

**Global Offering of 74,600,000 Shares****RENEWABLE ENERGY CORPORATION ASA**

A public limited company organized under the laws of the Kingdom of Norway

Offer Price NOK 95 per Share (the "Offer Price")

The information contained in this Prospectus relates to the listing of, and an initial public offering of, ordinary shares, par value NOK 1 (the "Shares") of Renewable Energy Corporation ASA ("REC" or the "Company"), a public limited company organized under the laws of the Kingdom of Norway.

This offering is part of a global offering of 74,600,000 ordinary shares (the "Global Offering"), of which 73,000,000 are new shares being issued by the Company and 1,600,000 shares are existing shares being sold by Rebelijo Invest AS. In this Offering Memorandum, the Shares offered hereby are called the "Offer Shares." The Global Offering comprises (i) a Retail Offering, in which Offer Shares are being offered to the public in Norway in reliance on Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "Securities Act"); (ii) an Institutional Offering, in which Offer Shares are being offered to institutional investors and professional investors in Norway and to institutional investors outside Norway and the United States in reliance on Regulation S under the Securities Act and, in the United States, to qualified institutional buyers ("QIBs") as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A"); (iii) an Employee Offering directed at employees of the Company in Norway and Sweden in reliance on Regulation S; and (iv) a Management Offering directed at the members of the executive management of the Company.

All of the Shares are registered in the Norwegian Central Securities Depository ("Verdipapirsentralen" or "VPS"), are in book entry form and carry voting rights. All the Shares rank in parity with one another and carry one vote per Share.

Investing in the Offer Shares involves risks. See "Risk Factors" beginning on page 13.

Prior to the Global Offering, there has been no public trading market for the Shares. Application has been made for the Shares to be admitted for trading and listing on the Oslo Stock Exchange (the "OSE"). Assuming that a derogation from certain applicable listing requirements is granted, the Company expects that the listing application will be approved by the OSE at its board meeting to be held on 27 April 2006. At the time of the Global Offering the Shares will not be listed on any stock exchange outside Norway. The Global Offering will be conditional on the admission of the Shares to the OSE for trading and listing.

It is expected that payment for, and delivery of, the Offer Shares will be made on or about 12 May 2006 with respect to the Institutional Offering and on or about 10 May 2006 (payment) and on 11 May 2006 (delivery) with respect to the Retail, Employee and Management Offerings. The Offer Shares will be delivered through the facilities of VPS, Euroclear and Clearstream Banking. Dealings in the Shares on an "if and when issued" basis on the OSE are expected to commence on or about 9 May 2006.

Joint Global Coordinators and Joint Bookrunners

ABG Sundal Collier**UBS Investment Bank**

Co-Lead Managers

Credit Suisse**DnB NOR Markets**

Offering Memorandum dated 9 May 2006

In accordance with requirements under applicable U.S. securities laws, this Prospectus should be deemed to be confidential in connection with its distribution in the United States. You are authorized to use this Prospectus solely for the purpose of considering the purchase of the Offer Shares in the Global Offering. You may not reproduce or distribute this Prospectus, in whole or in part, and you may not disclose any of the contents of this Prospectus or use any information contained herein for any purpose other than considering an investment in the Offer Shares. You agree to the foregoing by accepting delivery of this Prospectus.

The Company has furnished the information in this Prospectus. You acknowledge and agree that ABG Sundal Collier Norge ASA, UBS Limited, Credit Suisse Securities (Europe) Limited and DnB NOR Markets ASA (together, the “Managers”) make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers. You also acknowledge that you have not relied on the Managers in connection with your investigation of the accuracy of this information or your decision whether to purchase any of the Offer Shares. The Company acknowledges responsibility for the information contained in this Prospectus and confirms, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), that the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of the information. The Company additionally confirms that its opinions and intentions expressed herein are honestly held.

No person is authorized to give information or to make any representation in connection with the Global Offering or sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by the Company or any of the Managers, any of their affiliates, advisers or selling agents. Neither the delivery of this Prospectus nor any sale of Offer Shares made hereunder shall under any circumstances imply that there has been no change in the Company’s affairs or that the information set forth herein is correct as of any date subsequent to the date hereof.

The information contained herein is as of the date hereof and subject to change, completion and amendment without notice. Neither the publication nor distribution of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that the information herein is correct as of any date subsequent to the date of the Prospectus.

In making an investment decision, prospective investors must rely upon their own examination of the Company and the information in this Prospectus, including the information relating to the risks involved with an investment in the Company.

The Company is not, nor are the Managers or any of its or their respective representatives, making any representation to you regarding the legality of an investment in its Shares, and you should not construe anything in this Prospectus as legal, business or tax advice. The Company encourages you to consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Company’s Shares. You must comply with all laws applicable in any jurisdiction in which you may buy, offer or sell the Company’s Shares or possess or distribute this Prospectus, and you must obtain all applicable consents and approvals. Neither the Company nor the Managers shall have any responsibility for any of the foregoing legal requirements.

The distribution of this Prospectus and the offering and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Managers require persons in possession of this Prospectus to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of Shares to occur outside of Norway.

Notice to Prospective Investors in the United States

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Offer Shares have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

Offer Shares initially offered and sold to investors in the United States in accordance with Rule 144A will be subject to certain restrictions as described under “Transfer Restrictions.” In particular, purchasers of Offer Shares in the United States will be deemed to have made certain acknowledgements, representations and agreements, including, among other things, an agreement not to resell the Offer Shares except outside the United States in accordance with Regulation S and not deposit any of the Offer Shares in any unrestricted depositary facility.

Notice to New Hampshire Residents only

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Certain Regulatory Issues with Respect to the United Kingdom

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to in this paragraph as “relevant persons”). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire any Offer Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

Notice to Canadian Investors

The Offer Shares have not been nor will be qualified by prospectus for sale to the public in Canada under applicable Canadian securities laws and, accordingly, any offer or sale of the Offer Shares in Canada will be made pursuant to an exemption from the applicable prospectus filing requirements and otherwise in compliance with applicable Canadian laws. Investors in Canada should refer to “Terms of the Offering – Selling Restrictions – Canada” and Ontario purchasers in particular should refer to the subsection entitled “Statutory Rights of Action (Ontario Purchasers).” **The Offer Price, financial statements and certain other financial information disclosed in this Prospectus are presented in Norwegian kroner. On 20 April, 2006, being the latest practicable date prior to the publication of this document, NOK 5.56 = Cdn\$1.00, based on the Bank of Canada noon exchange rate.**

Notice to Investors within the EEA

To the extent that the offer of the Offer Shares is made in any European Economic Area (“EEA”) Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the “Prospective Directive”) before the date of publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in that Member State in accordance with the Prospectus Directive), the Global Offering (including any offer pursuant to this document) is only addressed to qualified investors in that Member State within the meaning of the Prospective Directive or has been or will be made otherwise in circumstances that do not require the Issuer to publish a prospectus pursuant to the Prospective Directive.

Presentation of Financial Information

This Prospectus includes audited consolidated financial statements of the Company for the years ended December 31, 2005 and 2004 that have been prepared in accordance with the Norwegian Accounting Act and IFRS as endorsed for use in the European Union (“IFRS”). All references to 2005 financial information in this Prospectus are to financial information taken from such IFRS financial statements. Also included in this Prospectus are audited consolidated financial statements for the Company for the years ended December 31, 2004 and 2003 prepared under Norwegian generally accepted accounting principles (“Norwegian GAAP”).

Financial information for 2004 and 2003 prepared under Norwegian GAAP and financial information for 2005 and 2004 prepared under IFRS are not comparable, because they have been prepared in accordance with different sets of accounting standards. Accordingly, no comparisons can be made between the Company’s results of operations for 2003 and its results of operations for 2005. For a reconciliation of the IFRS financial statements for 2004 to the Norwegian GAAP financial statements for that year, see Note 5 to the Company’s audited consolidated financial statements for the years ended December 31, 2005 and 2004 prepared in accordance with IFRS (the “IFRS Financial Statements”).

This Prospectus also includes pro forma financial statements (the “Pro Forma Financial Statements”), which have been derived from the IFRS Financial Statements and have been prepared to reflect adjustments to the IFRS Financial Statements to give effect to the acquisition of REC Advanced Silicon Materials LLC, (“ASiMI”), which took effect as of July 29, 2005, as though it had taken effect as of January 1, 2005.

The IFRS Financial Statements and the Company’s audited consolidated financial statements for the years ended December 31, 2004 and 2003 prepared under Norwegian GAAP (the “Norwegian GAAP Financial Statements”) are expressed in Norwegian kroner or NOK. For information with respect to the U.S. dollar/Norwegian kroner exchange rates, see “Exchange Rate Information” included elsewhere in this Prospectus.

As a result of rounding adjustments, the figures or percentages in one or more columns in any of the tabular presentations or financial statements presented in this Prospectus may not add up to the total for that column.

The financial information included in this Prospectus is not intended to comply with the accounting requirements of the Securities Act and the related rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) that would apply if the Offer Shares were being registered with the SEC.

Available Information

The Company is exempt from the reporting requirements of Section 12(g) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), in accordance with Rule 12g3-2(b) thereunder. Pursuant to the terms of such exemption, the Company will furnish to the SEC certain information in accordance with Rule 12g3-2(b). If at any time the Company is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), the Company will furnish, upon written request, to holders of the Company’s Shares, owners of beneficial interests in the Company’s Shares or prospective purchasers designated by such holders or beneficial owners, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. As long as the Company is entitled to the exemption under Rule 12g3-2(b) under the Exchange Act, the Company will not be required to deliver information that would otherwise be required to be delivered under Rule 144A(d)(4).

The Company’s principal office is located at Veritasveien 14, P.O. Box 280, N-1323, Høvik, Norway and its main telephone number at that address is +47 67 81 52 50.

Industry and Market Data

Market data and certain industry forecasts used throughout this Prospectus have been obtained from internal surveys, reports and studies, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, estimates and market research, while believed to be reliable, have not been independently verified.

Table of Contents

	<u>Page</u>
Summary	1
Risk Factors	13
Responsibility for the Prospectus	26
Statement From Selling Shareholder Rebelijo Invest AS	26
Cautionary Note Regarding Forward-Looking Statements	27
Use of Proceeds	29
Dividends and Dividend Policy	30
Capitalization and Indebtedness	31
Dilution	33
Exchange Rate Information	34
Selected Financial and Operating Data	35
Pro Forma Financial Data	38
Operating and Financial Review	40
Industry Overview	60
The Company's Business	76
Legal Proceedings	97
Related Party Transactions	98
Material Contracts	100
The Company's Management	103
Share Ownership of Directors, Executive Officers and Certain Registered Owners	110
Description of the Company's Shares and Share Capital	111
Exchange Controls	119
Securities Trading in Norway	120
Taxation	125
Terms of the Offering	132
Transfer Restrictions	150
Enforcement of Civil Liabilities	151
Legal Matters	151
Independent Accountants	151
Available Information	152
Glossary of Terms	G-1
Appendix A – Articles of Association for Renewable Energy Corporation ASA	A-1
Appendix B – Financial Statements	B-1
Appendix C – Retail Application Form	C-1
Appendix D – Employee Application Form	D-1
Appendix E – Management Application Form	E-1

Summary

This summary must be read as an introduction to this Prospectus and any decision to invest in the Offer Shares should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospective Directive (Directive 2003/71/EC) in each Member State of the EEA, no civil liability will attach to the responsible persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the EEA, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

This summary highlights certain information about the Company and the Global Offering. It likely does not contain all the information that may be important to you. You should read the entire Prospectus, including the financial statements included herein, before making an investment decision. In particular, you should carefully consider the information set out under the heading “Risk Factors.”

Unless otherwise indicated or the context otherwise requires, all references in this Prospectus to “REC” or the “Company” refer to Renewable Energy Corporation ASA together with its consolidated subsidiaries. For the definitions of certain technical terms used throughout this Prospectus, see the “Glossary of Terms” which can be found elsewhere in this Prospectus.

Introduction

The Company is one of the world’s leading companies in the photovoltaic (“PV”) industry. In 2005, the Company was among the world’s largest producers of solar-grade polysilicon and wafers for PV applications by volume, according to Company estimates. The Company is involved across the PV manufacturing value chain: production of solar-grade polysilicon, manufacturing of silicon wafers, production of cells and production of modules from cells. The Company has customers in many different parts of the world, seven production plants in three different countries and approximately 1,115 employees as of 31 December 2005. The Company conducts its business through three principal divisions, which also are its operating segments:

- REC Silicon, which manufactures solar-grade silicon, the raw material for silicon wafers for the PV industry, at its production plants in Moses Lake, Washington (through its indirect subsidiary REC Solar Grade Silicon LLC, or “SGS”), and Butte, Montana (through its indirect subsidiary REC Advanced Silicon Materials LLC, or “ASiMI”, which it acquired in July 2005);
- REC Wafer, which manufactures multicrystalline silicon wafers and monocrystalline silicon ingots for the PV industry at its production plants in Herøya, Norway, and Glomfjord, Norway; and
- REC Solar, which manufactures solar cells in Narvik, Norway and modules in Arvika, Sweden.

External sales of REC Silicon, REC Wafer and REC Solar represented 26.6%, 56.9% and 16.5%, respectively, of the Company’s consolidated sales of products and services in 2005.

The Company’s principal office is located at Veritasveien 14, P.O. Box 280, N-1323, Høvik, Norway and its main telephone number at that address is +47 67 81 52 50.

History

The Company was formed in 1996 under the name Fornybar Energi AS, assumed the name, Renewable Energy Corporation AS, in 2000 and was transformed into a public limited company (ASA) in 2005. At the time when it was formed, the Company had a 12% equity interest in REC ScanWafer AS, which had been formed in 1994 with the aim of becoming a specialized producer of multicrystalline wafers for the PV industry. In order to improve wafer quality by ensuring a quick and reliable feedback loop from the cell processing step, the Company decided in 1999 to integrate forward in the value chain by also producing

solar cells and modules. REC ScanCell AS and REC ScanModule AB commenced production of solar cells and solar modules in 2003.

In 2002, in response to concerns about the long-term availability of silicon feedstock to support the further growth of the wafer business, the Company and ASiMI, owned by Komatsu America Corporation (“Komatsu”), formed a joint venture company then called Solar Grade Silicon LLC, now REC Solar Grade Silicon LLC for the purpose of converting Komatsu’s polysilicon plant in Moses Lake, Washington, United States, into a plant dedicated solely to production of solar grade polysilicon.

The Company increased its equity interest in REC ScanWafer to 71% in 2003 and to 100% in 2004.

REC SiTech was formed in April 2004 with the objective of producing monocrystalline ingots for the PV industry. At the time of formation, the Company’s equity interest in REC SiTech was approximately 12%. In July 2005, the Company increased its equity interest in REC SiTech to 100%.

In July 2005, the Company acquired Komatsu’s interest in SGS, thereby increasing its ownership interest in SGS from 70% to 100%, and simultaneously acquired from Komatsu a majority interest in ASiMI, which owned and operated a polysilicon plant in Butte, Montana, USA. Komatsu retains a non-voting minority interest in ASiMI.

Competitive Strengths

The Company believes that its principal competitive strengths are:

- a strong technological position throughout the PV value chain;
- efficient and scalable operations;
- its own supply of polysilicon;
- presence throughout the value chain;
- a diversified technology portfolio;
- its recognized position in the PV industry; and
- its strong management team.

Business Strategy

In order to fulfill the Company’s vision of becoming the leading and most cost efficient player in the PV industry for the long-term, the Company has developed a strategy focusing on:

- outpacing the high growth solar market;
- strengthening cost leadership through innovation and industrialization; and
- balancing risks through a diversified technology portfolio.

Board of Directors

Tore Schiøtz (Chairman), Rune Bjerke, Marcel E. Brenninkmeijer, Roar Engeland and Ole Enger. At the ordinary general meeting of REC held on 20 April 2006, the Company’s shareholders elected Susanne Munch Thore, Line Geheb and Karen Helene Ulltveit-Moe as new members of the Board of Directors. The appointment of these three new members will be effective as of 8 a.m. on the first day of listing of the Shares on the OSE.

Executive Management

Erik Thorsen (CEO), Reidar Langmo (SVP – Business Development), Erik Sauar (SVP – CTO), Gøran Bye (EVP – REC Silicon), John Andersen Jr. (EVP – REC Wafer), Thor Christian Tuv (EVP – REC Solar), Bjørn Brenna (EVP – Finance and Administration) and Svånaug Bergland (SVP – Organizational Development & Corporate Communications).

Employees

REC had approximately 1,115 employees as of 31 December 2005.

Auditor

KPMG AS is the Company's independent accountants. KPMG AS is a member of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

Advisors

ABG Sundal Collier Norge ASA and UBS Limited are acting as the Joint Global Coordinators and Joint Bookrunners for the Global Offering. Advokatfirmaet Schjødt AS and Holland & Knight LLP are the Company's legal advisors in connection with the Global Offering.

Share capital

As at the date of this Prospectus, the registered share capital of the Company is NOK 421,089,120, divided by 421,089,120 Shares, each with a par value of NOK 1. The Shares have all been validly issued and fully paid, and are registered in the Norwegian Central Securities Depository with ISIN NO001 0112675.

Key shareholders

The following table sets forth information concerning the three largest registered holders of the Company's Shares as of 20 April 2006 (adjusted for a 20-to-1 stock split effected on April 21, 2006). Except as set forth below, no shareholder owns more than 5% of the Company's outstanding Shares.

<u>Name of REC Shareholder</u>	<u>Number of REC Shares</u>	<u>Percentage of REC Shares</u>
Good Energies Investments B.V.	168,600,500	40.0%
Elkem AS	115,915,300	27.5%
Hafslund Venture AS	105,254,820	25.0%

Related party transactions

Overview

The Company maintains various and significant business relations with related parties. The Company believes that these transactions are undertaken on an arm's length basis and that amounts paid pursuant to these agreements are consistent with prevailing market prices for similar services.

Under Norwegian law, an agreement to acquire assets or services from a shareholder or connected person (e.g., a spouse or significant other, and other family members) of such shareholder and which involves consideration from the company in excess of $\frac{1}{20}$ for public limited companies or $\frac{1}{10}$ for private limited companies of the company's share capital at the time of such acquisition is not binding on the company and must be revised unless the agreement has been approved by a general meeting of shareholders. Agreements concluded in the normal course of the company's business containing pricing and other terms and conditions, which are industry-standard for such agreements, as well as the purchase of securities at a price which is in accordance with the official quotation, do not require such approval. Except for the acquisition of REC SiTech and the Company's purchase of shares of REC ScanWafer in 2003, which were approved by general meetings of the Company's shareholders, the agreements entered into by REC with related parties have not required consent from a general meeting of shareholders.

The Board of Directors currently consists of five members. Of the eight persons expected to be members of the Board of Directors on the first day of listing on the OSE, six have relationships with and/or are employees of the controlling shareholders. In addition, Marcel E. Brenninkmeijer is a member of the Board of Directors of Q-Cells, one of the principal customers of the Company's REC Wafer division. The other two members of the Board of Directors are independent of the Company's major shareholders, management and material business partners. For further information, see "The Company's Management – Board of Directors."

Transactions Between the Company and Senior Management

The Company loaned NOK 700,000 to Erik Thorsen in July 2005, U.S.\$50,000 to Gøran Bye in August 2005 and NOK 500,000 to Svånaug Bergland in December 2005. For further information regarding these loans, see "The Company's Management – Loans and Guarantees."

Business Relationships with Major Shareholders

Good Energies Investments B.V. ("Good Energies Investments"), Elkem AS ("Elkem") and Hafslund Venture AS ("Hafslund Venture") currently own 40.0%, 27.5% and 25.0%, respectively, of the Company's ordinary Shares. See "Share Ownership of Directors, Executive Officers and Certain Registered Owners."

In the period covered by this Prospectus, the Company has obtained a significant portion of its debt funding through shareholder loans or convertible bonds held primarily by its major shareholders. For further information regarding these loans and bonds, see "Related Party Transactions." At the date of this Prospectus, substantially all of these loans and bonds had been repaid or converted.

Good Energies Investments holds an interest in CSG Solar and in Q-Cells AG ("Q-Cells"). In December 2004, the Company entered into an agreement with respect to the ownership of CSG Solar, in which Good Energies Investments became an investor in 2005. For a more detailed description of this arrangement, see "Material Contracts – Cooperation Agreements and Strategic Ownership Interests – CSG Solar."

Q-Cells, in which Good Energies Investments has an estimated interest of approximately 16.4%, is one of REC Wafer's most important clients. For a more detailed description of this relationship, see "Material Contracts – Material Customers/Supply Agreements – REC Wafer."

Q-Cells is also a co-investor with the Company in both the CSG Solar and EverQ projects. For more information about these projects, see "Material Contracts – Cooperation Agreements and Strategic Ownership Interests."

Acquisitions from Related Parties

In May 2005, REC ScanWafer acquired NorFurnace AS from, among others, Good Energies Investments and Scatec AS. In July 2005, the Company acquired the remaining 88% of SiTech from, among others, Good Energies Investments, Hafslund Venture and Scatec AS. Alf Bjørseth, the former CEO of the Company, and Reidar Langmo, an officer of the Company, had significant ownership interests in Scatec AS at the time of these sales.

Significant Changes Since 31 December 2005 and Trends

The Company is experiencing modest increases in prices for its products across all of its divisions and increased production volumes and sales in line with its budget for the year. Ramp up of new production capacities in REC Solar is proceeding according to plan, and capacity expansion projects in REC Wafer are progressing on time and on budget.

Except for the conversion of convertible debt, there has been no significant change in the financial position of the Company since 31 December 2005.

Articles of Association and Documents on Display

The Company's Articles of Association are attached to this Prospectus as Appendix A.

The Articles of Association may, together with the historical financial information of the Company for the two years preceding the publication of this Prospectus, for the life of this Prospectus also be physically inspected at the principal office of the Company, Veritasveien 14, P.O. Box 280, N-1323, Høvik, Norway (telephone number +47 67 81 52 50).

2003 Financial Information

This Prospectus contains the 2003 Norwegian statutory accounts which include financial information as of 31 December 2003 and for the year then ended that has been restated for a correction of errors related to the accounting treatment for government grants and minority interests. Accordingly, such financial information should not be relied upon. The 2004 Norwegian statutory accounts contain financial information as of 31 December 2003 and for the year then ended that has been restated to correct these errors resulting in an increase of net loss of NOK 16.2 millions for 2003 and a decrease in shareholders' equity of NOK 6.7 million as of 31 December 2003 as compared to amounts in the 2003 Norwegian statutory accounts. The 2003 financial information contained herein is based upon the restated 2003 financial statements included in the 2004 Norwegian statutory accounts.

The Global Offering

The Global Offering	<p>The Global Offering comprises:</p> <ul style="list-style-type: none"> • a Retail Offering, in which Offer Shares are being offered to the public in Norway in reliance on Regulation S; • an Institutional Offering, in which Offer Shares are being offered to institutional investors and professional investors in Norway and to institutional investors outside Norway and the United States in reliance on Regulation S under the Securities Act and, in the United States, to QIBs in reliance on Rule 144A under the Securities Act; • an Employee Offering directed at employees of the Company in Norway and Sweden in reliance on Regulation S; and • a Management Offering directed at the members of the executive management of the Company.
The Offer Shares	A total of 74,600,000 Offer Shares in book-entry form with a par value of NOK 1 per share, of which 73,000,000 Shares are new Shares being issued by the Company and 1,600,000 Shares are existing Shares being sold by Rebelijo Invest AS.
Offer Price	NOK 95 per Share.
Discount for Investors in the Retail Offering	All investors taking part in the Retail Offering will receive a discount equal to 10% per Share relative to the final Offer Price for the first round lot. (See “Terms of the Offering – Retail Offering – Offer Price.”)
Joint Global Coordinators and Joint Bookrunners	ABG Sundal Collier Norge ASA (“ABG”) and UBS Limited (“UBS”).
Co-Lead Managers	Credit Suisse Securities (Europe) Limited (“Credit Suisse”) and DnB NOR Markets (“DnB NOR”).
Voting Rights and Restrictions . . .	Each Share gives the holder the right to cast one vote at general meetings of shareholders. See “Description of the Company’s Shares and Share Capital.”
Use of Proceeds	The Company intends to use the net proceeds of the Global Offering for capital expenditures and related working capital requirements. For further information about these capital expenditures, see “Use of Proceeds” and “Operating and Financial Review – Liquidity and Capital Resources – Capital Expenditures.”
Shares Outstanding Before the Global Offering	421,089,120 (after implementation of a 20-to-1 stock split effected on 21 April 2006.
Payment and Delivery	It is expected that payment for, and delivery of, the Offer Shares will be made on or about 12 May 2006, with respect to the Institutional Offering, and on or about 10 May 2006 (payment) and on 11 May 2006 (delivery) with respect to the Retail, Employee and Management Offerings.
Listing and Start of Trading of the Shares	Application has been made for the Shares to be admitted for trading and listing on the OSE. Assuming that an exemption from certain applicable listing requirements is granted, the Company expects that the listing application will be approved by the OSE at its board meeting to be held on 27 April 2006. The Company expects that the OSE’s board of directors will require it to have in excess of 3,000

shareholders in lieu of satisfying the OSE's generally applicable 25% free float requirement. It is expected that trading in the Shares on an "if issued" basis will commence on the OSE on or about 9 May 2006.

Share Codes The Shares have ISIN NO 0010112675.

OSE Ticker Symbol REC

Lock-up Agreements Each of the Company, Good Energies Investments, Elkem and Hafslund Venture, each of the Company's directors and each of the Company's officers named in this Prospectus have agreed with the Managers that with limited exceptions it will not, for a period of 180 days:

- (i) issue, sell or otherwise dispose of any of its Shares (or securities convertible into or exercisable for its Shares);
- (ii) enter into any transaction (including any derivative transaction) having an economic effect similar to that of a sale; or
- (iii) publicly announce an intention to effect any transaction specified in (i) or (ii),

without the prior written consent of the Joint Global Coordinators.

Dilution The net tangible book value, after giving effect to the Global Offering, will be NOK 14.9 per Share. The immediate dilution to purchasers of the Shares in the Global Offering will be NOK 80.1. Dilution, for this purpose, represents the difference between the Offer Price per Share and the net tangible book value per Share adjusted for the Global Offering.

Expenses The Company estimates that its expenses in connection with the Global Offering (including commissions paid to the Managers as described below) will amount to between NOK 110 million and NOK 160 million and anticipates that these expenses will be paid in cash.

Reason for the Offering The contemplated listing of the Shares on the OSE is an important element of the Company's strategy. Through a stock exchange listing, the Company expects to be able to provide a regulated marketplace for the trading of its Shares and to obtain funding for the purposes described under "Use of Proceeds" in this Prospectus. Moreover, the listing is expected to facilitate the use of the capital markets in order to raise further equity should this be required. The listing may also enhance the Company's ability to use the Shares as transaction currency in future acquisitions and mergers, if any.

Summary Historical Financial Data

The following table presents summary historical financial information which has been derived from the Company's Financial Statements (including the notes thereto) as of and for the years ended 31 December 2005 and 2004, prepared in accordance with the Norwegian Accounting Act and IFRS and as of and for the years ended 31 December 2004 and 2003, prepared in accordance with Norwegian GAAP. The Financial Statements have been audited by KPMG AS, the Company's independent accountants, as indicated in their audit reports included elsewhere in this Prospectus. The information derived from the Company's Financial Statements prepared on the basis of IFRS is not comparable to the information derived from the Company's Financial Statements prepared on the basis of Norwegian GAAP.

	Year ended 31 December			
	2005	2004	2004	2003
	IFRS	IFRS	NGAAP	NGAAP
	(NOK thousand)			
Income Statement Information				
Total revenues	2,453,916	1,270,192	1,418,140	289,402
Raw materials and consumables used	(620,903)	(513,436)	(512,401)	(62,109)
Changes in inventories of finished goods and work in progress	4,477	(60,909)	(81,902)	53,581
Employee compensation and benefit expense	(409,854)	(261,996)	(291,539)	(138,696)
Other operating expenses	(597,455)	(292,791)	(377,049)	(230,162)
Earnings before financial items and taxes, depreciation/amortization	830,181	141,060	155,249	(87,984)
Amortization of intangible assets	(13,648)	(3,415)	(55,890)	(20,859)
Impairment of tangible assets	(13,733)	(6,593)	(6,593)	(4,293)
Depreciation of tangible assets	(201,353)	(91,228)	(96,443)	(31,550)
Earnings before financial items and taxes	601,447	39,824	(3,677)	(144,686)
Share of (loss)/profit of associates	(7,052)	(1,578)	(1,578)	(5,790)
Interest income	6,261	1,440	1,548	1,377
Impairment of financial assets	–	(6,715)	(6,715)	(3,661)
Interest expense	(146,784)	(46,074)	(46,058)	(28,235)
Other financial income/expenses	69,248	(1,372)	4,751	(18,794)
Foreign exchange and fair value effect of convertible loans	(493,037)	6,123	–	–
Profit/loss before tax	30,083	(8,352)	(51,729)	(199,789)
Income tax expense/benefit	(26,160)	2,263	3,608	56,727
Profit/loss for the year	3,923	(6,089)	(48,121)	(143,062)
Attributable to:				
Equity holders of the Company	3,923	(6,089)	(62,593)	(128,181)
Minority interest	–	–	14,472	(14,881)
	As of December 31,			
	2005	2004	2004	2003
	IFRS	IFRS	NGAAP	NGAAP
	(NOK thousand)			
Balance Sheet Information				
Assets				
Intangible assets	629,139	421,311	228,632	281,093
Property, plant and equipment	3,361,204	791,942	784,653	689,486
Financial assets	133,808	27,077	27,076	28,823
Deferred tax assets	188,299	111,576	113,205	110,639
Total non-current assets	4,312,380	1,351,906	1,153,566	1,110,041
Total current assets	1,751,439	824,167	877,868	513,254
Total assets	6,063,819	2,176,073	2,031,434	1,623,295
Equity and liabilities				
Paid-in capital	1,095,081	1,042,195	1,042,195	710,629
Retained earnings	135,717	31,843	(166,573)	(207,514)
Minority interest	–	–	49,245	146,789
Total shareholders' equity	1,230,798	1,074,038	924,867	649,904
Total non-current liabilities	2,262,355	709,747	605,952	579,259
Total current liabilities	2,570,666	392,288	500,615	394,132
Total liabilities	4,833,021	1,102,035	1,106,567	973,391
Total liabilities and equity	6,063,819	2,176,073	2,031,434	1,623,295

Summary Pro Forma Consolidated Financial Data

The following table sets forth summary pro forma financial data for the year ended 31 December 2005. The summary pro forma financial data have been derived from the consolidated IFRS Financial Statements, as adjusted to illustrate the effect on the Company's consolidated results due to the acquisition of ASiMI in 2005, as if the acquisition had occurred on 1 January 2005.

You should read the following pro forma financial statements in conjunction with the consolidated IFRS Financial Statements and the notes thereto, including Note 32 to the consolidated IFRS Financial Statements. You should also read the sections "Pro Forma Financial Data," "Selected Financial and Operating Data" and "Operating and Financial Review." The pro forma financial information is qualified by reference to these sections and the consolidated IFRS Financial Statements, which are included elsewhere in this Prospectus.

The pro forma financial information does not reflect the Company's actual financial position or results, and is not necessarily indicative of the results that would have been attained if the Company's acquisition of ASiMI had occurred on 1 January 2005. The acquisition of the remaining 30% interest in SGS on 29 July 2005 and REC SiTech AS ("REC SiTech") on 1 July 2005 are not considered to be significant and therefore adjustments have not been made to reflect the impact of these acquisitions.

The pro forma financial information has been prepared based on the following assumptions and adjustments:

- The pro forma financial information has been prepared assuming that the Company's acquisition of ASiMI was undertaken on 1 January 2005 and that ASiMI was consolidated on a 100% basis from this date; and
- The pro forma financial information has been prepared based on the Company's historical IFRS Financial Statements as adjusted for the acquisition in the manner described above.

	Year ended 31 December 2005 as reported	Pro forma adjustment	Year ended 31 December 2005 pro forma
	(NOK thousand)		
Income Statement Information			
Total revenues	2,453,916	675,256	3,129,172
Earnings before financial items, taxes, depreciation and amortization .	830,181	216,991	1,047,172
Earnings before interest and taxes	601,447	132,916	734,363
Pro forma Profit/(loss) before tax	30,083	44,993	75,076
Pro forma Profit/(loss) for the year	3,923	29,695	33,618

For further information on assumptions underlying the preceding summary pro forma financial data and additional information regarding the manner in which the summary pro forma financial information has been prepared, see "Pro Forma Financial Data," including the notes to the pro forma income statement appearing under that heading, and Note 32 to the IFRS Financial Statements.

Summary of Risk Factors

Risks Relating to the PV Industry

- Continued government incentives are of key importance to the PV industry.
- Increasing interest rates could have a negative impact on the demand for the Company's products.
- PV industry participants generally, and the Company specifically, may not be able to achieve sufficient cost reductions through product innovations and process improvements.

Risks Related to the Company

- The Company has had a history of losses.
- Several large customers account for the greatest share of the Company's sales.
- A substantial portion of the Company's sales is concluded internally.
- There are risks associated with acquisitions, participations and joint ventures.
- There are risks associated with the rapid growth of the Company.
- The Company may not succeed in achieving the production capacity expansion and cost reduction targeted by its investment plans, which it requires in order to capture expected growth in the markets.
- The intended expansion of the activities of the Company into additional foreign markets involves significant risks.
- Investments in alternative technologies, or in companies that develop such technologies, could subsequently prove to be bad investments.
- There is a risk of industry-wide overcapacity in the production of polysilicon.
- The Company is dependent on a limited number of third-party suppliers for key production supplies and components for its products.
- The Company's results of operations may be adversely affected by fluctuations in energy prices or by developments in markets related to the Company's primary markets.
- The Company has taken steps to increase the efficiency of its polysilicon utilization, but these steps are unproven at commercial production volume levels and the Company may not realize the cost reductions it anticipates.
- The Company obtains capital equipment used in its manufacturing process from a limited number of suppliers and, if this equipment is damaged or otherwise unavailable, the Company's ability to deliver products on time will suffer, which in turn could result in order cancellations and loss of revenue.
- Since the Company cannot test its solar modules for the duration of REC Solar's warranty period, the Company may be subject to unexpected warranty expense.
- If the Company does not achieve satisfactory yields or quality in manufacturing its products, the Company's sales could decrease and its relationships with its customers and its reputation may be harmed.
- There are risks associated with rapid technological change, and if competitors gain advantages in the rapid development of alternative technologies, this could affect the competitive position of the Company considerably and present a threat to its profitability, or even its existence.

- The Company relies upon intellectual property and trade secret laws and contractual restrictions to protect important proprietary rights, and, if these rights are not sufficiently protected, its ability to compete and generate revenue could suffer.
- The Company may not obtain sufficient patent protection on the technology embodied in its products and production processes, which could harm its competitive position and increase its expenses.
- The Company's intellectual property indemnification practices may adversely impact its business.
- The Company may face intellectual property infringement claims that could be time-consuming and costly to defend and could result in loss of significant rights.
- The Company may file claims against other parties for infringing its intellectual property that may be very costly and may not be resolved in its favor.
- The Company may incur significant costs to comply with, or as a result of, health, safety, environmental and other laws and regulations.
- Problems with product quality or product performance, including defects in the Company's products, could result in a decrease in the number of customers and in revenues, unexpected expenses and loss of market share.
- Because the markets in which the Company is active are highly competitive and many potential competitors may have greater resources, the Company may not be able to compete successfully and may lose or be unable to gain market share.
- The Company is subject to the risk of labor disputes and adverse employee relations, and these disputes and adverse relations may disrupt the Company's business operations and adversely affect its business, prospects, results of operations and financial condition.
- The Company depends on certain executive officers and other key employees in the area of research and development and other qualified personnel in key areas.
- The Company could be seriously harmed by catastrophes, natural disasters, operational disruptions or deliberate sabotage.
- The Company is exposed to exchange rate risks.
- Product liability claims against the Company could result in adverse publicity and potentially significant monetary damages.

Risks Relating to the Offering

- After the Global Offering, substantial share ownership will remain concentrated in the hands of existing shareholders, and future sales of Shares by existing shareholders could have a material adverse effect on the market price of the Company's Shares.
- The Offer Price significantly exceeds the fractional book value of the shareholders' equity.
- Future share capital measures may lead to a substantial dilution of the participations of the Company's shareholders.
- There are risks associated with the absence of a public market for the Company's Shares prior to the Offering and exposure of the share price to high volatility.
- Pre-emptive rights may not be available to U.S. holders of the Company's Shares.

- It may be difficult for investors based in the United States to enforce civil liabilities predicated on U.S. securities laws against the Company, the Company's Norwegian affiliates or the Company's directors and executive officers.
- Holders of the Company's Shares that are registered in a nominee account may not be able to exercise voting rights as readily as shareholders whose Shares are registered in their own names with the Norwegian Central Securities Depository.
- The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions.
- The ability of shareholders of the Company to make claims against the Company in their capacity as such following registration of the share capital increase in the Norwegian Companies Register is severely limited under Norwegian law.

Risk Factors

Prior to a decision to purchase Shares of the Company, potential investors should carefully read and assess the following specific risks and the other information contained in this Prospectus. If these risks materialize, individually or together with other circumstances, they may substantially impair the business of the Company 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. If any of these risks materializes, the price of the Shares may decline, and investors could lose all or part of their invested capital.

Risks Relating to the PV Industry

Continued government incentives are of key importance to the PV industry.

The PV industry depends substantially on government incentives. Without government incentives, the costs of electricity generated by PV systems currently would not be competitive with conventional energy sources (e.g., nuclear power, oil, coal and gas) in most current markets and demand for the Company's products would be significantly lower.

Although Germany, which currently is the largest market for PV systems, is also the market in which incentives for PV energy currently are most important, other countries in which the Company is currently or intends to become active also offer or plan to offer incentives for the installation of PV systems. Political developments could lead to a material deterioration of the conditions for, or a discontinuation of, the incentives for PV systems. For example, the principal German legislation providing incentives for the PV industry, enacted in 2000 and most recently amended in 2004, is scheduled to be reviewed and potentially amended in 2007, and any amendments could result in a reduction of incentives for PV energy. It is also possible that government financial support for PV systems will be subject to judicial review and determined to be in violation of applicable constitutional or legal requirements, or be significantly reduced or discontinued for other reasons. A reduction of government support and financial incentives for the installation of PV electricity systems in any of the markets in which the Company currently operates or intends to operate in the future could result in a material decline in the demand for its products, which would have a material adverse effect on the business prospects, financial condition and results of operations of the Company.

Increasing interest rates could have a negative impact on the demand for the Company's products.

Grid-connected PV plants are financed to a large extent by the incurrence of debt. This financing method is prevalent for small and medium-sized PV plants, constructed by private individuals, farmers, companies or public authorities, as well as for large PV plants generally built with funding provided by closed-end funds. By reducing financing costs, relatively low interest rates generally have had a positive effect on the profitability of PV plants in recent years. In addition, the low interest rate environment has reduced the expected return on certain alternative investments. Relatively low interest rates therefore have made an essential contribution to the increase in the demand for PV systems. An increase in interest rates could significantly reduce the profitability of PV plants.

A substantial increase in interest rates, by leading to a decrease in demand for PV systems, could result in a decrease in demand for the Company's products, which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

PV industry participants generally, and the Company specifically, may not be able to achieve sufficient cost reductions through product innovations and process improvements.

The PV industry competes with other sources of renewable energy (e.g., wind, biomass, fuel cells) and conventional power generation. If prices for conventional and other renewable energy resources decline (for example, if oil prices decline from their currently high level relative to historical price levels) or if other renewable energy resources enjoy greater policy support than the PV industry, and the PV industry, including the Company, is not able to achieve reduction in production costs that enable it to reduce the price per kilowatt-hour of electricity that can be generated from their products, the PV industry could suffer,

which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

In particular, national legislation in Western Europe that supports the PV industry generally mandates an annual reduction of the minimum feed-in tariffs for electricity produced from renewable energy sources and supplied to the grid. See "Industry Overview – Regional markets." Accordingly, in the medium and long term, market prices in Western Europe (an important market for the Company's products) for PV cells and PV modules will decline, and market participants, including the Company, will need to reduce prices for their products and, more specifically, the price per kilowatt-hour of electricity that can be generated from their products. The same phenomenon may also occur in the Company's other existing or prospective markets. The PV industry's ability to reduce production costs and consumer prices is necessary for it to be able to continue to compete with other sources of renewable energy and to keep pace with the mandated annual reduction of governmental incentives in certain key markets. PV industry participants, including the Company, may not achieve sufficient cost reductions to compensate for the anticipated decline in prices. If cost reductions, product innovations and process improvements were to occur at a slower pace than required to achieve the necessary price reductions, the Company could experience a material adverse effect on its business, prospects, financial condition and results of operations.

Risks Related to the Company

The Company has had a history of losses.

The Company's consolidated net profit/loss for the years ended 31 December 2005, 2004 and 2003 was a profit of NOK 3.9 million (IFRS), a loss of NOK 6.1 million (IFRS) and a loss of NOK 143.1 million (Norwegian GAAP), respectively. It is possible that the Company will not be able to achieve sustainable profitable growth.

The Company's expenses are expected to increase significantly as it implements its production expansion plans in its silicon, wafer and solar divisions and invests in new technologies. The Company is engaged in ongoing production capacity expansion projects at REC Wafer, which are expected to require capital expenditures of approximately NOK 770 million in 2006. In addition, the Company is considering investments in additional production capacity in each of its segments which if approved by its board of directors could involve additional capital expenditures of approximately NOK 6–7 billion in the period from 2006 to 2008, including approximately NOK 3.5–4.0 billion for the construction of a large-scale polysilicon production facility using fluidized bed reactor, or "FBR," technology.

The Company's solar cell and module businesses comprising the REC Solar segment are relatively new businesses in which the Company does not have the same degree of experience as in the businesses comprised in the REC Silicon and REC Wafer segments. It is difficult to evaluate the business and future prospects of REC Solar due to its limited history in manufacturing and shipping products. REC Solar contributed 10.4% of the Company's consolidated earnings before financial items, taxes, depreciation and amortization ("EBITDA") in 2005. For important information regarding EBITDA, see "Operating and Financial Review – Description of Key Income Statement Line Items – Earnings Before Financial Items, Taxes, Depreciation and Amortization."

Several large customers account for the greatest share of the Company's sales.

The Company's largest five external customers accounted for approximately 72% and 63% of the Company's total revenue in 2005 and 2004, respectively. If one or more of these customers were to default or terminate a supply contract prematurely, this could result in the Company being unable to find a buyer or having to sell at a considerably lower price and/or under other adverse conditions, which could have a material adverse effect on the financial condition and results of operations of the Company.

A substantial portion of the Company's sales is concluded internally.

The Company is a vertically integrated producer of solar-grade polysilicon, PV wafers, cells and modules, and a substantial portion of each of the Company's divisions' products is sold to another REC division. As a result, the Company is heavily reliant on intra-company sales. If any of REC's divisions were to cease to exist, experience a sustained interruption in production or experience substantial financial difficulty, the Company could experience material adverse effects on its financial condition and results of operations. Furthermore, any of these events could impair or threaten the existence of the Company.

There are risks associated with acquisitions, participations and joint ventures.

The Company has in the past grown both organically and through acquisitions, participation in joint ventures and minority investments, including the acquisition of REC ScanWafer in 2003 and the acquisition of ASiMI in 2005, its joint venture in SGS through July 2005 and its participations in CSG Solar AG (“CSG Solar”) and EverQ GmbH (“EverQ”). While the Company intends to continue to focus on organic growth, acquisitions, participation in joint ventures and minority investments also are expected to play an important role in the Company’s future growth. A significant portion of this growth may come from cell and module production, in which the Company does not have the same degree of experience as it has in the areas of silicon and silicon-wafer production. The Company’s planned and contemplated expansion of its activities in PV cell production could bring it into competition with customers of REC Silicon and REC Wafer in the longer term, which could have an adverse impact on the Company’s business, prospects, financial condition or results of operations in those areas.

Acquisitions of companies and participations in joint ventures or other strategic alliances with suppliers or other companies are subject to certain risks. These risks relate both to the Company’s past acquisitions (including among others the Company’s acquisition of ASiMI in 2005), and include the risks that the Company may be unable to keep or integrate the employees or business relationships of the newly acquired company or parts of companies, that the Company may fail to realize its desired growth objectives, economies of scale or cost savings, and that the Company may fail to begin production on time and on budget. In addition, there are risks related to disagreements with joint venture or other strategic partners. The success of past or future acquisitions of companies or joint ventures or other shareholdings, therefore, cannot be assumed.

Incorrect risk assessments as well as any other miscalculations associated with acquisitions, participations, shareholding interests and joint ventures could have material adverse effects on the financial condition and results of operations of the Company.

There are risks associated with the rapid growth of the Company.

The Company has grown rapidly over the past three years and expects growth to continue. For example, produced volume of polysilicon at SGS increased by 40% from 2003 to 2005, and production at REC ScanWafer as measured in MWp increased by 168% during that interval. Developing appropriate internal organizational structures and management processes on an ongoing basis in line with the rapid growth of the Company represents a constant challenge to the Company and occupies significant management resources. The need to hire and integrate an appropriate number of qualified employees to keep pace with the Company’s growth represents a particular challenge for the Company. This applies especially to the areas of administration, technology, finance, corporate governance, *i.e.*, accounting, cost accounting, planning and controlling, as well as personnel management, employee training and internal auditing. The disclosure and follow-up obligations of the Company associated with the Global Offering will further increase the challenges facing the finance and accounting departments of the Company. It is possible that the Company’s existing risk monitoring and management systems may prove to be inadequate and that gaps or deficiencies in the systems could become apparent. Similarly, it cannot be guaranteed that the Company will succeed in further developing its risk monitoring and management systems. This could limit the ability to identify and control risks and unfavorable trends on a timely basis, and result in material adverse effects on the business, prospects, financial condition and results of operations of the Company.

The Company may not succeed in achieving the production capacity expansion and cost reduction targeted by its investment plans, which it requires in order to capture expected growth in the markets.

The Company plans to implement a significant expansion of its solar-grade silicon and silicon wafer production capacities. In particular, the Company is currently expanding its wafer production plant in Glomfjord, Norway, building a new plant for wafer production in Herøya, Norway and contemplates investments in a substantial expansion of the production capacity of its facilities in Moses Lake, Washington, USA, and additional expansion of its wafer, cell and module production capacities. The Company currently is considering capital expenditures of approximately NOK 6.77–7.77 billion relating to these ongoing and potential capacity increases (including expected capital expenditures of approximately NOK 770 million in 2006 relating to ongoing production capacity expansion projects at REC Wafer). The ability of REC Wafer and, to a lesser extent, the ability of REC Solar to capture anticipated future growth in

their markets will be critically dependent on the success of the Company's production expansion plans. The growth plans of the Company can only succeed if this production expansion is implemented on a timely basis. Delays could result from a number of causes, including those outside of the Company's control. If the Company fails to implement its production expansion plans successfully, its market share would likely decrease significantly, which could affect its competitive position and the market price of the Offer Shares.

The Company's decision to proceed with the investment in FBR technology for the production of polysilicon depends on the success of further testing. The Company estimates that this investment would require capital expenditures of approximately NOK 3.5–4.0 billion (U.S.\$500–600 million) through the end of 2008 and expects that it has the potential to generate significant cost reductions. To date, the Company has tested its FBR technology in a single half-scale pilot reactor, which has generated output that satisfies most, but not all, of the Company's quality criteria. Once a pilot reactor has consistently generated output that meets the Company's requirements and assuming that the Company's Board of Directors approves the investment, the Company would start construction of larger-scale production facilities based on the FBR technology. This would include the need to move to full-scale reactors, construct a new manufacturing facility and ramp up production to commercial scale, and any or all of these steps could take materially longer or cost materially more than the Company currently expects, which could have a material adverse effect on the Company's ability to realize its expansion plans and to reduce costs to the extent currently planned.

Moreover, the Company requires significant financing in order to realize its ongoing and potential capacity increases. If and to what extent the Company will succeed in obtaining adequate financing depends significantly on the business, prospects, financial condition and results of operations of the Company, as well as on the condition of the market for the Company's products. While the Company has entered into a NOK 5.4 billion term loan facility with a syndicate of banks arranged by DnB NOR, in significant part for the purpose of financing its planned and contemplated capacity increases, any default by the Company under that facility could jeopardize the Company's access to financing under the facility. There can be no assurances that the Company will be able to obtain the required financing in all instances in a timely manner and to the required extent. Furthermore, due to possible delays (including delays by construction contractors hired to construct new facilities) and events beyond the Company's control, the Company may be unable to adhere to the budget for the intended expansion or be unable to realize a material part of its intended capacity expansion. These risks could prevent the Company from implementing its expansion plans, which could in turn endanger the Company's competitive position and have material adverse effects on the business, prospects, financial condition and results of operations.

The intended expansion of the activities of the Company into additional foreign markets involves significant risks.

The Company intends to further expand its business activities internationally, in particular in Western Europe, Asia and North America. The internationalization of the Company's business activities thus far has related mainly to attracting new customers or new suppliers, acquiring silicon production facilities in the United States and establishing PV module production facilities in Sweden. The Company is considering establishing a presence in additional foreign markets in the short to medium-term. A series of risks may arise from the further internationalization of the Company's business activities. These include primarily the prevailing general economic, legal and tax-related conditions in the relevant countries and unanticipated changes in foreign regulatory and legal requirements. In addition, there are risks of trade restrictions and changes in tariffs or customs associated with international activities. To the extent that internationalization is accomplished by means of acquisitions, participations or joint ventures, there are additional risks (see "– There are risks associated with acquisitions, participations and joint ventures"). The operation and protection of information technology structures and the establishment and maintenance of appropriate risk management and controlling structures present special challenges for cross-border business activities. A change in one or more of the factors described above may have a material adverse effect on the business, prospects, financial condition and results of operations of the Company.

Investments in alternative technologies, or in companies that develop such technologies, could subsequently prove to be bad investments.

Apart from the extensive investments made in and planned or contemplated for the further expansion of the existing production capacities of the Company for manufacturing polysilicon, silicon wafers and solar cells, the Company has also invested and regards it as an important strategic objective to invest further in

companies developing alternative technologies. Existing investments principally include the Company's combined investment of NOK 104 million (as of 31 December 2005) in CSG Solar and EverQ. There can be no assurances that these companies will succeed and that their products will reach the stage of profitable and competitive mass production. If these or any future comparable investments are not successful, it could have material adverse effects on the business, prospects, financial condition and results of operations of the Company.

There is a risk of industry-wide overcapacity in the production of polysilicon.

Certain polysilicon producers have announced plans to invest heavily in the expansion of their production capacities in view of the current scarcity of solar-grade silicon, strong demand and the expected strong market growth. The Company currently expects significant additional capacity to come on line in 2008. This expansion of production capacities could result in an excess supply of solar-grade silicon. In addition, if an excess supply of electronic-grade silicon were to develop, producers of electronic-grade silicon could switch production to solar-grade silicon, eliminating the current scarcity of solar-grade silicon or causing it to decline more rapidly than the Company currently anticipates. The electronic-grade silicon market has experienced significant cyclicity historically; for instance, that market experienced significant excess supply from 1998 through 2003. Moreover, the current scarcity of silicon could also be overcome in the medium term if the need for silicon is significantly reduced as a result of the introduction of new technologies that significantly reduce or eliminate the need for silicon in producing effective PV systems. These scenarios could lead to considerable pressure on the world market price for solar-grade silicon, which would affect all of the Company's operating segments. For example, overcapacity in polysilicon production could lead to increased capacity utilization in downstream parts of the PV value chain and place pressure on the Company's margins in those businesses. Accordingly, overcapacity in polysilicon production could have a material adverse effect on the business, prospects, financial condition and results of operations of the Company.

The Company is dependent on a limited number of third-party suppliers for key production supplies and components for its products.

Each of REC Silicon, REC Wafer and REC Solar manufacture their products using raw materials and consumables from a limited number of suppliers. For instance, REC Wafer sources slurry, a chemical compound used to confer abrasive properties upon wafer saws, from three suppliers, wires, which are used in wafer saws to carry slurry in order to have an abrasive effect, from two suppliers, crucibles from one supplier and block saw blades from one supplier. REC Solar sources both glass and back-sheets used in the assembly of modules from single producers. If any of the Company's divisions fails to develop or maintain its relationships with its suppliers, it may be unable to manufacture its products or its products may be available only at a higher cost or after a long delay, which could prevent the Company from timely delivering its products to its customers and the Company may experience order cancellation and loss of market share. To the extent the processes that the Company's suppliers use to manufacture components are proprietary, the Company may be unable to obtain comparable components from alternative suppliers. The failure of a supplier to supply components or supplies in a timely manner, or to supply components or supplies that meet the Company's quality, quantity and cost requirements, could impair the Company's ability to manufacture its products or decrease its costs, particularly if it is unable to obtain substitute sources of these components or supplies on a timely basis or on terms acceptable to the Company. This could have a material adverse effect on the Company's business, prospects, financial condition or results of operations.

The Company's results of operations may be adversely affected by fluctuations in energy prices or by developments in markets related to the Company's primary markets.

Electricity is the principal component of cost of production in REC Silicon, representing approximately 20% of the segment's operating expenses in 2005. REC Silicon's polysilicon manufacturing plant in Butte, Montana, purchases electricity from a privately owned electric utility that charges market-based prices, while the plant in Moses Lake, Washington purchases electricity from a not-for-profit public utility that charges on a cost-plus basis. As a result, operating production costs per kilogram of silicon produced at the Moses Lake plant are significantly lower than operating production costs per kilogram of silicon produced at the Butte plant. If the Company ceases for any reason to have access to relatively cheap electricity in Moses Lake, its production costs could increase significantly and its results of operations would be adversely affected. In addition, electricity prices have experienced significant increases worldwide in recent

years and could continue to increase further. For instance, in 2006, the Company anticipates that the price of electricity at its Butte, Montana facility will increase by approximately 20% compared to 2005, and the Company estimates that, as a result of this increase, EBITDA for 2006 would be approximately NOK 30-40 million lower than if the price of electricity were to remain constant from 2005 to 2006. In addition, electricity prices for the Butte facility are subject to volatility, as a significant share of its electricity purchaser is made on market-based floating terms. Significant further increases in the costs of electricity at the Company's silicon production facilities could have a significant impact on the REC Silicon's results of operations or financial condition and, consequently, on the Company's consolidated results of operations or financial condition.

Moreover, a significant part of the Company's consolidated revenue and of its consolidated EBITDA are derived from sale of silane gas, and a material adverse change in the silane gas market or in the Company's competitive position within that market could have a significant adverse impact on the Company's results of operations.

The Company has taken steps to increase the efficiency of its polysilicon utilization, but these steps are unproven at commercial production volume levels and the Company may not realize the cost reductions it anticipates.

Given the polysilicon shortage, the Company believes the efficient use of polysilicon will be critical to its ability to reduce its manufacturing costs. The Company is considering several measures to increase the efficient use of polysilicon in its manufacturing process. For example, it is considering the use of thinner wafers which requires less polysilicon and improved wafer-slicing technology to reduce the amount of material lost while slicing wafers, otherwise known as "kerf loss." Although the Company has tested some of these measures in smaller scale pilot runs, it has not implemented them at commercial production levels. These methods may have unforeseen negative consequences on the Company's yields or on the efficiency or reliability of its solar cells or those of its customers once they are put into commercial production or they may not enable the Company to realize the cost reductions it hopes to achieve. The Company depends on a combination of its own wafer-slicing operations and those of other vendors for the wafer-slicing.

The Company obtains capital equipment used in its manufacturing process from a limited number of suppliers and, if this equipment is damaged or otherwise unavailable, the Company's ability to deliver products on time will suffer, which in turn could result in order cancellations and loss of revenue.

Some of the capital equipment used in the manufacture of the Company's PV products has been developed and made specifically for the Company, is not readily available from multiple vendors and could be difficult to repair or replace if it were to become damaged or stop working. In addition, the Company currently obtains the equipment for many of its manufacturing processes from sole suppliers and will also be dependent on a limited number of suppliers of production equipment and service providers in connection with future capacity expansion projects. If any of these suppliers were to experience financial difficulties or go out of business, or if there were any damage to or a breakdown of the Company's manufacturing equipment at a time the Company was manufacturing commercial quantities of its products, the Company's business would suffer. In addition, a supplier's failure to supply equipment in a timely manner, with adequate quality and on terms acceptable to the Company, could delay the Company's capacity expansion of its manufacturing facility and otherwise disrupt the Company's production schedule or increase its costs of production.

Since the Company cannot test its solar modules for the duration of REC Solar's warranty period, the Company may be subject to unexpected warranty expense.

REC Solar's solar modules carry a 25-year power output guarantee and a two- or five-year workmanship guarantee (depending on product and customer). The Company believes that these warranty periods are consistent with industry practice. Due to the long warranty period, the Company bears the risk of extensive warranty claims long after REC Solar has shipped the products and recognized the revenues. The Company has sold solar modules only since 2003. Any increase in the defect rate of the Company's products would cause the Company to increase the amount of warranty reserves and have a corresponding negative impact on its financial statements. Although the Company tests its solar cells and modules and has three years of testing experience, the Company's solar cells and modules have not been and cannot be tested in an environment simulating the 25-year warranty period. As a result, the Company may be subject to unexpected warranty expense, which in turn would harm its financial results.

If the Company does not achieve satisfactory yields or quality in manufacturing its products, the Company's sales could decrease and its relationships with its customers and its reputation may be harmed.

The manufacture of the Company's products is a highly complex process, and the Company continuously strives to introduce improvements to its processes. Newly introduced or sub-optimal production processes can cause substantial decreases in yield and in some cases, cause production to be temporarily suspended. As a result, the Company has from time to time experienced lower than anticipated manufacturing yields. For instance, certain of the furnaces that the Company installed at Herøya in the first quarter of 2005 initially caused cracks in ingots, thereby resulting in a significant decrease in ingot yield. As the Company continues to introduce new equipment to improve processes, expands its manufacturing capacity and brings additional lines or facilities into production, the Company may experience lower than anticipated yields at least initially. In addition, decreases in wafer thickness have a positive effect on volumes sold, but the resulting change in the production process can adversely affect production efficiency. For instance, during the second and third quarters of 2005, the switch from 280 μm to 240 μm wafers temporarily caused a decrease of 2-4% in REC Wafer's yield. If the Company does not achieve planned yields, its product costs could increase, and product availability would decrease, which could have a material adverse effect on the business, prospects, financial condition or results of operations of the Company.

There are risks associated with rapid technological change, and if competitors gain advantages in the rapid development of alternative technologies, this could affect the competitive position of the Company considerably and present a threat to its profitability, or even its existence.

The market for renewable energy production and PV systems is subject to rapid technological change and is characterized by frequent introductions of improved or new products and services and ever-changing and new customer requirements. The Company expects that this will continue to be the case in the future.

The success of the Company depends decisively on the timely perception of new trends, developments and customer needs, constant further development of engineering expertise and ensuring that the portfolio of products and services keeps pace with technological developments. This in particular presents the risk that competitors may launch new products and services earlier or at more competitive prices or secure exclusive rights to new technologies. If these circumstances were to materialize, it may have a material adverse affect on the business, prospects, financial condition or results of operations of the Company.

In particular, the technologies that the Company currently employs at each level of the value chain are those that currently dominate the market. There are, however, a number of additional technologies with cost-saving potential, particularly with respect to the production of polysilicon and silicon wafers that are already being used by the Company and others. These include for instance the FBR technology for polysilicon production, which the Company has already implemented on a test basis, and the foil or ribbon technologies for silicon wafer production. If one or more competitors succeeds in developing an alternative technology to the stage of profitable mass production, the market conditions for the Company could change significantly. This could have material adverse effects on the business, prospects, financial condition and results of operations of the Company. Furthermore, this could threaten the profitability or even the existence of the Company.

The Company relies upon intellectual property and trade secret laws and contractual restrictions to protect important proprietary rights, and, if these rights are not sufficiently protected, its ability to compete and generate revenue could suffer.

The Company seeks to protect important proprietary manufacturing processes, documentation and other written materials primarily under patent, trade secret and copyright laws. It also typically requires employees, consultants and companies that have access to its proprietary information to execute confidentiality agreements. The steps taken by the Company to protect its proprietary information may not be adequate to prevent misappropriation of its technology. In addition, the Company's proprietary rights may not be adequately protected because:

- people may not be deterred from misappropriating its technologies despite the existence of laws or contracts prohibiting misappropriation;

- policing unauthorized use of the Company's intellectual property is difficult, expensive and time-consuming, and the Company may be unable to determine the extent of any unauthorized use; and
- the laws of other countries in which the Company markets or plans to market its products, such as some countries in the Asia/Pacific region, may offer little or no protection for its proprietary technologies.

Reverse engineering, unauthorized copying or other misappropriation of the Company's proprietary technologies could enable third parties to benefit from its technologies without paying for doing so. Any inability to adequately protect its proprietary rights could harm the Company's ability to compete, to generate revenue and to grow its business.

The Company may not obtain sufficient patent protection on the technology embodied in its products and production processes, which could harm its competitive position and increase its expenses.

The Company's patents cover processes used in many steps in the value chain, including silane manufacturing, silane deposition in Siemens reactors and FBR reactors, sawing of ingots into bricks and sawing of bricks into wafers. The Company's patent applications may not result in issued patents, and even if they result in issued patents, the patents may not have claims of the scope that the Company seeks. In addition, any issued patents may be challenged, invalidated or declared unenforceable. The Company's present and future patents may provide only limited protection for its technology and may not be sufficient to provide competitive advantages for it. For example, competitors could be successful in challenging any issued patents or, alternatively, could develop similar or more advantageous technologies on their own or design around the Company's patents. Also, patent protection in certain foreign countries may not be available or may be limited in scope and any patents obtained may not be as readily enforceable as in the United States or Western Europe, making it difficult for the Company to protect effectively its intellectual property from misuse or infringement by other companies in these countries. Any inability to obtain and enforce intellectual property rights in some countries may harm the Company's business, prospects, financial condition or results of operations. In addition, given the costs of obtaining patent protection, the Company may choose not to protect certain innovations that later turn out to be important.

The Company's intellectual property indemnification practices may adversely impact its business.

The Company may be required to indemnify some of its customers and third-party intellectual property providers for certain costs and damages of patent infringement in circumstances where its products are a factor creating the customer's or these third-party providers' infringement liability. This practice, which includes a significant number of uncapped indemnities, may subject the Company to significant indemnification claims by its customers and third-party providers. The Company cannot assure you that indemnification claims will not be made or that these claims will not harm its business, operating results or financial condition.

The Company may face intellectual property infringement claims that could be time-consuming and costly to defend and could result in loss of significant rights.

From time to time, the Company, its customers or third parties with whom the Company works may receive letters, including letters from various industry participants, alleging infringement of their patents. Although the Company is not currently aware of any parties pursuing infringement claims against it, there can be no assurance that it will not be subject to such claims in the future. Also, because patent applications in many jurisdictions are kept confidential for 18 months before they are published, the Company may be unaware of pending patent applications that relate to its products or production processes. The Company's third-party suppliers may also become subject to infringement claims, which in turn could negatively impact the Company's business. Intellectual property litigation is expensive and time-consuming, could divert management's attention from the Company's business and could have a material adverse effect on its business, prospects, operating results or financial condition. If there is a successful claim of infringement against the Company or its third-party intellectual property providers, the Company may be required to pay substantial damages to the party claiming infringement, stop selling products or using technology that contains the allegedly infringing intellectual property, or enter into royalty or license agreements that may not be available on acceptable terms, if at all. Any of these developments could materially damage the

Company's business, prospects, financial condition or results of operations. The Company may have to develop non-infringing technology, and any failure to do so or to obtain licenses to the proprietary rights on a timely basis could have a material adverse effect on its business, prospects, financial condition or results of operations.

The Company may file claims against other parties for infringing its intellectual property that may be very costly and may not be resolved in its favor.

Although the Company currently is not aware of infringement of its intellectual property by other parties, it cannot guarantee that such infringement does not exist now or will not occur in the future. To protect its intellectual property rights and to maintain its competitive advantage, the Company may file suits against parties who it believes are infringing its intellectual property. Intellectual property litigation is expensive and time consuming, could divert management's attention from the Company's business and could have a material adverse effect on its business, prospects, operating results or financial condition. In addition, the Company's enforcement efforts may not be successful. In certain situations, the Company may have to bring such suits in foreign jurisdictions, in which case it is subject to additional risk as to the result of the proceedings and the amount of damage that it can recover and currency risk, moreover collection of the judgment is not assured. Certain foreign jurisdictions may not provide protection to intellectual property comparable to that in the United States or Western Europe. The Company's engagement in intellectual property enforcement actions may negatively impact its business, prospects, financial condition or results of operations.

The Company may incur significant costs to comply with, or as a result of, health, safety, environmental and other laws and regulations.

The Company's operations are subject to numerous environmental requirements under the laws and regulations of the various jurisdictions in which the Company conducts its business. Such laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management, and the use, composition, handling, distribution and transportation of hazardous materials. Many of these laws and regulations are becoming increasingly stringent (and may contain "strict liability"), and the cost of compliance with these requirements can be expected to increase over time. For more information, see "The Company's Business – Work safety and environmental protection."

The Company's production processes, particularly its manufacturing processes in Moses Lake, Washington and Butte, Montana, involve manufacturing, processing, storage, use, handling, distribution and transport of silane gas and other substances that are very volatile. 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. Any damage to persons, equipment or property or other disruption of the Company's ability to produce or distribute the Company's products could result in significant additional costs to replace or repair and insure the Company's assets, which could negatively affect the Company's business, prospects, operating results and financial condition. The Company also incurs considerable expenditures to install, maintain and monitor equipment designed to safely manage these volatile substances and to limit and manage air emissions, waste water discharges and solid and hazardous waste generated by the Company's processes.

The Company cannot predict the impact of new or changed laws or regulations relating to health, safety, the environment or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of these requirements impose substantial costs or constrain the Company's ability to expand or change its processes, the Company's business, prospects, operating results and financial condition could suffer.

Problems with product quality or product performance, including defects in the Company's products, could result in a decrease in the number of customers and in revenues, unexpected expenses and loss of market share.

The Company's products must meet stringent quality requirements but may contain defects that are not detected until after they are shipped or are installed because the Company cannot test for all possible scenarios or applications. These defects could cause the Company to incur significant re-engineering costs,

divert the attention of its engineering personnel from product development efforts and significantly affect its customer relations and business reputation. If the Company delivers defective products, or if there is a perception that its products are defective, the Company's credibility and the market acceptance and sales of its products could be harmed.

The possibility of future product failures could cause the Company to incur substantial expense to repair or replace defective products. Furthermore, widespread product failures may damage the Company's market reputation, reduce its market share and cause sales to decline. A successful product liability claim against the Company could require it to make significant damage payments, which would negatively affect its business, prospects, financial condition and results of operations.

Because the markets in which the Company is active are highly competitive and many potential competitors may have greater resources, the Company may not be able to compete successfully and may lose or be unable to gain market share.

The Company competes with a large number of competitors, including Hemlock, Tokuyama and Wacker in the solar-grade silicon market, SolarWorld/Deutsche Solar, PV Crystalloxx and JFE in the wafer market and Sharp, Kyocera, SolarWorld, Q-Cells, Sunways, Schott Solar, Solon, Isofoton, Melco, and SMD in the markets for solar cells and modules. Many competitors are developing and are currently producing products based on new technologies that may ultimately have costs similar to, or lower than, the Company's projected costs. While the current polysilicon supply shortage constrains price competition in the Company's businesses to some extent, the Company assumes that, in the medium- and long-term, competition based on price, quality and technological innovation may become intense.

Many of the Company's existing and potential competitors may have longer operating histories, greater name recognition, access to larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than the Company. As a result, they may be able to respond more quickly than the Company can to changing customer demands or to devote greater resources to the development, promotion and sales of their products. The Company's business relies on sales of its products, and competitors with more diversified product offerings may be better positioned to withstand a decline in the demand for products of the types that the Company offers. It is possible that new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share, which would harm the Company's business. If the Company fails to compete successfully, it could have a material adverse effect on the Company's business, prospects, operating results and financial condition.

The Company is subject to the risk of labor disputes and adverse employee relations, and these disputes and adverse relations may disrupt the Company's business operations and adversely affect its business, prospects, results of operations and financial condition.

The majority of the Company's employees in Norway and Sweden are represented by labor unions under collective bargaining agreements. These agreements typically govern terms and conditions of employment and dispute resolution. The Company may not be able to renegotiate satisfactorily collective labor agreements when they expire. In addition, the Company's existing labor agreements may not prevent a strike or work stoppage at any of the Company's facilities in the future, and any such work stoppage could have a material adverse effect on the Company's business, prospects, operating results and financial condition.

The Company depends on certain executive officers and other key employees in the area of research and development and other qualified personnel in key areas.

The success of the Company depends on qualified executives and employees, in particular certain executive officers of the Company and employees with research and development expertise. The loss of executives, key employees in the area of research and development, or other employees in key positions could have a material adverse effect on the market position and research and development expertise of the Company. Considerable expertise could be lost or access thereto gained by competitors. Post-contractual prohibitions on competition exist for only certain members of the Company's management and despite the existence of such post-contractual prohibitions, no assurance can be given that such prohibitions will be complied with or, if breached, can be enforced effectively. Due to intense competition, there is a risk that qualified employees will be attracted by competitors and that the Company will be unable to find a sufficient number

of appropriate new employees. There can be no assurance that the Company will be successful in retaining these executives and the employees in key positions or in hiring new employees with corresponding qualifications. If the Company fails to do so, it could have material adverse effects on the business, prospects, financial condition and results of operations of the Company.

The Company could be seriously harmed by catastrophes, natural disasters, operational disruptions or deliberate sabotage.

Silane gas is a pyrophoric, *i.e.*, a highly combustible substance which explodes upon contact with air and is therefore potentially destructive and extremely dangerous if mishandled or in uncontrolled circumstances. The occurrence of a catastrophic event involving silane gas at one of the Company's polysilicon production facilities could threaten, disrupt or destroy a significant portion or all of the Company's polysilicon and silane gas production capacity at such facility for a significant period of time. Additionally, the Company's manufacturing plants, and its polysilicon production facilities in particular, are highly reliant on electricity. Accordingly, an interruption in the supply of electricity at one of the Company's manufacturing facilities could disrupt a significant portion of the Company's production capacity for a significant period of time. Finally, the occurrence of deliberate industrial sabotage or a terrorist attack at one of the Company's manufacturing facilities could threaten, disrupt or destroy a significant portion of the Company's production capacity for a significant period of time.

Despite insurance coverage, the Company could incur uninsured losses and liabilities arising from such events, including damage to the Company's reputation, and/or suffer substantial losses in operational capacity, which could have a material adverse effect on the Company's business, prospects, operating results and financial condition.

The Company is exposed to exchange rate risks.

Currency exchange rates, particularly exchange rates between the U.S. dollar, the Norwegian kroner and the euro, can have a significant impact on the Company's consolidated results of operations. The Company estimates that, in 2005, the amount of expenses denominated in U.S. dollars was significantly higher than the amount of revenues denominated in U.S. dollars, and that the amount of expenses denominated in euro was significantly lower than the amount of revenue denominated in euro. The Company estimates that, in 2005, the amount of revenues denominated in Norwegian kroner was slightly lower than the amount of expenses denominated in Norwegian kroner. Accordingly, the Company is in particular exposed to the risk of a potential rise in the value of the U.S. dollar against the euro and/or the Norwegian kroner and a decrease in the value of the euro against the Norwegian kroner. The Company engages in hedging to reduce the short-term risk of exchange rate fluctuations and to obtain higher planning reliability for its budget process. Nonetheless, a sustained adverse development of the exchange rates between these currencies may have an adverse effect on the business, prospects, financial condition and results of operations of the Company.

Product liability claims against the Company could result in adverse publicity and potentially significant monetary damages.

Since the Company's products are incorporated into electricity producing devices, it is possible that its products could result in injury, whether by product malfunctions, defects, improper installation or other causes. The Company cannot predict whether or not product liability claims will be brought against it or the effect of any resulting negative publicity on its business. Moreover, the Company may not have adequate resources in the event of a successful claim against it. The successful assertion of product liability claims against the Company could result in potentially significant monetary damages, which could have a material adverse effect on the business, prospects, financial condition and results of operations of the Company.

Risks Relating to the Offering

After the Global Offering, substantial share ownership will remain concentrated in the hands of existing shareholders, and future sales of Shares by existing shareholders could have a material adverse effect on the market price of the Company's Shares.

Following completion of the Global Offering, the three largest shareholders of the Company will continue to hold 78.9% of the share capital of the Company. As a result of this concentration of share ownership, the existing shareholders will be in a position, irrespective of the voting behavior of the other shareholders, to

exert substantial influence over all key decisions concerning the business of the Company, including the future composition of the Board of Directors and the members of the Company's management team. Shareholders Good Energies Investments, Elkem and Hafslund Venture (each either directly or indirectly through companies held by them) are expected to hold 34.1%, 23.5% and 21.3% of the share capital of the Company, respectively, following completion of the Offering, and either alone or jointly may therefore exert considerable influence over the decisions taken at general shareholders' meetings. In particular, as Good Energies Investments will hold 34.1% of the Company's share capital following completion of the Global Offering, it will be able to block all shareholder decisions that require at least a two-thirds majority of the votes cast and/or of the capital represented at the Company's general meetings. For further information regarding such shareholder decisions, see "Description of the Company's Shares and Share Capital."

Each of the Company, Good Energies Investments, Elkem and Hafslund Venture, each of the Company's directors and each of the Company's officers named in this Prospectus have agreed that with limited exceptions they will not, for a period of 180 days, (i) issue, sell or otherwise dispose of any of their respective Shares (or securities convertible into or exercisable for its Shares), (ii) enter into any transaction (including any derivative transactions) having an economic effect similar to that of a sale, or (iii) publicly announce an intention to effect any transaction specified in (i) or (ii), without the prior written consent of the Joint Global Coordinators. See "Plan of Distribution – Trading Market and Lock-Ups." If the existing shareholders sell their Shares in full or in part once this period expires, it could have a material adverse effect on the price of the Offer Shares.

The Offer Price significantly exceeds the fractional book value of the shareholders' equity.

The Offer Price to be paid by investors acquiring Shares of the Company in connection with the Global Offering exceeds the fractional book value of the shareholders' equity by a considerable amount (See "Dilution"). The Offer Price is therefore indicative of a large amount of fair value in excess of book, and there can be no assurance that this fair value in excess of book can be realized.

Future share capital measures may lead to a substantial dilution of the participations of the Company's shareholders.

The Company may require additional capital in the future to finance its business activities and growth plans. Raising additional capital and, conceivably, the exercise of currently outstanding or yet to be issued convertible or warrant-linked bonds, or the acquisition of other companies or shareholdings in companies by means of yet to be issued Shares of the Company as well as any other capital measures may lead to a considerable dilution of shareholdings in the Company.

There are risks associated with the absence of a public market for the Company's Shares prior to the Offering and exposure of the share price to high volatility.

No public market for the Shares of the Company has existed or will exist at the time of the Global Offering. The Offer Price will be calculated and set by the Joint Global Coordinators in consultation with the Company using the so-called book-building procedure. The Offer Price may not correspond to the price at which the Company's Shares are traded on the OSE after the Global Offering. There is no guarantee that active trading in the Offer Shares will develop and continue after the Global Offering. The number of Shares in free float, fluctuations in Company results, changes in the general state of the industry, economic fluctuations and the general development of the financial markets may – irrespective of the results and financial condition of the Company – have a material adverse effect on the price of the Company's Offer Shares.

Pre-emptive rights may not be available to U.S. holders of the Company's Shares.

Under Norwegian law, prior to the Company's issuance of any new Shares for consideration in cash, the Company must offer holders of the Company's then-outstanding Shares pre-emptive rights to subscribe and pay for a sufficient number of Shares to maintain their existing ownership percentages, unless these rights are waived at a general meeting of the Company's shareholders. These pre-emptive rights are generally transferable during the subscription period for the related offering and may be quoted on the OSE.

U.S. holders of the Shares may not be able to receive, trade or exercise pre-emptive rights for new Shares unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. The Company is not a

registrant under the U.S. securities laws. If U.S. holders of the Shares are not able to receive, trade or exercise pre-emptive rights granted in respect of their Shares in any rights offering by the Company, then they may not receive the economic benefit of such rights. In addition, their proportional ownership interests in the Company will be diluted.

It may be difficult for investors based in the United States to enforce civil liabilities predicated on U.S. securities laws against the Company, the Company's Norwegian affiliates or the Company's directors and executive officers.

The Company is organized under the laws of the Kingdom of Norway. Most of the Company's directors and executive officers reside outside of the United States. Further, a significant portion of the Company's assets, and those of the Company's directors and executive officers, are located in Norway. As a result, it may be difficult for investors in the United States to effect service of process within the United States upon the Company or the Company's directors and executive officers or to enforce judgments obtained in U.S. courts predicated on the civil liability provisions of U.S. Federal securities laws against the Company or the Company's directors and executive officers. The Company has been advised by its Norwegian counsel, Advokatfirmaet Schjødt AS, that although U.S. investors may bring actions against the Company, the Company's Norwegian affiliates or any of the Company's directors or executive officers resident in Norway, Norwegian courts are unlikely to apply U.S. law when deciding such cases. Accordingly, there exists some doubt as to the enforceability of U.S. Federal securities laws in actions originally brought in Norwegian courts based on liabilities predicated solely on U.S. Federal securities laws. For more information, see "Enforcement of Civil Liabilities."

Holders of the Company's Shares that are registered in a nominee account may not be able to exercise voting rights as readily as shareholders whose Shares are registered in their own names with the Norwegian Central Securities Depository.

Beneficial owners of the Company's Shares that are registered in a nominee account (*e.g.*, through brokers, dealers or other third parties) may not be able to vote such Shares unless their ownership is re-registered in their names with the VPS prior to the Company's general meetings. The Company cannot guarantee that beneficial owners of the Company's Shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners.

The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions.

The Company has not registered the Shares under the Securities Act or the securities laws of other jurisdictions other than the Kingdom of Norway and the Company does not expect to do so in the future. The Shares may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) nor may they be offered or sold in any other jurisdiction in which the registration of the Shares is required but has not taken place, unless an exemption from the applicable registration requirement is available or the offer or sale of the Shares occurs in connection with a transaction that is not subject to these provisions. In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or subscription rights.

The ability of shareholders of the Company to make claims against the Company in their capacity as such following registration of the share capital increase in the Norwegian Companies Register is severely limited under Norwegian law.

Once the capital increase relating to any Shares of the Company (including the Offer Shares) has been registered in the Norwegian Companies Registry, purchasers of those Shares have limited rights against the Company under Norwegian law. To the fullest extent permitted by applicable law, the Managers as subscribers of the Offer Shares expressly disclaim any liability under Norwegian law to persons who submit applications or orders for Offer Shares in the Global Offering beyond the liability of the Company to the Managers as subscribers of the Offer Shares. All persons who submit applications or orders for Offer Shares in the Global Offering shall be deemed to have accepted this disclaimer of liability and to have acknowledged that the ability of shareholders of the Company to make claims against the Company in their capacity as such following registration of the share capital increase in the Norwegian Companies Register is severely limited under Norwegian law.

Responsibility for the Prospectus

This Prospectus has been prepared in connection with the Global Offering described herein and the planned listing of the Company on the OSE.

The Board of Directors of the Company hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge in accordance with the facts and contains no omissions likely to affect its import.

21 April 2006

Tore Schiøtz
Chairman

Rune Bjerke
Director

Roar Engeland
Director

Ole Enger
Director

Marcel E. Brenninkmeijer
Director

Statement From Selling Shareholder Rebelijo Invest AS

The selling shareholder Rebelijo Invest AS, a limited liability company registered under the laws of the Kingdom of Norway with registration number 989 105 434 and business address Gyssestadkollen 65, 1341 Slependen, hereby confirms that it has full ownership to the 1,600,000 existing Shares to be sold in the Global Offering, and that these Shares will be sold free of any encumbrances. Rebelijo Invest AS confirms that the Managers have been authorized to transfer the existing Shares to be sold in the Global Offering to investors to whom Offer Shares have been allocated upon completion of the Global Offering.

In connection with and limited to the offer to sell 1,600,000 existing Shares as part of the Global Offering, Rebelijo Invest AS further hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the company's knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Bærum, 21 April 2006

Rebelijo Invest AS

Cautionary Note Regarding Forward-Looking Statements

This Prospectus contains “forward-looking statements” relating to the Company’s business and the sectors in which it operates. Forward-looking statements include all statements that are not historical facts, and can be identified by words such as “believes,” “anticipates,” “projects,” “intends,” “expects,” or the negatives of these terms or similar expressions. These statements appear in a number of places in this Prospectus, principally in “Risk Factors,” “Business” and “Operating and Financial Review,” and include statements regarding the Company’s management’s intent, belief or current expectations with respect to, among other things:

- strategies for the Company’s products, segments and businesses, as well as for the Company as a whole;
- global and regional economic conditions;
- supply and demand for solar power related products;
- sales volumes, price levels, costs and margins;
- competition and actions by competitors and others affecting the global or regional market within the solar energy industry, including changes to industry capacity and utilization and product pricing;
- the Company’s planned capacity increases and utilization rates;
- fluctuations in foreign exchange rates;
- earnings, cash flows, dividends and other expected financial results and conditions;
- cash requirements and uses of available cash;
- financing plans;
- cost reduction targets;
- anticipated capital spending;
- growth opportunities;
- development, production, commercialization and acceptance of new products, services and technologies;
- assets and product portfolio changes;
- effects of hedging raw material and energy costs and foreign currencies;
- environmental and other regulatory matters;
- legal proceedings; and
- possible shortage of raw materials and components.

No forward-looking statements contained in this Prospectus should be relied upon as predictions of future events. No assurance can be given that the expectations expressed in these forward-looking statements will prove to be correct. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized. Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements and in the section entitled “Risk Factors” in this Prospectus.

Readers are cautioned not to place undue reliance on the forward-looking statements contained in this Prospectus, which represent the best judgment of the Company's management as of the date of this Prospectus. Except as required by applicable law, the Company does not undertake responsibility to update these forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further public disclosures made by the Company, such as filings made with the OSE or press releases.

Use of Proceeds

The Company estimates that it will receive, after deduction of the Managers' fees and commissions and other expenses, net proceeds of approximately NOK 6.8 billion from the Global Offering. The Company intends to use such net proceeds for capital expenditures and related working capital requirements. For further information about these capital expenditures, see "Operating and Financial Review – Liquidity and Capital Resources – Capital Expenditures."

The Company may also use a portion of the net proceeds of the Global Offering to acquire or invest in other companies or technologies in a manner that it believes to be appropriate to further the growth of the Company.

The Company has not yet determined all significant future anticipated capital expenditures and investments. In addition, only approximately NOK 0.75 billion of the Company's proposed investments in additional production capacity, relating to REC Wafer, have been approved by the Company's board of directors. The PV industry is currently experiencing rapid development in terms of competition and technology, and the Company may find it necessary or advisable to change its strategic priorities or its focus for investments. Material changes in circumstances could necessitate re-evaluation of the Company's contemplated investments. The Board of Directors and the Company's management will have broad discretion in applying the net proceeds from this Global Offering in a manner that they believe to be appropriate to further the growth of the Company.

Pending application of the net proceeds of the Global Offering for one or more of the uses described above, the Company will invest the net proceeds in short-term, high quality debt obligations. Prior to the closing of the Global Offering, the Board of Directors will authorize and direct the Company's officers to review the valuations of the Company's and its subsidiaries' assets on a quarterly basis so as to prevent the Company and each of its subsidiaries from being deemed to be an "investment company" as such term is defined in the United States Investment Company Act of 1940, as amended. It is possible that, in order to avoid being deemed to be an "investment company," the Company and some or all of its subsidiaries may need to invest a substantial portion of the unused or uninvested proceeds of the Global Offering in assets that provide a lower return than would otherwise be obtained if the Company were not required to avoid being deemed to be an "investment company."

Dividends and Dividend Policy

Dividends

Procedure for Declaration of Dividends

Dividends in respect of a fiscal year, if any, will be declared at the Company's annual general meeting in the following year. Under Norwegian law, dividends may only be paid in respect of a fiscal year for which audited financial statements have been approved by the annual general meeting of shareholders, and any proposal to pay a dividend must be recommended by the Company's Board of Directors and approved by its shareholders at a general meeting. The shareholders at the Company's annual general meeting may vote to reduce, but may not adopt a resolution to increase, the dividend proposed by the Company's Board of Directors. Dividends declared and approved in this manner accrue to those shareholders who are shareholders at the time the resolution was adopted, unless otherwise stated in the resolution.

Legal Constraints on the Distribution of Dividends

Dividends may be paid in cash or in some instances in kind. The Norwegian Public Limited Companies Act provides several constraints on the distribution of dividends:

- Dividends are payable only out of distributable reserves. Section 8-1 of the Norwegian Public Limited Companies Act provides that distributable reserves consist of the profit for the prior fiscal year (as reflected in the income statement approved by the annual general meeting of shareholders) and the retained profit from previous years (adjusted for any reclassification of equity), less (i) uncovered losses, (ii) the book value of research and development, goodwill and net deferred tax assets (as recorded in the balance sheet, as of the most recent fiscal year end, approved by the annual general meeting of shareholders), (iii) the total nominal value of treasury shares which the Company has acquired for ownership or as security in previous fiscal years, and credit and security which, pursuant to Sections 8-7 to 8-9 of the Norwegian Public Limited Companies Act, fall within the limits of distributable equity, and (iv) that part of the profit for the prior fiscal year which, by law or pursuant to the Company's Articles of Association, must be allocated to the undistributable reserve or cannot be distributed as a dividend.
- Dividends cannot be distributed if the Company's equity amounts to less than 10% of the total assets, measured with reference to the parent Company's balance sheet as of the prior fiscal year end without a two-month creditor notice period provided for under the Norwegian Public Limited Companies Act Sections 12-4 and 12-6.
- Dividends can only be distributed to the extent compatible with good and careful business practice, with due regard to any losses which the Company may have incurred since the balance sheet date (*i.e.*, the prior fiscal year end) or which the Company may expect to incur.
- The amount of dividends the Company can distribute is calculated on the basis of the parent Company's financial statements.

According to the Norwegian Public Limited Companies Act, there is no time limit after which entitlement to dividends lapses. Further, there are no dividend restrictions or specific procedures for non-Norwegian resident shareholders in the Act. For a description of withholding tax on dividends that is applicable to non-Norwegian residents, see "Taxation – Norwegian Taxation – Non-resident Shareholders – Taxation of Dividends."

Dividend Policy

The Company has not paid any dividends to date, whether in cash or in kind, and the Company does not currently intend to pay dividends in the foreseeable future. The Company currently intends to retain all earnings, if any, and to use these, together with the net proceeds of the Global Offering, to finance the further growth of the Company.

Capitalization and Indebtedness

The following tables set forth the Company's capitalization and indebtedness determined in accordance with IFRS as of 31 December 2005. You should read this table in conjunction with the consolidated IFRS Financial Statements, including the notes thereto.

	As of 31 December 2005 ⁽¹⁾
	(NOK thousand)
Total Current debt ⁽²⁾	1,865,658
– Guaranteed	3,843
– Secured	4,877
– Unguaranteed/Unsecured	1,856,938
Total Non-Current debt (excluding current portion of long-term debt) ⁽²⁾	2,081,397
– Guaranteed	–
– Secured	1,101,609
– Unguaranteed/Unsecured	979,788
Other liabilities ⁽³⁾	885,966
Shareholders' equity	1,230,798
Paid-in capital	1,095,081
– Share capital	304,319
– Share premium	453,248
– Treasury shares	(225)
– Other paid in capital	337,739
Other equity and retained earnings	135,717
Total	6,063,819
A. Cash at bank and at hand	481,820
B. Short term bank deposits	32,142
C. Trading securities	–
D. Liquidity (A)+(B)+(C)	513,962
E. Current Trade and Other Receivables	886,468
F. Current Bank debt	149,584
G. Current portion of non current debt	4,646
H. Other current financial debt/convertible loans ⁽⁴⁾	1,711,428
I. Current Financial Debt (F)+(G)+(H)	1,865,658
J. Net Current Financial Indebtedness (I)-(E)-(D)	465,228
K. Non current Bank loans	1,553,499
L. Bonds Issued	–
M. Other non current loans	527,898
N. Non current Financial Indebtedness (K)+(L)+(M)	2,081,397
O. Net Financial Indebtedness (J)+(N)	2,546,625

(1) Except as described in the following footnotes to this capitalization table, there has been no material change since 31 December 2005 in any of the information provided in this table.

(2) A significant majority of the consolidated indebtedness of the Company outstanding on 31 December 2005 was subject to various guarantees and security interests. For further information regarding these guarantees and security interests, see Notes 18 and 30 of the Notes to the IFRS Financial Statements. Under the new syndicated loan facility entered by the Company in March 2006, however, as described under "Operating and Financial Review – Liquidity and Capital Resources – Capital Resources – Bank Loan Facility," previously guaranteed and secured indebtedness has been replaced by indebtedness not subject to guarantees or security interests (but subject to a customary negative pledge clause). At 31 March 2006, the Company had not guaranteed any material indebtedness that is not included in its consolidated indebtedness. In the course of its business, Renewable Energy Corporation ASA guarantees consolidated indebtedness of certain subsidiaries. At 31 December 2005 and 31 March 2006, the primary subsidiary indebtedness so guaranteed related to amounts due to Komatsu under the purchase agreement relating to ASiMI, which in turn relate to a put/call arrangement totaling NOK 522.5 million that represents Komatsu's minority share interest in ASiMI.

(3) Includes provisions, other liabilities and charges, trade payables, retirement benefit obligations and current and non-current tax liabilities.

- (4) As of 31 March 2006, all of the Company's EUR 31 million convertible bonds due March 2006 and 99.88% of the Company's U.S.\$ 140 million convertible bonds due December 2006 that were outstanding at 31 December 2005 had been converted, which increased total shareholders' equity by approximately NOK 1.6 billion and reduced consolidated indebtedness by approximately NOK 1.7 billion.

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

Dilution

As of 31 December 2005, the Company had a net tangible book value, defined as total shareholders' equity less minority interest and intangible assets including deferred taxes, under IFRS of NOK 413.4 million or NOK 0.98 per Share. These amounts are based on 421,089,120, the number of Shares outstanding prior to the Global Offering (after implementation of a 20-to-1 stock split effected 21 April 2006). The net tangible book value, after giving effect to the Global Offering, will be NOK 14.9 per Share. The immediate dilution to purchasers of the Shares in the Global Offering will be NOK 80.1. Dilution, for this purpose, represents the difference between the Offer Price per Share and the net tangible book value per Share adjusted for the Global Offering.

Exchange Rate Information

The financial statements included in this Prospectus are expressed in Norwegian kroner, or NOK. The Company intends to publish its consolidated financial statements in Norwegian kroner.

The following table sets forth, for the periods indicated, the annual and year-end average of the buy and sell rates for each of the U.S. dollar and euro against the Norwegian kroner as published by the Central Bank of Norway (Norges Bank) at 14:15 Central European Time (CET).

The exchange rates set forth in the following table are not necessarily the same as the ones used by the Company in the preparation of its Financial Statements.

Calendar Year Period	NOK per U.S.\$1.00		NOK per €1.00	
	Annual Average Mid-Rate	Year-End Mid-Rate	Annual Average Mid-Rate	Year-End Mid-Rate
2003	7.0824	6.6750	8.0073	8.4225
2004	6.7372	6.0386	8.3715	8.2385
2005	6.4450	6.7687	8.0039	7.9850

Selected Financial and Operating Data

The following table presents selected financial information which has been derived from the Company's Consolidated Financial Statements (including the notes thereto) as of and for the years ended 31 December 2005 and 2004, prepared in accordance with the Norwegian Accounting Act and IFRS, as endorsed by the EU, and as of and for the years ended 31 December 2004 and 2003, prepared in accordance with Norwegian GAAP. Such Financial Statements have been audited by KPMG AS, the Company's independent accountants, as indicated in their audit reports included elsewhere in this Prospectus. The information derived from the Financial Statements prepared on the basis of IFRS is not comparable to the information derived from the Company's financial statements prepared on the basis of Norwegian GAAP.

	Year ended 31 December			
	2005	2004	2004	2003
	IFRS	IFRS	NGAAP	NGAAP
	(NOK thousand)			
Income Statement Information				
Sales of product and services	2,449,669	1,262,118	1,408,052	285,862
Other operating income	4,247	8,074	10,088	3,540
Total revenues	<u>2,453,916</u>	<u>1,270,192</u>	<u>1,418,140</u>	<u>289,402</u>
Raw materials and consumables used	(620,903)	(513,436)	(512,401)	(62,109)
Changes in inventories of finished goods and work in progress	4,477	(60,909)	(81,902)	53,581
Employee compensation and benefit expense	(409,854)	(261,996)	(291,539)	(138,696)
Other operating expenses	(597,455)	(292,791)	(377,049)	(230,162)
Earnings before financial items and taxes, depreciation/amortization	<u>830,181</u>	<u>141,060</u>	<u>155,249</u>	<u>(87,984)</u>
Amortization of intangible assets	(13,648)	(3,415)	(55,890)	(20,859)
Impairment of tangible assets	(13,733)	(6,593)	(6,593)	(4,293)
Depreciation of tangible assets	(201,353)	(91,228)	(96,443)	(31,550)
Earnings before financial items and taxes	<u>601,447</u>	<u>39,824</u>	<u>(3,677)</u>	<u>(144,686)</u>
Share of (loss)/profit of associates	(7,052)	(1,578)	(1,578)	(5,790)
Interest income	6,261	1,440	1,548	1,377
Impairment of financial assets	–	(6,715)	(6,715)	(3,661)
Interest expense	(146,784)	(46,074)	(46,058)	(28,235)
Other financial income/expenses	69,248	(1,372)	4,751	(18,794)
Foreign exchange and fair value effect of convertible loans	(493,037)	6,123	–	–
Profit/loss before tax	<u>30,083</u>	<u>(8,352)</u>	<u>(51,729)</u>	<u>(199,789)</u>
Income tax expense/benefit	(26,160)	2,263	3,608	56,727
Profit/loss for the year	<u>3,923</u>	<u>(6,089)</u>	<u>(48,121)</u>	<u>(143,062)</u>
Attributable to:				
Equity holders of the Company	3,923	(6,089)	(62,593)	(128,181)
Minority interest	–	–	14,472	(14,881)

As of December 31,				
	2005	2004	2004	2003
	IFRS	IFRS	NGAAP	NGAAP
(NOK thousand)				
Balance Sheet Information				
Assets				
Intangible assets	629,139	421,311	228,632	281,093
Property, plant and equipment	3,361,204	791,942	784,653	689,486
Financial assets	133,808	27,077	27,076	28,823
Deferred tax assets	188,229	111,576	113,205	110,639
Total non-current assets	4,312,380	1,351,906	1,153,566	1,110,041
Total current assets	1,751,439	824,167	877,868	513,254
Total assets	6,063,819	2,176,073	2,031,434	1,623,295
Equity and liabilities				
Paid-in capital	1,095,081	1,042,195	1,042,195	710,629
Retained earnings	135,717	31,843	(166,573)	(207,514)
Minority interest	–	–	49,245	146,789
Total shareholders' equity	1,230,798	1,074,038	924,867	649,904
Total non-current liabilities	2,262,355	709,747	605,952	579,259
Total current liabilities	2,570,666	392,288	500,615	394,132
Total liabilities	4,833,021	1,102,035	1,106,567	973,391
Total liabilities and equity	6,063,819	2,176,073	2,031,434	1,623,295

The following table presents selected financial information derived from the Company's audited consolidated Financial Statements (including the notes thereto) as of and for the year ended 31 December 2002, prepared in accordance with Norwegian GAAP.

	Year ended 31 December 2002
	NGAAP
	(NOK thousand)
Income Statement Information	
Sales of product and services	7,221
Other operating income	90
Total revenues	<u>7,311</u>
Material expenses	(4,940)
Changes in work in progress and finished goods	–
Personnel expenses	(11,047)
Other operating expenses	(92,657)
Depreciation and write down	(3,002)
Earnings before interest and taxes	<u>(104,335)</u>
Earnings from equity accounted companies	14,515
Interest income	1,972
Interest expense	(1,532)
Exchange differences	(135)
Loss on sale of subsidiaries not consolidated	(69,257)
Loss before tax	<u>(158,772)</u>
Taxes	31,350
Loss before minority interests	<u>(127,422)</u>
Minority interest	36,325
Loss for the year	<u><u>(91,097)</u></u>
	As of
	31 December
	2002
	NGAAP
	(NOK thousand)
Balance Sheet Information	
Assets	
Intangible fixed assets	60,162
Tangible fixed assets	63,628
Financial assets	145,856
Total fixed assets	<u>269,646</u>
Total current assets	<u>147,791</u>
Total assets	<u><u>417,437</u></u>
	As of
	31 December
	2002
	NGAAP
Equity and liabilities	
Paid-in capital	328,390
Retained earnings	(82,669)
Total shareholders' equity	<u>245,721</u>
Total non-current liabilities	<u>38,935</u>
Total current liabilities	<u>132,781</u>
Total liabilities and equity	<u><u>417,437</u></u>

Pro Forma Financial Data

The following table sets forth pro forma combined financial data for the year ended 31 December 2005. The pro forma combined financial data have been derived from the Financial Statements, as adjusted to illustrate the effect on the Company's consolidated results due to the acquisition of ASiMI in 2005, as if the acquisition had occurred on 1 January 2005.

The reader should read the following pro forma financial data in conjunction with the Company's consolidated IFRS Financial Statements and the notes thereto, including Note 32 to the IFRS Financial Statements. The reader should also read the sections "Selected Financial and Operating Data" and "Operating and Financial Review." The pro forma financial data is qualified by reference to these sections and the Financial Statements, which are included elsewhere in this Prospectus.

The pro forma financial data does not reflect the Company's actual results of operations and is not necessarily indicative of the results that would have been attained if the Company's acquisition of ASiMI had occurred 1 January 2005. The acquisition of the remaining 30% interest in REC Solar Grade Silicon on 29 July 2005 and REC SiTech on 1 July 2005 are not considered to be significant, and therefore adjustments have not been made to reflect the impact of these acquisitions.

The pro forma financial information has been prepared based on the following assumptions and adjustments:

- The pro forma financial information has been prepared assuming that the Company's acquisition of ASiMI was undertaken on 1 January 2005 and that ASiMI was consolidated on a 100% basis from this date; and
- The pro forma financial information has been prepared based on the Company's historical IFRS Financial Statements as adjusted for the acquisition in the manner described above.

	Year ended 31 Dec. 2005 (as reported)	Pro forma adjustments(a)	Notes	Year ended 31 Dec. 2005 (pro forma)
		(NOK thousand)		
Total revenues	2,453,916	675,256	(b)	3,129,172
Raw materials and consumables used	(620,903)	(83,772)	(b)	(704,675)
Changes in inventories of finished goods and work in progress	4,477	–		4,477
Employee compensation and benefit expense	(409,854)	(164,148)		(574,002)
Other operating expenses	(597,455)	(210,345)		(807,800)
Earnings before interest and taxes, depreciation/ amortization	830,181	216,991	(b)	1,047,172
Amortization of intangible assets	(13,648)	(12,645)	(c)	(26,293)
Impairment of tangible assets	(13,733)	–	(c)	(13,733)
Depreciation of tangible assets	(201,353)	(71,430)	(c)	(272,783)
Earnings before interest and taxes	601,447	132,916	(b)	734,363
Share of (loss)/profit of associates	(7,052)	0		(7,052)
Interest income	6,261	354		6,615
Impairment of financial assets	–	–		–
Interest expense	(146,784)	(88,277)	(d)	(235,061)
Other financial income/expenses	69,248	–		69,248
Foreign exchange and fair value effect of convertible loans	(493,037)	–		(493,037)
Profit/loss before tax	30,083	44,993	(b)	75,076
Income tax expense/benefit	(26,160)	(15,298)		(41,458)
Profit/loss for the year	3,923	29,695	(b)	33,618

Notes to the pro forma income statement:

- (a) Represents, except as otherwise indicated, the relevant income statement line item of ASiMI for the period from 1 January 2005 through 31 July 2005.

- (b) Represents the relevant income statement line item of ASiMI from 1 January 2005 through 31 July 2005, after adjustments for transactions affecting that line item during that period between ASiMI and companies included in the consolidated financial statements of the Company.
- (c) Depreciation and amortization have been recalculated by class of asset considering the purchase price allocation giving a combined seven-month charge of NOK 84 million.
- (d) The Company financed its acquisition of ASiMI through two credit facilities: (a) a convertible loan agreement entered into with existing shareholders in a principal amount of U.S.\$140 million, and (b) a senior credit facility entered into with DnB NOR and ABN Amro in a principal amount of U.S.\$170 million. The total interest expense calculated for the first seven months of 2005, as if the loans had been in place on the same interest-rate terms at 1 January 2005, is NOK 88 million.
- (e) The tax rate used was 34%, which represents the local tax rate faced by REC Silicon, and the related tax expense was estimated to be NOK 15 million for the first seven months of 2005.
- (f) The year-end exchange rate between U.S. dollars and Norwegian kroner has been assumed for all adjustments.

Operating and Financial Review

This review of the Company's financial condition and results of operations as of and for the years ended 31 December 2005, 2004 and 2003 contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but are rather based on the Company's current expectations, estimates, assumptions and projections about the Company's industry, business and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in the sections of this Prospectus entitled "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements" and other sections of this Prospectus.

The Company acquired the equity capital of ASiMI, a company that owns a polysilicon plant in Butte, Montana, on 29 July 2005. Please see "Pro Forma Financial Data" and Note 32 of the Notes to the IFRS Financial Statements for pro forma unaudited financial information reflecting the results of operations of the company as if it had acquired ASiMI as of 1 January 2005. Unless otherwise specified, references in this operating and review to financial information on a pro forma basis are to the pro forma condensed consolidated income statement for the year ended 31 December 2005 and the notes thereto included elsewhere in this Prospectus and should be read together with such pro forma financial information and notes.

Presentation of Financial Information; Comparability of Information

The Company's audited consolidated financial statements for the years ended 31 December 2005 and 2004 have been prepared in accordance with the Norwegian Accounting Act and IFRS. All references to 2005 financial information below are to such IFRS financial information. Also included in this Prospectus are audited consolidated financial statements for the Company for the years 31 December 2004 and 2003 prepared under Norwegian GAAP. In this operating and financial review, the Company discusses changes in its results of operations and financial condition in 2005 compared to 2004 based on the IFRS financial information included elsewhere in this Prospectus and changes in its results of operations and financial condition in 2004 compared to 2003 based on the Norwegian GAAP financial information included elsewhere in this Prospectus.

Financial information for 2004 and 2003 prepared under Norwegian GAAP and financial information for 2005 and 2004 prepared under IFRS are not comparable, because they have been prepared in accordance with different sets of accounting standards. Accordingly, no comparisons can be made between the Company's results of operations for 2003 and its results of operations for 2005. For a reconciliation of the Company's consolidated financial statements for 2004 under Norwegian GAAP to its consolidated financial statements for 2004 under IFRS, see Note 5 to the IFRS Financial Statements.

Both IFRS and Norwegian GAAP differ in significant respects from generally accepted accounting principles in the United States of America, or U.S. GAAP. In making an investment decision, investors must rely on their own examination of the Company, the terms of the Offering and the financial information contained in this Prospectus. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and Norwegian GAAP, on the one hand, and U.S. GAAP on the other hand and how these differences might affect their understanding of the financial information contained herein.

Overview

General

The Company is one of the world's leading companies in the PV industry. In 2005, the Company was among world's largest producers of solar-grade polysilicon and wafers for PV applications by volume, according to Company estimates. The Company is involved in all manufacturing steps of the PV value chain: production of solar-grade polysilicon, manufacturing of multicrystalline silicon wafers and monocrystalline silicon ingots, production of solar cells and production of modules from cells. The Company has customers all over the globe and seven production plants in three different countries.

During the periods presented, the Company experienced significant revenue growth, primarily driven by increases in production volumes and increasing ownership interests in subsidiaries, as shown in the tables below:

	2005	2004	2003
	(IFRS)	(IFRS)	(N GAAP)
Revenue (in millions of NOK)			
REC Silicon	1,018	339	193
REC Wafer	1,596	884	194
REC Solar	404	214	31
	2005	2004	2003
Production volume			
REC Silicon (in MT) ⁽¹⁾			
Electronic-grade polysilicon	2,600	–	–
Solar-grade polysilicon	2,700	2,100	1,750
REC Wafer (in MWp) ⁽²⁾	236	134	82
REC Solar (in MWp)			
Solar cells	20	11	2
Solar modules	14	5	1

(1) On a pro forma basis for 2005, as though ASiMI had been acquired as of 1 January 2005.

(2) On a pro forma basis, as though ScanWafer had been 100% owned by the Company from 1 January 2003 and as though REC SiTech had been 100% owned by the Company from 1 January 2005.

Operating Segments

The Company has three operating segments under IFRS, corresponding to its three divisions:

- REC Silicon, which manufactures solar-grade silicon, the raw material for silicon wafers for the PV industry, and silane gas, which is the key input material for the Company's production of polysilicon, at its production plants in Moses Lake, Washington, and Butte, Montana. REC Silicon also sells excess silane gas from the Butte plant to external customers.
- REC Wafer, which manufactures multicrystalline silicon wafers and monocrystalline silicon ingots for the PV industry at its production plants in Herøya, Norway, and Glomfjord, Norway.
- REC Solar, which manufactures solar cells in Narvik, Norway and modules in Arvika, Sweden.
- REC Silicon, REC Wafer and REC Solar contributed 26.6%, 56.9% and 16.5%, respectively, of the Company's consolidated revenues in 2005, and segment EBITDA of REC Silicon, REC Wafer and REC Solar represented 45.1%, 45.5% and 9.4% of the Company's EBITDA (before elimination of intersegment transactions and corporate costs) in 2005.

Acquisitions

Two major acquisitions made in the past several years significantly influence the comparability of the Company's consolidated results of operations during the periods presented:

- In September 2003, the Company increased its shareholding in REC ScanWafer from 32.6% to 71.2%. REC ScanWafer was accounted for in accordance with the equity method in the Company's consolidated financial statements prior to that time and fully consolidated thereafter. The Company acquired the remaining outstanding shares of REC ScanWafer in May 2004. For further information on the effect of the full consolidation of REC ScanWafer on the comparability of results of operations for 2004 and 2003, see "– Results of Operations – Year Ended 31 December 2004 compared to Year Ended 31 December 2003 (Norwegian GAAP)."
- The Company acquired ownership of ASiMI on 29 July 2005. For further information regarding the effect of the acquisition of ASiMI as of 1 August 2005 on the comparability of results of operations for 2005 and 2004, see "Pro Forma Financial Data," Note 32 of the Notes to the IFRS Financial Statements and "– Results of Operations – Year Ended 31 December 2005 compared to Year Ended

31 December 2004 (IFRS).” At the time of its acquisition, a significant proportion of ASiMI’s production consisted of electronic-grade polysilicon produced under pre-existing long-term contracts. The Company plans to shift ASiMI’s production to solar-grade polysilicon as these contracts expire and expects that most of the ASiMI polysilicon production thus freed will be dedicated to downstream operations.

- In connection with the acquisition of ASiMI, the Company also increased its equity interest in REC Solar Grade Silicon from 70% to 100%, as a result of which the Company accounted for REC Solar Grade Silicon in accordance with the proportionate consolidation method through 1 August 2005 and fully consolidated REC Solar Grade Silicon thereafter. As of September 2004, the Company had increased its equity interest in REC Solar Grade Silicon from 60% to 70%.

For further information relating to the acquisition of ASiMI and the increase of the Company’s equity interest in REC Solar Grade Silicon, see Note 31 of the Notes to the IFRS Financial Statements.

Factors Affecting The Company’s Results of Operations

Cyclicality in the Polysilicon Industry

The financial performance of the polysilicon industry, in which REC Silicon is active, has historically been cyclical, in particular as a result of volatility in prices and volumes produced due to shifts in the supply-demand balance. Until 2002, the demand for polysilicon was determined principally by the requirements of the highly cyclical semiconductor industry, and the limited demand of the PV industry was met primarily by by-products not meeting the quality requirements of the semiconductor industry. Prices for electronic-grade silicon declined from nearly U.S.\$60 per kilogram in 1980 to below U.S.\$40 per kilogram in 1989, rose to approximately U.S.\$55 per kilogram in 1999 and, as a result of difficulties experienced by the semiconductor industry starting in 2000, declined to less than U.S.\$35 per kilogram in 2004.

The Company believes, however, that the dynamics of the polysilicon market may be changing as a result of the growth in the PV industry in recent years and the related increase in demand for solar-grade polysilicon. While polysilicon purchased by the PV industry represented less than 10% of polysilicon capacity in 2000, this percentage increased to approximately 40% in 2005 and is expected to increase further. The market for solar-grade polysilicon therefore is evolving from a by-product of the semiconductor industry to a market in its own right.

Certain polysilicon producers have announced plans to invest heavily in the expansion of their production capacities in view of the current scarcity of polysilicon, strong demand and the expected strong demand growth, particularly from the PV industry, but also from the semiconductor industry. The Company currently expects significant additional capacity to come on line through 2010, with a majority coming on line in 2008 and 2009, which could result in an excess supply of polysilicon. See “Risk Factors – Risks Relating to the Company – There is a risk of industry-wide overcapacity in the production of polysilicon.”

While polysilicon prices have risen during the period under review, fluctuations in the price of polysilicon in the future could have a material impact on the Company’s consolidated results of operations. For instance, a 10% decrease in the price of polysilicon in 2005 would have reduced the Company’s consolidated EBITDA by approximately 6%. In its wafer division, the Company seeks to mitigate the impact of these fluctuations through multi-year sales contracts for a significant part of its wafer capacity that provide for price adjustments to reflect changes in polysilicon prices and by using a significant part of its own polysilicon production in its own wafer manufacturing operations.

Volume Growth and Price Declines in the PV Industry

In most countries, the cost of PV-generated electricity currently is not competitive with the cost of electricity from conventional sources. Accordingly, the PV industry currently is dependent upon government incentives, such as feed-in tariffs for PV-generated electricity. National legislation in many countries, however, mandates an annual reduction of these feed-in tariffs, and at some point in time the PV industry will have to compete, without governmental incentives, against conventional sources of electricity. As a result, the Company expects that the cost of PV-generated electricity, and therefore the cost of products such as the Company’s that are used in generating electricity from PV systems, will have to decline to remain

competitive. Increasing the efficiency of solar cell and modules, increasing production efficiency and reducing unit costs have been and going forward will be very significant to the Company's cost-reduction efforts.

Increasing the efficiency of solar cell and modules. One way to reduce the cost of PV-generated electricity is to increase the efficiency of solar cells and modules, *i.e.*, the percentage of energy from sunlight falling onto a cell or module that can be converted into useable electrical energy. The Company is taking a wide variety of measures to improve the efficiency of its solar cells and modules and of the solar cells that others manufacture using the Company's wafers, including principally the following:

- at the wafer manufacturing stage, the Company is working to determine which characteristics of the mono- and multicrystalline silicon used most directly affect cell efficiency and to adjust the design of its furnaces and the melting and solidification process to improve the efficiency potential of the wafers produced;
- at the cell manufacturing stage, the Company is working on all steps in the production process to improve cell efficiency. This includes, but is not limited to, improvements in "passivation" of surfaces and crystal defects, electrical isolation of cell edges, anti-reflective properties of the cells and the application of contacts to the cells; and
- at the module manufacturing stage, the Company is working on a number of applications to improve the amount of sunlight that falls on the cells inside the module.

Reducing manufacturing unit costs. Unit costs of manufacturing are key drivers of the Company's profitability throughout the value chain. Unit costs are dependent on three parameters: throughput, which is the amount of input that the Company can run through any given production process within a given timeframe; production efficiency or "yield," which is the amount of saleable output generated by a given production process from a given quantity of input; and the cost of various input factors (*e.g.*, raw materials, labor and energy). The Company is working on all of these parameters to reduce manufacturing unit costs throughout all three of its divisions.

REC Silicon has implemented a number of measures to reduce manufacturing unit costs, primarily at the Moses Lake plant (since the Company took over the plant in Butte only in July 2005). Specifically:

- REC Silicon has taken a number of steps to increase throughput, which is a function of on-stream time and flows. On-stream time is impacted by the number and extent of shutdowns due both to planned maintenance and to unplanned or unforeseen problems. Flows are dependent on product mix, sizing of pipes and vessels and the rate at which silicon rods grow in and can be harvested from the Siemens reactors. The Company's efforts to improve throughput include a broad set of initiatives from reducing cycle times in the reactors to debottlenecking processes and simplifying the product mix to increase throughput in existing facilities. Since taking over the Moses Lake facility in 2002, REC has increased the potential throughput measured as peak silane flow and silicon growth capacity by approximately 50%;
- REC also has taken steps to improve production efficiency, *i.e.*, yield. In the Siemens reactor based silicon production process, this is mainly related to avoiding contamination of the silicon rods and chunks after they have been harvested from the reactor. The Company has improved and eased the process of harvesting, breaking and packaging of the product to suit the level of purity required for PV applications; and
- REC Silicon has taken a number of steps to reduce the cost of input factors, including personnel reductions, continuous efforts to improve operating procedures and price negotiations with key suppliers of raw materials and consumables.

At the Moses Lake plant, these measures have resulted in an increase in the number of metric tons of polysilicon produced per employee from 10.4 in 2003 to 14.0 in 2005. REC Silicon is undertaking a number of initiatives at its Butte plant with the aim of reducing manufacturing unit costs in a similar fashion.

In addition to these ongoing efforts to improve manufacturing costs, REC Silicon is contemplating an expansion of its polysilicon manufacturing capacity based on a proprietary version of FBR technology. The silane decomposition phase of polysilicon production (see “Industry Overview – Solar power technology – Overview of the polysilicon production technologies”) consumes roughly 10% as much energy when FBR technology is used as when Siemens reactors are used. If the Company determines that FBR technology is viable for large-scale production and decides to proceed with the contemplated investment, introduction of FBR technology would be expected to result in a significant reduction in the cost of electricity per kilogram of polysilicon produced.

In REC Wafer, manufacturing unit costs are a key performance indicator. REC Wafer continuously focuses on reducing manufacturing unit costs by increasing throughput, increasing yield and reducing the cost of input factors. Factors that influence REC Wafer’s manufacturing unit costs include:

- *Increasing throughput.* REC Wafer has reduced manufacturing unit costs by increasing throughput, especially through changes to the design of its furnaces and by increasing the degree of automation in the wafer singulation and quality control steps of the process.
- *Increasing yield through reduced wafer thickness.* Reductions in wafer thickness tend to increase the number of wafers that can be obtained from a single block. REC Wafer has been reducing the thickness of its wafers, most recently from 280 μm to 240 μm in August 2005 and from 240 μm to 200 μm for a significant part of its production at Herøya in February 2006. Decreases in wafer thickness have a positive effect on volumes sold. For example, a decrease in wafer thickness from 240 μm to 200 μm increases the number of wafers that can be obtained from a single block by 10%, assuming the same rate of wafer breakage. The resulting change in production processes can lead to an increase in wafer breakage, but in the Company’s experience this increase usually is temporary.
- *Increasing yield through reduced wafer breakage.* Reducing the incidence of wafer breakage during the wafer production process significantly improves yields and thereby improves REC Wafer’s manufacturing unit costs. Newly introduced or sub-optimal production processes can have negative effects on production output. For instance, certain of the furnaces that the Company installed at Herøya in 2005 initially caused cracks in ingots, thereby resulting in a decrease in wafer yield. For these reasons, the Company continuously focuses on improving its production processes, including mechanical functions and treatment processes for materials, and is planning initiatives in these areas, including the use of additional saws (to reduce saw speed and the related breakage) and further increases in automation in the overall wafer production process.
- *Reducing costs of input factors.* Reduction of costs of key input factors, *e.g.*, costs for slurry and labor, has been and remains a high priority for REC Wafer. Manufacturing unit costs have been reduced through introduction of slurry recycling, and the Company expects that its plans to introduce on-site recycling will further reduce the cost of slurry. For further information, see “The Company’s Business – REC Wafer – Sourcing of inputs into the production process.” In addition, through implementation of automation in the wafer line, REC Wafer has reduced the contribution of labor costs to manufacturing unit costs.

Through these initiatives, REC Wafer has increased productivity, measured in terms of square decimeters of wafers produced per employee per year, from 100,000 in 2000 to 400,000 in 2005.

In REC Solar, throughput, yield and input factor costs also are key performance indicators and are an important focus in REC Solar’s efforts to reduce manufacturing unit costs of cells and modules. Key elements of these efforts have included:

- *Increasing throughput and yield.* To increase throughput, REC Solar has among other things increased automation, *e.g.*, using robots for cutting of foil and backsheets, which also has a positive effect on yield. Increased throughput and yield reduce unit costs, as fixed costs are distributed over a larger number of units produced.
- *Reducing costs of input factors.* REC Solar has reduced costs both by reducing the amounts of inputs, such as silver and aluminum paste, that are used in cell production and by reducing the cost per kilogram of paste.

Through these initiatives, REC Solar has increased productivity, reducing the number of employees per MWp of production from 17.2 in 2004 to 9.7 in 2005.

Energy Prices

Energy is a significant component of the overall costs of REC Silicon. In 2005, the cost of energy accounted for 31% of REC Silicon's total operating expenses (defined as the sum of costs for raw materials and consumables used, changes in inventories of finished goods and work in progress, employee compensation and benefit expense and other operating expenses). The cost of energy represented and 13% of the consolidated total operating expenses (as so defined) of the Company.

The importance of energy prices in REC Silicon's cost structure is due in large part to the fact that production of polysilicon using traditional Siemens reactors is inherently energy-intensive. The only supplier of electricity to the Company's polysilicon manufacturing plant in Butte, Montana, is a privately owned electric utility that charges market-based prices. By contrast, the plant in Moses Lake, Washington is able to purchase electricity from a not-for-profit public utility that charges on a cost-plus basis. REC Silicon benefits significantly from having access to electricity at its Moses Lake facility at prices that are lower than those charged in other markets. See "Risk Factors – Risks Relating to the Company – The Company's results of operations may be adversely affected by fluctuations in energy prices or by developments in markets related to the Company's primary markets."

On the other hand, however, demand for PV systems, and therefore demand for the products of the Company that are used in those systems, is directly correlated with energy prices. When the price of electricity derived from conventional sources increases, PV-generated electricity tends to become more competitive. See "Risk Factors – The Company may not be able to realize sufficient cost reductions and product and process-related improvements."

Currency Exchange Rates

Currency exchange rates, particularly exchange rates between the U.S. dollar, the Norwegian kroner and the euro, can have a significant impact on the Company's consolidated results of operations. The Company estimates that, in 2005, the amount of expenses denominated in U.S. dollars was significantly higher than the amount of revenues denominated in U.S. dollars, and that the amount of expenses denominated in euro was significantly lower than the amount of revenue denominated in euro. The Company estimates that, in 2005, the amount of revenues denominated in Norwegian kroner was slightly lower than the amount of expenses denominated in Norwegian kroner. Accordingly, the Company is in particular exposed to the risk of a potential rise in value of the U.S. dollar against the euro and/or the Norwegian kroner and a decrease in the value of the euro against the Norwegian kroner. For information regarding the Company's strategy for hedging against currency risk, see "– Risk Management – Currency Risk."

Capacity Expansions

The Company is in the process of expanding production capacity at REC Wafer and is also contemplating several additional possible investments designed to expand its production capacity substantially during the coming years. The most significant expansion projects are the following:

- REC Wafer is in the process of constructing a new wafer manufacturing facility adjacent to its current facility in Herøya, Norway. The new facility is expected to have a capacity of approximately 200 MW and is expected to come on line by the end of 2006. The Company expects to incur expenditures of approximately NOK 400 million to complete the construction of this facility in the course of 2006.
- REC Wafer is also in the process of expanding the capacity of its wafer manufacturing facility in Glomfjord from 100 MW per year to approximately 150 MW per year by the end of 2006 and expects to incur capital expenditures of approximately NOK 240 million in the course of 2006 in connection with this expansion.
- The Company is also planning a further expansion of the capacity of the Glomfjord facility, to approximately 200 MW per year by the middle of 2008, depending on the availability of polysilicon.

The Company estimates that this additional investment would involve capital expenditures of approximately NOK 130 million through 2008.

- REC Silicon is contemplating the construction of a new polysilicon production facility in Moses Lake, Washington based on its proprietary version of the FBR technology. The new facility would be expected to have a capacity of approximately 6,000 MT of polysilicon per year and would be expected to come on line in 2008. The Company is contemplating capital expenditures of up to approximately NOK 3.5-4.0 billion (U.S.\$ 500-600 million) for the construction of this facility, divided over the period from 2006 to 2008.
- The Company is also contemplating further expansions of its wafer, cell and module manufacturing capacities. For further information with regard to these potential investments, see “– Capital Expenditures.”

The Company has not approved all of the capital investment plans described above. Approximately NOK 770 million have been approved by the Company’s Board of Directors to date, while expansions representing capital expenditures of approximately NOK 6-7 billion are under consideration. The foregoing estimates do not include related working capital requirements.

Furthermore, the Company has not yet determined all significant future anticipated capital expenditures and investments. The PV industry currently is experiencing rapid development in terms of competition and technology, and the Company may find it necessary or advisable to change its strategic priorities or focus for investments. Material changes in circumstances could necessitate re-evaluation of the Company’s contemplated investments.

Description of Key Income Statement Line Items

Sales of Products and Services

The Company’s principal sources of external revenue are sales of solar-grade polysilicon, electronic-grade polysilicon and silane gas by REC Silicon, sales of wafers by REC Wafer and sales of solar cells and modules by REC Solar.

Raw Materials and Consumables used

The consolidated cost of raw materials and consumables used includes primarily purchases of metallurgical silicon, hydrogen and nitrogen at REC Silicon, purchases of slurry, wire and crucibles at REC Wafer and purchases of paste for cell production, and glass, polymers, tedlar back sheets and junction boxes for module production at REC Solar. Raw materials and consumables used as a percentage of revenues amounted to 25.3% in 2005 and 40.4% in 2004. Slurry used by REC ScanWafer represented the largest category of costs for raw materials and consumables used, accounting for approximately 15% of such costs in 2005 and 2004, respectively.

Employee Compensation and Benefit Expense

Employee compensation and benefit expense consists of salaries, bonuses and sales commissions, the Company’s contributions to the Norwegian National Insurance (or “social security”) scheme, pension expenses and other pay-related expenses. Employee compensation and benefit expense as a percentage of revenue amounted to 16.7% and 20.6% of total revenue in 2005 and 2004, respectively.

Other Operating Expenses

Other operating expenses consist primarily of freight and transportation costs, energy and water costs (including cost of electricity purchased), maintenance costs for property, plant and equipment, insurance costs and other operating costs. Other operating expenses accounted for 24.3% and 23.1% of total revenue in 2005 and 2004, respectively. In 2005 and 2004, energy and water costs represented the largest category of other operating expenses, accounting for 34% and 26% of other operating expenses in 2005 and 2004, respectively.

Earnings Before Financial Items, Taxes, Depreciation and Amortization

In the following discussion and analysis of the Company's results of operations, reference is made to EBITDA, which the Company defines as profit/(loss) for the year before income tax expense, fair value/foreign exchange effect on convertible loans, other financial income/expenses, interest expense, impairment of financial assets, interest income, share of loss of associates, depreciation of tangible assets, impairment of tangible assets and amortization of intangible assets. The Company's definition of EBITDA may differ from that of other companies. EBITDA should not be considered as an alternative to income before taxes as an indicator of our results of operations in accordance with generally accepted accounting principles. EBITDA also is not an alternative to cash flow from operations in accordance with IFRS or Norwegian GAAP.

In the preceding discussion and elsewhere in this Prospectus, the Company has presented information concerning the percentage of the consolidated EBITDA of the Company, before elimination of intersegment transactions and corporate costs, that is represented by the EBITDA of each of the Company's segments in 2005. As a result of intersegment transactions and corporate costs, the sum of EBITDA of the individual segments before elimination of intersegment transactions and corporate costs in 2005 (NOK 916.5 million) exceeded the Company's consolidated EBITDA for that year by NOK 86.3 million. For further information in this regard, see Note 6 of the Notes to the IFRS Financial Statements. IFRS does not require the Company to, and the Company does not, allocate this amount to individual segments for purposes of calculating segment EBITDA after elimination of intersegment transactions and corporate costs. Accordingly, you should not assume that any segment's contribution to consolidated EBITDA of the Company after elimination of such transactions and costs would be equivalent to that segment's contribution to the Company's consolidated EBITDA before elimination of such transactions.

References to the EBITDA of any segment in the following discussion are to the EBITDA of that segment before elimination of transactions between segments and corporate costs. Similarly, references to the revenue of any segment (as opposed to "external sales") in the following discussion are to the revenue of that segment before elimination of transactions between segments.

Fair Value/Foreign Exchange Effect on Convertible Loans

Under IFRS, the Company was required to account for its U.S.\$140 million convertible bonds, which mature in December 2006, and its EUR 31 million convertible bonds, which matured on 31 March 2006, by splitting them between a liability element and an embedded derivative (which represents the bondholders' option to convert the bonds into Shares of the Company), and because the loans are not denominated in Norwegian kroner (the Company's functional currency), the embedded derivative is required to be recorded as a liability. The fair value of the embedded derivative is required to be estimated at each reporting date, with changes in fair value being recorded in the income statement. As a result, an increase in the estimated value of the Company's Shares from one balance sheet date to the next therefore has the effect of requiring the Company to record an increase in liabilities. Including the ordinary exchange effect, this requirement had a negative impact of NOK 493 million on the Company's pre-tax income for 2005 but no impact on the Company's cash flows. The EUR 31 million convertible bonds were fully converted on their maturity date of 31 March 2006. As of 31 March 2006, 99.88% of the aggregate principal amount of the U.S.\$140 million convertible bonds had been converted.

Critical Accounting Policies and Use of Estimates

The Company has prepared its consolidated financial statements in accordance with IFRS and/or Norwegian GAAP, as described above. The Company's significant accounting policies under IFRS, as described in Note 2 to the IFRS Financial Statements, are essential to understanding the Company's reported results of operations and financial condition. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on financial condition or results of operations. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. The Company cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6 to the IFRS Financial Statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. For further information regarding these estimates, see Note 7 of the Notes to the IFRS Financial Statements. These estimates involve certain management judgments and were based on the Company's best estimates and projections at the time of its review, and the value may be different if other assumptions are used. In future periods, the Company could be required to record an impairment loss based on the impairment test performed, which could significantly affect its results of operations and financial condition at that time.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Where the actual final outcomes (on the judgment areas) differs significantly from management's estimates, the Company would need to increase or decrease the tax liability and the deferred tax liability.

Fair value of derivatives and other financial instruments

The fair value of financial instruments is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analyses for various available-for-sale financial assets that were not traded in active markets. These analyses involve certain management judgments and were based on the Company's best estimates and projections at the time of its review, and the values may be different if other assumptions are used.

Breakdown of Revenue by Geographic Area

The following table shows the revenue of the Company broken down by geographic area according to customer location:

	For the years ended December 31,		
	2005	2004	2003
	(in millions of NOK)		
	(IFRS)	(IFRS)	(NGAAP)
Europe	1,907.2	941.3	193.9
United States	158.1	39.9	92.8
Asia	1,004.1	606.3	–
Other countries	68.8	35.5	10.7
Sum	3,138.2	1,623.0	297.5
Corporate/Eliminations	(684.3)	(352.8)	–
Total revenues	2,453.9	1,270.2	297.5⁽¹⁾

(1) The Company changed its accounting principles after 2003 and therefore the total sales by region for 2003 does not reconcile with restated 2003 NGAAP accounts.

For a breakdown of the Company's revenues for 2005, 2004 and 2003 by area of activity, see "– Results of Operations" below, which provides a breakdown of revenue by operating segment for those years.

Results of Operations

Year Ended 31 December 2005 compared to Year Ended 31 December 2004 (IFRS)

Revenues

Consolidated revenues almost doubled from NOK 1,270.2 million in 2004 to NOK 2,453.9 million in 2005, reflecting significant increases in revenues in all segments in 2005 compared with 2004.

The following table sets forth revenues for each of the Company's segments under IFRS for 2005 and 2004:

	For the years ended December 31,		% change
	2005	2004	
	(in millions of NOK)		
REC Silicon	1,018.1	338.6	200.7
REC Wafer	1,596.4	883.9	80.6
REC Solar	403.9	214.0	88.7
Corporate/Eliminations ⁽¹⁾	(564.5)	(166.3)	239.4
Total	2,453.9	1,270.2	93.2

(1) Includes unallocated revenues of NOK 8.0 million in 2005 and NOK 6.3 million in 2004.

REC Silicon. REC Silicon's revenues increased by 200.7% from NOK 338.6 million in 2004 to NOK 1,018.1 million in 2005, primarily due to the acquisition of ASiMI on 29 July 2005 and the full consolidation of REC Solar Grade Silicon as of 1 August 2005. ASiMI contributed NOK 564.0 million to REC Silicon's revenues in 2005, or 83% of the increase in REC Silicon's revenues from 2004 to 2005. ASiMI contributed 1,150 metric tons of polysilicon to REC Silicon's total production in 2005. During 2005, approximately 90% of ASiMI's polysilicon production consisted of electronic-grade polysilicon produced to satisfy ASiMI's pre-existing contractual obligations under long-term contracts. The remainder of the increase in revenues of REC Silicon was due primarily to an increase of approximately 26% in the average price for solar-grade polysilicon produced by SGS. The effect of these factors was partially offset by a decrease from 2004 to 2005 in the volume of solar-grade polysilicon sold by SGS, from approximately 3,000 metric tons in 2004 to approximately 2,400 metric tons in 2005, despite increased production volume at SGS, primarily due to lower drawdowns on inventory in 2005 compared to 2004. The Company entered 2005 with relatively low levels of inventory due to high demand in 2004 and therefore could not sell more than its production volume in 2005.

External sales accounted for 64.1% of REC Silicon's revenues in 2005, compared to 74.1% in 2004. Internal sales (representing exclusively sales of solar-grade polysilicon to REC Wafer) increased from NOK 87.8 million in 2004 to NOK 365.3 million in 2005.

The sale of silane gas represented a significant part of REC Silicon's revenue and EBITDA in 2005, and a material adverse change in the silane gas market or in the Company's competitive position within that market could have a significant adverse impact on the Company's results of operations.

REC Wafer. Revenues of REC Wafer increased by 80.6% from NOK 883.9 million in 2004 to NOK 1,596.4 million in 2005, primarily reflecting an increase in volumes sold from 116 MW in 2004 to 219 MW in 2005, itself mainly due to a doubling of the capacity of the Herøya plant, an increase in wafer yield from 83% in 2004 to approximately 90% in 2005 and the reduction in wafer thickness from 280 µm to 240 µm in the second and third quarters of 2005. In addition, REC SiTech, which the Company acquired effective July 2005, contributed NOK 71.6 million to REC Wafer sales in 2005.

External sales accounted for 87.5% of REC Wafer's revenues in 2005, compared to 91.0% in 2004. Internal sales (representing exclusively sales of wafers to REC Solar) increased by 151.4% from NOK 79.6 million in 2004 to NOK 200.1 million in 2005.

REC Solar. REC Solar's revenues increased by 88.7% from NOK 214.0 million in 2004 to NOK 403.9 million in 2005, almost exclusively due to increased volumes of cells and modules sold. An increase in average prices for cells and modules of approximately 5% also contributed marginally to the increase in

revenues of REC Solar. All of REC Solar's revenues were derived from sales to external customers in 2005 and 2004.

Raw materials and consumables used

Consolidated raw materials and consumables used increased by 20.9% from NOK 513.4 million in 2004 to NOK 620.9 million in 2005. ASiMI and REC SiTech contributed NOK 104.3 million to consolidated raw materials and consumables used in 2005, or nearly all of the increase in consolidated raw materials and consumables used from 2004 to 2005. Excluding the effect of these acquisitions, raw materials and consumables used remained essentially constant from 2004 to 2005, as the effect of increased production volume was offset by productivity improvements. Raw materials and consumables used as a percentage of revenues decreased from 40.4% in 2004 to 25.3% in 2005, primarily because prices for the products sold by the Company to customers increased more than prices for raw materials and consumables purchased by the Company.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress improved from an expense of NOK 60.9 million in 2004, representing inventory drawdowns primarily relating to REC Silicon, to an income of NOK 4.5 million in 2005, representing essentially stable inventories in 2004.

Employee compensation and benefit expense

Employee compensation and benefit expense increased 56.5% from NOK 262.0 million in 2004 to NOK 409.9 million in 2005. ASiMI and SiTech contributed NOK 30.7 million to consolidated employee compensation and benefit expense in 2005, or 20.8% of the increase in consolidated employee compensation and benefit expense from 2004 to 2005. In addition, employee benefit and compensation expense at REC ScanWafer increased by approximately NOK 62.6 million from 2004 to 2005, due to increased production capacity and productivity improvement bonus paid to employees in 2005. An increase from 2004 to 2005 of approximately 25% in the average number of employees in both corporate functions and REC Solar also contributed to the increase in consolidated employee compensation and benefit expense. Finally, the average number of employees of REC Solar Grade Silicon that contributed to consolidated employee compensation and benefit expense increased from 2004 to 2005, as a slight decline in the number of employees of SGS was more than fully offset by the effect of full consolidation of SGS from 1 August 2005. Employee compensation and benefit expense as a percentage of revenues decreased from 20.6% in 2004 to 16.7% in 2005, due to increased production per employee and increased prices for the products sold by the Company to external customers.

Other operating expenses

Other operating expenses increased by 104.1% from NOK 292.8 million in 2004 to NOK 597.5 million in 2005. ASiMI and REC SiTech contributed NOK 200.0 million to consolidated other operating expenses in 2005, or 65.6% of the increase in other operating expenses from 2004 to 2005. The remainder of the increase was accounted for primarily by an increase in other operating expenses of REC ScanWafer and SGS, which was mainly due to increased production volume. Other operating expenses as a percentage of revenues increased slightly from 23.1% in 2004 to 24.3% in 2005 mainly due to increased energy costs.

Earnings before financial items, taxes, depreciation and amortization

As a result of the foregoing factors:

- REC Silicon's EBITDA increased from NOK 26.4 million in 2004 to NOK 413.0 million in 2005;
- REC Wafer's EBITDA increased from NOK 149.3 million in 2004 to NOK 417.1 million in 2005;
- REC Solar's EBITDA improved from negative NOK 9.1 million in 2004 to NOK 86.4 million in 2005; and
- The Company's consolidated EBITDA (after elimination of transactions between segments and corporate costs) increased nearly six-fold from NOK 141.1 million in 2004 to NOK 830.2 million in 2005.

Amortization of intangible assets

Amortization of intangible assets increased from NOK 3.4 million in 2004 to NOK 13.6 million in 2005, due to an increase in amortization of intangibles at REC Silicon that was attributable to the acquisition of ASiMI.

Impairment of plant, property and equipment

Impairment of plant, property and equipment increased by 107.6% from NOK 6.6 million in 2004 to NOK 13.7 million in 2005. In both 2004 and 2005, impairment of tangible assets related primarily to equipment removed from the Company's wafer and cell manufacturing facilities in connection with capacity expansions and streamlining of production lines.

Depreciation of plant, property and equipment

Depreciation of plant, property and equipment increased by 120.8% from NOK 91.2 million in 2004 to NOK 201.4 million in 2005. The increase in depreciation of tangible assets resulted in significant part from the acquisition of ASiMI. In connection with that acquisition, the Company was required to write up the value of property, plant and equipment of ASiMI and SGS by nearly NOK 1 billion, which is to be depreciated over approximately 15 years following the acquisition date. The depreciation of fixed assets of ASiMI and SGS contributed NOK 60.2 million to depreciation of tangible assets in 2005, and scheduled depreciation of those assets is expected to contribute approximately NOK 70 million to depreciation of tangible assets in 2006 and subsequent years. The remainder of the increase in depreciation of tangible assets resulted primarily from an increase in assets at REC ScanWafer as a consequence of the expansion of its business.

Earnings before financial items and taxes

As a result of the foregoing factors, the Company's consolidated earnings before interest and taxes ("EBIT") increased from NOK 39.8 million in 2004 to NOK 601.4 million in 2005.

Share of loss/profit of associates

The Company's share of the loss of associates increased from NOK 1.6 million in 2004 to NOK 7.1 million in 2005, representing the Company's share of the loss of CSG Solar.

Interest income

Interest income increased from NOK 1.4 million in 2004 to NOK 6.3 million in 2005 due to an increase in cash and cash equivalents, which in turn resulted primarily from the fact that, from 2004 to 2005, as the Company chose to hold, on average, more cash and cash equivalents in 2005 than in 2004.

Impairment of financial assets

Impairment of financial assets decreased from NOK 6.7 million in 2004 to zero in 2005. The impairment in 2004 related to a write down of the Company's investment in Afrisol, Morocco, a small home solar systems installer.

Interest expense

Interest expense increased from NOK 46.1 million in 2004 to NOK 146.8 million in 2005, primarily as a result of a substantial increase in average interest-bearing long-term loans, which in turn mainly represented indebtedness incurred in 2005 to finance the acquisition of ASiMI and the increase in the Company's equity interest in SGS, including principally the Company's U.S.\$140 million convertible bonds due December 2006 and its U.S.\$140 million shareholder loan entered into in July 2005 (which was replaced in November 2005 with a senior debt term loan facility). For further information regarding these agreements, see "Related Party Transactions."

Other financial income/expenses

Other financial income/expenses increased from an expense of NOK 1.4 million in 2004 to income of NOK 69.2 million in 2005. Other financial income/expenses represent primarily "exchange differences," including the effect of exchange rate movements on indebtedness denominated in currencies other than

Norwegian kroner and the effect of “mark-to-market” accounting for derivative instruments that the Company does not account for as hedges under IFRS.

Fair value/foreign exchange effect on convertible loans

As discussed above under “– Description of Key Income Statement Line Items – Fair Value/Foreign Exchange Effect on Convertible Loans,” the Company is required under IFRS to recognize an increase or decrease in liabilities when the estimated value of the shares underlying its convertible bonds increases or decreases, as the case may be. This requirement had a negative impact of NOK 493 million on the Company’s pre-tax income for 2005.

Profit/loss before tax

As a result of the foregoing factors, results before tax increased from a loss of NOK 8.4 million in 2004 to a gain of NOK 30.1 million in 2005.

Income tax expense/benefit

Income tax expense increased from a benefit of NOK 2.3 million in 2004 to expense of NOK 26.2 million in 2005, as a result of the shift from a loss before taxes in 2004 to a profit before taxes in 2005.

Profit/loss for the year

As a result of the foregoing factors, net result for the year increased from a loss of NOK 6.1 million in 2004 to a profit of NOK 3.9 million in 2005. This result includes a negative impact of NOK 355 million on after-tax profit resulting from the requirement under IFRS, described above, to recognize an increase or decrease in liabilities when the estimated value of the shares underlying its convertible bonds increases or decreases, as the case may be. None of the Company’s consolidated loss for 2004 or 2005 was attributable to minority interests.

Year Ended 31 December 2004 compared to Year Ended 31 December 2003 (Norwegian GAAP)

Revenues

Consolidated revenues increased nearly five-fold from NOK 289.4 million in 2003 to NOK 1,418.1 million in 2004, reflecting significant increases in revenues in all segments in 2004 compared with 2003.

The following table sets forth revenues of each of the Company’s segments under Norwegian GAAP for 2004 and 2003.

	For the years ended December 31,		% change
	2004	2003	
	(Norwegian GAAP) (in millions of NOK)		
REC Silicon	533.7	193.0	176.5
REC Wafer	883.9	194.1	355.4
REC Solar	214.1	31.5	579.7
Corporate/Eliminations	(213.6)	(129.2)	65.3
Total	1,418.1	289.4	390.0

REC Silicon. REC Silicon’s revenues increased 176.5% from NOK 193.0 million in 2003 to NOK 533.7 million in 2004. This increase was due to increased volume, as the amount of polysilicon sold increased from approximately 1,100 metric tons in 2003 to approximately 3,000 metric tons in 2004, while prices remained essentially constant.

External sales accounted for 74.7% of REC Silicon’s revenues under Norwegian GAAP in 2004, compared to 48.1% in 2003. Internal sales (representing exclusively sales of solar-grade polysilicon to REC Wafer) increased by 34.6% from NOK 100.2 million in 2003 to NOK 134.9 million in 2004.

REC Wafer. Revenues of REC Wafer increased from NOK 194.1 million in 2003 to NOK 883.9 million in 2004, primarily due to the Company’s acquisition of a majority interest in REC ScanWafer in

September 2003, which accounted for NOK 423.6 million, or 61.4%, of the increase. The remainder of the increase in revenues of REC Wafer (before elimination of intersegmental sales) was attributable primarily to an increase in volume of wafers produced and sold, from 82 MW in 2003 to 134 MW in 2004, the effect of which was partially offset by a decline in the average price per square decimeter of wafers sold.

External sales accounted for 91.0% of REC Wafer's revenues in 2004, compared to 84.1% in 2003. Internal sales (representing exclusively sales of wafers to REC Solar), increased by 158.4% from NOK 30.8 million in 2003 to NOK 79.6 million in 2004.

REC Solar. REC Solar's revenues increased from NOK 31.5 million in 2003 to NOK 214.1 million in 2004, primarily due to the fact that REC ScanModule and REC ScanCell engaged essentially only in test production during 2003 and had very limited commercial production in that year, as compared to a full year of commercial production in 2004. All of REC Solar's revenues were derived from sales to external customers in 2004 and 2003.

Raw materials and consumables used

Raw materials and consumables used increased from NOK 62.1 million in 2003 to NOK 512.4 million in 2004, largely due to the acquisition of a majority interest in REC ScanWafer which also increased its production from 82 to 134 MWp during the period. This accounted for NOK 354.8 million, or 78.8%, of the increase. An increase in the external purchases in REC Solar in line with its increased production and in the volume of metallurgical silicon purchased in line with the increased volume of solar-grade polysilicon produced represented the remaining increase in raw materials and consumables used.

Change work in progress and finished goods

Change in work in progress and finished goods shifted from income of NOK 53.6 million in 2003 to expense of NOK 81.9 million in 2004, representing buildup of inventories of polysilicon and wafers in 2003 and drawdown of those inventories in 2004.

Employee compensation and benefit expense

Employee compensation and benefit expense increased by 110.2% from NOK 138.7 million in 2003 to NOK 291.5 million in 2004. The acquisition of a majority interest in REC ScanWafer accounted for NOK 123.9 million, or 81.1%, of the increase. The remainder of the increase was due primarily to a substantial increase in the average number of employees of REC Solar from 2003 to 2004, which reflected the commencement of commercial production by REC Solar at the end of 2003 and beginning of 2004.

Other operating expenses

Other operating expenses increased by 63.8% from NOK 230.2 million in 2003 to NOK 377.0 million in 2004. The acquisition of a majority interest in REC ScanWafer contributed NOK 32.9 million, or 22.4%, to the increase in other operating expenses. The remaining increase was accounted for by an increase in operating costs at REC Silicon of NOK 113.3 million, which related partly to increased production and partly to an increase in maintenance costs.

Earnings before financial items, taxes, depreciation and amortization

As a result of the foregoing factors:

- REC Silicon's EBITDA improved from negative NOK 9.4 million in 2003 to NOK 41.7 million in 2004;
- REC Wafer's EBITDA improved from negative NOK 17.3 million in 2003 to NOK 149.3 million in 2004;
- REC Solar's EBITDA improved from negative NOK 31.1 million in 2003 to negative NOK 9.2 million in 2004; and
- The Company's consolidated EBITDA (after elimination of transactions between segments and corporate costs) improved from negative NOK 88.0 million in 2003 to NOK 155.2 million in 2004.

Amortization of intangible assets

Amortization of intangible assets increased from NOK 20.9 million in 2003 to NOK 55.9 million in 2004, primarily as a result of the acquisition of a majority interest in REC ScanWafer, which accounted for NOK 27.3 million, or 78.0%, of the increase.

Impairment of plant, property and equipment

Impairment of plant, property and equipment increased from NOK 4.3 million in 2003 to NOK 6.6 million in 2004. As in 2005 and 2004, impairment of tangible assets in 2003 related primarily to equipment removed from the Company's wafer and cell manufacturing facilities in connection with capacity expansions and streamlining of production lines.

Depreciation of plant, property and equipment

Depreciation of plant, property and equipment increased from NOK 31.6 million in 2003 to NOK 96.4 million in 2004, primarily as a result of the acquisition of a majority interest in REC ScanWafer, which accounted for NOK 46.7 million, or 72.1%, of the increase. The remainder of the increase in depreciation was due primarily to increased assets, which in turn resulted from the organic growth of the Company.

Earnings before financial items and taxes

As a result of the foregoing factors, the Company's consolidated EBIT improved from negative NOK 144.7 million in 2003 to negative NOK 3.7 million in 2004.

Share of loss of associates

Share of loss of associates improved from a loss of NOK 5.8 million in 2003 to a loss of NOK 1.6 million in 2004. Share of loss of associates in 2003 related to the Company's minority interest in REC ScanWafer through August 2003, while share of loss of associates in 2004 related to CSG Solar, as noted above.

Interest income

Interest income increased from NOK 1.4 million in 2003 to NOK 1.5 million in 2004.

Write downs of financial fixed assets

Write downs of financial fixed assets increased from NOK 3.7 million in 2003 to NOK 6.7 million in 2004. These write downs related to a module factory in Namibia in 2003 and, as noted above, to the Moroccan company Afrisol in 2004.

Interest expense

Interest expense increased by 63.5% from NOK 28.2 million in 2003 to NOK 46.1 million in 2004. The increase in interest expense resulted from debt acquired in connection with the acquisition of REC ScanWafer.

Other financial income/expenses

Other financial income/expenses improved from expense of NOK 18.8 million in 2003 to income of NOK 4.8 million in 2004. Other financial income/expenses relates primarily to "exchange differences," as described above.

Loss before tax

As a result of the foregoing factors, loss before tax decreased from NOK 199.8 million in 2003 to NOK 51.7 million in 2004.

Income tax expense/benefit

Income tax benefit decreased from NOK 56.7 million in 2003 to NOK 3.6 million in 2004, primarily due to the decrease in the Company's loss before tax. For further information regarding income tax expense in 2003 and 2004, see Note 7 to the Norwegian GAAP Financial Statements.

Loss for the year before minority interests

As a result of the foregoing factors, loss for the year before minority interests decreased from NOK 143.1 million in 2003 to NOK 48.1 million in 2004.

Minority interest

NOK 14.5 million of income was attributable to minority interests in 2004, compared to NOK 14.9 million of loss attributable to minority interests in 2003. The loss in 2003 related to the minority interest in REC ScanWafer (from September 2003 through December 2003) and in SGS, while the income in 2004 related to the minority interest in SGS.

Loss for the year attributable to equity holders of the Company

As a result of the foregoing factors, loss for the year attributable to equity holders of the Company decreased from NOK 128.2 million in 2003 to NOK 62.6 million in 2004.

Liquidity and Capital Resources

Liquidity

In 2004 and 2005, aside from indebtedness incurred primarily to fund acquisitions, the Company's principal source of liquidity has been cash flow from operating activities. In 2003, the Company experienced negative cash flow from operations and relied on cash flow from financing activities, principally issuance of Shares and incurrence of long-term indebtedness, as a source of liquidity. At 31 December 2005, reported total current liabilities under IFRS exceeded reported total current assets by NOK 819.2 million, primarily due to the fact that reported total current liabilities included the effect of a current liability of NOK 1.7 billion relating to the Company's convertible loans. For further information, see " – Description of Key Income Statement Line Items – Fair Value/Foreign Exchange Effect on Convertible Loans.

The Company believes that it has sufficient working capital for its present requirements during the twelve months following the date of this Prospectus.

Cash Flows

Net cash flow from operating activities

The Company's net cash inflow from operating activities amounted to NOK 556.0 million and NOK 198.2 million in 2005 and 2004, respectively, as determined in accordance with IFRS. In 2005, trade receivables and trade payables increased by NOK 407.5 million and NOK 208.2 million, respectively, reflecting the substantial growth in the Company's business. Inventories remained largely constant from 2004 to 2005.

The Company had net cash inflow from operating activities of NOK 217.7 million in 2004 and net cash outflow from operating activities of NOK 226.1 million in 2003 as determined in accordance with Norwegian GAAP. Trade receivables and trade payables increased by NOK 62.2 million and NOK 64.0 million, respectively, reflecting modest growth in the Company's business.

Net cash flow from investing activities

The Company's net cash used in investing activities amounted to NOK 2.4 billion in 2005 and NOK 221.0 million in 2004 as determined in accordance with IFRS. The Company's principal uses of cash for investing activities in 2005 were the acquisitions of ASiMI, including the indirect acquisition of the remaining 30% equity interest in SGS, and to a significantly lesser extent the Company's acquisition of REC SiTech. The remainder of the increase in net cash used in investing activities related primarily to increased purchases of manufacturing equipment in connection with capacity expansions at REC Wafer and REC Solar. In 2004, the Company's principal use of cash for investing activities was manufacturing equipment.

The Company's net cash used in investing activities amounted to NOK 216.7 million in 2004 and NOK 140.4 million in 2003 as determined in accordance with Norwegian GAAP. In 2004, cash used in investing activities reflected the activities described above. In 2003, cash used in investing activities was evenly divided between purchases of manufacturing equipment and deferred payment of a portion of the purchase

price for the Company's increase of its equity interest in REC Solar Grade Silicon from 50% to 60%, the contract for which was signed in 2002.

Net cash flow from financing activities

The Company's net cash flow from financing activities amounted to NOK 2.0 billion in 2005 and NOK 370.5 million in 2004 as determined in accordance with IFRS. The Company's principal sources of cash from financing activities in 2005 were the issuance of the Company's U.S.\$140 million convertible bond in July 2005 and a U.S.\$140 million shareholder loan that was replaced in the fourth quarter of 2005 with a U.S.\$140 million term loan. Cash from financing activities in 2004 reflects primarily sales of Shares for cash to Elkem AS and Sumitomo.

The Company's net cash flow from financing activities amounted to NOK 362.2 million in 2004 and NOK 330.6 million in 2003 as determined in accordance with Norwegian GAAP. In 2004, cash from financing activities reflected the activities described above. Cash from financing activities in 2003 was evenly divided between issuance of new shares and incurrence of long-term loans.

Contractual Obligations and Commercial Commitments

A summary of the Company's total consolidated contractual obligations and commercial commitments to make future payments is presented below.

Contractual obligations⁽¹⁾

As of 31 December 2005

NOK Million

	Total	Payments due by period		
		Less than 1 year	1-5 years	Thereafter
Current borrowings ⁽²⁾⁽³⁾	154.2	154.2	–	–
Long-term borrowings and finance lease liabilities ⁽⁴⁾	2,081.4	–		
Operating lease obligations ⁽⁵⁾	44.9	11.2	21.1	12.6
Total				

(1) Excludes obligations of non-consolidated investee companies.

(2) Excludes NOK 1.7 billion representing the Company's convertible loans as of 31 December 2005, which will not give rise to a material cash payment obligation. For further information, see Note 28 of the Notes to the IFRS Financial Statements.

(3) For further information, see Note 18 of the Notes to the IFRS Financial Statements.

(4) Includes bank borrowings, amounts due to Komatsu and NOK 5.4 million of finance lease obligations. For further information, see Note 18 of the Notes to the IFRS Financial Statements and, with regard to amounts due to Komatsu, "Related Party Transactions" and Note 31 of the Notes to the IFRS Financial Statements.

(5) For further information, see Note 30 of the Notes to the IFRS Financial Statements.

In addition to the obligations reflected in the table above, the Company has other commercial commitments, including trade payables of NOK 257.6 million at 31 December 2005 and capital expenditures contracted but not yet incurred relating to property, plant and equipment, which amounted to NOK 399.6 million at 31 December 2005.

Capital Resources

Bank Loan Facility

In March 2006, the Company entered into a NOK 5,425 million credit facility with a syndicate of banks led by DnB NOR, consisting of the following elements:

- a five-year, NOK 1,750 million term loan;
- a six-year, NOK 3,000 million revolving loan facility; and
- a five-year, NOK 675 million revolving loan facility.

The credit facility contains financial covenants requiring the Company to maintain:

- A ratio of “total equity” to “total assets” (each as defined in the facility documents), or “equity ratio,” of:
 - 22.5% through 31 March 2006;
 - 25.0% from 1 April through 30 June 2006;
 - 27.5% from 1 July through 30 September 2006; and
 - 30.0% thereafter; and
- A ratio of “total interest-bearing debt” to “EBITDA” (each as defined in the facility documents), or “gearing ratio” of:
 - less than 3.0 through 30 September 2006;
 - less than 2.75 from 1 October 2006 through 31 March 2007; and
 - less than 2.5 thereafter.

The interest rate on drawings under the facility is based upon the European interbank offered rate, the London interbank offered rate, the U.S. interbank offered rate or the Norwegian interbank offered rate, depending on the currency of the drawing, plus a margin determined from time to time with reference to the gearing ratio applicable at such time, in accordance with the following table:

Gearing ratio	Margin (as percentage of principal amount)
Less than or equal to 0.75	0.30%
Between 0.75 and 1.25	0.45%
Between 1.25 and 1.75	0.60%
Between 1.75 and 2.25	0.75%
Between 2.25 and 2.75	0.90%
Greater than 2.75	1.00%

For purposes of calculating the gearing ratio, the Company’s EUR 31 million and U.S.\$140 million convertible debt issues (both of which were essentially fully converted as of 31 March 2006) are excluded from the computation of “total interest-bearing debt,” and accounting effects under IFRS relating to the Company’s convertible debt are excluded from the calculation of the gearing ratio and the equity ratio. From the first drawdown under this facility on 31 March 2006 through the first measurement date at the end of September 2006, the applicable interest rate will be the relevant interbank offered rate plus 0.75%.

U.S.\$140 million Convertible Bonds due 2006

In July 2005, the Company issued U.S.\$140 million aggregate principal amount of 8% subordinated convertible bonds due December 2006. The conversion price per underlying common share of the Company is approximately NOK 12.75 (depending on the exchange rate between the U.S. dollar and the Norwegian kroner at the time of conversion). As of 31 March 2006, 99.88% of the aggregate principal amount of the U.S.\$140 million convertible bonds had been converted.

EUR 31 million Convertible Bonds due 2006

In September 2003, the Company issued EUR 31 million aggregate principal amount of 7.9% subordinated convertible bonds due 31 March 2006. The conversion price per underlying common share of the Company was NOK 118. 100% of the aggregate principal amount of these bonds had been converted prior to or on the maturity date of 31 March 2006.

Capital Expenditures

The Company's investments in property, plant and equipment amounted to NOK 66.2 million in 2003 and NOK 205.2 million in 2004 under Norwegian GAAP, and NOK 202.3 million in 2004 and NOK 426.4 million in 2005 under IFRS. As noted above under " – Cash Flows – Net cash flow from investing activities," these expenditures in all three years under review related primarily to purchases of manufacturing equipment.

To date in 2006, total invested and committed capital amounts to approximately NOK 650 million, of which a significant majority relates to expansion of wafer manufacturing capacity at REC Scanwafer's plants in Herøya and Glomfjord. The remainder relates primarily to the installation of a new module manufacturing line in REC Solar's plant in Glava and debottlenecking activities in REC Silicon's plant in Butte. Of the total of NOK 650 million, approximately NOK 200 million have already been invested in 2006 to date. Beyond the total of NOK 650 million, the Company is not legally committed to carry out any of the future planned and contemplated projects.

Capital expenditures for increases in production capacity and efficiency improvements in 2006, 2007 and 2008 are expected to include:

- approximately NOK 400 million in 2006 for construction of a new wafer manufacturing facility in Herøya, an ongoing project;
- approximately NOK 240 million through the end of 2006 for expansion of the Company's existing wafer manufacturing facility in Glomfjord; and
- up to an additional NOK 130 million for a further expansion of the capacity of the Glomfjord facility, to approximately 200 MW per year by the middle of 2008, which has been approved by the Company's Board of Directors, subject to the availability of polysilicon.

In addition to these investment projects, which have already been approved by the Company's board of directors and are in progress, the Company is contemplating a number of other investment projects, including:

- a new polysilicon production facility in Moses Lake, Washington based on the Company's FBR technology. The related capital expenditure would consist of approximately NOK 3.5 - 4.0 billion in total for construction of the plant and would include approximately NOK 1.5 billion in the second half of 2006, approximately NOK 1.9 billion in 2007 and the remainder in 2008;
- between NOK 1.4 billion and NOK 2.1 for construction of between two and three additional wafer manufacturing facilities, similar to the ongoing expansion of Herøya, with the timing of these capital expenditures to depend on when the investment decision is made (although they are currently expected to be made in the period from 2008 to 2010); and
- additional capital expenditures in the REC Solar division, with timing and size of such capital expenditures depending on the strategic approach taken by the Company and whether further expansions are undertaken through organic growth, acquisitions and/or joint ventures.

The Company believes that proceeds of this offering, together with drawdowns on the DnB NOR facility described above, will be sufficient to cover its planned and contemplated capital expenditures relating to the projects described above through the end of 2008. However, any failure on the part of the Company to comply with the financial or other covenants contained in the DnB NOR facility, or any other default or event of default under the facility, could jeopardize the Company's ability to finance its planned capital expenditures.

In addition, material changes in circumstances relating to the PV industry could necessitate re-evaluation of the Company's contemplated investments. For further information, see " – Overview – Capacity Expansions."

Risk Management

Market risk

Foreign exchange risk

The REC Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the U.S. dollar, the Norwegian kroner, the euro and the Swedish kroner. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. For information regarding the Company's foreign exchange rate exposure, see " – Overview – Factors Affecting the Company's Results of Operations – Currency Exchange Rates" and "Risk Factors – The Company is exposed to exchange rate risks." The Company estimates that, if the average exchange rate of the U.S. dollar to the euro and the average exchange rate of the euro to the Norwegian kroner had been 10% higher in 2005 than the actual average exchange rates for that year, the Company's profit would have been approximately 5% lower than reported profit for that year.

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, REC and its subsidiaries use forward contracts. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The individual entities are responsible for managing their net position in each foreign currency by using external forward currency contracts.

The Company has certain investments in foreign operations, the net assets of which are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets, its revenue and operating cash inflows are substantially independent of changes in market interest rates.

The Company's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. Borrowings issued at fixed rates expose the REC Group to fair value interest-rate risk. The Company's policy is to balance interest-rate risk through a combination of variable and fixed interest rate borrowings. The Company aims to ensure that at least 25% of borrowings are fixed, and 25% of borrowings are floating, with the remainder being set as appropriate. Interest rate swaps are utilized, where necessary, to achieve the desired balance.

The Company manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest-rate swaps, the Company agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

The Company subjects all new customers to a credit check before entering into long-term contracts with them. Over the course of its history to date, the Company has had limited write downs on its receivables.

Significant Developments Since 31 December 2005

To date in 2006, the Company has experienced modest increases in prices for its products across all of its divisions and increased production volumes in line with its budget for the year. The Company is continuing its work on developing and testing the FBR technology described above. Ramp up of new production capacities in REC Solar is proceeding according to plan, and capacity expansion projects in REC Wafer are progressing on time and on budget. Ramp-up costs relating to these capacity expansions are already accruing and are expected to amount to slightly more than NOK 100 million in 2006. The Company's inventory levels have remained low to date in 2006 due to high demand for its products.

Except as disclosed elsewhere in this Prospectus, there has been no significant change in the financial or trading position of the Company since 31 December 2005.

Industry Overview

The following discussion and the discussion appearing under the heading “The Company’s Business” elsewhere in this Prospectus contain information sourced from third parties. The Company confirms that this information has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

Introduction

The Company’s activities are concentrated in the PV manufacturing and polysilicon production industries. The PV industry produces solar wafers, cells and modules that convert energy from sunlight into electricity. Polysilicon is the primary raw material for the PV industry. For further information, see “The Company’s Business.”

Renewable Energy

Historically, the world’s energy consumption needs have been met through exploitation of non-renewable resources such as fossil fuels (*e.g.*, oil, coal and natural gas) and nuclear power. By some measures, according to Renewables 2005 Global Status Report (“Renewables 2005”), these sources together accounted for 83% of the world’s energy consumption needs in 2004, while the remaining 17% of the those needs were met by renewable energy sources, including traditional biomass and large hydropower and “new” renewables, such as small hydropower, modern biomass, wind, solar, geothermal, and biofuels. Renewable energy competes with conventional sources of energy in four distinct markets: power generation, hot water and space heating, transport fuels and rural retail energy supply. Globally installed power generation capacity was approximately 3,800 GW at the end of 2004 and renewable energy (excluding large hydropower) comprised approximately 4% of this capacity (around 160 GW), supplying approximately 4% of global electricity production in 2005, according to Renewables 2005.

Power generated from renewable energies has experienced considerable growth in recent years, and industry observers generally expect that growth in this area will continue.

Key Drivers for Increased Use of Renewable Energy Sources

The primary drivers of demand for renewable energy sources include the following:

- environmental pollution caused by the use of fossil fuels, which many believe to be responsible for long-term climatic change, and the resulting tightening of regulations aimed at reducing carbon dioxide emissions;
- the rapidly increasing global demand for energy due primarily to the expanding global population and expected economic growth, especially in South and East Asia;
- the finite nature of oil and gas reserves and the associated increase in prices expected in the long term;
- decreased costs of energy from renewable sources, making such energy increasingly competitive in new markets and segments;
- geopolitical supply risk of fossil fuels and the perceived need of some developed countries (such as the United States and Japan) to reduce dependence on imported oil;
- possible environmental and human health hazards associated with nuclear power generation and the disposal of enriched uranium;
- the perceived need for reduction of grid irregularities and thus increased focus on distributed electricity generation in some developed markets (such as California and South Africa), as well as increasing electrification of developing countries; and

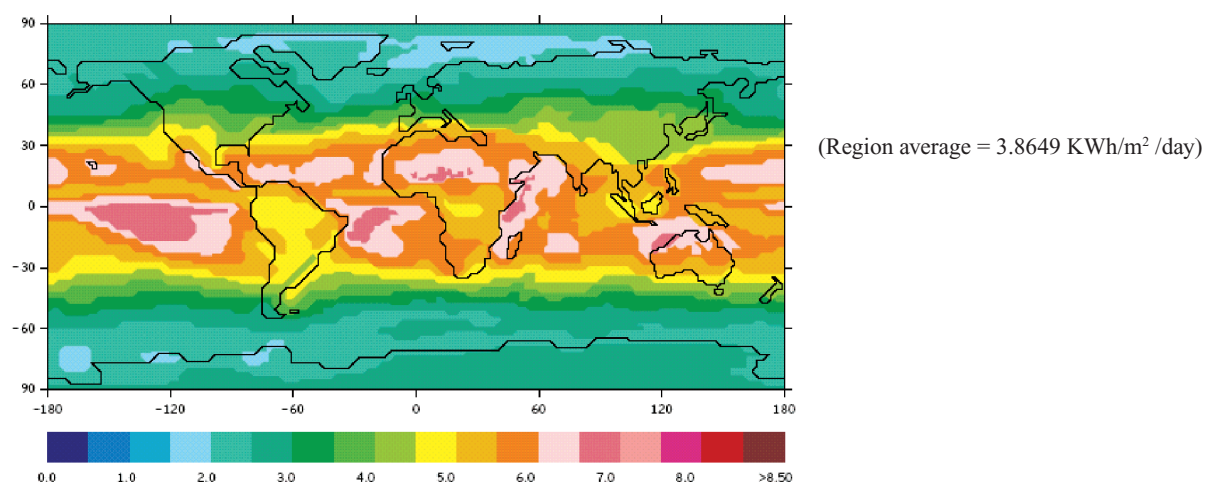
- the increased contribution of renewable energy sources to employment in some developed countries (such as Japan and Germany).

The Company believes that governments and policymaking bodies are increasingly seeing the need to respond to these drivers. By mid-2005, according to *Renewables 2005*, at least 43 countries had a national target for renewable energy, including all 25 member States of the European Union. Furthermore, the Kyoto Protocol, an amendment to the United Nations Framework Convention on Climate Change, became legally binding in February 2005. The protocol requires the 126 countries that are signatories to reduce their emissions of six key greenhouse gases for the period from 2008 to 2012 to below the levels prevailing in 1990. For many countries, implementation of the Kyoto Protocol is expected to be a major challenge, and industry observers see increased use of renewable energy sources for power generation as an essential part of meeting the protocol's requirements.

Solar and PV-Based energy

Solar energy has a number of advantages over other renewable energy sources. Solar energy can generate electricity in remote areas, supplying off-grid requirements, and is relatively inexpensive to harness. The systems used to convert solar energy into useable energy are silent, have few or no moveable parts and can be manufactured, installed and maintained relatively easily.

The total amount of energy radiated from the sun to the earth's surface is considerable. The greater the available solar radiation at a given location, the larger the quantity of solar energy that can be generated. Accordingly, the largest potential markets for solar energy lie on the world's sun belt. The following diagram illustrates annual exposure to solar radiation measured in kWh/m² per day. A radiation of 6 kWh/m² per day translates into 2,190 hours of potential solar energy and electricity generation. High levels of solar radiation are evident in parts of the United States, Latin America, Africa, Asia and Australia.



Source: REC, based on data derived from NASA/SSE February 2005

To date a number of different technologies have been developed to take advantage of solar energy. One such technology is PV technology, which involves the conversion of sunlight into electricity through the use of solar cells.

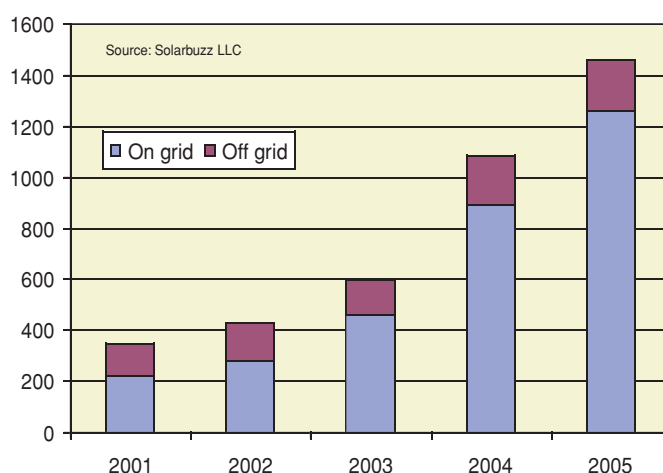
With respect to power generation, PV has been the most rapidly growing renewable energy technology in the world. Total installed PV generation capacity has increased from approximately 1.5 GW at the beginning of 2000 to 4.0 GW at the end of 2004, representing an average annual growth rate of approximately 20% during the period, according to *Renewables 2005*.

The use of PV applications can be broken down into consumer products, off-grid industry applications, off-grid solar home systems and grid-connected applications (*i.e.*, residential and commercial systems and power stations that are connected to the main electricity grid and consumer applications). Grid-connected applications represented more than 85% of PV systems installations in 2005 but, unlike off-grid applications, currently still rely on government support in most parts of the world. The Company's products can be used in all of the above applications, other than certain of the small consumer products.

PV Market

According to Marketbuzz 2006 published by Solarbuzz Inc., “Marketbuzz 2006”, world demand for systems installations in the PV market amounted to 1,460 MWp in 2005, growing by 43% on average per annum between 2001 and 2005. The table below shows the total level of PV installations at end-customer locations by applications between 2001 and 2005. As illustrated by the table below, the primary driver of growth in PV installations during this period has been grid-connected systems, representing over 85% of installed capacity in 2005.

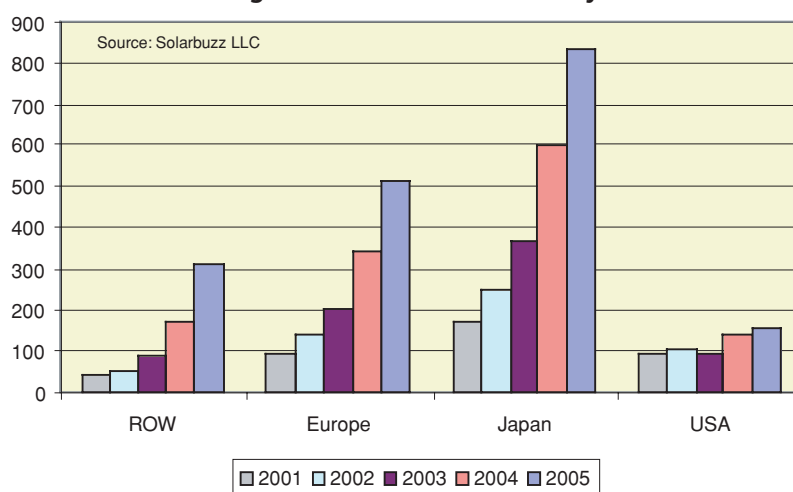
Worldwide Annual PV Installations at End-Customer Locations (MWp)



Source: Marketbuzz 2006

In addition to annual systems installations, the volume of manufactured PV cells also serves as a measure of the size and growth of the PV market. According to Marketbuzz 2006, a total of 1,800 MWp of PV cells were produced in 2005. The difference between systems installations and cell production can mainly be explained by the inventory build-up across the PV value chain, efficiency loss in module production and underreporting of off-grid installations (Source: EPIA). The following tables show the development of world cell production between 2001 and 2005, representing an annual growth rate of almost 47% per annum for the period.

Regional Production Summary



Source: Marketbuzz 2006

PV Market Future Development

Major industry observers expect continued strong double-digit growth in annual end-customer PV systems installations going forward. The following table lists annual growth forecasts and forecasts for installed capacity at the end of 2010 from several major industry observers.

Source	Annual Growth Forecast (%) 2005-10	Annual PV Installations in 2010
Marketbuzz 2006	17.0% – 21.7% growth in global PV installation at end customer locations	3.2 – 3.9 GWp
Michael Rogol, CLSA Asia Pacific Markets analyst, writing in Photon International (November 2005)	32.0% – 39.8% growth in global cell production	6.0 – 8.0 GWp
EPIA (December 2005)	22.4% – 36.4% growth in global PV installation	3.2 – 5.4 GWp
Sarasin (November 2005)	24.0% growth in global PV installation	3.0 GWp

The PV industry's ability to achieve these targets depends on a variety of important factors, including the following:

- *Government support and incentives to encourage production and consumption of PV-based electricity.* Without government incentives, PV grid-connected systems would not be profitable in most markets, because the costs of generating electricity significantly exceed market prices obtainable for, and the costs of generating electricity from, conventional energy sources. See "Risk Factors – Risks Relating to the PV Industry – Risks relating to the PV Industry – Continued government incentives are of key significance to the PV industry."

Commonly used incentives in the market today include net metering, feed-in tariffs, capital subsidies and tax credits.

- *Net metering* is an arrangement in which surplus electricity generated by commercial and residential grid-connected PV installations, e.g., during peak hours, can be sold back to the grid at the same price as when electricity is bought by the end customer from the grid.
- *Feed-in tariffs* are guaranteed premium prices for supplying PV-based electricity into the grid. Under a feed-in tariff arrangement, grid operators are obliged to purchase output from the PV installations, and the additional cost of electricity is then passed on to all the end consumers. Due to the low share of PV-based electricity relative to total electricity consumption, the additional cost for consumers is negligible.
- *Capital subsidies* (or buy-down programs) are direct subsidies of the costs of installing a PV system.
- *Tax credits* permit part of the costs of installing a PV system to be deducted from the tax bill.
- *Cost reductions and continued development of technology to make PV-based electricity more competitive.* The costs of generating PV electricity have been reduced significantly in recent years through increasing mass production and technological progress. Nevertheless, there generally are still substantial cost disadvantages in the area of grid-connected applications in comparison with the market price for electricity in most geographical markets, and the future of the PV market depends significantly on its ability to drive costs down. See "Risk Factors – Risks Relating to the PV Industry – PV industry participants generally, and the Company specifically, may not be able to achieve sufficient cost reductions through product innovations and process improvements." Most PV installations are for grid-connected residential and commercial buildings in developed countries, and electricity generated by these installations must compete with the retail price of electricity which includes not only costs for power generation, but also transmission and distribution, taxes, profits and other fees.

The point at which PV electricity becomes competitive (without government incentives) in any given market depends on the number of hours of sunlight per year in that market, the peak price of electricity from sources other than PV (typically, the main electricity grid) in that market and the cost of the PV system. According to estimates contained in “EC – A Vision for Photovoltaic Technology,” in a market with a peak residential price for electricity of approximately EUR 0.20/kWh, PV generated electricity currently would be competitive without governmental incentives in a market with 1,800 sun hours per year. In a market with 900 sun hours per year, PV electricity would reach the same cost level in 2020, assuming a 5% annual reduction in the price of PV systems. In key PV markets, average residential electricity prices in 2004 were lower than EUR 0.20/kWh, including in Germany, Spain, Italy, the United States and South Korea, according to the U.S. Energy Information Administration.

There are, however, certain applications and markets in which PV systems already are able to compete on price with traditional energy sources. For example, in the area of off-grid systems for which there are generally no government incentives under feed-in acts, PV systems are to an extent superior to conventional energy supply solutions. Furthermore, due to high residential electricity prices, installed capacity in Japan has continued to grow despite minimal government incentives over the past several years. Based on this, Japan is considered by many industry observers to be the first grid-connected self-sustained market for PV electricity in the world.

The PV industry continuously focuses on achieving cost reductions through economies of scale, continual technological and process improvements to make PV-based electricity more competitive. In particular, reductions in the thickness of wafers and solar cells and increases in the conversion efficiency of solar cells are expected to help reduce the material and assembly costs required to build a solar module with a given power and revenue generation capacity.

- *High energy prices supporting demand for PV based energy.* As noted above, demand for PV electricity is to a large extent dependent on local retail electricity prices, which represents the alternative cost or the sales price (in the case of net metering) for PV electricity. The global increase in energy prices in general and specifically the recent increases in the price of oil and gas over the last several years have, in the Company’s view, highlighted to both governments and consumers the extent of their dependence on fossil fuels and the finite nature of fossil fuel resources. The Company believes that this has resulted in a greater willingness to support and invest in alternative energy sources.

Furthermore, in certain regions such as Southern Europe and California, the time of day when retail electricity prices are highest, for example due to use of air-conditioning during the day and limitations on grid capacities, generally coincides with the time of day when PV systems are most effective. As a result, PV systems tend to be more attractive relative to other conventional sources in these regions.

- *Low interest rates facilitating greater investments in PV systems.* Interest rate levels play a significant role in determining the attractiveness of all PV system installations, as the up-front investments for installation of a PV system are relatively high and the benefits are generated over the lifetime of the system, which typically is assumed to exceed 25 years. The relatively low interest rates experienced in most developed countries in recent years have thus been favorable for PV energy solutions, and in some countries with relatively low interest rates, such as Japan, investments in solar systems have become attractive relative to other low-risk investments.
- *Constraints in the supply of raw material.* The availability of polysilicon is expected by most industry experts to be the key issue for industry growth in the short to medium term, implying that market growth will be supply-limited in the near-to-medium-term.

Regional Markets

PV installations historically have been concentrated in three countries: Japan, Germany and the United States, which together accounted for approximately 85% of installed PV power at the end of 2005, according to Marketbuzz 2006. The following discussion describes key PV markets based on Marketbuzz 2006.

Germany

In 2005, Germany maintained its position as the largest PV market in terms of annual PV installations at end customer locations. The total size of the German market in terms of installations at end customer locations was 837 MWp in 2005 up from 546 MWp in 2004, representing an increase of more than 50% that was largely the result of the continued attractiveness of the feed-in tariff rates for the PV industry introduced in early 2004 (EEG 2004). The table below shows the evolution in the size of the German market since 2001.

German Market	PV installations at end-customer locations in Germany (MWp)				
	2001	2002	2003	2004	2005
MWp	79	83	170	546	837

Source: *Marketbuzz 2006*

In order to meet legislative targets for reduction of carbon dioxide emissions, Germany enacted the “Renewable Energy Law” (“*Erneuerbare Energien Gesetz*” or “EEG”) in 2000, which among other things introduced a feed-in tariff of €0.50/KWh for PV generated electricity. This was followed by capital expenditure subsidies under the “100,000 roofs” program, which ended in June 2003.

Under the 2004 amendment to the EEG, a base feed-in tariff of 43.42 eurocents/kWh was applicable for ground-mounted systems in 2005, declining by 6.5% annually. The tariff level was between 51.30 and 54.53 eurocents/KWh depending on the system size for systems roof-mounted or on sound barriers, declining by 5% annually. The base tariffs for façade-integrated systems were the same as for roof-mounted systems, also with a 5% annual reduction, however, the façade-integrated systems receive an additional bonus of 5 eurocents/kWh, which is unaffected by the decline. Feed-in tariffs are guaranteed for 20 years, and the decline in tariffs is only relevant for new systems being installed. The reduction is designed to foster efficiency gains and price reductions for PV systems in order to make PV electricity economically viable without subsidies in the long term. Further, with the 2004 amendment to the EEG, the upper limit for PV installations was abolished. The EEG is scheduled to be revisited by the end of 2007. There can be no assurance that the amendments will not result in a reduction in the level of incentives offered for PV electricity. See “Risk Factors – Risks Relating to the PV Industry – Continued government incentives are of key importance to the PV industry.”

Japan

According to Marketbuzz 2006, the Japanese PV market is the second largest global market in terms of end-customer installations after Germany, with 292 MWp in 2005 compared to 256 MWp in 2004, an increase of 14%. The following table illustrates the growth in PV installations at end-customer locations in Japan.

Japanese Market	PV installations at end-customer locations in Japan (MWp)				
	2001	2002	2003	2004	2005
MWp	122	161	218	256	292

Source: *Marketbuzz 2006*

In 2004, Japan’s Ministry of Economy, Trade and Industry (“METI”) adopted the Basic Guidelines for New Energy Introduction, which set 3% of total electricity consumption from renewable energy sources as a target to be achieved by 2010. Japan’s METI has set an additional target of installing 4,800 MWp of cumulative PV capacity by 2010.

Historically there has been a fundamental difference between Japan and other countries in terms of the approach taken to promote PV electricity. In 1994, the Japanese government committed itself to a long-term (15-year) PV policy to support the “establishment of a prospering market.” The policy included targets and support for R&D, demonstration tests, market deployment and promotion. The key pillars to support the

growth of the Japanese market have been the residential dissemination program, the high residential energy prices and relatively high solar irradiation of on average 1,500 sun hours per year:

- The residential dissemination program accounts for around 80% of total installed capacity in Japan. The program is based on capital subsidies and at its peak in 2001, the program provided funds of € 176 million to support the growth of PV. Over the last few years, the funds have been reduced significantly, and the program is expected to be phased out completely in 2006.
- Despite the low financial incentives over the last few years, the Japanese PV market has continued to grow at a rate of approximately 15-30% annually in installed capacity over the period from 2001 to 2005. The main reason for this is the high residential electricity prices in Japan, and many industry observers now believe that Japan is a self-sustaining market, *i.e.*, that financial incentives are not required for PV investments in Japan to be profitable.

In Japan, there has also been a strong emphasis on standardization, which encourages economies of scale and the attendant reductions in price. This has made the implementation of PV, both in manufacturing and in the market, very effective.

United States of America

The total size of the United States' PV market in terms of installations at end-customer locations was 105 MWp in 2005, up from 84 MWp in 2004, representing 25% growth. Until recently, the PV market in the United States was dominated by off-grid applications. Recently, however, the market for grid-connected PV systems has been on the rise (68% and 76% of installed MWp capacity in 2004 and 2005, respectively) due to the increasing number of incentives. In this respect, California is the largest market in the United States, accounting for about 77% of the national grid-connected PV market by systems installations. The following table illustrates the growth in PV installations at end-customer locations in the United States.

US Market MWp	PV installations at end-customer locations in United States (MWp)					
	2000	2001	2002	2003	2004	2005
On-Grid	7	19	34	41	57	80
Off-Grid	16	18	23	25	27	25
Total	23	37	57	66	84	105

Source: *Marketbuzz 2006*

To date there have been relatively limited U.S. federal subsidies for solar energy in the U.S. market. Currently, the key U.S. federal incentive for solar energy is contained in the 2005 Energy Bill, which increased the residential and corporate solar energy tax credit from 10% to 30% of total installment costs of solar systems for 2006 and 2007 (capped at U.S.\$2,000 for residential).

In the absence of U.S. federal subsidies, the development of the grid-connected PV market in the United States has been encouraged primarily through financial incentives offered by individual states and public utilities, as well as through direct legislative mandates.

The State of California continues to drive the development of the PV market in the United States. In January 2006, the California Public Utility Commission ("CPUC") approved a plan that is intended to establish a 10-year solar rebate program running from 2007 through the end of 2016 for new and retrofit installations of PV systems. The goal of the program is to increase the amount of capacity on rooftops in the state to 3,000 MW by 2017. The program provides U.S.\$2.5 billion of funding over the period, making it the largest program of its kind in the United States and the second largest in the world after Germany. In connection with this initiative, an additional U.S.\$350-400 million of funding have been allocated for PV systems that are to be installed on new homes, which the California Energy Commission will administer. Finally, the CPUC also approved an additional U.S.\$300 million to fund commercial projects above 30 kW.

Rest of Europe (outside Germany)

European Market (excluding Germany)	PV installations at end-customer locations in Europe (excluding Germany) (MWp)				
	2001	2002	2003	2004	2005
MWp	23	25	53	75	89

Source: *Marketbuzz 2006*

The Spanish PV market is much smaller than the German market but is perceived to be one of the most promising European markets going forward. A combination of feed-in tariffs and low interest loans support Spain's national targets for renewable energy and PV installations. A new electricity feed-in act that took effect in March 2004 guarantees a national feed-in tariff, currently at 42 eurocents/kWh for systems up to 100 kW and 22 eurocents/kWh for larger systems. The tariff is set at 575% of the actual energy price for systems up to 100 kW and at 300% for systems of more than 100kW and will be revised annually to reflect changes in this actual energy price. Even though the actual feed-in tariff is lower than in Germany, the conditions are relatively more attractive for three reasons: the tariff is guaranteed for 25 years (460% of actual energy price after that), there is no automatic decline of 5% per annum for new installations, and the solar average radiation is higher in Spain (approximately 1,200 sun hours per year) than in Germany (approximately 900 sun hours per year). The cap for installations by 2010 under the current feed-in tariffs was raised during 2005 to 400 MWp.

The Company believes that several other southern European countries, principally Italy, Portugal, France and Greece are promising for the PV industry. In these countries, feed-in tariffs and a high number of sun hours per year result, in the Company's view, in potentially attractive returns for PV installations.

Rest of World

In the remainder of the world, there are a number of emerging PV markets that in the Company's view are well placed for future growth. These are primarily countries that have particularly high energy needs, due to strong economic growth, and favorable solar radiation conditions, such as South Korea, India and China. These markets are currently small, but have or are in the process of introducing incentive plans to accelerate the installation of PV systems. The Company believes that these have the potential to significantly contribute to the growth of PV going forward.

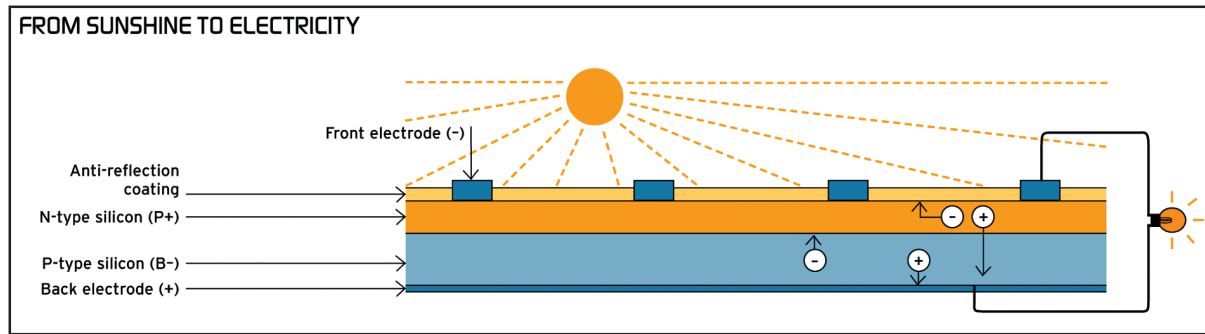
In addition, the Company believes that off-grid markets (e.g., for rural or island electrification) have significant long-term potential. Market observers estimate that hundreds of millions of households worldwide currently lack electric power. While current PV systems prices are too high to permit large-scale development of off-grid markets, the Company believes that these markets will become increasingly important as PV production costs are reduced.

Solar Power Technology

To date, a number of different technologies have been developed to take advantage of solar energy. One such technology is PV technology, which allows electric energy to be generated directly from sunlight through the use of solar cells. The two other solar technologies are the "solar thermal" technology converting solar energy into useful heat and "solar thermal power" technology converting solar energy temporarily into heat and thereafter electricity. The latter technology is typically aimed at the use of direct sunlight (clear sky) and tested in solar desert parks.

PV solar cells consist of thin layers of semi-conducting material, prepared as wafers or films, typically made of silicon. In a PV solar power system, solar cells, which are electrically interconnected within solar modules, absorb sunlight. The semi-conducting materials in the solar cells convert the sunlight into DC electricity. Inverters, which are electric power converters, transform the DC electricity into the more common form of AC electricity, which is the electricity generally used by retail consumers. The electricity produced by the solar power system can be stored, used or sold back to the electric utility grid. Solar power

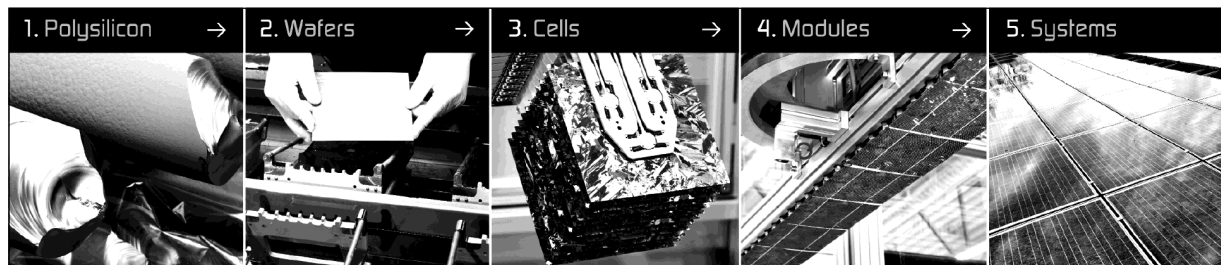
systems can be interconnected with, or operate independent of, the electric utility grid. The diagram below depicts a typical solar power cell:



Different PV technologies are often compared at the cell level. The competitive strength of these different PV technologies, however, is a function of the complete value chain and is primarily derived from two sources:

- Cell efficiency – the amount of energy produced per area of solar cell. The ability to convert solar energy into electricity from a solar cell varies from typically 5-10% for most commercial thin films, 12-21% for crystalline silicon wafer based cells and 20-35% for very advanced and costly multi-junction solar cells designed for space applications.
- Manufacturing cost – how costly it is to produce a solar system based on the given technology.

The main PV industry value chain, from polysilicon through to solar energy system production and installation accounts for approximately 95% of the PV systems currently being installed and consists of several stages, shown in the following diagram.



Overview of Polysilicon Production Technologies

The process of producing polysilicon begins with metallurgical grade silicon (“MGS”). MGS is purified by various chemical processes to produce electronic-grade (“EG”) or solar-grade (“SOG”) polysilicon. These can be divided into silane (SiH_4)-based and trichlorosilane (SiHCl_3)-based processes depending on the gas that is used in the process. In 2005, according to Company estimates, slightly more than 75% of the feedstock production was trichlorosilane-based, with the remainder being silane-based. The Company’s silane-based technology is the only silicon technology today that is not dependent on either taking in limited by-products from other processes or selling relatively non-attractive by-products to other processes.

There are two technologies for producing polysilicon from silicon gases: the Siemens reactor method and the FBR method. In 2005, according to Marketbuzz 2006, more than 90% of industrial polysilicon production was carried out in Siemens reactors and only MEMC operated FBR reactors in mass production. In the Siemens reactor process, the silane or trichlorosilane gas is introduced into a thermal decomposition furnace (reactor) with high temperature polysilicon rods inside a cooled bell jar. The silicon contained in the gas will deposit on the heated rods, which gradually grow until the desired diameter has been reached. In the FBR process, silane or trichlorosilane gas is introduced into a tube-like reactor in which small polysilicon granules are suspended in the gas stream (the “fluidized bed”). The silicon contained in the gas deposits on the surface of the hot granules in the bed until the desired diameter has been reached. The FBR process allows for continuous production and extraction of granules and requires significantly less energy and labor than the Siemens reactor process.

The technology in the Siemens reactor is mature, widely implemented and currently produces a higher quality of material. As the FBR process matures, however, the Company anticipates that it will have significant operational cost advantages.

The purity requirement for solar-grade polysilicon is typically 99.9999%-99.999999% pure, while electronic grade polysilicon tends to be at least 99.9999999% pure. Historically, by-products from the semi-conductor polysilicon industry met the need for polysilicon in the production of wafers for the PV industry. The use of by-products was possible because electronic grade polysilicon used in the semiconductor industry generally is more pure than solar-grade polysilicon. Currently, however, demand for polysilicon from the PV industry has outgrown the availability of by-products, and the PV industry has started to buy prime material from the polysilicon industry.

Overview of PV Wafer Technologies

Production of multicrystalline silicon wafers can be divided into two main steps: casting and cutting. The process starts by placing solar-grade silicon into crucibles, which are then placed in special crystallization furnaces where the silicon is melted. Crystallization takes place either by gradually cooling the crucible from the bottom in order to create multicrystalline silicon or by cooling from the top by introduction of a solid silicon piece on top of the bath in order to create monocrystalline silicon. The end result in both cases is a large piece of crystallized silicon, called an “ingot.” These ingots are first cut into smaller bricks of defined sizes and afterwards cut into very thin slices – wafers – by high precision wire saws. The wafers typically have a thickness of 200-280 μm (*i.e.*: as little as one fifth of a millimeter). Finally, the wafers are washed and controlled for quality, before they are packaged and shipped to the customers.

The prevailing PV wafer technologies currently are sawn wafer technologies, which accounted for more than 95% of the total wafer market in 2005 according to Photon International, consisting of monocrystalline and multicrystalline technologies; and non-sawn wafers, consisting primarily of ribbon wafer technologies and sheet wafer technologies. Each of these technologies is discussed in greater detail below.

Sawn Wafer Technologies: Monocrystalline and Multicrystalline

For sawn wafer technologies, polysilicon is converted into mono- or multicrystalline silicon wafers through an ingot casting and slicing process. Sawn wafer cells convert between 13% and 21% of the sunlight that they absorb into electricity. Modules made from crystalline silicon are more efficient and durable than most of the competing technologies. As the cells are sealed from the environment under toughened, high transmission glass, crystalline silicon cells last for many years, with typical commercial guarantees ranging from 20 to 25 years.

Sawn wafers are produced in two different forms, using either monocrystalline or multicrystalline silicon.

Monocrystalline wafers. Monocrystalline wafer technology (Czochralski mono crystal pulling) has the longest production record of all available PV technologies and has historically been used in the semiconductor industry.

The molecular structure of monocrystalline silicon is uniform, as the entire structure is grown from the same, or a “single,” crystal, which is optimal for efficiently transferring electrons through the material. Monocrystalline silicon wafers are produced by sawing wafers from relatively small high-purity single crystal ingots. Monocrystalline wafers are more expensive to produce than multicrystalline wafers, but offer advantages in terms of higher energy conversion rates.

Multicrystalline wafers. Multicrystalline silicon consists of numerous smaller crystals or “grains” and generally contain more impurities and crystal defects that impede the flow of electrons relative to monocrystalline silicon. While this results in energy conversion rates below those of monocrystalline, multicrystalline silicon wafers are cheaper to produce and offer greater scope for further technological development, such as increasing the size of the ingot and reducing silicon waste and crystal defects.

Non-sawn wafer technologies: ribbon and sheet

Ribbon and sheet technologies offer different methods of producing crystalline wafers and may have a lower cost potential in the long term, since these technologies potentially will require less silicon per square meter of wafer produced as wafers are produced without sawing and the associated silicon wastage. Before ribbon and sheet technologies can become cost-competitive, however, the savings in terms of the reduced amount of silicon required must be sufficient to offset the disadvantages of a smaller wafer, slightly lower energy conversion rates, a higher silicon purity requirement (and probably a higher long-term price for the feedstock) and operational difficulties. In the StringRibbon™ process, a silicon sheet is drawn from a bath of molten silicon using 2 or 4 strings, between which the silicon forms a wafer. In the EFG process, an octagon of 8 sheets is pulled through a graphite crucible and thereafter cut into single wafers. Non-sawn wafer technologies accounted for approximately 3% of wafer production in 2005, according to Photon International.

Overview of PV Cell Technologies

There are two categories of cell technologies: those based on crystalline silicon wafers and those based on thin film technologies. As indicated above, crystalline silicon cells currently are predominant, while thin film technologies are relatively limited in use to date. These two categories are described in greater detail below.

Crystalline cell technologies

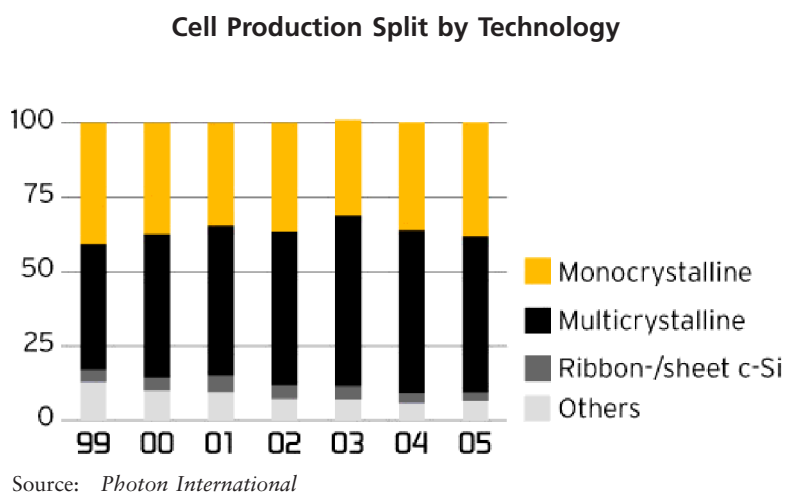
For all the wafer types mentioned above, the PV cell process carried out by the majority of the cell manufacturers consists of the following main steps: etching/texturization to reduce saw damage and increase optical confinement, phosphorous doping to create the “p/n junction,” anti-reflective coating, printing and firing of contacts, electrical isolation of cell edges and finally quality control, sorting and packaging.

Cells produced from monocrystalline wafers have historically been more efficient than multicrystalline silicon cells, exhibiting average energy conversion rates today between 15% and 17%. Further, two recently developed and more complex cell processes has achieved efficiencies between 17% and 21%. Cells produced from multicrystalline technology typically achieve conversion efficiency levels in the range of 14% and 16%.

Thin-film technologies

Thin-film technologies avoid the crystalline wafer-forming process by the direct deposition of semiconductor material onto glass plates or another substrate, and have received increased focus over the last few years due to the increase in polysilicon prices. These technologies allow for lower production costs for solar cells and modules; however, the efficiency is normally much lower than for wafer-based cells. Further, a higher investment cost per MWp capacity for the production equipment is normally encountered. Thin film based PV modules typically range from 5-10% in efficiency, depending on the technology. The most common materials used are amorphous silicon (“a-Si”), cadmium telluride and copper indium (gallium) diselenide / disulfide. Thin film based solar cells and modules will in the near term be most important for installations where the increased area of the module has little cost impact, for example in rural installations.

Crystalline silicon-based technologies currently dominate the PV market, with a combined 95% market share in 2005, according to Photon International, as indicated in the following graph.



Overview of Module Technologies

Solar modules are constructed by connecting several solar cells together, laminating them between glass and polymers, and surrounding the unit in a frame to give it strength for use in outdoor construction. Modules range in size from very small to up to 1-2 square meters in size and can contain up to 36-72 solar cells. Each module generally produces between 10Wp and 300 Wp.

PV Industry Dynamics

The level of concentration in the PV manufacturing industry varies from significant concentration in the polysilicon production business to limited concentration in the modules and systems businesses. In the polysilicon business, barriers to entry are relatively high. As a result, the polysilicon business has been dominated by a small number of relatively large players. At the other end of the value chain, in cells and modules, barriers to entry are relatively low. As a result of the relatively low barriers to entry, market growth in recent years has supported the establishment of many new companies in the cell and module businesses and, to a lesser extent, in the polysilicon and wafer businesses. The current shortage of polysilicon, combined with significant investments in cell and module capacity, has led to significant idle capacity in the downstream part of the industry.

The level of vertical integration in the industry also varies significantly between the different players. The general characteristics of the industry are that most players are integrated between cells and modules, many players are seeking to secure output through integrating forward towards systems on a local basis and many players are also seeking to integrate backwards to secure raw materials. The Company, however, currently is the only vertically integrated company encompassing both polysilicon supply and these downstream steps in the value chain.

Polysilicon

Supply of polysilicon is currently the major bottleneck of the PV industry and has, therefore, become of strategic importance to all manufacturers along the PV value chain. Although the raw material, metallurgical-grade silicon, is plentiful, there are significant barriers to entry. Polysilicon plants involve highly complex processes, technologies and know-how. Further, significant scale, which the Company estimates to be approximately 3,000-5,000 MT, is required to achieve a competitive cost position. The construction of a plant with a 5,000 ton of polysilicon capacity typically requires capital expenditures in the range of U.S.\$500-600 million (according to Marketbuzz 2006) and in the Company's experience takes approximately 24-36 months. These entry barriers have resulted in a polysilicon market that has few large, global players. The following chart illustrates the principal suppliers of polysilicon and the breakdown of their production capacities in 2005.

Polysilicon market supply (MT)

Summary	2005
Hemlock	7,700
Wacker Polysilicon	5,600
REC	5,300 ⁽¹⁾
Tokuyama	5,200
MEMC	3,800
Mitsubishi Materials	1,600
Mitsubishi Polysilicon	1,260
Sumitomo Titanium	700
Other	220
TOTAL	31,380⁽²⁾

Source: *Marketbuzz 2006, except as otherwise indicated*

(1) Source: REC

(2) Source: *Marketbuzz 2006, REC*

The rapid growth in demand for PV installations coupled with supply constraints have driven polysilicon prices upwards to approximately U.S.\$45-50/kg for long-term contract prices with delivery in 2006, according to Marketbuzz 2006.

The PV industry consumed approximately 17,100 metric tons of polysilicon in 2005, according to Marketbuzz 2006. Historically, the demand from the PV industry has been met by scrap from the polysilicon produced for the electronics industry, but with rapidly increasing demand in recent years, this source of supply is no longer sufficient. The polysilicon consumed by the PV market in 2005 consisted of approximately 2,050 MT of rejected and reprocessed silicon from the electronics industry, 6,450 MT of inventory drawdown and approximately 8,600 MT manufactured exclusively for use in the PV industry. With inventories now being depleted and continued rapid demand growth, the silicon shortage is expected to become even more acute over the next few years.

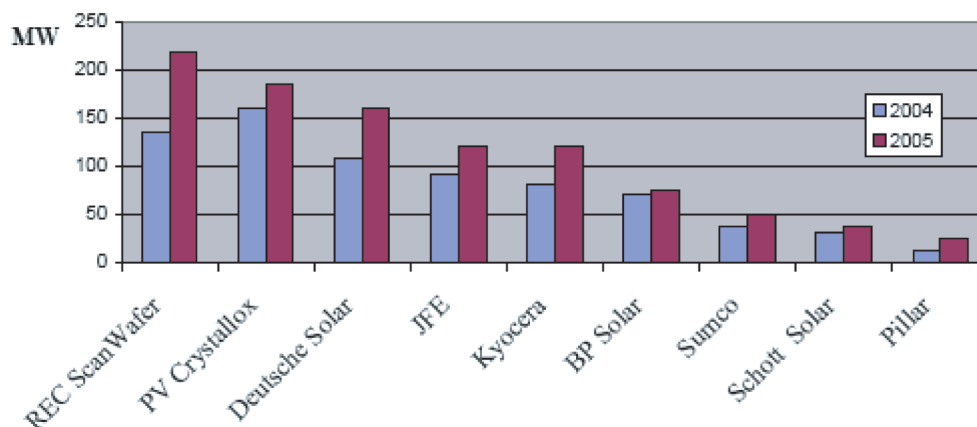
In response to this, many existing producers of polysilicon, as well as new companies (in China, for example), have started to plan for capacity expansions. However, polysilicon prices have experienced significant price volatility historically, and the Company believes that producers are seeking to secure long-term contracts for new volumes before starting construction of new capacity. Further, most of the producers are subsidiaries of or have close relationships with companies in the semiconductor industry, as a result of which the Company believes that a significant share of the current production and future expansions will remain captive. The Company believes that demand will continue to outstrip supply at least until 2008, when current planned expansions are expected to start taking effect in the market.

Ingots and Wafers

The PV wafer manufacturing industry is quite concentrated, with the five largest manufacturers of crystalline wafers selling wafers externally accounting for approximately 50% of global wafer production and approximately 75% of global multicrystalline wafer production in 2005, according to Company estimates. While there are also barriers to entry in this part of the value chain, in general they are lower than for polysilicon. The main entry barriers currently are significant capital expenditures, access to high performance manufacturing equipment and availability of polysilicon.

The two major categories of key players in the industry are those that supply wafers to the market and those that produce for their own cell manufacturing consumption. Of the largest crystalline wafer manufacturers, in addition to the Company, PV Crystallox, Deutsche Solar and JFE supply a significant proportion of their wafer output to the open market. The rest of the largest producers typically consume the majority of their wafer output in their own cell manufacturing.

Multicrystalline Wafer Production Capacity



Source: Photon International and Company estimates

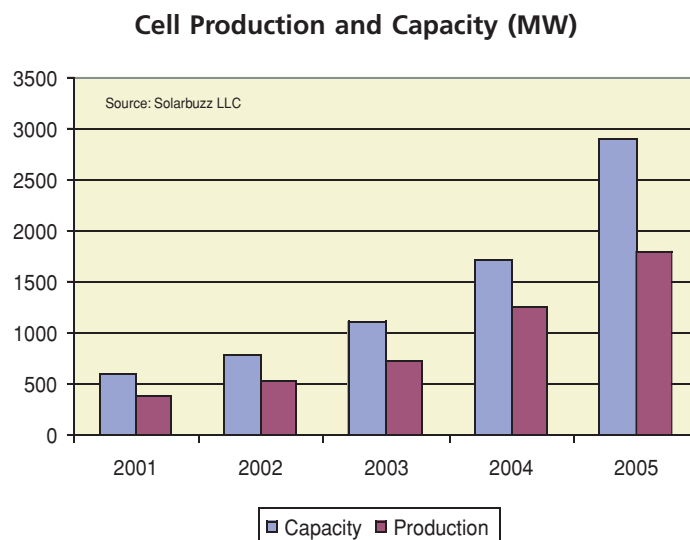
The key competitive parameters in wafers are potential energy conversion rate of the wafer, the mechanical properties of the wafer and production cost. Companies in the industry are striving to improve the quality and efficiency of wafers through improvements to their production process. As the quality of any wafer cannot be measured properly until it has been used to make a solar cell, integration across the wafer and solar cells segments of the value chain can be of strategic advantage. Close relationships between customers and suppliers can to some extent address this, by providing full wafer traceability throughout all stages of the production process.

Production costs can be reduced through thinner wafers and reduction of operational costs. Wafer thickness has been reduced 60% over the last four years, with the benefit of reducing the amount of polysilicon required. Location of the manufacturing plants is not currently of major strategic importance, as continued technological development and continuous reduction of other costs are more important than low cost labor. In addition, transportation costs do not make up a significant part of overall costs. Over time, however, the Company expects that proximity to customers and location in countries with low labor costs may become more important.

Cells

The cell part of the value chain is less concentrated than the polysilicon part of the value chain. The top five players represented 53% of the industry production in 2005, and there are relatively many small market participants. The entry barriers are lower here than in the polysilicon part of the value chain, as conventional production technology is widely available and the required scale and capital expenditures are lower.

Nevertheless, in the short term, the shortage of polysilicon and wafers is expected to limit the ability of any new entrants to establish full-scale operations. Due to polysilicon shortage and relatively low entry barriers, the capacity utilization in this part of the value chain for the industry as a whole fell to approximately 78% in 2005 (Source: Marketbuzz 2006). The following table shows actual cell production and cell production capacity for 2001 through 2005.



Source: Marketbuzz 2006

The solar cell industry is characterized by both a race towards higher efficiency cells and the ability to produce thinner cells. Keeping up with ongoing technological development is therefore likely to be more demanding in this part of the value chain, and significant R&D resources are required. Some companies (such as SunPower) have made breakthroughs in the area of higher efficiency cells (although likely at a higher production cost), and the rest of the industry is increasing its efforts to close the gap to the efficiency achieved by these companies.

Although it is not necessary for cell manufacturers to be integrated with other parts of the value chain, vertical integration enables a greater understanding of technology and efficiency issues, facilitates closer contact with the end customer, and helps to secure a supply of wafers.

Modules

Producing conventional solar modules is partially an assembly and supply chain business and is technically less sophisticated than cell production. Further, the production units are typically of a smaller size, distribution is often focused on regional markets, while investment levels required to construct manufacturing plants are relatively small. The barriers to entry are, and the costs associated with having idle or unused capacity is, therefore relatively low and, given current polysilicon, wafer and cell shortages, significant idle capacity currently exists in the industry.

Key cost factors for conventional modules, in addition to the cells, are labor costs and other direct materials, such as glass, polymers and frames. Therefore, key competitive factors are manufacturing efficiency, automation, scale, purchasing power and low-cost labor. Further, also within the area of modules there are opportunities for technological innovations to increase the conversion efficiency of the modules, and R&D can be an important source of structural advantages in this area. In the future, aesthetic properties and ease of building integration are expected to become more important decision criteria for customers buying systems. This is related to the surface of the cells and modules, as well as module design and even choice between different technologies.

Although the solar module production market is fragmented, it is dominated by companies engaged in PV cell manufacture that are vertically integrated.

System Providers

Systems providers offer other components in addition to the PV modules, such as inverters and mounting equipment. The PV systems market generally is fragmented and local, and the industry and customer structure is different in the different regions. This is partly driven by the fact that systems installations require knowledge of local regulations and incentive schemes. Nevertheless, some regional and even global players are emerging. For example, Conergy is developing a worldwide presence, while other German players are expanding into Southern Europe.

Providing systems is both an assembly and system design business. While technical expertise about the product is less critical than in other parts of the value chain, greater knowledge about suppliers, applications and end-customers is more important than in any other segment. The players in this market tend to be regional, mid-sized companies, *e.g.*, either specialized distributors or installers. Nevertheless, there is, in the Company's view, a trend toward forward integration into this part of the value chain, with companies viewing forward integration as an important step toward securing access to the end-customer and building a brand in the residential and building-integrated PV segments.

The Company's Business

Introduction

The Company is one of the world's leading companies in the PV industry. In 2005, the Company was among the world's largest producers of solar-grade polysilicon and wafers for PV applications by volume, according to Company estimates. The Company is involved in all steps of the PV manufacturing value chain: production of solar-grade polysilicon, manufacturing of silicon wafers, production of solar cells and production of solar modules. The Company has customers in many different parts of the world, seven production plants in three different countries and approximately 1,115 employees as of 31 December 2005. The Company conducts its business through three principal divisions, which also are its operating segments: REC Silicon, REC Wafer and REC Solar.

The Company's principal office is located at Veritasveien 14, P.O. Box 280, N-1323, Høvik, Norway and its main telephone number at that address is +47 67 81 52 50. The Company's website is www.recgroup.com.

History

The Company was formed in 1996 under the name Fornybar Energi AS, assumed the name, Renewable Energy Corporation AS, in 2000 and was transformed into a public limited company (ASA) in 2005. At the time when it was formed, the Company had a 12% equity interest in REC ScanWafer AS, which had been formed in 1994 with the goal of becoming a specialized producer of multicrystalline wafers for the PV industry. In order to improve wafer quality by ensuring a quick and reliable feedback loop from the cell processing step, the Company decided in 1999 to integrate forward in the value chain by also producing solar cells and modules. REC ScanCell AS and REC ScanModule AB commenced production of solar cells and solar modules in 2003.

In 2002, in response to concerns about the long-term availability of silicon feedstock to support the further growth of the wafer business, the Company and ASiMI, owned by Komatsu America Corporation ("Komatsu"), formed a joint venture company then called Solar Grade Silicon LLC, now REC Solar Grade Silicon LLC for the purpose of converting Komatsu's polysilicon plant in Moses Lake, Washington, United States, into a plant dedicated solely to production of solar grade polysilicon.

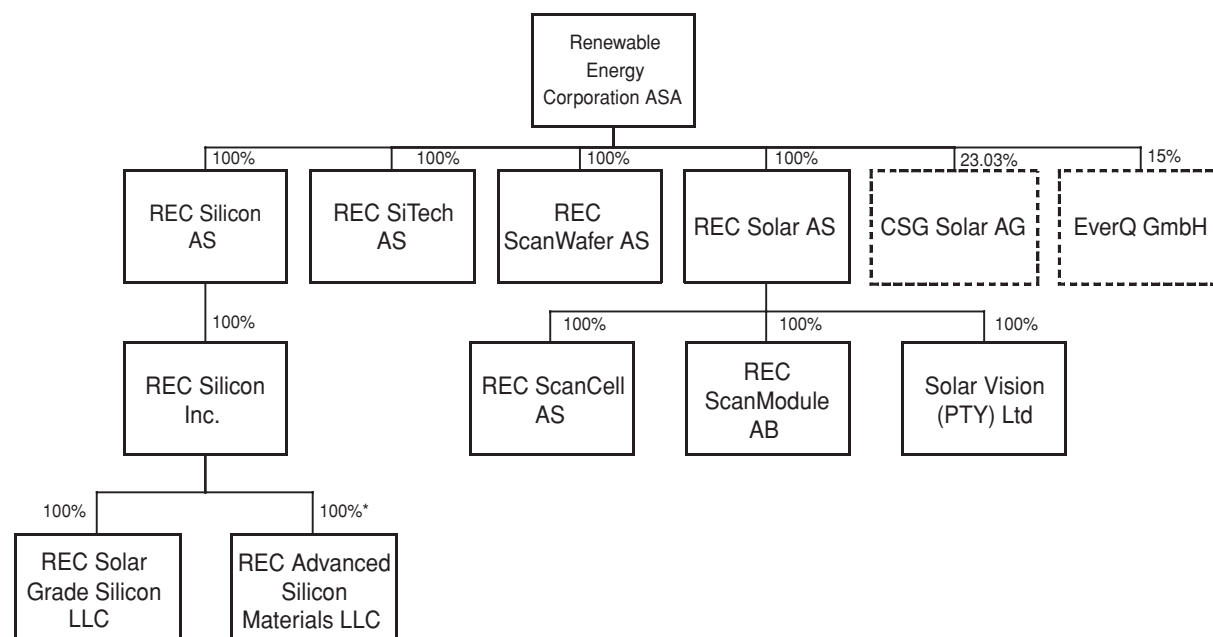
The Company increased its equity interest in REC ScanWafer to 71% in 2003 and to 100% in 2004.

REC SiTech was formed in April 2004 with the objective of producing monocrystalline ingots for the PV industry. At the time of formation, the Company's equity interest in REC SiTech was approximately 12%. In July 2005, the Company increased its equity interest in REC SiTech to 100%.

In July 2005, the Company acquired Komatsu's interest in SGS, thereby increasing its ownership interest in SGS from 70% to 100%, and simultaneously acquired from Komatsu a majority interest in ASiMI, which owned and operated a polysilicon plant in Butte, Montana, USA. Komatsu retains a non-voting minority interest in ASiMI.

Legal Structure

Renewable Energy Corporation, the parent company of the REC group, is a holding company with no production activities. The following chart illustrates the legal structure of the REC group as of 31 December 2005:



(*) The Company owns 100% of the voting common membership interests in ASiMI, which represent 75% of the equity capital of ASiMI. The remaining 25% of the equity capital is owned by Komatsu America Corporation in the form of non-voting preferred membership interests, which the Company accounts for as long-term indebtedness. See Notes 18 and 31 of the Notes to the IFRS Financial Statements, and see “Material Contracts – Cooperation and Joint Venture Agreements – ASiMI/Komatsu” for a description of Komatsu’s rights under the ASiMI Limited Liability Company Agreement.

The following table presents certain additional information concerning the subsidiaries of the Company.

Subsidiary	Jurisdiction of Incorporation	Share of Ownership
REC Silicon AS	Norway	100%
REC Silicon Inc.	Delaware (U.S.)	100%
REC Solar Grade Silicon LLC	Delaware (U.S.)	100%
REC Advanced Silicon Materials LLC	Delaware (U.S.)	100% ⁽¹⁾
REC SiTech AS	Norway	100%
REC ScanWafer AS	Norway	100%
REC Solar AS	Norway	100%
REC ScanCell AS	Norway	100%
REC ScanModule AB	Sweden	100%
Solar Vision (PTY) Ltd.	South Africa	100%

(1) Subject to a 25% non-voting preferred membership interest of Komatsu, as described above.

Competitive Strengths

The Company believes that its strong technological position, efficient and scalable operations, own supply of polysilicon, presence throughout the PV value chain, diversified technology portfolio, recognized position in the PV industry and strong management team give it competitive advantages in terms of growth potential, opportunities for cost reduction and technological advancement.

Strong Technological Position throughout the PV Manufacturing Value Chain

To maintain and increase its competitiveness compared to other sources of energy, the PV industry needs to generate reductions in the cost of PV-generated electricity through continuous technological improvements. The Company believes that it has been and is a leader in this development and that its strong technological position throughout the PV value chain represents a key competitive strength for the Company.

- **REC Silicon's** production process for polysilicon is based on silane gas, while most competitors use trichlorosilane. The Company believes that the silane-based process is cost competitive and offers more flexibility when building new capacity than competing processes. Further, the silane gas being produced as an intermediate product in the process can be sold profitably as a separate product. In addition, the Company is contemplating investing in the construction of large-scale production facilities using a proprietary version of the FBR technology for the production of polysilicon. If the Company determines that the FBR technology is viable for large-scale commercial production and decides to proceed with the investment, the Company expects this technology to significantly reduce the costs of producing polysilicon. In the Company's view, the entry barriers for silane gas and polysilicon production are significant given the time and cost to build a plant, the experience required to operate a plant and intellectual property protection for important processes involved. The REC Silicon organization has 20 years of experience in operating both polysilicon plants based on silane gas plants and Siemens reactor technology.
- **REC Wafer** is continuously developing its technology to produce thinner and larger wafers, to produce wafers that yield cells with higher efficiency, to reduce breakage through improved mechanical properties of the wafers and to improve the efficiency of its production process. The Company believes that it has been among the leaders of the industry's development in this respect. The Company is now producing wafers with a thickness of 200 μm , and preparations are in progress for further reductions in wafer thickness. Further, REC Wafer has developed and introduced several proprietary innovations to improve the production process. These include furnaces with high capacity, wafer-sawing equipment tailor-made for multicrystalline ingots, automated wafer washing and automated quality control lines, as well as various other key pieces of production equipment. The Company benefits from patented technology in the areas of ingot cutting, wafer sawing and furnace operation (through its exclusivity arrangements with the furnace supplier). Moreover, REC Wafer is implementing additional process improvements to increase overall quality of the wafers, such as improvements in the sawing and crystallization processes. The Company also believes that, through REC SiTech, REC Wafer is at the forefront of developments in the area of monocrystalline ingot production. REC SiTech has entered into cooperation arrangements with leading industry producers of high-efficiency monocrystalline PV cells to further develop REC SiTech's products.
- **REC Solar** has in its relatively short history focused on technological cooperation with leading players in the industry. The Company is now producing cells and modules based on wafers that are 240 μm thick, with efficiencies normally in the range of 14.0% to 15.6%, and has achieved cell efficiencies close to 16.0%, which is at the forefront of the industry for multicrystalline cells. Moreover, preparations for moving to use of wafers that are 200 μm thick are underway. The Company has increased its efforts to also become a driver of technological development in these parts of the value chain. Several innovations have already been introduced into the production process and the Company has numerous patent applications pending. These innovations are targeted towards both handling thinner wafers and cells in the production process and increasing the efficiency of the end product.

Efficient and Scalable Operations

While the Company expects technological innovation to remain important in the PV industry, the Company also anticipates that, as the PV industry becomes more mature, the ability to own and operate large-scale, cost-effective production facilities will gradually increase in importance relative to technological innovation. The Company believes that the scale and scalability of its operations, its industrial approach to the production processes and its focus on and proven record of reducing cost through continuous production process improvements represent key competitive advantages.

- **REC Silicon**, with its facilities in Moses Lake, Washington and Butte, Montana, is among the largest polysilicon producers in the world and was in 2005 the largest in the world with monosilane-based production and the only one with an entire plant dedicated solely to production of solar-grade silicon. The Company believes that, with relatively low energy costs and increasing throughput, its Moses Lake facility already is one of the most cost-effective polysilicon production facilities in the industry, and that its plans for the Butte facility, including the planned discontinuation of electronic-grade polysilicon production as existing contracts expire over the next several years, should enable it to achieve improvements of a similar nature at its Butte facility. In addition, based on current

technology, the Company believes that, because its polysilicon production is based on monosilane, it has greater flexibility in choosing sites for further capacity expansions than competitors that use trichlorosilane-based production. These competitors need to choose production sites based on availability of feed gases and the possible off-take of significant volumes of by-products from the trichlorosilane process.

- **REC Wafer** was the world's largest multicrystalline wafer producer in 2005, accounting for approximately 13% of the worldwide market based on Marketbuzz 2006's estimate of global solar cell production. REC Wafer has devoted substantial resources to improving the design of its wafer plants to permit large-scale production of wafers at a low cost, such as the use of automation in the production processes, well-organized materials flow, the development of customized furnaces that are more cost-effective than equipment available off-the-shelf and recycling of slurry. The Company also places significant emphasis on the utilization of advance production management techniques (e.g., "lean manufacturing") to promote efficient operation and continuous improvements. Based on these efforts, the Company believes that it is among the most cost-effective wafer producers in the industry. Moreover, the Company believes that in its existing facility in Herøya, it has identified an optimal size for its wafer manufacturing unit and can scale up production efficiently by constructing new wafer manufacturing facilities based on the same design.
- **REC Solar**, despite having started production only in 2003, compares favorably in the Company's view to major competitors in terms of automation of its production processes, and the Company believes that in 2005 REC Solar's operational margins already were in line with those of leading players in the cell and module manufacturing businesses. In the production process, REC Solar is working to implement a highly automated production process based on "lean manufacturing" principles. The trend toward thinner wafers and larger modules, which is expected to continue, accelerates the need for automation, as wafers become too thin and modules too large and heavy to be handled manually. Automation also reduces labor cost per unit produced.

Own Supply of Polysilicon

REC Silicon produced 5,300 MT of polysilicon in 2005, of which 2,700 MT was solar-grade polysilicon. The Company's reliable supply of polysilicon feedstock enables it to supply both its own needs and to some degree those of the wider PV industry.

As a result of its own supply of polysilicon and its long-term contracts with customers, the Company was able to run its wafer, cell and module production facilities essentially at full capacity in 2005 and to date in 2006, while according to Marketbuzz 2006 the global average of PV cell manufacturing plant capacity utilization rate fell to 78% across the industry in 2005, from 88% in 2004. Running at full capacity with positive operating margins offers the Company greater latitude to work on technological development of its products and production processes.

The Company anticipates that the current polysilicon shortage in the market will likely persist over the next few years and, in the Company's view, its reliable and growing supply of feedstock offers significant advantages in terms of planning production, operating efficiently, pursuing expansion plans and developing new customer relationships.

Long-term supply of polysilicon also represents an important strategic asset for the Company. In today's market, many new ventures lack polysilicon to commercialize their operations. As the Company has done with EverQ, it will continue to explore and establish partnerships with companies and individuals possessing technologies that in the Company's view are promising, are complementary to the Company's technologies and can contribute to the further development of the PV industry.

Presence throughout the Value Chain

The Company currently is the only player in the PV industry that has significant presence through all levels of the PV manufacturing value chain, which in the Company's view generates several advantages. First, the Company believes that future technological advancements in the PV industry will require close collaboration among different parts of the value chain, and that vertical integration permits such collaboration to take place more effectively and openly than it would through traditional cooperation. For example, reductions in wafer thickness require close collaboration between the wafer, cell and module

manufacturing stages of the value chain. Further, going forward, the Company also believes that technological advancements likely could result from joint design across different parts of the value chain.

In addition, with competing technologies being developed in all areas of the PV value chain, *i.e.*, in polysilicon, wafers, cells and modules, the Company believes that its presence throughout the entire value chain provides it with insight into which combinations of emerging technologies and production process improvements have the most attractive long-term potential. The ability to understand and combine alternative new technologies and production process improvements provides the Company with a broader basis for long-term success in the industry and improved ability to benefit from growth of the PV industry.

Finally, having presence across the value chain is also beneficial from a continuous improvement perspective. Having the customer and supplier in the same corporate structure facilitates a better and more open dialogue about how to achieve continuous improvements in production processes throughout the value chain. In addition, the Company's strong long-term customer relations allow for enhanced quality control and feed-back loops and offers opportunities for benchmarking of product quality and costs.

Diversified Technology Portfolio

The Company believes that, with a market share of approximately 90% in 2005 in terms of volumes produced according to Photon International, sawn wafer-based technologies have gained a technological advantage over, and a higher level of customer acceptance than, alternative technologies. Nevertheless, because complementary technologies could develop, the Company is actively searching for and investing in complementary technologies which in its view have the potential to become significant and competitive in the future. Examples of these are the Company's investments in EverQ and CSG Solar, each of which is involved in the commercialization of complementary PV technologies that the Company views as promising. EverQ is engaged in the production of wafers, solar cells and solar modules using the so-called "string ribbon" process, in which wafers are made without the conventional sawing process. This string ribbon process is dependent on a high purity granular form of silicon, which the Company is developing as part of its contemplated investment in FBR technology. CSG Solar is a company that currently is starting up a 20 MW production facility for its proprietary microcrystalline silicon-based thin film modules for the solar energy market. The Company believes that important synergies could develop between silane processing at REC Silicon and the use of silane gas at CSG Solar, assuming that CSG Solar progresses further into large-scale manufacturing.

Recognized Position in the PV Industry

The Company has a relatively long and successful history in the PV industry. It has succeeded with several important strategic moves to quickly become the leader in certain segments of the industry. Further, the Company has historically focused on long-term relationships with key industry players and believes that it is recognized in the industry as a reliable, high quality supplier to the largest customer groups in the PV industry. The Company believes that these factors, combined with its own supply of polysilicon, lead many players to look to the Company when considering collaboration on new opportunities in the PV industry.

Strong Management Team

The Company has an experienced and qualified management team. The management team has extensive experience and a proven track record of execution in the PV industry, or in companies operating in similar industries. Several of the members of the management have been pioneers within the PV industry and have participated in most of the recent development of the industry. In addition, the Company has recruited additional managers to complement this strong PV industry experience base, with experience from larger, industrial, public companies. While it is important to maintain the agility of an entrepreneurial company, the Company also recognizes the need to establish more formal corporate development and control process to support the future growth of the Company.

Strategy

In order to fulfill the Company's vision of becoming the leading and most cost efficient player in the PV industry for the long-term, the Company has developed a strategy focusing on outpacing a high growth

market, strengthening cost leadership through innovation and industrialization and balancing risks through a diversified technology portfolio. These strategic objectives are further described below:

Outpacing the High Growth PV Market

The Company believes that the PV industry will grow substantially in the near- and medium-term, and industry observers estimate that this growth may be between 17 - 40% annually through 2010 (see “Industry Overview – PV Market Future Development”). Accordingly, in order to maintain and eventually increase the Company’s current market shares, which the Company considers essential to maintain its strong competitive position, the Company intends to invest significantly to further increase its production capacity in each of its segments.

- **REC Silicon** produced approximately 5,300 MT of polysilicon in 2005. Based on identified potential for de-bottlenecking and on the Company’s plans for gradually converting the plant in Butte, Montana to focus exclusively on solar grade quality once current contracts for electronic-grade polysilicon have expired, the Company believes that it can increase its polysilicon production capacity to nearly to 6,500 MT per year by 2010. Further, the Company is contemplating an investment in a new polysilicon production facility in Moses Lake, Washington, based on a proprietary version of the “fluidized bed reactor” technology. This new facility would have a capacity of approximately 6,000 MT of “prime” granular solar grade polysilicon per year and would be expected to come on line in 2008. Approximately 60% of the planned total capacity increase of REC Silicon is intended to secure the further contemplated growth of REC Wafer. REC Wafer is now in the process of securing long-term take-or-pay contracts with up-front payments from several key customers. At present, more than two years before new wafer capacity would be expected to come on stream, REC Wafer has signed letters of intent for approximately 50% of the resulting additional wafer output. In addition, REC Wafer will dedicate some of the additional wafer output to REC Solar to promote further growth in the Company’s cells and modules businesses.
- **REC Wafer** produced multicrystalline wafers representing 220 MWp and monocrystalline ingots representing 16 MWp in 2005. The division is currently expanding production capacities at both its Herøya and its Glomfjord plants, and based on these capacity increases and continuous improvements in its existing plants, the Company expects that its total wafer production will reach approximately 550 MW in 2009. The Company anticipates that the additional output from these planned expansions largely will be covered through existing supply contracts with REC Silicon and some external suppliers. Further, if the Company proceeds with its contemplated new polysilicon plant in Moses Lake, REC Wafer expects to have feedstock available for significant further growth. The Company’s goal is to add capacity representing another 350-400 MW between 2008 and 2010. However, plans for this additional capacity have not yet been finalized, and the Company currently is evaluating the scope, technology platform, location, timing and partnering strategy for this expansion.
- **REC Solar** produced 20 MWp of PV cells and 14 MWp of PV modules in 2005, and is a small, but growing player in this part of the industry. The division is currently expanding production capacities in both its cells and modules plant to 45 MWp by the end of 2006, but will still be behind leading players in terms of volume. The Company believes that rapid growth within REC Silicon and REC Wafer, combined with the restrained situation for the rest of the industry, places REC Solar in an attractive position for further expansion. The Company expects to significantly expand its operations in the Solar area, both through organic initiatives and by exploring partnering opportunities to narrow the gap to the currently largest companies in the cells and modules businesses.

Strengthening Cost Leadership through Innovation and Industrialization

The Company aspires to be the most cost-efficient player in the PV industry and to contribute to making PV-based electricity more competitive with traditional sources of energy. The Company believes that, to achieve that goal, it will need to reduce costs per MW produced significantly, and to achieve the needed cost reductions the Company intends to take advantage of economies of scale, invest to maintain technological leadership, and apply lean manufacturing principles.

- ***Taking advantage of economies of scale.*** The Company already is one of the largest players in the polysilicon industry, and the scale of the new plant planned in Moses Lake is designed to optimize production output per dollar invested. In its wafer business, the Company believes that it has already reached critical scale, and further expansions will be based on units of around 200-250 MW, which the Company has found to be optimal size from an operational and cost-efficiency point of view. In the areas of cells and modules, the Company intends to narrow the gap to the leading players within the industry and believes that the expansion plans within polysilicon and wafers lay the foundation for doing so.
- ***Investing to maintain technological leadership.*** The Company intends to continue to make significant investments in technology to improve throughput, efficiency and cost competitiveness of all its production facilities. To that end, the Company plans to build upon the efforts of its 40-50 person-strong research and development team and continued collaboration with recognized research institutes and partners in the industry and among equipment manufacturers. The Company invested NOK 60 million and NOK 50 million in research and development in 2004 and 2005, respectively, it expects to invest NOK 90 million in research and development in 2006, and anticipates that this amount will increase further in the near- and medium-term. The Company currently has 24 patents and 23 patent applications pending worldwide in its core businesses.
- ***Applying “lean manufacturing” principles.*** The Company will continue to apply “lean manufacturing” principles to systematically reduce waste, errors, and complexity in the production processes to continuously improve operational efficiency and manufacturing unit costs.

Balancing Risks through Diversified Technology Portfolio

The Company believes that the traditional crystalline technology (*i.e.*, based on mono- and multicrystalline silicon) will be predominant within the PV industry for the foreseeable future. Nevertheless, PV technology is constantly evolving, and many players are looking to develop new, better and more cost effective components for generating PV electricity. Just as the Company believes that its investments in EverQ and CSG Solar positions the Company to participate in the development of certain complementary PV technologies that the Company views as promising, the Company intends to continue to use joint ventures and minority interests in the future as a means of becoming familiar with and obtaining access to new complementary technologies. The Company devotes significant resources within its technology and business development staff to screen the market for new opportunities, and will consider investments that, based on a thorough evaluation, appear promising in terms of technological viability, commercial market potential and financial attractiveness.

REC Silicon

The Company conducts its polysilicon production businesses through the REC Silicon division. The following table sets forth key data for REC Silicon for the years 2003, 2004 and 2005.

	2005	2004	2003
	(IFRS)	(IFRS)	(N GAAP)
Revenues (in MNOK)	1,018	339	193
Production volume (in MT) ⁽¹⁾			
Electronic-grade polysilicon	2,600	–	–
Solar-grade polysilicon	2,700	2,100	1,750
Number of employees (at year-end)	490	175	160

(1) On a pro forma basis for 2005, as though ASiMI had been acquired as of 1 January 2005.

Introduction

REC Silicon is among the world’s largest producers of polycrystalline silicon based on 2005 production volumes and is the only polysilicon producer in the world to dedicate an entire production facility to the PV industry. The division has two production plants, which are both located in the United States, one in Moses Lake, Washington, and one in Butte, Montana. The Moses Lake plant produces only polycrystalline silicon for the PV industry. At the Butte plant, REC Silicon continues to produce electronic grade polysilicon, which it sells primarily to the semiconductor industry. The Butte plant also produces silane gas in excess of its

polysilicon production needs that it sells to specialty gas distributors for use primarily in the production of Integrated Circuits (“IC”) and Thin Film Transistor Liquid Crystal Displays (“TFT-LCD”).

The Moses Lake plant is wholly owned by REC Silicon through SGS, whereas Komatsu retains a 25% non-voting interest in ASiMI, which owns the Butte plant. For further information on Komatsu’s rights under the ASiMI Limited Liability Company Agreement, see “Material Agreement – ASiMI/Komatsu.”

Production facilities

Moses Lake

The plant in Moses Lake produced approximately 2,450 MT of solar grade polysilicon in 2005. The capacity for silicon decomposition in the Siemens reactors currently used in the Moses Lake plant is approximately 3,000 MT. REC Silicon intends to achieve full utilization of silicon decomposition capacity over the next few years by streamlining and de-bottlenecking current processes.

Butte

In 2005, the plant in Butte produced approximately 2,600 MT of electronic-grade polysilicon and 250 MT of solar-grade polysilicon. The current volume of electronic-grade polysilicon is linked to contracts REC Silicon assumed when the Company acquired the Butte plant in 2005. For further information, see “Operating and Financial Review – Overview – Acquisitions.”

In connection with the acquisition of ASiMI, REC Silicon assumed certain supply obligations under existing long-term polysilicon sales contracts to which ASiMI was a party. Under these contracts, REC Silicon is committed to continue supplying electronic-grade silicon at approximately the same level as in 2005 for the next several years. Following the termination of these agreements, REC Silicon intends to shift the Butte plant’s polycrystalline silicon production capacity to solar-grade polysilicon.

The following table sets forth the production volume (in MT per year) of each of the Moses Lake and Butte facilities for the years shown.

	31 December		
	2003	2004	2005
Moses Lake	1,750	2,100	2,450
Butte	2,300	2,600	2,850

To improve production efficiency, REC Silicon intends to optimize the production mix between its two plants and to de-bottleneck the process at the Butte plant in largely the same fashion undertaken between 2003 and 2005 at its Moses Lake plant. In addition to improving the efficiency of its current processes, REC Silicon is currently contemplating a significant expansion of its polysilicon production capacity based on a proprietary version of FBR technology, which the Company anticipates will significantly reduce its polysilicon production costs. For more information in this regard, see “Industry Overview – Solar power technology – Overview of polysilicon production technologies.” Successful implementation of the Company’s strategy requires that it implement its de-bottlenecking and contemplated capacity expansion plans on time and on budget. For further information in this regard, see “Risk Factors – Risks Related to the Company – The Company may not succeed in achieving the production capacity expansion and cost reduction targeted by its investment plans, which it requires in order to capture expected growth in the markets.”

Products

Through REC Silicon, the Company produces and sells solar-grade polysilicon, electronic-grade polysilicon and silane gas. REC Silicon contributed to 26.6% of the Company’s consolidated revenues and 45.1% of its EBITDA (before elimination of intersegment transactions and corporate costs) in 2005.

Monosilane gas

REC Silicon produces silane gas (SiH₄) at both of its facilities. While a majority of this production is used by REC Silicon for the manufacture of polysilicon, a portion of the silane gas produced at the Butte, Montana facility is sold to third parties, primarily for use in semiconductor and LCD applications and, to a lesser extent, for use in the production of PV cells and thin film applications. These latter markets represent a growing proportion of REC Silicon’s silane gas sales.

REC Silicon produced approximately 7,250 metric tons of monosilane gas in 2005, some of which was sold to third parties.

Solar grade polysilicon

Solar-grade polysilicon is currently produced using two different methods: the Siemens reactor method and the FBR method. For further information regarding these production methods, see “Industry Overview – Solar power technology – Overview of polysilicon production technologies.” MEMC currently is the only polysilicon producer to use FBR technology to produce polysilicon commercially. REC Silicon is presently testing and refining its own proprietary version of FBR technology and is contemplating a major investment in expanded production capacity in Moses Lake based on FBR technology.

REC Silicon produced approximately 2,700 metric tons of solar-grade polysilicon in 2005.

Electronic grade polysilicon

Electronic grade silicon wafers are the fundamental building material for semiconductors, which in turn are vital components of virtually all electronics goods, including computers, telecommunications products, and consumer electronics. The highly engineered thin round disks are produced in various diameters (from one inch to twelve inches) and serve as the substrate material on which more than 95% of today’s semiconductor devices or “chips” are fabricated.

REC Silicon produced approximately 2,600 metric tons of electronic-grade polysilicon in 2005.

Sourcing of Inputs into the Production Process

Metallurgical grade silicon

Metallurgical grade silicon (“MGS”), which is silicon of 97-99% purity, is the primary raw material used in the production of polysilicon. The Moses Lake and Butte plants currently consume approximately 3,200 MT and 4,700 MT of MGS per year, respectively.

REC Silicon has secured close to 50% of its annual requirement through 2010 in a fixed price/take or pay contract with West Virginia Alloys, Inc, a company owned by Globe Metallurgical, Inc. (USA). West Virginia Alloys, Inc. acquired their silicon plant in Alloy, WV from Elkem Metals Company – Alloy LP in December 2005. This plant has been supplying both the Moses Lake and the Butte plants reliably since 1997 under the same contract. While the contract price currently is only slightly higher than the market price, it has been significantly above market price in the past and could become so in the future if market prices for MGS were to decline significantly.

The balance of REC Silicon’s annual requirement for MGS is satisfied by one-year purchase contracts with Globe Metallurgical, Inc. and RIMA Industrial S/A (“RIMA”) of Brazil, through RIMA’s alliance partner Polymet Alloys, Inc. of the United States.

REC Silicon aims to secure another source of MGS in order to have at least three sources following Globe Metallurgical’s purchase of Elkem Metals Company – Alloy LP’s West Virginia plant.

The MGS used by REC Silicon in its production processes needs to be sized appropriately (*i.e.*, broken down into pieces of a size that is appropriate for use as input into the Company’s processes). Currently, MGS used by REC Silicon is sized by Silicon Processors, Inc. of Ohio, USA. REC Silicon is in the process of testing ready-sized materials from another supplier in order to alleviate its dependence on Silicon Processors, Inc., and is also searching for other means to size the material.

Electricity

Electricity is a significant cost in the production of solar-grade silicon. The Grant County Public Utility District No.2 has supplied electricity to the Moses Lake plant for more than 20 years. At present, the plant consumes approximately 50 MW or 438,000 MWh of electricity per year. The original contracts, executed in 1984, expired in 2004, and the District has proposed terms for a new twenty-year agreement on terms similar to those prevailing under the previous long-term contracts. Since the expiration of the contracts, Grant County has charged REC Silicon under its cost-based public rate schedules and general customer services policies. The expiration of the contracts in 2004 has not entailed price increases, and in December 2005, Grant County lowered its rates for industrial customers. The negotiations for the renewal

of the contracts are temporarily recessed while REC Silicon negotiates the location of its planned expansion. The Company believes that Grant County Public Utility District No. 2 has sufficient electricity generation capacity to supply the Moses Lake plant and the potential expansion from its own electricity generation for the foreseeable future. As a regulated, municipal entity, the District provides electricity on a cost basis, which ensures that the Moses Lake plant benefits from relatively low electricity prices.

The plant in Butte requires 85-90 MW or 744,600-788,400 MWh of electricity per year. Montana's power market is not regulated. The Butte plant currently buys most of its electricity under two fixed-price contracts with Pennsylvania Power & Light (PPL) that both expire in 2007, each covering 25 MW. These contracts secure power at prices that are below current market rates in Montana. For 2006, the Company has entered into a third contract with PPL for an additional 25 MW. Under the terms of this agreement, the price is floating with a defined discount from the market rate. The remaining electricity needs of the plant are being satisfied through purchases made on the spot market.

NorthWestern Energy Company, a regulated investor-owned utility, provides the power distribution to the Butte plant.

The Company is in the process of evaluating its long-term options for supplying the Butte plant with reasonably priced electricity and has also started technology programs to seek to reduce the amount of electricity used in the manufacturing processes. None of the alternative sources or technological programs is expected to yield significant changes to the Butte plant's cost of electricity in 2006.

The Company expects that if the new FBR technology is successfully implemented, it will substantially reduce the need for electricity per kilogram of polysilicon produced.

Natural Gas

Natural gas is used primarily for heating in the silane gas process. REC Silicon consumes approximately 5 and 10.5 million therms/year of natural gas in Moses Lake and Butte, respectively. Natural gas is supplied to the Moses Lake facility by Cascade Natural Gas and to the Butte facility by NorthWestern Energy Company. The majority of the natural gas consumed by REC Silicon is supplied under one-year contracts.

Bulk gases

Bulk gases, such as hydrogen and nitrogen, are used in the silane production process and for cleansing and purging, respectively. Praxair, Inc. currently supplies both the Moses Lake and Butte plants with hydrogen and nitrogen. In Moses Lake the hydrogen contracts are renewable annually and can be terminated on 12 months' notice, while the nitrogen contract will only expire in February 2012. In Butte, the hydrogen contract runs until August 2008 and the nitrogen contract runs until February 2008. All contracts are fixed-price with annual index regulation. REC Silicon views the contracts for the Butte plant to be on unfavorable terms and expects to improve the terms when the current contracts expire.

Principal markets

Polysilicon

The PV industry is the principal market for REC Silicon's polysilicon and is expected to account for more than 60% of the polysilicon volume sold in 2006 and the following years. REC Silicon expects that the demand for solar-grade silicon will increase in line with the expected growth of the PV industry as a whole. The Company expects, however, that its market share of the PV industry most likely will not increase despite increased production from planned debottlenecking and simplification of the production process, as the market as a whole is expected to grow rapidly during this time. If the Company proceeds with the contemplated expansion of its polysilicon capacity in Moses Lake, however, it would tend to increase the Company's market share. The European PV-market accounts for 100% of REC Silicon's solar-grade silicon sales.

The remaining polysilicon volume is currently sold to customers in the electronics industry. The majority of the sales are to customers in Japan, although the USA, Taiwan, China and Europe also represent significant markets. These volumes are linked to long-term contracts that were entered into by ASiMI prior to its acquisition by the Company.

Silane gas

The two largest markets for silane gas are the IC market and the TFT-LCD market. The TFT-LCD market has experienced strong growth over the last 5 years, mostly driven by the increased demand for LCD monitors, notebook panels and LCD-TV panels, and the Company expects this trend to continue for the near-to medium-term. As silane gas is used in both silicon based thin-film applications and traditional solar cell production, the Company expects the PV industry to represent a growing market for silane gas.

Competition

REC Silicon is one of the world's leading suppliers of polysilicon. Current industry estimates suggest that REC Silicon will account for approximately 20% of global production of polysilicon in 2006.

REC Silicon's principal competitors are Hemlock, Tokuyama, MEMC and Wacker. These are all subsidiaries of, or companies closely linked to, larger electronics companies and for which the electronics industry is the primary market. All the current producers of polysilicon suffered significant set-backs during the period of over-supply between 1998 and 2003. As a consequence, polysilicon producers are now careful in adding capacity without being able to secure future sales through long-term contracts. According to recent announcements, all of the major industry participants are nevertheless currently planning capacity expansions due to the rapid growth in demand for polysilicon from both the electronics and the PV industry. For further information, see "Operating and Financial Review – Overview – Factors Affecting the Company's Results of Operations – Cyclicalities in the Polysilicon Industry."

At present, the key basis of competition is availability of polysilicon, due to the supply shortage in the market. Once the current supply shortage has eased, the Company expects that the key competitive factors will be costs, quality and physical format. The Company anticipates that production technology, energy costs and scale will determine the competitive position of the different polysilicon players going forward.

Sales and Distribution

REC Wafer purchased approximately 75% of the solar-grade silicon produced by REC Silicon in 2005. REC Silicon's external customers for solar-grade silicon are EverQ, which produces wafers, cells and modules based on the string ribbon technology and Deutsche Solar and PCMP, both of which are manufacturers of silicon wafers. These three customers accounted for 100% of revenue from external sales of solar-grade silicon in 2005.

While polysilicon sales are effected through bilateral contracts negotiated with end-customers, REC Silicon sells silane gas through specialty gas distributors. The main distributors are Air Products, Praxair, and Air Liquide, which together represent approximately 80% of the volume sold.

Technology

REC Silicon uses a silane gas-based process to produce polysilicon. The silane gas-based technology is the only technology used for the production of polysilicon that is not dependent on using by-products from other processes or disposing of relatively non-attractive by-products. This technology is a closed-loop process.

REC Silicon uses the Siemens reactor method for decomposing silane into polysilicon. This is the most commonly used method in the industry, even for those producers who do not use a Silane gas-based process. REC Silicon has four generations of Siemens reactors at the Moses Lake plant, which were installed between 1984 and 1996, and two generations of reactors at the Butte plant, which were installed in 1997 and 2005.

When, in 2002, the Company entered into the SGS joint venture with ASiMI, REC Silicon assumed ownership of ASiMI's research program into using a FBR for the decomposition of silane gas. For further information with regard to FBR technology, see "Industry Overview – Solar Power Technology – Overview polysilicon production technologies."

REC Silicon is now contemplating an expansion of its polysilicon capacity in Moses Lake based on the FBR technology. The Company expects that this new technology, if successfully implemented, will provide significant reductions in energy consumption.

REC Wafer

The Company conducts its wafer manufacturing business through its REC Wafer division. The following table sets forth key data for REC Wafer for 2003, 2004 and 2005.

	2005	2004	2003
	(IFRS)	(IFRS)	(N GAAP)
Revenues (in MNOK)	1,596	884	194
Production volume (in MWp) ⁽¹⁾	236	134	82
Number of employees	396	296	295

(1) On a pro forma basis, as though ScanWafer had been 100% owned by the Company from 1 January 2003 and as though REC SiTech had been 100% owned by the Company from 1 January 2005.

Introduction

REC Wafer consists of two business units: REC ScanWafer, which produces multicrystalline silicon wafers, and REC SiTech, a company acquired by REC in 2005 which produces monocrystalline ingots. REC ScanWafer is currently the world's largest producer of multicrystalline silicon wafers for the PV industry based on sales volume in 2005 according to the Company's estimates. In 2005, REC ScanWafer produced approximately 220 MWp or 148 million square decimeters of wafers, and REC SiTech produced ingots that could be used for the manufacture of approximately 16 MWp or 12 million square decimeters of wafers.

Production Facilities

REC Wafer's production facilities are located in Herøya and Glomfjord, Norway.

Herøya

REC ScanWafer's plant in Herøya, which produces multicrystalline wafers, currently has annual production capacity of approximately 150 MWp.

In April 2005, REC ScanWafer completed the expansion of its Herøya plant, augmenting its capacity to its current level. In July 2005, the Company began building a second facility in Herøya, Herøya II, which is expected to begin production in the third quarter of 2006. The planned capacity of the new plant will be approximately 190 MWp and, during the ramp-up period, the Company anticipates that the REC ScanWafer Herøya II plant will have a production capacity of 10 MWp in 2006 and 130 MWp in 2007 before reaching full capacity in 2008. Committed capital expenditures related to the construction of the REC ScanWafer Herøya II plant as of March 2006 have been approximately NOK 650 million and are anticipated to total NOK 708 million.

The Company believes that completion of the construction of the Herøya II plant on time is essential for it to maintain its market share in the market for silicon wafers in light of expected growth in demand in the coming years.

Glomfjord

REC ScanWafer's plant in Glomfjord, which produces multicrystalline wafers, currently has annual production capacity of approximately 100 MWp. In December 2005, REC Wafer initiated an investment program to upgrade and increase the production capacity at the plant in Glomfjord. The investment program, which will be completed during the first quarter of 2008, includes production equipment, support system and infrastructure. The expected total capacity increase is 100 MWp. In addition to the capacity expansion, the investment program also includes measure that will enable the plant to further reduce wafer thickness and increase the overall efficiency of the operation. Capital expenditures are anticipated to total NOK 370 million. No significant increase in the work force is expected to be required for the capacity expansion.

REC SiTech's plant, which produces monocrystalline ingots, is also located in Glomfjord, adjacent to REC ScanWafer's multicrystalline wafer plant. REC SiTech's plant was originally designed to produce monocrystalline ingots for the semiconductor industry. Today, the plant has been converted for the production of ingots that are subsequently processed into wafers for solar cells. At present REC SiTech operates 21 furnaces (also often referred to as crystal pullers) in Glomfjord.

Currently, REC SiTech does not have equipment for squaring and wafering and, as a result, these operations are undertaken by subcontractors, in some cases under contract with REC SiTech and in other cases under contract with REC SiTech's customers. REC SiTech has recently decided to invest in equipment for squaring. The equipment will be installed at REC SiTech in the second quarter of 2006.

Products

REC ScanWafer manufactures multicrystalline wafers in several sizes, including wafers with widths ranging from 125 mm to 156 mm and thicknesses currently ranging from 200 to 240 μm . Wafers with a width of 156 mm accounted for approximately 60% of REC ScanWafer's total production volume in 2005. REC ScanWafer anticipates converting much of its remaining production capacity to the manufacture of 156 mm wafers in the next 12 to 18 months. A portion of REC ScanWafer's existing equipment and some of the new equipment being installed in its plants can be used to manufacture wafers that are even larger than 156mm.

REC SiTech's product portfolio consists of monocrystalline ingots with different diameters and material specifications, which are set according to customer requirements. While REC SiTech's present output is relatively small in comparison to that of REC ScanWafer, the Company believes that REC SiTech's activities will help the Company to adapt in the event that monocrystalline technology increases in importance in the solar energy industry in the coming years.

Sourcing of Inputs into the Production Process

Solar-grade silicon

The main raw material for wafer production is solar-grade silicon.

Through REC Silicon, REC Wafer has relatively secure access to solar-grade silicon feedstock, which currently is an acutely scarce resource in the industry. REC Wafer presently purchases its solar-grade silicon from REC Silicon at market prices under a 5-year supply agreement and expects that for the duration of this contract it will satisfy more than 90% of its silicon needs through purchases from REC Silicon. REC Wafer also purchases solar-grade silicon from Wacker, a significant producer of both electronics grade and solar-grade silicon. REC Wafer and Wacker have had a business relationship for several years. Wacker has its plant in Germany.

Slurry

Slurry is a fluid composed of silicon carbide ("SiC") and polyethylene glycol ("PEG") that is used in wafer saws to confer upon them abrasive properties and to cool them. SiC functions as an abrasive, while PEG acts as a coolant. Currently, the Company purchases SiC from Orkla Exolon under a 3-year contract covering 2006-2008. The Company expects that Orkla Exolon will provide the Company with at least 80% of the SiC that it requires. BASF supply the Company with PEG under a supply contract that is set to expire in April 2008. The Company also purchases PEG from Dow. In connection with the expansion of the Herøya plant, REC Wafer has signed an agreement with SiC Processing, pursuant to which SiC Processing will build a plant next to REC Wafer's plant to recycle used slurry. The Company expects to realize noticeable cost savings from this agreement, since to date the Company has needed to incur transportation costs associated with shipping spent slurry to Germany for recycling.

Wire

Wires are used in wafer saws to carry slurry in order to create an abrasive effect.

REC Wafer has an agreement with Trefillarbed Bettembourg SA to provide wires. The agreement provides for an annual fixed volume of supply with prices determined annually according to a fixed mechanism that is linked to the price of steel.

Crucibles

A crucible is a container used to hold metal for melting in a furnace. A crucible is needed to withstand the extreme temperatures encountered in melting metals. The crucible material must have a much higher melting point than that of the metal being melted and it must have good strength even when very hot. Crucibles are used when producing the ingots used in wafer production.

REC ScanWafer has a two-year agreement with Vesuvius, a leading producer of crucibles.

Block saw blades

REC ScanWafer uses block saw blades to cut multicrystalline ingots into wafers. REC ScanWafer currently purchases its block saw blades primarily from Asahi under an order-based agreement.

Principal Markets

Approximately 60% of REC ScanWafer's products are sold in Europe, while approximately 40% of its products are sold in Asia. REC SiTech sells approximately half of its products to customers in the United States and half of its products to customers in Asia.

The principal market for REC Wafer's products consists of manufacturers of solar cells. REC Wafer's customer base is highly concentrated, with two customers accounting for 60% of the total output. For information on REC Wafer's key customers, see "– Sales and Distribution" below.

Competition

REC ScanWafer is a leading producer of multicrystalline wafers with an estimated market share of approximately 13% of the total PV market based on the volume of MWp produced in 2005 according to Marketbuzz 2006. At present, high barriers to entry characterize the market, principally due to the scarcity of solar-grade silicon, although this does not affect the Company to the same degree as potential new market entrants, as through REC Silicon, the Company has relatively secure access to solar-grade silicon feedstock. The Company's principal non-captive competitors in the market for silicon wafers are PV Crystalox (primarily an ingot producer), Deutsche Solar (part of SolarWorld) and JFE.

Due to the current shortage of solar grade polysilicon and in turn the shortage of silicon wafers, the global market for multicrystalline wafers currently is supply-constrained. Accordingly, the ability to deliver silicon wafers and, if possible, to grow a silicon wafer production business, is itself a competitive advantage. With a captive supply of solar grade polysilicon, REC Wafer is currently in a strong position. In a normalized market, however, customers are concerned with pricing and product quality. Additionally, as a result of the terms of the incentive schemes in Germany, customers expect that over time prices will be reduced by approximately 5% per year. The Company does not believe that such a reduction will take place in 2006.

With respect to quality, comparisons between products are based on their mechanical and electrical properties. The mechanical properties relate to the robustness of the wafer, with solar cell manufacturers preferring more robust wafers to ensure that they do not break during processing, homogenous wafer surfaces and edges without defects. The electrical properties relate to how much sunlight a wafer can convert into electricity. As cell producers are normally paid in accordance with how efficient their solar cells are, they prefer wafers with which they can manufacture relatively efficient solar cells.

REC SiTech is fairly new entrant in the market for monocrystalline ingots with a market share of approximately 1%, according to Company estimates.

Sales and Distribution

REC ScanWafer's three main external customers are Mitsubishi, Q-Cells and Motech, which together accounted for approximately 80% of REC Wafer's external revenues in 2005. The common terms of these long-term supply agreements include durations of 5-7 years, fixed annual volumes of supply and annual price determinations that include adjustments for changes in the price of silicon and the ability to resort to arbitration if the parties cannot agree on a price. These long-term agreements are an important part of the Company's strategy.

REC SiTech has entered into supply agreements with Sanyo and SunPower. The Company believes that Sanyo and SunPower currently use the most cost competitive technologies related to monocrystalline wafers and produce the most efficient cells. The Company further believes that these strategic alliances can help optimize REC SiTech's product specifications and increase its productivity. At present, REC SiTech supplies its entire output to Sanyo and SunPower in equal proportion.

In addition to the supply agreement, REC SiTech has entered into a technical cooperation agreement with Sanyo in order to increase REC SiTech's productivity and to reduce its costs. This agreement also provides for joint product and new equipment development.

REC Wafer typically works in direct contact with all its customers. Only to a very limited extent are agents or distributors used, and then only to handle certain practical matters related to logistics. REC Wafer considers it key to be in direct contact with its customers in order to understand the dynamics of the solar cell industry in general and its customer base in particular, and to receive feedback on product quality. Such feedback is critical as a basis for continuous improvements and product development.

Production Process

Multi crystalline production

Today, multicrystalline wafers typically have a thickness of 200-240 μm , and the current industry trend is towards larger and thinner wafers in order to reduce cost. It is difficult, however, to make wafers both thinner and larger simultaneously. Accordingly, while the current scarcity of polysilicon lasts, the Company believes that industry focus will remain on thinner wafers, for example in sizes up to 156 mm.

REC ScanWafer has been focusing on reducing the number of product varieties it manufactures in order to reduce production complexity and capitalize on economies of scale. REC ScanWafer's current primary wafer-product is the 156 mm wafer, as its manufacture uses raw materials and equipment more efficiently than other wafers.

In parts of the production line, REC ScanWafer benefits from proprietary technology. This includes the crystallization stage of the process, where the Company, together with ALD Vacuum Technologies, has developed a furnace to accommodate four crucibles in parallel, as opposed to one crucible, which is the industry norm. ALD Vacuum Technologies owns the patent rights to the furnace, but has granted the Company exclusive use of the technology until 2011. REC ScanWafer owns the rights to certain further developments of furnace technologies.

REC ScanWafer has achieved significant continuous improvements in furnace operations. When REC ScanWafer first began using the ALD Vacuum Technologies furnaces in 2001, the production per furnace was approximately 12 MWp. By reducing the cycle time, optimizing the wafer size, reducing the wafer thickness, and increasing the block length, production per furnace is now approximately 20 MWp, a 67% improvement. The Company anticipates that later in 2006 it will be able to further reduce wafer thickness and increase block length. The Company believes that by combining these developments, production per furnace will increase to approximately 22 MWp by the end of 2006, a further 10% increase.

The Company also has developed new advanced technologies for the wafering, singulation, cleaning and quality control parts of the process, reducing run time and manpower cost.

The Company consistently strives to increase the degree of automation and effectiveness at the steps of the production process that involve high-frequency movement of material. At the stage when ingots are cut into blocks, the manner in which blocks are secured is critical to ensure precision. The Company has developed a proprietary ingot fixation system as a means of further improving efficiency and precision in this part of the process. At the next stage, the blocks are sliced into wafers in a cutting process in which the Company uses an industry standard wire saw equipped with patented improvements.

To be able to cut the silicon, the wire grid must be covered with a slurry. The slurry is a significant cost component in the production process. Through different measures, including slurry recycling, the Company has reduced the slurry cost per unit by approximately 35% since 2002. It is also essential to develop good operating routines for the wafer saws. High precision is absolutely critical, and the Company is constantly looking for improvement measures in this area.

REC ScanWafer has also introduced recycling of production consumables, which is a significant measure with regard to the environment as well as to cost reduction.

Mono crystalline production

The production process at REC SiTech can be divided into crystal pulling and ingot shaping. Crystal pulling is based on the Czochralski method which is commonly applied in the industry for the pulling of ingots for semiconductor applications. Solar grade polysilicon is placed into special made quartz crucibles and placed into vacuum furnaces with low pressure argon-atmosphere. After melting the polysilicon, the crystal pulling

is commenced by lowering a seed-crystal into the melt. Through a computer-controlled process, the crystal is then slowly pulled out of the melt under continuous rotation.

The round ingot is then cut into smaller pieces called “blocks” with suitable lengths for wafer saws, and the “top and tail” parts of the ingot are recycled. The blocks are typically cut into pseudo-square shapes and then sliced into wafers (a step in the process that currently is outsourced).

The Company has endeavored to control the very sensitive crystal growing process and to increase the charge sizes (*i.e.* the amount of solar grade polysilicon which is loaded into the crucible). Productivity at REC SiTech’s plant increased by approximately 100% between 2004 and 2005. There is still considerable potential for further improvements, and REC SiTech’s efforts are now concentrated on improving process control and developing new designs for the “hot zone”, a crucial part of the furnace.

As more solar grade polysilicon becomes available, REC SiTech will consider adding more “pullers” to its operations. There is room for more than 20 additional pullers in the existing production hall at REC SiTech’s plant in Glomfjord. REC SiTech is also evaluating whether to expand into wafer production in cooperation with REC ScanWafer.

REC Solar

The Company conducts its solar cells and solar modules businesses through the REC Solar division. The following table sets forth key data for REC Solar for the years 2003, 2004 and 2005.

	2005	2004	2003
	(IFRS)	(IFRS)	(N GAAP)
Revenues (in MNOK)	404	214	31
Production volume (in MWp)			
Solar cells	20	11	2
Solar modules	14	5	1
Number of employees ⁽¹⁾	195	129	60

(1) Includes REC ScanCell and REC ScanModule.

The REC Solar division consists of REC ScanCell, REC ScanModule and SolarVision Ltd.

REC ScanCell

Production facilities and process

REC ScanCell has one production facility located in Narvik, Norway. This facility produced 1.8 MWp of cells in 2003, 10.7 MWp in 2004 and 20.0 MWp in 2005. In 2005, the Company set up a new production line in this facility, which began production in February 2006, as a result of which the Company expects that, during the third quarter of 2006, the facility will reach an annual production capacity of approximately 45 MWp.

Products

REC ScanCell produces solar cells based on multicrystalline silicon wafers manufactured primarily by REC ScanWafer but also by other wafer manufacturers. REC ScanCell currently focuses on cells with dimensions of 156x156 mm. The current thickness of these cells is 220 µm, based on wafers with a thickness of 240 µm. REC ScanCell reduced the thickness the wafers used in its cells from 280 µm to 240 µm in the middle of 2005 and is currently preparing for 200 µm wafers.

The average efficiency of all sellable cells produced by REC ScanCell in 2005 was approximately 14.7%, and the highest efficiency cell produced in 2005 had an efficiency of 15.9%.

Sourcing of inputs into the production process

REC ScanCell’s key wafer supplier is REC ScanWafer, with which REC ScanCell has entered into a five-year contract on market-based pricing and payment terms. REC ScanCell also works with other wafer suppliers, however, both to have a back-up source of supply and to enable benchmarking. REC ScanCell’s key suppliers of pastes are Ferro, Du Pont and Toyo Aluminum and its main supplier of screens is Microcircuit International. The key supplier of gases and chemicals is Yara. REC ScanCell has long-term relationships

with each of its suppliers. With the exception of REC ScanWafer, the Company does not believe that REC ScanCell's production processes are dependent on any one supplier or group of affiliated suppliers.

Principal markets

In 2005, 75.8% of REC ScanCell's output was sold to REC ScanModule and the remaining 24.2% was sold to other module manufacturers, nearly all of which are based in Europe. The Company anticipates that in 2006 more than 90% of REC ScanCell's production volume will be sold to REC ScanModule.

Competition

REC ScanCell has a market share of approximately 4.0% in Europe in terms of volume in 2005, based on a total European market of approximately 510 MWp of cell production in 2005, according to Marketbuzz 2006. Although REC ScanCell does not enjoy the same benefits derived from economies of scale as some of its competitors, REC ScanCell believes that it enjoys a relatively attractive competitive position due to certain key competitive strengths, including a relatively predictable supply of wafers from REC Wafer, highly automated cell manufacturing lines leading to relatively limited use of manual labor, technical collaboration within the REC group and with other non-group companies, and a strong research and development portfolio with a number of promising filed patent applications.

Sales and distribution

In 2005, REC ScanCell sold 75.8% of its production to REC ScanModule. The Company expects that in the near- to medium-term an even larger percentage of REC ScanCell's products will be sold to REC ScanModule, due to the latter's increased capacity. All of REC ScanCell's sales to external customers are handled by Q-cells, and cells manufactured by REC ScanCell and sold to such customers are branded Q-cells.

REC ScanModule

Introduction

REC ScanModule was established early in 2002. Its production plant was built in the same year, which delivered its first products in July 2003. REC ScanModule accelerated and stabilized production in 2004, and reached its pre-expansion production capacity during the autumn of 2005.

Production facilities and process

REC ScanModule's production facility is located in Glava, Arvika in Sweden. The Glava plant produced 0.5 MWp of modules in 2003, 5.0 MWp in 2004 and 14.0 MWp in 2005. In January 2006, REC ScanModule began to install a new production line in this facility, which commenced operation shortly thereafter. As a result of this expansion, the Company expects that, by the third quarter of 2006, the facility will reach an annual production capacity of approximately 45 MWp.

Products

REC ScanModule manufactures solar modules based upon multicrystalline PV cells produced by REC ScanCell. REC ScanModule currently produces two products. The main product is a 175 Wp module based on 5x10 solar cells. This product currently is sold exclusively to Conergy and sold by Conergy under its own brand. In the second quarter of 2006, REC ScanModule expects to introduce its second product, a 210 Wp module based on 6x10 solar cells. REC ScanModule intends to distribute this product to new customers under its own brand.

Sourcing of inputs into the production process

REC ScanModule's key supplier of solar cells is REC ScanCell, but it also purchases some cells from Q-cells. Other key inputs to REC ScanModule's production process are glass, frames, backsheets, polymers and junction boxes. REC ScanModule has worked with several suppliers of glass and has one key supplier for each of the other key input materials. The Company does not believe that REC ScanModule's production processes are dependent on any one supplier or group of affiliated suppliers except REC ScanCell.

Principal markets

In 2005, nearly all of the volume produced by REC ScanModule was sold to Conergy in Germany. In 2006, however, with REC ScanModule's increased capacity, it has been establishing a broader customer portfolio. These customers are primarily larger PV project developers.

Competition

REC ScanModule has a market share of approximately 2.3% in Europe in terms of volume in 2005 according to ENF – Manufacturer Market Survey 2006. Despite REC Solar's relatively short history, REC ScanModule has in the Company's view already established profitable scale production, a strong technology platform, and market acceptance for its products. Further, the Company views REC ScanModule's robust supply of cells from REC ScanCell as a competitive strength of REC ScanModule.

Sales and distribution

REC ScanModule's sales strategy is to focus on a few large customers, with high volume in each account. This has been important for REC ScanModule's entry into the market and its earning recognition for the quality of its products.

At present, REC ScanModule's most important customer is Conergy, which is Germany's leading solar energy company and which manufactures and distributes components and systems for generating electricity, heat and cooling from renewable sources. Since the relationship began in April 2004, REC ScanModule has delivered modules representing more than 20 MWp to Conergy. The long-term relationship is now based on a three-year contract, under which REC ScanModule will supply Conergy with a significant portion of the former's production volume during the life of the agreement. Further, REC ScanModule is currently negotiating sales contracts with other key European customers for the remainder of its production volume. These contracts will be for the sale of REC ScanModule's new REC-branded product.

Solar Vision (PTY) Ltd

Solar Vision (PTY) Ltd ("Solar Vision") is a small operation in South Africa with fifteen employees. SolarVision has a mandate from the South African government to install 50,000 solar home systems. To date, it has installed approximately 10,000.

Intellectual Property

The Company generally seeks patent protection in key markets through patent applications on inventions that are considered to be of sufficient importance for providing production cost advantages or product quality advantages. In the case of innovations with regard to which it would be essentially impossible to control whether or not competitors are violating potential patents, the Company generally does not file for patent protection. For important innovations, where the Company seeks to file patent applications internationally, it typically files applications in key markets and also to some extent in key manufacturing countries. Less important innovations are often left as one-country patents as a means of preventing others from filing international patent applications on the same innovation. For the same reason, the Company has made disclosures regarding certain aspects of its technology in publicly available technical literature and intends to continue to do so as appropriate in the future.

The Company's patents cover processes currently being used in the following production steps for solar modules:

- Silane manufacturing
- Silane deposition in Siemens and FBR reactors
- Crystallization of silicon (patents primarily held by ALD, but exclusive use by REC)
- Sawing of ingot into bricks
- Sawing of bricks into wafers

The remainder of the Company's patents and patent applications cover technology currently being developed for future mass production. The total number of patents and patent applications in the Company are distributed as follows:

	REC Silicon	REC Wafer	REC Solar
Patents (patent families) granted	20	4	0
Patent applications pending	7	10	6

Strategic Ownership Interests

CSG Solar

In 2004, the Company and Q-Cells jointly assisted the management of Pacific Solar Pty Ltd. in Australia to carry out a management buy-out and establish CSG Solar, which was thereafter financed by the Company, Q-cells and some of its shareholders. CSG Solar has been developing a technology for microcrystalline silicon based thin-film modules for the solar energy market over many years and is currently starting up a 20 MWp pilot production in Thalheim, Germany. The Company believes that CSG Solar has an excellent technology for low cost manufacturing of low efficiency modules, a market that will in the Company's view be very important both for rural grid-connected applications and for numerous small off-grid applications. The Company believes that CSG Solar's technology is the most promising thin-film technology and that its technology does not suffer from the durability, stability, scalability, supply or environmental issues inherent in other competing thin-film concepts.

Currently the Company has an equity interest of approximately 23% in CSG Solar. Other large shareholders include Q-Cells, Apax and Good Energies Investments.

For further information see "Material Contracts – Cooperation Agreements and Strategic Ownership Interests – CSG Solar."

EverQ

At the beginning of 2005, Q-Cells AG of Germany and Evergreen Solar, Inc. of the USA established EverQ, a company based in Thalheim for the production of solar modules using the String Ribbon process. In November 2005, REC became the third partner in this company. In this context, a supply agreement with a term of seven years was entered into, which commits the Company to initially deliver 250 tons of solar-grade silicon per year to EverQ. These initial deliveries will meet the polysilicon needs of the first production plant of EverQ. In addition, the Company has agreed to offer additional polysilicon volumes on binding long-term conditions for the period from 2008 - 2014 to EverQ as soon as the Company's own capacity expansion allows this. Under the terms of the related agreement, this offer will furthermore trigger rights on the part of the Company to increase its ownership in EverQ. The Company currently has a shareholding of 15% in EverQ, while Q-Cells holds a 21% shareholding and Evergreen Solar holds a 64% shareholding. The agreement also gives both the Company and Q-Cells the right to increase their share in EverQ to a maximum of 33.3%.

EverQ currently is starting up a manufacturing plant for solar cells and modules in Thalheim with an annual production capacity of 30 MWp and based on the String Ribbon™ process developed Evergreen Solar, Inc. This String Ribbon technology is highly dependent on an ultra-pure (electronic grade) feedstock of the granular shape, and has the potential to use less of such silicon than the sawn wafer technologies. The Company anticipates that EverQ's need for this type of feedstock can be met by the granular product currently developed by the Company using FBR technology. Based on the initial success of the facility, EverQ is expected to evaluate the possibility of expanding its production volume.

For further information see "Material Contracts – Cooperation Agreements and Strategic Ownership Interests – EverQ."

Research and Development

The Company's research and development expenses amounted to NOK 29 million, NOK 60 million and NOK 50 million in 2003, 2004 and 2005, respectively. The Company anticipates research and development expenses of approximately NOK 90 million in 2006. The Company's research and development efforts have

historically been focused on increasing productivity through developing more efficient production equipment, increasing automation and increasing yield through reduced wafer thickness in the REC Wafer division; debottlenecking and research on FBR technology in the REC Silicon division; and first mastering cell and module manufacturing technology and then achieving higher productivity, automation and cell efficiency in the REC Solar division.

Employees

As of 31 December 2005, the Company employed 1,116 persons. Of these 1,116 employees, 25 were employed by REC, 490 were employed by REC Silicon, 396 were employed by REC Wafer and 205 were employed by REC Solar.

The table below reflects a breakdown of the geographic location of all employees of the Company as of 31 December 2005.

Location	Percentage of Total Employees (as of 31 December 2005)
Norway	46%
United States	44%
Sweden	10%
Total	100%

Membership of trade unions varies in accordance with the business areas, local practice and country. A number of group companies have entered into collective bargaining agreements with trade unions either directly, or as members of employer organizations. These agreements typically govern terms and conditions of employment and dispute procedures. Terms and conditions of union agreements in each country reflect the prevailing practices in each such country. The Company believes that relations between management and employees are good. As of the date of this Prospectus, the Company had no employee representative on the board of directors.

Work Safety and Environmental Protection

The Company needs discharge permits from the Norwegian Pollution Control Authority (SFT) for its various manufacturing sites in Norway. As of the date of this Prospectus, the Company held all permits needed to conduct its business in Norway, and had not been notified by the authorities of any amendments to these permits.

The Swedish pollution control authority has notified REC ScanModule that there is an elevated risk of ground pollution on property that it owns in Sweden. The Company's Swedish counsel has advised it that there is only a negligible risk that the Company, as current owner of the land, will be held responsible for the pollution, as the pollution was caused by the previous owner and occupier of the land and under Swedish law responsibility for the clean up of pollution is assigned to the polluter. Nevertheless, if for any reason the polluter could not be held responsible, the Company could be liable for substantial remedial costs.

REC Silicon's processes for manufacture of polysilicon involve manufacture, processing, storage, use, handling, distribution and transportation of hazardous and volatile substances. In particular, at both the Butte and Moses Lake facilities, REC Silicon manufactures and uses large amounts of silane gas, while REC ScanCell uses silane gas in the production of cells. Silane gas is an extremely flammable and explosive gas, classified as "pyrophoric." A variety of protective measures are in place to address the risk of fire and explosion, including carefully designed pipes, valves and storage vessels, and a process safety management program that consists of integrity monitoring and inspections, leak detection, fire detection/suppression systems, and emissions controls on any units that may emit silane gas. The cryogenic storage areas for silane have ammonia- or chlorofluorocarbon-based refrigeration systems that also require extensive controls to minimize leakage.

The Butte and Moses Lake facilities also require extensive environmental controls to address the byproducts of the silane manufacturing process, which include gaseous emissions, wastewater discharges, and solid waste materials. The silane manufacturing process uses metallurgical grade silicon, hydrogen, and silicon

tetrachloride as raw materials that are fed to a hydrogenation unit. After a multi-step reaction, the silane product is recovered from the mixture by distillation. The process is designed as a closed-loop system, with byproduct gases either returned to the process or collected for sale. Each facility, however, operates a number of scrubbers and other devices to control routine vents of process gases, including heavy chlorosilane components and lighter components such as silane, as well as a maintenance and emergency scrubber system to capture emissions during maintenance turnaround and emissions from pressure relief valves. Other sources of air emissions include silos and hoppers, where particulates are captured by baghouses, and combustion sources that are controlled for nitrogen oxides, carbon monoxide, sulfur dioxide and particulate emissions. Spent scrubber solutions from these air emission controls, as well as wastewater from other sources, require neutralization and solids removal. Each facility has a multi-stage system to treat wastewater prior to discharge. The process also generates various solid wastes, including byproducts of the air emission and wastewater treatment systems, as well as solid impurities from the silane process consisting primarily of silica and metal compounds that must be disposed of in waste landfills.

Subsequently, in the polysilicon manufacturing process at each facility, silane gas is heated so that it thermally decomposes to form hydrogen and silicon, the latter of which is deposited onto starter rods in a reactor. The primary environmental impact of this process is wastewater resulting from use of a caustic solution for cleaning the reactors and associated equipment after each harvest. The wastewater contains significant quantities of sodium silicate and must be treated for solids removal prior to discharge.

Under the Company's environment, health and safety program, several employees are responsible for on-going environmental compliance. The tasks undertaken by these employees include supporting laboratory analysis, waste handling and disposal, outside agency reporting and compliance monitoring. The Company has developed policies and procedures that guide plant personnel on appropriate means to ensure environmental compliance during both routine and extraordinary operations.

The Butte and Moses Lake facilities must continuously comply with United States federal, state and local environmental statutes and regulations associated with their manufacturing operations. Such requirements could subject the Company to capital expenditures in the future, however, the Company is not aware of any prospective environmental requirements that would significantly impact its operations.

Environmental, health and safety departmental operating expenditures during 2005 were approximately U.S.\$500,000, for each of the Butte, Montana and Moses Lake, Washington facilities. The Company anticipates that during each of 2006 and 2007 it will spend similar amounts on its environment, health and safety programs. These figures do not include capital expenditures relating to environmental improvements, which are included in the REC Silicon plants' operating budgets, such as wastewater improvements at the Butte facility that are expected to cost approximately U.S.\$4 million. The expenses associated with the Moses Lake plant's wastewater and by-products treatment facility improvements will be incorporated in the costs of the contemplated expansion project.

Insurance

The Company has implemented a self-insurance scheme for product liability claims rather than purchasing commercial insurance cover. See "Risk Factors – Risks Related to the Company – Product liability claims against the Company could result in adverse publicity and potentially significant monetary damages."

Legal Proceedings

From time to time the Company and its subsidiaries are or may become engaged in litigation incidental to their business. As of the date of this Prospectus, and for the preceding 12 months, the Company is not, and has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), which may have, or have had in recent past significant effects on the Company's financial position or profitability.

Related Party Transactions

Overview

The Company maintains various and significant business relations with related parties. The Company believes that these transactions are undertaken on an arm's length basis and that amounts paid pursuant to these agreements are consistent with prevailing market prices for similar services.

Under Norwegian law, an agreement to acquire assets or services from a shareholder or connected person (e.g., a spouse or significant other, and other family members) of such shareholder and which involves consideration from the company in excess of $\frac{1}{20}$ for public limited companies or $\frac{1}{10}$ for private limited companies of the company's share capital at the time of such acquisition is not binding on the company and must be revised unless the agreement has been approved by a general meeting of shareholders. Agreements concluded in the normal course of the company's business containing pricing and other terms and conditions, which are industry-standard for such agreements, as well as the purchase of securities at a price which is in accordance with the official quotation, do not require such approval. Except for the acquisition of REC SiTech and the Company's purchase of shares of REC ScanWafer in 2003, which were approved by general meetings of the Company's shareholders, the agreements entered into by REC with related parties have not required consent from a general meeting of shareholders.

The Board of Directors currently consists of five members. Of the eight persons expected to be members of the Board of Directors on the first day of listing on the OSE, six have relationships with and/or are employees of the controlling shareholders. In addition, Marcel E. Brenninkmeijer is a member of the Board of Directors of Q-Cells, one of the principal customers of the Company's REC Wafer division. The other two members of the Board of Directors are independent of the Company's major shareholders, management and the Company's material business partners. For further information, see "The Company's Management – Board of Directors."

Transactions Between the Company and Senior Management

On 8 July 2005, the Company loaned Erik Thorsen NOK 700,000, and on 8 December 2005, the Company loaned Svånaug Bergland NOK 500,000. The purpose of each of these loans was to facilitate the borrower's purchase of a car. Each of the loans is interest and instalment free for two years and is secured by certain real estate holdings of the relevant borrowers. In each case, if the borrower resigns from the Company, the loan will become due and payable. On 1 August 2005, the Company loaned Gøran Bye U.S.\$50,000 on an interest free basis, which is to be repaid by setting-off amounts owed against his net annual bonus payments, beginning in 2007.

Business Relationships with Major Shareholders

Good Energies Investments, Elkem and Hafslund Venture currently own 40.0%, 27.5% and 25.0%, respectively, of the Company's ordinary Shares. See "Share Ownership of Directors, Executive Officers and Certain Registered Owners."

Convertible Loans and Other Shareholder Loans

As part of the financing of the acquisition of ASiMI, the Company entered into a U.S.\$140,000,000 12% term loan facility that was to mature on 1 December 2006. Under this loan agreement between REC and Good Energies Investments, Elkem and Hafslund Venture dated 14 July 2005 the Company pledged its shares of its subsidiary REC Silicon Inc as security. The lenders under the term loan facility were paid a commitment fee in the amount of 1.25% of the aggregate principal amount of the loan. This loan was prepaid in full on 27 October 2005 and the lenders issued releases for the pledged stock. The loan was replaced by a term loan and revolving credit facility entered into with DnB NOR and ABN AMRO Bank N.V. ("ABN AMRO"), as further described in "Material Agreements."

Also as part of the financing of REC's acquisition of ASiMI, the Company entered into a U.S. \$140,000,000 convertible term loan agreement with Good Energies Investments, Elkem and Hafslund Venture dated 13 July 2005, that matures on 1 December 2006. The loan was issued in the form of bonds that bear interest at 8.00% per annum and that are convertible on 8 September or 1 December 2006 into Shares of the Company

at a conversion price of NOK 12.75 per share. As of 31 March 2006, 99.88% of these convertible bonds had been converted.

Agreements Entered into with Companies in which Good Energies Investments Holds an Interest

Good Energies Investment holds an interest in CSG Solar and in Q-Cells AG (“Q-Cells”). In December 2004, the Company entered into an agreement with respect to the ownership of CSG Solar, in which Good Energies Investments became an investor in 2005. For a more detailed description of this arrangement, see “Material Contracts – Cooperation Agreements and Strategic Ownership Interests – CSG Solar.”

Q-Cells, in which Good Energies Investments has an estimated interest of approximately 16.4%, is one of REC Wafer’s most important clients. For a more detailed description of this relationship, see “Material Contracts – Material Customers/Supply Agreements – REC Wafer.”

Q-Cells is also a co-investor with the Company in both the CSG Solar and EverQ projects. For more information about these projects, see “Material Contracts – Cooperation Agreements and Strategic Ownership Interests.”

Acquisitions from Related Parties

In May 2005, REC ScanWafer acquired NorFurnace AS from, among others, Good Energies Investments and Scatec AS. In July 2005, the Company acquired the remaining 88% of SiTech from, among others, Good Energies Investments, Hafslund Venture, Scatec AS and Hektor AS. Alf Bjørseth, the former CEO of the Company, and Reidar Langmo, an officer of the Company, had significant ownership interests in Scatec AS at the time of these sales. Hektor AS is owned by Halvor Svartdal, who was at the time of these sales a member of the Company’s board of directors.

Material Contracts

Cooperation Agreements and Strategic Ownership Interests

EverQ

In November 2005, the Company entered into an agreement with Evergreen Solar, Inc. (“Evergreen”), a Delaware-based company, and Q-Cells AG, a German company. This agreement relates to the operation of EverQ, a company for manufacturing silicon wafers using the so-called “string ribbon” technology, as well as for further processing of the string ribbon silicon wafers into PV cells and PV modules. As of 31 December 2005, Q-Cells owns 21% of EverQ, Evergreen owns 64% and the Company owns 15%. Both the Company and Q-Cells have the right to increase their ownership interest to 33.3%.

Under the related agreements, the Company was required to pay to Q-Cells and Evergreen NOK 37 million to acquire the Company’s 15% of EverQ. The Company’s 15% acquisition was on the same terms and subject to the same conditions as Q-Cells’ and Evergreen’s original agreement, except that the Company paid a 5% premium (€225,000) in order to account for its share of certain expenses incurred in the creation of EverQ and those incurred between the EverQ’s inception and the Company’s investment. EverQ’s total capitalization currently includes €30,000,000 in aggregate equity contributions, €27,500,000 in government grants and €10,000,000 in guaranteed loans, of which the Company has guaranteed a 15% *pro rata* share.

Additional rights were granted to each of EverQ’s shareholders under the agreements. Q-Cells has a right of first refusal to take part in any alternative cell venture together with Evergreen. The Company has a right of first refusal to take part in any alternative wafer venture together with Evergreen. If Evergreen wishes to enter into an alternative venture that is active in both wafers and cell processing, all parties will begin a three-way negotiation. During the term of the EverQ agreement and for a period of two years following the expiration of the agreement, neither Q-Cells nor the Company is permitted to engage in other ribbon technology-related activities similar to the StringRibbon technology. For further information, see “The Company’s Business – Cooperation Agreements and Strategic Ownership Interests – EverQ.”

Sanyo

The Company’s subsidiary REC SiTech signed a Memorandum of Understanding with Sumitomo Corporation (“Sumitomo”) and Sanyo Electric Co. Ltd (“Sanyo”) on 22 July 2005 regarding monocrystalline wafer production. The Company believes that Sanyo currently uses one of the most cost competitive technologies related to monocrystalline wafer cell production. The Sanyo HIT (Heterojunction with Intrinsic Thin Layer) solar cells are hybrids. They are made of thin monocrystalline silicon surrounded by ultra thin amorphous silicon layer and have efficiencies in the 17-20% range. The Company further believes that this strategic alliance can help optimize REC SiTech’s product specifications and increase its productivity. At present, REC SiTech supplies a significant portion of its output to Sanyo.

In addition to the supply agreement, REC SiTech has entered into a technical cooperation agreement with Sanyo, under which Sanyo has agreed to transfer to REC SiTech ingot production technology from its U.S.-based operations, in order to increase REC SiTech’s productivity and to reduce its costs. This agreement also provides for joint product and new equipment development.

CSG Solar

As of 31 December 2005, the Company had invested NOK 67 million in CSG Solar and currently owns 23% of CSG Solar. Other shareholders in CSG Solar include Q-Cells, Good Energies Investments, IBG, and the shareholders of APAX Europe V-A L.P. CSG Solar is a German company that specializes in the development and production of PV modules using the so-called “crystalline silicon on glass” (“CSG”) thin-film process. Modules produced using the CSG thin-film process use less than 1% of the silicon used to produce a conventional solar module, as measured in Wp.

Under the agreements, the Company and Q-Cells have an exclusive right of first refusal in regard to all activities aimed at the commercialization of CSG technology that CSG Solar does not conduct itself, but that it does wish to conduct together with third parties. This right of first refusal is available to each of Q-Cells and REC individually if the other party does not exercise it.

Each shareholder has a right of first refusal on the sale of CSG Solar shares by the other shareholders. If a majority of at least 75% of the CSG Solar shareholders resolves to sell its CSG Solar shares, each shareholder may demand that all other shareholders sell their shares in connection with this sale. All shareholders have agreed to use their best efforts to effect an initial public offering of CSG Solar once the company has generated a profit before interest and taxes for a period of at least two quarters. If by 30 September 2008 neither a sale nor an initial public offering of CSG Solar has taken place, at least three shareholders jointly holding 25% or more of the share capital of CSG Solar may demand that a sale of the shares in CSG Solar be initiated. In connection with this sale and under certain conditions, the shareholders not intending to sell will have the option of acquiring the shares of those who do. If they do not exercise their acquisition option, an auction process for all shares of CSG Solar will be conducted.

For further information, see “The Company’s Business – Cooperation Agreements and Strategic Ownership Interests – CSG Solar.”

ASiMI / Komatsu

On 25 June 2005, the Company’s wholly-owned subsidiary REC Silicon Inc and Komatsu entered into an agreement under which REC Silicon Inc purchased 75% of Komatsu’s holding in ASiMI, a U.S.-based polysilicon production company, with a production facility in Butte, Montana. The acquisition was completed on 29 July 2005. The acquisition was financed in part through the Company’s U.S.\$140 million convertible bond issued 13 July 2005, its U.S.\$140 million 12% term loan facility dated 14 July 2005 and by a U.S.\$8 million loan from Komatsu to ASiMI (which has since been prepaid in full) that was guaranteed by the Company. The U.S.\$140 million term loan was prepaid in full on 27 October 2005 and replaced by a new U.S.\$170 million credit facility dated as of 14 September 2005, among ABN AMRO, DnB NOR, the Company, ASiMI and SiTech. The new credit facility (which was prepaid in full in March 2006) was secured by a pledge of the Company’s directly and indirectly held shares in REC SiTech and REC Silicon Inc and the Company’s ownership interests in ASiMI and SGS. For further information regarding these agreements, see “Related Party Transactions – Business Relationships with Major Shareholders – Convertible Loans and other Shareholder Loans.”

While Komatsu retains a 25% minority interest in ASiMI through 2010, it does not retain any voting rights or rights to dividends. It receives instead a fixed periodic payment in respect of its holdings. The Company accounts for Komatsu’s minority interest in ASiMI as long-term indebtedness. See Notes 18 and 31 of the Notes to the IFRS Financial Statements. Komatsu’s current holdings in ASiMI are subject to certain transfer restrictions.

In connection with the Company’s acquisition of ASiMI, the Company entered into an agreement with Komatsu to supply electronic-grade silicon to entities affiliated with Komatsu. See “The Company’s Business – REC Silicon – Production Facilities – Moses Lake.”

Material Customers / Supply Agreements

Overview

The Company currently works with a small number of customers who have expertise and capabilities in a given market segment or geographic region. The five largest customers accounted for approximately 63% of the Company’s total external sales in 2005. Long-term contracts have always been a key strategy for the Company. For further information in this regard, see “The Company’s Business – Strategy.”

For information about the risks associated with the Company’s customers or with customer agreements, see “Risk Factors – Risks Relating to the Company – Several large customers account for the greatest share of the Company’s sales.”

REC Silicon

The Company expects that in 2006 approximately 50% of REC Silicon’s polysilicon production will be sold to REC Wafer. REC Silicon’s other main polysilicon customers include Evergreen Solar / EverQ, Deutsche Solar, PCMP, Komatsu Electronic Metals, Shin-Etsu Handotai and Tianjin Zhong-Huan Semiconductor Joint Stock Co., Ltd. REC Silicon’s main silane gas customers are Air Products, Prax Air and Air Liquide. For further information in this regard, see “Business – REC Silicon – Sales and distribution.”

The plant at Moses Lake, Washington currently consumes approximately 3,200 MT of metallurgical grade silicon per year and has one-year supply contracts in place with RIMA and Globe. The plant at Butte, Montana currently consumes approximately 4,700 MT of metallurgical grade silicon per year, and has a fixed price/take or pay contract with Globe through 2010. For further information in this regard, see “The Company’s Business – REC Silicon – Production facilities” and “ – Sourcing of the inputs into the production process.”

REC Wafer

The majority of REC Wafer’s sales to third parties are based on long-term agreements with large well-reputed international solar cell producers. REC ScanWafer has, and expects to continue to have, a limited number of customers and will focus on maintaining close and long-term relationships with them, as demand from existing customers currently exceeds annual production capacity.

REC Wafer’s major sales contracts are generally five-year so-called “take-or-pay” contracts, in which buyers are required to take possession of the total amount of their order or to pay for any undesired units. Sales prices are typically negotiated on an annual basis within the parameters of a pre-agreed framework agreement. For the last two years, REC ScanWafer’s three largest customers accounted for approximately 80% of external product sales.

On 30 March 2005, REC ScanWafer entered into a long-term sales agreement with Q-Cells that expires in December 2010. This “take-or-pay” agreement includes pre-determined purchase quantities, but Q-Cells may request annual reductions of up to 10% from the annual quantity stated in the contract at the time of execution. Although this agreement may not be assigned, REC ScanWafer may pledge its accounts receivables in order to finance the expansion of the production facilities required to meet its delivery obligations.

On 15 September 2004, Mitsubishi Electric Corporation (“Mitsubishi”) and REC ScanWafer entered into a long-term sales agreement that will expire on 31 March 2009. Quantities to be delivered are set each year and specified in purchase orders. Prices were pre-set for 2004, but subsequent years’ prices are to be determined according to a price adjustment clause. REC ScanWafer is not permitted to suspend production unless it gives a written notice at least one year in advance and obtains approval in writing from Mitsubishi.

On 1 October 2005, REC SiTech entered into a supply agreement with Sumitomo, which supplies products to Sanyo. Sumitomo also organizes the processing of ingots into wafers before the final products are shipped to Sanyo. This three-year contract provides for monthly quantities set in purchase orders on a ‘take-or-pay’ basis.

REC ScanWafer also sells a significant part of its output to REC ScanCell. For further information in this regard, see “The Company’s Business – REC Wafer – Principal markets” and “ – Sales and distribution.”

REC Solar

In 2005, REC ScanCell sold approximately 70% of its production to REC ScanModule.

On 24 February 2004, REC ScanModule entered into a three-year supply agreement with Conergy, REC Solar’s largest external customer. The annual quantities of solar modules to be delivered are pre-determined and amount to a total targeted nominal output of 31 MWp. Conergy, however, has the option to purchase limited additional quantities. Base prices are to be negotiated on an annual basis for the subsequent year’s supply. This agreement provides for penalties for both supply delays and under-ordering on quarterly or yearly volumes. For certain specified module types, REC ScanModule granted Conergy an exclusive right of purchase. Once a year or following the occurrence of major quality problems, Conergy has the right to perform a production audit at REC ScanModule’s production facilities. For further information in this regards, see “The Company’s Business – REC Solar – Principal markets” and “ – Sales and distribution.”

The Company's Management

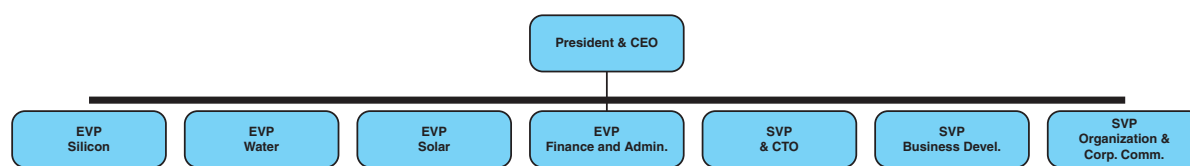
Overview

The Company's management is vested in its Board of Directors and its Chief Executive Officer. In accordance with Norwegian law, the Company's Board of Directors is responsible for, among other things:

- supervising the general and day-to-day management of the Company;
- ensuring proper organization of the Company's business;
- preparing plans and budgets for the Company's activities;
- ensuring that the Company's activities, accounts and asset management are subject to adequate controls; and
- undertaking investigations necessary to perform its duties.

The Company's Chief Executive Officer ("CEO") is responsible for its day-to-day management in accordance with the instructions, policies and operating guidelines set out by its Board of Directors. Among other things, the CEO of a Norwegian public company is obligated to ensure that the company's accounts are kept in accordance with existing Norwegian legislation and regulations and that the assets of the company are managed responsibly. In addition, at least once a month, the CEO of a Norwegian public company must brief the board of directors about the company's activities, position and operating results.

The following chart sets forth the management structure of REC:



Corporate Governance Code

The Company's revised corporate governance principles, which the Company is currently implementing and which will be in force prior to the date of listing, are based on, and comply with, the Norwegian Code of Practice for Corporate Governance (the "Code of Practice") issued by the Norwegian Corporate Governance Board on 8 December 2004. The Company will post its corporate governance principles on its website. In compliance with the Code of Practice, the Company's Articles of Association were amended at the Annual General Meeting held on 20 April 2006 to allow for the election of a Nomination Committee by the General Meeting. The General Meeting also approved guidelines for the Nomination Committee based on the Code of Practice. Under these guidelines, the members of the Nomination Committee may only be elected by the shareholders and must be independent of management and the Board of Directors.

The Company has established a Corporate Governance Committee and elected Rune Bjerke, Ole Enger and Marcel E. Brenninkmeijer as the committee's first members. As of the date of this Prospectus, Roar Engeland was the sole member of the Company's Auditing Committee, while the Compensation Committee was made up of the same members as the Corporate Governance Committee.

Board of Directors

Size and Manner of Election of the Board of Directors; Initial Directors and Directors Following the Listing

According to the Company's Articles of Association, the Board of Directors shall consist of a minimum of 5 and a maximum of 9 members.

The name, age, qualifications and certain other information relating to each member of the Company's Board of Directors is set forth below:

Tore Schiøtz (48) has served as the Chairman of the Board since 2002. Mr. Schiøtz is the CEO of Hafslund Venture, a subsidiary of the OSE listed energy company Hafslund ASA. For eleven years Mr. Schiøtz worked as an analyst, a portfolio manager and an investment director for Storebrand Spar AS, a subsidiary of Storebrand ASA, one of Norway's largest financial services companies. Mr. Schiøtz has been, and currently is a managing director of Hafslund Venture and is a member of the board of directors of 4tech ASA, Norsk Vekst ASA, Elis ASA, Cogen ASA, Ice International AS, Onett AS, Norsk Kontantservice AS, Granhaug Industrier AS, Cumulus IT AS, Centurum AS, Energy Future Invest AS and Policom AS and is a past board member of Mjøskraft Invest AS, Diatec Com AS, Nodenet AS, Future Generation Invest AS and Tekan Aktiv Forvaltning ASA. Mr. Schiøtz holds a Masters of Business Administration from the Norwegian School of Management. Mr. Schiøtz resides in Oslo, Norway.

Rune Bjerke (45) is the President and CEO of Hafslund ASA, a position he has held since 2000. Before joining Hafslund ASA, he served as President and CEO of Scancem International ANS, where he headed the international cement company's Asia trading activities and was the company's Chief Financial Officer ("CFO"). From 1992 to 1995, Mr. Bjerke served as finance commissioner of the City of Oslo and advisor to Norway's Ministry of Petroleum and Energy. Mr. Bjerke is a member of the boards of directors of Tomra Systems ASA's ("Tomra") TrugVest AIS and Trug Forsikring AS and a past board member of several other companies, including Energibedriftenes landsforening (EBL), Storebrand ASA and Statoil ASA (deputy board chairman). He holds a degree in economics from the University of Oslo and a Masters in Public Administration (MPA) from Harvard University. Mr. Bjerke resides in Oslo, Norway.

Roar Engeland (46) is the Executive Vice President of Financial Investments and Corporate Development of Orkla ASA. Mr. Engeland has been a member of Orkla's Group Executive Board since 2001. Mr. Engeland has held various positions in the Norwegian Armed Forces and, following his military career, Mr. Engeland was a consultant with McKinsey & Company. Mr. Engeland holds a Masters of Philosophy and a Masters of Business Administration from INSEAD, France and is a graduate of the Norwegian Military Academy. Mr. Engeland resides in Oslo, Norway.

Marcel Egmond Brenninkmeijer (47) is the founder and CEO of Good Energies Investments and a director of Good Energies Investment B.V. Prior to establishing Good Energies Investments in 2001, Mr. Brenninkmeijer was a consultant with Anthos Consult, Amsterdam for two years. His first 20 years of business experience were with C&A, a fashion retailer, which afforded him business experience in the Netherlands, the United Kingdom, France, Canada, Germany and Switzerland. Mr. Brenninkmeijer has been, and currently is, a member of the board of directors of various private companies including ScanWafer between 2003 and 2004, Scatec Ventures between 2001 and 2005, Norfurnace AS between 2004 and 2005, SiTech AS between 2003 and 2005, Powerfluid AS between 2003 and 2005, CSG Solar AG since 2005, Good Energies Norway AS since 2005 and Good Energies Invest AS since 2005, and he is also a member of the board of Q-Cells, a listed company. Mr. Brenninkmeijer has a higher national diploma in business studies from Kingston Polytechnic and, in 1998, Mr. Brenninkmeijer spent a year enrolled in an executive studies program at the International Institute for Management Development ("IMD") in Switzerland and Harvard Business School in the United States. Mr. Brenninkmeijer resides near Basel, Switzerland.

Ole Enger (58) is a member of the Group Executive Board of Orkla ASA, with the responsibility for Specialty Materials. Between 1992 and 2005, Mr. Enger held the position of President and CEO of Elkem. Currently, Mr. Enger is the Chairman of the board of directors of Elkem, Sapa and Borregaard Industries Limited. Mr. Enger has been, and currently is, a member of the board of directors of various private companies, including Kvaerner between 2000 and 2002, and Peolen AS since 2005. He has been, or currently is, the chairman of Norstjernen, between 2001 and 2003, the chairman of SAPA between 2001 and 2006, and of Borregaard since 2005. Mr. Enger holds a degree from the Norwegian University of Life Sciences and a business degree from the Norwegian School of Economics. Mr. Enger resides in Oslo, Norway.

The Company's senior management is not currently represented on its Board of Directors.

At the annual general meeting of REC held on 20 April 2006, the Company's shareholders elected three new members of the Board of Directors. The appointment of these three new members will be effective as of

8 a.m. on the first day of listing of the Shares on the OSE. The Company's senior management will not be represented on the new Board of Directors. The name, age, qualifications and certain other information relating to each of the three new members of the Company's Board of Directors is set forth below:

Susanne Munch Thore (45) is an attorney-at-law and a partner with the Norwegian law firm Wikborg Rein & Co., where she heads the firm's corporate department. Between 1992 and 1993 she was a lawyer on the Oslo Stock Exchange. Ms. Munch Thore is leading the Norwegian Bar Association's committee for company law, and is currently a board member of Nera ASA and Oslo Areal ASA. Ms. Munch Thore holds a Cand.jur (law) degree from the University of Oslo, a Master of Laws from Georgetown University and a Diploma of International Affairs from John Hopkins School of Advanced International Studies. Munch Thore resides in Oslo, Norway.

Line Geheb (43) is marketing manager for Shell Energy Europe. Between 2001 and 2005, she functioned as a senior facilities engineer and Troll gas co-ordinator for A/S Norske Shell. From 1999 to 2001, she was a corporate advisor for A/S Norske Shell, where she has also held other positions during the period from 1987 to 1999, including being head of HSE&Q management. Ms. Geheb is a board member of Geheb A/S, and was between 1999 and 2001 an observer to the board of A/S Norske Shell. Ms. Geheb holds a Masters degree in Chemical Engineering from the Norwegian Institute of Technology, Trondheim, and has concluded a Master of Management Program at the Norwegian School of Management. She resides in Stavanger, Norway.

Karen Helene Ulltveit-Moe (39) is a professor in the Department of Economics at the University of Oslo. In 2005 she held the similar position in the Norwegian School of Economics and Business Administration. Previous positions include, among others, being Professorial Scholar, Research Director and Research Officer at the Norwegian School of Economics and Business Administration. Ms. Ulltveit-Moe currently serves as a board member of I.M. Skaugen ASA and as a member of the corporate assembly of Norsk Hydro ASA. Between 2003 and 2005, she served as a board member of Unitor ASA. Ms. Ulltveit-Moe holds a PhD in economics from the Norwegian School of Economics and Business Administration and a Master of Science from the University of Mannheim. She is currently a member of an advisory group on innovation policy to the Norwegian Minister of Trade and Industry. Ms. Ulltveit-Moe resides in Oslo, Norway.

The above Board, including the three new board members, will on the first day of listing on the OSE satisfy the requirement of having two board members independent of shareholders owning more than 10% of the Company's share capital, as Line Geheb and Karen Helene Ulltveit-Moe together will satisfy this requirement. The Board is fully independent of the management of the Company and the Company's material business partners, except that, as noted above, Marcel E. Brenninkmeijer is a member of the Board of Directors of Q-Cells, one of the principal customers the Company's REC Wafer division.

Each of the Company's directors as of the date of this Prospectus was elected at the Company's general meeting of shareholders on 20 April 2006 for a period of two years in accordance with the Norwegian Companies Act.

Senior Management

The Company's senior management team assists the CEO in managing and coordinating the implementation of the Company's strategic and operational goals.

The name, age, qualifications and certain other information relating to each member of the Company's senior management are set forth below:

Erik Thorsen (49) is the President and CEO of REC. Mr. Thorsen joined REC in 2005. Prior to joining REC, Mr. Thorsen was the CEO of Tomra, an OSE-listed technology company. During his 19 years with Tomra, Mr. Thorsen held positions as Senior Vice President ("SVP") of sales & marketing, Chief Operating Officer ("COO"), and, from 1996 to 2005, he held the positions of President and CEO. Prior to joining Tomra in 1986, Mr. Thorsen was employed with Unitor ASA, an OSE -listed trading company. Currently, Mr. Thorsen is the Chairman of the board of directors of Eltek ASA, an OSE -listed technology company, and also has been, and currently is, a member of the board of directors of various other private companies including Eltek ASA since 2000, Komplet ASA since 2005, Toleko AS since 1998 and Saneka AS since

2005. Mr. Thorsen holds a Masters of Business and Economics from Karlstad University in Sweden. Mr. Thorsen resides in Oslo, Norway.

Reidar Langmo (51) is Senior Vice President – Business Development. Mr. Langmo is the co-founder of REC ScanWafer and was, until February 2003, REC ScanWafer's CEO. Mr. Langmo was the Chairman of the Board in REC ScanWafer until he was appointed as CEO in early 2002. Before founding REC ScanWafer, Mr. Langmo was the Managing Director of Meløy Næringsutvikling AS. Mr. Langmo has previously worked as a project manager in Saga Petroleum AS and as an independent consultant for newly established companies. Mr. Langmo holds a Master of Science degree in structured and civil engineering from the Norwegian Institute of Technology. Mr. Langmo resides in Oslo, Norway.

Erik Sauar (36) is the Senior Vice President and Chief Technology Officer. Dr. Sauar is the co-founder of SolEnergy (now REC ScanSolar AS). He has previously worked as a researcher for Norsk Hydro, the University of Oslo and Carnegie Mellon University in the United States. Dr. Sauar was an advisor to the Bellona Foundation between 1998 and 2001, where he was responsible for commercial assistance relating to new, clean technology companies. Dr. Sauar has been the Deputy Director of the Supervisory Board of Apoteket Bien since 2004 and the Chairman of the Supervisory Board of The Norwegian Solar Energy Association since 2003. Dr. Sauar holds a doctorate in physical chemistry from the Norwegian University of Science and Technology, a Masters of Science in chemical engineering from the Norwegian Institute of Technology and a Masters of Science in anthropology from the University of Trondheim in Norway. In July 2001, he received the International Centre for Applied Thermodynamics' Young Scientist Award, an international award for his outstanding contributions to the field of Applied Thermodynamics. Dr. Sauar resides in Oslo, Norway.

Göran Bye (46) is the Executive Vice President – REC Silicon. Mr. Bye joined REC in 2002 when the SGS joint venture with Komatsu was established. Between 2002 and 2005, Mr. Bye was Vice President Finance and Sales of SGS. Following a twelve-year career in the Norwegian Navy, Mr. Bye has held senior and executive management positions in private and public technology and consulting companies, including at SchoutByNacht AS between March 1998 and October 2002. Mr. Bye has been, and currently is, a member of the board of directors of various other private companies, including Kommunikasjon Uten en Tråd AS, where he was chairman and managing director from March 2001 to September 2004, and SchoutByNacht AS, where he has been chairman since 1996. Mr. Bye holds a Masters of Business and Economics (Information & Data Systems) from the Norwegian School of Management. Mr. Bye resides in Moses Lake, Washington, USA.

John Andersen, Jr. (38) is the Executive Vice President – REC Wafer. Mr. Andersen previously held the position of Vice President Business Development at REC. Mr. Andersen joined REC in 2001 from the international chemical group Borregaard Industries Ltd. At Borregaard, Mr. Andersen held various positions in Norway and abroad, including Senior Project Manager Corporate Business Development. Mr. Andersen has been, and currently is, a member of the board of directors of various other private companies. He was the chairman of Raadhuset Rekruttering og Utrelgelse AS between June 2002 and September 2003, a member of the board of directors of Sinor AS between February 2003 and January 2004, and the chairman of Norfurnace AS between March 2004 and April 2005. Mr. Andersen is currently a member of the board of directors of Perm-Tech AS, a position he has held since January 2002, and the chairman of Norfurnace AS, a position he has held since June 2005. Mr. Andersen holds a Masters of Business and Economics (Finance) from the Norwegian School of Management. He has also completed extensive courses in international strategy in the Masters of Science program at the Norwegian School of Management. Mr. Andersen resides in Oslo, Norway.

Thor Christian Tuv (44) is the Executive Vice President – REC Solar. Mr. Tuv joined REC in 2002 from Telenor ASA. At Telenor, Mr. Tuv was Project Director for strategic developments. He holds a Masters of Science from the Norwegian University of Technology and a Masters of Management from the Norwegian School of Management. Mr. Tuv has also completed courses of business management at the Wharton School of Business, University of Pennsylvania and at the Stockholm School of Economics. Mr. Tuv resides in Lørenskog, Norway.

Bjørn Brenna (49) is the Executive Vice President – Finance and Administration, with responsibility for Finance, Investor Relations, Legal, Strategic Project Management, Information Technology and Administration. Mr. Brenna joined REC in March 2006 following seven years as Head of Group Finance at

Telenor ASA, a leading international telecommunications company that is listed on both the OSE and the NASDAQ. Prior to his time at Telenor, Mr. Brenna was the CFO and Head of Business Development at Orkla Foods, the CFO at Lillehammer Olympic Organizing Company and Chief of Staff during the Lillehammer Olympic Games in 1994. Mr. Brenna has also held various leading positions in offshore projects for Statoil ASA and Mobil. He holds a position as board member in Synnøve Finden ASA. Mr. Brenna holds a Masters of Business and Economics from the Norwegian School of Management. Mr. Brenna resides in Oslo, Norway.

Svånaug Bergland (55) is the Senior Vice President – Organizational Development & Corporate Communications. Ms. Bergland joined REC in October 2005. Prior to joining REC, Ms. Bergland was employed with Tomra, where she held several positions, including Senior Vice President of Organizational Development & Corporate Communications. Before joining Tomra, Ms. Bergland held several management and executive positions at the Oslo University Press. Ms. Bergland completed extensive studies in organization, leadership and behavioral sciences and graduated in 1969 from Oslo Business College. Ms. Bergland resides in Oslo, Norway.

Remuneration of the Chief Executive Officer, the Senior Management and the Board of Directors

The Company pays Mr. Thorsen NOK 2,500,000 per year, plus a bonus of up to 50% of his salary, for his services as Chief Executive Officer. According to his employment contract, the Company has agreed to further pay Mr. Thorsen up to NOK 15,000/ month in automobile expenses. Mr. Thorsen's contract also entitles him to receive a portion of his salary in the form of a pension beginning from his sixty-seventh birthday, as well as a telephone service, newspapers, health club memberships and certain other benefits. Mr. Thorsen's employment contract may be terminated by the Company at any time and with immediate effect, upon payment of up to 30 months of salary if the agreement is terminated within the first two years of employment and 24 months of salary if the agreement is terminated after the first two years of employment. In the event of dismissal, Mr. Thorsen would be entitled to the first twelve months of the compensation, but any amounts in excess of this that he received from another employer would be deducted from the balance.

The Company pays Mr. Langmo an annual base salary of NOK 1,400,000 and an annual performance bonus that is not to exceed 40% of the base salary. Mr. Langmo is also entitled to certain other benefits, such as the use of a vehicle, newspapers, telephone services and participation in the Company's pension scheme. Mr. Langmo is also entitled to participate in the Company's Long Term Incentive Plan.

The Company pays Mr. Sauar an annual base salary of NOK 1,350,000 and an annual performance bonus that is not to exceed 40% of the base salary. Mr. Sauar is also entitled to certain other benefits, such as the reimbursement of home-office related expenses, a vehicle allowance, newspapers, telephone service and participation in the Company's pension scheme. Mr. Sauar is also entitled to participate in the Company's Long Term Incentive Plan.

The Company pays Mr. Bye an annual base salary of U.S.\$275,000 and an annual performance bonus that is not to exceed 40% of the base salary. Mr. Bye is also entitled to certain other benefits, such as a vehicle allowance and an annual pension allowance in lieu of participation in the Company's pension scheme. Mr. Bye is also entitled to participate in the Company's Long Term Incentive Plan. In the event Mr. Bye's contract is terminated, he is entitled to a severance payment equal to six months of his salary together with a pension allowance, a vehicle allowance and a bonus calculated on a pro rata basis, and an allowance for his relocation to Norway.

The Company pays Mr. Andersen an annual base salary of NOK 1,650,000 and an annual performance bonus not to exceed 50% of the base salary. Mr. Andersen is also entitled to certain other benefits, such as the use of a vehicle, newspapers, telephone and Internet services, and participation in the Company's pension scheme. Mr. Andersen is also entitled to participate in the Company's Long Term Incentive Plan. In the event that Mr. Andersen's contract is terminated, he is entitled to a severance payment equal to six months of his salary.

The Company pays Mr. Tuv an annual base salary of NOK 1,150,000 and an annual performance bonus not to exceed 40% of the base salary. Mr. Tuv is also entitled to certain other benefits, such as a vehicle

allowance, newspapers, telephone service and participation in the Company's pension scheme. Mr. Tuv is also entitled to participate in the Company's Long Term Incentive Plan.

The Company pays Mr. Brenna an annual base salary of NOK 2,000,000 and an annual performance bonus not to exceed 50% of base salary. Mr. Brenna is also entitled to other benefits, such as the use of a vehicle or a vehicle allowance, newspapers, telephone service and participation in the Company's pension scheme. Mr. Brenna is also entitled to participate in the Company's Long Term Incentive Plan. Mr. Brenna is also entitled to participate in the Company's bonus scheme and to a severance payment equal to 12 months of his salary if his contract is terminated by the Company.

The Company pays Ms. Bergland an annual base salary of NOK 1,000,000 and an annual performance bonus not to exceed 30% of the base salary. Ms. Bergland is also entitled to certain other benefits, such as a vehicle allowance, newspapers, telephone service and participation in the Company's Long Term Incentive Plan. Ms. Bergland is entitled to two years' salary in the event of her early termination.

Except as noted above, no members of the administrative, management or supervisory bodies have service contracts with the Company that provide for benefits upon termination of employment.

For the period between April 2004 and May 2005, the Chairman of the Board of Directors, Tore Schiøtz, was paid NOK 200,000 for his services, while other members of the Board were each paid NOK 100,000, and members of Board committees were each paid NOK 25,000.

The total amount set aside or accrued by the Company and its subsidiaries in 2005 to provide pension, retirement or similar benefits for its key management was approximately is set forth under the heading "Key management compensation – post-employment benefits" in Note 33 of the Notes to the IFRS Financial Statements. The Company did not set aside or accrued any amount to provide such benefits for its directors in 2005.

Bonus and Incentive Program

Certain of the Company's employees are entitled to participate in the Company's Long Term Incentive Plan 2006 (the "LTIP"). The LTIP is a three-year plan under which an annual "LTIP Pool" is set aside and then paid out to eligible employees in three equal annual installments on March 1 of each of the three subsequent years. The LTIP Pool for 2006 is based on the Company's actual financial performance compared to budgeted financial performance. If payments are made under the program, each LTIP participant is entitled to a share of the LTIP Pool equal to her or his LTIP earning ratio, which ranges from 15-50% of each employee's annual base salary. LTIP participants are required to use 25% of each annual LTIP payment to purchase the Company's Shares and to deposit the Shares in an account at VPS for the remainder of the three-year LTIP period under which the LTIP payment was made. The LTIP program has an annual cap.

Loans and Guarantees

On 8 July 2005, the Company loaned Erik Thorsen NOK 700,000, and on 8 December 2005, the Company loaned Svånaug Bergland NOK 500,000. The purpose of each of these loans was to facilitate the borrower's purchase of a car. Each of the loans is interest and instalment free for two years and is secured by certain real estate holdings of the relevant borrowers. In each case, if the borrower resigns from the Company, the loan will become due and payable. On 1 August 2005, the Company loaned Gøran Bye U.S.\$50,000 on an interest free basis, which is to be repaid by setting-off amounts owed against his net annual bonus payments, beginning in 2007.

Conflicts of Interests

Except as noted below, none of the mentioned members of the Company's management or Board of Directors have been subject to any bankruptcy, receivership or liquidation proceedings, nor has any mentioned member of the Company's management or Board of Directors been convicted of any fraudulent offence or been subject to any official public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies) in acting as founder, director or senior Manager of any company for the last five years, nor has any mentioned member of the Company's management or Board of Directors been disqualified by a court from acting as a member of the management or supervisory

bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for the last five years. Mr. John Andersen was a non-executive director of Sinor AS (the predecessor of REC SiTech AS) when that company filed for bankruptcy in January 2004 but was not as a consequence subject to any official public incrimination, sanctions or disqualification of the types described above.

To the Company's knowledge, there are currently no actual or potential conflicts of interest between the Company and such individuals. Some of the members of the Company's management and Board of Directors are, as described above, directors of, or may have other interests in, companies and businesses that from time to time may have a conflicting interest with the Company. Any such conflicts, as they arise, will be dealt with in the manner prescribed by prescribed by the Norwegian Public Limited Companies Act, the Company's Articles of Association and in accordance with the Company's corporate governance code.

Share Ownership of Directors, Executive Officers and Certain Registered Owners

As of 31 March 2006, there were 297 registered holders of the Company's Shares. Of the registered holders of the Company's Shares, 14 shareholders, holding an aggregate of 6,996,334 REC Shares (prior to the 20-to-1 stock split that took effect on 21 April 2006), had registered addresses outside of Norway.

The follow table sets forth information concerning the four largest registered holders of the Company's Shares as of 20 April 2006 (adjusted for a 20-for-1 stock split effected on 21 April 2006). Except as set forth below, no shareholder owns more than 5% of the Company's outstanding Shares.

<u>Name of REC Shareholder</u>	<u>Number of REC Shares</u>	<u>Percentage of REC Shares</u>
Good Energies Investments B.V.	168,600,500	40.0%
Elkem AS	115,915,300	27.5%
Hafslund Venture AS	105,254,820	25.0%

The Company's major shareholders do not have voting rights different from those of other holders of the Company's Shares.

The following table below sets forth information concerning ownership of the Company's Shares, as of 20 April 2006 (adjusted for a 20-for-1 stock split effected on 21 April 2006), by (i) each of the persons who serve on the Company's Board of Directors, (ii) the Company's President and Chief Executive Officer, (iii) the Company's other executive officers, and (iv) all of the foregoing individuals as a group.

<u>Name</u>	<u>Number of Shares</u>
Reidar Langmo (through Rebeljo Invest AS and through Rebeljo AS)	5,903,180 ⁽¹⁾
Erik Sauar (through Sauar Invest AS)	897,960
Tore Schiøtz (through Granhaug Industrier AS and through Centurum AS)	876,700
Erik Thorsen (through Toleko AS)	500,000
Thor-Christian Tuv (through The Tuv AS)	178,100
John Andersen Jr.	686,760
Gøran Bye (through Schoutbynacht AS)	29,000

(1) Does not reflect sale of the 1,600,000 Shares being sold in the Global Offering by Rebeljo Invest AS.

On 21 April 2006, Reidar Langmo sold 400,000 Shares at a price of NOK 75 per share.

Description of the Company's Shares and Share Capital

The following is a summary of material information relating to the Company's share capital, including summaries of certain provisions of its Articles of Association and applicable Norwegian law in effect as of the date of this Prospectus, including the Norwegian Public Limited Companies Act. This summary does not purport to be complete and is qualified in its entirety by the Company's Articles of Association and Norwegian law.

REC is a public limited liability company organized under the laws of Norway with its registered office at Bærum, Norway. The Company was incorporated on December 3, 1996 under the name Fornybar Energy AS. The Company's registration number in the Norwegian Register of Business Enterprises is 977 258 561, and its Shares are registered in the Norwegian Central Securities Depository (known as "*Verdipapirsentralen*" or "*VPS*") under ISIN NO 0010112675. The Company's VPS account manager is DnB NOR Bank ASA Verdipapirservice, Stranden 21, N-0021 Oslo, Norway. The Company does not have a Corporate Assembly, and the employees are currently not represented on the Board.

As a public limited liability company, none of the Company's shareholders will have personal liability for its obligations under Norwegian law. However, anyone who is responsible for a decision relating to a distribution from the Company that is in violation of Norwegian law, or for implementing such decision, and was aware or should have been aware of such violation is liable for the return to the Company of the funds distributed, or the loss incurred by the Company.

Stock Exchange Listing

On 27 March 2006, the Company applied for its Shares to be admitted for listing on the OSE. A decision by the OSE is anticipated on 27 April 2006, and the Company currently expects trading in its Shares on the OSE to begin on or around 9 May 2006. The Company has not applied for listing on any other stock exchange.

Share Capital

The Company's issued and registered share capital is NOK 421,089,120 divided into 421,089,120 Shares, each fully paid with a nominal value of NOK 1.

Following the Global Offering, the share capital of the Company will be NOK 494,089,120 divided into 494,089,120 Shares with a nominal value of NOK 1.

For a description of the history of the Company's share capital, see Note 14 to the Norwegian GAAP Financial Statements and Note 17 to the IFRS Financial Statements.

Authorization to Increase the Share Capital

At the annual general meeting held on 20 April 2006, the Company's shareholders authorized the Board of Directors to increase the Company's share capital by up to NOK 500,000 through an offering to the Company's United States employees. The Board of Directors was also authorized to periodically increase the share capital with an additional NOK 14,500,000 (giving a total authorization of NOK 15,000,000). This authorization will remain valid until the next annual general meeting.

Authorization to Acquire Own Shares

At the annual general meeting held on 20 April 2006, the Company's shareholders authorized the Board to repurchase up to 10% of the face value of the Company's share capital at a price per Share of between NOK 10 and NOK 300. This authorization will be valid for 18 months from the date of the annual general meeting or until it is rescinded by a resolution of a subsequent annual general meeting.

Convertible Bonds

By a resolution at the shareholders' meeting held on 8 July 2005, the Company issued a U.S.\$140 million 8% subordinated convertible loan. The repayment of the principal amount is subordinated to the repayment of all other creditors, including the holders of the convertible bonds issued on

25 September 2003. The bonds mature on 31 September 2006 and may not be prepaid. The converted Shares give full shareholders rights from the date of the conversion. At 31 March 2006, 99.88% of the interests in the U.S. dollar-denominated loan had been converted into Shares. The procedure for converting the remaining 0.12% of the principal amount of these bonds is as follows: The dates for conversion are 8 September 2006 and the final maturity date in December 2006. The bondholder may request conversion on or prior to a conversion date. The conversion price is NOK 12.75 per share, subject to certain customary adjustments. Payment of the subscription price upon conversion is made through set-off of the bondholder's claim against the Company. At conversion, the number of Shares to which the bondholder will be entitled will be rounded down to the nearest whole share. The conversion price in U.S. dollars is fixed on the basis of the exchange rate on the date when the demand for conversion is made.

By a resolution at the shareholders' meeting held on 25 September 2003, the Company issued a 7.9% €31 million subordinated convertible bond that matures on 25 September 2007. Interests in the bonds may be converted into Shares at any time during its term and at a conversion price of NOK 118 per share, subject to certain adjustments. Interest that has been incurred but that remains unpaid may not be converted. The converted Shares give full shareholders rights from the date of the conversion. As of 31 March 2006, 100% of the interests in the bonds had been converted into Shares.

Other Financial Instruments

There are no other outstanding options, warrants, convertible loans or other instruments which would entitle the holder of any such securities to require that the Company issue any of its Shares.

Shareholder's Rights

Under Norwegian law, all shares are to provide equal rights in a company. However, Norwegian law permits a company's articles of association to provide for different types of shares (e.g., several classes of shares). In such case, a company's articles of association must specify the different rights, preferences and privileges of the classes of shares and the total par value of each class of shares. The Company's Articles of Association provide for a single class of shares with equal rights.

Shareholders Agreement

The Company's three largest shareholders are currently parties to a shareholder agreement that, pursuant to its terms, will be terminated upon a listing of the Company's Shares on the OSE. Apart from the lock-up agreement described under "Plan of Distribution – Trading Market and Lock-ups," the Company is not aware of any agreement, whether or not entered into by the Company's shareholders, that could interfere with the regular trading of the Shares.

Limitations on the Right to Own and Transfer Shares

There are no restrictions affecting the right of Norwegian or non-Norwegian residents or citizens to own the Company's Shares. The Company's Articles of Association do not contain any provisions restricting the transferability of Shares.

General Meetings

Under Norwegian law, a company's shareholders are to exercise supreme authority in the company through the general meeting.

A shareholder may attend the general meeting either in person or by proxy. Although Norwegian law does not currently require the Company to send proxy forms to its shareholders for general meetings, the Company plans to include a proxy form with notices of general meetings.

In accordance with Norwegian law, the annual general meeting of the Company's shareholders is required to be held each year on or prior to June 30. The following business must be transacted and decided at the annual general meeting:

- approval of the annual accounts and annual report, including the distribution of any dividend; and

- any other business to be transacted at the general meeting by law or in accordance with the Company's Articles of Association.

Norwegian law requires that written notice of general meetings be sent to all shareholders whose addresses are known at least two weeks prior to the date of the meeting, unless a company's articles of association stipulate a longer period. The Company's Articles of Association do not include any provision on this subject. A shareholder is entitled to have an issue discussed at a general meeting if such shareholder provides the Board of Directors with notice of the issue so that it can be included in the written notice of the general meeting.

In addition to the annual general meeting, extraordinary general meetings of shareholders may be held if deemed necessary by the Company's Board of Directors. An extraordinary general meeting must also be convened for the consideration of specific matters at the written request of the Company's auditors or shareholders representing a total of at least 5% of the share capital.

Voting Rights

Subject to the terms of a company's articles of association to the contrary, Norwegian law provides that each outstanding share shall represent a right to one vote. All of the Company's Shares have an equal right to vote at general meetings. No voting rights can be exercised with respect to treasury shares held by a company.

In general, decisions that shareholders are entitled to make under Norwegian law or the Company's Articles of Association may be made by a simple majority of the votes cast. In the case of elections, the persons who obtain the most votes cast are elected. However, certain decisions, including but not limited to resolutions to:

- authorize an increase or reduction in the Company's share capital,
- waive preferential rights in connection with any share issue,
- approve a merger or demerger, and
- amend the Company's Articles of Association,

must receive the approval of at least two-thirds of the aggregate number of votes cast at the general meeting at which any such action is before the shareholders for approval, as well as at least two-thirds of the share capital represented at the meeting. There are no quorum requirements for general meetings.

In general, in order to be entitled to vote, a shareholder must be registered as the owner of shares in the share register kept by the Norwegian Central Securities Depository, referred to as the VPS (described below), or, alternatively, report and show evidence of the shareholder's share acquisition to the Company prior to the general meeting. Under Norwegian law, a beneficial owner of shares registered through a VPS-registered nominee is not able to vote the beneficial owner's shares unless ownership is re-registered in the name of the beneficial owner prior to the relevant general meeting.

Amendments to the Company's Articles of Association, including Variation of Rights

The affirmative vote of two-thirds of the votes cast at a general meeting as well as at least two-thirds of the share capital represented at the meeting, is required to amend the Company's Articles of Association. Certain types of changes in the rights of the Company's shareholders require the consent of all shareholders or 90% of the votes cast at a general meeting, see "Securities Trading in Norway – Voting Rights."

Additional Issuances and Preferential Rights

If the Company issues any new Shares, including bonus share issues (involving the issuance of new Shares by a transfer from the Company's share premium reserve or distributable equity to the share capital), the Company's Articles of Association must be amended, which requires a two-thirds majority of the votes cast at a general meeting of shareholders. In connection with an increase in the Company's share capital by a subscription for Shares against cash contributions, Norwegian law provides the Company's shareholders

with a preferential right to subscribe to the new Shares on a *pro rata* basis in accordance with their then-current shareholdings in the Company.

The preferential rights to subscribe to an issue may be waived by a resolution in a general meeting passed by a two-thirds majority of the votes cast at a general meeting of shareholders required to approve amendments to the Company's Articles of Association.

The general meeting may, with a vote as described above, authorize the Board of Directors to issue new Shares. Such authorization may be effective for a maximum of two years, and the par value of the Shares to be issued may not exceed 50% of the nominal share capital as at the time the authorization was granted. The preferential right to subscribe for Shares in consideration against cash may be set aside by the Board of Directors only if the authorization includes such possibility for the Board of Directors.

The issue of Shares to holders of the Company's Shares who are citizens or residents of the United States upon the exercise of preferential rights, the Company may be required to file a registration statement in the United States under U.S. securities laws. If the Company decides not to file a registration statement, these holders may not be able to exercise their preferential rights.

Under Norwegian law, bonus shares may be issued, subject to shareholder approval and provided, amongst other requirements, the company does not have an uncovered loss from a previous accounting year, by transfer from the Company's distributable equity or from the Company's share premium reserve. Any bonus issues may be effected either by issuing Shares or by increasing the par value of the Shares outstanding. If the increase in share capital is to take place by new shares being issued, these new Shares must be allotted to the shareholders of the company in proportion to their current shareholdings in the company.

Related Party Transactions

Under Norwegian law, an agreement to acquire assets or services from a shareholder or connected person (e.g., a spouse or significant other, and other family members) of such shareholder, which involves consideration from the company in excess of 1/20th of the Company's share capital at the time of such acquisition is not binding on the company unless the agreement has been approved by the shareholders at a general meeting. Business agreements in the normal course of the company's business containing pricing and other terms and conditions which are normal for such agreements, as well as the purchase of securities at a price which is in accordance with the official quotation, do not require such approval. Any performance of an agreement which is not binding on the company must be reversed.

Minority Rights

Norwegian law contains a number of protections for minority shareholders against oppression by the majority, including but not limited to those described in this and preceding paragraphs. Any shareholder may petition the courts to have a decision of the Company's Board of Directors or general meeting declared invalid on the grounds that it unreasonably favors certain shareholders or third parties to the detriment of other shareholders or the Company itself. In certain grave circumstances, shareholders may require the courts to dissolve the company as a result of such decisions. Shareholders holding in the aggregate 5% or more of the Company's share capital have a right to demand that the Company holds an extraordinary general meeting to discuss or resolve specific matters. In addition, any shareholder may demand that the Company places an item on the agenda for any general meeting if the Company is notified in time for such item to be included in the notice of the meeting.

Mandatory Bid Requirement

Norwegian law requires any person, entity or group acting in concert that acquires more than 40% of the voting rights of a Norwegian company listed on the OSE to make an unconditional general offer to acquire the whole of the outstanding share capital of that company. The offer is subject to approval by the OSE before submission of the offer to the shareholders. The offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. The offering price per share must be at least as high as the highest price paid by the offeror in the six-month period prior to the date the 40% threshold was exceeded, but equal to the market price if it is clear that the market price was higher when the 40% threshold was exceeded. A shareholder who fails to make the required offer must, within four weeks,

dispose of sufficient shares so that the obligation ceases to apply. Otherwise, the OSE may cause the shares exceeding the 40% limit to be sold by public auction. A shareholder who fails to make such bid cannot, as long as the mandatory bid requirement remains in force, vote the portion of his shares that exceed the 40% limit or exercise any rights of share ownership in respect of such shares, unless a majority of the remaining shareholders approve. However, such shareholder retains the right to receive dividends and preferential rights in the event of a share capital increase. In addition, the OSE may impose a daily fine upon a shareholder who fails to make the required offer.

Compulsory Acquisition

A shareholder who, directly or via subsidiaries, acquires shares representing more than 90% of the total number of issued shares as well as more than 90% of the total voting rights of a company has the right (and each remaining minority shareholder of that company would have the right to require the majority shareholder) to effect a compulsory acquisition for cash of any shares not already owned by the majority shareholder. A compulsory acquisition results in the majority shareholder becoming the owner of the shares of the minority shareholders with immediate effect.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share and to pay the consideration offered to a separate bank account for the benefit of the minority shareholders. The determination of the Offer Price is at the discretion of the majority shareholder. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified period of not less than two months, request that the price be set by the Norwegian courts. The cost of such court procedure would normally be charged to the account of the majority shareholder, and the courts would have full discretion in determining the consideration due to the minority shareholder as a result of the compulsory acquisition.

Transfers and Other Changes in Ownership of the Company's Securities by Directors and Officers

Under Norwegian law, the individual members of the Company's Board of Directors, the President and Chief Executive Officer, and other key employees and the Company's auditor must immediately notify the Board of Directors of both their own and their personal connected persons' sale or acquisition of the Company's Shares or other securities. Such sale or acquisition must also be reported to the OSE, which will promptly publish the notice through its information system.

Rights of Redemption and Repurchase of Shares

The Company has not issued redeemable Shares (*i.e.*, Shares redeemable without the shareholder's consent). The Company's share capital may be reduced by reducing the par value of the Shares. Such a decision requires the approval of two-thirds of the votes cast at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

A Norwegian company may purchase its own shares if an authorization for the board of directors of the company to do so has been given by the shareholders at a general meeting with the approval of at least two-thirds of the aggregate number of votes cast at the meeting. The aggregate par value of treasury shares so acquired and held by the company is not permitted to exceed 10% of the company's share capital, and treasury shares may only be acquired if the company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorization by the shareholders at the general meeting cannot be given for a period exceeding 18 months. At the date of this Prospectus, the Company will not have any treasury Shares.

Shareholder Vote on Certain Reorganizations

A decision to merge with another company or to demerge requires a resolution of the Company's shareholders at a general meeting passed by two-thirds of the aggregate votes cast, as well as two-thirds of the aggregate share capital represented, at the general meeting. A merger plan or demerger plan signed by the Company's Board of Directors along with certain other required documentation, would have to be sent to all shareholders at least one month prior to the shareholders' meeting.

Liability of Directors

The Company's Board of Directors and the President and Chief Executive Officer owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the Board members and the President and Chief Executive Officer act in the Company's best interests when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of the Company's Board of Directors and the President and Chief Executive Officer may each be held liable for any damage they negligently or willfully cause the Company. Norwegian law permits the general meeting to exempt any such person from liability, but the exemption is not binding if substantially correct and complete information was not provided at the general meeting when the decision was taken. If a resolution to grant such exemption from liability or not to pursue claims against such a person has been passed by a general meeting with a smaller majority than that required to amend the Company's Articles of Association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility, but can be recovered from any proceeds the Company receives as a result of the action. If the decision to grant an exemption from liability or not to pursue claims is made by such a majority as is necessary to amend the Articles of Association, or if a settlement has been reached, the minority shareholders cannot pursue the claim in the Company's name. A resolution by the general meeting to exempt the directors from liability does not protect the directors from a claim or a lawsuit filed by a third party other than a shareholder, for example a creditor.

Indemnification of Directors and Officers

Neither Norwegian law nor the Company's Articles of Association contain any provision concerning indemnification by the Company of the Company's Board of Directors. The Company is permitted to purchase, and has purchased, insurance to cover the members of its Board of Directors against certain liabilities that they may incur in their capacity as such.

Distribution of Assets on Liquidation

Under Norwegian law, a company may be wound-up by a resolution of the company's shareholders in a general meeting passed by the same vote as required with respect to amendments to the articles of association. The shares rank equally in the event of a return on capital by the company upon a winding-up or otherwise.

Summary of the Company's Articles of Association

The following is a summary of provisions of the Company's Articles of Association, some of which have not been addressed in the preceding discussion. A complete copy of the Company's Articles of Association is included as Appendix A to this Prospectus.

Name of the Company – The Company's registered name is Renewable Energy Corporation ASA. REC is a Norwegian public limited liability company.

Registered Office – The Company's registered office is in Bærum, Norway.

Objectives of the Company – The objectives of the Company are to develop and sell products and services related to renewable energy sources, and to undertake related financial operations. The Company may, through subscription of Shares or in any other ways, including granting loans, acquire interests in other companies with identical or similar objectives.

Share Capital – Following the Global Offering, the Company's share capital will be NOK 494,089,120 divided into 494,089,120 Shares.

Nominal Value of Shares – The par value of each Share will be NOK 1.

Board of Directors – The Company's Articles of Association provide that its Board of Directors shall be composed of a minimum of 5 and a maximum of 9 directors. The chairman shall be elected by the general

meeting of the shareholders. In the event of an equality of votes, the Chairman has the deciding vote. The Board shall be elected for a period of two years at a time. The right to sign on behalf of the Company is assigned to the Chairman and one board member jointly.

Annual General Meeting – The annual general meeting of the Company’s shareholders will be convened by its Board of Directors no later than June 30 each year upon at least two weeks’ written notice. The meeting will deal with the approval of the annual report and accounts, including distribution of dividends, and any other matters as required by law or the Company’s Articles of Association.

Shareholders’ Equity

At the date of this Prospectus, the number of Shares that are issued, outstanding and fully paid is 421,089,120. In addition, the Board of Directors have been granted an authorization to issue an additional 15,000,000 Shares.

Changes in Shareholders’ Equity in 2003, 2004 and 2005

2004 and 2005 Calculated in Accordance with IFRS

The following tables set forth information concerning changes in the Company’s shareholders’ equity under IFRS in 2004 and 2005.

IFRS

Paid in capital

	Share capital	Share premium	Treasury shares	Other paid in capital	Total
At 1 January 2004	26,536	372,391	(766)	312,568	710,729
Increase in share capital	10,750	294,780	–	25,170	330,700
Treasury shares transactions	–	–	766	–	766
At 31 December 2004	37,286	667,171	–	337,738	1,042,195
Transfer of share premium reserves to share capital	261,004	(261,004)	–	–	–
Paid in capital shareholder agreement and agreement CEO ⁽¹⁾	4,500	29,500	–	–	34,000
SiTech (contribution in kind)	1,530	17,581	–	–	19,111
Treasury shares transactions	–	–	(225)	–	(225)
At 31 December 2005	304,319	453,248	(225)	337,739	1,095,081

The total issued number of ordinary shares with a par value of NOK 20 per share at 1 January 2004 and 31 December 2004 and 2005 was 10,570,474, 14,914,507 and 15,215,947, respectively. All issued shares are fully paid.

The Company acquired 11,268 of its own shares on 20 May 2005. The total amount paid to acquire the shares was NOK 2,873 and has been deducted from shareholders’ equity. The shares are held as “treasury shares.” The Company has the right to re-issue these shares at a later date.

(1) NOK 29,000 relates to a share issue directed at Elkem AS (NOK 145 per share), in connection with an option received in the fourth quarter of 2004.

Changes in equity

	Paid in capital	Other equity and retained earnings	Minority interest	Total
Balance at 1 January 2004	710,729	(212,230)	106,861	605,360
Change in paid in capital	331,466	–	–	331,466
ScanWafer acquisition	–	149,065	–	149,065
Change in minority interest	–	–	(106,861)	(106,861)
Change in other equity and retained earnings	–	103,351	–	103,351
Total recognized income and expense	–	(8,343)	–	(8,343)
Balance at 31 December 2004	1,042,195	31,843	–	1,074,038
Change in paid in capital	52,886	–	–	52,886
Transactions in own shares	–	19,755	–	19,755
Total recognized income and expense	–	84,119	–	84,119
Balance at 31 December 2005	1,095,081	135,717	–	1,230,798

2003 and 2004 Calculated in Accordance with Norwegian GAAP

The following tables set forth information concerning changes in the Company's shareholders' equity under Norwegian GAAP in 2003 and 2004.

Norwegian GAAP

	Share capital	Share premium reserve	Own shares	Other paid-in capital	Total paid-in capital
Paid-in capital					
Balance at 1 January 2003	17,457	243,375	(794)	68,352	328,390
Equity changes	8,979	129,016	28	244,216	382,239
Balance at 31 December 2003	26,436	372,391	(766)	312,568	710,629
		Minority interest	Equity and retained earnings	Total retained earnings	Total equity
Retained earnings					
Balance at 1 January 2003		20,109	(102,778)	(82,669)	245,721
Equity changes		141,917	26,864	165,781	548,020
Net profit/(loss)		(25,164)	(112,015)	(137,179)	(137,179)
Balance at 31 December 2003		136,862	(190,929)	(54,067)	656,562
	Share capital	Share premium	Own shares	Other paid-in capital	Total paid-in capital
Paid-in capital					
Balance at 1 January 2004	26,436	372,391	(766)	312,568	710,629
Equity changes	10,850	294,779	766	25,171	331,566
Balance at 31 December 2004	37,286	667,170	–	337,739	1,042,195
		Minority interest	Equity and retained earnings	Total retained earnings	Total equity
Retained earnings					
Balance at 1 January 2004		136,862	(190,929)	(54,067)	656,562
Adjustment, change in acc. principles		9,927	(16,585)	(6,658)	(6,658)
Adjusted balance at 1 January 2004		146,789	(207,514)	(60,725)	649,904
Equity changes		(112,016)	103,534	(8,482)	323,084
Net profit/(loss)		14,472	(62,593)	(48,121)	(48,121)
Balance at 31 December 2004		49,245	(166,573)	(117,328)	924,867

Exchange Controls

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. This means that non-Norwegian resident shareholders may receive dividend payments without a Norwegian exchange control consent as long as the payment is made through a licensed bank.

Securities Trading in Norway

Introduction

The OSE was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. The OSE is incorporated as a public limited company. As of 31 December 2005, the total capitalization of companies listed on the OSE amounted to approximately NOK 1,403 billion. Shareholdings of non-Norwegian companies as a percentage of total market capitalization on 31 December 2005 amounted to approximately 7.8%.

The OSE is a part of the NOREX Alliance, whose other members are the Copenhagen Stock Exchange, the Stockholm Stock Exchange and the Iceland Stock Exchange.

Trading and Settlement

Trading on the NOREX exchanges is carried out in the electronic trading system SAXESS. OM Technology, a part of OM AB that owns the OM Stockholm Exchange, has developed SAXESS. This trading system is in use by all members of the NOREX Alliance, and allows brokers to operate on all such exchanges of which they are members through a single trading system. For the time being, clearing of all trades, however, takes place through different systems for trades effected on the different exchanges.

Official trading takes place between 9:00 am and 4:30 pm each trading day. Orders may be placed in the system beginning at 8:15 am.

The settlement period for trading on the OSE is three days (T+3).

The ability of brokerage houses to trade for their own account is restricted to trading that occurs as an integral part of either investment services or general capital management. Trading by individual employees is also restricted.

Investment services may only be provided by Norwegian brokerage houses holding a license under the Securities Trading Act, branches of brokerage houses from an EEA -state or brokerage houses from outside the EEA that have been licensed to operate in Norway. EEA-state brokerage houses may also conduct cross-border investment services in Norway.

It is possible for brokerage houses to undertake market-making activities in listed Norwegian shares if they have a license to do so under the Securities Trading Act, or in the case of EEA – state brokerage houses, a license to carry out market making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Securities Trading Act covering brokers' trading for own account. Such market-making activity, however, does not as such require notification to the Financial Supervisory Authority of Norway (Kredittilsynet) ("FSAN") or the OSE except for the general obligation on brokerage houses that are members of the OSE to report all trades in stock exchange listed securities.

Information, Control and Surveillance

Under Norwegian law, the OSE is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the OSE monitors all market activity on a continuous basis and is responsible for the dissemination of information from listed companies to the market. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The OSE controls the issuance of securities in both the equity and bond markets in Norway. The OSE evaluates whether the issuance documentation contains the required information and whether it would otherwise be illegal to carry out the issuance.

Each listed company must deliver to the OSE copies of all reports and communications sent to its shareholders. Each company must also promptly, unless there are valid reasons for postponement, release to the OSE any other precise information about the financial instruments, the company or other matters which are suited to influence the price of the financial instruments or related financial instruments noticeably, and

which are not publicly available or commonly known in the market. The OSE may levy fines on companies that violate such requirements.

The VPS and Transfer of Shares

The VPS is the Norwegian paperless centralized securities registry. It is a computerized bookkeeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The Company's share register is operated through the VPS. All transactions relating to securities registered with the VPS are made through computerized book entries. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To effect such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, the Bank of Norway, authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

The entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or a third party claiming an interest in the given security.

The VPS is strictly liable for any loss resulting from an error in connection with registering, altering or canceling a right, except in the event of contributory negligence, in which event compensation owed by the VPS may be reduced or withdrawn.

A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition of shares is not prevented by law, the Articles of Association or otherwise.

Share Register

Under Norwegian law shares are registered in the name of the owner of the shares. As a general rule, there are no arrangements for nominee registration. However, shares may be registered in the VPS by a fund manager (bank or other nominee) approved by the Norwegian Ministry of Finance, as the nominee of foreign shareholders. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In the case of registration by nominees, registration with the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions but cannot vote at general meetings on behalf of the beneficial owners. Beneficial owners must register with the VPS or provide other sufficient proof of their ownership to the shares in order to vote at general meetings.

Foreign Investment in Norwegian Shares

Foreign investors may trade shares listed on the OSE through any broker that is a member of the OSE, whether Norwegian or foreign.

Disclosure Obligations

A person, entity or group acting in concert that acquires shares, options for shares or other rights to shares resulting in its beneficial ownership, directly or indirectly, in the aggregate meeting or exceeding the respective thresholds of $\frac{1}{20}$, $\frac{1}{10}$, $\frac{1}{5}$, $\frac{1}{3}$, $\frac{1}{2}$, $\frac{2}{3}$ or $\frac{9}{10}$ of the share capital or the voting rights in the Company has an obligation under Norwegian law to notify the OSE immediately. The same applies to disposal of shares (but not options or other rights to shares) resulting in a beneficial ownership, directly or indirectly, in the aggregate meeting or falling below said thresholds.

Insider Trading

According to Norwegian law subscription for, purchase, sale or exchange of shares which are quoted, or incitement to such dispositions, must not be undertaken by anyone who has precise information about the financial instruments, the company or other matters which are suited to influence the price of the financial instruments or related financial instruments noticeably, and which are not publicly available or commonly known in the market. The same applies to entry into, purchase, sale or exchange of option or futures/forward contracts or equivalent rights connected with such shares or incitement to such disposition.

Mandatory Offer Requirement

Norwegian law requires any person, entity or group acting in concert that acquires more than 40% of the voting rights of a Norwegian company listed on the OSE to make an unconditional general offer for the purchase of the remaining shares in the company. The offer is subject to approval by the OSE before submission of the offer to the shareholders. The Offer Price per Share must be at least as high as the highest price paid or agreed by the offeror in the six-month period prior to the date the 40% threshold was exceeded, but equal to the market price if the market price was higher when the 40% threshold was exceeded. In the event that the acquirer thereafter, but prior to the expiration of the bid period acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply (*i.e.*, to reduce the ownership to a level below 40%). Otherwise, the OSE may cause the shares exceeding the 40% limit to be sold by public auction. A shareholder who fails to make such bid cannot, as long as the mandatory bid requirement remains in force, vote for his shares on the company's shareholders meetings or exercise any rights of share ownership unless a majority of the remaining shareholders approve. The shareholder can, however, exercise the right to dividends and pre-emption rights in the event of a share capital increase. The OSE may impose a daily fine upon a shareholder who fails to make the required offer.

A shareholder or consolidated group that owns shares representing more than 40% of the votes in a listed company, and that has not made an offer for the purchase of the remaining shares in the company in accordance with the provisions concerning mandatory offers (*e.g.*, due to available exemptions), is obliged, in general, to make a mandatory offer in the case of each subsequent acquisition. However, there are exceptions to this rule, including for a shareholder or a consolidated group that, upon admission of the company to listing on a stock exchange, owns more than 40% of the shares in the company.

Compulsory Acquisition

If a shareholder, directly or via subsidiaries, acquires shares representing more than 90% of the total number of issued shares as well as more than 90% of the total voting rights attached to such shares, then such majority shareholder would have the right (and each remaining minority shareholder of the Company would have the right to require such majority shareholder) to effect a compulsory acquisition for cash of any shares not already owned by such majority shareholder. Such compulsory acquisition would imply that the majority shareholder has become the owner of the thus acquired shares with immediate effect. Upon effecting the compulsory acquisition the majority shareholder would have to offer the minority shareholders a specific price per share, the determination of which price would be at the discretion of the majority shareholder. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months' duration, request that the price be set by the Norwegian courts. Absent such request or other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the two months deadline. The cost of such court procedure would, as a general rule, be for the account of the majority shareholder, and the courts would have full discretion in respect of the valuation of the shares as per the effectuation of the compulsory acquisition.

Voting Rights

Each Share in the Company carries one vote.

As a general rule, resolutions that shareholders are entitled to make pursuant to Norwegian law or the Company's Articles of Association require approval by a simple majority of the votes cast. In the case of election of directors to the board of directors, the persons who obtain the most votes cast are deemed elected to fill the positions up for election. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights in connection with any share issue, to approve a merger or demerger, to amend the Company's Articles of Association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants or to authorize the Board of Directors to purchase the Company's Shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a shareholders' meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares receive the approval of the

holders of such shares or class of shares as well as the majority required for amendments to the Company's Articles of Association. Decisions that (i) would reduce any shareholder's right in respect of dividend payments or other rights to the assets of the Company or (ii) restrict the transferability of the shares require a majority vote of at least 90% of the share capital represented at the general meeting in question as well as the majority required for amendments to the Company's Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amendments to the Company's Articles of Association.

In general, in order to be entitled to vote, a shareholder must be registered as the beneficial owner of shares in the share register kept by the VPS. Beneficial owners of shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor are any persons who are designated in the register as holding such shares as nominees.

Readers should note that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered shares. For example, the OSE has in a statement on 21 November 2003 held that in its opinion "nominee-shareholders" may vote in general meetings if they actually prove their shareholding prior to the general meeting.

Restriction on Ownership of Shares

The Articles of Association of the Company contain no provisions restricting foreign ownership of shares.

There are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote the shares.

Additional Issuances and Preferential Rights

All issuances of shares by the Company, including bonus issues, require an amendment to the Articles of Association, which requires the same vote as other amendments to the Articles of Association (*i.e.*, support by at least two-thirds of the votes cast). Furthermore, under Norwegian law, the Company's shareholders have a preferential right to subscribe for issues of new shares by REC. The preferential rights to subscribe in an issue may be waived by a resolution in a general meeting by the same vote required to approve amendments to the Articles of Association. A waiver of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding shares, irrespective of class.

Under Norwegian law, bonus issues may be distributed, subject to shareholder approval, by transfer from the Company's free equity or from its share premium reserve. Such bonus issues may be effected either by issuing shares or by increasing the par value of the shares outstanding.

To issue shares to holders who are citizens or residents of the United States upon the exercise of preferential rights, the Company may be required to file a registration statement in the United States under United States securities laws. If the Company decides not to file a registration statement, such holders may not be able to exercise their preferential rights and in such event would be required to sell such rights to eligible Norwegian persons or other eligible non-U.S. holders to realize the value of such rights.

Dividends

Under Norwegian law, no interim dividends may be paid in respect of a financial period as to which audited financial statements have not been approved by the annual general meeting of shareholders, and any proposal to pay a dividend must be recommended or accepted by the directors and approved by the shareholders at a general meeting. The shareholders at an annual general meeting may vote to reduce (but not to increase) the dividends proposed by the directors.

Dividends in cash or in kind are payable only out of (i) the annual profit according to the adopted income statement for the last financial year, (ii) retained profit from previous years, and (iii) distributable reserves, after deduction of (a) any uncovered losses, (b) the book value of research and development, (c) goodwill, (d) net deferred tax assets recorded in the balance sheet for the last financial year, (e) the aggregate value of any treasury shares that the Company has purchased or been granted security over during the preceding financial years, (f) any credit or security given pursuant to sections 8-7 to 8-9 of the Norwegian Public

Limited Companies Act and provided always that such distribution is compatible with good and prudent business practice with due regard to any losses which may have occurred after the last balance sheet date or which may be expected to occur. The Company cannot distribute any dividends if the equity, according to the balance sheet, amounts to less than 10% of the total balance sheet without a two months' creditor notice period.

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval. However, all payments to and from Norway shall be registered with the Norwegian Currency Registry. Such registration is made by the entity performing the transaction. Further, each physical transfer of payments in currency shall be notified to the Norwegian customs. Consequently, a non-Norwegian resident may receive dividend payments without Norwegian exchange control consent if such payment is made through a licensed bank.

The board will consider the amount of dividend (if any) to recommend for approval by the Company's shareholders, on an annual basis, based upon the earnings of the Company for the years just ended and the financial situation of the Company at the relevant point in time.

Taxation

This discussion is based on current law and practice that may be subject to amendments. Such amendments could be effective on a retroactive basis. The discussion is intended to serve as a general guideline and does not provide a complete description of all relevant issues (e.g., for investors for whom special laws, rules or regulations may be applicable). Shareholders may wish to contact their professional tax advisors for advice concerning individual tax consequences.

Norwegian Taxation

The statements herein regarding taxation are unless otherwise stated based on the laws in force in Norway as of the date of this Prospectus, and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of the Shares. Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below (personal shareholders and limited liability companies). Shareholders are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of Shares.

Norwegian Shareholders

Taxation of dividends

Personal shareholders

Dividends distributed to shareholders who are individuals resident in Norway for tax purposes (“Norwegian personal shareholders”) are taxable as general income for such shareholders at a rate of 28%. However, Norwegian personal shareholders are entitled to deduct a calculated allowance when calculating their taxable dividend income. The allowance is calculated on a share-by-share basis, and the allowance for each Share is equal to the cost price of the Share (including RISK-adjustments per 1 January 2006, RISK is the Norwegian abbreviation for the variation of the company’s retained earnings after tax during the ownership of the shareholder) multiplied by a risk free interest rate. Any part of the calculated allowance one year exceeding the dividend distributed on the Share is added to the cost price of the Share and included in the basis for calculating the allowance the following year.

Corporate shareholders (Limited liability companies)

Dividends distributed to shareholders who are limited liability companies resident in Norway for tax purposes (“Norwegian corporate shareholders”) are not taxable for such shareholders.

Shares owned through partnerships

Partnerships are as a general rule transparent for Norwegian tax purposes. Taxation occurs at partner level, and each partner is taxed on a current basis for its proportional share of the net income generated by the partnership at a rate of 28%, regardless of whether such income is distributed to the partners or not. However, shareholders resident in Norway for tax purposes owning Shares through a partnership is not taxed on a current basis for their proportional share of dividends received by the partnership. For partners who are Norwegian personal shareholders taxation occurs when the dividends received are distributed from the partnership to such partners. Such distributions will be taxed as general income at a rate of 28%. The Norwegian personal shareholders will be entitled to deduct a calculated allowance when calculating their taxable income, see “– Personal shareholders” above. Norwegian corporate shareholders holding Shares through a partnership will be exempt from taxation of their proportional part of dividends received by the partnership.

Taxation on realization of Shares

Personal shareholders

Sale or other disposal of Shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian personal shareholder through a disposal of Shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at a rate of 28%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of Shares disposed of.

The taxable gain or loss is equal to the sales price less the cost price of the share (including RISK-adjustments per 1 January 2006). From this capital gain, Norwegian personal shareholders are entitled to deduct a calculated allowance. The allowance for each share is equal to the total of allowance amounts calculated for the share for previous years (see “ – Taxation of dividends” above) less dividends distributed on this share. The calculated allowance may only be deducted in order to reduce a taxable gain calculated upon the realization of the share, and may not be deducted in order to produce or increase a loss for tax purposes.

If the shareholder owns Shares acquired at different points in time, the Shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

With effect from 1 January 2006, new regulations were introduced whereby a Norwegian shareholder moving abroad and who consequently ceases to be resident in Norway for tax purposes, will be deemed taxable in Norway for any potential gain related to the Shares held at the time the tax residency ceased, as if the Shares were sold or otherwise disposed of at this time. Gains of NOK 200,000 or less are not taxable. If the person moves to a jurisdiction within the EEA, potential losses related to Shares held at the time tax residency ceases will be tax deductible. Taxation (loss deduction) will occur at the time the Shares are actually sold or otherwise disposed of. If the Shares are not disposed of within five years after the shareholder ceased to be resident in Norway for tax purposes, the tax liability calculated under these provisions will not apply.

Corporate shareholders (Limited Liability Companies)

Norwegian corporate shareholders are not taxable in Norway on capital gains related to realization of Shares, and losses related to such realization are not tax deductible.

Shares owned through partnerships

Partnerships are transparent for Norwegian tax purposes. The taxation occurs at partner level, and each partner is taxed on a current basis for its proportional share of the net income generated by the partnership at a rate of 28%, regardless of whether such income is distributed to the partners or not.

Personal shareholders resident in Norway for tax purposes owning Shares through a partnership are thus taxed for their proportional share of capital gains generated by the partnership through realization of Shares in accordance with the regulations set out in the section “Personal Shareholders” above. In addition, taxation will occur for Norwegian personal shareholders when such capital gains are distributed from the partnership to the Norwegian personal shareholder. Such distributions will be taxed as general income at a rate of 28%. The Norwegian personal shareholders will be entitled to deduct a calculated allowance when calculating their taxable income, see “ – Personal shareholders” above.

Norwegian corporate shareholders owning Shares through a partnership are not taxed for their proportional share of such capital gains generated by the partnership, see “ – Corporate Shareholders (Limited Liability Companies)” above. A distribution from the partnership to such partners does not give rise to any additional taxation of the partners.

Net wealth tax

The value of Shares is included in the basis for the computation of wealth tax imposed on Norwegian personal shareholders. Norwegian corporate shareholders are not subject to wealth tax. Currently, the marginal wealth tax rate is 1.1% of the value assessed. The value for assessment purposes for Shares listed on the Main List and the SMB List of the OSE is 65% of the listed value as of January 1 in the assessment year.

Non-resident shareholders

This section summarizes Norwegian tax rules relevant to shareholders who are not resident in Norway for tax purposes (“Non-resident shareholders”). Non-resident shareholders’ tax liabilities in their home country or other countries will depend on applicable tax rules in the relevant country.

Taxation of dividends

Dividends distributed to shareholders who are individuals not resident in Norway for tax purposes (“Non-resident personal shareholders”), are as a general rule subject to withholding tax at a rate of 25%.

The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends.

Non-resident personal shareholders resident within the EEA are liable to withholding tax, but entitled to apply for a partial refund of the withholding tax. The refund equals the calculated allowance granted to Norwegian personal shareholders, see “ – Personal shareholders” above.

Dividends distributed to shareholders who are limited liability companies not resident in Norway for tax purposes (“Non-resident corporate shareholders”), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. Dividends distributed to Non-resident corporate shareholders resident within the EEA for tax purposes are exempt from Norwegian withholding tax.

Dividends distributed to foreign partnerships are as a general rule subject to withholding tax at a rate of 25%. The partners in the partnership may be entitled to a reduction of the withholding tax rate through tax treaties. However, this depends on each partner’s specific situation, and the Company recommends that investors considering such investments contact local tax advisors in this respect.

Nominee registered Shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Norwegian Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is required to file a summary to the tax authority including all beneficial owners that are subject to lower withholding tax.

Non-resident shareholders that have suffered a higher withholding tax than set out by an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

If a Non-resident shareholder is carrying on business activities in Norway and the relevant Shares are effectively connected with such activities, the shareholder will be subject to the same taxation as a Norwegian shareholder, as described above.

Taxation on realization of Shares

Gains from the sale or other disposal of Shares by a non-resident shareholder will not be subject to taxation in Norway unless the non-resident shareholder (i) is a non-resident personal shareholder holding the Shares in connection with the conduct of a trade or business in Norway or (ii) is a non-resident personal shareholder who has been a tax resident of Norway within the five calendar years preceding the year of the sale or disposition (and whose gains are not exempt pursuant to the provisions of an applicable income tax treaty).

The Norwegian regulations regarding taxation of non-resident shareholders who sell or otherwise dispose of Shares within five years after they cease to be resident in Norway for tax purposes were abolished with effect from 1 January 2006. It is uncertain whether these regulations will still have effect for Shares sold after 1 January 2006 by persons who ceased to be resident in Norway for tax purposes within the five year period before 1 January 2006 (*i.e.*, in the period from 1 January 2001 to 31 December 2005).

Net wealth tax

Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax.

Duties on the transfer of Shares

No stamp or similar duties are currently imposed in Norway on the transfer of Shares whether on acquisition or disposal.

Inheritance tax

Upon transfer of Shares by way of inheritance or gift, the transfer may be subject to Norwegian inheritance or gift tax. The basis for the computation is the market value at the time the transfer takes place. However, such transfer is not subject to Norwegian tax if the donor/deceased was neither a national nor resident of Norway for tax purposes.

Certain U.S. Federal Income Tax Considerations

This section is a summary, under current law, of certain U.S. federal income tax considerations relevant to an investment by a U.S. shareholder in the Shares. This summary applies to prospective purchasers only if they are eligible for benefits as a U.S. resident under the current income tax convention between the United States and Norway (the “Treaty”) in respect of their investment in the Shares (“U.S. shareholders”). In general, a shareholder will be eligible for such benefits if the shareholder:

- (i) is:
 - an individual U.S. citizen or resident;
 - a U.S. corporation; or
 - a partnership, estate, or trust to the extent the shareholder’s income is subject to taxation in the United States as the income of a resident, either in the shareholder’s hands or in the hands of the shareholder’s partners or beneficiaries;
- (ii) is not also a resident of Norway for Norwegian tax purposes;
- (iii) is the beneficial owner of the Shares (and the dividends paid with respect thereto);
- (iv) holds the Shares as a capital asset for tax purposes;
- (v) does not hold the Shares in connection with the conduct of business through a permanent establishment, or the performance of personal services through a fixed base, in Norway; and
- (vi) is not subject to an anti-treaty shopping provision in the Treaty that applies in limited circumstances.

This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, and does not address the tax treatment of investors who are subject to special rules. It is based upon the assumption that prospective shareholders are familiar with the tax rules applicable to investments in securities generally and with any special rules to which they may be subject. Prospective purchasers should consult their own tax advisers concerning the U.S. federal, state, local and other national tax consequences of purchasing, owning and disposing of the Shares in light of their particular circumstances.

This summary has been written to support the marketing of the Shares. It was not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. federal income tax penalties. Investors should consult their own tax advisers in determining the tax consequences to them of investing in the Shares, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Taxation of Dividends

U.S. shareholders must include the gross amount of cash dividends paid on the Shares, without reduction for Norwegian withholding tax, in ordinary income on the date that they receive them, translating dividends paid in Norwegian Kronor into U.S. dollars using the exchange rate in effect on the date of receipt.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a non-corporate U.S. shareholder with respect to the Shares before 1 January 2009 will be subject to taxation at a maximum rate of 15% if the dividends are “qualified dividends.” Dividends received with respect to the Shares will be qualified dividends if the Company (i) is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules and (ii) was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (“PFIC”). The Treaty has been approved for the purposes of the qualified dividend rules. Based on the Company’s audited financial statements and relevant market and shareholder data, the Company believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2005 taxable year. There can be no

assurance that the Company will not be considered a PFIC for any future taxable year. In addition, based on its audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC for its 2006 taxable year.

The reduced 15% rate of Norwegian withholding tax provided under the Treaty generally is applied at source. In the case of a refund of Norwegian withholding tax pursuant to the Treaty, however, fluctuations in the U.S. dollar-Norwegian kroner exchange rate between the date that U.S. shareholders receive a dividend and the date that they receive a related refund of Norwegian withholding tax may give rise to foreign currency gain or loss, which generally is treated as ordinary income or loss for U.S. tax purposes.

Taxation of Sales or Other Taxable Dispositions

Sales or other taxable dispositions by U.S. shareholders of Shares generally will give rise to capital gain or loss equal to the difference between the U.S. dollar value of the amount realized on the disposition (using the exchange rate in effect on the date of the disposition) and the U.S. shareholder's U.S. dollar basis in the Shares. Any such capital gain or loss will be long-term capital gain or loss, subject to taxation at reduced rates for non-corporate taxpayers, if the Shares were held for more than one year. The deductibility of capital losses is subject to limitations.

United Kingdom Taxation

The comments below are of a general nature and are based on current U.K. tax law and H.M. Revenue & Customs published practice as of the date of this Prospectus, as well as the provisions of the double taxation treaty between the United Kingdom and Norway (referred to in this discussion as the "Treaty"), all of which may be subject to change, possibly with retroactive effect. The summary only covers the principal U.K. tax consequences for the absolute beneficial owners of the Offer Shares who:

- are resident, or (in the case of individuals) ordinarily resident, in the United Kingdom for tax purposes;
- are not resident in Norway; and
- do not have a permanent establishment or fixed base in Norway with which the holding of the Shares is connected.

Such absolute beneficial owners of the Offer Shares are referred to in this discussion as "U.K. Holders".

This summary only addresses the principal U.K. tax consequences for U.K. Holders who hold the Offer Shares as capital assets. It does not address such tax consequences that may be relevant to certain other categories of U.K. Holders, for example, brokers, dealers or traders in shares, securities or currencies. It also does not address such tax consequences for U.K. Holders that are banks, financial institutions, insurance companies, tax-exempt organizations, investment companies or persons connected with the Company. Further, it assumes that (i) the U.K. Holder is not a company which either directly or indirectly controls 10% or more of the Company's voting power, and (ii) there will be no register kept in the U.K. in respect of the Shares.

The following is intended only as a general guide and is not intended, nor should it be considered, to be legal or tax advice to any particular U.K. Holder. The summary does not purport to be comprehensive or to describe all of the potentially relevant tax consequences. Potential investors who are in doubt about their position in the United Kingdom or elsewhere may want to consult their own tax advisors as to the overall tax consequences, including, specifically, the consequences under U.K. law and H.M. Revenue & Customs practice, of the acquisition, ownership and disposition of the Offer Shares in their own particular circumstances.

Taxation of Dividends

Income Tax and Corporation Tax

U.K. Holders will, in general, be subject to income tax or corporation tax on the total of the dividends received on their Offer Shares plus any withholding tax deducted in Norway.

Norwegian Withholding Tax and U.K. Tax Credits

When the Company pays dividends to U.K. Holders that are individuals it is generally required for Norwegian tax purposes to withhold 25% of the gross amount of the dividend paid. The Company is not required to withhold any amount from dividends paid to U.K. Holders that are limited liability companies. See “ – Norwegian Taxation – Taxation on realization of Shares – Non-resident Shareholders” and “ – Taxation of dividends.”

However, where the Treaty applies the applicable withholding tax rate is 15% for individual U.K. Holders who will therefore be able to obtain relief at source or a refund from the Norwegian tax authorities in respect of an amount equal to 10% of the gross amount of the dividend. Individual U.K. Holders will also be entitled to apply for a partial refund of the remaining withholding tax under domestic Norwegian tax law. See “ – Norwegian Taxation – Taxation on realization of Shares – Non-resident Shareholders” and “ – Taxation of dividends.”

Any remaining Norwegian withholding tax is generally allowed as a credit against the U.K. tax liability of an individual U.K. Holder but any excess of such Norwegian withholding tax over the U.K. tax payable on the aggregate amount of the dividend and the Norwegian withholding tax is generally not refundable.

U.K. Tax Liability for U.K. Resident Individual U.K. Holders

For an individual U.K. Holder who is liable to U.K. tax on the dividend at the dividend upper rate (currently 32.5%), the U.K. tax will be chargeable on the gross dividend with credit for Norwegian tax deducted at source. For an individual U.K. Holder who is liable to U.K. tax on the dividend at the dividend ordinary rate (currently 10%), the credit for Norwegian tax deducted at source may exceed his U.K. income tax liability in respect of the dividend, in which case he will have no further U.K. tax to pay. In either case, the amount of credit for Norwegian tax cannot exceed the credit that would have been allowed had all reasonable steps been taken under the Treaty and Norwegian domestic law to obtain relief at source and any available refunds.

Individual U.K. Holders who are not ordinarily resident or not domiciled in the United Kingdom should only be subject to U.K. income tax in respect of the dividends to the extent that the dividends are received, or treated as received, in the United Kingdom. In that case, the applicable rates of U.K. income tax are, currently, 40% and 22% (rather than 32.5% and 10%) with credit available for Norwegian tax deducted at source, subject to limitations as described above.

U.K. Tax Liability for Corporate U.K. Holders

A U.K. Holder within the charge to U.K. corporation tax will be liable for U.K. corporation tax on the receipt of the dividend.

Taxation of Capital Gains

The disposal or deemed disposal of Offer Shares by U.K. Holders may give rise to a chargeable gain or an allowable loss for the purposes of U.K. taxation of capital gains, depending on their circumstances and subject to any available exemption or relief. In addition, individual U.K. Holders who dispose of their Offer Shares while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident or ordinarily resident in the U.K. Any gains or losses in respect of currency fluctuations over the period of holding the Offer Shares would also be brought into account on the disposal.

As regards individual U.K. Holders, the principal factors that will determine the extent to which such gain will be subject to capital gains tax (“CGT”) are the extent to which they realize any other capital gains in that year, the extent to which they have incurred capital losses in that or any earlier year, the level of the annual allowance of tax-free gains in the tax year in which the disposal takes place (the “annual exemption”) and the level of available taper relief.

Taper relief will reduce the proportion of any gain realized on the disposal of Offer Shares that is brought into the charge to CGT if (in the case of non-business assets) the Offer Shares are held by the holder for at least three years. A reduction of 5% of the gain is made for each whole year for which the Offer Shares have been held in excess of two years. In the case of non-business assets, the maximum reduction available is 40% after ten complete years of holding.

The annual exemption for individuals is £8,000 for the 2006-2007 tax year and, under current legislation, this exemption is, unless the U.K. Parliament decides otherwise, increased annually in line with the rate of increase in the retail price index. U.K. Holders should be aware that the U.K. Parliament is entitled to withdraw this link between the level of the annual exemption and the retail price index or even to reduce the level of the annual exemption for future tax years below its current level.

Individual U.K. Holders who are not domiciled in the United Kingdom should only be subject to CGT in respect of any gain to the extent the gain is remitted, or treated as remitted, to the United Kingdom.

A U.K. Holder which is a company is entitled to an indexation allowance which applies to reduce capital gains to the extent that they arise due to inflation. Indexation allowance may reduce a chargeable gain but not create any allowable loss.

Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty will be payable on the issue of the Offer Shares, and no U.K. stamp duty will be payable on the transfer of Offer Shares provided that any instrument of transfer is not executed or retained in the United Kingdom and the transfer does not relate to any property situated, or to any matter or thing done or to be done, in the United Kingdom. No U.K. stamp duty reserve tax will be payable on the issue or transfer of the Offer Shares.

Inheritance Tax

If an individual U.K. Holder is either domiciled or deemed to be domiciled in the United Kingdom, U.K. inheritance tax may be chargeable on the death of such a U.K. Holder or on a gift or transfer at an undervalue of the Offer Shares by the U.K. Holder.

The Offer Shares are not assets situated in the United Kingdom for purposes of U.K. inheritance tax. Accordingly, if a U.K. Holder is neither domiciled nor deemed to be domiciled in the United Kingdom, neither the death of the U.K. Holder nor a gift or transfer at an undervalue of the Offer Shares by the U.K. Holder will give rise to a liability to U.K. inheritance tax.

Special rules apply to close companies and to trustees of settlements, which can result in a charge to U.K. inheritance tax in some circumstances.

Terms of the Offering

Existing share capital

The Company's current issued share capital is NOK 421,089,120 divided into 421,089,120 Shares, each with a par value of NOK 1. Each Share carries one vote.

Increase of share capital in connection with the Offering

On 20 April 2006, an Ordinary General Meeting of the Company's shareholders passed the following resolution:

"The Company's share capital is increased by up to NOK 73,000,000 by the issuance of up to 73,000,000 shares, each with a par value of NOK 1. The subscription price for each share shall be from NOK 25 to NOK 150.

Within the intervals above, the Board is authorized to fix the number of shares to be issued and the subscription price. The Board may also decide to divide the total number of shares in separate tranches with different subscription prices so that a specific number of shares may be subscribed for at lower prices than other shares. This is because such shares shall immediately be sold to non-institutional buyers and employees of the Company after subscription at a slightly lower price. The shares will be subscribed for by ABG Sundal Collier Norge ASA and UBS Limited who will conduct a resale of the shares to such shareholders as the Company, after advice from the Managers, will determine.

The share capital increase, including the Board's resolution and the subscription by the managers, shall take place between 1 May 2006 and 1 July 2006. Payment for shares subscribed shall take place at the latest 10 days after the date of subscription and through payment to a bank account established for such purpose according to the Board's detailed decision.

The Board is granted the authority to make such minor adjustments as the share capital increase may require.

The shares will have rights to dividends, full voting and other rights from the time the increase in share capital is registered in the Norwegian Register of Business Enterprises.

The existing shareholders' pre-emptive rights shall be excluded.

The managers will receive a fee of 1.35% and a discretionary success fee of up to 0.4% of the gross proceeds of the offering.

The Board is granted the authority to amend the Company's Articles to reflect the issuance of shares in connection with the share capital increase."

The resolution of the Board determining the price per Offer Share and the allocation of Offer Shares to the applicants will be passed on or about 8 May 2006, immediately after the expiry of the book-building period described below and on the basis of the applications received at various price levels during this period.

On 20 April 2006, the Board resolved that the Global Offering will consist of 74,600,000 Offer Shares, of which 73,000,000 Shares will be new Shares issued by the Company and 1,600,000 Shares will be existing Shares to be sold by Rebelijo Invest AS. The Company's issued share capital following the Global Offering will therefore be NOK 494,089,120. The Board further resolved the indicative Offering Price range.

The purpose of the Global Offering is to obtain a sufficient number of new shareholders to qualify for a listing on the OSE and obtain funding for the purposes described under "Use of Proceeds" herein. As a result, it is necessary for the pre-emptive rights of existing shareholders to the Offer Shares to be excluded.

The Offering

The Company expects that it and certain of its subsidiaries will, on or about 8 May 2006, enter into a subscription agreement (the “Subscription Agreement”) with ABG Sundal Collier Norge ASA (Munkedamsveien 45 D, NO-0115 Oslo, Norway) and UBS Limited (1 Finsbury Avenue, London EC2M 2PP, United Kingdom) (the Joint Global Coordinators and Joint Bookrunners) as representatives for the Managers, with respect to the Global Offering of the Offer Shares. ABG Sundal Collier Norge ASA, UBS Limited, DnB NOR Markets and Credit Suisse Securities (Europe) Limited are the Managers of the Global Offering. On the terms and conditions set forth in the Subscription Agreement, each of the Joint Global Coordinators is expected to agree, severally and not jointly, to subscribe for and purchase from the Company, 50% of the 73,000,000 Offer Shares being issued by the Company, and each of the Co-Lead Managers is expected to underwrite 20% of the number of shares being subscribed by one of the Joint Global Coordinators. The following table sets forth the resulting underwriting commitments of the Managers:

Managers	Number of Shares
ABG Sundal Collier Norge ASA	29,200,000
UBS Limited	29,200,000
Credit Suisse Securities (Europe) Limited	7,300,000
DnB NOR Markets	7,300,000
Total	73,000,000

The Managers will also sell the 1,600,000 existing Shares being sold by Rebelijo Invest AS as part of the Global Offering. These Shares will be sold free of any encumbrances and with the same rights as the new Shares being issued by the Company. The sale of the existing Shares will be subject to the same conditions as the offer and sale of the newly issued Shares, as described below under “– Conditions for Completion of the Offer.” No distinction will be made between the existing Shares and the newly issued Shares in connection with the sale and settlement of the Offer Shares.

The underwriting commission payable to the Managers will be 1.35% of the gross proceeds raised through the Global Offering and a discretionary success fee up to 0.4% of the gross proceeds.

To the fullest extent permitted by applicable law, the Managers as subscribers of the Offer Shares expressly disclaim any liability to persons who submit applications or orders for Offer Shares in the Global Offering beyond the liability of the Company to the Managers as subscribers of the Offer Shares. All persons who submit applications or orders for Offer Shares in the Global Offering shall be deemed to have accepted this disclaimer of liability and to have acknowledged that the ability of shareholders of the Company to make claims against the Company in their capacity as such following registration of the share capital increase in the Norwegian Companies Register is severely limited under Norwegian law.

The Managers propose to offer the Offer Shares to investors in a Global Offering comprising:

- (i) a Retail Offering, in which Offer Shares are being offered to the public in Norway, subject to a lower limit per application of NOK 10,000 and an upper limit per application of NOK 2,000,000 for each investor. There will be no allocations of Shares constituting less than one round lot, a figure that will be determined by the OSE on the basis of the final Offer Price and will constitute either 100 or 200 Offer Shares. Consequently, one round lot may represent a higher amount than NOK 10,000. An application for Shares in the Retail Offering representing between NOK 10,000 and the final value of one round lot will, unless otherwise indicated in the application form attached to this Prospectus as Appendix C (the “Application Form”) be treated as an application for one round lot, even though this can represent an amount greater than NOK 10,000 (but only up to NOK 13,300);
- (ii) an Employee Offering directed at employees in Norway and Sweden subject to a lower limit per application of NOK 10,000 and an upper limit per application of NOK 2,000,000 for each employee. In the Employee Offering, allocations of Shares constituting less than one round lot may be made. The size of one round lot will be determined by the OSE on the basis of the final Offer Price and will constitute either 100 or 200 Offer Shares. Consequently, one round lot may represent a higher amount than NOK 10,000. An application for Shares in the Employee Offering

representing between NOK 10,000 and the final value of one round lot will, unless otherwise indicated in the application form attached to this Prospectus as Appendix D (the “Employee Application Form”) be treated as an application for one round lot, even though this can represent a higher amount than NOK 10,000 (but only up to NOK 13,300). Norwegian and Swedish employees of the Company will receive a discount equal to the lesser of NOK 1,500 per employee and 20% on the aggregate Offer Price for Offer Shares allocated to them. Furthermore, the Company will enable the employees to finance the first round lot allocated to them through pre-funding of their salaries. The employees will receive full allocation for any application up to and including NOK 1,000,000 rounded down to the nearest round lot. To the extent any applications exceed NOK 1,000,000, such excess will be allocated in the same way as in the Retail Offering;

- (iii) an Institutional Offering, in which Offer Shares are being offered to institutional investors and professional investors in Norway and to institutional investors outside Norway in reliance on Regulation S under the Securities Act and to qualified institutional buyers (QIBs) in the United States in reliance on Rule 144A under the Securities Act, subject to a lower limit per application of NOK 2,000,001; and
- (iv) a Management Offering directed at the members of the executive management, each of whom may apply for Shares on 24 April 2006, and will receive a full allocation for any application amount up to NOK 5,000,000 (rounded down to the nearest round lot). The maximum amount per applicant that may be applied for in the Management Offering is NOK 5,000,000.

Multiple applications are allowed in the Global Offering. If an investor applies for Offer Shares in both the Retail Offering and the Institutional Offering, the investor’s combined application will be treated as an application in the Institutional Offering. Multiple applications in the Employee Offering and the Management Offering will be treated as one application with regard to the employee discount and the maximum application level.

The Company has provisionally assumed that 10% of the Global Offering will be reserved for the Retail Offering and up to 12% of the Global Offering will be reserved for the Employee and Management Offerings together. The final determination of the number of Offer Shares attributed to the Retail, Employee and Management Offerings will only be decided following the completion of the book-building for the Institutional Offering on the basis of the level of applications or orders received from each of the categories of investors relative to the level of applications or orders received in the Global Offering as a whole.

Book-building for the Global Offering is expected to take place from 24 April to 8 May 2006 (both dates inclusive). The Company, together with the Managers, reserves the right to extend the book-building period at any time, depending on the number and size of orders or applications received in both the Institutional and Retail Offerings, in the aggregate or individually. Any such extension of the book-building period will be announced through the OSE on or before 09:00 hours (Norwegian time) on 5 May 2006. An extension will only be made once, and for no longer than until 15:00 hours (Norwegian time) on 15 May 2006. In the event of extension, the allocation date, the date on which the Subscription Agreement is executed, the first trading date, the payment date and the date of delivery of Offer Shares will be extended correspondingly.

The Company and the Managers have set the Offer Price for the Global Offering at NOK 95 per Share. The Global Offering will consist of an aggregate amount of approximately NOK 7.1 billion. The book-building process, which formed the basis for the determination of the Offer Price, was conducted only in connection with the Institutional Offer.

The Subscription Agreement provides that the obligations of the several Managers are subject to satisfaction of certain conditions. The Company expects, however, that trading in the Shares on the Main List of the OSE will commence on an “if and when issued” basis from and including 9 May 2006 as described below. Following the commencement of such trading, the Joint Global Coordinators will have the right to terminate the subscription agreement, and thus their obligation to subscribe for the Offer Shares, only if

since the time of execution of the subscription agreement one of the following events (each a “force majeure” event) has occurred:

- (i) a suspension or material limitation in trading in securities generally on the Oslo Stock Exchange, the New York Stock Exchange or the London Stock Exchange;
- (ii) a general moratorium on commercial banking activities declared by the federal, state or local regulatory authorities of Norway, the United States, the United Kingdom or any other member State of the European Union or a material disruption in commercial banking or securities settlement or clearance services in Norway, the United States, the United Kingdom or any other member State of the European Union; or
- (iii) (A) an outbreak or escalation of hostilities or acts of terrorism involving Norway, the United States, the United Kingdom or any other member State of the European Union or a declaration by Norway, the United States, the United Kingdom or any other member State of the European Union of a national emergency or war; or (B) any other calamity or crisis or any material adverse change in financial, political or economic conditions in Norway, the United States, the United Kingdom or any other member State of the European Union or elsewhere, if the effect of any such event specified in this clause (iv) makes it impossible to proceed with the delivery of the Shares on the terms and in the manner contemplated in this Prospectus.

Unless the Subscription Agreement has been so terminated, the Company expects that the Joint Global Coordinators will, on 11 May 2006, subscribe and pay for the Offer Shares being issued by the Company which the Managers expect to deliver to investors applying for Offer Shares in the Global Offering on or about 12 May 2006 with respect to the Institutional Offering and on or about 11 May 2006 with respect to the Retail, Employee and Management Offerings. If the Subscription Agreement is so terminated, all trades in the Offer Shares will be cancelled.

Institutional Offering

Offer Price

As described above, the Company and the Managers have set an indicative price range for the Global Offering at between NOK 69 and NOK 88 per Share. The Company and the Managers will determine the Offer Price on the basis of orders placed in the Institutional Offering during the book-building process in which the Managers receive expressions of investor interest in the Offer Shares. The Offer Price, which will be set at the sole discretion of the Company, may be set below or above this indicative range. Investors' orders for Offer Shares in the Institutional Offering will be irrevocable and, accordingly, investors will be bound by those orders regardless of what Offer Price the Company determines. The Offer Price will be announced through a stock exchange notification by the Company to the OSE, expected to take place prior to the opening of trading on the OSE on or around 9 May 2006.

Any oral order placed in the Institutional Offering will be binding upon the investor and subject to the same terms and conditions as a written order. The Managers can, at any time and in their sole discretion, require the investor to confirm any oral order by instrument in writing. Orders made may be withdrawn or amended by the investor at any time up to the end of the book-building period. After the end of the book-building period, all orders that have not been withdrawn or amended are irrevocable and binding upon the investor.

Application Offices

The Application Offices at which orders can be placed in the Institutional Offering are:

ABG Sundal Collier

*Munkedamsveien 45 D
P.O. Box 1444 Vika
NO-0115 Oslo*

Norway

*Telephone: +47 22 01 60 00
Facsimile: +47 22 01 60 62*

Credit Suisse

*One Cabot Square
London
E14 4QJ*

United Kingdom

*Telephone: +44 207 888 8888
Facsimile: +44 207 888 1600*

UBS Investment Bank

*1 Finsbury Avenue
London
EC2M 2PP*

United Kingdom

*Telephone: +44 207 567 8000
Facsimile: +44 207 568 4800*

DnB NOR Markets

*Stranden 21
N-0021 Oslo*

Norway

*Telephone: +47 22 94 88 80
Facsimile: +47 22 48 29 80*

Allocation, payment for and delivery of Offer Shares

The Managers expect to issue notifications of allocation of Offer Shares in the Institutional Offering on or about 9 May 2006.

Payment by applicants in the Institutional Offering will take place against delivery of Shares. Delivery and payment for Offer Shares is expected to take place on or about 12 May 2006. Payment against delivery of Offer Shares in the Institutional Offering will be facilitated through the Joint Global Coordinators' subscription and payment of the new Offer Shares being issued by the Company enabling the Company to register the share capital increase in the Norwegian Companies Registry on or about 11 May 2006 in time for such Shares to be available for settlement on or about 12 May 2006.

For late payment, interest will accrue at a rate equal to the prevailing interest rate under the Norwegian Act on Overdue Payment of 17 December 1976 No. 100, which at the date of this Prospectus was 9.25 per cent per annum of the amount due. Should payment not be made when due, the Offer Shares allocated will not be delivered to the applicants, and the Managers reserve the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares on such terms and in such manner as the Managers may decide in accordance with Norwegian law. The original applicant remains liable for payment of the Offering Price for the Offering Shares allocated to the applicant, together with any interest, cost, charges and expenses accrued, and the Company or the Managers may enforce payment for any such amount outstanding.

The Shares allocated in the Institutional Offering are expected to be traded on the Main List of the OSE on an "if and when issued" basis from and including 9 May 2006, subject to the Subscription Agreement not having been terminated in respect of any "force majeure" event as described above. If any such events occur before 12.00 hours (Norwegian time) on 11 May 2006 and the Joint Global Coordinators as a result terminate the Subscription Agreement, all trades in the Shares will be cancelled.

Retail Offering

Offer Price

The price for the Offer Shares sold in the Retail Offering will be the same as in the Institutional Offering. The Company expects that the OSE's board of directors will require it to have in excess of 3,000

shareholders each holding more than one round lot, in lieu of the OSE's generally applicable 25% free float requirement. To secure sufficient distribution of the Shares, all investors taking part in the Retail Offering will receive a discount equal to 10% per Share relative to the final Offer Price for the first round lot.

Each applicant in the Retail Offering will be permitted, but not required, to indicate on the Application Form that the applicant does not wish to be allocated Offer Shares should the Offer Price be set above the indicative price range mentioned under “ – The Offering” above. If the applicant elects to do so, the applicant will not be allocated any Offer Shares if the actual Offering Price is set above the upper end of the indicative price range. If the applicant does not make this reservation on the Application Form, the application will be binding regardless of whether the Offer Price is set within, below or above the indicative price range, so long as the Offer Price has been determined on the basis of orders placed during the book-building process described above.

Retail Application Period

The period during which applications for Offer Shares will be accepted in the Retail Offering (the “Retail Application Period”) will last from 24 April 2006 to 8 May 2006 (both dates inclusive), closing at 12.00 hours (Norwegian time). All applications must be made on the Application Form attached to this Prospectus as Appendix C (the “Application Form”). Application Forms together with this Prospectus can be obtained from the Company or the Application Offices set out below. Norwegian applicants in the Retail Offering can also apply for Offer Shares on the Internet accessing www.rec-aksjen.no or www.recaksjen.no.

Application Forms that are incomplete or incorrectly completed or that are received after the expiry of the Retail Application Period may be disregarded without further notice to the applicant. Subject to any extension of the Retail Application Period (see below), properly completed Application Forms must be received by one of the Application Offices by 12:00 hours (Norwegian time) on 8 May 2006.

The Company, together with the Managers, reserves the right to extend the Retail Application Period at any time, depending on the number and size of applications received in the Institutional Offering and the Retail Offering, in the aggregate or individually. Any such extension of the Retail Application Period will be announced through the OSE on or before 09:00 hours (Norwegian time) on 5 May 2006. An extension will only be made once, and for no longer than until 12:00 hours (Norwegian time) on 15 May 2006. In the event of extension, the allocation date, the date on which the Subscription Agreement is executed, the first trading date, the payment date and the date of delivery of Offer Shares will be extended correspondingly. All applications made in the Retail Offering will be irrevocable and binding upon receipt of a duly completed Application Form by an Application Office, irrespective of any extension of the Application Period.

Application Offices

The Application Offices for the Retail Offering are:

ABG Sundal Collier

*Munkedamsveien 45 D
P.O. Box 1444 Vika
NO-0115 Oslo*

Norway

*Telephone: +47 22 01 60 00
Facsimile: +47 22 01 60 62*

DnB NOR Markets

*Stranden 21
N-0021 Oslo*

Norway

*Telephone: +47 22 94 88 80
Facsimile: +47 22 48 29 80*

Allocation

The Managers expect to issue notifications of allocation of Offer Shares in the Retail Offering on or about 9 May 2006. Any applicant wishing to know the precise number of Offer Shares allocated to it on 9 May 2006 may contact one of the Application Offices from the morning of 9 May 2006 and onwards during business hours. Applicants who have access to investor services through an institution that operates the applicant's VPS account should be able to check how many Offer Shares they have been allocated from and including 9 May 2006.

Payment for allocated Offer Shares

In completing an Application Form, each applicant in the Retail Offering will authorize ABG Sundal Collier Norge ASA and DnB NOR Markets to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant's account number must be stated on the Application Form. Applicants that do not have a Norwegian bank account must contact one of the Application Offices. Accounts will be debited on or about 10 May 2006, and there must be sufficient funds in the stated bank account from and including 9 May 2006. The payment will be transferred to a blocked equity account of the Company, until the allocated Offer Shares have been registered in the Norwegian Companies Register.

Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 No. 100, which at the date of this Prospectus was 9.25 per cent per annum, will be payable on the amount due. ABG Sundal Collier Norge ASA and DnB NOR Markets reserve the right to make up to three debits through 22 May 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (*i.e.* on 10 May 2006), the Shares allocated will not be delivered physically to the applicant, and ABG Sundal Collier Norge ASA and DnB NOR Markets reserve the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares, on such terms and in such manner as ABG Sundal Collier Norge ASA and DnB NOR Markets may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offering Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

Delivery and trading of allocated Offer Shares

Subject to receipt of payment from the applicant, delivery of the Offer Shares allocated in the Retail Offering is expected to take place on or about 11 May 2006. This will be facilitated through the Managers' subscription and payment for the Offer Shares being issued by the Company, enabling the Company to register the share capital increase in the Norwegian Companies Registry on or about 11 May 2006 in time for such Shares to be available for settlement on or about 11 May 2006.

The Offer Shares allocated in the Retail Offering are expected to be traded on the Main List of the OSE on an "if and when issued" basis from and including 9 May 2006, subject to the Subscription Agreement not having been terminated in respect of a "force majeure" event as described above. If any such events occur before 12:00 p.m. (Norwegian time) on 11 May 2006 and the Joint Global Coordinators as a result terminate the Subscription Agreement, all trades in the Shares will be cancelled. No trading of Shares can take place over the Internet prior to the physical delivery of Offer Shares.

Applicants selling allocated Offer Shares from 9 May 2006 and onwards must ensure that payment for such Shares is made within the deadline set out above. Accordingly, an applicant that wishes to sell Offer Shares allocated to it before it has received physical delivery of such Shares must ensure that payment is made when due in order to be able to deliver such Offer Shares in time to the purchaser.

Employee Offering

Offer Price

The price for the Offer Shares sold in the Employee Offering will be the same as in the Institutional Offering, except that Norwegian and Swedish employees of the Company will receive a discount equal to the lesser of NOK 1,500 per employee and 20% on the aggregate Offer Price for Offer Shares allocated to them. For a brief description of the Norwegian tax effect of such discount, see "Taxation."

Each applicant in the Employee Offering will be permitted, but not required, to indicate on the Employee Application Form that the applicant does not wish to be allocated Offer Shares should the Offer Price be set above the indicative price range mentioned under "– The Offering" above. If the applicant elects to do so, the applicant will not be allocated any Offer Shares if the actual Offering Price is set above the upper end of the indicative price range. If the applicant does not make this reservation on the Employee Application Form, the application will be binding regardless of whether the Offer Price is set within, below or above the

indicative price range, so long as the Offer Price has been determined on the basis of orders placed during the book-building process described above

Employee Application Period

The period during which applications for Offer Shares will be accepted in the Employee Offering (the “Employee Application Period”) will last from 24 April 2006 to 5 May 2006 (both dates inclusive), closing at 12.00 hours (Norwegian time). All applications must be made on the Employee Application Form attached to this Prospectus as Annex C. Employee Application Forms together with this Prospectus can be obtained from the Company or the Application Offices set out below.

Employee Application Forms that are incomplete or incorrectly completed, or that are received after the expiry of the Employee Application Period may be disregarded without further notice to the applicant. Subject to any extension of the Employee Application Period (see below), properly completed Employee Application Forms must be received by one of the Application Offices by 12:00 hours (Norwegian time) on 5 May 2006.

The Company, together with the Managers, reserves the right to extend the Employee Application Period at any time, depending on the number and size of applications received in the Institutional Offering and the Retail Offering, in the aggregate or individually. Any such extension of the Employee Application Period will be announced through the OSE on or before 09:00 hours (Norwegian time) on 5 May 2006. An extension will only be made one time, and for no longer than until 12:00 hours (Norwegian time) on 12 May 2006. In the event of extension, the allocation date, the date on which the Subscription Agreement is executed, the first trading date, the payment date and the date of delivery of Offer Shares will be extended correspondingly. All applications made in the Employee Offering will be irrevocable and binding upon receipt of a duly completed Employee Application Form by an Application Office, irrespective of any extension of the Employee Application Period.

Application Office

The Application Office for the Employee Offering is:

DnB NOR Markets

*Stranden 21
N-0021 Oslo
Norway*

*Telephone: +47 22 94 88 80
Facsimile: +47 22 48 29 80*

Allocation Date

The Managers expect to issue notifications of allocation of Offer Shares in the Employee Offering on or about 9 May 2006. Any applicant wishing to know the precise number of Offer Shares allocated to it on 9 May 2006 may contact the Application Office from the morning of 9 May 2006 and onwards during business hours. Applicants who have access to investor services through an institution that operates the applicant’s VPS account should be able to check how many Offer Shares they have been allocated from and including 9 May 2006.

Payment for allocated Offer Shares

In completing the Employee Application Forms, each applicant in the Employee Offering will authorize DnB NOR Markets to debit the applicant’s Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant’s account number must be stated on the Employee Application Form. Applicants that do not have a Norwegian bank account must contact the Application Office. Accounts will be debited on or about 10 May 2006, and there must be sufficient funds in the stated bank account from and including 9 May 2006. The payment will be transferred to a blocked equity account of the Company, until the allocated Shares have been registered in the Norwegian Companies Registry.

Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 No. 100, which at the date of this Prospectus was 9.25 per cent per annum, will be payable on the amount due. DnB NOR Markets reserves the right to make up to three debits through 22 May 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (*i.e.* on 10 May 2006), the Shares allocated will not be delivered physically to the applicant, and DnB NOR Markets reserves the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares, on such terms and in such manner as DnB NOR Markets may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offering Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

Delivery and trading of allocated Offer Shares

Subject to receipt of payment by the applicant, delivery of the Shares allocated in the Employee Offering is expected to take place on or about 11 May 2006. This will be facilitated through the Joint Global Coordinators' subscription and payment for the Offer Shares being issued by the Company, enabling the Company to register the share capital increase in the Norwegian Companies Registry on or about 11 May 2006 in time for such Shares to be available for settlement on or about 11 May 2006.

The Shares allocated in the Employee Offering are expected to be traded on the Main List of the OSE on an "if and when issued" basis from and including 9 May 2006, subject to the Subscription Agreement not having been terminated in respect of a "force majeure" event as described above. If any such events occur before 12:00 p.m. (Norwegian time) on 11 May 2006 and the Joint Global Coordinators as a result terminate the Subscription Agreement, all trades in the Shares will be cancelled. No trading of Shares can take place over the Internet prior to the physical delivery of the Offer Shares.

Applicants selling allocated Offer Shares from 9 May 2006 and onwards must ensure that payment for such Shares is made within the deadline set out above. Accordingly, an applicant that wishes to sell Offer Shares allocated to it before it has received physical delivery of such Shares must ensure that payment is made when due in order to be able to deliver such Offer Shares in time to the purchaser.

Management Offering

Offer Price

The Price for the Offer Shares sold in the Management Offering will be the same as in the Institutional Offering.

Applicants in the Management Offering will be given full allocation for the amount for which application has been made, up to a maximum of NOK 5,000,000 (rounded down to the nearest round lot), but can not reserve for a maximum price. The maximum subscription in the Management Offering is NOK 5,000,000.

Management Application Period

The period during which applications for Offer Shares will be accepted in the Management Offering (the "Management Application Period") will last from 09:00 hours (Norwegian time) to 17:00 hours (Norwegian time) on 24 April 2006. All applications must be made on a separate application form prepared for this purpose (a "Management Application Form"), which is attached to this Prospectus as Appendix E, and cannot be made over the Internet.

Management Application Forms that are incomplete or incorrectly completed or that are received after the expiry of the Management Application Period may be disregarded without further notice to the applicant.

All applications made in the Management Offering will be irrevocable and binding upon receipt of a duly completed Management Application Form by one of the Application Offices set out below.

Application Offices

The Application Offices for the Management Offering are:

ABG Sundal Collier

Munkedamsveien 45 D
P.O. Box 1444 Vika
NO-0115 Oslo

Norway

Telephone: +47 22 01 60 00

Facsimile: +47 22 01 60 62

UBS Investment Bank

1 Finsbury Avenue
London
EC2M 2PP

United Kingdom

Telephone: +44 207 567 8000

Facsimile: +44 207 568 4800

Allocation Date

The Managers expect to issue notifications of allocation of Offer Shares in the Management Offering on or about 9 May 2006. Any applicant wishing to know the precise number of Offer Shares allocated to it on 9 May 2006 may contact the Application Offices from the morning of 9 May 2006 and onwards during business hours. Applicants who have access to investor services through an institution that operates the applicant's VPS account should be able to check how many Offer Shares they have been allocated from and including 9 May 2006.

Payment for allocated Offer Shares

In completing a Management Application Form, each applicant in the Management Offering will authorize ABG Sundal Collier to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant's account number must be stated on the Management Application Form. Applicants that do not have a Norwegian bank account must contact one of the Application Offices. Accounts will be debited on or about 10 May 2006, and there must be sufficient funds in the stated bank account from and including 9 May 2006. The payment will be transferred to a blocked equity account of the Company, until the allocated Shares have been registered in the Norwegian Companies Registry.

Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 No. 100, which at the date of this Prospectus was 9.25 per cent per annum, will be payable on the amount due. ABG Sundal Collier reserves the right to make up to three debits through 22 May 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (i.e. on 10 May 2006), the Shares allocated will not be delivered physically to the applicant, and ABG Sundal Collier reserves the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares, on such terms and in such manner as ABG Sundal Collier may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offering Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

Delivery and trading of allocated Offer Shares

Subject to receipt of payment by the applicant, delivery of the Shares allocated in the Global Offering is expected to take place on or about 11 May 2006. This will be facilitated through the Joint Global Coordinators' subscription and payment of the Offer Shares being issued by the Company, enabling the Company to register the share capital increase in the Norwegian Companies Registry on or about 11 May 2006 in time for such Shares to be available for settlement on or about 11 May 2006.

The Shares allocated in the Management Offering are expected to be traded on the Main List of the OSE on an "if and when issued" basis from and including 9 May 2006, subject to the Subscription Agreement not having been terminated in respect of a "force majeure" event as described above. If any such events occur before 12:00 p.m. (Norwegian time) on 11 May 2006 and the Joint Global Coordinators as a result terminate the Subscription Agreement, all trades in the Shares will be cancelled. No trading of Shares can take place over the Internet prior to the physical delivery of the Offer Shares.

Disparity Between Offer Price and Price to Affiliates

The Company expects that the Offer Price will be substantially higher than the effective cash contribution per Share made by certain affiliates for the purchase of Shares during the past year. Specifically,

- On 8 July 2005, the Company issued 26,000 and 50,440 new Shares to Hafslund Venture and Good Energies Investments, respectively, at a price of NOK 250 per Share (prior to the 20-to-one stock split effected on 21 April 2006) in connection with the acquisition of SiTech AS;
- On 23 August 2005, the Company issued 25,000 new Shares to Erik Thorsen at a price of NOK 200 per Share (prior to the 20-to-one stock split effected on 21 April 2006) in connection with his employment as the new President and Chief Executive Officer of the Company;
- On 9 September 2005, the Company issued 200,000 new Shares to Elkem AS at a price of NOK 145 per Share (prior to the 20-to-one stock split effected on 21 April 2006) in connection with the exercise by Elkem of an option granted by the Company in 2004.

Mechanism of Allocation

In the Institutional Offering, the Company will determine the allocation of Offer Shares after consultation with the Managers. An important aspect of the allocation principles is the desire to create an appropriate long-term shareholder structure for the Company. The allocation principles will, in accordance with normal practice for institutional placements, include factors such as pre-marketing and management road-show participation and feedback, timeliness of the order, price level, relative order size, sector knowledge, investment history, perceived investor quality and investment horizon. The Company and the Managers further reserve the right, at their sole discretion, to take into account the credit worthiness of any applicant. The Company and Managers may also set a maximum allocation or to make no allocation to any applicant.

In the Retail Offering, no allocation will be made for a number of Offer Shares less than a round lot. If the Offer Price is set above NOK 66.50, the number of Shares per round lot will be 100, otherwise the number of Shares per round lot will be 200. All allocations will be rounded down to the nearest round lot. In the event of over-subscription, the Company will endeavor to ensure that all applicants in the Retail Offering receive Offer Shares with an aggregate Offer Price of at least NOK 100,000. Smaller applications might therefore be granted a higher relative allotment compared to larger applications. Notwithstanding the foregoing, the Company reserves the right to allocate Shares in round lots on a random basis using VPS's simulation procedures. The Company also reserves the right to limit the total number of applicants to whom Offer Shares are allocated if it deems this to be necessary in order to keep the number of shareholders in the Company at an appropriate level and such limitation does not have the effect that any conditions for listing set by the OSE regarding number of shareholders will not be satisfied. If the Company should decide to limit the total number of applicants to whom Offer Shares are allocated, the applicants to whom Offer Shares will be issued will be determined on a random basis using VPS' simulation procedures.

In the Employee Offering, the Company's employees will receive full allocation for any application up to and including NOK 1,000,000 rounded down to the nearest round lot. To the extent any applications exceed NOK 1,000,000, such excess will be allocated in the same way as in the Retail Offering in general.

In the Management Offering, executive management will be given full allocation for Offer Shares applied for up to NOK 5,000,000 (rounded down to the nearest round lot). The maximum subscription in the Management Offering is NOK 5,000,000.

Conditions for Completion of the Global Offering

On 27 March 2006, the Company applied to list its Shares on the Main List of the OSE. No application has been made to list the Shares on any other stock exchange or authorized market place. This Prospectus has been filed with the OSE, which is currently reviewing the Company's application. The OSE is expected to make a decision concerning the Company's listing application at its 27 April 2006 board meeting. The Company expects that the OSE's board of directors will require it to have in excess of 3,000 shareholders, each holding more than one round lot, in lieu of the OSE's generally applicable 25% free float requirement.

Completion of the Global Offering on the terms set forth in this Prospectus is expressly conditional upon the OSE approving the Company's application for listing of the Shares on the OSE on terms acceptable to the Company and the satisfaction of said terms through the Global Offering. There can be no assurance that the OSE will give such approval or that the Company will satisfy any conditions set for such listing through the Global Offering. The Company will distribute a press release and stock exchange notification immediately following the release of the OSE's decision, which is expected to be on 27 April 2006. Assuming that the OSE approves the Company's listing application and the conditions set for such listing is satisfied through the Global Offering, it is expected that the Shares will be tradable on the Main List of the OSE on an "if and when issued" basis on or about 9 May 2006. The Shares are expected to trade in round lots (*børspost*) of either 100 or 200 Shares under the ticker symbol REC.

The Global Offering will be cancelled in the event that approval of listing by the OSE as described above is not obtained or the conditions set for such approval are not satisfied through the Global Offering.

Completion of the Offering on the terms set forth in this Prospectus is otherwise only conditioned on (i) the Company having approved the Offer Price and the allocation of the Offer Shares to eligible investors following the book-building process, (ii) applications having been received at the Offer Price for all of the Offer Shares determined to be sold in the Global Offering, (iii) the Company, its subsidiaries and the Managers having entered into the Subscription Agreement immediately after the expiry of the book-building period and (iv) satisfaction of the conditions for the closing of the subscription agreement, including but not limited to the absence of any "force majeure" events prior to the time at which the Managers subscribe. There can be no assurance that these conditions will be satisfied.

No over-allotment or stabilization

There will be no over-allotment and hence no stabilization activities conducted by the Managers, in connection with the Global Offering.

Trading Market and Lock-ups

Application has been made for the Company's Shares to be admitted for listing and trading on the OSE beginning on 9 May 2006. Prior to the Global Offering, there has been no public market for the Company's Shares. The Company and the Managers cannot assure you that a liquid trading market for the Company's Shares can be created or sustained. The prices at which the Shares will trade after the Global Offering may be lower than the price at which the Offer Shares are sold in the Global Offering. The Offer Price may bear no relationship to the market price of the Company's Shares subsequent to the Global Offering.

Each of the Company, Good Energies Investments B.V., Elkem AS and Hafslund Venture AS, each of the Company's directors and each of the Company's officers named in this Prospectus have agreed that with limited exceptions they will not, for a period of 180 days, (i) issue, sell or otherwise dispose of any of its Shares (or securities convertible into or exercisable for its Shares), (ii) enter into any transaction (including any derivative transactions) having an economic effect similar to that of a sale, or (iii) publicly announce an intention to effect any transaction specified in (i) or (ii), without the prior written consent of the Joint Global Coordinators. If the existing shareholders sell their Shares in full or in part once this period expires, it could have a material adverse effect on the price of the Shares.

Selling Restrictions

No action has been or will be taken in any jurisdiction (other than Norway and Sweden, subject to the restrictions described below) that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Company's Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

No person is authorized to give information or to make any representation in connection with the offering or sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or

made, it must not be relied upon as having been authorized by the Company or any of the Managers or any of their affiliates or advisers or selling agents. Neither the delivery of this Prospectus nor any sale of Offer Shares made hereunder shall under any circumstances imply that there has been no change in the Company's affairs or that the information set forth herein is correct as of any date subsequent to the date hereof.

Canada

This document is not, and under no circumstances is to be construed as, a prospectus, an advertisement or a public offering of the securities described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

The Global Offering is being made in Canada only in the Canadian provinces of British Columbia, Ontario and Québec (the "Private Placement Provinces") by way of a private placement of Offer Shares. The Global Offering in the Private Placement Provinces is being made pursuant to this document through the Managers named in this document or through their selling agents who are permitted under applicable law to distribute such securities in Canada.

Agreement by the Managers

Each Manager has represented and agreed that the Offer Shares will only be offered or sold, directly or indirectly, in Canada only in the Private Placement Provinces and in compliance with applicable Canadian securities laws and accordingly, any sales of Offer Shares will be made (i) through an appropriately registered securities dealer or in accordance with an available exemption from the registered securities dealer requirements of applicable Canadian securities laws and (ii) pursuant to an exemption from the prospectus requirements of such laws.

Representations and Agreements by Purchasers

Confirmations of the acceptance of offers to purchase any Offer Shares will be sent to purchasers in the Private Placement Provinces who have not withdrawn their offers to purchase prior to the issuance of such confirmations. Each purchaser of Offer Shares in the Private Placement Provinces who receives a purchase confirmation regarding the purchase of Offer Shares will, by the purchaser's receipt thereof, be deemed to have represented to REC and the dealer from which such purchase confirmation is received, that such purchaser and any ultimate purchaser for which such initial purchaser is acting as agent (i) is entitled under applicable provincial securities laws to purchase such Offer Shares without the benefit of a prospectus qualified under such securities laws and, in the case of purchasers in provinces other than Ontario, without the services of a dealer registered pursuant to such securities laws, (ii) is basing its investment decision solely on this document and not on any other information concerning REC or the Global Offering, (iii) has reviewed the terms referred to below under the heading "Canadian Resale Restrictions" and (iv) is in compliance with the following:

- where the purchaser is purchasing in British Columbia or Québec, such purchaser is purchasing Offer Shares with the benefit of the prospectus exemption and dealer registration exemption provided by section 2.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions* ("NI 45-106") (that is, such purchaser is purchasing as principal and is an "accredited investor" within the meaning of section 1.1 of NI 45-106);
- where the purchaser is purchasing in Ontario, such purchaser is either a "designated institution" within the meaning of section 204 of the Regulation to the *Securities Act* (Ontario) purchasing from a person or company registered as an "international dealer" under the *Securities Act* (Ontario) or is a purchaser purchasing from a fully registered dealer and, in either case, is purchasing the Offer Shares with the benefit of the prospectus exemption provided by section 2.3 of NI 45-106 (that is, such purchaser is purchasing the Offer Shares as a principal and is an "accredited investor" within the meaning of section 1.1 of NI 45-106);
- if the purchaser is a person or a company, the purchaser had a pre-existing purpose and was not established solely or primarily for the purpose of acquiring Offer Shares in reliance on an exemption from applicable prospectus requirements in the Private Placement Provinces;

- such purchaser is either purchasing Offer Shares as principal for its own account, or is deemed to be purchasing Offer Shares as principal for its own account in accordance with the applicable securities laws of the province in which such investor is resident, by virtue of being either (i) a designated trust company; (ii) a designated insurance company; (iii) a portfolio manager; or (iv) another entity similarly deemed by those laws to be purchasing as principal for its own account when purchasing on behalf of other beneficial investors;
- such purchaser is purchasing in respect of a trade for which there is an exemption from the registration requirements of applicable Canadian securities laws or which is otherwise in compliance with such laws;
- such purchaser acknowledges and agrees that the offer and sale of Offer Shares was made exclusively through this document and was not made through an advertisement of the Offer Shares in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada;
- acknowledges that the Offer Shares are being distributed in Canada on a private placement basis only and that any resale of Offer Shares must be in accordance with the requirements of applicable securities laws; and
- the purchaser acknowledges and agrees that its name and other specified information, including the number of Offer Shares purchased, will be disclosed to the relevant Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws. The purchaser consents to the disclosure of such information. If required by applicable securities laws or stock exchange rules, the purchaser agrees to execute, deliver and file or assist the dealer in obtaining and filing such reports, undertakings and other documents relating to the purchase of the Offer Shares by the purchaser as may be required by any securities commission, stock exchange or other regulatory authority.

Language of Document

Each purchaser of Offer Shares in Canada that receives a purchase confirmation hereby agrees that it is such purchaser's express wish that all documents evidencing or relating in any way to the sale of such Offer Shares be drafted in the English language only. *Chaque acheteur au Canada des valeurs mobilières recevant un avis de confirmation à l'égard de son acquisition reconnaît que c'est sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des valeurs mobilières soient rédigés uniquement en anglais.*

Canadian Resale Restrictions

The distribution of the Offer Shares in the Private Placement Provinces is being made on a private placement basis. Accordingly, any resale of the Offer Shares must be made (i) through an appropriately registered dealer or in accordance with an exemption from the dealer registration requirements of applicable provincial securities laws and (ii) in accordance with, or pursuant to an exemption from, the prospectus requirements of such laws. Such resale restrictions may not apply to resales made outside of Canada, depending on the circumstances. Purchasers of Offer Shares are advised to seek legal advice prior to any resale of Offer Shares.

Statutory Rights of Action (Ontario Purchasers)

Subsection 6.2(1) of Ontario Securities Commission Rule 45-501 – *Ontario Prospectus and Registration Exemptions* ("OSC Rule 45-501") provides that when an Prospectus, such as this document, is delivered to an investor to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in section 2.3 of NI 45-106, the right of action referred to in section 130.1 of the *Securities Act* (Ontario) ("Section 130.1") is applicable, unless the prospective purchaser is:

- (a) a Canadian financial institution, meaning either: (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act; or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial

services corporation, or league that, in each case is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;

- (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (d) a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Section 130.1 provides purchasers who purchase securities offered by an Prospectus with a statutory right of action against the issuer of securities and any selling security holder for rescission or damages in the event that the Prospectus and any amendment to it contains a “misrepresentation.” “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in the light of the circumstances in which it was made.

Where this document, together with any amendment to it, is delivered to an eligible prospective purchaser of Offer Shares in connection with a trade made in reliance on section 2.3 of NI 45-106, and this document contains a misrepresentation which was a misrepresentation at the time of purchase of the Offer Shares, the purchaser will have a statutory right of action against REC for damages or, while still the owner of Offer Shares, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser gives notice to the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action, that the purchaser is exercising this right; or, in the case of any action, other than an action for rescission, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The defendant shall not be liable for a misrepresentation if it proves that the purchaser purchased the Offer Shares with knowledge of the misrepresentation.

In an action for damages, the defendant shall not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Offer Shares as a result of the misrepresentation relied upon.

Subject to the paragraph below, REC is liable, and every person or company who becomes liable to make any payment for a misrepresentation may recover a contribution from any person or company who, if sued separately, would have been liable to make the same payment, unless the court rules that, in all the circumstances of the case, to permit recovery of the contribution would not be just and equitable.

Despite the paragraph above, REC shall not be liable where it is not receiving any proceeds from the distribution of the Offer Shares being distributed and the misrepresentation was not based on information provided by REC, unless the misrepresentation,

- (a) was based on information that was previously publicly disclosed by REC;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by REC prior to the completion of the distribution of the Offer Shares.

In no case shall the amount recoverable for the misrepresentation exceed the price at which the Offer Shares were offered.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the Securities Act (Ontario) and the regulations and rules made under it, and you should refer to the complete text of those provisions.

Enforcement of Legal Rights

All of the directors and officers (or their equivalents) of REC, as well as any experts named herein may be located outside of Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon REC or such experts. All or a substantial portion of the assets of REC and such experts may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against REC or such experts in Canada or to enforce a judgment obtained in Canadian courts against REC or such experts outside of Canada.

Canadian Tax Considerations and Eligibility for Investment

This document does not address the Canadian tax consequences of ownership of the Offer Shares. Prospective purchasers of Offer Shares should consult their own tax advisers with respect to the Canadian and other tax considerations applicable to their individual circumstances and with respect to the eligibility of the Offer Shares for investment by purchasers under relevant Canadian legislation.

Currency

The Offer Price, financial statements and certain other financial information disclosed in this Prospectus are presented in Norwegian kroner. The following tables set out for the periods indicated, the period-end, high, low and average Canadian Noon Rates⁽¹⁾ between the Canadian dollar (“Cdn\$”) and the Norwegian kroner (expressed in NOK per Cdn\$1.00):

Period⁽²⁾	Period-end	High	Low	Average
2006 (up to 31 March)	5.66	5.93	5.60	5.78
2005	5.82	5.82	4.99	5.32
2004	5.00	5.37	4.87	5.18
2003	5.18	5.49	4.40	5.06
2002	4.40	5.74	4.40	5.08
2001	5.65	6.24	5.46	5.81

(1) The term “Canadian Noon Rate” means the European Central Bank noon exchange rate.

(2) Unless otherwise specified, each reference to a year is a year ended December 31.

On 20 April 2006, Cdn\$1.00 = NOK 5.56, based on the Canadian Noon Rate.

These exchange rates are provided only for the convenience of the reader. No representation is made that the Norwegian kroner amounts could have been converted into Canadian dollars at the above rates on any of the dates indicated or at any other rate.

For information on legislation relating to withholding taxes in respect of the Offer Shares, please refer to the section entitled “Taxation – Norwegian Taxation” and for information relating to foreign exchange controls, please refer to the section entitled “Exchange Control.”

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan, as amended, (the “SEL”) and, accordingly, each Manager has undertaken that it has not offered or sold, or will not offer or sell any Offer Shares, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person except under circumstances which will result in the compliance with the SEL and any other applicable laws and regulations promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other equity organized under the laws of Japan.

United States

The Offer Shares have not been and will not be registered under the Securities Act, and may not be offered or sold except (i) within the United States to QIBs in reliance on Rule 144A or (ii) to certain persons in offshore transactions in reliance on Regulation S under the Securities Act, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any of the Offer Shares as part of its allocation at any time other than to QIBs in the United States in accordance with Rule 144A or outside of the United States in accordance with Rule 903 of Regulation S. Transfer of the Offer Shares will be restricted and each purchaser of the Offer Shares in the United States will be required to execute an investment letter and to make certain acknowledgements, representations and agreements, as described under “Transfer Restrictions.”

In addition, until 40 days after the date of this Prospectus, an offer or sale of Offer Shares within the United States by a dealer, whether or not participating in the Global Offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Acts 2000 (the “FSMA”) received by it in connection with the issue or sale of the Offer Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

Expenses and the Managers relation to the Company

The Company’s estimates that its expenses in connection with the Global Offering (including commissions paid to the Managers as described below) will amount to between NOK 110 million and NOK 160 million and anticipates that these expenses will be paid in cash.

The expenses will be deducted from the premium associated with the Offering before it is transferred to the share premium reserve.

No costs relating to the Offering will be for the account of the applicants, other than the Offering Price itself.

The following table shows the per Share and total commissions to be paid to the Managers by the Company.

Per Share	NOK 1.28
Total	NOK 96 million

The Company may also pay the Managers at the Company’s discretion an additional fee of up to 0.4% of the aggregate Offer Price.

Certain of the Managers have from time to time performed banking and advisory services for the Company, for which they have received customary fees and expenses, and may continue to do so in the future in the ordinary course of business.

In the Subscription Agreement, the Company and its subsidiaries have made certain representations and warranties in favor of the Managers and the Company and its subsidiaries have also agreed to indemnify the Managers against certain liabilities, including liabilities under the Securities Act and other applicable securities laws. The Company has also agreed to pay costs, fees and expenses and reimburse the Managers for certain of their expenses in connection with the sale of the Offer Shares.

VPS registration

The Company's VPS account operator is DnB NOR Bank ASA, Verdipapirservice, Stranden 21, N-0021 Oslo, Norway. The Shares are registered with the VPS and have ISIN NO 0010112675.

Transfer Restrictions

General

The Offer Shares have not been registered under the Securities Act or with any securities regulatory authority of any state or territory of the United States and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered except pursuant to an exemption from the registration requirements under the Securities Act or pursuant to an effective registration statement under the Securities Act. The term “United States” as used in this section has the meaning given to it by Regulation S.

Offer Shares initially offered and sold to investors in the United States pursuant to Rule 144A will be subject to certain restrictions on transfers. In particular, upon the purchase of Offer Shares, purchasers in the United States will be deemed to have agreed that, among other things, not to resell the Offer Shares except outside the United States under Regulation S and not to deposit the Offer Shares in any unrestricted depository facility.

Purchasers of Offer Shares Offered in Reliance on Rule 144A

Each purchaser of the Offer Shares offered in reliance on Rule 144A will be deemed to have represented and agreed be as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. The purchaser (i) is a QIB or a broker-dealer acting for the account of a QIB, (ii) is acquiring such Shares for its own account or for the account of a QIB, and (iii) is aware that the Offer Shares are “restricted securities” within the meaning of the Securities Act;
2. The purchaser is aware that the Offer Shares have not been and will not be registered under the Securities Act and are being offered in the United States in reliance on Rule 144A;
3. The purchaser understands and agrees that the Offer Shares may not be offered, sold, pledged or otherwise transferred except outside the United States in accordance with Rule 903 or 904 of Regulation S;
4. Any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognized by REC in respect of the Offer Shares; and
5. The purchaser acknowledges that the Company, the Managers, and their affiliates, and others, will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees to notify the Managers promptly in writing if any of its confirmations, acknowledgements or agreements herein ceases to be accurate and complete. The purchaser hereby irrevocably agrees that the certificate or a copy thereof may be produced to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered thereby.

Enforcement of Civil Liabilities

The Company is a public limited company organized under the laws of the Kingdom of Norway. All of the Company's directors and a substantial majority of its executive officers reside outside the United States. All or a significant portion of the assets of these individuals are located outside the United States. Similarly, a substantial portion of the Company's assets is located outside of the United States. As a result, it may be difficult for you to effect service of process within the United States upon the Company or its directors and officers, or to enforce judgments obtained in the United States against the Company or its directors and officers, including judgments based on the civil liability provisions of the U.S. federal securities laws.

The Company has been advised by its Norwegian counsel, Advokatfirmaet Schjødt AS, that although you may bring actions against the Company, the Company's Norwegian affiliates or any of its directors or executive officers resident in Norway, Norwegian courts are unlikely to apply U.S. law when deciding such cases. The recognition and enforcement of foreign judgments in Norway is dependent upon the existence of a bilateral or multilateral agreement with the foreign state in question concerning the mutual recognition and enforcement of judgments. There is no such agreement between Norway and the United States. Accordingly, judgments of U.S. courts are not enforceable in Norway. The Company may comply with a judgment of a U.S. court voluntarily, but if it were not to do so you would have to commence an action in a Norwegian court for an original judgment. Consequently, it could prove difficult to enforce civil liabilities based on U.S. securities laws in Norway. Even if U.S. law was to be applied, it is unlikely that a Norwegian court would adjudicate awards against public policy or order in Norway, including awards of punitive damages.

Legal Matters

The validity of the Offer Shares and certain other legal matters will be passed upon by Advokatfirmaet Schjødt AS, the Company's Norwegian legal counsel, and Holland & Knight LLP, the Company's U.S. legal counsel. Certain legal matters will be passed upon for the Managers by Thommessen Krefting Greve Lund AS Advokatfirma, Norwegian legal counsel to the Managers, and Cleary Gottlieb Steen & Hamilton LLP, U.S. legal counsel to the Managers.

Independent Accountants

The Company's audited consolidated financial statements included in this Prospectus as of 31 December 2005 and 2004 and each of the years then ended have been prepared in accordance with The Norwegian Accounting Act and International Financial Reporting Standards as adopted by the European Union. The Company's audited consolidated financial statements as of December 2004 and 2003 and each of the years then ended have been prepared in accordance with the Norwegian Accounting Act and with accounting principles generally accepted in Norway. The audited pro forma condensed consolidated income statement in the prospectus for the year ended 31 December 2005 has been prepared to include the operations of Advanced Silicon Material LLC as if it was acquired on 1 January 2005. The prospectus also includes parent company financial statements. The financial statements of the parent company as of 31 December 2005, 2004 and 2003 and for each of the years then ended have been prepared in accordance with the Norwegian Accounting Act and with accounting principles generally accepted in Norway.

The Prospectus includes Norwegian statutory audit reports that are addressed to the "Annual Shareholders' Meeting of Renewable Energy Corporation AS(A)" in accordance with standard practice in Norway covering the parent company and consolidated financial statements described above. In addition, the Prospectus includes special purpose audit reports that have been prepared in accordance with Norwegian Auditing Standard RS 800, "The Auditor's Report on Special Purpose Audit Engagements." These special purpose audit reports are in a format similar to the Norwegian statutory audit reports and cover the parent company and consolidated financial statements described above but designate the audit report addressee as the "Shareholders of Renewable Energy Corporation ASA."

The Norwegian statutory audit report and the special purpose audit report applicable to the 2003 financial statements included an emphasis of a matter regarding internal control weaknesses at a significant subsidiary regarding the implementation of a new accounting and enterprise resource system. The special purpose audit report applicable to the 2003 financial statements also included a paragraph describing that the 2003 group accounts have been restated for corrections of errors related to accounting for government

grants and minority interests which, in the aggregate, increased the net loss by NOK 16.2 million in 2003 and decreased shareholders' equity by NOK 6.7 million as of 31 December 2003 as compared to amounts previously reported.

The aforementioned parent company and consolidated financial statements and pro forma condensed income statement have been audited by KPMG AS, Sørkedalsveien 6, P.O. Box 7000, Majorstua, N-0306, Oslo, Norway, independent auditors, as stated in their independent auditors reports included herein. KPMG AS is a member of Den norske Revisorforening (The Norwegian Institute of Public Accountants).

Available Information

For twelve months from the date of this Prospectus, the following documents (or copies thereof) may be physically inspected at the principal office of the Company, Veritasveien 14, P.O. Box 280, N-1323, Høvik, Norway (telephone number +47 67 81 52 50):

- The articles of association of Renewable Energy Corporation ASA;
- The historical financial information of Renewable Energy Corporation ASA and its subsidiaries for the two years preceding the publication of this Prospectus.

Glossary of Terms

In the Prospectus, the following terms have the meanings indicated below.

Amorphous silicon (a-Si) technology	A silicon-based thin film technology for producing PV modules, based on amorphous silicon (which is different from crystalline silicon) being deposited in a thin layer on either on coated glass or stainless steel.
CO ₂	Carbon dioxide.
Czochralski method	A method of crystal growth used to obtain single crystals of semiconductors in the shape of large cylindrical ingots.
Crucible	A quartz vessel used for melting and crystallization of polysilicon when producing multi- and monocrystalline silicon ingots. A single crystal is solid particle with a regular, periodic arrangement of atoms or molecules throughout.
Crystallization	The key process in the production of multicrystalline ingots. The crystallization starts from the bottom of the crucible and proceeds towards the top as it is gradually cooled (directional solidification). The multicrystalline qualities of the silicon result from this process.
CSG technology	A microcrystalline silicon-based thin-film technology in which a thin silicon film is deposited on special glass and processed further into PV modules (“Crystalline Silicon on Glass”).
dm ²	Square decimeters – measurement typically used to quantify wafer production volumes.
Doping	Changing the wafer surface from p-type to n-type by diffusing phosphorus particles into the wafer surface. As a result, the silicon wafer has two separate layers, <i>i.e.</i> , a negatively charged and a positively charged layer.
EEG: Renewable Energies Act	German Act on Granting Priority to Renewable Energies (<i>Erneuerbare Energien Gesetz</i>).
Electronic-grade silicon (EG)	Silicon with a purity of between 99.9999999% to 99.999999999% (9N to 11N purity).
Feed-in tariff	Subsidy scheme where the owners of solar power systems receive a guaranteed, fixed price from the utilities for the electricity fed into the grid.
Fluidized bed reactor technology (FBR)	A process for solidification of silicon from silane gas using a chemical reactor where solid particles (silicon) are suspended in an upward gas flow (silane) inside a tailor-made chamber.
Grid-connected systems	Solar power system connected to the electric grid. Used in areas where other electricity systems are available.
Grid operator	Electrical utility companies that operate power grids for the general supply of electricity.
IEA	International Energy Agency.

**International Financial Reporting
Standards (IFRS)/International Accounting
Standards (IAS)**

On one hand a general designation for all accounting standards published by the International Accounting Standards Committee, and on the other hand, the accounting standards recently published by the International Accounting Standards Board (IASB) in effect since 2003. The standards in effect since 2002 continue to be published as International Accounting Standards (IAS). Only fundamental changes in the regulations of existing standards are renamed from IAS to IFRS. References to IFRS in the Prospectus, unless stated otherwise, are to IFRS as adopted by the European Union.

Kilowatt (kW) 1,000 Watt. Unit of power used to measure the capacity of PV systems.

Kilowatt hour (kWh) Unit of energy. Electricity consumption is stated in kilowatt hours. 1 kW/h = 1,000 watts over a period of one hour.

Kilowatt peak (kWp) Unit used to measure the standardized power output (rated output) of PV cells or PV modules. The output indicated on the module reflects the output produced under testing conditions that do not directly correspond to normal conditions. The testing conditions have the purpose to standardize and compare PV cells and PV modules. The electrical results of the modules under such testing conditions are included in data sheets. The testing conditions are at 25°C module temperature and 1,000 W/m² solar radiation (STC conditions; STC stands for standard test conditions).

KW Abbreviation of “kilowatt.”

kWh Abbreviation of “kilowatt hour.”

KWp Abbreviation of “kilowatt peak.”

Large Hydro Electricity from water flowing downhill, typically from behind a dam. No international consensus exists on the threshold that separates large from small hydropower, but the upper limit varies from 2.5-50 MW, with 10 MW becoming more standard.

Megawatt (MW) Unit of energy: 1 MW = 1,000 kW or 1,000,000 Watt.

Megawatt hour (MWh) Unit of energy. Electricity consumption is also stated in megawatt hours. 1 MWh = 1,000 kilowatts over a period of one hour.

Monocrystalline silicon Processed silicon where the material consists of only one crystal.

Multicrystalline silicon Processed silicon where the material consists of several small (typically 1-20 mm) crystal grains.

MW Abbreviation of “megawatt.”

MWh Abbreviation of “megawatt hour.”

MWp Abbreviation of “megawatt peak.”

Megawatt peak (MWp)	1 megawatt peak = 1,000 kilowatt peak.
Off-Grid system	Solar power system not connected to the electric grid. Normally used in areas where grid-connected electricity is unavailable.
Photon International	International industry publication covering the PV industry.
Photovoltaics	Photovoltaics involve the conversion of radiation, primarily solar radiation, into electrical power, and have been used to supply energy since 1958 (initially to satellites). The name is a combination of the Greek word for light, or “photo,” and “Volta,” after Alessandro Volta, the pioneer of electricity.
Polysilicon	Highly purified silicon used in the electronic and solar industry.
Photovoltaic (PV) effect	The generation of electricity when radiant energy, such as sunlight, falls on the boundary between two different substances (<i>e.g.</i> , two different semiconductors).
Primary energy consumption	Primary energy consumption, abbreviated PEC, indicates how much energy can be used in an economy to render all energy-related services such as production, heating, moving, electronic data processing, telecommunication or lighting. It is also the total amount of energy supplied to an economy. Sources of energy in use to date mainly include oil, gas, coal, brown coal, nuclear power, hydropower and wind energy.
Renewable Energy	Renewable energy, or sometimes also called regenerative energy, refers to the supply of energy from sustainable sources that are either regenerated or – based on human standards – are inexhaustible. Renewable energy is primarily used in the form of solar energy, biomass, geothermic power, hydropower and wind energy.
Renewable energy world	International industry publication covering, among other industries, the global PV industry.
Siemens reactor	Conventional reactor used for deposition of silane on long silicon rods. Used by most manufacturers of polysilicon.
100,000 Roofs Program	The 100,000 Roofs Program was a German government program that provided nationwide government incentives until 30 June 2003 for the construction of solar power systems.
Silane (SiH ₄)	A compound gas consisting of hydrogen and silicon. An intermediate stage in the production of polysilicon.
Silicon wafer	A thin slice of silicon used as the key component in a solar cell module. The wafers produced by REC ScanWafer typically have a thickness of 200-280 µm.
Small Hydro	Small hydropower is commonly defined as below 10 MW.

Slurry	Cutting fluid used when sawing silicon blocks into wafers. Consists of silicon carbide and polyethylene glycol.
Solarbuzz	An international solar energy market research and consulting company.
Solar cell	Cells are PV applications that convert light (usually sunlight) into direct current by using the PV effect. The photons being emitted generate an electric voltage, which, by connecting an electric loader to the solar, allow electricity to flow.
Solar energy	Throughout this document the term solar energy refers to the generation of electricity based on the PV effect. In other literature, solar energy may also include additional technologies for converting solar radiation into electricity or heat.
Solar-grade silicon	Silicon with 99.9999% to 99.999999% purity. (6N to 8N purity).
Solar module	Interconnected solar cells encapsulated and protected in transparent materials that protect against humidity, air and mechanical damage. Normally, solar modules are made with a glass front and aluminum frame.
String ribbon technology	In this PV technology, wafers are directly produced from melted silicon by using wires.
Therms	A commercial unit of heat energy. The therm is equal to 100,000 Btu, which again is a unit of heat energy defined as the amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit. The therm is equal about 29.3 kilowatt hours of electrical energy and can also be provided by about 96.7 cubic feet of natural gas.
Thin-film	PV technology where the generation of solar energy takes place in a thin film of semiconductor material assembled in several layers. Conventional solar modules are made with wafers as the semiconductor material.
W	Abbreviation of “watt.”
Watt (W)	Unit of power with which the output of PV systems can be precisely measured.
Watt-Peak (Wp)	Unit used to measure the standardized power output (nominal output) of PV cells and PV modules. Module prices are generally indicated in €/Wp. 1,000 watt peak = 1 kilowatt peak.
Wp	Abbreviation of “watt peak.”
μm	Micrometer (micron) 10 ⁻⁶ m. Measurement unit typically used when describing the thickness of wafers.

– IN-HOUSE TRANSLATION–**ARTICLES OF ASSOCIATION FOR RENEWABLE ENERGY CORPORATION ASA****§ 1 The name of the Company**

The name of the Company is Renewable Energy Corporation ASA. The Company is a public limited liability company.

§ 2 Business address

The Company's business address is in the municipality of Bærum, Norway.

§ 3 Purpose

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.

§ 4 Share capital

The share capital is NOK 421.089.120 divided into 421.089.120 shares at a face value of NOK 1 (NOK one). The shares shall be registered with the Norwegian Central Securities Depository.

§ 5 The Board

The Company's Board of Directors shall consist of five to nine members. The Chairman of the Board shall be appointed by the General Meeting. In the event of an equality of votes, the Chairman has the casting vote. The Board is elected for a period of two years at a time.

§ 6 Election Committee

The Company shall have an Election Committee. The Committee shall comprise of three members. The members of the Committee shall be elected by the company's General Meeting, who also appoints the Committee's Chairperson. The General Meeting shall also lay down the rules of procedure for the Committee's work.

§ 7 Signature

The right to sign on behalf of the Company is assigned to the Chairman and one Board Member jointly. The Board may grant power of procuration.

§ 8 Acquisition of shares

Transfer of shares is not conditioned upon the Board's approval. The shareholders have no pre-emptive rights upon the transfer of the company's shares.

§ 9 The General Meeting

The Ordinary General Meeting shall be held annually before the end of June. The call shall specify the agenda for the meeting.

The General Meeting shall consider the following:

1. Approve the financial statements and the annual report, including the allocation of profits or deficits.
2. Determine remuneration to the Board of Directors and approve remuneration to the Auditor.
3. Elect Chairman of the Board, Board Members and Auditor.

4. Other issues that shall be considered by the General Meeting according to law or the Articles of Association.

In order to be considered by the Ordinary General Meeting, motions from the shareholders must be presented to the Chairman of the Board in writing in good time before the General Meeting.

§ 10 Extraordinary General Meeting

Extraordinary General Meeting shall be held whenever the Board deems it necessary. Further, the Board shall also call for a extraordinary General Meeting when the Auditor or a shareholder representing more than 10% of the share capital, requires a specific issue to be considered by the General Meeting.

The call shall specify the issues to be considered. The Board shall ensure that such General Meeting is held no later than one month subsequent to the date it was required to have such General Meeting. On the extraordinary General Meeting only the issues specified in the call shall be considered, unless all shareholders approve otherwise.

Index to Financial Statements and Audit Reports⁽¹⁾

	<u>Page</u>
I. 2005 Accounts and Statutory Audit Report	2
II. 2005 Special Purpose Audit Report	34
III. 2005 Audit Report on Pro Forma Condensed Consolidated Income Statement	36
IV. 2004 Accounts and Statutory Audit Report	39
V. 2004 Special Purpose Audit Report	55
VI. 2003 Accounts and Statutory Audit Report ⁽²⁾	57
VII. 2003 Special Purpose Audit Report	72

(1) The historical financial statements have not been updated for the 20:1 stock split that was effective as of 21 April 2006.

(2) The 2003 Norwegian statutory accounts include financial information as of 31 December 2003 and for the year then ended that has been restated for a correction of errors related to the accounting treatment for government grants and minority interests. Accordingly, such financial information should not be relied upon. The 2004 Norwegian statutory accounts contain financial information as of 31 December 2003 and for the year then ended that has been restated to correct these errors resulting in an increase of net loss of NOK 16.2 millions for 2003 and a decrease in shareholders' equity of NOK 6.7 million as of 31 December 2003 as compared to amounts in the 2003 Norwegian statutory accounts. The 2003 financial information contained herein is based upon the restated 2003 financial statements included in the 2004 Norwegian statutory accounts.

Highlights: 2005 has been a year with strong production growth and increased productivity

- The Group achieved strong growth in revenues and profitability and recorded revenues of NOK 2 454 million and earnings before financial items, taxes, depreciation and amortization of NOK 830 million • Upstream position strengthened by strategic acquisition • Expansion projects well underway in all segments

Report from the Board of Directors

Key events in 2005

2005 was another strong year for the REC Group (REC) in terms of market positioning, growth in revenues and production and improvements in productivity and profitability.

The solar power market continued to show significant growth in 2005 and the industry profitability also continued to improve. REC once again outpaced the industry and gained market share, and the competitive position was further strengthened through the strategically important upstream acquisition of Advanced Silicon Materials LLC (ASIM) in the USA and by continued strong productivity gains throughout the value chain.

Overall, the REC Group recorded revenues of NOK 2 454 million for 2005, which represent an increase of 93 percent over 2004. Revenues were boosted by the acquisitions of ASIM and STech AS in Norway, but increased by a healthy 43 percent even without these acquisitions.

The profitability also improved sharply. Earnings before financial items, taxes, depreciation and amortization (EBITDA) increased to NOK 830 million from NOK 141 million, driving the EBITDA-margin from 11 percent to 34 percent. The earnings before financial items and taxes (EBIT) increased more than fifteen times to NOK 601 million.

Revenues increased across all segments. Revenues in REC Silicon tripled, including the effects of the consolidation of ASIM. REC Wafer reported 65 percent organic growth and a revenue increase of more than 80 percent including the acquisition of STech. The downstream operations in REC Solar reported an all-organic revenue growth of 89 percent.

The organic revenue growth in REC Wafer and REC Solar is for the most part attributable to significant volume increases.

Further expansion projects are well underway in all the business segments. This will support the REC Group's ambitions of securing cost-leadership, strengthen its position as the world-leading supplier of polysilicon and wafers for solar applications, and allow for strong growth also in the downstream activities in cell and module manufacturing.

Activities

Group Presentation

REC was established December 3, 1996, and has grown to become one of the world's largest producers in the rapidly expanding PV solar energy industry. The REC Group is headquartered at Høyvik, outside Oslo, Norway.

Following a re-organization of the business structure in 2005, the reporting structure for the REC Group currently relates to the consolidated

financial statements and the three business divisions REC Silicon, REC Wafer, and REC Solar.

The operational activities are carried out in seven subsidiaries: REC Solar Grade Silicon LLC and REC Advanced Silicon Materials LLC (ASIM) in the USA, REC ScanWater AS, REC STech AS and REC ScanCell AS in Norway, REC ScanModule AB in Sweden and Solar Vision (PTY) Ltd., as well as strategic investments in CSG Solar AG and EverQ GmbH.

Mission and Vision

The REC Group's mission is to increase the use of clean and renewable energy and thereby reduce the negative environmental impact from traditional energy sources.

The long-term availability of affordable and sustainable energy represents a major global challenge, both economically and environmentally. The REC Group remains confident that solar energy is the best answer to the world's need for clean energy, and the Group's primary goal is to make solar energy an increasingly competitive alternative.

On the corporate level, the REC Group's vision is to become the most cost-efficient solar energy company in the world, with a presence throughout the whole value chain, and the Group is presently pursuing an aggressive strategy to this end.

REC ASA



*Non-US America Corporate bodies in units representing 25 percent of the ownership, these units carry no voting rights neither rights to dividend payments. REC ASA has an option to buy these units at a pre-agreed price.

Strategy

The solar power industry has experienced accelerating growth, and this has generated an imbalance between the demand and supply of polycrystalline silicon which lies at the beginning of the value chain.

Historically, the solar energy industry has relied on 'cut-outs' from the production of electronic grade silicon, and the availability and price level for solar grade silicon has been dependent on the cyclical semi-conductor industry. As business volumes have picked up for both the solar and electronic industries over the past few years, demand and price for high purity silicon has increased correspondingly, and demand for polysilicon currently outstrips supply.

To facilitate further profitable expansion, the solar power industry will thus need to establish a dedicated supply chain. However, the barriers to entry are significant in terms of technology access, up-front investment costs, and the time required for construction of new plants. No significant new volumes will thus be brought to the market over the next two years.

As a result, the competition for silicon supply between the electronic and solar power industries will likely remain strong at least until 2008, which may negatively affect the achievable growth rate for the PV solar energy industry.

The REC Group has long emphasized that cost-efficient access to polysilicon feedstock will generate strategic, long-term competitive advantages in the solar energy market, and has thus opted for full upstream integration. To this end, REC Silicon's position was further strengthened in 2005, with the acquisition of

ASIM, which will ensure that the Group's internal needs for polysilicon will be met even with significant capacity expansions further down the value chain. REC Silicon intends to build further on its cost leadership position in the years to come, through capacity expansions based on new and proprietary low-cost technologies for polysilicon production, which will be described in more detail below.

The output from the PV solar industry has increased tenfold since the REC Group was established less than ten years ago, and prices per solar energy unit generated have been more than halved. Despite these impressive productivity gains, solar energy is not yet price competitive in most regions and demand growth still relies on government subsidies and support programs.

Future industry growth will thus demand increased productivity and cost reductions throughout the entire value chain. So far, cost reductions have mainly been brought about by a high level of technological innovation within the industry, and while this will remain an important growth driver, the maturing of the industry also brings about an increased focus on industrialization and process competencies.

The REC Group intends to lead the field also in this respect, and have over the past few years implemented best-practice process program across all subsidiaries. In REC Wafer, the strong focus on industrialization, scalability and automation has enabled a fivefold increase in production per employee between 2000 and 2005. REC Wafer became the world's largest producer of silicon wafers for solar energy purposes in 2005, and increasingly enjoys scale

economies. In 2006, the Board expects to see REC Wafer realize further unit cost reductions as a result of technology innovations ongoing capacity expansions.

The downstream operations in REC Solar are less mature in their development but follow the same track of stepwise improvement and professional industrialization as the REC Group's other production companies. Productivity gains continued at a steady pace in 2005, as capacity utilization climbed towards 100 percent in both cell and module production. REC Solar expects to see further scale effects in 2006, as capacity expansions gradually will take effect already from the second quarter of the year.

The downstream activities in REC Solar have been redefined as a core business area in the REC Group, and, given the possibilities of turning more of the output from REC Silicon and REC Wafer into cells and modules, REC Solar could potentially be a significant source of growth going forward.

The REC Group's technology and supply position in the complete value chain, from silane to modules, has provided the Group with a unique position as an industrial partner for younger technologies currently being developed towards mass production. In 2004, REC acquired 23 percent in CSG Solar AG, and in 2005 REC acquired 15 percent of EverQ GmbH, with a conditional option to increase the ownership to 33 percent.

Technology, research and development The cost leadership strategy outlined above is built on a strong technological asset base.

REC Solar Grade Silicon, LLC (SGS) in Moses Lake, Washington (USA) was the world's first silicon purification plant dedicated to production of solar grade silicon, and this specialization has simplified production processes and logistics compared with plants serving both the electronic and solar grade markets.

The REC Group produces polysilicon by converting metallurgical grade silicon into silane gas, which is purified and deposited in reactors. The output is polycrystalline silicon with purity above 99.99999 percent. The production is based on REC Advanced Silicon Material's proprietary silane and polysilicon technology.

The REC Group believes new technologies will enable the company to extend the cost advantages. Over the past few years, REC Silicon has made substantial investments in a new proprietary fluidized bed reactor (FBR) technology for production of granular polycrystalline silicon. Compared with the currently dominating technology - commonly referred to as Siemens reactors, FBR will allow for significant reduction in investment costs, as well as a reduction in operating costs due to radically reduced energy consumption.

REC Silicon ran test production with the FBR-technology through 2005, and will use the technology for future capacity expansions. Preparations for a new plant are in progress and the Board expects to reach a final investment decision during the first half of 2006.

The technological development in REC Wafer's two production facilities at Herøya and in Glomfjord is characterized by constant productivity advances, combined with less frequent

major step changes. One such step change was nevertheless recorded in the latter half of 2005, when both facilities made the change from 280 micron wafer thickness to 240 micron. The shift increases productivity, reduces raw materials usage and waste and further enhances the relative cost position. Process changes to accommodate for this transition have been implemented also in the cell and module plants in REC Solar, where the focus in terms of research and development will be on improving energy conversion rates and reducing production costs going forward.

In 2005, the REC Group incurred costs of NOK 50 million related to research and development. This is slightly lower than in 2004, when the R&D relating to the FBR project peaked. However, these figures conceal a significant higher level of innovation related to both production processes and equipment in the Group, as full scale technology tests in the production lines and process improvement programs are being reported as regular operating costs, while costs related to capacity expansions, plant design and construction are being capitalized as investments.

Furthermore, the REC Group has allocated significant technology funds in its investments in the silicon thin film company CSG Solar AG an Evero GmbH. Both companies are expected to start production in the first half of 2006.

Presentation of accounts

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

istic at the date when the accounts were approved.

Transition from NGAAP to IFRS

The REC Group will be reporting its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union from January 1, 2005. Note 5 presents and explains the change in audited consolidated results of the REC Group as a result of the transition from Norwegian Generally Accepted Accounting Principles (NGAAP) to IFRS for the year ended December 31, 2004. The REC Group has prepared the opening balance sheet at the date of the transition, which is January 1, 2004.

The standards giving rise to most significant changes to the audited consolidated results of the group on transition from NGAAP to IFRS were:

- IAS 16 Property, Plant and Equipment
- IAS 19 Employee Benefits
- IFRS 3 Business Combinations
- IAS 31 Interests in Joint Ventures
- IAS 32 and 39 Financial Instruments

For more information, please refer to note 5 in the consolidated financial statements section.

Income statement

In 2005, the REC Group achieved revenues of NOK 2,454 million, an increase of 93 percent over the 2004 revenues of NOK 1,270 million. The EBITDA was NOK 830 million, compared to NOK 141 million in 2004, whereas the EBIT of NOK 601 million in 2005 compares to NOK 40 million in 2004.

CONSOLIDATED GROUP INCOME STATEMENT

[NOK mill]	2005	2004
Revenues	2 454	1 270
EBITDA	830	141
EBITDA - margin	34%	11%
EBIT	601	40
Net financial items	-78	-54
Profit/loss before tax and effect on convertible loans	523	-14
Fair value/foreign exchange effect on convertible loans	-493	6
Profit/loss before tax	30	-8

The revenue growth primarily reflects increased market shares as a result of the aggressive organic growth strategy and the consolidation of acquired businesses during the year.

Compared with the previous year, the REC Group had fewer start-up projects, which paid off in terms of improved productivity and greatly improved operational profitability. The operational results will continue to be negatively affected by expansion projects and production ramp-up costs in all business segments also in 2006, as a result of the Group's growth strategy.

Net financial items were NOK -78 million in 2005, compared with NOK -54 million in the previous year. The increase mainly reflects increased interest expenses, which reflect the financing and refinancing of investments, and a generally higher level of activity in 2005 compared with 2004.

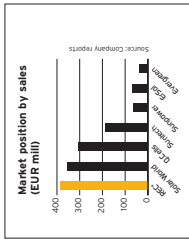
The income statement was adversely affected by the recognition of non-cash effects of currency changes and fair value assessments of

Adjusting for the negative effects of the convertible instruments, the REC Group would have reported a profit before tax of NOK 523 million for 2005 and a net profit after taxes of NOK 359 million. In the opinion of the Board, these figures provide a better indication of the underlying improvement in earnings compared with the reported figures.

Cash Flow statement

The net cash flow from operating activities was NOK 556 million, whereas the net cash flow from investment activities was NOK -2 408 million and the net cash flow from financing activities NOK 1 957 million. The net change in cash and cash equivalents for the REC Group was NOK 116 million in 2005, including cash acquired during the year and exchange gains.

The net negative cash flow from investment activities mainly reflect the acquisitions of ASIMI, the remaining 30 percent of SGS and Sitech AS, as well as major investments in fixed assets relating to capacity expansions across the value chain. The REC Group intends to maintain its growth strategy, and the Board thus expects to see major investments also in 2006 and the following years. The largest investment projects approved by the Board that are already ongoing, are the building of a second wafer plant at Herøya and a plant expansion in Glomfjord, with estimated capital expenditure of approximately NOK 700 million and NOK 370 million, respectively. Additionally, REC Solar is currently finalizing cell and module plant expansions. The building of a new polysilicon plant co-located with SGS is also being considered, and a firm decision would entail significant investments over the next few years.



* Pro forma numbers (NOK/E.B.U.)

The net cash flow from financing activities primarily reflects the issue of a USD 440 million convertible bond, and a USD 440 million shareholder loan which was replaced with a USD 170 million syndicated term loan towards the end of the year. Furthermore, the REC Group has drawn on existing loan facilities in relation with ongoing expansions in REC Wafer and REC Solar.

Balance sheets and liquidity

The total assets of the REC Group were NOK 6 064 million at the end of 2005, an increase of NOK 3 888 million during the year.

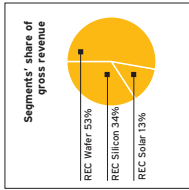
Total non current assets increased by NOK 2 960 million to NOK 4 312 million during the

year. The increased asset base primarily reflects the acquisitions of remaining 30 percent of SGS, ASIMI and Strich AS, as well as significant increases in the organic production capacity and business volumes, in connection with the acquisitions of the minority interest in SGS and the acquisition of ASIMI in 2005, the property, plant and equipment in the two companies were valued to fair value at acquisition, an increase of approximately NOK 10 billion compared to book value. This increase depreciation but has had and will have no cash effect.

Net working capital increased by NOK 391 million to NOK 550 million, excluding cash and cash equivalents.

CONSOLIDATED GROUP BALANCE SHEET

	2005	2004
(NOK mill)		
Intangible Assets	629	421
Property, Plant and Equipment	3 361	792
Financial Assets	134	27
Deferred tax assets	188	112
Total Non-Current Assets	4 312	1 352
Cash and Cash Equivalents	514	398
Other Current Assets	1 237	426
Total Current Assets	1 751	824
Total Assets	6 064	2 176
Share Capital	304	37
Other Equity	927	1 037
Total Shareholders Equity	1 231	1 074
Total Non-Current Liabilities	2 262	710
Total Current Liabilities	2 571	392
Total Liabilities	4 833	1 102
Total Liabilities and Equity	6 064	2 176



The share capital increased by NOK 267 million to NOK 304 million during 2005.

Liquidity

The REC Group held cash and cash equivalents of NOK 514 million at the end of 2005, compared with NOK 398 million at the beginning of the year. The REC Group is currently carrying out at complete refinancing at the Group level, which is expected to increase available funds significantly. The Board thus considers the liquidity position as satisfactory.

Segment analysis

REC Silicon produces solar grade polysilicon for the photovoltaic industry and electronic grade polysilicon and silane gas for the electronics industry at two facilities in Moses Lake, Washington and in Butte, Montana in the USA.

REC SILICON – KEY FINANCIAL FIGURES

	2005	2004
(NOK ML)		
Revenues	1 018	339
EBITDA	413	26
EBITDA - margin	41%	8%

REC WAFER – KEY FINANCIAL FIGURES

	2005	2004
(NOK ML)		
Revenues	1 596	884
EBITDA	417	149
EBITDA - margin	26%	17%

REC Silicon reported revenues of NOK 1 018 million for 2005, compared with NOK 339 million in 2004. The EBITDA was NOK 413 million (26 percent), and the EBITDA-margin correspondingly increased to 41 percent in 2005 from 8 percent in the previous year.

REC Silicon comprises Solar Grade Silicon (SGS) LLC and the recently acquired Advanced Silicon Materials (ASIM) LLC and its polysilicon and silane gas facilities.

Excluding the acquisition of ASIMI, the revenue growth in REC Silicon was 34 percent, which primarily reflects price increases for the polysilicon shipped from the SGS-plant, and the increase in ownership in SGS during 2005.

The SGS production increased by 11 percent to approximately 2 350 MT compared with 2004, but shipments actually declined by 11 percent to

2 400 MT due to a lower drawdown on inventories compared with the previous year.

REC Silicon retained its position as an industry leader in 2005, as higher production and higher productivity ensured further cost advances. The unit costs at the SGS plant were only marginally above the 2004-level, despite significantly higher prices for natural gas, higher depreciation and also increased maintenance costs.

The ASIM operation was consolidated with effect from August 1, 2005, and contributed NOK 564 million to revenues. The production of polysilicon at ASIMI was approximately 1150 MT from August-December.

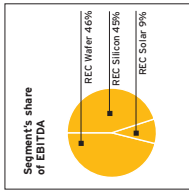
The bulk of the ASIMI polysilicon production was electronic grade silicon shipped under existing contracts. Production will be shifted to solar grade silicon as these long-term contracts gradually expire over the course of the next several years. This will increase the Group's capacity for production solar grade silicon significantly.

For 2006, close to 50 percent of the polysilicon production has been dedicated to REC.

REC Wafer

REC Wafer produces polycrystalline wafers and monocrystalline ingots for the solar cell industry at two production facilities in Glomfjord and at Hereya in Norway.

REC Wafer reported revenues of NOK 1 596 million (884 million for 2005). The EBITDA for 2005 was NOK 417 million (149 million), and the EBITDA-margin correspondingly increased to



26 percent in 2005 from 17 percent in the previous year.

Excluding the acquisition of SiTech AS, the revenue growth in REC Wafer was 65 percent. This mainly reflects increased volumes, primarily as a result of capacity expansions at the Herøya plant in Southern Norway, increased production efficiency and a further reduction of wafer thickness.

Measured in megawatt (MWp) terms, the production of wafers increased by 78 percent to approximately 220 MWp, placing REC Wafer as the world's largest producer of wafers for solar energy applications.

The improved EBITDA-margins compared with the previous year are explained by economies of scale and improved productivity. Higher raw materials costs were more than outweighed by lower net silicon consumption per MWp produced, and significantly improved wafer yield.

A second wafer plant at Herøya is under construction and will increase the production capacity by approximately 190 MWp, to take gradual effect from the third and fourth quarter of 2006. While this will also add fixed costs in the short-term, the capacity increases will further strengthen REC Wafer's cost and market position in the medium- and long-term.

Measured in terms of MWp output per employee, the productivity in wafer production has almost doubled between 2003 and 2005. As a result of the expansions in progress, the productivity is expected to increase by close to 50 percent over the next two years. However, the productivity must be expected to be negatively

REC SOLAR - KEY FINANCIAL FIGURES

[NOK MILL]		2005	2004
Revenues		404	214
EBITDA		86	-9
EBITDA - margin		21%	-4%

affected by production ramp-up activities and hiring and training of new production personnel in 2006.

The acquisition of SiTech AS was consolidated with effect from July 1, 2005, and contributed NOK 72 million to the revenues in REC Wafer. REC SiTech is a monocrystalline silicon ingot producer with an annual production capacity of approximately 25 MWp. REC SiTech is located in Glomfjord, adjacent to REC's wafer plant.

REC Solar produces solar cells at its plant in Narvik in Norway and solar cell modules at its facilities in Arvika, Sweden. The division also comprises the small systems installation company Solar Vision (PTY) Ltd. in South Africa.

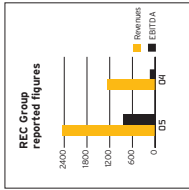
REC Solar reported revenues of NOK 404 million (214 million) for 2005. The EBITDA for 2005 was NOK 86 million (-9 million), and the EBITDA-margin correspondingly increased to 21 percent from -4 percent in the previous year.

The 89 percent all-organic increase in revenues is primarily attributable to volume increases, as average prices for REC Solar increased only 5 to 6 percent.

The output from ScanCell increased by 84 percent to roughly 20 MWp, whereas the output from ScanModule more than doubled to 14 MWp. Positive scale effects and improved production yields enabled REC Solar to reduce average unit costs significantly compared with 2004. These cost reductions by far outweighed the adverse effects of higher input costs, and explain the sharp improvement in EBITDA-margins.

In the opinion of the Board, REC Solar stands up well to industry standards in terms of product quality, yield and production systems. REC Solar should see further positive cost advances in 2006, as already implemented capacity expansions will allow for gradually increased production already from the first quarter of 2006. Measured in terms of solar power capacity, REC Solar aims for a near-doubling of production to 30 MWp in 2006 and expects to reach its designed production capacity of 45 MWp during the year.

REC ASA and allocation of profits
The activities in the parent company REC ASA comprise corporate functions, research and development and business development. These activities were scaled up significantly during 2005, as a result of major acquisitions and capacity expansions, and the planned application for a stock listing of the company in 2006.



Please also refer to the discussion of the consolidated income statement, balance sheet and cash flow for the REC Group.

Allocation of profits

The distributable equity in the parent company was NOK 374 million as at 31 December 2005. Due to the growth strategy and aggressive expansion plans the Board believes these funds can be put to best use within the company, and thus does not propose any dividends to be paid out to the Shareholders for 2005.

Events after the balance sheet date

The USD 140 million convertible loan entered into on July 13, 2005, was almost fully converted (99.88 percent) on March 13, 2006. REC ASA consequently issued approximately 37 million new shares.

Financial market risks

The global market for PV solar systems has shown an average annual growth of more than 30 percent since 2000. The growth has been supported by government incentive programs in major markets such as Germany, Japan and USA, which combined account for approximately 90 percent of the global market. Several other major countries are also implementing government support programs, and many countries have also implemented legislative environmental targets which are expected to further support the demand for renewable energy sources such as PV solar power.

Although the REC Group believes government initiatives will continue to support demand growth in the years to come, the Board acknowledges that gradual reductions of the subsidy element emphasizes the need for

continuous cost advances for the industry as such and also for the REC Group.

The REC Group believes its global position in the upstream part of the value chain offers protection to national or regional changes in supply structures. In the downstream activities the Group will be more exposed to these local risks.

Over the past few years, high energy prices have accentuated the interest for renewable energy sources such as PV solar power, and a generally healthy global economic environment and relatively low interest rates have also supported demand. The Board recognizes the importance of these external growth drivers but does not have any strong opinions with regards to the sustainability of the currently favorable business climate.

Summing up, most industry observers expect to see the market continue growing by between 20 percent and 30 percent annually in the foreseeable future, and, barring major adverse changes in the economic environment, the Board supports this view.

The REC Group thus views access to polysilicon feedstock as the main threat to the industry growth. Given its captive production at SGS and ASIMI, the REC Group will remain fully supplied with polysilicon in the medium term and will thus, to a high degree, be shielded from this risk factor.

Currency risk

Approximately three quarters of Group sales are denominated in foreign currencies, of which sales in EUR are the most important

followed by USD sales. Foreign currencies also account for almost three quarters of Group purchases, of which USD is the most important, followed by EUR.

Split by division, almost all revenues and purchases in REC Silicon are incurred in USD. In REC Water, some 40 percent of purchases are denominated in USD and the remainder split between EUR and NOK. Roughly two-thirds of sales are denominated in EUR and one-third in NOK.

In REC Solar, two-thirds of purchases are denominated in EUR and one third in NOK and SEK. Sales are almost to the full extent denominated in EUR.

The gross and net currency flows expose the REC Group to fluctuations in the exchange rates. The Group seeks to reduce the risks associated with this exposure by debt issuance in foreign currency and by the use of other financial instruments, such as forward contracts and currency options. The Group's general policy is to cover between 80 percent and 100 percent of the transaction foreign exchange exposure on a rolling 12 month basis. The policy covers the exposure for a total 48 months, with gradually declining coverage.

Interest rate risk
In terms of debt, the REC Group is primarily funded through interest bearing loans tied to NIBOR and two foreign currency convertible bonds of EUR 31 million and USD 140 million, respectively. The company is thus exposed to fluctuations in the short-term interest level, and to fluctuations in the currency rates. The REC Group is currently in a process of a major

refinancing of the Group, which to a great extent will lift the funding of the operations from the subsidiaries to the Group level.

The Group's strategy for interest risk coverage is to lock-in interest rate over a period of two to four years. At any given time, at least 25 percent of loans are attached to variable interest rates and at least 25 percent to fixed interest rates. The Group uses 'future' interest agreements, interest yield agreements, interest options and structured combinations of these instruments.

Credit risk
All new customers are credit checked before entering into long-term contracts. Given the transparency of the industry, the relatively small number of end-customers, and the strong product demand, the credit risk is generally perceived to be low. Over the course of its history, the REC Group has had only negligible write-downs on its receivables.

Organization

Dr Alf Bjørseth, founder and former President and CEO of REC, decided to leave the company to concentrate on new entrepreneurial projects as of September 30, 2005. Under his management, the REC Group has become the only fully integrated solar energy company in the world, with production in all parts of the value chain - from raw materials to complete solar modules. The Board appointed Mr. Erik Thorsen, former CEO of Tomra Systems ASA, as new President and CEO of REC in June 2005. The Board would like to thank Dr Bjørseth for the efforts he has put into the development of REC.

layoffs, training, education, pay, benefits, and social and recreational programs. Selection of personnel for hiring and promotion is based on such factors as education, experience, proven skills, initiative, dependability, cooperation, availability, and growth potential.

Employees are encouraged to recommend for promotion those individuals whose past performance demonstrates an ability to assume greater responsibility. Such recommendations are in no way allowed to be influenced by an individual's race, sex, or other protected factors.

Despite these principles, REC ASA has no female Directors. In October 2005, the company employed its first female executive at the REC Group Management level. Both the Board of Directors and the corporate management are aware of social expectations and regulations concerning the promotion of gender equality on the Board and will take action to comply with new regulation within the transition period.

During the last months of 2005, REC has completed a number of high level competency recruitments both within the technological field as well as the commercial field.

Code of Conduct

The REC Group conducts its business in alignment with four basic values and a recently established Code of Conduct. This new company Code builds on the four basic values:

- We are customer-focused
- We deliver quality in our work and products
- We are alert and take responsibility
- We respect and take care of each other

These values are intended to ensure satisfied and loyal customers and good and meaningful jobs for employees, and to give shareholders the confidence that resources are being put to use to provide the best possible return on capital invested.

Environmental effects

The REC Group continuously works on assuring the quality of the operations in all its subsidiaries. The Group's vision to increase the use of clean and renewable energy, and thereby reduce the negative environmental impact from traditional energy sources, underlines the Group's emphasis on the significance of the environment.

The Group will continue its efforts to reduce the consumption of non-renewable inputs throughout the different business areas in the Group, both directly in the production process and indirectly in administrative and supporting functions, and continue to reduce energy consumption and other emissions to the environment.

Energy is an important input factor in the REC Group's value chain, in particular in the production of polysilicon. The REC Group continuously strives at reducing the energy consumption as this will also be an important contribution to the total unit cost of production. If successful, the next significant contribution to reducing energy consumption in polysilicon production will be through the implementation of the new proprietary fluidized bed reactor (FBR) technology for production of granular polycrystalline silicon. Compared with the currently dominating technology - commonly referred to as Siemens reactors, FBR will allow radically reduced energy consumption.

With regards to emissions to air and water, the REC Group conducts its operations in accordance with permits granted by local and national authorities, and all the Group's plants have obtained all necessary permits. In connection with the capacity expansions at the water plants at Herøya and in Olmofjord, REC Water has been granted new permits for emissions to water.

Shareholder relations and corporate governance

The REC Group intends to apply for a listing on the Oslo Stock Exchange during 2006, and will seek to adopt and comply with the regulations and principles implied in the Norwegian Code of Practice for Corporate Governance.

In preparation for this, REC Group has established a set of revised Governance Principles, and the Group's approach to Corporate Governance at REC is covered in more detail in a separate chapter in this Annual Report.

Outlook

The global market for PV solar cells has grown at a strong pace for a number of years, and increased by a healthy 34 percent in 2005, according to Solarbuzz 2006. Forecasts by industry analysts indicate that the market for PV solar energy will continue to show strong growth also in the future. While acknowledging the risk factors discussed above, the REC Group shares this optimism and remains confident that PV solar power is the best answer to the world's long-term needs for affordable and clean energy.

The REC Group has outpaced the industry in terms of produced solar energy capacity, and

continued to build on its cost-leadership position in the upstream part of the value chain in 2005. The Group intends to build on these competitive advantages also in 2006, and will increase capacity throughout the value chain during the year.

The supply of polysilicon will be gradually increased through conversion of ASIM's production from electronic grade to solar grade silicon, while the wafer production will be significantly increased with the start-up of a new production line in the second half of the year.

Havik, March 23, 2006
Board of Directors


Tore Schiøtz
Chairman of the Board


Marcel Eyfjord Brenningmeier
Member of the Board


Halvor T. Sverdal
Member of the Board


Erik Thorsen
President and CEO


Rune Bjørke
Member of the Board


Paul Kløppenberg
Member of the Board


Ole Engel
Member of the Board


Roar Engeland
Member of the Board

Consolidated balance sheet

REC Group

YEAR ENDED DECEMBER 31 (NOK IN THOUSAND)	NOTES	IFRS 2005	IFRS 2004	NGAAP 2004	NGAAP 2003
ASSETS					
Non-current assets					
Goodwill	8	545 747	392 961	200 124	248 543
Other intangible assets	8	83 392	421 311	28 508	32 550
Intangible assets		629 139	228 632	228 632	281 093
Land and buildings	7	741 884	338 205	181 719	185 037
Machinery and equipment	7	2 344 726	402 737	548 910	450 837
Other tangible assets	7	274 594	51 000	54 024	53 612
Property, plant and equipment		3 361 204	791 942	784 653	689 486
Investments in associates	9	58 150	10 910	10 910	5 888
Investments in shares	11	38 190	3 087	3 086	1 091
Other long-term receivables	13	37 468	13 080	13 080	21 844
Financial assets		133 808	27 077	27 076	28 823
Deferred tax assets	19	188 229	111 576	113 205	110 639
Total non-current assets		4 312 380	1 351 906	1 153 566	1 110 041
Current assets					
Inventories	14	351 009	196 952	207 544	293 939
Trade receivables	13	364 723	167 661	189 538	127 681
Other receivables	12, 13	521 745	61 114	65 601	39 312
Cash and cash equivalents	15	513 962	398 440	415 185	52 322
Total current assets		1 751 439	824 167	877 868	513 254
Total assets		6 063 819	2 176 073	2 031 434	1 623 295

YEAR ENDED DECEMBER 31 (NOK IN THOUSAND)	NOTES	IFRS 2005	IFRS 2004	NGAAP 2004	NGAAP 2003
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	16	304 319	37 286	37 286	26 436
Treasury shares	16	-225	0	0	-766
Share premium	16	790 987	1 004 909	1 004 909	684 959
Paid-in capital		1 095 081	1 042 195	1 042 195	710 629
Other equity and retained earnings	17	131 794	37 932	-103 980	-79 333
Profit/loss for the year	17	3 923	-6 089	-62 593	-128 181
Minority interest		135 717	31 843	-166 573	-207 514
Total shareholders' equity		1 230 798	1 074 038	924 867	649 904
Non-current liabilities					
Retirement benefit obligations	20	115 063	22 303	14 676	10 774
Deferred tax liabilities	19	44 091	0	0	0
Long-term loans, interest bearing	18, 30	2 081 397	416 260	575 486	559 118
Derivative financial instruments-convertible loans	18, 28	0	255 394	0	0
Provisions, other liabilities and charges	21	21 804	15 790	15 790	9 367
Total non-current liabilities		2 262 355	709 747	605 952	579 259
Current liabilities					
Trade payables		257 600	202 557	212 608	148 733
Tax payables		17 386	223	0	0
Provisions, other liabilities and charges	21	430 022	64 260	66 591	65 539
Derivative financial instruments-convertible loans	28	1 711 428	0	0	0
Short-term loans, interest bearing	18, 30	154 230	125 248	221 416	179 860
Total current liabilities		2 570 666	392 288	500 615	394 132
Total liabilities		4 833 021	1 102 035	1 106 567	973 391
Total liabilities and equity		6 063 819	2 176 073	2 031 434	1 623 295

Hens, March 23, 2006

 Chairman of the Board
 Member of the Board

 Managing Director
 Member of the Board

 Chairman of the Board
 Member of the Board


 Member of the Board

 Managing Director
 Member of the Board

 Chairman of the Board
 Member of the Board

Consolidated income statement

REC Group

YEAR ENDED DECEMBER 31 (NOK IN THOUSAND)	NOTES	IFRS 2005	IFRS 2004	NGAAP 2004	NGAAP 2003
Revenues	6, 22	2 453 916	1 270 192	1 418 140	289 402
Raw materials and consumables used		-620 903	-513 436	-512 401	-62 109
Changes in inventories of finished goods and work in progress		4 477	-60 909	-81 902	53 581
Employee compensation and benefit expense	20, 22, 24	-409 854	-261 996	-291 539	-138 696
Other operating expenses	22, 23	-292 455	-297 791	-377 049	-230 162
Earnings before financial items, taxes, depreciation and amortization (EBITDA)	2	830 181	141 060	155 249	-87 984
Amortization of intangible assets	8	-13 648	-3 415	-55 890	-20 859
Impairment of tangible assets	7	-13 733	-6 593	-4 293	-4 293
Depreciation of tangible assets	7	-201 353	-96 443	-96 443	-31 550
Earnings before financial items and taxes (EBIT)		601 447	39 824	-3 677	-144 686
Share of loss of associates	9	-7 052	-1 578	-1 578	-5 790
Interest income	25	6 261	1 440	1 548	1 377
Impairment of financial assets	25	0	-6 715	-6 715	-3 661
Interest expense	25	-146 784	-46 074	-46 058	-28 235
Other financial income/expenses	25	69 248	-1 372	4 751	-18 794
Fair value/foreign exchange effect on convertible loans	25, 28	-493 037	6 123		
Profit/loss before tax		30 083	-8 352	-51 729	-199 789
Income tax expense/benefit	19	-26 160	2 263	3 608	56 727
Profit/loss for the year		3 923	-6 089	-48 121	-143 062
Attributable to:					
Equity holders of the Company		3 923	-6 089	-62 593	-128 181
Minority interest		0	0	14 472	-14 881
		3 923	-6 089	-62 593	-128 181
Earnings per share for profit attributable to the equity holders of the Company during the year (in NOK per share)					
- basic	26	0.26	-0.48		
- diluted	26	0.26	-0.48		

Consolidated statement of recognized income and expense

YEAR ENDED DECEMBER 31 (NOK IN THOUSAND)	NOTES	IFRS 2005	IFRS 2004
Actuarial losses on defined benefit pension schemes, net of tax		-22 662	-2 258
Effect of SGS acquisition		17, 31	107 880
Currency translation differences		0	30 919
Changes in accounting principles, fair value effect on convertible loans, January 1, 2005, net of tax		-35 941	0
Net income recognized directly in equity		80 196	-2 254
Profit/loss for the year		3 923	-6 089
Total recognized income and expense for the year		17	84 119
Attributable to the equity holders of the Company		17	84 119
			-8 343

Consolidated statement of cash flows

REC Group

YEAR ENDED DECEMBER 31 (IN K IN THOUSAND)	IFRS 2005	IFRS 2004	NGAAP 2004	NGAAP 2003
Cash flows from operating activities				
Profit/loss before tax	30 083	-8 352	-51 729	-199 789
Amortization of intangible assets	13 468	3 415	55 890	20 859
Impairment of assets	13 733	13 308	13 308	7 954
Adjustments for depreciation of assets	201 353	91 228	96 443	31 550
Adjustments for changes in pension liabilities	2 749	3 744	3 759	4 658
Share of loss of associates	7 052	1 578	0	0
Fair value/foreign exchange effect on convertible loan	493 037	-6 123	0	0
Other items	-4 344	8 263	11 962	8 851
Changes in operating assets and liabilities:				
Changes in trade receivables	-407 507	-59 174	-62 262	-26 817
Changes in inventories	-1 854	67 285	86 305	-75 863
Changes in trade payables	208 217	82 999	64 027	2 502
Net cash flow from operating activities	555 987	198 171	217 703	-226 095
Cash flows from investing activities				
Purchase of investments in shares/joint venture	-95 386	-18 710	-11 527	-74 235
Purchases of property, plant and equipment	-426 434	-202 280	-205 191	-66 239
Acquisition of subsidiary, net of cash acquired	-1 888 335	0	0	0
Proceeds from sale of property, plant and equipment	1 905	0	0	0
Net cash flow from investing activities	-2 408 250	-220 990	-216 718	-140 474
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	34 000	308 874	308 874	158 200
Proceeds from issuance of convertible bond	913 080	0	0	0
Repayments of borrowings	-906 301	0	0	0
Changes in financing receivables	-19 124	-3 431	-3 431	372
Changes in short-term loans	28 982	41 600	41 600	7 408
Proceeds from long-term loans	1 906 451	23 490	17 367	172 035
Other items	0	0	-2 165	-7 385
Net cash flow from financing activities	1 957 088	370 533	362 245	330 630
Net increase/decrease in cash and cash equivalents	104 825	347 714	363 230	-35 939
Cash and cash equivalents at beginning of the year	398 440	50 348	52 324	87 422
Foreign currency effect on cash and cash equivalents ¹	10 696	378	-369	841
Cash and cash equivalents at end of the year	513 962	398 440	415 185	52 324
¹ This line under NGAAP only refers to cash at hand and in bank.				

 REC
 consolidated report
 2005

Index to the Notes

REC Group

NOTE	PAGE	NOTE	PAGE
1 General information	49	7 Property, plant and equipment	63
2 Summary of significant accounting policies:	49	8 Intangible assets	64
2.1 Basis of preparation	49	9 Investments in associates	65
2.2 Consolidation	50	10 Joint Venture	66
2.3 Segment reporting	50	11 Investment in shares	66
2.4 Foreign currency translation	51	12 Derivative financial instruments	67
2.5 Property, plant and equipment	51	13 Trade and other receivables	67
2.6 Intangible assets	51	14 Inventories	68
2.7 Impairment of non financial assets	52	15 Cash and cash equivalents	68
2.8 Financial assets	52	16 Paid in capital	69
2.9 Accounting for derivative financial instruments & hedging activities	53	17 Changes in equity	69
2.10 Inventories	53	18 Borrowings	70
2.11 Trade receivables	53	19 Income tax expense & deferred tax assets & liabilities	71
2.12 Government grants	53	20 Retirement benefit obligations	72
2.13 Cash and cash equivalents	53	21 Provisions, other liabilities and charges	73
2.14 Share capital	53	22 Government grants	74
2.15 Borrowings	53	23 Other expense	74
2.16 Income tax	53	24 Employee benefit expense	75
2.17 Employee benefits	54	25 Finance income and expense	75
2.18 Provisions	54	26 Earnings per share	76
2.19 Revenue recognition	54	27 Dividends per share	76
2.20 Leases	54	28 Convertible bonds	77
2.21 Dividend distribution	55	29 Contingencies	78
3 Financial risk management	55	30 Commitments, pledges and guarantees	78
4 Critical accounting estimates and judgments	56	31 Business combinations	79
5 Transition to IFRS	56	32 Pro forma	80
6 Segment information	61	33 Related-party transactions	81
		34 Events after the balance sheet date	81

 REC
 consolidated report
 2005

Notes to the consolidated financial statements

REC Group

1 General information

Renewable Energy Corporation ASA (the Company) and its subsidiaries (together the REC Group) is a significant player in the international energy industry. The area of operation is principally the development and sale of products related to the photovoltaic (PV) industry. The Company is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Verftssveien 14, Hævik.

These consolidated financial statements have been approved for issue by the Board of Directors on March 23, 2006.

2 Summary of significant accounting policies

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

2.1 Basis of preparation and statement of compliance

The financial statements are presented in NOK, rounded to the nearest thousand, unless otherwise stated. The consolidated financial statements of the REC Group have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The disclosures required by IFRS 1 concerning the transition from generally accepted accounting principles in Norway (NOAAP) to IFRS are given in note 5. The consolidated financial statements have been prepared by the recalculation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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 Company'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 discussed in note 4.

Standards, interpretations and amendments to published standards that are not yet effective:

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the REC Group's accounting periods beginning on or after January 1, 2006 or later periods and which the Group has not yet adopted. Those which may affect the REC Group's results in the future are:

- **IFRIC 4, DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE** (effective from January 1, 2006). IFRIC 4 requires that the determination of whether an arrangement is or contains a lease should be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. IFRIC 4 is not relevant to the REC Group's operations at this point in time.
- **IAS 39 (AMENDMENT), CASH FLOW HEDGE ACCOUNTING OF FORECAST INTRAGROUP TRANSACTIONS** (effective from January 1, 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. The impact of this amendment may be that certain of the REC Group's intercompany transactions will qualify as a hedged item in the consolidated financial statements. The REC Group will apply this amendment from annual periods beginning January 1, 2006.
- **IAS 39 (AMENDMENT), THE FAIR VALUE OPTION** (effective from January 1, 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The REC Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the REC Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The REC Group will make appropriate considerations related to this from January 1, 2006.
- **IAS 39 AND IFRS 4 (AMENDMENT), FINANCIAL GUARANTEE CONTRACTS** (effective from January 1, 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value and subsequently measured at the higher of (i) the unamortized balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. Management have considered this amendment and concluded that it is not currently relevant to the REC Group.

Note 2 cont.

Note 2 cont.

- **IFRS 1, FINANCIAL INSTRUMENTS: DISCLOSURES AND A COMPLEMENTARY AMENDMENT TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS** (effective from January 1, 2007). IFRS 1 introduces new disclosures to provide information about financial instruments, including the disclosure of qualitative and quantitative information about financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The REC Group assessed the impact of IFRS 1 and the amendment to IAS 1 and concluded that the main and total disclosures relating to the sensitivity analysis to market risk and the capital disclosures as required by the amendment of IAS 1. The REC Group will apply IFRS 1 and the amendment to IAS 1 from annual periods beginning January 1, 2007.

The following amendment is early adopted:

- **IAS 19 (AMENDMENT), EMPLOYEE BENEFITS** (effective from January 1, 2006). The impact of this amendment is that actuarial gains and losses that under IFRS were deferred and expensed by using the corridor approach now will not show as an expense in the income statement but are recognized immediately in full, directly to equity, through the Statement of Recognized Income and Expense. The amendment also requires that the disclosures about the assumptions used in the calculation of the defined benefit obligation are relevant for REC Group. The REC Group will apply the amendment (which affects only actuarial gains and losses) from annual periods beginning January 1, 2004.

2.2 Consolidation

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the REC Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill (see Note 2.6). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in owners' equity. In a subsidiary company are accounted for in line with the requirements of IFRS 3 with goodwill being recognized at each step of the acquisition when applicable. Where the group purchases shares from a minority interest, the excess value is considered to be goodwill.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies and accounting estimates used by subsidiaries are consistent with those of the REC Group. Where necessary, adjustments have been made to ensure consistency with the policies adopted by the REC Group.

(b) Associates

Associates are all entities over which the REC Group has significant influence but not control, generally encompassing a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. (See Note 2.6).

The REC Group's share of its associates' post-acquisition profits or losses is recognized in the income statement. The cumulative post-acquisition 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, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the REC Group.

(c) Joint ventures

The REC Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The REC Group combines its share of the assets, liabilities, income and expenses of the jointly controlled entities with its own. The REC Group's share of the items in the REC Group's financial statements. The REC Group recognizes the portion of gains or losses on the sale of assets by the REC Group to the joint venture that are attributable to the other ventures. The REC Group does not recognize its share of profits or losses from the joint venture that result from the REC Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2.3 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products that are subject to risks and returns that are different from those of other business segments; this also corresponds to the internal management reporting in the REC Group. A geographical segment is engaged in providing products within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments (see Note 6).

2.4 Foreign currency translation

(a) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the consolidated financial statements are measured using the currency of the primary economic activities in which the entity operates (the functional currency). The consolidated financial statements are presented in INR, which is the 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end of foreign currency denominated assets and liabilities are included in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial items such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

(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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences from translation are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale. The REC Group does not as at December 31, 2005 hold any investments or borrowings accounted for as net investments hedges.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.5 Property, plant and equipment

Land and buildings comprise mainly operating plants and offices. All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the REC Group and the cost of the item can be measured reliably. All other costs are charged to the income statement during the financial period in which they are incurred.

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to their residual values over their estimated useful lives, as follows:

- Buildings 20-25 years
- Machinery and equipment 7-10 years
- Other tangible assets 3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are reported in the income statement.

2.6 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 at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment is reversed only if there is objective evidence that the impairment has reversed. When applicable gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the REC Group's investment determined by each primary reporting business segment (see Note 27).

(b) LICENSES AND OTHER INTANGIBLE ASSETS

License and other intangible assets that have a definite useful life and are carried at historical cost less accumulated amortization. Amortisation is calculated using the straight-line method to allocate the cost of licenses and other intangible assets over their estimated useful lives (10 years). The REC Group has no indefinite lived intangible asset other than goodwill.

Note 2 cont.

Note 2 cont.

(c) RESEARCH AND DEVELOPMENT

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new products) 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 commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to 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 for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use for the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The REC Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale 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 and re-evaluates this designation at every reporting date.

(a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category 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 a hedges. Assets in this category are measured at current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are reported in trade and other receivables in the balance sheet (see Note 2.1).

(c) HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the REC Group's management has the positive intention and ability to hold to maturity. During the year, the REC Group did not hold any investments in this category.

(d) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date (see Note 1).

Purchases and sales of investments are recognized on the date on which the REC Group commits to purchase or sell the asset (trade date). Investments are classified as available-for-sale if they are not held for trading and are not designated as held-to-maturity, profit or loss, investments are derecognized when the right 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost, which for receivables approximates to historical cost.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement within 'Fair value/foreign exchange effect on convertible loans' together with interest and dividend income, in the period in which they arise. Changes in the fair value of financial assets or securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities. Dividends on available-for-sale equity instruments are recognized in the income statement when the REC Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial investments is not active or does not exist (i.e. for unlisted securities), the REC Group carries the investments at cost.

The REC Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the asset below its cost and/or other objective evidence that the cost of the investment may not be recovered are indicators that the financial assets may be impaired. The qualitative assessment is based on the difference between the acquisition cost and the current fair value less impairment loss on that financial asset previously recognized in profit or loss - removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.11.

2.9 Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The resulting net gain or loss depends on the method of valuation and the type of derivative instrument. Derivatives are classified as trading, held for sale, or held for effectiveness. The REC Group reports net income/loss from derivatives in the income statement within "Other financial income/expenses".

2.10 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads, less applicable variable selling expenses. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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 established when there is objective evidence that the REC Group will not be able to collect all amounts due according to the contractual terms of the receivables. Indicators that trade receivables are impaired include: significant financial difficulties of the debtor, default or delinquency in payments, are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.12 Government grants

Government grants are recognized at their fair value when there is reasonable assurance that the grant will be received and the REC Group will comply with all attached conditions (see Note 22).

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or resold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period the borrowings are outstanding using the effective interest method. Borrowings are classified as current liabilities unless the REC Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

REC group has two convertible bonds that are denominated in a foreign currency. Following recent IFRS guidance, 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 (see Note 28).

2.16 Income tax

Income tax represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it includes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 for financial reporting purposes, except for deferred tax on the following: the 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. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the REC Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Side 2 cont.

Side 2 cont.

2.17 Employee benefits

The REC Group has a defined contribution pension plan. The REC Group has a number of pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The REC Group has both defined benefit and defined contribution plans. 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. A defined contribution plan is a pension plan under which the REC Group pays fixed contributions into a separate entity. The REC Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds in Norway at the balance sheet date with a 10 year maturity, adjusted for additional term to maturity of the related pension liability.

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

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees' continued service. The cost of termination benefits is recognized on a straight-line basis over the vesting period. The REC Group have not made any changes that are subject to vesting conditions.

For defined contribution plans, the REC Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. 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. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The REC Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing a benefit to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) BONUS PAYMENT

The REC Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The REC Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the REC Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Assessment of fair value and likelihood is made at each reporting date. Provisions are provided at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market rates of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

2.19 Revenue recognition

Revenue comprises the fair value for the sale of goods, net of value-added tax returns, rebates and discounts and after eliminated sales within the REC Group. Revenue is recognized:

When a REC Group entity has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured. REC products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

2.20 Leases

Leases with a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the REC Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Payments are allocated between the liability and interest components so as to arrive at a constant rate of interest on the liability. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2.21 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors
The REC Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The REC Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REC Group's financial performance. The REC Group uses derivative financial instruments to hedge certain risk exposures, but does not meet IAS 39 requirements to apply hedge accounting. Risk management is carried out by local entities based on policies developed by head office and approved by the Board of Directors. The entities identify, evaluate and hedge financial risks in close co-operation with the REC Group management. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk and interest-rate risk.

(a) CURRENCY RISK

At the beginning of 2006, the REC Group finalized the development of a new and revised financial policy in connection with the refinancing of the entire REC Group. Through this process, financing will be lifted from subsidiary level to REC Group level and this will further enable a centralized implementation of foreign exchange risk mapping and management.

The REC Group operates internationally and is exposed to foreign exchange risk primarily with respect to the US dollar, NOK, EUR and SEK. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the REC Group use forward contracts. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The individual entities are responsible for managing their net position in each foreign currency by using external forward currency contracts.

The REC Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the REC Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(b) CREDIT RISK

The REC Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions.

(c) LIQUIDITY RISK
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an arrangement that will provide liquidity under various conditions, and the diversity of funding sources. The economic nature of the underlying businesses, the REC Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As the REC Group has no significant interest-bearing assets, the REC Group's income and operating cash flows are substantially independent of changes in market interest rates.

The REC Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the REC Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the REC Group to fair value interest-rate risk. REC Group policy set to balance interest-rate risk through a combination of variable and fixed interest rate borrowings. The group aims to ensure that at least 25% of borrowings are fixed, and 25% of borrowings are floating, with the remainder being set as appropriate. Interest rate swaps are utilized, where necessary, to achieve the desired balance.

The REC Group manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest-rate swaps, the REC Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

See 3 cont.

See 3 cont.

(e) DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING
All derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement, within 'Other financial income/expenses'.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the REC Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques if not measured at cost. The REC Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. These calculations are performed by independent brokers.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The REC Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ESTIMATED FAIR VALUE OF CASH GENERATING UNITS

The REC Group has determined the fair value of cash generating units (CGUs) as an impairment indicator. The fair value of other assets, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 7).

(b) INCOME TAXES

The REC Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide tax impact of the Group's operations. The Group's tax expense is based on the expected outcome of these uncertainties. In the ordinary course of business, the REC Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. If the actual final outcome on the judgment areas differs significantly from management's estimates, the Group would need to increase or decrease the tax liability and the deferred tax liability.

(c) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The REC Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. These calculations are performed by brokers who are independent of the group.

5 Transition to international financial reporting standards

(NOK in thousand)

The REC Group is reporting its financial results for the first time in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Norwegian Accounting Act. This statement presents and explains how the transition from Norwegian Generally Accepted Accounting Principles (NGAAP) to IFRSs has affected the group's financial position, performance and cash flows. The date of transition is January 1, 2004.

Highlights

2004 REC Group earnings before financial items, taxes, depreciation and amortization increased to NOK 39 824 (NGAAP NOK 3 677) and 2004 REC Group loss before tax declined to NOK -9 332 (NGAAP NOK -51729), due mainly to the fact that amortization of goodwill under NGAAP has been reversed in the IFRS results.

Total equity as at December 31 of 2004 increased to NOK 1 074 034 (NGAAP NOK 924 867), due mainly to reversal of amortization of goodwill under NGAAP. The acquisition was accounted for using book values.

2004 REC Group net cash flow decreased by NOK 15 516 as a result of the transition. This is due to the change of accounting for Solar Grade Silicon LLC ("SGS") from consolidation with a minority interest under NGAAP to being accounted for as a joint venture under IFRS. The standards giving rise to most significant changes to the audited consolidated results of the group on transition from NGAAP to IFRS were IAS 27 Consolidation, IAS 31 Joint Ventures, IFRS 3 Business combinations, IAS 19 Employee Benefits and IAS 16 Property, Plant and Equipment.

5.1. Basis of preparation

IFRS first time adopters of International Financial Reporting Standards permits these companies adopting IFRS for the first time to take into account the requirements of IFRS in the transition period. The REC Group has taken the following optional exemptions:

- (a) Business combinations (IFRS 3): The group has chosen not to restate business combinations prior to the transition date;
- (b) Employee benefits (IAS 19): All cumulative actuarial gains and losses have been recognized directly to equity on transition date;
- (c) Financial instruments (IAS 39): The group has taken the exemption not to restate 2004 comparative information for IAS 32 Financial Instruments: Disclosure and Presentation, and IAS 39 Financial Instruments: Recognition and Measurement. As a result, cumulative translation differences (IAS 21) for 2004 are zero.
- (d) Cumulative translation differences (IAS 21): The group has adopted the exemption allowing the cumulative translation differences related to foreign subsidiaries to be reset to zero at transition date.

A summary of the principal differences between NGAAP and IFRS as applicable to REC is as follows:

5.2. Explanation of IFRS adjustments to the consolidated opening balance sheet as at January 1, 2004

a) PROPERTY, PLANT AND EQUIPMENT
IAS 16 requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost is depreciated separately, which is commonly referred to as "component accounting". A full exercise was performed on transition to calculate the position as if component accounting had always been in effect. The impact on the opening balance sheet is an increase in property, plant and equipment of NOK 2 003, to a total of NOK 680 795.

b) DEFERRED TAXES

The REC Group has recognized deferred taxes on temporary differences on investments in subsidiaries under NGAAP. When the shares in REC ScanCell, REC Solar AS and REC ScanWater AS were acquired, the original tax values were transferred from previous owners. This resulted in a higher book value than the tax values, and a temporary deferred tax liability was generated. According to IFRS, such a liability should not be recognized and therefore deferred tax liabilities have been reduced by NOK 3 482.

Changes in the treatment of taxes related to government grants have resulted in a reduction to deferred tax assets of NOK 1 917 at January 1, 2004. Under NGAAP, deferred tax assets were recognized for differences between the carrying values of assets in the financial statements and the tax values which arise from the receipt of government grants. These differences are not recognized as deferred tax assets under IFRS, because deferred tax assets are not recognized on initial recognition.

The REC Group has reviewed the requirements under IAS 19 and have reduced the discount rates for the pension schemes compared to previous Norwegian GAAP. The impact on the opening balance sheet is an increase in the pension liability of NOK 3 298 and recognizing unrecognized actuarial gains and losses in pension schemes against equity, which impacts the deferred tax amount by NOK 923.

Other changes amounting to NOK 467 relate to the deferred tax impact of changes in property, plant and equipment detailed above.

Summary of deferred tax adjustments:	3 482
Investment in subsidiaries	-1 917
Government grants	923
Property, plant and equipment	467
Increase in deferred tax assets	<u>2 021</u>

c) RETIREMENT BENEFIT OBLIGATIONS

The REC Group has reviewed the requirements under IAS 19 and reduced the discount rates for the pension schemes compared to previous Norwegian GAAP. The impact on the opening balance sheet is an increase in the pension liability of NOK 3 298 and recognizing unrecognized actuarial gains and losses in pension plans against equity.

d) BORROWINGS

Under NGAAP the REC Group treated most of their leases as operating leases. Under IFRS, due to stricter requirements, some of these leases are considered to be finance leases, requiring the leased assets to be capitalized, with a corresponding liability being recorded in the REC Group accounts. The impact on the opening balance sheet is an increase in property, plant and equipment of NOK 335 and in other short term liabilities of NOK 335.

e) EQUITY

The net effect of all of the above changes is booked against equity in the opening balance sheet of January 1, 2004 amounting to NOK 391.

Notes 5 cont.

Notes 5 cont.

5.3. Explanation of IFRS adjustments to the consolidated balance sheet as at December 31, 2004

f) PROPERTY, PLANT AND EQUIPMENT

As detailed in 5.2.a), the implementation of component accounting has impacted the opening balance sheet. The impact on the balance sheet as of December 31, 2004, was an increase of NOK 14 415, to a total of NOK 791 942.

g) INTANGIBLE ASSETS

The increase of NOK 92 729 is due to two factors: the recognition of goodwill on an acquisition (see Note p, u) and the reversal amortization of goodwill under NGAAP totaling NOK 56 780 (see Note a). Goodwill is not amortized under IFRS.

h) DEFERRED TAX ASSETS

Under NGAAP, deferred tax assets were recognized for differences between the carrying values of assets in the financial statements and the tax values from the receipt of government grants. These differences are not recognized as deferred tax assets under IFRS.

The REC Group has reviewed the requirements under IAS 19 and reduced the discount rates for the pension schemes compared to previous Norwegian GAAP. The impact on the closing balance sheet is an increase in the pension liability of NOK 7 627 and recognizing unrecognized actuarial gains and losses in pension schemes against equity, which impacts the deferred tax amount by NOK 1 460.

Other changes amounting to NOK 436 relate to the deferred tax impact of changes to property, plant and equipment detailed above.

Summary of deferred tax adjustments:

Government grants	-2 653
Pensions	1 460
Property, plant and equipment	-436
Reduction in deferred tax assets	<u>-1 629</u>

i) INVENTORIES

As a result of the change in the method of accounting for SGS (see Note s), inventories have increased by NOK 1 020. Under NGAAP, SGS was a subsidiary and the REC Group inventory value was reduced for 100% of the unrealized profits on inventory purchased from the subsidiary that remained within the REC Group at December 31, 2004. Under IFRS, SGS is a joint venture and therefore inventory value is reduced for unrealized profit by the REC share in the entity (70%).

j) EQUITY

Equity at December 31, 2004 increased by NOK 199 412 under IFRS as compared to NGAAP. NOK 152 460 refers to the purchase of REC ScanWater AS and the recording of goodwill related to the acquisition of the remaining minority interest to 100% (see Note t). The remaining amount of NOK 45 952 is the net result of all other adjustments being recorded to equity.

k) RETIREMENT BENEFIT OBLIGATIONS

The review of the pension position under IFRS resulted in an increase in the pension liability of NOK 7 627 to a total of NOK 22 303. Norwegian GAAP. The impact on the closing balance sheet is an increase in the pension liability of NOK 7 627 to a total of NOK 22 303.

l) BORROWINGS

Under NGAAP the REC Group has treated most of their leases as operating leases. Under IFRS, due to stricter requirements, some of these leases are considered to be finance leases, requiring the PPE to be capitalized, with a corresponding liability being recorded in the Group accounts. The impact on the balance sheet is an increase in borrowings of NOK 445.

5.4. Explanation of IFRS adjustments to the income statement for the year ended December 31, 2004

m) RAW MATERIALS AND CONSUMABLES USED

As a result of the change in the method of accounting for SGS (see Note t), inventories have increased by NOK 1 020 under IFRS as compared to NGAAP. The impact on the income statement is an increase in raw materials and consumables used of NOK 1 020. Unrealized profits on inventory purchased from the subsidiary that remained within the REC Group at December 31, 2004. Under IFRS, SGS is a joint venture and therefore inventory value is reduced for unrealized profit by the REC share in the entity (70%).

n) EMPLOYEE COMPENSATION AND BENEFIT EXPENSE

The review of the pension position under IFRS resulted in an income statement charge of NOK 15.

o) GOODWILL

Goodwill amortization of NOK 56 780 under NGAAP has been reversed. All goodwill has been tested for impairment at both transition date and at December 31, 2004, (in accordance with IFRS) and no impairment charges were required.

p) OTHER EXPENSES

As a result of the reclassification of some leases from operating lease to finance lease, the effect on the income statement was a reduction in costs of NOK 80.

q) FINANCE COST

As a result of the re-classification of some leases from operating lease to finance lease, the effect on the income statement was an increase in finance costs of NOK 17.

r) INCOME TAX EXPENSE

Under NGAAP deferred tax assets were recognized for differences between the carrying values of assets in the financial statements and the tax base of the assets. These differences are not recognized as deferred tax assets under IFRS. The tax base of the assets is determined on the basis of the tax law in effect at the end of the reporting period. The effect of the adjustment to property, plant and equipment as detailed in notes (a) and (f) was NOK 430. Remaining changes, amounting to NOK 107, relate mainly to the tax element of changes in classification of leases and the increase in employee benefit expense.

Summary of tax expense adjustments:	
Government grants	-716
Intangible assets	-280
Property, plant and equipment	-430
Other	107
Reduction in tax expense	-1 319

s) JOINT VENTURE

Under NGAAP the assets and liabilities of the 70% shareholding in SGS was accounted for 100% in the consolidated financial statements with a 30% minority interest. Under IFRS, SGS is consolidated as a 70% joint venture, and is proportionately consolidated and is proportionately consolidated as terms of the joint venture agreement prevented the REC Group from controlling the entity. This change impacts many individual categories and therefore these changes are shown as a separate column (headed SGS ADJ JV).

t) ACQUISITION

In 2004, the REC Group acquired the remaining shares of REC Scraplyder AS to make it a wholly owned subsidiary. Under NGAAP, this was treated as a common control transaction at book value and no goodwill was recorded. Under IFRS, the main transaction is treated as a business combination with goodwill of NOK 152,460 with other items giving a net effect of NOK 135,899 (see Note q).

u) CONVERTIBLE DEBT
The fair value effect of the change in effect on convertible loans NOK 6,023 shown on a separate line under IFRS.

5.5 REC Group balance sheets (as restated for IFRS)

RECONCILIATION OF THE BALANCE SHEET AND EQUITY AT JANUARY 1, 2004

	NOTE	NGAAP	SGS ADJ JV (Note s)	OTHER	IFRS
Non-current assets					
Property, plant and equipment	a	689 486	-7 531	2 003	683 958
Intangible assets		281 093			281 093
Investments in associates		5 888			5 888
Deferred tax assets	b	110 639	-285	2 021	112 375
Other receivables		1 442 141			1 442 141
Other		21 844			21 844
Total assets		1 110 041	-7 816	4 024	1 106 249
Current assets					
Inventories		293 939	-39 075		254 864
Trade payables		150 348	-1 976		148 372
Cash and cash equivalents		52 324	-73 618		439 638
Total assets		1 623 295	-81 434	4 024	1 545 885
Equity					
Paid-in capital		710 629			710 629
Retained earnings	e	-207 514	-5 107	391	-212 230
Minority interest					
Total equity		346 789	-39 928		106 861
Non-current liabilities					
Long term loans, provisions and other liabilities		649 904	-45 035	391	605 260
Retirement benefit obligations					
Other		568 485			568 485
Total liabilities		1 174 774		3 298	1 178 072
Current liabilities					
Trade payables		148 733	-13 564		135 169
Short term loans, provisions and other liabilities	d	245 399	-22 835	335	222 899
Other		394 132	-36 399	335	358 068
Total liabilities		973 391	-56 399	3 633	940 625
Total liabilities and equity		1 623 295	-81 434	4 024	1 545 885

Note s cont.

RECONCILIATION OF THE BALANCE SHEET AND EQUITY AT DECEMBER 31, 2004

	NOTE	NGAAP	SGS ADJ JV (Note s)	OTHER	IFRS
Non-current assets					
Property, plant and equipment	f	784 653	-7 126	14 415	791 942
Intangible assets	g, o	228 632		192 679	421 311
Investments in associates		115 160			115 160
Deferred tax assets	h	113 205		-1 629	111 576
Investment in shares		3 086			3 086
Other receivables		13 080			13 080
Total assets		1 153 566	-7 126	205 465	1 351 905
Current assets					
Inventories	i	207 544	-11 612	1 020	196 952
Trade and other receivables		255 139	-26 364		228 775
Cash and cash equivalents		415 185	-16 745		398 440
Total assets		877 868	-54 721	1 020	824 167
Equity					
Share capital		1 042 195			1 042 195
Retained earnings	j	-166 573		198 412	31 839
Minority interest					0
Total equity		875 622	-49 245	198 412	1 074 793
Non-current liabilities					
Long term loans, provisions and other liabilities	k	591 276			591 276
Retirement benefit obligations		14 676			14 676
Total liabilities		605 952			605 952
Current liabilities					
Trade payables		212 608	-10 051		202 557
Short term loans, provisions and other liabilities	l	288 007	-2 556	449	285 900
Total liabilities		500 615	-12 607	449	488 562
Total liabilities and equity		1 106 567	-12 607	8 076	1 102 041
Total liabilities and equity		2 031 434	-61 847	206 485	2 176 073

5.6 REC Group income statement (as restated for IFRS)

RECONCILIATION OF NET INCOME FOR YEAR ENDED DECEMBER 31, 2004

	NOTE	NGAAP	SGS ADJ JV (Note s)	OTHER	IFRS
Revenues		1 418 140	-147 948		1 270 192
Cost of sales		1 250 140	-147 948		1 102 192
Changes in inventories of finished goods and work in progress	m	-81 902	20 993	1 020	-60 909
Employee compensation and benefit expense	n	-291 539	29 558	15	-261 996
Other operating expenses	p	-377 049	84 158	80	-292 791
Earnings before financial items, taxes, depreciation and amortization		155 249	-15 274	1 115	141 060
Depreciation, amortization and impairment charges	o	-158 926	910	56 780	-101 236
Other financial items and taxes		-6 715	-14 364	37 695	-26 715
Other gains-net					
Finance costs - net	q	-39 759	-108	-17	-46 006
Share of loss of associates		-1 578			-1 578
Fair value/foreign exchange effect on convertible loans	u	0		6 123	6 123
Profit/loss before income tax		-51 729	-14 472	57 849	-8 352
Income tax expense		14 860			14 860
Profit/loss for the year	r	-48 121	-14 472	56 504	-6 089
Attributable to:					
Equity holders of the Company		-62 593			-62 593
Minority interest		14 472		-14 472	0

5.7 REC Group cash flow statement (as restated for IFRS)

RECONCILIATION OF CASH AND CASH EQUIVALENTS FOR THE YEAR ENDED DECEMBER 31, 2004

	EFFECT OF TRANSACTION TO IFRS	
	NOAAP	Adjustment
Net increase in cash and cash equivalents	363 230	-15 516
Cash and cash equivalents ^a at beginning of the year	52 324	-1 976
Exchange gains/(losses) on cash and cash equivalents ^b	-369	747
Cash and cash equivalents ^a at end of the year	415 185	-16 745

^a This line under NGAAP only refers to cash at bank and in hand.

As explained in note(t), the method of accounting for the results of SGS changed from consolidation of a 100% subsidiary to less 30% minority interest under IFRS, starting from 2005. This change impacts the cash flow statement under IFRS. This change impacts the cash flow statement under IFRS 70% of the business and 30% of the business. The change of NOK 15 516 also impacts the net cash flows from operating, investing and financing activities.

6 Segment information

Business segments

At December 31, 2005, the Group is organized on a worldwide basis into three main business segments: (1) Silicon, (2) Wafer and (3) Solar. Inter-segment pricing is determined on an arm length basis.

The segment results for the year ended December 31, 2005 are as follows:

	NOTES	REC-SILICON	REC-WAFER	REC-SOLAR	UNALLOCATED	REC-GROUP
Revenues - third parties		652 711	1 396 374	403 727	1 104	2 453 916
Revenues - REC Group		365 348	200 056	206	6 875	0
Total revenues		1 018 059	1 596 430	403 933	7 979	2 453 916
Earnings before financial items, taxes, depreciation, amortization, impairment and associates		413 018	417 104	86 365	-86 306	830 181
Total depreciation, amortization and impairment charges	8, 7					-228 734
Net financial items	25					-564 312
Share of loss of associates	9					-7 052
Income tax expense	19					-26 160
Profit/loss for the year						3 923

The segment results for the year ended December 31, 2004 are as follows:

	NOTES	REC-SILICON	REC-WAFER	REC-SOLAR	UNALLOCATED	REC-GROUP
Revenues - third parties		240 744	814 124	213 137	1 270 192	0
Revenues - REC Group		87 779	79 592	3 375	4 860	0
Total revenues		338 603	883 938	213 992	6 265	1 270 192
Earnings before financial items, taxes, depreciation, amortization, impairment and associates		26 395	149 267	-9 113	-25 489	141 060
Total depreciation, amortization and impairment charges	8, 7					-101 236
Net financial items	25					-46 598
Share of loss of associates	9					-1 578
Profit/loss before tax						-8 352
Income tax benefit	19					2 263
Profit/loss for the year						-6 089

Other segment items included in the income statement for the year ended December 31, 2005 are as follows:

	NOTES	REC-SILICON	REC-WAFER	REC-SOLAR	UNALLOCATED	REC-GROUP
Amortization of intangible assets	8	-9 448	-4 200	0	0	-13 648
Impairment of tangible assets	7	0	-10 373	-3 360	0	-13 733
Depreciation, amortization and impairment charges	7	-60 222	-112 212	-28 751	-168	-201 353

Note 6 cont.

Note 6 cont.

Other segment items included in the income statement for the year ended December 31, 2004 are as follows:

	NOTES	REC-SILICON	REC-WAFER	REC-SOLAR	UNALLOCATED	REC-GROUP
Amortization of intangible assets	8	0	-3 415	0	0	-3 415
Impairment of tangible assets	7	0	-2 849	-3 744	0	-6 593
Depreciation, amortization and impairment charges	7	-1 193	-72 406	-17 387	-242	-91 228

Net financial items include gains and losses from foreign currency derivatives. Finance costs include fair value gains/losses from "economic cash flow hedges" of inter-bank loan borrowings that have been entered in the consolidated statement during the financial year. Unallocated costs represent corporate expenses. Intercompany sales or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

The segment assets and liabilities at December 31, 2005 are as follows:

	REC-SILICON	REC-WAFER	REC-SOLAR	UNALLOCATED	REC-GROUP
Assets	3 416 767	1 758 723	449 293	340 880	6 005 663
Associates	0	0	58 150	0	58 150
Total assets	3 416 767	1 798 723	507 443	340 880	6 063 819
Liabilities	3 039 331	1 152 342	306 031	335 317	4 833 021

The segment assets and liabilities at December 31, 2004 are as follows:

	REC-SILICON	REC-WAFER	REC-SOLAR	UNALLOCATED	REC-GROUP
Assets	227 842	1 080 488	275 592	581 241	2 165 163
Associates	0	0	10 910	0	10 910
Total assets	227 842	1 080 488	275 592	592 151	2 176 073
Liabilities	155 828	680 852	245 514	19 843	1 102 035

CAPITAL EXPENDITURES, TANGIBLE & INTANGIBLE ASSETS

	2005	2004
REC Silicon	2 458 728	21 149
REC Wafer	264 145	314 520
REC Solar	140 538	31 727

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, deferred tax assets and liabilities comprise operating liabilities, including items such as taxation and corporate borrowings and related interest rate derivatives.

Geographical segments

The REC Group's three business segments operate in 3 main geographical areas, and they are managed on a worldwide basis. The head office is Norway. The areas of operation are principally the manufacturing and sale of solar energy products in all segments.

The Group's sales are mainly in countries within the Euro zone, the US and Asia and are allocated based on the country in which the customer is located.

TOTAL REVENUES

	2005	2004
Europe	1 907 180	941 265
US	1 004 132	1 004 132
Asia	68 824	606 331
Other countries	3 138 243	35 452
Sum	2 453 916	1 652 961
Eliminations	-684 327	-352 769
Total revenues	2 453 916	1 270 192

Total assets are allocated based on where the assets are located:

	2005	2004
TOTAL ASSETS		
Europe	3 952 821	1 953 947
US	3 367 246	216 768
Asia	33 579	22 552
Other countries	58 150	10 910
Associates (see Note 9)	7 411 796	2 204 177
Sum	-1 347 977	-28 104
Eliminations	6 063 819	2 176 073
Total assets		

Total capital expenditures are allocated based on where the assets are located:

	2005	2004
CAPITAL EXPENDITURES, TANGIBLE & INTANGIBLE ASSETS		
Europe	392 543	188 359
US	2 458 728	21 149
Asia	0	0
Other countries	12 281	8 936

7 Property, plant and equipment

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENTS	OTHER TANGIBLE FIXED ASSETS	TOTAL
At January 1, 2004	186 374	448 139	49 447	683 960
Net book amount				
Year ended December 31, 2004				
Opening net book amount	186 374	448 139	49 447	683 960
Exchange differences	-4 400	-1 240	5 520	-1 120
Acquisition of subsidiaries	161 923	39 441	15 030	216 394
Disposals	-364	-4 945	-22	-5 331
Depreciation charge	-9 248	-69 045	-12 935	-91 228
Impairment charge	0	-6 593	0	-6 593
Closing net book amount	338 205	402 737	51 000	791 942
At December 31, 2004				
Cost	361 240	582 333	79 358	1 022 931
Accumulated depreciation	-23 035	-179 596	-28 358	-230 989
Net book amount	338 205	402 737	51 000	791 942
Year ended December 31, 2005				
Opening net book amount	338 205	402 737	51 000	791 942
Exchange differences	19 120	124 959	11 598	155 677
Acquisition of subsidiaries (see Note 31)	288 761	1 639 132	182 263	2 110 156
Effect on SOS acquisition (see Note 31)	87 879	19 995	0	107 874
Additions	65 087	3 36 419	24 928	426 434
Disposals	-1 529	-1 529	0	-3 058
Depreciation charge	-17 476	-161 799	-22 078	-201 353
Impairment charge	0	-13 733	0	-13 733
Closing net book amount	770 978	2 342 515	247 711	3 361 204
At December 31, 2005				
Cost	811 161	2 483 397	299 587	3 794 145
Accumulated depreciation	-40 183	-940 882	-51 876	-432 941
Net book amount	770 978	2 342 515	247 711	3 361 204

Property, plant and equipment includes the following amounts where the REC Group has recorded assets under finance leases:

Cost - capitalised finance leases	2005	2004
Cost	6 468	6 468
Accumulated depreciation	-93	-93
Net book amount	5 736	338

Lease rentals amounting to NOK 44 859 (2004; NOK 12 515) relating to the lease of machinery and property and company cars, respectively, are included in the income statement. Bank borrowings are secured on property, plant and equipment for the value of NOK 2 496 930 (2004; NOK 1 428 129) (see Note 18).

8 Intangible assets

	GOODWILL	LICENSES AND OTHER INTANGIBLE ASSETS	TOTAL
At January 1, 2004			
Net book amount	248 543	31 765	280 308
Year ended December 31, 2004			
Opening net book amount	248 543	31 765	280 308
Exchange differences	-5 421	0	-5 421
Acquisition of subsidiary	149 839	0	149 839
Amortization charge	0	-3 415	-3 415
Closing net book amount	392 961	28 350	421 311
At December 31, 2004			
Cost	392 961	31 765	424 726
Accumulated amortization/impairment	0	-3 415	-3 415
Net book amount	392 961	28 350	421 311
Year ended December 31, 2005			
Opening net book amount	392 961	28 350	421 311
Exchange differences	13 495	2 792	16 287
Additions	0	855	855
Acquisition of subsidiaries (see Note 31)	139 290	65 043	204 333
Disposals (see Note 28)	0	0	0
Closing net book amount	545 747	83 392	629 139
At December 31, 2005			
Cost	545 747	98 448	644 195
Accumulated amortization/impairment	0	-15 056	-15 056
Net book amount	545 747	83 392	629 139

*Other intangible assets include an exclusive technology agreement with ALD which supplies furnaces. The agreement requires REC ScanWater AS to buy certain number of furnaces within certain time. In return ALD will not share their technology or sell furnaces to any of our competitors. The agreement is classified as an intangible asset. Its estimated useful life, total research and development cost recognized in the income statement amounts to NOK 30 444 (2004; NOK 6 166).

Impairment tests for goodwill
Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment as the segment represents the lowest level of cashflows for the underlying assets. A segment level summary of the goodwill allocation at December 31, 2005 is presented below:

GOODWILL	2005	2004
REC Silicon	199 338	58 876
REC Water	342 325	330 001
REC ScanWater	64 484	191 431
Total REC Group	545 747	392 961

10 Joint Venture

The REC Group had in 2004 a 60%/70% interest in a joint venture (Note 22 c). Solar Grade Silicon LLC (SGS), which produces silicon for the solar industry, was established in the USA. At the end of September 30, 2004, the REC Group increased our ownership from 60% to 70%. The change in ownership was accounted for at fair value. Upon obtaining control through the completion of the purchase of the net assets in SGS being accounted for at fair value. The following amounts represented the REC Group's 60/70% share of the assets and liabilities, sales and results of the joint venture in 2004 as included in the balance sheet and income statement. The joint venture method of accounting (proportionate consolidation) is used to recognize the interest in SGS. In 2005 REC acquired the remaining 30% of shares and gained 100% control of SGS.

	2005	2004
Ownership at December 31:		70%
Non-current assets	16 625	
Current assets	127 681	
	144 306	
Liabilities:		
Non-current liabilities	0	
Current liabilities	29 399	
	29 399	
Net assets		114 907
Ownership in the period:		
	70% for 5 months	60% for 9 months
		70% for 3 months
Revenues	215 860	338 319
Expenses	-162 203	-312 085
Net financial items	54 138	26 484
Profit after income tax		
Ownership interest in joint venture	100%	70%

The 2005 income statement figures include 70% of SGS in the joint venture owner period (first 7 months). At December 31, 2005, SGS was 100% owned by the REC Group and therefore 100% of the assets and liabilities were included in the group balance sheet and therefore are not shown in the above table.

11 Investment in shares (accounted for as available-for-sale financial assets)

	2005	2004
Beginning of the year	3 087	1 091
Write downs	0	-504
Acquisition of subsidiary ^{a)}	-2 500	0
End of the year	38 190	2 587
Less: non current portion	-38 190	-3 087
Current portion	0	0

^{a)} An addition to available-for-sale financial assets in 2004 (Siftech AS) became a subsidiary during 2005 and therefore the investment has been reclassified.

Available-for-sale financial assets include the following unlisted securities at December 31, 2005:

	REGISTERED OFFICE	BOOK VALUE	OWNERSHIP/ VOTING SHARES
Atftech AS	Norway	70	1.65%
Edison Power AG	Germany	37 435	18%
Si-Pro AS	Norway	55	11%
Melev Bedriftsservice AS	Norway	55	11%
Edison Power AG	Germany	516	5%
Total		38 190	

All of the investments above are carried at cost due to the fact that they are unlisted securities and therefore the fair value cannot be measured reliably.

The recoverable amount of each CGU is determined based on value-in-use calculations using cash flow projections included in financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the solar energy industry in which the CGU operates.

Key assumptions used for value-in-use calculations

	SILICON	WAFER	SOLAR
Growth rate ^{a)}	9%	9%	9%
Discount rate ^{b)}			

^{a)} Weighted average growth rate used to extrapolate cash flows beyond the budget period

^{b)} Pre-tax discount rate applied to the cash flow projections

These assumptions have been used for the analysis of each CGU. Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts in the industry. The discount rates used are pre-tax and reflect specific risks relating to the solar energy industry.

9 Investments in associates

	2006	2005
Beginning of the year	10 910	0
REC Solar/for CGU ^{a)}	-3 998	3 976
Investment in associates ^{a)}	58 290	8 512
Share of loss in associates ^{a)}	-7 052	-1 578
End of the year	58 150	10 910

^{a)} REC Solar/for CGU has in 2005 been accounted for as a subsidiary and therefore the 2004 associate investment has been reclassified.

^{b)} The company's investment is equal to its ownership share in the net assets of associates.

^{c)} Share of loss is after tax and minority interest of associates.

During the year the REC Group increased its investments in CSG Solar by 2.03% for a cost of NOK 58 290.

100% of the result of the associates, all of which are unlisted, are as follows:

	NAME	COUNTRY OF COMPANY	OFFICE	ASSETS	LIABILITIES	REVENUE	LOSS	PROFIT/ INTEREST HELD/ % VOTE RIGHTS
2004	CSG Solar AG	Germany		37 967	28 843	1 255	-15 641	21%
2005	CSG Solar AG	Germany		441 225	83 291	5 696	-30 619	23.03%

14 Inventories	2005	2004
Raw materials	213 958	151 335
Work in progress	59 128	17 330
Finished goods	78 014	28 117
	351 009	196 952

The group recorded a write down of inventory totalling NOK 2 290 at the year end 2005.

15 Cash and cash equivalents	2005	2004
Cash at bank and in hand	481 820	372 472
Short-term bank deposits	32 142	25 967
Total cash and cash equivalents	513 962	398 440

The effective interest rate on short-term bank deposits was 0% (2004: 0%); these deposits have an average maturity of 60 days.

Restricted bank deposits relate to withheld tax from employees, amounting to NOK 11 247 (2004: NOK 7 462) and a USD 3 million (2004: USD 3 million) cash deposit in Bank of America, booked at NOK 20 895 (2004: NOK 18 355), placed by the Company as collateral for a credit facility by SGS. Interest on this cash deposit has per December 31, 2005 been accumulated to USD 87.

Residues on cash at bank and in hand

In 2004, the Company had a restricted bank deposit as collateral for financing the subsidiary ScanModule AB amounting to NOK 6 700, which expired on the refinancing in 2005.

16 Paid in capital	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER PAID IN CAPITAL	TOTAL
At January 1, 2004	26 536	372 391	-766	312 568	710 729
Increase in share capital	10 750	294 780	0	25 170	330 700
Treasury shares transactions	0	0	766	0	766
Transfer of share premium reserves to share capital	37 288	667 177	0	0	704 465
Transfer of share premium reserves to agreement CEO ¹⁾	261 004	-261 004	0	337 739	1 042 179
Paid in capital shareholder agreement and agreement CEO ¹⁾	4 500	29 500	0	0	34 000
STech contribution in kind)	1 530	17 581	0	0	19 111
Treasury shares transactions	0	0	-225	0	-225
At December 31, 2005	304 319	453 248	-225	337 739	1 095 081

The total authorised number of ordinary shares with a par value of NOK 20 per share at January 1, 2004 and December 31, 2004 and 2005 was 10 570 474, 14 914 507 and 15 215 947, respectively. All issued shares are fully paid.

The REC Group acquired 11 268 of its own shares on May 30, 2005. The total amount paid to acquire the shares was NOK 2 873 and has been deducted from shareholder's equity. The shares are held as 'Treasury Shares'. The Company has the right to reissue these shares at a later date.

¹⁾ NOK 29 000 relates to a share issue directed at Ellem AS (NOK 45 per share), in connection with an option received in Q4 2004.

12 Derivative financial instruments	2005	2004
	ASSETS	LIABILITIES
Interest rate swaps	5 915	0
Forward foreign exchange contracts	17 032	18 748
Total	22 947	18 748
Less non-current portion:	0	0
Current portion	22 947	18 748
	1 097	1 241

Financial instruments are used extensively to reduce exchange rate and interest rate risk at REC Group. Exchange rate and interest rate instruments are carried at market value. REC Group manages the hedging of cash flow from operating activities exposed to exchange rate risk, as a portfolio on the basis of anticipated future cash flows. Contracts used for the purpose do not qualify for hedge accounting in 2005.

FORWARD FOREIGN EXCHANGE CONTRACTS

The notional principal amounts of the outstanding foreign exchange contracts:	2005	2004
EUR	338 500	9 000
Total forwards sales	338 500	9 000
USD	171 200	44 800
GBP	12 100	0
CHF	0	0
Total forwards purchase	189 350	44 800

INTEREST RATE SWAPS

The notional principal amounts of the outstanding interest-rate swap contracts	2005	2004
	595 035	0

At December 31, 2005, the fixed interest rates vary from 2.95% to 3.25% (2004: 3.98% to 4.50%). There will also be a margin on the debt varying from 0.5% to 1.65% dependent on which facility and the debt/EBITDA.

Derivative financial instruments are included at fair value within other receivables (see Note 13).

13 Trade and other receivables	2005	2004
Trade receivables	372 068	167 881
Trade receivables - impairment of receivables	0	0
Trade receivables - net	364 723	167 661
Prepayments	245 169	14 858
Other receivables	314 044	59 336
Total	599 213	74 194
Less non-current portion: Other receivables	0	-1 140
Current portion - other receivables	521 745	61 114

The carrying amounts of trade and other receivables approximates their fair value.

All non-current receivables are due after one year from the balance sheet date.

Credit risk related to customers is considered to be low and there is no concentration of credit risk with respect to trade receivables. The REC Group has recognized a loss amount of NOK 90 (2004: NOK 28) for the impairment of its trade receivables during the year ended December 31, 2005. The loss has been included in other expenses in the income statement.

Shares and options owned by the President and CEO, members of the board and members of the management group:

NAME	TITLE	NO. OF SHARES
Peder Langmo (through Rebollo Invest AS)	Senior Vice President	320 762
Halvor T. Svartdal (through Hektor AS)	Board member	335 762
Erik Suar (through Suar Invest AS)	Senior Vice President and CTO	68 000
Tore Schiøtz (through Gramhaug Industrier AS)	Chairman of the Board	43 325
Erik Thorsen	President and CEO	34 071
Bjørn R. Børnisen	Senior Vice President	20 000
Peder R. Børnisen (through LaPra Invest AS)	Senior Vice President	15 000
Peder R. Børnisen (through Rebollo AS)	Senior Vice President	11 636
Bjørn R. Børnisen	Senior Vice President	11 353
Erik Thorsen (through Teleko AS)	President and CEO	5 000
Thor-Christian Tuv (through The Tuv AS - under establishment)	Executive Vice President	5 000
Jon André Løkke	Senior Vice President & CFO	5 000
John Andersen Jr.	Executive Vice President	1 000
Tore Schiøtz (through Centurium AS)	Chairman of the Board	1 927

The following Board Members and Members of the Management group have the right to convert their convertible bonds into REC shares:

NAME	TITLE	NO. OF BONDS
Halvor T. Svartdal (through Hektor AS)	Board member	2 795 881
Peder Langmo (through Rebollo Invest AS)	Senior Vice President	2 798 981
Tore Schiøtz (through Gramhaug Industrier AS)	Chairman of the Board	282 775
Bjørn R. Børnisen	Senior Vice President	214 986
Erik Suar	Senior Vice President & CTO	66 136
Thor-Christian Tuv	Executive Vice President	41 498
Jon André Løkke	Senior Vice President & CFO	40 500
Tore Schiøtz (through Centurium AS)	Chairman of the Board	13 992

The bonds may be converted by the following formula:

No. of bonds * USD exchange rate to NOK as of conversion date/ NOK 255 per REC share; face value of the Bond is USD 1.

17 Changes in equity

	PAID IN CAPITAL	OTHER EQUITY AND RETAINED EARNINGS	MINORITY INTEREST	TOTAL
Balance at January 1, 2004	710 729	-212 230	106 861	605 360
Change in paid in capital (see Note 16)	331 466	0	0	331 466
ScanWafar acquisition	0	149 065	0	149 065
Change in minority interest	0	0	-106 861	-106 861
Change in other equity and retained earnings	0	103 351	0	103 351
Change in minority interest	0	0	0	0
Balance at December 31, 2004	1 042 195	31 843	0	1 074 038
Change in paid in capital (see Note 16)	52 886	0	0	52 886
Transactions in own shares	0	19 755	0	19 755
Total recognized income and expense	0	84 119	0	84 119
Balance at December 31, 2005	1 095 081	135 717	0	1 230 798

18 Borrowings

	2005	2004
Non-current		
Bank overdrafts	1 553 499	416 023
Amounts due to Komatsu (see Note 31)	522 469	5 668
Convertible loan (see Note 28)	0	255 394 ^a
Finance lease liabilities	5 429	237
	2 081 397	671 654
Current		
Short term loans due to financial institutions	149 584	119 580
Current portions of long term loans	4 646	0
Convertible loans (see Note 28)	1 711 428	0
	1 865 658	125 248
Total borrowings	3 947 055	796 902

Bank borrowings are secured by the property, plant and equipment of the Group (see Note 7). Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Total borrowings include secured liabilities of NOK 1106 486 (2004: NOK 545 611).

^a Calculated according to NGAAP. Had IAS 32 and 39 been implemented prior to December 31, 2004, this would have amounted to NOK 309 311 (see Note 28).

The exposure of the REC Group's borrowings to interest rate changes is until the earlier of the contractual repricing or maturity date as follows:

	6 MONTHS OR LESS	CURRENT 6-12 MONTHS	1-2 YEARS	NON-CURRENT 2-5 YEARS	OVER 5 YEARS	TOTAL
At December 31, 2004	41 692	122 224	446 731	179 153	7 102	796 902
At December 31, 2005	636 927	1 222 938	305 214	1 773 301	8 675	3 947 055

The effective interest rates at the balance sheet date were as follows (represent a weighted average):

	NOK	US\$	€	NOK	US\$	€
Bank overdrafts	5.7%	6.5%	3.9%	6.5%	2.4%	4.5%
Convertible bonds (see Note 28)	4.1%	8.0%	7.9%	6.1%	6.5%	7.9%
Debt securities and other loans						
Finance lease liabilities	3.6%					

The carrying amounts and fair value of the borrowings are the same, except for the fact that the convertible loans are carried at cost in 2004 balance sheet as IAS 32/39 were not applicable until January 1, 2005.

For more information on the fair value calculations (see Note 28).

Available and drawn debt facilities at December 31, 2005:

Total REC Group debt	TOTAL DEBT FACILITY	DRAWN DEBT	UNDRAWN
	5 534 576	3 947 055	1 587 521

Loans from related parties:

The REC Group has issued convertible loan agreements, which were offered only to shareholders resulting in the three largest shareholders (Good Energies Investments BV, Ekem AS and Hafslund Venture AS) holding a significant portion of these loan notes (see Note 28).

19 Income tax expense and deferred tax assets and liabilities

Recognized income tax expense	2005	2004
Current tax expense	-14 572	0
Deferred tax expense	-11 588	2 263
Total income tax expense in Income Statement	-26 160	2 263

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

	2005	2004
Profit before tax	30 083	-8 352
Tax calculated at domestic tax rates applicable to profits in the respective countries	-29 271	2 101
Reversal of deferred tax liabilities due to changes in tax legislation	0	1 231
Income tax expense	1 087	620
Expenses not deductible for tax purposes	-266	-1 689
Utilization of previously unrecognized tax losses	2 290	0
Tax expense	-26 160	2 263

The weighted average applicable tax rate was 87% (2004: 27%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

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 when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2005	2004
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	150 442	60 539
Deferred tax asset to be recovered within 12 months	37 787	51 037
	188 229	111 576
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	43 519	0
Deferred tax liability to be recovered within 12 months	44 091	0
Net tax	144 138	111 576

The following are the major deferred tax liabilities and assets recognized by the group, and movements during 2004 and 2005:

	ACCELERATED TAX DEPRECIATION	BOND	CONVERTIBLE	PROVISIONS	TAX LOSSES	OTHER	TOTAL
Net deferred tax at January 1, 2004	-12 353	0	5 795	120 412	-1 479		112 375
Charged to income statement	-4 303	0	-750	346	7 000		2 463
Credited to equity	0	0	1 244	0	-366		878
Acquisition of subsidiaries	0	0	0	0	0		0
Translation differences	0	0	0	0	-3 940		-3 940
Net deferred tax at December 31, 2004	-16 656	13 977	6 259	120 758	1 215		111 576
Net deferred tax at January 1, 2005	-16 656	13 977	6 259	120 758	1 215		125 553
Charged to income statement	-34 951	130 570	-25 218	-96 187	14 198		-11 588
Credited to equity	0	0	8 813	0	0		8 813
Acquisition of subsidiaries	-50 704	0	55 022	0	14 147		18 465
Translation differences	1 363	0	511	3 888	-141		2 895
Net deferred tax at December 31, 2005	-103 674	144 547	45 387	28 459	29 419		144 138

Note 19 cont.

Note 19 cont.
The deferred tax recognized directly in equity during the year is as follows:

	2005	2004
Effect of transition to IAS 39 – January 1, 2005	13 977	0
Effect of actuarial gains and losses	8813	878
	22 790	878

Unrecognized deferred tax asset

Deferred tax assets have not been recognized in respect of the following items:

	2005	2004
Grant for investment	11 356	12 515
Tax losses	178	4 553
	11 534	17 068

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable.

20 Retirement benefit obligations

Balance sheet obligations for:	2005	2004
Pension benefits	115 063	22 303
	115 063	22 303

Income statement credit charge for:

	2005	2004
Pension benefits	-20 453	16 038
	-20 453	16 038

Pension benefits

The amounts recognized in the balance sheet are determined as follows:

	2005	2004
Present value of funded obligations	270 602	49 530
Fair value of plan assets	-155 539	-27 228
Total employee benefits	115 063	22 303

The movement in the liability recognized in the balance sheet is as follows:

	2005	2004
Net liability January 1	22 303	14 072
Acquisition of subsidiary	95 438	0
Contribution (payments)	-19 032	-12 471
Expense recognized in income statement	-20 453	16 038
Recognized actuarial gains and losses against equity	31 475	3 136
Translation differences	-1 207	0
Net liability December 31	115 063	22 303

The amounts recognized in the income statement are as follows:

	2005	2004
Interest cost	6 724	1 445
Expected return on plan assets	-8 813	-1 207
Past service cost	173	207
Current service cost	23 142	15 615
Recognized actuarial loss	0	0
Curtailment gain	-41 634	0
Total pension expenses (see Note 24)	-20 453	16 038

Following acquisition, the ASIM scheme was frozen and no future benefit are accruing to the members. Previous pension rights remain unchanged. This change resulted in a curtailment gain.

The principal actuarial assumptions used were as follows:

	2005	2004 (ASIM)
Discount rate	5.5%	5.5%
Expected return on plan assets	5%	6%
Future salary increases	3.5%	3.5%
Future pensions increases	2.5%	2.5%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in each territory. The average expected remaining service lives are as follows:

ScanWater:	22
STech:	18
ScanCell:	23
REC:	20

Number of employees in the defined benefit plan is as follows:

	2005	2004
ScanWater:	325	304
STech:	44	37
ScanCell:	70	57
REC:	13	13
ASIMI:	700	

21 Provisions, other liabilities and charges

	2005	2004
VAT and related liabilities	6 889	126
Other short term liabilities, non interest bearing	423 133	64 132
Total current provisions, other liabilities and charges	430 022	64 260
Non-current provisions, other liabilities and charges	21 804	15 790
Total provisions, other liabilities and charges	451 826	80 050

A specification of provisions following:

	LEGAL CLAIMS	GUARANTEES	PROFIT-SHARING AND BONUSES	TOTAL
At January 1, 2005	6 571	0	37 805	44 376
Charged to consolidated income statement:				
- Additional provisions	0	985	0	985
Increase in provision	13 000	4 859	79 435	97 294
Used during year	0	0	-38 232	-38 232
At December 31, 2005	19 571	5 844	79 008	104 423
Analysis of total provisions:				
Current			98 579	31 908
Non-current			5 844	12 468
			104 423	44 376

Legal claims

The amounts represent management's best estimates of the outcome of certain claims that have been served or that have been notified to the REC Group. In the REC Group's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided for at December 31, 2005.

Guarantees

Provisions have been made for guarantees for the sale of solar modules. Warranty provisions are based on estimates made from historical data. The REC Group expects to incur the liability over the next two years.

Profit-sharing and bonuses

Provisions have been made for outstanding profit plan payments and bonuses in ASIMI. The provision for termination benefits and bonuses are recorded in 2005 and will become payable in 2006.

22 Government grants

GOVERNMENT GRANT INCOME IS RECOGNIZED:

	2005	2004
Revenues	5 129	2 820
Reduced employee compensation and benefit expense	8 219	7 700
Reduced other operating expenses	885	1 485
	14 233	11 817

The REC Group obtained and recognized as income a government grant of NOK 5 129 (2004: NOK 2 820) to compensate for work in progress. There are no remaining obligations or other uncertainties related to the government grants received.

23 Other expense

	2005	2004
Energy and water costs	204 558	76 393
Maintenance costs	117 621	66 823
Other operating costs	275 276	149 575
	597 455	292 791

Other operating costs consist of freight, rental, IT, telephone, travel costs, insurance costs and consultancy fees among other general office costs.

AUDITORS REMUNERATION FOR 2005

KPMG	5 982	OTHER SERVICES
Total auditors' remuneration	5 984	2 229

* Audit and other audit services contain:

- * Audit work related to Norwegian auditing standard RS 700, to give unqualified opinion regarding the financial statements
- * Audit work related to tax form signature according to RS 801
- * Audit work related to confirmations according to RS 802

26 Earnings per share

Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares (see Note 16).

	2005	2004
Profit attributable to equity holders of the Company	3 923	-6 089
Weighted average number of ordinary shares outstanding (in thousands)	15 091	12 743
Basic earnings per share (NOK per share)	0.26	-0.48

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. If dilutive, the convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted for the related interest expense and fair value movements in the income statement, net of income taxes. The fair value of the convertible debt is determined using the Black-Scholes model. The calculation shows that the conversion of the convertible debt is not dilutive as it does not decrease basic earnings per share.

	2005	2004
Diluted earnings per share (NOK per share)	0.26	-0.48

Adjusted basic and diluted

The company believes adjusted basic and diluted earnings per share are most meaningful to financial statement users. Adjusted basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company adjusted to remove the fair value adjustments associated with the two convertible loans (see Note 28) by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Adjusted diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company adjusted to remove the fair value adjustments associated with the two convertible loans (see Note 28) by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Company and held as treasury shares. The calculation shows that the conversion of the convertible debt is not dilutive as it does not decrease adjusted basic earnings per share.

	2005	2004
Profit attributable to equity holders of the Company	3 923	-6 089
Changes in fair value and interest expense and currency effect on convertible debt, net of tax	410 356	10 372
Profit used to determine adjusted basic and diluted earnings per share	414 279	4 283
Weighted average number of ordinary shares in issue (in thousands)	15 091	12 743
Adjusted basic and diluted earnings per share (NOK per share)	27.45	0.34

27 Dividends per share

Due to the growth strategy and aggressive expansion plans the Board believes that the funds can be put into best use within the company, and therefore do not propose any dividends to be paid out to the Shareholders for 2005, as in 2004.

24 Employee benefit expense

	2005	2004
Payroll expenses		
Payroll	330 928	205 064
Bonus and sales commissions	27 045	2 818
Social security costs	67 485	35 803
Pension costs	-20 453	16 038
Other employee related costs	4 849	2 273
Payroll expenses	409 854	261 996

Average number of permanent employees in 2005 was 879 (2004: 601)

Number of employees at December 31, 2005 was 1 101 (2004: 657)

The company has issued a total amount of NOK 1 200 in loans to employees during 2005, representing NOK 700 to the president and CEO and NOK 500 to Stinaud Berglund, SVP - Organization & Corporate Communication. The total amount is included within "Other employee related costs" in the table above. The loans are repaid by the employees after the loan was drawn. As a guarantee the company has taken mortgage bonds in the residences of the two employee borrowers.

	PRESIDENT / CEO	BOARDS OF DIRECTORS
Share of pensions	2 125	847 040
Share of pensions	82 110	0
Other benefits	25 479	0

The previous president and CEO, Alf Bjørseth, resigned on June 14, 2005. Alf Bjørseth did not have any agreements beyond regular salary, and CEO and NOK 500 to Stinaud Berglund, SVP - Organization & Corporate Communication. The total amount is included within "Other employee related costs" in the table above. The loans are repaid by the employees after the loan was drawn. As a guarantee the company has taken mortgage bonds in the residences of the two employee borrowers.

The previous president and CEO, Alf Bjørseth, resigned on June 14, 2005. Alf Bjørseth did not have any agreements beyond regular salary, and CEO and NOK 500 to Stinaud Berglund, SVP - Organization & Corporate Communication. The total amount is included within "Other employee related costs" in the table above. The loans are repaid by the employees after the loan was drawn. As a guarantee the company has taken mortgage bonds in the residences of the two employee borrowers.

25 Financial income and expense

	2005	2004
Interest expense:		
- bank borrowings	-69 996	-25 545
- convertible bond (see Note 28)	-146 784	-46 074
Impairment of financial assets	0	-6 715
Interest income/bank interest	6 261	1 440
Net foreign exchange transaction gains/losses	69 248	-1 372
Fair value/foreign exchange effect on convertible loans (see Note 28)	-493 037	6 123
	-594 312	-46 596

Borrowing costs of NOK 446 784 (2004: NOK 46 074) were primarily a result of the acquisition of ASIM on August 1, 2005, the construction of a new water plant in conjunction with the existing water plant at Herøya, Norway and the expansion of existing solar cell and module plants in Narvik, Norway and Arvika, Sweden respectively.

In 2004, the impairment charge for financial assets (see Note 11) of NOK 6 715 mainly consisted of the write down of shares in AfriSol Morocco (NOK 6 075) an investment that was held by REC Solar.

28 Convertible bonds

EUR 31 MILLION CONVERTIBLE LOAN			
	2005	2004	
Carrying amount of liability at January 1	255 311	261 511	
Fair value change recorded in the income statement	49 918	0	
Fair value change recorded in the income statement	306 461	-6 123	
Carrying amount of liability at December 31	611 772	255 394	

USD 140 MILLION CONVERTIBLE LOAN			
	2005	2004	
Carrying amount of liability at January 1	0	0	
Carrying amount of liability on issue	913 080	0	
Conversions in the period	0	0	
Fair value change recorded in the income statement	186 576	0	
Carrying amount of liability at December 31	1 099 656	0	
Total	1 711 428	255 394	

The Company has issued two convertible loans. The first loan agreement was entered into September 24, 2003, amounting to EUR 31 million with an interest rate of 79% p.a. and a conversion right equal to NOK 118 per share. The loan holders have rights to convert their loan in part or as a whole at any given time before March 31, 2006 at approximately EUR 14 per share, at a fixed currency exchange rate of NOK 8.26, which is therefore equal to NOK 118 per share. The loan is due for repayment in whole at March 31, 2006. The loan agreement pre-determines conversion rates in relation to any new issues of shares and for dilution effects.

The second convertible loan agreement was entered into July 13, 2005, for USD 140 million with an interest rate of 8% p.a. and a conversion right approximately equal to NOK 255 per share (depending on the USD/NOK exchange rate). The USD loan may be converted on March 13, 2006, September 8, 2006, or at maturity on December 1, 2006.

As NOK is the functional currency of the Company, and both convertible loans are denominated in a foreign currency, the loans are accounted for as financial liabilities. IAS 39 requires that the net proceeds from the issue of the convertible loan notes are split between the liability element (the base loan) and an embedded derivative (the option to convert into shares). The embedded derivative represents the fair value of the embedded option to convert the liability into equity of the group. Normally this split is made at inception with the value of the embedded derivative being recorded to equity, and this value in equity is not remeasured at future dates. However, because these convertible loans are denominated in a foreign currency, following recent IFRIC guidance, the embedded derivative must be split between the liability and equity elements of the loan at inception and the liability element must be revalued with changes in fair value being recorded in the income statement. These entries do not affect the level of liability that must be paid to loan holders at maturity date, and therefore do not represent the amount of cash that the group may need to fund in the future.

The fair values of the embedded derivatives have been calculated at transition date and December 31, 2005 by independent brokers. As the REC Group is not listed on a stock exchange, the year end share price has been estimated as follows: the expected share price at transition date was estimated as the average of the share prices of the two companies that are listed on stock exchanges. This share price has been used as an input to the Black-Scholes formula which estimates the expected share price at the date of conversion. In addition to the share price, the model inputs were the exercise prices in the bonds, the expected volatility of the Company share price over the bond's lifetime and a risk free interest rate. Volatility has been based on that of the peer group of comparative companies. The estimate of fair value also takes into account year end foreign exchange rates. At the date of issue of the convertible loans, the base loan element is recorded at a value that is lower than the amount that is due to be repaid on maturity date. The loan accrues to the full value over the life of the loan based on the effective interest rate method, adjusted to reflect the changes in year end foreign exchange rates. This accretion is included within the fair value change recorded in the income statement.

As at December 31, 2005 5 642 875 shares would be issuable upon conversion of both convertible loans.

29 Contingencies

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

30 Commitments, pledges and guarantees

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows

	2005	2004
Property, plant and equipment	399 632	40 473
Total	399 632	40 473

Operating lease commitments - where a REC Group Company is the lessee

The REC Group leases various outlets, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the year is disclosed in note 7.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 7.

The future total minimum lease payments under non-cancellable operating leases are as follows:

	2005	2004
Not later than 1 year	11 174	2 339
Later than 1 year and not later than 5 years	11 174	398
Later than 5 years	21 558	2 339
Total	44 859	12 515

During the ordinary course of the business, the REC Group provides guarantees and pledges which can be summarised as follows:

GUARANTEES AS AT DECEMBER 31		2005	2004
Guarantees provided as security		6 674	6 700
Total guarantees		6 674	6 700

At December 31, in 2005 and 2004, the Company guaranteed NOK 6 000 thousand for Innovasjon Norge on behalf of REC ScanCell AS. The remaining guarantees in both years was issued by REC ScanWafer AS. These guarantees are not recorded in the REC Group's financial statements.

At December 31, 2005

PLEDGES AS AT DECEMBER 31, 2005		BOOK VALUE	PLIDGE
Land and buildings		741 884	462 718
Machinery, equipment and other tangible assets		2 619 320	1 876 440
Trade receivables		364 723	0
Less provision for impairment of receivables		7 345	0
Shares and other		351 000	0
Total		4 084 281	157 772

All of the above pledges were issued as security to lenders in relation to various debt financing throughout the REC Group (see Note 18). These pledges are not recorded in the REC Group's financial statements.

31 Business combinations

On August 1, 2005, the REC Group acquired a 100% (Komatsu America Corporation holds 13 units representing 25% of the ownership) interest in Advanced Silicon Materials AS (ASIM) from ASISU LLC (recipients of ASIM shares). Amounts due to Komatsu under the purchase agreement have been paid in full by the REC Group on July 8, 2005. On July 8, 2005, the REC Group acquired the ownership of the ASIM's facilities are located in Butte, Montana. ASIM contributed revenues of NOK 564 million and profit before tax of NOK 214 million to the REC Group for the period from August 1, 2005 to December 31, 2005. At the same date, the REC Group acquired the remaining 30% of the share capital of Solar Grade Silicon LLC (SGS), making it a 100% subsidiary. SGS was accounted for using the joint venture method (proportionate consolidation) until it became a 100% owned subsidiary. As SGS became a subsidiary, assets and liabilities previously recorded had to be restated to fair value with an adjustment to equity of NOK 107 880.

Details of net assets acquired and goodwill related to ASIMI and SGS are as follows:

PURCHASE CONSIDERATION		
- Cash paid		1 931 013
- Direct costs relating to the acquisition		1 222 918
- Total purchase consideration		3 153 931
- Fair value of net assets acquired		1 932 966
- Goodwill (see Note 8)		1 226 965

The goodwill is attributable to the expected future profitability of the acquired businesses and the significant planned synergies.

The assets and liabilities arising from both acquisitions, are as follows:

	FAIR VALUE	ACQUIREE'S CARRYING AMOUNT
Cash and cash equivalents	77 276	77 276
Property, plant and equipment	2 074 647	1 115 688
Inventories	125 864	125 864
Receivables	242 332	242 332
Payables	-153 223	-153 223
Retirement benefit obligations:		
- Defined pension plan	-95 438	-95 438
- Other post-retirement obligations	-30 517	-30 517
Borrowings	-497 483	-497 483
Net deferred tax asset	18 465	0
Net assets acquired	1 826 966	849 541

The fair value of assets and liabilities acquired has been determined on a provisional basis at the balance sheet date as the exercise was ongoing.

In addition to the above, on July 1, 2005, the REC Group acquired the remaining 88% of Sitech AS, a monocrytalline ingot produced located in Olomford next to the existing REC Wafer plant, making it a 100% subsidiary. Out of the total consideration paid for this acquisition of NOK 24 570, NOK 5 460 was paid in cash. On July 8, 2005, the Company issued 26 000 and 50 440 new shares to Hålsfjord Venture AS and Hålsfjord AS, respectively, for a total of NOK 250 per share. The total consideration for the acquisition of Sitech AS amounts to NOK 10 931. AS. Goodwill arising on this acquisition was NOK 12 325. Remaining minor acquisitions, considerations paid in cash, amounts to NOK 10 931.

If the acquisitions had occurred on January 1, 2005, REC Group revenue would have been NOK 3 220 million and profit for the year would have been NOK 44 million. See pro forma information related to ASIM purchase in note 32. In connection with the acquisitions, REC Group incurred termination costs of approximately NOK 6.5 million and recognized a pension settlement benefit of approximately NOK 42 million, both of which were reflected in the 2005 Income Statement.

Purchase consideration settled in cash	1 969 585
Cash and cash equivalents in subsidiaries acquired	-81 250
Cash outflow on all acquisitions	1 888 335

32 Pro forma (unaudited)

The following unaudited pro forma financial information for the year ended December 31, 2005 is prepared to illustrate the effect on the REC Group results due to the acquisition of ASIM in 2005, as if the transaction had occurred on January 1, 2005.

This information does not represent the company's actual financial position or results, and is not necessarily indicative of the results that would have been attained if the acquisition had occurred earlier.

The acquisitions of the remaining 30% interest in Solar Grade Silicon LLC on August 1, 2005 and the remaining 88% interest in Sitech AS on July 1, 2005, are not considered to be significant and therefore adjustments have not been made to reflect the impact of these acquisitions.

The pro forma financial information below has been prepared based on the following assumptions and adjustments:

- The pro forma numbers have been prepared assuming that the acquisition of ASIMI was undertaken on January 1, 2005, and that ASIM was consolidated on a 100% basis from this date.
- The pro forma numbers have been prepared in accordance with IFRS.

Income statement:

- The results of ASIM from August 1, 2005 to December 31, 2005 are already included within the IFRS group income statement. Therefore, pro forma adjustments are required to include the results of ASIM from January 1, 2005 to July 31, 2005.
- Earnings before financial items, taxes, depreciation and amortisation have been increased to include 7 months of earnings from ASIM.
- Transactions within the REC Group have been eliminated on a 100% basis throughout the entire period.
- Depreciation and amortisation has been recalculated by class of asset giving a combined 7 month charge of NOK 84 million.
- The acquisition was financed with a convertible loan from existing shareholders of USD 140 million and senior debt from DNB NOR and ABN Amro of USD 70 million. Average interest rates for the two loans combined have been calculated at 6.08%. The total interest expense calculated for the 7 months of 2005, as if long term debt was in place at January 1, 2005, on the same interest terms, is NOK 15 million.
- The tax rate used is 34 %, which represents the local tax rate faced by REC Silicon and is estimated to be NOK 15 million for 7 months in 2005.
- Exchange rate for USD to NOK has been assumed at year end rate on all adjustments.

Pro forma Group Income statement (condensed)

	DEC 2005	YTD DEC 2005	PRO FORMA ADJUSTMENT	YTD DEC 2005
Revenues	2 453 916	675 256	3 129 172	PRO FORMA
Earnings before financial items, taxes, depreciation and amortization	830 181	216 991	1 047 172	PRO FORMA
Earnings before financial items and taxes	601 447	132 916	734 363	PRO FORMA
Pro forma profit/loss before tax	30 083	44 993	75 076	PRO FORMA
Pro forma profit/loss for the year	3 923	29 695	33 618	PRO FORMA

The pro forma income statement has not been adjusted for the impact of termination cost of approximately NOK 6.5 million, and pension settlement gain of approximately NOK 42 million following the acquisition of ASIMI.

	DEC 2005	YTD DEC 2005	PRO FORMA ADJUSTMENT	YTD DEC 2005
Basic and diluted earnings per share (see Note 26)	0.26	1.97	2.23	PRO FORMA
Adjusted basic and diluted earnings per share (see Note 26)	27.45	1.97	29.42	PRO FORMA

YTD DEC pro forma earnings per share figures have been calculated as detailed in note 26 using the pro forma profit of NOK 33 618 in 2005. The weighted average number of shares outstanding remain as 15 091. There remains no dilutive effect due to the convertible bond.

The group has a related party relationship with its subsidiaries, associates, joint ventures and with its directors and major shareholders. The principle shareholders in the Company as of December 31, 2005 were Good Energies Investments BV (39.6%), Elkem AS (24.6%) and Hafslund Venture AS (23.7%). The REC Group has not carried out any sale or purchase of good's with related parties or associates outside the normal course of business.

	2005	2004
Salaries and other short-term employee benefits	9 341	6 905
Post-employment benefits	813	715
	10 154	7 620

MEC ASA has issued two convertible loans (see Note 28).

The first loan agreement was entered into September 24, 2003, amounting to EUR 31 million with an interest rate of 7.9% p.a. and conversion right equal to NOK 118 per share. The REC Group's principal shareholders are the sole holders of these securities in the following proportions: Good Energy Investments B.V. (9.4%), Elkem AS (48.4%) and Hafslund Venture AS (32.2%). The loan remained unchanged as per December 31, 2005.

The second convertible loan agreement was entered into July 13, 2005, for USD 140 million with an interest rate of 8% p.a. and a conversion right approximately equal to NOK 255 per share (depending on the USD/NOK exchange rate). The REC Group's principal shareholders are the major providers of these securities in the following proportions: Good Energies Investments BV (38.1%), Elkem AS (27.2%) and Haldund Venture AS (25.3%), the remaining part (9.4%) is largely held by the remaining smaller shareholders. The loan remained unchanged as per December 31, 2005.

Total interest expenses related to shareholders loans amounted to NOK 77 797 in 2005.

In May, 2005, the REC subsidiary REC ScanWafer acquired NorFurnace AS, mainly from existing REC shareholders.

In July, 2005, the REC Group acquired the remaining 88% of SiTech AS, mainly from existing REC shareholders.

Both the above transactions were undertaken on an arm's length basis.

The USD 140 million convertible loan entered into on July 13, 2005, was almost fully converted (99.88%) on March 13, 2006. EEC ASA consequently issued approximately 3.7 million new shares.

Balance sheet (NCAP)

YEAR ENDED DECEMBER 31 (IN '000)	NOTES	2005	2004
ASSETS			
Non current assets			
Deferred tax asset	J	13 947 720	42 351 013
Total deferred tax assets		13 947 720	42 351 013
Tangible assets			
Fixtures and fittings, tools, office machinery and similar assets	C	431 369	243 450
Total tangible assets		431 369	243 450
Investments			
Investments in subsidiaries	F	1 030 316 307	779 811 474
Loans to subsidiaries	I	1 136 809 880	178 516 925
Investments in associates	G	66 802 209	8 511 513
Other investments	G	37 164 897	3 086 063
Total investments		2 271 093 293	969 925 975
Total non current assets		2 285 172 382	1 012 520 438
Current assets			
Accounts receivable			
Accounts receivable	I	17 445 561	2 269 597
Receivables from subsidiaries	I	185 090 072	171 447
Other receivables		2 536 355	2 643 682
Total accounts receivable		205 671 988	5 084 726
Cash and cash equivalents	B	59 366 398	277 611 009
Total current assets		265 038 386	282 695 735
Total assets		2 550 210 768	1 295 216 173

YEAR ENDED DECEMBER 31 (IN NOB)		NOTES	2005	2004
EQUITY AND LIABILITIES				
Equity				
Called up share capital	K		304 318 940	37 286 268
Share capital	K		-225 360	0
Own shares	K		453 248 431	667 171 103
Share premium reserve	K		283 056 215	283 056 215
Reserve for share repurchase	K		1 040 398 226	987 513 585
Total called up capital				
Earned equity				
Other capital	K		104 842 611	12 303 177
Total equity			1 145 340 837	999 906 764
Non current liabilities				
Pension liabilities	D		4 635 875	2 078 570
Total non current liabilities				
Current liabilities				
Liabilities to financial institutions	E		3 842 762	0
Convertible loans	E		1 195 152 999	255 393 499
Accounts payable	J		1 391 094	3 950 891
Tax payable	J		2 251 182	0
Social security, VAT and other taxation payable	I		197 896 019	1 380 966
Other current liabilities			32 905 482	32 905 482
Total current liabilities			1 400 534 056	293 230 839
Total liabilities			1 405 169 931	295 309 409
Total equity and liabilities			2 550 510 768	1 295 216 173

NEW YORK, March 23, 2006

John C. Lohd
Chairman of the Board

Paul J. Wagonier
President and CEO

John C. Lohd
Chairman of the Board

Paul J. Wagonier
President and CEO

Income statement (NGAAP) RECSA

YEAR ENDED DECEMBER 31 (IN NOB)		NOTES	2005	2004
Revenues		H	7 978 848	6 264 704
Total operating income			7 978 848	6 264 704
Purchase of goods	D		-117 596	-1 468
Payroll expenses	D		-31 460 515	-14 564 317
Depreciation of tangible fixed assets	C		-167 563	-242 364
Other operating expenses	D		-20 147 639	-13 795 682
Operating loss			-43 914 465	-22 329 127
Group contributions			147 898 252	0
Interest received from group companies			60 803 627	1 860 245
Interest income	E		2 132 457	1 075 224
Other financial income	E		40 401 828	0
Impairment financial fixed assets			0	-455 000
Interest expenses	E		-76 788 898	-20 525 282
Financial expense/income on changes in exchange rates convertible loan	E		-26 679 500	6 125 000
Other financial expenses	E		-112 837	-1 570 811
Profit/loss before taxes			103 859 484	-35 825 751
Tax on ordinary profit	J		-29 148 287	13 207 234
Profit/loss for the year			74 711 177	-22 618 517
Profit/loss for the year is distributed as follows:				
Other equity/capital	K		74 711 177	-22 618 517
Total distributed			74 711 177	-22 618 517

Statement of cash flows (NGAAP)

REC ASA

YEAR ENDED DECEMBER 31 (IN NOK)	NOTES	2005	2004
Cash flow from operating activities			
Profit/loss, before tax		103 859 464	-35 825 751
Taxes paid		0	0
Depreciation and amortisation		167 563	242 364
Impairment financial assets		0	465 000
Changes in accounts receivable		-15 175 944	4 711 032
Changes in accounts payable		-2 559 797	1 902 872
Changes in pension scheme assets-/liabilities		-103 389	376 043
Group contributions		-147 898 252	0
Effect exchange differences		26 675 500	0
Classifications as investment-/financing activities		-415 718	0
Changes in other accrued income and expenditure		11 444 017	12 350 274
Net cash flow from operating activities		-24 032 577	-15 789 166
Cash flow from investing activities			
Capital expenditure on financial assets		-130 845 593	-127 300 513
Capital expenditure of loan to subsidiaries		-1 010 090 958	0
Proceeds from sale of other fixed assets		-358 482	-113 600
Net cash flow from investing activities		1 141 292 033	-127 414 113
Cash flow from financing activities			
Increase in short- and long-term loans		913 080 000	73 274 480
Repayment of short- and long-term loans		0	-1 830 296
Increase in equity		34 000 000	308 874 444
Net cash flow from financing activities		947 080 000	380 318 628
Net change in cash and cash equivalents		-218 244 610	237 116 349
Cash and cash equivalents 01.01.	B	277 611 008	40 494 659
Cash and cash equivalents 31.12.	B	59 366 398	277 611 008

Notes to the accounts

REC ASA

NOTE	PAGE	NOTE	PAGE
A. Accounting principles	86	G. Shares and interest in other companies	91
B. Restricted funds	87	H. Related parties	91
C. Tangible fixed assets and intangible fixed assets	88	I. Balances with group companies	92
D. Employees benefit expenses	88	J. Taxation	92
E. Liabilities/ foreign exchange	90	K. Equity and shareholders information	93
F. Subsidiaries and associates	90		

A Accounting principles

BASIC PRINCIPLES - ASSESSMENT AND CLASSIFICATION - OTHER ISSUES

The financial statements, which have been presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP), consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts. The assessment and classification have been provided in notes to the accounts, thus making the notes an integrated part of the financial statements.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time of delivery of services. Costs are expensed in the same period as the income to which they relate. Costs that cannot be directly related to income are expensed as incurred. The different accounting principles are further commented on below.

In cases where actual figures are not available at the time of the closing of the accounts, generally accepted accounting principles require management to make estimates and assumptions regarding the effect of these items on the profit and loss account as well as the balance sheet. Actual results could differ from these estimates.

Assets/liabilities related to current business activities and items which fall due within one year are classified as current assets/liabilities. Current assets/short-term debts are recorded at the lowest/highest of acquisition cost and fair value. The definition of fair value is the estimated future sales price reduced by expected sales costs. Other assets are classified as non current assets. Fixed assets are entered in the accounts at historical cost and depreciated. In the event of a decline in value which is not temporary, the fixed asset will be subject to a write-down.

ACCOUNTING PRINCIPLES FOR MATERIAL ITEMS

Revenue recognition

Revenue consist of professional services, administrative fee and other costs. Rendering of services to its subsidiaries at cost constitutes the majority of the company's revenues. Revenue comprises the sale of services, net of value-added tax, rebates and discounts. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Cost recognition/matching

Costs are expensed in the same period as the income to which they relate is recognized. Costs that can not be directly related to income are expensed as incurred.

FINANCIAL ASSETS

As defined as an entity where the company has a long-term, strategic ownership of more than a 50% voting interest. The company's investments in subsidiaries are initially measured at cost. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date for exchange, plus costs directly attributable to the acquisition. In the balance sheet the investments in subsidiaries are presented as non current assets.

ACCOUNTS RECEIVABLES

Trade receivables are accounted for at face value with deductions for expected loss.

Assets and liabilities in the balance sheet in another currency than NOK are converted to NOK using the spot exchange rate at the period end. Transactions in foreign currency accounted for in the income statement are converted to NOK using the exchange rate at the same date as the payment date. Profit or loss on exchange is accounted for in the income statement.

DEFERRED TAX AND TAX EXPENSE
Deferred tax is calculated based on temporary differences between book values and tax values for assets and liabilities at year end. For the purposes of calculating deferred tax, nominal tax rates are used. Positive and negative differences are offset to the extent that they reverse within the same time frame. Temporary differences that will constitute a future tax deduction give rise to a deferred tax asset. Change in deferred tax liability and deferred tax asset, together with taxes payable for the fiscal year and adjusted for errors in previous years tax calculations constitutes taxes for the year.

The company had a pension plan that entitles its members to derived future benefits, called defined benefit plans. The calculation of the liability is made on a linear basis, taking into account assumptions regarding the number of years of employment, discount rate, and return on plan assets. Future changes in salaries and pensions, the size of defined benefit contributions from the government and the actual actuarial assumptions regarding mortality, voluntary retirement of staff, and plan assets are stated at fair market values. Net pension liability comprises the gross pension liability, less the fair value of plan assets. Net pension liabilities under funded pension schemes are included in the balance sheet as long-term interest free debt, while over funded schemes are included as long-term interest free receivables. If it is likely that the over funding can be utilized,

The effect of change in the pension plan is that the discounting rate is calculated based on a risk-free rate on the balance-sheet day, with the addition of risk according to the Standard. Refer to note J and note K for more information about the consequences in the accounting.

The company has chosen to adopt the NRS 6 A. This allows actuarial gains and losses to be recognized outside profit and loss but presented directly in equity. The impact will be that actuarial gains and losses that in previous GAAP was deferred and expensed by using the corridor approach now will not show as an expense in the profit and loss but recognized directly in retained earnings.

CASH FLOW STATEMENT
The cash flow statement is compiled using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term investments with terms not exceeding 3 months that immediately, and with no material exchange rate exposure, can be exchanged for cash.

MERGER A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Bank deposit restricted to employees' tax withdrawal is NOK 1 124 230. The company has placed a USD 3 000 000 cash deposit in Bank of America as collateral for a credit limit used by Solar Grade Silicon LLC. Accumulated interest on the deposit per December 31, 2005 is USD 87 016 and the deposit including interest has been booked at NOK 20 895 058 per December 31, 2005. The company has available a credit facility with a limit of NOK 10 000 000.

	LICENSE	EQUIP.	CARS	TOTAL	2009 TOTAL	2008 TOTAL
Cost as of OI.OI.	211,332	552,880	209,950	974,162	860,502	
Cost as of purchased fixed assets	-	-	-	-	355,466	113,600
Disposals	0	0	0	0	0	0
Cost as of 31.12.	211,332	552,880	209,950	974,162	974,162	
Accumulated depreciation as of 31.12.	15,629	535,696	209,950	899,275	738,712	
Net book value as of 31.12.	195,703	317,184	0	431,359	243,450	
Depreciation for the year	0	70,444	7,400	167,563	242,364	
Useful economic life, years	Up to 3 Linear	Up to 3 Linear	Up to 3 Linear	Up to 3 Linear		
Depreciation plan	Linear	Linear	Linear	Linear		

The company has operating lease contracts on a copy machine, a franking machine and five company cars. The rental payments are expensed with total on the copy machine is NOK 236,360, lease on the franking machine NOK 4,964 and lease on the five company cars NOK 509,579. Total operating lease amount is NOK 550,883 in year 2005. The lease contracts are considered as operating leasing since there are no transfers of the risks and rewards incidental to ownership regulated by contracts. The contracts are consecutive extended.

	2005	2004	01.01 - 31.12
PAYROLL EXPENSES			
Payroll	26 751 887	10 993 968	
Social security costs	2 691 282	1 894 515	
Other employee related costs	1 151 350	1 151 350	
Other employee related costs	376 378	152 954	
Payroll expenses	31 460 515	14 594 317	

The company has given the total amount of NOK 1.2 million in loan to employees in 2005. The loans are free of interests and exempt from repayments until maturity. Maturity date is set two years after the loan contracting. As guarantee the company has taken mortgage bonds in the residences of the two employee borrowers.

Present value pension earnings of the year	1,564,641	1,472,531
Interest expenses incurred pension cost	218,082	143,002
Expected return	-202,520	-138,091
Administrative Expenses	60,765	35,709
Net Pension Expense	1,640,968	1,513,150

Pension liabilities	2 331 897	442 648
Accrued payroll tax	328 797	62 413
Total effect charged directly to equity	2 660 694	505 061

Incurred pension commitment excl expected future salary increase	31.12.05	31.12.04
Expected effect of future salary increase	-5 778 624	-3 256 378
	-2 236 681	-1 105 259

Induced pension commitment (net expected future salary increase)	-8 015 305	-4 361 635
Market value pension funds	-3 952 312	-2 539 928
Net incurred pension commitment	-4 062 993	-1 821 709
Unrecognised effect of estimate deviations	0	0
Accrued payroll tax	-572 882	-256 861
Net pension liabilities	-4 635 875	-2 078 570

G Shares and interests in other companies

	OWNERSHIP/ VOTING SHARE	ACQUISITION COST	BOOK VALUE
Investments in associates			
CSG Solar AG, Thalheim, Germany	23.03%	66 802 209	66 802 209
Total		66 802 209	66 802 209
Other investments			
Altirec AS, Oslo, Norway	1.65%	626 000	70 000
REC Solar AG, Thalheim, Germany	15.00%	37 094 896	37 094 896
Total		37 619 896	37 164 897

Share of profit/loss in CSG Solar AG, Thalheim, Germany	2005	2004
	-7 052	-1 600

H Related parties

The company render non-profit services to its subsidiaries. In 2005 the total amount is NOK 6.9 million.

I Balances held with group companies

	OWNERSHIP SHARE	LOANS TO SUBSIDIARIES	RECEIVABLES FROM SUBSIDIARIES
SUBSIDIARIES	31.12.2005	31.12.2004	31.12.2005
REC Solar AS	100.0%	0	1 314 748
REC ScanModule AB	100.0%	0	259 897
REC Silicon AS	100.0%	152 963 169	171 447
REC ScanCell AS	100.0%	0	738 000
REC ScanVision AS	100.0%	0	0
REC Solar Grade Silicon Holding Inc.	100.0%	973 846 711	147 160 252
REC SITech AS	100.0%	10 000 000	36 217 175
Total		1 136 809 880	185 690 072

The loan to REC Silicon AS and REC SITech AS are subordinated loans and do not carry interest. The subordinated loan to Solar Grade Silicon AS is secured by a mortgage on the property of the company. The loan to REC ScanModule AB is secured by a mortgage on the property of the company. The loan to REC ScanCell AS is secured by a mortgage on the property of the company. The loan to REC ScanVision AS is secured by a mortgage on the property of the company. The loan to REC Solar Grade Silicon Holding Inc. may repay the loan in full or in part on any banking day after July 29, 2009, with five days notice. The loan is defined as an unsecured loan and will not be subject to collateral.

	OWNERSHIP SHARE	ACCOUNTS RECEIVABLE
SUBSIDIARIES	31.12.2005	31.12.2004
REC Solar AS	100.0%	0
REC ScanModule AB	100.0%	23 082
REC ScanWafer AS	100.0%	1 366 459
REC Silicon AS	100.0%	136 117
REC Solar Grade Silicon Holding Inc.	100.0%	15 149 088
REC Solar Grade Silicon LLC	100.0%	111 860
REC Solar Vision Ltd.	100.0%	1 079 082
Total		16 905 146

	OWNERSHIP SHARE	OTHER CURRENT LIABILITIES
SUBSIDIARIES	31.12.2005	31.12.2004
REC Ventures AS	100.0%	0
REC ScanWafer AS	100.0%	147 160 252
Total		147 160 252

REC Ventures AS was a 100% owned subsidiary in REC ASA. REC Ventures AS was merged into REC ASA January 1, 2005. As it was a merger of companies under common control, there was no tax effects implicated in the transaction.

Merger cont.

Merger cont.

TRANSACTION WITHIN THE MERGER WAS BOOKED AS FOLLOWED:
 Merger between REC ASA and REC Ventures AS
 (Ref. note K Equity and shareholder information)

Liability to REC ScanWafer AS is capital contribution in the subsidiary which will be set off against the receivable on group contribution from the same subsidiary immediately after the 2005 Ordinary General Meeting.

	OWNERSHIP SHARE	ACCOUNTS PAYABLE
SUBSIDIARIES	31.12.2005	31.12.2004
REC Solar Grade Silicon LLC	100.0%	11 363
REC ScanCell AS	100.0%	0
Total		11 363

J Taxation

	2005	2004
Current tax:		
Profit/loss before taxes	103 859 464	-35 825 751
Permanent differences	241 562	595 555
Changes in temporary differences	437 191	426 445
Base for current tax	-103 465 851	0
Tax 28%	0	-34 803 751
Compensation for taxes on dividends received	0	0
Tax charge for the period	0	0

	2005	2004
The tax charge for the year can be analysed as follows:		
Tax charge for the period	0	0
Deferred tax - gross changes	-29 148 287	13 207 234
Total tax expense for the year	-29 148 287	13 207 234

Specification of the basis for deferred tax assets/liability

Offsetting differences:

	2005	2004
Fixed assets	-128 832	-188 760
Receivables	512 089	38 215
Pension liability	-1 135 156	-1 135 156
Liabilities forward	-45 427 468	-148 891 300
Unused allowances on dividend	-133 200	-133 200
Total	-47 152 592	-150 335 804

	2005	2004
Deferred tax asset	-13 202 726	-42 094 025
Net transactions in capital equity (tax base)	-2 805 671	-2 805 671
Deferred tax asset in capital equity	256 994	-256 994
Deferred tax asset in the balance sheet	-13 947 720	-42 351 013

K Equity and shareholder information

EQUITY	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM RESERVE	CONTRIBUTED CAPITAL	OTHER CAPITAL	TOTAL
Equity as of 31.12.2004	37 286 268	0	667 171 103	283 056 215	13 054 003	1 000 367 590
Effect of changes in accounting principles at 01.01.04						
Deferred taxes related to pension liabilities	0	0	0	0	-540 481	-540 481
Effect of changes in accounting principles at 31.12.04						
Pension liability	0	0	0	0	151 335	151 335
Deferred taxes related to pension liabilities						
Equity as of 01.01.2005	37 286 268	0	667 171 103	283 056 215	12 393 177	999 806 764
Transfer of share premium reserve to share capital	261 003 873	0	-261 003 873	0	0	0
Paid in capital	4 500 000	0	29 500 000	0	0	34 000 000
Contribution in kind	1 528 800	0	17 981 200	0	0	19 110 000
Merger between REC ASA and AfriSol AS	0	0	0	0	22 401 936	22 401 936
Acquiring of own shares	0	-225 360	0	0	-2 647 980	-2 873 340
Pension liabilities	0	0	0	0	-2 660 694	-2 660 694
Deferred taxes related to pension liabilities	0	0	0	0	744 994	744 994
Profit/loss for the year	0	0	0	0	74 711 177	74 711 177
Equity as of 31.12.2005	304 318 940	-225 360	453 248 431	283 056 215	104 942 611	1 145 340 837
Own shares are acquired through REC Solar AS. REC Solar AS bought in 2002 shares in the Moroccan company, AfriSol AS. The price was split in a cash amount and an ownership of 11 268 shares in REC ASA. In 2005, REC Solar AS and AfriSol AS agreed upon finalizing the cooperation, and REC Solar AS resumed the ownership of the 11 268 shares in REC ASA. The value of REC ASA was set to NOK 255 per share. Share capital consist of 15 215 947 shares at par value NOK 20. There is one class of shares which all have the same voting rights.						
Shareholders:						
The principle shareholders in Renewable Energy Corporation ASA as of 31.12.2005:						
	NUMBER OF SHARES	OWNER-SHARE	VOTING SHARE			
Good Energies Investments B.V.	5 129 234	33.71%	33.71%			
Elkem ASA	3 747 132	24.63%	24.63%			
REC Centurum AS	3 690 538	24.25%	23.68%			
Good Energies Norway AS	890 000	5.85%	5.85%			
CelMar Invest AS	519 018	3.41%	3.41%			
Rebello Invest AS	320 762	2.11%	2.11%			
Sumtomo Corporation	306 392	2.01%	2.01%			
Total owner's share exceeding 1%	14 515 076	95.39%	95.39%			
Total number shares	700 871	4.61%	4.61%			
	15 215 947	100.00%	100.00%			

Note K cont.

Note L cont.

Shares and options owned by the President & CEO and members of the board and members of the management group:

NAME	TITLE	NUMBER OF SHARES
Redar Langmo (through Rebello Invest AS)	Senior Vice President	320 762
Halvor T. Svartdal (through Hektor AS)	Board member	68 000
Erik Saar (through Saar Invest AS)	Senior Vice President & CTO	43 325
Tore Schiøtz (through Granhaug Industrier AS)	Chairman of the Board	34 071
Erik Andersen (through Hektor AS)	Senior Vice President	15 000
Bjørn R. Berntsen (through Labra Invest AS)	Senior Vice President	15 000
Redar Langmo (through Rebello Invest AS)	Senior Vice President	11 636
Bjørn R. Berntsen	Senior Vice President	11 353
Erik Thorsen (through Tokeko AS)	President & CEO	5 000
Thor-Christian Tuv (through The Tuv AS – under establishment)	Executive Vice President	5 000
Jon André Løkke	Senior Vice President & CFO	5 000
Jon André Løkke	Chairman of the Board	5 000
Tore Schiøtz (through Centurum AS)	Chairman of the Board	1 927

The following Board Members and Members of the Management group have the right to convert their convertible bonds into REC shares:

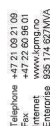
NAME	TITLE	NUMBER OF BONDS
Halvor T. Svartdal (through Hektor AS)	Board member	2 759 681
Redar Langmo (through Rebello Invest AS)	Senior Vice President	298 981
Tore Schiøtz (through Granhaug Industrier AS)	Chairman of the Board	282 775
Bjørn R. Berntsen	Senior Vice President	214 986
Erik Andersen	Senior Vice President	150 000
Thor Christian Tuv	Executive Vice President	41 498
Jon André Løkke	Senior Vice President & CFO	40 790
Tore Schiøtz (through Centurum AS)	Chairman of the Board	15 993

The bonds may be converted by the following formula:

No of bonds*USD exchange rate to NOK as of conversion date/NOK 255 per REC share; Face volume per Bond is USD 1.

Free equity per 31.12.2005

	31.12.2005	31.12.2004
Contributed capital	283 056 215	283 056 215
Other capital	104 942 611	12 393 177
Deferred tax	-13 947 720	-42 351 013
= The company free equity	374 051 106	253 098 379



KPMG AS
P.O. Box 7000 Majorstuen
Sankedalsveien 6
N-0306 Oslo

To the Annual Shareholders' Meeting of Renewable Energy Corporation ASA

AUDITOR'S REPORT FOR 2005

Respective Responsibilities of Directors and Auditors

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Renewable Energy Corporation ASA as of 31 December 2005, showing a profit of NOK 74 711 177 for the parent company and a profit of TNOK 3 923 for the group including the proposal for the allocation of the profit. We have also audited the information in the Board of Directors' report concerning the financial statements and the going concern assumption. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the parent company's financial statements and the group accounts.

the balance sheet, the statements of income and cash flows, the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of recognized income and expense and the accompanying notes. The rules of the Norwegian accounting act and generally accepted accounting principles in Norway have been applied to prepare the parent company's financial statement. The rules of the Norwegian accounting act and international Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our study in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice (Regulation No. 100, 1997). We used the Norwegian Accounting Standards developed by Den norske Reviseringsforening of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation of those statements in accordance with the applicable financial reporting framework. We believe that our management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

- [illegible]

2016/23 March 2006

Arve Gevoll
KPMG AS

State Authorized Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

Offices in:

Oslo	Sandnessen
Katmandu	Stavanger
London	Tromsø
Amsterdam	Trondheim
Beijing	Ålesund
Bombay	Birdal
Buenos Aires	Bjerkedal
Calcutta	Harstad
Canton	Harstad
Cebu	Harstad
Colon	Harstad
Hankow	Harstad
Hongkong	Harstad
Kobe	Harstad
London	Harstad
Lyons	Harstad
Manila	Harstad
Medan	Harstad
Shanghai	Harstad
Singapore	Harstad
Sourabaya	Harstad
Tientsin	Harstad
Yokohama	Harstad

© 1994 by The McGraw-Hill Companies, Inc.



KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

Telephone +47 21 09 21 09
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627MVA

To the Shareholders of Renewable Energy Corporation ASA

AUDITOR'S REPORT FOR 2005

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Renewable Energy Corporation ASA as of 31 December 2005 and 2004. We have also audited the information in the Board of Directors' report concerning the financial statements and the going concern assumption. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of recognized income and expense and the accompanying notes. The rules of the Norwegian accounting act and generally accepted accounting principles in Norway have been applied to prepare the parent company's financial statements. The rules of the Norwegian Accounting Act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Purpose

This auditor's report has been prepared solely to change the addressee from "the Annual Shareholders' Meeting of Renewable Energy Corporation ASA" to "the Shareholders of Renewable Energy Corporation ASA" for use in the prospectus related to the sale of ordinary shares of Renewable Energy Corporation ASA.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway effective for the audit of annual financial statements for the year ended 31 December 2005. We have not performed any audit procedures subsequent to 23 March 2006, which was the date our original auditor's report for 2005 was issued. We express our opinion in accordance with the Norwegian Auditing Standard RS 800, "The Auditor's Report on Special Purpose Audit Engagements". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practices in Norway an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent Company as of 31 December 2005 and 2004, the results of its operations and its cash flows for each of the years then ended, in accordance with the rules of the Norwegian Accounting Act and generally accepted accounting principles in Norway
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2005 and 2004, the results of its operations and its cash flows for each of the years then ended, in accordance with the rules of the Norwegian Accounting Act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practices in Norway
- the information in the Board of Directors' report concerning the financial statements and the going concern assumption, is consistent with the financial statements and comply with the law and regulations.

Oslo, 23 March 2006; the date of issuance of this special purpose audit report is 21 April 2006

Arve Gjøvill

State Authorized Public Accountant (Norway)

B-34

KPMG AS is the Norwegian member firm of KPMG International,
a Swiss cooperative.
Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Haugesund	
Bodø	Kristiansand	Sandnessjøen
Alta	Larvik	Stavanger
Arendal	Lillehammer	Stord
Bergen	Mo i Rana	Tromsø
Elverum	Molde	Trondheim
Finnsnes	Røros	Tønsberg
Hamar	Sandefjord	Ålesund

Pro Forma Financial Data

The following table sets forth pro forma combined financial data for the year ended 31 December 2005. The pro forma combined financial data have been derived from the Financial Statements, as adjusted to illustrate the effect on the Company's consolidated results due to the acquisition of ASiMI in 2005, as if the transactions had occurred on 1 January 2005.

The reader should read the following pro forma financial data in conjunction with the Company's Financial Statements and the notes thereto, including Note 32 to the IFRS Financial Statements. The reader should also read the sections "Selected Financial and Operating Data" and "Operating and Financial Review." The pro forma financial data is qualified by reference to these sections and the Financial Statements, which are included elsewhere in this Prospectus.

The pro forma financial data does not reflect the Company's actual results of operations and is not necessarily indicative of the results that would have been attained if the Company's acquisition of ASiMI had occurred earlier. The acquisition of the remaining 30% interest in REC Solar Grade Silicon on 29 July 2005 and REC SiTech on 1 July 2005 are not considered to be significant, and therefore adjustments have not been made to reflect the impact of these acquisitions.

The pro forma financial information has been prepared based on the following assumptions and adjustments:

- The pro forma financial information has been prepared assuming that the Company's acquisition of ASiMI was undertaken on 1 January 2005 and that ASiMI was consolidated on a 100% basis from this date; and
- The pro forma financial information has been prepared in accordance with IFRS.

	Year ended 31 Dec. 2005 (historical)	Pro forma adjustments(a)	Notes	Year ended 31 Dec. 2005 (Pro forma)
		(NOK thousand)		
Total revenues	2,453,916	675,256	(b)	3,129,172
Raw materials and consumables used	(620,903)	(83,772)	(b)	(704,675)
Changes in inventories of finished goods and work in progress	4,477	–		4,477
Employee compensation and benefit expense	(409,854)	(164,148)		(574,002)
Other operating expenses	(597,455)	(210,345)		(807,800)
Earnings before interest and taxes, depreciation/ amortization	830,181	216,991	(b)	1,047,172
Amortization of intangible assets	(13,648)	(12,645)	(c)	(26,293)
Impairment of tangible assets	(13,733)	–	(c)	(13,733)
Depreciation, amortization and impairment charges	(201,353)	(71,430)	(c)	(272,783)
Earnings before interest and taxes	601,447	132,916	(b)	734,363
Share of (loss)/profit of associates	(7,052)	–		(7,052)
Interest income	6,261	354		6,615
Impairment of financial assets	–	–		–
Interest expense	(146,784)	(88,277)	(d)	(235,061)
Other financial income/expenses	69,248	–		69,248
Foreign exchange and fair value effect of convertible loans	(493,037)	–		(493,037)
Profit/loss before tax	30,083	44,993	(b)	75,076
Income tax expense	(26,160)	(15,298)		(41,458)
Profit/loss for the year	3,923	29,695	(b)	33,618

Notes to the pro forma income statement:

- (a) Represents, except as otherwise indicated, the relevant income statement line item of ASiMI for the period from 1 January 2005 through 31 July 2005.

- (b) Represents the relevant income statement line item of ASiMI from 1 January 2005 through 31 July 2005, after adjustments for transactions affecting that line item during that period between ASiMI and companies included in the consolidated financial statements of the Company.
- (c) Depreciation and amortization have been recalculated by class of asset giving a combined seven-month charge of NOK 84 million.
- (d) The Company financed its acquisition of ASiMI through two credit facilities: (a) a convertible loan agreement entered into with existing shareholders in a principal amount of U.S.\$140 million, and (b) a senior credit facility entered into with DnB Nor and ABN Amro in a principal amount of U.S.\$170 million. The total interest expense calculated for the first seven months of 2005, as if the loans had been in place on the same interest-rate terms at 1 January 2005, is NOK 88 million.
- (e) The tax rate used was 34%, which represents the local tax rate faced by REC Silicon, and the related tax expense was estimated to be NOK 15 million for the first seven months of 2005.
- (f) The year-end exchange rate between U.S. dollars and Norwegian kroner has been assumed for all adjustments.



KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

Telephone +47 21 09 21 09
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627MVA

To the Shareholders of Renewable Energy Corporation ASA

INDEPENDENT AUDITORS' REPORT ON PRO FORMA CONDENSED INCOME STATEMENT

Respective Responsibilities of Directors and Auditors

We have audited the pro forma condensed consolidated income statement of Renewable Energy Corporation ASA and subsidiaries (the Company) for the year ended 31 December 2005, including the application of the pro forma adjustments to the historical condensed consolidated income statement of the Company for the year ended December 31, 2005. The pro forma condensed consolidated income statement was prepared to include the operations of Advanced Silicon Materials LLC's, which was acquired effective 1 August 2005, as if it was acquired on 1 January 2005. The pro forma condensed consolidated income statement is not necessarily indicative of the results of operations that would have been attained had the above mentioned transaction occurred on 1 January 2005. The pro forma condensed consolidated income statement was derived from Company's consolidated income statement for the year ended 31 December 2005, which was audited by us. The pro forma condensed consolidated income statement and pro forma adjustments are the responsibility of the Company's Board of Directors and managing director and are based upon management's assumptions as described therein. Our responsibility is to express an opinion to the pro forma amounts based on these assumptions.

Basis of Opinion

We have audited the consolidated income statement of the Company for the year ended 31 December 2005 which form the basis of the historical condensed consolidated income statement. We conducted our audits of the pro forma condensed consolidated income statement in accordance with Norwegian law and generally accepted auditing standards and practices in Norway, and express our opinion in accordance with Norwegian Auditing Standard RS 800, "The Auditors' Report on Special Purpose Audit Engagements". We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the pro forma financial information has been properly compiled on the basis stated
- that basis is consistent with the accounting policies of the issuer
- the related pro forma adjustments are in accordance with the assumptions stated, and are incorporated correctly in the pro forma condensed consolidated income statement for the year ended 31 December 2005

Oslo, 21 April 2006

KPMG AS

Arve Gevoll

State Authorised Public Accountant (Norway)

B-38

KPMG AS is the Norwegian member firm of KPMG International,
a Swiss cooperative.

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Haugesund	
Bodø	Kristiansund	Sandnessjøen
Alta	Larvik	Stavanger
Arendal	Lillehammer	Stord
Bergen	Mo i Rana	Tromsø
Elverum	Molde	Trondheim
Finnsnes	Røros	Tønsberg
Hamar	Sandefjord	Alesund

REPORT OF THE BOARD OF DIRECTORS

- 2004 has been another year with increased capacity and productivity as the REC Group increased the production capacity, particularly in ScanWäter, ScanCell and ScanModule.
- The group achieved revenues of 1 418 million NOK, an increase of 99 percent over 2003 revenues of 713 million NOK.¹⁾ REC's earnings before interest and taxes, depreciation/ amortization (EBITDA) was 155 million NOK compared to a loss of 32 million NOK²⁾ in 2003; REC increased its shareholdings in both Solar Grade Silicon LLC (from 60 percent to 70 percent) and ScanWäter AS (from 71 percent to 100 percent).
- The Board of Directors in REC has decided to sell ScanCell and ScanModule and these business areas have consequently been reported as discontinued operations in the group accounts (see Note 16).

THE REC GROUP IN BRIEF

Renewable Energy Corporation AS was established December 3, 1996 and has its headquarter and R&D centre at Havik outside Oslo, the capital of Norway.

The REC Group business goal is to become the most cost-efficient solar energy company in the world with a particular focus on the upstream part of the photovoltaic ("PV") value chain, i.e. production of silicon feedstock and wafers. REC will consolidate its dominant position in the upstream part of the industry and reduce the focus on the downstream part of the value chain through joint ownerships and strategic alliances. This strategy will be realised both through organic growth and acquisitions, mergers and partnerships.

The REC Group consists of the parent company REC AS and the five operating subsidiaries Solar Grade Silicon LLC, ScanWäter AS, ScanCell AS, ScanModule AB and SolEnergy AS/Solar Vision Ltd. The subsidiaries are funded independently through bank loans and carry all operating, financial and development costs themselves. All internal transactions between subsidiaries are executed at market prices. Internal transactions between the parent company and the subsidiaries are done at full cost. The accounts of the subsidiaries therefore fully reflect the economic development of the various operations in the REC Group.

¹⁾ Pro-forma figures for 2003 assuming ScanWäter on a fully consolidated basis.

Statement and Cash Flow according to the equity method for the first three quarters of 2003 and according to the purchase method for the fourth quarter of 2003.

(p) Represents pro-forma figures from 2003 assuming acquisition of the remaining outstanding shares of ScanWäter AS as of 01.01.2003. Therefore ScanWäter AS is consolidated based on a 100 percent ownership and consequently goodwill has been depreciated for 12 months.

FINANCIAL REVIEW

YEAR ENDED DECEMBER 31	REVENUE			EBITDA		
	2004	2003 (p)	2004	2004	2003 (p)	
Solar Grade Silicon	533 678	192 981	41 731	-9 354		
ScanWäter	883 938	617 744	149 267	39 129		
ScanCell	144 494	20 862	7 316	-18 216		
ScanModule	129 376	7 160	-14 301	-5 734		
SolEnergy	6 766	2 641	-2 224	-7 145		
Sum	1 698 252	841 388	181 789	-1 320		
Corporate eliminations	-280 112	-128 377	-26 540	-30 285		
Total	1 418 140	713 011	155 249	-31 605		

YEAR ENDED DECEMBER 31	EBIT			PROFIT/LOSS BEFORE TAX		
	2004	2003 (p)	2004	2004	2003 (p)	
Solar Grade Silicon	40 754	-9 906	39 785	-16 624		
ScanWäter	68 274	-30 047	46 487	-80 811		
ScanCell	-8 061	-25 941	-10 585	-28 498		
ScanModule	-16 964	-6 548	-19 123	-6 324		
SolEnergy	-5 008	-11 301	-10 524	-15 337		
Sum	78 995	-83 743	46 040	-147 594		
Goodwill appreciation	-58 890	-48 155	-55 890	-48 155		
Corporate eliminations	-26 782	-30 478	-41 879	-48 966		
Total	-3 677	-162 376	-51 729	-244 715		

(p) Pro-forma figures for 2003 assuming ScanWäter on a fully consolidated basis.

The overall development in revenues and operating profit is satisfactory, but still highly influenced by expansions, new investments and a ramp up in production in all subsidiaries. In 2004, REC increased the production capacity in ScanWäter, ScanCell and ScanModule.

In 2004, the REC Group achieved revenues of 1 418 million NOK, an increase of 99 percent over 2003 revenues of 713 million NOK. REC's earnings before interest and taxes, depreciation/amortization (EBITDA) was 155 million NOK compared to a loss of 32 million NOK in 2003. The REC Group incurred more than 60 million NOK of research and development cost in 2004.

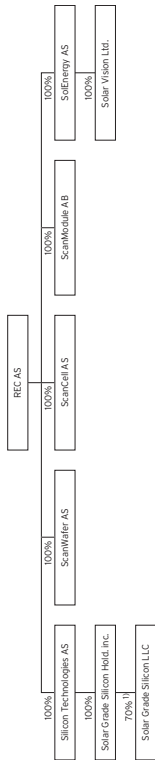
The majority of this cost, 47 million NOK, was incurred by Solar Grade Silicon related to the new Fluidised Bed Reactor (FBR) technology, and is judged to be non-recurring. An additional 12 million NOK was incurred by ScanWäter and the remaining two million NOK by ScanCell and ScanModule. Loss before tax for the REC Group in 2004 was 52 million NOK. This includes goodwill depreciation of 56 million NOK, one-time losses like write down of tangible fixed assets of 7 million NOK, and write-downs of financial fixed assets of 7 million NOK. Loss for the year, after minority interest, was 63 million NOK.

As stated above, in late 2004 the Board of Directors initiated a process to sell ScanCell and ScanModule. Assuming a 2004 consolidation without ScanCell and ScanModule, the REC Group achieved revenues of 716 million NOK, an increase of 69 percent over 2003 revenues of 716 million NOK. The REC Group earnings before interest and taxes, depreciation/ amortization (EBITDA) would then be 82 million NOK compared to a loss of 8 million NOK in 2003. Under the same assumptions, operating profit (EBIT) would have been 2 million NOK compared to an operating loss of 130 million NOK.

Solar Grade Silicon

Solar Grade Silicon LLC (SGS) manufactures polysilicon, the raw material for silicon wafers, at its production plant at Moses Lake, Washington State, USA. The Moses Lake plant has been converted from producing electronic grade silicon into polycrystalline silicon for the solar power industry. Sales contracts typically run for three to five years with price/volume negotiations in the fall of each year for the following year. The company has 75 employees. SGS is the world's only dedicated producer of polycrystalline silicon for the solar power industry. The company was at the end of 2004 owned 70 percent by REC and 30 percent by ASMI LLC, and is fully consolidated in REC's accounts. REC's shareholding increased in September 2004 from 60 percent in accordance with the joint venture agreement between the two owners of SGS. Revenues in 2004 were 534 million NOK, compared to 193 million NOK in 2003, constituting a revenue growth of 177 percent. 49 million NOK of the revenue recognized in 2004 was pushed over from 2003. In accordance with good accounting principles, inventory of finished goods, silicon feedstock, also decreased from slightly more than 600 metric tonnes by the end of 2003 to less than 200 tonnes by the end of 2004. However, the majority of the increase in revenues was a result of ramp up efficiencies and production improvements.

SGS produced 2 100 metric tonnes of silicon in 2004, compared with 1 750 tonnes in 2003. SGS is currently producing at near full capacity.



¹⁾ Joint Venture agreement with ASiM LLC, a company 100 percent owned by Nemetsch Ltd. of Japan. According to the agreement with ASiM, REC will increase its ownership to 75 percent by September 2005 and a put/call option arrangement will then enable REC to increase further to 100 percent.

The ramp-up and capacity increases have in the short run affected the margin level negatively as consumption of input factors tend to be higher and investment costs are incurred before full production is achieved. Even with a cost level higher than expected during normal operations, ScanWälder managed to increase its EBITDA to 49 million NOK compared 39 million NOK in 2003. The profit level should be reliably comparable as ScanWälder both in 2003 and 2004 incurred substantial costs (and delayed income) due to capacity increases. In 2003 ScanWälder started up the new plant at Herøya with a capacity of around 60 MW. In late 2004 and early 2005, the capacity of this plant was doubled to 120 MW. Production will then gradually be ramped up reaching capacity in the third quarter of 2005. The EBITDA margin was 46.5 percent in 2004. The increase in operational profit is then mainly explained by a higher revenue level through increased production and continuous productivity gains.

ScanWälder achieved a profit before tax of 46 million NOK in 2004 compared to a loss before tax of 81 million NOK in 2003.

ScanCell

Revenues of ScanCell, our solar cell plant located in Narvik, Norway, were 144 million NOK in 2004, up from 21 million NOK in 2003. In 2004, ScanCell started the year with a small scale production and expanded its operations throughout the year and changed its production to larger and thinner cells. The transition from 125mm x 125mm cells to 156mm x 156mm cells, and from 330 micron to 280 micron in cell thickness, initially had a negative impact on production volumes and cost. ScanCell incurred delayed delivery of production equipment and experienced certain start up problems. The capacity increase and production transition has now been successfully completed. By the fourth quarter all transition challenges were solved, and production was running with a satisfactory level of productivity, quality and profitability. ScanCell was at year-end running at capacity and currently employs 68 people.

The board of REC has decided to sell the ScanCell business to concentrate the group's efforts on achieving a market leader and cost leader position upstream. ScanCell's results are therefore reported as a discontinued operation in the group accounts (see Note 16), with a loss after tax of 6 million NOK.

ScanModule

Revenues in ScanModule, based in Glava, Sweden, were 129 million NOK in 2004, up from 7 million NOK in 2003. 2004 has been the ramp-up

year for ScanModule which started the year with a small scale test production and increased the production capacity to a normalised level throughout the year. ScanModule has additionally changed its module production to be based on larger and thinner cells. The move to larger and thinner cells is positive for the business in the medium and long term, as customers increasingly expect more cost-efficient modules. The ramp-up in ScanModule has been more challenging than expected. However, the company was profitable on a monthly basis by the end of 2004, and is expected to run at capacity by the end of the first quarter 2005. ScanModule employs 70 people.

The board of REC has decided to sell the ScanModule business to concentrate the group's efforts on achieving a market and cost leader position upstream. ScanModule's results are therefore reported as a discontinued operations in the group accounts (see Note 16), with a loss after tax of 14 million NOK.

SolEnergy

SolEnergy is dedicated to the installation and operation of PV systems in developing countries, particularly in South Africa where SolEnergy operates through its subsidiary Solar Vision. The Government of South Africa has awarded a concession to Solar Vision giving the company preferred rights to install up to 50 000 solar home systems. Towards the end of 2004 Solar Vision changed its accounting principles based on guidance from local auditors. Grants received per installations from the local government are now recognized as revenue over the lifetime of the installation, 20 years. Consequently, the comparable figures for 2003 have also been restated to reflect the same accounting principles. This has also triggered the need for calculation and depreciation of goodwill from earlier share purchases in Solar Vision.

Total revenues for SolEnergy at year-end 2004 were 7 million NOK. The business area had then installed close to 6 500 solar home systems in its dedicated concession area in Polokwane, South Africa. The current demand from the local community for new installations is strong and the rate of installations is expected to average between 350 and 450 installations per month in 2005. The business area has 15 employees and engages close to 90 local contractors in the rural areas where it operates.

Solar Vision was cash generating in 2004, but recorded an accounting loss of 4 million NOK after tax. The holding company SolEnergy additionally wrote down the book value of selected other investments with a total negative income statement effect of 6 million NOK.

REC Group's Holding

During 2004, REC undertook three major capital increases, of which two had cash effect. This contributed more than 300 million NOK of new equity into the company. These funds, and additional loans, will be used to finance REC's aggressive growth strategy going forward. At December 31, 2004, total equity for the REC Group amounted to 995 million, which gives an equity book value ratio of 46 percent and an interest bearing debt to equity ratio of 0.86.

In REC, the holding company AS net operating expenses and personnel costs (net of internal sale of services) to subsidiaries amounted to 22 million NOK in 2004, compared with 30 million NOK in 2003. A significant portion of these costs were transaction related costs. Interest expenses rose to 20 million NOK in 2004, from 12 million NOK in 2003, costs largely related to the convertible bond that was set up in the third quarter of 2003 and which is part of REC's subsidiary financing.

Net loss for REC AS in 2004 was 23 million NOK. The Directors propose that no dividend should be paid for 2004 and that the net loss for the year is transferred and displayed separately under other equity and retained earnings. At December 31, 2004, the REC AS's free equity was 254 million NOK.

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

CURRENCY AND INTEREST RATE EFFECTS

Subsidiaries are funded in local currencies. SGS's cost base is in USD and all sales are done in USD. ScanWater's cost base is partly in USD (silicon feedstock from SGS), in NOK and in EURO. Income is also calculated in EURO, NOK and USD. All new customers are credit checked before entering into long-term contracts. With a relatively small number of end customers, strong product demand and good transparency in the industry, the credit risk is perceived to be low. The REC Group mainly carries interest bearing debt with floating interest. (lied to Niboro, with the exception of the convertible bond held at holding level of 255 million NOK, and is therefore exposed to fluctuations in the short-term interest level.

INTERNAL AND EXTERNAL ENVIRONMENT

The working environment in the REC Group is, in general, good. All business areas are committed to equal employment opportunities in all of

our employment practices. All employees and applicants will be provided equal employment opportunities without regard to age, race, color, creed, sex, sexual orientation, national origin, religion, marital status, disability, or any other protected status. The REC Group requires that all employees cooperate fully to ensure the fulfillment of this commitment in all actions and decisions, including hiring, promotions, upgrades, transfers, layoffs, training, education, pay, benefits, and social and recreational programs. Selection of personnel for hiring and promotion is based on such factors as education, experience, proven skills, initiative, dependability, cooperation, availability, and growth potential. Employees are encouraged to recommend for promotion those individuals whose past performance demonstrates an ability to assume greater responsibility. Such recommendations are in no way allowed to be influenced by an individual's race, sex, or other protected factors. Despite these principles, Renewable Energy Corporation AS has no female Directors. Both the Board of Directors and the corporate management are aware of social expectations and regulations concerning the promotion of gender equality on the board and in the business.

There were no serious injuries of personnel or loss of lives reported in 2004 within the REC Group. A number of smaller injuries, mostly related to minor cuts and bruises, were reported and some resulted in lost time. All injuries have been documented and measures adopted to avoid their recurrence.

In general, the working environment in the company is satisfactory. Absence on sick leave was on average for the Group 5.2 percent and the company aims to keep this low by continuously improving the working and safety conditions.

There was no significant damage to property or equipment in 2004.

The REC Group can report no material emissions to the external environment above what is granted by permits by local environmental authorities. REC continuously works on assuring the quality of its subsidiaries operations and puts great emphasis on the significance of the environment. We will continue to reduce the consumption of non-renewable inputs throughout the different business areas in the Group, both directly in the production process and indirectly in administrative and supporting functions. We will continue to reduce energy consumption and other emissions to the environment.

OUTLOOK FOR 2005


The global market for solar cells increased by 54 percent in 2004 according to Solarbuzz, an international research institution. Industrial forecasts indicate that the world market for PV solar energy will continue to show strong growth also in 2005.

Market demand is influenced by - among other factors - interest rate levels, subsidies and prices of other energy sources. If interest rates are increased markedly, specifically in Japan or Germany, this may influence market demand negatively. If the changes are not compensated by other improvements, changes in subsidy schemes and other support measures in specifically California, Spain, Italy, India or China may increase the demand for solar energy in 2005. On the other hand, political changes, or changes in subsidies, in Germany or Japan can affect subsidy levels and hence market demand negatively. Continued high oil and natural gas prices may also both stimulate demand and prices, lead to positive changes in the use of subsidies, and induce further investments in the industry.


The industry is expected to experience supply shortage of silicon feedstock for production of wafers in 2005. This will lead to increased prices, positively affecting revenues and profit in our subsidiary, SGS ScanWater. It is not expected to be negatively affected by the industry's feedstock problems as REC is the only solar energy company with its own production of high-quality silicon feedstock.

The REC Group focus will be to consolidate the dominant position in the upstream part of the industry and reduce the focus on the downstream part of the value chain through joint ownerships and strategic alliances. This strategy will be realized both through organic growth and acquisitions. We will continue negotiations with Komatsu Ltd. with the intent to reach a definitive agreement in line with the letter of intent to buy ASIMI LLC that was signed in February 2005. We also expect to clarify the sale of ScanCell and ScanModule and use the funds that this potentially generates to further fuel our strategy upstream.

Havik, April 28, 2005



Tore Schiøtz
Chairman of the Board


Marcel Edmond Breninkmeijer
Member of the Board


Halvor T. Svardal
Member of the Board


Alf Bråseth
President and CEO


Rune Bjørke
Member of the Board


Paul Kloppenborg
Member of the Board


Ole Enger
Member of the Board


Richard Olav Aa
Member of the Board

Income Statement REC Group

YEAR ENDED DECEMBER 31 (IN K IN THOUSAND)	NOTES	2004	2003 (PI)	2002
Sales of product and services		1 408 052	703 404	285 862
Other operating income		10 088	9 607	3 540
Total revenues	1, 2	1 418 140	713 011	289 402
Material expenses		-512 401	-309 156	-62 109
Change in work in progress and finished goods		-81 902	68 835	53 581
Payroll expenses	4, 13	-291 539	-221 586	-138 696
Other operating expenses	4	-377 049	-282 709	-230 162
Earnings before interest and taxes, depreciation/amortization	2	155 249	-31 605	-87 984
Goodwill depreciation	5	-55 890	-48 155	-20 859
Write downs of tangible fixed assets	6	-6 593	-4 405	-4 293
Depreciation	5, 6	-96 443	-78 211	-31 550
Earnings before interest and taxes	2	-3 677	-162 376	-144 685
Earnings from equity accounted companies	10	-1 578	-372	-5 790
Interest income		1 846	1 745	1 377
Write downs of financial fixed assets	10	-4 716	-3 663	-3 641
Interest expense		-46 058	-46 272	-28 235
Other financial income/expenses		4 751	-33 779	-18 794
Profit/loss before tax	2	-51 729	-244 715	-199 789
Taxes		3 608	63 179	56 727
Profit/loss before minority interests	7	-48 121	-181 536	-143 062
Minority interest	14	14 472	-3 640	-14 881
Profit/loss for the year		-62 593	-177 896	-128 181

Balance Sheet REC Group

YEAR ENDED DECEMBER 31 (IN K IN THOUSAND)	NOTES	2004	2003 (PI)	2002
ASSETS				
Fixed Assets				
Deferred tax assets	7	113 205	110 639	110 639
Goodwill	5	200 124	221 247	248 543
Other intangible fixed assets		28 508	32 550	32 550
Intangible Fixed Assets		341 837	364 436	391 732
Land and buildings	6	181 719	185 037	185 037
Machinery and equipment		548 910	450 837	450 837
Other tangible fixed assets	6	54 024	53 612	53 612
Tangible Fixed Assets		784 653	689 486	689 486
Financing receivables	9	13 043	16 773	16 773
Investments in associated companies	10	10 940	5 888	5 888
Investments in shares	10	3 086	1 091	1 091
Other long term receivables	9	37	5 071	5 071
Financial Fixed Assets		27 076	28 923	28 923
Total Fixed Assets		1 153 566	1 082 745	1 110 041
Current Assets				
Inventories	3	207 544	293 939	293 939
Trade receivables	9	189 538	127 681	127 681
Other current receivables	9	65 601	39 312	39 312
Cash and bank deposit	8	415 185	52 324	52 324
Total Current Assets		877 868	513 256	513 256
Total Assets		2 031 434	1 595 999	1 623 295

YEAR ENDED DECEMBER 31 (IN K IN THOUSAND)	2004	2003 (PI)	2002
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	1.4	26 436	26 436
Own shares	1.4	-766	-766
Share premium reserve	1.4	372 391	372 391
Other paid in capital	1.4	312 568	312 568
Paid-in capital		710 629	710 629
Other equity and retained earnings	1.4	-45 433	-79 333
Profit/loss for the year	1.4	-177 896	-128 181
Minority interest	1.4	44 442	146 789
Retained earnings		-88 021	-60 725
Total Shareholders' Equity		622 608	649 594
Non-current liabilities			
Provisional liabilities	1.3	14 676	10 774
Deferred tax liabilities	7	0	0
Medium- and long-term loans	9, 1.1, 1.2	559 118	559 118
Other liabilities (non-current)		9 367	9 367
Total Non-current Liabilities		579 259	579 259
Current liabilities			
Trade payables		148 733	148 733
Other current liabilities		65 539	65 539
Short-term loans	9	179 860	179 860
Total Current Liabilities		394 132	394 132
Total Liabilities and Equity		1 595 999	1 623 295

Statement of cash flow REC Group

YEAR ENDED DECEMBER 31 (IN K IN THOUSAND)	2004	2003 (PI)	2002
Cash flows from operating activities			
Profit/loss before tax	-51 729	-244 715	-199 789
Adjustments for depreciation of fixed assets	165 641	134 432	60 363
Adjustments for changes in pension liabilities	3 759	4 658	4 658
Loss on sale of subsidiaries not consolidated	0	0	0
Other adjustments	11 962	8 003	8 851
Changes in operating assets and liabilities:			
Changes in trade receivables	-62 262	-74 121	-26 617
Changes in inventories	85 305	-122 752	-75 863
Changes in trade payables	64 027	28 110	2 502
Taxes paid	0	0	0
Net cash flow from operating activities	217 703	-265 385	-225 095
Cash flows from investing activities			
Capital expenditure on other fixed assets	-11 527	-78 421	-78 421
Capital expenditure on other fixed assets	-205 191	-217 936	-66 239
Net cash flow from investing activities	-216 718	-296 357	-144 660
Cash flow from financing activities			
Changes in financing receivables	-3 431	12 680	372
Changes in short-term loans	41 600	-161 798	7 408
Changes in medium- and long-term loans	17 367	440 341	172 035
Increase in equity	308 874	158 200	158 200
Dividends paid	0	0	0
Other items	-2 165	-1 572	-7 385
Net cash flow from financing activities	362 245	447 851	330 630
Cash and equivalents translation difference		841	841
Net change in cash and equivalents	-369	-114 050	-39 284
Cash and equivalents - beginning of the year	8	166 374	87 422
Cash acquires during the year			4 186
Adjusted cash and equivalents - beginning of the year			91 608
Cash and equivalents - end of the year	8	52 324	52 324

Notes to the REC Group accounts

Note 01:

ACCOUNTING PRINCIPLES

Consolidated financials The consolidated accounts include the parent company, subsidiary companies and equity accounted companies and give the Group's combined financial position of these companies as one unit and as collective statements.

At the end of September 2003, Renewable Energy Corporation AS (REC) increased its shareholding in ScanWater AS from 32.6% to 71.2%. As a result, ScanWater AS is consolidated into REC Income Statement and Cash Flow according to the equity method for the first three quarters of 2003 (from 01.01.2003 to 30.09.2003) and according to the purchase method for the fourth quarter of 2003 (from 01.10.2003 to 31.12.2003).

(p) Represent pro-forma figures for 2003 assuming acquisition of the remaining outstanding shares of ScanWater AS as of 01.01.2003. Therefore ScanWater AS is consolidated based on a 100% ownership and consequently goodwill has been depreciated for 12 months. The acquisition of the remaining outstanding shares of ScanWater AS was acquired by issuing shares in Renewable Energy Corporation AS. The pro-forma minority interest consequently consist only of the minority in Solar Grade Silicon LLC and Solar Vision Ltd.

Subsidiaries A company is treated as a subsidiary where REC holds a shareholding of more than 50% and has a controlling interest. The Income Statement and Balance Sheet are included in their entirety in the Consolidated accounts. The minority interests' share of the profit or loss for the year and shareholders' equity is shown as separate items in the accounts.

Shares purchased in subsidiaries are dealt with according to the purchase method of accounting, by which the cost price of the shares is set off against the book value of the shareholders' equity in the subsidiary at the time of purchase. Added or reduced values resulting from the purchase are assigned to identifiable assets or liabilities. Added value that cannot be assigned to identifiable assets and liabilities is presented in the Balance Sheet as goodwill. Depreciation of added value and goodwill is presented in the Income Statement. Goodwill is depreciated at 20% throughout the group.

Associated companies Associated companies are enterprises in which Renewable Energy Corporation AS has a substantial interest (normally more than 20% of the shares), but which are not subsidiaries or joint ventures. For associated companies REC use the equity method in the consolidated accounts. According to the equity method, the share of the profit or loss for the year and shareholders' equity is included in the Income Statement. The share of the profit and the investment are presented as separate items in the Income Statement (Earnings from equity accounted companies) and Balance Sheet. At the time of purchase, the investment is valued at full cost, i.e. including the added or reduced value resulting from the purchase.

Conversion of foreign companies Balance sheet items relating to foreign companies are converted at the exchange rate applying on the date of the Balance Sheet, while Income Statement and Cash Flow items are converted at average exchange rates for the year. Conversion differences for foreign subsidiaries are entered against the Group's shareholders' equity.

Internal transactions All internal transactions between consolidated units have been eliminated. This applies to internal trading, interest, dividends and internal gains. It also applies to internal receivables and liabilities, in addition to share and capital investment.

Pensions REC has both defined benefit pension schemes and defined contribution pension schemes for its employees. Employees' pension rights under the defined benefit pension schemes are charged to expenses, as they are earned and net pension commitments/pension funds are entered in the Balance Sheet. An actuarial calculation is made annually of pension expenses and pension commitments, taking into account anticipated wage growth based on linear accumulation. "Pension funds" includes premium funds and REC's share of the insurance company's funds (premium reserves). "Pension expenses" includes the present value of the year's pension earnings, plus interest on commitments, less return on pension funds, for the defined contribution pension schemes. The contributions are charged to expenses as they are paid. No commitments are entered in the Balance Sheet for these schemes.

Taxes This year's Income Statement does not contain any payable taxes, but rather a carry forward tax loss and change in deferred tax. The tax loss is calculated on the basis of the year's loss in each of our subsidiaries and parent company. Deferred tax asset is a provision for future reduced payable tax, calculated on temporary

differences between accounts and tax. The reason why temporary differences arise is that some of the items in the Income Statement are treated differently for accounting purposes and for tax purposes.

Depreciation Depreciation is based on the economic life of the fixed assets.

Development costs Costs relating to research and development of technology are charged to expenses.

Receivables and debts Receivables and debts that relate to production are classified as current assets and short-term liabilities. Debts to credit issuing institutions etc. which are taken up to finance fixed assets (investments) are classified as long-term liabilities, while loans taken up to finance working capital (current assets) are classified as short-term liabilities. Other receivables and debts which are not due for more than a year, are classified as fixed assets and long-term liabilities. Receivables and debts entered in the Balance Sheet at their nominal value less provision for bad debts. Receivables and debts in foreign currency are converted at the exchange rate on the date of the Balance Sheet.

Stocks Stocks are assessed at full cost price or net realizable value, whichever is lower.

The accounting principals are in detail described in the disclosures to the financial statements in the parent company.

SEGMENT DATA

	2004	2003 (p)
Sales revenues by segment		
Solar Grade Silicon	533 678	192 981
ScanWater	883 938	617 744
ScanCell	144 494	20 862
ScanModule	129 376	7 160
SolEnergy	6 766	2 641
Gross revenues	1 698 252	841 388
Goodwill depreciation	-15 870	-15 870
Corporate/eliminations	-15 870	-15 870
Total revenues	1 418 140	713 011
EBITDA by segment		
Solar Grade Silicon	41 731	-9 354
ScanWater	149 267	39 129
ScanCell	7 316	-18 216
ScanModule	-14 511	-18 216
SolEnergy	-2 224	-7 145
Sum	181 789	-1 320
Corporate/eliminations	-26 540	-30 285
Total EBITDA	155 249	-31 605
EBIT by segment		
Solar Grade Silicon	40 754	-9 006
ScanWater	68 274	-30 047
ScanCell	-8 061	-25 941
ScanModule	-16 964	-6 548
SolEnergy	-5 008	-11 301
Sum	-78 995	-83 743
Goodwill depreciation	-55 890	-48 155
Corporate/eliminations	-26 782	-30 478
Total EBIT	-3 677	-162 376
Profit/loss before tax by segment		
Solar Grade Silicon	39 785	-16 624
ScanWater	46 487	-80 811
ScanCell	-10 585	-28 498
ScanModule	-19 123	-6 324
SolEnergy	-10 824	-13 337
Sum	-2 260	-145 592
Goodwill depreciation	-55 890	-48 155
Corporate/eliminations	-41 879	-48 966
Total Profit/loss before tax	-51 729	-244 715

Note 05:
OPERATIONAL FIXED ASSETS

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	2004	2003
Cost price					
January 1	200 356	599 780	69 697	869 833	64 307
Additions	7 740	182 155	14 842	204 737	811 802
Sale	-	-45 764	-1 154	-46 918	-9 862
Translation difference	-486	-1 267	-44	-1 797	3 886
Cost price at December 31	207 610	734 904	83 341	1 025 855	869 833
Accumulated depreciation					
January 1	-15 319	-143 877	-16 059	-175 255	-100 914
Depreciation on disposals	-	41 188	146	41 334	-
Depreciation for the year	-10 579	-68 677	-12 882	-92 138	-74 012
Translation difference	7	-2 998	-471	-3 462	-329
Depreciation at December 31	-25 891	-174 364	-29 266	-229 521	-175 255
Write downs					
January 1	-	-5 067	-25	-5 092	-
Write downs for the year	-	-6 567	-26	-6 593	-5 092
Translation difference	-	4	-	4	-
Write downs at December 31	-	-11 630	-51	-11 681	-5 092
Net book value	181 719	548 910	54 024	784 653	689 486
Estimated economic lifetime	20-25 y.	7-10 y.	3-10 y.		
Depreciation method	linear	linear	linear		
INCOME TAX					
Income tax expenses					
Tax payable				3 608	56 227
Change in deferred taxes				-	-
Total tax expenses				3 608	56 227
Tax base estimation					
Profit/loss before tax				-51 729	-199 789
Permanent differences				-4 743	-5 618
Permanent differences goodwill depreciation				55 890	20 859
Permanent difference related to minority interest (LLC)				-12 559	-
Permanent difference related to capital equity				-	625
Loss carried forward				-63 386	-
Temporary diff. acquired by consolidation of ScanWater				-	-12 933
Temporary differences				8 454	-25 602
Estimated tax base				-68 073	-241 539
Temporary differences					
Receivables				-13 620	-16 748
Inventory				-4 903	8 775
Shares				52 985	43 381
Fixed assets				-1 156	-
Provisions				-19 126	-11 167
Government grants				-1 741	-1 425
Pension obligations				-420 438	-419 775
Loss carried forward				-	-133
Unused allowance of dividends				-	-133
Total temporary differences				-468 132	-397 190
28%-34% deferred tax				-116 453	-114 555
Deferred tax asset not balanced				3 248	3 916
Total				-113 205	-110 639

Note 07:

Note 03:
INVENTORIES

	2004	2003
Inventories		
Finished goods	35 677	103 917
Goods in production	18 135	44 283
Raw materials	153 732	145 739
Total inventories	207 544	293 939

PAYROLL EXPENSES		
Payroll expenses		
Pay	227 626	127 176
Bonus and sales commission	2 818	647
Employer's National Insurance contribution	43 414	8 601
Other payroll expenses	3 146	1 303
Total payroll expenses	276 994	137 727

Average number of permanent employees		
Number of employees at December 31, 2004	601	505

AUDITOR REMUNERATION FOR 2004*		
AUDIT FEES	601	505
EXPENSES	657	546
CONSULTANCY	4 064	1 303
Other	10	70
Total auditor's remuneration	4 064	1 373

- * Audit and other audit services contain:
- Audit work related to Norwegian auditing standard RS 700, to give a qualified opinion regarding the financial statements
 - Audit work related to tax form signature according to RS 801
 - Audit work related to confirmations according to RS 802

Note 05:
INTANGIBLE FIXED ASSETS

	RESEARCH AND DEVELOPMENT	LICENCES AND OTHER INTANGIBLE ASSETS	GOODWILL	2004	2003
Cost price					
January 1	2 755	42 000	274 817	319 572	30 887
Additions	-	265	13 371	13 636	292 749
Sale	-	-	-	-	-
Translation difference	-	-1	-8 348	-8 349	-4 064
Cost price at December 31	2 755	42 264	279 840	324 859	319 572
Accumulated depreciation					
January 1	-	-9 450	-23 585	-33 035	-3 240
Depreciation for the year	-	-4 306	-55 890	-60 196	-30 309
Translation difference	-	-	2 448	2 448	514
Depreciation at December 31	-	-13 756	-77 027	-90 783	-33 035
Write downs					
January 1	-2 755	-	-2 689	-5 444	-
Write downs for the year	-	-	-	-	-5 444
Translation difference	-	-	-	-	-
Write downs at December 31	-2 755	-	-2 689	-5 444	-5 444
Net book value	-	28 508	200 124	228 632	281 093
Estimated economic lifetime	10 y.	5 y.			
Depreciation method	linear	linear			

Note 10:

SHARES AND PARTICIPATIONS

	REGISTERED OFFICE	BOOK VALUE NOK 1 000	OWNERSHIP/ VOTING SHARE
Shareholdings held by parent			
SilTech AS	Norway	2 500	11.7%
Affitech AS	Norway	70	1.7%
Edison Power AG	Germany	516	5.0%
Total Investments in Shares		3 086	
Shares owned in associated companies			
Ownership	CSG SOLAR AG		SCANWAFER GMBH
Business office	21.0%		100.0%
Booked value at January 1, 2004	Germany		Germany
Acquired in 2004	-		3 976
Acquired in equity accounted companies	8 512		
Booked value December 31, 2004	1 910		22
Total net investments in associated companies	6 912		3 998
Total net investments in associated companies			10 910

Write downs of financial fixed assets of NOK 6 715 thousand mainly consists of the write down of shares in Afrisol, Marocco (NOK 6 075 thousand) held by SolEnergy AS. The remaining NOK 640 thousand consists of a number of smaller book value adjustments of selected other investments.

ScanWifer GmbH is recognised in the group financial statements using the equity method due to its immaterial size and limited number of transactions.

Note 11:

PLEDGES AND GUARANTEES

	2004	2003
Guarantees		
Guarantees pledged as security	6 700	6 700
Other guarantees	700	2 920
Total guarantees	7 400	9 620
	BOOK VALUE	PLEDGE
Pledges as at December 31, 2004		
Fixed assets	742 210	913 588
Accounts receivables	173 932	173 935
Inventory	117 600	243 900
Total	1 033 742	1 331 423

For one of the subsidiaries, pledged values are higher than the book value of ther related assets. ScanWifer AS had NOK 389 million higher pledge value than the book value.

Note 12:

CONVERTIBLE LOANS AND BOND ISSUES

On September 24, 2003, the company entered into a loan agreement with Goldman Sachs International, Mithril GmbH and Good Energies Investments BV, total loan amounted to € 31 million. Interest rate on the convertible loan is 7.9% p.a. and interest expense for 2004 amounts NOK 20 528 893. As per December 31, 2004, the loan was booked at NOK 255 393 499. The loan holders have rights to convert their loan in part or as a whole at any given time before the due date at € 14 283 per share, with currency rate NOK 8.26 which are equal to NOK 118 per share. The loan is due for repayment in whole at March 31, 2006. The loan agreement problematizes conversion rates at any new issues of shares and/or merger dilution effects. Good Energies Investments BV, being REC's largest shareholder, is defined as a related party.

Loss carried forward related to Solar Vision, not recognised due to uncertainty of utilisation against future taxable profit.

CONTINUED	2004	2003
The tax amount is:		
Tax costs for the year	1 366	1 089
Tax on profits for the year		
Reversed difference effect	12 684	
Tax effect minority	-15 441	
Reversed temporary difference on shares	4 270	
Temp. difference due to change in accounting principals	2 457	
Temp. difference booked against equity	-197	
Total	-175	
	3 608	

Note 08:

RESTRICTED BANK DEPOSITS

Restricted bank deposits, most of which is related to withheld tax from employees amounts to NOK 7.6 million. In addition, the parent company has NOK 6.7 million restricted as collateral for financing the subsidiary ScanModule AB. Further, the parent company has placed a USD 3 000 000 cash deposit in Bank of America, booked at NOK 18 314 697, as collateral for a credit facility used by Solar Grade Silicon LLC.

Note 09:

RECEIVABLES AND DEBT

	2004	2003
Receivables		
Total receivables	189 538	127 681
Other short-term receivables	46 282	27 605
Prepaid cost	19 339	11 707
Other current receivables	65 601	39 312
Financing receivables	13 043	16 773
Bonds & securities	-	-
Other long term receivables	37	5 071
Other long term receivables	37	5 071
Total receivables	268 219	188 837
Debt		
Short-term liabilities to fin. institutions & credit facilities	119 580	91 439
Current portions of long-term loans/liabilities	101 836	88 421
Short-term liabilities, interest-bearing	221 416	179 860
Long-term liabilities, interest-bearing	575 486	559 118
Total interest-bearing debt	796 902	738 978

Note 15:

PROVISIONS AND CONTINGENT LIABILITIES

Provisions made for claims not yet verified were NOK 8 957 939, the amount refer to the subsidiaries ScanWater AS, ScanCell AS and ScanModule AB.

In addition, various financial claims may be made against REC AS and its subsidiaries from litigation or as a consequence of its ordinary operations. These relate mainly to warranties, personal injury and damage to property. The risk of such claims arising has been analysed and assessed, and cannot be determined with certainty. The management is not aware of any significant liabilities at the date of this report.

Note 16:

DISCONTINUED OPERATIONS

In December 2004 the Board of Directors decided to sell two wholly owned subsidiaries of the group. The subsidiaries are ScanCell AS and ScanModule AB. ScanCell AS produces solar cells based on multicrystalline wafers from ScanWater AS, most of its production is sold in Europe. ScanModule AB produces solar modules based on solar cells from ScanCell AS, all of its production goes to Europe.

The summarised financial information from the discontinued operations are as follows:

	2004	2003
Revenues		
ScanCell AS	144 494	20 662
ScanModule AB	129 376	7 160
Total	273 870	28 022
Earnings before interest and taxes		
ScanCell AS	-8 061	-25 941
ScanModule AB	-16 964	-6 548
Total	-25 025	-32 489
Net Profit (Loss) after tax		
ScanCell AS	-5 945	-17 534
ScanModule AB	-13 775	-4 388
Total	-19 720	-21 822
Assets		
ScanCell AS	118 650	93 938
ScanModule AB	116 811	29 707
Total	235 461	123 645
Liabilities		
ScanCell AS	80 593	88 936
ScanModule AB	97 085	23 568
Total	177 678	112 504
Net asset		
ScanCell AS	38 057	5 002
ScanModule AB	19 726	3 139
Total	57 783	11 141
Net cash flows from operating activities		
ScanCell AS	3 240	-27 485
ScanModule AB	-45 719	-13 414
Total	-42 479	-40 899
Net cash flows from investing activities		
ScanCell AS	-17 406	-24 086
ScanModule AB	-5 149	-4 707
Total	-22 555	-28 793
Net cash flows from financing activities		
ScanCell AS	13 861	51 532
ScanModule AB	24 833	19 319
Total	68 694	71 451

Note 13:

PENSION

	2004	2003
Pension expenses		
Present value pension earnings for the year	13 344	11 429
Interest expenses	1 448	460
Return on pension funds	-1 229	-592
Effect of changes in estimates	289	10
Employer's tax	1 566	452
Net pension expense	15 408	11 759
Pension liabilities		
Present value funded defined benefit liabilities	29 452	24 622
Expected effect of future salary increase	14 813	721
Expected pension liabilities at year end	44 265	25 343
Market value pension funds		
Balance at year end	24 891	14 268
Effect of estimate deviations	1 821	1 299
Employer's tax	1 813	1 199
Net pension liability	14 676	10 774

Actuarial assumptions for pension liabilities

Discount rate	5.5%
Expected return on pension funds	6.0%
Expected wage adjustment	7.0%
Expected pension regulation	3.0%
Expected pay increases	3.0%

The pension plan relates to employees in Renewable Energy Corporation AS, ScanWater AS and ScanCell AS for 2004. Actuarial assumptions are weighted average of pension plans in the group, and relate to persons.

The other subsidiaries do not have additional pension obligations to the expensed amounts.

Note 14:

STATEMENT OF CHANGES IN EQUITY

	PAID-IN CAPITAL	SHARE CAPITAL	SHARE PREMIUM RESERVE	OWN SHARES	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL
Balance at January 1, 2004	26 436	372 391	-766	312 568	710 629	
Equity changes	10 850	294 779	766	25 171	331 566	
Balance at December 31, 2004	37 286	667 170	0	337 739	1 042 195	
	RETAINED EARNINGS	MINORITY INTEREST	OTHER EQUITY AND RETAINED EARNINGS	TOTAL EARNINGS	TOTAL EQUITY	
Balance at January 1, 2004	136 862	-190 929	-54 067	656 562		
Adjustment, change in accounting principles	9 927	-16 585	-6 658	-6 658		
Adjusted balance at January 1, 2004	146 789	-207 514	-60 725	649 904		
Equity changes	-112 016	103 534	-8 482	32 304		
Net profit/loss	14 472	-62 593	-48 121	-48 121		
Balance at December 31, 2004	49 245	-166 573	-111 326	924 867		

Adjustments to the opening balance resulted from changes in accounting principles in Solar Vision (South Africa), a fully owned subsidiary of SolEnergy AS. Grants received from installation activities from the local government are now recognized as revenue over the lifetime of the installation, 20 years.

Additional changes to the opening balance were a result of different treatment of minority interest in ScanWater AS. The majority loss is consequently NOK 11 million higher in 2003.

Income Statement REC AS


(IN NOK)	NOTES	2004	2003
Revenues	H	6 264 704	7 633 223
Total operating income		6 264 704	7 633 223
Purchase of goods		-1 468	-2 672 539
Payroll expenses	D	-14 682 046	-12 730 247
Depreciation of tangible fixed assets		-242 364	-193 553
Other operating expenses	C	-13 795 682	-22 514 677
Operating profit/(loss)		-22 456 856	-30 478 792
Interest receivable from group companies		1 860 245	183 333
Interest income		1 075 224	403 929
Other financial income	E	5 704 000	2 413 598
Write-downs financial fixed assets		-453 000	0
Interest expenses		-20 268 893	-11 820 918
Other financial expenses		-35 257 375	-9 686 816
Profit/(loss) before taxes		-35 953 400	-48 965 688
Tax on ordinary profit		13 207 234	13 641 042
Profit/(loss) for the year	J	-22 746 246	-35 324 626
Profit/(loss) for the year is distributed as follows:			
Other equity/capital	K	-22 746 246	-35 324 626
Total distributed		-22 746 246	-35 324 626

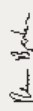
Balance Sheet REC AS

(IN NOK)	NOTES	31.12.2004	31.12.2003
ASSETS			
Fixed assets			
Intangible fixed assets			
Deferred tax asset	J	42 094 025	28 886 791
Total intangible fixed assets		42 094 025	28 886 791
Tangible fixed assets			
Fixtures and fittings, tools, office machinery and similar assets	C	243 450	372 215
Total tangible fixed assets		243 450	372 215
Fixed asset investments			
Investments in subsidiaries	F	779 811 474	568 773 706
Loans to subsidiaries	I	178 516 925	185 138 303
Investments in associates	G	8 531 513	0
Other investments		1 041 043	0
Total fixed asset investments		969 923 975	754 953 072
Total fixed assets		1 012 263 450	784 212 078
Current assets			
Accounts receivable	I	2 269 597	6 980 629
Trade accounts receivable	I	171 447	9 017 385
Receivables from subsidiaries		2 643 682	1 144 589
Other receivables		5 084 756	17 142 603
Total accounts receivable		277 611 009	40 494 659
Cash and cash equivalents	B		
Total assets		1 294 959 185	841 849 340

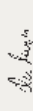
(IN NOK)	NOTES	31.12.2004	31.12.2003
EQUITY AND LIABILITIES			
Equity			
Called up share capital	K	37 286 268	26 426 185
Share capital		0	10 000
Not registered share capital	K	0	-765 970
Own shares			
Share premium reserve	K	667 171 103	372 391 087
Paid-in other equity	K	283 956 215	261 510 226
Total called up capital		987 513 595	659 571 528
Earned equity			
Other capital	K	13 954 003	-39 889 904
Total earned equity		13 954 003	-39 889 904
Total equity		1 000 567 597	619 696 624
Liabilities			
Provisions			
Pension liabilities	D	1 160 756	656 985
Total provisions		1 160 756	656 985
Other long-term liabilities			
Convertible loans	E	255 393 499	214 628 697
Total other long-term liabilities		255 393 499	214 628 697
Total long-term liabilities		256 554 255	215 285 682
Current liabilities			
Liabilities to financial institutions	E	0	1 830 296
Accounts payable	I	3 950 891	2 048 019
Tax payable	J	0	0
Social security, VAT and other taxation payable		1 380 966	1 212 915
Other current liabilities	I	32 905 482	1 781 804
Total current liabilities		37 837 340	6 873 034
Total liabilities		294 391 595	222 158 716
Total equity and liabilities		1 294 959 195	841 849 340

Havik, April 28, 2005


Tore Schiøtz
Chairman of the Board

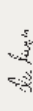

Rune Berke
Member of the Board


Marcel Edmond Brønneimøller
Member of the Board


Ole Engler
Member of the Board


Halvor T. Svardal
Member of the Board


Richard Olav Aa
Member of the Board


Alf Blørseth
President and CEO

Statement of Cash flow REC AS

(IN NOK)	NOTES	2004	2003
Cash flow from operating activities			
Profit/(loss) before tax		-35 953 480	-48 965 668
Taxes paid		0	0
Depreciation and amortization		242 364	193 553
Write downs financial fixed assets		455 000	0
Changes in accounts receivable		4 711 032	-5 609 002
Changes in accounts payable		1 902 872	-389 534
Changes in pension scheme assets/liabilities		503 771	257 978
Changes in other accrued income and expenditure		12 350 274	-4 438 025
Net cash flow from operating activities		-15 788 167	-58 950 696
Cash flow from investing activities			
Capital expenditure on financial fixed assets		-127 300 513	-142 909 425
Proceeds from sale of other fixed assets		113 809	211 332
Net cash flow from investing activities		-127 442 113	-143 120 157
Cash flow from financing activities			
Increase in short and long term loans		73 274 480	187 571 111
Repayment of short- and long-term loans		-1 830 296	-44 383 351
Increase in equity		308 874 444	61 160 573
Net cash flow from financing activities		380 318 628	204 348 333
Net change in cash and cash equivalents		237 116 348	2 276 878
Cash and cash equivalents 01.01.	B	40 494 659	38 217 783
Cash and cash equivalents 31.12.	B	277 611 009	40 494 659

Notes to the REC AS accounts

ACCOUNTING PRINCIPLES

Basic principles - assessment and classification - other issues The financial statements, which have been presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of December 31st 2004, consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts. The necessary specification has been provided in notes to the accounts, thus making the notes an integrated part of the financial statements.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Income is recognized at the time of delivery of services. Costs are expensed in the same period as the income to which they relate. Costs that cannot be directly related to income are expensed as incurred. The different accounting principles are further commented on below.

In cases where actual figures are not available at the time of the closing of the accounts, generally accepted accounting principles require management to make estimates and assumptions regarding the effect of these items on the profit and loss account as well as the balance sheet. Actual results could differ from these estimates.

Assets/liabilities related to current business activities and items which fall due within one year are classified as current assets/liabilities. Current assets/short-term debts are recorded at the lowest/highest of acquisition cost and fair value. The definition of fair value is the estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are entered in the accounts at historical cost, with deductions for depreciation. In the event of a decline in value which is not temporary, the fixed asset will be subject to a write-down. The same principle applies to liabilities.

Accounting principles for material items

Cost recognition/matching
Costs are expensed in the same period as the income to which they relate is recognized. Costs that cannot be directly related to income are expensed as incurred.

Other income (costs)
Material income and cost which are not related to day to day operations are classified as other operating income (costs). Items that are unusual, irregular and material are classified as extraordinary items.

Financial assets The company's investments in subsidiaries and associated companies are valued at the lowest of fair value and acquisition cost.

Accounts Receivables Trade receivables are accounted for at face value with deductions for expected loss.

Deferred tax and tax expense Deferred tax is calculated based on temporary differences between book values and values according to the tax basis for assets and liabilities at year end, for the purposes of calculating deferred tax, nominal tax rates are used. Positive and negative differences are offset to the extent they reverse within the period of the tax calculation. Deferred tax is calculated based on the tax rates expected to apply when the tax asset, change in deferred tax liability and deferred tax asset, together with taxes payable for the fiscal year, adjusted for errors in previous years tax calculations, constitutes taxes for the year.

Pension liability and pension costs The company has a pension plan that entitles its members to defined future benefits, called defined benefit plans. The calculation of the liability is made on a linear basis, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in salaries and pensions, the size of defined benefit contributions from the government and actuarial assumptions regarding mortality, voluntary retirement and so on. Plan assets are stated at fair market values.

Net pension liability comprises the gross pension liability less the fair value of plan assets. Net pension liabilities from under funded pension schemes are included in the balance sheet as long-term interest free debt, while over funded schemes are included as long-term interest free receivables, if it is likely that the over funding can be utilized.

Changes in the liability caused by changes in the pension plan, are distributed over the estimated remaining years of service. Changes in the pension liability and plan assets due to changes in estimates, are distributed over the remaining average years of service, provided the changes exceeds 10% of the gross pension liability plan assets.

Net pension cost, which consists of gross pension cost, less estimated return on plan assets adjusted for the impact of changes in estimates and pension plans, are classified as an operating cost, and is presented in the line item payroll and related cost.

Cash flow statement The cash flow statement is compiled using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term investments with terms not exceeding 3 months that immediately, and with no material exchange rate exposure, can be exchanged for cash.

RESTRICTED FUNDS

Bank deposit restricted to employees' tax deduction is NOK 773 220. NOK 6700 000 is restricted as collateral for the financing of a subsidiary. The company has placed a USD 3 000 000 cash deposit in Bank of America, which is used as collateral for a credit facility. The company has also entered into a credit facility with a limit of NOK 10 000 000.

TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

	2004	2003
Cost as of 01.01.	139 280	649 330
Additions to purchased fixed assets	209 950	211 332
Disposals	0	0
Cost as of 31.12.	349 230	860 662
Accumulated depreciation as of 31.12.	202 550	730 712
Net book value as of 31.12.	146 680	129 950
Depreciation for the year	62 400	193 553
Useful economic life, years	Up to 3	Up to 3
Depreciation plan	Linear	Linear
Operating lease amount	NOK 508 450.	

Note C:

Note E:

LIABILITIES

The company has no liabilities due more than five years after the end of the fiscal year.

	2004	2003
Loan to credit institution	0	1 830 296
Other short-term liabilities	0	0
Total	0	1 830 296

Convertible loans

On September 24th 2003 the company entered into a loan agreement with Goldman Sachs International. Mifridi GmbH and Good Energies Investments B.V. total loan amounted to € 31 million. Interest rate on the convertible loan is 79% p.a. Interest expenses for 2004 amounts NOK 20 528 893. As per December 31st 2004 the loan was booked at NOK 255 393 499. The loan holders have rights to convert their loan in part or as a whole at any given time before the due date at € 14,283 per share, with currency rate NOK 8.26 which are equal to NOK 118 per share. The loan is due for repayment in whole at March 31st 2006. The loan agreement predetermines conversion rates at any new issues of shares and/or merger/division effects.

Note F:

SUBSIDIARIES AND ASSOCIATES

Shares in subsidiaries

THE NAME OF THE COMPANY	OWNERSHIP VOTING SHARE	BUSINESS	EQUITY ACQUISITION TO FINANCIAL STATEMENTS	PROFIT (LOSS) ACQUISITION TO FINANCIAL STATEMENTS	BOOK VALUE
Silicon Technology AS	100.0%	Barium	65 102 526	-4 323 261	69 231 000
ScanWater AS	100.0%	Havik	401 744 000	34 329 000	596 363 644
ScanCell AS	100.0%	Narvik	38 056 930	-5 945 121	64 748 000
ScanMobile AB	100.0%	Arvika	19 723 079	-13 772 919	38 528 048
ScanEnergy AS	100.0%	Barium	1 499 745	15 465 661	15 465 661
REC Ventures AS	100.0%	Barium	23 983 737	16 095 226	3 583 863
Total					779 811 474

Note G:

SHARES AND INTERESTS IN OTHER COMPANIES

Associates	OWNERSHIP SHARE	ACQUISITION COST	BOOK VALUE
Fixed assets			
CSG Solar AG	21.0%	8 511 513	8 511 513
Total		8 511 513	8 511 513
Other			
Silich AS	11.7%	2 500 000	2 500 000
ScanWater AS	1.7%	500 000	500 000
Affitech AS	1.7%	525 000	70 000
Total		3 541 063	3 086 063

Note D:

SALARIES / NUMBER OF EMPLOYEES / BENEFITS / EMPLOYEE LOANS / PENSIONS

	2004	2003
PAYROLL AND RELATED COST		
Payroll	10 993 968	9 822 225
Social security costs	1 991 217	1 623 878
Pension costs	1 543 907	1 151 164
Other employee related costs	152 955	132 980
Payroll and related cost	14 682 046	12 730 247
Average number of employees in 2004 was 14		
CURRENT YEAR PENSION EXPENSES		
Present value pension earnings of the year	1 472 530	1 098 440
Interest expences incurred pension cost	143 002	99 212
Expected return	-138 091	-93 834
Redemption of estimate divergence	30 257	9 588
Net pension expense	1 508 598	1 113 406
Administrative Expenses		
	35 109	28 368
BALANCE (NOTE INFORMATION) PENSION LIABILITIES	312,04	312,03
Incurred pension commitment and expected future salary increase	3 256 378	2 315 982
Expected effect of future salary increase	1 105 259	535 211
Incurred pension commitment and expected future salary increase	4 361 637	2 851 193
Market value pension funds	2 539 528	1 862 032
Net incurred pension commitment	-1 821 709	-969 162
Unrealized effect of estimate deviations	1 000 344	352 127
Accrued payroll	-143 441	0
Net pension liabilities	-1 160 756	-656 985
TECHNICAL ASSUMPTION		
Discount rate	0,03,04	0,03,03
Expected return	5,50%	6,00%
Wage adjustment	6,50%	7,00%
Expected inflation	3,50%	3,50%
Real interest	2,50%	2,50%
Adjustment of pension benefits	2,50%	2,50%
Voluntary retirement employees<40 years old	2,00%	2,00%
Voluntary retirement employees>40 years old	0,00%	0,00%
BENEFITS		
Salary	1 079 781	443 268
Other benefits	11 167	0
Total	12 013	0

The President & CEO do not have any agreements of bonus or salary if he leaves the company.

Audit

The audit fee and other audit related services -2004
Fees regarding other services provided by the auditor

407 134
931 016

- + Audit work related to Norwegian auditing standard RS 700, to give a qualified opinion regarding the financial statements
- * Audit work related to tax form signature according to RS 801
 - * Audit work related to confirmations according to RS 802

Note H:
RELATED PARTIES

The company render non-profit services to its subsidiaries. In 2004 the total amount is NOK 4.9 million.

Note I:
BALANCES HELD WITH GROUP COMPANIES

SUBSIDIARIES	LOANS TO SUBSIDIARIES		RECEIVABLES FROM SUBSIDIARIES	
	OWNERSHIP SHARE	31/12-2003	31/12-2004	31/12-2003
SilEnergy AS	100.0%	35 403 066	28 354 970	0
ScanModule AB	100.0%	9 011 000	3 600 000	171 447
Silicon Technology AS	100.0%	126 202 859	94 000 000	469 225
ScanCell AS	100.0%	7 900 000	29 000 000	0
ScanWater AS	100.0%	0	30 183 333	8 548 160
Total		178 516 925	185 138 303	9 017 385

The loan to ScanModule AB is a subordinated loan and does not carry interest.

SUBSIDIARIES	ACCOUNTS RECEIVABLE	
	OWNERSHIP SHARE	31/12-2004
ScanCell AS	100.0%	0
ScanWater AS	100.0%	1 512 274
SilEnergy AS	100.0%	926 458
Silicon Technology AS	100.0%	1 763 695
ScanModule AB	100.0%	0
Solar Vision Ltd.	100.0%	1 097 667
Total		2 005 545

SUBSIDIARIES	OTHER CURRENT LIABILITIES	
	OWNERSHIP SHARE	31/12-2004
Silicon Technology AS	100.0%	0
REC Ventures AS	100.0%	153 421
SilEnergy AS	100.0%	25 888 300
Total		25 888 300

SUBSIDIARIES	CREDITORS	
	OWNERSHIP SHARE	31/12-2004
Solar Grade Silicon LLC	70.0%	11 363
ScanWater AS	100.0%	0
ScanCell AS	100.0%	18 106
Total		117 391

Note J:
TAXATION

	2004	01.01-31.12 2003
Current tax:		
Profit/(loss) before taxes	-35 953 480	-48 965 668
Permanent differences	595 555	256 662
Financial gain/(loss) on sales of shares	0	0
Net gain/(loss) on sales of shares	0	0
Receivables from subsidiaries and affiliates	0	0
Changes in temporary differences	554 174	-11 549
Basis for current tax	-34 803 751	-48 720 555
Tax 28%	0	0
Compensation for taxes on dividends received	0	0
Tax charge for the period	0	0
The tax charge for the year can be analysed as follows:		
Tax on current tax	0	0
Deferred tax - gross changes	13 207 234	13 641 042
Total tax expense for the year	13 207 234	13 641 042

Specification of the basis for deferred tax asset/liability

	2004	2003
OFFSETTING DIFFERENCES:		
Investment in subsidiaries and associates	-188 210	-100 245
Investment in subsidiaries and associates	0	12 435 643
Receivables	38 215	0
Accruals	0	0
Pension liability	-1 160 756	-656 985
Loss carried forward	-148 891 303	-114 087 552
Unused allowance on dividend	-133 200	-133 200
Total	-150 335 804	-102 542 246
Deferred tax asset	-42 094 025	-28 711 826
Net transactions in capital equity (tax base)	0	-624 876
Deferred tax asset related to net transaction in capital equity	-42 094 025	-28 886 791

There was a deferred tax liability concerning some of the companies' investments in subsidiaries and associates. As a consequence of the new Norwegian tax rules, deferred tax liabilities related to shares in subsidiaries and associates have been removed.

Note K:

	SHARE CAPITAL	SHARES	OWN. SHARE PREMIUM	CONTRIBUTED	OTHER CAPITAL	TOTAL
EQUITY as of 01.01.2004	26 436 185	-765 970	372 391 087	261 510 226	-39 880 904	619 680 624
Increase in share capital	10 950 083		294 780 016		75 681 153	231 311 959
Transfer of own shares		765 970		21 545 989		23 311 959
Profit/loss for the year					-22 746 246	-22 746 246
EQUITY as of 31.12.2004	37 386 268	0	667 171 103	283 056 215	13 054 033	1 000 567 590

Shareholders:

Shareholders:
The principle shareholders in Renewable Energy Corporation AS as of 31.12.2004:

	NUMBER OF SHARES	OWNERSHIP	VOTING SHARES
Good Energies Investments B.V.	5 953 794	39.92%	39.92%
Elkem AS	3 448 442	23.12%	23.12%
Harbud Venture AS	2 235 634	21.69%	21.69%
Cellulose AS	444 573	2.98%	2.98%
Rebello AS	369 398	2.48%	2.48%
Sinotrans Corporation	306 392	2.05%	2.05%
Central GmbH (client account in Deutsche Bank)	195 186	1.31%	1.31%
Other shareholder's share exceeding 1%	1 945 187	93.68%	93.68%
Others	968 524	6.49%	6.49%
	14 914 507	100.00%	100.00%

Shares and options owned by the Managing Director and members of the board:

NAME	TITLE	NO. OF SHARES OWNED
Mr. Nijiljaseeth (through CoMar AS)	President & CEO	44,573
Mr. Fore Schietz (through Grambank Industriär AS)	Chairman of the Board	34,071
Mr. Fore Schietz (through Centrum AS)	Chairman of the Board	1,927
Mr. Halvor T. Sverfald (through Hektor AS)	Board member	68,000
FREE EQUITY PER 31.12.2004		
Contributed capital	31.12.2004	31.12.2003
285,056,215	285,056,215	261,510,226
Reserves		
42,904,025	42,904,025	-28,886,791
254,016,193	254,016,193	192,744,531
The company free equity		



Audit of the proforma financial statements

Respective management and auditors' responsibilities

As described in the principle note Renewable Energy Corporation AS increased its shareholding in Samværet AS from 32,6 % to 71,2 % at the end of September 2003. Renewable Energy Corporation AS has prepared proforma financial statements for 2003. These financial statements include figures as if Samværet AS was fully consolidated from 01.01.2003. The purpose of the proforma financial statements which consist of income statement, balance sheet, cash flow statement and disclosures, is to show the most material impacts on the accounts if the acquisition of Samværet AS had taken place at the beginning of 2003.

The proforma financial statements will, however, not necessarily reflect the economical position and the result of Renewable Energy Corporation AS operations or cash flows which should be realized if the acquisition in fact had been completed earlier. The proforma financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion based on the assumptions taken.

Basis of opinion

We have examined the proforma financial statements for the year 2003. We have also audited the application of the proforma adjustments as will appear from the principle note.

We conducted our audit of the proforma financial statements for 2003 and the application of the proforma adjustments in accordance with the Norwegian Auditing Standard RS 800 "The Auditor's Report on Special Purpose Audit Engagements". We believe that our audit provides a reasonable basis for our opinion.

Opinion

- In our opinion:
- the proforma financial statements are prepared in accordance with the assumptions described in the principle note;
 - the accompanying pro forma adjustments are in accordance with these assumptions and are correctly incorporated in the proforma financial statements for 2003.

Oslo, 28 April 2005

REVISOR AS

[Signature]

Sture Antonissen Public Accountant (Norway)

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only



KPMG AS

P.O. Box 7000 Majorstuen
N-0306 Oslo

KPMG Huset – Sørkedalsveien 6
N-0369 Oslo

Telephone +47 21 09 21 09
Fax +47 22 60 96 01
www.kpmg.no
Enterprise NO 935 174 627 MVA

To the Shareholders of Renewable Energy Corporation ASA

AUDITOR'S REPORT FOR 2004

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Renewable Energy Corporation ASA as of 31 December 2004. We have also audited the information in the Directors' report concerning the financial statements and the going concern assumption. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Purpose

This auditor's report has been prepared solely to change the addressee from "the Annual Shareholders' Meeting of Renewable Energy Corporation AS" to "the Shareholders of Renewable Energy Corporation ASA" for use in the prospectus related to the sale of ordinary shares of Renewable Energy Corporation ASA. The financial statements referred to above were prepared on the basis of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway effective for the year ended 31 December 2004.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway effective for audits of annual financial statements for the year ended 31 December 2004. We have not conducted any audit procedures subsequent to 28 April 2005, which was the date our original auditor's report for 2004 was issued. We express our opinion in accordance with the Norwegian Auditing Standard RS 800, "The Auditor's Report on Special Purpose Audit Engagements". Those auditing standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the financial statements have been prepared in accordance with laws and regulations as of 31 December 2004 and present the financial position of the Company and of the Group as of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice in Norway as of 31 December 2004.
- the information in the Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and comply with the law and regulations as of 31 December 2004.

Oslo, 28 April 2005; the date of issuance of this special purpose audit report is 21 April 2006

KPMG AS


Olve Gjøvold

State Authorised Public Accountant (Norway)

B-55

KPMG AS is the Norwegian member firm of KPMG
International, a Swiss cooperative

Statsautoriserte revisorer -
medlemmer av Den norske
Revisorforening

Offices in:

Oslo
Bode
Alta
Arendal
Bergen
Elverum
Finnsnes
Hamar

Haugesund
Kristiansand
Lillehammer
Molde
Røros
Sandefjord

Sandnessjøen
Stavanger
Stord
Tromsø
Trondheim
Tønsberg
Ålesund

The Directors' Report

- The year 2003 has been a year of production ramp-up throughout the REC Group business areas.
- With the increased shareholding in both Solar Grade Silicon LLC (to 60%) and ScanWafer ASA (to 71%), the REC Group has further strengthened its position as a leading player in the upstream part of the photovoltaic (PV) value chain.
- The PV market has continued its strong growth with an increase of more than 35% for 2003.
- The REC Group revenues increased by NOK 288.7 million¹, or 67%, and ended at NOK 721.1 million at year-end 2003 compared to NOK 432.4 million for the previous year.
- In late October, Renewable Energy Corporation AS ("REC") and ScanWafer ASA initiated merger discussions with the objective of making ScanWafer ASA a 100% owned subsidiary of REC.

The REC Group in brief

Renewable Energy Corporation AS was established December 3, 1996 and has its operational headquarters and R&D centre at Høvik outside Oslo, the capital of Norway.

The REC Group vision is to become the most cost-efficient solar energy company in the world and with a particular focus on the upstream part of the photovoltaic ("PV") value chain. REC is presently pursuing an aggressive strategy to this end. Through its five main subsidiaries - with major or full ownership - REC covers the whole value chain of PV solar energy: from solar grade silicon, through multicrystalline silicon wafers, solar cells and modules, to the implementation of solar home systems, primarily in South Africa. It is of particular strategic importance that REC controls the only dedicated solar grade silicon manufacturer in the world.

The market

The solar industry continued to expand in 2003. Industry market surveys show that worldwide growth for solar power during 2003 was in line with previous years, at more than 35% per annum.

The main markets for solar power are currently Japan, Germany, southern Europe and the USA. Various government programs to encourage the use of renewable energy have made a substantial contribution to stimulate growth in the solar cell market. A market for solar power is emerging in the Asia-Pacific. South Korea, for instance, is in the process of establishing initiatives similar to those available in Japan.

¹ The figures assume a ScanWafer shareholding of 71.3% for both periods and on a fully consolidated basis

The Japanese market is particularly encouraging, with the continuation of government incentive schemes implying a high annual rate of growth in the years to come. The recent price reductions experienced for solar systems, and the country's high energy prices, solar power is becoming competitive with conventional energy sources in Japan. Japanese solar cell manufacturers are therefore investing in capacity increases, both to maintain domestic market shares and to facilitate export.

In Germany, the government-sponsored "100 000 roofs" program was completed in the early autumn of 2003. System deliveries under this program continued until the beginning of 2004. Under a new law, owners of solar panels in Germany supplying to the electricity grid will receive "feed-in" tariffs for the next 20 years. This new legislation is expected to boost growth in the German market even further.

Substantial backing of R&D activities dedicated to photovoltaic systems was included in the U.S. federal budget for 2003; this program will be continued in the budget for 2004. Several state-specific incentive programs have also been offered to promote the installation and use of solar systems.

The long-term goal for the industry is to reduce the current cost of photovoltaic-generated electricity by more than 50% by 2010. Our work towards thinner and more efficient wafers in ScanWafer plays an important role in this cost-cutting program. Additionally, Solar Grade Silicon and REC is jointly finalizing the new fluidized bed reactor technology ("FBR") for making solar grade silicon. The new FBR technology is expected to further reduce the REC Group cost base and make feedstock production more efficient.

Results and Financing

The year 2003 has been the year of production ramp-up throughout the REC Group business areas and value chain. The REC Group total revenues increased by NOK 288.7 million², or 67%, and ended at NOK 721.1 million at year-end 2003 compared to NOK 432.4 million for the previous year. At the end of September 2003, REC increased its shareholding in ScanWafer from 32.6% to 71.2%. As a result, ScanWafer are consolidated into the REC Income Statement and Cash Flow according to the equity method for the first three quarters of 2003 (from 01.01.2003 to 30.09.2003) and according to the purchase method for the fourth quarter of 2003 (from 01.10.2003 to 31.12.2003). Therefore, the REC Group total revenues increased by NOK 290.2 million and ended at NOK 297.5 million at year-end 2003 compared to NOK 7.3 million for the previous year. At the end of 2003, the Group had approximately 550 people employed.

Solar Grade Silicon started its production at the beginning of the year and was at full production capacity going into the second quarter. Solar Grade Silicon manufactures polysilicon, the raw material for silicon wafers, at its production plant at Moses Lake, Washington State, USA. The Moses Lake plant has been converted from producing electronic grade silicon into the world's first dedicated plant for the production of solar grade silicon. The late market introduction of our Solar Grade Silicon business area negatively affected the total level of revenues for the year. Contracts typically run for one to three years and price/volume is determined in the fall of each year for the following year.

² The figures assume a ScanWafer shareholding of 71.3% for both periods and on a fully consolidated basis

Total revenues ended at NOK 193.0 million for the full year of 2003. As a result, the business area carried inventory and finished stock on the balance sheet at December 31 2003 of close to NOK 100 million. The market situation for the business area has significantly improved during late 2003 and early 2004. The business area expects to place the excess inventory carried over from 2003 in the market already during the first half of 2004. The entire production output of Solar Grade Silicon for 2004 and most of the 2005 output have already been sold. The business area employs 167 people.

The largest contributor of revenues in the REC Group for 2003 was ScanWafer. Total revenues increased by NOK 192.7 million, or 45%, and ended at NOK 617.7 million at year-end 2003 compared to NOK 425.1 million for the previous year. ScanWafer manufactures multicrystalline silicon wafers for the PV industry from two factories in Glomfjord, northern Norway and has a new factory at Hereya in south east Norway. The Glomfjord facility contributed to the capacity increase mainly through investment in a new production line for inspection and packaging of wafers, installed during the second quarter of 2003. At year-end the facility was operating at close to full capacity with a satisfactory production performance. Construction, start-up and equipment testing were, for the most, carried out as planned at our new factory located at Hereya. The facility produced its first wafers in April, followed by customer qualification. Some equipment modifications were implemented during the summer. The Hereya plant continued to ramp-up throughout 2003 and will continue into the first quarter of 2004. The entire production output of ScanWafer for 2004 and approximately half of the 2005 output have already been sold. ScanWafer employs 277 people.

Total revenues in ScanCell, our solar cell plant located in Narvik, Norway, were NOK 20.9 million for the full year 2003. ScanCell produces solar cells from multicrystalline silicon wafers manufactured by ScanWafer and to this end has entered into a long-term supply and technical co-operation agreement with ScanWafer. The business area started ramp-up after the first quarter of 2003 and have continued ramping up throughout the year. The process has been negatively affected by delays in delivery of automated production equipment. ScanCell expects to continue to ramp-up during the first half of 2004 and will be at full production capacity after the second quarter of 2004. ScanCell is experiencing strong market demand and the business area has sold the entire production output for 2004. ScanCell has 57 employees.

ScanModule started production after the second quarter of 2003 and total revenues ended at NOK 7.2 million for the full year. ScanModule is based in Gäddede, Sweden. The business area aims at becoming a cost-effective producer of multicrystalline silicon solar modules in Europe by establishing a medium-sized, semi-automated, modern production facility. ScanModule expects to continue production ramp-up throughout the first half of 2004 and will be at full production capacity with current setup during the third quarter of 2004. At the end of February 2004, the business area signed a supply agreement with a leading European solar module installation company. The entire production output of ScanModule for 2004 and 2005 has already been sold. ScanModule employs 18 persons.

Our business area SolEnergy is dedicated to the installation and operation of PV systems in developing countries, particularly in South Africa where SolEnergy operates through their subsidiary Solar Vision. Total revenues for SolEnergy at year-end 2003 were NOK 10.7 million, the business area had then installed close to 4000 solar home systems in its dedicated concession area in Polokwane, South Africa. The current demand from the local community for new installations is strong and the rate of installations is expected to average between 350 to 450 installations per month for 2004. The business area has 13 employees and engages up to 87 local contractors in the rural areas where they operate.

During 2003, REC undertook two major capital increases giving an increase in paid-in capital/equity of NOK 382.2 million. These funds, and additional loans, have been used to complete the financing of our subsidiaries, including need for working capital, and as settlement for the increased shareholding in ScanWafer. At December 31, 2003, total equity for the REC Group amounted to NOK 656.6 million, which gives an equity book value ratio of 41% and a debt (interest bearing) to equity ratio of 1.12.

Net loss for the REC Group in 2003 before minority interest, including goodwill depreciation, was NOK 137.2 million. Net loss for the Renewable Energy Corporation AS in 2003 was NOK 35.3 million. The directors propose that no dividend should be paid for 2003 and that the net loss for the year is transferred and displayed separately under other equity and retained earnings. At December 31, 2003, the Renewable Energy Corporation AS's free equity was NOK 192.7 million.

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

Internal and external environment

The working environment in the REC Group is in general good. All business areas are committed to equal employment opportunities in all of our employment practices. All employees and applicants will be provided equal employment opportunities without regard to age, race, color, creed, sex, sexual orientation, national origin, religion, marital status, disability, or any other protected status. The REC Group requires that all employees to cooperate fully to ensure the fulfillment of this commitment in all actions and decisions, including hiring, promotions, upgrades, transfers, layoffs, training, education, pay, benefits, and social and recreational programs. Selection of personnel for hiring and promotion is based on such factors as education, experience, proven skills, initiative, dependability, cooperation, availability, and growth potential. Employees are encouraged to recommend for promotion those individuals whose past performance demonstrates an ability to assume greater responsibility. Such recommendations are in no way allowed to be influenced by an individual's race, sex, or other protected factors. Despite these principles, Renewable Energy Corporation AS has no female directors. Both the Board of Directors and the corporate management are aware of social expectations and regulations concerning the promotion of gender equality on the board and in the business.

There were no serious injuries of personnel or loss of lives reported in 2003 within the REC Group. A number of smaller injuries, mostly related to minor cuts and bruises, were reported and some resulted in lost time. All injuries have been documented and measures adopted to avoid their recurrence.

In general, the working environment in the company is satisfactory. Absence on sick leave was on average for the Group 4.6% and the company aims to keep this low by continuously improving the working and safety conditions.

There was no significant damage to property or equipment in 2003.

The REC Group can report no material emissions to the external environment above what is regulated by local environmental authorities. REC continuously works on assuring the quality of its subsidiaries operations and puts great emphasis on the significance of the environment. We will continue to reduce the consumption of non-renewable inputs throughout the different business areas in the Group, both directly in the production process and indirectly in administrative and supporting functions. We will continue to reduce energy consumption and other emissions to the environment.

Outlook for 2004

Industrial forecasts indicate that the world market for PV solar energy will grow more than 30% in 2004. The REC Group's focus will be to consolidate the dominant position in the upstream part of the PV value chain. The company will also take significant steps towards finalizing the ramp-up of our various business areas and managing the technology development and cost reductions necessary for the future. Through organic growth and acquisitions, mergers and partnerships, the REC Group will strengthen the company's upstream position.

Høvik, March 2004

Tore Schiøtz Chairman	Knut Henrik Mikkelsen	Marcel Egmond Brønnhøjmeijer
John Fenger	Reidar Langmo	Halvor Torsen Sværdal
Jan Olaf Willums	Paulus Henri Leo Kloppenborg	Ralf Ernest Hess
		Alf Bjørseth President & CEO

Consolidated Income Statement

Year ended December 31 (NOK in thousand)	Notes	2003	2002
Sales of product and services	1	295 237	7 221
Other operating income		2 240	90
Total revenues		297 477	7 311
Material expenses	1,2	-62 472	-4 940
Change in work in progress and finished goods		53 581	0
Personnel expenses	4	-138 696	-11 047
Other operating expenses		-230 355	-92 657
Depreciation and write down	5,6	-60 074	-3 002
Earnings before interest and taxes		-140 539	-104 335
Earnings from equity accounted companies	10	-5 790	14 515
Interest income		1 377	1 972
Interest expense		-28 235	-1 532
Exchange differences		-18 322	-135
Loss on sale of subsidiaries not consolidated (see account. Principles)		0	-69 257
Profit/loss before tax		-191 509	-158 772
Taxes	7	54 330	31 350
Profit/loss before minority interests		-137 179	-127 422
Minority interest	14	25 164	36 325
Profit/loss for the year		-112 015	-91 097

Consolidated Balance Sheet

Year ended December 31 (NOK in thousand)	Notes	2003	2002
Assets			
Fixed Assets			
Deferred tax assets	7	108 542	32 514
Other intangible fixed assets	5	280 135	27 648
Intangible Fixed Assets		388 677	60 162
Land and buildings	6	196 118	17 067
Machinery and equipment	6	439 756	33 999
Other tangible fixed assets	6	53 413	12 562
Tangible Fixed Assets		689 287	63 628
Financing receivables	9	17 095	1 755
Shares and participations	10	6 977	142 519
Other long-term receivables	9	5 126	1 582
Financial Assets		29 198	145 856
Total Fixed Assets		1 107 162	269 646
Current Assets			
Inventories	3	293 939	42 779
Trade receivables	9	127 795	2 806
Other current receivables	9	38 982	17 693
Cash and bank deposit	8	52 317	84 513
Total Current Assets		513 033	147 791
Total Assets		1 620 195	417 437
Equity and liabilities			
Shareholders' Equity			
Share capital	14	26 436	17 457
Share premium reserve	14	372 391	243 375
Other paid in capital	14	311 802	67 558
Paid-in capital		710 629	328 390
Other equity and retained earnings	14	-67 736	-11 681
Profit/loss for the year	14	-123 193	-91 097
Minority interest	14	136 862	20 109
Retained earnings		-54 067	-82 669
Total Shareholders' Equity		656 562	245 721
Non-current liabilities			
Pension liabilities	13	10 774	720
Deferred tax liabilities		1 253	0
Medium- and long-term loans	8,11,12	561 812	38 215
Other liabilities non-current		710	0
Total Non-current Liabilities		574 549	39 935
Current liabilities			
Trade payables		148 833	46 657
Other current liabilities		63 795	65 046
Short-term loans	9	176 456	21 078
Total Current Liabilities		389 084	132 781
Total Liabilities and Equity		1 620 195	417 437

Consolidated Statement of Cash Flow

Year ended December 31 (NOK in thousand)	Notes	2003	2002
Cash flows from operating activities			
Profit/loss before tax		-191 509	-158 772
Adjustments for depreciation of fixed assets		60 074	3 002
Adjustments for changes in pension liabilities		4 668	0
Loss on sale of subsidiaries not consolidated		0	66 412
Other adjustments		15 198	-10 912
Changes in operating assets and liabilities:..			
Changes in trade receivables		-26 910	-3 293
Changes in inventories		-75 863	-38 757
Changes in trade payables		2 596	4 211
Taxes paid		0	0
Net cash flow from operating activities		-211 756	-138 109
Cash flows from investing activities			
Capital expenditure on financial fixed assets		-398 225	-3 381
Non-cash effective capital expenditure on financial fixed assets		319 804	0
Capital expenditure on other fixed assets		-66 446	-61 322
Proceeds from sale of shares		207	0
Proceeds from sale of other fixed assets		0	0
Net cash flow from investing activities		-144 660	-64 703
Cash flow from financing activities			
Changes in financing receivables		314	0
Changes in short-term loans		4 004	60 317
Changes in medium- and long-term loans		171 633	11 530
Increase in equity		478 004	154 774
Non-cash effective increase in equity		-319 804	0
Dividends paid		0	0
Other items		-13 727	0
Net cash flow from financing activities		320 424	226 621
Cash and equivalents translation difference		-841	-3 297
Net change in cash and equivalents		-36 833	20 512
Cash and equivalents - beginning of the year	8	84 513	64 001
Cash acquires during the year		4 186	
Adjusted cash and equivalents - beginning of the year		89 150	
Cash and equivalents - end of the year	8	52 317	84 513

Accounting Principles on Consolidated Statements

Consolidated financials

The consolidated accounts include the parent company, subsidiary companies and equity accounted companies and give the Group's combined financial position of these companies as one unit and as collective statements.

Subsidiaries

A company is treated as a subsidiary where Renewable Energy Corporation AS ("REC") holds a shareholding of more than 50% and has a controlling interest. The Income Statement and Balance Sheet are included in their entirety in the Consolidated Accounts. The minority interests' share of the profit or loss for the year and shareholders' equity is shown as separate items in the accounts.

At the end of September 2003, REC increased its shareholding in ScanWater from 32.6% to 71.2%. As a result, ScanWater are consolidated into the REC Income Statement and Cash Flow according to the equity method for the first three quarters of 2003 (from 01.01.2003 to 30.09.2003) and according to the purchase method for the forth quarter of 2003 (from 01.10.2003 to 31.12.2003).

Loss on sale of subsidiary not consolidated contains the sale of SolarNor AS at the end of November 2002, which was a 100% owned subsidiary. The company was not defined as core business and has consequently not been consolidated in the 2002 figures.

Shares purchased in subsidiaries are dealt with according to the purchase method of accounting, by which the cost price of the shares is set off against the book value of the shareholders' equity in the subsidiary at the time of purchase. Added or reduced values resulting from the purchase are assigned to identifiable assets or liabilities. Added value that cannot be assigned to identifiable assets and liabilities is presented in the Balance Sheet as goodwill. Depreciation of added value and goodwill is presented in the Income Statement. Goodwill is depreciated at 20% throughout the Group.

Associated companies

Associated companies are enterprises in which Renewable Energy Corporation AS has a substantial interest (normally more than 20 per cent of the shares), but which are not subsidiaries or joint ventures. For associated companies REC uses the equity method in the consolidated accounts. According to the equity method, investments are valued as the share of equity capital in the enterprise and the share of the profit is entered as income. The share of the profit and the investment are presented as separate items in the Income Statement (Earnings from equity accounted companies) and Balance Sheet. At the time of purchase, the investment is valued at full cost, i.e. including the added or reduced value resulting from the purchase.

Conversion of foreign companies

Balance sheet items relating to foreign companies are converted at the exchange rate applying on the date of the Balance Sheet, while Income Statement and Cash Flow items are converted at average exchange rates for the year. Conversion differences for foreign subsidiaries are entered against the Group's shareholders' equity.

Internal transactions

All internal transactions between consolidated units have been eliminated. This applies to internal trading, interest, dividends and internal gains. It also applies to internal receivables and liabilities, in addition to share and capital investment.

Pensions

REC has both defined-benefit pension schemes and defined-contribution pension schemes for its employees. Employees' pension rights under the defined-benefit pension schemes are charged to expenses as they are earned and net pension commitments/pension funds are entered in the Balance Sheet. An actuarial calculation is made annually of pension expenses and pension commitments, taking into account anticipated wage growth based on linear accumulation. "Pension funds" includes premium funds and REC's share of the insurance

company's funds (premium reserves). "Pension expenses" includes the present value of the year's pension earnings, plus interest on commitments, less return on pension funds. For the defined-contribution pension schemes the contributions are charged to expenses as they are paid. No commitments are entered in the Balance Sheet for these schemes.

Taxes

This year's Income Statement does not contain any payable taxes, but rather a carry forward tax loss and change in deferred tax. The tax loss is calculated on the basis of the year's loss in each of our subsidiaries and parent company. Deferred tax is a provision for future payable tax, calculated on temporary differences between accounts and tax. The reason why temporary differences arise is that some of the items in the Income Statement are treated differently for accounting purposes and for tax purposes.

Depreciation

Depreciation is based on the economic life of the fixed assets.

Development costs

Costs relating to research and development of technology are charged to expenses.

Receivables and debts

Receivables and debts that relate to production are classified as current assets and short-term liabilities. Debts to credit issuing institutions etc. which are taken up to finance fixed assets (investments) are classified as long-term liabilities, while loans taken up to finance working capital (current assets) are classified as short-term liabilities. Other receivables and debts which are not due for more than a year, are classified as fixed assets and long-term liabilities. Receivables are entered in the Balance Sheet at their nominal value less provision for bad debts. Receivables and debts in foreign currency are converted at the exchange rate on the date of the Balance Sheet.

Stocks

Stocks are assessed at full cost price or net realizable value, whichever is lower.

Note 1: Sales revenues

	2003	2002
Sales revenues by continent		
Europe	193 946	1 498
USA	92 815	-
Africa	10 716	5 813
Total sales revenues	297 477	7 311

The group has only one business segment - supply to the global solar energy industry.

Note 2: Comparison figures

	2003 (p)	2002 (p)
Key figures		
Revenues	721 086	432 370
Earnings before interest and tax, depreciation/amortisation	(24 015)	(34 543)
Earnings before interest and tax	(130 862)	(63 956)
Profit/loss for the year	(123 193)	(85 007)

These figures are presented for comparison purposes and do not represent the results as they would have been if the transactions had taken place earlier. In the figures presented in this note, ScanWafer is included in 2003 (p) and 2002 (a) according to an assumed shareholding of 71.3% and on a fully consolidated basis. The figures are unaudited.

Note 3: Inventories

	2003	2002
Inventories		
Finished goods	103 917	17 256
Goods in production	44 283	15 725
Raw materials	145 739	9 798
Total inventories	293 939	42 779

Note 4: Personnel

	2003	2002
Personnel expenses		
Pay	127 176	12 093
Bonus and sales commission	(647)	-
Employer's National Insurance contribution	8 611	-
Pension expenses	1 493	799
Other pay-related expenses	2 063	(1 845)
Total personnel expenses	138 696	11 047
Average number of permanent employees	505	240
Auditor's remuneration for 2003 *		
KPMG	Audit fees expensed	Consultancy services
Ernst & Young	403	1 228
Other	396	96
Total auditor's remuneration	906	1 268

- * Audit and other audit services contain:
- Audit work related to Norwegian auditing standard RS 700, to give a qualified opinion regarding the financial statements.
 - Audit work related to the firm's signature according to RS 801
 - Audit work related to confirmations according to RS 802

Note 5: **Intangible assets**

	Research and other developm. assets	Goodwill	2003	2002
Cost price				
January 1	292	-	30 595	4 104
Additions	2 463	42 211	246 840	30 603
Sale	-	-	-	-
Translation difference	-	-	(4 064)	(3 820)
Cost price at December 31	2 755	42 211	273 371	30 887
Accumulated depreciation				
January 1	-	(5 250)	(5 929)	(11 179)
Depreciation for the year	-	(4 212)	(20 570)	(24 782)
Translation difference	-	-	514	191
Depreciation at December 31	-	(9 462)	(25 985)	(35 447)
Write down				
January 1	-	-	-	-
Write down for the year	(2 755)	-	-	(2 755)
Translation difference	-	-	-	-
Write down at December 31	(2 755)	-	(2 755)	-
Net book value	-	32 749	247 386	280 135
Estimated economic lifetime	10 y.	5 y.		
Depreciation method	linear	linear		

Note 6: **Operational fixed assets**

	Land and buildings	Machinery and equipment	Other tangible assets	2003	2002
Cost price					
January 1	17 068	34 409	12 830	64 307	-
Additions	195 157	560 569	55 885	811 591	66 192
Sale	-	(9 309)	(553)	(9 862)	-
Translation difference	965	1 277	1 344	3 586	(1 885)
Cost price at December 31	213 190	586 946	69 486	868 622	64 307
Accumulated depreciation					
January 1	(5 346)	(91 163)	(4 405)	(100 914)	-
Depreciation for the year	(11 719)	(50 862)	(11 419)	(74 000)	(667)
Translation difference	(7)	(86)	(224)	(329)	(12)
Depreciation at December 31	(17 072)	(142 123)	(16 048)	(175 243)	(679)
Write down					
January 1	-	-	-	-	-
Write down for the year	-	(5 067)	(25)	(5 092)	-
Translation difference	-	-	-	-	-
Write down at December 31	-	(5 067)	(25)	(5 092)	-
Net book value	196 118	439 756	53 413	688 287	63 628
Estimated economic lifetime	20-25 y.	7-10 y.	3-10 y.		
Depreciation method	linear	linear	linear		

According to the consolidated income statement at year-end 2003, total depreciation and write down was NOK 60 074. According to the above note 5 and note 6, total depreciation and write down was NOK 106 623; the difference is accumulated values for the first three quarters related to ScanWafer.

Note 7: **Income tax**

	2003	2002
Income tax expenses		
Tax payable	-	-
Change in deferred taxes	54 330	31 350
Total tax expenses	54 330	31 350
Tax base estimation		
Profit/loss before tax	(191 509)	(158 771)
Profit/loss before tax, ScanWafer first three quarters	(17 631)	-
Permanent differences	(5 810)	(36 379)
Goodwill depr. (incl. ScanWafer equity meth. for 2002)	20 570	5 086
Net transactions in capital equity	(629)	-
Financial gain (loss) on sale of shares	-	15 841
Other differences	-	(5 143)
Temporary differences	(27 286)	(8 328)
Temporary differences, ScanWafer first three quarters	(12 933)	-
Estimated tax base	(235 224)	(187 694)
Temporary differences		
Receivables	(16 748)	-
Inventory	(99)	-
Shares	8 775	12 445
Fixed assets	39 205	5 872
Provisions	-	(300)
Pension obligations	(1 425)	(399)
Loss carried forward	(420 210)	(126 943)
Unused allowance of dividends	(133)	(133)
Total temporary differences	(390 634)	(109 458)
28%-34% deferred tax	(112 453)	(32 314)
Deferred tax asset not balanced	3 911	-
Total	(108 542)	(32 514)

Note 8: **Restricted bank deposits**

Restricted bank deposits, most of which is related to withheld tax from employees amounts to NOK 6.7 million. In addition, the parent company has NOK 5 million restricted as collateral for financing of one subsidiary. Further, the parent company has a bank deposit of NOK 13.4 million serving as guarantee for a credit facility, and a cash deposit in Bank of America equivalent to approximately NOK 20 million which serves as collateral for a credit facility for a subsidiary.

Note 9: **Receivables and debt**

	2003	2002
Receivables		
Trade receivables	127 795	2 806
Other short-term receivables	27 268	17 693
Prepaid costs	11 714	-
Other current receivables	38 982	17 693
Financing receivables	17 095	1 755
Bonds & securities	-	-
Other long-term receivables	5 126	1 582
Other long-term receivables	5 126	1 582
Total receivables	188 998	23 836
Debt		
Short-term liabilities to fin. institutions (credit facilities)	91 631	21 078
Current portions of long-term loans/liabilities	84 825	-
Short-term liabilities, interest-bearing	176 456	21 078
Long-term liabilities, interest-bearing	561 812	38 215
Total interest-bearing debt	738 268	59 293

Note 10: **Shares and participations**

	Registered office	Book value NOK 1 000	Ownership/ voting share
Shareholdings held by parent			
Afflech AS	Norway	525	1.7 %
Edison Power AG	Germany	516	5.0 %
Shares owned by subsidiaries in associated companies			
Afrisol	Marocco	5 751	25.0 %
Desi solar	India	38	49.0 %
Harbit Solar	Korea	446	49.5 %
Total		6 977	
Earnings from equity accounted companies			
ScanWater, first three quarters	Norway	(5 418)	32.6 %
Afrisol	Marocco	(372)	25.0 %
		(5 790)	

Note 11: **Pledges and guarantees**

	2003	2002
Guarantees		
Guarantees pledged as security	3 000	-
Other guarantees	6 620	7 024
Total guarantees	9 620	7 024

	Book value	Pledge
Pledges as at 31 December 2003		
Fixed assets	667 423	890 354
Accounts receivables	72 678	200 000
Inventory	205 603	284 415
Total book value of secured assets	935 704	1 374 769

For two subsidiaries, pledged values are higher than the book value of the related assets. ScanCell has a pledge value NOK 2.4 million higher and ScanWater has a NOK 437 million higher than the book value.

Note 12: **Convertible loans and bond issues**

On September 24th 2003, the parent company entered into a loan agreement with Goldman Sachs International, Mithril GmbH and Good Energies Investments B.V. The loan amount was € 31 million, with interest rate 7.9% pa. As per December 31st 2003, the parent company had drawn €25 million of this loan facility, equivalent to NOK 214 million, and the remaining € 6 million was made available in January 2004. The creditors may at any time before the due date, convert the loan, in part or as a whole, to shares in the parent company, at €14,283 per share. The loan is due for repayment on March 31st 2006. The loan agreement has a predetermined conversion rate, adjusted for new share issues, except share issues related to resolved incentive programmes in the parent company, and merger.

Note 13: Pension

	2003	2002
Pension expenses		
Present value pension earnings for the year	11 429	806
Interest expenses	460	48
Return on pension funds	(592)	(55)
Effect of changes in estimates	10	-
Employer's tax	452	-
Net pension expense	11 759	799
Pension liabilities		
Present value funded defined benefit liabilities	24 622	1 550
Expected effect of future salary increase	721	585
Expected pension liabilities at year-end	25 343	2 135
Market value pension funds	14 268	1 395
Unrecognised effect of estimate deviations	(1 499)	-
Employer's tax	1 199	-
Net pension liability	10 774	720
Actuarial assumptions for pension liabilities		
Discount rate	6.0 %	6.0 %
Expected return on pension funds	7.0 %	7.0 %
Expected wage adjustment	3.0 %	3.0 %
Expected pension regulation	2.5 %	2.5 %
Expected pay increases	3.0 %	3.0 %

The pension plan relates to employees in Renewable Energy Corporation, ScanWafer and ScanCell for 2003. Actuarial assumptions are weighted average of pension plans in the group, and relate to persons. The other subsidiaries do not have additional pension obligations to the expensed amounts.

According to note 4, total pension expenses at year-end 2003 was NOK 1.5 million. The difference compared to the above note 13 is accumulated values for the first three quarters related to ScanWafer.

Note 15: Provisions and contingent liabilities

Provisions are made for claims that are not yet verified of NOK 6.7 million in ScanWafer subsidiary.

In addition, various financial claims may be made against REC AS and its subsidiaries from litigation or as a consequence of its ordinary operations. These relate mainly to warranties, personal injury and damage to property. The risk of such claims arising has been analysed and assessed, and cannot be determined with certainty. The management is not aware of any significant liabilities at the date of this report.

Note 14: Statement of changes in equity

	Share capital	Share premium reserve	Own Shares	Other paid-in capital	Total paid-in capital
Paid-in capital					
Balance at 1 January 2003	17 457	243 375	-794	68 352	328 390
Equity changes	8 979	128 016	28	244 216	382 239
Balance at 31 December 2003	26 436	372 391	-766	312 568	710 629
Retained earnings					
	Minority interest	equity and retained earnings	Total retained earnings		
Balance at 1 January 2003	20 109	-102 778	-82 669	245 721	
Equity changes	141 917	23 864	165 781	548 020	
Net profit/loss	-25 164	-112 015	-137 179	-137 179	
Balance at 31 December 2003	136 862	-190 929	-54 067	656 562	

Renewable Energy Corporation AS
Financial statements 2003

Income Statement		01.01 - 31.12	
	Note	2003	2002
Revenue	8	7 633 223	4 276 737
Other operating income		0	37 500
Total operating income		7 633 223	4 314 237
Purchase of goods		-2 673 539	0
Payroll and related costs	4	-12 730 247	-7 585 172
Depreciation of tangible fixed assets	3	-1 193 553	-1 715 824
Other operating expenses		-22 514 677	-6 710 626
Operating profit/(loss)		-30 478 792	-10 157 485
Interest income		587 262	1 172 229
Other financial income		2 413 598	12 187 220
Interest expenses		-11 820 918	-1 193 232
Loss on sales of subsidiary		0	-66 411 836
Other financial expenses		-9 666 818	-2 845 481
Profit/(loss) before taxes		-48 965 668	-67 248 585
Tax on ordinary profit	10	13 641 042	9 340 008
Profit/(loss) for the year		-35 324 626	-57 908 577
Profit/(loss) for the year is distributed as follows:			
Other equity/capital	11	-35 324 626	-57 908 577
Total distributed		-35 324 626	-57 908 577

Renewable Energy Corporation AS
Financial statements 2003

Balance Sheet

	Note	31.12.2003	31.12.2002
Assets			
Fixed assets			
Intangible fixed assets			
Deferred tax asset	10	28 886 791	15 070 783
Total intangible fixed assets		28 886 791	15 070 783
Tangible fixed assets			
Fixtures and fittings, tools, office machinery and similar assets	3	372 215	354 436
Total tangible fixed assets		372 215	354 436
Fixed asset investments			
Investments in subsidiaries	6	568 773 706	105 227 667
Loans to subsidiaries	9	185 138 303	50 669 418
Investments in associates		0	135 301 619
Other investments	7	1 041 063	1 041 063
Total fixed asset investments		754 953 072	292 239 767
Total fixed assets		784 212 078	307 664 986
Current assets			
Accounts receivable			
Trade accounts receivable	9	6 980 629	1 371 627
Receivables from subsidiaries	9	9 017 385	207 086
Receivables from associates	9	0	286 056
Other receivables		1 144 589	6 661 700
Called up share capital allotted, not paid		0	0
Total accounts receivable		17 142 603	8 526 469
Cash and cash equivalents	2	40 494 659	38 217 783
Total assets		841 849 340	354 409 238

Renewable Energy Corporation AS
Financial statements 2003

Balance Sheet

	Note	31.12.2003	31.12.2002
Equity and liabilities			
Equity			
Called up share capital			
Share capital	11	28 428 185	17 457 670
Not registered share capital	11	10 000	0
Own shares	11	-763 970	-794 140
Share premium reserve	11	372 381 067	243 373 670
Paid-in other equity	11	261 510 226	17 294 140
Total called up capital		659 571 528	277 333 340
Earned equity			
Other capital	11	-39 880 904	-3 624 547
Total earned equity		-39 880 904	-3 624 547
Total equity		619 690 624	273 708 793
Liabilities			
Long-term liabilities			
Pension liabilities	4	656 985	399 007
Total long-term liabilities		656 985	399 007
Current liabilities			
Convertible loans	5	214 628 697	27 057 586
Liabilities to financial institutions	5	1 830 236	5 996 960
Accounts payable	9	2 495 019	2 535 553
Accruals, VAT and other taxation payable		1 276 153	916 436
Other current liabilities	9	1 761 804	43 892 713
Total current liabilities		221 501 731	80 301 438
Total liabilities		222 158 716	80 700 445
Total equity and liabilities		841 849 340	354 409 238
Hevik, March 23, 2003			
Tore Schiøtz Chairman of the Board	Halvor T. Svardal Member of the Board	Marcel Egmond Bremmknøijer Member of the Board	
John Finger Member of the Board	Jan-Olaf Williams Member of the Board	Reidar Luningmo Member of the Board	
Knut Henrik Mjølhusen Member of the Board	Rolf Ernst Haas Member of the Board	Paulus Henri Lee Kløpperborg Member of the Board	
		Alf Bjørnseth President and CEO	

Statement of Cash flow

01.01 - 31.12Renewable Energy
Financial statements 2003

- Profit and loss account

- The financial statements are prepared by the Board and management and must be read in conjunction with the directors' report

Basic principles - assessment and classification - other issues

Basic principles - assessment and classification - other issues

The financial statements have been prepared based on the fundamental principles governing historical cost accounting. comparability continued

De la consommation de la

Deferred tax and tax expense

Delaware of those in earlier editions have not

Figure 2. The concentration of the Fe^{2+} ions in the Fe^{2+} solution as a function of the concentration of the Fe^{3+} ions in the Fe^{3+} solution.

Renewable Energy Corporation AS

Liabilities due more than five years after the end of the fiscal year.

Total

Note 6 - Subsidiaries and associates
Shares in subsidiaries

The name of the company	Ownership/ office voting share	Business office	financial statements	financial statements	Book value
Sonnet AS	100.0	Narvik	5 502 000	-17 534 000	26 749 000
SoftCell AS	100.0	Bærum	14 503 000	-12 111 000	7 368 000
Siron Technology AS	100.0	Bærum	57 161 000	7 192 000	69 231 000
Sloan Value Norge AS	100.0	Havik	700 000	0	100 000
Sonimobile AS	100.0	Åvåke	6 139 000	-4 288 000	11 239 000
Sonnet Norge AS	100.0	Narvik	1 010 000	0	1 010 000
REC Values AS	70.0	Narvik	317 355 000	7 727 000	456 000 000

1971

	Ownership share	Acquisition cost	Book value
Fixed assets			
Alfheim AS	1.7 %	525 000	525 000
Edman Power AG	5.0 %	510 003	510 003
Total		1 035 003	1 035 003

Total

Note 8 - Related parties
The company render non-profit services to its subsidiaries. In 2003 the total amount is NOK 4.9 million.

Note 9 - Balances held with group companies

Subsidiaries

[illegible]

Subsidiaries	Share	31.12.2003	31.12.2003
ScanCell AS	100.0 %	1 512 274	0
ScanWife AS	71.3 %	1 783 605	738 946
Sol Energy AS	100.0 %	1 097 667	0
Scan Technology AS	100.0 %	1 040 765	0

R91

Subsidiaries	Ownership share	Other current
ScanWater AS	71.3 %	31.12.2003

Silicon Technology
and Energy

	31/12/2021	31/12/2020
Subsidiaries		
ScanWit AS	18 106	0
ScanWit AS	71.3 %	0
Total	18 106	0
Creditors		
Ownership share	31/12/2021	31/12/2020
Scan Energy	100.0 %	100.0 %
Total	172 318	2 107 085



To the Annual Shareholders' Meeting of Renewable Energy Corporation AS

AUDITOR'S REPORT FOR 2003

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Renewable Energy Corporation AS of 31 December 2001, showing information in TNOK 35 125 for the parent company and a loss of TNOK 137 179 for the group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for distribution of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements and the Directors' report are the responsibility of the company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our audit in accordance with the Norwegian on Auditing and Auditing standards and practices generally accepted in Norway. These standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices in Norway, our audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Internal control weaknesses

During the year ScanWaver ASA, a significant subsidiary, implemented a new accounting and enterprise resource planning system. As a consequence internal control routines ensuring proper record keeping and documentation in accordance with laws and regulations were not in place for a period of time.

Opinion

- The financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as at 31 December 2001, and the results of its operations and its cash flows for the year ended on that date. The Company's management has, except for the internal control weaknesses noted above, fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice in Norway.
- The information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and comply with the law and the financial

Date: 20 March 2004

KPMG AS

20

5724

Åsve Gjevoll
State Authorized Public Accountant (Norway)

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only

[illegible]

**KPMG AS**

P.O. Box 7000 Majorstuen
N-0306 Oslo

KPMG Huset – Sørkedalsveien 6
N-0369 Oslo

Telephone +47 21 09 21 09
Fax +47 22 60 96 01
www.kpmg.no
Enterprise NO 935 174 627 MVA

To the Shareholders of Renewable Energy Corporation ASA

AUDITOR'S REPORT FOR 2003**Respective Responsibilities of Directors and Auditors**

We have audited the annual financial statements of Renewable Energy Corporation ASA as of 31 December 2003. We have also audited the information in the Directors' report concerning the financial statements and the going concern assumption. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Purpose

This auditor's report has been prepared solely to change the addressee from "the Annual Shareholders' Meeting of Renewable Energy Corporation AS" to "the Shareholders of Renewable Energy Corporation ASA" for use in the prospectus related to the sale of ordinary shares of Renewable Energy Corporation ASA. The financial statements referred to above were prepared on the basis of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway effective for the year ended 31 December 2003.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway effective for audits of annual financial statements for the year ended 31 December 2003. We have not conducted any audit procedures subsequent to 30 March 2004, which was the date our original auditor's report for 2003 was issued. Subsequent to finalizing the 2003 statutory accounts, it was determined that the Company had incorrectly accounted for government grants and minority interests in 2003. The correction of these errors increased the net loss for 2003 by NOK 16.2 million and decreased shareholders' equity at 31 December 2003 by NOK 6.7 million in the group accounts. These changes have not been reflected in the accompanying 2003 statutory financial statements; however, the financial statements for 2003, as restated to correct these errors are reflected in the Company's 2004 statutory accounts. We express our opinion in accordance with the Norwegian Auditing Standard RS 800, "The Auditor's Report on Special Purpose Audit Engagements". Those auditing standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Internal control weaknesses

During the year ScanWafer ASA, a significant subsidiary, implemented a new accounting and enterprise resource planning system. As a consequence internal control routines ensuring proper record keeping and documentation in accordance with laws and regulations were not in place for a period of time.

Opinion

In our opinion,

- the financial statements have been prepared in accordance with law and regulations as of 31 December 2003 and present the financial position of the Company and of the Group as of 31 December 2003, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has, except for the internal control weaknesses noted above, fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice in Norway as of 31 December 2003.
- the information in the Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and comply with the law and regulations as of 31 December 2003.

Oslo, 30 March 2004; the date of issuance of this special purpose audit report is 21 April 2006

KPMG AS
Arve Devoll

State Authorised Public Accountant (Norway)

B-72

KPMG AS is the Norwegian member firm of KPMG
International, a Swiss cooperative

Statsautoriserede revisorer -
medlemmer av Den norske
Revisorforening

Offices in:

Oslo
Bodø
Alta
Arendal
Bergen
Elverum
Finnsnes
Hamar

Haugesund
Kristiansand
Lillehammer
Mo i Rana
Molde
Røros
Sandefjord

Sandnessjøen
Stavanger
Stord
Tromsø
Trondheim
Tønsberg
Ålesund

RENEWABLE ENERGY CORPORATION ASA

Bestillingsblankett for bestillinger mellom NOK 10.000 og NOK 2.000.000

For fullstendig informasjon om det offentlige tilbudet, se vedlagte Prospectus som også inneholder et norsk sammendrag ("Prospektet")
Bestilling av aksjer i det offentlige tilbudet finner sted fra og med 24. april 2006 til og med 8. mai 2006 kl. 1200. Korrekt utfylt bestillingsblankett må være mottatt per post eller faks av en av tilretteleggerne for det offentlige tilbudet:

ABG Sundal Collier Norge ASA
Munkedamsveien 45D, Postboks 1444 Vika, 0115 Oslo
Telefon: 22 01 59 90, Telefaks: 22 01 60 62

DnB NOR Markets
Stranden 21, 0021 Oslo
Telefon: 22 94 88 80, Telefaks: 22 48 29 80

innen kl. 12.00 8. mai 2006. Selskapet og Tilretteleggerne forbeholder seg retten til å forlenge Tilbudsperioden når som helst, avhengig av antall og størrelse på de bestillinger som har innkommet både i Det Offentlige Tilbudet og i det Institusjonelle Tilbudet, samlet eller i den enkelte transje. Enhver slik endring av Tilbudsperioden vil bli offentliggjort gjennom Oslo Børs sitt meldingssystem på eller før 5. mai 2006 klokken 09.00. En forlengelse vil bare gjøres en gang, og bare inntil 15. mai 2006 klokken 15.00. Dersom Tilbudsperioden forlenges vil dato for signering av Tegningsavtalen, allokeringsdatoen, første handelsdag, betalingsfristen og dato for levering av aksjene bli tilsvarende forlenget. Det er ikke tilstrekkelig at blanketten er postlagt innen fristen. Bestilling kan også skje på internett-adressen www.recaksjen.no. Den som bestiller aksjer har risikoen ved eventuell forsinkelse i postgang, utilgjengelige fakslinjer eller data tekniske problemer knyttet til forannevnte internett-adresse. Tilretteleggerne står fritt til å akseptere eller forkaste for sent ankomne, mangelfulle eller feilaktig utfylte blanketter. Ved overtegning kan antall tildelte aksjer avkortes i henhold til tildelingskriteriene beskrevet i Prospektet.

PRIS
Pris pr aksje er ennå ikke fastsatt, jf "Tilbudsprisen" og "Offering Price" i Prospektet. Pris pr aksje i det offentlige tilbudet forventes å bli mellom NOK 69 og NOK 88 per aksje, men prisen kan også bli høyere eller lavere. Prisintervallet er fastsatt av styret i REC i samråd med Tilretteleggerne. Bestillingen kan gjøres betinget av at pris pr aksje ikke fastsettes over prisintervallet. Dette må uttrykkelig angis i et eget felt nedenfor. Dersom bestillingen er betinget av dette, og den endelige prisen blir høyere enn prisintervallet forkastes bestillingen uten varsel. Dersom ingen slik betingelse er angitt, anses bestillingen bindende uansett endelig pris. Den endelige prisen på aksjen vil bli fastsatt etter utløpet av bestillingsperioden den 8. mai 2006 etter en bindende budgivningsprosess blant institusjonelle investorer med bestillinger over NOK 2 million ("bookbuilding"). Den endelige prisen baseres på etterspørsel på ulike prisnivåer, og vil ta utgangspunkt i prisintervallet beskrevet ovenfor.

RABATT
Bestillere i det offentlige tilbudet vil få en rabatt på 10% (i forhold til den endelige Tilbudsprisen) per aksje for aksjer i den første børsposten allokert til den enkelte bestiller.

BESTILLINGSNIVÅ
Bestilling i det offentlige tilbudet skjer i beløp, ikke i antall aksjer. Minimum bestillingsbeløp er NOK 10.000, mens maksimum bestillingsbeløp er NOK 2 millioner. Det vil ikke bli foretatt tildeling av aksjer som utgjør mindre enn en børspost. Antallet aksjer som utgjør en børspost vil bli fastsatt av Oslo Børs basert på prisen som fastsettes per aksje og vil utgjøre enten 100 eller 200 aksjer. En børspost kan således utgjøre mer eller mindre enn NOK 10.000. Bestillinger på beløp mellom NOK 10.000 og den endelige verdien av en børspost vil i dette tilfellet bli ansett som en bestilling på verdien av en børspost (inntil NOK 13.300) med mindre noe annet er påført blanketten nedenfor. Bestilling for beløp som representerer mindre enn en børspost vil bli forkastet uten varsel. Dersom det bestilles aksjer for et høyere beløp enn NOK 2 millioner i det offentlige tilbudet, vil dette bli ansett som en bestilling på NOK 2 millioner. Dersom man ønsker å bestille for høyere beløp enn NOK 2 millioner må dette skje gjennom den institusjonelle plasseringen.

TILDELING
Endelig tildeling av aksjer vil bli foretatt av styret i REC i samarbeid med Tilretteleggerne i henhold til tildelingskriterier beskrevet i "Allokeringsmekanisme" og "Mechanism of Allocation" i Prospektet. Alle allokeringer vil bli søkt rundet ned til den nærmest hele børspost. I tilfelle overbestilling, vil Selskapet forsøke å sørge for at alle bestillere får et antall aksjer som minst tilsvarende verdi lik NOK 100.000.

BETALING AV TILDELTE AKSJER
Ved bestilling av aksjer gir den enkelte bestiller ABG Sundal Collier Norge ASA/DnB NOR Markets en engangsfullmakt til å belaste en oppgitt norsk bankkonto ved betaling for de tildelte aksjene. Melding om tildeling vil bli sendt ut ca. 9. mai 2006. Bestillere som har behov for å vite nøyaktig tildeling før 10. mai 2006, kan kontakte en av tilretteleggerne fra morgenen 9. mai 2006. For bestillere som har tilgang til investortjenester gjennom sin VPS-kontofører vil det være mulig å sjekke antall aksjer man har blitt tildelt fra og med den 9. mai 2006. Belastning ventes å finne sted 10. mai 2006. Det må være dekning for hele beløpet på den oppgitte bankkonto dagen før belastningen skjer. Dersom det ikke kan belastes på forfallsdato, forbeholder tilretteleggerne seg retten til å annullere bestillingen eller selge de tildelte aksjene for bestillerens regning og risiko i henhold til norsk lov. Av for sent innbetalt beløp svares morarente med 9,25% p.a. Betaling og fysisk levering av aksjene forventes å skje henholdsvis 10. mai og om kvelden den 11. mai 2006. Ved levering av aksjene vil aksjene bli overført til den enkelte bestillers VPS-konto. Aksjer som er tildelt forventes å kunne omsettes allerede fra børsåpning 9. mai 2006 (se "Leveranse og handel med aksjene" og "Delivery and trading of allocated Offer Shares" i Prospektet). Fysisk levering av aksjene er imidlertid betinget av at oppgjør skjer i samsvar med beskrivelsen ovenfor. Den som ønsker å overdra sine aksjer før fysisk levering har skjedd har selv risikoen for at vedkommende kan betale for aksjene. Aksjer kan ikke omsettes over internett før fysisk levering har skjedd.

Så langt tillatt etter gjeldende rett, fraskriver Tilretteleggerne seg et hvert ansvar overfor bestillere av aksjer i Tilbudet, som Selskapet ikke kan holdes ansvarlig for overfor Tilretteleggerne i forbindelse med deres tegnings av Tilbudsaksjene. Samtlige personer som bestiller aksjer i forbindelse med Tilbudet anses å ha akseptert denne ansvarsfraskrivelsen og ha erkjent at muligheten til å fremme krav overfor Selskapet etter registreringen av kapitalforhøyelsen i Foretaksregisteret er svært begrenset i henhold til norsk rett.

SPEKIFIKASJON AV BESTILLINGEN—Ansatte i Renewable Energy Corporation ASA skal bruke en egen bestillingsblankett

Bestillers VPS-kontonr. *)	Jeg/vi bestiller aksjer for totalt NOK (minimum NOK 10.000 — maksimum NOK 2 million)
	NOK:
Valgfritt: Jeg/vi ønsker kun å bli tildelt aksjer hvis prisen blir fastsatt innenfor eller lavere enn det indikerte kursintervallet (kryss her hvis JA): <input type="checkbox"/> Valgfritt: Jeg/vi ønsker ikke at min bestilling skal justeres opp til verdien av en børspost dersom denne verdien blir høyere enn NOK 10.000 (kryss her hvis JA): <input type="checkbox"/>	

Fullmakt til å belaste konto (MÅ FYLLES UT):

Jeg/vi gir med dette ABG Sundal Collier Norge ASA/DnB NOR Markets en ugenkallelig engangsfullmakt til å belaste min/vår norske bankkonto for vederlaget for de tildelte aksjer <div>(Bankkonto — 11 siffer)</div>
--

I henhold til de betingelser som framgår ovenfor og av Prospektet, bestilles herved ugenkallelig aksjer som angitt ovenfor. Det gis samtidig ugenkallelig fullmakt til å belaste min/vår oppgitte bankkonto.

Bestillingssted og dato Må være datert i bestillingsperioden	Forpliktende underskrift. Når det undertegnes i henhold til fullmakt skal dokumentasjon i form av firmaattest eller fullmakt vedlegges. Foresatte må signere for umyndige.
---	---

INFORMASJON OM BESTILLEREN

Bestillerens VPS-kontonr. *)
Bestillerens fornavn
Bestillerens etternavn/firma e.l.
Gateadresse e.l. (for private: Boligadresse)
Postnummer og poststed
Fødselsnummer (11 sifre)/Org. nummer MÅ FYLLES UT
Telefonnummer dagtid
Statsborgerskap
Telefon/telefaks/e-mail
(For megler: Løpenr.)

*) For å kunne bestille aksjer må du ha opprettet en verdipapirkonto (VPS-konto). Opprettelse av VPS-konto må under henvisning til nye forskrifter, foretas ved personlig fremmøte medbringende legitimasjon hos en kontofører som kan være en bank eller et autorisert fondsmeglerforetak.

RENEWABLE ENERGY CORPORATION ASA

Bestillingsblankett for ansatte i REC

For fullstendig informasjon om det offentlige tilbudet til ansatte, se vedlagte Prospectus som også inneholder et norsk sammendrag ("Prospektet")
Bestilling av aksjer i det offentlige tilbudet til ansatte finner sted fra og med 24. april 2006 til og med 5. mai 2006 kl. 1200 (norsk tid). Korrekt utfylt bestillingsblankett må være mottatt per post eller faks av tilrettelegger for det offentlige tilbudet til ansatte:

DnB NOR Markets
Stranden 21, 0021 Oslo
Telefon: 22 94 88 80, Telefaks: 22 48 29 80

innen kl. 12.00 5. mai 2006 kl. 1200 (norsk tid). Selskapet og Tilretteleggerne forbeholder seg retten til å forlenge Tilbudsperioden når som helst, avhengig av antall og størrelse på de bestillinger som har innkommet både i Det Offentlige Tilbudet og i det Institusjonelle Tilbudet, samlet eller i den enkelte transje. Enhver slik endring av Tilbudsperioden vil bli offentliggjort gjennom Oslo Børs sitt meldingssystem på eller før 5. mai 2006 klokken 09.00. En forlengelse vil bare gjøres en gang, og bare inntil 12. mai 2006 klokken 15.00. Dersom Tilbudsperioden forlenges vil dato for signering av Tegningsavtalen, allokeringsdatoen, første handelsdag, betalingsfristen og dato for levering av aksjene bli tilsvarende forlenget. Det er ikke tilstrekkelig at blanketten er postlagt innen fristen. Den som bestiller aksjer har risikoen ved eventuell forsinkelse i postgang eller utilgjengelige fakslinjer. Tilretteleggerne står fritt til å akseptere eller forkaste for sent ankomne, mangelfulle eller feilaktig utfylte blanketter. Ved overtegning kan antall tildelte aksjer avkortes i henhold til tildelingskriteriene beskrevet i Prospektet. **Ansatte kan ikke bestille via Internett, men kun ved bruk av denne bestillingsblanketten.**

PRIS
Pris pr aksje er ennå ikke fastsatt, jf "Tilbudsprisen" og "Offering Price" i Prospektet. Pris pr aksje i det offentlige tilbudet til ansatte forventes å bli mellom NOK 69 og NOK 88 per aksje, men prisen kan også bli høyere eller lavere. Prisintervallet er fastsatt av styret i REC i samråd med Tilretteleggerne. Bestillingen kan gjøres betinget av at pris pr aksje ikke fastsettes over prisintervallet. Dette må uttrykkelig angis i et eget felt nedenfor. Dersom bestillingen er betinget av dette, og den endelige prisen blir høyere enn prisintervallet forkastes bestillingen uten varsel. Dersom ingen slik betingelse er angitt, anses bestillingen bindende uansett endelig pris. Den endelige prisen på aksjen vil bli fastsatt etter utløpet av bestillingsperioden den 8. mai 2006 etter en bindende budgivningsprosess blant institusjonelle investorer med bestillinger over NOK 2 million ("bookbuilding"). Den endelige prisen baseres på etterspørsel på ulike prisnivåer, og vil ta utgangspunkt i prisintervallet beskrevet ovenfor.

RABATT TIL ANSATTE
Selskapets norske og svenske ansatte vil bli tilbudt en rabatt på 20% av endelige pris, begrenset oppad til NOK 1.500 per ansatt.

BESTILLINGSNIVÅ
Bestilling i det offentlige tilbudet til ansatte skjer i beløp, ikke i antall aksjer. Minimum bestillingsbeløp er NOK 10.000, likevel slik at bestiller ved å krysse av nedenfor kan velge å bli tildelt aksjer for det laveste beløpet av NOK 10.000 og en børspost. Maksimum bestillingsbeløp er NOK 2 millioner. Det kan bli foretatt tildeling av aksjer som utgjør mindre enn en børspost. Antallet aksjer som utgjør en børspost vil bli fastsatt av Oslo Børs basert på prisen som fastsettes per aksje og vil utgjøre enten 100 eller 200 aksjer. En børspost kan således utgjøre mer eller mindre enn NOK 10.000. Dersom det bestilles aksjer for et høyere beløp enn NOK 2 millioner i det offentlige tilbudet til ansatte, vil dette bli ansett som en bestilling på NOK 2 millioner. Dersom man ønsker å bestille for høyere beløp enn NOK 2 millioner må dette skje gjennom den institusjonelle plasseringen.

TILDELING
Endelig tildeling av aksjer vil bli foretatt av styret i REC i samarbeid med tilretteleggerne i henhold til tildelingskriterier beskrevet i "Allokeringsmekanisme" og "Mechanism of Allocation" i Prospektet. Selskapets ansatte i Norge og Sverige vil få full tildeling opptil NOK 1 million, rundet ned til nærmeste hele børspost. Enhver bestilling over NOK 1 million vil bli allokert på samme måte som i Det Offentlige Tilbudet for øvrig.

BETALING AV TILDELTE AKSJER
Ved bestilling av aksjer gir den enkelte bestiller DnB NOR Markets en engangsfullmakt til å belaste en oppgitt norsk bankkonto ved betaling for de tildelte aksjene. Melding om tildeling vil bli sendt ut ca. 9. mai 2006. Bestillere som har behov for å vite nøyaktig tildeling før 10. mai 2006, kan kontakte en av tilretteleggerne fra morgenen 9. mai 2006. For bestillere som har tilgang til investortjenester gjennom sin VPS-kontofører vil det være mulig å sjekke antall aksjer man har blitt tildelt fra og med den 9. mai 2006. Belastning ventes å finne sted 10. mai 2006. Det må være dekning for hele beløpet på den oppgitte bankkonto dagen før belastningen skjer. Dersom det ikke kan belastes på forfallsdato, forbeholder tilretteleggerne seg retten til å annullere bestillingen eller selge de tildelte aksjene for bestillerens regning og risiko i henhold til norsk lov. Av for sent innbetalt beløp svares morarente med 9,25% p.a. Betaling og fysisk levering av aksjene forventes å skje henholdsvis 10. mai og om kvelden den 11. mai 2006. Ved levering av aksjene vil aksjene bli overført til den enkelte bestillers VPS-konto. Aksjer som er tildelt forventes å kunne omsettes allerede fra børsåpning 9. mai 2006 (se "Leveranse og handel med aksjene" og "Delivery and trading of allocated Offer Shares" i Prospektet). Fysisk levering av aksjene er imidlertid betinget av at oppgjør skjer i samsvar med beskrivelsen ovenfor. Den som ønsker å overdra sine aksjer for fysisk levering har skjedd har selv risikoen for at vedkommende kan betale for aksjene. Aksjer kan ikke omsettes over internett før fysisk levering har skjedd. Så langt tillatt etter gjeldende rett, fraskriver Tilretteleggerne seg et hvert ansvar overfor bestillere av aksjer i Tilbudet, som Selskapet ikke kan holdes ansvarlig for overfor Tilretteleggerne i forbindelse med deres tegning av Tilbudsaksjene. Samtlige personer som bestiller aksjer i forbindelse med Tilbudet anses å ha akseptert denne ansvarsfraskrivelsen og ha erkjent at muligheten til å fremme krav overfor Selskapet etter registreringen av kapitalforhøyelsen i Foretaksregisteret er svært begrenset i henhold til norsk rett.

SPEKIFIKASJON AV BESTILLINGEN

Bestillers VPS-kontonr. *)	Jeg/vi bestiller aksjer for totalt NOK (minimum NOK 10.000 — maksimum NOK 2million) NOK:
Valgfritt: Jeg/vi ønsker kun å bli tildelt aksjer hvis prisen blir fastsatt innenfor eller lavere enn det indikerte kursintervallet (kryss her hvis JA): <input type="checkbox"/> Valgfritt: Jeg/vi ønsker kun å bli tildelt aksjer for det laveste beløpet av NOK 10.000 og en børspost. (kryss her hvis JA): <input type="checkbox"/>	

Fullmakt til å belaste konto (MÅ FYLLES UT):

Jeg/vi gir med dette DnB NOR Markets En ugenkallelig engangsfullmakt til å belaste min/vår norske bankkonto for vederlaget for de tildelte aksjer _____ (Bankkonto — 11 siffer)
--

I henhold til de betingelser som framgår ovenfor og av Prospektet, bestilles herved ugenkallelig aksjer som angitt ovenfor. Det gis samtidig ugenkallelig fullmakt til å belaste min/vår oppgitte bankkonto.

Bestillingssted og dato
Må være datert i bestillingsperioden

Forpliktende underskrift. Når det undertegnes i henhold til fullmakt skal dokumentasjon i form av firmaattest eller fullmakt vedlegges. Foresatte må signere for umyndige.

INFORMASJON OM BESTILLEREN

Bestillerens VPS-kontonr. *)
Bestillerens fornavn
Bestillerens etternavn/firma e.l.
Gateadresse e.l. (for private: Boligadresse)
Postnummer og poststed
Fødselsnummer (11 sifre)/Org. nummer MÅ FYLLES UT
Telefonnummer dagtid
Statsborgerskap
Telefon/telefaks/e-mail

*) For å kunne bestille aksjer må du ha opprettet en verdipapirkonto (VPS-konto). Opprettelse av VPS-konto må under henvisning til nye forskrifter, foretas ved personlig fremmøte medbringende legitimasjon hos en kontofører som kan være en bank eller et autorisert fondsmeglerforetak.

RENEWABLE ENERGY CORPORATION ASA**Application form for applications in the Management Offering in REC**

Detailed information for the offering to members of the executive management of REC can be found in the attached Prospectus

Applications for shares in the offering to the executive management of REC will take place from 0900 CET to 1700 CET on 24 April 2006. Completed application forms must be received by:

ABG Sundal Collier Norge ASA
Munkedamsveien 45D, P.O. Box 1444 Vika, N-0115 Oslo
Phone: +47 22 01 59 90, Telefax: +47 22 01 60 62

UBS Investment Bank
1 Finsbury Avenue, London, EC2M 2PP
Phone: +44 207 567 8000, Telefax: +44 20 7568 4800

no later than 1700 CET on 24 April 2006. Applicants bear the risk of any delays or unavailability of fax lines. The Managers may decide in its sole discretion whether to accept or discard any applications that are received late, are incomplete or are incorrectly completed. The application period for the public offering and/or the international offering may be extended for up to 5 business days. Notice of such potential extension will be given through the information system of Oslo Børs. Applications that are received in the offering to the executive management of REC are binding and irrevocable even if the application period in the public and/or the international offering is extended. Extension of the application period can involve that allotment, settlement and trading of the shares in the offering to the executive management of REC, as well as the entering into the subscription agreement, will be postponed correspondingly with the number of business days the application period for the public offering and/or international offering is extended.

PRICE

The price per share has not yet been decided; see section "Offering Price" in the Prospectus. The price per share in the offering to the executive management of REC is expected to be in the range from NOK 69 to NOK 88 per share, but the final price may be higher or lower than this. The price range has been determined by the Board of REC in consultation with the Managers. The final price will be determined after the expiry of the application period for the public offering and international offering on 8 May 2006, following a binding tender process among investors making applications in excess of NOK 2 million ("bookbuilding"). The final price will be based on the level of demand at different price levels, based upon the indicative price range described above.

ALLOTMENT

Applicants in the offering to the executive management of REC will be entitled to full allotment of the amount applied for up to NOK 5 million, rounded downwards to the nearest round lot. The maximum subscription is NOK 5 million.

PAYMENT FOR ALLOTTED SHARES

Contract notes for allotted shares will be sent by ABG Sundal Collier Norge ASA, on 9 May 2006. By completing this application form, each applicant in the Management Offering authorizes ABG Sundal Collier to debit the applicant's Norwegian bank account for the total amount due for shares allocated to the applicant. The applicant's account number must be stated below. Applicants that do not have a Norwegian bank account must contact one of the application offices. Accounts will be debited on or about 10 May 2006, and there must be sufficient funds in the stated bank account from and including 9 May 2006. Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 No. 100, currently at 9.25 per cent per annum, will be payable on the amount due. ABG Sundal Collier reserves the right to make up to three debits through 22 May 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (i.e. on 10 May 2006), the shares allocated will not be delivered physically to the applicant, and ABG Sundal Collier reserves the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated shares, on such terms and in such manner as ABG Sundal Collier may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offering Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

Even if the Managers technically will subscribe for the Offer Shares issued by REC and sell them on to the applicants in the Global Offering, the Managers expressly disclaim any liability towards the applicants beyond the liability of the Company towards the Joint Lead Managers as subscribers of the Offering Shares. All applicants shall be deemed to have accepted this disclaimer and to have acknowledged that the ability to raise any claims towards the Company following registration of the share capital increase in the Norwegian Companies Register is severely limited under Norwegian law.

LOCK-UP

Applicants in the offering to the executive management of REC confirms by signing of this application form that they will be subject to a lock up agreement for the shares they are allotted in the offering for a period of 6 months from allotment of the shares. In this period, the shares can not be transferred, pledged or otherwise be tied up without a written prior approval from the Managers.

To the fullest extent permitted by applicable law, the Managers as subscribers of the Offer Shares expressly disclaim any liability to persons who submit applications for Offer Shares in the Global Offering beyond the liability of the Company to the Managers as subscribers of the Offer Shares. All persons who submit applications for Offer Shares in the Global Offering shall be deemed to have accepted this disclaimer of liability and to have acknowledged that the ability of shareholders of the Company to make claims against the Company in their capacity as such following registration of the share capital increase in the Norwegian Companies Register is severely limited under Norwegian law.

APPLICATION FOR SHARES AND AUTHORIZATION TO DEBIT THE APPLICANT'S BANK ACCOUNT:

I/we, being familiar with the contents of the Prospectus, hereby irrevocably apply for the number of Offer Shares set out below in accordance with the terms set out in the Prospectus and this Application Form, and hereby also authorize ABG Sundal Collier to debit my/our bank account as set out below for the amount corresponding to the Offer Shares allotted to me/us.

SPECIFICATION OF THE APPLICATION

Applicant's VPS account (12 digits):	I apply for shares for a total of NOK (Maximum NOK 5 million):	Applicant's bank account to be debited (11 digits):

I hereby irrevocably apply for shares as specified above subject to the terms and conditions set out above and contained in the Prospectus, and hereby also authorize ABG Sundal Collier to debit my/our bank account as set out below for the amount of the Offer Shares allotted to me/us.

Date and place
Must be dated during the application period

Binding signature
If the application form is signed by a proxy, documentary evidence of authority to sign must be attached in the form of a Power of Attorney or Company Registration Certificate

DETAILS OF THE APPLICANT

First name
Surname / Company name
Home address (for company: Business address)
ZIP code and town
Identity number (11 digits) THIS FIELD MUST BE COMPLETED
Telephone number (daytime)
Nationality
Telephone/fax/e-mail



Renewable Energy Corporation ASA
Veritasveien 14
PO-Box 280
N-1323, Høvik
Oslo, Norway

ABG Sundal Collier Norge ASA
Munkedamsveien 45D
P.O. Box 1444 Vika
N-0115 Oslo, Norway

UBS Limited
1 Finsbury Avenue
London, EC2M 2PP
United Kingdom