-14	-1	**-17**	-24
Accumulated impairment at December 31	0	0	-1	**-1**	0
Carrying value at December 31	3	1	0	**4**	-9
Depreciation for the year	-1	-2	-1	**-4**	-11
Impairment for the year	0	0	-1	**-1**	-2
Estimated useful life, years	Up to 10	Up to 5	Up to 3		
Depreciation method	Straight line	Straight line	Straight line		

D SHARES IN SUBSIDIARIES

COMPANY	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE	CARRYING VALUE DECEMBER 31 (NOK IN MILLION) **2012**	2011
REC Silicon AS	100%	Bærum	**226**	225
REC Wafer Norway AS	100%	Meløy	**NA**	0
REC Solar AS	100%	Bærum	**657**	0
REC Technology Ventures AS	100%	Bærum	**0**	4
REC Site Services Pte Ltd	100%	Singapore	**936**	2 992
Total			**1 820**	3 222

In 2012, REC ASA paid in equity in REC Wafer Norway AS by NOK 1,190 million and in REC Solar AS by NOK 3,527 million. The shares in REC Wafer Norway AS were impaired to zero, of which NOK 1,434 million had been recognized as a provision for loss on loans in 2011. REC ASA recognized a loss preliminary estimated to NOK 426 million when the subsidiary filed for bankruptcy on August 13, 2012. The shares in REC Solar AS were impaired by NOK 2,870 million, of which NOK 1,166 million had been recognized as provision for loss on loans in 2011. The shares in REC Site Services Pte Ltd were impaired by NOK 2,056 million in 2012. REC Technology Ventures AS shares were impaired by NOK 4 million in 2012.

In 2011 REC ASA paid in equity in REC Wafer Norway AS (NOK 6,500 million), REC Solar AS (NOK 2,000 million) and REC ScanCell AS (NOK 550 million). The shares in REC ScanCell AS were subsequently sold to REC Solar AS for NOK 1. Parts of the equity contributions (NOK 6,424 million) were recognized as realized losses on loans. In addition the remaining values of the shares were written-down to zero by in total NOK 5,310 million, and provisions for losses on loans were recognized with NOK 2,604 million (see note P).

At year-end 2012 REC Silicon AS and REC Solar AS own shares in other subsidiaries and associate as described in their respective financial statements. In addition to the major sub-subsidiaries mentioned below, REC Solar AS owns several sales-companies and REC Systems AS, that owns several subsidiaries, associate and joint ventures.

MAJOR SUB-SUBSIDIARIES	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE
REC Solar AS subsidiaries		
REC Wafer Pte Ltd	100%	Singapore
REC Cell Pte Ltd	100%	Singapore
REC Modules Pte Ltd	100%	Singapore
REC Silicon AS subsidiaries		
REC Silicon Inc	100%	Moses Lake, USA
REC Solar Grade Silicon LLC	100%	Moses Lake, USA
REC Advanced Silicon Materials LLC	100%	Butte, USA

E NON-CURRENT INTEREST BEARING RECEIVABLES FROM SUBSIDIARIES

The receivables are USD loans to the subsidiaries in USA (REC Silicon), with USD 1,022 million at December 31, 2012 and 2011.

F NON-CURRENT INTEREST BEARING RECEIVABLES

Non-current interest bearing receivables is zero at December 31, 2012. At December 31, 2011 it was primarily a loan to SIC Processing AS which was a vendor of REC Wafer Norway AS. The remaining value of this interest bearing receivable of MNOK 80 has been included as part of the loss in connection with the bankrupty of REC Wafer Norway AS in 2012 (see note P), and the vendor SIC Processing AS has filed for bankruptcy in December 2012.

G CURRENCY GAINS/LOSSES AND DERIVATIVES

CURRENCY GAINS AND LOSSES

Net currency losses in 2012 of NOK 187 million related primarily to losses from USD loans to subsidiaries partially offset by currency gains on USD and EUR interest bearing liabilities and on the Group account systems (cash pool systems). Net currency losses in 2011 of NOK 41 million related primarily to currency losses on the Group account systems, partially offset by currency gains on USD and EUR interest bearing liabilities and loans to subsidiaries.

DERIVATIVES

	2012		2011	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Non-current derivatives, external	100	55	74	86
Current derivatives, external	63	17	310	79
Total derivatives	162	72	384	165

See notes 3 and 11 to the consolidated financial statements for a description of derivatives, the purpose of entering into derivative transactions and accounting for derivatives. Note 25 to the consolidated financial statements discusses the net gains on external derivatives in 2012 and 2011, which also include fair value adjustments of NOK bonds due to fair value hedge. REC ASA's net losses on internal derivatives in 2011 were on currency derivatives entered into with subsidiaries, of which parts were back-to-back with external banks.

During 2011 all internal derivatives were terminated and settled, and at year-end 2011 and 2012 REC ASA was the only entity in the REC Group holding derivatives, besides some embedded derivatives in REC Wafer. The overview of derivatives in note 11 to the consolidated financial statement is therefore representative for REC ASA at December 31, 2012 and 2011, respectively.

H CASH AND CASH EQUIVALENTS AND GROUP ACCOUNT SYSTEMS

Cash and cash equivalents

(NOK IN MILLION)	2012	2011
Group account systems (cash pools)	209	1 412
Other bank deposits	1 565	0
Total cash and cash equivalents	1 774	1 412

For REC ASA, cash and cash equivalents are primarily short term placements, the net external amounts in the Group account systems and money market funds. See note 14 to the consolidated financial statements for a description of the Group account systems (cash pools) in the REC Group.

At December 31, 2012 REC ASA had a guarantee through Nordea Bank of NOK 7 million (NOK 8 million in 2011) covering tax deductions for employees.

The amounts representing receivables on and liabilities to subsidiaries are shown in separate accounts in the balance sheet and below.

Group account systems, current receivables on subsidiaries

(NOK IN MILLION)	2012	2011
Group account systems, subsidiaries	788	5 504
Less provision for losses on loans to subsidiaries	0	-2 604
Group account systems, subsidiaries (net of provision for losses)	788	2 900

Group account systems, current liabilities to subsidiaries

(NOK IN MILLION)	2012	2011
Group account systems, subsidiaries	1 071	1 271

I EQUITY

(NOK IN MILLION)	SHARE CAPITAL	SHARE PREMIUM RESERVE	CONTRIBUTED CAPITAL	OTHER EQUITY	TOTAL
Equity at January 1, 2011	997	16 073	283	2 437	19 791
Share option program	0	0	0	-4	-4
Actuarial gains/-losses on defined pension scheme, net of tax	0	0	0	11	11
Loss for the year	0	-10 490	-283	-2 444	-13 217
Equity at December 31, 2011	997	5 584	0	0	6 581
Share option program	0	0	0	-2	-2
Share issues	1 117	518	0	0	1 635
Actuarial gains/-losses on defined pension scheme, net of tax	0	0	0	-15	-15
Transfer	0	-16	0	16	0
Loss for the year	0	-3 425	0	0	-3 425
Equity at December 31, 2012	2 114	2 660	0	0	4 774

Share capital at December 31, 2012 was 2,113,818,785 shares at par value of NOK 1 (997,152,118 shares at December 31, 2011). There is one class of shares which all have the same voting rights. See note 15 to the consolidated financial statements for more information.

In 2012 REC ASA increased equity through share issues of 1,116,666,667 shares at a price of NOK 1.50 per share. The net proceed was NOK 1,635 million after deduction of costs of NOK 40 million.

REC ASA had no distributable equity at December 31, 2012 and 2011.

J INTEREST BEARING LIABILITIES

(NOK IN MILLION)	2012	2011
Bank borrowings	0	2 035
NOK bonds	1 934	1 912
Up-front loan fees etc. (amortized as part of effective interest)	-46	-43
EUR convertible bond	2 349	2 481
Indemnification loans	246	0
Total interest bearing liabilities	4 483	6 385

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

K EMPLOYEE BENEFITS

Employee benefit expenses

(NOK IN MILLION)	2012	2011
Payroll	57	71
Bonus	11	8
Share options expenses	2	-3
Social security tax	11	11
Pension expense including social security tax	6	11
Other employee related costs	3	6
Employee benefit expenses	89	103

The average number of employees measured in man-years was 45 during 2012 and 57 during 2011. Total loans to employees in REC ASA were NOK 0.5 million at December 31, 2012 and 2011. For compensation, loans and shareholdings for the Group management and Board of Directors see note 16 to the consolidated financial statements .

RETIREMENT BENEFIT OBLIGATIONS AND PENSION EXPENSE

Defined benefit plans

(NOK IN MILLION)	2012	2011
Gross retirement benefit obligations at January 1	8	15
Service cost	2	6
Interest cost on pension obligations	0	1
Actuarial gains and losses	13	-14
Benefits paid, paid-up policies and disability obligation	-5	-1
Liabilities taken over due to REC Wafer Norway AS bankruptcy, included as a loss (see note P)	3	0
Gross retirement benefit obligations at December 31	20	8
Fair value of plan assets at December 31	0	0
Funded status at December 31	20	8
Accrued social security tax	3	1
Net retirement benefit obligations at December 31	23	9

Retirement benefit obligations in the balance sheet

(NOK IN MILLION)	2012	2011
Net retirement benefit obligations at January 1	9	17
Net periodic benefit costs	3	8
Actuarial gains and losses recognized directly in equity	15	-16
Liabilities taken over due to REC Wafer Norway AS bankruptcy, included as a loss on disposal (see note P)	3	0
Pension premiums and benefits paid	-5	-1
Social security tax on pension premiums	-1	0
Net retirement benefit obligations at December 31	23	9

The amounts recognized in the income statement are as follows

(NOK IN MILLION)	2012	2011
Current service cost	2	6
Interest cost on gross retirement benefit obligations	0	1
Employer's social security tax on defined benefit costs	0	1
Total benefit plans	3	8
Contribution plans including employer's social security tax	3	3
Pension expense including social security tax	6	11

The defined benefit plan for base salaries up to 12 G (NOK 985,464 at December 31, 2012) was decided to be terminated at the end of 2009 and replaced by other pension and personnel insurance plans. For pension plans, in 2011 and 2012 there has been a compensation plan for salaries up to 12 G (a defined benefit plan as compensation for those that were employed at January 1, 2010 and are estimated to earn less pension benefits in the new contribution plan than in the previous benefit plan), a defined benefit plan for salaries over 12 G and two individual defined benefit plans. In 2012, REC ASA also became participant in an early retirement benefit plan for its employees, accounted for as a contribution plan. For information on assumptions used and description of the pension plans, see note 19 to the consolidated financial statements.

At the end of 2012, the number of employees in REC ASA's pension plan for salary over 12 G was 17 (22 at the end of 2011) and for the compensation plan 34 (49). REC ASA's pension plan for all employees fulfills the requirements according to the Norwegian law: "Lov om obligatorisk tjenestepensjon".

Accumulated actuarial gains (+) and losses (-) recognized directly to equity as of December 31

(NOK IN MILLION)	2012	2011
Gross before tax	4	18
Less tax	-5	-5
Total recognized directly to equity	-1	13

SHARE OPTION PROGRAMS

See note 32 to the consolidated financial statements for the REC Group for details of the share option programs.

In the income statement, an expense of NOK 2.2 million was recognized for 2012 and an income of NOK 3.2 million for 2011. At December 31, 2012 the accumulated amount recognized to equity was NOK 14.6 million and NOK 16.4 at December 31, 2011. At December 31, 2012 the accumulated expense recognized in REC ASA was NOK 8.8 million and NOK 6.6 million at December 31, 2011. The difference between the amounts recognized to equity and the expense are share options offered by REC ASA to employees in subsidiaries that are recognized as additions to the cost price of shares in subsidiaries. Remaining estimated fair value to be expensed was NOK 7.2 million at December 31, 2012 and NOK 14 million at December 31, 2011.

	NO. OF OPTIONS	PER OPTION (NOK) ESTIMATED FAIR VALUE AT GRANT DATE	PER SHARE (NOK) AVERAGE EXERCISE PRICE	MARKET PRICE AT GRANT DATE
Outstanding at January 1, 2011 adjusted with bonus factor 2009 and 2010 [1]	4 329 463	5.11	33.82	NA
Granted at May 27, 2011	2 437 124	2.21	13.57	12.34
Granted at May 30, 2011	1 679 693	2.31	13.57	12.34
Forfeited in 2011 of 2008 program	-121 426	22.14	130.53	NA
Forfeited in 2011 of 2009 program	-425 223	6.36	44.00	NA
Forfeited in 2011 of 2010 program	-981 401	2.92	20.61	NA
Forfeited in 2011 of 2011 program	-1 085 497	2.26	13.57	NA
Transfer between units in 2008 program	-5 103	21.77	130.53	151.75
Transfer between units in 2009 program	10 808	6.18	44.00	47.71
Transfer between units in 2010 program	28 388	2.91	20.61	18.68
Transfer between units in 2011 program	-60 764	2.31	13.57	12.34
Exercised in 2011	0	NA	NA	NA
Expired in 2011	0	NA	NA	NA
Outstanding at December 31, 2011	5 806 061	3.54	22.99	NA
Exercisable at December 31, 2011	139 480	23.24	130.53	NA
Forfeited in 2012 of 2008 program	-72 193	23.35	130.53	NA
Forfeited in 2012 of 2009 program	-310 188	6.29	44.00	NA
Forfeited in 2012 of 2010 program	-709 917	2.91	20.61	NA
Forfeited in 2012 of 2011 program	-933 714	2.27	13.57	NA
Transfer between units in 2008 program	23 623	21.77	130.53	151.75
Transfer between units in 2009 program	118 334	6.18	44.00	47.71
Transfer between units in 2010 program	334 413	2.91	20.61	18.68
Transfer between units in 2011 program	462 777	2.31	13.57	12.34
Exercised in 2012	0	NA	NA	NA
Expired in 2012	0	NA	NA	NA
Outstanding at December 31, 2012	4 719 196	3.40	22.16	NA
Exercisable at December 31, 2012	680 354	8.29	26.76	NA
Outstanding at December 31, 2012 adjusted with bonus factor 2012 [2]	6 350 673	2.53	16.47	NA
Exercisable at December 31, 2012 adjusted with bonus factor 2012 [2]	915 560	6.16	19.89	NA

[1] The strike prices and number of options granted in the 2008 and 2009 program were adjusted in 2011 to compensate for the dilutive effects of the rights issues in 2009 and 2010.

[2] The strike prices and number of options granted in 2008, 2009, 2010 and 2011 program were adjusted in 2012 to compensate for the dilutive effects of the share issues in 2012, see below.

In 2012 and in 2011, according to the terms and conditions of the programs the strike prices and number of options granted in the relevant programs were adjusted to compensate for the dilutive effects of share issues, see note 32 to the consolidated financial statements for REC Group for more details. These adjustments are to make the options holders equally well off as prior to the dilution in the rights issues. The total fair values are thus unchanged.

At December 31, 2012

	BEFORE ADJUSTED		BONUS FACTOR	ADJUSTMENT FACTOR		ADJUSTED	
PROGRAM	EXERCISE PRICE	NO. OPTIONS	2012	EXERCISE PRICE	NO. OPTIONS	STRIKE	NO. OPTIONS
2008	130.53	90 910	1.35	0.74	1.35	97.00	122 339
2009	44.00	589 444	1.35	0.74	1.35	32.69	793 222
2010	20.61	1 539 222	1.35	0.74	1.35	15.32	2 071 348
2011	13.57	2 499 619	1.35	0.74	1.35	10.09	3 363 765
Total		4 719 196					6 350 673

L INCOME TAXES

(NOK IN MILLION)	2012	2011
Current income tax benefit (+) / expense (-) for the year	-1	-1
Total deferred tax benefit (+) / expense (-) for the year	0	282
Total income tax benefit (+) / expense (-) for the year in the income statement	-1	281

The income tax in the income statement differs from the theoretical amount that would arise using the 28 percent corporate tax rate applicable to profit/loss before taxes

(NOK IN MILLION)	2012	2011
Profit/loss before tax	-3 424	-13 498
Tax calculated at domestic tax rate of 28 percent	959	3 780
Income not subject to tax	70	1
Expenses not deductible for tax (permanent differences)	-484	-2 215
Net deferred tax assets not recognized this year	-545	-1 283
Adjustment of prior years' income taxes	-1	-1
Total income tax benefit (+) / expense (-) for the year in the income statement	-1	281
Effective tax rate	0%	2%

Current income tax

(NOK IN MILLION)	2012	2011
Profit/loss before taxes	-3 424	-13 498
Impairments and losses on shares and loans - permanent difference	1 475	7 914
Other permanent differences	2	-3
Changes in temporary differences	2 762	400
Utilization of tax losses carried forward	-814	0
Basis for current tax in the income statement	0	-5 187
Estimated 28 percent current income tax	0	1 452
Not recognized current income tax (tax loss carried forward)	0	-1 452
Adjustment of prior years' income taxes	-1	0
Current income tax benefit (+) / expense (-) in the income statement	-1	0
Basis for current tax in the income statement	0	-5 187
Cost for capital increase, recognized to equity	-40	0
Tax loss carried forward	40	5 187
Basis for current tax in the balance sheet	0	0
Current tax asset (+) / liability (-)	0	0

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

(NOK IN MILLION)	2012	2011
Fixed assets	-10	-62
Shares in subsidiaries	-2 056	0
Up-front fees	46	43
Interest bearing liabilities	-329	-62
Pension liability	-23	-9
Derivatives	90	218
Net unrealized gains on non-current foreign exchange receivables and liabilities	299	477
Other	-186	0
Tax losses carried forward	-4 413	-5 187
Total temporary differences and tax loss carried forward	-6 583	-4 581
28 percent deferred tax assets (-) / liabilities (+)	-1 843	-1 283
Deferred tax assets not recognized	1 843	1 283
Deferred tax assets (-) / liabilities (+) in the balance sheet	0	0
Change in deferred tax assets (-) / liabilities (+) in the balance sheet	0	-277
Of which actuarial gains and loss, recognized to equity	0	4
Total deferred tax benefit (-) / expense (+) for the year	0	-282

M PROVISIONS

(NOK IN MILLION)	TOTAL
At January 1, 2011	2
Additional provision	11
Unused amount reversed	-1
Used during the year	-6
At December 31, 2011	6
Additional provision	5
Unused amount reversed	-1
Used during the year	-5
At December 31, 2012	5

At December 31, 2012 all provisions are current and relate to employee termination benefits.

N OTHER OPERATING EXPENSES

Specification of other operating expenses

(NOK IN MILLION)	2012	2011
Operating lease expenses	4	13
Operating and maintenence costs	2	6
Audit remuneration	2	2
Consultancy fees	27	26
Travel costs	4	7
Marketing, representation, meeting and conference expenses	1	1
Insurance	1	1
IT and telecommunication costs	20	24
Other operating expenses	6	10
Service costs from subsidiaries	16	40
Onerous (loss) contracts	0	4
Employee termination benefits	4	6
Total other operating expenses	87	140

Audit remuneration

(NOK IN MILLION)	2012	2011
Statutory audit	2.4	2.1
Other non-audit services	0.1	0.4
Total auditor's remuneration expensed	2.5	2.5

Amounts are exclusive VAT.
For description of the auditor services, see note 22 to the consolidated financial statements.

Future payment obligations

The future aggregate minimum payment obligations are as follows;

	2012			2011		
(NOK IN MILLION)	OPERATING LEASE	OTHER	TOTAL	OPERATING LEASE	OTHER	TOTAL
Not later than 1 year	5	6	12	7	9	16
Later than 1 year but not later than 5 years	20	3	22	1	0	1
Later than 5 years	1	0	1	0	0	0
Total	25	9	34	8	9	17

O INTEREST INCOME AND EXPENSES AND OTHER FINANCIAL EXPENSES

REC ASA conducts the main part of financing for the Group. See note 17 to the consolidated financial statements of the REC Group. External interest expenses are reduced in 2012 compared to 2011 due to reduction in interest bearing liabilities and reduced borrowing costs. External Interest expenses include normal amortization of upfront fees of approximately NOK 26 million in 2012 and approximately NOK 95 million in 2011.

Other financial expenses for 2012 are primarily related to the refinancing of the bank facility and the attempt of refinancing the EUR convertible bond in the third quarter of 2012. Other financial expenses for 2011 are primarily NOK 60 million expensed premium related to buy back of NOK Bonds (REC01) in the second quarter 2011.

P WRITE DOWNS AND LOSSES ON FINANCIAL ASSETS

(NOK IN MILLION)	2012	2011
Loss on loans/impairment of shares in REC Wafer Norway AS	-3	7 776
Loss on loans/impairment of shares in REC Solar AS	1 703	3 408
Loss on loans/impairment of shares in REC Scancell AS	0	550
Impairment of shares in REC Site Services Pte. Ltd	3 759	0
Impairment of shares in REC Technology Ventures AS	4	0
Loss on loans/impairment of shares in subsidiaries	3 759	11 734
Change in provisions for loss on loans to REC Wafer Norway AS	-244	1 434
Change in provisions for loss on loans to REC Solar AS	0	1 166
Change in provisions for loss on loans to REC Scancell AS	-4	4
Change in provision for loss on loans to subsidiaries [1]	-248	2 604
Loss on loans to REC Technology Inc	21	0
Loss in connection with the bankruptcy of REC Wafer Norway AS	426	0
Total net writedowns and losses on financial assets	3 957	14 339

[1] See note H. The changes in 2012 are the amounts from 2011 that were not realized in 2012.

See also note D.

The loss in connection with the bankruptcy of REC Wafer Norway AS relates to liabilities taken on by REC ASA in connection with the bankruptcy of REC Wafer Norway AS and loss on receivables, preliminarily estimated to total NOK 426 million. See note R below and note 9 to the consolidated financial statement for more information on discontinued operations.

Q RESEARCH AND DEVELOPMENT

The activities of REC ASA's corporate technology department were transferred to subsidiaries during the summer of 2012. The department conducted and coordinated research and development within the REC Group, primarily related to next generation technologies and enhancement of existing technologies. All costs recognized in this department are reported as research and development expenses. Research and development expenses in REC ASA were NOK 27 million in 2012 (NOK 133 million in 2011), of which NOK 4 million was invoiced to subsidiaries in 2012 (NOK 20 million in 2011). The 2011 expenses include NOK 62 million impairment losses related to a technology development agreement with SiGen.

Based on the significant decrease in prices of REC's products and the impairments made in the subsidiaries and in REC ASA and the fact that some of the projects have been terminated, it is uncertain if the research and development expenses in REC ASA will create future profitability.

R GUARANTEES AND INDEMNIFICATION AGREEMENTS

REC ASA had not provided any parent company guarantees for subsidiaries at December 31, 2012. At December 31, 2011 parent company guarantees for subsidiaries amounting to NOK 6 million. These were related to future supply of goods and services and capital expenditure.

REC ASA has cosigned bank guarantees as security for fulfillment of subsidiaries' commercial obligations in the line of ordinary business. The total amount of bank guarantees for subsidiaries amounted to NOK 280 million at December 31, 2012 and NOK 279 million at December 31, 2011.

REC ASA and some of its subsidiaries are jointly and several liable for some loans established by REC ASA. The relevant loans and subsidiaries are:

- Relevant loan agreements established by REC ASA:
  - REC01: senior unsecured bonds with NOK 650 million outstanding. The tenor is from September 2009 to September 2014.
  - REC02: senior unsecured bonds with NOK 500 million outstanding. The tenor is from May 2011 to May 2016.
  - REC03: senior unsecured bonds with NOK 700 million outstanding. The tenor is from May 2011 to May 2018.
  - A NOK 2,000 million revolving credit facility agreement established in July 2012. At December 31, 2012 the facility was undrawn.
  - At December 31, 2011 the guarantee responsibilities were for the three senior unsecured bonds and the previously existing NOK 8,573 million revolving bank credit facility. At December 31, 2011, REC ASA had drawn NOK 2,035 million as loans under on the bank facility. The bank facility was cancelled and repaid in August 2012.

- REC ASA and the following direct or indirect 100 percent owned subsidiaries of REC ASA are jointly and several liable for the above mentioned loans: REC Wafer Pte Ltd, REC Modules Pte Ltd, REC Cells Pte Ltd, REC Solar AS, REC Silicon AS, REC Silicon Inc, REC Advanced Silicon Materials LLC and REC Solar Grade Silicon LLC. REC Wafer Pte Ltd, REC Modules Pte Ltd and REC Cells Pte Ltd have limited their liability to the value of their net assets. During 2011 REC ScanCell AS resigned as jointly and several liable for the above mentioned loans. In June 2012 REC Wafer Norway AS resigned as jointly and several liable for the three senior unsecured bonds and was not a guarantor in the 2012 revolving credit facility.

REC ASA took on some liabilities in connection with the bankruptcy of the subsidiary REC Wafer Norway AS, primarily in form of guarantees and indemnification agreements related to parts of the liabilities of REC Wafer Norway AS, see note 9 to the consolidated financial statements. These liabilities are recognized in the balance sheet at their estimated fair values. The guarantee amounts are not capped. The estimated fair values of the guarantees and indemnification agreements are subject to changes, and are among other things dependent on the ultimate dividends from REC Wafer Norway AS bankruptcy estate and the financial performance of the REC Group. Parts of the indemnification agreements may not be finally determined and paid before June 2017. Loan agreements have been established for an estimated NOK 246 million of the indemnification agreements, recognized as interest bearing liabilities.

S RELATED PARTIES

Related parties transactions for REC ASA are primarily interest income and interest expenses towards its directly and indirectly owned subsidiaries (see the income statement). These interests are on receivables and payables in the Group account systems (see note H), and current and non-current receivables from subsidiaries (see the balance sheet). Furthermore, REC ASA has some revenues from and expenses to the subsidiaries (see the income statement and note N). During the year, REC ASA has also contributed equity funding (see note D). Group Management and Board of Directors' compensation, ownership of REC ASA shares and options, loan agreements and guarantees are shown in note 16 to the consolidated financial statements.

AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Renewable Energy Corporation ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Renewable Energy Corporation ASA, which comprise the financial statements of the parent company Renewable Energy Corporation ASA and the consolidated financial statements of Renewable Energy Corporation ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2012, the income statement and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report 2012
Renewable Energy Corporation ASA

Opinion on the separate financial statements

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 Renewable Energy Corporation ASA as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Renewable Energy Corporation ASA and its subsidiaries as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and Report on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and Report on corporate governance concerning the financial statements, the going concern assumption and coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

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

Oslo, 21 March 2013
KPMG AS

Arve Gevoll
State Authorised Public Accountant

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