Fully Underwritten Rights Issue of 170,453,354 New Shares at a Subscription Price of NOK 26.50 per New Share, with Subscription Rights for Existing Shareholders as of the end of June 22, 2009

RENEWABLE ENERGY CORPORATION ASA
A public limited liability company organized under the laws of the Kingdom of Norway

Subscription Period in the Rights Issue:
From and including June 29, 2009 to July 13, 2009 at 17:30 (Oslo time)

The information contained in this Prospectus relates to an underwritten rights issue (the “Rights Issue”) and subsequent listing of 170,453,354 new shares each with a par value of NOK 1 (the “New Shares”) at a subscription price of NOK 26.50 per New Share (the “Subscription Price”), with subscription rights (“Subscription Rights”) for existing shareholders (the “Existing Shareholders”) of Renewable Energy Corporation ASA (“REC” or the “Company”) as of the end of June 22, 2009. The Rights Issue is underwritten by an underwriting syndicate, consisting of the Company’s major Existing Shareholders and the Managers, that guarantees the full subscription of the New Shares.

The Company’s Existing Shareholders will receive Subscription Rights to subscribe for the New Shares based on their shareholding in the Company as of the end of June 22, 2009, in accordance with Section 10-4 of the Norwegian Public Limited Companies Act. Each Existing Shareholder will receive one Subscription Right for every 2.9 shares in REC held as of the end of June 22, 2009. The holders of Subscription Rights will be entitled to subscribe for one New Share for every Subscription Right held. The Subscription Rights will be registered on each Existing Shareholder’s account in the Norwegian Central Securities Depository (“Verdipapirsentralen” or “VPS”). Over-subscription and subscription without Subscription Rights is allowed. The New Shares will be registered in the VPS in book entry form and will carry full voting rights. All the Company’s shares (the “Shares”) rank in parity with one another and carry one vote per Share.

Investing in the Company involves risks. See section 4 “Risk Factors”.

It is expected that payment for the New Shares will be made on or about July 21, 2009. Delivery of the New Shares is expected to take place on or about July 24, 2009. The New Shares will be delivered through the facilities of VPS. Trading in the New Shares on Oslo Børs is expected to commence on or about July 23, 2009.

SUBSCRIPTION RIGHTS NOT USED TO SUBSCRIBE FOR NEW SHARES BEFORE THE END OF THE SUBSCRIPTION PERIOD WILL LAPSE WITHOUT COMPENSATION, AND CONSEQUENTLY BE OF NO VALUE. TO ENSURE THAT THE SUBSCRIPTION RIGHTS RECEIVED DO NOT BECOME VOID AND WITHOUT VALUE, THE HOLDER MUST NO LATER THAN JULY 13, 2009 AT 17:30 (OSLO TIME) EITHER EXERCISE THE SUBSCRIPTION RIGHTS AND SUBSCRIBE FOR NEW SHARES OR SELL THE SUBSCRIPTION RIGHTS.

Global Coordinator and Joint Bookrunner
DnB NOR Markets

Joint Lead Managers and Joint Bookrunners
ABN AMRO BNP PARIBAS Nordea Markets

June 23, 2009
Important Notice

This Prospectus has been prepared in connection with the offer of New Shares of REC through the Rights Issue and the subsequent admission of the New Shares to trading on Oslo Børs, as described herein. For the definitions of terms used throughout this Prospectus, see section 26 “Definitions and Glossary of Terms” of this Prospectus.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act and related secondary legislation, including the EC Commission Regulation EC/809/2004. The Prospectus has been reviewed and approved by Oslo Børs in accordance with Sections 7-7 and 7-8, cf. Sections 7-2 and 7-3, of the Norwegian Securities Trading Act. This Prospectus has been published in an English version only, with a Norwegian translation of section 1 “Summary” and section 8 “The Rights Issue”.

The term “Global Coordinator and Joint Bookrunner” refers to DnB NOR Markets and the term “Joint Lead Managers and Joint Bookrunners” refers to ABN AMRO, BNP PARIBAS and Nordea Markets collectively. The term Managers refers to DnB NOR Markets, ABN AMRO, BNP PARIBAS and Nordea Markets collectively.

All inquiries relating to this Prospectus should be directed to the Company or the Managers. No other person has been authorized to give any information about, or make any representation on behalf of, the Company in connection with the Rights Issue and, if given or made, such other information or representation must not be relied upon as having been authorized by the Company or the Managers.

An investment in REC involves inherent risks. Potential investors should carefully consider the risk factors set out in section 4 “Risk Factors” in addition to the other information contained herein before making an investment decision. An investment in the Company is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult with its own legal adviser, business adviser or tax adviser as to legal, business and tax advice.

The delivery of this Prospectus shall under no circumstance create any implication that the information contained herein is correct as of any time subsequent to the date of this Prospectus. However, in accordance with Section 7-15 of the Norwegian Securities Trading Act, every new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Shares and which arises or is noted between the time of approval of the Prospectus and listing of the New Shares on Oslo Børs, will be included in a supplement to this Prospectus.

This Prospectus is subject to Norwegian law. Any dispute arising in respect of this Prospectus is subject to the exclusive jurisdiction of the Norwegian courts with Oslo City Court as legal venue in the first instance.

The distribution of this Prospectus and the offering and sale of the New 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 subscribe or purchase, any of the New Shares in any jurisdiction in which such offer or subscription or purchase would be unlawful. No one has taken any action that would permit a public offering of the Shares or the New Shares to occur outside of Norway. Furthermore, the restrictions and limitations listed and described herein are not exhaustive, and other restrictions and limitations in relation to the Rights Issue and/or the Prospectus that are not known or identified by the Company and the Managers at the date of this Prospectus may apply in various jurisdictions as they relate to the Rights Issue and the Prospectus.

For other selling and transfer restrictions, see section 9 of this Prospectus.

The Subscription Rights and New Shares have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or under the securities law of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, delivered or transferred, directly or indirectly, within the United States, except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Subscription Rights and New Shares in the United States. A notification of subscription of New Shares in contravention of the above may be deemed to be invalid.

The Subscription Rights and New Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Subscription Rights and New Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

The Subscription Rights and New Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act. Any offering of the Subscription Rights and New Shares to be made in the United States by REC will be made only to a limited number of qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) pursuant to an exemption from registration under the U.S. Securities Act and who have executed and returned an investor letter to the Company prior to exercising their Subscription Rights. Prospective purchasers are hereby notified that sellers of the New Shares may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Until 40 days after the commencement of the Rights Issue, any offer or sale of Subscription Rights and New Shares within the United States by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the U.S. Securities Act.
# TABLE OF CONTENTS

1. SUMMARY ................................................................................................................................................. 4
2. NORWEGIAN SUMMARY – NORSK SAMMENDRAG.............................................................................. 19
3. FORTRINNSRETTEMSJONEN – NORWEGIAN TRANSLATION OF "THE RIGHTS ISSUE".... 32
4. RISK FACTORS........................................................................................................................................... 44
5. RESPONSIBILITY FOR THE PROSPECTUS............................................................................................ 62
6. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS ........................................ 63
7. USE OF PROCEEDS.................................................................................................................................... 65
8. THE RIGHTS ISSUE................................................................................................................................. 67
9. RESTRICTIONS ON SALE AND TRANSFER ......................................................................................... 79
10. EXCHANGE RATE INFORMATION......................................................................................................... 84
11. SELECTED FINANCIAL AND OPERATING DATA ............................................................................... 85
12. CAPITALIZATION AND INDEBTEDNESS.............................................................................................. 90
13. OPERATING AND FINANCIAL REVIEW.............................................................................................. 91
14. INDUSTRY OVERVIEW......................................................................................................................... 105
15. THE COMPANY’S BUSINESS .................................................................................................................. 122
16. RELATED PARTY TRANSACTIONS ...................................................................................................... 137
17. THE COMPANY’S BOARD AND MANAGEMENT .................................................................................. 140
18. MAJOR SHAREHOLDERS....................................................................................................................... 153
19. SHARES AND SHAREHOLDER MATTERS .......................................................................................... 154
20. DIVIDENDS AND DIVIDEND POLICY ................................................................................................. 161
21. LEGAL MATTERS................................................................................................................................. 162
22. SECURITIES TRADING IN NORWAY .................................................................................................... 163
23. NORWEGIAN TAXATION...................................................................................................................... 167
24. ENFORCEMENT OF CIVIL LIABILITIES............................................................................................... 170
25. INDEPENDENT AUDITOR ................................................................................................................... 171
26. DOCUMENTS ON DISPLAY AND INCORPORATION BY REFERENCE ........................................... 172
27. DEFINITIONS AND GLOSSARY OF TERMS ....................................................................................... 174

## APPENDICES

<table>
<thead>
<tr>
<th>Appendix A:</th>
<th>Subscription Form (English)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix B:</td>
<td>Subscription Form (Norwegian)</td>
</tr>
</tbody>
</table>

3
1. SUMMARY

This summary must be read as an introduction to this Prospectus and any decision to invest in the New 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 Rights Issue. It does not contain all the information that may be important to you. You should read the entire Prospectus, including the financial statements incorporated hereto by reference, before making an investment decision. In particular, you should carefully consider the information set out in section 4 “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 or other capitalized terms and certain technical terms and expressions used throughout this Prospectus, see section 27 “Definitions and Glossary of Terms”.

A Norwegian translation of this summary is included in section 2 of the Prospectus. In case of any discrepancies between the two versions, the English version shall prevail.

1.1 Introduction

1.1.1 General

The Company is one of the world’s leading companies in the photovoltaic (“PV”) industry. 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 all the main PV markets, operated manufacturing facilities at six different sites in three different countries (excluding Sovello and excluding the production facilities under construction in Singapore) and approximately 2,400 employees (excluding Sovello) as of December 31, 2008. 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, U.S. (through its indirect subsidiary REC Solar Grade Silicon LLC, or “SGS”), and Butte, Montana, U.S. (through its indirect subsidiary REC Advanced Silicon Materials LLC, or “ASiM”, which it acquired in 2005). REC Silicon also sells 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 sites in Herøya, Norway and Glomfjord, Norway.

- REC Solar, which manufactures solar cells at its plant in in Narvik, Norway and solar modules in Glava, Sweden. REC Solar also to an increasing degree participates in project development within selected segments of PV systems.

The Company’s principal office is located at Kjørboveien 29, P.O. Box 594, N-1337 Sandvika, Norway and its main telephone number at that address is +47 67 57 44 50.

1.1.2 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 liability 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 objective 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,
some of the founders of the Company decided in 1999 to integrate forward in the value chain by also producing solar cells and modules. After some interim module production in Southern Africa in 2001-2003 aimed at the off-grid market, REC ScanCell AS and REC ScanModule AB commenced production of solar cells and solar modules in 2003, targeting primarily the grid-connected market.

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, then 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 AS 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, U.S. Komatsu retains a non-voting minority interest in ASiMI, as further described in section 15.3 below.

In May 2006, the Company’s shares were listed on Oslo Børs. Through the initial public offering in connection with the listing, the Company registered some 22,000 new shareholders.

The Company has completed, and has ongoing, large expansion projects in the whole value chain, especially in REC Silicon and REC Wafer. In 2008 Singapore was chosen as the location for a new manufacturing site for wafers, solar cells and solar modules, and the investment decision was made in the middle of 2008. The investment supports the Company’s position as a leading provider of solar energy solutions and its main corporate goals of reducing costs and securing profitable growth.

1.1.3 Strategy

The Company remains committed to a strategy of profitable growth by focusing on making PV generated electricity cost competitive with other existing sources of energy. To fulfill this ambition, the Company will continue to link the strengths across its integrated PV value chain, to make photovoltaic solar energy accessible and affordable. The Company is also scaling up its activities throughout the value chain, from silane gas and polysilicon production to module systems deliveries. The integrated model provides in-depth industry insights, consistent manufacturing principles and operational synergies and a platform for continued cost reductions.

**REC Silicon**, one of the largest producers of polysilicon in the world, increased its production capacity by 8% through continuous improvements in 2008. The position is expected to be further strengthened with the opening of its new 6,500 MT plant for production of granulated polysilicon expected in 2009, the last ongoing expansion is expected to be ramped up in 2010 allowing the Company to allocate additional silane gas to the merchant market.

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

**REC Solar** significantly increased production of both solar cells and modules in 2008, and is expected to increase production capacity with the construction of the manufacturing complex in Singapore. The capacity is expected to increase from the current 225 MW of solar cells and 150 MW of modules to some 780 MW of solar cells and 740 MW of modules in 2011, with production expected to be ramped-up from early 2010. In addition to the production of solar cells and modules, REC Solar expects to participate in an increasing degree in project development within selected segments of PV systems. This activity will be pursued while applying prudent working capital management.

In 2005, the Company stated a target to reduce the world class manufacturing costs in 2005 by nearly 50% within 2010 in its best plants. World class manufacturing costs are Company estimates of what it regarded as the
best-in-class manufacturing costs throughout the value chain (Silicon-wafer-cell-module). In the years from 2005 to 2008, the Company has reduced its own manufacturing costs through the value chain by 25%, and the expected cost reduction rate in 2009 is mainly driven by the scale-up of new production lines in REC Solar and REC Wafer in Norway. To an increasing degree, the Company relies on lean manufacturing techniques to reach world class performance in operations. Organizational development activities throughout the Company, including training, are directed towards this end.

1.2 Board of Directors

The Board of Directors currently consists of Dag J. Opedal (Chairman), Roar Engeland, Susanne Munch Thore, Tore Schiotz, Grace Reksten Skaugen, Hilde Myrberg, Odd Christopher Hansen, Unni Iren Kristiansen, Rolf Birger Nilsen, Anders Langerød and Tommy Kristensen.

1.3 Executive management

The Company’s executive management consists of the following persons: Ole Enger (President and CEO), John Andersen, Jr. (Executive Vice President – REC Solar & Group COO), Tore Torvund (Executive Vice President – REC Silicon), Ingelise Arntsen (Executive Vice President – REC Wafer), Erik Saur (Senior Vice President – Technology & CTO), Svånaug Bergland (Senior Vice President – Organizational Development & Corporate Communications), Bjørn Brenna (Executive Vice President and CFO), Jon André Lokke (Senior Vice President – Investor Relations), Einar Kilde (Executive Vice President – REC Projects) and Kristine Ryssdal (Senior Vice President & Chief Legal Officer).

1.4 Employees

REC had approximately 2,400 employees as of December 31, 2008 (Sovello employees not included).

1.5 Auditor

KPMG AS is the Company’s independent auditor. KPMG AS is a member of the Norwegian Institute of Public Auditors (Norwegian: “Den Norske Revisorforening”).

1.6 Advisers

The Rights Issue is managed by DnB NOR Markets as Global Coordinator and Joint Bookrunner, and ABN AMRO, BNP PARIBAS and Nordea Markets as Joint Lead Managers and Joint Bookrunners.

Ernst & Young AS has performed a limited financial due diligence. Thommessen Krefting Greve Lund AS Advokatfirma has acted as the Managers’ Norwegian legal advisor and Linklaters LLP has acted as the Managers’ US legal advisor in connection with the Rights Issue. The Company’s Norwegian legal advisor has been Advokatfirmaet Schjødt DA and the Company’s financial adviser has been Arctic Securities ASA.

1.7 Share Capital

The registered share capital of the Company is NOK 494,314,725, divided on 494,314,725 Shares with a nominal value of NOK 1 each. The Shares have all been validly issued and fully paid, and are registered in the VPS with ISIN NO 001 0112675.

1.8 Major Shareholders

The following table sets forth information concerning the three largest registered holders of the Company’s Shares as registered in the VPS on June 22, 2009. Except as set forth below, the Company is not aware of any shareholder owning more than 5% of the Company’s outstanding Shares.

<table>
<thead>
<tr>
<th>Name of REC Shareholder</th>
<th>Number of REC Shares</th>
<th>Percentage of REC Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elkem AS *</td>
<td>115,935,300</td>
<td>23.45%</td>
</tr>
<tr>
<td>Orkla ASA</td>
<td>80,489,700</td>
<td>16.28%</td>
</tr>
<tr>
<td>Hafslund Venture AS</td>
<td>70,411,520</td>
<td>14.24%</td>
</tr>
</tbody>
</table>

* Elkem AS is a wholly owned subsidiary of Orkla ASA.
In addition to the above, FMR LLC and FIL Limited announced on May 14, 2009 that various entities managed by direct or indirect subsidiaries of FMR LLC and FIL Limited collectively controlled Shares amounting to more than 5% of the Company’s share capital and voting rights.

1.9 Related Party Transactions

The Company has related party relationships with its subsidiaries, associates, joint ventures and with its Group management and Board of Directors and principal shareholders. Transactions with subsidiaries are eliminated on consolidation and are not reported as related party transactions in the Consolidated Financial Statements. For details of the Company’s related party transactions see section 16 below in this Prospectus.

1.10 Articles of Association and Documents on Display

The Company’s Articles of Association have been incorporated hereto by reference. See section 26.2.

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, Kjørboveien 29, P.O. Box 594, N-1337 Sandvika, Norway (telephone number +47 67 57 44 50):

- The Company’s Memorandum and Articles of Association;
- The Company’s 2006, 2007 and 2008 consolidated annual financial statements, including the auditor’s report;
- The Company’s first quarter 2009 interim financial statements;
- The auditor’s review report for the three months period ended March 31, 2009; and
- The 2007 and 2008 annual financial statements for the Company’s subsidiaries (to the extent such exist).
1.11  **The Rights Issue**

<table>
<thead>
<tr>
<th><strong>The Rights Issue</strong></th>
<th>Fully underwritten issue of 170,453,354 New Shares with Subscription Rights for Existing Shareholders as of June 22, 2009.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subscription Rights</strong></td>
<td>The Company will issue one (1) Subscription Right per 2.9 Shares held in the Company as of June 22, 2009, in total 170,453,354 Subscription Rights, each with a right to subscribe for and be allocated one (1) New Share.</td>
</tr>
<tr>
<td><strong>Subscription Period</strong></td>
<td>From and including June 29, 2009 to July 13, 2009 at 17:30 (Oslo time).</td>
</tr>
<tr>
<td><strong>Subscription Price</strong></td>
<td>NOK 26.50 per New Share</td>
</tr>
<tr>
<td><strong>Global Coordinator and Joint Bookrunner</strong></td>
<td>DnB NOR Markets</td>
</tr>
<tr>
<td><strong>Joint Lead Managers and Joint Bookrunners</strong></td>
<td>ABN AMRO, BNP PARIBAS and Nordea Markets</td>
</tr>
<tr>
<td><strong>Voting Rights</strong></td>
<td>Each Share gives the holder the right to cast one vote at general meetings of shareholders. See section 19.12.</td>
</tr>
<tr>
<td><strong>Reason for the Rights Issue and Use of Proceeds</strong></td>
<td>The Rights Issue proceeds will be used to strengthen the Company’s financial position. See section 7 for further details.</td>
</tr>
<tr>
<td><strong>Shares Outstanding Before the Rights Issue</strong></td>
<td>494,314,725 Shares</td>
</tr>
<tr>
<td><strong>Shares Outstanding After the Rights Issue</strong></td>
<td>664,768,079 Shares</td>
</tr>
<tr>
<td><strong>Payment and Delivery</strong></td>
<td>Payment is expected to take place on or about July 21, 2009, following which the New Shares are expected to be delivered to the Subscribers’ VPS accounts on or about July 24, 2009.</td>
</tr>
<tr>
<td><strong>Listing and Trading of the New Shares</strong></td>
<td>It is expected that trading in the New Shares will commence on Oslo Børs on or about July 23, 2009.</td>
</tr>
<tr>
<td><strong>ISIN</strong></td>
<td>The Shares and the New Shares will have ISIN NO 001 0112675.</td>
</tr>
<tr>
<td><strong>OSE Ticker Symbol</strong></td>
<td>REC</td>
</tr>
<tr>
<td><strong>Dilution</strong></td>
<td>The Rights Issue will result in an immediate dilution of 25.64% for Existing Shareholders who do not participate in the Rights Issue.</td>
</tr>
<tr>
<td><strong>Proceeds and expenses</strong></td>
<td>The total fees and expenses related to the Rights Issue are estimated to amount to approximately NOK 200 million. Total net proceeds in the Rights Issue are estimated to amount to approximately NOK 4,300 million.</td>
</tr>
</tbody>
</table>
1.12  Summary of Historical Financial Data

The following table presents summary historical financial information derived from the Company’s annual consolidated financial statements (including the notes thereto) as of and for the years ended December 31, 2008, 2007 and 2006, as well as consolidated condensed interim financial information as of and for the three months ended March 31, 2009 and 2008. The Company’s consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Company’s consolidated condensed interim financial statement as of and for the three months ended March 31, 2009 and March 31, 2008, combined with relevant information in the financial review, have been prepared in accordance with IAS 34. The consolidated annual financial statements have been audited by KPMG AS, the Company’s independent auditor, as stated in its audit report. The consolidated condensed interim financial statements for the first quarter 2009 have been subject to review by the auditor. The first quarter 2008 figures and consolidated condensed interim financial statements are unaudited. The amounts from the financial statements are presented in NOK, rounded to the nearest million, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statement information may not add up to the total of that row or column.

1.12.1  Information from the Consolidated Statement of Income

<table>
<thead>
<tr>
<th></th>
<th>For the three months ended March 31,</th>
<th>For the years ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed) (unaudited)</td>
<td>(audited) (audited) (audited)</td>
</tr>
<tr>
<td>Revenues</td>
<td>2,013 1,771</td>
<td>8,191 6,642</td>
</tr>
<tr>
<td>Earnings before financial items and income taxes, depreciation/amortization/impairment (EBITDA)</td>
<td>527 742</td>
<td>3,279 3,172</td>
</tr>
<tr>
<td>Depreciation, amortization and impairment</td>
<td>(225) (163)</td>
<td>(750) (585)</td>
</tr>
<tr>
<td>Earnings before interest and income taxes (EBIT)</td>
<td>302 579</td>
<td>2,529 2,588</td>
</tr>
<tr>
<td>Net financial items</td>
<td>298 (251)</td>
<td>1,850 (610)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>600 327</td>
<td>4,379 1,977</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(206) (117)</td>
<td>(1,314) (644)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>394 211</td>
<td>3,064 1,333</td>
</tr>
</tbody>
</table>

Attributable to:
Non-controlling interests | 0 0 | 0 0 | 0 0
Equity holders of REC (parent) | 394 211 | 3,064 1,333 | 458

Per share data:
Earnings per share (NOK) – basic | 0.80 0.43 | 6.20 2.70 | 1.03
Earnings per share (NOK) – diluted | 0.80 0.43 | 6.20 2.70 | 1.03

1.12.2  Information from the Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>At March 31,</th>
<th>At December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed) (unaudited)</td>
<td>(audited) (audited)</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>26,570 11,850</td>
<td>25,488 10,367</td>
</tr>
<tr>
<td>Total current assets</td>
<td>6,370 6,059</td>
<td>4,721 7,579</td>
</tr>
<tr>
<td>Total assets</td>
<td>32,941 17,910</td>
<td>30,209 17,945</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>16,240 11,817</td>
<td>16,512 11,757</td>
</tr>
</tbody>
</table>
Total non-current liabilities * .................................. 11,212 3,575 7,851 3,800 3,037
Total current liabilities * .................................. 5,489 2,517 5,845 2,588 1,107
Total liabilities ................................................. 16,701 6,092 13,696 6,188 4,144

Total equity and liabilities ....................................... 32,941 17,910 30,209 17,945 14,781

* Derivatives for 2006 are classified as current assets and liabilities, and are not reclassified as in 2008 and 2007.

1.13 Operating and financial review

The Company is positioned in the solar energy industry as a company with broad presence across the value chain. The Company believes it is one of the world's largest producers of silicon materials for photovoltaic (PV) applications and PV multicrystalline wafers, as well as a significant producer of cells and modules. The Company has customers in all the main PV markets, operated manufacturing facilities at six different sites (excluding Sovello and excluding the production facilities under construction in Singapore).

During the periods presented, the Company has experienced significant revenue growth, primarily achieved through increases in production volumes, as shown in the tables below:

<table>
<thead>
<tr>
<th>Revenue (NOK IN MILLION)</th>
<th>For the three months ended March 31</th>
<th>For the years ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed) (unaudited)</td>
<td>(audited) (audited) (audited)</td>
</tr>
<tr>
<td>REC Silicon</td>
<td>947</td>
<td>652</td>
</tr>
<tr>
<td>REC Wafer</td>
<td>1,589</td>
<td>1,209</td>
</tr>
<tr>
<td>REC Solar</td>
<td>388</td>
<td>340</td>
</tr>
<tr>
<td>Other</td>
<td>93</td>
<td>158</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(1,004)</td>
<td>(588)</td>
</tr>
<tr>
<td>REC Group</td>
<td>2,013</td>
<td>1,771</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Production volume</th>
<th>For the three months ended March 31</th>
<th>For the years ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>REC Silicon</td>
<td>1,657</td>
<td>1,544</td>
</tr>
<tr>
<td>Polysilicon in MT(1) (prime material)...</td>
<td>366</td>
<td>378</td>
</tr>
<tr>
<td>Silane gas (sales to merchant market in MT)...</td>
<td>181</td>
<td>137</td>
</tr>
<tr>
<td>REC Wafer</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>REC Solar</td>
<td>44</td>
<td>15</td>
</tr>
<tr>
<td>Solar modules in MW......</td>
<td>27</td>
<td>14</td>
</tr>
</tbody>
</table>

(1) Polysilicon production for the year 2008 includes 70 MT of granular “starter-bed” material, not for sale.

See section 13 for further details on the operating and financial review.

1.14 Significant Developments since March 31, 2009

Between March 31, 2009 and up to the date of the Prospectus, the Company has experienced the following significant developments:

- REC Silicon’s new silane gas and granular polysilicon production facility in Moses Lake (“Silicon III”) started production in the second half of March 2009. The plant was subsequently shut down for safety reasons due to an observed leak in the Fluidized Bed Reactors (“FBR”) discharge pipe. Production from Silicon III is expected to resume in the third quarter 2009.
• On April 3, 2009, REC Solar announced a reduction of the second quarter production volumes of solar cells and modules with approximately 50%. The reduction in production volumes affected approximately 180 employees. The decision to reduce the production volumes came after an inventory build-up of solar cells and modules in the first quarter following the challenging market environment for the solar industry.

• On April 4, 2009 Ole Enger assumed the position as President and CEO in the Company to replace Erik Thorsen.

• On May 25, 2009 the Company announced that REC Wafer had decided to temporarily take out approximately 35% of its production capacity due to a challenging market situation and low demand visibility. The temporary reduction will affect approximately 180 employees.

• On June 5, 2009 the Company also announced that weakening of the market described in the interim financial report for first quarter of 2009 has continued and that the Company faces a reduced demand for modules and an increasingly difficult market for wafers, which has led to reduced production and temporary lay-offs both in REC Wafer and REC Solar. It was also stated that the Company expects that the production facilities within REC Solar will continue to operate below full capacity also into the third quarter of 2009.

• On June 17, 2009 the Company entered into a Bridge-to-Bond revolving credit facility for NOK 750 million with a group of banks. The Bridge-to-Bond agreement gives certainty of a minimum funding amount pending bond issues and will be refinanced by the proceeds of any bond issue. The Company is by the agreement required to seek to issue bonds in the second half of 2009. In the event of no bond issue, or insufficient bond issues, the Bridge-to-Bond agreement may run for 18 months before it must be repaid. On June 19, 2009 the Company received consent from the banks to restructure the NOK 5,425 million credit facility entered into on March 23, 2006. The total remaining credit limit of NOK 4,915 million was utilized in full at March 31, 2009, and the restructuring allows instalments due in the remainder of 2009 and in 2010, in total NOK 1,725 million, to be deferred until final maturity of the facility in 2012. In addition, a new debt facility of NOK 525 million has been offered by a group of banks and accepted by the Company. In total the new committed debt package adds up to NOK 3,000 million. An additional loan facility of up to NOK 1,000 million is presently in negotiation; potentially increasing the debt package to approximately NOK 4,000 million. Consequently, the aggregate gross liquidity effect from this refinancing, both debt and equity, will be in the range of NOK 7,500 million – 8,500 million. On June 19, 2009 the Company received consent from its bank syndicates to amend the financial covenants under the two existing credit facilities and the guarantee facility. The amended covenants are in the Company’s opinion expected to give headroom. The restructuring of the financial covenants requires the Company to pay upfront waiver fees and increase the margins payable to the banks under the facilities.

• With reference to the resolution adopted at the extraordinary general meeting on June 5, 2009, the Company may issue convertible bonds during the second half of 2009. This will ensure further robustness and flexibility and enable the Company to exploit strategic opportunities.

• On June 22, 2009, the Company released a trading update where the following information was included:
  - Regarding REC Solar: The weakening of the solar market has continued so far into 2009 and REC Solar’s sales prices for solar modules for the whole year of 2009 on average is currently expected to be down approximately 30% compared to the average of 2008. As previously communicated, production is currently running well below design capacity.
  - Regarding REC Wafer: REC Wafer sells a substantial portion of its production on long-term contracts (4-8 years), generally with predetermined volumes and prices. Due to the current market situation, REC Wafer has received inquiries from the majority of its customers with long-term...
contracts concerning possible adjustments to delivery volumes and/or prices. It may be in REC Wafer’s interest to fully exercise its rights under the long-term sales contracts in order to protect its position. On the other hand, it could be in REC Wafer’s commercial interest to, among other things, make individual adjustments to the timing of shipments and/or prices in these sales contracts, taking into consideration its long standing relationship with key customers. Any adjustments will have an effect on EBITDA in the relevant period. REC Wafer has so far only made certain minor adjustments.

− Regarding REC Silicon: The Company announced in April 2009 that it had encountered initial problems in the ramp-up of Silicon III. The Company, in close cooperation with its contractor, has redesigned the discharge pipe and continues to test the implemented solution, which so far has performed according to simulations. Generally, however, interruptions must be expected in ramping up large complex chemical plants, which implement new innovative technologies. There is presently no change to the already communicated ramp-up schedule of Silicon III.

− Regarding the Singapore Project: The project continues to trend towards a lower capital expenditure compared to the initial investment case, reflecting a less heated construction market. The new plant is expected to be more cost competitive than the Company’s existing facilities, ramp-up is expected to start in the first and second quarter of 2010 and will be done in line with market demand and prudent working capital management.

Except for the significant developments described above, there has been no significant change in the financial or trading position of the Company since March 31, 2009.

### 1.15 Capitalization and Indebtedness

The following table sets forth the Company’s capitalization and indebtedness prepared in accordance with IFRS as of March 31, 2009. You should read this table in conjunction with the consolidated condensed interim financial statements for the first quarter 2009 combined with relevant information in the financial review and the consolidated financial statements for 2008, including the notes thereto.

<table>
<thead>
<tr>
<th>Consolidated statement of capitalization and indebtedness</th>
<th>Unaudited per March 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(NOK IN MILLION)</em></td>
<td></td>
</tr>
<tr>
<td>Current interest-bearing liabilities 1)</td>
<td></td>
</tr>
<tr>
<td>- Guaranteed</td>
<td>0</td>
</tr>
<tr>
<td>- Secured</td>
<td>382</td>
</tr>
<tr>
<td>- Unsecured</td>
<td>1,010</td>
</tr>
<tr>
<td><strong>Total current interest-bearing liabilities</strong></td>
<td><strong>1,393</strong></td>
</tr>
<tr>
<td>Non-current interest-bearing liabilities</td>
<td></td>
</tr>
<tr>
<td>- Guaranteed</td>
<td>0</td>
</tr>
<tr>
<td>- Secured</td>
<td>0</td>
</tr>
<tr>
<td>- Unsecured</td>
<td>8,724</td>
</tr>
<tr>
<td><strong>Total non-current interest-bearing liabilities</strong></td>
<td><strong>8,724</strong></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>494</td>
</tr>
<tr>
<td>Legal reserves</td>
<td>8,266</td>
</tr>
<tr>
<td>Other reserves</td>
<td>7,480</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td><strong>16,240</strong></td>
</tr>
<tr>
<td><strong>Total capitalization</strong></td>
<td><strong>26,357</strong></td>
</tr>
</tbody>
</table>
Net indebtedness

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (NOK in Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Cash</td>
<td>2,003</td>
</tr>
<tr>
<td>B. Cash equivalent</td>
<td>0</td>
</tr>
<tr>
<td>C. Trading securities</td>
<td>0</td>
</tr>
<tr>
<td>D. Liquidity</td>
<td>2,003</td>
</tr>
<tr>
<td>E. Current financial receivable</td>
<td>0</td>
</tr>
<tr>
<td>F. Current bank debt</td>
<td>0</td>
</tr>
<tr>
<td>G. Current portion of non-current bank debt 1)</td>
<td>1,101</td>
</tr>
<tr>
<td>H. Other financial debt</td>
<td>292</td>
</tr>
<tr>
<td>I. Current financial debt</td>
<td>1,393</td>
</tr>
<tr>
<td>J. Net current financial indebtedness</td>
<td>(610)</td>
</tr>
<tr>
<td>K. Non-current bank loans</td>
<td>7,754</td>
</tr>
<tr>
<td>L. Bonds issued</td>
<td>0</td>
</tr>
<tr>
<td>M. Other non-current financial debt</td>
<td>970</td>
</tr>
<tr>
<td>N. Non-current financial indebtedness</td>
<td>8,724</td>
</tr>
<tr>
<td>O. Net financial indebtedness</td>
<td>8,114</td>
</tr>
</tbody>
</table>

1) All Sovello’s bank debt has been classified as current because of Sovello’s breach of loan covenants, as described in the Company’s 2008 consolidated financial statements.

1.16 Research and Development

The Company deploys significant resources into developing and industrializing technical and process innovations across the solar energy value chain. Total research and development (R&D) expenses increased to NOK 213 million in 2008, from NOK 111 million in 2007 and NOK 83 million in 2006. In addition, (i) some R&D expenditure was capitalized related to the FBR and furnace technology, (ii) some of the development costs related to introduction of new technology into mass production were carried by the manufacturing plants and not reported as R&D, and (iii) significant investments made in the new technology centers have been capitalized rather than expensed.

1.17 Patents and Licenses

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. However, in certain specific cases, where it appears difficult to ascertain whether or not competitors are violating potential patents, the Company generally does not file for patent protection.

The Company’s patents and patent applications cover processes currently being used in the following production steps for solar modules:

- Silane deposition in Siemens and FBR reactors
- Other steps in silane and polysilicon production
- Crystallization of silicon
- Sawing of ingot into blocks
- Sawing of blocks into wafers
- Washing of wafers
- Separation of 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 by the Company are distributed as shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>REC (parent)</th>
<th>REC Silicon</th>
<th>REC Wafer</th>
<th>REC Solar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patents granted (a family is not granted together)...............</td>
<td>0</td>
<td>40</td>
<td>6</td>
<td>0</td>
<td>46</td>
</tr>
<tr>
<td>Patent applications pending .......</td>
<td>39</td>
<td>41</td>
<td>63</td>
<td>3</td>
<td>146</td>
</tr>
</tbody>
</table>
1.18 Summary of Risk Factors

This section contains only a summary of the risk factors associated with an investment in the Company. It does not contain the necessary information to assess and understand these risks. In addition to reading the entire Prospectus, including the financial statements incorporated hereto by reference, you should therefore carefully consider the information set out in section 4 “Risk Factors” before making an investment decision.

Risks Relating to the PV Industry

- Continued government subsidies, incentives and other support are of key importance to the PV industry.

- Prolonged limited capital availability could have a significant negative impact on the demand for the Company’s products.

- Increasing interest rates could have a significant 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.

- The PV industry is not yet mature in terms of demand, market structure and technology.

- There is a significant risk of industry-wide overcapacity in the PV industry, which could lead to a reduction in average selling prices across the PV value chain and a significant deterioration of profitability.

- There are significant 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 significant threat to its profitability, or even its existence.

Risks Related to the Company

- The ongoing financial crisis adversely affects the markets in which the Company operates, and could have significant negative effects on the Company’s financial results.

- A few larger external customers account for the greatest share of the Company’s sales, and default or renegotiation of contracts could have a significant negative impact on the Company’s operating results.

- Within cells and modules, the Company has limited long-term agreements with its customers and accordingly is subject to short term fluctuations in demand, which could have significant negative impacts on its operating results.

- A substantial portion of sales by the divisions of the Company are sold internally (eliminated on consolidation).

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

- If the recent credit market conditions continue or worsen, they could have a material adverse impact on the Company’s strategic investments.

- The Company has undertaken for a limited period of time to maintain the liquidity of Sovello.

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

- The Company is dependent upon the continued availability of financing arrangements which can be significantly affected by general economic conditions.
The global economic downturn and dislocation in the financial markets may expose the Company to liquidity risk in the longer term.

The Company’s credit agreements contain covenant restrictions that may limit its ability to operate its business.

Changes in the interest rates affect cash flows and the estimated fair values of assets and liabilities.

The Company is exposed to exchange rate risks.

The Company is exposed to risk related to embedded derivatives.

The Company is exposed to credit risk.

The Company will from time to time be involved in disputes and legal proceedings.

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, involve significant risks and may not give a positive return on investment.

The Company is dependent on a limited number of third-party suppliers for key production supplies and components for its products and any disruption to supply could negatively impact its business significantly.

The Company is relying on external subcontractors and suppliers of services and goods to meet agreed or generally accepted standards.

The Company’s results of operations may be significantly adversely affected by fluctuations in energy prices.

The Company obtains 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 projects and products on time will suffer, which in turn could result in order cancellations and significant loss of revenue.

The Company may not succeed in developing and implementing new measures to increase the conversion efficiency of solar cells or such improvements may require more time and resources than initially anticipated.

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

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

Since the Company cannot test its solar modules for the duration of the warranty period, the Company may be subject to significant unexpected warranty expenses.

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

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

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 cause significant costs 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.

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 significantly 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 could be seriously harmed by incidents resulting in damages not covered by insurance.

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

A majority of the Company’s insurance policies expire towards the end of November 2009.

There are risks related to estimation uncertainty.

The Company has a relatively limited operating history which may not serve as an adequate basis to judge its future prospects and results.

**Risks Relating to the Rights Issue and the Shares**

After the Rights Issue, 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 Shares.

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

Pre-emptive rights may not be available to U.S. holders of the 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 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 Register of Business Enterprises is severely limited under Norwegian law.
2. NORWEGIAN SUMMARY – NORSK SAMMENDRAG

Dette sammendraget må leses som en inndeling til Prospektet og enhver beslutning om å investere i de Nye Aksjene bør baseres på en vurdering av Prospektet i sin helhet, inkludert dokumentene som er inkorporert ved henvisning. Etter implementering av de relevante bestemmelser i Prospektdirektivet (Direktiv 2003/71/EF) i hver medlemsstat i EØS, vil intet sivilrettslig erstatningsansvar påligge de ansvarlige personene i noe slikt medlemsland basert kun på dette sammendraget, herunder oversettelser av dette, med mindre sammendraget er misvisende, unøyaktig eller inkonsistent når det leses i sammenheng med Prospektets øvrige deler. Dersom et krav vedrørende innholdet i dette Prospektet fremmes for retten i en medlemsstat i EØS, vil saksøker i henhold til nasjonal lovgivning i medlemsstaten der kravet fremmes, kunne bli pålagt å bære kostnadene knyttet til å oversette Prospektet for den rettslige prosessen iverksettes.

Sammendraget fremhever enkelte opplysninger om Selskapet og Fortrinnsretsemissjonen. Det inneholder ikke all informasjon som vil være viktig for deg. Du bør lese hele Prospektet, herunder regnskapene som er inkorporert ved referanse, før en investeringsbeslutning treffes. Særlig bør du nøy vurdere informasjonen som fremgår i kapittel 4 ”Risk Factors”.

Med mindre annet er angitt eller fremgår av sammenhengen er alle henvisninger i dette Prospektet til ”REC” eller ”Selskapet” ment å omfatte Renewable Energy Corporation ASA sammen med selskapets konsoliderte datterselskaper. For definisjoner eller andre begreper med stor forbokstav og visse tekniske begreper og uttrykk anvendt fortømpende i Prospektet, se kapittel 27 ”Definitions and Glossary of Terms”.

Dette sammendraget er en oversettelse av det engelske sammendraget inntatt i kapittel 1. Ved eventuell motstrid mellom de to versjonene, er det den engelske versjonen som skal gjelde.

2.1 Innledning

2.1.1 Generelt

Selskapet er et av verdens ledende selskaper innen solenergiindustrien. Selskapet er involvert i alle ledd i solenergiens verdikjede: produksjon av superrent polysilisium, produksjon av silisiumswafere, og produksjon av solceller og produksjon av solcellepaneler. Selskapet har kunder i all de viktigste solenergimarkedene, operasjonelle produksjonsfasiliteter på seks forskjellige plasser i tre ulike land (ikke medregnet Sovello og ikke medregnet produksjonsfasilitetene under bygging i Singapore) og rundt 2 400 ansatte (ikke medregnet Sovello) per 31. desember 2008. Selskapet driver sin virksomhet gjennom tre hoveddivisjoner, som også utgjør selskapets virksomhetssegmenter:

- REC Silicon, som produserer superrent silisium, råmaterialet for silisiumswafere til solenergiindustrien, på sine produksjonsfasiliteter i Moses Lake, Washington, USA (gjennom sitt indirekte datterselskap REC Solar Grade Silicon LLC, eller ”SGS”), og i Butte, Montana, USA (gjennom sitt indirekte datterselskap REC Advanced Silicon Materials LLC, eller ”ASiMi”, som det ervervet i 2005). REC Silicon selger også silangass fra Butte-fabrikken til eksterne kunder.
- REC Wafer, som produserer multikrystallinske silisiumswafere og monokrystallinske silisiumsingsotegere til solenergiindustrien ved sine anlegg på Herøya, Norge og Glomfjord, Norge.
- REC Solar, som produserer solceller på sitt anlegg i Narvik, Norge og solcellepaneler i Glava, Sverige. REC Solar deltar også i en økende grad i utviklingsprosjekter innenfor utvalgte segmenter av solcelleindustrien.

Selskapets hovedkontor har adresse Kjørboveien 29, Postboks 594, 1337 Sandvika, Norge og Selskapets telefonnummer på denne adressen er +47 67 57 44 50.

2.1.2 Historie

fremover i verdikjeden ved også å produsere solceller og solcellepaneler. Etter noe midlertidig produksjon av solcellepaneler i Sør-Afrika til "off grid"-markedet i perioden 2001 til 2003, påbegynte REC ScanCell AS og REC ScanModule AB produksjon av solceller og solcellepaneler i 2003, med særlig fokus på "grid connected"-markedet.

I 2002, som et svar på bekymringer rundt den langsiktige tilgjengeligheten av silisiumråvare som kunne bygge opp under videre vekst innen produksjonen av wafere, dannet Selskapet og ASiMI, den gang eiet 100 % av Komatsu America Corporation ("Komatsu"), et "joint venture" som på den tiden ble kalt Solar Grade Silicon LLC, nå REC Solar Grade Silicon LLC. Formålet var å konvertere Komatsu fabrikk i Moses Lake, Washington, USA til utelukkende å produsere superrent polysilisium.

Selskapet økte sin eierandel i REC ScanWafer AS til 71 % i 2003 og til 100 % i 2004.

REC SiTech ble stiftet i april 2004 med det formål å produsere monokrystallinske ingoter til solenergindustrien. På stiftelsestidspunktet var Selskapets aksjebeholdning i REC SiTech på ca. 12 %. I juli 2005 økte Selskapet sin aksjebeholdning i REC SiTech til 100 %.

I juli 2005 kjøpte Selskapet Komatsu aksjer i SGS og økte dermed Selskapets eierandel i SGS fra 70 % til 100 %, og kjøpte samtidig Komatsu majoritetsandel i ASiMI, som eier og driver en fabrikk for produksjon av polysilisium i Butte, Montana, USA. Komatsu har beholdt en ikke-stemmeberettiget minoritetspost i ASiMI, slik det er beskrevet i punkt 15.3 nedenfor.

I mai 2006 ble Selskapets aksjer notert på Oslo Børs. Gjennom det initiale spredningstilbudet som ble gjennomført i forbindelse med noteringen registrerte Selskapet rundt 22 000 nye aksjonærer.

Selskapet har gjennomført, og har pågående, store ekspansjonsprosjekter i hele verdikjeden, særlig i REC Silicon og REC Wafer. I 2007 ble Singapore valgt som stedet for et nytt produksjonsanlegg for wafere, solceller og solcellepaneler, og investeringsbeslutningen ble fattet i midten av 2008. Investeringen støtter Selskapets posisjon som en ledende tilbyder av solenergiløsninger og dets forretningsmessige mål om å redusere kostnader og sikre lønnsom vekst.

2.1.3 Strategi

Selskapet holder fast ved sin strategi om lønnsom vekst gjennom å fokusere på å gjøre solenergigenerert elektrisitet kostnadsmessig konkurransedyktig i forhold til andre eksisterende energikilder. For å oppfylle denne ambisjonen vil Selskapet fortsette å skape synergi av styrkene i sin integrerte verdikjede, slik at den fotovoltaiske solenergien kan bli tilgjengelig til en overkommelig pris. Selskapet oppskalerer også sine aktiviteter i hele verdikjeden, fra silangass og produksjon av superrent silisium til levering av solcellepanelsystemer. Den integrerte modellen gir en dybdeinsikt i industrien, konsekvente produksjonsprinsipper og driftsmessige synergi og en plattform for ytterligere kostnadsreduksjoner.

REC Silicon, som er en av verdens største produsenter av polysilisium, økte sin produksjonskapasitet med 8 % gjennom kontinuerlige forbedringer i 2008. Stillingen forventes å bli ytterligere styrket gjennom åpningen av et nytt anlegg på 6 500 MT for produksjon av granulert polysilisium i 2009. Den siste pågående ekspansjonen er forventet å starte opp i 2010 og vil la Selskapet tilføre ytterligere silangass som kan leveres til handelsmarkedet.

REC Wafer er blant verdens største produsenter av multikrystallinske wafere til produksjon av solceller. Produksjonen økte med 15 % til nesten 600 MW i 2008, og ytterligere kapasitetsutvidelser ventes å øke produksjonskapasiteten til rundt 2,4 GW i 2011.


I 2005 uttrykte Selskapet et mål om å redusere "world class"-produksjonskostnader i 2005 med nesten 50 % innen 2010 på sine beste anlegg. "World class"-produksjonskostnader er Selskapets estimator av hva det anså

2.2 Styret

Styret består p.t. av Dag J. Opedal (styreleder), Roar Engeland, Susanne Munch Thore, Tore Schiotz, Grace Reksten Skaugen, Hilde Myrberg, Odd Christopher Hansen, Unni Iren Kristiansen, Rolf Birger Nilsen, Anders Langerød og Tommy Kristensen.

2.3 Ledelsen

Selskapets ledelse består av følgende personer: Ole Enger (President og CEO), John Andersen, Jr. (Executive Vice President – REC Solar & Group COO), Tore Torvund (Executive Vice President – REC Silicon), Ingelise Amtsøen (Executive Vice President – REC Wafer), Erik Saur (Senior Vice President – Technology & CTO), Svånaug Bergland (Senior Vice President – Organizational Development & Corporate Communications), Bjørn Brenna (Executive Vice President and CFO), Jon André Løkke (Senior Vice President – Investor Relations), Einar Kilde (Executive Vice President – REC Projects) og Kristine Ryssdal (Senior Vice President & Chief Legal Officer).

2.4 Ansatte

REC hadde ca. 2 400 ansatte per 31. desember 2008 (ikke medregnet ansatte i Sovello).

2.5 Revisor

KPMG AS er selskapets uavhengige revisor. KPMG AS er medlem av Den Norske Revisorforening.

2.6 Rådgivere

Fortrinnsrettsemisjonen er tilrettelagt av DnB NOR Markets som "Global Coordinator and Joint Bookrunner", og ABN AMRO, BNP PARIBAS og Nordea Markets som "Joint Lead Managers and Joint Bookrunners".

Ernst & Young AS har utført en begrenset finansiell due diligence. Thommessen Krefting Greve Lund AS Advokatfirma har vært norsk juridisk rådgiver for Tilretteleggerne og Linklaters LLP har vært amerikansk juridisk rådgiver for Tilretteleggerne i forbindelse med Fortrinnsrettsemisjonen. Selskapets norske juridiske rådgiver har vært Advokatfirmaet Schjødt DA og Selskapets finansielle rådgiver har vært Arctic Securities ASA.

2.7 Aksjekapital

Selskapets registrerte aksjekapital er NOK 494 314 725, fordelt på 494 314 725 Aksjer med pålydende verdi NOK 1 per aksje. Aksjene er gyldig utstedt, fullt innbetalt og er registrert i VPS med ISIN NO 001 0112675.

2.8 Største aksjonærer

Den følgende tabellen gir informasjon om Selskapets tre største registrerte aksjonærer som registrert i VPS per 22. juni 2009. Med unntak av det som fremgår nedenfor, er Selskapet ikke kjent med at noen aksjonær eier mer enn 5 % av Selskapets utstedte Aksjer.

<table>
<thead>
<tr>
<th>Navn på REC-aksjonær</th>
<th>Antall REC-aksjer</th>
<th>Prosent av REC-aksjene</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elkem AS *</td>
<td>115 935 300</td>
<td>23,45 %</td>
</tr>
<tr>
<td>Orkla ASA</td>
<td>80 489 700</td>
<td>16,28 %</td>
</tr>
<tr>
<td>Hafslund Venture AS</td>
<td>70 411 520</td>
<td>14,24 %</td>
</tr>
</tbody>
</table>

* Elkem AS er et heleid datterselskap av Orkla ASA.

I tillegg til det ovenstående offentliggjorde FMR LLC og FIL Limited den 14. mai 2009 at diverse juridiske
enheter forvaltet av direkte eller indirekte datterselskaper av FMR LLC og FIL Limited til sammen kontrollerte aksjer som utgjorde over 5% av Selskapets aksjekapital og stemmerettigheter.

2.9 Transaksjoner med nærmeste parter

Selskapet har nærmesteberetningsforhold med sine datterselskaper, med tilknyttede selskaper og felleskontrollerte selskaper og med konsernledelse, styre og de største aksjonærene. Transaksjoner med datterselskapene blir eliminert ved konsolidering og rapporteres ikke som transaksjoner med nærmeste i de konsoliderede regnskapene. For detaljer om Selskapets transaksjoner med nærmeste parter, se kapittel 16 i Prospektet.

2.10 Vedtekter og tilgjengelige dokumenter

Selskapets vedtekter er inkorporert i Prospektet ved henvisning, se avsnitt 26.2.

I tolv måneder etter dato for Prospektet kan de følgende dokumenter (eller kopier av disse) gjennomgås på Selskapets hovedkontor, Kjørboveien 29, Postboks 594, 1337 Sandvika, Norge (telefonnummer +47 67 57 44 50):

- Selskapets stiftelsesprotokoll og vedtekter;
- Selskapets delårsrapport for første kvartal 2009;
- Revisors uttalelse vedrørende begrenset revisjon for de tre månedene avsluttet 31. mars 2009; og
2.11 Fortrinnsretsemisjonen

Fortrinnsretsemisjonen

Fullgarantert utstedelse av 170 453 354 Nye Aksjer med Tegningsretter for Eksisterende Aksjonærer per 22. juni 2009.

Tegningsretter


Tegningsperiode

Fra og med 29. juni 2009 til 13. juli 2009 kl 17.30 (norsk tid)

Tegningspris

NOK 26,50 per Nye Aksje

"Global Coordinator and Joint Bookrunner"

DnB NOR Markets

"Joint Lead Managers and Joint Bookrunners"

ABN AMRO, BNP PARIBAS og Nordea Markets

Stemmeretter

Hver Aksje gir eieren rett til å avgi én stemme på generalforsamlinger, se avsnitt 19.12.

Bakgrunn for Fortrinnsretsemisjonen og bruk av emisjonsproveny

Provenyet fra Fortrinnsretsemisjonen vil bli benyttet til å styrke Selskapets finansielle stilling. Se kapittel 7 for ytterligere detaljer.

Antall utstedte Aksjer før Fortrinnsretsemisjonen

494 314 725 Aksjer

Antall utstedte Aksjer etter Fortrinnsretsemisjonen

664 768 079 Aksjer

Betaling og levering


Notering av og handel i de Nye Aksjene


ISIN

Aksjene og de Nye Aksjene vil ha ISIN NO 001 0112675.

Ticker på Oslo Børs

REC

Utvanning

Fortrinnsretsemisjonen vil medføre en umiddelbar utvanning på 25.64 % for Eksisterende Aksjonærer som ikke deltar i Fortrinnsretsemisjonen.

Proveny og kostnader

Totale kostnader og utgifter knyttet til Fortrinnsretsemisjonen er estimert å utgjøre ca. NOK 200 millioner. Totalt nettoproveny i Fortrinnsretsemisjonen er estimert å utgjøre ca. NOK 4 300 millioner.
2.12 Sammendrag av den historiske konsoliderte finansielle informasjonen


2.12.1 Informasjon hentet fra de konsoliderte resultatregnskapene

<table>
<thead>
<tr>
<th>(MILLIONER NOK)</th>
<th>For de tre månedene avsluttet 31. mars</th>
<th>For årene avsluttet 31. desember,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(begrenset revisjon) (urevidert)</td>
<td>(revidert) (revidert) (revidert)</td>
</tr>
<tr>
<td>driftsinntekter</td>
<td>2 013 (1 771)</td>
<td>8 191 (6 642)</td>
</tr>
<tr>
<td>resultat for netto finansposter, skatt, avskrivninger og nedskrivninger (EBITDA).....</td>
<td>527 (742)</td>
<td>3 279 (3 172)</td>
</tr>
<tr>
<td>avskrivninger og nedskrivninger</td>
<td>(225) (163)</td>
<td>(750) (585)</td>
</tr>
<tr>
<td>resultat for netto finansposter og skatt (EBIT)..........</td>
<td>302 (579)</td>
<td>2 529 (2 588)</td>
</tr>
<tr>
<td>netto finansposter</td>
<td>298 (251)</td>
<td>1 850 (610)</td>
</tr>
<tr>
<td>resultat for skatt....................................</td>
<td>600 (327)</td>
<td>4 379 (1 977)</td>
</tr>
<tr>
<td>skattekostnad</td>
<td>(206) (117)</td>
<td>(1 314) (644)</td>
</tr>
<tr>
<td>resultat for perioden..................................</td>
<td>394 (211)</td>
<td>3 064 (1 333)</td>
</tr>
</tbody>
</table>

Henførbart til:

| Minoritetsinteresser………………………………| 0 0 0 0 0 |
| Aksjonærer i REC (morselskap)……………| 394 211 3 064 1 333 458 |

Informasjon per aksje (NOK):

| Resultat per aksje– ordinært………………...| 0,80 0,43 6,20 2,70 1,03 |
| Resultat per aksje – utvannet………………..| 0,80 0,43 6,20 2,70 1,03 |

2.12.2 Informasjon fra konsolidert balanse

<table>
<thead>
<tr>
<th>(MILLIONER NOK)</th>
<th>Per 31. mars,</th>
<th>Per 31. desember,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(begrenset revisjon) (urevidert)</td>
<td>(revidert) (revidert) (revidert)</td>
</tr>
<tr>
<td>sum anleggsmidler *</td>
<td>26 570 (11 850)</td>
<td>25 488 (10 367)</td>
</tr>
<tr>
<td>sum omløpsmidler*</td>
<td>6 370 (6 059)</td>
<td>4 721 (7 579)</td>
</tr>
<tr>
<td>sum eiendeler</td>
<td>32 941 (17 910)</td>
<td>30 209 (17 945)</td>
</tr>
<tr>
<td>sum egenkapital</td>
<td>16 240 (11 817)</td>
<td>16 512 (11 757)</td>
</tr>
<tr>
<td>sum langsiktig gjeld *</td>
<td>11 212 (3 575)</td>
<td>7 851 (3 800)</td>
</tr>
<tr>
<td>sum kortsliktig gjeld *</td>
<td>5 489 (2 517)</td>
<td>5 845 (2 388)</td>
</tr>
</tbody>
</table>
2.13 Operasjonell og finansiell gjennomgang

Selskapet er posisjonert i solenergiindustrien som et selskap med bred tilstedeværelse over hele verdikjeden. Selskapet mener det er en av verdens største produsenter av silisiummateriale til solenergiindustrien og av multikrystallinske wafere, og er også en betydelig produsent av solceller og solcellepaneler. Selskapet har kunder all over de viktigste solenergiemarkedene, operasjonelle produksjonsfasiliteter på seks forskjellige plasser (ikke medregnet Sovello og ikke medregnet produksjonsfasilitetene under konstruksjon i Singapore).

I løpet av de periodene som er presentert har Selskapet opplevd betydelig vekst i driftsinntektene, primært oppnådd gjennom økninger i produksjonvolumene, som vist i tabellene nedenfor:

Se kapittel 13 for ytterligere detaljer om den operasjonelle og finansielle gjennomgangen.

2.14 Vesentlige hendelser etter 31. mars 2009

Mellom 31. mars 2009 og frem til dato for Prospektet, har Selskapet vært gjenstand for følgende vesentlige hendelser:


(1) Produksjon av polysilisium for året 2008 inkluderer 70 MT med granulært “starter-bed”-materiale, som ikke er til salgs.
• 3. april 2009 meddelte REC Solar en reduksjon av produksjonen av solceller og solcellepaneler for annet kvartal med ca. 50 %. Reduksjonen i produksjonsvolumene beror ca. 180 ansatte. Beslutningen om å redusere produktsjonsvolumene kom etter en oppbygging av varelageret for solceller og solcellepaneler i første kvartal etter utfordrende markedsforhold for solcelleindustrien.

• 4. april 2009 tiltrådte Ole Enger som President og CEO i Selskapet til erstatning for Erik Thorsen.

• 25. mai 2009 meldte Selskapet at REC Wafer hadde besluttet å midlertidig ta ut ca 35 % av sin produksjonskapasitet som følge av krevende markedsforhold og lav synlighet av etterspørsel. Den midlertidige reduksjonen vil berøre ca. 180 ansatte.

• 5. juni 2009 meldte Selskapet at funn som følge av videre analyse og inspeksjoner knyttet til dets leveranse av solcellepaneler med potensielt defekte koblingsbokser indikerte at engangsavsetningen (ikke-tilbakevendende post) for kostnader relatert til reparasjonsarbeidet trengte å økes med ca NOK 300 millioner, og at avsetningen vil gjøres i andre kvartal 2009.

• 5. juni 2009 meldte Selskapet også at svekkelsen av markedet beskrevet i delårsrapporten for første kvartal 2009 har fortsatt og at Selskapet står foran en svekket etterspørsel av solcellepaneler og et stadig vanskeligere marked for wafere, noe som har ført til redusert produksjon og permittering både i REC Wafer og i REC Solar. Det ble også meddelt at Selskapet forventer at produksjonsanleggene i REC Solar vil fortsette å operere med lavere enn full kapasitetsutnyttelse også i tredje kvartal 2009.


• Den 22. juni 2009 publiserte Selskapet en handelsoppdatering som inneholdt følgende informasjon:
  − Vedrørende REC Wafer: REC Wafer selger en vesentlig del av sin produksjon gjennom langsiktige kontrakter (4-8 år), normalt med forhåndsbekreftet volum og pris. Som følge av den gjeldende markeds situasjonen, har REC Wafer mottatt forespørsler fra fletsparten av sine kunder med langsiktige kontrakter vedrørende mulige justeringer av leveransevolumer og/eller priser. Det kan være i REC Wafers interesse fullt ut å utøve sine rettigheter under de langsiktige salgskontraktene for å beskytte sin posisjon. På den annen side, vil det kunne være i REC Wafers kommersielle interesse å, blant annet, gjøre individuelle justeringer i tidspunktene for leveranser og/eller priser i
disse salgskontraktene, under hensyntagen til det langsiktige forholdet til viktige kunder. Eventuelle justeringer vil ha effekt på EBITDA i den relevante perioden. REC Wafer har så langt kun gjort visse mindre justeringer.

− Vedrørende REC Silicon: Selskapet meldte i april 2009 at det hadde støtt på initielle problemer i oppstarten av Silicon III. Selskapet har i nært samarbeid med sin entreprenør redesigned utslippsrøret og fortsetter å teste den gjennomførte løsningen, som så langt har vist ytelse i henhold til simuleringene. Generelt må imidlertid avbrudd forventes i oppstarten av store kjemiske anlegg som gjennomfører ny innovativ teknologi. Det er p.t. ingen endringer i den allerede kommuniserte oppstarten av Silicon III.


Med unntak av de vesentlige hendelser beskrevet ovenfor, har det ikke vært noen vesentlige endringer i selskapets finansielle stilling eller markedsstilling etter 31. mars 2009.

2.15 Kapitalisering og gjeldsforpliktelser


Konsolidert oversikt over kapitalisering og gjeldsforpliktelser

<table>
<thead>
<tr>
<th>(MILLIONER NOK)</th>
<th>Urevidert per 31. mars 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kortsiktig rentebærende gjeld 1)</strong></td>
<td></td>
</tr>
<tr>
<td>- Garantert</td>
<td>0</td>
</tr>
<tr>
<td>- Pantesikret</td>
<td>382</td>
</tr>
<tr>
<td>- Usikret</td>
<td>1 010</td>
</tr>
<tr>
<td><strong>Sum kortsiktig rentebærende gjeld</strong></td>
<td>1 393</td>
</tr>
<tr>
<td><strong>Langsiktig rentebærende gjeld</strong></td>
<td></td>
</tr>
<tr>
<td>- Garantert</td>
<td>0</td>
</tr>
<tr>
<td>- Pantesikret</td>
<td>0</td>
</tr>
<tr>
<td>- Usikret</td>
<td>8 724</td>
</tr>
<tr>
<td><strong>Sum langsiktig rentebærende gjeld</strong></td>
<td>8 724</td>
</tr>
<tr>
<td><strong>Egenkapital</strong></td>
<td></td>
</tr>
<tr>
<td>Aksjekapital</td>
<td>494</td>
</tr>
<tr>
<td>Overkursfond</td>
<td>8 266</td>
</tr>
<tr>
<td>Annen egenkapital</td>
<td>7 480</td>
</tr>
<tr>
<td><strong>Sum egenkapital</strong></td>
<td>16 240</td>
</tr>
<tr>
<td><strong>Sum kapitalisering</strong></td>
<td>26 357</td>
</tr>
</tbody>
</table>

Netto gjeldsforpliktelser

<table>
<thead>
<tr>
<th>(MILLIONER NOK)</th>
<th>Urevidert per 31. mars 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Kontanter</td>
<td>2 003</td>
</tr>
<tr>
<td>B. Likvide midler</td>
<td>0</td>
</tr>
<tr>
<td>C. Likvide verdipapirer</td>
<td>0</td>
</tr>
<tr>
<td><strong>D. Likviditet</strong></td>
<td>2 003</td>
</tr>
</tbody>
</table>
### E. Kortsiktige finansielle fordringer

| Forhold | Følgende |  
| --- | --- | --- |
| F. Kortsiktige banklån | 0 |  
| G. Kortsiktig andel av langsiktige banklån 1) | 1 101 |  
| H. Annen kortsiktig finansiell gjeld | 292 |  

#### I. Kortsiktig finansiell gjeld

| Forhold | Samlet |  
| --- | --- | --- |
| | 1 393 |  

#### J. Netto kortsiktig finansiell gjeld

| Forhold | Samlet |  
| --- | --- | --- |
| | (610) |  

#### K. Langsiktige banklån

| Forhold | Samlet |  
| --- | --- | --- |
| | 7 754 |  

#### L. Utstedte obligasjoner

| Forhold | Samlet |  
| --- | --- | --- |
| | 0 |  

#### M. Annen langsiktig gjeld

| Forhold | Samlet |  
| --- | --- | --- |
| | 970 |  

#### N. Langsiktig finansiell gjeld

| Forhold | Samlet |  
| --- | --- | --- |
| | 8 724 |  

#### O. Netto finansiell gjeld

| Forhold | Samlet |  
| --- | --- | --- |
| | 8 114 |  

---

1) All Sovellos bankgjeld er blitt klassifisert som kortsiktig på bakgrunn av Sovellos brudd på lånebetingelser, som beskrevet i Selskapets konsoliderte årsregnskap for 2008.

### 2.16 Forskning og utvikling


### 2.17 Patenter og lisenser

Selskapet søker generelt patentbeskyttelse i nøkkelmarkedene gjennom patentsøknader på oppfinnelser som anses å være av tilstrekkelig viktighet for å gi produksjonskostnadsfordeler eller produktkvalitetsfordeler. I visse tilfeller, der det fremstår som vanskelig å vurdere hvorvidt konkurrenter opererer i konflikt med potensielle patenter, søker Selskapet imidlertid generelt ikke om patentbeskyttelse.

Selskapets patenter og patentsøknader dekker prosesser som p.t. brukes i de følgende produktionsstrinnene for solcellepaver:

- Silanutfelling i Siemens- og FBR-reaktorer
- Andre skritt i produksjonen av silan og polysilisium
- Kystallisering av silisium
- Saging av ingot til blokker
- Saging av blokker til wafere
- Vasking av wafere
- Deling av wafere

Resten av Selskapets patenter og patentsøknader dekker teknologi som p.t. utvikles for fremtidig masseproduksjon. Det totale antall patenter og patentsøknader av Selskapet er fordelt som følger:

<table>
<thead>
<tr>
<th>Patenter innvilget (en familie innvilges ikke sammen)</th>
<th>REC (morselskap)</th>
<th>REC Silicon</th>
<th>REC Wafer</th>
<th>REC Solar</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>40</td>
<td>6</td>
<td>0</td>
<td>46</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uavklarte patentsøknader</th>
<th>REC (morselskap)</th>
<th>REC Silicon</th>
<th>REC Wafer</th>
<th>REC Solar</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>39</td>
<td>41</td>
<td>63</td>
<td>3</td>
<td>146</td>
<td></td>
</tr>
</tbody>
</table>
2.18 Sammendrag av risikofaktorer

Dette avsnittet inneholder kun et sammendrag av risikofaktorene som er forbundet med en investering i Selskapet. Det inneholder ikke den nødvendige informasjon for å vurdere og forstå disse risikoene. I tillegg til å lese hele Prospektet, inkludert den finansielle informasjonen som er inkorporert ved referanse, bør du derfor nøye vurdere informasjonen som fremgår i kapittel 4 "Risk Factors".

2.18.1 Risiki knyttet til solenergiindustrien

- Fortsatte subsidier, insentiver og annen støtte fra myndighetene er av sentral betydning for solenergiindustrien.
- Forlengelse av den begrenspede kapitaltilgangen kan ha vesentlig negativ innvirkning på etterspørselen etter Selskapets produkter.
- Økede rentenivåer kan ha vesentlig negativ innvirkning på etterspørselen etter Selskapets produkter.
- Aktørene i solenergiindustrien generelt og Selskapet spesielt, vil ikke nødvendigvis være i stand til å gjennomføre tilstrekkelige kostnadsreduksjoner gjennom innovasjon og prosessforbedringer.
- Solenergiindustrien har ennå ikke modnet i forhold til etterspørsel, markedsstruktur og teknologi.
- Det er vesentlig risiko for overkapasitet i solenergiindustrien, som kan lede til en reduksjon i gjennomsnittlige salgspriser gjennom verdikjeden og en vesentlig reduksjon i lønnsomhet.
- Det er vesentlig risiko forbundet med hurtig teknologisk utvikling, og dersom konkurrenter oppnår et forsprang i den hurtige utviklingen av alternative teknologier, vil dette vesentlig kunne påvirke Selskapets konkurransedyktighet, og kan utgjøre en vesentlig trussel for Selskapets lønnsomhet, og i ytterste konsekvens, dets eksistens.

2.18.2 Risiki knyttet til Selskapet

- Den pågående finanskrisen har negativ påvirkning på markedet Selskaper opererer i, og vil kunne ha vesentlig negativ effekt på Selskapets finansielle resultater.
- Enkelte større kunder utgjør det vesentligste av Selskapets salg, og mislighold eller reforhandling av avtaler vil kunne ha vesentlig negativ innvirkning på Selskapets driftsresultat.
- Innenfor solceller og solcellepaneler har Selskapet begrenset med langsiktige avtaler med sine kunder og er således utsatt for kortsvingninger i etterspørselen, noe som kan ha vesentlig negativ innvirkning på dets driftsresultater.
- En vesentlig del av salgene fra Selskapets divisjoner gjøres internt (elimineres ved konsolidering).
- Det er vesentlig risiko forbundet med oppkjøp, selskapsdeltakelse og "joint ventures".
- Dersom de siste tiders kredittmarkedssituasjon fortsetter eller forverrer seg, vil det kunne ha en vesentlig negativ effekt på Selskapets strategiske investeringer.
- Selskapet har påtatt seg for en begrenset periode å opprettholde Sovellos likviditet.
- Det er vesentlig risiko forbundet med Selskapets hurtige vekst.
- Selskapets er avhengig av fortsatt tilgjengelighet av finansieringsmuligheter som kan vesentlig påvirkes av generelle økonomiske forhold.
- Den globale økonomiske nedgangen og forstyrrelsen i finansmarkedet vil kunne utsette Selskapet for likviditetsrisiko på lengre sikt.
• Selskapets kredittarrangementer inneholder visse betingelser som kan begrense Selskapets mulighet til å utføre sin virksomhet.

• Endringer i rentenivåene kan påvirke kontantstrømmene og de estimerte virkelige verdiene av eiendeler og gjeld.

• Selskapet er eksponert for risiko knyttet til valutakursvingninger.

• Selskapet er eksponert for risiko relatert til innebygde derivater.

• Selskapet er eksponert for kredittrisiko.

• Selskapet vil fra tid til annen være involvert i tvister og rettslige prosesser.

• Den planlagte ekspansjonen av Selskapets virksomhet inn i nye utenlandske marked kan innebære vesentlig risiko.

• Investeringer i alternative teknologier, eller i selskap som utvikler slike alternative teknologier, innebærer vesentlig risiko og kan vise seg å ikke gi positiv avkastning på investeringen.

• Selskapet er avhengig av antall eksterne leverandører for vesentlige produksjonsmidler og komponenter til Selskapets produkter og enhver forstyrrelse i leveransene vil i vesentlig grad kunne påvirke virksomheten negativt.

• Selskapet er avhengig av eksterne underleverandører og leverandører av tjenester og varer for å oppnå avtalt eller generelt aksepterte standarder.

• Selskapets driftsresultater kan bli vesentlig negativt påvirket av svingninger i energiprisene.

• Selskapet kjøper produksjonsutstyr til produksjonen fra en begrenset antall leverandører. Dersom utstyret blir skadet eller på annen måte ikke er tilgjengelig, vil Selskapets evne til å levere prosjekter og produkter i tid kunne lide, hvilket igjen vil kunne medføre kanselleringer av ordre og vesentlig inntektstap.

• Dersom Selskapet ikke oppnår tilfredsstillende resultater eller kvalitet i produksjonen av dets produkter, vil Selskapets salg kunne minske vesentlig, og Selskapets forhold til dets kunder og dets omdømme kunne skades vesentlig.

• Problemmer med produktkvalitet eller produktytelse, herunder feil ved Selskapets produkter, vil kunne resultere i at Selskapet får vesentlig færre kunder, vesentlig uventede utgifter og tap av markedsandel.

• Ettersom Selskapet ikke har mulighet til å teste sine solcellepaneler gjennom hele garantiperioden, kan Selskapet risikere å pådra seg vesentlige uventede garantikostnader.

• Selskapet er avhengig av immaterielle rettigheter og forretningshemmeligheter samt kontraktsmessige forpliktelser og lovverk som beskytter dette, og dersom disse rettighetene ikke er tilstrekkelig beskyttet, vil dets evne til å konkurrere og generere inntekter kunne skades vesentlig.

• Selskapet vil ikke nødvendigvis oppnå tilstrekkelig patentbeskyttelse av teknologien i dets produkter og produksjonsmetoder, noe som er vesentlig for at Selskapet kan skade dets konkurransestilling og øke dets kostnader vesentlig.

• Selskapets praksis vedrørende skadesløsholdelse i forbindelse med immaterielle rettigheter, vil kunne ha en vesentlig negativ effekt på Selskapets virksomhet.
• Selskapet vil kunne motta krav i forbindelse med påstander om brudd på immaterielle rettigheter, som vil kunne være tidkrevende og kostbare, og vil kunne resultere i tap av vesentlige rettigheter.

• Selskapet vil kunne komme til å fremme krav mot andre parter for brudd på dets immaterielle rettigheter som vil kunne medføre vesentlige kostnader og som vil kunne avgjøres i Selskapets disfavor.

• Selskapet vil kunne pådra seg vesentlige kostnader for å overholde, eller som et resultat av, helse-, sikkerhets-, miljø- og andre lover og regler.

• Ettersom markedene Selskapet er aktivt i er meget konkurranseutsatte, og mange potensielle konkurrenter kan ha større ressurser enn Selskapet, vil Selskapet risikere å ikke kunne konkurrere tilfredsstillende, og vil kunne tape, eller ikke være i stand til å øke, sine markedsandeler.

• Selskapet vil kunne bli utsatt for arbeidskonflikter, eller andre negative relasjoner til de ansatte, og disse konfliktene vil kunne avbryte Selskapets virksomhet, og vil kunne ha en vesentlig negativ effekt på Selskapets virksomhet, muligheter, resultat og finansielle stilling.

• Selskapet er avhengig av enkelte personer i Selskapets ledelse og enkelte andre nøkkelpersoner innen forskning og utvikling, og annet kvalifisert personell i sentrale virksomhetsområder.

• Selskapet kan bli vesentlig skadet som følge av katastrofer, naturkatastrofer, driftsstans og forsettlig sabotasje.

• Selskapet vil kunne skades alvorlig av hendelser som resulterer i tap som ikke dekkes av forsikringer.

• Produktansvarskrav mot Selskapet vil kunne føre til negativ publisitet og potensielt vesentlige erstatningsutbetalinger.

• De fleste av selskapets forsikringspoliser utløper ved utløpet av november 2009.

• Det er risiko tilknyttet estimeringsusikkerhet.

• Selskapet har en relativt begrenset driftshistorikk, som ikke nødvendigvis tjener som et adekvat grunnlag for å vurdere dets fremtidige utsikter og resultater.

2.18.3 Risiki relatert til Fortrinnsrettsemisjonen og Aksjene

• Etter Fortrinnsrettsemisjonen vil en vesentlig andel av aksjene forblir konsentrert hos visse eksisterende aksjonærer og fremtidige salg av Aksjer fra eksisterende aksjonærer vil kunne ha en vesentlig negativ effekt på markedsverdien av Aksjene.

• Fremtidige aksjekapitalendringer vil kunne medføre en vesentlig utvanning av Selskapets aksjonærer.

• Fortrinnsretter vil ikke nødvendigvis være tilgjengelige for aksjonærer i USA.

• Det vil kunne være vanskelig for investorer basert i USA å håndheve sivilrettslige krav basert på amerikansk verdipapirlovgivning mot Selskapet, Selskapets norske tilknyttede selskaper eller Selskapets styremedlemmer og ledelse.

• Aksjonærer som eier aksjer gjennom nominee-konti, risikerer å ikke kunne utøve sin stemmerett like enkelt som aksjonærer registrert i eget navn i VPS.

• Overdragelse av Aksjene er underlagt begrensninger i henhold til amerikansk og andre lands verdipapirlovgivning.

• Adgangen for Selskapets aksjonærer til å fremme krav mot Selskapet i egenskap av å være aksjonær er etter registrering av aksjekapitalforhøyelsen i Foretaksregisteret svært begrenset etter norsk rett.
3. FORTRINNSRETTSEMISJONEN – NORWEGIAN TRANSLATION OF "THE RIGHTS ISSUE"

Dette kapitlet er en oversettelse av kapitlet "The Rights Issue" inntatt i Prospektets kapittel 8. Ved eventuell motstrid mellom de to versjonene, er det den engelske versjonen som skal gjelde.

3.1 Oversikt


Nedenstående tabell inneholder enkelte sentrale datoer for Fortrinnsrettsemisjonen:

<table>
<thead>
<tr>
<th>Dato</th>
<th>Beskrivelse</th>
</tr>
</thead>
<tbody>
<tr>
<td>22. juni 2009</td>
<td>Siste handledag for Aksjene inklusive Tegningsretter</td>
</tr>
<tr>
<td>23. juni 2009</td>
<td>Siste handledag for Tegningsretter</td>
</tr>
<tr>
<td>29. juni 2009</td>
<td>Tegningsperiodens start</td>
</tr>
<tr>
<td>29. juni 2009</td>
<td>Tegningsperiodens slutt</td>
</tr>
<tr>
<td>13. juli 2009</td>
<td>Tildeling av Nye Aksjer</td>
</tr>
<tr>
<td>17. juli 2009</td>
<td>Utsendelse av tildelingsbrev</td>
</tr>
<tr>
<td>21. juli 2009</td>
<td>Dato for betaling av de Nye Aksjene</td>
</tr>
<tr>
<td>23. juli 2009</td>
<td>Registrering av kapitalforhøyelsen</td>
</tr>
<tr>
<td>23. juli 2009</td>
<td>Notering og første handledag for de Nye Aksjene på Oslo Børs</td>
</tr>
<tr>
<td>24. juli 2009</td>
<td>Dato for levering av de Nye Aksjene</td>
</tr>
<tr>
<td>21. juli 2009</td>
<td>Dato for betaling av de Nye Aksjene</td>
</tr>
<tr>
<td>23. juli 2009</td>
<td>Registrering av kapitalforhøyelsen</td>
</tr>
<tr>
<td>23. juli 2009</td>
<td>Notering og første handledag for de Nye Aksjene</td>
</tr>
<tr>
<td>24. juli 2009</td>
<td>Dato for levering av de Nye Aksjene</td>
</tr>
</tbody>
</table>

Ovennevnte datoer er indikative og vil kunne bli endret.

3.2 Aksjer og aksjekapital

Selskapets registrerte aksjekapital er NOK 494 314 725 fordelt på 494 314 725 Aksjer, hver fullt innbetalt og med pålydende verdi NOK 1.

Etter gjennomføring av Fortrinnsrettsemisjonen vil Selskapets aksjekapital øke med NOK 170 453 354 til NOK 664 768 079 fordelt på 664 768 079 Aksjer, hver pålydende NOK 1.

Alle Aksjer har like og fulle rettigheter i ethvert henseende, og ingen aksjer har ulike rettigheter. Selskapet har kun én aksjeklasse. Aksjene er fritt omsettelige, og Selskapets vedtekter inneholder ingen bestemmelser om eierbegrensninger eller omsettelighet.

Alle Aksjene er elektronisk registrert i VPS med ISIN NO 001 0112675. Alle Aksjene er notert på Oslo Børs med ticker-kode "REC". Tegningsrettene vil bli registrert i VPS med ISIN NO 001 0515414 og vil bli notert på Oslo Børs med ticker-kode "REC T".

3.3 Beslutningen om å utstede de Nye Aksjene

Selskapets ekstraordinære generalforsamling avholdt den 5. juni 2009 fattet følgende vedtak om å forhøye Selskapets aksjekapital gjennom Fortrinnsrettsemisjonen:
1. Aksjekapitalen forhøyes med minimum NOK 40 000 000 og maksimum NOK 400 000 000, fra NOK 494 314 725 til minimum NOK 534 314 725 og maksimum 894 314 725, ved utstedelse av mellom 40 000 000 og 400 000 000 nye aksjer hver pålydende NOK 1. Det endelige antall aksjer som skal utstedes fastsettes av styret for tegningsperiodens start.


3. Selskapet skal utstede et prospekt godkjent av Oslo Børs i forbindelse med kapitalforhøyelsen. Om ikke styret beslutter noe annet, skal prospektet ikke registreres ved eller godkjennes av noen norske eller utenlandske myndigheter annet enn Oslo Børs. De nye aksjene kan ikke tegnes av investorer i jurisdiksjoner hvor det ikke er tillatt å tilby nye aksjer til vedkommende investor uten registrering eller godkjenning av prospekt (med mindre slik registrering eller godkjenning er skjedd i henhold til vedtak av styret). Selskapet (eller noen utpekt av selskapet) kan, med hensyn til aksjonærer som ikke er berettiget til å tegne nye aksjer som følge av begrensninger i lov eller andre regler i den jurisdiksjon hvor aksjonæren er bosatt eller statsborger, selge tegningsrettene tilhørende en slik aksjonær mot overføring av netto proveny fra slikt salgs til aksjonæren.

4. Følgende tildelingskriterier skal gjelde:

4.1 Det vil bli tildelt aksjer i henhold til de (tildelte og erververvede) tegningsretter tegneren har benyttet til å tegne nye aksjer i tegningsperioden. Hver tegningsrett gir rett til å tegne og få tildelt én ny aksje.

4.2 Dersom ikke alle tegningsrettene benyttes i tegningsperioden, har de tegnere som har benyttet sine tegningsrettet og som har overtoget, rett til å få tildelt de gjenværende nye aksjer på pro rata basis i samsvar med allmennakseloven § 10-4. Dersom proratarisk tildeling ikke lar seg gjennomføre som følge av antallet nye aksjer, vil Selskapet foreta tildeling etter loddtrekning.

4.3 Gjenværende nye aksjer som ikke er tildelt i henhold til allokeringskriteriene i punkt 4.1 og 4.2 ovenfor, skal tildeles tegnere som ikke innehar tegningsretter. Tildeling vil bli forsøkt gjort pro rata basert på relevante tegningsbeløp, dog slik at tildeling kan bli rundet ned til nærmeste hele børspost, som er 200 aksjer.

4.4 Eventuelle gjenværende nye aksjer som ikke er tildelt i henhold til de ovennevnte allokeringskriteriene, vil bli tegnet av og tildelt deltakere i garantikonsortiet så langt disse ikke har oppfylt sin garantiforpliktelse gjennom å tegne seg for aksjer i tegningsperioden, basert på og i henhold til sine respektive garantiforpliktelser.

5. Tegningskursen i fortrinnsrettsemisjonen skal være mellom NOK 10 og NOK 100 per aksje. Den endelige tegningskursen skal før tegningsperiodens start fastsettes av styret. Innskuddet skal ytes i penger.


8. De nye aksjene gir fulle aksjonærrettigheter i Selskapet, inkludert rett til utbytte, fra tidspunktet for registrering av kapitalforhøyelsen i Foretaksregisteret.


10. Det vil bli innått separat avtale med et garantikonsortium om fulltegning av aksjekapitalforhøyelsen. Tegninger foretatt av medlemmer av garantikonsortiet vil kunne være betinget av visse forhold angitt i avtalen. Som provisjon for tegningsgaranti etablert med garantikonsortiet vil det bli betalt et beløp tilsvarende mellom 2,5 % og 3,5 % (endelig beløp fastsettes av styret) av det garanterte beløp til medlemmene av garantikonsortiet.

11. Vedtaket er betinget av at styret innen tegningsperiodens begynnelse har innått endelige avtaler om tegningsgaranti som nevnt i punkt 10 ovenfor som dekker samtlige aksjer i kapitalforhøyelsen.”

Selskapets ekstraordinære generalforsamling avholdt 5. juni 2009 ga også en generell fullmakt til styret til å forhøy Selskapets aksjekapital med opp til ytterligere NOK 60 000 000 gjennom ytterligere utstedelse av opp til 60 000 000 aksjer.

Den 22. juni 2009, fattet styret følgende vedtak:

1. "Selskapet skal gjennomføre en fulltegnet offentlig fortrinnsrettsemisjon med brutto emisjonsproveny på NOK 4 517 013 881. Fortrinnsrettsemisjonen gjennomføres ved utstedelse av aksjer med bruttoproveny på NOK 3 999 999 994 i samsvar med generalforsamlingens beslutning om fortrinnsrettsemisjon av 5. juni 2009, samt ved utstedelse av aksjer med bruttoproveny på NOK 517 013 887 i henhold til styrefullmakt til å utstede aksjer gitt av generalforsamlingen samme dato. Den samlede fortrinnsrettsemisjonen på NOK 4 517 013 881 gjennomføres som ett tilbud med identiske vilkår, slik det fremkommer nedenfor, og gjennomføring av de to kapitalforhøyelsene er gjensidig avhengig av hverandre.


3. I henhold til styrefullmakt gitt 5. juni 2009, skal det gjennomføres ytterligere kapitalforhøyelse på følgende vilkår:

3.1. Aksjekapitalen forhøyes med NOK 19 509 958 ved utstedelse av 19 509 958 nye aksjer hver pålydende NOK 1.

3.2. Selskapets aksjonærer per 22. juni 2009 skal ha fortrinnsrett til å tegne de nye aksjene, og vil motta omsettelig tegningsretter som beskrevet i punkt 4 nedenfor. Overtegning og tegning uten tegningsretter er tillatt.

3.3. Selskapet skal utstede et prospekt godkjent av Oslo Børs i forbindelse med kapitalforhøyelsen. Om ikke styret beslutter noe annet, skal prospektet ikke registreres ved eller godkjennes av noen norske eller utenlandske myndigheter annet enn Oslo Børs. De nye aksjene kan ikke tegnes av investorer i jurisdiksjoner hvor det ikke er tillatt å tilby nye aksjer til vedkommende investor uten registrering eller godkjenning av prospekt (med mindre slik registrering eller godkjenning er skjedd i henhold til vedtak av styret). Selskapet (eller noen utpekt av selskapet) kan, med hensyn til aksjonærer som ikke er berettiget til å tegne nye aksjer som følge av begrensninger i lov eller andre regler i den jurisdiksjon hvor aksjonæren er bosatt eller statsborger, selge tegningsretten tilhørende en slik aksjonær mot overforing av netto proveny fra slikt salg til aksjonæren.

3.4. Følgende tildelingskriterier skal gjelde:

(i) Det vil bli tildelt aksjer i henhold til de (tildelte og ervervede) tegningsretter tegneren har benyttet til å tegne nye aksjer i tegningsperioden. Hver tegningsrett gir rett til å tegne og få tildelt
én (1) ny aksje. Tildeling vil bli foretatt samlet for de to emisjonene, slik at tegnerne vil bli tildelt aksjer basert på en av kapitalforhøyelsene eller en kombinasjon av disse.

(ii) Dersom ikke alle tegningsrettenes benytes i tegningsperioden, har de tegnere som har benyttet sine tegningsretter og som har overtognet, rett til å få tildelt de gjenværende nye aksjer på pro rata basis i samsvar med allmennaksjeloven § 10-4. Dersom prorataisk tildeling ikke lar seg gjennomføre som følge av antallet nye aksjer, vil Selskapet foreta tildeling etter loddreknin.

(iii) Gjenværende nye aksjer som ikke er tildelt i henhold til allokeringsskriveriene i punkt 3.4 (i) og 3.4 (ii) ovenfor, skal tildeles tegnere som ikke innehar tegningsretter. Tildeling vil bli forsøkt gjort pro rata basert på relevante tegningsbeløp, dog slik at tildeling kan bli rundet ned til nærmeste hele børspost, som er 200 aksjer.

(iv) Eventuelle gjenværende nye aksjer som ikke er tildelt i henhold til de ovennevnte allokeringsskriveriene, vil bli tildelt av og tildelt deltakere i garantikonsortiet så langt disse ikke har oppfylt sin garantiplikt gjennom å tegne seg for aksjer i tegningsperioden, basert på og i henhold til sine respektive garantiforpliktelser.

3.5. Tegningskursen skal være NOK 26,50 per aksje. Innskuddet skal ytes i penger.


3.8. De nye aksjene gir fulle aksjonærrettigheter i Selskapet, inkludert rett til utbytte, fra tidspunktet for registrering av kapitalforhøyelsen i Foretaksregisteret.

3.9. Selskapets vedtekter § 4 endres til å reflektere ny aksjekapital og nytt antall aksjer etter kapitalforhøyelsen, som beskrevet i punkt 5 nedenfor.

3.10. Det inngås separat avtale med et garantikonsortium om fulltegning av aksjekapitalforhøyelsen. Tegninger foretatt av medlemmer av garantikonsortiet er betinget av visse forhold angitt i avtalen. Som provisjon for tegningsgaranti etablert med garantikonsortiet vil det bli betalt et beløp i tillegg til fjerningsforpliktelsen.

4. Utstedelsen av tegningsretter og nye aksjer i henhold til vedtak i punkt 3 ovenfor skal gjennomføres i forbindelse med og sammen med kapitalforhøyelsen vedtatt av Selskapets ekstraordinære generalforsamling 5. juni 2009, jf. vedtak i punkt 2 ovenfor. Til sammen 170 453 354 tegningsretter vil utstedes i de to vedtakene på aggregert nivå, der hver tegningsrett gir ett tiltegningsrett. Tegningsretter vil bli tildelt én (1) ny aksje i Selskapet. Aksjonærer i Selskapet per 22. juni 2009 vil således motta en omsettelig tegningsrett per 2,9 aksjer eid i Selskapet per nevnte dato.

Selskapets vedtekter § 4 endres til å lyde etter de to kapitalforhøyelsene:

"Selskapets aksjekapital er kr. 664 768 079 fordelt på 664 768 079 aksjer hver pålydende kr. 1 (én krone). Selskapets aksjer skal være registrert i Verdipapircentralen."
3.4 Tegningskurs i Fortrinnsrettsemisjonen


3.5 Tegningsperiode


3.6 Registerdato


3.7 Tegningsretter

3.7.1 Oversikt


Selskapet vil utsette én (1) Tegningsrett per 2,9 eide aksjer i Selskapet, totalt 170 453 354 Tegningsretter. Antall utstedte Tegningsretter til hver aksjonær vil bli rundet ned til nærmeste hele antall Tegningsretter.


Tegningsretterne kan benyttes til å tegne Nye Aksjer i Fortrinnsrettsemisjonen eller selges før utløpet av Tegningsperioden. Tegningsretter ervervet i Tegningsperioden gir lik rett til tegning og tildeling av Nye Aksjer i Fortrinnsrettsemisjonen som Tegningsretter eiet av Eksisterende Aksjonærer på basis av deres registrerte beholdning av aksjer per Registerdatoen.

Tegningsretter som ikke er benyttet til tegning av Nye Aksjer før utløpet av Tegningsperioden vil falle bort uten kompensasjon til eieren, og vil følgelig være uten verdi. For å sikre at mottatte Tegningsrettigheter ikke skal bli annullert og uten verdi, må eieren senest innen 13. juli 2009 kl. 17.30 (norsk tid) utøve Tegningsretterne og tegne Nye Aksjer, eller selge dem.

Overtegning og tegning uten Tegningsretter er tillatt. Personer som tegner aksjer på basis av Tegningsretter og som overtogner (dvs. tegner seg for et større antall Nye Aksjer enn vedkommende eier Tegningsretter) vil ha forrang til Nye Aksjer som ikke er blitt tegnet av eiere av Tegningsretter, se detaljer i punktene 3.9 og 3.11 nedenfor vedrørende tegningsprosedyrer og allokeringsmekanismer.


3.7.2 Handel i Tegningsrettene


Personer som har til hensikt å handle i Tegningsrettene gjøres oppmerksom på at utøvelse av Tegningsretter av eiere som er lokalisert i jurisdiksjoner utenfor Norge vil kunne være begrenset eller forbudt i henhold til der gjeldende verdipapirrett.

3.8 Nominee-registrert eierskap

Aksjonærer hvis eierandelene er nominee-registrert i en bank eller hos annen nominee vil ikke motta dette Prospektet, Tegningsblanketten eller annen dokumentasjon knyttet til Fortrinnsrettsemisjonen fra Selskapet. Tegning og betaling vil på ordinært vis foregå i samsvar med instruksjon fra nominee’en.

3.9 Tegningsprosedyre og tegningssteder

Eksisterende Aksjonærer som er norske statsborgere kan tegne Nye Aksjer gjennom VPS’ online tegningssystem (se nedenfor for detaljer), eller ved å innlevere en korrekt utfylt Tegningsblankett til et av Tegningsstedene i Tegningsperioden. For øvrige Tegnere kan tegning av Nye Aksjer kun skje ved innlevering av en korrekt utfylt Tegningsblankett til et av Tegningsstedene i Tegningsperioden. Eksisterende Aksjonérer vil motta Tegningsblanketter innholdende opplysninger om aksjeinnehav per 22. juni 2009 som registrert i Selskapets aksjonärregister per Registerdatoen, samt visse øvrige forhold tilknyttet de respektive aksjeinnehav. Aksjetelegning som foretas av tegnere som ikke eier Tegningsretter må skje gjennom Tegningsblanketten vedlagt i engelsk og norsk versjon som henholdsvis Vedlegg A og B.

Korrekt utfylte tegningsblanketter må være mottatt av Tilretteleggerne senest innen 17.30 (norsk tid) den 13. juli 2009, på et av følgende Tegningssteder:

<table>
<thead>
<tr>
<th>DnB NOR Bank ASA</th>
<th>Nordea Bank Norge ASA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verdipapirservice</td>
<td>Verdipapirservice – Utstedertjenester</td>
</tr>
<tr>
<td>NO-0021 Oslo</td>
<td>Postboks 1166 Sentrum,</td>
</tr>
<tr>
<td>Norway</td>
<td>N-0107 Oslo</td>
</tr>
<tr>
<td>Fax: +47 22 48 29 80</td>
<td>Fax: +47 22 48 63 49</td>
</tr>
</tbody>
</table>

Foretatte tegninger vil ikke bli behandlet ulikt på basis av hvilket Tegningssted de har blitt inngitt til.

Tegningen er bindende og ujienkallelig, og kan ikke trekkes tilbake, annulleres eller endres av Tegneren etter at den er mottatt av et Tegningssted. Ved å signere og inngi Tegningsblanketten bekrefter den respektive Tegner å ha lest dette Prospektet og at vedkommende er berettiget til å tegne seg for Nye Aksjer på de vilkår som her er fastsatt.

Overtegning og tegning uten Tegningsretter er tillatt. Se punkt 3.11 nedenfor for ytterligere detaljer om gjeldende allokeringsprinsipper.

Flere inngitte tegninger (dvs. tegning på mer enn én tegningsblankett) er tillatt. Vær imidlertid oppmerksom på at hver Tegningsblankett kun vil bli medregnet én gang (slik at dersom samme tegningsblankett er mottatt per telefaks mer enn én gang, eller dersom den mottas både per telefaks og e-post, vil den bare bli ansett som én tegning). To separate Tegningsblanketter inngitt av samme Tegner med samme påførte antall tegnede Nye Aksjer vil kun bli talt én gang med mindre noe annet uttrykkelig er presisert i blanketten.

tegningssystem. For å kunne benytte online-systemet må Tegneren ha, eller anskaffe, et VPS-kontonummer. Alle Tegnere som tegner online må bekrøfte at de er norske statsborgere ved å taste inn sitt personnummer. Hverken Tilretteleggerne eller Selskapet kan holdes ansvarlig for mislykkede forsøk eller manglende mulighet til å tegne Nye Aksjer som følge av tekniske problemer eller problemer med internett.


3.10 Betingelser for gjennomføring av Fortrinnsrettsemisjonen

Fortrinnsrettsemisjonen er fullgarantert av Garantikonsortiet beskrevet i punkt 3.18 nedenfor. Med mindre Fortrinnsrettsemisjonen er fulltegnet, er gjennomføring av Fortrinnsrettsemisjonen betinget av at Fulltegningsavtalen fortsetter å være i kraft frem til gjennomføring av Fortrinnsrettsemisjonen. For detaljer om betingelsene i Fulltegningsavtalen, se punkt 3.18.

3.11 Mekanismer for tildeling av Nye Aksjer

Tildeling av de Nye Aksjene vil skje etter utløpet av Tegningsperioden, på eller omkring 17. juli 2009. Tildeling av de Nye Aksjene vil skje i henhold til følgende prinsipper:


3. Eventuelle gjenstående Nye Aksjer som ikke er tildelt i henhold til tildelingskriteriene i punkt (i) og (ii) ovenfor, skal tildeles Tegnere som ikke innehar Tegningsrett. Tildeling vil bli søkt foretatt pro rata basert på relevante tegningsbeløp, dog slik at tildeling kan bli rundet ned til nærmeste hele børspost, som er 200 aksjer.

4. Eventuelle gjenstående Nye Aksjer som ikke er tildelt i henhold til ovennevnte tildelingskriterier, vil bli tatt ut av og tildelt deltakere i Garantikonsortiet så langt disse ikke har oppfylt sine garantiforpliktelser gjennom å tegne seg for aksjer i Tegningsperioden, basert på og i henhold til sine respektive garantiforpliktelser.

Styret forbeholder seg retten til å avrunde, forkaste eller redusere enhver tegning av Nye Aksjer som ikke baseres på Tegningsrettet. Det vil ikke bli utstedt brøkdeler av Nye Aksjer.

Tildeling av færre Nye Aksjer enn antallet tegnede aksjer påvirker ikke Tegnerens forpliktelse til å bli tildelt og betale for de tildelte Nye Aksjer.

3.12  Betaling for de Nye Aksjene

Oppgjør for de Nye Aksjene forfaller til betaling 21. juli 2009 ("Oppgjørsdatoen").

3.12.1 Tegnere som har norsk bankkonto

Enhver Tegner som har en norsk bankkonto skal og vil gjennom signatur på Tegningsblanketten gi DnB NOR Bank ASA en ugjenkallelig engangsfullmakt til å belaste en nærmere angitt bankkonto for betaling for antallet Nye Aksjer den enkelte Tegner blir tildelt.

Den spesifiserte bankkontoen forventes å bli belastet på eller etter Oppgjørsdatoen.


Betaling med engangsfullmakt er en tjeneste bankene i Norge tilbyr i fellesskap. I forholdet mellom betaler og betalers bank gjelder standardvilkårene "Betaling med engangsfullmakt – verdipapirhandel" slik disse er anført på side 2 i Tegningsblanketten.

3.12.2 Tegnere som ikke har norsk bankkonto


3.12.3 Oversittet betalingsfrist


3.12.4 Obligatoriske hvitvaskingsprosedyrer

Fortrinsrettsemisjonen omfattes av hvitvaskingsloven av 6. mars 2009 nr. 11 samt hvitvaskingsforskriften av 13.. mars 2009 nr. 302 (samlet benevnt "Hvitvaskingslovgivningen").

Alle Tegnere som ikke allerede står oppført som eksisterende kunder av Tilretteleggerne må bekrefte sin identitet i samsvar med kravene i Hvitvaskingslovgivningen, med mindre det foreligger et tilgjengelig unntak. Tegnere
som på Tegningsblanketten har angitt en eksisterende norsk bankkonto og en eksisterende VPS-konto er unntatt fra kravet, forutsatt at samlet tegning tilsvarer et beløp lavere enn NOK 100 000, med mindre Tilretteleggerne krever at identiteten bekreftes. Bekreftelse på identitet må fullføres før utløpet av Tegningsperioden. Investorer som ikke har fullført de gjeldende krav til verifikasiere av identitet vil kunne risikere ikke å få tildelt Nye Aksjer.


3.13 Levering av de Nye Aksjene


3.14 Notering av og handel i de Nye Aksjene

Selskapets Aksjer er notert på Oslo Børs med ticker-kode “REC”.

De Nye Aksjene vil bli tatt opp til notering på Oslo Børs så snart de Nye Aksjene har blitt registrert i Foretaksregisteret og i VPS.


3.15 Rettigheter knyttet til de Nye Aksjene


3.16 VPS-registrering

Tegningsrettene vil bli registrert i VPS med ISIN NO 001 0515414. De Nye Aksjene vil bli registrert i VPS med samme ISIN som de eksisterende Aksjene, ISIN NO 001 0112675.

Selskapets kontofører er DnB NOR Bank ASA, Verdpapirservice, Strand 21, 0021 Oslo, Norge.

3.17 Utvanning

Fortrinnsetsemissjonen vil innebære en umiddelbar utvanning på 25,64 % for Eksisterende Aksjonærer som ikke deltar i Fortrinnsetsemissjonen.

3.18 Fulltegningsgarantien og Garantikonsortiet

<table>
<thead>
<tr>
<th>Navn på Garantist:</th>
<th>Adresse:</th>
<th>Garantert beløp:</th>
<th>Prosent (ca):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orkla ASA / Elkem AS</td>
<td>Kareslyst Allé 6, 0278 Oslo, Norge / Hoffsv 65 B, 0377 Oslo, Norge</td>
<td>NOK 1 794 916 772</td>
<td>39,74 %</td>
</tr>
<tr>
<td>Hafslund Venture AS</td>
<td>Drammensveien 144, 0277 Oslo, Norge</td>
<td>NOK 643 415 616</td>
<td>14,24 %</td>
</tr>
<tr>
<td>Folketrygdfondet</td>
<td>Haakon VII's gate 2, 0161 Oslo, Norge</td>
<td>NOK 203 265 625</td>
<td>4,50 %</td>
</tr>
<tr>
<td>Fidelity</td>
<td>c/o Fidelity International, 25 Cannon Street, London EC4M 5TA, UK</td>
<td>NOK 45 585 000</td>
<td>1,01 %</td>
</tr>
<tr>
<td>DnB NOR Markets</td>
<td>Stranden 21, 0021 Oslo, Norge</td>
<td>NOK 915 001 610</td>
<td>20,25 %</td>
</tr>
<tr>
<td>ABN AMRO</td>
<td>Gustav Mahlerlaan 10, 1082 PP Amsterdam, Nederland</td>
<td>NOK 365 931 704</td>
<td>8,10 %</td>
</tr>
<tr>
<td>BNP PARIBAS</td>
<td>16 Boulevard des Italiens, 75009 Paris, Frankrike</td>
<td>NOK 182 965 852</td>
<td>4,05 %</td>
</tr>
<tr>
<td>Nordea Markets</td>
<td>Middelthunsg. 17, 0368 Oslo, Norge</td>
<td>NOK 365 931 704</td>
<td>8,10 %</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td><strong>NOK 4 517 013 881</strong></td>
<td><strong>100 %</strong></td>
</tr>
</tbody>
</table>


Den enkelte Garantists forpliktelse til å tegne seg for Nye Aksjer vil bli redusert proratarisk tilsvarende antall Nye Aksjer som tegnes av og tildeles til andre Tegnere i Fortrinnsrettsemisjonen enn Aksjonærgarantistene (eller visse tilknyttede parter). Videre vil hver Aksjonærgarantists forpliktelse bli redusert aksje for aksje med antallet Nye Aksjer den enkelte Aksjonærgarantist har tegnet og blitt tildelt i Fortrinnsrettsemisjonen.

Fulltegningsavtalen er betinget av visse vedanske betingelser, inkludert blant annet relatert til (i) at forpliktelsene med hensyn til Selskapets avtalte gjeldsfinansiering nærmere beskrevet i punkt 13.5 underavsnitt "Capital Resources" nedenfor, fortsetter å være i kraft frem til betalingstidspunktet for de Nye Aksjene, (ii) fravær av vesentlige negative hendelser og (iii) visse leveringsforpliktelser ved gjennomføring, som videre omtalt i avtalen.

I henhold til Fulltegningsavtalen, skal Garantiforpliktelsernt utløpe for det tilfelle at Garantistene ikke er blitt notifisert om eventuell tildeling i henhold til Garantiforpliktelseren innen 24.00 (norsk tid) 30. juli 2009. Fulltegningsavtalen inneholder også visse oppsigelsesrettigheter for Garantistene i det tilfelle at (a) betingelsene for Garantiforpliktelseren ikke er oppfylt når betaling for de Nye Aksjene forefaller, og (b) Selskapet er i brudd på Fulltegningsavtalen eller visse erklæringer avgitt i henhold til Fulltegningsavtalen.

I henhold til Fulltegningsavtalen vil hver Garantist som vederlag for sin deltagelse i Garantikonsortiet motta en garantiprovisjon tilsvarende 3 % av beløpet garantert av den enkelte.

### 3.19 Tilretteleggere og øvrige rådgivere

Fortrinnsrettsemisjonen er tilrettelagt av DnB NOR Markets som "Global Coordinator and Joint Bookrunner", og ABN AMRO, BNP PARIBAS og Nordea Markets som "Joint Lead Managers and Joint Bookrunners".

Ernst & Young AS har utført en begrenset finansiell due diligence. Thommessen Krefting Greve Lund AS Advokatfirma har vært norsk juridisk rådgiver for Tilretteleggerne og Linklaters LLP har vært amerikansk juridisk rådgiver for Tilretteleggerne i forbindelse med Fortrinnsrettsemisjonen. Selskapets norske juridiske rådgiver har vært Advokatfirmaet Schjødt DA og Selskapets finansielle rådgiver har vært Arctic Securities ASA.

### 3.20 Nettoproveny og utgifter i forbindelse med Fortrinnsrettsemisjonen

Selskapet vil bære honorarer og kostnader forbundet med Fortrinnsrettsemisjonen, som er estimert til å beløpe seg til ca. NOK 200 millioner, hvorav ca. 180 millioner relaterer seg til garantiprovisjon til Garantikonsortiet som beskrevet i avsnitt 3.18 ovenfor med tillegg av andre honorarer og utgifter til Tilretteleggerne, og ca. NOK 20 millioner relaterer seg til andre kostnader og utgifter. Selskapet og Tilretteleggerne vil ikke belaste Tegnerne med noen utgifter, skatter eller avgifter i forbindelse med Fortrinnsrettsemisjonen.
Totalt estimert nettoproveny i Fortrinnsretsemisjonen er ca. NOK 4 300 millioner, som vil bli allokert til Selskapets aksjekapital og overkursfond.

3.21 Omsetningsbegrensninger
Se kapittel 9 for gjeldende omsetningsbegrensninger relatert til Fortrinnsretsemisjonen.

3.22 Offentliggjøring av informasjon i tilknytning til Fortrinnsretsemisjonen
I tillegg til pressemeldinger på Selskapets hjemmesider vil Selskapet benytte Oslo Børs’ informasjonssystem til å publisere informasjon i tilknytning til Fortrinnsretsemisjonen.


3.23 Jurisdiksjon og lovalg
Dette Prospektet, Tegningsblankettene og vilkårene og betingelsene for Fortrinnsretsemisjonen skal være underlagt og tolkes i samsvar med, og de Nye Aksjene vil bli utstedt i henhold til, norsk rett. Enhver tvist som oppstår i tilknytning til dette Prospektet eller Fortrinnsretsemisjonen skal være eksklusivt underlagt norsk domsmyndighet, med Oslo som rett vernet.
3.24  Hvordan gå frem

De nedenstående instruksjonene gjelder for tegning av Nye Aksjer ved bruk av Tegningsretter. Se de ovenstående avsnitt i dette kapittel 3 for ytterligere detaljer, herunder detaljer om overtegning og tegning uten Tegningsretter.

<table>
<thead>
<tr>
<th>Betingelser</th>
<th>For hver 2,9 REC-aksje vil du motta én (1) Tegningsrett. Én (1) Tegningsrett gir rett til å tegne én (1) Ny Aksje I REC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tegningskurs</td>
<td>NOK 26,50 per Nye Aksje</td>
</tr>
<tr>
<td>Registerdato for å avgjøre retten til å motta Tegningsretter</td>
<td>25. juni 2009, da aksjonærregisteret som føres av VPS vil vise aksjonærer per 22. juni 2009</td>
</tr>
<tr>
<td>Tegningsperiode</td>
<td>29. juni 2009 – 13. juli 2009 kl 17.30 (norsk tid)</td>
</tr>
</tbody>
</table>

1. Du vil bli tildelt Tegningsretter

For hver 2,9 Aksje du eier i REC per 22. juni 2009…

Aksje

… vil du motta én (1) Tegningsrett

Tegningsrett

2. Hvordan utøve dine Tegningsretter

Én (1) Tegningsrett

Tegningsrett + NOK 26,50

Aksje

Én (1) ny Aksje i REC

Dersom du har en VPS-konto

Dersom dine REC-aksjer er registrert på en VPS-konto, vil den ferdigutfylte Tegningsblanketten angi antall Tegningsretter du mottar.


Din bankkonto vil bli belastet på eller omkring 21. juli 2009

Dersom du benytter en forvalterkonto

Dersom dine REC-aksjer holdes på en forvalterkonto hos en bank eller annet verdipapirforetak, forventes din forvalter å informere deg om antallet Tegningsretter du har mottatt.

Følg instruksjonene du mottar fra din forvalter.
4. **RISK FACTORS**

Prior to a decision to purchase Shares or subscribe for New 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 and the New Shares may decline, and investors could lose all or part of their invested capital.

4.1 **Risks Relating to the PV Industry**

*Continued government subsidies, incentives and other support are of key importance to the PV industry.*

The PV industry still 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.

The Company is currently directly active in the markets for solar modules in Germany, Spain, Italy, Belgium, the Netherlands, France, Greece and the United States, and is indirectly dependent on the global market through its sales of wafers and polysilicon. The Company is also planning to broaden its market presence and will also become active in new markets going forward. Incentives for PV energy are currently important in all these markets.

Political developments could lead to a material deterioration of the conditions for, or a discontinuation of, the incentives for PV systems. 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.

*Prolonged limited capital availability could have a significant negative impact on the demand for the Company’s products.*

The financial crisis has reduced the availability of project- and debt financing as well as equity financing. The demand for PV products is dependent on the availability of short and long term funding of small and large scale PV projects. A continued scarcity of financing could limit the demand for PV projects with a negative impact on the growth of the PV industry as well as a negative impact on the demand for the Company’s products.

Prolonged financial crisis could lead to a decrease in demand for PV systems. This could in turn 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.

*Increasing interest rates could have a significant 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 could lead to a decrease in demand for PV systems. This could in turn 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/or other renewable energy resources decline 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. Accordingly, in the medium and long term, market prices in Western Europe (an important market for the Company’s products) for PV modules may 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. A similar development may also take place 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.

The PV industry is not yet mature in terms of demand, market structure and technology.

The PV industry has a relatively short history. Significant growth in volumes and in the number of PV companies has been experienced over the past few years. Significant developments in technologies and changes in market structure and demand could significantly alter the Company’s competitive situation, which could have a material adverse effect on the financial condition and results of operations of the Company.

**There is a significant risk of industry-wide overcapacity in the PV industry, which could lead to a reduction in average selling prices across the PV value chain and a significant deterioration of profitability.**

The market conditions for the PV industry over the past years have been very strong, with demand exceeding the available supply. This has led to significant new capacity expansion plans, from both existing and new PV companies, being announced and commissioned in all segments of the PV value chain, from polysilicon and ingots/wafers to cell and module production. The capacity expansions resulted in a situation of overcapacity in the cell and module segments.

The current global economic crisis has led to a tightening of the financial markets, resulting in a significant reduction in the availability of financing. Funding of expansions as well as for project development has been very scarce over the past months. The inability of project developers to obtain external funding of their PV installations have, together with caps placed on the feed in tariff regimes in several markets, led to a significant reduction in demand for PV installations. This has further led to a significant reduction in the demand for modules and cells, causing significant inventory build-up among the cell and module producers.

The effects of the financial crisis, especially if a situation with very limited credit availability is prolonged, can lead to a situation of prolonged overcapacity across the PV value chain, as the reduced demand for modules and cells reaches the ingot/wafer and polysilicon suppliers, adding to the effect of the capacity expansions over the past years. Such developments are already taking place. The Company experiences overcapacity in the market for wafers and modules, which has led to REC Wafer temporarily taking out approximately 35% of its production capacity, and REC Solar currently operating below capacity. Polysilicon spot prices have also dropped significantly in the last year. Oversupply across the whole PV value chain can result in reduced capacity utilization at the Company’s production facilities, and therefore lead to higher manufacturing costs per unit,
which could have a material adverse effect on the business, prospects, financial condition and results of operations of the Company.

There are significant 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 significant 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 is currently preparing for implementation in its new silicon plant, and the foil or ribbon technologies for silicon wafer production currently being pursued by Sovello. There are also alternative manufacturing technologies for PV modules, particularly thin film technologies based on Cadmium Telluride, with already realized attractive manufacturing costs potentials, that are currently not used by the Company. If one or more competitors succeed 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.

4.2 Risks Related to the Company

The ongoing financial crisis adversely affects the markets in which the Company operates, and could have significant negative effects on the Company’s financial results.

The current financial crisis negatively affects the markets for sale of polysilicon, wafers, modules and silane gas both with respect to the Company’s existing production capacity and with respect to the increased capacity in relation to the current expansion projects. Continuing deterioration in demand and lower selling prices would adversely affect the Company’s financial results and/or growth. The Company does currently not see any improvement in the market.

Furthermore, the financial crisis compromises existing individual customers’ ability to finance their ongoing business operations, in some cases to a significant extent. End customers may not be able to finance solar system projects. This could lead to lower demand, delay of purchase of products, loss of customers and that receivables are not settled.

A few larger external customers account for the greatest share of the Company’s sales, and default or renegotiation of contracts could have a significant negative impact on the Company’s operating results.

The Company relies on a few larger external customers with respect to sale of polysilicon, wafers and silane gas under long term contracts that together account for the majority of the Company’s total revenue. If one or more of these customers were to default, and the Company would be unable to find a buyer or having to sell at a considerably lower price, this could have a significant material adverse effect on the financial results of the Company.

The Company has recently been approached by customers, in particular customers of REC Wafer, who has been contacted by the majority of its customers with long-term contracts, seeking postponement and/or reduction in volumes and/or lower prices. It may be in the Company’s interest to fully exercise its rights under the long-term sales contracts in order to protect its position. On the other hand, it could be in the Company’s commercial interest to, among other things, make individual adjustments in these sales contracts taking into consideration its
long standing relationship with key customers. Any adjustments will have an effect on EBITDA in the relevant period. The Company has so far made certain minor adjustments, but it can not be excluded that the Company will make further adjustments. Further, enforcing the contracts may lead to bankruptcies and/or loss of customers, which could have a material adverse economic effect on the Company’s results.

**Within cells and modules, the Company has limited long-term agreements with its customers and accordingly is subject to short term fluctuations in demand, which could have significant negative impacts on its operating results.**

The market for solar cells and modules is more dynamic than the market for polysilicon and wafers. Sales contracts tend to be shorter in durations and provide more flexibility both with respect to price and volume than what is typically the case further upstream in the value chain. Thus, REC Solar is exposed to fluctuations in sales prices and volume, which could cause its operating results to fluctuate and may result in a material adverse effect on the Company’s business.

**A substantial portion of sales by the divisions of the Company are sold internally (eliminated on consolidation).**

The Company is a vertically integrated producer of solar-grade polysilicon, wafers, cells and modules, and a substantial portion of the Company’s Silicon and Wafer divisions’ products is sold to another REC division, and for the Solar division, cells are sold between companies within this 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.

Finished goods inventory buildup could negatively affect financial results through higher internal eliminations of internal profit.

**There are significant 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. Specifically the Company has strategic ownership interests in Sovello and Mainstream Energy Inc. as further described in section 15.10. While the Company intends to continue to focus on organic growth, acquisitions, participation in joint ventures and minority investments could also play an important role in the Company’s future growth.

Acquisitions of companies and participations in joint ventures or other strategic alliances with suppliers or other companies are and will generally be subject to certain risks. These risks relate both to the Company’s past acquisitions, 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 assured.

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.

**If the recent credit market conditions continue or worsen, they could have a material adverse impact on the Company’s strategic investments.**

The companies in which the Company has made strategic investments are dependent on obtaining additional funding from their banks. If the current poor credit market conditions continue or worsen, the ability of these companies to obtain the external funding necessary to finance their technology development and capacity expansions, would be severely impaired, resulting in an increased demand on the shareholders to provide the necessary funding. As a shareholder, and in some cases as guarantor, the Company would be forced to either (i) take part in the funding, and be subject to an increased financial exposure, or (ii) not take part in the funding and face dilution of the Company’s ownership share, or potentially face a loss of the investment if the company does not succeed in meeting its funding requirement, resulting in either a worsening of the development potential, or
in the worst case, bankruptcy. Any of these alternatives would affect the Company’s financial position, and/or liquidity situation.

The Company has undertaken for a limited period of time to maintain the liquidity of Sovello.

In connection with a short term bridge loan to and guarantees on behalf of Sovello, the Company has undertaken towards Sovello’s bank syndicate to maintain the liquidity of Sovello until August 15, 2009 (on a pro rata basis together with the other shareholders of Sovello) at which time the Company expects that a new financing structure will be in place for Sovello. Although the Company currently does not expect that additional contributions will be required until August 15, 2009, there can be no assurance that no such contributions will be required from the Company. The Company can not guarantee that the new financing structure will be in place by August 15, 2009. If a new financing structure is not in place at that time, there is a risk that the Company can be forced to provide further financing to Sovello, which would affect the Company’s financial position, and/or liquidity situation.

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

The Company has grown rapidly over the past years and expects growth to continue. For example, produced volume of polysilicon at REC Silicon measured in metric tons increased by about 20% from 2005 (on a pro forma basis assuming that ASiMI was acquired 100% as of January 1, 2005) to 2008, multicrystalline wafer production at REC Wafer as measured in MW increased by about 150%, and both cell and module production in REC Solar increased by more than 500% over that period. 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, accounting, planning and controlling, as well as personnel management, employee training and internal control.

The Company may not succeed in achieving the production capacity expansions and cost reductions targeted by its investment plans, or secure the necessary financing of the investments, or fulfill sale contract obligations. Expansion projects may be significantly affected by cost overruns, schedule delays and defects. The Company is currently implementing significant capacity expansions, expected to ramp-up during the coming two years, including the REC Silicon III and IV expansion in Moses Lake, the REC Wafer monocrystalline wafer manufacturing expansion in Glomfjord and the REC Wafer III and IV expansion at Herøya, and the construction of wafer, cells and modules manufacturing facilities in Singapore.

Typically, all expansion projects undertaken by the Company involve significant risks related to technology, schedule and capital expenditure. In most expansion projects, the Company is implementing new technologies to realize additional costs reductions and or quality improvements, e.g., in Herøya III and IV, a new furnace technology is introduced to further improve the quality of the ingots; in Moses Lake, the new FBR technology is introduced to significantly reduce energy consumption and manufacturing costs in the polysilicon manufacturing process; and in the mono-crystalline wafer expansion in Glomfjord, the Company is introducing new monocrystalline pullers and increasing the size and the scope of the operation. Further, these expansion projects are exposed to general risks related to the engineering, construction and ramping-up of such large-scale manufacturing entities. The Company’s ability to fulfill its obligations under the long-term contracts for delivery would be significantly impaired if the Company is unsuccessful in ramping up planned capacity expansions.

In March 2009, production at REC Silicon’s FBR-based polysilicon manufacturing plant, Silicon III, was started. The plant produced silane gas as intended, met reactor design production capacity and met silane gas and polysilicon quality expectations. However, after 240 hours of production, the plant was shut down for process safety reasons due to an emerging crack in a reactor discharge pipe. It was discovered a potential for material fatigue and immediate investigations indicated that this was due to mechanical and thermal stress. REC Silicon is working with its EPCM Contractor, Fluor, to update the mechanical stress simulation model and design the necessary changes to the reactor discharge pipe. Should REC Silicon fail to solve the issue of the discharge pipe in line with the present schedule, this would lead to further delays in the ramp-up of the new polysilicon manufacturing facility and can also potentially impact the manufacturing volumes of REC Wafer and REC Solar. Interruptions must be expected when ramping up a large and complex chemical plant which implements innovative new technologies. Although Silicon III is expected to start commercial production in the third quarter 2009, there is no assurance that there will be no further delays. Further delays will affect the Company’s ability
to deliver the agreed volumes to its customers. This could result in claims from customers for *inter alia* damages and/or termination of the respective supply agreement.

There is no guarantee that the design changes will result in the plant starting up as planned, that there will not be further delays, that the plant will produce the expected volumes, or that the plant will achieve the production capacity and cost reductions targeted by the Company’s investments plans. There are inherent risks associated with transferring the Company’s new FBR technology into volume manufacturing and the Company may not achieve the targeted FBR reactor production volumes, which could result in underutilization of the Silicon III and Silicon IV silane capacity, which in turn would have an adverse impact on the Company’s business and results of operations.

The ability of the Company 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 these production expansions are 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 Shares.

There is a risk that expansion projects could be significantly delayed or more costly than expected due to disputes, litigation and/or legal proceedings, such as the Jansen lawsuit described in the risk factor “*The Company will from time to time be involved in disputes and legal proceedings*” immediately below. Delays or cost overruns could also be caused by issues related to permits and/or governmental approvals. See sections 15.5.7, 15.6.7 and 15.7.7 for a description of the Company’s environmental concessions and issues related thereto.

There are risks related to the project management role undertaken by the Company in such projects. The contractual remedies available to the Company in case of cost overruns, delays and defects in the performance by contractors in the construction of facilities are not likely to be sufficient to remedy the consequences for the Company following from such event. For example, the overall responsibility for the interfaces between the main contractors as well as the system design for the production lines, in the Singapore project, lies with the Company. The Company has the overall project risk, and has chosen to manage the Singapore project by the Company’s own project management team, instead of utilizing an external management assistant contractor. The three main EPCM and EPC contracts (including their subcontracts) represent approximately 50% of the total value of contracts committed on the project. The two EPCM contracts and their subcontractors are based on reimbursement of actual cost. The EPC contract and its subcontracts are entered into on a lump sum basis. This means that for the two EPCM contracts, the main cost, time and productivity risk associated with the contracts rests with the Company.

The production line equipment contracts for the Singapore project represent the other 50% of the contract committed value. For these contracts, the compensation format has been split in lump sum pricing for the fabrication and supply of the units (approx. 90%) and reimbursable pricing for the installation of the units (approx. 10%).

Should these risks increase significantly or materialize, it 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 Ministry of Trade and Industry in Singapore has issued “Pioneer Certificates” to the four REC Singapore companies which qualify the companies as “pioneer enterprises”, giving the companies tax benefits. The certificates are, however, subject to a number of conditions related to the production of these companies. There can be no guarantee that the Singapore companies will satisfy these conditions and any breach of the tax conditions may have a material negative effect to the Company.

*The Company is dependent upon the continued availability of financing arrangements which can be significantly affected by general economic conditions.*

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 and maintaining 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 two bank loan
facilities with syndicates of banks as well as a SGD loan facility, mainly for the purpose of financing its planned and contemplated capacity increases, any default by the Company under these facilities could jeopardize the Company’s access to financing under the facilities. The Company has recently restructured the bank loan facilities and obtained further debt financing as described in section 13.5 sub-section “Capital Resources” below. 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, cost overruns and/or events beyond the Company’s control, the Company may be unable to adhere to the budget for the intended expansions or be unable to realize a material part of its intended capacity expansions.

Due to the general reduction in available credit to potential borrowers and the poor state of economies worldwide, banks and other potential lenders may be unable or unwilling to finance the Company’s investment projects, or the parties that have historically provided this financing may cease to do so, or only do so on terms that are substantially less favorable for the Company. This could materially and adversely affect the Company’s ability to finance the growth in all segments of its business.

The global economic downturn and dislocation in the financial markets may expose the Company to liquidity risk in the longer term.

The rapid global economic downturn and serious dislocation of financial markets around the world have caused a number of the world's largest financial and other institutions significant operational and financial difficulties, and also have caused some lenders to take advantage of opportunities to negotiate a reduction in their exposures. Given the Company’s high level of indebtedness and the significant deterioration in the credit markets, there can be no assurance that the Company over the longer term will be able to refinance its existing debt as it becomes due (between 2011 and 2018) or obtain additional debt financing on commercially acceptable terms or to access the Company’s current debt facilities. Moreover, if general economic conditions or other factors lead the Company’s lenders to perceive an increased relative risk of default, such lenders may seek to hedge against such risk in a manner which could have a negative impact on the Company’s share price and restrict its ability to obtain further financing in the capital markets.

The Company consistently monitor actual and forecasted future cash flow requirements to ensure that it has sufficient cash available on demand to meet expected operational expenses, including the servicing of financial obligations. However, the potential impact of unforeseeable circumstances, such as a further significant deterioration of economic conditions, natural disasters or the insolvency or financial difficulties of large customers or suppliers, cannot be factored into these calculations. Any inability to maintain sufficient cash flow to fund operations could seriously disrupt the Company’s business operations, reputation and ability to raise further capital and financing.

Continuing global economic turmoil could inhibit the Company’s ability to meet its financial obligations when they fall due. Actions by counterparties who fail to fulfil their obligations to the Company as well as the Company’s inability to access new funding may impact its cash flow and liquidity, which could have a material adverse effect on the Company’s business, results of operations and financial condition. For a further discussion of the Company’s Facilities Agreement, including the amended financial covenants, the maturity of existing credit facilities and cash flow from its operations, see section 13.5 sub-sections “Liquidity” and “Capital Resources”.

The Company’s credit agreements contain covenant restrictions that may limit its ability to operate its business.

The Company is currently undertaking a large investment program which is financed by debt (please see section 13.5 for more information on the debt facilities). Some of the loan facilities contain certain financial covenants, which make the Company exposed to variations in EBITDA, cash flows and currency fluctuations as the financial indebtedness is increasing. As a result of the general market conditions, the Company has experienced reduced EBITDA and cash flows. Even with the current refinancing of the company, there is still a risk that the amended financial covenants may come under pressure should the EBITDA and the cash flows weaken even further, or due to unfavourable currency fluctuations.

If the Company is in breach of the covenant restrictions imposed under its credit agreements, this could eventually require the company to repay its debt to its lenders, or take other actions, that may adversely affect the Company’s ability to obtain further debt financing. This would in turn have a material adverse effect on the business, prospects, financial condition, or even the existence of the Company.
Changes in the interest rates affect cash flows and the estimated fair values of assets and liabilities.

The REC Group is exposed to interest rate risk through funding and cash management activities. Interest bearing assets and liabilities primarily carry variable interest rates. The credit lines have interest rates with reference to LIBOR (three, six or 12 month at the Company’s option) for drawn amounts plus credit margins that varies according to predetermined financial ratios for net debt to EBITDA. Borrowings through the Company are primarily exposed to changes in USD, EUR and NOK interest rates and the credit margins. The Company has also established a SGD loan facility which carries a fixed interest rate.

Changes in interest rates affect the estimated fair values of financial assets and liabilities with fixed interest rates. When estimating value in use of other assets, or groups of assets, changes in interest rates may affect the discount rate and consequently the estimated fair values. Changes in interest rates also impacts the competitiveness of solar power installations and thereby the customer’s willingness and capability to pay for the Company’s products.

The Company is exposed to exchange rate risks.

The Company operates internationally and is exposed to currency risk, primarily to fluctuations in U.S. Dollar (USD), Euro (EUR), Singapore Dollar (SGD) and Norwegian Krone (NOK), arising from commercial transactions and assets and liabilities in currencies other than the entities’ functional currencies. The Company adjusts in currency hedging to achieve stability and predictability in operating cash flows, preserving the carrying value of net investments, and to give predictability of highly probable future payments for investments in foreign currencies. 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. Currency developments will affect translation to NOK of financial statements of entities with functional currencies other than NOK. For translation of profit and loss items, as well as capital expenditure, the Company uses average year-to-date exchange rates as an approximation to the exchange rates at the dates of the transactions. If exchange rates fluctuate significantly, the use of the average rate for a period may be inappropriate.

The Company is exposed to risk related to embedded derivatives.

The Company’s embedded derivatives are based on wafer sales contracts with predetermined prices and volumes. The contracts allow for some adjustments in volume and prices from year to year, including changes in wafer thickness. The embedded derivatives are based on the best estimate of volumes and prices for the different years. If the Company is not able to deliver the estimated volumes or if there are changes in these volumes and prices for other reasons, the values of the embedded derivatives will be affected, with the effects recognized through the statement of income. This risk may increase if contracts are amended.

The Company is exposed to credit risk.

The financial turmoil during the second half of 2008 has reduced visibility for credit risks related to counterparties, including customers and banks. The Company has some concentrations of credit risk as it has a few large wholesale customers in the solar, silicon gases and electronics industry in Europe, United States and Asia. The Company seeks to ensure that sales of products are made to customers with an appropriate credit history in combination with requirements for various payment guarantees or prepayments and to some extent credit insurance. The Company’s recognized only minor losses on receivables at December 31, 2008 and at March 31, 2009. Even though the Company has taken precautions, it may experience increased losses in the future. The solidity of counterparties may be weakened and the counterparty risk may increase quite suddenly, in today’s turbulent financial situation.

The Company will from time to time be involved in disputes and legal proceedings.

The Company will from time to time be involved in disputes and legal proceedings. Such disputes and legal proceedings may be expensive and time-consuming, and could divert management’s attention from the Company’s business. Furthermore, legal proceedings could be ruled against the Company and the Company could be required to, inter alia, pay damages, halt its operations, stop its expansion projects, stop the sale of its products, etc, which can consequently have a significant negative impact on the Company’s business, prospects, operating results or financial condition.
The Company is currently involved in legal proceedings against Victor C. Jansen and Vance Jansen, who filed an action on May 11, 2009 against REC Silicon Inc., REC Solar Grade Silicon LLC and REC Advanced Silicon Materials LLC (the "defendants") in Grant County Superior Court, Washington State, USA. Reference is made to section 21.1 for a further description of the dispute. The Company intends to vigorously defend this lawsuit. Although the Company considers it unlikely that an injunction will be issued there can be no guarantee that the plaintiffs will not be successful in full or in part. Should the plaintiffs obtain an injunction, this could result in a delay in the ramp up of Silicon III and IV and/or a reduction or shut down of the current operations at the plant, which could have a material adverse effect on the Company’s business, prospects, operating results and financial condition.

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

The Company is currently in the process of further expanding 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, establishing PV module production facilities in Sweden, establishing sales offices in Germany, Spain, Italy and France, acquiring joint control over Sovello in Germany and acquiring a minority interest in Mainstream Energy Inc. in the U.S. Further, the Company is currently building an integrated wafer, cells and modules manufacturing plant in Singapore and 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 above). 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 involve significant risks and may not give a positive return on investment.

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, solar cells and solar modules, the Company has also invested and regards it as an important strategic objective to invest further in alternative technologies or in companies developing alternative technologies. Existing investments principally include the Company’s investment in Sovello and its milestone based collaboration agreement with Sigen. While Sovello was in profitable mass production for several years already, there can be no assurances that this will continue. With regard to the new wafering technology developed together with Sigen, there can be no assurances that this will succeed and that the technology 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. The Company has recognized losses on the investment in CSG Solar, and plans to sell its remaining shareholding in 2009.

The Company is dependent on a limited number of third-party suppliers for key production supplies and components for its products and any disruption to supply could negatively impact its business significantly.

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 saw-wire), crucibles and block saw blades from a limited number of suppliers. Similarly REC Solar sources several of the materials used in cell and module manufacturing from a limited number of suppliers. 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 is relying on external subcontractors and suppliers of services and goods to meet agreed or generally accepted standards.

REC’s polysilicon, wafer, solar cell and module manufacturing operations all rely on external subcontractors and suppliers of services and goods to varying degrees. This operating model inherently contains a risk to the Company’s goodwill and branding, if suppliers fail to meet agreed or generally accepted standards in areas such as environmental compliance, human rights, labor relations and product quality. The scope of this risk increased in 2008 and 2009, as REC’s business has grown in size and extended into many new geographic markets, including the construction of a new production facility in Singapore and outsourcing of a part of the module manufacturing to Germany and China. In 2008, the Company discovered defective welds on pipe spools delivered by a third-party supplier, which delayed the start-up of REC Silicon’s new plant in Moses Lake, Silicon III.

The Company’s results of operations may be significantly adversely affected by fluctuations in energy prices.

Electricity is the principal component of cost of production in REC Silicon. 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, 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. In addition, electricity prices for the Butte facility are subject to volatility, as a significant share of its electricity purchases 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.

The Company obtains 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 projects and products on time will suffer, which in turn could result in order cancellations and significant loss of revenue.

Some of the 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 or other difficulties or go out of business, or if there was any damage to or a breakdown of the Company’s manufacturing equipment at a time the Company were 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 expansion of its manufacturing capacity and otherwise disrupt the Company’s production schedule or increase its costs of production.

The Company may not succeed in developing and implementing new measures to increase the conversion efficiency of solar cells or such improvements may require more time and resources than initially anticipated.

Within the wafer area, the Company may not be successful in developing, primarily through the implementation of new crystallization furnaces, high quality wafers with increased potential for higher conversion efficiency. Further, given the inherent risks associated with the implementation of new technologies, it may require more time and resources to fully utilize the potential of new technologies.

Within the solar cell area, the Company may not be successful in developing and implementing new and more cost-efficient process steps for increased conversion efficiency. This includes risks associated with the design of
the solar cell as such. Given the inherent risks associated with the implementation of new technologies, it may require more time and resources to fully utilize the potential of new technologies.

Lower solar cell conversion efficiency, whether it stems from the wafer area or the solar cell area, will result in higher unit costs and reduced competitiveness for the REC Group.

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

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. 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. If the Company does not achieve planned yields, its product costs could increase, and product availability would decrease, which could have a material adverse affect on the business, prospects, financial condition or results of operations of the Company.

If the Company is not able to continue to achieve satisfactory quality in manufacturing its products, the demand for its products could be adversely affected, which could have a material adverse affect on the business, prospects, financial condition or results of operations of the Company.

Problems with product quality or product performance, including defects in the Company’s products, could result in a significant decrease in the number of customers and in revenues, significant 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 replacement costs or 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. In 2008, the Company detected a potentially malfunctioning junction box used for its modules and as a consequence a NOK 61 million provision was made in the fourth quarter of 2008 for potential repair work related to these junction boxes. On June 5, 2009 the Company announced that findings following analysis and inspection work related to its deliveries of solar modules with possibly malfunctioning junction boxes indicated that the one-off provision (non-recurring item) for costs associated with the repair work needed to be increased by approximately NOK 300 million, which will negatively affect the net profit of Q2 2009. The Company is however early in the repair process and the work is expected to continue through 2009 and into 2010. There are therefore inherent risks of additional costs, and there can be no guarantee that the provisions will be sufficient and that significant additional provisions will not be required. 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. Although a defect in the Company’s products may be caused by defects in products delivered by the Company’s suppliers which are incorporated into the Company’s products, there can be no assurance that the Company will be entitled to or successful in claiming reimbursement, repair, replacement or damages from its sub suppliers relating to such defects.

Since the Company cannot test its solar modules for the duration of the warranty period, the Company may be subject to significant unexpected warranty expenses.

REC Solar’s solar modules carry a 25-year power output guarantee and an up to five-year limited workmanship guarantee. 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. See risk factor “Problems with product quality or product performance, including defects in the Company’s products, could result in a significant decrease in the number of customers and in revenues, significant unexpected expenses and loss of market share” immediately above for details related to discovery in 2008 of malfunctioning junction boxes used for the Company’s solar modules.

Any increase in the defect rate of the Company’s products would cause the Company to increase the amount of general warranty provisions and have a corresponding negative impact on its financial statements. Although the Company tests its solar cells and modules and has testing experience since it started module manufacturing in 2003, the Company’s solar cells and modules have not been and cannot be tested in a real-life environment corresponding to the 25-year warranty period. As a result, the Company may be subject to unexpected warranty expenses, which in turn would harm its financial results. The Company has currently no insurance coverage for such warranty expenses.

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 significantly.

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 certain countries in which the Company markets or plans to market its products may offer little or no protection for its proprietary technologies.

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 significantly harm its competitive position and increase its expenses significantly.

At the end of first quarter 2009, the Company had 46 patents granted and 146 patent applications pending. The Company’s patents and patent applications cover processes across the whole PV value chain, including, inter alia, silane gas manufacturing, silane gas deposition in Siemens reactors and FBR reactors, multicrystalline ingot technology, sawing of ingots into blocks, sawing of blocks into wafers and washing and separation of wafers as well as multiple method and product patents for solar cells and modules. 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 or a competitor may have filed similar patent applications as the Company in the 18 non-published months prior to the Company’s own filing. 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 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 effectively protect 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 significantly.

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 guarantee 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 claims, including claims 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 has applied for registration of certain trademarks which have been refused in some jurisdictions, and the process is pending in several jurisdictions. Although the Company does not consider registration of trademarks to be necessary in the marketing of its products, and that the present use of such unregistered trademarks to the Company’s knowledge does most likely not violate any third party’s rights, there can be no guarantee that no third party will be successful in claiming damages from the Company and/or that the Company shall cease to use such trademarks in the relevant jurisdiction, in which case it could harm the Company’s ability to compete, generate revenue and to grow its business.

The Company may file claims against other parties for infringing its intellectual property that may cause significant costs 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 pollution 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. See also section 15.13.

The Company’s production processes, particularly its manufacturing processes in Moses Lake, Washington, Butte, Montana and Narvik, Norway involve manufacturing, processing, storage, use, handling, distribution and transport of silane gas and other substances of an explosive or hazardous nature. Accidents or mishandlings involving these substances could cause severe or critical damage or injury to property and human health. Such an event could result in civil lawsuits and/or regulatory enforcement proceedings, both of which could lead to significant liabilities. 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.

All of the Company’s divisions depend on various discharge permits granted by various authorities. From time to time, breaches of the allowed emission limits set out in such permits may occur. If such limits of the relevant permits should be exceeded, this may have a significant effect on the Company’s operations and result, as the Company may be ordered to temporarily halt production, be subject to fines and/or be ordered to undertake corrective measures. The Company has faced some problems with respect to the required air permits for Silicon III and IV at the plants in Moses Lake. See section 15.5.7 for further information. Should the Company not manage to obtain the required air permits in due time, this could result in a delay in the ramp up of Silicon III and IV, which could have a material adverse effect on the Company’s business, prospects, operating results and financial condition.

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. Any breach of such requirements could in addition result in fines or other substantial costs and/or constraint the Company’s ability to operate its production plants, which could have a material adverse effect on its business, prospects, financial condition or 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, Wacker, MEMC and Tokuyama in the solar-grade silicon market, LDK Solar, ReneSola, SolarWorld, PV Crystalox and M.Setek in the wafer market and Q-Cells, First Solar, Suntech Power, Sharp, Kyocera, Yingli Solar, JA Solar, Motech, SunPower and Sanyo 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. Given the improvement in the polysilicon supply situation in the industry due to increased capacity, and the current weakening of demand growth due to the financial crisis, competition based on price, quality and technological innovation is increasing and is expected to continue to increase.

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 the 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 significantly 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 or hydrogen 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 could be seriously harmed by incidents resulting in damages not covered by insurance.

The Company operates several complex chemical plants, and operates in several countries. There is a risk that incidents can occur resulting in damages not covered by insurance, which could have a material adverse effect on the Company’s business, prospects, operating results and financial condition.

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

A majority of the Company’s insurance policies expire towards the end of November 2009.

A majority of the Company’s insurance policies on plants expire towards the end of November 2009. Although the Company has not received any indication that the renewal of its insurance policies will be difficult, the Company cannot guarantee that these renewals can be made on the same terms as existing policies or that the Company will be able to obtain insurance on normal and acceptable terms.

There are risks related to estimation uncertainty.

Note 4.2 to the Company’s consolidated financial statements for 2008 describe some key sources of estimation uncertainty – critical accounting estimates. The preparation of financial statements in accordance with International Financial Reporting Standards (“IFRS”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Uncertainties described in note 4.2 include, but are not limited to:

The periodic reviews of impairment indicators, and the annual impairment test of goodwill or intangible assets not ready for their intended use, may lead to recognition of impairment losses. Property, plant and equipment, other intangible and financial assets are tested for impairment when circumstances indicate there may be a potential impairment. Regardless of any impairment indicators, the Company annually tests whether goodwill or intangible assets not ready for their intended use, have suffered any impairment. Reviews of impairment indicators according to IFRS are conducted at the end of each quarter. Impairment indicators for the second quarter 2008 and in subsequent quarters may include, but are not limited to, factors such as; reduced market demand with negative effects on cash flow and results; cost overruns and/or delays on construction projects; and reduction of production. In the current market, financial climate and due to company specific factors, impairment indicators may be present in the second quarter 2009 or in subsequent quarters that could lead to the recognition of impairment losses. Regardless of any impairment indicators, the annual impairment test of goodwill or intangible assets not ready for their intended use, may lead to the recognition of impairment losses.

The Company is subject to income taxes in several jurisdictions. Judgment is required in determining the provision for income taxes. Also, the companies in the REC group perform significant transactions with each other and with other related parties. Tax authorities of the different countries may have different views than the Company on the amounts of income taxes to be paid, including the transfer prices used, with potential negative effects for the Company.

The Company has a relatively limited operating history which may not serve as an adequate basis to judge its future prospects and results.

The Company has a relatively limited operating history. Thus, its past operating and financial results may not serve as an adequate basis to judge its future prospects and results. Consequently, it may be difficult to make an assessment of the results of operations going forward, and the Company’s future results may be significantly different than those of its previous operations.

4.3 Risks Related to the Rights Issue and the Shares

After the Rights Issue, 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 Shares.

Following completion of the Rights Issue, the three largest shareholders of the Company will continue to hold 53.77% of the share capital of the Company (of which 39.74% is ultimately controlled by Orkla ASA). As a result of this concentration of share ownership, these shareholders will be in a position, irrespective of the voting behavior of the other shareholders, to exert substantial influence over many 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 Elkem, Orkla and Hafslund Venture (each either directly or indirectly through companies held by them) are expected to hold 23.45%, 16.28% and 14.04% of the share
capital of the Company, respectively, following completion of the Rights Issue, and either alone or jointly may therefore exert considerable influence over the decisions taken at general meetings. For further information regarding such shareholder decisions, see section 19.

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.

Pre-emptive rights may not be available to U.S. holders of the 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 Oslo Børs.

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 U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements of the U.S. 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 a public limited liability 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 investors 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 DA, that although investors 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 an investor 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.

Holders of 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. For more information, see section 19.

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 U.S. Securities Act or the securities laws of other jurisdictions 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 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 Register of Business Enterprises is severely limited under Norwegian law.

Once the capital increase relating to any Shares of the Company (including the New Shares) has been registered in the Norwegian Register of Business Enterprises, purchasers of those Shares have limited rights against the Company under Norwegian law. All persons who submit applications or orders for New Shares in the Rights Issue shall be deemed 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 Register of Business Enterprises is severely limited under Norwegian law.
5. RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Rights Issue described herein and the subsequent listing of the New Shares on Oslo Børs.

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.

June 23, 2009

Dag J. Opedal
Chairman
Roar Engeland
Director
Susanne Munch Thore
Director

Tore Schiøtz
Director
Grace Reksten Skaugen
Director
Hilde Myrberg
Director

Odd Christopher Hansen
Director
Unni Iren Kristiansen
Director
Rolf Birger Nilsen
Director

Anders Langerød
Director

Tommy Kristensen
Director
6. 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 section 4 “Risk Factors,” section 15 “The Company’s Business” and section 13 “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 section 4 “Risk Factors”.

63
7. USE OF PROCEEDS

7.1 Background and Reasons

The global financial crisis has led to a significant reduction of the availability of financing, which, in combination with the cap on annual installations introduced, *inter alia*, in the Spanish market, has resulted in a significant reduction in demand for PV installations, and several PV companies have over the last months experienced significantly lower sales volumes than expected and increasing inventory levels.

Since 2004, the PV market has grown in excess of 50% per annum in average. The market growth from 2007 to 2008 was approximately 100%. Before the global financial crisis, the PV market was expected to grow significantly also in 2009 and most companies in the industry had expansion programs in place. At present, market consensus on the PV market for 2009 seems to be around 5 GW, representing a reduction of 10-15% compared to 2008. The excess supply of product has increased the downward pressure on prices throughout the value chain, and in particular on solar modules. Average sales prices of solar modules for 2009 are expected to be approximately 30% below the average sales prices for 2008.

The fundamentals of PV remain strong and the significantly reduced price of solar modules has made investments in PV systems more profitable than ever. Thus the long term outlook for the PV industry might not be adversely affected by the current market conditions, as the availability of financing is expected to eventually return to more normalized levels. However, it is clearly difficult to predict with a high level of accuracy when financing becomes available.

REC is currently committed to a major expansion program with significant construction projects ongoing in polysilicon, wafers, cells and modules. Although positive cash flows are expected from the expansion program in subsequent periods, significant amounts of capital expenditures will be required before the construction projects are completed. Further, the new manufacturing facilities will have to go through a period of ramp-up before they will make a positive contribution to the cash flow of the Company. Under the current market conditions there are significant uncertainty associated with the utilization rate for new manufacturing facilities.

The low visibility in the Company’s markets in combination with a significant expansion program have compelled REC to review its financial situation in order to secure its operational and strategic plans. Due to the dynamic nature of the underlying business, REC aims to maintain an adequate degree of financial flexibility by keeping sufficient cash and cash equivalents or committed credit facilities available.

The main objective of the Company’s Board of Directors in the process has been to establish a financing structure that will reduce REC’s risk. Having a stronger balance sheet will, especially under the current market conditions, strengthen the Company’s position in the market versus its suppliers and customers, and further increase their comfort that REC will continue to be a significant player in the PV industry in the long term.

On May 19th 2009, REC issued a press release – “Securing long-term financing” - stating that the company had resolved to strengthen the company's financial position in order to ensure sufficient financial flexibility going forward. This was to be done through; (i) restructuring of existing debt, (ii) adding new credit lines including a bond issue, and (iii) issuing new shares through a fully underwritten rights issue. The aggregate liquidity effect of the debt and equity measures was expected to be in the range of NOK 7 - 9 billion.

In the Extraordinary General Meeting on 5th June 2009, the Company increased the rights issue from the previously anticipated NOK 4.0 billion to NOK 4.5 billion. The EGM also authorized the board to raise one or more convertible loans or loans with warrants, in order to ensure financial flexibility, including in connection with investment and/or mergers and acquisitions. The loans shall not exceed a total principal amount of NOK 6,000,000,000, and the related share capital increase shall not exceed NOK 60,000,000.

Further, the Board was granted the authority to increase the share capital by maximum NOK 60,000,000 in one or more share issues in order to improve the Company's financial flexibility, including in connection with investments and acquisitions. The authority also includes capital increases in connection with mergers and share issues to employees.

Given the need to ensure robustness and flexibility in a difficult market, and to be able to exploit strategic opportunities, the Company may issue convertible bonds during the second half of 2009.
7.2 Use of Proceeds

The Company estimates that it will receive, after deduction of the Managers’ fees and commissions, underwriting fees and other expenses, net proceeds of approximately NOK 4,300 million from the Rights Issue.

The Rights Issue proceeds will be used to strengthen REC’s financial position.
8.  THE RIGHTS ISSUE

A Norwegian translation of this section is included in section 3 of the Prospectus. In case of any discrepancies between the two versions, the English version shall prevail.

8.1  Overview

On June 22, 2009 the Board resolved to carry out the Rights Issue with gross proceeds of NOK 4,517,013,881. The Board further resolved that the Rights Issue shall be implemented by a combination of a capital increase with gross proceeds of NOK 3,999,999,994 based on a resolution made by the Extraordinary General Meeting of the Company on June 5, 2009 and a capital increase with gross proceeds of NOK 517,013,887 based on an authorization for the Board to issue shares granted by the same Extraordinary General Meeting of the Company. The Board also resolved that the two share issues shall be implemented as one offering, and the Rights Issue thus comprises the Subscription Rights and the New Shares to be issued pursuant to both resolutions. Implementation of the two share issues is hence made mutually conditional upon each other. See section 8.3 for further details.

The Rights Issue is fully underwritten by an underwriting syndicate consisting of major Existing Shareholders and the Managers (collectively, the “Underwriting Syndicate”) established by the Company on June 22, 2009, see section 8.18 for more information. The Company will issue one (1) Subscription Right per 2.9 Shares held in the Company as of June 22, 2009, in total 170,453,354 Subscription Rights. The number of Subscription Rights issued to each shareholder will be rounded down to the nearest whole number of Subscription Rights. Each Subscription Right grants the owner the right to subscribe for and be allocated one (1) New Share in the Rights Issue.

The below timetable sets out certain key dates for the Rights Issue:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last day of trading in the Shares incl. Subscription Rights</td>
<td>June 22, 2009</td>
</tr>
<tr>
<td>First day of trading in the Shares excl. Subscription Rights</td>
<td>June 23, 2009</td>
</tr>
<tr>
<td>Start of Subscription Period</td>
<td>June 29, 2009</td>
</tr>
<tr>
<td>First day of trading of Subscription Rights on Oslo Børs</td>
<td>June 29, 2009</td>
</tr>
<tr>
<td>Last day of trading of Subscription Rights on Oslo Børs</td>
<td>July 13, 2009</td>
</tr>
<tr>
<td>End of Subscription Period</td>
<td>July 13, 2009 at 17:30 (Oslo time)</td>
</tr>
<tr>
<td>Allotment of New Shares</td>
<td>July 17, 2009</td>
</tr>
<tr>
<td>Allotment letters distributed</td>
<td>July 17, 2009</td>
</tr>
<tr>
<td>Date of Payment for the New Shares</td>
<td>July 21, 2009</td>
</tr>
<tr>
<td>Registration of share capital increase</td>
<td>July 23, 2009</td>
</tr>
<tr>
<td>Listing and first day of trading of the New Shares on Oslo Børs</td>
<td>July 23, 2009</td>
</tr>
<tr>
<td>Date of Delivery of the New Shares</td>
<td>July 24, 2009</td>
</tr>
</tbody>
</table>

The above dates are indicative and subject to change.

8.2  Shares and Share Capital

The Company’s issued and registered share capital is NOK 494,314,725 divided on 494,314,725 Shares, each fully paid and with a nominal value of NOK 1.

Following completion of the Rights Issue, the share capital of the Company will be increased by NOK 170,453,354 to NOK 664,768,079 divided on 664,768,079 Shares, each with a nominal value of NOK 1.

All Shares carry equal and full shareholder rights in all respects and no Shares have different rights. The Company has only one class of shares. The Shares are freely transferable, and the Company’s Articles of Association do not contain any provisions with respect to limitations on ownership or transferability of the Shares.

All Shares are registered in book entry form in the VPS, with ISIN NO 001 011 2675. All Shares are listed on Oslo Børs with ticker code “REC”. The Subscription Rights will be registered in the VPS with ISIN NO 001 0515414 and will be listed on Oslo Børs with ticker code “REC T”.

8.3  Resolutions to issue the New Shares

The Extraordinary General Meeting of the Company held on June 5, 2009 made the following resolution to increase the Company’s share capital through the Rights Issue:
1. The share capital is increased with minimum NOK 40,000,000 and maximum NOK 400,000,000, from NOK 494,314,725 to minimum NOK 534,314,725 and maximum NOK 894,314,725, by issuance of between 40,000,000 and 400,000,000 new shares of nominal value NOK 1 each. The final number of shares to be issued shall be determined by the Board prior to start of the subscription period.

2. The Company’s shareholders as per June 22, 2009 shall have preferential rights to subscribe for the new shares. Tradable subscription rights will be issued. Oversubscription and subscription without subscription rights is permitted.

3. The Company shall issue a prospectus approved by Oslo Børs in connection with the capital increase. Unless the board decides otherwise, the prospectus shall not be registered with or approved by any Norwegian or foreign authorities other than Oslo Børs. The new shares cannot be subscribed for by investors in jurisdictions in which it is not permitted to offer new shares to the investors in question without the registration or approval of the prospectus (unless such registration or approval has taken place pursuant to a resolution by the board). With respect to any shareholder not entitled to subscribe for new shares due to limitations imposed by laws or regulations of the jurisdiction where such shareholder is a resident or citizen, the Company (or someone appointed by it) may sell such shareholder’s subscription rights against transfer of the net proceeds from such sale to the shareholder.

4. The following allocation criteria shall apply:

4.1 Allocation will be made to subscribers in accordance with held (granted or acquired) subscription rights used to subscribe for new shares in the subscription period. Each subscription right will give the right to subscribe for and be allocated one (1) New Share.

4.2 If not all subscription rights are used in the subscription period, subscribers having used their subscription rights and who have over-subscribed will have the right to be allocated remaining new shares on a pro rata basis in accordance with Section 10-4 of the Norwegian Public Companies Act. In the event that pro rata allocation is not possible due to the number of remaining new shares, the Company will determine the allocation by lot drawing.

4.3 Any remaining new shares not allocated pursuant to the criteria in items 4.1 and 4.2 above will be allocated to subscribers not holding subscription rights. Allocation will be sought made pro rata based on the relevant subscription amounts, provided such allocations may be rounded down to the nearest round lot, which is 200 Shares.

4.4 Any remaining New Shares not allocated pursuant to the above allocation criteria will be subscribed by and allocated to members of the Underwriting Syndicate to the extent these have not fulfilled their underwriting obligations through subscription for shares in the subscription period, based on and in accordance with their respective underwriting obligations.

5. The subscription price in the rights issue shall be between NOK 10 and NOK 100 per share. The final subscription price shall be determined by the Board prior to the commencement of the subscription period. Payment shall be made in cash.

6. The subscription period shall commence on June 29, 2009 and end on July 13, 2009 at 17:30 (CET), provided however, that the subscription period, if the prospectus is not approved in time to maintain this subscription period, shall commence on the fourth trading day on Oslo Børs following such approval, and shall end at 17:30 (CET) on the 14th day thereafter. Any shares not subscribed for within the subscription period and which thus will be allocated to the underwriters shall be subscribed for by these within 5 business days after expiry of the subscription period.

7. The due date for payment for the new shares is July 21, 2009 or 8 days after the expiry of the subscription period if the subscription period is postponed according to subsection 6 above. When subscribing for shares, subscribers having a Norwegian bank account must by insertion on
The subscription form grant DnB NOR Bank ASA a one-time power of attorney to debit a stated Norwegian bank account for an amount equal to the allotted number of shares. Upon allotment, the manager will debit the subscriber’s account for such amount. The debit will take place on or about July 21, 2009. Subscribers who do not have a Norwegian bank account shall pay the subscription amount for the allotted number of shares to a separate bank account.

8. The new shares will give full shareholder rights in the Company, including the right to dividends, from the time the share capital increase is registered with the Norwegian Register of Business Enterprises.

9. Section 4 of the Company’s Articles of Association shall be amended to reflect the new share capital and number of shares following the share capital increase.

10. Separate agreement regarding full underwriting of the share capital increase will be entered into with an underwriting syndicate. Subscriptions made by members of the underwriting syndicate may be conditioned upon certain circumstances set out in the agreement. As consideration for the underwriting guarantee established with the underwriting syndicate, an amount equal to between 2.5% and 3.5% (final amount to be determined by the Board) of the guaranteed amount will be paid to the members of the underwriting syndicate.

11. The resolution is conditioned upon the Board within the commencement of the subscription period having entered into final agreements on an underwriting guarantee as mentioned in item 10 above, covering all shares in the share capital increase.”

The Extraordinary General Meeting of the Company held on June 5, 2009 also granted a general authorization to the Board to increase the Company’s share capital with up to an additional NOK 60,000,000 through the additional issuance of up to 60,000,000 shares.

On June 22, 2009 the Board made the following resolution:

1. “The Company shall conduct a fully underwritten public rights issue with gross proceeds of NOK 4,517,013,881. The rights issue is implemented by issuance of shares with gross proceeds of NOK 3,999,999,994 in accordance with the resolution of the general meeting on June 5, 2009 to issue shares, and by issuance of shares with gross proceeds of NOK 517,013,887 in accordance with the authorization for the board of directors to issue shares, granted by the general meeting on the same date. The total rights issue of NOK 4,517,013,881 shall be implemented as one offer with identical terms, as set out below, and implementation of the two share capital increases shall be mutually conditional upon each other.

2. The number of shares to be issued in the share capital increase resolved by the Company’s general meeting on June 5, 2009 shall be 150,943,396. The subscription price per share shall be NOK 26.50. The Company’s shareholders per June 22, 2009 will receive tradable subscription rights as described in section 4 below.

3. In accordance with the authorization to the board of directors granted on June 5, 2009, a further increase in the share capital shall be conducted on the following terms:

3.1. The share capital is increased with NOK 19,509,958 by issuance of 19,509,958 new shares of nominal value NOK 1 each.

3.2. The Company’s shareholders as per June 22, 2009 shall have preferential rights to subscribe for the new shares and will receive tradable subscription rights as described in section 4 below. Oversubscription and subscription without subscription rights is permitted.

3.3. The Company shall issue a prospectus approved by Oslo Børs in connection with the capital increase. Unless the board decides otherwise, the prospectus shall not be registered with or approved by any Norwegian or foreign authorities other than Oslo Børs. The new shares cannot be subscribed for by investors in jurisdictions in which it is not permitted to offer new shares to the investors in question without the registration or approval of the prospectus (unless such registration or approval has taken place pursuant to a resolution by the board). With respect to
any shareholder not entitled to subscribe for new shares due to limitations imposed by laws or regulations of the jurisdiction where such shareholder is a resident or citizen, the Company (or someone appointed by it) may sell such shareholder's subscription rights against transfer of the net proceeds from such sale to the shareholder.

3.4. The following allocation criteria shall apply:

(i) Allocation will be made to subscribers in accordance with held (granted or acquired) subscription rights used to subscribe for new shares in the subscription period. Each subscription right will give the right to subscribe for and be allocated one (1) new share. Allocation will be made collectively for the two issues, so that subscribers will be allocated shares based on one of the share capital increases or a combination of these.

(ii) If not all subscription rights are used in the subscription period, subscribers having used their subscription rights and who have over-subscribed will have the right to be allocated remaining new shares on a pro rata basis in accordance with Section 10-4 of the Norwegian Public Companies Act. In the event that pro rata allocation is not possible due to the number of remaining new shares, the Company will determine the allocation by lot drawing.

(iii) Any remaining new shares not allocated pursuant to the criteria in items 3.4 (i) and 3.4 (ii) above will be allocated to subscribers not holding subscription rights. Allocation will be sought made pro rata based on the relevant subscription amounts, provided such allocations may be rounded down to the nearest round lot, which is 200 shares.

(iv) Any remaining new shares not allocated pursuant to the above allocation criteria will be subscribed by and allocated to members of the underwriting syndicate to the extent these have not fulfilled their underwriting obligations through subscription for shares in the subscription period, based on and in accordance with their respective underwriting obligations.

3.5. The subscription price shall be NOK 26.50 per share. Payment shall be made in cash.

3.6. The subscription period shall commence on June 29, 2009 and end on July 13, 2009 at 17:30 (CET), provided however, that the subscription period, if the prospectus is not approved in time to maintain this subscription period, shall commence on the fourth trading day on Oslo Børs following such approval, and shall end at 17:30 (CET) on the 14th day thereafter. Any shares not subscribed for within the subscription period and which thus will be allocated to the underwriters shall be subscribed for by these within 5 business days after expiry of the subscription period.

3.7. The due date for payment for the new shares is July 21, 2009 or 8 days after the expiry of the subscription period if the subscription period is postponed according to subsection 3.6 above. When subscribing for shares, subscribers having a Norwegian bank account must by insertion on the subscription form grant DnB NOR Bank ASA a one-time power of attorney to debit a stated Norwegian bank account for an amount equal to the allotted number of shares. Upon allotment, the manager will debit the subscriber’s account for such amount. The debit will take place on or about July 21, 2009. Subscribers who do not have a Norwegian bank account shall pay the subscription amount for the allotted number of shares to a separate bank account.

3.8. The new shares will give full shareholder rights in the Company, including the right to dividends, from the time the share capital increase is registered with the Norwegian Register of Business Enterprises.

3.9. Section 4 of the Company’s Articles of Association shall be amended to reflect the new share capital and number of shares following the share capital increase, as described in section 5 below.

3.10. Separate agreement regarding full underwriting of the share capital increase have been entered into with an underwriting syndicate. Subscriptions made by members of the underwriting
syndicate are conditioned upon certain circumstances set out in the agreement. As consideration for the underwriting guarantee established with the underwriting syndicate, an amount equal to 3% of the guaranteed amount will be paid to the members of the underwriting syndicate.

4. The issue of subscription rights and new shares pursuant to the resolution in section 3 above shall be implemented in connection with and together with the share capital increase resolved by the extraordinary general meeting of the Company on June 5, 2009, ref. the resolution in section 2 above. A total of 170,453,354 subscription rights will be issued in the two resolutions on an aggregate level, each subscription right giving the right to subscribe for and be allocated one (1) new share in the Company. Shareholders in the Company as per June 22, 2009 will therefore receive one tradable subscription right per 2.9 shares held in the Company as per said date.

5. Section 4 of the Company’s Articles of Association shall be amended to read as follows after the two share capital increases:

“...The Company’s share capital is NOK 664,768,079 divided into 664,768,079 shares, each with a nominal value of NOK 1 (NOK one). The shares shall be registered in the Norwegian Central Securities Depository.””

8.4 Subscription Price in the Rights Issue

The Subscription Price for the New Shares in the Rights Issue has been set at NOK 26.50 per New Share.

The Company will not charge Subscribers with any costs related to the subscription or allotment of New Shares, see, however, the terms and conditions of direct debiting accounts with respect to payment for the New Shares allocated in section 8.12 below.

8.5 Subscription Period

The Subscription Period for the Rights Issue will commence on June 29, 2009 and end on July 13, 2009 at 17:30 (Oslo time). The Subscription Period may not be extended.

8.6 Record Date

The Record Date for determining the right to receive Subscription Rights is June 25, 2009, at which date the register of shareholders maintained by the VPS will show shareholders of the Company as per June 22, 2009. Ordinary shares in the Company are thus traded exclusive of Subscription Rights from and including June 23, 2009. The final day of trading ordinary shares in the Company inclusive of Subscription Rights was June 22, 2009.

8.7 Subscription Rights

8.7.1 Overview

In accordance with the resolution by the Company’s Extraordinary General Meeting on June 5, 2009 and the resolution by the Board on June 22, 2009, Shareholders of the Company as of June 22, 2009 (“Existing Shareholders”) will be awarded subscription rights (the “Subscription Rights”) in proportion to their shareholding in the Company as of such date, and as registered in the register of shareholders of the Company as of the Record Date, each subscription right granting the owner the right to subscribe for and be allocated one (1) New Share in the Rights Issue.

The Company will issue one (1) Subscription Right per 2.9 Shares held in the Company, in total 170,453,354 Subscription Rights. The number of Subscription Rights issued to each shareholder will be rounded down to the nearest whole number of Subscription Rights.

The Subscription Rights will be credited to and registered on each Existing Shareholder’s VPS account on or about June 26, 2009. The Subscription Rights will be delivered free of charge by the Company.

The Subscription Rights may be used to subscribe for New Shares in the Rights Issue or be sold prior to the expiry of the Subscription Period. Subscription Rights acquired during the Subscription Period carry the same
right to subscription and allocation of New Shares in the Rights Issue as the Subscription Rights held by the Existing Shareholders on the basis of their registered shareholding on the Record Date.

**Subscription Rights that are not used to subscribe for New Shares before the end of the Subscription Period will lapse without compensation to the holder, and consequently be of no value. In order to ensure that the Subscription Rights received do not become void and without value, the holder must no later than July 13, 2009 at 17:30 (Oslo time) either exercise the Subscription Rights and subscribe for New Shares, or sell the Subscription Rights.**

Over-subscription and subscription without Subscription Rights is allowed. Subscribers subscribing on the basis of Subscription Rights who over-subscribe (i.e. subscribe for more New Shares than the number of Subscription Rights held by them) will have priority to the New Shares not subscribed for by holders of Subscription Rights, see details in sections 8.9 and 8.11 below regarding subscription procedures and allocation mechanisms.

Except as noted in this Prospectus, Existing Shareholders in Ineligible Jurisdictions (as defined in section 9.1) will not receive the Prospectus or the Subscription Form. Subscription Rights of Ineligible Persons (as defined in section 9.1) will initially be transferred to their VPS accounts. For the Existing Shareholders identified as Ineligible Persons, the Company will instruct the Managers to withdraw such Subscription Rights and sell them in the Subscription Period for the account of such Ineligible Person, provided that (i) the value of the Subscription Rights is at least equal to the anticipated costs related to the sale of such Subscription Rights, and (ii) the relevant Ineligible Person has not by 17:30 (Oslo time) on June 30, 2009 documented to the Managers a right to receive the withdrawn Subscription Rights withdrawn from such Ineligible Person. The net proceeds from the sale of the Subscription Rights (if any), after deduction of customary sale expenses, will be credited to the Ineligible Person’s bank account registered in the VPS for payment of dividends, provided that the net proceeds attributable to such Ineligible Person amounts to NOK 10 or more. If the amount payable to an Ineligible Person is less than NOK 10, such amount will be retained for the benefit of the Company. There can be no assurance that the Company and the Managers will be able to sell the Subscription Rights at a profit. Other than as explicitly stated above, neither the Company nor the Managers will conduct any sale of Subscription Rights not utilized before the end of the Subscription Period. Please refer to section 9 for information on restrictions on sale and transfer.

**8.7.2 Trading in Subscription Rights**

The Subscription Rights are fully tradable and transferable, and will during the Subscription Period be listed on Oslo Børs with ticker code “REC T” and registered in VPS with ISIN NO 001 0515414. Trading in the Subscription Rights on Oslo Børs will commence on June 29, 2009 and end on July 13, 2009 at 17:30 (Oslo time).

Persons intending to trade in Subscription Rights should be aware that the exercise of Subscription Rights by holders who are located in jurisdictions outside Norway may be restricted or prohibited by applicable securities laws.

**8.8 Nominee-registered holdings**

Shareholders whose holdings are nominee-registered at a bank or other nominee will not receive this Prospectus, the Subscription Form or other documentation regarding the Rights Issue from the Company. Subscription and payment will, as customary, take place in accordance with the nominee's instructions.

**8.9 Procedure for Subscription and Subscription Offices**

Existing Shareholders who are Norwegian citizens may subscribe for New Shares at the VPS online subscription system (see below for details), or by submitting a correctly completed Subscription Form to one of the Subscription Offices during the Subscription Period. For other subscribers, subscription for New Shares can only be made by submitting a correctly completed Subscription Form to one of the Subscription Offices during the Subscription Period. Existing Shareholders will receive Subscription Forms, which include information on shareholdings as of June 22, 2009 as registered in the register of shareholders of the Company as of the Record Date, and certain other matters relating to the relevant shareholdings. Subscriptions by subscribers not holding Subscription Rights must be made on the Subscription Form attached hereto in English and Norwegian as Appendices A and B, respectively.
Correctly completed Subscription Forms must be received by the Managers no later than 17:30 (Oslo time) on July 13, 2009 at one of the following Subscription Offices:

<table>
<thead>
<tr>
<th>DnB NOR Bank ASA</th>
<th>Nordea Bank Norge ASA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registrar Department</td>
<td>Securities Services - Issuer Services</td>
</tr>
<tr>
<td>NO-0021 Oslo</td>
<td>P.O. Box 1166 Sentrum,</td>
</tr>
<tr>
<td>Norway</td>
<td>N-0107 Oslo, Norway</td>
</tr>
<tr>
<td>Fax: +47 22 48 29 80</td>
<td>Fax: +47 22 48 63 49</td>
</tr>
</tbody>
</table>

Subscriptions will not be treated differently based on which Subscription Office they are submitted to.

Subscriptions are binding and irrevocable, and can not be withdrawn, cancelled or modified by the Subscriber after being received by a Subscription Office. By signing and submitting the Subscription Form, Subscribers confirm that they have read this Prospectus and are eligible to subscribe for New Shares under the terms set forth herein.

**Over-subscription and subscription without Subscription Rights is permitted. See section 8.11 below for further details on applicable allocation principles.**

Multiple subscriptions (i.e. subscriptions on more than one subscription form) are allowed. Please note, however, that each Subscription Form will only be counted once (e.g. if the same subscription form is received by fax more than once, or if it is received by both fax and mail, it only counts as one subscription). Two separate Subscription Forms submitted by the same Subscriber with the same amount of New Shares subscribed for on both forms will only be counted once unless otherwise is explicitly stated on the form.

Norwegian citizens may subscribe for New Shares by following the links on www.recgroup.com/rightsissue, www.dnbnor.no/emisjoner or www.nordea.com/REC, which will redirect the Subscriber to the VPS online subscription system. In order to use the online subscription system, the Subscriber must have, or obtain, a VPS account number. All online Subscribers must verify that they are Norwegian citizens by entering their national identity number (Norwegian: “personnummer”). Neither the Managers nor the Company assumes any responsibilities for failure to subscribe or inability to Subscribe for New Shares due to technical or internet problems.

Neither the Company nor the Managers may be held responsible for postal delays, unavailable fax lines, unavailable internet lines or servers or other logistical or technical problems that may result in Subscription Forms not being received in time or at all by the Managers. The Subscriber is responsible for the correctness of the information inserted on the Subscription Form. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms may be disregarded at the sole discretion of the Company or the Managers.

### 8.10 Conditions for completion of the Rights Issue

The Rights Issue is fully underwritten by the Underwriting Syndicate described in Section 8.18 below. Unless the Rights Issue is fully subscribed, completion of the Rights Issue is conditional upon the Underwriting Agreement remaining in force until completion of the Rights Issue. For details on the conditions set out in the Underwriting Agreement, see section 8.18.

### 8.11 Mechanism for Allocation of New Shares

Allocation of the New Shares will take place after the expiry of the Subscription Period on or about July 17, 2009. The allocation of the New Shares will be made according to the following allocation criteria:

i. Allocation will be made to Subscribers in accordance with held (granted or acquired) Subscription Rights that have been used to subscribe for New Shares in the Subscription Period. Each Subscription Right will give the right to subscribe for and be allocated one (1) New Share.

ii. In the event all Subscription Rights are not used in the Subscription Period, Subscribers having used their Subscription Rights and who have over-subscribed will have the right to be allocated the remaining New Shares on a pro rata basis in accordance with Section 10-4 of the Norwegian Public
Companies Act. In the event that pro rata allocation is not possible due to the number of remaining New Shares, the Company will determine the allocation by lot drawing.

iii. Any remaining New Shares not allocated pursuant to the criteria in items (i) and (ii) above will be allocated to Subscribers not holding Subscription Rights. Allocation will be sought made on a pro rata basis based on the relevant subscription amounts, provided, however, that such allocations may be rounded down to the nearest round lot, which is 200 Shares.

iv. Any remaining New Shares not allocated pursuant to the above allocation criteria will be subscribed by and allocated to members of the Underwriting Syndicate to the extent these have not fulfilled their underwriting obligations through subscription for New Shares in the Subscription Period, based on and in accordance with their respective underwriting obligations.

The Board reserves the right to round off, reject or reduce any subscription for New Shares not covered by Subscription Rights. The Company will not allocate fractional New Shares.

Allocation of fewer New Shares than subscribed for does not impact on the Subscribers’ obligation to be allocated and pay for the number of New Shares allocated.

The result of the Rights Issue is expected to be published on or about July 17, 2009 in the form of a stock exchange release from the Company through Oslo Børs’ information system. Notifications of allocated New Shares and the corresponding subscription amount to be paid by each Subscriber is expected to be distributed in a letter from the VPS on or about July 17, 2009. Subscribers having access to investor services through their VPS account manager may contact DnB NOR Bank ASA, Registrar Department, telephone number +47 22 48 35 86, from July 17, 2009 at 12:00 (Oslo time) to check the number of New Shares that have been allocated to them.

8.12 Payment for the New Shares

The payment for the New Shares falls due on July 21, 2009 (the “Due Date of Payment”):

8.12.1 Subscribers having a Norwegian bank account

Each Subscriber is required to have a one-time irrevocable authorization to debit a specified bank account for the amount payable for the number of New Shares the Subscriber may be allocated.

The specified bank account is expected to be debited on or after the Due Date of Payment.

By signing the Subscription Form, the Subscriber authorizes DnB NOR Bank ASA to debit the bank account specified by the Subscriber for payment of the allocated New Shares for transfer to account number 7001.95.62792. DnB NOR Bank ASA is only authorized to debit each account once, but reserves the right to make up to three debit attempts. As the debiting takes place ahead in time, the authorization will be in force for a period of up to seven working days after the Due Date of Payment. The Managers reserve the right to consider the payment overdue if there are not sufficient funds to cover payment for the New Shares allocated on the account when an attempt to debit the account is made by DnB NOR Bank ASA on or after the Due Date of Payment, or if it for other reasons is not possible to debit the bank account. The Subscriber furthermore authorizes DnB NOR Bank ASA to obtain confirmation from the Subscriber’s bank that the Subscriber has disposal over the stated account as well as a confirmation that there are sufficient funds in the account to cover the payment. Payment by direct debiting is only available for investors that are allocated New Shares for an amount below NOK 5 million. By signing the Subscription Form, Subscribers who subscribe for an amount exceeding NOK 5 million give DnB NOR Bank ASA an authorization to manually debit the stated bank account on or after the Due Date of Payment.

Payment by direct debiting is a service the banks in Norway provide in cooperation. In the relationship between the payer and the payer’s bank the standard terms and conditions for “Payment by Direct Debiting – Securities Trading” will apply, such terms and conditions included on page 2 of the Subscription Form.
8.12.2 Subscribers not having a Norwegian bank account

Subscribers who do not have a Norwegian bank account established must ensure that payment with cleared funds for the New Shares allocated is made on or before July 21, 2009.

Prior to any such payment being made, the Subscriber must contact DnB NOR Bank ASA, Registrar Department, telephone number +47 22 48 35 86 or Nordea Bank Norge ASA, Securities Services – Issuer Services, telephone number +47 22 48 55 40 for further details and instructions.

8.12.3 Overdue Payments

Overdue and late payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment of December 17, 1976 no. 100, currently 10% per annum. If the Subscriber fails to comply with the terms of payment, the New Shares will not be delivered to the Subscriber. The Company and the Managers reserve the right to have the Managers advance the payment on behalf of Subscribers who have not made payment of the New Shares within the Due Date of Payment. To the extent such advanced payment is made, the Company and the Managers reserve the right to sell or assume ownership of the New Shares on the fourth day after the Due Date of Payment without further notice to the Subscriber in question in accordance with Section 10-12 fourth paragraph of the Norwegian Public Limited Companies Act. The Subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued (and will not be entitled to profits, if any), and the Company and/or the Managers may enforce payment for any such amount outstanding within the frames of applicable Norwegian law.

8.12.4 Mandatory Anti-Money Laundering procedures

The Rights Issue is subject to the Norwegian Money Laundering Act No. 11 of March 6, 2009 and the Norwegian Money Laundering Regulations No. 302 of March 13, 2009 (together the “Anti-Money Laundering Legislation”).

All Subscribers not registered as existing customers with the Managers must verify their identity in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers that have designated an existing Norwegian bank account and an existing VPS-account on the Subscription Form are exempted, provided the aggregate subscription price is less than NOK 100,000, unless verification of identity is requested by the Managers. The verification of identity must be completed prior to the end of the Subscription Period. Investors that have not completed the required verification of identity may not be allocated New Shares.

Further, in participating in the Rights Issue, each subscriber must have a VPS account. The VPS account number must be stated on the Application Form. VPS accounts can be established with authorized VPS registrars, which can be Norwegian banks, authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorized by the Norwegian Ministry of Finance. Establishment of a VPS account requires verification of identity before the VPS registrar in accordance with the Anti-Money Laundering Legislation.

8.13 Delivery of the New Shares

The Company expects that the share capital increase pertaining to the New Shares will be registered in the Norwegian Register of Business Enterprises on or about July 23, 2009 and that the New Shares will be delivered to the Subscribers’ VPS accounts on or about July 24, 2009.

8.14 Listing and Trading of the New Shares

The Shares of the Company are listed on Oslo Børs under ticker code “REC”.

The New Shares will be listed on Oslo Børs as soon as the New Shares have been registered with the Norwegian Register of Business Enterprises and the VPS.

The New Shares may not be transferred or traded before they are fully paid and the share capital increases have been registered with the Norwegian Register of Business Enterprises and the New Shares have been registered in
the VPS. The New Shares are expected to be delivered to the Subscribers’ VPS accounts on or about July 24, 2009.

The Company expects that the New Shares will be listed and admitted to trading on Oslo Børs on or about July 23, 2009.

8.15 The Rights conferred by the New Shares

The New Shares will be ordinary Shares of the Company having a par value of NOK 1 each, issued under the Norwegian Public Limited Companies Act. Each New Share will rank pari passu in all respects with existing Shares of the Company, and will carry full shareholders’ rights in the Company from the time of registration of the share capital increases with the Norwegian Register of Business Enterprises. The New Shares will carry right to dividends, if any, which are resolved after the share capital increases are registered in the Norwegian Register of Business Enterprises. Each New Share will confer the right to one vote at the Company’s general meetings. For a further description of the rights pertaining to the Shares in the Company, see section 19.

8.16 VPS Registration

The Subscription Rights will be registered with the VPS with ISIN NO 001 0515414. The New Shares will be registered with the VPS with the same ISIN as the existing Shares, being ISIN NO 001 0112675.

The Company's VPS account operator is DnB NOR Bank ASA, Registrar Department, Stranden 21, N-0021 Oslo, Norway.

8.17 Dilution

The Rights Issue will result in an immediate dilution of 25.64% for Existing Shareholders who do not participate in the Rights Issue.

8.18 The Underwriting and the Underwriting Syndicate

The Rights Issue is fully underwritten by the Underwriting Syndicate, established by the Company on June 22, 2009. The Underwriting Syndicate consists of the Company’s major Existing Shareholders (the “Shareholder Underwriters”) as well as the Managers (the “Bank Underwriters”). The table below shows the members of the Underwriting Syndicate (the “Underwriters”), as well as the amount and number of New Shares each Underwriter has agreed and undertaken to guarantee the subscription of.

<table>
<thead>
<tr>
<th>Name of Underwriter:</th>
<th>Address:</th>
<th>Guaranteed Amount:</th>
<th>Percentage (approx):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orkla ASA / Elkem AS</td>
<td>Kareslyst Allé 6, 0278 Oslo, Norway / Hoffsv 65 B, 0377 Oslo, Norway</td>
<td>NOK 1,794,916,772</td>
<td>39.74 %</td>
</tr>
<tr>
<td>Hafslund Venture AS</td>
<td>Drammensveien 144, 0277 Oslo, Norway</td>
<td>NOK 643,415,616</td>
<td>14.24 %</td>
</tr>
<tr>
<td>Folketrygdfondet</td>
<td>Haakon VII’s gate 2, 0161 Oslo, Norway</td>
<td>NOK 203,265,625</td>
<td>4.50 %</td>
</tr>
<tr>
<td>Fidelity</td>
<td>c/o Fidelity International, 25 Cannon Street, London EC4M 5TA, UK</td>
<td>NOK 45,585,000</td>
<td>1.01 %</td>
</tr>
<tr>
<td>DnB NOR Markets</td>
<td>Stranden 21, 0021 Oslo, Norway</td>
<td>NOK 915,001,610</td>
<td>20.25 %</td>
</tr>
<tr>
<td>ABN AMRO</td>
<td>Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands</td>
<td>NOK 365,931,704</td>
<td>8.10 %</td>
</tr>
<tr>
<td>BNP PARIBAS</td>
<td>16 Boulevard des Italiens, 75009 Paris, France</td>
<td>NOK 182,965,852</td>
<td>4.05 %</td>
</tr>
<tr>
<td>Nordea Markets</td>
<td>Middelthunsg. 17, 0368 Oslo, Norway</td>
<td>NOK 365,931,704</td>
<td>8.10 %</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td><strong>NOK 4,517,013,881</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The underwriting is regulated by an underwriting agreement entered into between the Company and the Underwriters on June 22, 2009 (the “Underwriting Agreement”). According to the Underwriting Agreement, each of the Underwriters have, on a pro rata basis and up to the maximum amount undertaken by each of them, undertaken to subscribe for the New Shares not subscribed for during the Subscription Period. The underwriting obligation of each Underwriter does not include a guarantee for the payment by any subscriber or any other Underwriter of their subscription amount in the Rights Issue. Pursuant to the Underwriting Agreement, the Shareholder Underwriters have also undertaken, on the terms and subject to conditions set forth in the Underwriting Agreement, on the first day of the Subscription Period, either directly or through its parent company or subsidiary to subscribe for a number of New Shares, which at least equals their Underwriting Obligation.
The obligation of each Underwriter to subscribe for New Shares will be pro rata reduced by the number of New Shares subscribed for and allocated to Subscribers in the Rights Issue other than the Shareholder Underwriters (or certain affiliates). Each Shareholder Underwriter’s obligation will furthermore be reduced on a share for share basis with the number of New Shares subscribed for in the Rights Issue and allocated to the Shareholder Underwriter.

The Underwriting Agreement is conditional upon certain customary conditions including, inter alia, with respect to (i) the commitments in respect of the Company's agreed debt financing as further described in section 13.5 sub-section “Capital Resources” below remaining in full force and effect until such time the payment for the New Shares is due, (ii) absence of any material adverse change and (iii) certain closing deliverables, as further set out therein.

According to the Underwriting Agreement, the Underwriting Obligation shall expire in the event that the Underwriters have not been notified of any allotment under the Underwriting Obligation within 24:00 (Oslo time) on July 30, 2009. The Underwriting Agreement also provides for certain termination rights for the Underwriters in the event that that (a) the conditions for the Underwriting Obligations are not fulfilled when payment for the New Shares is due, or (b) the Company is in breach of the Underwriting Agreement or certain declarations issued pursuant to the Underwriting Agreement.

Pursuant to the Underwriting Agreement, each Underwriter will receive an underwriting commission equal to 3% of the amount underwritten by them for their participation in the Underwriting Syndicate.

8.19 Managers and Advisers

The Rights Issue is managed by DnB NOR Markets as Global Coordinator and Joint Bookrunner, and ABN AMRO, BNP PARIBAS and Nordea Markets as Joint Lead Managers and Joint Bookrunners.

Ernst & Young AS has performed a limited financial due diligence. Thommessen Krefting Greve Lund AS Advokatfirma has acted as the Managers’ Norwegian legal advisor and Linklaters LLP has acted as the Managers’ US legal advisor in connection with the Rights Issue. The Company’s Norwegian legal adviser has been Advokatfirmaet Schjødt DA and the Company’s financial adviser has been Arctic Securities ASA.

8.20 Net Proceeds and Expenses related to the Rights Issue

The Company will bear the fees and expenses related to the Rights Issue, which are estimated to amount to approximately NOK 200 million, of which approximately NOK 180 relates to underwriting fees to the Underwriting Syndicate as described in section 8.18 above with addition of other fees and expenses to the Managers, and approximately NOK 20 million relates to other costs and expenses. No expenses or taxes will be charged by the Company or the Managers to the Subscribers in the Rights Issue.

Total net proceeds in the Rights Issue are estimated to amount to approximately NOK 4,300 million, which will be allocated to the Company's share capital and share premium reserve fund.

8.21 Selling and Transfer Restrictions

See section 9 for applicable selling and transfer restrictions relating to the Rights Issue.

8.22 Publication of Information related to the Rights Issue

In addition to press releases at the Company's website, the Company will use Oslo Børs’ information system to publish information in respect of the Rights Issue.

General information on the result of the Rights Issue is expected to be published on or about July 17, 2009 in the form of a release through Oslo Børs’ information system and the Company’s web-site, www.recgroup.com. All Subscribers being allocated New Shares will receive a letter from VPS confirming the number of New Shares transferred to the Subscribers VPS account.

8.23 Jurisdiction and Governing Law

This Prospectus, the Subscription Forms and the terms and conditions of the Rights Issue shall be governed by and construed in accordance with, and the New Shares will be issued pursuant to, Norwegian law. Any dispute arising out of, or in connection with, this Prospectus or the Rights Issue shall be subject to the exclusive jurisdiction of the courts of Norway, with Oslo as legal venue.
8.24 **How to proceed**

The below instructions apply to subscription of New Shares on the basis of Subscription Rights. See the above sections in this section 8 for further details, including details on over-subscription and subscription without Subscription Rights.

<table>
<thead>
<tr>
<th>Terms and conditions</th>
<th>For every 2.9 REC share, you will receive one (1) Subscription Right. One (1) Subscription Right provides an entitlement to subscribe for one (1) New Shares in REC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription Price</td>
<td>NOK 26.50 per New Share</td>
</tr>
<tr>
<td>Record Date for determining the right to receive Subscription Rights</td>
<td>June 25, 2009, at which date the register of shareholders maintained by VPS will show shareholders as per June 22, 2009</td>
</tr>
<tr>
<td>Subscription Period</td>
<td>June 29, 2009 – July 13, 2009 at 17:30 (Oslo time)</td>
</tr>
<tr>
<td>Trading in Subscription Rights</td>
<td>June 29, 2009 – July 13, 2009 until 17:30 (Oslo time)</td>
</tr>
</tbody>
</table>

1. **You will be allotted Subscription Rights**

For every 2.9 share in REC you hold on June 22, 2009…

![Share]

… you will receive one (1) Subscription Rights

![Subscription Right]

2. **How to exercise your Subscription Rights**

One (1) Subscription Right + NOK 26.50

![Subscription Right]

Share

One (1) New Share in REC

**If you have a securities account**

If your REC shares are held in a securities account with VPS, the pre-printed Subscription Form will state the number of Subscription Rights you receive. → If you wish to exercise Subscription Rights received, use the pre-printed Subscription Form without any changes or subscribe at www.recggroup.com/rightsissue, www.dnbnor.no/emisjoner or www.nordea.com/REC. → If you have purchased, sold or transferred Subscription Rights to/from your securities account, or if you do not wish to exercise all your Subscription Rights, please make the necessary changes on the Subscription Form or subscribe at www.recggroup.com/rightsissue, www.dnbnor.no/emisjoner or www.nordea.com/REC. → Your bank account will be debited on or about July 21, 2009

**If your shares are registered on a custody account**

If your REC shares are held in a custody account at a bank or other securities institution, your nominee is expected to inform you of the number of Subscription Rights that you have received. → Follow the instructions you receive from your nominee.
9. RESTRICTIONS ON SALE AND TRANSFER

9.1 General

The grant of Subscription Rights and issue of New Shares upon exercise of Subscription Rights and the offer of unsubscribed New Shares to persons resident in, or who are citizens of countries other than Norway, may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisors as to whether they require any governmental or other consents or need to observe any other formalities to enable them to exercise Subscription Rights or purchase New Shares.

REC is not taking any action to permit a public offering of the Subscription Rights and New Shares in any jurisdiction other than Norway. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any territory other than Norway, the investor may not treat this Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Subscription Rights and New Shares, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Subscription Rights and New Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer the Subscription Rights and New Shares to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the investor forwards this Prospectus into any such territories (whether under a contractual or legal obligation or otherwise), the investor should draw the recipient’s attention to the contents of this section. Except as otherwise noted in this Prospectus: (i) the Subscription Rights and New Shares being granted or offered, respectively, in the Rights Issue may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Member States of the EEA that have implemented the Prospectus Directive (Directive 2003/71/EC), Australia, Canada, Hong Kong, Japan, the United States, or any other jurisdiction in which it would not be permissible to offer the Subscription Rights and New Shares (the “Ineligible Jurisdictions”); (ii) this Prospectus may not be sent to any person in any Ineligible Jurisdiction; and (iii) the crediting of Subscription Rights to an account of a shareholder or other person in an Ineligible Jurisdiction or a citizen of an Ineligible Jurisdiction (referred to as “Ineligible Persons”) does not constitute an offer to such persons of the New Shares and Ineligible Persons may not exercise Subscription Rights. Please refer to section 8.7 for information on Subscription Rights.

If an investor takes up, delivers or otherwise transfers Subscription Rights, exercises Subscription Rights to obtain New Shares or trades or otherwise deals in the Subscription Rights and New Shares, that investor will be deemed to have made or, in some cases, be required to make, the following representations and warranties to REC and any person acting on the Company’s or its behalf, unless such requirement is waived by REC:

- the investor is not located in an Ineligible Jurisdiction;
- the investor is not an Ineligible Person;
- the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
- unless the investor is a “qualified institutional buyer” as defined in Rule 144A under the U.S. Securities Act, the investor is located outside the United States and any person for whose account or benefit it is acting on a non-discretionary basis is located outside the United States and, upon acquiring New Shares, the investor and any such person will be located outside the United States;
- the investor understands that the Subscription Rights and New Shares have not been or will not be registered under the U.S. Securities Act and may not be offered, sold, pledged, resold, granted, delivered, allotted, taken up or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act; and
- the investor may lawfully be offered, take up, subscribe for and receive Subscription Rights and New Shares in the jurisdiction in which it resides or is currently located.
REC and any persons acting on behalf of REC, including the Managers, will rely upon the investor’s representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of Subscription Rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to REC with respect to the exercise of Subscription Rights on behalf of the holder. If such person cannot or is unable to provide the foregoing representations and warranties, REC will not be bound to authorize the allocation of any of the Subscription Rights and New Shares to that person or the person on whose behalf the other is acting. Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees and trustees) is outside Norway, and wishes to exercise or otherwise deal in or subscribe for Subscription Rights and New Shares, the investor must satisfy itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The information set out this section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise its Subscription Rights or subscribe for the Subscription Rights and New Shares, that investor should consult its professional advisor without delay.

Subscription Rights will initially be credited to financial intermediaries for the accounts of all shareholders that hold the Company’s Shares as of the Record Date in custody through such an intermediary. However, subject to certain limited exceptions, no Subscription Rights will be credited to any shareholder with a registered address in the United States. A financial intermediary may not exercise any Subscription Rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of Subscription Rights to certify the same.

Subject to certain exceptions, financial intermediaries are not permitted to send this Prospectus or any other information about the Rights Issue into any Ineligible Jurisdiction or to any Ineligible Persons. The crediting of Subscription Rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of the Subscription Rights and New Shares to such persons. Financial intermediaries, who include brokers, custodians and nominees, holding for Ineligible Persons may consider selling any and all Subscription Rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Subject to certain exceptions, exercise instructions or certifications sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Subscription Rights and New Shares will not be delivered to an addressee in any Ineligible Jurisdiction. REC reserves the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of such Subscription Rights and New Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to REC or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, REC reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Subscription Rights which appears to it to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this Prospectus, REC reserves the right to permit a holder to exercise its Subscription Rights if REC, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case, REC does not accept any liability for any actions that a holder takes or for any consequences that it may suffer by them accepting the holder’s exercise of Subscription Rights.

No action has been or will be taken by the Managers to permit the possession of the Prospectus (or any other offering or publicity materials or application form(s) relating to the Rights Issue) in any jurisdiction where such distribution may lead to a breach of any law or regulatory requirement.

Neither REC nor the Managers, nor any of their respective representatives, is making any representation to any offeree, subscriber or purchaser of the Subscription Rights and New Shares regarding the legality of an investment in the Subscription Rights and New Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. Each investor should consult their own advisors before
subscribing or purchasing the Subscription Rights and New Shares. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of a subscription or purchase of the Subscription Rights and New Shares.

A further description of certain restrictions on the Rights Issue of the Subscription Rights and New Shares is set out below.

9.2 United States

The Subscription Rights and New Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Subscription Rights and New Shares in the United States. A notification of Subscription Rights and New Shares in contravention of the above may be deemed to be invalid.

The Subscription Rights and New Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act. Any offering of the Subscription Rights and New Shares by REC to be made in the United States will be made only to a limited number of “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) pursuant to an exemption from registration under the U.S. Securities Act and who have executed and returned an investor letter to REC prior to exercising their Subscription Rights. Prospective purchasers are hereby notified that sellers of the Subscription Rights and New Shares may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Accordingly, subject to certain limited exceptions, this document will not be sent to, and no Subscription Rights will be credited to, any shareholder with a registered address in the United States. In addition, REC and the Managers reserve the right to reject any instruction sent by or on behalf of any account holder with a registered address in the United States in respect of the Subscription Rights and New Shares.

Any recipient of this document in the United States is hereby notified that this document has been furnished to it on a confidential basis and is not to be reproduced, retransmitted or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorized to use it solely for the purpose of considering a purchase of the Subscription Rights and New Shares in the Rights Issue and may not disclose any of the contents of this document or use any information herein for any other purpose. This document is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Subscription Rights and New Shares. Any recipient of this document agrees to the foregoing by accepting delivery of this document.

Until 40 days after the commencement of the Rights Issue, any offer or sale of the Subscription Rights and New Shares within the United States by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the U.S. Securities Act.

The Subscription Rights and New Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Subscription Rights and New Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Each person to which Subscription Rights and New Shares are distributed, offered or sold in the United States, by accepting delivery of this Prospectus or by its subscription for Subscription Rights and New Shares, will be deemed to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Subscription Rights and New Shares, as the case may be, that:

(i) it is a “qualified institutional buyer” as defined in Rule 144A under the U.S. Securities Act that has executed and returned an investor letter to the Company prior to exercising their Subscription Rights; and
(ii) the Subscription Rights and New Shares have not been offered to it by REC by means of any form of “general solicitation” or “general advertising” (within the meaning of Regulation D under the U.S. Securities Act).

Each person to which Subscription Rights and New Shares are distributed, offered or sold outside the United States will be deemed by its subscription for, or purchase of, the Subscription Rights and New Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Subscription Rights and New Shares, as the case may be, that:

(i) it is acquiring the Subscription Rights and New Shares from the Company or the Managers in an “offshore transaction” as defined in Regulation S under the U.S. Securities Act; and

(ii) the Subscription Rights and New Shares have not been offered to it by the Company or the Underwriters by means of any “directed selling efforts” as defined in Regulation S under the U.S. Securities Act.

NOTICE TO NEW HAMPSHIRE RESIDENTS: 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 (THE “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 CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN 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.

9.3 EEA Selling Restrictions

In relation to each Member State of the EEA other than Norway which has implemented the Prospectus Directive (each a “Relevant Member State”) an offer of New Shares which are the subject of the Rights Issue contemplated by this Prospectus may not be made to the public in that Relevant Member State except that an offer to the public in that Relevant Member State of any New Shares may be made at any time under the following exemptions under the Prospectus Directive, provided such exceptions have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Company or any Underwriter of a Prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any New Shares in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.
9.4 Canada

Neither the Subscription Rights nor the New Shares have been or will be qualified by a prospectus for sale to the public in Canada under applicable Canadian securities laws, and accordingly, any offer or sale of the Subscription Rights or New Shares in Canada must be made pursuant to an exemption from the applicable prospectus and registration requirements, and otherwise in compliance with applicable Canadian laws.
10. **EXCHANGE RATE INFORMATION**

The financial statements referred to and presented in this Prospectus are expressed in Norwegian kroner, or NOK. The Company publishes its consolidated financial statements in Norwegian kroner.

The following table sets forth, for the periods indicated, the period and period-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 (Norwegian: “Norges Bank”) at approximately 14:30 (Oslo time).

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.

<table>
<thead>
<tr>
<th>Period</th>
<th>Period Average Mid-Rate</th>
<th>Period-End Mid-Rate</th>
<th>Period Average Mid-Rate</th>
<th>Period-End Mid-Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar year 2006</td>
<td>6.4180</td>
<td>6.2551</td>
<td>8.0510</td>
<td>8.2380</td>
</tr>
<tr>
<td>Calendar year 2007</td>
<td>5.8600</td>
<td>5.4410</td>
<td>8.0153</td>
<td>7.9610</td>
</tr>
<tr>
<td>Calendar year 2008</td>
<td>5.6361</td>
<td>6.9989</td>
<td>8.2194</td>
<td>9.8650</td>
</tr>
<tr>
<td>1st quarter 2009</td>
<td>6.8701</td>
<td>6.6802</td>
<td>8.9472</td>
<td>8.8900</td>
</tr>
<tr>
<td>May 2009</td>
<td>6.4449</td>
<td>6.2977</td>
<td>8.7920</td>
<td>8.8785</td>
</tr>
</tbody>
</table>
11. SELECTED FINANCIAL AND OPERATING DATA

11.1 Introduction

The following tables present selected financial information derived from the Company’s annual consolidated financial statements (including the notes thereto) as of and for the years ended December 31, 2008, 2007 and 2006, as well as consolidated condensed interim financial information as of and for three months ended March 31, 2009 and March 31, 2008. The Company’s consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Company’s consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4 to the annual consolidated financial statements.

The annual consolidated financial statements have been audited by KPMG AS, the Company’s independent auditor. The Company’s consolidated condensed interim financial statements as of and for the three months ended March 31, 2009 and March 31, 2008, combined with relevant information in the financial review, have been prepared in accordance with IAS 34. The consolidated condensed interim financial statements for the first quarter 2009 have been subject to review by the auditor. The first quarter 2008 figures and consolidated condensed financial statements are unaudited. The consolidated condensed interim financial statements do not include all of the information required for full annual financial statements of the Company and should be read in conjunction with the consolidated annual financial statements for the prior year. The Company has used the same accounting policies and standards as in the consolidated financial statements as at December 31, 2008, except as mentioned in the first quarter 2009 report, primarily related to reclassification of some derivatives from current to non-current in the consolidated statement of financial position. The amounts from the financial statements are presented in NOK, rounded to the nearest million, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statement information may not add up to the total of that row or column.
11.2 Information from the Consolidated Statements of Income

<table>
<thead>
<tr>
<th>(NOK IN MILLION)</th>
<th>For the three months ended March 31,</th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed)</td>
<td>(unaudited)</td>
</tr>
<tr>
<td>Revenues</td>
<td>2,013</td>
<td>1,771</td>
</tr>
<tr>
<td>Cost of materials</td>
<td>(906)</td>
<td>(405)</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>399</td>
<td>53</td>
</tr>
<tr>
<td>Employee benefit expenses</td>
<td>(493)</td>
<td>(331)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(486)</td>
<td>(346)</td>
</tr>
</tbody>
</table>

Earnings before financial items, income, taxes and depreciation/amortization/impairment

<table>
<thead>
<tr>
<th>(EBITDA)</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>(208)</td>
<td>(153)</td>
</tr>
<tr>
<td>Amortization</td>
<td>(16)</td>
<td>(10)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(1)</td>
<td>0</td>
</tr>
</tbody>
</table>

Earnings before interest and income taxes

<table>
<thead>
<tr>
<th>(EBIT)</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of loss of associates</td>
<td>(4)</td>
<td>(2)</td>
</tr>
<tr>
<td>Financial income</td>
<td>9</td>
<td>65</td>
</tr>
<tr>
<td>Net financial expenses</td>
<td>(9)</td>
<td>0</td>
</tr>
<tr>
<td>Net currency gains/losses</td>
<td>101</td>
<td>87</td>
</tr>
<tr>
<td>Net gains/losses derivatives</td>
<td>200</td>
<td>227</td>
</tr>
<tr>
<td>Impairment financial assets</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fair value and foreign exchange effect on convertible loan</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net financial items</td>
<td>298</td>
<td>251</td>
</tr>
</tbody>
</table>

Profit before tax

<table>
<thead>
<tr>
<th>(NOK)</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax expense</td>
<td>(206)</td>
<td>(117)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>394</td>
<td>211</td>
</tr>
</tbody>
</table>

Attributable to:

<table>
<thead>
<tr>
<th>(NOK)</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-controlling interests</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Equity holders of REC (ASA)</td>
<td>394</td>
<td>211</td>
</tr>
</tbody>
</table>

Per share data:

<table>
<thead>
<tr>
<th>(NOK)</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share (NOK) – basic</td>
<td>0.80</td>
<td>0.43</td>
</tr>
<tr>
<td>Earnings per share (NOK) – diluted</td>
<td>0.80</td>
<td>0.43</td>
</tr>
</tbody>
</table>
### 11.3 Information from the Consolidated Statements of Financial Position

#### (NOK IN MILLION)

<table>
<thead>
<tr>
<th></th>
<th>At March 31, (reviewed)</th>
<th>At December 31, (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>876</td>
<td>788</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>490</td>
<td>257</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,366</td>
<td>1,045</td>
</tr>
<tr>
<td>Land and buildings</td>
<td>2,054</td>
<td>1,298</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>4,340</td>
<td>3,148</td>
</tr>
<tr>
<td>Other tangible assets</td>
<td>161</td>
<td>112</td>
</tr>
<tr>
<td>Assets under construction</td>
<td>14,426</td>
<td>4,445</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>20,981</td>
<td>9,003</td>
</tr>
<tr>
<td>Prepaid capex</td>
<td>1,592</td>
<td>979</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>272</td>
<td>0</td>
</tr>
<tr>
<td>Investments in shares</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Other non-current receivables</td>
<td>225</td>
<td>185</td>
</tr>
<tr>
<td>Derivatives *</td>
<td>1,972</td>
<td>22</td>
</tr>
<tr>
<td>Restricted bank accounts</td>
<td>110</td>
<td>321</td>
</tr>
<tr>
<td>Financial assets</td>
<td>2,581</td>
<td>539</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>50</td>
<td>285</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>26,570</td>
<td>11,850</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,942</td>
<td>771</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>2,323</td>
<td>1,104</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>36</td>
<td>0</td>
</tr>
<tr>
<td>Derivatives *</td>
<td>57</td>
<td>89</td>
</tr>
<tr>
<td>Restricted bank accounts</td>
<td>9</td>
<td>22</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,003</td>
<td>4,074</td>
</tr>
<tr>
<td>Total current assets</td>
<td>6,370</td>
<td>6,059</td>
</tr>
<tr>
<td>Total assets</td>
<td>32,941</td>
<td>17,910</td>
</tr>
</tbody>
</table>

* Derivatives for 2006 are classified as current assets and liabilities, and are not reclassified as in 2008 and 2007.

#### (NOK IN MILLION)

<table>
<thead>
<tr>
<th></th>
<th>At March 31, (reviewed)</th>
<th>At December 31, (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>494</td>
<td>494</td>
</tr>
<tr>
<td>Share premium and other paid in capital</td>
<td>5,549</td>
<td>8,549</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>9,043</td>
<td>9,043</td>
</tr>
<tr>
<td>Other equity and retained earnings</td>
<td>6,803</td>
<td>2,563</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>394</td>
<td>211</td>
</tr>
<tr>
<td>Other equity and retained earnings</td>
<td>7,196</td>
<td>2,774</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>16,240</td>
<td>11,817</td>
</tr>
<tr>
<td>Retirement benefit obligations</td>
<td>173</td>
<td>119</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>980</td>
<td>293</td>
</tr>
<tr>
<td>Provisions and other non-interest bearing liabilities</td>
<td>128</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>2007</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Derivatives *</td>
<td>646</td>
<td>712</td>
</tr>
<tr>
<td>Non-current financial liabilities, interest bearing</td>
<td>8,724</td>
<td>2,023</td>
</tr>
<tr>
<td>Non-current prepayments, interest calculation</td>
<td>560</td>
<td>311</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>11,212</strong></td>
<td><strong>3,575</strong></td>
</tr>
<tr>
<td>Trade payables and other liabilities</td>
<td>3,088</td>
<td>1,260</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>355</td>
<td>494</td>
</tr>
<tr>
<td>Derivatives *</td>
<td>447</td>
<td>244</td>
</tr>
<tr>
<td>Current financial liabilities interest bearing</td>
<td>1,393</td>
<td>519</td>
</tr>
<tr>
<td>Current prepayments, interest calculation</td>
<td>205</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>5,489</strong></td>
<td><strong>2,517</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>16,701</strong></td>
<td><strong>6,092</strong></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>32,941</strong></td>
<td><strong>17,910</strong></td>
</tr>
</tbody>
</table>

*Derivatives for 2006 are classified as current assets and liabilities, and are not reclassified as in 2008 and 2007.*
### Information from the Consolidated Statements of Cash Flow

<table>
<thead>
<tr>
<th>(NOK IN MILLION)</th>
<th>For the three months ended March 31,</th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed) 2009</td>
<td>(unaudited) 2008</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>600</td>
<td>327</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(108)</td>
<td>(127)</td>
</tr>
<tr>
<td>Depreciation, amortization and impairment</td>
<td>225</td>
<td>163</td>
</tr>
<tr>
<td>Associates and impairment financial assets</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Fair value/foreign exchange effect on convertible loan</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Changes in receivables and prepayments from customers</td>
<td>114</td>
<td>(63)</td>
</tr>
<tr>
<td>Changes in inventories</td>
<td>(337)</td>
<td>(123)</td>
</tr>
<tr>
<td>Changes in payables and prepaid expenses</td>
<td>(125)</td>
<td>(14)</td>
</tr>
<tr>
<td>Changes in derivatives</td>
<td>(244)</td>
<td>189</td>
</tr>
<tr>
<td>Currency effects not cash flow or not related to operating activities</td>
<td>(182)</td>
<td>89</td>
</tr>
<tr>
<td>Other items</td>
<td>53</td>
<td>23</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>0</td>
<td>468</td>
</tr>
<tr>
<td>Cash payments for shares (incl. associates)</td>
<td>0</td>
<td>(3)</td>
</tr>
<tr>
<td>Proceeds from finance receivables and restricted cash</td>
<td>2</td>
<td>(3)</td>
</tr>
<tr>
<td>Payments finance receivables and restricted cash</td>
<td>(29)</td>
<td>4</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment and intangible assets</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Payments for property, plant and equipment and intangible assets</td>
<td>(2,707)</td>
<td>(1,970)</td>
</tr>
<tr>
<td>Proceeds from investment grants</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash payments on purchase of subsidiaries and joint ventures, net of cash purchased</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net cash flow from investing activities</strong></td>
<td>(2,734)</td>
<td>(1,973)</td>
</tr>
<tr>
<td>Proceeds from issuance of shares, net of related costs</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Repayment of equity/treasury shares</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(3,516)</td>
<td>(198)</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>7,757</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td>4,241</td>
<td>(198)</td>
</tr>
<tr>
<td>Effect on cash and cash equivalents of changes in foreign exchange rates</td>
<td>0</td>
<td>(18)</td>
</tr>
<tr>
<td><strong>Net increase/decrease in cash and cash equivalents</strong></td>
<td>1,507</td>
<td>(1,720)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the period</td>
<td>497</td>
<td>5,795</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>2,003</td>
<td>4,074</td>
</tr>
</tbody>
</table>
12. **CAPITALIZATION AND INDEBTEDNESS**

The following table sets forth the Company’s capitalization and indebtedness prepared in accordance with IFRS as of March 31, 2009. You should read this table in conjunction with the consolidated condensed interim financial statements for the first quarter 2009 combined with relevant information in the financial review and the consolidated financial statements for 2008, including the notes thereto.

<table>
<thead>
<tr>
<th>Consolidated statement of capitalization and indebtedness</th>
<th>Unaudited per March 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(NOK IN MILLION)</td>
<td></td>
</tr>
<tr>
<td>Current interest-bearing liabilities 1)</td>
<td></td>
</tr>
<tr>
<td>- Guaranteed</td>
<td>0</td>
</tr>
<tr>
<td>- Secured</td>
<td>382</td>
</tr>
<tr>
<td>- Unsecured</td>
<td>1,010</td>
</tr>
<tr>
<td>Total current interest-bearing liabilities</td>
<td>1,393</td>
</tr>
<tr>
<td>Non-current interest-bearing liabilities</td>
<td></td>
</tr>
<tr>
<td>- Guaranteed</td>
<td>0</td>
</tr>
<tr>
<td>- Secured</td>
<td>0</td>
</tr>
<tr>
<td>- Unsecured</td>
<td>8,724</td>
</tr>
<tr>
<td>Total non-current interest-bearing liabilities</td>
<td>8,724</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>494</td>
</tr>
<tr>
<td>Legal reserves</td>
<td>8,266</td>
</tr>
<tr>
<td>Other reserves</td>
<td>7,480</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>16,240</td>
</tr>
<tr>
<td>Total capitalization</td>
<td>26,357</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net indebtedness</th>
<th>Unaudited per March 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(NOK IN MILLION)</td>
<td></td>
</tr>
<tr>
<td>A. Cash</td>
<td>2,003</td>
</tr>
<tr>
<td>B. Cash equivalent</td>
<td>0</td>
</tr>
<tr>
<td>C. Trading securities</td>
<td>0</td>
</tr>
<tr>
<td>D. Liquidity</td>
<td>2,003</td>
</tr>
<tr>
<td>E. Current financial receivable</td>
<td>0</td>
</tr>
<tr>
<td>F. Current bank debt</td>
<td>0</td>
</tr>
<tr>
<td>G. Current portion of non-current bank debt 1)</td>
<td>1,101</td>
</tr>
<tr>
<td>H. Other financial debt</td>
<td>292</td>
</tr>
<tr>
<td>I. Current financial debt</td>
<td>1,393</td>
</tr>
<tr>
<td>J. Net current financial indebtedness</td>
<td>(610)</td>
</tr>
<tr>
<td>K. Non-current bank loans</td>
<td>7,754</td>
</tr>
<tr>
<td>L. Bonds issued</td>
<td>0</td>
</tr>
<tr>
<td>M. Other non-current financial debt</td>
<td>970</td>
</tr>
<tr>
<td>N. Non-current financial indebtedness</td>
<td>8,724</td>
</tr>
<tr>
<td>O. Net financial indebtedness</td>
<td>8,114</td>
</tr>
</tbody>
</table>

1) All Sovello’s bank debt has been classified as current because of Sovello’s breach of loan covenants, as described in the Company’s 2008 consolidated financial statements.
13. OPERATING AND FINANCIAL REVIEW

This review of the Company’s financial condition and results of operations as of and for the years ended December 31, 2008, 2007 and 2006 and for the three months ended March 31, 2009 and 2008 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 sections 4 and 6 of this Prospectus as well as other sections of this Prospectus.

13.1 Overview

13.1.1 General

The Company is positioned in the solar energy industry as a company with broad presence across the value chain. The Company believes it is one of the world's largest producer of silicon materials for photovoltaic (PV) applications and PV wafers, as well as a significant producer of cells and modules. The Company has customers in all the main PV markets and operated manufacturing facilities at six different sites in three different countries (excluding Sovello and excluding the production facilities under construction in Singapore).

During the periods presented, the Company has experienced significant revenue growth, primarily achieved through increases in production volumes, as shown in the tables below:

<table>
<thead>
<tr>
<th>For the three months ended March 31,</th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed)</td>
</tr>
<tr>
<td>Revenue (NOK in million)</td>
<td></td>
</tr>
<tr>
<td>REC Silicon</td>
<td>947</td>
</tr>
<tr>
<td>REC Wafer</td>
<td>1,589</td>
</tr>
<tr>
<td>REC Solar</td>
<td>388</td>
</tr>
<tr>
<td>Other</td>
<td>(1,004)</td>
</tr>
<tr>
<td>Eliminations</td>
<td></td>
</tr>
<tr>
<td>REC Group</td>
<td>2,013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For the three months ended March 31,</th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed)</td>
</tr>
<tr>
<td>Production volume</td>
<td></td>
</tr>
<tr>
<td>REC Silicon</td>
<td></td>
</tr>
<tr>
<td>Polysilicon in MT (1) (prime)</td>
<td>1,657</td>
</tr>
<tr>
<td>Silane gas (sales in MT)</td>
<td>366</td>
</tr>
<tr>
<td>REC Wafer</td>
<td></td>
</tr>
<tr>
<td>Wafer production in MW</td>
<td>181</td>
</tr>
<tr>
<td>Mono ingot in MW</td>
<td>10</td>
</tr>
<tr>
<td>REC Solar</td>
<td></td>
</tr>
<tr>
<td>Solar cells in MW</td>
<td>44</td>
</tr>
<tr>
<td>Solar modules in MW</td>
<td>27</td>
</tr>
</tbody>
</table>

(1) Polysilicon production for the year 2008 includes 70 MT of granular “starter-bed” material, not for sale.

13.1.2 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, U.S. (through its indirect subsidiary REC Solar Grade Silicon LLC, or “SGS”) and Butte, Montana, U.S. (through its indirect subsidiary REC Advanced
Silicon Materials LLC, or “ASiMI”, which it acquired in 2005). REC Silicon also sells 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 sites in Herøya, Norway and in Glomfjord, Norway.

- REC Solar, which manufactures solar cells at its plant in Narvik, Norway and solar modules at its facility in Glava, Sweden. REC Solar also to an increasing degree participates in project development within selected segments of PV systems.

The segments’ and the REC Group’s EBITDA and EBIT are shown below:

<table>
<thead>
<tr>
<th></th>
<th>For the three months ended March 31,</th>
<th>For the years ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed)</td>
<td>(unaudited)</td>
</tr>
<tr>
<td>(NOK IN MILLION)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REC Silicon</td>
<td>450</td>
<td>319</td>
</tr>
<tr>
<td>REC Wafer</td>
<td>242</td>
<td>492</td>
</tr>
<tr>
<td>REC Solar</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>(23)</td>
<td>(5)</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(144)</td>
<td>(84)</td>
</tr>
<tr>
<td>REC Group</td>
<td>527</td>
<td>742</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>For the three months ended March 31,</th>
<th>For the years ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(reviewed)</td>
<td>(unaudited)</td>
</tr>
<tr>
<td>(NOK IN MILLION)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REC Silicon</td>
<td>388</td>
<td>278</td>
</tr>
<tr>
<td>REC Wafer</td>
<td>143</td>
<td>413</td>
</tr>
<tr>
<td>REC Solar</td>
<td>(46)</td>
<td>(11)</td>
</tr>
<tr>
<td>Other</td>
<td>(39)</td>
<td>(17)</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(144)</td>
<td>(84)</td>
</tr>
<tr>
<td>REC Group</td>
<td>302</td>
<td>579</td>
</tr>
</tbody>
</table>

13.2 Critical Accounting Policies, Judgments and Use of Estimates

The Company has prepared its consolidated financial statements in accordance with IFRS. The Company’s significant accounting policies under IFRS, as described in Note 2.1 to the Consolidated Financial Statements for 2008, 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 may vary from forecasts and that estimates routinely require adjustment.

Management’s judgments having the most significant effect on amounts recognized in the financial statements and key sources of estimation uncertainties are discussed in Note 4 and in other relevant notes to the Consolidated Financial Statements for 2008.

13.3 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,

(NOK IN MILLION)

<table>
<thead>
<tr>
<th>Area</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>3,151</td>
<td>2,299</td>
<td>1,427</td>
</tr>
<tr>
<td>Europe (excluding Germany)</td>
<td>1,543</td>
<td>1,233</td>
<td>455</td>
</tr>
<tr>
<td>United States</td>
<td>615</td>
<td>621</td>
<td>216</td>
</tr>
<tr>
<td>Japan</td>
<td>1,801</td>
<td>1,567</td>
<td>1,263</td>
</tr>
<tr>
<td>Asia (excluding Japan)</td>
<td>1,075</td>
<td>732</td>
<td>738</td>
</tr>
<tr>
<td>Other countries</td>
<td>6</td>
<td>190</td>
<td>235</td>
</tr>
<tr>
<td>Total revenues</td>
<td>8,191</td>
<td>6,642</td>
<td>4,334</td>
</tr>
</tbody>
</table>

For a breakdown of the Company’s revenues for the first quarter 2009 and 2008 and for the years 2008, 2007 and 2006 by area of activity, see section 13.1.2 above, which provides a breakdown of revenue by operating segment for those years. These are discussed in section 13.4 below.

13.4 Results of Operations

Key financials – REC Group

<table>
<thead>
<tr>
<th>(NOK IN MILLION)</th>
<th>For the three months ended March 31, (reviewed)</th>
<th>For the year ended December 31, (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>2,013</td>
<td>8,191</td>
</tr>
<tr>
<td>EBITDA</td>
<td>527</td>
<td>3,279</td>
</tr>
<tr>
<td>Depreciation, amortization and impairment</td>
<td>(225)</td>
<td>(750)</td>
</tr>
<tr>
<td>EBIT</td>
<td>302</td>
<td>2,529</td>
</tr>
<tr>
<td>Net financial items</td>
<td>298</td>
<td>1,850</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>600</td>
<td>4,379</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(206)</td>
<td>(1,117)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>394</td>
<td>3,064</td>
</tr>
</tbody>
</table>

13.4.1 Explanation of some items mentioned in the discussion below

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

Constant currency and translation effect: Some amounts have been adjusted for, or estimated as, currency translation effects, using exchange rates for the same period in the preceding year for both periods under discussion. This adjustment only eliminates the effect of translating the results for REC Silicon (U.S.), REC ScanModule (Sweden) and Sovello (Germany) from their functional currencies to NOK. This adjustment does not eliminate, or estimate, any other effects that currency fluctuations have had on the REC Group’s financials.

13.4.2 Three months ended March 31, 2009 compared to three months ended March 31, 2008

Revenues and EBITDA

Overall revenue amounted to NOK 2,013 million in the first quarter 2009, which was 14% higher than in the first quarter 2008. This includes a positive translation effect on revenue of NOK 77 million compared to the first quarter 2008, and revenue growth was 9% on a constant currency basis.

EBITDA was NOK 527 million in the first quarter 2009, which was a decline of 29% from the first quarter 2008. Expansion costs amounted to NOK 98 million, compared to NOK 82 million in the first quarter 2008. Operating margin was also negatively affected by the ramp-up of the new production lines at Silicon III and Herøya III (no longer included in expansion costs), which had a negative EBITDA-contribution of NOK 73 million in the first quarter 2009.

Currency developments had a positive translation effect on EBITDA of NOK 99 million compared to the first quarter 2008. On a constant currency basis, and adjusted for expansion costs, EBITDA decreased by 36% compared to the first quarter 2008. The lower EBITDA compared to the first quarter 2008 mainly relates to REC Wafer. The lower profitability in the wafer business is primarily explained by delayed start-up of REC Silicon III, as REC Wafer had to increase the external sourcing of polysilicon at high prices to mitigate the lack of
internally available material. The margin in REC Wafer was further affected by the ongoing ramp-up of new production lines. The contribution from REC Solar was very limited in the first quarter 2009, due to both a weaker market sentiment, replacement of modules as an effect of the junction box issue, and write-down of inventories. Although the latter was reversed in group elimination, overall internal profit elimination increased due to the build-up of inventory and increased prices of polysilicon compared to first quarter 2008.

Revenue declined 15% from fourth quarter 2008, primarily due to lower sale of silane gas and solar modules. EBITDA decreased 44% compared to the fourth quarter 2008, primarily related to REC Wafer, see above, and lower sale of secondary materials and silane gas in REC Silicon.

Depreciation, amortization and impairment

Depreciation, amortization and impairment amounted to NOK 225 million in the first quarter 2009, which was an increase of NOK 62 million from the first quarter 2008, primarily due to assets under construction that have been completed and started to be depreciated on. Depreciation and amortization are expected to continue to increase as assets currently under construction are being put to the intended use in the quarters to come.

Net financial items

REC reported positive net financial items of NOK 298 million in the first quarter 2009. In the first quarter 2008, net financial items were a negative NOK 251 million. Net financial items in the first quarter 2009 were positively impacted by currency gains and change in fair values of derivatives. During the first quarter 2009, NOK appreciated against other currencies, which created a positive effect on liabilities denominated in euro and U.S. dollars. In addition, the appreciation had a positive impact on forward currency sales contracts. This was partially offset by changes in estimated fair values on embedded derivatives due to appreciation of NOK against U.S. dollars. Please see the consolidated annual financial statement for 2008 for a description of derivatives, including embedded derivatives.

Net interest expenses (interest expenses less interest income) increased compared to the first quarter 2008, primarily driven by increased net debt due to the large expansion projects. A general decline in interest rates (LIBOR) more than offset the increased margins experienced on REC’s credit facilities during the first quarter 2009. Interest expenses in coming quarters are expected to increase due to expected increase in interest bearing liabilities. In addition, utilization of the 2008 bank facility and amortization of upfront costs are expected to increase the average credit margin for the REC Group.

Income tax expense

The combined effective income tax rate for the first quarter 2009 has been estimated to 34%, primarily based on an estimated effective annual tax rate of 28% in the Scandinavian operations, 35% in the U.S. operations, and zero in Singapore. The combined effective income tax rate for the first quarter 2008 was estimated to 36%. The actual effective tax rates for 2009 may deviate from the estimated tax rates.

Segment revenues and EBITDA first quarter 2009 compared to first quarter 2008

REC Silicon reported revenue of NOK 947 million in the first quarter 2009, which was an increase of 45% from the first quarter 2008. The increase reflects higher production and sales of polysilicon and currency translation effects. Average selling prices in USD in the first quarter 2009 were approximately 6% higher than the average of the year 2008 as the price was adjusted upwards in the middle of 2008. Production of primary grade polysilicon was 1,657 MT, which was an increase of 7% from the first quarter 2008. Polysilicon sales (including off-spec) amounted to 1,750 MT, up 10% from the first quarter 2008. Around 82% of the polysilicon volume in the first quarter 2009 was shipped to REC companies, including one-third of the deliveries to Sovello (which is owned 33% by REC). This compares to approximately 72% in the first quarter 2008. Silane gas sales totaled 366 MT in the first quarter 2009, a decline of 3% from the first quarter 2008.

REC Silicon EBITDA was NOK 450 million in the first quarter 2009, which was an increase of 41% from the first quarter 2008. The EBITDA margin of 47% compared to 49% in the first quarter 2008. The EBITDA increase from the first quarter 2008 reflects higher sales volumes of polysilicon and slightly higher prices in USD and currency translation effects. Expansion costs were estimated to NOK 5 million in the first quarter 2009, compared to NOK 50 million in the first quarter 2008. Currency translation effects positively affected the first quarter EBITDA by NOK 102 million compared to the first quarter 2008. On a constant currency basis, and adjusted for expansion costs, REC Silicon EBITDA decreased by approximately 5% compared to the first
quarter 2008. REC Silicon’s EBITDA in the first quarter 2009 was also negatively affected by costs related to the preparations for the start-up of Silicon III.

REC Wafer reported revenue of NOK 1,589 million in the first quarter 2009, which was an increase of 31% from the first quarter 2008. Production reached 191 MW in the first quarter 2009, up 31% from the first quarter 2008. Average wafer prices were slightly down compared to the average of the year 2008. Production continued to be limited by the availability of polysilicon, and the company has increasingly sourced external material at spot prices that are significantly above the price level under the long-term supply contracts.

REC Wafer EBITDA was NOK 242 million in the first quarter, less than half the EBITDA in the first quarter 2008. The EBITDA margin was 15% in the first quarter 2009, compared to 41% in the first quarter 2008. The decline is primarily explained by high materials cost due to the high external purchases of polysilicon at spot prices, which added costs of around NOK 170 million. This was partially offset by a NOK 55 million positive effect of increase in value of recirculated silicon material (this effect has partially been reversed on REC Group level due to increased elimination of internal profit). Operating margin was also negatively affected by the ramp-up of the new production lines at Herøya III (no longer included in expansion costs) which had a negative EBITDA-contribution of NOK 17 million in the first quarter 2009. Expansion costs amounted to NOK 64 million in the first quarter 2009, compared to NOK 13 million in the first quarter 2008, primarily related to the Singapore project, Herøya IV and Glomfjord mono project. Adjusted for expansion costs and the above mentioned items, the underlying EBITDA-margin in REC Wafer was approximately 28% in the first quarter of 2009. Additionally, the new Herøya plants are expected to continue to contribute negatively to operating margins in the early stage of ramp-up.

REC Solar reported revenues of NOK 388 million in the first quarter 2009, which was an increase of 14% from the first quarter 2008. The increase was due to the build up of additional production capacity during 2008. Module sales of 16 MW compare to 13 MW in the first quarter 2008. External cell sales volumes were 1 MW, on level with the first quarter 2008. Revenues in the first quarter 2009 decreased significantly compared to the fourth quarter 2008, which primarily reflects significantly lower sales volumes and an inventory buildup through the quarter. The lower sales volume reflects a weaker market but also junction box issues. REC Solar in the fourth quarter 2008 put restrictions on release of product due to possibly malfunctioning junction boxes. 12 MW of modules under shipment and in inventory at customers were recalled and changed for new modules during the first quarter 2009. Module production was 27 MW in the first quarter 2009 compared to 14 MW in the first quarter 2008. Manual soldering of junction boxes to correct the root cause for the malfunction somewhat reduced the run-rate. However, product-line modifications are expected to reduce this bottleneck going forward. Cell production was 44 MW, compared to 15 MW in the first quarter 2008. The oldest production line with an annual capacity of around 45 MW was stopped in the middle of January 2009. The two new production lines maintained production volumes throughout the quarter close to design capacity. With approximately 15 MW of modules in inventory at the end of the first quarter 2009, a substantial portion requiring repair of the junction box, REC Solar has already announced its intention to reduce second quarter production of solar cells and modules by close to 50%. Approximately 180 employees will be affected through terminations of temporary employment contracts, temporary lay-offs of permanent employees and rescheduled vacations. Average module selling prices in the first quarter 2009 were approximately 20% below the average of the year 2008.

REC Solar EBITDA fell to NOK 2 million in the first quarter 2009, compared to NOK 20 million in the first quarter 2008, and with the weaker figures explained by the significant reduction in average sales prices and build-up of inventory. EBITDA was also negatively affected by write-downs of inventories by NOK 24 million, primarily related to off-spec cells. This write-down is reversed on REC Group level due to unrealized internal profits. Expansion costs amounted to NOK 25 million, related to Singapore. This compares to NOK 17 million in the first quarter 2008.

13.4.3 Year Ended December 31, 2008 compared to Year Ended December 31, 2007

Revenues and EBITDA

REC achieved revenue of NOK 8,191 million in 2008, an increase of 23% from NOK 6,642 million in 2007. On a constant currency basis revenue increased 25% from 2007 to 2008. Revenue increased in all the business segments.
EBITDA increased by 3% to NOK 3,279 million in 2008, and the EBITDA margin declined from 48% to 40%. EBITDA increased in REC Silicon but declined in REC Wafer and REC Solar. The EBITDA contribution from Sovello increased from 2007.

The lower margin was partly a result of expansion costs. Adjusted for expansion costs EBITDA increased by 10% in 2008, and on a constant currency basis the adjusted EBITDA increased by 12%. REC’s growth strategy means that expansion costs will continue to impact EBITDA negatively also going forward.

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

**Depreciation, amortization and impairment**

Depreciation, amortization and impairment increased by NOK 165 million to NOK 750 million, as commercial production commenced on several expansion projects. Depreciation and amortization are expected to continue to increase as assets currently under construction are being put to their intended use in the years to come.

**Net financial items**

Net financial items were a positive NOK 1,850 million in 2008, which was an improvement of almost NOK 2.5 billion from 2007. The change was primarily due to changes in currency exchange rates, especially affecting the estimated fair values of derivatives. The Company has over the past years entered into several USD-denominated contracts for sale of wafers with customers for whom USD is not the functional currency. For accounting purposes, the Company treats these sales contracts as if they were denominated in NOK. Embedded forward purchases of foreign currency are separately accounted for on a fair value basis, with changes in fair value being recognized as a financial item. Hedge accounting has thus not been applied. The net result from derivatives improved by approximately NOK 1.9 billion to NOK 1,436 million in 2008, whereas net currency gains increased by more than NOK 600 million to NOK 291 million. Besides the above, financial items were negatively affected by higher average net debt in 2008, as a result of the high investment level. This was partly counterbalanced by a higher level of capitalized borrowing costs.

**Income tax expense**

The combined effective income tax rate for 2008 was 30%, based on an effective annual tax rate of 28% in the Scandinavian operations, 35% in the U.S. operations and zero in Singapore. Income tax on net gains on derivatives is calculated by 28%, reducing the estimated combined effective tax rate. For the year 2007 the combined effective tax rate was 33%.

**Segment revenues and EBITDA in 2008 compared to 2007**

**REC Silicon.** Revenue increased 22% to NOK 3,033 million in 2008. Measured in USD the increase was 26%. The increase was primarily explained by higher production of both silane gas and polysilicon, as well as an increase of around 6% in average selling prices measured in USD.

Production of grade-A polysilicon increased 8% in 2008. The start-up of the new Silicon III plant was delayed into 2009. Sales of polysilicon increased 15% to 6,549 MT, including sales of secondary grade material which remained in strong demand due to the continued tight polysilicon market. Silane gas sales increased 36% to 1,838 MT, with particularly high deliveries towards the end of the year. Approximately 70% of the polysilicon volumes were shipped to REC companies, including one-third of sales volumes delivered to Sovello. Internal sales were about the same percentage in the previous year.

REC Silicon EBITDA increased by 14% to NOK 1,540 million in 2008 and the EBITDA-margin declined by 3 percentage points to 51%. Expansion costs increased by NOK 93 million to NOK 162 million in 2008. Adjusted for expansion costs, EBITDA increased 20% in 2008, with only 1 percentage-point decline in margin to 56%. On a constant currency basis, and adjusted for expansion costs, EBITDA increased by approximately 25% from 2007 to 2008.

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

REC Wafer EBITDA declined 8% to NOK 1,674 million in 2008. This is affected by an increase in expansion costs of NOK 112 million to NOK 121 million. EBITDA adjusted for expansion costs declined 1%, and the correspondingly adjusted margin declined 5 percentage points to 37%. The decline in adjusted EBITDA partly reflects higher polysilicon prices. Unit costs are also typically higher than normalized levels during ramp-up of new production lines, due to lower capacity utilization. Production yield issues also negatively affected the margin.

REC Solar. REC Solar achieved a revenue increase of 110% to NOK 2,347 million in 2008. The growth was driven by a sharp increase in production and sales volumes, as average selling prices declined by approximately 9% compared to 2007. In the latter part of the year, the company put limitations on the release of product following the discovery of possibly malfunctioning junction boxes for a series of modules. This led to a build-up of module inventory and lower revenue. Solar cell production increased by 181% to 132 MW, whereas module production increased by 90% to 80 MW. A small portion of modules were produced by contract manufacturers.

REC Solar EBITDA declined by 13% to NOK 148 million in 2008. This is only partially explained by an increase in expansion costs of NOK 13 million to NOK 65 million, and EBITDA adjusted for expansion costs declined 4% to NOK 213 million. During 2008 the EBITDA was negatively impacted by a provision of NOK 61 million for estimated expenses for potential repairs of modules with possibly malfunctioning junction boxes. The EBITDA was also negatively affected by other special items of NOK 16 million, including increased provisions for loss on receivables. Adjusted both for expansion costs, the provisions and other special items mentioned above, EBITDA increased by 29% compared to 2007, although the correspondingly adjusted EBITDA margin was still lower than in the previous year. The reason is higher average unit costs and lower production yield during ramp-up of the significant amounts of new production capacity.

13.4.4 Year Ended December 31, 2007 compared to Year Ended December 31, 2006

Revenues and EBITDA

The Company achieved revenue of NOK 6,642 million in 2007, an increase of 53% compared to the 2006 revenue of NOK 4,334 million. The EBITDA of NOK 3,172 million was an increase of 61% from NOK 1,965 million the previous year, and the EBITDA margin increased by 3 percentage points to 48%. On a constant currency basis, revenue increased by 56% and EBITDA by 68% from 2006 to 2007.

Although supported by the consolidation of Sovello and higher prices for polysilicon and wafers, the revenue increase was primarily a result of organic capacity expansion, in particular in REC Wafer. The capacity expansion projects entailed expansion costs of NOK 153 million in 2007, up from NOK 139 million in 2006.

Depreciation, amortization and impairment

Depreciation, amortization and impairment amounted to NOK 585 million in 2007, compared to NOK 390 million in 2006. The increase primarily reflects higher capital base and the proportionate consolidation of Sovello in 2007.

Net financial items

Net financial cost were NOK 610 million in 2007, compared to NOK 830 million in 2006. For 2007, this included a negative effect of NOK 642 million on embedded derivatives related to certain wafers sales contracts denominated in USD. In the previous year, net financial cost included NOK 796 million in changes in fair value/foreign exchange effect of convertible loans. Besides the above, net financial items for 2007 were positively affected by increased interest income and decreased interest expenses, primarily due to the refinancing of the Company in the first half of 2006 and the capital increase in connection with the Company’s IPO in May 2006. Net currency losses increased compared to 2006, primarily related to USD financial assets held by the Company, and these losses were partially offset by gains on other derivative instruments with the purpose of economic hedge. The Company’s share of loss of the associated company CSG Solar AG was NOK 45 million in 2007, compared to NOK 18 million in 2006. The loss in 2007 included an impairment loss.
Income tax expense

The combined effective income tax rate for 2007 was 33%, based on an effective annual tax rate of 28% in the Scandinavian operations and 35% in the U.S. operations. In 2006 the tax rate was 38%.

Segment revenues and EBITDA 2007 compared to 2006

REC Silicon. Revenue from the operation was NOK 2,496 million in 2007, which was an increase of 17% from NOK 2,127 million in 2006. The organic increase was primarily explained by higher production of silane gas and polysilicon. Measured in NOK, the polysilicon price increase in local currency was partly counterbalanced by a weakening of the U.S. dollar. The production in 2007 was negatively affected by power outages at both plants in September and October. In excess of two thirds of REC Silicon's polysilicon sales volume was dedicated to REC Wafer in 2007. Production and deliveries of silane gas continued to increase in 2007 and REC Silicon further strengthened its dominating position in the merchant market for silane gas.

REC Silicon’s EBITDA was NOK 1,347 million in 2007, which was an increase of 27% from NOK 1,063 million in 2006. The EBITDA-margin improved by 4 percentage-points to 54%. The above mentioned power outages affected EBITDA negatively by approximately NOK 50 million. The EBITDA included expansion costs of NOK 69 million in 2007, up from NOK 55 million in 2006. The adjusted EBITDA-margin thus increased by four percentage-points to 57%, and REC Silicon confirmed its position as an industry cost leader. The expansion costs mainly relate to early hiring, and REC Silicon overall added more than 140 employees during 2007.

REC Wafer. Reported revenues of NOK 4,360 million in 2007 represented an increase of 78% from NOK 2,455 million in 2006. The strong revenue growth was driven by increased production, although an increase in average wafer prices of approximately 10% also contributed positively.

REC Wafer EBITDA amounted to NOK 1,813 million for 2007, which was a 120% increase from NOK 825 million in 2006. The EBITDA-margin increased by 8 percentage-points to 42%, reflecting continued strong operational efficiency and cost discipline. The EBITDA included expansion costs of NOK 9 million in 2007, compared to NOK 65 million in the previous year. Adjusted for expansion costs, the EBITDA-margin increased by 6 percentage-points to 42%.

REC Solar. REC Solar achieved revenue of NOK 1,116 million in 2007, which was an increase of 28% from NOK 873 million in 2006. The growth was driven by increased production volumes due to increased capacity. Average selling prices for modules declined by approximately 5% from the previous year.

REC Solar EBITDA declined by 12% to NOK 171 million in 2007, compared to NOK 195 million in 2006, and the EBITDA-margin declined by 7 percentage-points to 15%. Costs were negatively affected by higher wafer prices, and also higher expansion costs compared to the previous year. Expansion costs increased to NOK 52 million from NOK 19 million in the previous year. Adjusted for this, the EBITDA increased slightly in 2007, although the adjusted EBITDA-margin declined by 5 percentage-points to 20%.

13.5 Cash flow and Liquidity

Liquidity

In 2007 and 2008, aside from indebtedness incurred primarily to fund investments, the Company’s principal source of liquidity has been cash flow from operating activities and the net proceeds from the initial public offering in May 2006. The Company established new credit facilities in 2006 and 2008, as discussed below. As a result of the large expansion projects, the net debt has developed from a net cash position at December 31, 2006 and 2007 of NOK 4.6 billion and NOK 3.0 billion, respectively, to net debt of NOK 6.1 billion and NOK 8.1 billion at December 31, 2008 and March 31, 2009, respectively. These figures exclude restricted bank accounts and prepayments on which interest is calculated and includes external net debt of Sovello.

In the Company’s opinion, it has sufficient working capital for its present requirements. The Company notes that the subscription of New Shares for gross proceeds of approximately NOK 4.5 billion is underwritten and guaranteed as further described in sections 8.10 and 8.18.

Cash Flows

Net cash flow from operating activities
Net cash flow from operating activities was zero in the first quarter 2009, compared to NOK 468 million in the first quarter 2008. The decline primarily reflects the reduced results from operations and an increase in working capital, primarily the build-up of inventories. Financial items also contributed negatively.

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

The net cash flow from operating activities more than doubled to NOK 3,055 million in 2007, up from NOK 1,379 million in 2006. The increase reflects the positive development in the operations as well as net interest income. Cash flow is not affected by unrealized losses on derivatives and unrealized currency effects on financial instruments.

**Net cash flow from investing activities**

Net cash flow from investing activities was NOK -2,734 million in the first quarter 2009, compared to NOK -1,973 million in the first quarter 2008. Payments for property plant and equipment and intangible assets (capital expenditure) contributed NOK -2,707, primarily related to the expansions in Singapore and Silicon III in the U.S. REC Silicon accounted for NOK 728 million of the payments for capital expenditure in the first quarter 2009, while REC Wafer accounted for NOK 650 million, REC Solar for NOK 685 million, and others, primarily REC Site Services Pte. Ltd (Singapore), for NOK 644 million. Further capital expenditure will be accumulating until the projects are completed. This relates mainly to the Singapore project and the Silicon IV project in the U.S.

Net cash flow from investing activities amounted to NOK -9,964 million in 2008, compared to NOK -4,453 million in 2007. This almost in entirety reflects payments for capital expenditure in the major expansion projects. The cash payments for capital expenditure in 2008 primarily related to the construction of Silicon III, new wafer plants and the Singapore project. REC Silicon accounted for NOK 4.8 billion of the payments for capital expenditure, REC Wafer for NOK 3.2 billion, REC Solar for NOK 0.9 billion, and others, including Sovello, for NOK 0.8 billion.

Net cash flow from investing activities was NOK -4,453 million in 2007, which compares to NOK -1,634 million in 2006. The main investment activities in 2007 related to cash payments for capital expenditure. The cash payments for capital expenditure in 2007 was NOK 4.3 billion, primarily related to expansion and debottlenecking projects in REC Silicon (NOK 2.3 billion), REC Wafer (NOK 1.2 billion), REC Solar (NOK 0.5 billion), and Sovello (NOK 0.2 billion). Cash payments for capital expenditure were NOK 1.5 billion in 2006, primarily related to expansion projects in REC Wafer and REC Silicon.

**Net cash flow from financing activities**

Net cash flow from financing activities was NOK 4,241 million in the first quarter 2009, compared to NOK -198 million in the first quarter 2008. In the first quarter 2009, REC ASA drew the first NOK 4 billion under the credit facilities established in 2008 related to the Singapore expansion.

Net cash flow from financing activities was NOK 2,773 million in 2008, compared to NOK 254 million in 2007. For 2008, this reflects proceeds from borrowings in excess of NOK 4 billion and repayment of borrowings of almost NOK 1.3 billion. The net cash inflow from borrowings primarily related to the Company’s drawings under the 2006 credit facilities. Payment of upfront loan fees is included as cash payment from financing activities.

Net cash flow from financing activities in 2007 reflects funding of Sovello’s expansion by banks and the owners and parts of a prepayment from EverQ (currently Sovello) to REC Silicon, partially offset by installments made by the Company. In 2006, the net cash flow from financing activities was NOK 7,022 million, as a result of a complete refinancing of the REC Group and a NOK 6.8 billion share issue in connection with the IPO in May 2006.
Contractual Obligations and Commercial Commitments

In addition to the liabilities in the consolidated statement of financial position, the REC Group has provided some guarantees and undertakings and has also significant amounts of contractual purchase obligations as discussed in note 29 to the consolidated financial statements for 2008. Contractual purchase obligations are for goods and services and for capital expenditure. As of March 31, 2009, estimated contractual purchase obligations amounted to NOK 13.3 billion, of which NOK 5.4 billion are for goods and services and NOK 7.9 billion for capital expenditure. Of the NOK 13.3 billion contractual purchase obligations at March 31, 2009, NOK 7.2 billion are expected to be paid during the remaining nine months of 2009. This is primarily related to capital expenditure in the large expansion projects. In addition to the contractually committed purchase obligations, REC had approved, but not committed, capital expenditure of NOK 4.7 billion at March 31, 2009, of which NOK 2 billion is expected to be paid in 2009. The amounts measured in NOK are translated at March 31, 2009 exchange rates, and changes in NOK versus the main currencies USD, SGD and EUR will affect the actual expenditures measured in NOK.

The Company has undertaken towards Sovello’s loan syndicate to maintain the liquidity of Sovello until August 15, 2009 at which time the Company expects that a new financing structure will be place for Sovello. See section 16.3.5 for further information.

Capital Resources

Please also see the consolidated Financial Statements for 2008 for a further description of credit facilities at December 31, 2008.

On March 23, 2006 the Company entered into a Credit Facility Agreement for NOK 5,425 million with a syndicate of seven banks.

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

On September 30, 2008 the Company entered into agreements for a credit facility of NOK 6,275 million (Facility A) and a guarantee facility for SGD 1,050 million (Facility B) with a syndicate of twenty banks. The purpose of Facility A is to finance the Singapore expansion project and consists of a three year maturity tranche (NOK 2,092 million) and a five year maturity tranche (NOK 4,183 million). Facility A is a multicurrency revolving credit facility and will be repaid in full at maturity. Facility B is a guarantee facility for the SGD 1 billion loan described above. Facility B has a five year maturity and can be extended to match the more than seven year SGD facility described above provided consent is received from the banks.

At March 31, 2009 the total remaining credit limit under the 2006 credit facility, and approximately NOK 4 billion of the 2008 loan and credit facilities, had been utilized by the Company.

The interest rates for the loan and credit facilities are partly floating based on LIBOR plus a margin depending on the ratio of net interest bearing debt to EBITDA, and partly fixed.

The amount under the NOK 5,425 million credit facility agreement is available for general investments and corporate purposes. The SGD 1 billion loan and the NOK 6,275 million credit facility are available for financing capital expenditure related to the Singapore expansion project.

The debt facility signed in September 2008 has a borrowing amount limit defined in NOK even if the majority of this debt both will be drawn and serviced by other currencies (e.g. EUR and U.S. dollars) to match investments made in these currencies. The NOK exchange rate affects the amounts available under the multicurrency credit facilities with borrowing amounts determined in NOK as REC mainly will borrow in U.S. dollars and EUR.

The annual report for 2008 note 17 shows the maturity profile of borrowings.
REC Group also has in aggregate NOK 350 million overdraft facilities related to the REC Group’s cash pool systems in Nordea Bank Norge ASA and DnB NOR Bank ASA. In addition, the REC Group has outstanding debt to Komatsu and some financial leases. Sovello AG is owned 33.3% by the REC Group, and is proportionally consolidated. Sovello had an undrawn credit line of EUR 18.8 million at December 31, 2008 (REC’s 33.33% share). However, due to the breach by Sovello AG of one of its financial covenants at December 31, 2008, the further utilization of the credit line was suspended. It is expected that the utilization of said credit line will continue to be suspended until a new financing structure is in place for Sovello, such structure expected to be in place no later than August 15, 2009 (see section 16.3.5).

On June 17, 2009 the Company entered into a Bridge-to-Bond revolving credit facility for NOK 750 million with a group of banks. The Bridge-to-Bond agreement gives certainty of a minimum funding amount pending bond issues and will be refinanced by the proceeds of any bond issue. The Company is by the agreement required to seek to issue bonds in the second half of 2009. In the event of no bond issue, or insufficient bond issues, the Bridge-to-Bond agreement may run for 18 months before it must be repaid.

On June 19, 2009 the Company received consent from the banks to restructure the NOK 5,425 million credit facility entered into on March 23, 2006. The total remaining credit limit of NOK 4,915 million was utilized in full at March 31, 2009, and the restructuring allows installments due in the remainder of 2009 and in 2010, in total NOK 1,725 million, to be deferred until final maturity of the facility in 2012.

In addition, a new debt facility of NOK 525 million has been offered by a group of banks.

In total the new committed debt package adds up to NOK 3,000 million. An additional loan facility of up to NOK 1,000 million is presently in negotiation; potentially increasing the debt package to approximately NOK 4 billion. Consequently, the aggregate gross liquidity effect from this refinancing, both debt and equity, will be in the range of NOK 7,500 million – 8,500 million.

On June 19, 2009 the Company received consent from its bank syndicates to amend the financial covenants under the two existing credit facilities and the guarantee facility. The amended covenants are in the Company’s opinion expected to give headroom. The restructuring of the financial covenants requires REC to pay upfront waiver fees and increase the margins payable to the banks under the facilities.

As part of the restructuring of the bank facilities, the Company has agreed to certain restrictions with respect to dividends and other distributions made by the Company to its shareholders.

The Board of Directors is on a continuous basis monitoring the capital structure and potential additional funding needs of the Company.

**13.6 Risk Management**

**13.6.1 Market Risk**

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

**13.6.2 Currency Risk**

The Company operates internationally and is exposed to currency risk, primarily to fluctuations in U.S. Dollar (USD), Euro (EUR), Singapore Dollar (SGD) and Norwegian Krone (NOK), arising from commercial transactions and assets and liabilities in currencies other than the entities’ functional currencies. When presenting the Financial Statements in NOK, currency developments will also affect translation of profit and loss and balance sheet items of foreign entities with functional currencies other than NOK. REC’s finance policy is to economically currency hedge at least 80% of expected future cash flows on a rolling 12 month basis. The policy defines coverage of the net exposure for a 48 month period, with gradually declining hedging coverage. REC seeks to reduce the risk associated with the net currency exposure primarily by use of various financial instruments, such as forward contracts and currency options.
13.6.3 Interest rate risk

Interest hedging instruments may be used to control and minimize the company’s interest cost within the framework defined in the finance policy. The company’s strategy is to keep the duration (measured on an average interest commitment for the net-debt position) of the REC Group below 2.5 years at all times. Normally, the duration should be between 1.5 years and zero (floating rate). Over time, REC believes that its interest expenses will be minimized by mainly having a floating interest rate.

13.6.4 Credit risk

REC has historically had limited losses on receivables. However, the financial turmoil has reduced visibility for credit risks related to counterparties, including customers and banks. REC has some concentration of credit risk as it has few but large customers in the solar, silicon gases and electronic industry in Europe, United States and Asia. The Company seeks to ensure that sales of products are made to customers with an appropriate credit history, and the company also applies requirements for various payment guarantees or prepayments, and to some extent credit insurance. The credit risk of the customers and the banks providing guarantees is reviewed regularly. However, the solidity of counterparties may be weakened and the counterparty risk may increase quite suddenly, in today’s turbulent financial situation.

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

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

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

13.6.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, REC aims to maintain a high degree of financial flexibility by keeping sufficient cash and cash equivalents or committed credit facilities available. In the current financial climate, most companies world-wide face challenges related to funding, and REC may also find it more difficult to fulfill the targets in its finance policy. REC is currently committed to major construction projects that require high amounts of capital expenditure, in which positive cash flows are expected in subsequent periods. Consequently, the liquidity risk has increased.

13.7 Significant Developments since March 31, 2009

Between March 31, 2009 and up to the date of the Prospectus, the Company has experienced the following significant developments:

- REC Silicon’s new silane gas and granular polysilicon production facility in Moses Lake (“Silicon III”) started production in the second half of March 2009. The plant was subsequently shut down for safety reasons due to an observed leak in the FBR discharge pipe. Production from Silicon III is expected to resume in the third quarter 2009.

- On April 3, 2009, REC Solar announced a reduction of the second quarter production volumes of solar cells and modules with approximately 50%. The reduction in production volumes affected approximately 180 employees. The decision to reduce the production volumes came after an inventory build-up of solar cells and modules in the first quarter following the challenging market environment for the solar industry.
• On April 4, 2009 Ole Enger assumed the position as President and CEO in the Company to replace Erik Thorsen.

• On May 25, 2009 the Company announced that REC Wafer had decided to temporarily take out approximately 35% of its production capacity due to a challenging market situation and low demand visibility. The temporary reduction will affect approximately 180 employees.

• On June 5, 2009 the Company announced that findings following analysis and inspection work related to its deliveries of solar modules with possibly malfunctioning junction boxes indicated that the one-off provision (non-recurring item) for costs associated with the repair work needed to be increased by approximately NOK 300 million and that this provision will be made in the second quarter of 2009.

• On June 5, 2009 the Company also announced that weakening of the market described in the interim financial report for first quarter 2009 has continued and that the Company faces a reduced demand for modules and an increasingly difficult market for wafers, which has led to reduced production and temporary lay-offs both in REC Wafer and REC Solar. It was also stated that the Company expects that the production facilities within REC Solar will continue to operate below full capacity also into the third quarter.

• On June 17, 2009 the Company entered into a Bridge-to-Bond revolving credit facility for NOK 750 million with a group of banks. The Bridge-to-Bond agreement gives certainty of a minimum funding amount pending bond issues and will be refinanced by the proceeds of any bond issue. The Company is by the agreement required to seek to issue bonds in the second half of 2009. In the event of no bond issue, or insufficient bond issues, the Bridge-to-Bond agreement may run for 18 months before it must be repaid. On June 19, 2009 the Company received consent from the banks to restructure the NOK 5,425 million credit facility entered into on March 23, 2006. The total remaining credit limit of NOK 4,915 million was utilized in full at March 31, 2009, and the restructuring allows instalments due in the remainder of 2009 and in 2010, in total NOK 1,725 million, to be deferred until final maturity of the facility in 2012. In addition, a new debt facility of NOK 525 million has been offered by a group of banks. In total the new committed debt package adds up to NOK 3,000 million. An additional loan facility of up to NOK 1,000 million is presently in negotiation; potentially increasing the debt package to approximately NOK 4,000 million. Consequently, the aggregate gross liquidity effect from this refinancing, both debt and equity, will be in the range of NOK 7,500 million – 8,500 million. On June 19, 2009 the Company received consent from its bank syndicates to amend the financial covenants under the two existing credit facilities and the guarantee facility. The amended covenants are in the Company’s opinion expected to give headroom for the financial covenants. The restructuring of the financial covenants requires REC to pay upfront waiver fees and increase the margins payable to the banks under the facilities.

• With reference to the resolution adopted at the extraordinary general meeting on June 5, 2009, the Company may issue convertible bonds during the second half of 2009. This will ensure further robustness and flexibility and enable the Company to exploit strategic opportunities.

• On June 22, 2009, the Company released a trading update where the following information was included:

  − Regarding REC Solar: The weakening of the solar market has continued so far into 2009 and REC Solar’s sales prices for solar modules for the whole year of 2009 on average is currently expected to be down approximately 30% compared to the average of 2008. As previously communicated, production is currently running well below design capacity.

  − Regarding REC Wafer: REC Wafer sells a substantial portion of its production on long-term contracts (4-8 years), generally with predetermined volumes and prices. Due to the current market situation, REC Wafer has received inquiries from the majority of its customers with long-term contracts concerning possible adjustments to delivery volumes and/or prices. It may be in REC Wafer’s interest to fully exercise its rights under the long-term sales contracts in order to protect its position. On the other hand, it could be in REC Wafer’s commercial interest to, among other things, make individual adjustments to the timing of shipments and/or prices in these sales contracts, taking into consideration its long standing relationship with key customers. Any adjustments will have an effect on EBITDA in the relevant period. REC Wafer has so far only made certain minor adjustments.
Regarding REC Silicon: The Company announced in April 2009 that it had encountered initial problems in the ramp-up of Silicon III. The Company, in close cooperation with its contractor, has redesigned the discharge pipe and continues to test the implemented solution, which so far has performed according to simulations. Generally, however, interruptions must be expected in ramping up large complex chemical plants, which implement new innovative technologies. There is presently no change to the already communicated ramp-up schedule of Silicon III.

Regarding the Singapore Project: The project continues to trend towards a lower capital expenditure compared to the initial investment case, reflecting a less heated construction market. The new plant is expected to be more cost competitive than the Company’s existing facilities, ramp-up is expected to start in the first and second quarter of 2010 and will be done in line with market demand and prudent working capital management.

Except for the significant developments described above, there has been no significant change in the financial or trading position of the Company since March 31, 2009.
14. INDUSTRY OVERVIEW

The following discussion and the discussion appearing under section 15 of 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.

14.1 Introduction

The Company’s activities are concentrated in the PV industry. The PV industry produces solar grade polysilicon, solar wafers, cells, modules and systems that convert energy from sunlight into electricity. Polysilicon is the primary raw material for the PV industry. For further information, see section 15 of this Prospectus.

14.2 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. According to EIA’s International Energy Outlook 2008, these sources together accounted for 92.3% of the world’s total energy consumption and 81.8% of the world electricity generation in 2005, while the remaining 7.7% and 18.2% (respectively) of those 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. EIA expects electricity from renewable energy sources to overtake gas as the world’s second largest source of electricity before 2015, rising to 20% of total electricity generation in 2015 and 23% in 2030.

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.

14.3 Key Drivers for the Use of Renewable Energy

14.3.1 Introduction

The key 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, such as carbon credits;

- decreased costs per kWh of energy generated from renewable sources, in addition to the flexibility in size of PV installations, making such energy increasingly competitive in new markets and segments;

- government stimulus systems aimed at resolving the environmental and pollution problems, such as a feed in tariff (“FIT”), green certificates (“GC”), renewable energy portfolio standards, cash or an investment tax credit (“ITC”), that allows profitable investments in renewable energy generation;

- the rapidly increasing global demand for energy primarily due to the expanding global population and expected economic growth, especially in South and East Asia;

- the finite nature of oil, gas and coal reserves and the associated increase in prices expected in the long term;

- 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;

- price of CO₂ emissions; and

- governmental commitments to reach green house gas emission reduction targets.
14.4 Solar and PV-Based Energy

14.4.1 Introduction

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 size of a solar energy system can be tailored to available area, from large, open field systems to small residential rooftops installations, placed on top of existing buildings or infrastructure. The power generated can be fed directly into the grid, delivering power where it is needed. Further, the electricity production from PV systems is on average very predictable over a single day, where it to a large extent matches the peak demand on the grid, as well as correlating well with consumption of energy over the seasons, particularly in industrialized and densely populated regions in the sun-belt. 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 robustness of the basic principles of the technology has been well demonstrated through many decades.

On average, the energy from the Sun delivers 3.8649 kWh/m2/day on the Earth’s surface. There is, however, large variations in the solar irradiation between different regions, making some much more suited for solar energy power generation than others. The following diagram illustrates annual exposure to solar radiation measured in kWh/m2/day. A radiation of 6 kWh/m2/day (dark orange area) translates into 2,190 effective hours per year of potential solar energy and electricity generation at peak performance of the system. High levels of solar radiation are evident in parts of the United States, Latin America, Africa, Asia and Australia.

14.4.2 The PV Market

To date a number of different technologies have been developed to take advantage of solar energy. PV technology is the leading technology for electricity production, and involves the direct conversion of sunlight into electricity through the use of solar cells. Other technologies collect the thermal energy from the sun and either utilizes it directly (e.g. district heating, air condition, hot water) or uses it to produce steam, which in turn drives a steam generator (STEG) to produce electricity indirectly.

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 1.4 GW at the beginning of 2000 to 14.7 GW at the end of 2008, representing an average annual growth rate of approximately 34% during the period, according to EPIA.

The first commercial use of solar cells was for powering satellites in the 1960s. With decreasing cost, solar energy systems have become an attractive alternative energy source in areas outside established electricity grids. Private homes and cabins, lighthouses, remote pumping stations and telecom network installations are prominent examples. With further cost decreases combined with economic subsidies, solar power has also become
economically attractive for grid-connected private homes, offices and power plants. Today, grid-connected solar power is by far the largest and fastest-growing segment, representing approximately 96% of the total installed PV capacity, according to Solarbuzz, Marketbuzz 2009.

Grid Connected PV Systems

Off-Grid PV Systems

According to Marketbuzz 2009, global PV installations per year grew from 1,087 MW to 5,974 MW in the 2004-2008 period, representing an average annual growth rate of approximately 53%. As illustrated by the figure below, the main markets for PV in recent years have been Germany, which has shown a relatively steady growth in installed capacity over the past years, and Spain, which experienced an exceptional growth of annual installed capacity in 2008.

The key markets for PV installations in 2008 were Spain, Germany, United States, South Korea, Italy and Japan, which together accounted for approximately 86% of the total installations. Of these markets, Spain accounted for approximately 41%, and was the largest market in 2008, followed by Germany with approximately 31% of the capacity installed in 2008.

PV Market Size and Geographical Segmentation 1998-2008 (installed PV capacity per year in MWp)

Source: Solarbuzz, Marketbuzz 2009
14.4.3 PV Market Outlook

Growing concern for the climate and the need for additional energy sources have made governments around the world take measures to support investments in and use of renewable energy. Incentives have been a vital contributor to the continued growth of PV installations. National government incentive programs, such as feed-in tariffs for PV installations, have been crucial in boosting industry growth, simply because the cost of PV generally has been above the cost of conventional energy sources. There is still a need for predictable, long-term programs and policies to support the necessary investments in robust and scalable market channels. It is expected however, that the PV market will transform from being primarily driven by PV specific incentive systems to being commercially driven also by more general energy and CO2 political regulations over the next few years, as the supply will most likely exceed subsidized demand in 2009-2012.

While the long term market outlook for PV remains strong, there have been some recent events that have had a negative effect on the development of the PV market over the past quarters, including:

- The global financial crisis led to a shutdown of project financing which is key for large projects
- Spain introduced a 500 MW cap on 2009 installations, effectively reducing the Spanish market to 1/5 of its size compared to 2008.

While major industry observers have very different expectations for the growth in annual end-customer PV systems installations going forward, most seem to agree that there will be limited growth in 2009. The following table lists historical numbers and forecasts for installed capacity from 2007 to 2013 from several major industry observers.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketbuzz 2009 (Production Led Scenario)</td>
<td>2.8</td>
<td>62%</td>
<td>5.9</td>
<td>110%</td>
<td>7.1</td>
<td>19%</td>
<td>10.6</td>
<td>49%</td>
<td>11.2</td>
<td>6%</td>
<td>15.6</td>
<td>39%</td>
<td>21.0</td>
<td>35%</td>
</tr>
<tr>
<td>EPIA</td>
<td>2.4</td>
<td>49%</td>
<td>5.6</td>
<td>132%</td>
<td>4.6</td>
<td>-17%</td>
<td>6.0</td>
<td>30%</td>
<td>7.5</td>
<td>26%</td>
<td>9.6</td>
<td>27%</td>
<td>12.3</td>
<td>27%</td>
</tr>
<tr>
<td>New Energy Finance</td>
<td>2.9</td>
<td>71%</td>
<td>5.8</td>
<td>100%</td>
<td>5.5</td>
<td>-5%</td>
<td>7.6</td>
<td>38%</td>
<td>11.1</td>
<td>46%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>


The flattening out of demand growth in 2009 has lead to an oversupply situation in the PV industry in the beginning of 2009. The effects of this situation has already been seen in the first months of 2009 through inventory build-ups among module producers and installers, reduced capacity utilization throughout the PV manufacturing value chain and significant price decreases, especially on the spot market, for polysilicon, wafers, cells and panels.

Still, longer term, industry observers believe the PV industry will continue to enjoy attractive growth rates. Its ability to achieve these forecasts 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 currently not be profitable in most markets, because the costs of generating electricity significantly still exceed market prices obtainable for, and the costs of generating electricity from, conventional energy sources. See section 4.1. 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 producing PV-based electricity in a grid-connected system. 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. Feed-in tariffs are typically reduced over time to ensure that the PV industry develops new and more cost efficient technologies.

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 section 4.1. 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.

- **Availability of funding for projects and expansions:** The cost and availability of funding is of critical importance to the development of the PV industry. The tightening of credit markets and the financial markets in general, has led to a scarcity of capital for both project financing and expansions. To meet the growth expectations shown above, the PV industry is dependent on improved credit availability for large PV projects.

- **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 price fluctuations 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.

- 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. This becomes especially evident in markets that have introduced pricing based on time-of-use.

- **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, and the currently very low interest rates due to the economic crisis, 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 has been a key issue for industry growth over the past years. However, several large capacity expansion projects have been announced by many companies, both the traditional polysilicon producers as well as a number of new entrants in the polysilicon industry. Furthermore, the introduction of upgraded metallurgical silicon will increase the availability of polysilicon to the PV industry. Although a large number of these projects probably never will be built, the polysilicon supply constraint is expected to be a less significant factor on the development of the PV industry than it has been in the past.

### 14.4.4 Regional Markets

Germany, Spain, Japan and the U.S. are the most developed solar markets today, but other markets follow suit and see solar power as a key resource in their future energy supply.

The expected main markets for PV installations over the coming years are: Germany, United States, Spain, Italy and Japan.
### Historical and Expected Future Annual PV installations in Key Markets

<table>
<thead>
<tr>
<th>MW installed</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>1,328</td>
<td>1,855</td>
<td>3,256</td>
<td>4,827</td>
<td>2,708</td>
<td>3,009</td>
<td>3,360</td>
</tr>
<tr>
<td>Spain</td>
<td>640</td>
<td>2,463</td>
<td>604</td>
<td>704</td>
<td>805</td>
<td>1,206</td>
<td>1,806</td>
</tr>
<tr>
<td>Italy</td>
<td>90</td>
<td>242</td>
<td>602</td>
<td>963</td>
<td>1,653</td>
<td>2,323</td>
<td>3,004</td>
</tr>
<tr>
<td>Other Europe</td>
<td>93</td>
<td>311</td>
<td>762</td>
<td>1,362</td>
<td>2,205</td>
<td>3,538</td>
<td>4,906</td>
</tr>
<tr>
<td>USA</td>
<td>220</td>
<td>357</td>
<td>686</td>
<td>1,091</td>
<td>1,720</td>
<td>2,734</td>
<td>4,348</td>
</tr>
<tr>
<td>Japan</td>
<td>230</td>
<td>230</td>
<td>313</td>
<td>425</td>
<td>578</td>
<td>786</td>
<td>1,068</td>
</tr>
<tr>
<td>Rest of world</td>
<td>226</td>
<td>489</td>
<td>856</td>
<td>1,198</td>
<td>1,542</td>
<td>1,974</td>
<td>2,544</td>
</tr>
<tr>
<td>Total</td>
<td>2,826</td>
<td>5,948</td>
<td>7,079</td>
<td>10,570</td>
<td>11,210</td>
<td>15,570</td>
<td>21,036</td>
</tr>
</tbody>
</table>


### Germany

The German PV market size was 1,328 MW in 2007 and grew to 1,855 MW in 2008, which represented a 40% growth year over year. The comparable growth rate from 2006 to 2007 was 37%. In 2008, the feed-in tariffs decreased between 5% and 6.5%, depending on system type. The effects of booming markets in South of Europe also affected the growth in Germany. Prices remained at nearly constant levels throughout the first three quarters of the year, but declined in the fourth quarter after softening demand in the Spanish market (as this market reached its deadline for installations, see further comments below).

Germany is dependent on coal as its primary source of electricity. It is expected to remain the main source of electricity. Nuclear power also plays a major role, but Germany decided in 2002 to close all 17 operating nuclear power stations by 2022. Wind plants generated 6.3% of the electricity and hydropower 3.3%. PV accounted for 0.6% of the total electricity production in 2008. Germany's Renewable Energy Sources Act (EEG) is aiming to increase the share of electricity from renewable energy sources to 12.5% by 2010, and 20% by 2020. The goal has later been increased to at least 30% by 2020.

The EEG obliges utilities to purchase electricity generated from PV systems that feed into their grid at defined feed-in tariffs. The associated costs are distributed to the electricity bills of all customers in Germany.

The tariffs for roof-mounted systems and those on sound barriers in 2009 were reduced to between €0.33/kWh and €0.43/kWh, depending on their size. The tariffs for ground mounted systems in designated development areas declined to €0.32/kWh in 2008.

On January 1, 2009, another amendment of the EEG became effective. A flexible remuneration system will, from 2010 and onwards, relate the feed-in tariff rates to the development of certain market targets. The tariff will decline by 8% in 2010 and 9% in 2011 and 2012 for roof-mounted systems, and by 10% in 2010 and 9% from 2011 for ground mounted and larger roof-top systems. Deviation from the target growth path introduces an adjustment in tariffs for the following year of +/-1% in the annual decline of the tariffs. The goal of the policy is to keep the market within the targeted growth path.

Several loan finance programs have been offered for PV installations by the German Development Bank. The “Generating Solar Electricity” program was especially suited to private residential systems with loans for up to 100% of the costs of PV systems up to €50,000 per applicant. Soft loans from many other German banks are also available for PV systems.

Rooftop systems is by far the largest segment in Germany. Crystalline silicon technology is dominating this segment, because of the higher efficiency of the panels. The trend to thin film modules for larger, ground mounted systems, which started as a result of high crystalline silicon module prices in 2006, continued in 2008.
The German market was stronger in early 2008 than it was in the corresponding period in 2007. Prices stayed relatively constant in the first half of the year and increase slightly through the summer due to high demand from the Spanish market, before falling back in the last quarter of the year when modules started to flow from Spain into the German market. While there was little inventory stocked during the year among the German downstream companies, this phenomenon changed by the end of 2008 and beginning of 2009, compounded by an unusually harsh winter that delayed installation works.

In early 2009, price declines even exceeded the accelerated reduction rate of feed-in tariffs for systems up to 30 kWp under the EEG of 8% in 2009. Despite lower prices in the first few months of 2009, end-customers have been reluctant to purchase, hoping for further price declines in the near future.

The current economic crisis and tighter investment environment makes the future uncertain. In general, while loan conditions have worsened for large PV plants, there were signs by January and February 2009 that lending into PV projects was improving. In fact, many German marketers expect the private residential sector to profit from the decline of trust in banks, since small PV systems may be seen as a safe haven for investments with a fixed return over 20 years.

**United States**

In 2008, the new PV installations in the U.S. market grew from 220 MWp to 357 MWp, representing a 62% growth year over year. The market was affected by three factors. Firstly, the preferential federal Investment Tax Credit (ITC) was expected to expire at the end of 2008, but was instead extended for eight more years. Secondly, utilities emerged as direct investors in PV systems after the implementation of the Renewable Portfolio Standards (RPS). Thirdly, the credit crisis impacted the commercial segment as tax capacity began to evaporate mid-2008. However, the commercial segment was still the fastest growing segment. The rapid growth in the on-grid segment and the dependence on the state PV subsidy programs in California and New Jersey continued to color the market. California was the state with most PV installations in 2008, followed by Colorado and New Jersey.

In 2008, 48% of the nation's electric power was generated from coal-fired plants, followed by 21% from natural gas-fired plants, and 20% from nuclear plants. Conventional hydroelectric power provided 6%. Solar accounted for only 0.02%, according to EIA.

In October 2008, the U.S. Congress passed the Emergency Economic Stabilization Act of 2008 and President Bush signed the USD 18 billion legislation into law, extending the 30% federal solar investment tax credits (ITC) for eight more years. The USD 2,000 cap for residential solar installations was also removed. In addition, the prohibition on utilities from benefiting from the credit was also eliminated.

RPS requires utilities to use renewable energy or renewable energy credit to account for a certain percentage of their retail electricity sales within a specified timeframe. A solar or distributed generation (DG) “set-aside” represents a provision within RPS that required utilities to use solar or DG to account for a certain percentage of their retail electricity sales within the specified timeframe. By the end of 2008, 28 states and Washington DC had a mandatory RPS policy, while 6 states had voluntary renewable goals. Thirteen states and Washington DC have enacted a RPS with solar or DG set-asides. From these states, cumulatively around 1.5 GW worth of solar (thermal and PV) could be installed by 2013 if the solar requirements are fully complied with. New Jersey has the highest PV set-aside goal of 1.7 GW by 2021, followed by Maryland with 1.5 GW by 2022.

PV systems in the U.S. have historically been installed to meet on-site demand with customer side metering and customer ownership, with state or utility incentive supports. Utilities are however, stepping beyond their traditional administration and policy-influencing role, by expanding into utility-owned PV projects at customer locations to meet RPS requirements and also to avoid the potential transmission constraints that other alternatives could encounter. Traditionally, state, utility or local-level program supporting PV installation offer capacity based up-front incentives. During 2008, rebate rates among state-wide programs ranged from U.S. dollar 1.45/W in Vermont to U.S. dollar 4.75/W in Connecticut. In order to reward better performance and utilization of limited funding, a few programs have been transition to performance or production-based incentives, providing cash payments over a fixed-period, instead of up front.
Spain

In 2008, Spain took over the position as the largest PV market in terms of annual PV installations at end customer locations. The total size of the Spanish market in terms of annual installations was 2,463 MWp, up from 640 MWp in 2007, representing an increase of close to 285%.

The strong growth in 2008 was a result of very attractive feed-in tariffs combined with Spain’s excellent insolation conditions. In addition, the market was boosted by a deadline for PV installations by September 27, 2008. PV installations had to be completed and entered into the register of energy producers by this date to receive remuneration at the prevailing feed-in tariff level, instead of the lower tariffs expected in the new legislation that followed. The new feed-in tariffs for ground-mounted systems was set at a level which ensured that this installation type is still profitable for many investors. However, the introduction of a cap of 500 MW for 2009 has significantly reduced the opportunities in the Spanish market. The cap is based on a quarterly application and approval process, and if the cap is filled the tariff will be reduced quarterly, declining at a rate equivalent to 10% per annum.

Italy

The Italian market grew with 169% in 2008 to reach a market size of 242 MWp. The strong growth in 2008 can be explained by a combination of a generous funding system and very good insolation conditions. The market is broadly based across the spectrum of residential and commercial roof systems as well as a large volume of ground-mounted plants in the megawatt size range.

Italy imports 85% of its energy. In 2007, 86% of Italy's own electricity production was produced by thermal plants burning fossil fuels, 12% by hydro power plants and 1.3% from wind and PV power stations. The government has set a goal to reach 22% from renewable sources by 2010.

Italy is considered an attractive market due to falling module prices and the tariffs are only to be reduced by 2% in 2009.

Japan

In 2008, the Japanese PV market was 230 MWp. The total PV capacity installed in Japan grew to 2.1 GW by end of 2008. Japan's market remained more or less flat from 2007. Demand has softened after the popular and successful residential rooftop subsidy ended in 2005. However, a nationwide residential incentive program re-enacted in 2009 is expected to drive further growth. The residential sector is expected to lead the growth in the domestic PV market due to highly environmentally conscious end-customers. Furthermore, Japan has set a goal to install a total of 4.82 GW by 2010. Japan is also affected by the global economic recession and its economy shrank by 12.7% in fourth quarter 2008.

Of Japan's total electricity generation in 2007, about 54% came from oil, gas or coal plants, 25% from nuclear energy, 6% from hydroelectric dams and less than 1% from geothermal, solar and wind. Japan represents the world's third largest electricity consumer, after the United States and China. Demand for electricity in Japan has been growing steadily for the last few years.

14.5 Solar Power Technology

14.5.1 Introduction

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 other two most important solar technologies are the “solar thermal” technology converting solar energy into useful heat and STEG (Solar Thermal Electricity Generation) technology converting solar energy temporarily into heat and thereafter electricity. The latter technology is typically aimed at the use of direct sunlight (clear sky) in larger installations in near desert-like areas.

A solar cell is a semiconductor device that transforms sunlight into electricity. Semiconductor material is placed between two electrodes. When sunshine reaches the cell, free negatively charged electrons are discharged from the material, enabling conversion to electricity. This is the so-called photovoltaic effect. In theory, a solar cell made from one semiconductor material can convert about 30% of the solar radiation energy into electricity.
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:

Schematic of solar 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 5-11% for most commercial thin films, 13-23% for crystalline silicon wafer based cells and 20-38% for very advanced and costly multi-junction solar cells designed for space or concentrated PV 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, via crystalline silicon technology, through to solar energy system production and installation accounted for approximately 85% of the PV systems currently being installed in 2008, according to Marketbuzz 2009, and consists of several stages, shown in the following diagram.

Crystalline Silicon PV Value Chain

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 (SiH4)-based and trichlorosilane (SiHCl3)-based processes depending on the gas that is used as an interim step 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 order to save costs, some companies are also partially purifying metallurgical grade silicon
without using the interim gas purification step, resulting in what is typically referred to as upgraded metallurgical silicon (“UMG-Si”). In 2008, according to Marketbuzz 2009, more than 79% of industrial polysilicon production was carried out in Siemens reactors, 14% from UMG-Si processes, and 6% was produced in FBR. 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 millions of 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 active surface area available for growth can be several orders of magnitude larger than in the Siemens process. The FBR process allows for continuous production and extraction of granules and requires significantly less energy and labor than the Siemens reactor process. UMG-Si is produced through a metallurgical process, where MGS is purified, typically through a process involving slag treatment, leaching and solidification, to a purity where it can be used in the production of solar wafers with acceptable disadvantages compared to conventional polysilicon. It should be noted, however, that there are very large quality differences within the term UMG-Si as it was used in 2008.

The technology in the Siemens reactor is mature, widely implemented and currently produces a high quality of material. However, the Company expects its investments FBR plants at Moses Lake will prove to have significant operational cost advantages over other polysilicon production processes.

The purity requirement for solar-grade polysilicon is typically 99.9999% - 99.999999% pure depending on which crystallization and cell processes it will be used for, while electronic grade polysilicon tends to be at least 99.999999% 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. However, over the last years the demand for polysilicon from the PV industry has outgrown the availability of by-products, as well as the total polysilicon demand for the semiconductor industry, making the PV industry become the dominant user of polysilicon. In 2008, according to Marketbuzz 2009, the PV industry used approximately 69% of all polysilicon produced, and is expected to increase this share significantly over the next years.

14.5.3 Overview of C-Si 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 180-200 μm. Finally, the wafers are washed and controlled for quality, before they are packaged and shipped to the customers. Crystalline silicon PV cells convert typically between 13% and 23% of the sunlight that they absorb into electricity. Modules made from crystalline silicon are more efficient and generally more 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 of 25 years.

There are three main silicon-based crystalline technologies commercially available, of which sawn crystalline, either monocrystalline or multicrystalline, dominates the market. Ribbon and sheet crystalline technologies are less mature and also have certain drawbacks that make them less commercially viable today. However, they are alternatives that could become attractive in the future.

**Sawn, crystalline technologies**

**Multicrystalline wafers.**

Multicrystalline silicon consists of numerous smaller crystals or “grains” and generally contains 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. Multicrystalline wafers are also square wafers, which provide a
substantial advantage in module manufacturing compared to monocrystalline wafers. Multicrystalline PV cells have a conversion efficiency typically between 13% and 17%.

**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 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, which are typically of standard 16-18% and high efficiency 20%-23% in monocrystalline silicon PV cells. It should be noted that a substantial portion of the higher cell efficiency normally achieved for monocrystalline wafers is lost when the cells are converted into modules since the mono wafers are rounded in the corners (pseudo-square).

The sawn crystalline technologies dominate the market today with a market share of approximately 80-85%. Sawn crystalline wafers are produced in two different forms, using either monocrystalline or multicrystalline silicon ingots. Cells produced from monocrystalline wafers have somewhat higher efficiencies, historically one to two percentage points, but are more expensive to produce than multicrystalline wafers.

**Ribbon and sheet crystalline technologies**

Ribbon and sheet crystalline technologies offer different methods of producing crystalline wafers which are more efficient with respect to feedstock consumption. Ribbons are either drawn vertically from a bath (String Ribbon and EFG – Edge defined Film-fed Growth – process) or potentially deposited onto or below a substrate. While these processes are more efficient in their use of silicon, they have other disadvantages like low productivity and high purity requirements for the silicon and/or substantial problems to reach high quality thin wafers.

14.5.4 Overview of PV Cell Technologies

There are two main 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, but certain thin film technologies have seen strong growth rates over the past couple of years.

**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 16% and 23%. The highest efficiencies are typically obtained by adding numerous cell process steps and costs compared to the lower efficiencies. Cells produced from multicrystalline technology typically achieve conversion efficiency levels in the range of 13% to 17%.

14.5.5 Overview of C-Si 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 a typical size of 1.7 square meters containing 60 or 72 solar cells. Such a module typically produces between 200 Wp and 240 Wp. The smaller modules are typically only used for off-grid applications or special market segments.
14.5.6 Overview of 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. Thin film based PV modules typically range from 5-11% in efficiency, depending on the technology. The most common materials used are cadmium telluride (“CdTe”), amorphous silicon (“a-Si”), micro crystalline silicon and copper indium (gallium) diselenide / disulfide (“CI(G)S”).

14.5.7 Overview of STEG Technologies

Solar Thermal Electricity Generation, or STEG, is a two-step process where the thermal energy of the sun is collected to generate steam which drives a steam turbine. Currently, parabolic throughs are the most common used STEG technology. Other STEG technologies include dishes and heliostats.

The main market for STEG technology is utility scale installations above 50-100, and the technology is not currently economical for smaller installations. The reason for this is the significant capital investment needed for the steam turbine generator as well as the operator costs. Access to cooling water and low cost grid connection is also frequently a challenge for STEG technology as it fits best with desert-type sunlight.

14.5.8 PV industry dynamics

The PV value chain is usually split into “Upstream”, which includes production of silicon, ingots/wafers, cells and modules, and “Downstream”, which includes systems manufacturers, project development and finally operating and owning the PV assets and selling the power.

It should be noted, however, that different players in the industry use these terms differently, mainly depending on their own position in the value chain.

PV value chain

Source: DnB NOR Markets Equity Research 2009

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 historically been dominated by a small number of relatively large players. However, a number of new producers of polysilicon have entered the market (in particular in China) during the last years, and it is expected that the market share of the currently dominating players will decrease as an increasing number of new players increase their production volumes. 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 relatively tight supply 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 many players are integrated between cells and modules, many players are seeking to secure output through integrating forward towards systems on a local basis and some players are also seeking to integrate backwards to secure raw materials. However, the Company is currently one of few companies from polysilicon supply and through to modules and systems, and the expansion in Singapore will add significantly to the Company’s presence in the cell- and module part of the value chain.

**Polysilicon**

Supply of polysilicon has recently been a major bottleneck for 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 require significant capital expenditures and involve highly complex processes, technologies and know-how. Further, significant scale, which the Company estimates to be an annual production capacity of at a minimum 3,000 MT - 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 USD 500 - USD 600 million (according to Marketbuzz 2006) and in the Company’s experience takes approximately a minimum of 36 months. The Company believes these market numbers are low and estimates that the current investment cost for TCS/Siemens based plants for new entries in the U.S. and Europe are running at least 30%-50% higher than this range and somewhat lower in Asia. These entry barriers have resulted in a polysilicon market that is dominated by a few large, global players. However, the recent capacity additions, combined with the current market conditions, has led to a significant decrease in spot polysilicon prices. The following chart illustrates the principal suppliers of polysilicon and the breakdown of their production capacities in 2007 and 2008.

**Ingots and Wafers**

The key competitive parameters in wafers are (i) the potential energy conversion rate of the wafer, (ii) the mechanical properties of the wafer and (iii) 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.
Reduction of production costs can mainly be achieved through optimization of production technologies and economies of scale. Over the past years, reduction of wafer thickness has been one of the main drivers of reduced production costs. However, as the wafer thickness has been reduced below 200µ, the increased difficulty of handling the wafers in a cell production line is slowing down the progress along this axis. Over time, the Company expects that locating production in countries with low labor costs may become more important, in particular in terms of investment cost for buildings and infrastructure. The Company believes that the current expansion in Singapore is an enabling step in this direction.

Wafer – Top 10 Producers 2008 (MW)

<table>
<thead>
<tr>
<th>Company</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDK Solar</td>
<td>636</td>
</tr>
<tr>
<td>REC</td>
<td>582</td>
</tr>
<tr>
<td>SolarWorld</td>
<td>390</td>
</tr>
<tr>
<td>MEMC</td>
<td>312</td>
</tr>
<tr>
<td>Yingli</td>
<td>282</td>
</tr>
<tr>
<td>ReneSola</td>
<td>228</td>
</tr>
<tr>
<td>PV Crystalox</td>
<td>225</td>
</tr>
<tr>
<td>Trina</td>
<td>201</td>
</tr>
<tr>
<td>JingLong</td>
<td>169</td>
</tr>
<tr>
<td>Jinko Solar</td>
<td>169</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,28</strong></td>
</tr>
</tbody>
</table>


**Cells**

The cell part of the value chain is significantly less concentrated than the polysilicon part of the value chain. The top ten players represented 48% of total production in 2008, compared to 55% in 2007. 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.

Cell production capacity has increased significantly over the past couple of years. The impact of the finance crisis on PV markets has led to a situation with current oversupply of cells, and many cell manufacturers have experienced inventory build up, forcing some cell manufacturers to temporarily reduced their production output.
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 involves a lower number of sophisticated production steps 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 smaller. The barriers to entry are, and the costs associated with having idle or unused capacity is, therefore relatively low and, given the current market situation, significant idle capacity currently exists in the industry.

Key cost factors for conventional modules, in addition to the cells, are other direct materials, such as glass, polymers and frames, and labor costs. 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 also 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.
System Providers

Systems providers offer other components in addition to the PV modules, such as inverters and mounting equipment. In some cases, the system providers are also responsible for financing of the system through bank partners. 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, SunPower and Suntech Power have established a significant presence in delivering complete systems on a global basis.

Project development involves the process from securing land to the commissioning of a complete PV system installation. A project developer seeks suitable site for a PV installation, secures permits from relevant authorities, secures incentives, carries out weather surveys for the relevant site. When the PV system specification suitable to the site and permits is defined, financing of the project is arranged, and modules, inverters, mounting systems etc. are procured. The actual construction of the PV installation is usually carried out by a PV systems installer, who has the necessary electrical installation skills and know-how to efficiently install the PV system.

Project developers who have access to development projects and are able to secure long-term financing for the projects, are currently experiencing a profitable market. The economic crisis has led to tightening market conditions for the upstream PV players, and has resulted in a significant decrease in module prices over the past months, due to oversupply. This has created a situation where the project developers, who are able to procure PV systems at favorable prices, compared to what was the situation previously, combined with feed in tariffs (or similar stimulus packages) in many markets, are positioned to realize significant margins on their PV projects. This situation is expected to continue, until the availability of financing again becomes more readily available, and the demand for PV installations comes more in balance with the level of supply.

The systems and project development part of the industry is both a project development, systems design, procurement and assembly and financing business. In this part of the value chain, knowledge about electrical
engineering, suppliers 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-customers and building a brand in the residential and building-integrated PV segments.
15. THE COMPANY’S BUSINESS

The following discussion and the discussion appearing under section 14 of 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.

15.1 Introduction

The Company is one of the world’s leading companies in the PV industry. In 2008, the Company was among the world’s largest producers of solar-grade polysilicon and wafers for PV applications by volume, according to Marketbuzz 2009. 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 all the main PV markets, operated manufacturing facilities at six different sites in three different countries (excluding Sovello and excluding the production facilities under construction in Singapore) and approximately 2,400 employees (excluding Sovello) as of December 31, 2008. The Company is currently in the process of building an integrated manufacturing complex in Singapore for wafers, solar cells and solar modules, as well as significant polysilicon capacity expansions at Moses Lake, U.S. The Company conducts its business through three principal divisions, which also are its operating segments: REC Silicon, REC Wafer and REC Solar.

The legal name of the Company is Renewable Energy Corporation ASA, which also is its commercial name together with “REC”. The Company’s principal office is located at Kjørboveien 29, P.O. Box 594, N-1337 Sandvika, Norway, and its main telephone number at that address is +47 67 57 44 50. The Company is a public limited liability company registered under the laws of Norway with registration no. 977 258 561. It was incorporated on 3 December 1996.

15.2 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 liability company (ASA) in 2005. At the time when it was formed, the Company had a 12% equity interest in ScanWafer AS, which had been formed in 1994 with the objective 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, some of the founders of the Company decided in 1999 to integrate forward in the value chain by also producing solar cells and modules. After some interim module production in Southern Africa in 2001-2003 aimed at the off-grid market, REC ScanCell AS and REC ScanModule AB commenced production of solar cells and solar modules in 2003, targeting primarily the grid-connected market.

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 Advanced Silicon Materials, Inc (“ASiMI”), then owned by Komatsu America Corporation (“Komatsu”), formed a joint venture company then called Solar Grade Silicon LLC (“SGS”), 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 ScanWafer AS 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, U.S. Komatsu retains a non-voting minority interest in ASiMI, as further described in section 15.3 below.

In May 2006, the Company’s shares were listed on Oslo Børs. Through the initial public offering in connection with the listing, the Company registered some 22,000 new shareholders.
The Company has completed, and has ongoing, large expansion projects in the whole value chain, especially in REC Silicon and REC Wafer. In 2007 Singapore was chosen as the location for a new manufacturing site for wafers, solar cells and solar modules, and the investment decision was made in the middle of 2008. The investment supports the Company’s position as a leading provider of solar energy solutions and its main corporate goals of reducing costs and securing profitable growth.

15.3 Legal Structure

The following chart illustrates the legal structure of the material companies within the REC Group as of the date of this Prospectus:

Renewable Energy Corporation ASA

* REC Silicon Inc (REC Silicon) owns 75 Class A Units of REC Advanced Silicon Material LLC (ASiMi). Komatsu America Corp. (KAC) owns 25 Class B Units. The Class A Units have 100% of the voting power of the Membership Units. See below in this section 15.3 for further details.

Renewable Energy Corporation ASA, the parent company of the REC Group, is a holding company with no production activities, and comprises parts of Group Management, corporate functions, corporate R&D, a corporate project management organization, and REC Group’s in-house bank.

Below is a brief overview of the operations conducted by each of the Company’s material subsidiaries:

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Field of operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>REC Advanced Silicon Materials LLC (U.S.)</td>
<td>Production and sale of polysilicon and silane gas</td>
</tr>
<tr>
<td>REC Cells Pte. Ltd. (Singapore)</td>
<td>Plant under construction for production and sale of solar cells</td>
</tr>
<tr>
<td>REC Modules Pte. Ltd. (Singapore)</td>
<td>Plant under construction for production and sale of modules</td>
</tr>
<tr>
<td>REC ScanCell AS (Norway)</td>
<td>Production and sale of solar cells</td>
</tr>
<tr>
<td>REC ScanModule AB (Sweden)</td>
<td>Production and sale of modules</td>
</tr>
<tr>
<td>REC Silicon, Inc. (U.S.)</td>
<td>Holding company of U.S. subsidiaries</td>
</tr>
<tr>
<td>REC Site Services Pte. Ltd. (Singapore)</td>
<td>Provides infrastructure and services to the production facilities in Singapore</td>
</tr>
<tr>
<td>REC Solar AS (Norway)</td>
<td>Comprises Solar divisional management and SG&amp;A functions as well as being holding company for all companies related to cells, modules and systems</td>
</tr>
<tr>
<td>REC Solar Grade Silicon LLC (U.S.)</td>
<td>Production and sale of polysilicon and production of silane gas</td>
</tr>
<tr>
<td>REC Wafer Norway AS (Norway)</td>
<td>Production and sale of wafers</td>
</tr>
</tbody>
</table>
The Company entered into a purchase agreement on June 25, 2005 whereby the Company purchased all (75) Class A Units of ASiMi from Komatsu. Komatsu continues to hold all (25) Class B Units of ASiMi, which account for 25% of the ownership interests in ASiMi. Though these Class B Units entitle Komatsu to certain rights, including observer rights on the ASiMi board, the Class A Units hold 100% of the voting power. Komatsu has the right to require the Company to purchase all of its Class B Units on July 1, 2010 at a predetermined price plus accrued interest and the Company has the right to buy the Class B Units on July 1, 2010 at the predetermined price plus accrued interest. The Company currently expects that Komatsu will exercise its right to sell the Class B units to the Company on July 1, 2010, which would result in Komatsu no longer having any ownership interest or other rights in ASiMi. The class B units are reported as interest bearing liabilities in the Company’s consolidated financial statements. For further details see note 17 to the Company’s consolidated financial statement for 2008.

15.4 Strategy and focus areas

The Company remains committed to a strategy of profitable growth by focusing on making PV generated electricity cost competitive with other existing sources of energy. To fulfill this ambition, the Company will continue to link the strengths across its integrated PV value chain, to make photovoltaic solar energy accessible and affordable. The Company is also scaling up its activities throughout the value chain, from silane gas and polysilicon production to module systems deliveries. The integrated model provides in-depth industry insights, consistent manufacturing principles and operational synergies and a platform for continued cost reductions.

REC Silicon, one of the largest producers of polysilicon in the world, increased its production capacity by 8% through continuous improvements in 2008. The position is expected to be further strengthened with the opening of its new 6,500 MT plant for production of granulated polysilicon in 2009, the last ongoing expansion is expected to be ramped up in 2010 allowing the Company to allocate additional silane gas to the merchant market.

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

REC Solar significantly increased production of both solar cells and modules in 2008, and is expected to increase production capacity with the construction of the manufacturing complex in Singapore. The capacity is expected to increase from the current 225 MW of solar cells and 150 MW of modules to some 780 MW of solar cells and 740 MW of modules in 2011, with production expected to be ramped-up from early 2010. In addition to the production of solar cells and modules, REC Solar expects to participate in an increasing degree in project development within selected segments of PV systems. This activity will be pursued while applying prudent working capital management.

In 2005, the Company stated a target to reduce the world class manufacturing costs in 2005 by nearly 50% within 2010 in its best plants. World class manufacturing costs are Company estimates of what it regarded as the best-in-class manufacturing costs throughout the value chain (Silicon-wafer-cell-module). In the years from 2005 to 2008, the Company has reduced its own manufacturing costs through the value chain by 25%, and the expected cost reduction rate in 2009 is mainly driven by the scale-up of new production lines in REC Solar and REC Wafer in Norway. To an increasingly degree, the Company relies on lean manufacturing techniques to reach world class performance in operations. Organizational development activities throughout the Company, including training, are directed towards this end.

In June 2008, the Company decided to commence construction of an integrated manufacturing complex for wafers, cells and modules in Singapore (please also see 15.8). It is the view of the Company that Singapore provides significant opportunities for cost reductions in a low risk business environment with respect to project execution and operations. The competence base and industrial experience in Singapore are highly relevant for the type of facilities operated by the Company. The incentive package offered by the government in Singapore
will further strengthen the competitive position of the Company. The Company recently stated the ambition to achieve manufacturing costs below 1 €/W in the new Singapore plant, which would represent more than 40% reduction compared to what was regarded as world class manufacturing costs in 2005.

In addition to operating costs, a key determinant of competitive position is the capital expenditures associated with future capacity expansions. The Company is continuously working with the development of new technologies and more efficient operating concepts to reduce capital expenditures for new capacity. However, location of new manufacturing facilities could also have a significant impact, not only on the operating costs, but also on the capital expenditures for new capacity. At current this is particularly true for general infrastructure and several of the Company’s competitors are believed to benefit from lower capital expenditures due to location.

The capital expenditures associated with capacity expansions in polysilicon, wafers, cells and modules would all typically benefit from being located adjacent to similar manufacturing facilities, thereby utilizing some of the infrastructure in place. For polysilicon, many of the same advantages could also be obtained if located adjacent to more general chemicals operations, dependent on the technology platform for the polysilicon production.

For wafers, cells and modules, total capital expenditures reported from China appear to be lower than for other locations, even though approximately half the costs are associated with manufacturing equipment imported from Europe.

In order to secure its competitive position going forward, the Company will continue to focus on balancing the opportunities for reduced capital expenditures associated with certain locations with the risks associated with project execution and operations. Of particular importance to the Company is the possibility for establishing world class performance in operations.

As the Company’s operations through the value chain are different in their nature, and with that the balance between operating costs and capital expenditures, an optimal location for one part of the Company’s business may over time be different from an optimal location for another part of the Company’s business as indicated above. This needs to be balanced with the benefits from integration that could be realized for parts of the value chain.

15.5    REC Silicon

15.5.1    Introduction

REC Silicon is one of the world's leading producers of high purity silicon materials for the photovoltaic and electronic industries. Direct access to this valuable material puts the Company in a unique position for continued strong growth and constitutes a strategic advantage.

REC Silicon produces polysilicon and silane gas for the photovoltaic industry as well as for the electronics industry. During the last few years, polysilicon has been in short supply on the world market. Access to this strategic resource represents a competitive advantage for the Company - being a wafer, cell and module manufacturer with its own silicon manufacturing capacity. This makes the Company attractive as a strategic partner in joint ventures and other development projects.

REC Silicon operates two plants in the United States; one in Moses Lake, Washington and a second in Butte, Montana, with a third plant in Moses Lake currently in the start-up phase. A fourth plant is under construction in Moses Lake, with an expected ramp-up during the first half of 2010. REC Silicon has approximately 750 employees.

15.5.2    REC Silicon market and customers

Three product types are manufactured at the plants of REC Silicon: solar grade silicon, electronic grade silicon and silane gas. All three products are valuable raw materials for the international solar and electronics industries.

REC Silicon estimates that approximately 90% of the polysilicon revenue for the next three years will come from shipment under long-term supply contracts including deliveries under REC Silicon’s supply contracts with REC Wafer. REC Silicon will endeavor to exploit commercial opportunities for its uncommitted polysilicon by leveraging its brand, distribution channels and market position into high-value end markets like floatzone and electronics grade polysilicon.
Solar and electronic grade silicon

REC Silicon’s annual production capacity currently totals approximately 6,500 metric tons, of which more than 60% goes into the solar industry. Following expected completion of the Silicon III Moses Lake expansion project in 2009, the Company estimates that its total annual polysilicon production capacity will be approximately 13,000 metric tons.

Monosilane gas

REC Silicon’s annual silane production capacity is currently approximately 9,000 metric tons. The majority of this is used internally by the Company for production of polysilicon, but a certain portion is sold via gas distributors to semiconductor and/or LCD panel manufacturers. Monosilane gas is also used in antireflective coatings for solar cells and as the raw material in many of the thin-film solar cell technologies, in particular those based on amorphous silicon and micro-morph silicon. Ongoing expansions will allow the Company to increase the volumes of silane gas being offered to the merchant market.

15.5.3 REC Silicon Technology

Proprietary and patented technology

The Company holds the rights to the unique and proprietary polysilicon production technology based on monosilane gas, which is a closed-loop process almost eliminating the production of by-products or waste materials. The technology sets the Company apart from other competitors by making the Company independent of large external supplies of feed gas and without the need to sell extensive volumes of by-products to keep costs down. The raw material is metallurgical grade silicon, a commodity with a worldwide supply of more than one million tons per year.

Investing in new technology and capacity

REC Silicon has made substantial investments in a new proprietary technology, which features polysilicon deposition in FBR instead of the more traditional thermal deposition furnaces or “Siemens reactors”. REC Silicon has run continuous test production with the FBR technology over several years, and is currently in the process of starting up a large plant in Moses Lake utilizing this technology. The implementation of the technology has the potential of providing reductions in capital investment (per ton of polysilicon production capacity) and 80% - 90% reductions in energy consumption in the silane to polysilicon production step per ton polysilicon produced, thereby lowering product cost.

Source: The Company

15.5.4 REC Silicon strategy

REC Silicon’s two core strategic objectives to exploit polysilicon market opportunities and achieve sustainable long-term growth are: (i) reducing production cost through process optimization and continuous improvement
programs, and (ii) increasing capacity both through continuous de-bottlenecking of the existing plants, and through large expansions utilizing new, competitive production technologies.

REC Silicon’s silane strategy is to leverage its technology and market leadership position in order to achieve long-term profitable growth. More specifically REC Silicon’ strategy is to protect revenue and distribution channels through long term take or pay contracts with security, when applicable; to leverage its silane molecule in order to develop and offer higher value creating derivatives, services and packages/supply options; to maintain its market position by at least growing with the end user demand in silicon gases; to employ a pull through strategy via relationships and branding at the end user level; and to challenge our value added reseller model where market conditions dictate a change to where value is created in the supply chain, including a direct supply mode if necessary.

15.5.5 Moses Lake plant

REC Solar Grade Silicon LLC, which operates the plant in Moses Lake, Washington, was the world’s first dedicated producer of polycrystalline silicon for solar applications. In August 2002, REC Solar Grade Silicon LLC (“SGS”) was established as a joint venture between REC and ASiMI, at that time a subsidiary of the Japanese industrial group Komatsu Ltd. Production was launched in November 2002, after converting ASiMI’s plant in Moses Lake, Washington, into the world’s first dedicated plant for production of solar grade silicon. In 2005, REC acquired, as part of the acquisition of ASiMI, the remaining SGS shares and SGS is now a wholly-owned subsidiary of REC Silicon Inc.

At the plant in Moses Lake, only solar grade silicon qualities are produced. This has enabled REC Silicon to simplify the production and associated business processes compared to its other plant that also serves the markets for electronic grade silicon. The Moses Lake plant is an ISO 9002 -registered manufacturing facility.

REC’s vision is to find a cheaper way to supply polysilicon for the PV industry, which is why the Company decided to invest in the FBR technology and build Silicon III. The primary benefits of the FBR technology and manufacturing process are energy efficiency and the continuous production process which results in lower cost. Furthermore the output is granular polysilicon, which is easy to handle. The new plant is expected to add approximately 9,000 MT to REC’s silane capacity and approximately 6,500 MT to its polysilicon production capacity.

REC Silicon’s new plant in Moses Lake, Silicon III, based on its proprietary FBR technology, started production in March 2009, but was halted after 240 hours of operation. The plant was shut down for process safety reasons due to problems with a discharge pipe, which could result in additional failure. REC Silicon is working with Fluor, its General Contractor, to design the necessary modifications to the reactor discharge pipe. Necessary actions have been taken to secure materials and resources to implement the design modifications. Direct repair costs related to the defective pipes were incurred and capitalized as assets under construction in the statement of financial position in the first quarter 2009 in the amount of USD 10.9 million and a further approximately USD 4.2 million are expected to be incurred and capitalized in the second quarter 2009.

During the 240 hours of production REC Silicon demonstrated the viability of the proprietary FBR production technology and produced silane gas as intended, met reactor design production capacity, and met silane gas and polysilicon quality expectations.

No commercial production is expected from Silicon III in the second quarter of 2009 but production is expected to resume in the third quarter of 2009. However, one should always expect certain interruptions when ramping up a large and complex chemical plant, which implements innovative new technologies.

REC Silicon’s next plant in Moses Lake, Silicon IV, is planned to ramp up during the first half of 2010. Silicon IV, a silane plant with no Fluidized Bed Reactors, will supply silane to the Silicon III FBRs in addition to producing silane for loading and sale to the merchant market.As of the date of the Prospectus, the project is reported to be within schedule and budget.

15.5.6 Butte plant

With its plant in Butte, Montana, REC Silicon is one of the world’s largest and leading manufacturers and suppliers of silane gas (SiH₄). The plant's high-purity silane, large manufacturing capacity, bulk delivery system, global distribution network and safe handling expertise all provide significant advances for customers seeking
improved performance and cost. The Butte plant is an ISO 9002-registered manufacturing facility. The 240-acre site has two silane production units.

The patented, closed-loop silane manufacturing process produces consistent, ultra-pure silane by conversion of metallurgical-grade silicon into trichlorosilane and redistribution/distillation to silane. The continuous-flow process recycles all hydrogen and chloride materials back to the initial reactors, while continuous distillation steps purify the gas. The entire process is a low waste, low impact, and environmentally friendly procedure. All materials from line purging and testing are recovered and recycled. Starting materials are commercially available from independent sources; there is no dependence on by-products or intermediates from other industries.

15.5.7 Environmental concessions

The plants in Moses Lake and Butte are required to have certain environmental permits in order to operate. All such permits are in place for the plant in Butte and for the plants in Moses Lake except for Silicon IV.

Silicon IV is in the process of obtaining the necessary permits to be ready for operation. Silicon IV has, however, encountered some problems with respect to the air permit required by the State of Washington Department of Ecology (“Ecology”) Air Quality Program. In a May 27, 2009 letter, Ecology informed REC Silicon that the company had not obtained the required air permit prior to initiating construction of Plant IV at its Moses Lake facility. Ecology regulations require that a notice of construction application be filed by the owner or operator of a facility which causes air emissions and a permit must be issued for the same, prior to the establishment of any new source of emissions. Ecology's letter stated that a penalty may be issued no sooner than thirty (30) days following receipt of the letter. REC Silicon is endeavouring to address this situation by obtaining the issuance of the required permit as soon as possible.

Silicon III has also had some issues related to its air permit. Ecology has issued a series of approvals which have regulated air quality as the facility in Moses Lake has grown and expanded. Approval Order No. 07-AQ-E223 (dated November 20, 2008) is currently in effect and regulates emissions from the facility, including those from Silicon III. With the plan to increase production and expand the facility with Silicon IV, REC Silicon submitted a notice of construction application on August 13, 2008. This application included the addition of Silicon IV as well as all pre-existing facilities. The application was the subject of public notice and comment. Ecology issued a draft permit to REC Silicon on March 11, 2009. However, it did not issue the final permit for the combined facilities in Moses Lake because of concerns about Silicon III that were raised during a visit to the plant by Ecology personnel earlier in June 2009. These concerns are addressed in a letter from Ecology dated June 12, 2009. The letter Ecology asked REC Silicon to provide answers to several categories of questions, including requests for information regarding commissioning dates for certain equipment, verification that certain equipment has failure alarm instrumentation installed, verification of the size and capacity of certain equipment, and verification of raw material feed rates from inventory records. The letter also stated that REC Silicon was not in compliance with two provisions of Approval Order No. 07-AQ-E223 dealing with the operation of the maintenance surface coating booth in Silicon III and set forth two required corrective actions (installation of filter failure instrumentation and maintenance of records regarding consumption of coatings materials). Ecology has held up formal issuance of the permit until it can obtain and evaluate the information requested and has reserved the right to assess a penalty for the two alleged violations. REC Silicon is working, and intends to continue working, closely with Ecology in providing any necessary information and implementing the necessary corrective actions so the formal issuance of the permit can occur as soon as possible. Ecology has not stated that it intends to close down production at Silicon III pending resolution of these issues, but is reserving the right to assess a penalty as noted above. REC Silicon has not admitted that any such violations exist. REC Silicon does not expect any significant penalty or withdrawal of permit for Silicon III and the Company does not believe that construction or start-up of Silicon IV will be delayed because of these issues. However, no assurance can be given that this proceeding will not result in delays to the start-up of Silicon III and Silicon IV.

15.6 REC Wafer

15.6.1 Introduction

REC Wafer is one of the leading producers of multicrystalline silicon wafers to the solar industry, with production from two sites, one in Glomfjord and one at Herøya, both in Norway. REC Wafer also has a monocrystalline production unit in Glomfjord where monocrystalline ingots are produced. REC Wafer had 957 employees at the end of 2008.
15.6.2 REC Wafer market and customers

REC Wafer's customers are solar cell manufacturers located world-wide. The Company already has a substantial market share in multicrystalline wafers and has the ambition to maintain this position as a leading producer. It also aims at becoming a significant producer of monocrystalline wafers.

REC Wafer sells a substantial portion of its production on take-or-pay type contracts. These are long term contracts (4-8 years) with predetermined volumes and prices with opportunities for only minor yearly adjustments to volumes. Most external contracts are secured by bank guarantees or up-front payments of up to 15% of the full contract value.

Solar cell manufacturers, including the key customers of REC Wafer, have typically based their sourcing plans for wafers and other key materials on significant growth. Consequently, under the current market conditions, solar cell manufacturers will attempt to adjust their sourcing plans.

Due to the current market situation, REC Wafer has received inquiries from the majority of its customers with long-term contracts concerning possible adjustments to delivery volumes and/or prices. It may be in REC Wafer’s interest to fully exercise its rights under the long-term sales contracts in order to protect its position. On the other hand, it could be in REC Wafer’s commercial interest to, among other things, make individual adjustments to the timing of shipments and/or prices in these sales contracts, taking into consideration its long standing relationship with key customers. Any adjustments will have an effect on EBITDA in the relevant period. REC Wafer has so far only made certain minor adjustments.

On May 25, 2009, REC Wafer announced that it had decided to temporarily take out approximately 35% of its production capacity due to the current challenging market situation and low demand visibility, affecting approximately 180 employees. REC Wafer will continuously evaluate the market situation, and will prepare for a fast start-up process when the market outlook becomes more predictable.

15.6.3 REC Wafer Technology

REC Wafer has been at the forefront of the PV industry with respect to developing and implementing new high productivity production equipment and processes suited for large scale industrial operations. This has been done both in response to the demand for rapid growth by the customers of REC Wafer and to facilitate reductions in unit costs. In parts of the production process, REC Wafer today utilizes proprietary technologies, including, inter alia, crystallization furnaces, wafer saws and equipment for wafer singulation, wafer cleaning and quality control. These technologies primarily contribute to increased productivity, lower cost and improved yield. Going forward, the potential for implementation in large scale industrial operations will continue to be an important criterion when evaluating technology development opportunities.

In recent years REC Wafer has shifted more of its development efforts also to quality, focusing on both the electrical and mechanical properties of the wafer. REC Wafer is committed to becoming a leading wafer manufacturer, also when it comes to product quality. For the two new plants currently under ramp-up at Herøya (see below), REC Wafer has developed a new generation of crystallization furnaces that, in addition to high productivity, offers the potential for significant improvements in the wafer quality. REC Wafer is now working systematically to exploit the potential of these new furnaces. The two new wafer plants currently under ramp-up at Herøya and the new plants being built in Singapore are also designed with the capability of further reducing wafer thickness and increasing wafer strength. Improvements in the quality of wafers made by REC Wafer, in particular with respect to the resulting higher conversion efficiency and lower breakage in solar cell manufacturing, is a key element in the cost roadmap of the REC Group.

Continuous improvement and de-bottlenecking of production processes at the existing plants will continue to be key elements of the operational strategy of REC Wafer.

15.6.4 REC Wafer strategy

REC Wafer has three strategic objectives: (i) implement new technology advances through continuous capacity expansions, improving REC Wafer’s market position and allowing further benefits from economies of scale, (ii) continuously implement measures to increase the productivity of existing plants, and (iii) expand the activity within the monocrystalline segment.
Together with the other divisions of the REC Group, REC Wafer will continue to focus on measures that will reduce the cost-per-watt produced and make solar energy more competitive.

15.6.5 Multicrystalline wafers

REC Wafer is one of the leading producers of multicrystalline silicon wafers to the solar industry. In 2008, REC Wafer’s plants at Herøya and Glomfjord (both in Norway) produced multicrystalline wafers with an implied effect of approximately 542 MW, almost the double of 2006 production, mainly due to the successful start-up of the second factory at Herøya. REC Wafer is in the midst of a series of expansion projects. One of two new multicrystalline wafer plants started ramp-up in October 2008 (Herøya III), whereas the second plant is expected to start up in the second quarter 2009 (Herøya IV). From start-up, each of the production lines will go through 9-12 month ramp-up periods before reaching the total design capacity of 650 MW. Following completion of the Singapore plant, REC Wafer’s multicrystalline wafer capacity is expected to be approximately 2,400 MW in 2011.

Some challenges have been experienced during ramp-up of the new wafer plants at Herøya, as new equipment and technology is being introduced and a substantial numbers of new operators have to be trained.

15.6.6 Monocrystalline

REC Wafer has so far been a niche supplier of monocrystalline silicon ingots to the solar energy industry. In 2008, the production capacity in this area was approximately 35 MW. Significant investment is currently ongoing and the expanded factory in Glomfjord, Norway, will have a total production capacity of approximately 300 MW. The new factory will implement wafer slicing capacity and REC Wafer will be providing monocrystalline wafers for high-efficiency cells.

15.6.7 Environmental concessions

The production process in REC Wafer includes emission of some solids and organic materials (PEG). Separate treatment plants are built to keep emissions within the limits set out in the concession given by the Norwegian Pollution Control Authority (Norwegian: “SFT”).

It has lately been evident that the Company’s facility at Herøya is exceeding its approved limits for emissions to the sea. This situation has continuously been discussed with SFT and work has been initiated to identify corrective actions which will be presented to the authorities for approval. The Company does not expect any significant penalties, injunctions or withdrawal of environmental concessions as a result of this incident.

15.7 REC Solar

15.7.1 Introduction

REC Solar is a fast growing solar cell and module company, with highly efficient, automated plants. During the course of just a few years, the division has built up profitable operations within both cell and module production. REC Solar currently manufactures solar cells at its plant in Narvik, Norway, and solar modules at its facility in Glava, Sweden.

REC Solar produces solar cells and modules from PV wafers mainly supplied by REC Wafer. The solar modules are sold to distributors, project developers and system integrators in the international PV market. REC Solar started production in 2003, and has since experienced strong growth and industrial development.

REC Solar production capacity by year-end 2008 was about 225 MW for cells, and 150 MW for modules. The Company is currently constructing the world’s largest wafer, cell and module production facilities in Singapore. When fully ramped up, the plants are expected to substantially increase REC Solar’s manufacturing capacities to approximately 780 MW for cells and 740 MW for modules.

The total number of employees at REC Solar at the end of 2008 was 657.

15.7.2 REC Solar strategy

REC Solar has within a few years established a position as one of the 20 leading solar cell and module companies in the world and a leading player in Europe. The key elements of the strategy are growth, build-up of
expertise and rapid implementation of high tech manufacturing processes as a basis for cost reductions, and entry into new markets.

The expansion in Singapore is key to further improvements of REC Solar’s cost position and market share. A continuous, strong focus on technology development and implementation, both internally and through partners, further enables the Company to expand its technology platform, resulting in improvements in product performance and quality, and the long term competitive position.

Market presence is expanded beyond Europe, as production capacity is built up. REC Solar will cooperate closely with the other divisions in the REC Group to realize innovations across the entire value chain.

15.7.3 Cells

REC Solar is producing high quality multicrystalline solar cells. The solar cells are specifically designed and tested in order to produce the maximum power output even under weak or diffuse light conditions. The vast majority of the production is currently delivered to REC Solar’s module manufacturing plant. Cell production takes place in Narvik. From the startup in 2003, the factory has been continuously expanding and at the production capacity currently stands at 225 MW solar cells per year.

REC Solar aims to reduce the cost of solar energy through the production of solar cells with higher conversion efficiency.

15.7.4 Modules

REC Solar is producing high quality multicrystalline solar modules for markets in Europe, the U.S. and Asia. The focus on quality and lean production has made REC Solar a significant European module supplier. The customers of REC Solar are typically leading installers, distributors and project developers. The solar modules have been accepted rapidly in the market. REC Solar does not supply directly to retailers or end customers.

REC Solar's module plant is situated in Glava, Sweden. From the startup in summer 2003, the plant has been continuously expanding and the production capacity currently stands at 150 MW of solar modules per year.

15.7.5 REC Solar market and customers

Europe is currently REC Solar’s main market, with Germany as the largest market. The Mediterranean region (primarily Spain and Italy), is becoming increasingly attractive. REC has sales offices in Germany, Spain, Italy and France to serve customers in these key European PV markets.

In order to further develop a presence in the U.S. market, REC Solar has established a sales office in California and taken a strategic ownership position in Mainstream Energy Inc., a leading systems integrator and distributor of PV products in the U.S.

In Singapore, REC Solar has established a platform for serving its customers in Asia, both in product sales and PV systems project development.

REC Solar is focusing on customers that have a size and distribution network that can support a strong growth and/or work closely together with REC Solar in developing products and markets.

The market for solar modules is more dynamic than the market for polysilicon and wafers. Sales contracts tend to be shorter in durations and provide more flexibility both with respect to price and volume than what is typically the case further upstream in the value chain. Thus, REC Solar is more exposed to short-term fluctuations in sales prices and volumes than REC Silicon and REC Wafer.

On April 3, 2009, REC Solar announced a reduction of the second quarter production volumes of solar cells and modules with approximately 50%. The reduction in production volumes affected approximately 180 employees. The decision to reduce the production volumes came after an inventory build-up of solar cells and modules in the first quarter following the challenging market environment for the solar industry. REC Solar will continuously evaluate the market situation and make adjustments to the run rate of the plants dependent on market demand.
Extensive expansion programs have been implemented at both the solar cell plant and the solar module plant. The expansion programs have facilitated the introduction of new and more efficient production technologies. Today, REC Solar’s cell and module productions are state-of-the-art, highly automated plants – combining lean and efficient manufacturing techniques with a strict quality control through all stages of the manufacturing process. While module production is more of an assembly operation, cell production relies on a number of different process technologies. The cell production of REC Solar in Narvik was initially established with off-the-shelf technology resulting in solar cell efficiencies in the lower range of today’s industry standard. The production lines most recently installed in Narvik include capabilities to increase the average conversion efficiency for solar cells to 16% and allow further reduction in wafer thickness at high yields. REC Solar has not yet demonstrated the ability to reach 16% average efficiency. Having completed the initial ramp-up at the end of 2008, a comprehensive development program has now been put in place to realize the full potential of the new production lines with respect to conversion efficiency for solar cells. The program is focusing on both operational stability and process improvements. This program is essential for bringing REC Solar on par with today’s industry leaders with respect to conversion efficiency.

With regard to the usage of thin wafers at high yields, the new plants in Singapore have been designed to be truly among the industry leaders and these new plants also include some proprietary equipment to facilitate this.

The solar cell production lines currently under installation in Singapore include new capabilities, some proprietary to REC Solar, to increase the average conversion efficiency for solar cells well beyond 16%. Even though significant efforts have been made to verify the capabilities of the new process steps in smaller scale, there are inherent risks associated with the implementation of new technologies at industrial scale. REC Solar expects that it will take some time to realize the full potential of the new production lines in Singapore when it comes to solar cell conversion efficiency. To this end, REC Solar is working in close cooperation with equipment vendors and external research and development institutes. Improved solar cell conversion efficiency and thin wafers are key elements in the cost roadmap of the REC Group.

Environmental concessions

The production process of solar cells in REC ScanCell’s plant in Narvik includes emissions where fluoride to water and nitrous oxides to air are regulated by a concession from the Norwegian Pollution Control Authority (Norwegian: “SFT”). There have been some breaches of the emission limits in 2008 and 2009. Regarding nitrous oxides, mitigating actions have been taken, the emission situation is under control and the case has been closed. Investigation of the fluoride emission breaches is, however, still ongoing in order to find effective preventive measures. Dialogue in this matter has been established with the authorities, but the consequences have so far not been concluded. However, the Company does not expect any significant penalties, injunctions or withdrawal of environmental concessions as a result of these incidents.

The Singapore Project

On June 17, 2008 the Company announced its decision to invest close to SGD 3,350 million in the first phase of an integrated manufacturing complex for production of wafers, cells and modules in Singapore. The investment will be funded through debt facilities and available cash, in addition to operating cash flows. Production is expected to commence in the first quarter 2010, and reach full capacity of 740 MW of wafers, 550 MW of cells and 590 MW of modules before 2012.

The solar plant will be based on multicrystalline technology, and the integrated business model will secure volume off-take and margins as well as in-house base for product development across the value chain. The estimated capital expenditure for contingencies and cost escalation due to inflation, and also includes an unallocated project reserve.

The overall responsibility for the interfaces between the main contractors as well as the system design for the production lines lies with the Company. The Company has the overall project risk, and has chosen to manage the project by the Company’s own project management team, instead of utilizing an external management assistant contractor. The three main EPCM and EPC contracts (including their subcontracts) represent approximately 50% of the total value of contracts committed on the project. The two EPCM contracts and their subcontracts are based on reimbursement of actual cost. The EPC contract and its subcontracts are entered on Lump Sum basis. This means that for the two EPCM contracts, the main cost, time and productivity risk associated with the contracts rests with the Company.
The production line equipment contracts represent the other 50% of the contract committed value on the project. For these contracts, the compensation format has been split in Lump Sum pricing for the fabrication and supply of the units (approx. 90%) and reimbursable pricing for the installation of the units (approx. 10%).

The contractual structure for the Singapore Project therefore entails that part of cost and time risk associated with the project is carried by the Company.

As per the end of March 2009 there were certain delays in the project, mainly in the constructions of the wafer facilities, currently estimated to around three weeks. A recovery plan is, however, in place, and the Company does currently not expect delays in start-up.

The Ministry of Trade and Industry in Singapore has issued “Pioneer Certificates” to the four REC Singapore companies which qualify the companies as “pioneer enterprises”, giving the companies tax benefits. The certificates are, however, subject to a number of conditions related to the production of these companies, potentially resulting in adverse tax effects in case of breach.

15.9 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. However, in certain specific cases, where it appears difficult to ascertain 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 and patent applications cover processes currently being used in the following production steps for solar modules:

- Silane deposition in Siemens and FBR reactors
- Other steps in silane and polysilicon production
- Crystallization of silicon
- Sawing of ingot into blocks
- Sawing of blocks into wafers
- Washing of wafers
- Separation of 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 by the Company are distributed as follows:

<table>
<thead>
<tr>
<th></th>
<th>REC (parent)</th>
<th>REC Silicon</th>
<th>REC Wafer</th>
<th>REC Solar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patents granted</td>
<td>0</td>
<td>40</td>
<td>6</td>
<td>0</td>
<td>46</td>
</tr>
<tr>
<td>(a family is not</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>granted together)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patent applications</td>
<td>39</td>
<td>41</td>
<td>63</td>
<td>3</td>
<td>146</td>
</tr>
<tr>
<td>pending</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
15.10 Ownership Interests

Sovello produces solar modules in Thalheim, Germany, based on the Evergreen string-ribbon technology, and is owned 33.3% each by REC, Evergreen and Q-Cells. REC proportionately consolidates Sovello’s financial statements on a line-by-line basis. Sovello currently operates two plants with a total production capacity of 100 MW. A third plant with a capacity of 80 MW is in its final stages of completion. The company employs approximately 1,200 people. See section 16.3 for further information about the Sovello joint venture.

In April 2008, REC Solar acquired a 20% ownership interest in Mainstream Energy Inc. (“MSE”). MSE is, through its operating companies, a leading system integrator and distributor of PV products in the U.S. market. Under a shareholders’ agreement between REC Solar AS and the other shareholders of MSE, REC Solar has call options to acquire a majority of the shares in MSE which may be exercised in three steps (during May 1, 2009 and July 31, 2009 to increase its holding up to 51% of the shares, during May 1, 2010 and July 31, 2010 to increase its holding up to 65.5% of the shares and during May 1, 2011 and July 31, 2011 to increase its holding up to 80% of the shares).

In the event that REC Solar owns more than 50% of the shares in MSE, the other shareholders of MSE have certain put options to sell shares to REC Solar which may be exercised in three steps (during three month periods starting at the end of each call option period, or from the date the call option is exercised). The 2009 put option is limited to a maximum of 50% of such shareholders’ shares. The 2010 put option is limited to any shares that could have been subject to the 2009 put option, plus a maximum of 50% of the remaining shareholders’ shares, or a maximum of 75% of the remaining shares if such shareholder did not exercise the first put option. The 2011 put option includes a maximum of the remaining shares held by such shareholder at the time of exercise. In addition, certain key employees are granted put options to sell their shares (which may not exceed 20% of the issued and outstanding common stock) of MSE to REC Solar during three month periods in both 2012 and in 2013.

Hence, the number of shares that can be exercised under the various call and put options are interrelated and will consequently vary according to if, how and when the options are exercised.

The strike price under the call and put options are dependent on the future performance of MSE. However, it shall not be lower than the original price per share paid by REC Solar in the acquisition of its 20% interest.

15.11 Technology Research and Development

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

The Company has introduced a series of innovations to the industry, and is continuing to build on a strong IPR portfolio counting 46 patents granted and 146 patents pending. Key patents and applications cover REC’s production technologies for silicon in Siemens reactors, and fluidized bed reactors, crystallization technology, wafer sawing, washing and singulation. During 2008, the technology team in REC Silicon was heavily involved in the finalization of the FBR project, with completion of four years of pilot trials and transfer of critical process safety information to the operational organization ahead of the start-up of Silicon III. In REC Wafer, the focus has been on full-scale testing of new crystallization and furnace technologies for improvements of multicrystalline wafers, as well as testing of new wire saws, new singulation systems, and other new equipment and quality control systems which are integral parts of the new wafer plants at Herøya. The improved crystallization process and wafer quality has now also been externally confirmed by the new world record multicrystalline modules made by Energy Centre of Netherlands based on the new REC wafer quality. Together with SiGen, REC also continued testing of possible new technologies eliminating traditional wire saws and kerf-loss in the wafering process, and became in 2008 the first in the world to cut 50 micron wafers from an ingot.

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

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

Total research and development (R&D) expenses increased to NOK 213 million in 2008, from NOK 111 million in 2007 and NOK 83 million in 2006. The research and development activities consist of continuous development of current production processes and equipment as well as next generation production technologies designed to reduce silicon cost, enhance quality while reducing wafer thickness, improve cell and module efficiency, and reduce production costs throughout the value chain.

In addition to the R&D expenses referred to above, (i) some R&D expenditure was capitalized related to the FBR and furnace technology, (ii) some of the development costs related to introduction of new technology into mass production were carried by the manufacturing plants and not reported as R&D, and (iii) significant investments made in the new technology centers have been capitalized rather than expensed.

15.12 Employees

As of December 31, 2008, the Company employed approximately 2,400 people (excluding Sovello employees), an increase of about 600 employees over the past year. This reflects growth in all the business segments as well as in the area of project management. In addition, REC had by year-end 2008 close to 280 contracted employees. Of the 2,400 employees, in total 3% were employed by Renewable Energy Corporation ASA and REC Site Services Pte. Ltd., 30% were employed by REC Silicon, 40% were employed by REC Wafer and 27% were employed by REC Solar.

The table below reflects a breakdown of the geographic location of all employees of the Company.

<table>
<thead>
<tr>
<th>Location</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>1,363</td>
<td>966</td>
<td>797</td>
</tr>
<tr>
<td>United States</td>
<td>718</td>
<td>621</td>
<td>480</td>
</tr>
<tr>
<td>Sweden</td>
<td>235</td>
<td>188</td>
<td>93</td>
</tr>
<tr>
<td>Other (including Singapore, France, Germany, Spain and Italy)</td>
<td>102</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,418</strong></td>
<td><strong>1,795</strong></td>
<td><strong>1,385</strong></td>
</tr>
</tbody>
</table>

* Does not include Sovello employees

The table below reflects a breakdown of the Company’s employees based on business divisions.

<table>
<thead>
<tr>
<th>Division</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>REC (parent) and REC Site Services Pte. Ltd....</td>
<td>87</td>
<td>46</td>
<td>36</td>
</tr>
<tr>
<td>REC Silicon</td>
<td>717</td>
<td>621</td>
<td>480</td>
</tr>
<tr>
<td>REC Wafer</td>
<td>957</td>
<td>672</td>
<td>596</td>
</tr>
<tr>
<td>REC Solar**</td>
<td>657</td>
<td>456</td>
<td>273</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,418</strong></td>
<td><strong>1,795</strong></td>
<td><strong>1,385</strong></td>
</tr>
</tbody>
</table>

* Does not include Sovello employees
**REC Solar figures for 2006 are estimates

Trade unions’ presence varies depending on business area, country and local practice. A number of the REC 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 4 employee representatives on the Board of Directors.
15.13 Safety and Health

REC completed 2008 with no work-related fatalities in more than 6.5 million worked hours. The number of lost time injuries was reduced to 23. The Lost Time Injury (LTI) rate was 3.5 and the Total Recordable Injury (TRI) rate was 10.6. These results are not satisfactory and REC will during 2009 strengthen the systematic safety efforts. The Singapore expansion project has so far succeeded with only 4 lost time injuries, resulting in an LTI-rate of only 0.5.

The working environment in REC is generally regarded as satisfactory. In 2008, the absence rate due to sickness was 3.4%, which is an improvement to the previous year. This is a satisfactory result in an expanding industry.

15.14 Environmental Sustainability

REC is focused on continually reducing the negative environmental impact of its products. REC uses hydropower for all its silicon operations and the majority of its wafer and cell operations. Through this practice and a broad program of focusing on cost reduction and operational efficiency, the Company has a very attractive carbon footprint per module produced. A leading low energy payback-time is one of the key elements in REC’s contribution to the environment and the Company expects to reduce the energy consumption by more than 80% in the most energy intensive step with the FBR process in silicon refining. This process also operates with a closed loop cycle process, and the small waste volumes are handled according to requirements. All silicon waste is recycled within the manufacturing process and other inputs recovered and reused. REC also participates in the industry-wide PV Cycle program, which seeks to establish a waste management scheme to secure environment friendly disposal and recycling of PV modules at the end of their usable life.
16. RELATED PARTY TRANSACTIONS

16.1 General

The Company has related party relationships with its subsidiaries, associates, joint ventures and with its Group management and Board of Directors and principle shareholders. Transactions with subsidiaries are eliminated on consolidation and are not reported as related party transactions in the Consolidated Financial Statements or below.

The principle shareholders in the Company that had significant influence over the Company at March 31, 2009 and at December 31, 2008 and 2007 were Elkem AS and Orkla ASA. Orkla ASA is the ultimate owner of Elkem AS, and their combined ownership interests at March 31, 2009 and at December 31, 2008 and 2007 were 39.7% and 27.5% at December 31, 2006.

Good Energies Investments B.V. was a related party due to ownership of REC shares up to February 2007, when it sold all its shares. Its ownership interest was 34.4% at year-end 2006. Hafslund Venture AS was a related party due to ownership of REC shares up to the end of March 2007, when it reduced its ownership interest. Its ownership interest was 21.3% at year-end 2006. The ultimate parent companies of these shareholders at the relevant points in time were: Good Energies Investment BV was owned by COFRA Holding Aktiengesellschaft (Switzerland); and Hafslund Venture AS was owned by Hafslund ASA (Norway).

In 2007, the Company purchased goods and services from Elkem AS for NOK 5 million. Besides this, in 2008, 2007 and 2006, as well as for the first quarter 2009, the Company had insignificant purchase/sales from/to related parties in the normal course of business except as described below.

Amounts below in NOK are calculated at average exchange rates for profit or loss items for the period and at period-end exchange rates for receivables, payables and guarantee amounts.

16.2 Key Management compensation etc.

Group management and Board of Directors’ compensation, ownership of Shares and options and loan agreements are shown in note 16 of the Company’s consolidated annual financial statements incorporated hereto by reference.

16.3 Joint venture – Sovello

Sovello AG (formerly EverQ GmbH) became a jointly controlled entity at December 19, 2006. At the end of 2007, REC contributed additional equity capital to Sovello.

16.3.1 The financial year 2006

During 2006, the Company sold goods and services to Sovello for NOK 28 million, and had receivables on Sovello related to these deliveries of NOK 3 million at December 31, 2006. The Company had provided a guarantee limited to NOK 74 million for Sovello’s bank borrowings. At December 31, 2006, the Company had outstanding loans to Sovello of NOK 132 million (EUR 16 million), and had accrued interest of NOK 2 million on these loans.

16.3.2 The financial year 2007

During 2007, the Company sold goods and services to Sovello for NOK 56 million and had receivables on Sovello related to these deliveries of NOK 5 million at December 31, 2007.

In 2007, the Company provided a guarantee limited to EUR 30 million for Sovello’s bank borrowings for a guarantee premium of 0.75% pro anno and recognized guarantee fee of NOK 1.2 million in 2007. A guarantee of NOK 74 million provided in 2006 was terminated.

At December 31, 2007, the Company had outstanding loans to Sovello of NOK 239 million (EUR 30 million), and received interest income of NOK 12.6 million on these loans in 2007.

In 2006, Sovello and the Company entered into a long term agreement for supply of polysilicon from REC Silicon to Sovello that also incorporated and replaced a supply agreement from 2005. As a part of the agreement,
in May 2007 Sovello made prepayments of a total of USD 87 million and has also paid interest of USD 0.3 million due to late payment. Of the USD 87 million, USD 42 million was a sign-on fee that shall be refunded if REC Silicon fails to establish the plant and start delivering volumes under the agreement. The remaining USD 45 million shall not be repaid in cash if REC Silicon delivers polysilicon under the agreement, but will be reduced according to deliveries under the agreement. Of the prepayments, USD 45 million plus interest was held as restricted bank account.

16.3.3 The financial year 2008

Sale of polysilicon from REC Silicon to Sovello amounted to NOK 222 million (USD 39.3 million), of which NOK 2 million (USD 0.3 million) was outstanding at year-end. At the end of 2008, REC Silicon and Sovello agreed that the USD 45 million part of the USD 87 million prepayment made in 2007 should no longer be restricted. USD 12.4 million was repaid to Sovello in order to allow sourcing of polysilicon from other sources than REC to compensate for the delayed start-up of Plant III (FBR), leaving total prepayments of USD 74.6 million.

The Company and the two other shareholders have provided shareholders’ loans, subordinated to the bank loans, loan commitments and guarantees to Sovello and undertakings to external banks relating to Sovello. At year-end 2008, REC had outstanding shareholder’s loans to Sovello of NOK 450 million (EUR 45.7 million) and a loan commitment of NOK 39 million (EUR 4 million). Of the loans, NOK 411 million (EUR 41.7 million) is due to be repaid at December 31, 2009, but it may be prolonged in the case an IPO has not been conducted with proceeds to Sovello sufficient to repay all shareholders’ loans. During 2008, according to the agreement, the EUR 30 million guarantee provided in 2007 was terminated. During 2008, Sovello paid NOK 18 million (EUR 2.2 million) to REC as interest and guarantee fees.

The Company and the other two shareholders have provided undertakings to external banks for additional capital need, including for completion of construction of the third plant in case of cost overruns or non-compliance with financial loan covenants and for any loss of investment grants. See also note 17 to the Company’s consolidated financial statements for 2008 regarding Sovello’s breach of financial loan covenants and note 29 regarding the European Commission’s intention to re-examine the grounds for granting Sovello investment aid.

16.3.4 First quarter 2009

During the first quarter 2009, no sales of polysilicon were made from REC Silicon to Sovello. Sovello accrued, but did not pay, interest of NOK 6 million to the Company. During the first quarter, Sovello drew upon the loan commitment made by the Company, and at March 31, 2009 the Company had receivables of NOK 448 million (EUR 50.4 million).

16.3.5 Changes subsequent to March 31, 2009 related to funding of, and prepayment from Sovello

The Company, in close cooperation with the bank syndicate of Sovello, has provided a short term bridge loan to Sovello of EUR 5.0 million and provided a guarantee of EUR 10 million to the bank syndicate of Sovello. The two other shareholders of Sovello have also provided such short term bridge loans and shareholder guarantees. The financial support is in place until August 15, 2009 at which time it is expected that a new financing structure is in place for Sovello. In the period until August 15, 2009 under the agreement with the bank syndicate of Sovello, the shareholders of Sovello are obliged to maintain the liquidity of the company. No additional contributions are expected from the shareholders in said period. As implied above, a new financing structure is currently being negotiated with the bank syndicate of Sovello. This new financing structure could require additional financial commitments from the shareholders in the form of guarantees, loans and/or equity.

On April 21, 2009 as part of an amended agreement for the delivery of polysilicon, REC Silicon repaid USD 11.5 million of the prepayment, leaving total prepayments of USD 63.1 million.

16.4 Associates

16.4.1 The financial years 2006 to 2008

In April 2008, REC Solar AS acquired a 20% ownership interest in Mainstream Energy Inc. (“MSE”). Under a shareholders’ agreement between REC Solar AS and the other shareholders of MSE, REC Solar has a call option to acquire up to 80% of the shares in MSE which may be exercised in three steps over the years 2009, 2010 and 2011. Provided REC Solar owns more than 50% of the shares in MSE, the other shareholders of MSE have
certain put options to sell shares to REC Solar, which may be exercised in three steps over the years 2009, 2010 and 2011. In addition, certain key employees are granted put options to sell all their shares to REC Solar during a specific period in 2012 and in 2013. The strike price under the call and put options are dependent on the future performance of MSE. However, the strike price under the various put options shall not be lower than the original price per share paid by REC Solar in the acquisition of 20% of the shares. Hence, the number of shares that can be exercised under the various call and put options are interrelated and will consequently vary according to if, how and when the options are exercised. See section 15.10 for further information.

In the second half of 2008, REC ScanModule AB made sales of modules of NOK 101 million to REC Solar Inc. and AEE Solar Inc. (U.S.), subsidiaries of MSE, of which NOK 47 million was outstanding at year-end 2008.

The Norwegian companies Si Pro AS and Meløy Bedriftsservice AS, located at Glomfjord (Norway) are associates of REC Wafer. During 2008, the REC Wafer segment purchased goods and services for NOK 33 million and NOK 17 million, respectively, of which in total NOK 5 million was outstanding at year-end 2008. Total purchases from these companies in 2007 amounted to NOK 31 million, of which in total NOK 2 million was outstanding at year-end 2007.

CSG Solar AG was an associated company and a related party up to February 1, 2008 when REC reduced its ownership by not participating in full in a capital increase of CSG Solar AG. In July 2007, the Company provided a convertible loan to CSG Solar AG of EUR 2 million, of which EUR 0.4 million is reported as equity contribution. Interest of NOK 0.5 million was in 2007 accrued and added to the loan.

16.4.2 First quarter 2009

During first quarter 2009, REC Solar sold modules for NOK 49 million to REC Solar Inc. and AEE Solar Inc., and had receivables of NOK 58 million at March 31, 2009.

During first quarter 2009, REC Wafer made purchases of NOK 11 million in aggregate from Si Pro AS and Meløy Bedriftsservice AS and had accounts payables of NOK 4 million at March 31, 2009.

16.5 Loans from related parties

The Company previously has issued two convertible loans which were converted into equity in 2006. See note 27 to the Company’s consolidated financial statements for 2007 for more information on these loans and note 24 for interest on these loans. The first convertible loan agreement was entered into on September 24, 2003, amounting to EUR 31 million. The REC Group’s principal shareholders were the sole takers of this facility with the following split: Good Energies Investments B.V. (19.4%), Elkem AS (48.4%) and Hafslund Venture AS (32.3%). During 2006 this loan was converted in full. The second convertible loan agreement was entered into on July 13, 2005, for USD 140 million. The REC Group’s principal shareholders were the major providers of this facility with the following split: Good Energies Investments B.V. (38.1%), Elkem AS (27.2%) and Hafslund Venture AS (25.3%). The remaining part (9.4%) was largely held by other shareholders. This included Group management and Directors. During 2006 this loan was converted in full.

16.6 Underwriting agreement with major shareholders

On June 22, 2009, the Company entered into an underwriting agreement with certain of its major shareholders, as further described in section 8.18.
17. THE COMPANY’S BOARD AND MANAGEMENT

17.1 Overview

The Company’s management is vested in its Board of Directors and its President and 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 President and 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:

17.2 Corporate Governance

17.2.1 General

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

REC endorses the Norwegian Code of Practice for Corporate Governance (the “Code of Practice”) issued by the Norwegian Corporate Governance Board, most recently revised December 4, 2007. The Board of Directors has
adopted a report on Corporate Governance for 2008 in accordance with the Code of Practice. The report is included in the Company’s 2008 consolidated annual financial statements, incorporated hereto by reference.

The Company’s objective is to create long-term values for its shareholders. The Company believes sound business must be based on value-based management and clear ethical guidelines. The Company’s mission is smart energy for a cleaner future. To enable the Company to carry out the mission, the Board has adopted a common set of core values: Responsibility, enthusiasm, commitment, innovation and drive. These values have been introduced to all employees, and the Company has implemented various programs in order to maintain focus on and live the values.

17.2.2 Deviations from the Code of Practice

The Company complies with the Code of Practice, with the following exceptions:

- Corporate assembly and Board of Directors: The Board members have not been specifically encouraged to own shares.
- Risk management and internal control: From 2009, the Board of Directors will perform a separate annual review of risk areas and internal control systems.
- Auditor: The Board of Directors has not yet issued guidelines in respect of the use of the auditor by the Company’s executive management for services other than the audit. Further, the Board of Directors will ensure that the auditor from 2009 presents an annual review of the Company’s internal control procedures. The Board will also ensure that the auditor from 2009 provides the Board with an annual written confirmation that the auditor satisfies the requirements for independence together with a summary of all services in addition to audit work that have been undertaken for the Company. Furthermore, the Board will initiate a procedure whereby it (or the Company’s audit committee) meets with the auditor at least once a year without the presence of the CEO or any other member of the executive management.

17.2.3 Committees

**The Audit Committee**

The Audit Committee consists of three members of the Board and acts as a preparatory body to the Board with respect to the fulfillment of its responsibility related to assessment and control of financial risk, financial reporting, auditing and control. The Audit Committee sees that the external auditor has satisfactory auditing procedures and competence and makes recommendations to the Board and the annual general meeting concerning appointment of external auditor. The Committee also makes recommendations with regard to the external auditor’s fees. The tasks and procedure of the Audit Committee are further regulated in the Company’s Audit Committee Charter. The Audit Committee held five meetings in 2008. The current members of the Audit Committee are Mr. Roar Engeland, Odd Christopher Hansen and Rolf Birger Nilsen.

**The Compensation Committee**

The Compensation Committee currently consists of three members of the Board, each of whom is independent of the executive management. The Committee acts as a preparatory body to the Board with respect to terms and conditions of employment for the President and Chief Executive Officer and with respect to general principles and strategies for the compensation of leading executives of the REC Group. The tasks and procedures of the Compensations Committee are further laid down in the Company’s Compensation Committee Charter. The Compensation Committee held two meetings in 2008. The current members of the Compensation Committee are Dag J. Opedal, Tore Schiotz and Grace Reksten Skaugen.

**The Corporate Governance Committee**

The Corporate Governance Committee acts as a preparatory and monitoring body and assists the Board in executing its responsibilities on matters of corporate governance. The Committee consists of three members of the Board. The tasks and procedures of the Corporate Governance Committee are further laid down in the Company’s Corporate Governance Committee Charter. The Corporate Governance Committee held four
meetings in 2008. The current members of the Corporate Governance Committee are board members Susanne Munch Tore, Hilde Myrberg and Unni Kristiansen.

**The Nomination Committee**

Pursuant to the Company’s Articles of Association section 6, the Company shall have a Nomination Committee consisting of three members. The members are elected for a term of two years by the annual general meeting, which also appoints the chairman of the committee. The Nomination Committee makes proposals to the annual general meeting for members to be elected to the Nomination Committee. The Nomination Committee presents recommendations to the annual general meeting regarding the election of the shareholder-elected members of the Board of Directors and the remuneration for members of the Board of Directors. The Nomination Committee’s recommendations must be justified and provide relevant information of the candidates. The Board annually prepares an evaluation of its work. The Nomination Committee examines this report and takes its contents into consideration when making its recommendations on board composition. The Nomination Committee also consults with the largest shareholders of the Company before submitting its proposals. Information of the members on the Nomination Committee and deadlines for submitting proposals to the Committee will be included on the Company’s website. The chairman of the Nomination Committee presents and provides the basis for the proposals from the committee at the annual general meeting and also provides an account of how the committee has carried out its work. The rules of procedure do not establish rules for rotation of the members of the Nomination Committee. The current members of the Nomination Committee are Mr. Torkild Nordberg (chairman, member since May 19, 2009), Mr. Christian Berg (member since May 19, 2009) and Mr. Rune Selmar (member since April 20, 2006).

17.3 **Board of Directors**

17.3.1 General

According to the Company’s Articles of Association, the Board of Directors shall consist of a minimum of five and a maximum of twelve members.

The name, age, qualifications and certain other information relating to each member of the Company’s Board of Directors is set forth below. The address Kjørboveien 29, P.O. Box 594, N-1337 Sandvika, Norway, serves as business address for the below listed persons in their capacity as members of the Board of Directors.

17.3.2 Current Board of Directors

The Company’s Board of Directors currently consists of the following directors:

<table>
<thead>
<tr>
<th>Name</th>
<th>First appointed</th>
<th>Current term expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dag J. Opedal, Chairman</td>
<td>May 19, 2009*</td>
<td>AGM 2010</td>
</tr>
<tr>
<td>Tore Schiøtz</td>
<td>December 14, 2001</td>
<td>AGM 2010</td>
</tr>
<tr>
<td>Roar Engeland</td>
<td>November 16, 2005</td>
<td>AGM 2010</td>
</tr>
<tr>
<td>Susanne Elise Munch Thore</td>
<td>May 9, 2006</td>
<td>AGM 2010</td>
</tr>
<tr>
<td>Grace Reksten Skaugen</td>
<td>May 19, 2009*</td>
<td>AGM 2010</td>
</tr>
<tr>
<td>Hilde Myrberg</td>
<td>May 19, 2009*</td>
<td>AGM 2010</td>
</tr>
<tr>
<td>Odd Christopher Hansen</td>
<td>May 19, 2009*</td>
<td>AGM 2010</td>
</tr>
<tr>
<td>Unni Iren Kristiansen, employee representative</td>
<td>May 29, 2009</td>
<td>May 29, 2011</td>
</tr>
<tr>
<td>Rolf Birger Nilsen, employee representative</td>
<td>May 14, 2007</td>
<td>May 29, 2011</td>
</tr>
<tr>
<td>Anders Langerød, employee representative</td>
<td>May 29, 2009</td>
<td>May 29, 2011</td>
</tr>
<tr>
<td>Tommy Kristensen, employee representative</td>
<td>May 29, 2009</td>
<td>May 29, 2011</td>
</tr>
</tbody>
</table>

* Board Members Dag J. Opedal, Grace Reksten Skaugen, Hilde Myrberg and Odd Christopher Hansen was appointed at the Annual General Meeting on May 19, 2009, but with effect from June 15, 2009.

Further, the employee representatives on the Board of Directors have the following alternate members: Jon E. Kristiansen (personal alternate member for Mr. Nilsen), Silje Johnsen (personal alternate member for Ms. Kristiansen), Rune Sørensen (personal alternate member for Mr. Langerød) and Jørgen Sivertsen (personal alternate member for Mr. Kristensen). In addition, Lena B. Lorentzon and Gaute Ytterstad are non-personal alternate employee representatives to the Board of Directors.
**Dag J. Opedal** (born 1959), Chairman of the Board, has been a member of the Board of Directors of REC since June 15, 2009. Holds the position of President and CEO of one of the Company’s major shareholders, Orkla ASA. His education includes a degree in Business Administration from the Norwegian School of Economics and Business Administration (NHH) and an MBA degree from INSEAD.

Mr. Opedal currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Board Member of Jotun AS
- Member of the Corporate Assembly of DnB NOR ASA
- Member of the FAFO Council
- Owner and Chairman of the Board of Alcaran AS
- Chairman of the board of several companies within the Orkla Group

Save for the above, Mr. Opedal has during the last five years not held any other directorships, supervisory or leading management positions.

**Tore Schiøtz** (born 1957) has served as the Chairman of the Board between 2002 and 2007, deputy chairman from 2007 to 2009 and Chairman of the Board from March 2009 to June 2009. His current term as member of the Board of Directors of REC expires at the Annual General Meeting in 2010. Mr. Schiøtz is the CEO of one of the Company’s major shareholders, Hafslund Venture AS. Mr. Schiøtz holds a Master of Business Administration degree from the Norwegian School of Management.

Mr. Schiøtz currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- CEO of Hafslund Venture AS
- Chairman of the Board of Fesil AS
- Chairman of the Board of Elis AS
- Board Member of Metallkraft AS
- Board Member of Hafslund Telekom AS

Save for the above mentioned, Mr. Schiøtz has during the last five years not held any other directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

**Roar Engeland** (born 1960) has been a member of the Board of Directors of REC since November 2005. His current term expires at the Annual General Meeting in 2010. Mr. Engeland is the Executive Vice President of Financial Investments and Corporate Development of one of the Company’s major shareholders, Orkla ASA. Mr. Engeland holds a Master of Philosophy degree and a Master of Business Administration degree from INSEAD, and is a graduate of the Norwegian Military Academy.

Mr. Engeland currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- EVP of Orkla ASA
- Board Member of various subsidiaries of Orkla ASA
- Board Member of Alfa Nord AS
- Board Member of Grow Invest AS
- Member of Corporate Assembly of Storebrand ASA

Save for the above mentioned, Mr. Engeland has during the last five years not held any other directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

**Susanne Munch Thore** (born 1960) has been a member of the Board of Directors of REC since May 2006. Her current term expires at the Annual General Meeting in 2010. Ms. Munch Thore is an attorney-at-law and a partner of the Norwegian law firm Wiborg Rein & Co. She is a candidate of jurisprudence from the University of Oslo and holds a Master of Law degree from Georgetown University and a Diploma of International Affairs from John Hopkins School of Advanced International Studies.
Ms. Munch Thore currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Partner of Wikborg, Rein & Co
- Board Member of Oslo Areal AS

Furthermore, Ms. Munch Thore has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- Board Member of Eltek ASA
- Board Member of Nera ASA
- Board Member of Gjensidige Bank ASA
- Board Member of Hurum Paper Mill AS

Grace Reksten Skaugen (born 1953) has been a member of the Board of Directors of REC since June 15, 2009. Her current term expires at the Annual General Meeting in 2010. Ms. Skaugen is a self-employed business consultant. Her education includes a PhD degree in laser physics from Imperial College of Science and Technology, University of London and an MBA degree from the Norwegian School of Management (BI).

Ms. Skaugen currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Board Member of StatoilHydro ASA
- Board Member of Investor AB
- Chairman of the Board of Entra Eiendom AS
- Chairman of the Board of Ferd Holding AS
- Chairman of the Board of NAXS Nordic Access Buyout AS

Furthermore, Ms. Skaugen has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- Board Member of Atlas Copco AB
- Board Member of Statoil ASA
- Deputy Chairman of the Board of Opera Software ASA
- Board Member of Tandberg ASA
- Board Member of Berg-Hansen Holding AS
- Board Member and Member of Audit Committee of Storebrand ASA

Hilde Myrberg (born 1957) has been a member of the Board of Directors of REC since June 15, 2009. Her current term expires at the Annual General Meeting in 2010. Ms. Myrberg is Executive Vice President and head of corporate functions in one of the Company’s major shareholders, Orkla ASA. She is a candidate of jurisprudence from the University of Oslo and holds an MBA degree from INSEAD.

Ms. Myrberg currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Deputy Chairman of the Board of Petoro AS
- Member of Corporate Assembly of Jotun AS
- Board Member of several companies within the Orkla group

Furthermore, Ms. Myrberg has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- Senior Vice President Hydro Oil & Energy Markets of Norsk Hydro ASA
- Board Member of Kongsberg Automotive ASA
- Board Member of Hydro Aluminium Deutschland
- Board Member of Elkem AS
- Board Member of Borregaard AS
Odd Christopher Hansen (born 1953) has been a member of the Board of Directors of REC since June 15, 2009. His current term expires at the Annual General Meeting in 2010. He holds an MSc in International Management from Sloan School of Management MIT, and is a graduate from the Norwegian School of Economics and Business Administration (NHH).

Mr. Hansen currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Board Member of Bertel O. Steen AS
- Chairman of the Board of Hovedbyen 23 AS
- Chairman of the Board of Lokka 136 AS
- Chairman of the Board of Carl Hansens Brygge AS

Save for the above mentioned, Mr. Hansen has during the last five years not held any other directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries).

Unni Iren Kristiansen – employee representative (born 1973) has been a member of the Board of Directors of REC since May 29, 2009. From December 11, 2007 and until May 29, 2009, Ms. Kristiansen served on the Board of Directors as an alternate board member. Her current term expires on May 29, 2011. Ms. Kristiansen holds the position of Group Chief Accountant of REC. She holds an auditor degree from the Norwegian School of Economics and Business Administration (NHH).

Ms. Kristiansen currently does not hold, and has during the last five years not held, any directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

Rolf Birger Nilsen – employee representative (born 1965) has been a member of the Board of Directors of REC since May 2007. His current term expires on May 29, 2011. Mr. Nilsen has been employed as an operator in REC Wafer Norway AS since January 2001, and has been a local union leader for REC ScanWafer Glomfjord since 2004.

Mr. Nilsen currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Chairman of the Board of Stiftelsen ScanSatt

Save for the above, Mr. Nilsen has during the last five years not held any other directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries)

Anders Langerød – employee representative (born 1967) has been a member of the Board of Directors of REC since May 29, 2009. His current term expires on May 29, 2011. Mr. Langerød is educated as an electrician.

Mr. Langerød currently does not hold, and has during the last five years not held, any directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

Tommy Kristensen – employee representative (born 1967) has been a member of the Board of Directors of REC since May 29, 2009. His current term expires on May 29, 2011. Mr. Kristensen is an operator within chemical technical industry and is a local union leader.

Mr. Kristensen currently does not hold, and has during the last five years not held, any directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

17.4 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. The address Kjørboveien 29, P.O. Box 594, N-1337 Sandvika, Norway, serves as business address for the below listed persons in their capacity as members of the senior management team.
Ole Enger (born 1948) is the President and CEO of REC. Mr. Enger holds a degree from the Norwegian University of Life Sciences and a business degree from the Norwegian School of Economics.

Mr. Enger currently does not hold any directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

Mr. Enger has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- President and CEO of SAPA AB
- President and CEO of Elkem AS
- EVP of Elkem AS

John Andersen, Jr. (born 1967) holds the position of Executive Vice President – REC Solar & Group COO. Mr. Andersen previously held the positions of Executive Vice President – REC Wafer and Vice President Business Development at REC. He joined REC in 2001. Mr. Andersen holds a Master of Business and Economics (Finance) degree from the Norwegian School of Management. He has also completed extensive courses in international strategy in the Master of Science program at the Norwegian School of Management.

Mr. Andersen currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Member of the Supervisory Board of Sovello AG
- Director of Mainstream, Inc.

Save for the above mentioned, Mr. Andersen has during the last five years not held any other directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

Tore Torvund (born 1952) holds the position of Executive Vice President – REC Silicon. He holds a Master of Science degree from the Norwegian University of Science and Technology.

Mr. Torvund currently does not hold any directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

Mr. Torvund has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- EVP Exploration & Production Norway in StatoilHydro ASA
- EVP Oil & Energy in Norsk Hydro ASA

Ingelise Arntsen (born 1966) holds the position of Executive Vice President – REC Wafer. She is a Bachelor of Science in Economics from Southern Business University, Denmark.

Ms. Arntsen currently does not hold any directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

Ms. Arntsen has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- Board Member of Petoro AS
- EVP of Statkraft ASA
- Board Member of IM Skaugen ASA
- Board Member of Orkla Foods
- Board Member / Chairman of SN Power AS
- Chairman of Smákraft AS
- Board Member of BKK AS

Erik Sauar (born 1969) holds the position of Senior Vice President – Technology & CTO. Dr. Sauar holds a doctorate in physical chemistry from the Norwegian University of Science and Technology, a Master of Science
degree in chemical engineering from the Norwegian Institute of Technology and a Master of Science degree in anthropology from the University of Trondheim in Norway.

Dr. Sauar currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Board Member of Straumekraft AS

Furthermore, Dr. Sauar has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- Member of the Supervisory Board of Sovello AG
- Board Member of CSG

Svànaug Bergland (born 1950) holds the position of Senior Vice President – Organizational Development & Corporate Communications. She joined REC in October 2005. Ms. Bergland has completed extensive studies in organization, leadership and behavioral sciences and graduated in 1969 from Oslo Business College.

Ms. Bergland currently does not hold any directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

Ms. Bergland has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- SVP of Organizational Development & Corporate Communications of Tomra Systems ASA

Bjørn Brenna (born 1956) is the Company’s Executive Vice President and CFO. Mr. Brenna joined REC in March 2006. He holds a Masters of Business and Economics degree from the Norwegian School of Management, and holds a Bachelor of Science degree in Electrical Engineering.

Mr. Brenna currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Chairman of RBBR Invest AS

Mr. Brenna has previously held the following directorships, supervisory or leading management positions during the last five years (other than positions in the Company and/or its subsidiaries):

- Board Member of Synnøve Finden ASA

Jon André Løkke (born 1970) holds the position as Senior Vice President – Investor Relations. Mr. Løkke joined REC in 2002. He holds a Bachelor of Science degree in Business and Economics from Southampton University and has an International Masters of Business Administration degree from Glasgow University.

Mr. Løkke currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Chairman of Ludens AS
- Chairman of XO Charter AS
- Board Member of Tempo AS

Save for the above mentioned, Mr. Løkke has during the last five years not held any other directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

Einar Kilde (born 1960) holds the position of Executive Vice President – REC Projects. He holds a Master of Science degree in Mechanical Engineering from the Norwegian University of Science and Technology.

Mr. Kilde currently does not hold any directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).
Furthermore, Mr. Kilde has previously held the following directorships, supervisory or leading management directorships, supervisory or leading management positions during the last five years:

- Project Director of Norsk Hydro

Kristine Ryssdal (born 1960) holds the position of Senior Vice President & Chief Legal Officer. Ms. Ryssdal joined the Company in September 2008. She is a candidate of jurisprudence from the University of Oslo and holds a Master of Laws degree from London School of Economics.

Ms. Ryssdal currently holds the following directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries):

- Member of the Audit Committee of Kommunalbanken AS

Save for the above mentioned, Ms. Ryssdal has during the last five years not held any other directorships, supervisory or leading management positions (other than positions in the Company and/or its subsidiaries).

17.5 Remuneration of the Senior Management and the Board of Directors

17.5.1 Remuneration to the Senior Management in 2008

*(All amounts in NOK unless otherwise stated)*

<table>
<thead>
<tr>
<th>Name</th>
<th>Base salary</th>
<th>Bonus earned</th>
<th>Share based payment</th>
<th>Pension Benefits</th>
<th>Other taxable benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erik Thorsen (former President and CEO)</td>
<td>3,313,409</td>
<td>660,000</td>
<td>193,635</td>
<td>1,010,992</td>
<td>255,155</td>
</tr>
<tr>
<td>John Andersen (EVP and COO)</td>
<td>2,246,958</td>
<td>402,000</td>
<td>130,849</td>
<td>587,526</td>
<td>132,436</td>
</tr>
<tr>
<td>Erik Sauer (SVP and CTO)</td>
<td>1,904,754</td>
<td>475,000</td>
<td>111,486</td>
<td>414,891</td>
<td>74,523</td>
</tr>
<tr>
<td>Goran Bye (EVP) ii)</td>
<td>USD 375,000</td>
<td>USD 90,000</td>
<td>146,683</td>
<td>USD 56,498</td>
<td>USD 43,107</td>
</tr>
<tr>
<td>Ingelise Arntsen (EVP)</td>
<td>2,045,610</td>
<td>318,000</td>
<td>165,859</td>
<td>496,532</td>
<td>168,432</td>
</tr>
<tr>
<td>Bjørn Brenna (EVP and CFO)</td>
<td>2,141,065</td>
<td>371,000</td>
<td>165,859</td>
<td>501,371</td>
<td>179,179</td>
</tr>
<tr>
<td>Svånaug Bergland (SVP)</td>
<td>1,296,390</td>
<td>312,000</td>
<td>101,706</td>
<td>348,281</td>
<td>130,282</td>
</tr>
<tr>
<td>Jon Andre Løkke (SVP)</td>
<td>1,300,736</td>
<td>156,000</td>
<td>76,280</td>
<td>204,224</td>
<td>147,103</td>
</tr>
<tr>
<td>Einar Kilde (EVP Projects)</td>
<td>1,944,244</td>
<td>300,000</td>
<td>156,473</td>
<td>418,442</td>
<td>211,411</td>
</tr>
<tr>
<td>Kristine Ryssdal (SVP &amp; CLO)</td>
<td>502,274</td>
<td>100,000</td>
<td>81,427</td>
<td>124,604</td>
<td>50,365</td>
</tr>
</tbody>
</table>

Total 2008 18,810,071  3,063,901  1,330,258  4,425,456  1,591,967

i) All amounts are exclusive of social security tax.

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

The bonuses are annual performance bonuses. The amounts in the table above represent the bonuses earned during the fiscal year, and are normally paid and reported as taxable income in the subsequent year. The bonus amounts should be understood as the total of the bonus and vacation pay on the bonus, if appropriate.

The amounts in the tables for pension benefits include change in accumulated benefit obligation (ABO) for the year for defined benefit obligations and the expense for the year for defined contribution plans. ABO is the net present value of pension benefits earned based on the current pension qualifying income. The Group management, except for Goran Bye, has pension benefits via REC’s Group pension plan in Norway. In general, REC’s pension plan in Norway provides for lifetime retirement benefit coverage of 67% of pension qualifying
income at the time of retirement up to 12 G if the employee as retired has fully earned rights in the pension plan (30 years). It includes some spouse, children and disability pension rights.

For a full description of options granted as part of the remuneration, see note 23 to the Company’s consolidated financial statement for 2008.

As from January 1, 2007, the REC Group established an additional defined contribution pension plan for Norwegian employees with salaries over 12 G. The plan provides a contribution of 15% of base salary above 12 G per year of employment plus or minus a calculated return based on a defined index, which is to be paid out upon retirement. It also includes some spouse, children and disability pension rights. Gøran Bye was not part of this program, and as from January 1, 2007 Mr. Bye was entitled to an additional pension contribution from REC amounting to 15% of his base salary with a deduction of 12 G. For further details on the Company’s pension obligations, see note 19 to the consolidated financial statements for 2008, incorporated hereto by reference.

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

- In the event that Mr. Andersen’s contract is terminated by REC, he is entitled to a severance payment equal to six months of salary.
- Mr. Brenna is entitled to a severance payment equal to 12 months of his salary if his contract is terminated. In the event of dismissal, Mr. Brenna would be entitled to the first six months of the compensation, but any amounts in excess of this that he receives from another employer would be deducted from the balance.
- Ms. Bergland is entitled to two years’ salary in the event of her early termination. In the event of dismissal, Ms. Bergland would be entitled to the first twelve months of the compensation, but any amounts in excess of this that she receives from another employer would be deducted from the balance.
- In the event that Ms. Amsen’s contract is terminated by REC, she is entitled to a severance payment equal to six months of her salary.
- In the event that Mr. Løkke’s contract is terminated by REC, he is entitled to a severance payment equal to six months of his salary.
- In the event that Mr. Sauar’s contract is terminated by REC, he is entitled to a severance payment equal to six months of his salary.

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

17.5.2 Remuneration to the Board of Directors in 2008

Compensation of the Board of Directors paid in 2008

(All amounts in NOK) *

<table>
<thead>
<tr>
<th>Name</th>
<th>Board Compensation</th>
<th>Compensation for committee work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ole Enger</td>
<td>350,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Tore Schiøtz</td>
<td>220,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Christian Berg</td>
<td>200,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Marcel Egmond Brenninkmeijer</td>
<td>200,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Roar Engeland</td>
<td>200,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Line Geheb</td>
<td>200,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Susanne Munch Thore</td>
<td>200,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Inger Johanne Sollhaug</td>
<td>200,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Total (May 14, 2007 – May 19, 2008)</td>
<td>1,770,000</td>
<td>320,000</td>
</tr>
</tbody>
</table>

*) The amounts in the table represent the amounts that were paid in 2008, and that were approved by the Annual General Meeting as compensation for the period between the annual general meetings.
Compensation to employee elected board members paid in 2008

(All amounts in NOK)

<table>
<thead>
<tr>
<th>Name</th>
<th>Board Compensation</th>
<th>Compensation for committee work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mona Stensvik</td>
<td>200,000</td>
<td>0</td>
</tr>
<tr>
<td>Rolf Birger Nilsen</td>
<td>200,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Jørn Mobæk</td>
<td>200,000</td>
<td>0</td>
</tr>
<tr>
<td>Rita Glenne</td>
<td>113,514</td>
<td>0</td>
</tr>
<tr>
<td>Unni Iren Kristiansen</td>
<td>86,486</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total (May 14, 2007 – May 19, 2008)</strong></td>
<td><strong>800,000</strong></td>
<td><strong>40,000</strong></td>
</tr>
</tbody>
</table>

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

(All amounts in NOK)

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary</th>
<th>Bonus paid</th>
<th>Pension benefits</th>
<th>Other taxable benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mona Stensvik</td>
<td>460,875</td>
<td>5,387</td>
<td>5,388</td>
<td>13,297</td>
</tr>
<tr>
<td>Rolf Birger Nilsen</td>
<td>414,386</td>
<td>41,392</td>
<td>(18,938)</td>
<td>11,383</td>
</tr>
<tr>
<td>Jørn Mobæk</td>
<td>510,616</td>
<td>24,360</td>
<td>(4,330)</td>
<td>10,827</td>
</tr>
<tr>
<td>Unni Iren Kristiansen</td>
<td>702,149</td>
<td>165,375</td>
<td>94,370</td>
<td>23,156</td>
</tr>
<tr>
<td><strong>Total (January 1, - December 31, 2008)</strong></td>
<td><strong>2,088,026</strong></td>
<td><strong>236,514</strong></td>
<td><strong>76,490</strong></td>
<td><strong>58,663</strong></td>
</tr>
</tbody>
</table>

17.6 Board of Directors’ and Management’s shareholdings and options

The following table sets forth information concerning Shares and options held by the members of the Board of Directors and Senior Management as of June 22, 2009.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position in the Company</th>
<th>Shares</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dag J. Opedal</td>
<td>Chairman</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Roar Engeland</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Susanne Elise Munch Thore</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tore Schiøtz</td>
<td>Director</td>
<td>250,000</td>
<td>-</td>
</tr>
<tr>
<td>Grace Reksten Skaugen</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hilde Myrberg</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Odd Christopher Hansen</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unni Iren Kristiansen</td>
<td>Director, employee rep.</td>
<td>2,005</td>
<td>-</td>
</tr>
<tr>
<td>Rolf Birger Nilsen</td>
<td>Director, employee rep.</td>
<td>505</td>
<td>-</td>
</tr>
<tr>
<td>Anders Langerød</td>
<td>Director, employee rep.</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>Tommy Kristensen</td>
<td>Director, employee rep.</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Ole Enger</td>
<td>President and CEO</td>
<td>2,000</td>
<td>-</td>
</tr>
<tr>
<td>John Andersen, Jr.</td>
<td>EVP Rec Solar &amp; Group COO</td>
<td>136,631</td>
<td>20,123</td>
</tr>
<tr>
<td>Tore Torvund</td>
<td>EVP REC Silicon</td>
<td>4,000</td>
<td>-</td>
</tr>
<tr>
<td>Ingelise Amtsen</td>
<td>EVP REC Wafer</td>
<td>6,255</td>
<td>25,507</td>
</tr>
<tr>
<td>Erik Sauar</td>
<td>SVP Technology</td>
<td>367,963</td>
<td>17,145</td>
</tr>
<tr>
<td>Svånaug Bergland</td>
<td>SVP Organizational Development &amp; Corporate Communications</td>
<td>12,064</td>
<td>15,641</td>
</tr>
<tr>
<td>Bjørn Brenna</td>
<td>CFO</td>
<td>37,441</td>
<td>24,941</td>
</tr>
<tr>
<td>Jon André Løkke</td>
<td>SVP Investor Relations</td>
<td>90,595</td>
<td>11,731</td>
</tr>
<tr>
<td>Einar Kilde</td>
<td>EVP REC Projects</td>
<td>650</td>
<td>24,064</td>
</tr>
<tr>
<td>Kristine Ryssdal</td>
<td>SVP &amp; Chief Legal Officer</td>
<td>505</td>
<td>20,454</td>
</tr>
</tbody>
</table>
Please see below for an overview of the volume weighted average price for Shares purchased or subscribed for by members of the Company’s Board of Directors or Senior Management during the last year:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position in the Company</th>
<th>Average price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dag J. Opedal</td>
<td>Chairman</td>
<td>N/A</td>
</tr>
<tr>
<td>Roar Engeland</td>
<td>Director</td>
<td>N/A</td>
</tr>
<tr>
<td>Susanne Elise Munch Thore</td>
<td>Director</td>
<td>N/A</td>
</tr>
<tr>
<td>Tore Schiøtz</td>
<td>Director</td>
<td>N/A</td>
</tr>
<tr>
<td>Grace Reksten Skaugen</td>
<td>Director</td>
<td>N/A</td>
</tr>
<tr>
<td>Hilde Myrberg</td>
<td>Director</td>
<td>N/A</td>
</tr>
<tr>
<td>Odd Christopher Hansen</td>
<td>Director</td>
<td>N/A</td>
</tr>
<tr>
<td>Unni Iren Kristiansen</td>
<td>Director, employee rep.</td>
<td>N/A</td>
</tr>
<tr>
<td>Rolf Birger Nilsen</td>
<td>Director, employee rep.</td>
<td>N/A</td>
</tr>
<tr>
<td>Anders Langerød</td>
<td>Director, employee rep.</td>
<td>N/A</td>
</tr>
<tr>
<td>Tommy Kristensen</td>
<td>Director, employee rep.</td>
<td>N/A</td>
</tr>
<tr>
<td>Ole Enger</td>
<td>President and CEO</td>
<td>N/A</td>
</tr>
<tr>
<td>John Andersen, Jr.</td>
<td>EVP REC Solar &amp; Group COO</td>
<td>NOK 58.85</td>
</tr>
<tr>
<td>Tore Torvund</td>
<td>EVP REC Silicon</td>
<td>NOK 50.10</td>
</tr>
<tr>
<td>Ingelise Arntsén</td>
<td>EVP REC Wafer</td>
<td>NOK 69.36</td>
</tr>
<tr>
<td>Erik Sauer</td>
<td>SVP Technology</td>
<td>NOK 58.83</td>
</tr>
<tr>
<td>Svánaug Bergland</td>
<td>SVP Organizational Development &amp; Corporate Communications</td>
<td>NOK 58.83</td>
</tr>
<tr>
<td>Bjørn Brenna</td>
<td>CFO</td>
<td>NOK 58.83</td>
</tr>
<tr>
<td>Jon André Løkke</td>
<td>SVP Investor Relations</td>
<td>NOK 58.83</td>
</tr>
<tr>
<td>Einar Kilde</td>
<td>EVP REC Projects</td>
<td>NOK 69.36</td>
</tr>
<tr>
<td>Kristine Ryssdal</td>
<td>SVP &amp; Chief Legal Officer</td>
<td>NOK 69.36</td>
</tr>
</tbody>
</table>

17.7 Bonus and Incentive Program

Annual performance bonuses are described above in section 17.5.1 “Remuneration to the Senior Management in 2008”.

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

The LTIP program has an annual cap. The LTIP Pool for 2007 was based on the REC Group’s actual financial performance compared to budgeted financial performance. Due to the positive development for the REC Group during 2007, the LTIP program reached the cap. The LTIP was established as one driving force in developing the Company, and its purpose is to award and incentivize outstanding performance and attract and retain strong talent in business critical functions. Particular considerations will be given to critical success factors, such as long term value creation, continued growth and development of the REC Group’s market and/or technological position.

In 2008, a REC share option program replaced the LTIP. The share option program is further described in note 23 to the Company’s 2008 annual financial statements. The estimated fair values of the options are expensed over the estimated vesting period of more than three years, and the amounts shown in the table in section 17.5.1
are the amounts expensed in 2008. The option program was renewed at the Annual General Meeting held May 19, 2009.

17.8 Loans and Guarantees

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

17.9 Conflicts of interests

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.

To the Company's knowledge, there are currently no actual or potential conflicts of interest between the Company and any of the mentioned members of the Company’s management or Board of Directors, nor are there any family relationships between any such persons. 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.
18. **MAJOR SHAREHOLDERS**

As of June 17, 2009, there were 24,534 holders of the Company’s Shares registered in the VPS.

The following table sets forth information concerning the three largest registered holders of the Company’s Shares as registered in the VPS on June 22, 2009. Except as set forth below, the Company is not aware of any shareholder owning more than 5% of the Company’s outstanding Shares.

<table>
<thead>
<tr>
<th>Name of REC Shareholder</th>
<th>Number of REC Shares</th>
<th>Percentage of REC Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elkem AS*</td>
<td>115,935,300</td>
<td>23.45%</td>
</tr>
<tr>
<td>Orkla ASA</td>
<td>80,489,700</td>
<td>16.28%</td>
</tr>
<tr>
<td>Hafslund Venture AS</td>
<td>70,411,520</td>
<td>14.24%</td>
</tr>
</tbody>
</table>

*Elkem AS is a wholly owned subsidiary of Orkla ASA.*

In addition to the above, FMR LLC and FIL Limited announced on May 14, 2009 that various entities managed by direct or indirect subsidiaries of FMR LLC and FIL Limited collectively controlled Shares amounting to more than 5% of the Company’s share capital and voting rights.

Other than as described above, the Company is not aware of any shareholder directly or indirectly controlling the Company. The Company’s major shareholders do not have voting rights different from those of other holders of the Company’s Shares.

Shareholders owning more than 5% of the Shares in the Company have an interest in the Company’s share capital which is notifiable pursuant to the Norwegian Securities Trading Act.
19. SHARES AND SHAREHOLDER MATTERS

19.1 General

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 force 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 (ASA) organized under the laws of the Kingdom 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 VPS under ISIN NO 001 0112675. The Company’s VPS account manager is DnB NOR Bank ASA Verdepapirservice, Stranden 21, N-0021 Oslo, Norway. The Company does not have a Corporate Assembly. The employees have appointed directors to, and are represented on, the Board of Directors.

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 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.

19.2 Stock Exchange Listing

The Shares were admitted to trading on Oslo Børs on May 9, 2006. The Company's Shares are not listed on any other stock exchange or regulated market, and no such application has been made.

19.3 Share Capital

The Company’s issued and registered share capital is NOK 494,314,725 divided into 494,314,725 Shares, each fully paid and with a nominal value of NOK 1.

Below is a table showing the historical share structure development for the Company for the period covered by the historical financial information:

<table>
<thead>
<tr>
<th>Date of resolution</th>
<th>Type of change in share capital</th>
<th>No. of shares issued after change</th>
<th>Par value</th>
<th>Price per Share issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 13, 2006</td>
<td>Capital increase</td>
<td>18,880,658</td>
<td>NOK 20</td>
<td>255</td>
</tr>
<tr>
<td>March 30, 2006</td>
<td>Capital increase</td>
<td>21,054,456</td>
<td>NOK 20</td>
<td>255</td>
</tr>
<tr>
<td>April 20, 2006</td>
<td>Share split (1:20)</td>
<td>421,089,120</td>
<td>NOK 1</td>
<td>N/A</td>
</tr>
<tr>
<td>May 8, 2006</td>
<td>Capital increase</td>
<td>494,089,120</td>
<td>NOK 1</td>
<td>12.75</td>
</tr>
<tr>
<td>June 19, 2006</td>
<td>Capital increase</td>
<td>494,110,199</td>
<td>NOK 1</td>
<td>12.75</td>
</tr>
<tr>
<td>September 12, 2006</td>
<td>Capital increase</td>
<td>494,145,626</td>
<td>NOK 1</td>
<td>12.75</td>
</tr>
<tr>
<td>December 1, 2006</td>
<td>Capital increase</td>
<td>494,171,882</td>
<td>NOK 1</td>
<td>12.75</td>
</tr>
<tr>
<td>March 21, 2007</td>
<td>Capital increase</td>
<td>494,314,725</td>
<td>NOK 1</td>
<td>85.50</td>
</tr>
</tbody>
</table>

Following the Rights Issue, the share capital of the Company will be NOK 664,768,079 divided into 664,768,079 Shares, each fully paid and with a nominal value of NOK 1.

As of January 1, 2008 the Company had issued 494,314,725 Shares each with a nominal value of NOK 1, and as of December 31, 2008 the Company had issued 494,314,725 Shares each with a nominal value of NOK 1.

19.4 Authorizations to Increase the Share Capital

At the Extraordinary General Meeting held on June 5, 2009, the Board of Directors was granted the authority to increase the share capital by a maximum of NOK 60,000,000 through one or more share issues in order to improve the Company's financial flexibility, including in connection with capital expenditures and acquisitions. The authorization also includes capital increases in connection with mergers and share issues to employees.
This authorization will be used to issue 19,509,958 out of the 170,453,354 New Shares to be issued in the Rights Issue, following which the authorization will be reduced to a maximum capital increase of NOK 40,490,042.

At the Annual General Meeting held May 19, 2009 the Board of Directors was granted the authority to increase the share capital by a maximum of NOK 2,000,000 through one or more share issues for the purpose of fulfilling the Company’s obligations under its current employee share purchase program.

The subscription price and subscription terms in shares issues resolved pursuant to the authorizations shall be decided by the Board in connection with each share issue, taking into consideration the Company’s requirements and the market value of the Shares at the relevant time. Shares may be issued for contribution in form of cash or by transfer of other assets (contribution in kind). Existing shareholder’s pre-emptive rights to subscribe for shares may be deviated from by the Board upon exercise of the authorizations.

The authorizations replace all previous authorizations to issue shares, and expire at the 2010 Annual General Meeting (but in any case not later than 15 months calculated from the date the relevant authorization was granted by the general meeting). The Board of Directors was also granted the authority to make necessary changes to the Company’s Articles of Association upon exercise of the authorizations.

19.5 Authorization to Acquire Own Shares

At the Annual General Meeting held on May 19, 2009, the Company’s shareholders authorized the Board of Directors to repurchase up to 10% of the nominal value of the Company’s share capital at a price per Share of between NOK 10 and NOK 500, for one or more of the following purposes:

- In order to maximize the return for the shareholders;
- Fulfillment of the Company’s obligations under its employee share purchase program; or
- In connection with the Company’s long term incentive plan (LTIP 2007).

Pursuant to the resolution by the Annual General Meeting, the Shares shall be acquired and disposed of through ordinary purchase and sale. Further, the Board’s authorization is valid until the Annual General Meeting in 2010 or until it is rescinded by a simple majority resolution of a subsequent general meeting. The decision shall be notified to, and registered by, the Norwegian Register of Business Enterprises prior to acquiring any Shares pursuant to the authorization.

At the date hereof, the Company owns 242 Shares (treasury shares).

19.6 Convertible Bonds

At the Extraordinary General Meeting held on June 5, 2009, the Board of Directors was authorized to resolve to raise one or more convertible loans or loans with warrants, cf. Section 11-1 of the Norwegian the Public Limited Companies Act, in order to ensure financial flexibility, including in connection with capital expenditures and/or mergers and acquisitions. The loans shall not exceed a total principal amount of NOK 6,000,000,000. The share capital increase shall not exceed NOK 60,000,000.

The conditions for the loans shall be determined by the Board at each subscription with regard to the need of the company and the market price of the shares at that time.

Existing shareholders’ pre-emptive rights to subscribe for shares may be waived by the Board upon exercise of the authority.

The authorization expires at the Annual General Meeting in 2010, but in any event not later than September 5, 2010. The Board of Directors was also granted the authority to make necessary changes to the Articles of Association upon conversion of loans issued pursuant to the authority.
19.7 Share Options

19.7.1 General

On May 19, 2008 the Company’s Annual General Meeting approved a share option program for management and key personnel. In addition, the Annual General Meeting approved an employee share purchase program. The Annual General Meeting held May 19, 2009 resolved to continue the option program and the employee share purchase program.

19.7.2 Share option program

71 employees were granted 638,464 options under the share option program for 2008. The program has a profit cap of one to two years fixed salary. The program has a six-year duration with a lock-up period in the first three years. The number of share options awarded is limited to a maximum profit gain in each calendar year of the exercising period relative to base annual salary effective at January 1 in the year of exercise. The profit gain is calculated as the difference between the exercise price and the market price at the time of exercise. The program was continued by the Annual General Meeting in 2009, but no additional options have so far been granted.

The total share option program shall not at any time exceed 1% of the total number of outstanding shares in the Company, fully diluted.

19.7.3 Employee share purchase program

The program offered all employees in the Company and its subsidiaries to purchase shares up to a maximum market value of NOK 35,000 per employee with a discount of 15-20%. The number of shares allocated was 294,546 at a weighted average share price of per share NOK 69 on November 3, 2008. 33% of the employees participated in the program. The program was continued by the Annual General Meeting in 2009, but no additional Shares have so far been purchased pursuant to the program.

19.8 Other Financial Instruments

Other than described above, 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 Shares.

19.9 Shareholder Rights

Under Norwegian law, all shares shall 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.

19.10 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.

19.11 General Meetings

Under Norwegian law, a company’s shareholders 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 require the Company to distribute proxy forms to its shareholders for general meetings, the Company has a history of doing so as a listed company and intends to continue this practice also in the future.

In accordance with Section 5-6 of the Norwegian Public Limited Companies Act, the annual general meeting is required to be held within six months from the end of each financial year (i.e. 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.

Pursuant to Section 5-6 of the Norwegian Public Limited Companies Act, the annual general meeting of shareholders shall also deal with the Board of Directors’ declaration concerning the determination of salaries and other remuneration to senior executive officers pursuant to Section 6-16a of said Act.

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 the 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.

19.12 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, but not limited to, resolutions to waive preferential rights, if applicable, 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 the general 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 already issued, 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.

All shareholders who are registered in the register of shareholders maintained by the VPS as of the date of the general meeting, or otherwise have reported and proved their ownership of Shares, are entitled to admission without any requirement for pre-registration. It should however be noted that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote for nominee-registered shares. For example, Oslo Børs has in a statement of November 21, 2003 held that in its opinion “nominee-shareholders” may vote in general meetings if they prove their actual shareholding prior to the general meeting.

19.13 Amendments to the Company’s Articles of Association, including Variation of Rights

Pursuant to the provisions of the Norwegian Public Limited Companies Act, 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.
19.14 Additional Issuances and Preferential Rights

If the Company issues any new Shares, including bonus share issues (representing 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 against consideration in cash may be set aside by the Board of Directors only if the authorization includes such authority for the Board of Directors.

In order to issue 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.

19.15 Related Party Transactions

Under Norwegian law, an agreement between the company and a shareholder, or connected person of such shareholder (e.g. a company controlled by a shareholder or its spouse, partner or other family members), which involves consideration from the company in excess of 5% 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. Agreements entered into in the normal course of the company’s business containing pricing and other terms and conditions which are normal for such agreements, the purchase of securities at a price that is in accordance with the official quotation, as well as certain other transactions, do not require such approval. Any performance of an agreement that is not binding on the company must be reversed.

19.16 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 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.

19.17 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 Oslo Børs, which will promptly publish the notice through its information system.

19.18 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. See section 19.5 for the Company’s current authorizations and holdings in respect of treasury shares.

19.19 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 general meeting.

19.20 Liability of Directors

The Company’s Board of Directors and the President and Chief Executive Officer owe a fiduciary duty to the Company and thereby 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 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 at the relevant point in time, more than 10% of the total number of 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 a resolution 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.

19.21 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.

19.22 Distribution of Assets on Liquidation

Under Chapter 16 of the Norwegian Public Limited Companies Act, 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.

19.23 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. The Company’s Articles of Association have been incorporated hereto by reference. See section 26.2 of this Prospectus.

Name of the Company – Pursuant to the Articles of Association section 1, the Company’s registered name is Renewable Energy Corporation ASA. REC is a Norwegian public limited liability company.

Registered Office – Pursuant to the Articles of Association section 2, the Company’s registered office is in the municipality of Bærum, Norway.

Objectives of the Company – Pursuant to the Articles of Association section 3, the objectives of the Company are to develop and sell products and services related to renewable energy sources, and to perform other financial operations related thereto. 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 – Pursuant to the Articles of Association section 4, the Company’s current share capital is NOK 494,314,725 divided into 494,314,725 Shares each with a nominal value of NOK 1. Following the Rights Issue, the Company’s share capital will be NOK 664,768,079 divided into 664,768,079 Shares each with a nominal value of NOK 1. The Shares shall be registered in the Norwegian Central Securities Depository.

Board of Directors – Pursuant to the Articles of Association section 5, the Board of Directors shall consist of a minimum of five and a maximum of twelve directors. The Chairman shall be elected by the Board of Directors. In the event of an equality of votes, the Chairman has the casting vote. The Board shall be elected for a period of one year at a time.

Signatory Rights – Pursuant to the Articles of Association section 7, the right to sign on behalf of the Company is assigned to the Chairman and one board member jointly. The Board of Directors may grant power of procuration.

Annual General Meeting – Pursuant to the Articles of Association section 9, the annual general meeting of the Company’s shareholders will be convened by its Board of Directors no later than June 30 each year. 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.
20. DIVIDENDS AND DIVIDEND POLICY

20.1 Dividends

20.1.1 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, 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 were shareholders at the time the resolution was adopted, unless otherwise stated in the resolution.

20.1.2 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) 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), (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 Sections 12-4 and 12-6 of the Norwegian Public Limited Companies Act.

- Dividends can in any event only be distributed to the extent compatible with sound 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, said Act contains no dividend restrictions or specific procedures for non-Norwegian resident shareholders. For a description of withholding tax on dividends that is applicable to non-Norwegian residents, see section 23.

As part of the restructuring of the bank facilities, the Company has agreed to certain restrictions with respect to dividends and other distributions made by the Company to its shareholders.

20.2 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 Rights Issue, to finance the further growth of the Company.
21. LEGAL MATTERS

21.1 Disputes

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, neither the Company nor any of its subsidiaries is, or has 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 negative effects on the Company’s financial position or profitability.

Victor C. Jansen and Vance Jansen filed an action on May 11, 2009 against REC Silicon Inc., REC Solar Grade Silicon LLC and REC Advanced Silicon Materials LLC (the "defendants") in Grant County Superior Court, Washington State, USA. The plaintiffs are co-owners of an undeveloped “Industrial Park” property adjacent to the Moses Lake Plant. The plaintiffs’ causes of action include public and private nuisance, trespass, de facto condemnation, blight, and commercial disparagement. The plaintiffs claim, inter alia:

− damages in an amount not less than USD 6.35 million, plus development costs for the time the plaintiff's property has been idled up to the time of trial and any appeal;

− an injunction preventing construction, expansion and operations by the defendants until proper regulatory studies are completed, proper disclosure is made, proper permits and approvals are obtained, and all damages paid to parties affected by the defendant's allegedly illegal and unpermitted actions; and

− abatement of defendants’ activities that allegedly constitute nuisance.

The defendants have filed with the Court their Answer, Affirmative Defenses, and Counterclaims to the plaintiffs' complaint. The defendants have asserted 6 counterclaims against the plaintiffs. Generally, the counterclaims assert that the plaintiffs’ complaint is frivolous and was filed for an improper purpose, i.e., it was designed to coerce the defendants into agreeing to purchase the plaintiffs' property. The defendants have also asserted a counterclaim for "defamation" (false statements made about the defendants) based on a public website that was established by the plaintiffs and their attorney solely for the purpose of bringing more pressure to bear upon the defendants. The defendants intend to vigorously defend this lawsuit. The Company considers it unlikely that an injunction will be issued.

21.2 Legal adviser

The validity of the New Shares and certain other legal matters will be passed upon by Advokatfirmaet Schjødt DA, the Company’s Norwegian legal adviser. Certain legal matters will be passed upon for the Managers by Thommessen Krefting Greve Lund AS Advokatfirma, Norwegian legal adviser to the Managers.
22. SECURITIES TRADING IN NORWAY

22.1 Introduction

Oslo Børs is the principal market in which shares, bonds and other financial instruments are traded in Norway. Oslo Børs is incorporated as a public limited liability company. As of December 31, 2008, the total capitalization of companies listed on Oslo Børs amounted to approximately NOK 997 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalization on December 31, 2008 amounted to approximately 33%.

22.2 Trading and Settlement

Continuous trading on Oslo Børs takes place between 09:00 and 17:30 (Oslo time) each trading day, with pre-trade between 08:15 and 09:00 (Oslo time).

The settlement period for trading on Oslo Børs 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 Norwegian Securities Trading Act, branches of brokerage houses from an EEA Member State or brokerage houses from outside the EEA that have been licensed to operate in Norway. Brokerage houses in an EEA Member State 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 Norwegian Securities Trading Act, or in the case of brokerage houses in an EEA Member State, a license to carry out market making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian 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 (Norwegian: “Kredittilsynet”) or Oslo Børs except for the general obligation on brokerage houses that are members of Oslo Børs to report all trades in stock exchange listed securities.

22.3 Information, Control and Surveillance

Under Norwegian law, Oslo Børs is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of Oslo Børs monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

Oslo Børs controls the issuance of securities in both the equity and bond markets in Norway. Oslo Børs 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 Oslo Børs copies of all reports and communications sent to its shareholders. Each company must also promptly, unless there are valid reasons for postponement, release to Oslo Børs 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. Oslo Børs may levy fines on companies that violate such requirements.

22.4 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 give effect to 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.

22.5 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.

22.6 Foreign Investment in Norwegian Shares

Foreign investors may trade shares listed on Oslo Børs through any broker that is a member of Oslo Børs, whether Norwegian or foreign.

22.7 Disclosure Obligations

Pursuant to Section 4-2 of the Norwegian Securities Trading Act, 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 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the corresponding voting rights in the Company has an obligation under Norwegian law to notify Oslo Børs 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.

22.8 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 is 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.

22.9 Mandatory Bid Requirement

Pursuant to Chapter 6 of the Norwegian Securities Trading Act, any person, entity or a consolidated group that becomes the owner of shares representing more than 1/3 of the voting rights of a Norwegian company whose shares are quoted on a Norwegian regulated market, is obliged to within four weeks make an unconditional general offer to acquire the whole of the outstanding share capital of that company. However, the mandatory bid obligation ceases to apply if the person, entity or a consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory bid obligation was triggered. When a mandatory offer obligation is triggered, the person subject to such obligation shall immediately notify Oslo Børs and the company accordingly. The notification shall state whether a bid will be made to acquire the
remaining shares in the company or whether a sale will take place. The offer and the offer document required are subject to approval by Oslo Børs before submission of the offer to the shareholders is made or published.

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 threshold was exceeded. However, if it is clear that the market price was higher when the mandatory offer obligation was triggered, the bid price shall be at least as high as the market price. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate his bid at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or sell the portion of the shares that exceeds the relevant threshold within four weeks Oslo Børs may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, an acquirer who fails to make an offer may not, as long as the mandatory bid obligation remains in force, exercise rights in the company, such as voting on the general meeting of shareholders, without the consent of a majority of the remaining shareholders. However, the shareholder may exercise the right to dividend and pre-emption rights in the event of a share capital increase. If the shareholder neglects his duties to make a mandatory offer, Oslo Børs may impose a cumulative daily fine which runs until the circumstance has been rectified.

A shareholder or consolidated group that owns shares representing more than 1/3 of the votes in a listed company, and which has not previously made an offer for the purchase of the remaining shares in the company in accordance with the provisions concerning mandatory offers, is, as a main rule, obliged to make a mandatory offer in the case of a subsequent acquisition of shares. However, there are exceptions from this rule, including for a shareholder or a consolidated group, which, upon admission of the company to listing on a stock exchange, owed more than 1/3 of the shares in the company.

Pursuant to Section 6-6 of the Norwegian Securities Trading Act, a shareholder who represents more than 1/3 of the votes of a listed company is obliged to make an offer to purchase the remaining shares of the company (repeated bid obligation) where the shareholder through acquisition exceeds an ownership of 40% of the votes in the company. The same applies correspondingly where the shareholder through acquisition exceeds an ownership of 50% or more of the votes in the company. However, the mandatory bid obligation ceases to apply if the person, entity or a consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory bid obligation was triggered.

Pursuant to the provisions of the Norwegian Securities Trading Act and the Norwegian Securities Regulation, the above mentioned rules also apply in part or in whole to purchases of shares of certain companies other than Norwegian companies whose shares are quoted on a Norwegian regulated market.

22.10 Compulsory Acquisition

Pursuant to Section 4-25 of the Norwegian Public Limited Companies Act, a shareholder who, directly or indirectly via subsidiaries, acquires shares representing more than 90% of the total number of issued shares in the company 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. Such compulsory acquisition would imply that the majority shareholder becomes the owner of all shares held by minority shareholders with immediate effect.

Upon effecting the compulsory acquisition, the majority shareholder shall offer the minority shareholders a specific price per share, the determination of which 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 not to be of less than two months’ duration, object to the pricing being offered. 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. If an objection is made, and absent amicable settlement, each of the majority shareholders and the objecting minority shareholders may request that the price be determined by the Norwegian courts. 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.
Pursuant to Section 6-22 of the Norwegian Securities Trading Act, where the offeror, after making a mandatory or voluntary bid, has acquired more than 90% of the voting shares of the offeree company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Norwegian Public Limited Companies Act completes a forced transfer of the remaining shares within three months after the expiry of the period of the bid, the redemption price shall be fixed on the basis of the bid price, absent specific reasons indicating another price.

22.11 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.

22.12 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.
23. NORWEGIAN TAXATION

23.1 General

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. The summary 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). Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below (personal shareholders and limited liability companies). It should be noted that the participation exemption applicable to Norwegian limited liability companies as described below will also apply to certain other legal entities such as savings banks, insurance companies and others.

Shareholders are advised to consult their own tax advisors concerning the overall and individual tax consequences of their ownership of Shares.

23.2 Shareholders resident in Norway for tax purposes

23.2.1 Taxation of dividends

**Personal shareholders**

Dividends distributed to shareholders who are individuals resident in Norway for tax purposes (“Norwegian personal shareholders”) are taxable as ordinary 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 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)**

Norwegian corporate shareholders (i.e. limited liability companies and similar entities) are generally exempt from tax on dividends received on shares in Norwegian limited liability companies and similar entities. However, Norwegian corporate shareholders are subject to tax on 3% of their net income derived from shares comprised by the participation exemption method each fiscal year (dividends/capital gains less capital losses realized in the same fiscal year).

23.2.2 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 ordinary income in the year of disposal. The ordinary 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. 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 Section 23.2.1 “Taxation of dividends” above) less dividends distributed on the 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.
A Norwegian personal shareholder, who moves abroad and ceases to be tax resident in Norway as a result of this, will be deemed taxable in Norway for any potential gain of NOK 500,000 or more, on the shares warrants and subscription rights held at the time the tax residency ceased, as if the shares were realised at that time. Gains of NOK 500,000 or less are though not taxable. The payment may be postponed if adequate security is provided. If the personal shareholder moves to a jurisdiction within the EEA, a deferral of the payment of the taxes might be granted without such guarantee, provided that Norway, pursuant to a treaty, can request information from the other jurisdiction regarding the person’s income- and wealth, and assistance in relation to the collection of taxes. Losses on shares, warrants and subscription rights held at the time tax residency ceases will, be tax deductible to the same extent as a gain would be taxable, if the personal shareholder moves to a jurisdiction within the EEA. In such case the loss is determined in the year of the emigration, but the taxation (loss deduction) will occur at the time the shares are actually sold or otherwise disposed of. The tax liability calculated under these provisions may be reduced if the value of the shares at the time of the realization is less than the value at the time of the emigration, or if the gain is regarded taxable in another jurisdiction. If the shares are not realised within five years after the shareholder ceased to be resident in Norway for tax purposes, the tax liability described above will not apply. Any tax treaty in force between Norway and the state to which the shareholder has moved may influence the application of these rules.

Corporate shareholders (Limited Liability Companies)

Norwegian corporate shareholders are generally exempt from tax on capital gains upon the realization of shares in Norwegian limited liability companies and similar entities. However, Norwegian corporate shareholders are subject to tax on 3% of their net income derived from shares comprised by the participation exemption method each fiscal year (dividends/capital gains less capital losses realized in the same fiscal year). Net losses from shares the loss will not be deductible.

23.2.3 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 Oslo Børs is 100% of the listed value as of January 1 in the assessment year.

23.3 Shareholders not resident in Norway for tax purposes

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.

23.3.1 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 subject to withholding tax dividends received from Norwegian limited liability companies at the general rate or at a reduced rate according to an applicable tax treaty. However, such shareholders may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share, see “Personal shareholders” in section 23.2.2 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, provided that the Non-resident corporate shareholder is the beneficial owner of the shares and that the Non-resident corporate shareholder is genuinely established and performs genuine economic business activities within the EEA.

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.

23.3.2 Taxation on realization of Shares

Gains from the sale or other disposal of Shares by a non-resident shareholder will not be subject to Norwegian taxation unless the non-resident shareholder is a personal shareholder holding the Shares in connection with the conduct of a trade or business in Norway.

23.3.3 Net wealth tax

Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax.

23.4 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.

23.5 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.
ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public limited liability 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 DA, 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.
25. INDEPENDENT AUDITOR

The Company’s audited consolidated financial statements as of December 31, 2008, 2007 and 2006, as incorporated hereto by reference, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act.

The above mentioned audited financial statements include Norwegian statutory audit reports that are addressed to the Annual General Meeting of Renewable Energy Corporation ASA in accordance with standard practice in Norway covering the financial statements above.

The aforementioned consolidated financial statements 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 the Norwegian Institute of Public Auditors (Norwegian: “Den Norske Revisorforening”).

The Company’s consolidated condensed interim financial statement as of and for the three months ended March 31, 2009 and March 31, 2008, have been prepared in accordance with IAS 34. The condensed consolidated interim financial statements for the first quarter 2009 have been subject to a review by the auditor regarding the 2009 figures. The first quarter 2008 figures and the consolidated condensed interim financial statements of and for the three months ended March 31, 2008 are unaudited.
26. DOCUMENTS ON DISPLAY AND INCORPORATION BY REFERENCE

26.1 Documents on display

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, Kjørboveien 29, P.O. Box 594, N-1337 Sandvika, Norway (telephone number +47 67 57 44 50):

- The Company’s Memorandum and Articles of Association;
- The Company’s 2006, 2007 and 2008 consolidated annual financial statements, including the auditor’s report;
- The Company’s first quarter 2009 interim financial statements;
- The auditor’s review report for the three months period ended March 31, 2009; and
- The 2007 and 2008 annual financial statements for the Company’s subsidiaries (to the extent such exist).

26.2 Incorporation by reference

The following documents have been incorporated hereto by reference:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Section in Prospectus</th>
<th>Incorporated by reference</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company’s first quarter 2009 interim financial statements, with comparative statements for first quarter 2008 as well as the auditor’s review report for the first quarter numbers.</td>
<td>10 and 12</td>
<td>The consolidated condensed financial information in the Company’s first quarter report for 2009, including statement of income (page 13), statement of comprehensive income (page 13), statement of financial position (pages 14 and 15), changes in equity (page 16) and statement of cash flow (page 18) and the auditor’s review report.</td>
<td><a href="http://www.recgroup.com">www.recgroup.com</a></td>
</tr>
<tr>
<td>The Company’s audited annual report for 2008, including an overview of the Company’s accounting policy, explanatory notes and auditor’s report.</td>
<td>10, 12 and 16</td>
<td>The consolidated financial information in the Company’s annual report for 2008, including income statement (page 32), statement of recognized income and expenses (page 33), balance sheet (pages 30 and 31), changes in equity (pages 62 and 63), statement of cash flow (page 34), an overview of accounting principles (pages 36 to 43), explanatory notes (pages 36 to 91) and the auditor’s report (page 104).</td>
<td><a href="http://www.recgroup.com">www.recgroup.com</a></td>
</tr>
<tr>
<td>The Company’s audited annual report for 2007, including an overview of the Company’s accounting policy, explanatory notes and auditor’s report.</td>
<td>10 and 12</td>
<td>The consolidated financial information in the Company’s annual report for 2007, including income statement (page 72), statement of recognized income and expenses (page 73), balance sheet (pages 70 and 71), changes in equity (page 98), statement of cash flow (page 74), an overview</td>
<td><a href="http://www.recgroup.com">www.recgroup.com</a></td>
</tr>
<tr>
<td>Description</td>
<td>Pages</td>
<td>Description</td>
<td>Website</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>-------</td>
<td>----------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>The Company’s audited annual report for 2006, including an overview of the</td>
<td>10 and 12</td>
<td>The consolidated financial information in the Company’s annual report for 2006, including income statement (page 60), statement of recognized income and expenses (page 61), balance sheet (pages 58 and 59), changes in equity (pages 86 and 87), statement of cash flow (page 62), an overview of accounting principles (pages 64 to 70), explanatory notes (pages 64 to 105) and the auditor’s report (page 115).</td>
<td><a href="http://www.recgroup.com">www.recgroup.com</a></td>
</tr>
<tr>
<td>Company’s accounting policy, explanatory notes and auditor’s report.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Articles of Association 16, 18 and 21 Articles of Association.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above documents are also available at the address stated under section 26.1 above.
27. DEFINITIONS AND GLOSSARY OF TERMS

27.1 Definitions

In the Prospectus, the following definitions have the meanings indicated below.

**Articles of Association** ........................................... The articles of association of the Company in force as at the date of this Prospectus

**Bank Underwriters** ............................................... DnB NOR Bank ASA, Nordea Bank Norge ASA, BNP PARIBAS, ABN AMRO

**Board of Directors** .................................................. The Board of Directors of the Company

**Company** .............................................................. Renewable Energy Corporation ASA, a public limited liability company duly incorporated under the laws of the Kingdom of Norway, having its registered office at Kjørboveien 29, N-1337 Sandvika, Norway. Unless the context otherwise require, the “Company” also includes its subsidiaries.

**EBIT** ................................................................. Earnings Before Interest and Tax

**EBITDA** ............................................................... Earnings Before Interest, Taxes, Depreciation and Amortization

**EEA** ................................................................. European Economic Area

**EUR** ............................................................... Euro, the lawful currency currently shared by 16 of the European Union's member states

**Existing Shareholders** .......................................... Shareholders of the Company as of June 22, 2009, such shareholders to be awarded Subscription Rights in proportion to their shareholding in the Company as of such date, and as registered in the register of shareholders of the Company as of the Record Date, each subscription right granting the owner the right to subscribe for and be allocated one (1) New Share in the Rights Issue.

**Global Coordinator and Joint Bookrunner** ............ DnB NOR Markets

**Joint Lead Managers and Joint Bookrunners** .......... ABN AMRO, BNP PARIBAS and Nordea Markets, collectively

**Managers** ............................................................ DnB NOR Markets, ABN AMRO, BNP PARIBAS and Nordea Markets, collectively

**New Shares** .......................................................... The 170,453,354 new shares of the Company to be issued in connection with the Rights Issue and subsequently listed on Oslo Børs

**NOK** ............................................................... Norwegian kroner, the lawful currency of the Kingdom of Norway

**Norwegian Public Limited Companies Act** .......... Norwegian Act no. 45 of June 13, 1997 on public limited liability companies

**Norwegian Securities Trading Act** ......................... Norwegian Act no. 75 of June 29, 2007 on securities trading

**Oslo Børs** .......................................................... The Oslo Stock Exchange

**Prospectus** .......................................................... This prospectus, dated June 23, 2009, prepared in connection with the offering of the New Shares through the Rights Issue and the subsequent admission of the New Shares on Oslo Børs.
Shares to trading on Oslo Børs.

The Company

The Company together with its subsidiaries

The date for determining the right for Existing Shareholders to receive Subscription Rights, such date being June 25, 2009, at which date the register of shareholders maintained by the VPS will show shareholders as per June 22, 2009.

Fully underwritten issue of 170,453,354 New Shares with Subscription Rights for Existing Shareholders as of June 22, 2009, as further described herein

200 Shares

Singapore dollar, the lawful currency of the Republic of Singapore

Orkla ASA, Elkem AS, Hafslund Venture AS, Folketrygdfondet and Fidelity

Persons or legal entities registered in the VPS as owner of an interest in a Share

The existing shares of the Company

Sovello AG, a company owned 33.3% each by the Company, Evergreen and Q-Cells

From June 29, 2009 to July 13, 2009 at 17:30 (Oslo time)

United States Dollar, the lawful currency of the United States of America

The U.S. Securities Act of 1933, as amended

VPS Holding ASA (the Norwegian Central Securities Depository)

An account held with the VPS to register ownership of securities

DnB NOR Bank ASA, Verdiapapirservice, Stranden 21, N-0021 Oslo, Norway

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.

CO2

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”).

**dm²**

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.e., a negatively charged and a positively charged layer.

**EEG: Renewable Energies Act**

German Act on Granting Priority to Renewable Energies (Erneuerbare Energien Gesetz)

**Electronic-grade silicon (EG)**

Silicon with a purity of between 99,9999999% to 99,99999999% (9N to 11N purity)

**EPIA**

European Photovoltaic Industry Association

**FIT: 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.

**IPR**

Intellectual Property Rights
ITC ......................................................... Investment Tax Credit
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 kWh = 1,000 watts over a period of one hour.
Kilowatt peak (kWp) ........................................... 1,000 Wp. Unit used to measure the standardized power output (rated output) of PV cells or PV modules.
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.
Marketbuzz™ .................................................. Annual World Photovoltaic Market Review, publication by Solarbuzz LLC.
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.
Metric ton (MT) .................................................. 1,000 kg. Unit of mass
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.
MT ................................................................. Abbreviation of “metric ton”
MW ............................................................... Abbreviation of “megawatt”
MWH ............................................................. Abbreviation of “megawatt hour”
MWp .............................................................. Abbreviation of “megawatt peak”
Megawatt peak (MWp) ....................................... 1 megawatt peak = 1,000 kilowatt peak
NEF ............................................................... New Energy Finance
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,
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polysilicon</td>
<td>Highly purified silicon used in the electronic and solar industry.</td>
</tr>
<tr>
<td>Photovoltaic (PV) effect</td>
<td>The generation of electricity when radiant energy, such as sunlight, falls on the boundary between two different substances (e.g., two different semiconductors).</td>
</tr>
<tr>
<td>Primary energy consumption</td>
<td>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.</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>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, geothermal power, hydropower and wind energy.</td>
</tr>
<tr>
<td>Renewable energy world</td>
<td>International industry publication covering, among other industries, the global PV industry.</td>
</tr>
<tr>
<td>Siemens reactor</td>
<td>Conventional reactor used for deposition of silane on long silicon rods. Used by most manufacturers of polysilicon.</td>
</tr>
<tr>
<td>100,000 Roofs Program</td>
<td>The 100,000 Roofs Program was a German government program that provided nationwide government incentives until June 30, 2003 for the construction of solar power systems.</td>
</tr>
<tr>
<td>Silane (SiH4)</td>
<td>A compound gas consisting of hydrogen and silicon. An intermediate stage in the production of polysilicon.</td>
</tr>
<tr>
<td>Silicon wafer</td>
<td>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.</td>
</tr>
<tr>
<td>Small Hydro</td>
<td>Small hydropower is commonly defined as below 10 MW.</td>
</tr>
<tr>
<td>Slurry</td>
<td>Cutting fluid used when sawing silicon blocks into wafers. Consists of silicon carbide and polyethylene glycol.</td>
</tr>
<tr>
<td>Solarbuzz</td>
<td>An international solar energy market research and consulting company.</td>
</tr>
<tr>
<td>Solar cell</td>
<td>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.</td>
</tr>
<tr>
<td>Solar energy</td>
<td>Throughout this document the term solar energy refers to the generation of electricity based on the PV effect. In</td>
</tr>
</tbody>
</table>
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 used to measure the capacity of PV systems.

**Watt-Peak (Wp)**

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). Module prices are generally indicated in €/Wp.

**Wp**

Abbreviation of “watt peak”

**µm**

Micrometer (micron) $10^{-6}$ m. Measurement unit typically used when describing the thickness of wafers.
Renewable Energy Corporation ASA

RIGHTS ISSUE

SUBSCRIPTION FORM

Securities no. ISIN NO 001 0112675

General information: The terms and conditions of the Rights Issue of 170,453,354 New Shares in Renewable Energy Corporation ASA (the "Company") pursuant to resolution by the Company’s Extraordinary General Meeting held on June 5, 2009 and resolution by the board of directors on June 22, 2009 are set out in the prospectus dated June 23, 2009 (the "Prospectus"). Terms defined in the Prospectus shall have the same meaning in this Subscription Form. Notice of and minutes from the Extraordinary General Meeting (with enclosures), the resolution by the board of directors, the Company’s articles of association and annual accounts for the last three years are available at the Company’s registered office.

Subscription procedure: The Subscription Period is from and including June 29, 2009 to July 13, 2009 at 17:30 (Oslo time). Correctly completed Subscription Forms must be received by DnB NOR Bank ASA, Registrar Department ("DnB NOR") or Nordea Bank Norge ASA before the end of the Subscription Period at one of the following Subscription Offices: DnB NOR Bank ASA, Registrar Department, NO-0021 Oslo, Norway, Fax. +47 22 48 29 80; or Nordea Bank Norge ASA, Securities Services - Issuer Services, P.O. Box 1306 Sentrum, N-0147 Oslo, Norway, Fax: +47 22 48 63 49. The Subscriber is responsible for the correctness of the information inserted on the Subscription Form. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms may be disregarded at the sole discretion of the Company or the Managers. Norwegian citizens may also subscribe for New Shares by following the links on www.tregruppen.net/trg or www.nordea.com/REC, which will redirect the Subscriber to the VPS online subscription system. Neither the Company nor the Managers may be held responsible for postal delays, unavailable fax lines, unavailable internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by a Subscription Office. Subscriptions are binding and irrevocable, and cannot be withdrawn, cancelled or modified by the Subscriber after being received by a Subscription Office. By signing and submitting this Subscription Form, Subscribers confirm that they have read the Prospectus and are eligible to subscribe for New Shares under the terms set forth therein.

Subscription Price: The Subscription Price in the Rights Issue has been set at NOK 26.50 per New Share.

Subscription Rights: Existing Shareholders of the Company as of June 22, 2009 will be awarded Subscription Rights in proportion to their shareholding in the Company as of such date, each Subscription Right granting the owner the right to subscribe for and be allocated one (1) New Share in the Rights Issue. Oversubscription and subscription without Subscription Rights is permitted. The Company will issue one (1) Subscription Right per 2.9 Shares held in the Company, rounded down to the nearest whole number of Subscription Rights. Subscription Rights that are not used to subscribe for New Shares before the end of the Subscription Period will lapse without compensation to the holder, and consequently be of no value.

Allocation of New Shares: The New Shares will be allocated to the Subscribers based on the allocation criteria set out in the Prospectus. The Board reserves the right to round off, reject or reduce any number of shares not covered by Subscription Rights. The Company will not allocate fractional New Shares. Allocation of fewer New Shares than subscribed for does not impact on the Subscribers’ obligation to be allocated and pay for the number of New Shares allocated. Notification of allocated New Shares and the corresponding subscription amount to be paid by each Subscriber is expected to be distributed in a letter from the VPS on or about July 17, 2009.

Payment: The New Shares fall due for payment on July 21, 2009 (for “Due Date of Payment”). By signing the Subscription Form, Subscribers having a Norwegian bank account authorize DnB NOR to debit the bank account specified below by the Subscriber for payment of the allocated New Shares for transfer to account number 7001.95.62792. DnB NOR is only authorized to debit each account once, but reserves the right to make up to three debit attempts. As the debiting takes place ahead in time, the authorization will be in force for a period of up to seven working days after the Due Date of Payment. The Managers reserve the right to consider the payment overdue if there are not sufficient funds to cover payment for the New Shares allocated on the account when an attempt to debit the account is made by DnB NOR on or after the Due Date of Payment, or if for other reasons is not possible to debit the bank account. The Subscriber furthermore authorizes DnB NOR to obtain confirmation from the Subscriber’s bank that the Subscriber has disposed over the indicated account as well as a confirmation that there are sufficient funds in the account to cover the payment. Payment by direct debiting is only available for investors that are Norwegian citizens or pursuant to an authorisation, documentation in the form of a company certificate or power of attorney should be attached.

PLEASE SEE PAGE 2 OF THIS SUBSCRIPTION FORM FOR OTHER PROVISIONS WHICH ALSO APPLY TO THE SUBSCRIPTION

DETAILS OF THE SUBSCRIPTION

Subscriber’s VPS account

Number of Subscription Rights

Number of New Shares subscribed

(Incl. over-subscription)

Subscription price per share

NOK 26.50

Subscription amount to pay

NOK

SUBSCRIPTION RIGHTS’ SECURITIES NUMBER: ISIN NO 001 053414

IREVOCABLE AUTHORIZATION TO DEBIT ACCOUNT (MUST BE COMPLETED)

My/our Norwegian bank account to be debited for the payment of New Shares allotted (number of shares allotted x NOK 26.50).

My/our bank account number, NO-________. DnB NOR is only authorized to debit each account once, but reserves the right to make up to three debit attempts. As the debiting takes place ahead in time, the authorization will be in force for a period of up to seven working days after the Due Date of Payment. The Managers reserve the right to consider the payment overdue if there are not sufficient funds to cover payment for the New Shares allocated on the account when an attempt to debit the account is made by DnB NOR on or after the Due Date of Payment, or if for other reasons is not possible to debit the bank account. The Subscriber furthermore authorizes DnB NOR to obtain confirmation from the Subscriber’s bank that the Subscriber has disposed over the indicated account as well as a confirmation that there are sufficient funds in the account to cover the payment. Payment by direct debiting is only available for investors that are Norwegian citizens or pursuant to an authorisation, documentation in the form of a company certificate or power of attorney should be attached.

In accordance with the terms and conditions set out in the Prospectus and this Subscription Form, Uwe hereby irrevocably subscribe for the number of New Shares specified above and grant DnB NOR authorization to debit (by direct or manually debiting as described above) the specified bank account on or after the Due Date of Payment of the New Shares allocated to me/us. Further, by signing this Subscription Form, Uwe accept the terms and conditions for Payment by Direct Debiting – Securities Trading – mentioned on page 2 of this Subscription Form.

Place and date

Must be dated in the subscription period

INFORMATION ON THE SUBSCRIBER

VPS account number

First name

Surname/company

Street address (for private) / home address

Post code/district / County

Personal ID number / Organisation number

Norwegian Bank Account for dividends

Nationality

Daytime telephone number

In the case of changes in registered information, the account operator must be contacted. Your account operator is:

Binding signatures. The subscriber must have legal capacity. When signed on behalf of a company or pursuant to an authorisation, documentation in the form of a company certificate or power of attorney should be attached.
Regulatory Issues: Legislation passed throughout the EEA pursuant to the Markets and Financial Instruments Directive ("MiFID") implemented in the Norwegian Securities Trading Act, imposes requirements in relation to business investment. In this respect the Managers must categorize all new clients in one of three categories: Eligible counterparties, Professional clients and Non-professional clients. All Subscribers in the Rights Issue who/which are not existing clients of the Managers will be categorized as Non-professional clients. Subscribers can by written request to the Managers ask to be categorized as a Professional client if the Subscriber fulfills the provisions of the Norwegian Securities Trading Act. For further information about the categorization, the Subscriber may contact DNB NOR Markets (Subscriber establishment, N-5020 Bergen, Norway or https://www.dnbnor.no/en/markets/business-terms/mifid) or Nordea Markets at www.nordea.no/mifid. Note: The Subscriber represents that it has sufficient knowledge, sophistication and experience in financial and business matters to be capable of evaluating the merits and risks of an investment decision to invest in the Company by subscribing for New Shares, and the Subscriber is able to bear the economic risk, and to withstand a complete loss of an investment in the New Shares.

Selling and Transfer Restrictions: The Subscription Rights and New Shares have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or under the securities law of any state or other jurisdiction of the United States. There will be no public offer of the Subscription Rights and New Shares in the United States. A notification of subscription of Subscription Rights and New Shares in contravention of the above may be deemed to be invalid. The Subscription Rights and New Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Subscription Rights and New Shares or the accuracy or adequacy of the Prospectus. Any representation to the contrary is a criminal offense in the United States. The Subscription Rights and New Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act. Any offering of the Subscription Rights and New Shares to be made in the United States by REC will be made only to a limited number of qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) pursuant to an exemption from registration under the U.S. Securities Act and who have executed and returned an investor letter to the Company prior to exercising their Subscription Rights. Prospective purchasers are hereby notified that sellers of the New Shares may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Until 40 days after the commencement of the Rights Issue, any offer or sale of Subscription Rights and New Shares within the United States by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the U.S. Securities Act.

Execution Only: The Managers will treat the Subscription Form as an execution-only instruction, since the Managers are not in the position to determine whether an investment in the New Shares is suitable or not for the Subscriber. Hence, the Subscriber will not benefit from the protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information Exchange: The Subscriber acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Commercial Banks Act and foreign legislation applicable to the Managers (as the case may be) there is a duty of secrecy between the different units of the Managers as well as between the Managers and the other entities in the Managers’ respective groups. This may entail that other employees of the Managers or the Managers’ respective groups may have information that may be relevant to the Subscriber, but which the Managers will not have access to in their capacity as Managers for the Rights Issue.

Information Barriers: The Managers are securities firms, which offer a broad range of investment services. In order to ensure that assignments undertaken in the Managers’ Corporate Finance departments are kept confidential, the Managers’ other activities, including analysis and stock broking, are separated from the respective Managers’ Corporate Finance departments by Chinese walls. The Subscriber acknowledges that the Managers’ analysis and stock broking activity may act in conflict with the Subscriber’s interests with regard to transactions of the Shares as a consequence of such Chinese walls.

Mandatory Anti-Money Laundering Procedures: The Rights Issue is subject to the Norwegian Money Laundering Act No. 11 of March 6, 2009 and the Norwegian Money Laundering Regulations No. 302 of March 13, 2009 (together the “Anti-Money Laundering Legislation”). All Subscribers not registered as existing customers with the Managers must verify their identity in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers that have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, provided the aggregate subscription price is less than NOK 100,000, unless verification of identity is requested by the Managers. The verification of identity must be completed prior to the end of the Subscription Period. Investors that have not completed the required verification of identity may not be allocated New Shares. Further, in participating in the Rights Issue, each subscriber must have a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with Norwegian banks, norwegian securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorized by the Norwegian Ministry of Finance. Establishment of VPS account requires verification of identity before the VPS registrar in accordance with the Anti-Money Laundering Legislation.

Terms and Conditions for Payment by Direct Debiting - Securities Trading: Payment by direct debiting is a service the banks in Norway provide in cooperation. In the relationship between the payer and the payer’s bank the following standard terms and conditions will apply:

a) The service “Payment by direct debiting – securities trading” is supplemented by the account agreement between the payer and the payer’s bank, in three frames of applicable Norwegian law.

b) Costs related to the use of “Payment by direct debiting – securities trading” appear from the bank's prevailing price list, account information and/or information given by other appropriate manner. The bank will charge the indicated account for costs incurred.

c) The authorization for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payer’s bank account.

d) In case of withdrawal of the authorization for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act the payer’s bank shall assist if the payer withholds a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.

e) The payer cannot authorize payment of a higher amount than the funds available on the payer’s account at the time of payment. The payer’s bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall immediately be credited by the payer.

f) The payer’s account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorization for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorization has expired as indicated above. Payment will normally be credited the beneficiary’s account between one and three working days after the indicated date of payment/delivery.

g) If the payer’s account is wrongly charged after direct debiting, the payer’s right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

Overdue Payment: Overdue and late payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment of December 17, 1976 no. 100, currently 10% per annum. If the Subscriber fails to comply with the terms of payment, the New Shares within the Due Date of Payment. To the extent such advanced payment is made, the Company and the Managers reserve the right to sell or assume ownership of the New Shares on the fourth day after the Due Date of Payment without further notice to the Subscriber in question in accordance with Section 10-12 fourth paragraph of the Norwegian Public Limited Companies Act. The Subscriber will be liable for any loss, cost and expenses suffered or incurred by the Company and/or the Managers as a result of or in connection with such disposals. The Subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued (and will not be entitled to profits, if any), and the Company and/or the Managers may enforce payment for any such amount outstanding within the frames of applicable Norwegian law.
### Tegningsblankett

**Verdipapirnr.: ISIN NO 001 0112675**


**Tegningskursen:** Tegningskursen i Fortrinsrettsemisjonen av Nye Aksjer har blitt satt til NOK 26,50 per Nye Aksje.

**Tegningsrett:** Existerende Aktionærer i Selkaper per 22. juni 2009 vil bli tildelt Tegningsrett i samme forhold som de andre aksjer i Selkaper per nevnte dato. Hver tegningsrett gir eieren rett til å tegne og bli satt til (1) Nye Aksje i Fortrinsrettsemisjonen. Overtegning og tegning uten Tegningsrett er iltlig. Selkaper vil utstedte (1) Tegningsrett per 2,9 eide Aksjer i Selkaper, avrundet ned til nærmeste halv antall Tegningsrett.

**Tegningskurs per aksje:** Tegningskursen i Fortrinsrettsemisjonen har blitt satt til NOK 26,50 per Nye Aksje. Tegningsrett: Tekst som ikke er benyttet til tegning av Nye Aksjer før utløpet av Tegningsperioden vil falle bort uten kompensasjon til eieren, og vil følgelig være uten verdi.


Regulatoriske forhold: Lovgivning vedtatt i EØS-området i henhold til "Markets and Financial Instruments"-direktivet ("MiFID") inkorporert i verdipapirhandelavenløv og som har signert og returnert et investorbrev til Selskapet forut for utøvelsen av sine Tegningsretter. Potensielle kjøpere av de Nye myndigheter i USA, og ingen av de forannevnte myndigheter har vurdert eller godkjent godheten i tilbudet av Tegningsretter og Nye Aksjer eller nøyaktigheten eller begrenset antall "qualified institutional buyers" (slik dette er definert i Rule 144A i U.S. Securities Act) i henhold til et unntak fra registrering etter U.S. Securities Act i medhold av Regulation S i U.S. Securities Act. Ethvert tilbud av Tegningsrettene og de Nye Aksjene som eventuelt gjøres i USA av REC vil kun rettes mot et Aksjene har ikke blitt godkjent eller underkjennt av United States Securities and Exchange Commission, noen statskommisjon i USA, eller andre regulatoriske myndigheter i USA, og ingen av de forannevnte myndigheter har vurdert eller godkjent godheten i tilbudet av Tegningsretter og Nye Aksjer eller nøyaktighet eller tilknytthet av prospektet. Enheten påstat om det mottatt er en kriminel lovovertrædelse i USA, Tegningsretterne og de Nye Aksjeen tilbyr og selges utenfor USA i medhold av Regulation S i U.S. Securities Act. Ethvert tilbud av Tegningsretter og de Nye Aksjene som eventuelt gjøres i USA av REC vil kun rettes mot et begrenset antall "qualified institutional buyers" (slik dette er definert i Rule 144A i U.S. Securities Act) i henhold til et unntak fra registrering etter U.S. Securities Act og som har signert og returnert et investorbrev til Selskapet forut for utøvelsen av sine Tegningsretter. Potensielle kjøpere varsles herved om at selgere av de Nye myndigheter i USA, vil kunne lene seg på de unntak fra reglene i Section 5 i U.S. Securities Act som følger av Rule 144A. I perioden inntil 40 dager etter begynnelsen av Tegningsrettersemisjonen, vil ethvert tilbud eller salg av Tegningsretter og Nye Aksjer innenfor USA av enhver selger (uavhengig av om vedkomende deltar i Tegningsrettersemisjonen) kunne være i strikt i medhold av verifisering og registreringsavtale i U.S. Securities Act.

Kun gjennomføring: Tiltrekkleggerne vil behandle Tegningsblanketten kun som en instruksjon om gjennomføring, ettersom Tiltrekkleggerne ikke er i posisjon til å ta stilling til hvorvidt en investering i de Nye Aksjene vil bli eget for Tegneren. Tegneren vil dermed ikke nye godt av beskyttelsen som ligger i relevante bestemmelser i samsvar med verdipapirhandelavenløv.

Informasjonsavtalen: Tegneren bekrefter å være inneforstått med at i henhold til verdipapirhandelavenløven og forretningsbanken i den sette utfall til de Nye Aksjene i USA som har sitt unntak fra registreringspliktene i U.S. Securities Act. Før et tilbud av Tegningsretter og de Nye Aksjene som eventuelt gjøres i USA av REC vil kun rettes mot et begrenset antall "qualified institutional buyers" (slik dette er definert i Rule 144A i U.S. Securities Act) i henhold til et unntak fra registrering etter U.S. Securities Act og som har signert og returnert et investorbrev til Selskapet for utøvelsen av sine Tegningsretter. Potensielle kjøpere varsles herved om at selgere av de Nye Aksjene vil kunne lene seg på de unntak fra reglene i Section 5 i U.S. Securities Act som følger av Rule 144A. I perioden inntil 40 dager etter begynnelsen av Tegningsrettersemisjonen, vil ethvert tilbud eller salg av Tegningsretter og Nye Aksjer innenfor USA av enhver selger (uavhengig av om vedkomende deltar i Tegningsrettersemisjonen) kunne være i strikt i medhold av verifisering og registreringsavtalen i U.S. Securities Act.

Obligatoriske hvitvaskingsprosedyrer: Forfatteren avdelen av Hvitetvaksingsloven med tanke på om dem mulighet mellom de ulike deler av Tegningslovens bestemmelser som slikt er definert i Rule 144A i U.S. Securities Act. Før et tilbud av Tegningsretter og de Nye Aksjene som eventuelt gjøres i USA av REC vil kun rettes mot ethvert tilbud av Tegningsretter og de Nye Aksjene som eventuelt gjøres i USA av REC vil kun rettes mot

Informasjonsbarriere: Hvert informasjonsavtale vil behandle Tegningsblanketten kun som en instruksjon om gjennomføring, ettersom Tiltrekkleggerne ikke er i posisjon til å ta stilling til hvorvidt en investering i de Nye Aksjene vil bli eget for Tegneren. Tegneren vil dermed ikke nye godt av beskyttelsen som ligger i relevante bestemmelser i samsvar med verdipapirhandelavenløv.

Vilkår og betingelser for betaling med engangsfullmakt – verdipapirhandel: Betaling med engangsfullmakt er en tjeneste til tjenester i Norge tilbyl i felleskap. I forholdet mellem betaler og betaler bank gjelder følgende standardvilkår:

a) Tjenesten "Betaling med engangsfullmakt – verdipapirandel" leveres av kontouavtalen mellom betaler og betaler bank, særlig kontouavtalen del C, Generelle vilkår for innkutt og betalingsopdrag.

b) Kostnader relatert til bruk av "Betaling med engangsfullmakt – verdipapirandel" fremgår av bankens gjeldende prisliste, kontoinformasjon og/eller opplysnings kan av bestemte kostnader.

c) Engangsfullmakten signeres av betaler og leveres til betalingsmottaker. Betalingsmottaker vil levere betalingsopdraget til betaler, som igjen kan belaste betaler betaler.

Ved et eventuelt tilbakekall av engangsfullmakten skal betaler først ta opp forholdet med betalingsmottaker. I henhold til finansavtalen skal banken medvirke dersom betaler belaster betalingsmottaker eller belaster betalingsmottaker.

d) Betaler kan ikke angi et høyere beløp på engangsfullmakt enn det som på belastningsidetidspunktet er disponibelt på konto. Betalens bank vil ikke belaste betaler betaler.

e) Engangsfullmakten kan belastes med tiltak som er utenfor av betaler til betalingsmottakere.

f) Tiltak kan ikke bli belastet på annen belastningsdag. Dersom belastningsdag ikke er angitt i engangsfullmakten, skal betaler belaste betalingsmottakere.

g) Dersom betaler kan ikke berette om belastningsdagen.

h) Dersom betaler kan ikke belaste betalingsmottaker.

i) Dersom betaler kan ikke belaste betalingsmottaker.

Renewable Energy Corporation ASA
Kjørboveien 29
P.O. Box 594
N-1337 Sandvika, Norway

Global Coordinator and Joint Bookrunner
DnB NOR Markets
Stranden 21
N-0021 Oslo, Norway

Joint Lead Manager and Joint Bookrunner
ABN AMRO
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

BNP PARIBAS
16 Boulevard des Italiens
75009 Paris
France

Nordea Markets
Middelthunsg. 17
P.O. Box 1166 Sentrum
N-0107 Oslo, Norway

Financial Adviser to the Company
Arctic Securities ASA
Haakon VII’s gate 5
P.O. Box 1833 Vika
N-0123 Oslo, Norway

Legal Adviser to the Company
(as to Norwegian law)
Advokatfirmaet Schjødt DA
Dronning Mauds gate 11
P.O. Box 2444 Sollie
N-0250 Oslo, Norway

Legal Adviser to the Joint Lead Managers
(as to Norwegian law)
Thommessen Krefting Greve Lund AS Advokatfirma
Haakon VII’s gate 10
P.O. Box 1484 Vika
N-0116 Oslo, Norway

Auditor
KPMG AS
Sørkedalsveien 6
P.O. Box 7000 Majorstuen
N-0306 Oslo, Norway

Registrar
DnB NOR Bank ASA
Registrar Department
N-0021 Oslo, Norway