ANNUAL REPORT 2009

RENEWABLE ENERGY CORPORATION ASA

REC BOARD OF DIRECTORS 2009

DAG OPEDAL (1959)

Chairman of the Board of Directors of Renewable Energy Corporation ASA since June 2009. Currently President and CEO in Orkla ASA. Member of the Board of Jotun AS. Member of the Corporate Assembley of DnB NOR ASA. Member of the FAFO Council. Chairman of the board of several companies in the Orkla Group. Mr. Opedal holds a degree from the Norwegian School of Economics and Business Administration (NHH) and an MBA from INSEAD, France.

TORE SCHIØTZ (1957)

Mr. Schiøtz has served as Chairman of the Board of REC between 2002 and 2007, deputy chairman from 2007 to 2009, and Chairman of the Board from March 2009 to June 2009. Currently Group Senior Vice President in Hafslund ASA and Managing Director Hafslund Venture. Chairman of the Board of Directors of Fesil AS. Member of the Board of Directors of Metallkraft and Hafslund Telekom AS. Mr. Schiøtz holds a Masters of Business Administration from the Norwegian School of Management (BI) and a CEFA Degree.

ROAR ENGELAND (1960)

Member of the Board of Directors of REC since November 2005. Currently Executive Vice President, Financial Investments and Corporate Development in Orkla ASA. Board member of various subsidiaries of Orkla ASA. Board member of Alfa Nord AS. Board menber of Grow Invest AS. Member of the Corporate Assembley of Storebrand ASA. Mr. Engeland holds a Magister Artium degree in philosophy and a Masters of Business Administration from INSEAD, France and is a graduate of the Norwegian Military Academy.

SUSANNE E. MUNCH THORE (1960)

Member of the Board of Directors of REC since May 2006. Ms. Munch Thore is an attorney-at-law, and currently partner of the law firm Wikborg, Rein & Co in Norway. Member of the Board of Directors of Gjensidige Bank Boligkreditt AS and of Oslo Areal ASA. Ms. Munch Thore holds a Cand.jur (law) degree from the University of Oslo, a Master of Law from Georgetown University and a Diploma of International Affairs from John Hopkins School of Advanced International Studies.

HILDE MYRBERG (1957)

Member of the Board of Directors of REC since June 2009. Currently Executive Vice President and head of corporate functions in Orkla ASA. Member of the Board of several companies within the Orkla Group. Deputy Chairman of the Board of Petoro AS. Member of the Corporate Assembly of Jotun AS.
Ms. Myrberg has a law degree from the University of Oslo and holds a Masters of Business Administration degree from INSEAD, France.

GRACE REKSTEN SKAUGEN (1953)

Member of the Board of Directors of REC since June 2009. Currently self-employed business consultant. Member of the Board of Statoil 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. Chairman of the Norwegian Institute of Directors. Master of Business Administration from the Norwegian School of Management (BI). PhD in Laser Physics from Imperial College of Science and Technology, University of London.

ODD CHRISTOPHER HANSEN (1953)

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

ROLF B. NILSEN (1965)

Member of the Board of Directors of REC since May 2007. Employee elected representative. Employed as operator in REC Wafer Norway AS since January 2001. Previously Member of the Board of Directors of REC ScanWafer. Local union leader for REC Wafer Norway AS in Glomfjord. Chairman of the Board of Stiftelsen ScanSatt.

SILJE JOHNSEN (1976)

Deputy member of the Board of Directors of REC since May 2009 and has attended board meetings since March 2010. Employees elected representative. Deputy member of the board of REC Wafer Norway AS. Employed as Corporate Legal Counsel in REC ASA since January 1, 2009, but has worked full time as consultant in the legal department of REC ASA since August 2007. Silje Johnsen holds a Cand.jur (law) degree from the University of Oslo.

TOMMY KRISTENSEN (1967)

Member of the Board of Directors of REC since June 2009. Employee elected representative. Currently Operator at REC ScanCell and local union leader. Mr. Kristensen has a degree from Technical College and a certificate of completed and approved apprenticeship from REC ScanCell.

ANDERS LANGERØD (1979)

Member of the Board of Directors of REC since June 2009. Employee elected representative. Employed as an electrician at REC Wafer Norway AS since May 2006. Previously local trade union leader. Mr. Langerød has a degree from Technical College.

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REPORT FROM THE BOARD OF DIRECTORS

2009 HIGHLIGHTS

- Challenging markets and considerable decline in product prices
- Agreed to major adjustments to terms in long-term wafer contracts
- Continued growth in production but lower capacity utilization
- Operating results negatively affected by production ramp-up, expansion costs, provisions, write-downs, and impairment
- Peak investment level for construction of next-generation plants
- Long-term market fundamentals strengthened as lower module prices improve the competitiveness of PV technology
- Agreed on committed term sheet for new credit facilities and decided on fully underwritten rights issue on March 30, 2010

2009 SUMMARY

The REC Group (REC) achieved revenue growth of 12 percent to NOK 9,156 million in 2009. Increased production in all business segments offset considerable declines in average selling prices, brought about by modest demand growth and oversupply after years of strong growth in the PV solar market.

REC's average selling prices for modules declined 36 percent from 2008 to 2009. The market prices for wafers fell significantly below the prices agreed upon in the company's long-term wafer contracts. In order to maintain long-term customer relationships, REC during the year agreed to contract adjustments that had significant negative effect on the financial results towards the end of the year.

New production units were brought on line in REC Silicon and REC Wafer, and production of solar and electronic grade polysilicon increased 13 percent and wafer production 40 percent from 2008. New cell and module capacity was brought on line through 2008, resulting in an increase in module production of 44 percent in 2009.

The increase in production was dampened by the delayed commercial start-up of the new plant for production of granular polysilicon (Silicon III), and a slower than expected ramp-up of new production lines for wafer. On average, approximately 75 percent of REC's total asset base was under construction or in ramp-up in 2009. Production was further negatively affected by the low market demand that made the company temporarily shut down the main part of its wafer, cell and module production for several months.

As a result of lower than expected production and significant price decline, revenue fell below the levels indicated by the order backlog at the beginning of the year.

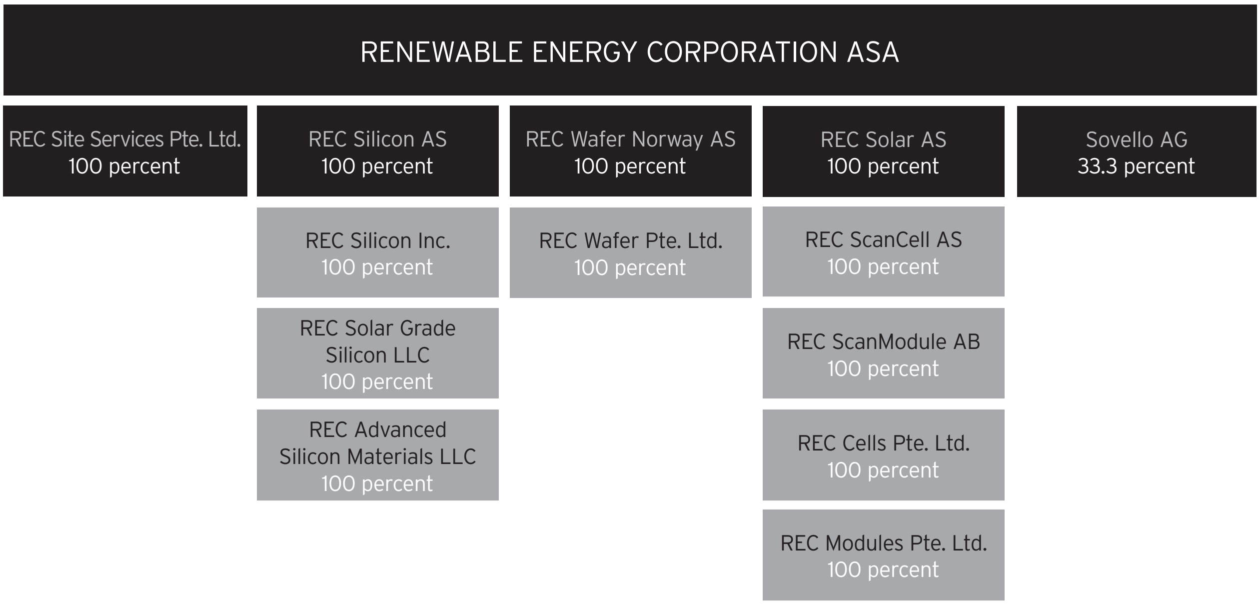
EBITDA was further negatively impacted by write-downs and realized losses on inventory, and significant expenses related to junction box repair, and declined by 47 percent to NOK 1,741 million in 2009.

EBIT for 2009 was negatively affected by impairment charges on property, plant, equipment and intangible assets of NOK 2,214 million. Combined with increased depreciation and amortization, this resulted in a negative EBIT of NOK 1,824 million in 2009.

Net financial items also turned negative in 2009, primarily as a result of higher interest and other financial expenses, and fair value adjustments of the convertible bond. This was partially offset by capitalized borrowing costs on assets under construction. The strengthening of NOK during the year gave rise to large currency gains, and losses on borrowings, receivables, and derivatives, which to a large extent offset each other. As a result, REC reported a pre-tax loss of NOK 2,482 million and a loss after tax of NOK 2,347 million in 2009.

REC is carrying out an extensive capacity expansion and cost improvement programs with the purpose to build a competitive long-term position across the value chain in the PV solar industry. With the new production facilities REC is targeting to; (i) strengthen the company's cost position in polysilicon, (ii) reestablish cost competitiveness in the Norwegian wafer operations, and (iii) create a cost competitive fully integrated production facility for wafer, cell and module in Singapore.

However, REC will have approximately 50 percent of its asset base in ramp-up in 2010, and do not expect to realize the full cost potential before the new facilities are fully ramped-up by mid 2011.



The chart shows the principal ownership structures in Renewable Energy Corporation ASA per December 31, 2009 and is not a complete representation of all the companies and ownership structures in the Group.

The capacity expansion program entails considerable investments, and capital expenditure peaked at NOK 11 billion in 2009.

Approved future capital expenditure (excluding capitalization of borrowing costs) was estimated to NOK 4.3 billion at the end of 2009, and REC had sufficient committed financing to complete the investment program. As stated in the fourth quarter 2009 report, it was likely that certain financial ratios would fall outside the limits under the company's existing syndicated credit facilities.

On March 30, 2010, REC entered into an agreement for a change in the financial covenants for the first quarter 2010 in the existing bank loan agreements.

At the same time, REC entered into a committed term sheet for a new bank debt structure that includes a multicurrency revolving credit facility of up to NOK 6,675 million and a guarantee facility of up to NOK 3,325 million (SGD 792 million). This will enable prepayment of the two existing credit facilities and the existing guarantee facility, which in total involve nineteen banks (see note 17). REC has signed a committed term sheet with DnB NOR, Nordea, and SEB concerning the new underwritten credit and guarantee facilities. The facilities agreement is expected to be signed during May 2010, and is, among other things, conditional to Renewable Energy Corporation ASA (REC ASA) raising a gross NOK 4 billion in new equity through a shares issue. On the same date REC ASA announced a fully underwritten rights issue for this amount, which will be proposed for an extraordinary general meeting.

The new debt facilities contain more favorable financial covenants that reflect the expected cash flows, with comfortable headroom, compared with the company's business plan. The new debt facilities puts restrictions on the amount of capital expenditure, other investments or acquisitions, and dividend payments in addition to covenants relating to EBITDA and net debt. The amounts of capital expenditures allowed under the term sheet for the facility is expected to be sufficient to complete the ongoing expansion projects.

The REC organization has faced numerous and significant challenges within business critical areas, requiring strong work effort and perseverance. People at all levels have persistently demonstrated their dedication to solving the current demanding issues, leveraging the REC core values of Commitment and Drive, and at the same time building further organizational strength. Several critical efforts to further increase the capabilities, capacity and performance of the organization have been initiated and put on the agenda. These include implementation of "REC Business System" - REC's systematic approach to achieving operational effectiveness and continuous improvements, "World Class Project Execution Model", as well as leadership development programs.

REPORT FROM THE BOARD OF DIRECTORS

ACTIVITIES

GROUP PRESENTATION

REC was established on December 3, 1996, and has grown to become one of the world's leading suppliers of solar and electronic grade polysilicon, and a growing supplier of wafers, cells, modules and systems for the PV solar industry. The Group headquarters are located in Sandvika, outside Oslo, Norway.

REC's business structure comprises the three business segments REC Silicon, REC Wafer, and REC Solar. Production is carried out in the following subsidiaries; REC Solar Grade Silicon LLC and REC Advanced Silicon Materials LLC in the USA, REC Wafer Norway AS and REC ScanCell AS in Norway, REC ScanModule AB in Sweden, and REC Wafer Pte Ltd, REC Cells Pte Ltd, and REC Modules Pte Ltd in Singapore. REC's downstream activities in module sales, systems integration and project development are handled by local subsidiaries in Germany, Italy, France, Spain, US, Korea and Singapore.

In addition, REC has proportionately consolidated 33.3 percent of Sovello AG in Germany on a line-by-line basis in REC's consolidated financial statements. On March 22, 2010, the shareholders of Sovello signed an agreement for the sale of 100 percent of the shares in Sovello.

MISSION AND VISION – SMART ENERGY FOR A CLEANER FUTURE

Although the financial crises and economic downturn reduced energy demand in 2009, longer-term energy demand is expected to continue to increase, and the climate change problems are still escalating. The positive long-term fundamentals for the solar power industry are expected to remain intact.

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

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

Building a high-performing organizational culture that leverages the distinctive capabilities of the great talent pool of REC is an integral part of REC's aspiration.

STRATEGY – PROFITABLE GROWTH

REC has a track record of strong growth, at least in line with the solar industry, and REC remains committed to a strategy of profitable growth. To fulfill this ambition, REC will continue to link the strengths across its integrated value chain, to make solar energy accessible and affordable. Through its comprehensive investment program, REC will in 2010 and 2011 continue to scale up its activities throughout the value chain, from silane gas and polysilicon production to module and solar energy systems deliveries. The integrated model provides in-depth industry insights, and provides a platform for implementation of common manufacturing principles and realization of operational synergies.

REC Silicon is among the world's largest dedicated producers of polysilicon for solar power applications. The position was further strengthened with the commissioning of the new 6,500 MT plant for production of granulated polysilicon in 2009. Including all current ongoing expansions, production of polysilicon should increase to approximately 12,000 MT in 2010, and further to approximately 15,000 MT in 2011 and 17,000 MT in 2012. Increased silane gas capacity will also allow for growing allocation of silane gas to the merchant market.

REC Wafer is among the world's largest producers of multicrystalline wafers for solar cells. Production increased by 41 percent to more than 800 MW in 2009, and further capacity expansions are expected to increase production capacity to around 2.4 GW in 2011.

REC Solar increased production of both solar cells and modules in 2009, and will significantly increase production capacity in 2010 with the completion of the Singapore production facility. Capacity is expected to increase to more than 700 MW of solar cells and modules in 2011, and ramp-up commenced in the first quarter 2010. In addition to production of solar cells and modules, REC Solar is establishing activities in selected segments of PV system project development.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

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

REC has introduced a series of innovations to the industry, and continues to build on a strong IPR portfolio counting 42 patents granted and 158 patents pending. Key patents cover REC's production technologies for silane gas, Siemens reactors, fluidized bed reactors and polysilicon deposition, ingot crystallization, wafer sawing, washing, singulation, kerf loss recycling, and REC's future cell and module processes and designs.

The majority of REC Silicon's technology efforts in 2009 were associated with problem identification and resolution for the new Silicon III plant. The design stress issue in the FBR reactor and the pressure build-up problem in the silane plant were both major problems that have now been resolved. A highlight of the year was the successful first production trials in our next generation FBR reactor, which aims at both future scale benefits and the possibility to move to the purities required for electronic grade silicon.

With the oversupply in the solar market, focus on product quality has increased across the value chain. REC Wafer's new manufacturing plants at Herøya and Singapore represent an important step forward in terms of improved product quality, and REC is increasing its efforts to drive further improvements in both mechanical and electrical properties of the silicon wafers. Substantial development efforts have also been allocated to qualify and optimize materials and processes for the Singapore start-up and to increase productivity and lower manufacturing costs in the wafer sawing area.

For cells and modules, the main focus in 2009 has been extensive qualification work in order to enable and allow for multiple suppliers of materials for the production of cells and modules in preparation for the scale-up in Singapore. In addition, significant work has been carried out to increase the cell efficiency.

During the fourth quarter, REC regained the world record for module efficiency from multicrystalline wafers, together with the Energy research Center of the Netherlands. A 17 percent module has been independently confirmed by the European Joint Research Center and was announced at the climate summit in Copenhagen in December. Certain elements enabling the record efficiency are currently in the process of being developed for industrialization in REC Solar over the coming years.

Total research and development expenses increased to NOK 304 million in 2009, excluding Sovello. In addition, (i) some R&D expenditure was capitalized related primarily to wafer and cell technology development and (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.

COST ROADMAP

REC's 2010 cost roadmap targeted a reduction in the production cost per watt of a module of almost 50 percent from 2005 to 2010, when comparing 'best plant' in 2010 with 'world-class' 2005 production. On a comparable basis, REC now expects to achieve a cost reduction of about 40 percent by the end of 2010, with the shortfall explained by investment cost overruns, delayed start-up, and the slower than expected production ramp-up that has been reported for some of the new plants.

Some of the elements of the cost reduction program represent operational improvements that can be implemented in all the facilities, whereas other elements will only take full effect when the new facilities for silicon, cell and module manufacturing are fully up and running. The new wafer, cell, and module plants in Singapore represent an important step in the cost reduction program in 2010, as the company expects to achieve higher productivity, lower cash costs, lower total sourcing costs, and higher cell efficiency at the new plant.

Although cell efficiency increased at the existing plant in 2009, the improvement was less than the target. However, the Singapore plant already early in 2010 demonstrated capabilities in line with the 2009 target for cell efficiency, and REC targets further increase in cell efficiency in 2010.

In 2009, REC reduced the manufacturing cost of a solar module through the value chain by 13 percent compared to 2008, with positive contributions from all the divisions. Cell and module manufacturing accounted for approximately two-thirds of the per unit manufacturing costs in 2009, and was the main contributor to the cost improvement with better productivity and yields, and lower purchasing costs materials used in the production of modules. However, the improvements in cell and module manufacturing cost were held back by the low volumes.

In the wafering process, REC targeted a further reduction in wafer thickness to 160 micron but the move to thinner wafers is not desired by the customers in the current market. In 2010, REC Wafer expects a modest cost improvement as a result of improved operational performance, higher capacity utilization, thinner sawing wire, and lower cost purchasing.

The fluidized bed reactor (FBR) plant will be the most significant contributor to cost reductions in REC Silicon in 2010, with the most critical success factor being the ability to run a stable process and thereby increase the yield of solar grade material.

FBR reduces energy consumption in the deposition of silane gas by more than 80 percent compared to standard Siemens reactors, and lower energy consumption and other scale and operational benefits are expected to allow the FBR process to reduce polysilicon production cost by 30 percent compared to a new Siemens plant. The cost overruns in the construction of the plant will however imply higher depreciation than originally planned for the plant.

Looking beyond 2010, operational performance is expected to continue to improve at all facilities, and REC will continue to seek cost reductions through developments of scalable new technologies. REC expects to make further progress in sawing technologies and is also progressing with tests of sawless wafer cutting processes. In the downstream activities, REC continues research activities focused on lower cost and higher efficiency cell processes. These new technologies will however require further investments to be realized.

EXPANSION PROJECTS

REC initiated in 2006 an extensive investment program with the ambition to develop the company as a leading supplier of solar energy solutions. The investment program implied significant increases in production capacity throughout the value chain, from silane gas and polysilicon, via multi- and monocrystalline wafers, to cells and modules, and entailed application of new production technologies in many areas to reduce cost and energy consumption. Total capital expenditure for the expansion program was initially estimated to NOK 24.4 billion, of which the construction of a green-field solar manufacturing complex in Singapore accounted for NOK 14.1 billion.

This large and technologically complex expansion program stretched the organizational capabilities, and was initially dependent on external project management. Combined with a heated construction market, this led to cost overruns and delays for several of the expansion projects.

The ongoing project in Singapore is the first major expansion where REC has had its own project organization fully in place. The Singapore project has followed the original timeline and required less capital expenditure than originally estimated. This compensates for most of the cost overruns on the other projects. Overall, the capital expenditure for the expansion projects is expected to increase by approximately NOK 1.2 billion, or five percent, to approximately NOK 25.6 billion.

In 2009, the largest expansion project in REC Silicon was the construction of the new plant for production of silane gas and granular polysilicon – Silicon III – which uses REC's proprietary fluidized bed reactor (FBR) technology. Following the completion and commercial start-up of Silicon III, the primary expansion project in the silicon division is Silicon IV, which will provide additional silane gas for the FBR-reactors in Silicon III and silane loading facilities for the Silicon III/IV complex at Moses Lake. Silicon IV is on schedule for completion mid 2010.

REC Wafer started up new multicrystalline capacity at Herøya III and Herøya IV in 2009 and this new production capacity was still in ramp-up at year-end. REC Wafer's other major expansion project in Norway in 2009, were the finalization of a monocrystalline wafer plant in Glomfjord with a nameplate capacity in excess of 300 MW.

In the first quarter of 2010, production commenced at the first of a total of eight production lines for cells, and at the first of a total of four production lines for modules in Singapore. Installation and commissioning of the other cell and module production lines will follow later in 2010. Wafer production is expected to commence in the second quarter. Production ramp-up at the Singapore plant will be aligned to market demand and prudent working capital management.

Overall, the Singapore project is expected to increase REC's total nameplate wafer capacity to approximately 2.4 GW and nameplate solar cell and module capacity to more than 700 MW when fully up and running during 2011.

CONTRACT UPDATE

REC entered 2009 with long-term contracts with pre-defined prices and delivery volumes that covered the planned production output of polysilicon and wafers for the year. These contracts are mainly take-and/or-pay contracts, and the customers have in most cases backed up their commitments with bank guarantees or prepayments covering parts of the contract value.

The weak market development led to considerably lower demand and hence lower market prices than expected during 2009. This made most of the company's wafer customers request changes in volumes and delivery schedules and changes in contract product prices that reflected the overall price trends in the market.

REC has a commercial interest in finding acceptable solutions for its long-term customers, and spent a considerable amount of time and resources to discuss amendments to the long-term contracts with its wafer customers during 2009. The company has agreed to solutions for 2009 and for first half of 2010 with most of its wafer customers.

Going forward, it is likely that REC will institute legal proceedings against certain customers if the parties does not reach commercial solutions. REC has in two cases called upon bank guarantees to protect its interests, and both these cases have moved on to legal proceedings.

REC Wafer has 14 external customers. The top five accounted for approximately 80 percent of the external sales volumes in 2009, down from approximately 90 percent in 2008.

In the fourth quarter 2009, average selling prices for REC's wafers were 22 percent below the average of 2008. Going into 2010, REC Wafer and its customers have agreed on wafer prices for the first quarter 2010 that on average are a further 20 percent below this level.

The contract adjustments explain most of the decline in average selling prices for wafers of eight percent from 2008 to 2009. Combined with lower than expected production volumes due to contract adjustments, delayed start-up, and slower ramp-up of new plants, the price decline is the main explanation for the revenue shortfall compared to the indications made in the report for 2008.

REC Silicon only made minor contractual adjustments to its long-term contracts in 2009, and the decline of approximately eight percent in average polysilicon selling prices in 2009 primarily reflected changes in product mix. However, REC Silicon expects to realize lower contract prices for deliveries of polysilicon in 2010.

REC Silicon has in excess of 30 external customers. The top five customers accounted for approximately 80 percent of external sales volumes in 2009, compared to approximately 90 percent in 2008.

REC Solar in 2009 expanded deliveries to existing customers and developed new customer relationships in preparation for the volumes planned from the Singapore facilities. The customer base counts approximately 30 of the leading system integrators, installers and distributors in major markets such as Germany, Spain, Italy, France, and USA.

MOBILIZING AND STRENGTHENING THE ORGANIZATION

REC is constantly working to optimize and strengthen the human capital of the company through attracting, developing and retaining the right talent. REC is mobilizing the organization around several ongoing critical efforts of strategic and operational importance, including "REC Business System" – i.e., REC's systematic approach to achieving operational effectiveness and continuous improvements, 'World Class Project Execution Model', as well as leadership development programs. These efforts have top priority to ensure competitive performance going forward. As it will take time to accomplish REC's high aspirations, the company and the Board of Directors are committed to maintain strong attention to these initiatives going forward.

Furthermore, REC is increasingly focusing on recruiting the best talent in critical functional areas, on systematically developing people to their maximum potential, and on creating an inspiring work environment that enhances pride, enthusiasm and commitment to stay with the company.

THE FINANCIAL STATEMENTS

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

Reference is also made to the new financing solution as of March 30, 2010 that includes a change in the existing bank loan agreements for the first quarter 2010, a committed term sheet for a new bank loan and guarantee facility and a rights issue of NOK 4 billion. The rights issue of NOK 4 billion will be proposed for an extraordinary general meeting, and is fully underwritten and supported by the main shareholders

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

For more information, please refer to the Financial Statements and note disclosures.

CONSOLIDATED STATEMENT OF INCOME

Selected key figures*

(NOK IN MILLION)	2009	2008
Revenues	9 156	8 191
EBITDA	1 741	3 279
EBITDA – margin	19%	40%
EBIT excluding impairments	390	2 565
EBIT	–1 824	2 529
EBIT – margin	nm	31%
Net financial items	–658	1 850
Profit/loss before tax	–2 482	4 379
Earnings per share, basic and diluted, in NOK	–3.8	5.4
Expansion costs**	315	383
EBITDA adjusted for expansion costs	2 056	3 662
Adjusted EBITDA – margin	22%	45%

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

** Expansion costs include costs for 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.

REC achieved revenues of NOK 9,156 million in 2009, an increase of 12 percent from NOK 8,191 million in 2008.

EBITDA declined 47 percent to NOK 1,741 million, and the EBITDA margin declined from 40 percent to 19 percent. EBITDA increased in REC Silicon but declined in REC Wafer and turned sharply negative in REC Solar.

As described above, the main reasons for the EBITDA decline were lower average selling prices and lower capacity utilization.

REC had approximately 75 percent of its book value assets in ramp-up in 2009, and expansion costs amounted to approximately NOK 315 million. REC expects to have approximately 50 percent of its asset base under construction or in ramp-up in 2010.

EBITDA was further negatively affected by a total of NOK 364 million in estimated costs for junction box repairs.

Depreciation and amortization increased by NOK 637 million to NOK 1,351 million in 2009, 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.

EBIT was further negatively affected by impairments of NOK 2,214 million in 2009, primarily relating to the mono wafer operations (NOK 991 million), Sovello AG (NOK 855 million), and REC ScanModule AB (NOK 242 million).

The impairments reflect changes in the market situation and reduction in sales prices, and, in the case of the mono wafer operations, also cost overruns and delays in the construction of new production facilities.

The estimated values in use for all cash generating units are sensitive to changes in assumptions, especially regarding future revenues (primarily sales prices and to some extent volume), conversion costs, and to some extent maintenance capital expenditures. In addition, future cash flows that relate to assets under construction are sensitive to successful completion according to plan and budget, successful implementation of technological innovations embedded in these assets, and realization of expected future cost reductions. Changes in key assumptions going forward will change the estimated recoverable amounts, and may change the conclusions reached at year-end 2009.

Net financial items amounted to a negative NOK 658 million for the full year 2009, compared to positive net financial items of NOK 1,850 million in 2008.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	SOVELLO	OTHER	REC GROUP
Carrying value at January 1, 2009	12 122	5 299	1 558	969	883	20 831
Translation Differences	−2 322	−89	−276	−154	−218	−3 059
Net additions*	2 991	3 679	2 253	118	2 210	11 251
Depreciation	−466	−614	−184	−78	−9	−1 351
Impairment	−8	−1 009	−342	−855	0	−2 214
Carrying value at December 31, 2009	12 317	7 267	3 009	0	2 865	25 458
Payments of PP&E and intangibles*	3 299	2 730	2 462	59	2 166	10 716

* net of investment grants

The net negative amounts for 2009 were primarily due to increased net interest expenses, negative fair value adjustments on the convertible bond and provisions for losses on guarantees and undertakings related to Sovello.

REC has some USD-denominated contracts with customers for whom USD is not the functional currency. For accounting purposes, REC treats these sales contracts as if they were denominated in NOK. Embedded forward purchases of foreign currency are separately accounted for on a fair value basis, with changes in fair value being recognized as a financial item through profit or loss.

In 2009, appreciation of NOK negatively affected the value of embedded derivatives and REC's net currency positions but generated gains on other derivatives.

The resulting loss before tax was NOK 2,482 million in 2009 compared to a profit before tax of NOK 4,379 million in 2008.

REC recognized income tax benefit of NOK 135 million for the full year 2009. Impairment charges and realized losses gave rise to deferred tax assets but deferred tax assets have not been recognized in Sovello, REC ScanModule, or to the full extent in the Norwegian operations. Net loss after tax was NOK 2,347 million, compared to a profit after tax of NOK 3,064 million in 2008.

EPS for the full year 2009 was a negative NOK 3.81, which compares to a positive EPS of NOK 5.40 in 2008. EPS for both periods have been adjusted for the rights issue in June/July 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The comprehensive income for 2009 was a loss of NOK 3,995 million for 2009 and a profit of NOK 4,752 million for 2008. Comprehensive income for 2009 consisted primarily of the loss for the year and currency translation losses. Comprehensive income for 2008 consisted primarily of the profit for the year and currency translation gains. Currency translation losses for 2009 were due to the weakening of NOK during the year that decreased the carrying amounts in NOK of the net investments in subsidiaries, joint ventures, and associates in foreign currencies. Currency translation gains for 2008 were due to the strengthening of NOK in 2008.

STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Comparative figures in the statement of financial position have been restated to reflect changes in accounting policies regarding classification of derivatives as current and non-current.

The developments in the statement of financial position during 2009 primarily reflect the continued high level of capital expenditure and the related funding, currency effects, and significant impairment charges.

EQUITY AND DEBT

Total assets of REC amounted to NOK 34.1 billion at the end of 2009, which was an increase of NOK 3.9 billion during the year. Non-current assets increased by NOK 1.8 billion, as capital expenditures for the expansion program were partly offset by currency effects on embedded derivatives and exchange differences, and impairment charges.

Net working capital, excluding derivatives and cash and cash equivalents but including current provisions and current tax, increased by NOK 0.8 billion to NOK 1.4 billion. Excluding accruals and payables for capital expenditure, working capital increased by NOK 0.3 billion.

Equity amounted to NOK 16.9 billion at December 31, 2009, compared to NOK 16.5 billion at December 31, 2008. During the year, the company increased its equity through a share issue that generated close to NOK 4.4 billion in net proceeds. However, comprehensive income was negative by NOK 4.0 billion for the full year 2009, primarily reflecting the loss for the period and currency translation differences for the year. The equity ratio was 50 percent at the end of 2009, compared to 55 percent at the end of 2008. The decline from the end of 2008 reflects the higher total asset base.

Net debt was NOK 10.3 billion at December 31, 2009, an increase of NOK 4.2 billion from the end of 2008. This includes convertible bond but excludes restricted bank accounts and prepayments on which interest is calculated. External net debt of Sovello was included with NOK 450 million at December 31, 2009. Currency also affected net debt.

During the year, REC secured additional debt financing for a total gross NOK 3 billion in connection with the debt restructuring in July, and later in the year completed a five-year NOK 1,250 million fixed rate bond in the Norwegian bond market and a five-year EUR 320 million convertible bond. The convertible bond counts as equity with regards to financial covenants under the bank facilities.

Unused credit facilities amounted to approximately NOK 8.6 billion at the end of 2009.

CASH FLOW

Net cash flow from operating activities was NOK 1,286 million in 2009, compared to NOK 1,917 million in 2008. The reduction reflects the reduced profitability due to the difficult market conditions during 2009, and expansion and ramp-up of new facilities.

Compared to 2008, net cash flow from operating activities was positively affected by reduced payment of income taxes and change in working capital. Non-cash impairment charges and provisions for future expenditures contributed to a positive cash flow from operating activities despite the negative EBIT. Payments of interest (net of capitalized borrowing costs) and currency losses increased but were more than offset by realized gains on currency derivatives.

Net cash flow from investing activities was NOK -10,823 million in 2009, which compares to NOK -9,964 million in 2008.

Payments for property, plant and equipment, and intangible assets amounted to NOK 11,136 million in 2009, whereas the company received government grants of NOK 420 million.

The split of payments between segments is outlined in the table on the previous page for 2009.

The differences between additions and payments for property, plant and equipment, and for intangible assets, primarily relate to changes in pre-payments, accruals and payables for capital expenditure. Currency developments also affect amounts in the table.

Net cash flow from financing activities was NOK 10,769 million in 2009, compared to NOK 2,773 million in 2008. The financing activities in 2009 included both a share issue, issue of a convertible EUR bond and a listed NOK bond. Please see note 17 to the consolidated annual financial statements for 2009 for more information on borrowings.

CONTRACTUAL COMMITMENTS

Please see note 29 to the consolidated annual financial statements for 2009. Estimated contractual purchase obligations amounted to NOK 4.4 billion for goods and services at December 31, 2009, of which NOK 1.5 billion is estimated to be paid in 2010. In addition comes committed future minimum payments under operating leases, estimated to NOK 0.7 billion at December 31, 2009.

Estimated contractual obligations for capital expenditure (excluding capitalization of borrowing costs) were NOK 2.4 billion at the end of 2009, of which NOK 2.3 billion is estimated to be paid in 2010. In addition, REC has approved but not committed estimated capital expenditure of NOK 1.8 billion, of which NOK 1.4 billion is expected to be paid in 2010.

The amounts measured in NOK are translated at December 31, 2009 exchange rates, and changes in NOK versus the main currencies USD, SGD and EUR will affect the actual expenditures measured in NOK.

SEGMENT REVIEW

REC SILICON

REC Silicon produces polysilicon and silane gas for the photovoltaic industry and the electronics industry at plants in Moses Lake, Washington and in Butte, Montana. REC Silicon's polysilicon production capacity is expected to almost triple from 2008 to 2011. REC Silicon employs more than 750 people

REC SILICON - KEY FINANCIAL FIGURES

(NOK IN MILLION)	2009	2008
Revenues	3 943	3 033
EBITDA	1 920	1 540
EBITDA – margin	49%	51%
Expansion costs	25	162
EBITDA adjusted for expansion costs	1 944	1 702
Adjusted EBITDA – margin	49%	56%
Polysilicon production in MT* (prime)	7 023	6 241
Polysilicon sale in MT (incl. offspec.)	7 753	6 549
Silane gas sale in MT	2 187	1 838

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

REC Silicon's operations comprise REC Solar Grade Silicon LLC (SGS) in Moses Lake, Washington and REC Advanced Silicon Materials LLC (ASiMI) in Butte, Montana.

REC Silicon reported revenue of NOK 3,943 million in 2009, an increase of 30 percent from 2008. Measured in USD, revenue increased 17 percent. The revenue increase reflects that higher production more than offset lower average selling prices due to changes in product mix and increased price pressure in the polysilicon market.

Total production of polysilicon was 8,186 MT, which was an increase of 26 percent from 2008.

Production of silane gas and granular polysilicon commenced at Silicon III during 2009, utilizing REC's proprietary fluidized bed reactor (FBR) technology. The plant was started up in March 2009 but soon shut down for safety reasons. Commercial production started up in June, after redesign and implementation of new equipment to eliminate the risk for leaks in the FBR discharge pipes.

Production of FBR-material has since increased with longer run-lengths and gradually improved yield and quality. The quality of the output is expected to continue to improve as the FBR production processes mature.

Silicon III accounted for 1,763 MT of the total polysilicon production in 2009, and the delayed start-up is the main explanation for REC Silicon missing out on the total production volume of 10,000-11,000 MT that was indicated in the report for 2008.

Overall sales volume was 7,753 MT in 2009, up 18 percent from the previous year. Approximately 61 percent of the polysilicon volume was shipped to REC companies, including one-third of the deliveries to Sovello. In 2008, internal deliveries accounted for approximately 70 percent of total sales.

Silane gas sales amounted to 2,187 MT in 2009, up 19 percent from 2008. Silane gas production for the merchant market is expected to continue growing to approximately 2,400 MT in 2010, although volumes in the first half of the year are expected to be negatively affected by seasonality and customer inventory adjustments.

REC Silicon's EBITDA amounted to NOK 1,920 million for the full year, which was an increase of 25 percent from the previous year. EBITDA margin thus declined slightly to 49 percent from 51 percent in 2008.

Currency translation effects had a positive impact on EBITDA of NOK 199 million compared to 2008. On a constant currency basis (i.e. using USD exchange rate for 2008 for both periods), and adjusted for expansion costs, EBITDA increased by approximately three percent from 2008 to 2009.

The lower increase in EBITDA compared to the revenue increase primarily reflects costs associated with the start-up of Silicon III, which started contributing positively to EBITDA in the final quarter of the year.

Expansion costs relating to assets that are not yet in commercial phase declined to NOK 25 million from NOK 162 million in the previous year, reflecting that costs related to Silicon III were not accounted for as expansion costs after the commercial start-up.

REC WAFER

REC Wafer produces mono- and multicrystalline ingots and wafers for the solar cell industry at three sites, in Glomfjord and Herøya in Norway, and in Singapore. REC Wafer employs approximately 1,100 people, and is expected to increase capacity to 2.4 GW.

REC WAFER – KEY FINANCIAL FIGURES

(NOK IN MILLION)	2009	2008
Revenues	5 858	4 894
EBITDA	990	1 674
EBITDA – margin	17%	34%
Expansion costs	155	121
EBITDA adjusted for expansion costs	1 145	1 796
Adjusted EBITDA – margin	20%	37%
Wafer production in MW (at 15.0% cell efficiency)	758	542
Mono ingot production in MW (at 20.0% cell efficiency)	59	40
Total production in MW	818	582
Wafer sale in MW (at 15.0% cell efficiency)	737	537
Mono ingot sale in MW (at 20.0% cell efficiency)	30	40
Total sale in MW	767	577

Revenue in REC Wafer amounted to NOK 5,858 million in 2009, which was an increase of 20 percent from 2008. The increase reflects higher production and sales, which more than offset a significant decline in average selling prices.

As described under the section "Contract Update" above, REC Wafer entered 2009 with long-term contracts with pre-defined prices and delivery volumes that covered the planned production output. Given the declining prices in the end-user segments, several customers requested changes in the delivery schedules and also price changes that reflected the developments in the market.

During the year, REC Wafer for commercial reasons agreed to make certain volume and/or price concessions for deliveries in the second half of the year. Compared to the 2008 average, this resulted in a price decline of eight percent for the full year 2009. Average selling prices in the fourth quarter 2009 was 22 percent below the 2008 average, and going into 2010 the prices were approximately 20 percent below the fourth quarter level.

Total wafer production amounted to 818 MW in 2009, which was an increase of 41 percent from 2008. Approximately 93 percent of the production was multicrystalline wafers and the remainder mono ingots and wafers. Production fell below the 1,000 MW indicated in the report for 2008. This is explained by (i) the commercial decision to temporarily shut down a large part of the production capacity in May to September 2009 due to the weak market situation, and (ii) a slower than expected ramp-up of new capacity at Herøya and delayed start-up of the mono facilities in Glomfjord.

Sales amounted to 767 MW in 2009, which was an increase of 33 percent from 2008. Inventories thus increased somewhat during the year.

EBITDA declined 41 percent to NOK 990 million in 2009, and the EBITDA margin was halved to 17 percent from 34 percent in 2008. In addition to the lower average selling prices, this is a reflection of the extensive production shutdowns in the summer months. REC Wafer also incurred higher raw material prices due to extensive external sourcing of polysilicon in the first half of the year.

Expansion costs increased from NOK 121 million in 2008 to NOK 155 million in 2009, mainly related to the new facilities in Singapore and to the mono project in Glomfjord. The company also had a higher negative contribution from new plants under ramp-up compared to the previous year. Changes in pension schemes positively affected EBITDA by NOK 73 million in 2009.

Although the production lines at Herøya III and IV were in ramp-up, they were close to break-even in the final quarter of 2009. However, the new Glomfjord mono line continued to contribute negatively to the results. REC at the end of the year recognized an impairment of NOK 991 million related to the mono plant, as sales price reductions, cost overruns, and a delayed start-up have negatively affected the estimated value in use.

As described in the chapter "Technology, research and development" above, the current oversupply in the solar market has increased the focus on product quality across the value chain. REC Wafer's new manufacturing plants at Herøya and Singapore represent an important step forward in terms of improved product quality, and REC is increasing its efforts to drive further improvements in both mechanical and electrical properties of the silicon wafers.

REC SOLAR

REC Solar produces solar cells and modules and has started engagement in project development in selected segments of PV systems. Total installed production capacity is 180 MW for solar cells in Norway and 150 MW for solar modules in Sweden. The ongoing expansion in Singapore is expected to add more than 550 MW of production capacity for solar cells and modules during 2010. REC Solar employs approximately 1,000 people.

REC SOLAR – KEY FINANCIAL FIGURES

(NOK IN MILLION)	2009	2008
Revenues	1 881	2 347
EBITDA	−1 001	148
EBITDA – margin	nm	6%
EBITDA excluding junction box expenses	−637	209
Expansion costs	122	65
EBITDA adjusted for expansion costs	−879	213
Adjusted EBITDA – margin	nm	9%
Module production in MW	115	80
Contract manufacturing MW	6	7
External cell sale in MW	17	30
Module sale in MW	110	81

REC Solar experienced a 20 percent decline in revenue to NOK 1,881 million in 2009, despite a sharp increase in module production and sales. The decline is explained by significantly lower average selling prices for modules, as well as lower external sales of solar cells.

Average selling prices declined by 36 percent from 2008 to 2009, mainly reflecting a weaker market but to some extent also changes in geographical mix with higher deliveries to the US market.

Module production totaled 115 MW in 2009, up 44 percent from 2008 but well below the capacity of 150 MW. The shortfall was due to a reduction in module production, primarily in the second and third quarter, to reduce inventories following a weak market development. Solar cell production was aligned to module production for most of the year, except in the fourth quarter when 6 MW of modules were made under contract manufacturing. Production of both solar cells and modules were running at capacity in the fourth quarter.

Module sales amounted to 110 MW, up from 81 MW in 2008.

EBITDA was a negative NOK 1,001 million in 2009, compared to a positive NOK 148 million in 2008. In addition to significantly lower average selling prices, without a corresponding adjustment in wafer prices, this is partly explained by low capacity utilization for parts of the year. EBITDA also suffered a significant negative impact from NOK 364 million in expenses related to repair of malfunctioning junction boxes (including write-downs of modules used in the project), in addition to NOK 122 million in expansion costs, and write-downs and realized loss on inventories. This was partly offset by a NOK 34 million positive effect of changes in pension schemes.

As described in the report for 2008, REC Solar has taken on responsibility to repair potentially malfunctioning junction boxes on modules delivered during 2008. Approximately 150,000 junction boxes had been repaired at the end of 2009, and an estimated 90 percent of the affected junction boxes are expected to be repaired by the end of the second quarter 2010. Please also see note 20 to the financial statements for 2009.

REC Solar has taken significant measures to improve the cost position in Norway and Sweden, through significant reductions of the labor force, renegotiations of supply contracts, and changes to product design to allow for more cost efficient solutions. The full effect of these measures takes time to realize, and the Scandinavian operations are expected to continue to contribute negatively to EBITDA over the next few quarters.

REC therefore wrote down all property, plant, equipment and intangible assets in REC ScanModule AB by NOK 242 million at the end of 2009.

REC Solar continued to broaden its customer base in 2009 and at the end of the year the customer base included approximately 30 of the leading system integrators, installers and distributors in main solar markets such as Germany, Spain, Italy, France and USA.

SOVELLO

REC has proportionately consolidated 33.3 percent of Sovello's financial statements on a line-by-line basis. On March 22, 2010 the shareholders of Sovello signed an agreement for the sale of 100 percent of the shares in Sovello, subject to certain closing conditions.

SOVELLO – KEY FINANCIAL FIGURES

(NOK IN MILLION)	2009	2008
Revenues	325	601
EBITDA	−62	128
EBITDA – margin	nm	21%
Sovello's total module production in MW	58	85

Note: Figures in the table refer to proportionate consolidation of REC's 33.3 percent ownership. Production in MW is calculated on a 100 percent basis.

REC recognized NOK 325 million in revenue from its 33.3 percent ownership of Sovello AG in 2009, which was a decline of 46 percent compared to 2008. The EBITDA contribution declined to a negative NOK 62 million from a positive NOK 128 million in 2008.

The lower revenue and negative EBITDA contribution reflect reduced production, primarily as a result of the weak solar market. Module production declined 32 percent to 58 MW.

REC wrote down all property, plant, equipment and intangible assets in Sovello AG by NOK 855 million during 2009. In addition, REC at the end of 2009 recognized a provision of NOK 90 million for the estimated cash exposure related to the guarantees and undertakings provided to Sovello's banks.

As described in the report for 2008, Sovello was in breach of its financial covenants at year-end 2008. The company has since then been operating under waivers, and the company and the shareholders have engaged in negotiations with Sovello's banks, the government, and other parties to restructure the company.

As reported in the interim report for the fourth quarter 2009, the shareholders of Sovello on February 5, 2010, signed a non-binding term sheet for the sale Sovello to a third party.

On March 22, 2010 an agreement was signed for the sale of 100 percent of the shares and the shareholder loans in Sovello. The acquirer is a fund under the management of Ventizz Capital Partners, a private equity company. The transaction is subject to certain closing conditions, and closing of the transaction is expected to take place during April, 2010.

REC SITE SERVICES (SINGAPORE)

REC Site Services was established as an organizational structure for on-site project management services, and will also own and operate certain buildings and infrastructure. The activity is expected to expand in the quarters and years to come.

ELIMINATIONS – REC GROUP

Elimination of internal profit depends on internal sales volumes and price, cost of production and intercompany inventory changes. Eliminations should generally be expected to affect EBITDA negatively as the company grows across the value chain but contributed positively to EBITDA in 2009 due to a reversal of write-downs in REC Solar as reduced average selling prices and increased production costs offset increased volumes.

REC ASA (NGAAP)

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

REC ASA reported revenue of NOK 76 million and a negative EBIT of NOK 160 million in 2009, compared to revenue of NOK 72 million and a negative EBIT of NOK 118 million in 2008.

Loss before tax of NOK 966 million compares to a profit before tax of NOK 1,356 million in 2008, and the net loss for the year of NOK 956 million compares to a net profit of NOK 990 million in 2008. This includes group contributions from subsidiaries of NOK 467 million in 2009 and NOK 787 million in 2008, before taxes. Funding of the Group and bank derivative transactions for hedging purposes is conducted primarily through REC ASA, contributing to significant gains and losses, income and expenses as part of and financial items. Currency effects on derivatives, receivables and debt, as well as interest income and expenses, to a large extent offset each other in 2009. However, REC ASA also realized losses on loans to REC ScanModule AB and wrote-down shares, shareholders loans and recognized provisions related to Sovello AG in 2009.

Total equity for the parent company REC ASA amounted to NOK 14.3 billion at December 31, 2009, up from NOK 10.8 billion in

2008. The increase during the year is explained by the share issue in June/July.

Total assets increased to NOK 26.4 billion from NOK 21.4 billion at December 31, 2008. The increase reflects that REC ASA conducts most external financing of the Group and has provided loans and equity to the subsidiaries to finance expansion projects. See above and note 17 to the consolidated financial statements for further description of REC ASAs external financing.

ALLOCATION OF PROFITS/LOSS FOR THE PARENT COMPANY (REC ASA)

The Board proposes that the net loss for the year of NOK 956 million is covered by transfer from other equity. Following this, the parent company had distributable equity of NOK 1,131 million at December 31, 2009.

Due to the loss and future capital expenditure requirements, the Board does not propose any dividends to be paid to the Shareholders for 2009. It should also be noted that the company in connection with the restructuring of the bank facilities in July 2009 accepted undertakings to restrict dividend payments as long as the gearing ratio is above certain levels.

RISK FACTORS

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

MARKET AND OPERATIONAL RISK FACTORS

The REC Group's activities expose it to a variety of market and operational risks factors.

The global market for solar energy had shown strong growth ever since REC was established in 1996. However, the market growth in the PV solar industry slowed down in 2009, as increased product supply coincided with a global economic slowdown, and negative effects on demand of changes in government policies for renewable energy in key growth markets.

This resulted in a sharp price decline for solar modules in 2009, and the market prices for solar modules are expected to decline also in 2010, although at a lower rate than in the previous year.

As a consequence of the weak market situation, REC has during 2009 lowered its estimates for the recoverable amounts of its asset. REC recognized significant impairment charges for the mono wafer activities, REC ScanModule, and Sovello in 2009. Further adverse economic developments could potentially have significant negative effects on REC's financial results and financial position also in the future.

According to Solarbuzz, overall global demand is estimated to 7.3 GW in 2009. For 2010, industry analysts expect demand within a wide range of 7-10 GW, depending, among other, on effects of changes in solar power incentive schemes.

The growth of solar power has traditionally been supported by a range of different incentive programs in markets such as Germany, Spain, Italy, Japan and California, and incentive schemes like feed-in tariffs and tax credits have increasingly been adopted in more markets over the past years. However, the sharp declines in module prices through 2009 generated historically high returns on PV system investments. This has in turn prompted governments, most notably in Germany, to announce reductions in feed-in tariffs and other incentives in their renewable energy policies. Spain is also considering further reductions in feed-in tariffs but may on the other hand lift the upper limit on MW installed that was introduced for the incentive program in 2008. In the US, the government has modified existing incentive schemes and launched new incentive schemes to fuel the growth of the market. The experience so far has been that it takes some time before the incentive systems result in increased product demand. In the US, the attractiveness of an investment in a PV system continues to be dependent not only on federal incentives but also on incentives at state level, resulting in significant regional differences.

With the expected adjustments to the incentive systems, the return on investments in PV systems is likely to normalize going forward, in line with recommendations from PV industry associations. Although REC believes that the long-term fundamentals for industry growth remain intact, the company recognizes that incentive schemes will continue to play an important role in the short- to medium-term. However, REC believes government initiatives will continue to support solar power investments, and estimates that subsidized demand will increase towards 2012.

In addition to solar irradiance, other factors affecting demand in individual regions include interest rates, energy/electricity prices, and purchasing power. Global economic growth was slow for much of 2009 but began to improve in the second half of the year. Governments in most countries have held interest rates low in an effort to stimulate growth. However, credit spreads have remained high for most industrial companies, which isolated reduces the willingness to invest.

REC has limited possibilities to control these external market drivers and mainly addresses the inherent risks through cost reduction and quality improvement programs.

The solar power industry has been and will continue to be subject to rapid technological change, frequent improvements, new products and services, and changing customer requirements. Competitors may launch new products and services earlier or at more competitive prices, or secure exclusive rights to new technologies. REC regards its technology portfolio and IPR as strong in the silicon and wafer segments of the industry and continued to build the R&D resource base through 2009.

REC has over the past years carried out a number of major expansion projects involving development of a number of new technologies that had not previously been fully tested in industrial-scale production. The construction and ramp-up of new manufacturing facilities involving new technologies carry a risk of cost overruns and delays, such as the company has experienced in, among others, the FBR project in REC Silicon and in the monocrystalline wafer project in REC Wafer. As described in the report for 2008, REC has strengthened its project management resources and implemented a company-wide Project Management System. The Singapore project was the first major project to be executed with the internal project management function fully in place, and the project is also the first to be completed on time and at a cost below the initial budget.

With increased module production, REC is gradually more exposed to the up-to 25 year warranty risk related to modules sold. Other product warranty risks are also present, and REC late in 2008 experienced its first severe warranty issue with failure of the junction box on a series of modules produced. Costs associated with the repair project amounted to NOK 61 million in 2008 and a further NOK 364 million in 2009. REC Solar has scaled up its product qualification efforts and resources considerably to reduce such risks for the future.

The current oversupply in the solar market has increased the focus on product quality across the value chain. REC Wafer's new manufacturing plants at Herøya and Singapore represent an important step forward in terms of improved product quality, and REC is increasing its efforts to drive further improvements in both mechanical and electrical properties of the silicon wafers.

During 2009, REC Wafer experienced increased amounts of returns of deliveries from customers claiming product deficiencies. In some cases, REC Wafer believes the claims are being posted to avoid the customer's obligation to take deliveries under legally binding contracts, and in some cases to seek contract cancellations.

FINANCIAL RISK FACTORS

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

The REC Group finance policy gives guidance to handling these risk factors. The finance policy defines risk management objectives, responsibilities and operational requirements concerning cash management, currency hedging, capital structure, corporate funding, counterparty risk and commodity risk. The REC Group finance policy was revised in December 2009. It reflects the fact that changes in market conditions and outlook during 2009 resulted in revisions of REC Group's financial forecasts and expected cash flows, and significantly affected the basis and predictability for hedging future cash flows in the REC Group.

The finance policy aims primarily at creating predictability and stability in net cash flows. The finance policy sets the framework and limits for hedging activities in the REC Group, in order to maintain the financial risk profile defined in the finance policy. All hedging transactions should be undertaken in order to reducing negative impacts of changes in financial markets on net cash flow. The REC Group uses financial instruments to hedge net exposures arising from operating, financing and investment activities in accordance with the finance policy.

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

Currency risk

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

The REC Group's policy is to hedge between 50 and 105 percent of forecasted consolidated net cash flow, with a normal target hedging level of 80 percent for the first 12 months and 60 percent for the following 12 months.

REC's primary focus is hedging the external net cash flow for the Group. Net cash flow is defined as the consolidated cash flows from operating, financing and investment activities. REC aims to use cash flow hedging to increase cash flow visibility, secure portions of future earnings in relation to currency risk and thus reduce the risk of financial distress.

To manage currency risk arising from commercial transactions, REC entities use various forward contracts or options. REC subsidiaries manage their currency risk by entering into foreign exchange contracts through REC ASA or by using embedded derivatives. REC ASA manages the currency risk on an overall REC Group level and establishes external foreign exchange rate contracts with banks.

Interest rate risk

Changes in market interest rates affect the fair value of assets and liabilities or the variability in cash payments. The REC Group is exposed to interest rate risk through funding and cash management activities, primarily in REC ASA. Cash in bank accounts and liabilities have historically primarily carried variable interest rates, but this was somewhat changed by issuance of fixed rate bonds in the second half of 2009.

The drawn amounts on REC ASA's credit lines from banks have interest rates with reference to LIBOR (3, 6 or 12 month at REC's option), plus margins that vary according to predetermined financial ratios for net debt to EBITDA. Bank borrowings through REC ASA are primarily exposed to changes in USD, EUR and NOK interest rates. A SGD bilateral loan carries fixed interest rate in SGD plus a margin on the related bank guarantee. Most of the borrowings of Sovello effectively carry fixed EUR interest rates. REC ASA has entered into several interest rate derivatives, both to swap variable interest rates between currencies and to swap fixed rate exposure to variable interest rates.

Interest hedging instruments may be used to control and minimize the company's net interest position and interest cost within the framework defined in the finance policy, with the net interest position defined as net interest bearing debt less interest derivatives. The interest hedging of the net interest position (excluding finance lease debt and Sovello) should be measured by modified duration. Please also refer to note 3.

Credit risk
REC has historically realized limited losses on receivables.

Policies are in place to ensure that sales of products are made to customers with an appropriate credit history, and the company also applies requirements for various payment guarantees or prepayments, and to some extent credit insurance.

However, the financial turmoil that started in second half of 2008 and the subsequent difficult market conditions has reduced visibility for credit risks related to counterparties, including customers and banks. As described under "Contract Update" above, REC in 2009 agreed to make adjustments to predetermined volumes and/or price structures in the company's long-term wafer contracts but nevertheless experienced that some customers deferred payments, partly due to alleged claims and liquidity issues.

Parts of these long term contracts are secured by bank guarantees from high-credit-quality banks, and REC in some case found it necessary to call on such bank guarantees or notified the relevant banks that it considered calling upon bank guarantees to protect its interests. However, this has in some cases been disputed by the counterparties, which is an indication of increased credit risk. In some cases REC has also become involved in legal proceedings with its customers. Any legal proceedings in relation to the contracts and bank guarantees encounter procedural risk and may take time to resolve.

Please see note 30 for further discussion of credit risk related to receivables.

Although REC considers the year-end provisions for bad debt sufficient according to the accounting regulations, the company recognizes that the risk related to realization of future cash flows in previously entered contracts and future sales increased in 2009. Reduced estimated future cash flows also affected the values of embedded derivatives that are present in some of the contracts for future sales of wafers. REC did not have any positive fair values in embedded derivatives at December 31, 2009.

Liquidity risk, funding and covenants
Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having availability to funding through an adequate amount of committed credit facilities. In addition, according to the finance policy REC shall strive to maintain access to various new sources of funding. Due to the dynamic nature of the underlying businesses, REC aims to maintain a high degree of financial flexibility by keeping sufficient cash and cash equivalents or committed credit facilities available.

However, the liquidity risk increased in 2009, and the management believes REC had limited financial flexibility at the end of the year. During 2008 and 2009 REC has been able to access different funding sources and has so far in 2010 continued discussions for funding or adjustments to loan agreements.

REC Group had a net debt of NOK 10.3 billion at December 31, 2009, an increase of NOK 4.2 billion from the end of 2008. This includes the convertible bond issued in October 2009 but excludes restricted bank accounts and prepayments on which interest is calculated. External net debt of Sovello was included with NOK 450 million at December 31, 2009.

Borrowings in REC ASA consist of two syndicated bank facilities: one established in 2006 originally for NOK 5,425 million, and one established in 2008 for NOK 6,275 million, with an additional SGD 1,050 million guarantee facility to cover a bilateral SGD 1,000 million loan for financing of up to 30 percent of the expenditure in the Singapore expansion project.

In connection with the debt restructuring in July 2009, REC secured a NOK 750 million Bridge-to-Bond agreement and a NOK 525 million credit facility (Bridge-to-Export Financing) from a syndicate of banks. In addition, NOK 1,725 million of installments under the 2006 bank facility were deferred from 2009 and 2010 until final maturity in 2012.

REC in the second half of 2009 completed an issue of a five-year fixed rate NOK 1,250 million bond loan in the Norwegian bond market, in line with the strategy to diversify the company's sources of funding. The Bridge-to-Bond agreement was subsequently terminated. In addition, REC launched and executed a convertible bond in the amount of EUR 320 million in October. Furthermore, REC has negotiated a loan agreement on the basis of the term sheet for a loan from Eksportfinans with guarantees from GIEK and DnBNOR. This loan agreement was not signed at December 31, 2009.

Unused committed credit facilities amounted to approximately NOK 8.6 billion at the end of 2009.

According to the finance policy, REC shall at all times maintain financial ratios within the limits defined in the various loan agreements entered into, and take the necessary measures that are available to avoid financial distress. Only the two bank loan agreements and the guarantee related to the SGD bilateral loan contain financial covenants. Neither the senior NOK bond, the convertible EUR bond, nor the SGD loan agreement contain financial covenants. There is cross default between all the loan agreements above a certain threshold amount. The calculations of financial covenants exclude amounts from the proportionate consolidation of Sovello and have certain adjustments compared to the reported IFRS numbers. Please refer to note 3 and note 17 for further information on the loan agreements and covenants.

REC ASA's bank borrowing debt facilities have borrowing limits defined in NOK even if the majority of this debt both will be drawn and serviced by other currencies (e.g. EUR and USD) to match investments made in these currencies. The NOK exchange rate affects the amounts available under the multi-currency credit facilities with limits determined in NOK as REC mainly will borrow in USD and EUR.

The nineteen banks participating with commitments in the 2008 credit facilities are responsible for their respective commitments on several basis. The Lenders may, if in their reasonable opinion an event or series of events has occurred that has or will have a material adverse effect, either call a default under the loan agreement or refuse the company to make any further drawdown under the loan agreement.

REC is of the opinion that it at December 31, 2009 had sufficient committed financing to complete its investment program, provided that the committed funds are available as intended during the periods. At December 31, 2009, REC (excluding Sovello) complied with all financial loan covenants. However, as stated in the fourth quarter 2009 report, it was likely that certain financial ratios would fall outside the limits under the company's existing syndicated credit facilities.

On March 30, 2010, REC entered into an agreement for a change in the financial covenants for the first quarter 2010 in the existing bank loan agreements. At the same time, REC entered into a committed term sheet for a new bank debt structure that includes a multicurrency revolving credit facility of up to NOK 6,675 million and a guarantee facility of up to NOK 3,325 million (SGD 792 million). This will enable prepayment of the two existing credit facilities and the existing guarantee facility which in total involve nineteen banks. REC has signed a committed term sheet with DnBNOR, Nordea, and SEB concerning the new underwritten credit and guarantee facilities. The facilities agreement is expected to be signed during May 2010, and is, among other things, conditional upon REC ASA issuing new equity of a gross NOK 4 billion. On March 30, 2010, REC ASA announced that it will propose a fully underwritten rights issue for this amount to an extraordinary general meeting.

The new debt facilities contain more favorable financial covenants that reflect the expected cash flows, with comfortable headroom, compared with the company's business plan. The new debt facilities puts restrictions on the amount of capital expenditure, other investments or acquisitions, and dividend payments in addition to covenants relating to EBITDA and net debt. The amounts of capital expenditure allowed under the term sheet for the facility are expected to be sufficient to complete the ongoing expansion projects.

REC also has credit exposure related to loans, guarantees and undertakings provided for Sovello. On March 22, 2010, the shareholders of Sovello signed the final agreement for the sale of 100 percent of the shares in Sovello.

ORGANIZATION AND SUSTAINABILITY

SAFETY FIRST

REC ended 2009 with no work-related fatalities in more than 20 million worked hours, which is more than 3 times the worked hours in 2008 due to the high construction activity in Singapore. The number of lost time injuries was 34, up from 23 in 2008. The Lost Time Injury (LTI) rate was 1.6 and the Total Recordable Injury (TRI) rate was 4.1 including the Singapore construction. This safety performance is of world class and underlines the successful activities in Singapore. Corrected for this construction project, the Lost Time Injury (LTI) rate was 6.3 and the Total Recordable Injury (TRI) rate was 13.2. These results are not satisfactory and REC will during 2010 strengthen the systematic safety efforts in running operations.

The working environment in REC is generally regarded as good. In 2009, the absence rate due to sickness was 3.85 percent, which is an increase from the previous year.

EMPLOYMENT AND LABOR PRACTICES

The number of employees increased nearly 30 percent to approximately 3,100 at the end of 2009 (excluding Sovello), an increase of approximately 700 people over the past year. In general this reflects the strong growth in the REC Wafer (approximately 22 percent) and REC Solar (approximately 49 percent) business segments. In addition REC had by year end 2009, 290 contracted employees, in line with the 2008 level.

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

Of the total approximately 3,100 REC employees at the end of 2009, 23 percent were female compared with 22 percent in 2008 and 20 percent in 2007. Out of the total of ten executives in the Group Management team, 3 were female. Women comprised 18 percent of REC's management level staff compared with 17 percent in 2008 and 11 percent in 2007, and approximately 36 percent of the company's Board of Directors.

LIGHT CARBON FOOTPRINT
REC is focused on continually reducing any negative environmental impact of its processes and products. REC currently uses hydropower for a majority of its silicon, 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 of less than 16gm CO2 equivalent per kWh of electricity generation capacity produced.

SHORT ENERGY PAYBACK TIME
Energy payback time is one of the key elements in REC's contribution to the environment. This measure is determined by the amount of time it takes a PV system to generate the energy used to produce it. REC is currently among the industry leaders with its low energy payback time, with approximately 1 year, further improved with the new fluidized bed reactor for silicon processes in full production. In 2010 REC will conduct an updated Life Cycle Assessment for its PV modules, resulting in up-to-date information on all important environmental indicators.

FEW ENVIRONMENTAL INCIDENTS
In silicon refining, REC operates with a closed loop cycle process, and the small waste volumes are handled according to requirements. All silicon waste is recycled within the manufacturing process and other inputs recovered and reused. REC also participates in the industry-wide PV Cycle program in Europe, 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.

REC has had emissions to sea water above permits in Norway in 2009, related to day and annual average requirements. In all cases, the local environmental authorities were notified and corrective and preventive actions are taken to improve operational routines and design weaknesses. Investigations show that the discharges did not have any negative effects on the recipient.

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

To support its rapid growth, REC is continuously improving the structure and governance process for managing sustainability risk and opportunities in the whole value chain as it grows globally. All performance responsibilities lie with the divisions. The Group CSR function has the responsibility to establish standardized and best practices across the divisions. Two cross-group networks with dedicated leaders from all REC's business divisions, act as advisory boards to REC management on HSE and sustainable supply chain and partner relationships.

GROUP POLICIES ON SUSTAINABILITY
The purpose of the Group Polices on Sustainability is to define the REC way of working within Sustainability – both internally and in the markets. The policies are governing documents for all REC activities and are normative for all underlying documents within Sustainability. The Group Policies consist of Quality and Improvement Policy, Safety and Health Policy, Environment and Climate Policy as well as Business Conduct Policy.

EMERGENCY PREPAREDNESS PLAN
REC has comprehensive emergence preparedness organizations and procedures in place on every site. In 2009 these plans were aligned with the group-wide emergency preparedness plan. The plans include risk and vulnerability analysis, general principles, definitions of responsibilities, notification procedures, operational action plans and reporting requirements. The priorities are given as people before environment, before reputation, before property and the threshold for notification shall be low. REC will continue to strengthen its efforts in emergency preparedness, through preventive training, work procedures and risk management.

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

REC endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised October 21, 2009. The Board of Directors has adopted a report on Corporate Governance for 2009 in accordance with the Code of Practice. The report is included in the annual report at page 22.

OUTLOOK
The market growth in the PV solar industry slowed down in 2009, as increased product supply coincided with a global economic slowdown, and negative effects on demand of changes in government policies for renewable energy in key growth markets.

This resulted in a sharp price decline for solar modules, which in turn has generated high returns on PV system investments. This bodes for demand growth in 2010, although the growth rate will depend on the effect of changes in renewable policies and support schemes. REC believes the long-term fundamentals for the PV industry remain intact but expects a global module demand in the lower part of the wide estimate range of 7-10 GW offered by industry analysts.

REC expects market prices for solar modules to decline in 2010, although at a lower rate than in the previous year. REC Solar's average selling prices should in broad terms be expected to follow the general price developments in the market.

REC Wafer has agreed on price adjustments for most of the long-term contracts in its portfolio. Going into 2010, average selling prices were approximately 20 percent lower than the average selling prices obtained in the fourth quarter 2009.

REC Silicon also expects lower average selling prices in 2010 as a result of underlying price pressure for polysilicon as well as changes in the company's product mix with higher amounts of granular polysilicon.

In terms of production, REC expects growth in all its business segments in 2010. Dependent on the start-up and the ramp-up of the new production lines, the expansion in Singapore could support close to a fourfold increase in module production in REC Solar during 2010. However, actual solar cell and module production will be aligned with the overall market conditions and product demand at any given point in time.

REC Wafer's production is expected to continue to increase with increasing capacity utilization at Herøya III and IV and the new mono plant, and a gradual ramp-up of new production lines in Singapore. Overall, REC Wafer expects wafer production to increase by up to 70 percent from 2009 to 2010, although actual wafer production will be aligned with the overall market conditions and product demand.

REC Silicon expects total polysilicon production to increase to 12,000 MT in 2010, primarily due to continued ramp-up of granular polysilicon production from Silicon III. Silane sales volume for the merchant market is expected to be approximately 2,400 MT.

The financial impact of the expected volume growth will depend on the success in the ramp-up of new production lines. In 2009, approximately 75 percent of REC's assets were in ramp-up, and approximately 50 percent of the assets are expected to be in ramp-up in 2010. It should be expected that the new production lines coming into commercial operation in 2010 will negatively affect average margins. The combined effect of expansion costs and ramp-up is expected to amount to NOK 600 million in 2010.

All currently planned expansions are expected to be fully ramped-up by the middle of 2011. Combined with improvement programs on existing plants this is expected to strengthen the long-term competitive position of all REC's business segments.

Sandvika, April 15, 2010
Board of Directors

Dag Opedal *Chairman of the Board*	Anders Langerød *Member of the Board*	Grace Reksten Skaugen *Member of the Board*
Roar Engeland *Member of the Board*	Tore Schiøtz *Member of the Board*	Rolf B. Nilsen *Member of the Board*
Hilde Myrberg *Member of the Board*	Susanne Elise Munch Thore *Member of the Board*	Tommy Kristensen *Member of the Board*
Odd Christopher Hansen *Member of the Board*	Silje Johnsen *Deputy member of the Board*	Ole Enger *President and CEO*

STATEMENT

The Board of Directors and the Chief Executive Officer have today considered and approved the report from the Board of Directors and CEO, the financial statements for the REC Group and for the parent company REC ASA for the year ending December 31, 2009.

The consolidated financial statements of REC have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements as stated in the Norwegian Accounting Act that are applicable per December 31, 2009. The financial statements for the parent company REC ASA have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway that are applicable per December 31, 2009. The report from the Board of Directors and CEO for the REC Group and REC ASA has been prepared in accordance with the Norwegian Accounting Act and the Norwegian Accounting Standard no. 16 applicable per December 31, 2009.

We confirm that, to the best of our knowledge:,

- the financial statements for the REC Group and REC ASA for the year ending December 31, 2009 have been prepared in accordance with applicable accounting standards, and
- the information in the financial statements gives a true and fair view of the REC Group's and REC ASA's assets, liabilities, financial position and results of operations for the year ending December 31, 2009, and
- the report from the Board of Directors report for the year ending December 31, 2009 includes a fair review of:
- the development, results of operations and position for the REC Group and REC ASA, and
- the principal risks and uncertainties for the REC Group and REC ASA.

Sandvika, April 15, 2010
Board of Directors

Dag Opedal
Chairman of the Board

Anders Langerød
Member of the Board

Grace Reksten Skaugen
Member of the Board

Roar Engeland
Member of the Board

Tore Schiøtz
Member of the Board

Rolf B. Nilsen
Member of the Board

Hilde Myrberg
Member of the Board

Susanne Elise Munch Thore
Member of the Board

Tommy Kristensen
Member of the Board

Odd Christopher Hansen
Member of the Board

Silje Johnsen
Deputy member of the Board

Ole Enger
President and CEO

THE BOARD OF DIRECTOR'S REPORT ON CORPORATE GOVERNANCE 2009

THE BOARD OF DIRECTOR'S REPORT ON CORPORATE GOVERNANCE

Renewable Energy Corporation ASA (REC or the Company) endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised 21 October 2009. The Board has adopted the following report that explains how REC meets the requirements of the Code of Practice and explains possible deviations for 2009:

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

REC's objective is long-term value creation for its shareholders.

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

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

RESPONSIBILITY
ENTHUSIASM
COMMITMENT
INNOVATION
DRIVE

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

BUSINESS

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

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

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

REC's strategies and goals are presented in the annual and quarterly reports, at the Capital Market Days and at various investor meetings.

EQUITY AND DIVIDENDS

The Group's consolidated equity was NOK 16,909 million on December 31, 2009, which was equivalent to approximately 50 percent of total assets.

The equity level is monitored and evaluated on a continuous basis by the Board. Reference is also made to note 3.3 to the consolidated financial statements regarding capital structure and to the report from the Board of Directors on page 10.

The REC Group's ambition is to give its shareholders a high and stable return on their investment and to be competitive compared with alternative investment opportunities with comparable risk. This should be achieved, first and foremost, through strong and profitable growth. To support committed investments and productivity improvements, the Board believes retained earnings should be put to profitable use within the Company. Accordingly there has been no distribution of dividends to the shareholders since the Company was publicly listed in 2006. On this basis, and for specific reasons stated in the report of the Board of Directors, no distribution is proposed for 2009. The Board considers this approach to be the most likely also for the next few years. The Board will however make a yearly assessment based on the goals and strategies and the financial situation of the Company.

At the extraordinary general meeting on June 5, 2009, the Board was authorized to increase the share capital by NOK 60 000 000 through one or more increases of the share capital. The objectives of the authorization are specified to improve the Company's financial capacity, including in connection with capital expenditures and acquisitions and mergers and share issues to employees. The mandate extends to increases through contributions of cash or other assets. The Board is authorized to waive the pre-emption rights of existing shareholders. The Board used part of the authorization by issuance of 19 509 958 shares in July 2009 as part of a rights issue with gross proceeds of NOK 4,517,013,881. (NOK 3 999 999 994 was raised according to a resolution passed at the same extraordinary general meeting.) The remainder of the authorization is valid until the 2010 annual meeting, but not in any event for a period longer than 15 months from the authorization was given.

At the extraordinary general meeting on June 5, 2009 the Board was authorized to raise one or more convertible loans in order to ensure financial flexibility, including in connection with capital expenditures and/or mergers and acquisitions. The share capital increase shall not exceed NOK 60,000,000. The Board is authorized to waive the pre-emption rights of existing shareholders. The authorization has been used by issuance of a convertible bond of EUR 320 000 000 in October 2009. The bond may through conversion from the bond holders result in an increase of the share capital of NOK 49,277,772 provided that no adjustments of the conversion price takes place, and a maximum amount of NOK 60,000,000 if such adjustments take place.

At the annual general meeting (AGM) the Board was authorized to acquire shares in the Company on behalf of the Company up to a maximum of 10 percent of the nominal value of the Company's share capital. The objectives of the authorisation are specified to be maximisation of shareholder return, fulfilment of the Company's obligation under the share purchase program for employees, and in connection with the long term incentive plan of the Company. The Board's purchase of shares under this mandate can be exercised between a minimum price of NOK 10 per share and a maximum of NOK 500 per share. The shares may be acquired or disposed of through ordinary sales or in accordance with the Company's option program. The authorization is valid until the next annual meeting in 2010 or until withdrawal by a decision of the general meeting by simple majority.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

REC seeks to conform to the principles for equal treatment of shareholders and is generally cautious as regards transactions with shareholders, members of the Board of Directors, executive management or parties related to the above.

REC did acquire necessary shares in November 2009 in order to fulfil its obligations according to the 2009 Employee Share Purchase Program. All shares were acquired in the market.

Most of the shareholders participated in the 2009 rights issue. The rights issue was fully underwritten and the largest shareholders participated in the underwriting syndicate on the same terms and conditions as the bank underwriters as disclosed in the prospectus of June 23, 2009. There were no other new agreements in 2009 between the Company and shareholders, directors, executive management or a party closely associated with such individuals that could be described as a material transaction. Reference is also made to note 10 to the consolidated financial statements regarding related party transactions.

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

FREELY NEGOTIABLE SHARES

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

GENERAL MEETINGS

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

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

The supporting documentation, including the recommendations of the nomination committee is available at the Company's website, and need not be distributed to the shareholders according to the Articles of Association unless specifically requested.

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

Shareholders that cannot attend the meeting may vote by proxy. The shareholders may elect a proxy of their choice and the Company also nominates a person that the shareholders may elect to vote on their behalf. Information about the procedures the shareholders must observe in order to participate and vote is given together with the notice of the meeting. The shareholders also receive a form for appointment of a proxy. Efforts are being made to prepare the proxy form in a way which allows separate voting instructions to be given for each matter to be considered.

There is no deadline for notification of participation at the general meeting in the Articles of Association.

The general meeting is opened by the Chairman of the Board and he proposes an independent chairman to be elected to chair the meeting.

The Chairman of the Board and some of the Board members and the members of the Nomination Committee are normally present at the annual general meeting. The auditor is also present. All Board members are encouraged to participate at the meeting.

NOMINATION COMMITTEE

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

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

THE BOARD OF DIRECTOR'S REPORT ON CORPORATE GOVERNANCE 2009

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

Information of the members on the Nomination Committee and deadlines for submitting proposals to the Committee are included on the Company's website. The chairman of the Nomination Committee presents and provides the basis for the proposals from the committee at the AGM and also provides an account of how the committee has carried out its work.

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

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE.

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

The Board consists of between seven and twelve directors (currently eleven). Up to eight are elected by the shareholders and four are elected by the employees of the REC Group companies in Norway. The shareholder- elected members are elected for a term of one year.

The directors are presented on the inside cover of the Annual Report with information about education and experience. Currently three of the seven shareholder-elected members are women.

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

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

Susanne Elise Munch-Thore
Grace Reksten Skaugen
Odd Christopher Hansen

The Board elects its own Chairman.

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

The recommendation from the Nomination Committee with information about the proposed candidates is available at the Company's website 21 days before the AGM at the latest.

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

THE WORK OF THE BOARD OF DIRECTORS

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

The Board has adopted an annual plan for its work with respect to fixed items. Other items are added as required.

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

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

The Board reviews its performance on an annual basis.

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

The Audit Committee

The Audit Committee consists of three members of the Board. Two members are independent of the Company's executive management and material business contacts. One member is one of the employees' representatives at the Board of Directors.

The Committee acts as a preparatory body to the Board with respect to the fulfilment of its responsibility related to assessment and control of financial risk, financial reporting, auditing and control.

The Committee has regular contact with the Company's auditor regarding auditing of the general accounts and is also assessing and monitoring the auditor's independence including monitoring non-audit services provided by the auditor to the Company.

The Committee makes recommendations to the Board with respect to appointment, retention and termination of external auditor and determination of the auditor's fee.
The Committee reviews complaints regarding accounting, internal controls and auditing matters.

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

The Audit Committee held five meetings in 2009.

The Compensation Committee

The Compensation Committee 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 Chief Executive Officer and with respect to general principles and strategies for the compensation as well as material personnel related matters of leading executives of the REC Group.

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

The Compensation Committee held five meetings in 2009.

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 Corporate Governance Committee Charter.

The Corporate Governance Committee held four meetings in 2009.

RISK MANAGEMENT AND INTERNAL CONTROL

The management generates monthly reports that are sent to the Board. The reports include operational reviews including HSE, financial highlights and key performance indicators. These issues are presented regularly in the Board meetings.

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

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

The Board performs a separate annual review regarding the financial risks and internal control systems. In addition, the Board reviews the most important risks exposures of the Group in relation to its budget work and also in other contexts as required.

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

The Board of Directors report includes an analysis of the financial statements and the key risk factors, in the Annual Report on page 14 to 18.

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

REMUNERATION OF THE BOARD OF DIRECTORS

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

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

REMUNERATION OF THE EXECUTIVE MANAGEMENT

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

REC's remuneration policy for the executive management has been established according to guidelines from the Board. The Board gave a statements of the remuneration of the management at the AGM in May 2009 and the AGM approved the statements.

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

- Basic salary
- Variable pay based on an annual performance related pay system
- Stock option schemes
- Payments in kind, e.g. car and telephone allowances
- Pension and insurance schemesThe bonus program and the value of the options are linked to the Company's earning performance over time and include incentives related to performance that the employees can influence.

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

THE BOARD OF DIRECTOR'S REPORT ON CORPORATE GOVERNANCE 2009

INFORMATION AND COMMUNICATIONS

REC treats its investors equally. Timely information is given and published simultaneously to all investors in accordance with applicable legislation and regulations in order to provide the best possible basis for the valuation of the Company.

Presentations that are open to the public are conducted in connection with every quarterly report and are also made available through a webcast. Analyst Q&A conference calls are usually held in the afternoon on the same day as the quarterly report is released. The quarterly presentations are normally given by the CEO. The CFO and Investor Relations Officer participate at the quarterly presentations and from time to time other members of the executive management. In addition, the Company keeps an on-going dialogue with its investors and makes presentations to analysts and investors through various conferences and investor events.

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

The annual report is published on the Company's website and is sent to the shareholders on request. The quarterly reports and all announcements to the Stock Exchange are published on the Company's website.

The financial calendar is published on the website.

TAKE-OVERS

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

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

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

AUDITOR

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

The auditor participates at the Board meetings where the Board deals with the annual accounts and he provides comments related to the accounting principles and the Financial Statements. At the meeting he reviews any material changes in the Company's accounting principles, comments on material estimated accounting figures and reports if there are disagreement between the auditor and the executive management of the Company.

The auditor annually presents a review of the company's internal control procedures to the Board, including identified weaknesses and proposals for improvement. The auditor provides the Board with an annual confirmation that the auditor satisfies the requirements for independence together with a summary of all services in addition to audit work that have been undertaken for the company.

The auditor meets with the Board once a year without the chief executive or any other member of the executive management present.

The auditor also participates in the meetings of the Audit Committee. He submits the main features of the audit plan for the Company to the Audit Committee.

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

The auditor participates at the AGM and presents the auditor's statement.

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

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

ARTICLES OF ASSOCIATION

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

GENERAL MEETING

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

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

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

More information about the AGM can be found in the Board's report on corporate governance on page 23. The notice of the AGM with documentation will be posted on www.recgroup.com at the latest three weeks in advance of the AGM.

REC ASA held its annual general meeting on May 19, 2009. Minutes and protocol from the annual general meeting can be found on www.recgroup.com.

NOMINATION COMMITTEE

MEMBER	SINCE
Torkild Nordberg	19.05.09 (leader)
Rune Selmar	20.04.06
Christian Berg	19.05.09

More information about the work of the Nomination Committee can be found on page 23 and 24 in the Board's report on corporate governance.

BOARD OF DIRECTORS

REC´s Board of Directors consists of between 7 and 12 directors. Up to eight of these are elected by the shareholders and four are elected by and among employees in the Norwegian REC companies. The AGM elected 7 directors in 2009 and the Board currently consists of 11 directors.

The Board held 17 meetings in 2009. For information about Board members' shareholding, see note 16 to the consolidated financial statements.

MEMBER	SINCE
Dag Opedal (Chairman from 16.06.09)	16.06.09
Tore Schiøtz (Chairman from 27.03.09 to 16.06.09)	14.12.01
Roar Engeland	16.11.05
Susanne E. Munch Thore	09.05.06
Hilde Myrberg	16.06.09
Grace Reksten Skaugen	16.06.09
Odd Christopher Hansen	16.06.09
Rolf B. Nilsen	14.05.07
Unni Kristiansen	29.05.09
Tommy Kristensen	29.05.09
Anders Langerød	29.05.09

Jan E. Kristensen is personal deputy to Rolf B. Nilsen. Silje Johnsen is personal deputy to Unni Kristiansen. Gaute Ytterstad is personal deputy to Tommy Kristensen. Rune Sørensen is personal deputy to Anders Langerød. Lena Beate Lorentzen is non-personal deputy.

An overview of REC's Board of Directors can be found at www.recgroup.com. Information about the work of the Board can be found on page 24 in the Board's report on corporate governance.

BOARD COMMITTEES

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

COMPENSATION COMMITTEE

MEMBER	SINCE
Dag Opedal	22.06.09
Tore Schiøtz	22.06.09
Grace Reksten Skaugen	22.06.09

More information about the tasks and work of the compensation committee can be found on page 25 in the Board's report on corporate governance.

AUDIT COMMITTEE

MEMBER	SINCE
Roar Engeland	15.12.05
Odd Christopher Hansen	22.06.09
Rolf B. Hansen	22.06.09

More information about the tasks and work of the Audit Committee can be found on page 24 in the Board's report on corporate governance.

CORPORATE GOVERNANCE COMMITTEE

MEMBER	SINCE
Susanne E. Munch Thore	19.09.07
Hilde Myrberg	22.06.09
Unni Kristiansen	22.06.09

More information about the tasks and work of the Corporate Governance Committee can be found on page 25 in the Board's report on corporate governance.

SHAREHOLDERS' MATTERS

KEY DATA PER SHARE

(NOK IN MILLION)	2009	2008
Market capitalization at year–end (NOK million)	29 748	31 883
Number of shares traded (million)	2 019	1 283
Number of shares at year–end (million)	664.8	494.3
Market price at year–end (NOK)	44.75	64.5
Highest market price during the year (NOK)	66.08	273.0
Lowest market price during the year (NOK)	32.17	42.5
Share price/Total equity per share, at year end	1.76	1.93

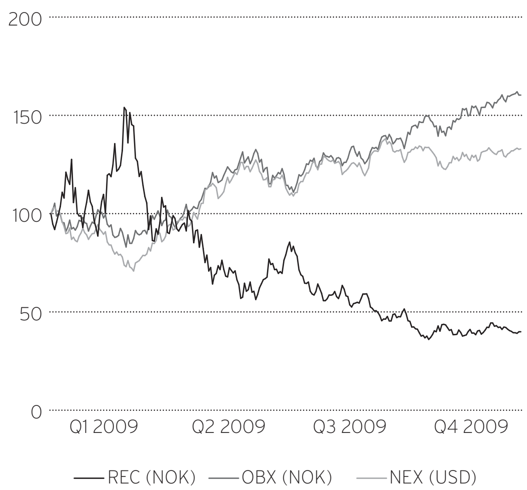
The REC share is listed on the Oslo Stock Exchange under the ticker code REC. The company has held more than 500 investor meetings and a large number of presentations during 2009 in Norway as well as internationally. At year-end, REC's total market capitalization was NOK 29,748 million. Around 40 analysts worldwide are regularly publishing research on the company.

RETURN ON INVESTMENT

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

Accordingly, no distribution of dividends to the company's shareholders is proposed for 2009.

SHARE PRICE DEVELOPMENT IN 2009



Source: Bloomberg

SHAREHOLDER/IR POLICY

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

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

REC will make quarterly earnings presentations available as webcasts in real time.

SHARE DATA

The share price decreased throughout 2009, bringing the total market capitalization from NOK 31,883 million at the beginning of the year, to NOK 29,748 million at the end of the year. During 2009 REC issued 170,453,354 new shares, as part of the NOK 4.4 billion fully underwritten rights issue.

The share price development during 2009 can be seen above as well as the performance of the Oslo Stock Exchange (OBX) and the NEX renewable index.

SHAREHOLDERS

As at December 31, 2009, the REC Group had close to 30 thousand shareholders, and the total number of outstanding shares at the end of the year was nearly 665 million, each with a nominal value of NOK 1.

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

GEOGRAPHICAL DISTRIBUTION

REC is an international corporation, with operations all over the world. As such, REC also prides itself with having an internationally distributed shareholder base. As nearly 51 percent of the outstanding shares in REC are held by cross holders (Orkla ASA, Elkem ASA and Hafslund Venture AS) the remaining shares are held by shareholders all across the world.

SHAREHOLDERS SPREAD AS PER DECEMBER 31, 2009

NUMBER OF SHARES FROM	NUMBER OF SHARES TO	NO. OF SHAREHOLDERS	NO. OF SHARES	PERCENT
1	100	4 006	268 671	0.04
101	1 000	15 861	7 306 773	1.10
1 001	10 000	8 226	26 454 355	3.98
10 001	100 000	1 329	38 197 389	5.75
100 001	1 000 000	275	86 818 301	13.06
1 000 001		60	505 722 590	75.08
		29 757	664 768 079	100.00

20 LARGEST SHAREHOLDERS, DECEMBER 31, 2009

	SHAREHOLDER	PERCENT	NO. OF SHARES	TYPE	NAT
1	ELKEM AS	23.45%	155 912 989		NOR
2	ORKLA ASA	16.28%	108 244 768		NOR
3	HAFSLUND VENTURE AS	11.54%	76 691 354		NOR
4	FOLKETRYGDFONDET	3.77%	25 057 751		BGR
5	JPMORGAN CHASE BANK	1.81%	12 057 836	NOM	GBR
6	CLEARSTREAM BANKING S.A.	1.21%	8 018 002	NOM	LUX
7	RASMUSSENGRUPPEN AS	1.18%	7 820 000		NOR
8	UBS AG, LONDON BRANCH	0.73%	4 848 118	NOM	GBR
9	FERD AS INVEST	0.55%	3 635 000		NOR
10	BNP PARIBAS SECS SERVICES PARIS	0.53%	3 534 270	NOM	FRA
11	KAGRA AS	0.53%	3 500 000		NOR
12	PENSJONSKASSEN STATOILHYDRO	0.51%	3 386 502		NOR
13	DANSKE BANK A/S	0.50%	3 317 510	NOM	DEN
14	BANK OF NEW YORK MELLON SA/NV	0.48%	3 184 252	NOM	BLE
15	DNB NOR BANK ASA	0.41%	2 726 974		NOR
16	VITAL FORSIKRING ASA	0.38%	2 501 005		NOR
17	DNB NOR NORGE (IV)	0.38%	2 493 496		NOR
18	NORDEA BANK DENMARK AS	0.37%	2 443 246	NOM	DEN
19	HOLBERG NORGE	0.33%	2 165 350		NOR
20	BANK OF NEW YORK MELLON	0.30%	2 013 737	NOM	USA
	Total 20 largest	65.22%	433 552 160		
	Other	34.78%	231 215 919		
	Total number of shares	100.00%	664 768 079		

	COUNTRY	SHARES	% TOTAL SHARES
1	Norway	509 148 144	76,59
2	United Kingdom	38 350 973	5,77
3	United States	27 266 752	4,10
4	Sweden	20 080 519	3,02
5	France	9 741 807	1,47
	Total 5 largest	604 588 195	90,95
	Other markets	60 179 884	9,05
	Total number of shares	664 768 079	100,00

SHARE LIQUIDITY

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

In 2009, more than 1,153 thousand trades were executed from January 2 to December 30, 2008. In the same period the total trading in the REC share was 2,018.7 million shares. This represents a turnover velocity of 332.4 percent, calculated as the total number of shares traded in the period as a percentage of the average total registered number of shares.

SHAREHOLDERS' MATTERS

During 2009 REC was the third most traded share on the Oslo Stock Exchange, measured in turnover by value, surpassed only by Statoil and Yara International. Measured by numbers of trade, REC was the second most traded company on the Oslo Stock Exchange in 2009, after Statoil.

INVESTOR RELATIONS ACTIVITIES

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

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

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

During the year, REC has participated in various renewable energy- and PV conferences as well as holding more than 500 physical meetings and several hundred phone meetings with Norwegian and international investors. The cities covered by REC during road shows in 2009 include: Oslo, London, Boston, New York, Frankfurt and Zurich.

At the end of the year, the number of analysts that regularly follow REC amounted to around 40, of which 14 are based in Norway. An updated list of analysts following the company can be found under investor relations at www.recgroup.com.

FINANCIAL CALENDAR 2010

EVENT	DATE
Fourth quarter 2009	February 10, 2010
First quarter 2010	April 28, 2010
Extraordinary General Meeting	April 29, 2010
Ordinary General Meeting	May 19, 2010
Second quarter 2010	July 20, 2010
Third quarter 2010	October 27, 2010
Fourth quarter 2010	February, 2011

REGISTRAR

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

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

CONTACT

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

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Investor Relations Officer
Tel.: +47 97 69 91 44
Email: ir@recgroup.com

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

Postal address
PO Box 594
N-1302 Sandvika
Norway

Office address
Kjørbovn. 29, N-1337 Sandvika

FINANCIAL STATEMENTS REC GROUP & REC ASA

CONTENTS REC GROUP

CONTENTS REC ASA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
REC GROUP

(NOK IN MILLION)	NOTES	2009	2008
ASSETS			
Non–current assets			
Goodwill	6	584	917
Other intangible assets	6	476	477
Total intangible assets	6	1 060	1 393
Land and buildings	6	2 955	2 116
Machinery and equipment	6	10 803	4 620
Other tangible assets	6	167	170
Assets under construction	6	10 473	12 531
Total property, plant and equipment	6	24 398	19 438
Prepaid lease, non–current	12	29	47
Prepaid capex		887	1 510
Investments in associates	8	146	288
Other non–current receivables		195	170
Embedded derivatives	11	0	2 491
Other derivatives	11	110	15
Restricted bank accounts	14	88	116
Financial assets		538	3 079
Deferred tax assets	18	374	21
Total non–current assets		27 286	25 488
Current assets			
Inventories	13	1 989	1 670
Trade and other receivables	12	2 608	2 220
Current tax assets		64	19
Embedded derivatives	11	0	241
Other derivatives	11	484	63
Restricted bank accounts	14	14	11
Cash and cash equivalents	14	1 688	497
Total current assets		6 848	4 721
Total assets		34 134	30 209

The financial statements are presented in NOK, rounded to the nearest million, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
REC GROUP

(NOK IN MILLION)	NOTES	2009	2008
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		665	494
Share premium and other paid in capital		12 764	8 549
Paid−in capital		13 428	9 043
Other equity		1 082	1 075
Comprehensive income		2 399	6 394
Other equity and comprehensive income		3 481	7 469
Total shareholders' equity		16 909	16 512
Non−current liabilities			
Retirement benefit obligations	19	45	156
Deferred tax liabilities	18	761	928
Provisions and other non−interest bearing liabilities	20	209	149
Embedded derivatives	11	188	3
Other derivatives	11	25	1 039
Non−current financial liabilities, interest bearing	17	11 366	5 157
Non−current prepayments, interest calculation	17	478	419
Total non−current liabilities		13 072	7 851
Current liabilities			
Trade payables and other liabilities	20	3 137	3 058
Current tax liabilities		142	300
Embedded derivatives	11	75	0
Other derivatives	11	112	860
Current financial liabilities, interest bearing	17	611	1 439
Current prepayments, interest calculation	17	76	189
Total current liabilities		4 153	5 845
Total liabilities		17 225	13 696
Total equity and liabilities		34 134	30 209

Sandvika, April 15, 2010
Board of Directors

Dag Opedal
Chairman of the Board

Anders Langerød
Member of the Board

Grace Reksten Skaugen
Member of the Board

Roar Engeland
Member of the Board

Tore Schiøtz
Member of the Board

Rolf B. Nilsen
Member of the Board

Hilde Myrberg
Member of the Board

Susanne Elise Munch Thore
Member of the Board

Tommy Kristensen
Member of the Board

Odd Christopher Hansen
Member of the Board

Silje Johnsen
Deputy member of the Board

Ole Enger
President and CEO

CONSOLIDATED STATEMENT OF INCOME
REC GROUP

(NOK IN MILLION)	NOTES	2009	2008
Revenues	5	9 156	8 191
Cost of materials		−3 235	−2 012
Changes in inventories		38	311
Employee benefit expenses	24	−1 764	−1 545
Other operating expenses	22	−2 455	−1 666
EBITDA		1 741	3 279
Depreciation	6	−1 293	−678
Amortization	6	−58	−36
Impairment	6,7	−2 214	−36
Total depreciation, amortization and impairment		−3 565	−750
EBIT		−1 824	2 529
Share of loss of associates	8,25	−64	−3
Financial income	25	113	181
Net financial expenses	25	−455	−32
Net currency gains/losses	25	−331	291
Net gains/losses derivatives and fair value hedge	25	234	1 436
Fair value adjustment convertible bond	25	−156	0
Impairment financial assets	25	0	−24
Net financial items	25	−658	1 850
Profit/loss before tax		−2 482	4 379
Income tax expense/benefit	18	135	−1 314
Profit/loss for the period		−2 347	3 064
Attributable to:			
Owners of REC ASA		−2 347	3 064
Earnings per share for profit/loss attributable to the equity holders of REC ASA (in NOK per share)			
– basic	26	−3.8	5.4
– diluted	26	−3.8	5.4

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
REC GROUP

(NOK IN MILLION)	2009	2008
Profit/loss for the period	−2 347	3 064
Other comprehensive income, net of tax		
Currency translation differences	−1 654	1 639
Actuarial gain/loss on defined benefit pension schemes	11	8
Cash flow hedges	−6	41
Total other comprehensive income for the period	−1 649	1 688
Total comprehensive income for the period	−3 995	4 752
Total comprehensive income for the period attributable to		
Owners of REC ASA	−3 995	4 752

CONSOLIDATED DETAILS OF COMPREHENSIVE INCOME
REC GROUP

(NOK IN MILLION)	TRANSLATION DIFFERENCES	TAX	PENSION	CASH FLOW HEDGE	ACQUISITION	CHANGE IN ACCOUNTING PRINCIPLE	PROFIT/ LOSS	TOTAL
Year 2008								
At January 1, 2008	−340	64	−33	−22	234	−50	1 790	1 642
Profit for the period	0	0	0	0	0	0	3 064	3 064
Other comprehensive income								
Currency translation differences	1 702	−62	0	0	0	0	0	1 639
Actuarial gain/loss on defined benefit pension schemes	0	−7	14	0	0	0	0	8
Cash flow hedges								
− valuation gain/losses taken to equity	0	−1	0	2	0	0	0	2
− transferred to profit/loss for the period *	0	−15	0	55	0	0	0	39
Total other comprehensive income for the period	1 702	−85	14	57	0	0	0	1 688
Total comprehensive income for the period	1 702	−85	14	57	0	0	3 064	4 752
Accumulated at December 31, 2008	1 362	−21	−19	34	234	−50	4 854	6 394
Year 2009								
Accumulated at January 1, 2009	1 362	−21	−19	34	234	−50	4 854	6 394
Profit/loss for the period	0	0	0	0	0	0	−2 347	−2 347
Other comprehensive income								
Currency translation differences	−1 702	48	0	0	0	0	0	−1 654
Actuarial gain/loss on defined benefit pension schemes	0	−7	19	0	0	0	0	11
Cash flow hedges								
− valuation gain/losses taken to equity	0	0	0	2	0	0	0	2
− transferred to profit/loss for the period *	0	3	0	−10	0	0	0	−8
Total other comprehensive income for the period	−1 702	43	19	−8	0	0	0	−1 649
Total comprehensive income for the period	−1 702	43	19	−8	0	0	−2 347	−3 995
Accumulated at December 31, 2009	−341	22	0	26	234	−50	2 507	2 399
Total comprehensive income for 2009 attributable to:								
Owners of REC ASA	−1 702	43	19	−8	0	0	−2 347	−3 995

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

(NOK IN MILLION)	2009	2008
Revenues	10	−15
Cost of materials	0	−40
Total	10	−55

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
REC GROUP

(NOK IN MILLION)	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID IN CAPITAL	TOTAL PAID IN CAPITAL	OTHER EQUITY	COMPREHENSIVE INCOME	TOTAL
Year 2008							
At January 1, 2008	494	8 266	283	9 043	1 071	1 642	11 757
Equity share option plan	0	0	0	0	4	0	4
Total comprehensive income for the period	0	0	0	0	0	4 752	4 752
At December 31, 2008	494	8 266	283	9 043	1 075	6 394	16 512
Year 2009							
At January 1, 2009	494	8 266	283	9 043	1 075	6 394	16 512
Equity share option plan	0	0	0	0	8	0	8
Share issue	170	4 215	0	4 385	0	0	4 385
Total comprehensive income for the period	0	0	0	0	0	−3 995	−3 995
At December 31, 2009	665	12 481	283	13 428	1 082	2 399	16 909

CONSOLIDATED STATEMENT OF CASH FLOW
REC GROUP

(NOK IN MILLION)	2009	2008
Cash flows from operating activities		
Profit/loss before tax	−2 482	4 379
Income taxes paid	−384	−877
Depreciation, amortization and impairment	3 565	750
Fair value adjustment convertible bond	156	0
Associated companies and impairment financial assets	64	27
Change in receivables and prepayments from customers etc **	−493	−643
Change in inventories	−462	−890
Change in payables and accrued expenses	318	589
Change in provisions	468	86
Change in derivatives	706	−1 463
Currency effects not cash flow or not related to operating activities	−253	−169
Other items	83	130
Net cash flow from operating activities	1 286	1 917
Cash flows from investing activities		
Cash payments/proceeds for shares (incl associates)	1	−210
Proceeds from finance receivables and restricted cash	34	205
Payments finance receivables and restricted cash	−140	−215
Payments for property, plant and equipment and intangible assets	−11 136	−9 747
Proceeds from investment grants	420	3
Proceeds from sale of subsidiaries, net of cash sold	−3	0
Net cash flow from investing activities	−10 823	−9 964
Cash flows from financing activities		
Increase in equity	4 333	0
Payment of borrowings and upfront/waiver loan fees	−17 880	−1 289
Proceeds from borrowings	24 316	4 062
Net cash flow from financing activities	10 769	2 773
Effect on cash and cash equivalents of changes in foreign exchange rates	−40	−25
Net increase/decrease in cash and cash equivalents	1 192	−5 298
Cash and cash equivalents at beginning of the period *	497	5 795
Cash and cash equivalents at the end of the period *	1 688	497

* Cash and cash equivalents excludes restricted bank accounts
** Changes in provisions is shown on a separate line

INDEX OF THE FINANCIAL STATEMENT NOTES
REC GROUP

1. GENERAL INFORMATION

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

These consolidated financial statements have been approved for issue by the Board of Directors on April 15, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements are presented in NOK, rounded to the nearest million, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

The consolidated financial statements of the REC Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by impairment of some fixed assets and inventory, the revaluation of derivative instruments and a EUR convertible bond loan measured at fair value as well as fair value adjustments of parts of the fixed interest rate NOK bond loan. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the REC Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 CONSOLIDATION

(a) Subsidiaries

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

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

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

(b) Jointly controlled entities

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

(c) Associates

Associates are entities over which the REC Group has significant influence but not control or joint control, generally encompassing a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost (see note 2.7). The REC Group's share of its associates' post-investment profits or losses is recognized in the statement of income. The cumulative post-investment movements are adjusted against the carrying amount of the investment. When the REC

Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the REC Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions between the REC Group and its associates are eliminated to the extent of the REC Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 SEGMENT REPORTING

An operating segment is a distinguishable component of the REC Group that is engaged in providing products that are subject to risks and returns that are different from those of other operating segments; this also corresponds to the internal management reporting in the REC Group. The Group management is headed by the Chief Executive Officer (CEO), and the CEO is the one that makes decisions across segments. Consequently, REC regards the CEO as the chief operating decision maker. Geographical information breakdown is based on the REC Group's major markets and site locations (see note 5).

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, including monetary items that are regarded as a part of the net investment, and of borrowings and other currency instruments designated as hedges of such investments, are included in OCI. When a foreign operation is sold, such exchange differences are recognized in the statement of income as part of the gain or loss on sale. The REC Group did not at December 31, 2009 or 2008 hold any borrowings or other currency instruments accounted for as net investment hedges.

2.5 CURRENT/NON–CURRENT

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

2.6 PROPERTY, PLANT AND EQUIPMENT

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

2.7 INTANGIBLE ASSETS

(a) Goodwill

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

(b) Other intangible assets

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

(c) Research and development

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

2.8 IMPAIRMENT AND DERECOGNITION OF NON–FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested at least annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in a separate line item as a part of earnings before interest and taxes (EBIT) in the statement of income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to individual or groups of cash-generating units for the purpose of impairment testing. Generally, any indicated impairment for a specific cash-generating unit is first allocated to goodwill, then proportionately to other long-term assets in the cash-generating unit. See note 7 for information on cash-generating units. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.9 FINANCIAL ASSETS

The REC Group classifies its financial assets primarily in the following categories: at fair value through profit or loss, and loans and receivables. For the years ended December 31, 2009 and 2008, the REC Group had insignificant available-for-sale financial assets and had no held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

The category financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges in hedge accounting. Gains or losses arising from changes in the fair value are recognized in the statement of income as part of financial income or expenses. For the years ended December 31, 2009 and 2008, the REC Group had only derivatives in this category.

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

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

2.10 ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The REC Group uses derivative financial instruments to hedge a portion of its risks associated with interest rate and foreign currency fluctuations. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative, as long as the REC Group has no intention and ability to settle the contracts net. The method of recognizing the resulting gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. According to IAS 39, derivatives are categorized as held for trading unless they are designated and qualify as hedging instruments.

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

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

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized in equity through OCI, while the ineffective portion is recognized in profit or loss. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecasted sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability. If the forecasted transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecasted transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

For part of the year ending December 31, 2008, the REC Group applied cash flow hedge accounting in REC Wafer to hedge some highly probable future transactions in foreign currency. At the end of 2008, the designation as hedge has been revoked. In 2009 and 2008, Sovello applied hedge accounting for some interest rate swaps.

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with IAS 21 (for a non-derivative hedging instrument) shall be recognized in profit or loss; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss. Fair value hedge accounting shall be discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy); the hedge no longer meets the criteria for hedge accounting in IAS 39; or the designation is revoked.

Starting from the end of the third quarter 2009, REC has applied fair value hedge accounting for the NIBOR interest part of the fixed rate NOK bond loan (hedge item) using interest rate derivatives. The change in fair value of the part of the fixed interest bond relating to NIBOR as well as the derivatives is recognized to profit or loss as parts of financial items. The part of the fixed rate bond that represents the credit risk premium at the inception (pricing) of the bond as well as the variable NIBOR rate of the derivatives are recognized at amortized cost (reported as interest expense).

2.11 TRADE RECEIVABLES

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

2.12 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

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

2.13 PAID IN EQUITY CAPITAL

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

2.14 BORROWINGS

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

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

REC Group established a fixed rate Norwegian Krone bond at the end of the third quarter of 2009. REC has fair value hedged the NIBOR part of the fixed interest using interest rate swaps. The change in fair value of the hedge part is recognized through profit or loss.

A financial liability (or a part of a financial liability) is removed from the statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between REC and an existing lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss. REC has evaluated that the debt restructuring in 2009 did not include extinguishment of debt.

2.15 INVENTORIES

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

2.16 INCOME TAX

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

Current and deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the reporting date and are expected to apply when the related tax asset is realized or the tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized (see note 4.2 (d)). Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the REC Group intends to settle its current tax assets and current tax liabilities on a net basis.

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

2.17 PROVISIONS

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

2.18 PENSION/POST RETIREMENT OBLIGATIONS

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

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

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

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

2.19 REVENUE RECOGNITION

Revenues are primarily generated from sale of goods: polysilicon, silane gas, wafers, ingots, cells and solar modules.

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

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

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

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

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

2.20 INTEREST AND DIVIDEND INCOME

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

2.21 LEASES

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

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

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

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

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

2.22 GOVERNMENT GRANTS

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

2.23 RECLASSIFICATIONS

Comparative statement of financial position figures are restated to reflect change in accounting policies regarding classification of derivatives as current and non-current (see description below under 2.24 adoption of new and revised standards and interpretations). The effects of the reclassifications and the aggregated statements of financial position are shown below.

2.24 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year. In addition, the Group has adopted the following new and amended Standards and Interpretations issued by the IASB and approved by the EU that are relevant to its

Reclassifications of derivatives

	DECEMBER 31, 2008			JANUARY 1, 2008		
(NOK IN MILLION)	BEFORE	RECLASS.	AFTER	BEFORE	RECLASS.	AFTER
Total non–current assets	22 982	2 506	25 488	10 362	5	10 367
Total current assets	7 227	–2 506	4 721	7 583	–5	7 578
Total shareholders' equity	16 512	0	16 512	11 757	0	11 757
Total non–current liabilities	6 809	1 042	7 851	3 183	617	3 800
Total current liabilities	6 887	–1 042	5 845	3 006	–617	2 389

operations and effective for annual reporting periods beginning on January 1, 2009:

IFRS 7 *Financial Instruments: Disclosures*
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. See notes 3 and 30.

IFRS 8 *Operating segments*
IFRS 8 requires an entity to adopt the "management approach" to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the statements of income and financial position. The standard therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognized in the statements of income and financial position. The standard did not change the reporting segments but has changed some of the information provided in note 5. In 2009, REC Group has shown Sovello separately. However, this is not due to IFRS 5 but because of the large impairment charges in Sovello. REC has also interpreted IFRS 5 for REC specific circumstances not to require assets and liabilities amounts reported as these are not included in the internal reporting. This is also stated in Improvements to IFRSs issued in 2009 (effective for annual periods beginning on or after 1 January 2010, but not yet approved by the EU) which clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1 *Presentation of Financial Statements*
The revised IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their contents. Prior to implementation of the revised IAS 1, REC Group presented a detailed "consolidated statement of recognized income and expenses" that contained all details in the new "consolidated statement of comprehensive income" and "consolidated details of comprehensive income". The "statement of financial position" was formerly named "balance sheet" and the "consolidated statement of income" was named "consolidated statement of income". In the 2009 report it is also include a "consolidated statement of changes in equity", with details of comprehensive income found in the "consolidated details of comprehensive income".

Improvements to IFRSs issued May 2008. The changes are primarily in order to remove inconsistencies and to clarify the wording of standards and interpretations. There are separate transition provisions for each standard. The REC Group's evaluation is that the impacts of these improvements to IFRSs are limited for the REC Group, except for classification of derivatives. The REC Group had up to December 31, 2008 classified all its derivatives as current. According to the amendments, a financial asset or liability that is not held for trading purposes, such as a derivative that is not a financial guarantee contract or a designated hedging instrument, should be presented as current or non-current on the basis of its settlement date. REC Group has reclassified the related items in the statement of financial position at December 31, 2008. The reclassification of the statement of financial position at December 1, 2008 is shown in the table above in an aggregate form.

Other Standards and Interpretation effective for annual reporting periods beginning on January 1, 2009 that did not have a significant effect:

- IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations*
- IAS 23 *Borrowing Cost*
- IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*
- IFRIC 9 *Remeasurement of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 13 *Customer Loyalty Programmes*

At the date of authorisation of these financial statements, the following Standards and Interpretations that could affect the Group were issued but not effective for 2009:

IFRS 3R *Business Combination – revised* (effective for annual periods beginning on or after July 1, 2009). The revised standard introduces changes in the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. The revised standard shall be applied prospectively and affects all business combinations with acquisition dates on or after January 1, 2010.

IFRS 9 *Financial Instruments* (effective from January 1, 2013, but not yet approved by the EU). The standard replaces the classification and measurement requirements for financial assets in IAS 39. Financial assets with basic loan features that are held for the purpose of collecting contractual cash flows shall be measured at amortised cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value. The potential impact of the standard on the Group's consolidated financial statements has not been concluded.

IAS 24R *Related Party Disclosures – revised* (effective from January 1, 2011, but not yet approved by the EU). The revised standard clarifies the definition of a related party, and introduces a partial exemption from the disclosure requirements for government-related entities. The preliminary evaluation for REC is that revised standard will broaden the scope of related parties, as it will include subsidiaries and associates of the main owner of REC that REC currently has interpreted not to be included under the existing IAS 24.

IAS 27R *Consolidated and Separate Financial Statements – revised* (effective from the year beginning on or after July 1, 2009). The revised standard requires that changes in ownership interest of a subsidiary are accounted for as an equity transaction. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The revised standard shall be applied prospectively and future transactions with non-controlling interests will be affected.

IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for annual periods beginning on or after February 1, 2010). The amendment requires rights issues in a currency other than the functional currency to be classified as equity, when certain conditions are met. REC has evaluated that the amendment does not apply to REC's convertible bonds, and as such the preliminary evaluation is that the amendment will only have effect on any future transactions, if any.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after July 1, 2010, but not yet approved by the EU). The interpretation clarifies the accounting treatment of financial liabilities that, as a result of a re-negotiation of the terms of the financial liability, are fully, or partially, extinguished with equity instruments. An entity shall not apply this Interpretation to transactions in situations where:
(a) the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder.
(b) the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity.
(c) extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability.

REC has evaluated that the interpretation does not apply to REC's convertible bonds, and as such the preliminary evaluation is that the interpretation will only have effect on any future transactions, if any.

Improvements to IFRSs (effective for annual periods beginning on or after January 1, 2010). The preliminary evaluation is that these improvements will have limited effect for the Group. See also above re. IFRS 8 *Operating Segment*.

Other Standards and Interpretations that were issued but not effective for 2009 that REC believes will not have a significant effect on the consolidated financial statements for past transactions and events include:

- IFRS 2 *Group Cash-settled Share-based Payment Transactions – amended* (effective for annual periods beginning on or after January 1, 2010).
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after July 1, 2009).
- IFRIC 14 *Prepayments of a Minimum Funding Requirement – amended* (effective for annual periods beginning on or after January 1, 2011, but not yet approved by the EU).
- IFRIC 15 *Agreements for the Construction of Real Estate* (effective from January 1, 2010).
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after July 1, 2009).
- IFRIC 17 *Distributions of Non-Cash Assets to Owners* (effective for annual periods beginning on or after July 1, 2009).
- IFRIC 18 *Transfers of assets from Customers* (effective for annual periods beginning on or after November 1, 2009).

The management anticipates that Standards and Interpretations will be adopted at the dates stated above provided that the Standards and Interpretations are approved by the EU.

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

The REC Group finance policy gives guidance to handle financial risk factors. The finance policy defines risk management objectives, responsibilities and operational requirements concerning cash management, currency hedging, capital structure, corporate funding, counterparty risk and commodity risk. The REC Group finance policy was revised in December 2009. It reflects the fact that during 2009 changes in market conditions and outlook resulted in revisions of REC Group's financial forecasts and expected cash flows, and the basis of and predictability for hedging future cash flows in the REC Group has been significantly affected.

The finance policy aims primarily to create predictability and stability in net cash flows. The finance policy sets the framework and limits for hedging activities in the REC Group in order to maintain the financial risk profile defined in the finance policy. All hedging transactions should be undertaken in order to reducing negative impacts of changes in financial markets on net cash flow. The REC Group uses financial instruments to hedge net exposures arising from operating, financing and investment activities in accordance with the finance policy.

(a) Currency risk

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

The REC Group's policy is to hedge between 50 and 105 percent of forecasted consolidated net cash flow. The normal target FX hedging level is to be 80 percent hedged for the first 12 months and 60 percent hedged for the next 12 months.

REC's primary focus is hedging the external net cash flow for the Group. Net Cash flow is defined as the consolidated cash flows from operating, financing and investment activities. REC aims to use cash flow hedging to increase cash flow visibility, secure portions of future earnings in relation to currency risk and thus reduce the risk of financial distress.

During 2009, changes in market conditions have resulted in several revisions of REC's financial forecasts and expected cash flows. The market visibility has been low and the business risk increased significantly during the year. In combination, the basis of and predictability for hedging future cash flows in the REC Group was significantly affected. For that reason, REC performed a financial risk analysis of the REC Group cash flows. On this basis, REC evaluated the cash flow and adjusted the hedging portfolio and the currency composition of the debt portfolio accordingly to reflect the revised net external cash flow for the Group. This is expected to give a better risk profile and reduce risk for breach of loan covenants due to changes in foreign currency going forward.

To manage currency risk arising from commercial transactions, REC entities use various forward contracts or options. REC subsidiaries manage their currency risk by entering into foreign exchange contracts through REC ASA or by using embedded derivatives. REC ASA manages the currency risk on an overall REC Group level and establishes external foreign exchange rate contracts with banks. Hedge accounting according to IAS 39 *Financial Instruments Recognition and Measurement* has previously been used for cash flow hedges of certain revenues and expenses of REC Wafer. In the fourth quarter of 2008, REC Wafer discontinued this hedge accounting. Currency hedging is also performed in other REC Group companies without hedge accounting.

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

(b) Credit risk

REC has historically realized limited losses on receivables. Policies are in place to ensure that sales of products are made to customers with an appropriate credit history in combination with requirements for various payment guarantees or prepayments and to some extent credit insurance. However, the financial turmoil that started in second half of 2008 and the subsequent difficult market conditions have reduced visibility for credit risks related to counterparties. REC has also experienced some disputes when it has been necessary to call on bank guarantees from customers, which has increased the credit risk. See note 30 for further discussion of credit risk related to receivables.

Financial counterparty risk can be reduced through diversification, in other words by ensuring that there is a sufficient number of counterparties at all times. Credit ratings are considered to be the best and most expedient criterion for the selection of acceptable financial counterparties. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. For bank derivatives, the credit risk is regarded as limited to any positive market value, as ISDA (International Swaps and Derivatives Association) or master netting agreements are in place and some interest rate derivative instruments are settled net. REC only enters into derivative contracts with a defined group of banks. The nineteen banks participating with commitments in the 2008 credit facilities are in the defined group of banks. All the banks currently used as derivative counterparties have credit ratings in the A or AA categories assigned by Standard & Poor's or Moody's.

Any positive fair values in embedded derivatives relate to contractually committed future sales of wafers. Parts of these long term contracts are secured by bank guarantees from high-credit-quality banks. REC Wafer's prices for deliveries in 2009 and future years were originally pre-defined in long-term contracts. However, the sharp adverse shift in product demand and market prices prompted customers to request adjustments to delivery schedules and volumes, and/or wafer prices. Due to the market developments, REC Wafer has agreed to make adjustments to sales contracts and in some cases called on bank guarantees to protect its interest. In some circumstances REC is involved in legal proceedings with its customers. Any legal proceedings in relation to the contracts and bank guarantees encounter procedural risk and may take time to resolve. Risk for realization of future cash flows in previously entered contracts, as well as future sales, increased in 2009. This has reduced the estimated future cash flows and affected the values of embedded derivatives that are present in some of the contracts. REC did not have any positive fair values in embedded derivatives at December 31, 2009.

(c) Cash management - liquidity risk

According to the finance policy, REC shall ensure as far as possible given the market situation that sufficient liquidity is available for periods with volatility in operating cash flows, and maintain flexibility for possible new investments and acquisitions by keeping one or more committed revolving credit facilities and/or cash on deposit. In addition, REC shall maintain access to various new sources of funding. Due to the dynamic nature of the underlying businesses, the REC Group aims to maintain a high degree of financial flexibility by keeping sufficient cash and cash equivalents or committed credit facilities available. However, in the current situation management believes REC has limited financial flexibility. The liquidity risk increased in 2009. During 2009, REC has been able to access different funding sources and has so far in 2010 continued discussions for funding or adjustments to loan agreements. See below for information on the agreement entered into on March 30, 2010 for a change in the financial covenants for the first quarter 2010 in the existing bank loan agreements, the fully underwritten rights issue that will be proposed at an extraordinary general meeting and the term sheet for a new bank loan and guarantee agreement.

The NOK exchange rate affects the amounts in NOK available under the multi-currency credit facilities, see 3.3 Capital structure and management of capital below. The eighteen banks participating with commitments in the 2008 credit facilities are responsible for their respective commitments on several basis. The lenders may, if in their reasonable opinion an event or series of events has occurred and it has or will have a material adverse effect, either call a default under the loan agreement or refuse the company to make any further drawdown under the loan agreement.

REC's credit facilities (see note 17) include several financial covenants. There is cross default between all the loan agreements. REC is of the opinion that at December 31, 2009 it had sufficient committed financing to complete its investment program. However, as stated in the fourth quarter 2009 report it was considered likely that certain financial covenants would fall outside the limits under the company's existing syndicated credit facilities. Non-compliance with covenants may give the lenders the right to terminate the agreements. In such a case, REC may not be able to get access to sufficient funds to repay the loans and complete the expansion projects initiated. However, see below for information on the agreement entered into on March 30, 2010 for a change in the financial covenants for the first quarter 2010 in the existing bank loan agreements, the fully underwritten rights issue that will be proposed at an extraordinary general meeting and the term sheet for a new bank loan and guarantee agreement.

See also note 17 regarding Sovello's breach of covenants at December 31, 2008 which has resulted in Sovello operating under a waiver from the banks during 2009. On January 28, 2010 Sovello's banks formally terminated the loan agreement but did not demand repayment of the loans pending ongoing negotiations for sale of Sovello, see note 9.

(d) Interest rate risk

Changes in market interest rates affect the fair value of assets and liabilities or the variability in cash payments. The REC Group is exposed to interest rate risk through funding and cash management activities, primarily in REC ASA. Cash in bank accounts and liabilities have historically primarily carried variable interest rates, but this was somewhat changed by issuance of fixed rate bonds in the second half of 2009. REC ASA's credit lines from banks have interest rates with reference to LIBOR (3, 6 or 12 month at REC's option) for drawn amounts plus margins that varies according to predetermined financial ratios for net debt to EBITDA. Bank borrowings through REC ASA are primarily exposed to changes in USD, EUR and NOK interest rates. In February 2009 REC ASA started drawing on a SGD bilateral loan which carries fixed interest rate in SGD plus a margin on the related bank guarantee. REC ASA has also entered into interest rate derivatives, some that swaps variable interest rates between currencies and also derivative to swap the NIBOR-part of the fixed rate on the NOK bond to floating NIBOR rate. Borrowings of Sovello carry primarily EUR interest rates, that are fixed or for which interest rate swaps have been entered into for the purpose of converting the net exposure to fixed rate. Interest income and interest expense in the statement of income, as well as interest receipts and payments, are influenced by interest rate changes for financial instruments that carry variable interest rates. Fair values of fixed rate instruments and interest derivatives are affected by interest rate changes.

REC has paid significant up-front and waiver fees in relation to establishment and restructuring of interest bearing debt and guarantees, which are amortized as a part of the effective interest rates. Any additional refinancing or restructuring of debt will require more fees to be paid.

Interest hedging instruments may be used to control and minimize the company's interest cost within the framework defined in the finance policy. Interest hedging instruments may be used to control and minimize risk related to REC's net interest position. The interest hedging of the net interest position (excluding finance lease debt and Sovello) should be measured by modified duration. Net interest position is net interest bearing debt minus interest derivatives.

The modified duration (the average interest rate fixing) of the net interest position of the REC Group, shall not at any time exceed five years, measured on an average interest commitment. Normally, the modified duration should be between 1.5 - 2.5 years.

(e) Hedging of risk related to input factors

According to the finance policy, REC subsidiaries that have a high portion of total costs from a specific input factor shall hedge the risk of significant negative movements in prices. The extent of a significant negative movement is evaluated in each case considering the effect of price increases and price volatility for the relevant input factor on the operating results for the subsidiary. Price risk for the input factor should be hedged primarily through long-term contracts. Financial instruments may also be used for hedging significant changes in the price of important input factors. As of year-end 2009 and 2008, no such hedges have been conducted, except entering into some energy and natural gas purchase contracts.

3.2 FAIR VALUE ESTIMATION

The only significant items that are measured at fair value in the consolidated financial statements at, and for the years ending December 31, 2009 and 2008 are foreign exchange derivatives, including embedded derivatives, and the EUR convertible bond issued in October 2009. In addition, the Norwegian fixed rate bond has been measured at fair value for the part that relates to the risk free interest rate (NIBOR) due to fair value hedge accounting.

The fair values of foreign exchange derivatives (see note 11) are calculated based on traded currency rates at the reporting dates. Main value drivers are spot exchange rates and forward premium for standard periods based on interbank interest rates. For complex instruments (flexible and participating forward contracts) the value drivers also include option volatilities and the calculation includes usage of commonly accepted valuation models. The instruments have several input variables, and a valuation technique is needed. The valuation technique is to estimate the value of an opposite instrument traded at market rate at the reporting date that will close the original position. The differences in cash flows between the original instrument and the new instrument (based on market values) are discounted with market interest rates and the net present value is the estimated fair value. The option elements in the flexible and participating forward contracts are calculated using modified Black-Scholes option pricing models.

The fair value of the EUR convertible bond has been based on prices set by a number of banks. Fair value of the fixed risk free interest rate in the Norwegian bond has been based on traded interest rates.

The fair value calculations were performed by independent banks, except for embedded derivatives. The fair values of embedded derivatives are calculated based on value drivers and discount rates provided by independent banks. Fair values on embedded derivatives are calculated using estimated forward currency bid-rates at December 31. The bid rate normally takes into consideration normal credit risk of the counterparty to a bank, but does not take into consideration credit risk of REC or of REC's counterparties to the contracts (i.e. the customers). At December 31, 2009, estimated credit risk margins have been added to the discount rates. The estimated cash flows in the contracts containing embedded derivatives have also been reduced at December 31, 2009. Changes in estimated future cash flows, estimated margins and other input variables may have a significant effect on the fair value estimation.

The options on shares in Mainstream Energy are not measured at fair value due to the complexity of the structure. The value of the investment was written-down at December 31, 2009, see note 8.

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

3.3 CAPITAL STRUCTURE AND MANAGEMENT OF CAPITAL

The REC Group is engaged in production of silane gas and polysilicon for the solar and electronic industry, wafers and ingots for solar applications, and manufacturing of solar cells and solar modules. In light of REC's growth ambitions and the aim to have a strong and profitable growth at a pace in line with the development of the photovoltaic (PV) industry, REC shall strive to maintain an appropriate sustainable capital structure and maintain access to various sources of funding. The main reason for this is the high industry volatility and the fact that to a large extent, the debt service will be based on cash flow from expansion projects. There is a large risk related to EBITDA and cash flow from the expansion projects and this may significantly impact REC's financial key ratios and borrowing terms going forward.

In determining the appropriate capital structure for the REC Group, various factors have been considered. These include risks associated with the REC Group's business profile, the fact that the PV industry has high capital intensity, particularly upstream, and the expected unfavorable impact on the demand for REC Group's products and higher cost of capital from increased interest rates. Also, PV is a relatively new business with limited history and is still dependent on governmental incentives in various countries.

According to the finance policy, REC shall at all times strive to have sufficient equity capital to implement the business strategies and have financial flexibility in relation to possible new investments and acquisitions. As mentioned above, management's view is that REC currently does not have this financial flexibility. The fully underwritten rights issue that the Board of Directors on March 30, 2010 decided to propose at an extraordinary general meeting and the new bank loan and guarantee agreement that is expected to be entered into are assumed to improve this situation. However, also the new bank loan and guarantee agreement will have restrictions on any new investments and acquisitions. Taking into account the market volatility and the risk related to future cash flow from the major expansion projects, REC shall aim to maintain a long term capital structure corresponding to an "investment grade" company which means that in periods with high volatility and major expansion projects being executed, REC should have a high ratio of equity funding. Short term deviations from this long term ambition may occur. REC ASA does not have a formal credit rating at December 31, 2009. However, REC management does not believe that REC ASA is an investment grade company at December 31, 2009.

According to the finance policy, REC shall at all times maintain financial covenants within the limits defined in the various loan agreements entered into and take necessary measures that are available to avoid financial distress. The two bank loan agreements and the guarantee related to the SGD bilateral loan contain financial covenants. The senior NOK bond, the convertible EUR bond and the SGD loan agreement do not contain financial covenants. There is cross default between all the loan agreements above a certain threshold amount. The calculations of financial covenants exclude amounts from the proportionate consolidation of Sovello and have certain adjustments compared to the reported IFRS numbers, as shown below.

As stated in the fourth quarter 2009 report, it was considered likely that certain financial covenants would fall outside the limits under the company's existing syndicated credit facilities. However, see below for information on the agreement entered into on March 30, 2010 for a change in the financial covenants for the first quarter 2010 in the existing bank loan agreements, the fully underwritten rights issue that will be proposed at an extraordinary general meeting and the term sheet for a new bank loan and guarantee agreement. See above and note 17 regarding Sovello's breach of financial covenants at December 31, 2008 and 2009.

To the extent possible, the REC Group may adjust the amount of dividend paid to shareholders, repurchase shares, issue new shares, sell assets, repay or issue debt in order to maintain or modify the capital structure. For the fiscal years 2009 and 2008 the Board of Directors recommended not to pay dividends, and in connection with the restructuring of the bank facilities in July 2009, the company accepted undertakings to restrict dividend payments. During 2009, REC ASA issued new shares, entered into new loan agreements and restructured debt. On March 30, 2010, the Board of Directors decided to propose a fully underwritten rights issue with gross proceeds of NOK 4,000 million at an extraordinary general meeting. A term sheet for a new bank loan and guarantee agreement was also signed on this date, see below.

REC ASA's bank borrowing debt facilities have borrowing limits defined in NOK even if the majority of this debt both will be drawn and serviced by other currencies (e.g. EUR and USD) to match investments made in these currencies. The NOK exchange rate affects the amounts available under the multi-currency credit facilities with limits determined in NOK as REC mainly will borrow in USD and EUR.

During the first half of 2010 expenditures on the Singapore project and other expansion projects, including the construction of the fourth plant in the US, will increase the net debt in the REC Group. EBITDA will not increase correspondingly as EBITDA from these expansion projects are primarily expected in later periods. Currency effects may also contribute negatively on the net debt and consequently on the covenant calculations.

In the second half of 2009 REC strengthened the liquidity and equity position through a capital increase, debt refinancing and issuance of additional debt. The developments in operations and product prices through 2009 and into 2010 have generated a lower EBITDA than previously anticipated. REC is of the opinion that it at December 31, 2009 had sufficient committed financing to complete its investment program, provided the committed funds are available as intended during the periods. As stated in the fourth quarter 2009 report it was likely that certain financial ratios would fall outside the limits under the company's existing syndicated credit facilities. On March 30, 2010, REC entered into an agreement for a change in the financial covenants for the first quarter 2010 in the existing bank loan agreements. At the same time, REC entered into a committed term sheet agreement for a new bank debt structure that includes a multicurrency revolving credit facility of up to NOK 6,675 million and a guarantee facility of up to NOK 3,325 million (SGD 792 million). This will enable prepayment of the two existing credit facilities and the existing guarantee facility which in total involve 19 banks (see note 17). REC has signed a committed term sheet concerning the new underwritten credit and guarantee facilities with DnB NOR, Nordea and SEB. The facilities agreement is expected to be signed during May 2010, and is, among other things, conditional that REC ASA issues new equity funding of gross NOK 4,000 million. On March 30, 2010 REC also announced a fully underwritten rights issue for this amount that will be proposed at an extraordinary general meeting. The new facility contains more favorable improved financial covenants reflecting the expected cash flows with comfortable headroom compared to the company's business plan. The new facility puts restrictions on, among other things, the amount of capital expenditures, other investments or acquisitions and dividend payments. The amount of capital expenditures allowed under the term sheet for the facility is expected to be sufficient to complete the ongoing expansion projects.

Neither REC ASA nor any of its subsidiaries are subject to other externally imposed capital requirements. In connection with the restructuring of the bank facilities in July 2009, the company accepted undertakings to restrict capital expenditures limiting investments in new expansion projects and/or acquisitions of shares or assets, in addition to restrictions on dividend payments as long as the gearing ratio is above certain levels. See above regarding the March 30, 2010 term sheet for a new bank loan and guarantee agreement.

Calculation of the gearing ratio, the interest coverage ratio and equity ratio under the 2006 and 2008 credit facilities

(NOK IN MILLION)	2009	2008
Interest−bearing financial liabilities 1)	11 977	6 595
Less convertible bond, reported as equity for the covenant calculation	−2 816	0
Cash and cash equivalents 2)	−1 688	−497
Net debt REC Group including Sovello	7 472	6 099
Exclude Sovello net debt proportionally consolidated	−450	−661
Net debt excluding Sovello	7 022	5 437
EBITDA REC Group	1 741	3 279
Exclude "extraordinary or non−recurring items"	409	61
Exclude net effect of Sovello proportionally consolidated	63	−120
EBITDA excluding Sovello	2 212	3 219
Total assets REC Group	34 134	30 209
Exclude effect of Sovello proportionally consolidated	578	−1 249
Total assets excluding Sovello	34 712	28 960
Total equity REC Group	16 909	16 512
Add convertible bond, reported as equity for the covenant calculation	2 816	0
Exclude effect of Sovello proportionally consolidated	899	−240
Total equity REC Group, including convertible bond and excluding Sovello	20 625	16 272
Total income for financial assets not at fair value through profit or loss	113	181
Interest expenses for financial liabilities not at fair value through profit or loss	−877	−254
Other expenses from financial assets and liabilities	−132	−4
Exclude Sovello	45	25
Exclude provision for loss on guarantees and undertakings	90	0
Exclude calculated interest on prepayments	29	13
Exclude amortized upfront fees etc, add payments of the same except for 2009 refinancing 3)	134	−229
Net interest paid	−597	−268
Gearing ratio	3.17	1.69
Equity ratio (Min 30%)	59%	56%
Interest coverage ratio 3)	3.70	12.0

1) Excludes prepayments, interest calculation , see note 17
2) Excludes restricted bank deposits, see note 14
3) Payments of up−front fees, waiver fees etc are included when paid, except related to the 2009 refinancing that has been excluded according to the restructured loan agreements.

The requirements at December 31, 2009 under the existing 2008 and 2006 bank loan facilities were: gearing ratio not to exceed 4.5, interest coverage ratio to be above 3.25 and the equity ratio to be above 30 percent. As mentioned above, REC on March 30, 2010 got acceptance from the bank syndicates under the existing facilities to change the financial covenants for the first quarter 2010 and entered into a term sheet for a new bank loan and guarantee facility. The new facility contains more favorable financial covenants reflecting the expected cash flows with comfortable headroom compared to the company's business plan.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Deferred tax on undistributed earnings

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

If, at a later point in time these evaluations change or dividends are distributed under the current regulations and tax treaty, additional tax expense will be recognized in the relevant periods.

(b) Functional currencies

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

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

(c) Development expenditures

The REC Group conducts numerous research and development activities and projects. Some costs incurred in the development phase of an intangible asset may be capitalized if the recognition criteria are fulfilled. Costs that at the time they are incurred do not fulfill the requirements are expensed and cannot be capitalized at a later stage. Consequently, there may be development costs that cannot be capitalized because the REC Group cannot demonstrate that all requirements are fulfilled at the relevant points in time. At year-end 2009 and 2008, most development costs have been expensed, except some costs relating to the Fluidized Bed Reactor (FBR) project in REC Silicon and some furnace development activities in REC Wafer (see note 6).

(d) Evaluation of investments in joint ventures

Sovello is proportionately consolidated in REC's consolidated financial statements. REC has invested in the joint venture Sovello in form of equity and shareholders loans. REC ASA has interpreted IAS 31 that investments in joint ventures shall be evaluated for impairment according to IAS 36, as a part of the cash generating unit Sovello, and not according to IAS 39. REC has in 2009 recognized significant impairment charges on property, plant, equipment and intangible assets (including goodwill) related to Sovello. As a consequence of the proportionate consolidation of 33 percent of Sovello, 67 percent of REC's shareholder loans to Sovello are not eliminated on consolidation. REC's shareholders loans to Sovello are not evaluated for impairment according to IAS 39 and reported at amortized cost in REC's consolidated financial statements. As a consequence of the proportionate consolidation, 33 percent of the loans provided by the other shareholders to Sovello are similarly included in REC's consolidated financial statements as liabilities.

(e) Leases

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

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

For the 2009 and 2008 note disclosures the future minimum payments for lease and other elements in some arrangements in REC Silicon have been reported as part of purchase commitments (see note 29). These contracts, as well as a similar but smaller agreement in REC Solar, have been determined to contain operating leases. In 2006, REC Wafer began accounting for capacity contracts that were determined to contain leases and purchases of goods and services. The lease parts are for production facilities and equipment for production and recovery of exhausted slurry, and were in 2006 determined to contain operating and finance leases (see notes 7 and 29). At the end of 2007, REC Wafer entered into additional capacity contracts. The production facilities were not completed at year-end 2008, and the estimated total minimum payments for the lease and commodity output elements of the new contracts were reported as contractual commitments (see note 29). During 2009, one out of two production facilities was completed and parts were recognized as finance leases, parts operating leases and parts commodity and service executory contracts. The facility that was still not completed at year-end 2009 is included in full in note 29 as future purchase commitments. When the facilities are completed in 2010, parts will be recognized as finance leases, parts operating leases and parts commodity and service executory contracts. In 2007, REC Solar determined that a lease of a production building was a finance lease. The conclusions, carrying amounts and note disclosures were, among other things, affected by the REC Group's estimates of fair values.

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY – CRITICAL ACCOUNTING ESTIMATES

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

(a) Impairment

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

The recoverable amounts of assets and cash-generating units have primarily been determined based on value-in-use calculations. These calculations require the use of estimates including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in development and marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods. In 2009, significant impairment charges were recognized (see notes 6, 7 and 9).

Financial assets are also periodically reviewed for objective evidence of impairment. As discussed above in note 4.1 (d) and in notes 3, 25 and 30, no significant impairments have been recognized in 2009 or 2008. See note 8 for impairment of shares in the associate Mainstream.

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

(b) Depreciation and amortization

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

(c) Business combinations, joint ventures and associated companies

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

(d) Income taxes

The REC Group is subject to income taxes in several jurisdictions.

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

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

REC reported losses for 2009, giving rise to deferred tax assets. IAS 12 *Income Taxes* states that a deferred tax asset shall be recognized for all deductible temporary differences to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. When an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity. IAS 12 also states that unused tax losses is strong evidence that future taxable profit may not be available. Even though parts of the losses result from identifiable causes which may be regarded as unlikely to recur, the current highly volatile and uncertain market development has increased uncertainty of future profit forecasts, and REC has recognized only parts of the deferred tax assets. See note 18.

(e) Provisions
In connection with the sale of solar modules by REC ScanModule AB, a 5 year limited warranty that the product is free of defects in materials and workmanship, a 10 year limited warranty of 90 percent power output and a 25 year limited warranty of 80 percent of power output of the solar modules are provided. This is customary in the market for solar modules. The REC Group believes that the material in the solar modules made by REC ScanModule is capable of producing a relatively steady output for a period of at least 25 years. However, neither the REC Group nor any of its competitors have a 25-year history. Management's estimates of warranty provisions take this into consideration. At December 31, 2009 provision for REC ScanModule excluding specific events, amounted to 0.9 percent of accumulated sales, of which 0.8 percent related to power output. In addition other specific events have been identified, especially problems with junction boxes discovered at the end of 2008, see note 20.

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

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

(f) Embedded derivatives
REC has significant estimated future cash flows in wafer sales contracts for which embedded derivatives have been separated and accounted for as derivatives. The contracts state future cash flows, with some limited adjustment mechanisms. However, REC has in 2009 experienced that contracts have been renegotiated or not complied with. If it is probable that a customer will not honor the contract based on individual assessment, REC has made downward adjustment of the estimated future cash flows. The downward adjustments to estimated cash flows were significant in 2009, even though the estimated effect on the fair values of the embedded derivatives at December 31, 2009 due to these changes was limited. Estimating fair value of these embedded derivatives also requires use of discounting, and the estimation of credit risk in the discount rates is uncertain as these are not readily observable in the market. See notes 3, 25 and 30.

(g) Pension costs, pension obligations and pension plan assets
The calculation of pension costs and net pension obligations (the difference between pension obligations and pension plan assets) is made based on a number of estimates and assumptions. Changes in, and deviations from, estimates and assumptions (actuarial gains and losses) affect the fair value of net pension liabilities. Changes are recognized in the financial statements with the effect to equity through OCI. Key assumptions are outlined in note 19. In 2009, REC recognized settlement and curtailment gains related to a change in the Norwegian defined benefit pension plans decided at the end of the year, see note 19.

5. SEGMENT INFORMATION

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

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

Financial and operational information are prepared specifically for each segment for the purpose of assessing performance and allocating resources. Segment results are disclosed in accordance with IFRS, which is the same basis as presented internally. However, the internal reporting also shows a breakdown of operating expenses included in EBITDA that are not shown separately in the tables below. The financial market currently focuses on EBITDA as measurement of segment results. Consequently, this is also the primary focus of REC management with regards to segment results. However, in the internal reporting EBIT is also shown, the difference to EBITDA being depreciation, amortization and impairment. Amounts for assets and liabilities, financial income and expenses are not shown per segment in the internal reporting. Consequently, it is REC's understanding that such details are not required to be presented per segment in the tables below. However, for the 2009 reporting REC has elected to present amounts for non-current assets per segment.

The REC Group's primary format for reporting segment information is operating segments. The REC Group's segments are managed separately and each segment represents a strategic business area that offers products different from the other segments. The REC Group's segments are REC Silicon, REC Wafer and REC Solar. Sovello is also shown separately in the tables below. Sovello is a joint venture and REC has joint control over strategic operational and financial decisions, and makes decisions to allocate resources in form of equity, loans guarantees etc. Information on Sovello in the internal reporting is much more limited than for the other segments. However, due to the large impairment charges on Sovello's assets in 2009, REC shows information for Sovello separately in the tables below. In addition, the REC Group reports "Other".

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

REC Wafer is comprised of multicrystalline wafer manufacturing in Glomfjord and Herøya (Norway) and monocrystalline ingot and wafer manufacturing at a separate plant in Glomfjord. The extension project in Glomfjord is expected to give additional capacity of mono wafers from 2010. A new plant in Singapore will give additional capacity for multicrystaline wafers from 2010. The main customers are currently located in Europe and Asia, while a part of the production is sold internally to REC Solar at arms-length prices. Revenues are based on multiyear contracts that are supposed to reduce volatility and secure a steady cash flow. Due to the difficult market conditions, REC Wafer agreed to make certain volume and/or price concessions for deliveries in the second half of 2009.

REC Solar is comprised of solar cells manufacturing in Narvik (Norway) and solar modules production in Glava (Sweden). A new plant in Singapore will increase the production capacity for both solar cells and modules from 2010. During 2008 and 2009 REC Solar has established sales companies in Europe and the USA. Europe has traditionally been REC Solar's main market, with Germany as the largest. Revenues are based on short term contracts and will therefore be influenced by market fluctuations.

Sovello (33.33 percent owned) produces solar modules based on the Evergreen string-ribbon technology and is a joint venture between the REC Group, EverGreen Solar Inc. and Q-Cells AG. A second plant was constructed in 2007 and the ramp-up of a third plant was initiated at the end of 2009. See note 9 for information on the agreement for sale of Sovello.

"Other" consists of companies and activities that in themselves are not significant enough to be reported as separate segments. It primarily includes REC ASA with Group functions and activities (see separate financial statements) and REC Site Services Pte Ltd. REC Site Services was established as an organizational structure for on-site project management services in Singapore and will also own and operate some buildings and infrastructure to be used to provide services to REC Wafer and REC Solar in Singapore.

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

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

Customers over ten percent of consolidated external revenues for the Group

	2009	2008
Customer in REC Wafer	17%	18%
Customer in REC Wafer	12%	10%

Segment information for the year ended December 31, 2009

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	SOVELLO	OTHER	ELIMINATIONS	REC GROUP
Revenues − External	2 188	4 768	1 875	325	0	0	9 156
Revenues − Internal	1 755	1 090	5	0	73	−2 924	0
Total revenues	3 943	5 858	1 881	325	73	−2 924	9 156
EBITDA	1 920	990	−1 001	−62	−149	44	1 741
Depreciation and amortization	−466	−614	−184	−78	−9	0	−1 351
Impairment	−8	−1 009	−342	−855	0	0	−2 214
EBIT	1 446	−632	−1 527	−995	−159	44	−1 824
Additions of non−current assets*	2 961	3 146	2 409	136	1 951	213	10 816
Non−current assets *	12 331	7 579	3 595	21	2 657	213	26 395

*Excluding financial assets and deferred tax assets

Segment information for the year ended December 31, 2008

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	SOVELLO	OTHER	ELIMINATIONS	REC GROUP
Revenues − External	1 706	3 543	2 340	601	0	0	8 191
Revenues − Internal	1 326	1 351	7	0	51	−2 735	0
Total revenues	3 033	4 894	2 347	601	51	−2 735	8 191
EBITDA	1 540	1 674	148	128	−128	−83	3 279
Depreciation and amortization	−178	−329	−157	−46	−4	0	−714
Impairment	−19	−3	−13	0	0	−1	−36
EBIT	1 343	1 342	−22	81	−132	−84	2 529
Additions of non−current assets*	4 983	3 395	1 177	264	786	−44	10 559
Non−current assets*	12 180	6 235	2 062	973	943	0	22 393

*Excluding financial assets and deferred tax assets

Included in the EBITDA loss for REC Solar for 2009 is an estimated NOK 364 million related to repair of defect junction boxes (NOK 61 million for 2008).

Geographic distribution of non−current assets based on company location

(NOK IN MILLION)	2009	2008
Norway	6 557	6 553
Sweden	13	267
United States	12 333	12 180
Singapore	7 460	2 407
Other countries (including Germany)	33	986
Total non−current assets	26 395	22 393

Geographic distribution of external revenues based on company location

(NOK IN MILLION)	2009	2008
Norway	4 843	3 838
Sweden	1 797	2 041
United States	2 187	1 706
Other countries (including Germany)	329	605
Total external revenues	9 156	8 191

Geographic distribution of external revenues based on customer location

(NOK IN MILLION)	2009	2008
Germany	2 757	3 150
Europe (excluding Germany)	1 406	1 543
United States	479	615
Japan	2 255	1 801
Asia (excluding Japan)	2 243	1 075
Other countries	17	6
Total external revenues	9 156	8 191

6. FIXED ASSETS

PROPERTY, PLANT AND EQUIPMENT

(NOK IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Carrying value at January 1, 2008	1 331	3 152	113	3 040	7 635
Exchange differences	136	499	24	2 135	2 795
Net additions*	732	1 564	66	7 356	9 719
Disposals	0	0	−2	0	−2
Depreciation	−83	−567	−28	0	−678
Impairment	0	−28	−3	0	−32
Carrying value at December 31, 2008	2 116	4 620	170	12 531	19 438
At December 31, 2008					
Cost price	2 333	6 195	283	12 531	21 342
Accumulated depreciation and impairment	−217	−1 575	−112	0	−1 904
Carrying value at December 31, 2008	2 116	4 620	170	12 531	19 438
Carrying value at January 1, 2009	2 116	4 620	170	12 531	19 438
Exchange differences	−131	−1 018	−24	−1 734	−2 907
Net additions*	1 800	9 466	115	105	11 487
Government grants − reduction to cost price**	8	0	0	−373	−365
Disposals	0	−6	2	0	−4
Depreciation	−188	−1 059	−46	0	−1 293
Impairment	−650	−1 200	−50	−57	−1 957
Carrying value at December 31, 2009	2 955	10 803	167	10 473	24 398
At December 31, 2009					
Cost price	3 991	14 451	353	10 530	29 325
Accumulated depreciation and impairment	−1 035	−3 648	−186	−57	−4 926
Carrying value at December 31, 2009	2 955	10 803	167	10 473	24 398

* Net additions include transfers from assets under construction.
** See note 21.

Estimated useful lives of assets included in the different classes are primarily in the range of: buildings 5-33 years; machinery and equipment 3-20 years and other tangible fixed assets 3-7 years. The effects of the annual analysis of the useful lives resulted in only minor change in depreciation for 2009 and 2008.

Finance leases at December 31

(NOK IN MILLION)	2009	2008
Cost – capitalized finance leases	837	333
Accumulated depreciation	−130	−57
Carrying value	707	276
Land and buildings	249	218
Machinery and equipment	458	58
Carrying value	707	276

Finance leases at December 31, 2009 and 2008 were primarily leases of production equipment for production and recovery of exhausted slurry for REC Wafer and a lease of the second cell plant in REC ScanCell.

Slurry is the cutting fluid used when sawing silicon blocks into wafers. The slurry plants are built adjacent to REC Wafer's plants at Herøya, Norway. A second slurry plant was finalized during the fourth quarter of 2009. The agreements are capacity agreements in which REC Wafer at inception expected to take all of the output from the plants (see note 29). The finance lease elements of the agreements are for the machinery and part of the building structure and are fixed according to the total capital expenditures incurred. The carrying values were NOK 505 million and NOK 58 million at December 31, 2009 and 2008, respectively. The minimum contract terms for the total contracts were extended in 2007 and are until December 31, 2018, and shall be prolonged automatically for two-year periods unless terminated by either party with twelve months notice. The assets under the financial lease are paid over five to seven years. Assets paid over five years have an extension option that is included as part of estimated lease term.

The cell plant was completed at the end of 2007. The minimum contract term is until 2022. The lease agreement has a renewal option of two periods of five years each, and the lease agreement contains a purchase option in the third year. The carrying values were NOK 202 million and NOK 218 million at December 31, 2009 and 2008, respectively.

The assets are depreciated over the shorter of estimated useful lives and lease term.

INTANGIBLE ASSETS

(NOK IN MILLION)	GOODWILL	ASSETS UNDER CONSTRUCTION	CUSTOMER RELATIONSHIPS	OTHER	TOTAL
Carrying value at January 1, 2008	799	68	66	123	1 056
Exchange differences	121	30	18	18	188
Net additions*	0	50	0	98	147
Internal development	0	43	0	0	43
Disposals	0	0	0	−1	−1
Amortization	0	0	−6	−30	−36
Impairment	−4	0	0	0	−4
Carrying value at December 31, 2008	917	191	78	207	1 393
At December 31, 2008					
Cost price	917	191	136	352	1 596
Accumulated amortization	0	0	−58	−145	−202
Carrying value at December 31, 2008	917	191	78	207	1 393
Carrying value at January 1, 2009	917	191	78	207	1 393
Exchange differences	−96	−22	−13	−22	−152
Net additions*	0	−63	0	141	79
Internal development	0	55	0	0	55
Disposals	0	0	0	0	0
Amortization	0	0	−7	−51	−58
Impairment	−237	0	0	−20	−257
Carrying value at December 31, 2009	584	161	59	257	1 060
At December 31, 2009					
Cost price	821	161	114	458	1 554
Accumulated amortization and impairment	−237	0	−55	−201	−494
Carrying value at December 31, 2009	584	161	59	257	1 060

*Net additions include transfers from assets under construction.

The intangible assets included above have estimated finite useful lives, over which the assets are amortized on a straight-line basis.

Intangible assets under construction are not ready for their intended use, and consequently amortization has not started. At December 31, 2008 assets under construction related primarily to the Fluid Bed Reactor technology in REC SGS, REC ASA's technology agreement with SiGen and furnace technology in REC Wafer. At December 31, 2009 assets under construction related primarily to the SAP Software implementation in REC Silicon and REC ASA's technology agreement with SiGen. Customer relationships are amortized over the expected customer relationship period. At December 31, 2009 and 2008, customer relationships were primarily related to pre-existing relationships at the time of acquisition of ASiMI and SGS, and are amortized over a period of 10 to 16 years. Negative value of a delivery contract is reported as a liability, see note 20. Other intangible assets at December 31, 2009 were primarily related to furnace technology in REC Wafer (10 years), software (3-8 years) and FBR technology in REC Silicon (20 years).

7. IMPAIRMENTS OF CASH GENERATING UNITS AND GOODWILL

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

Carrying amount of goodwill at December 31

(NOK IN MILLION)	2009	2008
REC Silicon–segment	254	307
REC Wafer–multi	330	330
REC Wafer–mono	0	12
Sovello AG	0	267
Total REC Group	584	917

The changes in the carrying amounts of goodwill during 2009 were primarily due to write-downs in Sovello and REC Wafer (mono), as well as translation differences.

Cash generating units

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

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

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

REC Silicon produces polysilicon that is used in the electronic and solar industry. REC Silicon also produces silane gas used in its production of polysilicon and some is sold externally. REC Silicon currently supplies a large percentage of the total silane gas market. Management has evaluated that it is currently not an active market as defined in IAS 36 for the large amount of silane that is used internally, and that the silane producing assets consequently need to be grouped with polysilicon producing assets. Management's judgment is that polysilicon plants constitute one cash generating unit, as customer contracts can be fulfilled by either plant, and REC can elect to produce the products from whichever plant (with some adjustments). Therefore, management judgment is that the future cash inflows for the polysilicon plants cannot be determined individually. REC Silicon is consequently regarded as one cash-generating unit.

REC Wafer produces multi- and mono-wafers (and ingots). Mono- wafers have higher solar efficiency, are sold separately from multi wafers in separate contracts and to different customers, are used in different cell production, and can only be produced in a separate plant in Glomfjord. Management has evaluated that the multi- and mono-wafers have separate cash inflows. Consequently, the mono-wafer plant in Glomfjord is a separate cash-generating unit. The multi-wafer plant in Singapore is to a large extent similar to the newest multi-wafer plants at Herøya. Production had not started in Singapore at year-end 2009. Once in production, it is expected that shipments to customers will be allocated between the plants in the way that REC management finds most advantageous. Therefore, management judgment is that the future cash inflows for the multi-wafer plants cannot be determined individually, and the multi-wafer producing assets are regarded as one cash-generating unit.

REC Solar produces solar cells and modules. Within Solar cell production, the first cell plant in Narvik has been determined to be closed down and should be evaluated separately. The cell production from the second plant in Narvik currently delivers solar cells primarily to REC ScanModule, while the production in Singapore had not started at year-end 2009. Only a marginal modification in terms of capital expenditure and stop in production is needed for the Narvik plant to produce the solar cells similar to those expected to be produced in Singapore. The way the total cell production is expected to be managed, management judgment is that the future cash inflows for the second cell plant in Narvik and the Singapore cell plant cannot be determined individually, and are regarded as one cash-generating unit.

The solar modules produced at REC ScanModule are somewhat different from those that are expected to be produced in Singapore. The product difference can be overcome, but this requires capital expenditure and stop of production at ScanModule for some time, which probably cannot be taken into consideration for the impairment test for IAS 36. The cost structure is significantly different, and in the current conditions the asset's value in use can be said to be estimated to be close to its fair value less costs to sell. Consequently, management's judgment is that REC ScanModule and the module production in Singapore should be evaluated as separate cash-generating units.

Sovello is a joint venture entity, and REC only has joint control, and Sovello is regarded as a separate cash generating unit.

Basis for the impairment tests

Recoverable amounts for the cash-generating units are primarily based on value in use. Value in use has been estimated by discounted cash flows. The budget process in 2009 has been affected by the significant uncertainty of future development in key assumptions, such as future price development, cost structure in plants under construction or in ramp-up or in the process of conducting committed or initiated efficiency measures at the end of 2009. During 2009, estimates related to future performance and development have been adjusted downwards. At the end of 2009, the Board of REC was presented a budget for 2010 and was also shown some business plan figures for 2011 – 2014. However, subsequent to this, further work has been conducted on the business plan figures that are used as basis for the impairment tests, especially for REC Solar. REC Solar is closest to the end-user market, and is normally the first segment affected by changes in the end-user market for solar applications.

The carrying amounts of the cash generating units include tangible fixed assets, intangible assets and net working capital. EBITDA less capital expenditure and change in working capital has been used as estimates of cash flows for the calculation of recoverable amounts. Estimated tax on EBIT has also been included as appropriate to be consistent with the discount rates used, see below. Assets under construction are included, with estimated capex to complete and estimated future cash flows from their operations. To the best of management's judgment, the cash flows do not include effects from expansion and enhancement investments that are not committed and where construction has not started.

To arrive at the estimated recoverable amount, the REC Group uses an estimated stable cash flow and a growth rate factor to estimate a terminal value of infinite future cash flows. However, for the Singapore entities, the period has been limited to the lease term of land. A growth rate factor of zero for the period subsequent to 2014 has been used in the calculations at year-end 2009, which is the same as for 2008. This is below the average expected growth rate for the photovoltaic industry. Growth rates used for the industry take into consideration effects of future technology improvements that cannot be included the same way in the impairment test. However, REC's committed improvements, primarily those related to assets under construction, are included. The lower growth rate also reflects that prices are expected to decline until grid parity is reached. At the same time it is expected that cost savings will be realized through the value chain, among other things, due to these price reductions.

According to IAS 36, cash flows and discount rates shall be pre-tax. In deciding the discount rate in practice for the cash-generating units, REC believes that the best basis and what is most commonly used is the WACC (weighted average cost of capital). The cost of a company's market value of debt and equity capital, weighted accordingly to reflect its expected long-term capital structure, gives its WACC. The WACC rates used to discount future cash flows are based on ten years risk free rates in the relevant markets and take into account the risk premiums on debt and equity, gearing and beta. REC believes this takes into consideration the market's assessments of the time value of money and reflects the premium that the market would require from uncertain future cash flows based on the distribution estimated by REC. REC believes that the WACC is the best estimate for the current market-determined rate for REC and that the WACC in most instances best reflects risks specific to the asset for which the cash flow projections have not been adjusted.

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

Future cash flows are estimated in different currencies and discounted using a discount rate appropriate for that currency. Adjustments have also been made for interest rates in the different countries in which the plants are located.

Discount rates (%)

	2009		2008
	POST–TAX	PRE–TAX	
REC Silicon USD	9.2	13.6	7.7
REC Wafer–mono NOK	9.7	12.9	9.6
REC Wafer–multi (Norway) NOK	9.7	12.2	9.6
REC Wafer–multi (Singapore) SGD [1]	8.9/8.6	8.9/9.3	NA [2]
REC ScanModule EUR	9.0	9.0	NA [2]
REC Modules EUR [1]	9.6/9.2	9.6/10.1	NA [2]
REC Solar–cells (Singapore) EUR [1]	9.6/9.2	9.6/10.1	NA [2]
REC Solar–cells (Norway) EUR	9.0	10.7	9.6
Sovello EUR	NA [3]	NA [3]	8.0

1) Cash flows generated in Singapore are tax exempt for a period.
2) Not tested for impairment at year–end 2008.
3) Not value in use, see below.

Increased estimated risk premiums and risk free interest rates contributed to increased discount rates in 2009 compared to 2008, partially offset by the effect of estimated increased debt to equity ratio (market values). A change in the model for calculating discount rates had also effect.

In general, the changes in the market situation and reduction in sales prices are impairment indicators and have significantly reduced the estimated recoverable amounts of the different cash-generating units during, and at year-end 2009. Demand for solar modules picked up towards the end of third and in the fourth quarter 2009, but prices were still declining. The impairment tests in 2009 gave rise to the following impairment charges.

Specification of impairments for the year 2009

(NOK IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
REC Silicon	0	7	0	0	0	0	8
REC Wafer–mono	380	554	12	18	12	15	991
REC Wafer–multi	0	18	0	0	0	0	18
REC Solar–cells	0	99	0	0	0	0	99
REC Solar–ScanModule	101	127	10	4	0	0	242
Sovello	170	394	26	35	225	5	855
Other	0	1	0	0	0	0	1
Total impairments	650	1 200	49	57	237	20	2 214

REC Silicon

The minor impairment charges relate to equipment that is taken out of use. REC has estimated the value in use to exceed the carrying amount at December 31, 2009. However, partially due to assumptions related to future price developments and cost overruns for plant III, the estimated headroom has been considerably reduced compared to the previous years' estimates.

REC Wafer

The impairment charges in REC Wafer are primarily related to the mono plant, with NOK 991 million including goodwill. The changes in the market situation and reduction in sales prices have had a significant negative impact on the estimated recoverable amount. In addition the cost overrun in the REC Wafer mono expansion project and delayed ramp-up has had a negative effect. The estimated value in use of the REC Wafer multi cash-generating unit (the total of Norway and Singapore plants included assigned parts of corporate assets) are also negatively affected by the reduced sales prices and some ramp-up delay at the new Herøya plants, but is still estimated to exceed the carrying amount. It should be noted that the wafer plant in Singapore was not taken in use at December 31, 2009. The minor impairment charges for the multi-wafer cash-generating unit relates to equipment that is taken out of use.

REC Solar

The impairment charges recognized in REC Solar–cells related to equipment that was taken out of use in REC ScanCell.

REC has written down all REC ScanModule property, plant, equipment and intangible assets. This resulted in an impairment loss for REC ScanModule of NOK 242 million in the fourth quarter 2009. REC ScanModule is closest to the end-user market, operates on short-term contracts and has been hit by significant reduction in market prices without the corresponding reduction to costs.

The estimated value in use for the REC Solar-cells cash-generating unit and the module plant in Singapore exceeded the carrying values at December 31, 2009. It should be noted that the cell and module plants in Singapore were not taken in use at December 31, 2009.

Sovello

Sovello was not in compliance with all of its financial covenants at the end of 2008. The company has since then been operating under a waiver from the banks. During the waiver period, Sovello and its shareholders have engaged in negotiations with Sovello's banks, the government, and other parties to restructure the company. On January 28, 2010 Sovello's banks formally terminated the loan agreement but did not demand repayment of the loans pending ongoing negotiations for sale of Sovello. See note 9 for further information.

In the third quarter 2009, REC recognized NOK 672 million impairment charges for Sovello under a value in use assumption. Based on the significant uncertainty related to Sovello and its financing, REC found at year-end 2009 that the best estimate of the recoverable value of Sovello was to write down all the remaining property, plant, and equipment values in Sovello by NOK 183 million to zero. Other assets, primarily working capital and prepayments of polysilicon were not written-down.

Key assumptions and sensitivities

Key assumptions are defined as those to which the units' recoverable amounts are most sensitive. The estimated values in use for all cash generating units are sensitive to changes in assumptions, especially regarding future revenues (primarily sales prices and to some extent volume), cost of the major input, conversion costs and to some extent maintenance capital expenditures. In addition, future cash flows that relate to assets under construction are sensitive to successful completion according to plan and budget, successful implementation of technological innovations embedded in these assets and realization of expected future cost reductions. Changes in key assumptions going forward will change the estimated recoverable amounts, and may change the conclusions reached at year-end 2009.

REC Silicon

Sales prices were estimated using current market prices adjusted for anticipated changes in market dynamics relative to changes in supply and demand. These estimates have taken into account changes in the wafer and cell markets as they relate to that portion of REC Silicon's product offerings. Where relevant, provisions of contracts with customers for deliveries in future periods are reflected in estimates of pricing and volume. Volumes included in the impairment analysis are near full production capacities. However, volumes have been adjusted to reflect limitations in supply of raw materials and estimates of demand for products by customers.

Estimated conversion cost used in impairment testing was based on demonstrated capabilities where possible or management's best estimate of capabilities in the case of relatively new processes with little operating history (FBR). Costs for all future periods have been escalated based upon specific commodities futures market pricing, general inflation rates, and/or specific contract pricing commitments.

Estimates of capital expenditures reflect management's best estimate of ongoing maintenance capital required to maintain existing operations and to complete construction of assets under development.

The estimated recoverable amount in excess of carrying amount at year-end 2009 was approximately five percent for REC Silicon, However, assets under construction are included in the carrying amount with the amounts incurred at year-end, while future capex and cash flows are included in the estimated recoverable amount. For REC Silicon, an unfavorable change individually in the estimates for all years of two to three percent for prices, volume, or cost, or 11 percent for capex or 0.5 percentage-point post-tax discount rate would cause the estimated recoverable amount to be reduced to the carrying amount.

REC Solar and REC Wafer

The module and wafer prices are estimated based on a selection of external sources. Even though the price dropped considerably in 2009, it is expected that prices will decrease every year until and including 2014, with the largest reduction in 2010. Cell prices and wafer prices are estimated to follow somewhat the same price-curve/development as for solar modules.

Estimated conversion cost included in the impairment test are built on the performance improvements observed in the fourth quarter 2009 in Scandinavia as well as positive results from test production in Singapore and expected scale advantages. Detailed action plans have been established in order to achieve improvements compared to actual performance in 2009.

For volume, it has been assumed full production and sale taking into consideration the anticipated ramp-up schedules.

Estimates of capital expenditures reflect management's best estimate of ongoing maintenance capital required to maintain existing operations and to complete construction of assets under development.

The estimated recoverable amount in excess of carrying amount at year-end 2009 was approximately 23 percent for REC Wafer-multi, 55 percent for REC Solar-cells and 77 percent for REC Solar – modules Singapore. However, assets under construction are included in the carrying amount with the amounts incurred at year-end, while future capex and cash flows are included in the estimated recoverable amount. Even if the headroom in percentage is high, the recoverable amounts are sensitive to changes in key assumptions. The recent past history with large changes in key assumptions, uncertainties of future market and operational performance and completion of assets under construction, unfavorable changes may make the estimated recoverable amounts decline below carrying values.

For REC Wafer-multi, an unfavorable change in the estimates for all years of approximately three percent for prices would cause the estimated recoverable amount to be reduced to the carrying amount. The same applies to a similar change individually in volumes, conversion cost or cost of the main raw material of seven to nine percent. However, as mentioned above, the long-term plans include assumptions for significant costs reductions, and the percentage change will be much lower if these are not realized.

For REC Solar-cells an unfavorable change in the estimates for all years of approximately four percent for prices and the cost of the main raw material would cause the estimated recoverable amount to be reduced to the carrying amount. Even if the estimates for conversion cost would need to increase by approximately thirteen percent, it should be noted that the long-term plans include assumptions for significant costs reductions, and the percentage change will be much lower if these are not realized.

For REC Solar- modules Singapore an unfavorable change in the estimates for all years of approximately two to three percent for prices and the cost of the main raw material and eight percent for conversion cost would cause the estimated recoverable amount to be reduced to the carrying amount. However, as mentioned above, the long-term plans include assumptions for significant costs reductions, and the percentage change will be much lower if these are not realized.

8. INVESTMENTS IN ASSOCIATES

(NOK IN MILLION)	2009	2008
At January 1	288	9
Share of loss in associates	−8	−3
Impairment	−57	0
Share of loss of associates	−64	−3
Investment in associates	0	207
Transfers and disposals	−2	−6
Exchange differences	−75	81
At December 31	146	288

Share of loss is after tax and non-controlling interest of associates, including fair value adjustments. In April 2008, REC Solar acquired a 20 percent ownership interest/voting right in Mainstream Energy Inc. located in California, USA. The investment supports REC's ambition to take an active role in the building of robust and scalable market channels, and marked the entry in the increasingly important US market. Mainstream Energy conducts its operations through AEE Solar Inc., which is one of the largest distributors of renewable energy systems and equipment in the USA, and the large PV system integrator REC Solar Inc. (not to be confused with REC's business segment REC Solar). The cost price for the acquisition of 20 percent ownership was NOK 207 million, consisting of estimated fair value of net assets of NOK 42 million and goodwill of NOK 165 million. Under the agreement between REC and the other shareholders of Mainstream Energy, REC can increase its shareholding to a majority position through options exercisable from May to July in each of the years 2009 and 2010, and can further increase its shareholding from May to July in 2011, provided it already has a majority position. The specific terms and conditions in any subsequent transactions are dependent on the future performance of Mainstream Energy. See also note 30.

REC recognized an impairment charge on the shares in Mainstream Energy of NOK 57 million at the end of 2009. This was affected by generally weaker market conditions, delayed growth and decreased margins for Mainstream Energy compared to original plans as basis for REC's investment in 2008. The estimated fair value was primarily based on estimated discounted cash flows and revenue multiple valuations.

The REC Group owns shares in Meløy Bedriftsservice AS and owned shares in Si Pro AS until November 2009. Both are located at Glomfjord (Norway). REC is a major customer of these companies. The ownership interest/voting rights for Meløy Bedriftsservice AS is 20 percent and was 18 percent for Si Pro AS.

The REC Group's share of figures for the associates at and for the year ending on December 31 *

(NOK IN MILLION)	ASSETS	LIABILITIES	REVENUES	LOSS
Total 2009	182	36	180	−64
Total 2008	334	46	185	−3

* Including fair value adjustments and goodwill.

9. JOINTLY CONTROLLED ENTITIES

SOVELLO AG

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

Sovello was founded in December 2004 and manufactures solar modules based on String Ribbon Technology. Sovello is based in Thalheim, Germany. Sovello currently operates two plants with a total production capacity of 100 MW. The ramp-up of a third plant with a capacity of 80 MW has just been initiated. The company employed 1,112 people at the end of 2009 and 1,164 at the end of 2008.

Sovello has been the REC Group's only jointly controlled entity in 2009 and 2008. During 2009, REC wrote down all property, plant and equipment and intangible assets of Sovello, totalling NOK 855 million. This contributed to the large loss for the year of NOK 1,042 million,that constituted 44 percent of the total loss for REC Group for 2009, compared to less than five percent of the profit for 2008. Sovello's total assets were approximately one percent of REC Group's total assets at December 31, 2009 and less than six percent at December 31, 2008. The remaining non-current assets at December 31, 2009 were primarily prepayments of polysilicon. In additions to the impairment charges recognized via the write-down of assets of Sovello, REC ASA made provisions for estimated losses on guarantees and undertakings related to Sovello of NOK 90 million (not included in the statement of income for Sovello).

In January 2010, the EU Commission announced the recall of grants awarded to Sovello in 2006 for the construction of Sovello's first integrated production line. The related amount is estimated to EUR 11.6 million including interest for 100 percent share of Sovello. The effect of this decision has been provided for in Sovello's financial statements but the amounts were not repaid at December 31, 2009.

Sovello was not in compliance with all of its financial covenants at the end of 2008. The company has since been operating under a waiver from the banks. During the waiver period, the company and the shareholders have engaged in negotiations with Sovello's banks, the government, and other parties to restructure the company. On January 28, 2010, Sovello's banks formally terminated the loan agreement but did not demand repayment of the loans pending ongoing negotiations for sale of Sovello, and on February 5, 2010, a stand-still was agreed upon with Sovello's banks. On February 5, 2010 the shareholders of Sovello AG signed a non-binding term sheet, and on March 22, 2010 an agreement for the sale of 100 percent of the shares and the shareholder loans in Sovello. The acquirer is a fund under the management of Ventizz Capital Partners, a German private equity company. No consideration shall be paid for the shares and shareholders loans. The transaction is subject to certain closing conditions, and closing of the transaction is expected to take place during April, 2010.

For more information regarding Sovello see notes 7, 10, 17 and 29.

Items from the statement of financial position

(NOK IN MILLION)	2009	2008
Ownership at December 31	33.33%	33.33%
Non−current assets	107	1 091
Current assets	269	578
Total assets	375	1 669
Non−current liabilities	4	186
Current liabilities	792	819
Total liabilities	796	1 005

Items from the statement of income

(NOK IN MILLION)	2009	2008
Ownership in the period	33.33%	33.33%
Revenues	325	601
Expenses	−387	−473
Depreciation and amortization	−78	−46
Impairment	−855	0
Net financial items	−43	−19
Income taxes	−4	−15
Profit/−loss after income tax	−1 042	48

Items from the statement of cash flow

(NOK IN MILLION)	2009	2008
Ownership in the period	33.33%	33.33%
Net cash flow from operating activities	145	−63
Net cash flow from investing activities	−69	−165
Net cash flow from financing activities	−47	157
Net cash flow in the period	29	−71
Cash and cash equivalents at January 1	38	100
Foreign currency effect on cash and cash equivalents	−7	10
Cash and cash equivalents at December 31	60	38

10. RELATED PARTY TRANSACTIONS

The REC Group has related party relationships with its subsidiaries, associates, joint ventures and with its Group management and Board of Directors and principle shareholders. Transactions with subsidiaries are eliminated on consolidation.

The principle shareholders in REC ASA that had significant influence over the REC Group at year-end 2009 and 2008 were Elkem AS and Orkla ASA. Orkla ASA is the ultimate owner of Elkem AS, and their combined ownership interests at year-end 2009 and 2008 were 39.7 percent.

Amounts below in NOK are calculated at average exchange rates for profit or loss items and at year-end exchange rates for receivables and payables.

In 2009, the REC Silicon has made purchases from Elkem AS of NOK 36 million (USD 6 million), and had accounts payables to Elkem AS of NOK 5 million (USD 1 million) at December 31, 2009.

Most of the shareholders participated in the 2009 rights issue. The rights issue was fully underwritten and the largest shareholders participated in the Underwriting Syndicate on the same terms and conditions as the bank underwriters. Orkla ASA and Elkem AS together guaranteed for NOK 1,795 million and consequently received guarantee provision of NOK 54 million.

Key management compensation, shareholdings, loans etc.
Group management and Board of Directors' compensation, ownership of REC ASA shares and options and loan agreements are shown in note 16.

Joint venture - Sovello
Sovello AG became a jointly controlled entity at December 19, 2006. See note 9.

Sovello for 2009
During the first quarter 2009, Sovello drew upon the loan commitment made by REC ASA of NOK 33 million (EUR 4 million). In close cooperation with the bank syndicate of Sovello, REC ASA in the second quarter provided a short term bridge loan to Sovello of NOK 42 million (EUR 5 million) and provided a guarantee of NOK 83 million (EUR 10 million) to the bank syndicate of Sovello. In the fourth quarter, REC ASA paid NOK 35 million (EUR 4.2 million) on this guarantee as capital contribution to Sovello, reducing the guarantee to NOK 48 million (EUR 5.8 million). REC ASA paid additional NOK 17 million (EUR 2 million) as capital contribution in the fourth quarter. The two other shareholders of Sovello have also provided such short term bridge loans, shareholder guarantees and capital contributions. Together with the other owners of Sovello, REC ASA had also provided certain undertakings and had committed to secure the liquidity of Sovello until end of January 2010.

Sovello accrued interest of NOK 26 million (EUR 3.1 million) to REC ASA during 2009. At December 31, 2009 REC ASA had receivables of NOK 480 million (EUR 58 million) from Sovello.

At the end of 2008, Sovello had made prepayments and paid sign-on fees of USD 74.6 million for deliveries of polysilicon from the Silicon III plant (FBR material). In the second and fourth quarters of 2009, REC Silicon repaid to Sovello USD 11.5 and 8.5 million, respectively of the prepayments.

In 2009, REC Silicon has recognized revenues from sales of polysilicon to Sovello, that reduced prepayments and sign-on fees at year-end to NOK 17 million (USD 3 million) and NOK 228 million (USD 40 million), respectively. In addition, REC Silicon has for accounting purposes calculated interest on these balances.

Sovello for 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 prepayments and sign-on fees 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 and sign-on fees of USD 74.6 million.

REC ASA and the two other shareholders had provided shareholders' loans, subordinated to the bank loans, loan commitments and guarantees to Sovello and undertakings to external banks relating to Sovello. At year-end 2008, REC ASA had outstanding shareholder's loans to Sovello of NOK 450 million (EUR 45.7 million) and a loan commitment of NOK 39 million (EUR 4 million). Of the loans, NOK 411 million (EUR 41.7 million) was due to be repaid at December 31, 2009, but could be prolonged in the case an IPO had not been conducted with proceeds to Sovello sufficient to repay all shareholders' loans. During 2008, according to the agreement, the EUR 30 million guarantee provided in 2007 was terminated. During 2008, Sovello paid NOK 18 million (EUR 2.2 million) to REC ASA as interest and guarantee fees.

REC ASA and the other two shareholders had provided undertakings to external banks for additional capital need for completion of construction of the third plant in case of cost overruns or non-compliance with financial loan covenants and for any loss of investment grants. See also note 17 regarding Sovello's breach of financial loan covenants and note 29 regarding the European Commission's re-examination of the grounds for granting Sovello investment aid.

Associates

In April 2008, REC Solar AS acquired a 20 percent ownership interest in Mainstream Energy Inc. Under the agreement between REC Solar AS and the other shareholders of Mainstream Energy Inc., call and put options (put options effective only if REC Solar AS has majority) may increase REC Solar AS's shareholding in future years. The specific terms and conditions in any subsequent transactions are dependent on the future performance of Mainstream Energy. The number of shares that can be exercised under the call and put options are interrelated and will consequently vary according to if and when the options are exercised.

During 2009, REC Solar sold modules for NOK 178 million (SEK 216 million) to, and purchased goods and services for NOK 2 million from, REC Solar Inc. and AEE Solar Inc., and had receivables of NOK 80 million (SEK 99 million) at December 31, 2009.

In the second half of 2008, REC ScanModule AB made sales of solar modules of NOK 101 million to REC Solar Inc. and AEE Solar Inc. (USA), subsidiaries of Mainstream Energy Inc., of which NOK 47 million was outstanding at year-end 2008.

The Norwegian companies Si Pro AS and Meløy Bedriftsservice AS, located at Glomfjord (Norway) are associates of REC Wafer Norway AS. In the fourth quarter 2009, REC Wafer sold its ownership interest in Si Pro AS. During 2009, REC Wafer made purchases of NOK 54 million in aggregate from Si Pro AS and Meløy Bedriftsservice AS and had NOK 2 million accounts payable at December 31, 2009 to Meløy Bedriftsservice AS.

During 2008, REC Wafer 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.

CSG Solar AG was an associated company and a related party until February 1, 2008 when REC reduced its ownership by not participating in full in a capital increase of CSG Solar AG.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Fair values and carrying amounts at December 31

	2009		2008	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Foreign exchange forward contracts	594	98	69	1 895
Interest rate swaps	0	25	0	0
Embedded foreign exchange forward contracts	0	263	2 732	3
REC Silicon natural gas contract, net settlement	0	12	0	0
Sovello's derivatives	0	1	9	4
Total	594	400	2 810	1 902
– of which designated as hedging instruments*	0	49	0	685

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

REC uses financial derivatives primarily to reduce interest rate and currency risk exposure. The REC Group manages the hedging of net cash flows exposed to foreign exchange rate risk as a portfolio on the basis of anticipated future cash flows.

See also note 3 for information on the REC Group's general policy for covering of currency risk and interest rate risk.

2009

Contractual cash flows in foreign exchange forward contracts at December 31, 2009

		2010			2011	2012
(CURRENCY IN MILLION)		FX FORWARD	CC SWAP	FX FLEX FORW	FX FORWARD	FX FORWARD
BOUGHT CURRENCY	SGD/EUR	200	0	0	0	0
	USD/NOK	189	0	0	0	0
SOLD CURRENCY	EUR/NOK	−654	0	−180	−308	−20
	USD/NOK	0	−89	0	0	0

The table above show contractual currency amounts for the different type of instruments, per year. Positive amounts are the principal amount of the first currency mentioned bought forward with payment of the second currency. Negative amounts are the principal amount of the first currency mentioned sold forward with receipt of the second currency. FX Forward is a foreign exchange forward contract. FX Flex Forward (foreign exchange flexible forward) is forward currency contracts with an option element. CC Swap (cross currency interest rate swap) consists of an exchange of two currency principal amounts (shown in the table), where REC pays USD floating interest rate and receives NOK floating interest rate. The EUR, SGD and USD currencies noted in the table above have spot rates to NOK of 8.32, 4.12 and 5.78 as of December 31, 2009.

REC has in 2009 restructured the currency hedging portfolio and debt portfolio in accordance with a corporate risk analysis of net cash flows and has reduced USD hedging and increased EUR hedging. This was primarily conducted during the fourth quarter with the purpose of reducing the overall cash flow at risk for the Group.

Fair value of foreign exchange forward contracts at December 31, 2009

		2010			2011	2012
(NOK IN MILLION)		FX FORWARD	CC SWAP	FX FLEX FORW	FX FORWARD	FX FORWARD
BOUGHT CURRENCY	SGD/EUR	26	0	0	0	0
	USD/NOK	33	0	0	0	0
SOLD CURRENCY	EUR/NOK	426	0	−39	100	10
	USD/NOK	0	−60	0	0	0
Total		485	−60	−39	100	10

The table above shows a specification of fair values, equaling carrying amounts, at December 31, 2009 of derivatives distributed by type of instrument, year of maturity and currency.

Principal amounts and fair value of interest rate swaps at December 31, 2009

		2014 PRINCIPAL AMOUNT (CURRENCY IN MILLION)	2014 FAIR VALUE (NOK IN MILLION)
PAY FIXED RATE	USD	100	−15
RECEIVE FIXED RATE	NOK	1 250	−9

The table above shows contractual principal currency amounts in interest rate swaps and a specification of fair values, equaling carrying amounts, at December 31, 2009 distributed by year of maturity and currency. The interest rate swaps have one fixed interest rate against a floating interest rate and there are no other cash flows (which means that the principal amounts shall not be paid). The interest rate swap of NOK 1,250 mill, where REC is paying floating interest rate, is a hedge of the NOK bond and the USD fixed rate swap is general interest hedging.

Estimated contractual cash flows in embedded foreign exchange forward contracts at December 31, 2009

(USD IN MILLION)	TOTAL	2010	2011	2012	2013	2014
Total contract value*	582	128	267	117	35	35

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

REC Wafer has entered into sales contracts in USD which are not in the functional currency of either of the contracting parties. For accounting purposes this shall be reported as if the commodity sales contracts were in NOK and forward purchases of USD shall be separated and measured at fair value (embedded derivatives) with changes in fair values recognized to profit or loss. The reason for entering into the sales contracts in USD was to provide economic hedges of future purchases of polysilicon in USD in line with REC's finance policy at that time.

These wafer sales contracts state future cash flows, with some limited adjustment mechanisms. However, REC Wafer has in 2009 experienced that contracts have been renegotiated or not complied with. If it is probable that a customer will not honor the contract based on individual assessment, REC has made downward adjustment of the estimated future cash flows. Compared to the originally stated amounts, future cash flows at December 31, 2009 have been reduced from a total of USD 2,617 million to USD 582 million. Cash flows have been reduced to the most likely amount, but are uncertain and the actual outcome could be higher or lower. The cash flows in some contracts that are disputed by the customers have been reduced to the highest of any bank guarantee or zero. The estimated fair values of embedded derivatives at December 31, 2009 were negatively affected by the reduction in the estimated future cash flows in these wafer sales contracts and positively affected by increased credit risk margins that increased discount rates. See notes 25 and 30.

Contractual cash flows in REC Silicon's natural gas contract – net settlement

REC Silicon has contractual purchases of natural gas. The contract was entered into for own use, but due to delays in the ramp-up of the new polysilicon plant, a part has been settled net, and the total contract is reported at fair value. The total contract value is purchase of natural gas for payment of USD 18 million (NOK 105 million) during 2010.

Contractual cash flows in Sovello's derivatives at December 31, 2009

Future contractual cash flows of REC's 33% share of Sovello amounted to NOK 1 million at December 31, 2009

HEDGING ACTIVITIES

Cash flow hedging

REC Wafer used hedge accounting up to the fourth quarter of 2008 for parts of its cash flow hedging activities, primarily related to currency hedge of purchase of polysilicon in USD and sale of wafers in EUR. In the fourth quarter of 2008, REC Wafer discontinued its hedge accounting, and subsequently REC ASA and its subsidiaries have had no cash flow hedge accounting. However, amounts previously recognized in equity remain in equity until the forecasted transactions occur.

Sovello had some hedge accounting related to interest rate swaps.

For the currency and interest rate cash flow hedges at December 31, 2009, the cash flows are expected to occur

	CARRYING AMOUNTS	EXPECTED CASH FLOW PROFILE AT DEC. 31, 2009	
(NOK IN MILLION)	2009	TOTAL	2010
Currency exchange contracts (forward sales) 1)	−39	1497	1497
Interest rate swaps 2)	−1	1	1
Total 3)	−40	1498	1498

1) Sale of EUR and receive NOK. EUR payments translated at exchange rate December 31, 2009. The designation was revoked in the fourth quarter of 2008. The cumulative gains on the hedging instruments remains recognized directly in equity from the period when the hedge was effective until the forecast transaction occurs or is no longer expected to occur. The amount recognized in equity at December 31, 2009 was a gain of NOK 27 million.
2) Sovello – pay fixed and receive floating interest.
3) The amount recognized in equity at December 31, 2009 was a gain of NOK 26 million.

The cash flows are expected to affect profit or loss in the same periods as they occur.

There were no forecasted cash flow transactions for which hedge accounting was used in 2009 which are no longer expected to occur.

There was no ineffectiveness recognized in the statement of income that arises from cash flow hedges in 2009.

Fair value hedging

REC ASA issued a NOK 1,250 million 11 percent fixed rate bond in the third quarter 2009, with maturity in September 2014. The 11 percent fixed rate consists of a five year NIBOR (market rate) plus a credit spread of 6.9 percent. At the same time, REC ASA entered into interest rate swaps to convert the fixed NIBOR rate to a (six months) floating NIBOR rate.

The fair value of the interest rate derivatives at December 31, 2009 designated and effective as hedge instruments was a loss of NOK 9 million including accumulated interest. Excluding accumulated interest the loss was NOK 15 million, which corresponds to the gain on the bond.

2008

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

		2009		2010			2011	2012
(CURRENCY IN MILLION)		FX FLEX FORW	FX FORWARD	CC SWAP	FX FLEX FORW	FX FORWARD	FX FORWARD	FX FORWARD
BOUGHT CURRENCY	GBP/NOK	2	0	0	0	0	0	0
	SGD/USD	0	200	0	0	0	0	0
	CHF/NOK	13	0	0	0	0	0	0
SOLD CURRENCY	EUR/USD	0	−10	0	0	0	0	0
	EUR/NOK	−203	−320	0	−180	−93	−32	−20
	USD/NOK	0	−220	−334	0	−91	−260	−112

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

Fair value of exchange forward contracts at December 31, 2008

		2009		2010			2011	2012
(NOK IN MILLION)		FX FLEX FORW	FX FORWARD	CC SWAP	FX FLEX FORW	FX FORWARD	FX FORWARD	FX FORWARD
BOUGHT CURRENCY	GBP/NOK	−4	0	0	0	0	0	0
	SGD/USD	0	27	0	0	0	0	0
	CHF/NOK	21	0	0	0	0	0	0
SOLD CURRENCY	EUR/USD	0	0	0	0	0	0	0
	EUR/NOK	−360	−305	0	−316	−64	−20	−11
	USD/NOK	0	−181	−615	0	−2	15	−11
Total		−343	−459	−615	−316	−66	−5	−22

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

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

(USD IN MILLION)	TOTAL	2009	2010	2011	2012	LATER
Total contract value*	2 890	273	429	604	510	1 074

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

Contractual cash flows in Sovello's derivatives at December 31, 2008

Future contractual cash flows of REC's 33% share of Sovello amounted sale of USD 13 million (receipt of EUR) at December 31, 2008.

HEDGING ACTIVITIES

Cash flow hedging

For the currency and interest rate cash flow hedges at December 31, 2008, the cash flows are expected to occur

	CARRYING AMOUNTS	EXPECTED CASH FLOW PROFILE AT DEC. 31, 2008		
(NOK IN MILLION)	2008	TOTAL	2009	2010
Currency exchange contracts (forward sales) [1)]	−681	−3 119	−1 665	−1 454
Interest rate swaps [2)]	−4	−4	−3	−1
Total [3)]	−685	−3 123	−1 668	−1 455

1) Sale of EUR and receive NOK. The designation was revoked in the fourth quarter of 2008. The cumulative gains on the hedging instruments remains recognized directly in equity from the period when the hedge was effective until the forecast transaction occurs or is no longer expected to occur. The amount recognized in equity at December 31, 2008 was a gain of NOK 38 million.
2) Sovello – pays fixed and receive floating interest.
3) The amount recognized in equity at December 31, 2008 was a gain of NOK 34 million.

The cash flows are expected to affect profit or loss in the same periods as they occur.

There were no forecasted cash flow transactions for which hedge accounting was used in 2008 which are no longer expected to occur.

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

12. TRADE AND OTHER RECEIVABLES

(NOK IN MILLION)	2009	2008
Trade receivables	1 597	1 154
Less provision for impairment of trade receivables	−2	−4
Trade receivables − net	1 595	1 149
Prepaid costs	247	101
Prepaid lease to be amortized, current portion	11	0
VAT and similar receivables	281	530
Shareholder loans to Sovello	322	276
Other current receivables	153	163
Total	2 608	2 220

The REC Group has realized minimal losses on receivables.
For more information see notes 3 and 30.

Total prepaid lease to be amortized

(NOK IN MILLION)	2009	2008
Current	11	0
Non−current	29	47
Total	39	47

Prepaid lease will be expensed over time as a part of amortizations in the statement of income.

13. INVENTORIES

(NOK IN MILLION)	2009	2008
Raw materials etc	931	841
Spare parts	432	280
Work in progress	206	178
Finished goods	520	381
Reserve for obsolescence	−99	−11
Total	1 989	1 670

Reserve for obsolescence at December 31, 2009 primarily relates to the REC Solar segment, as a consequence of the considerable price reductions during the year.

14. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

(NOK IN MILLION)	2009	2008
Cash pools (Group account system)	1 470	226
Other bank deposits	218	271
Total cash and cash equivalents	1 688	497

The REC Group uses a multi currency Nordea Bank group account system for the Nordic entities and a DnB NOR Bank group account system for other REC entities operating internationally. Under these agreements REC ASA is the Group account holder, whereas certain other REC companies are sub-account holders or participants . The banks can offset overdrafts against deposits, so that the net position represents the net balance between the bank and REC ASA. The group account systems include overdraft facilities of in total NOK 350 million at December 31, 2009 and 2008.

At December 31, 2009 and 2008 cash and cash equivalents of Sovello were NOK 60 million and NOK 38 million, respectively (REC's 33.33 percent share). These funds were not generally available for the REC Group as a whole.

In the agreement with Komatsu America Corporation (Komatsu, see note 17) there were various provisions that were intended to protect Komatsu's retained interest in ASiMI. Among other things, the agreement prohibited ASiMI and REC Silicon Inc. from pooling funds with those of any other person or entity. At December 31, 2008, such bank deposits were in total NOK 216 million, in addition to restricted bank accounts of NOK 126 million. These funds were not generally available for the REC Group as a whole. At the end of 2009, REC paid the amounts due to Komatsu, and consequently the same restrictions do not apply at year- end 2009.

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

(NOK IN MILLION)	2009	2008
Non–current	88	116
Current	14	11
Total restricted bank accounts	101	127

Total restricted bank accounts were primarily related to a cash deposit of REC Silicon that has been pledged for certain property tax payment obligations, see note 29. NOK 8 million of the current restricted bank accounts at December 31, 2009 related to Sovello.

The REC Group has purchased a bank guarantee in the favor of Bærum Municipality covering employees' tax deductions in REC ASA, REC Solar AS, REC Wafer Norway AS and REC ScanCell AS. At the end of 2009, the guarantee amount was NOK 51 million (2008: NOK 34 million).

15. SHAREHOLDER INFORMATION

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

	2009		2008	
NAME OF SHAREHOLDERS	NO OF SHARES	OWNERSHIP	NO OF SHARES	OWNERSHIP
Elkem AS	155 912 989	23.45%	115 935 300	23.45%
Orkla ASA	108 244 768	16.28%	80 489 700	16.28%
Hafslund Venture AS	76 691 354	11.54%	70 411 520	14.24%
Folketrygdfondet	25 057 751	3.77%	11 508 650	2.33%
JP Morgan Chase Bank	12 057 836	1.81%	0	0.00%
Clearstream Banking S.A.	8 018 002	1.21%	4 132 966	0.84%
Rasmussengruppen AS	7 820 000	1.18%	0	0.00%
Q–Cells AG	0	0.00%	84 956 767	17.19%
Citibank N.A. New York branch	0	0.00%	5 120 000	1.04%

At December 31, 2009, REC ASA had 29,757 shareholders. The total number of outstanding shares at December 31, 2009 was 664,768,079 each with a par value of NOK 1 (2008: 494,314,725).

At the extraordinary general meeting on June 5, 2009, the Board was authorized to increase the share capital by NOK 60,000,000 through one or more increases of the share capital. The objectives of the authorization are specified to improve the Company's financial capacity, including in connection with capital expenditures and acquisitions and mergers and share issues to employees.

The mandate extends to increases through contributions of cash or other assets. The Board is authorized to waive the pre-emption rights of existing shareholders. The Board used part of the authorization by issuance of 19,509,958 shares in July 2009 as part a rights issue with gross proceeds of NOK 4,517,013,881. The remaining NOK 3,999,999,994 of the gross proceeds was raised according to resolution passed at the same extraordinary general meeting. The remainder of the authorization (NOK 40,490,042) is valid until the 2010 annual general meeting, but not in any event for a period longer than 15 months from the authorization was given.

At the extraordinary general meeting on June 5, 2009 the Board was authorized to raise one or more convertible loans in order to ensure financial flexibility, including in connection with capital expenditures and/or mergers and acquisitions. The share capital increase shall not exceed NOK 60,000,000. The Board is authorized to waive the pre-emption rights of existing shareholders. The authorization was used by issuance of a convertible bond of EUR 320,000,000 in October 2009. The bond may through conversion from the bond holders result in an increase of the share capital of NOK 49,277,772 provided that no adjustments of the conversion price takes place, and a maximum amount of NOK 60,000,000 if such adjustments take place.

At the annual general meeting on May 19, 2009 the Board was authorized to acquire shares in the Company on behalf of the Company up to a maximum of 10 percent of the nominal value of the Company's share capital. The objectives of the authorization are specified to maximize the return to the shareholders, fulfillment of the Company's obligation under the share purchase program for employees and in connection with the long term incentive plan of the Company. The Board's purchase of shares under this mandate can be exercised between a minimum price of NOK 10 per share and a maximum of NOK 500 per share. The shares may be acquired or disposed of through ordinary sales or in accordance with the Company's option program. The authorization is valid until the next annual meeting in 2010 or until withdrawal by a decision of the general meeting by simple majority.

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

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

Salary and other compensation for 2009 and 2008 are addressed below. In regards to determination of salary and other compensation for leading employees for the upcoming fiscal year, the Board of Directors will propose guidelines for the General Meeting 2010 that include factors mentioned below.

The competencies, performance and dedication of the company's employees are critical success factors for the short term and long term value creation of REC. Hence, key compensation goals are to support attraction, development and retention of the right talent, reward past achievements, and incentivize future strong performance, world class operations capabilities, and practice of REC's core values. Compensation packages should be put together to support this.

Fixed salary levels are determined locally and reflect local market average levels for corresponding positions and qualifications in relevant businesses.

Performance bonuses are considered and provided for selected individuals whose achievement of performance objectives can be measured through clearly defined results parameters/KPIs. Results parameters/KPIs include both financial performance targets for REC Group/business segments as well as individual performance targets tied to the individual's area of responsibility.

REC offers supplementary pension and personnel insurance schemes to employees in accordance with normal standard for similar companies. Effective January 1, 2010, certain specific changes were made in the pension and personnel insurance arrangements for all Norwegian employees. The new schemes include a contribution plan for retirement benefits. Employees that according to calculations are expected to earn less retirement pension funds in the new contribution plan compared to a paid up policy at the age of 67 in the previous defined benefit pension plan, are entitled to compensation, see note 19. As from January 1, 2007, REC offers an additional supplementary pension and personnel insurance scheme to Norwegian employees with fixed salary level above 12 G.

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

In addition to fixed base salary and performance bonus, REC's compensation plan for 2009 and 2008 included REC share option programs for executives, key leaders and employees. The share option program was initiated in 2008. At the Annual General Meeting (AGM) 2010 the REC Board will propose to continue the share option program for 2010. The proposed 2010 program is similar to the 2009 program, and is structured in such a way that potential individual profit cap from the aggregate of all REC option programs during any one year is limited to 1 - 1.5 years´ fixed salary (2 years' fixed salary for members of Group management). The profit cap is differentiated through the establishment of participant categories and the maximum profit cap is individually defined.

The number of options allocated for 2010 will be established based on the potential max profit cap, earned over the six year program duration, and on the following assumptions: 1) The REC share price development outperforms the Oslo Stock Exchange (OSE) by 25 percent, assuming an OSE annual average increase of 10 percent. 2) Strike price for the option to be calculated as ten percent above the average trading price on the first trading day after the publication of the company's results for the second quarter 2010.

The first 3 years will be considered a lock-up period. Exercising of options can take place in the fourth, fifth and sixth year, with four exercising periods per year. These periods will be 14 days after presentation of the quarterly interim results. Options not exercised are lost upon termination of employment contract.

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

The program will be evaluated in 2011.

Compensation of the Group management for 2009

(AMOUNTS IN NOK (IF NOT OTHERWISE STATED)) NAME	BASE SALARY	BONUS EARNED	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS	SEVERENCE PAY ETC
Ole Enger (from April 4)	3 185 795	1 181 250	299 531	304 545	156 123	0
President and CEO		100%				
Erik Thorsen (to April 4)	978 602	0	−193 635	608 229	62 921	5 187 186
President and CEO		60%				
John Andersen Jr.	2 359 447	458 400	317 022	−185 138	174 782	0
EVP and COO		60%				
Erik Sauar	1 974 465	100 000	270 116	−139 059	83 638	0
SVP and CTO		50%				
Gøran Bye (to February 11)	826 644	50 795	−146 683	0	0	1 658 806
EVP		60%				
Tore Torvund (from February 1)	2 232 958	355 544	88 457	323 539	1 828 130	0
EVP		60%				
Ingelise Arntsen	2 202 963	0	369 039	92 195	173 206	0
EVP		60%				
Bjørn Brenna	2 307 357	326 850	369 039	68 672	184 234	0
EVP and CFO		50%				
Svànaug Bergland	1 350 708	200 400	226 290	53 772	178 865	0
SVP		50%				
Jon André Løkke (to November 30)	1 247 176	146 960	169 405	−65 002	152 662	0
SVP		40%				
Einar Kilde	2 381 222	467 950	348 123	213 755	161 946	0
EVP Projects / Wafer		60%				
Matthew Shippey (from September 10)	525 247	0	48 745	0	0	0
EVP Projects		20%				
Kristine Ryssdal	1 708 009	262 050	241 767	255 378	159 680	0
SVP & CLO		40%				
Total 2009	23 280 594	3 501 449	2 407 215	1 530 886	3 316 187	6 845 992

Compensation of the Group management for 2008

(AMOUNTS IN NOK (IF NOT OTHERWISE STATED)) NAME	BASE SALARY	BONUS EARNED	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Erik Thorsen	3 313 409	660 000	193 635	1 010 992	255 155
President and CEO		60%			
John Andersen Jr.	2 246 958	402 000	130 849	587 526	132 436
EVP and COO		60%			
Erik Sauar	1 904 754	475 000	111 486	414 891	74 523
SVP and CTO		50%			
Gøran Bye	2 114 631	629 901	146 683	318 593	243 081
EVP		60%			
Ingelise Arntsen	2 045 610	318 000	165 859	496 532	168 432
EVP		60%			
Bjørn Brenna	2 141 065	371 000	165 859	501 371	179 179
EVP and CFO		50%			
Svànaug Bergland	1 296 390	312 000	101 706	348 281	130 282
SVP		50%			
Jon André Løkke	1 300 736	156 000	76 280	204 224	147 103
SVP		40%			
Einar Kilde	1 944 244	300 000	156 473	418 442	211 411
EVP Projects		30%			
Kristine Ryssdal (from Sept. 15)	502 274	100 000	81 427	124 604	50 365
SVP & CLO		40%			
Total 2008	18 810 071	3 723 901	1 330 257	4 425 456	1 591 967

All amounts are exclusive of social security tax. Compensation in other than NOK has been calculated at average exchange rates for the year, 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. All amounts include payments and benefits from REC ASA and subsidiaries to the Group management. There were no payments and benefits from REC companies for services outside the function as Group management, except for Einar Kilde, see below.

Erik Thorsen and Gøran Bye terminated their employment in REC in the beginning of 2009. Ingelise Arntsen resigned in March 2010. Jon Andre Løkke took the position as SVP Mono & Business Development and was not part of Group management from November 30, 2009. Einar Kilde had dual employment (REC ASA and REC Site Service Pte. Ltd) as EVP Projects from October 1, 2008 until August 31, 2009. Subsequent to this he took over as EVP Wafer and Ingelise Arntsen became Executive Vice President Strategy and Business. Matthew Shippey took over as EVP Projects from September 10, 2009.

The guidelines for 2009 for determination of salary and other compensations for leading employees has been as outlined above. The only changes in the compensation agreements for leading employees during 2009 are adjustments of the amounts, as shown in the table above, and the changes in the composition of the Group management.

Base salary represents the amounts, including holiday pay that has been paid in the year. Base salary is normally adjusted at January 1. The base salaries are for months of employment.

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

In 2008, a REC share option program was established. The share option program is further described in note 23, and the number of options for the Group management is shown in a table below. The estimated fair values of the options are expensed over the estimated vesting period of more than three years, and the amounts shown in the preceding table are the amounts expensed in the relevant year. Negative amounts for share based payment reflected in the 2009 table represent forfeitures of options from the employee upon the termination of their employment.

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. See note 19 for further description of the plans. In connection with the changes to the pension arrangements in Norway as described in note 19, settlement and curtailment gains were recognized in 2009. This partially explains that amounts in the table for 2009 are lower than for 2008.

Other taxable benefits include benefits like company car / coverage of automobile expenses / vehicle allowance, telephone and Internet service, newspapers, health club memberships, reimbursement of home-office related expenses and certain other benefits. The benefits vary, and the amounts in the table are the amounts that are reported as taxable income in the relevant year, based on rules and regulations in the relevant tax laws. Bonus payments are not included because earned bonus is reported separately. In 2006 and 2007 a long term incentive plan was reported in full for these years, and subsequent payments of the earned amounts are consequently not included. Ingelise Arntsen has in addition received commuting flat housing allowance and coverage of expenses for commuting, which is not a taxable benefit and not included in the tables.

The severance payments etc for the former CEO and President Erik Thorsen and EVP Gøran Bye in 2009 were according to their respective termination agreements.

REC ASA could terminate Mr. Thorsen's employment contract at any time and with immediate effect, upon payment of up to 24 months of salary. Mr. Thorsen was entitled to the first twelve months of the compensation, but any amounts in excess of this that he receives from another employer will be deducted from the balance. In the table above for 2009, the total is included with an estimated deduction of salary from any other party for the last twelve months.

Mr. Bye was entitled to a severance payment equal to six months of his base salary together with a pension allowance, a vehicle allowance and a bonus calculated on a pro rata basis, limited reimbursement of legal expenses, accrued vacation payment and an allowance for his relocation to Norway.

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

The following other members of the Group management have arrangements that at December 31, 2009 and 2008 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. Arntsen's contract is terminated by REC, she is entitled to a severance payment equal to six months of her salary.

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

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

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

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

Compensation of the Board of Directors paid in 2009

(AMOUNTS IN NOK) NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Ole Enger [1)]	299 178	34 192
Tore Schiøtz	239 836	40 000
Christian Berg	200 000	40 000
Marcel Egmond Brenninkmeijer	200 000	40 000
Roar Engeland [1)]	200 000	40 000
Line Geheb	200 000	40 000
Susanne Munch Thore [1)]	200 000	40 000
Inger Johanne Solhaug [1)]	200 000	40 000
Dag Opedal [1)]	0	20 000
Total period May 19, 2008 – May 19, 2009	1 739 014	334 192

1) Compensation paid to the companies in which they are employed.

Compensation of employee elected board members paid in 2009

(AMOUNTS IN NOK) NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Mona Stensvik	145 755	0
Are Glørsen	54 795	0
Rolf B. Nilsen	200 000	40 000
Jørn Mobæk	200 000	0
Unni Iren Kristiansen	200 000	0
Total period May 19, 2008 – May 19, 2009	800 550	40 000

Compensation of the Board of Directors paid in 2008

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

1) Compensation paid to the companies in which they are employed.

Compensation of employee elected board members paid in 2008

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

The amounts in the tables represent the amounts that were paid in 2009 and 2008, respectively and that were approved by the Annual General Meetings (AGM) as compensation for the periods between the AGMs. Compensation of the Board of Directors for the period May 19, 2009 to May 19, 2010, will be decided by the AGM on May 19, 2010.

Committees are: Audit Committee, Compensation Committee and Corporate Governance Committee. Compensation to Dag Opedal paid in 2009 relates to the election committee.

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

Ordinary salary etc. for employee elected board members 2009

(AMOUNTS IN NOK) NAME	SALARY PAID	BONUS PAID	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Mona Stensvik (to February 17)	65 000	898	5 782	666
Are Glørsen (February 17 to June 15)	150 713	61 131	18 979	333
Tommy Kristensen (from June 15)	231 808	0	28 312	1 550
Rolf B. Nilsen	407 333	28 977	1 901	4 849
Jørn Mobæk (to June 15)	291 399	8 311	2 241	0
Anders Langerød (from June 15)	240 317	3 833	5 550	5 388
Unni Iren Kristiansen	727 407	107 925	−16 778	20 549
Total 2009	2 113 977	211 075	45 987	33 335

Ordinary salary etc. for employee elected board members 2008

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

LOANS AND GUARANTEES FOR GROUP MANAGEMENT AND BOARD OF DIRECTORS

On July 8, 2005, the Company loaned Erik Thorsen NOK 700,000, and on December 8, 2005, the Company loaned Svànaug Bergland NOK 500,000. The purpose of each of these loans was to facilitate the borrower's purchase of a car. Each of the loans is interest and installment free for two years. The terms of the loans have been extended. In each case, if the borrower resigns from the Company, the loan will become due and payable. The loans are secured by mortgage on their houses. Erik Thorsen repaid the loan in 2009.

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

(AMOUNTS IN NOK)	AT DECEMBER 31,	
NAME	2009	2008
Ingelise Arntsen	0	23 333
Einar Kilde	0	23 333
Kristine Ryssdal	0	23 333
Ole Enger	23 333	0
Mona Stensvik	0	23 333
Rolf B. Nilsen	23 333	23 333
Jørn Mobæk	0	23 333
Unni Iren Kristiansen	0	23 333

No board member or other shareholders than mentioned above, including their closely related parties had any loans or guarantees at December 31, 2009 or 2008.

SHAREHOLDINGS AND OPTIONS

The number of shares and options owned by members of the Board of Directors and the REC Group management, including their closely related parties, are shown in the table below. The table includes those that were members at December 31, 2009 or 2008.

(AMOUNTS IN NOK)	OPTIONS		SHARES	
NAME	2009	2008	2009	2008
Ole Enger	138 962	0	3 716	2 000
Erik Thorsen (shares also through Toleko AS)	NA	29 779	NA	250 200
John Andersen Jr.	123 740	20 123	186 671	133 975
Erik Sauar (shares also through Sauar Invest AS)	105 436	17 145	428 129	367 963
Gøran Bye (shares also through Schoutbynacht AS)	NA	22 558	NA	34 800
Ingelise Arntsen	124 015	25 507	8 411	6 255
Bjørn Brenna (shares also through RBBR Invest AS)	124 015	25 507	50 695	34 608
Svànaug Bergland	76 039	15 641	12 064	11 016
Jon André Løkke (shares also through Ludens AS)	NA	11 731	NA	89 643
Einar Kilde	116 967	24 064	685	505
Kristine Ryssdal	99 432	20 454	685	505
Tore Torvund	88 530	NA	9 629	NA
Matthew Shippey	51 719	NA	0	NA
Tore Schiøtz (shares through Granhaug Industrier AS)	0	0	339 448	250 000
Mona Stensvik	NA	0	NA	805
Jørn Mobæk	NA	0	NA	605
Rolf B. Nilsen	0	0	1 681	505
Anders Langerød	0	0	134	NA
Unni Iren Kristiansen	0	0	2 696	2 005

17. BORROWINGS

Financial liabilities, interest bearing

(NOK IN MILLION)	2009	2008
Non–current financial liabilities, interest bearing		
Bank borrowings (REC ASA)	4 390	4 447
Bilateral loan (REC ASA)	2 693	0
NOK Bond (REC ASA)	1 235	0
Up–front loan fees etc (amortized as part of effective interest)	–392	–253
EUR Convertible bond (REC ASA)	2 816	0
Amounts due to Komatsu (REC Silicon)	0	666
Finance lease liabilities (REC Wafer and REC ScanCell)	623	266
Sovello - shareholders' loans [2]	0	30
Total non–current financial liabilities, interest bearing	11 366	5 157
Current financial liabilities, interest bearing		
Current borrowings (REC ASA)	0	746
Current portions of finance lease liabilities (REC Wafer and REC ScanCell)	101	24
Sovello – bank borrowings [1]	189	395
Sovello - shareholders' loans [2]	321	274
Total current financial liabilities, interest bearing	611	1 439
Total financial liabilities, interest bearing	11 977	6 595

1) All of Sovello's bank borrowings are classified as current, due to non–compliance with covenants. On January 28, 2010, Sovello's banks formally terminated the loan agreement but did not demand repayment of the loans pending ongoing negotiations for sale of Sovello, and on February 5, 2010, a stand–still was agreed upon with Sovello's banks. See note 9.
2) The main parts of Sovello's shareholder's loans were due to be repaid at December 31, 2009, but were in 2009 prolonged to June 30, 2010. Under these loans is also additional shareholder loans which was negotiated and provided during 2009. The loans are reported as current. However they cannot be repaid before Sovello's breach of covenants have been repaired and may be prolonged further in the case Sovello has not sufficient funds to repay the shareholder loans. On March 22, 2010 an agreement for the sale of 100 percent of the shares and the shareholder loans in Sovello was entered into, see note 9.

Non–financial liabilities, interest calculation [1]

(NOK IN MILLION)	2009	2008
Non–current prepayments, interest calculation	478	419
Current prepayments, interest calculation	76	189
Total prepayments, interest calculation	554	608

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

Borrowings in REC ASA consist of two syndicated bank facilities: one established in 2006 originally for NOK 5,425 million and one established in 2008 for NOK 6,275 million with an additional SGD 1,050 million guarantee facility to cover the bilateral SGD 1 000 million loan. In addition, REC ASA has issued a NOK 1,250 million senior bond and a EUR 320 million convertible bond. All loans have cross default clauses with threshold amounts. The bank facilities were restructured in July 2009, see below.

REC announced on May 19, 2009 that REC had resolved to strengthen the company's financial position in order to ensure sufficient financial flexibility going forward. The aggregate liquidity effect of the debt and equity measures was expected to be in the range of NOK 7 - 9 billion and this would be done through restructuring of existing debt, adding new credit lines including a bond issue, and issue new shares through a fully underwritten rights issue.

The above debt and equity initiatives were executed as follows

(i) REC received consent in June 2009 from the bank syndicates under both the existing debt facilities from 2006 and 2008 to restructure the financial covenants in the bank agreements and to defer NOK 1,725 million of installments due in 2009 and 2010 under the 2006 bank facility to the final maturity in March 2012.

(ii) REC secured a NOK 750 million Bridge-to-Bond agreement and a NOK 525 million credit facility (Bridge-to-Export Financing). REC completed in September 2009 an issue of a 5-year fixed rate NOK 1,250 million bond loan in the Norwegian bond market. The Bridge-to-Bond agreement was subsequently terminated. In addition, REC launched and executed a convertible bond in the amount of EUR 320 million in October. Furthermore, REC has negotiated an agreement for a loan from Eksportfinans with guarantees from GIEK and DnBNOR. This loan agreement was not signed at December 31, 2009.

(iii) REC concluded a right issue in July 2009 and raised gross proceeds of NOK 4,517 million.

The 2006 bank facility is available for general investments and corporate purposes. The 2008 bank facility is available for the capital expenditure related to the Singapore project.

The bilateral SGD 1,000 million loan agreement is available for financing of up to 30 percent of the expenditure in the Singapore project. The drawdown period for the SGD loan is two years starting from the first drawing in February 2009 and the repayment period is five years starting from February 2011, in 11 equal semi-annual installments. The outstanding loan amounts must be covered by guarantees issued under the 2008 bank facility.

The 2008 bank facility of NOK 6,275 million (Facility A) and a guarantee facility for SGD 1,050 million (Facility B) were established September 30, 2008. Facility A has a three year maturity tranche (NOK 2,092 million) and a five year maturity tranche (NOK 4,183 million). Facility A is a multi-currency revolving credit facility to be repaid in full at the maturity dates. Facility B is a guarantee facility for the SGD 1,000 million loan described above. Facility B has a five year maturity and can be extended to match the more than seven year SGD facility described above provided that consent is received from the banks. No amounts were outstanding under Facility A or Facility B at December 31, 2008. The 2006 facility was established March 23, 2006 and had a remaining limit at December 31, 2009 of NOK 4,915 million. It matures on March 23, 2011 (NOK 1,135 million), September 23, 2011 (NOK 405 million) and March 23, 2012 (NOK 3,375 million).

In September 2009, REC ASA issued a NOK 1,250 million five-year 11 percent fixed rate bond. The bond is listed on Oslo Stock Exchange and matures on September 16, 2014. The NOK 750 million bridge loan was consequently terminated without being drawn upon. The bond is unsecured.

In October 2009, REC ASA issued a EUR 320 million convertible bond. The subordinated unsecured convertible bond has an annual coupon of 6.50 percent, payable quarterly in arrears on the specified payment dates and a conversion price of EUR 6.4938 per share. The Bond was issued and will be redeemed at 100 percent of its principal amount and will, unless previously redeemed, converted or purchased and cancelled, mature on June 4, 2014. REC has the right to convert the bond into ordinary shares at any time on or after January 4, 2013, provided that the value of the underlying shares on the Oslo Stock Exchange (translated into EUR) on at least twenty trading days within a period of thirty consecutive trading days has exceeded 150 percent of the principal amount of the outstanding bond.

All borrowings and guarantee liabilities in REC ASA are unsecured but contain provisions restricting the pledge of assets (negative pledge) and also contain covenants limiting disposals of significant subsidiaries and assets. Bank borrowings also include covenants that require a maximum net interest bearing debt to EBITDA, a minimum ratio of EBITDA to net interest paid and a minimum equity ratio. See note 3 for a further discussion of the financial covenants, the March 30, 2010 agreement to change the financial covenants under the existing bank facilities for the first quarter 2010, the term sheet entered into for a new bank loan and guarantee facility, and the fully underwritten rights issue that will be proposed at an extraordinary general meeting.

The July 2009 restructuring of the bank borrowings and guarantee for a SGD loan required REC ASA to pay additional upfront waiver fees and the credit margins under the facilities increased.

Bank borrowings in Sovello are secured and contain a number of covenants. As per December 31, 2008 and during 2009, Sovello was not in compliance with all of the covenants. See note 9.

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

At August 1, 2005, the REC Group acquired a 100 percent interest in Advanced Silicon Materials LLC (ASiMI) from Komatsu America Corporation (Komatsu). Komatsu retained a 25 percent non-controlling interest in ASiMI, accounted for as a liability. The liability was scheduled to mature in July 2010, however, it was paid in full in November 2009.

The following are the contractual maturities of financial liabilities.

AT DECEMBER 31, 2009 (NOK IN MILLION)		MATURITY ANALYSIS – CONTRACTUAL PAYMENTS TO BE MADE						
(NOK IN MILLION)	CARRYING AMOUNT	TOTAL EXPECTED PAYMENTS	0 – 6 M 2010	6 – 12 M 2010	2011	2012	2013	AFTER 2013
Bank borrowings (REC ASA)	4 390	5 227	176	176	744	3 496	634	0
Bilateral loan (REC ASA)	2 693	3 572	116	116	700	658	616	1 366
NOK Bond (REC ASA)	1 235	1 903	69	69	138	138	138	1 353
Up–front loan fees*	–392	0	0	0	0	0	0	0
EUR Convertible bond (REC ASA)	2 816	3 425	86	86	173	173	173	2 733
Finance lease liabilities	724	904	63	65	127	127	122	401
Sovello – borrowings	509	522	478	43	0	0	0	0
Total	11 977	15 553	989	556	1 882	4 592	1 682	5 853

* Amortized as part of effective interest.

AT DECEMBER 31, 2008 (NOK IN MILLION)		MATURITY ANALYSIS – CONTRACTUAL PAYMENTS TO BE MADE						
(NOK IN MILLION)	CARRYING AMOUNT	TOTAL EXPECTED PAYMENTS	0–6 M 2009	6–12 M 2009	2010	2011	2012	AFTER 2012
Borrowings (REC ASA)	5 193	5 495	240	640	1 290	2 646	679	0
Up–front loan fees*	–253	0	0	0	0	0	0	0
Amounts due to Komatsu	666	745	0	0	745	0	0	0
Finance lease liabilities	290	418	21	20	40	40	40	257
Sovello – bank borrowings	395	416	202	87	127	0	0	0
Sovello – shareholders' loans	304	323	8	282	33	0	0	0
Total	6 595	7 397	471	1 029	2 235	2 686	719	257

* Amortized as part of effective interest.

The difference between carrying amount and total expected payments in the tables above represent interest and remaining parts of upfront loan fees etc. Interest payments are estimated using the interest rates at December 31, 2009 and 2008, respectively. Commitment fees for undrawn amounts in the credit and guarantee facilities are included as payment of interest for bank borrowings and bilateral loan, respectively, at December 31, 2009. All cash flows are undiscounted. Amounts in other currencies than NOK are translated at the exchange rates at December 31, 2009 and 2008, respectively.

Bank borrowings in REC ASA are revolving credit facilities. Under the total credit facilities, REC ASA may draw and repay amounts drawn at intervals of three, six or twelve months, at REC ASA's choice. Most amounts at December 31 are drawn at three months intervals. However, the contractual payments in the tables above are based on the contractual repayment dates of tranches under the bank borrowings, see description above.

The nominal interest rates and currency distribution (notional amounts) at December 31, 2009 were as follows

	INTEREST RATE (%)	CURRENCY	AMOUNTS IN MILLION CURRENCY	BORROWER
Bank overdrafts	2.2 Variable	NOK	0	REC ASA
Bank borrowings	5.5 Variable	EUR	458	REC ASA
Bank borrowings	5.8 Variable	USD	100	REC ASA
Bilateral loan, including related guarantee from banks	7.7 Fixed /variable	SGD	654	REC ASA
NOK Bond	11 Fixed	NOK	1 250	REC ASA
EUR Convertible bond	6.5 Fixed	EUR	320	REC ASA
Sovello – bank borrowings	3.6 Variable	EUR	23	Sovello
Sovello - shareholders' loans	5.4 – 7.0 Fixed	EUR	39	Sovello
Finance leases	6.7 Fixed	NOK	216	REC ScanCell
Finance leases	4.7 – 11 Fixed	NOK	508	REC Wafer

Interest rates on bank borrowings in REC ASA consist of LIBOR (three, six or twelve months) plus a margin. The margin is determined for three months at the time based on the ratio of net debt to EBITDA. Bilateral loan in REC ASA, including related guarantee from banks consist of a fixed rate of 2.9 percent and a margin corresponding to the margins on the bank borrowings in REC ASA plus an additional fronting fee. In addition REC ASA has to pay commitment fees for undrawn amounts under the bank borrowings (credit facility) and the guarantee facility and has already paid up-front loan fees etc. The commitment fees also vary based on the ratio of net debt to EBITDA. Consequently, the effective interest rates for bank borrowings and bilateral loan including related guarantee is higher than the nominal interest rate, and in total it can be estimated to approximate 9 percent including unamortized up-front loan fees and commitments fees, based on the drawn amounts and interest and margins at December 31, 2009.

Effective interest rates for the other interest bearing liabilities outstanding at December 31, 2009 approximate the nominal interest rates.

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

	INTEREST RATE (%)	CURRENCY	AMOUNTS IN MILLION CURRENCY	BORROWER
Bank overdrafts	4.3 Variable	NOK	0	REC ASA
Bank borrowings	4.3 Variable	NOK	523	REC ASA
Bank borrowings	1.8 Variable	USD	601	REC ASA
Bank borrowings	3.7 Variable	EUR	47	REC ASA
Sovello – bank borrowings	4.4 - 6.9 Variable	EUR	40	Sovello
Sovello - shareholders' loans	5.4 - 6.7 Fixed	EUR	25	Sovello
Sovello - shareholders' loans	6.0 – 6.7 Fixed	USD	8	Sovello
Amounts due to Komatsu	6.6 Fixed	USD	96	ASiMI
Finance leases	6.7 Fixed	NOK	226	REC ScanCell
Finance leases	4.7 Fixed	NOK	64	REC ScanWafer

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

Total credit facilities for REC ASA at December 31

	2009		2008	
(NOK IN MILLION)	TOTAL	UNDRAWN	TOTAL	UNDRAWN
Total credit facilities	19 570	8 576	16 583	11 498

Total credit facilities includes the limits under the bank borrowings, bilateral SGD loan and EUR convertible bond, both calculated at exchange rates at the end of the year, NOK bond and a NOK 350 million overdraft facility in the group account system. The amounts due to Komatsu, the financial leases and Sovello borrowings or credit lines are not included in the credit facilities in this table. Sovello had an undrawn credit line of EUR 18.8 million at December 31, 2008 (REC's 33.33 percent share). However, due to the breach of covenants at December 31, 2008, the credit line has been put on hold.

18. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

Recognized income tax expense

(NOK IN MILLION)	2009	2008
Current income tax expense	−180	−673
Deferred tax expense (−) / benefit (+)	316	−641
Total income tax expense (−) / benefit (+) in the statement of income	135	−1 314

Current income tax expense includes benefits of NOK 4 million for 2009 and expenses of NOK 15 million for 2008 as adjustments of prior periods. Deferred tax expense / benefit for 2009 and 2008 include expenses of NOK 3 million and benefits of NOK 20 million, respectively, as adjustments of prior periods.

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

(NOK IN MILLION)	2009	2008
Profit/loss before tax	−2 482	4 379
Tax calculated at domestic tax rates applicable to profits /losses in the respective countries	494	−1 339
Effects of changes in tax rates and use of another tax rate for parts of profits /losses	24	3
Tax credits, expenses deductible in tax, and income not subject to tax	228	27
Expenses not deductible for tax purposes	−47	−10
Effects of not recognized deferred tax assets, including reversal of previous years'	−545	0
Results from associated companies	−19	−1
Adjustment of prior year's income taxes	1	5
Total income tax expense (−) / benefit (+) in the statement of income	135	−1 314
Effective tax rate	Not meaningful	30.0%

The income tax calculation for REC Group is primarily based on corporate income tax rates of 28 percent in Norway, 26.3 percent in Sweden, 37 percent in the USA, 23 percent in Germany and 17 percent in Singapore.

The total estimated income taxes for 2009 are affected by non-recognition of deferred tax assets. Significant impairment charges and realized losses give rise to deferred tax assets. IAS 12 requires that there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity and that unused tax losses is strong evidence that future taxable profit may not be available. Even though parts of the losses result from identifiable causes which may be regarded as unlikely to recur, the current highly volatile and uncertain market development has increased uncertainty of future profit forecasts. Consequently, deferred tax assets have not been recognized in Sovello (NOK 231 million), REC ScanModule (NOK 213 million), and to some extent in the Norwegian operations (NOK 100 million).

Tax credits, expenses deductible in tax and income not subject to tax for 2009 includes a realized loss on REC ASA's receivables on REC ScanModule, giving rise to a tax benefit of NOK 203 million. The loss was realized through conversion of loans to shareholder's equity.

For parts of 2009, REC has capitalized borrowing costs on REC Group level related to qualifying assets in Singapore, in total NOK 213 million. The 28 percent Norwegian tax rate effect is NOK 60 million, of which only NOK 15 million has been recognized as a deferred tax liability due to a tax exempt period in Singapore. Of the net NOK 45 million, NOK 24 million is included in effects of use of another tax rate for parts of profits/losses for 2009. The remaining NOK 21 million is presented as income not subject to tax for 2009.

The income tax for REC Silicon in the USA is based on nominal 35 percent federal tax rate plus state tax rate of between zero (State of Washington) to seven percent (Montana), for 2009 and 2008 weighted average of approximately 37 percent. The effective tax rate for REC Silicon in the USA for 2009 was 36.5 percent (34.6 percent for 2008). The tax expense for REC Silicon in the USA was affected by tax credits, Domestic Production Activities Deduction and other expenses deductible in tax. These effects, including adjustment for prior years, reduced the tax expense for REC Silicon for 2009 in the USA by NOK 7 million (NOK 29 million for 2008) compared to a calculation using 37 percent nominal tax rate.

REC's operations in Singapore had a total loss before tax of NOK 181 million in 2009 (NOK 23 million in 2008). Only limited tax expenses, and no deferred tax assets or liabilities have been calculated for the Singapore operations, due to a tax exempt period. However, a 17 percent tax rate has been applied in the tax calculated at domestic tax rates applicable to profits/losses in the respective countries for 2009. This contributes to an opposite effect in the line item expenses not deductible for tax purposes.

It must be assumed that the Singapore operations will generate deferred tax liabilities when depreciation of property, plant and equipment commences in 2010 and subsequent years related to assets with expected useful lives that exceed the tax-free period in Singapore. It should also be assumed that the REC Group will recognize deferred tax liabilities on prepayments of parts of royalties from the Singapore operations expected to be made in 2010 and future periods.

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

Estimation of the amounts of deferred tax assets and liabilities that may be recovered or settled within and after 12 months, primarily based on the statement of financial position classification as current and non−current are as follows*

(NOK IN MILLION)	2009	2008
Deferred tax assets		
Deferred tax asset to be recovered after 12 months	252	560
Deferred tax asset to be recovered within 12 months	589	549
Offset deferred tax assets and liabilities	−468	−1 088
Total	374	21
Deferred tax liabilities		
Deferred tax liability to be settled after 12 months	1 007	1 918
Deferred tax liability to be settled within 12 months	222	98
Offset deferred tax assets and liabilities	−468	−1 088
Total	761	928
Net deferred tax liabilities	−387	−907

* In the table above and below, the amounts relating to 2008 have not been changed for reclassification of derivatives from current to non−current.

The following are the major deferred tax liabilities (−) and assets (+) recognized by the Group and movements during 2008

(NOK IN MILLION)	BALANCE JAN 1, 2008	RECOGNIZED IN INCOME	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2008
Total non current assets	−453	−562	0	−135	−1 150
Total current assets	53	−735	0	4	−678
Total non current liabilities	116	250	−69	21	318
Total current liabilities	203	400	−16	9	597
Tax value of loss carry−forward recognized	1	6	0	0	8
Total	−80	−641	−85	−101	−907

The following are the major deferred tax liabilities (−) and assets (+) recognized by the Group and movements during 2009

(NOK IN MILLION)	BALANCE JAN 1, 2009	RECOGNIZED IN INCOME	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2009
Total non current assets	−1 150	90	0	149	−912
Total current assets	−678	819	0	−9	132
Total non current liabilities	318	−268	40	−16	75
Total current liabilities	597	−350	2	−13	236
Tax value of loss carry−forward recognized	8	24	51	−1	83
Total	−907	316	94	110	−387

Total accumulated income taxes recognized to equity excluding translation differences on deferred tax (minus is reduction to equity)

	AT DECEMBER 31	
(NOK IN MILLION)	2009	2008
Effect of transition to IAS 39 at January 1, 2005	14	14
Effect of actuarial gains and losses	−4	4
Effect of convertible bonds	−371	−371
Effect of costs for capital increase	51	0
Effect of translation differences on loans as part of net investment	19	−29
Effect of cash flow hedge	−7	−10
Total deferred tax	−299	−393
Current tax − effect of costs for capital increase	42	42
Total	−257	−351

The following deferred tax assets have not been recognized at December 31

(NOK IN MILLION)	2009	2008
Government grants for investments	19	15
Tax losses carried forward	183	1
Other deferred tax assets	343	0
Total	545	16

Deferred tax assets on government grants are not recognized according to IAS 12 *Income Taxes* because they arise from the initial recognition of non-taxable investment grants. These relate primarily to REC Group's proportionate consolidation of its 33.33 percent share of Sovello's non-taxable government grants subsequent to the acquisition at December 19, 2006.

Tax losses carried forward and other deferred tax assets are not recognized at December 31, 2009 due to requirements in IAS 12 for convincing evidence of future profits. See above for more details.

At December 31, 2009 and 2008, accumulated undistributed earnings for REC's ownership shares in subsidiaries in the USA were approximately USD 480 million and USD 355 million, respectively. A 15 percent withholding tax would apply on any dividends paid from the USA. No deferred tax liability has been recognized for this. See notes 2.16 and 4.

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

19. RETIREMENT BENEFIT OBLIGATIONS AND EXPENSES

The Group provided defined benefit pension plans for all employees in Norway up to the end of 2009, when plans were terminated and some new plans were introduced. Benefits were determined based on the employee's length of service and compensation. The plans included benefits in case of disability and some plans included benefits for spouse and children in case of death. The cost of pension benefit plans is expensed over the period that the employee renders services and becomes eligible to receive benefits. Parts of the pensions are paid by the Norwegian government that provides social security payments to all retired Norwegian citizens. Such payments are calculated by reference to a base amount annually approved by the Norwegian parliament (G-regulation).

It was decided that the previous defined benefit pension plans for base salary up to 12 G would be terminated at the end of 2009, and paid up policies will be issued in the beginning of 2010. This, together with some adjustments made earlier in the year contributed to settlement and curtailment gains of NOK 110 million excluding social security tax in 2009 (approximately NOK 120 million including social security tax). The gains are primarily due to the fact that the pension liabilities were calculated using estimates for future salary increases, turnover, discount rates etc., while it now will be settled at the benefits earned at year-end 2009. The new plans approved at the end of 2009 include a contribution plan for retirement benefits with annual contributions of five to eight percent of base salary up to 12 G. Employees that according to calculations are expected to earn less retirement pension funds in the new contribution plan compared to a paid up policy at 67 years old in the previous defined benefit pension plans are entitled to compensation. The compensation is contingent on the individual employee being older than a specified age in case of termination of employment before retirement. It varies according to age, years of employment after January 1, 2010 and between employees. No rights to payments are earned at January 1, 2010. Some disability, spouse and children pension rights in the previous defined benefit pension plans are replaced by insurance arrangements.

As from January 1, 2007, the REC Group established an additional defined benefit pension plan for Norwegian employees with salaries over 12 G. The plan provides a contribution of 15 percent of base salary above 12 G per year of employment plus or minus a calculated return based on a defined index, which is to be paid upon retirement or at termination of employment. It also included some spouse, children and disability pension rights that are replaced by insurance arrangements in connection with the changes in plans determined at the end of 2009.

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

Some of the Norwegian subsidiaries participate in a defined benefit multi-employer early retirement plan. For this plan, and the defined benefit multi-employer plans in REC ScanModule AB, the administrators are not able to calculate the REC Group's share of assets and liabilities and these plans are consequently accounted for as defined contribution plans. Contributions to these plans of NOK 9 million and NOK 7 million were included as pension expenses for 2009 and 2008, respectively.

The plan assets and the projected benefit obligations (net present value of pension benefits earned at the measurement date based on expected pension qualifying income at the time of retirement) were measured at December 31, 2009 and 2008. For previous defined benefit plans in Norway the measurements were made at the time of decision and announcement of the termination of the plans at the end of 2009. Independent actuaries performed the actuarial calculations. The present value of the projected defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The discount rate for the defined benefit plan in Norway was estimated based on the interest rate on Norwegian government bonds. Average time before the payments of earned benefits was calculated at approximately 40 years, and the discount rate was projected through a reference to swap interest rates, as the longest duration for Norwegian government bonds is 10 years. The assumption for salary increase, increase in pension payments and G-regulation are referenced to guidelines from the Norwegian Accounting Standards Board and are tested against historical observations, statements made about the future developments and the relationship between different assumptions.

Defined benefit plans

(NOK IN MILLION)	2009	2008
Gross retirement benefit obligations at January 1	428	321
Service cost	83	82
Interest cost on pension obligations	19	16
Actuarial gains and losses	−26	−18
Benefits paid, paid−up policies and disability obligation	−27	−19
Settlements and curtailments	−268	0
Translation differences	−35	45
Gross retirement benefit obligations at December 31	174	428
Fair values of plan assets at January 1	283	215
Actual return on plan assets	4	6
Pension premiums	54	41
Benefits paid, paid−up policies and disability reserve	−24	−19
Settlements and curtailments	−157	0
Translation differences	−30	39
Fair value of plan assets at December 31	130	283
Funded status at December 31	44	145
Accrued social security tax	2	12
Net retirement benefit obligations at December 31	45	156

Retirement benefit obligations in the statement of financial position

(NOK IN MILLION)	2009	2008
Net retirement benefit obligations at January 1	156	115
Net periodic benefit costs	−25	96
Actuarial gains and losses recognized directly in equity	−19	−14
Pension premiums and benefits paid	−57	−41
Social security tax on pension premiums	−6	−4
Translation differences	−5	5
Net retirement benefit obligations at December 31	45	156

The amounts recognized in the statement of income are as follows

(NOK IN MILLION)	2009	2008
Current service cost	83	82
Interest cost on gross retirement benefit obligations	19	16
Expected return on plan assets (net of administration cost)	−14	−12
Settlements and curtailments	−110	0
Employer's social security tax on defined benefit costs	−2	9
Total benefit plans	−25	96
Contribution plans including employer's social security tax	38	20
Total pension expenses (see note 24)	14	115

Subsequent to the acquisition of ASiMI in 2005, its schemes were frozen and no future benefits are accruing to the members of the plans. Previous pension rights remained unchanged. Net pension liability for the ASiMI schemes was NOK 31 million and NOK 29 million, at December 31, 2009 and 2008, respectively. Net pension costs of NOK 2 million were recognized in the statement of income in 2009 and 2008. Actuarial losses of NOK 7 million were recognized in other comprehensive income in 2009 and 2008. Employer's contributions were NOK 1 million and NOK 5 million in 2009 and 2008, respectively. Translation differences reduced the net liability by NOK 5 million in 2009 and increased the net liability by NOK 5 million in 2008 when converting the USD amounts to NOK.

Cumulative actuarial losses recognized to equity before taxes was zero at December 31, 2009 and a loss of NOK 19 million at December 31, 2008.

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

(NOK IN MILLION)	2009	2008	2007	2006	2005
(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)	−10	−3	28	3	10
(b) the effects of changes in actuarial assumptions	−16	−15	−17	2	18
Total actuarial losses/gains on gross retirement benefit obligations	−26	−18	11	5	28

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

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

(NOK IN MILLION)	2009	2008	2007	2006	2005
Gross pension obligations	174	428	321	284	266
Fair value of plan assets	130	283	215	187	158
Funded status	44	145	106	97	108

The actuary risk tables in Norway are based on advice in accordance with published statistics and experience. The names of the risk tables at year-end 2009 and 2008 were: Mortality K2005, Marriage K2005 and Disability IR02.

Distribution of plan assets at estimated fair values at December 31

(NOK IN MILLION)	TOTAL		NORWEGIAN PLANS		ASIMI PLANS	
ASSET CATEGORY	2009	2008	2009	2008	2009	2008
Bonds, commercial paper	78	164	0	72	78	92
Shares	0	7	0	7	0	0
Properties	0	20	0	20	0	0
Other (incl. cash and money market funds)	52	92	0	19	52	74
Total	130	283	0	117	130	166

The investment strategy of plan assets for ASiMI is to have low volatility. No assets are reported at December 31, 2009 for the Norwegian plans due the decision to terminate defined benefit plans.

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

	NORWEGIAN PLANS (%)			ASIMI PLANS (%)		
	2009	2008	2007	2009	2008	2007
Discount rate	4.3	3.8	4.5	5.5	5.5	5.8
Future salary increases	4.3	4.0	4.3–4.5	NA	NA	NA
Future pensions increases	2.0	2.3–3.8	4.3	NA	NA	NA
Future increase in social security base amount (G)	4.0	3.8	4.3	NA	NA	NA
Future turnover	Stepwise, from 10% to 0%			NA	NA	NA

The assumptions used to determine the benefit cost for the year are those determined at the beginning of the year. The expected long-term return on the Norwegian schemes' plan assets was 5.8 percent and 5.5 percent for calculation of the pension expense for 2009 and 2008, respectively. For the ASiMI schemes it was 5 five percent. Expected long-term return is calculated based on the estimated risk free interest rates at the reporting dates adjusted for the expected long-term yield on the different investment categories above the risk free rates, based on historical long-term yields and deducting expected administration costs.

The average expected remaining service lives in years for participants in the Norwegian plans were about 16 at December 31, 2009 and 2008. The corresponding years for ASiMi plans were about 14.

The total number of active and retired employees in the defined benefit Norwegian plans was 1,467 at December 31, 2009 and 1,350 at the end of 2008. The corresponding number for ASiMI plans was below 700.

No pension premiums are expected to be paid to the plans accounted for as defined benefit plans during 2010.

Due to the relatively small amounts of defined benefit obligations for the Norwegian plans due to the decision to settle the plans at the end of 2009, no sensitivity analysis for possible changes in assumptions is provided at December 31, 2009. For the ASiMI benefit plans, a one percentage point increase (decrease) in discount rate is estimated to decrease (increase) the pension obligation by approximately NOK -20 (24) million at December 31, 2009.

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

(NOK IN MILLION)	2009	2008
Current		
Provisions	420	52
Trade payables	997	858
Payables and accrued costs for capital expenditures	881	1 460
VAT and similar liabilities	68	52
Accrued operating costs	520	437
Accrued finance costs	133	14
Other non–interest bearing liabilities	117	184
Total provisions, trade payables and other liabilities	3 137	3 058
Non–current		
Provisions	195	84
Negative value delivery contract*	20	60
Other	−6	5
Total provisions and other non–interest bearing liabilities	209	149

* Long–term delivery contract that was measured at fair value in the purchase price allocation of ASiMI. As it has a negative value it is not classified as an intangible asset. The fair value assessment is recognized as a reduction of cost over 5 years from August 2005.

Specification of provisions

(NOK IN MILLION)	JUNCTION BOXES	OTHER WARRANTIES	ASSET RETIREMENT OBLIGATIONS	FINANCIAL GUARANTEES	OTHER PROVISIONS	TOTAL
At January 1, 2008	0	28	8	0	6	42
Additional provisions	61	21	0	0	15	97
Unused amounts reversed	0	−2	0	0	0	−2
Used during the year	0	−1	0	0	−8	−9
Exchange differences	4	4	0	0	1	9
At December 31, 2008	64	50	8	0	14	136
Additional provisions	234	14	2	90	42	383
Unused amounts reversed	0	0	0	0	0	0
Recorded directly to the statement of financial position	0	0	125	0	0	125
Used during the year	0	−1	0	0	−11	−12
Exchange differences	−7	−6	0	0	−3	−16
At December 31, 2009	291	58	134	90	42	615

Distribution of total provisions

(NOK IN MILLION)	2009	2008
Provisions current	420	52
Provisions non–current	195	84
Total provisions	615	136

A provision is a liability of uncertain timing or amount. Current provisions are expected to be paid within one year. Non-current provisions are primarily warranties and asset retirement obligations of which approximately 90 percent are not expected to be paid within five years.

At the end of 2008 a design weakness was discovered in the junction box in a series of solar modules produced by REC ScanModule. A provision of NOK 61 million was recognized as the best estimate of the costs for potential repair work. However, the calculation of the provision was based on a number of assumptions for the number, timing and extent of repairs. The size of the provision was reviewed several times during 2009 as the actual scope of the potential repair work was determined and additional provisions were recognized. During 2009, parts of the repair work were conducted, and is expected to be finalized to a large extent in 2010. Total estimated expenses for the junction box repair project increased by NOK 364 million in 2009, which includes recognized provisions, incurred expenses and write-downs of solar modules used in the project.

Financial guarantees at December 31, 2009 are estimated losses on guarantees and undertakings related to Sovello.

Asset retirement obligations relate primarily to the Singapore construction project.

See note 4 for more information about other warranties.

21. GOVERNMENT GRANTS

(NOK IN MILLION)	2009	2008
Recognized in statement of financial position – grants related to assets	365	28
Recognized in the statement of income – grants related to income	47	7
Total	412	35

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

A government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received. To qualify for the grants recognized, several future conditions need to be fulfilled. This includes some minimum total fixed assets investments, employment of a minimum number of selected employees in specific geographical areas for specified periods, retention period for some employees and restrictions on the disposal of assets and/or companies. In the event of breach of conditions, REC may have to repay the grants.

In January 2010, the EU Commission announced the recall of grants for financial assistance designed for small and medium-sized businesses awarded in 2006 for the construction of Sovello's first integrated production line. REC has through the proportionate consolidation of Sovello at the end of 2009 recognized NOK 26 million as a reduction to grants. This reduction has been recognized as additions to property, plant and equipment with a corresponding increase in depreciation and impairment charges.

22. OTHER OPERATING EXPENSES

(NOK IN MILLION)	2009	2008
Energy and water	551	519
Total operating, service and maintenance costs	629	321
Lease expenses	135	42
Freight, postage and transportation	89	61
IT and telecommunication costs	117	75
Travel and entertainment costs	111	87
Insurance costs	70	50
Sales, marketing and advertising costs	25	26
Consultancy and auditors fees	470	368
Own work capitalized on fixed assets	−136	−153
Warranty provision	329	76
Other operating costs*	63	192
Other operating expenses	2 455	1 666

* Other includes cost reduction relating to the negative value of the long−term delivery contract of NOK 37 million in 2009 (NOK 33 million in 2008), see note 20.

Auditor’s remuneration

(NOK IN MILLION)	2009	2008
Statutory audit	14	10
Other assurance services − from auditor	1	1
Tax advisory services − from auditor	5	0
Other non−audit services − from auditor	3	0
Total auditor's remuneration	23	12

Amounts are exclusive of VAT.

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

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

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

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

23. SHARE−BASED COMPENSATION

REC ASA has from 2008 share option programs for management and key personnel. The share option programs replaced the Long Term Incentive Plan (LTIP). In addition REC ASA had employee share purchase programs in 2008 and 2009.

Share option programs

71 employees were granted 638,464 options under the share option program for 2008 and for the program of 2009, 85 employees were granted 3,250,094 options. Each of the programs have a profit cap of one to two years fixed salary. Each program is a six years program with a lock up period in the first three years. The number of share options awarded is limited to a maximum profit gain in each calendar year of the exercising period relative to base annual salary effective at January 1 in the year of exercise. The profit gain is calculated as the difference between the strike price and the market price at the time of exercise.

Fair values were estimated based on the Black-Scholes option price model. Expected volatility for 2008 and 2009 programs were of 59 and 77 percent, respectively, and are based on historical volatility and comparison to other companies, no dividends are expected in the period and the risk free interest rates were set to 4.9 - 5.3 percent for the 2008 program and 3.4 – 3.9 percent for the 2009 program. Expected lifetime of the 2008 and 2009 option program was set to 3.5 and 3.3 years, respectively, based on expectations that employees will exercise the options early due to the structure of the program, including annual profit cap, and the high volatility of the REC share price.

Average estimated vesting period is 3.2 years for the 2008 program and 3.0 years for the 2009 program.

		PER OPTION (NOK)	PER SHARE (NOK)	
	NO. OF OPTIONS	ESTIMATED FAIR VALUE AT GRANT DATE	AVERAGE EXERCISE PRICE	MARKET PRICE AT GRANT DATE
Outstanding at January 1, 2008	0	NA	NA	NA
Granted May 20, 2008	192 055	34.26	178.59	170.09
Granted June 2, 2008	425 955	29.79	178.59	151.75
Granted June 30, 2008	20 454	24.81	178.59	132.00
Forfeited in 2008	16 694	29.79	NA	NA
Exercised in 2008	0	NA	NA	NA
Expired in 2008	0	NA	NA	NA
Outstanding at December 31, 2008	621 770	NA	178.59	NA
Exercisable at December 31, 2008	0	NA	NA	NA
Granted April 3, 2009	138 962	8.70	60.50	55.00
Granted August 12, 2009	770 131	7.70	52.48	47.71
Granted August 14, 2009	2 341 001	7.40	52.48	45.67
Forfeited in 2009 of the 2008 program	90 913	31.72	178.59	NA
Forfeited in 2009 of the 2009 program	109 501	7.40	52.48	NA
Exercised in 2009	0	NA	NA	NA
Expired in 2009	0	NA	NA	NA
Outstanding at December 31, 2009	3 671 450	NA	71.02	NA
Exercisable at December 31, 2009	0	NA	NA	NA

Weighted average remaining contractual life at December 31, 2008 was 5.6 years for the 2008 program. Weighted average remaining contractual life at December 31, 2009 was 4.6 years for the 2008 program and 5.6 years for the 2009 program.

Calculation of social security tax is based on intrinsic value at end of period.

The share option expense recognized in 2009 was NOK 11.3 million and NOK 3.5 million in 2008. At year end 2009, total estimated fair value not recognized was NOK 28.6 million.

EMPLOYEE SHARE PURCHASE PROGRAM

The program offered all employees in REC ASA and its subsidiaries to purchase shares up to a maximum market value of NOK 35,000 per employee with a discount of 15 - 20 percent. For 2009, the number of shares allocated was 260,380 at a weighted average share price of NOK 35 on November 9, 2009. 10.5 percent of the employees participated in the program for 2009. For 2008, the number of shares allocated was 294,546 at a weighted average share price of NOK 69 on November 3, 2008. 33 percent of the employees participated in the program for 2008.

24. EMPLOYEE BENEFITS

(NOK IN MILLION)	2009	2008
Payroll	1 361	1 078
Bonus	95	99
Social security tax	150	123
Pension costs incl. social security tax	14	115
Other employee related costs	144	130
Total employee benefit expenses	1 764	1 545

The average number of permanent employees during 2009 measured in man-years was 2,660 (2008: 2,171) Number of permanent employees at December 31, 2009 was 3,117 (2008: 2,418). In addition, the average number in permanent employees in Sovello AG during 2009 measured in man-years was 1,174 (2008: 1,083) and the number of permanent employees at December 31, 2009 was 1,112 (2008: 1,164).

Total loans and guarantees to employees amounted to NOK 5.2 million at December 31, 2009, primarily related to the Employee Share Purchase Program (ESPP). All REC employees were offered a 12-month interest-free loan for the amount of shares each employee purchased in the 2009 ESPP, see note 23. The loans will be repaid in 12 equal installments starting in November 2009. Total loans and guarantees to employees amounted to NOK 16.8 million at December 31, 2008.

25. FINANCIAL INCOME AND EXPENSES

(NOK IN MILLION)	2009	2008
Share of loss of associates	−64	−3
Interest income for financial assets not at fair value through profit or loss	112	174
Other income from financial assets and liabilities	1	7
Total income for financial assets not at fair value through profit or loss	113	181
Interest expenses for financial liabilities not at fair value through profit or loss	−877	−254
Capitalization of borrowing cost	554	226
Other expenses from financial assets and liabilities	−132	−4
Total expenses from financial assets and liabilities not at fair value through profit or loss	−455	−32
Total exchange differences	−331	291
Net gain/loss bank derivatives *	3 217	−1 858
Net gain/loss embedded derivatives	−2 997	3 294
Fair value through profit or loss − interest rate fair value hedge NOK−bonds*	15	0
Total net gains/−losses derivatives and fair value hedge	234	1 436
Fair value through profit or loss − convertible EUR−bonds	−156	0
Total fair value through profit or loss	78	1 436
Total impairment loss on investments in shares and other non−current receivables	0	−24
Net financial items	−658	1 850

*Including ineffective parts in hedge accounting.

Other expenses from financial assets and liabilities include primarily provision for losses on guarantees and undertaking related to Sovello of NOK 90 million, expenses related to the establishment of a bridge to bond financing that was not utilized, and related to the convertible bond that is recognized as fair value through profit or loss.

Borrowing costs capitalized and included in the cost of qualifying assets during 2009 were primarily related to REC Silicon in the US and REC Wafer in Norway for the first half of the year. In the second half, it was primarily related to REC Silicon in the US and REC assets under construction in Singapore. For the first half of 2009, capitalization of borrowing costs has been limited to the total amount of external borrowing costs incurred for the parent company and subsidiaries. The borrowing costs for the REC Group have increased considerably during 2009, primarily due to upfront and waiver fees in relation to the refinancing in the summer, increased margins, new debt with higher interest rates and increased amount of borrowings. REC Wafer Norway's capitalization during the first half year was made at an average interest rate below 3 percent, REC Silicon has used below 5 percent and the Group has for qualifying assets in Singapore in the second half of the year used below 8 percent.

Borrowing costs capitalized and included in the cost of qualifying assets during 2008 were primarily related to REC Silicon (USA) and REC Wafer (Norway), at an effective interest rate of approximately 5 percent and 6 percent, respectively. For 2008, capitalization of borrowing costs has been limited to the total amount of external borrowing costs incurred for the parent company and subsidiaries during the year.

Net gains on derivatives in 2009 are primarily due to the strengthening of NOK and a change in the bank derivatives portfolio to more EUR derivatives (forward purchase). REC has significant estimated future cash flows in wafer sales contracts for which embedded derivatives have been separated and accounted for as derivatives. The contracts states future cash flows, with some limited adjustment mechanisms. However, REC has in 2009 experienced that contracts have been renegotiated or not complied with. If it is probable that a customer will not honor the contract based on individual assessment, REC has made downward adjustment of the estimated future cash flows. The estimated values of embedded derivatives were negatively affected by approximately NOK 23 million of reductions in the estimated future cash flows in wafer sales contracts. Increased estimated credit risk margins have increased the discount rates, estimated to have positively affected the estimated fair values of embedded derivatives by approximately NOK 35 million.

Net gains on derivatives in 2008 were due to large unrealized gains on embedded derivatives as a result of the weakening of NOK compared to USD. Weakening of NOK compared to other currencies in 2008 gave rise to losses on bank derivatives.

In October 2009, REC ASA issued a EUR 320 million convertible bond at a fixed 6.5 percent interest rate with maturity on June 4, 2014. 49.3 million share options at a conversion price of EUR 6.5 each were issued as a part of the convertible bonds. See note 17 for further information. Because EUR is not the functional currency of REC ASA, no part of the convertible loan can be reported as equity. REC has recognized the change in the fair value of the whole contract through profit or loss by NOK 156 million (EUR 19 million). Of this, the estimated effect of change in REC's implicit credit spread has been estimated to NOK 106 million (EUR 13 million).

Additional information to the cash flow statement on paid interest and up-front loan and waiver fees for the statement of cash flows

Paid interest is estimated to be approximately NOK 600 million for 2009 and NOK 185 million for 2008. It does not include payment of up-front loan fees and waiver fees of approximately NOK 280 million for 2009 and NOK 235 million for 2008 that is reported as part of financing activities in the statement of cash flows. These fees were paid to establish new loans or to restructure existing loans. The fees will be amortized over time as part of financial expense. Paid interest includes borrowing cost that is capitalized and reported as part of investing activities in the statement of cash flows. The amount due to Komatsu (see note 17) was paid in 2009, including accumulated interest from the time it was established in the middle of 2005. The amounts for paid interest and in operating activities in the statement of cash flows include the interest expensed in 2009, and the remaining is reported as part of financing activities in the statement of cash flows.

26. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. The weighted average numbers of ordinary shares are adjusted retrospectively as a result of the bonus element in the rights issue in June/July 2009. The bonus element factor was calculated by dividing the fair value per share immediately before the rights issue by the theoretical ex-rights fair value per share. The theoretical ex-rights fair value per share was calculated by adding the aggregate market value of the shares immediately before the exercise of the rights to the proceeds from the exercise of the rights, and dividing by the number of shares outstanding after the exercise of the rights. The bonus element factor was calculated to 1.15.

	2009	2008
Profit/loss attributable to equity holders of the company (NOK IN MILLION)	−2 347	3 064
Weighted average number of ordinary shares in issue (IN MILLION)	617	567
Basic earnings per share (NOK per share)	−3.8	5.4

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the convertible bond and employee share options. The convertible bond is assumed to have been converted into ordinary shares and net profit/loss is adjusted to eliminate change in fair value, interest expenses and currency effects less any recognized income tax. The calculation shows that the convertible bond and the share options are anti-dilutive.

Potential number of ordinary shares in the 2008 and 2009 share option programs are 530,857 and 3,140,593 respectively with exercise prices per share of NOK 178.59 and 52.48. Potential number of ordinary shares as a result of the convertible bond is 49,277,772 with an exercise price of EUR 6.49 per share.

	2009	2008
Diluted earnings per share (NOK per share)	−3.8	5.4

27. DIVIDENDS PER SHARE

Due to the growth strategy and aggressive expansion plans the Board believes that the funds can be put into best use within the company, and therefore do not propose any dividends to be paid out to the shareholders for 2009 or 2008.

In connection with the restructuring of the bank facilities in July 2009, the company accepted undertakings to restrict dividend payments, as long as the gearing ratio is above certain levels.

28. RESEARCH AND DEVELOPMENT

(NOK IN MILLION)	2009	2008
Research and development expenses	314	213

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

Sovello is included with NOK 10 million in 2009 and NOK 1 million in 2008.

29. COMMITMENTS, GUARANTEES, PLEDGES

The purchase obligation amounts consist of items for which the REC Group is contractually obligated to purchase from a third party at December 31, 2009 and 2008. For purchase of goods and services it has taken into account possibilities for termination of contracts, and these amounts only constitute the contracted minimum portion of the REC Group's expected future costs. Operating lease payments are shown in a separate table below. Contractual maturities of borrowings, including finance leases, are shown in note 17.

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

Contractual purchase obligations at December 31, 2009

		DISTRIBUTION OF PAYMENTS					
(NOK IN MILLION)	TOTAL FUTURE PAYMENTS *	2010	2011	2012	2013	2014	AFTER 2014
Purchase of goods and services							
REC Silicon	1 967	859	296	98	99	99	516
REC Wafer	2 043	514	319	283	175	210	542
REC Solar	67	36	27	1	1	1	2
Sovello**	355	132	70	36	36	32	50
Other	8	8	0	0	0	0	0
Total purchase of goods and services	4 440	1 547	713	418	310	342	1 110
Capex – property, plant and equipment							
REC Silicon	202	197	5	0	0	0	0
REC Wafer	778	754	24	0	0	0	0
REC Solar	1 231	1 161	71	0	0	0	0
Sovello	12	12	0	0	0	0	0
Other	221	208	13	0	0	0	0
Total capex – property, plant and equipment	2 444	2 332	112	0	0	0	0
Total contractual obligations**	6 884	3 880	825	418	310	342	1 110

* Payments are undiscounted.

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

Contractual purchase obligations at December 31, 2008

(NOK IN MILLION)	TOTAL FUTURE PAYMENTS *	DISTRIBUTION OF PAYMENTS 2009	2010	2011	2012	2013	AFTER 2013
Purchase of goods and services							
REC Silicon	1 903	675	417	233	75	74	429
REC Wafer	3 178	422	386	429	400	317	1 224
REC Solar	101	32	32	32	1	1	3
Sovello**	438	181	53	56	32	32	83
Other	3	1	1	1	1	0	0
Total purchase of goods and services	5 622	1 311	890	751	509	424	1 738
Capex – property, plant and equipment							
REC Silicon	1 118	1 099	19	0	0	0	0
REC Wafer	2 561	2 119	415	27	0	0	0
REC Solar	3 384	2 340	1 044	0	0	0	0
Sovello	120	120	0	0	0	0	0
Other	2 139	1 842	293	5	0	0	0
Total capex – property, plant and equipment	9 322	7 520	1 770	32	0	0	0
Total contractual obligations**	14 944	8 831	2 659	783	509	424	1 738

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

The contractually committed minimum purchase of goods and services for REC Silicon include agreements that provide rights to the output of certain gases of specified facilities which are being constructed to serve the production needs associated with the expansions at the Moses Lake facility. At December 31, 2009 and 2008 it was concluded that these agreements include operating leases of the facilities. The total payments included in the tables above for these contracts are NOK 852 million (USD 147 million) at December 31, 2009 and NOK 590 million (USD 85 million) at December 31, 2008 and include commodity output and operating lease elements. Some facilities were not completed at December 31, 2008 or 2009.

Certain property tax payments in REC Silicon are included whereby the company operates one of its facilities in an area designated by the taxing authorities as a special industrial financing district. The payments associated with these property taxes are expected to be made through the period ending December 31, 2022. The total undiscounted amounts of these payments were NOK 146 million and NOK 195 million at December 31, 2009 and 2008, respectively.

The contractually committed minimum purchase of goods and services for REC Wafer include NOK 1,253 million at December 31, 2009 (NOK 2,087 million at December 31, 2008) for cost-plus capacity contracts for recycling, mixing and supply of slurry at production facilities located at REC Wafer's sites in Norway. The agreements include purchase of goods and services and lease elements. The lease elements are evaluated to be both operating and finance leases. Until the facilities are completed and the leases and production commences, the contracts are reported in its entirety as contractual purchase commitments in the tables above. At December 31, 2009, the facility at Glomfjord was not completed and is included in the table for 2009 with NOK 875 million. Completion is expected in the first half of 2010. The reduction from December 31, 2008 to 2009 in the tables above relates primarily to lease elements in the second facility at Herøya that was completed in the second half of 2009. The lease amounts are now included as finance lease (see note 6) and operating lease (see table below). The minimum remaining terms of the contracts at December 31, 2009 are 5-10 years. All three capacity contracts for slurry are based on a cost-plus principle in which the vendor obtains coverage of investments and expenses within specified limits. The exact amounts of the investments will not be known before the completion of the construction. The payments for coverage of the vendors operating expenses may change according to the output and efficiency of the production process.

A partially similar contract entered into with another vendor in Singapore contains lease of machinery, and is included in whole with NOK 437 million in the table above for REC Wafer for 2009 (NOK 486 million for 2008).

Capex is capital expenditure; purchase of assets that are to be capitalized and used for more than one period. Capex in the tables above and text below does not include capitalization of borrowing costs. 85 percent of the contractually committed capex at December 31, 2009 was related to the expansion in Singapore. The remaining primarily relates to Silicon IV and the REC Wafer mono extension project. Contractually committed capex at December 31, 2008 was primarily related to the expansion in Singapore, the expansion projects in the USA and the wafer plants at Herøya and Glomfjord.

In addition to contractually committed capex, the REC Group had approved capex of approximately NOK 1.8 billion at December 31, 2009, of which approximately NOK 1.4 billion is expected to be paid in 2010.

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

(NOK IN MILLION)	2009	2008
Not later than 1 year	186	34
Later than 1 year but not later than 5 years	406	98
Later than 5 years	147	36
Total	738	168

The operating leases at December 31, 2008 in the table above were primarily related to a production building for REC ScanCell, the lease of the corporate headquarters and the production building for the first service agreement for blending and recycling of slurry in REC Wafer as described above. The increase in 2009 related primarily to the second slurry contract (see above), and land-lease in Singapore (in 2008 included in the table for contractual obligations).

It has been evaluated that REC has entered into operating leases for the industrial buildings used in the service contracts for blending and recycling of slurry at Herøya. The first operating lease contract is for a period of 10 years, with an option to prolong the lease for an additional five years and a purchase option at the end of the lease period at a price to be negotiated. The second operating lease contract is for a period of 10 years, with an option to prolong the lease for two times five years and a right of first refusal in the case of sale of the building. As described above, the slurry contract in Glomfjord also contains operating and finance leases, but the total contract is reported as part of purchase obligations until the facility is completed and the leases commence.

REC leases land in Singapore with a remaining term of 28.5 years at December 31, 2009. There is an option to prolong the lease and to extend the number of square meters under the lease. According to the agreement, REC shall make prepayments for the remaining lease over the next three years.

Contractual sales

2009

REC entered 2009 with long-term contracts with pre-defined structures for prices and delivery volumes that covered the planned production output of polysilicon and wafers in 2009. The weak market development led to a considerably lower demand and hence lower market prices during 2009 than expected, and this in turn made most of the REC's wafer customers request reductions in volumes and prices and changes to delivery schedules. Even though many of the contracts have only some flexibility for changes by the customers and are partly secured with bank guarantees or up-front payments, REC has commercial interests in finding acceptable solutions for its long-term customers. REC managed to agree on solutions for 2009 and the first half of 2010 in most cases, but has in some cases failed to reach agreements with the customers. In two cases REC has called upon bank guarantees to protect its interests, and both cases have moved on to legal proceedings.

The price and volume revisions and lower than expected production volumes due to delayed start-up and slower ramp-up of new plants led to lower revenues in 2009 than expected at the end of 2008. In the fourth quarter 2009, average selling prices for wafers were 22 percent below the 2008 average. Going into 2010, REC Wafer and its customers have agreed on wafer prices that on average are a further 20 percent below this level.

REC Silicon in 2009 made minor adjustments to its long-term contracts and has discussions for some changes for 2010.

2008

REC Silicon and REC Wafer had a remaining external long-term contract portfolio with a total value of approximately NOK 65 billion at December 31, 2008 (calculated based on exchange rates at December 31, 2008 and includes all sales to Sovello). Approximately NOK 11 billion of the total NOK 65 billion contract portfolio was scheduled for delivery in 2009 and approximately NOK 13 billion in 2010. The remaining contract portfolio of approximately NOK 41 billion refers to deliveries scheduled in 2011-2015. Parts of the contract values are either secured with bank guarantees or up-front payments.

With regard to the total take-and/or-pay contracts, some adjustments in the take-out volumes can be made for a given year provided that sufficient prior notice has been given. Beyond this, customers have little flexibility to adjust volumes. For the silane gas contracts in REC Silicon, complexities in storing silane gas require certain flex¬ibility in administering contract terms. Actual shipments cannot dis¬regard fluctuation in market demand and actual merchant market consumption.

For 2009, most of the expected production of REC Wafer and REC Silicon was contractually committed to be sold to external customers or used internally. For 2009, more than 70 percent of the expected production of REC Wafer was contractually committed to be sold to external customers. This external contract coverage was expected to be reduced to more than 50 percent in 2010. The corresponding amounts for REC Silicon were more than 40 percent for both years, including all sales to Sovello.

Contracted external sales and the planned increases in own use depended on successfully building up new capacity. The figures were based on already approved capacity expansions at the existing sites, excluding Singapore, and reflected facts and assumptions at December 31, 2008.

For REC Wafer, the contracts entered into in 2006 - 2008 contain the right for both the customer and REC Wafer to reduce deliveries for the following year by up to 10 percent without this being considered a breach of contract. In addition, in the event of a lack of raw materials, REC Wafer has the right on a pro rata basis to reduce deliveries.

Sales contracts for polysilicon contain rights for both the customer and REC Silicon to reduce deliveries for the following year by up to 10 percent dependent on the individual contract, without this being considered a breach of contract. However, REC Silicon will in most cases where the volume is unspecified have to make up for such volumes later. In addition, if production problems should occur due to force majeure, REC Silicon has the right on a pro rata basis to reduce deliveries. The delays in production from the new production plant in Moses Lake will lead to pro rated reductions in deliveries to the three customers impacted by this delay: Sovello AG, REC ScanWafer AS and REC SiTech AS. For REC Silicon's existing delivery contract to Sovello, the up-front payment of USD 42 million and remaining part of the USD 33 million pre-payment shall be repaid if REC Silicon cannot fulfill its obligations under the contract. For the silane gas contracts in REC Silicon, complexities in storing silane gas require certain flexibility in administering contract terms. Actual shipments cannot disregard fluctuation in market demand and actual merchant market consumption.

Guarantees, pledges and undertakings

Purchased bank guarantees that are not secured by assets of the REC Group are not included in the information below.

REC ASA and its subsidiaries have restrictions under the existing credit facilities for providing financial support to third parties, including the making of any (whether actual or contingent) loans, credit or guarantee, indemnity or other assurance against financial loss to or for the benefit of any person, or otherwise voluntarily assume any liability in respect of any obligation of any other person. The credit facilities also contain negative pledge clauses, see note 17.

2009

See note 9 regarding the 2010 agreement for the sale of all shares in Sovello to a third party. REC's additional cash exposure from shareholder guarantees and undertakings in connection with the anticipated transaction is estimated at NOK 90 million (EUR 10.8 million).

Sovello has provided collateral for its bank loans with carrying value at December 31, 2009 of NOK 189 million (REC's 33.33 percent proportionally consolidated share) by way of security of non-current and current assets, with carrying values of NOK 178 million in the consolidated financial statements of REC (REC's 33.33 percent share).

REC Silicon has through an external bank issued letters of credit available to provide credit enhancement and has provided liquidity support for certain purchase agreements. REC Silicon has pledged inventory, receivables and other deposit accounts with the bank in relation to a USD 19 million Letter of Credit Facility under which letters of credit for USD 17 million have been issued at December 31, 2009. The carrying value of total inventory, receivables and other deposits pledged was USD 230 million at December 31, 2009. REC Silicon has pledged USD 16 million at December 31, 2009 of assets that are held as certificate of deposits (reported as restricted bank accounts in the statement of financial position and in note 14) for certain property tax payments described above as part of contractual payment obligations.

Government grants with remaining value of SEK 5 million at December 31, 2009 are secured by total assets of REC ScanModule AB, but limited to SEK 14 million.

2008

REC ASA and the other two shareholders of Sovello had provided undertakings to external banks for any additional capital need for completion of construction of Sovello's third plant in event of cost overruns or non-compliance with loan covenants and for any loss of investment grants for Sovello (see below). See also note 17 regarding Sovello's breach of loan covenants and note 10 for related parties transactions with Sovello. The EUR 30 million guarantee REC ASA provided in 2007 was terminated in 2008 according to plan.

Sovello had at December 31, 2008 recognized investment grants of EUR 66 million (100 percent figure for Sovello) of which EUR 28 million had been received in cash. A syndicate of banks had advanced as a bridge financing most of the remaining EUR 38 million grants receivable. In the undertaking signed individually by all the three shareholders of Sovello in relation to Sovello's EUR 193 million syndicated loan agreement, the shareholders have an obligation to contribute additional equity capital or subordinated loans, in the amount of 33.33 percent each of the amount by which the investment grants are not granted in the projected amounts or are required to be repaid. REC's 33.33 percent of the total investment grants amounted to EUR 22 million at December 31, 2008.

Payments of the grants to Sovello are dependent on an EU approval process and that funds are available. The European Commission informed Sovello in the first half of 2008 that it intended to re-examine the grounds for granting Sovello investment aid of up to EUR 30 million for the construction of the first and second plant. After careful review, and supported by external advice, Sovello believed at December 31, 2008 that it qualified for all the investment grants in question. Consequently, no provisions were recognized for this issue. In January 2010, the EU Commission announced the recall of grants for financial assistance designed for small and medium-sized businesses awarded in 2006 for the construction of Sovello's first integrated production line, see note 21.

Sovello has provided collateral for its bank loans (carrying value at December 31, 2008 of EUR 40 million for REC's 33.33 percent share) by way of security of non-current and current assets, with carrying values of EUR 132 million at December 31, 2008 (REC's 33.33 percent share).

REC Silicon has through an external bank issued letters of credit available to provide credit enhancement and has provided liquidity support for certain purchase agreements. REC Silicon has pledged inventory, receivables and other deposit accounts with the bank in relation to a USD 19 million Letter of Credit Facility under which letters of credit for USD 12 million had been issued at December 31, 2008. The carrying value of total inventory, receivables and other deposits pledged was USD 331 million at December 31, 2008. REC Silicon has pledged USD 18 million at December 31, 2008 of assets that are held as certificate of deposits (reported as restricted bank accounts in the statement of financial position and in note 14) for certain property tax payments described above as part of contractual payment obligations.

Government grants with remaining value of SEK 8 million at December 31, 2008 are secured by the total assets of REC ScanModule AB. The carrying amount of total assets of REC ScanModule AB was SEK 1.2 billion at December 31, 2008.

30. OTHER INFORMATION FINANCIAL INSTRUMENTS

Refer also to note 3 financial risk management.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Group's financial instruments are based on market prices and the valuation methodologies described below.

In the statement of financial position, the financial instruments that are recognized (partially or in whole) at fair value are shown in the table below.

	2009		2008		FV
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES	HIERARCHY LEVEL
Convertible bond – fair value whole instrument	0	2 816	0	0	2
Norwegian bond – fair value hedge of market interest rate	0	1 235	0	0	2
Derivatives					
Currency and interest rate derivatives from banks	594	124	78	1 899	2
REC Silicon natural gas contract, net settlement	0	12	0	0	2
Embedded derivatives	0	263	2 732	3	3

Deciding the level in the fair value (FV) hierarchy into which the fair value measurements are categorized according to IFRS 7 involves judgment.

Level 2

EUR Convertible bond: REC accounts for the combined instrument at fair value. The convertible bond is not listed on any exchange. However, the convertible bond is traded in the market and a number of banks set prices each trading day. Bloomberg makes a quotation list based on these prices that it publishes each trading day, but the volumes of trades are not shown. The prices per the quotation list from Bloomberg and actual trades are the basis for fair value used by REC.

The fair value has been estimated by external parties based on contractual cash flows and traded prices for input components for the following instruments: Derivative instruments purchased from banks; the fair value of the risk free market interest rate (NIBOR) component of the five year fixed interest rate Norwegian bond; and REC Silicon's natural gas contract. Fair values of foreign currency forward contracts and interest rate swaps are estimated by the present value of future cash flows, calculated by using quoted forward rates and prices as of December 31, 2009 and 2008, respectively. Option elements in flexible and participating forward contracts are valued using appropriate option pricing models. See note 3.2 for further description.

Level 3

The fair values of embedded derivatives are calculated based on value drivers and discount rates provided by independent banks, as well as cash flows and credit risk premiums estimated by REC. Fair values of embedded derivatives are calculated using estimated forward currency bid-rates at December 31. The bid rate normally takes into consideration normal credit risk of the counterparty to a bank, but does not take into consideration credit risk of REC or of REC's counterparties to the contracts (i.e. the customers). At December 31, 2009, estimated credit risk margins have been added to the discount rates.

The estimated cash flows in the contracts containing embedded derivatives have been reduced at December 31, 2009 compared to contractual cash flows as used at December 31, 2008. REC Wafer has entered into sales contracts in USD which are not in the functional currency of either of the contracting parties. These wafer sales contracts state future cash flows, with some limited adjustment mechanisms. However, REC Wafer has in 2009 experienced that contracts have been renegotiated or not complied with. If it is probable that a customer will not honor the contract based on individual assessment, REC has made downward adjustments of the estimated future cash flows. Compared to the originally stated amounts, future cash flows at December 31, 2009 have been reduced from a total of USD 2,617 million to USD 582 million. Cash flows have been reduced to the most likely amount, but are uncertain and the actual outcome could be higher or lower. The cash flows in some contracts that are disputed by the customers have been reduced to the highest of any bank guarantee or zero. The estimated values of embedded derivatives were negatively affected by approximately NOK 23 million of reductions in the estimated future cash flows in wafer sales contracts. Increased estimated credit risk margins have increased the discount rates, estimated to have positively affected the estimated fair values of embedded derivatives by approximately NOK 35 million.

Changes in estimated future cash flows, estimated credit risk margins and other input variables may have a significant effect on the fair value estimation.

For fair value measurements in Level 3 of the fair value hierarchy; Embedded derivatives (ED)

(NOK IN MILLION)	
Fair value December 31, 2008	2 729
Net loss embedded derivatives incl. as part of financial expenses, note 25 [1)]	−2 997
Realized cash flows during the year	5
Fair value December 31, 2009	−263

1) Of which NOK 593 million net loss included in profit or loss for ED held at December 31, 2009. Net loss included in profit or loss for ED held at December 31, 2009 is calculated as the change in estimated fair value of cash flows in ED at December 31, 2009 that also were included in the calculation at December 31, 2008.

Effect of reasonable changes in assumptions on the estimated fair values of embedded derivatives at December 31, 2009

(NOK IN MILLION)	
Increase/decrease in discount rate, 1%−point	+5/−5
Future cash flows increase from the estimated cash flows to the original contractual amounts	23
− Of which cash flows in breached contracts [1)]	221
− Of which estimated changes in price and volumes in non−breached contracts	−198

1) By breached contracts is meant contracts for which legal proceedings have been initiated and/or where bank guarantee has been drawn upon (if any)

Interest bearing financial liabilities and finance receivables

As described above, the convertible bond has been recognized at fair value. The Norwegian 11 percent fixed rate bond is listed on Oslo Stock Exchange. REC has recognized the risk free rate component at fair value. The difference to the quoted price then represents company specific risk.

None of the other REC Group's interest bearing liabilities have market quotes. The interest bearing liabilities under the credit facilities have floating interest rates based on LIBOR plus a margin depending on the ratio of net interest bearing debt to EBITDA. This ratio is regarded as an adjustment for credit risk based on the margins in the market at the time the credit facilities were established. During 2008, the credit margins in the market increased considerably, primarily due to the financial turmoil. During 2009, the credit margins developed positively but the credit spreads are still at a high level for credits below investment grade as REC implicit credit rating.

Fair value of REC bank borrowings can be evaluated to par value. The corporate credit market has in general developed positively in 2009, but the REC credit pricing has underperformed compared to the market. The REC borrowings were reprised during 2009 and should therefore reflect par value.

At December 31, 2008 there was limited visibility for market values of liabilities similar to REC's, and REC believed that the market was negatively affected by the financial crises worldwide and there are few comparable transactions. REC entered into agreements for new credit facilities at the end of September 2008 that management believed provided a basis for estimating market margins for REC. At

December 31, 2008, Management believed that the margins in the market had increased further subsequent to entering into the new credit facilities.

Fair value for fixed rate liabilities, finance lease liabilities and finance receivables are calculated using estimated interest rates at the reporting dates for similar liabilities. The same difficulties and uncertainties as discussed above are present for these.

According to IAS 31, the cash or other resources contributed to the jointly controlled entity Sovello are included in the accounting records of REC and recognized in its financial statements as investment in the jointly controlled entity. Impairment and recoverable amount is determined in accordance with IAS 36. REC Management's interpretation is that REC's investment in Sovello (equity and shareholders loans) shall not be evaluated or presented according to IAS 39. As a consequence, REC's shareholders loans to Sovello of NOK 480 million (EUR 58 million), of which 66.7 percent is reported as external and not eliminated on proportionate consolidation, is included in REC's consolidated financial statements at the notional amounts, and the impairment charges are estimated and recognized through the impairment charges on assets in Sovello according to IAS 36, proportionally consolidated into REC.

The fair values of other receivables and current debt are in the table below estimated to equal the carrying amounts. The same applies to the 33.3 percent of Sovello's external current liabilities, except Sovello shareholders' loans, reported as external interest bearing liabilities in REC's consolidated financial statements. In the table below, the estimated fair values of the shareholders' loans have been set to zero at December 31, 2009, which is consistent with the evaluation of the net recoverable amount of the CGU Sovello.

Options – Mainstream

REC Solar AS owns 20 percent of Mainstream Energy Inc., see note 8. Under the agreement between REC and the other shareholders of Mainstream Energy, call options for REC and put options for the other shareholders (put options effective only if REC has majority) may increase REC's shareholding in future years. The specific terms and conditions in any subsequent transactions are dependent on the future performance of Mainstream Energy. The number of shares that can be exercised under the call and put options are interrelated and will consequently vary according to if and when the options are exercised. Based on the structure, complexity and interdependency of the put and call options, REC's preliminary view is that the options cannot be separated and reliably measured at fair value. At December 31, 2009 REC wrote down the value of the shares (including options) in Mainstream, which also should be an indication that the options have limited value.

Trade and other receivables and payables

Discounting is not considered to have material effect on trade and other receivables and payables, and they are assumed to be equal to the carrying amount.

Equity securities

The REC Group only has a limited amount of unlisted shares and fair values are assumed to approximate the carrying amounts. Companies that are consolidated in the REC Group, proportionally consolidated or accounted for by using the equity method, are not included in the table below.

Cash and cash equivalents and restricted bank accounts

All cash and cash equivalents and restricted bank accounts have floating interest rates, and fair values are consequently estimated to be equal to the carrying amounts.

Estimated fair values of financial instruments at December 31

	2009		2008	
(NOK IN MILLION)	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Cash and bank (incl. restricted bank accounts)	1 790	1 790	623	623
Trade receivables	1 595	1 595	1 149	1 149
Other non–current and current receivables	476	476	709	709
Finance receivables and short–term loans	128	128	142	134
Shares available for sale	5	5	2	2
Derivatives – assets	594	594	2 810	2 810
Derivatives – liabilities	–400	–400	–1 902	–1 902
Payables and accrued cost	–2 717	–2 717	–3 305	–3 305
Provisions and other obligations	–610	–610	–201	–201
Sovello – loans from Shareholders	–321	0	–300	–300
Sovello – other interest bearing liabilities	–189	–189	–399	–399
Interest bearing liabilities	–11 468	–11 445	–5 896	–5 678
Total	–11 115	–10 772	–6 569	–6 358

The table above does not include prepayments and a negative value of a delivery contract. Prepayments are not defined as financial instruments. Prepayments include prepaid costs (see note 12), prepaid capital expenditure (see the consolidated statement of financial position) and non-current prepaid costs. In addition prepayments received by REC for future deliveries from REC Silicon and REC Wafer are reported as current and non-current prepayments, interest calculations (see the consolidated statement of financial position and note 17). These liabilities are not scheduled to be repaid in cash. The negative value of a delivery contract of NOK 20 million at December 31, 2009 and NOK 60 million at December 31, 2008 is included as other obligations in the reporting but is per definition not a financial liability (see note 20). REC ASA's shareholder's loans (receivables) to Sovello are regarded as part of the investment in the jointly controlled entity, and not a financial instrument to be included in the table above and below.

Contractual maturities of financial liabilities

Information on contractual maturities of financial liabilities is found in note 11 for derivatives, note 17 for borrowings and note 20 for provisions. All current liabilities are expected to be paid within one year from the reporting dates. In addition, REC ASA has provided guarantees and undertakings related to Sovello. At December 31, 2009 the guarantees amounted to NOK 48 million (EUR 5.8 million). The undertakings have no stated amounts. However, these are estimated to NOK 42 million (EUR 5 million) at December 31, 2009. The estimate is based on an agreement for the sale of 100 percent of the shares in Sovello to a third party, see note 9. The guarantees and undertakings are reported as current provisions. At December 31, 2008 REC had granted a loan commitment of EUR 4 million that Sovello could draw at any time, and had provided undertakings to Sovello's banks.

Credit risk

The maximum credit risks related to financial instruments* are estimated in the table below

	2009		2008	
(NOK IN MILLION)	CARRYING AMOUNT	MAX. EXPOSURE	CARRYING AMOUNT	MAX. EXPOSURE
Cash and bank (incl. restricted bank accounts)	1 790	1 790	623	623
Trade receivables	1 595	1 595	1 150	1 150
Other non−current and current receivables	476	476	709	709
Finance receivables and short−term loans	128	128	142	142
Embedded derivatives − assets	0	0	2 732	2 732
Other derivatives − assets	594	594	78	78
Guarantees, loan commitment − Sovello	90	90	0	26
Total	4 673	4 673	5 434	5 460

* See above for a description of what is included in the table.

REC ASA has in addition issued parent company guarantees of approximately NOK 720 million at December 31, 2009. These are related to future supply of goods and services and capital expenditure. The future supplies (executory contracts) are not recognized in the financial statements and these related guarantees are not regarded as financial guarantees for the consolidated financial statements for REC for the purpose of these note disclosures.

The financial turmoil that started in the second half of 2008 and the subsequent difficult market conditions have reduced the visibility related to future performance and development of REC's counterparties and consequently have increased the credit risk. REC has also experienced some disputes when it has been necessary to call on, or prepare call on, bank guarantees from customers, which has increased the credit risk.

REC Group's trade receivables are primarily from a limited number of wholesale and manufacturing customers in the solar, silicon gases and electronic industry in Europe (especially Germany), USA and Asia.

Shared characteristics that identifies each concentration of trade receivables at December 31, 2009

GEOGRAPHICAL		SECTOR		INDUSTRY	
Europe	36%	Wholesale	20%	Solar Industry	83%
United States	17%	Manufacturing	80%	Electronic Industry	4%
Asia	45%			Other/not allocable*	13%
Other countries	2%				
Total	100%		100%		100%

* Primarily related to sale of silane gas, that is used both in electronic and solar industry.

Of the total trade receivables at December 31, 2009, approximately 45 percent were related to four customers in the solar industry (these customers accounted for approximately 25 percent of external revenues for 2009).

Policies are in place to ensure that sales of products are only made to customers with an appropriate credit history in combination with requirements for various payment guarantees or prepayments and to some extent credit insurance. The credit quality of trade receivables at December 31, 2009 and 2008 was in general regarded as relatively good, taken into consideration that the REC Group historically has realized minimal losses on receivables and the credit enhancements mentioned above. However, some of the trade receivables at December 31, 2009 and 2008 were overdue. Per December 31, 2009 it should be noted the information below.

Analysis of aging of receivables at December 31, 2009

(NOK IN MILLION)	TOTAL CARRYING AMOUNT	AGING OF RECEIVABLES THAT ARE NOT IMPAIRED					IMPAIRED
			PAST DUE				
		NOT DUE*	< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	
Trade receivables	1 595	996	188	265	141	6	0
Other non–current and current receivables	475	474	1	0	0	0	0
Finance receivables and short–term loans	128	128	0	0	0	0	0

* No receivables were not due because renegotiated.

Approximately half of trade receivables outstanding and approximately 3/4 of overdue trade receivables were secured by bank guarantees, letters of credits, prepayments or credit insurance at December 31, 2009. Due to the market developments, REC Wafer has agreed to make adjustments to sales contracts and in some cases called on bank guarantees or notified the relevant banks that it considered calling upon bank guarantees to protect its interests. In some cases REC is involved in legal proceedings with its customers. Any legal proceedings in relation to the contracts and bank guarantees encounter procedural risk and may take time to resolve. REC Wafer had at December 31, 2009 requested the bank to draw on a bank guarantee for the largest overdue amount (NOK 217 million). This customer has disputed REC's right to draw on the bank guarantee and REC had at December 31, 2009 not received payment under the guarantee.

Customers have to some extent deferred payments to REC, partially related to alleged claims and liquidity issues. Risk for realization of future cash flows in previously entered contracts, as well as future sales, increased in 2009. In addition to the negative effect on the order backlog, this has affected the estimated fair values of embedded derivatives that are present in some of the contracts. REC has also experienced increased amounts of returns of deliveries from customers claiming product deficiencies, in order for them to be relieved of the obligation to take deliveries, and some with the ultimate purpose of cancelling binding delivery contracts.

During 2009 REC Wafer was not able to agree on terms for contractual adjustments in a delivery contract and therefore terminated the contract and called upon a USD 50 million bank guarantee in September 2009. The customer claims that REC wafer is not entitled to draw the guarantee and has instituted legal proceedings to this effect. REC has not recognized any revenues from this customer in 2009 and had not recognized any trade receivables on this customer at December 31, 2009.

A large part of other non-current and current receivables are receivables for taxes and grants payable by governments and are regarded to have a low credit risk.

Finance receivables and short-term loans are primarily unsecured loans to a vendor of REC Wafer. REC has significant committed future purchase, financial and operating lease contracts with this vendor. The loans and receivables should be regarded as a part of the total contractual agreements, and the credit risk should be evaluated in this context.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions, see note 3. Positive values in embedded derivatives relate to contractually committed future sales of wafers. Parts of these long term contracts are secured by bank guarantees from high-credit-quality banks and/or prepayments. REC did not have any positive fair values in embedded derivatives at December 31, 2009.

Sensitivities

Contractual cash flows in REC Silicon's natural gas contract – net settlement

A ten percent increase (decrease) in market price for natural gas is estimated to have a positive (negative) effect of NOK 9 (-9) million at December 31, 2009.

Convertible EUR bonds

At December 31, 2009 it is estimated that a ten percent increase (decrease) in REC ASA's share price will increase (decrease) the estimated fair value of the convertible bond by NOK 156 (-144) million.

The currency and interest rate sensitivities are included in the calculations below.

Interest rate sensitivity

Interest bearing assets and liabilities are accounted for at amortized cost, except for derivatives, the EUR convertible bond and the NIBOR rate in the Norwegian bond.

A change in interest rates will affect the interest payments on variable interest rate liabilities, cash and cash equivalents and restricted bank accounts. The net effect of a one percentage point increase (decrease) in interest rates is estimated to increase (decrease) net interest costs for the year by NOK 67 (-67) million calculated on outstanding amounts at December 31, 2009. The same calculation at December 31, 2008 was NOK 50 (-50) million. These calculations are not adjusted for capitalization of borrowing costs.

A one percentage point increase (decrease) in interest rates is estimated to decrease (increase) the net estimated fair values of the bonds and derivatives by NOK -68 (71) million.

Exchange rate sensitivity

The REC Group has estimated the effect on financial assets and financial liabilities of a 10 percent change in currencies other than the entities' functional currencies at December 31, 2009 and 2008. The REC Group has no single functional currency, and the effects are calculated for each entity in its functional currency, converted to NOK using the exchange rates at December 31, 2009 and 2008, respectively. In addition, REC has some currency derivatives with future purchase and sales of two currencies other than the relevant entity's functional currency. In the sensitivity calculation for these derivatives, it has been assumed that these two currencies change 10 percent in relation to each other. The calculations include intercompany receivables and payables. It excludes net investments in subsidiaries, joint ventures and associates but includes receivables that are regarded as a part of net investments in foreign entities. The estimated effects of increase and decrease in foreign exchange rates differ for bank derivatives, primarily flexible and participating forwards because these derivatives include an option element within predetermined bands of currency rates.

"Total to equity" is an estimate of the effect that could affect equity through other comprehensive income. It excludes translation differences on net investments in foreign currencies, except receivables regarded as a part of the net investments (a loan to REC Silicon).

The calculation should not be viewed as an estimate of what the effects could be for the financial year for changes in currency rates. This is, among other things, due to the fact that the amounts of financial instruments in foreign currencies may change during the year at the same time as changes in currency rates may occur unevenly throughout the year. If there is a change in the amounts of derivatives that are designated and qualify for hedge accounting compared to December 31, more or less effects would be recognized to equity versus profit or loss.

The tables below show an estimate of the effects of a 10 percent change in foreign currencies compared to functional currencies for each entity and totaled to arrive at the estimated effects for the REC Group.

Exchange rate sensitivity on financial instruments at December 31, 2009

	CHANGE +10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	TOTAL
Financial assets and liabilities					
Financial assets	229	948	493	33	1 703
Financial liabilities	−689	−83	−788	−24	−1 585
Net excluding derivatives	−460	864	−296	9	118
Derivatives					
Bank derivatives	−973	64	28	0	−882
Embedded derivatives	0	291	0	0	291
Net derivatives	−973	354	28	0	−591
Total	−1 434	1 219	−268	9	−473
Of which to equity					
USD receivable as part of net investment	0	81	0	0	81
Rest is to profit or loss	−1 434	1 138	−268	9	−554

Exchange rate sensitivity on financial instruments at December 31, 2009

	CHANGE −10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	TOTAL
Financial assets and liabilities					
Financial assets	−229	−948	−493	−33	−1 703
Financial liabilities	689	83	788	24	1 585
Net excluding derivatives	460	−864	296	−9	−118
Derivatives					
Bank derivatives	949	−64	−28	0	858
Embedded derivatives	0	−291	0	0	−291
Net derivatives	949	−354	−28	0	567
Total	1 410	−1 219	268	−9	449
Of which to equity					
USD receivable as part of net investment	0	−81	0	0	−81
Rest is to profit or loss	1 410	−1 138	268	−9	530

Exchange rate sensitivity on financial instruments at December 31, 2008

	CHANGE +10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	TOTAL
Financial assets and liabilities					
Financial assets	0	796	−198	15	613
Financial liabilities	−104	−464	11	−30	−587
Net excluding derivatives	−104	333	−188	−15	26
Derivatives					
Bank derivatives	−733	−655	30	9	−1 349
Embedded derivatives	0	1 763	0	0	1 763
Net derivatives	−733	1 108	30	9	414
Total	−837	1 441	−158	−6	440
Of which to equity					
USD receivable as part of net investment	0	98	0	0	98
Rest is to profit or loss	−837	1 343	−158	−6	342

Exchange rate sensitivity on financial instruments at December 31, 2008

	CHANGE −10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	TOTAL
Financial assets and liabilities					
Financial assets	0	−796	198	−15	−613
Financial liabilities	104	464	−11	30	587
Net excluding derivatives	104	−333	188	15	−26
Derivatives					
Bank derivatives	677	613	−27	−9	1 255
Embedded derivatives	0	−1 763	0	0	−1 763
Net derivatives	677	−1 149	−27	−9	−508
Total	781	−1 482	161	7	−534
Of which to equity					
USD receivable as part of net investment	0	−98	0	0	−98
Rest is to profit or loss	781	−1 384	161	7	−436

31. DISPUTES

REC Silicon Inc, Solar Grade Silicon LLC and REC Advanced Silicon Materials LLC have been subject to several lawsuits filed by a nearby property owner Victor Jansen. The claims have been filed from May 2009 to March 2010. On April 9, 2010 all the claims were settled without any material negative effects for REC.

32. EVENTS AFTER THE REPORTING PERIOD

In January 2010, REC Silicon received confirmation that it had been awarded up to approximately USD 155 million in Recovery Act Advanced Energy Manufacturing Tax Credits, related to the Silicon III and IV plants. Some future conditions must be fulfilled to receive the grants, including that awardees have three years from the date of certification to complete and place in service projects certified under the program. The vehicle for receiving benefits under this program is a credit claimed on the US-company's annual tax return, subject to the limitations of alternative minimum tax. Unused portions of the credit can be carried forward 20 years and used to offset income tax during those periods subject to similar limitations. Any unused portions after 20 years are void.

On February 5, 2010 the shareholders of Sovello AG signed a non-binding term sheet, and on March 22, 2010 an agreement for the sale of 100 percent of the shares and the shareholder loans in Sovello. The acquirer is a fund under the management of Ventizz Capital Partners, a German private equity company. No consideration shall be paid for the shares and shareholders loans. The transaction is subject to certain closing conditions, and closing of the transaction is expected to take place during April, 2010.

On March 30, 2010, REC entered into an agreement for a change in the financial covenants for the first quarter 2010 in the existing bank loan agreements. At the same time, REC entered into a committed term sheet agreement for a new bank debt structure that includes a multicurrency revolving credit facility of up to NOK 6,675 million and a guarantee facility of up to NOK 3,325 million (SGD 792 million). This will enable prepayment of the two existing credit facilities and the existing guarantee facility which in total involve 19 banks (see note 17). REC has signed a committed term sheet concerning the new underwritten credit and guarantee facilities with DnB NOR, Nordea and SEB. The facilities agreement is expected to be signed during May 2010, and is, among other things, conditional that REC ASA issue new equity funding of gross NOK 4,000 million. At the same date REC ASA announced a fully underwritten rights issue for this amount that will be proposed at an extraordinary general meeting. See note 3 for further information.

BALANCE SHEET (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

AT DECEMBER 31 (NOK IN MILLION)	NOTES	2009	2008
ASSETS			
Non–current assets			
Intangible assets	D	87	39
Property and equipment	C	25	15
Shares in subsidiaries	H	4 561	2 268
Non–current interest bearing receivables from subsidiaries		8 725	8 682
Shares in jointly controlled entity	I	0	421
Non–current interest bearing receivables from jointly controlled entity	O	0	450
Other investments	I	124	123
Total investments		13 410	11 944
Other receivables		1	2
Derivatives, internal	L	17	424
Derivatives, external	L	110	15
Total non current assets		13 650	12 439
Current assets			
Group account system, subsidiaries	B	10 081	6 804
Trade receivables from subsidiaries		42	43
VAT and other taxes		10	0
Receivables on group contributions from subsidiaries		467	787
Other receivables from subsidiaries		169	139
Other receivables		14	7
Derivatives, internal	L	39	934
Derivatives, external	L	484	55
Total current receivables		11 305	8 770
Cash and cash equivalents		1 470	227
Total current assets		12 775	8 997
Total assets		26 425	21 436

The financial statements are presented in NOK, rounded to the nearest million, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

BALANCE SHEET (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

AT DECEMBER 31 (NOK IN MILLION)	NOTES	2009	2008
EQUITY & LIABILITIES			
Shareholders equity			
Share capital	K	665	494
Share premium reserve	K	12 481	8 266
Contributed capital	K	283	283
Total paid in capital		13 428	9 043
Other equity and retained earnings	K	850	1 798
Total shareholders equity		14 278	10 841
Non–current liabilities			
Interest bearing liabilities	G	10 590	4 945
Retirement benefit obligations	E	11	20
Deferred tax liabilities	J	0	55
Non–current provisions		1	0
Derivatives, internal	L	42	15
Derivatives, external	L	25	1 039
Total non–current liabilities		10 669	6 074
Current liabilities			
Trade payables to subsidiaries		2	1
Group account system, subsidiaries	B	938	3 295
Trade payables to others		31	18
Current tax liabilities	J	0	281
Social security, VAT and other taxes		7	7
Current provisions	P	91	1
Other current liabilities		156	35
Derivatives, internal	L	155	27
Derivatives, external	L	98	856
Total current liabilities		1 479	4 522
Total liabilities		12 147	10 595
Total equity and liabilities		26 425	21 436

Sandvika, April 15, 2010
Board of Directors

Dag Opedal
Chairman of the Board

Anders Langerød
Member of the Board

Grace Reksten Skaugen
Member of the Board

Roar Engeland
Member of the Board

Tore Schiøtz
Member of the Board

Rolf B. Nilsen
Member of the Board

Hilde Myrberg
Member of the Board

Susanne Elise Munch Thore
Member of the Board

Tommy Kristensen
Member of the Board

Odd Christopher Hansen
Member of the Board

Silje Johnsen
Deputy member of the Board

Ole Enger
President and CEO

INCOME STATEMENT (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

YEAR ENDED DECEMBER 31 (NOK IN MILLION)	NOTES	2009	2008
Revenues from subsidiaries		76	72
Total revenues		76	72
Employee benefit expenses	E	−112	−96
Other operating expenses	F	−116	−90
Depreciation and amortization	C	−7	−3
Operating loss (EBIT)		−160	−118
Group contributions from subsidiaries		467	787
Interest income, internal		911	217
Interest income, external		98	379
Interest expenses		−721	−159
Other financial expenses	P	−131	−3
Currency gains/losses	L	−1 025	727
Net gains/losses on internal derviatives	L	−1 622	78
Net gains/losses on external derviatives	L	2 895	−526
Losses on financial assets	O	−1 678	−26
Profit/loss before taxes		−966	1 356
Income tax expense	J	9	−366
Profit/loss for the year		−956	990
Profit/loss for the year is distributed as follows			
Other equity	K	−956	990
Total distributed		−956	990

STATEMENT OF CASH FLOW (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

YEAR ENDED DECEMBER 31 (NOK IN MILLION)	2009	2008
Cash flow from operating activities		
Profit/loss before tax	−966	1 356
Taxes paid	−281	−199
Depreciation and amortization	7	3
Impairment loss financial assets	1 678	26
Changes in trade receivables	−4	−142
Changes in trade payables	221	0
Effects of group contributions	320	−122
Currency effects not cash flow or not related to operating activities*	130	−509
Change in derivatives	−839	515
Other items	125	7
Net cash flow from operating activities*	393	936
Cash flow from investing activities		
Cash payment for shares	−2 348	−1 084
Payment finance receivables	−1 800	−4 872
Net change in internal part of group account system*	−6 358	−2 722
Purchase of equipment and intangible assets	−65	−45
Proceeds from sale of property and equipment	0	37
Net cash flow from investing activities	−10 571	−8 686
Cash flow from financing activities		
Repayment of borrowings	−16 973	−1 144
Proceeds from borrowings	24 061	3 632
Issuance of shares	4 333	0
Net cash flow from financing activities	11 421	2 488
Effect on cash and cash equivalents of changes in foreign exchange rates	0	−81
Net change in cash and cash equivalents	1 243	−5 342
Cash and cash equivalents at January 1	227	5 570
Cash and cash equivalents at December 31	1 470	227

Net change in internal part of group account system is presented net because of high turnover and large amounts.

* Net cash flow from operating activities in 2009 includes a currency loss of approximately NOK 890 million related to the cash pool system. The net currency loss relates to group internal receivables and payables (group account system) and REC ASA's external bank accounts. It is impracticable to separate these effects. Net change in NOK in the internal part of group account system is shown as part of investing activities. The currency effects on group internal receivables and payables would have been recognized as a part of the net change in internal part of group account system if separated.

INDEX OF THE FINANCIAL STATEMENT NOTES
RENEWABLE ENERGY CORPORATION ASA

A. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

Renewable Energy Corporation ASA (REC ASA) is a holding company and contains parts of the Group management, corporate functions, corporate research and development, a corporate project management organization and the REC Group's inhouse bank. These activities were scaled up during 2009 and 2008 due to increased activity and complexity of the REC Group. Revenues comprise sales of Group services to REC subsidiaries, primarily on a cost-plus basis.

The financial statements of REC ASA have been prepared in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at December 31, 2009. The functional and reporting currency of REC ASA is Norwegian Krone (NOK). The consolidated financial statements of the REC Group have been prepared in accordance with IFRS. However, except as stated, REC ASA's accounting principles are similar to the accounting principles for the REC Group, as described in the notes to the consolidated financial statements. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the consolidated financial statements for the Group.

Group contributions and dividends that are subject to approval by the Annual General Meeting are recognized in the consolidated accounts at the time of approval. For REC ASA's financial statements, these are recognized in the fiscal year they relate to. For REC ASA this is relevant for group contributions receivable from subsidiaries. In REC ASA's financial statements, subsidiaries, jointly controlled entities and associates are carried at the lower of cost and estimated recoverable amount. In the consolidated accounts, these are consolidated, proportionately consolidated and accounted for using the equity method, respectively. In the Group accounts, the convertible bond issued in 2009 has been measured at fair value. In REC ASA's financial statements it is measured at amortized cost. In REC ASA's financial statements, payments expected to be made during the next 12 months on non-current financial assets or liabilities are not reclassified to current financial assets or liabilities. In the consolidated accounts, these are reclassified.

B. CASH AND CASH EQUIVALENTS

In 2009 and 2008, REC ASA had a guarantee through Nordea Bank of NOK 7.5 million and NOK 5 million, respectively covering tax deductions for employees.

See note 14 to the consolidated financial statements for a description of the group account systems in the REC Group.

C. PROPERTY, PLANT AND EQUIPMENT

(NOK IN MILLION)	LEASEHOLD IMPROVEMENTS	OFFICE– AND OTHER EQUIPMENT	MACHINERY AND EQUIPMENT	2009 TOTAL	2008 TOTAL
Cost at January 1	2	13	7	22	54
Additions	12	2	0	14	12
Disposals	0	0	0	0	−45
Cost at December 31	14	16	7	36	21
Accumulated depreciation at December 31	1	7	3	11	6
Carrying value at December 31	13	9	3	25	15
Depreciation for the year	1	3	1	4	2
Estimated useful life, years	Up to 10	Up to 5	Up to 5		
Depreciation plan	Straight line	Straight line	Straight line		

D. INTANGIBLE ASSETS

(NOK IN MILLION)	INTERNALLY GENERATED INTANGIBLES	ASSETS UNDER CONSTRUCTION	OTHER INTANGIBLE ASSETS	2009 TOTAL	2008 TOTAL
Cost at January 1	5	32	3	40	7
Additions	0	45	6	51	33
Disposals	0	0	0	0	0
Cost at December 31	5	76	10	91	40
Accumulated amortization at December 31	2	0	1	4	1
Carrying value at December 31	3	76	9	87	39
Amortization for the year	2	0	1	3	1
Estimated useful life, years	3	Not determined	3–10		
Amortization method	Straight line	Not determined	Straight line		

Internally generated intangibles consist of REC ASA's intranet and document management system. Assets under construction consist of a technology agreement with SiGen and development of IT systems. Assets under construction are not ready for their intended use as of December 31, 2009. Other intangible assets consist of a license agreement with CSG Solar AG and software consisting of IFS accounting system and Hyperion consolidation system.

E. EMPLOYEE BENEFITS

Employee benefit expenses

(NOK IN MILLION)	2009	2008
Payroll	92	63
Social security tax	12	9
Pension expense incl. social security tax	2	17
Other employee related costs	6	7
Employee benefit expenses	112	96

The average number of employees measured in man-years was 73 during 2009 and 54 during 2008. Total loans to employees in REC ASA were NOK 1.9 million at December 31, 2009 of which NOK 1.4 million related to the Employee Share Purchase Program (ESPP). All employees were offered a 12 month's interest free loan for the amount of shares each employee purchased in the 2009 ESPP. The loans are repaid in 12 equal installments starting in November 2009. Total loans to employees at December 31, 2008 were NOK 2.4 million. For compensation, loans and shareholdings for the Group management and Board of Directors, see note 16 to the consolidated financial statements.

Defined benefit plans

(NOK IN MILLION)	2009	2008
Gross retirement benefit obligations at January 1	27	19
Transfer of personnel	0	−4
Service cost	15	15
Interest cost on pension obligations	2	1
Actuarial gains and losses	−1	−3
Benefits paid, paid−up policies and disability obligation	−4	0
Settlements and curtailments	−30	0
Gross retirement benefit obligations at December 31	9	28
Fair values of plan assets at January 1	10	8
Transfer of personnel	0	−1
Actual return on plan assets	1	−2
Pension premiums	6	6
Benefits paid, paid−up policies and disability reserve	−1	0
Settlements and curtailments	−16	0
Fair value of plan assets at December 31	0	10
Funded status at December 31	9	17
Accrued social security tax	1	2
Net retirement benefit obligations at December 31	11	20

Retirement benefit obligations in the balance sheet

(NOK IN MILLION)	2009	2008
Net retirement benefit obligations at January 1	20	12
Transfer of personnel	0	−3
Net periodic benefit costs	2	17
Actuarial gains and losses recognized directly in equity	−1	0
Pension premiums and benefits paid	−9	−6
Social security tax on pension premiums	−1	−1
Net retirement benefit obligations at December 31	11	20

The amounts recognized in the income statement are as follows

(NOK IN MILLION)	2009	2008
Current service cost	15	15
Interest cost on gross retirement benefit obligations	2	1
Expected return on plan assets (net of administration cost)	−1	0
Settlements and curtailments	−14	0
Employer's social security tax on defined benefit costs	0	2
Total benefit plans	2	17

The defined benefit plan for base salaries up to 12 G was decided to be terminated at the end of 2009 and replaced by other pension and personnel insurance plans. Together with some other changes in the plans, a settlement and curtailment gains of NOK 14 million were recognized excluding social security tax. For information on assumptions used and description of the pension plans, see note 19 to the consolidated financial statements.

The number of employees in REC ASA's pension plans was 83 at the end of 2009 and 60 in 2008. REC ASA's pension plans for all employees fulfills the requirements according to the Norwegian law: "Lov om obligatorisk tjenestepensjon".

Accumulated actuarial gains and losses recognized directly to equity as of December 31

(NOK IN MILLION)	2009	2008
Gross before tax	−1	−2
Less tax	0	1
Total recognized directly to equity	−1	−1

Share option programs

REC ASA had share option programs for 2008 and 2009 for management and key personnel. The expense for the share option programs amounted to NOK 6.1 million for 2009 and NOK 1.7 million for 2008. At December 31, 2009 the amount recognized to equity of the share option programs is NOK 11.3 million, the amount at December 31, 2008 was NOK 3.5 million. The difference between the amount recognized to equity and the expenses are share options offered by REC ASA to employees in subsidiaries.

	PER OPTION		PER SHARE	
	NO. OF OPTIONS	ESTIMATED FAIR VALUE AT GRANT DATE	AVERAGE EXERCISE PRICE	MARKET PRICE AT GRANT DATE
Outstanding at January 1, 2008	0	NA	NA	NA
Granted May 20, 2008	169 497	34.26	178.59	170.09
Granted June 2, 2008	85 170	29.79	178.59	151.75
Granted June 30, 2008	20 454	24.81	178.59	132.00
Forfeited in 2008	0	NA	NA	NA
Exercised in 2008	0	NA	NA	NA
Expired in 2008	0	NA	NA	NA
Outstanding at December 31, 2008	275 121	NA	178.59	NA
Exercisable at December 31, 2008	0	NA	NA	NA
Granted April 3, 2009	138 962	8.70	60.50	55.00
Granted August 12, 2009	681 601	7.70	52.48	47.71
Granted August 14, 2009	647 404	7.40	52.48	45.67
Forfeited in 2009 of the 2008 program	29 779	34.26	178.59	NA
Forfeited in 2009 of the 2009 program	0	NA	NA	NA
Exercised in 2009	0	NA	NA	NA
Expired in 2009	0	NA	NA	NA
Outstanding at December 31, 2009	1 713 309	NA	71.19	NA
Exercisable at December 31, 2009	0	NA	NA	NA

F. OTHER OPERATING EXPENSES

Specification of other operating expenses

(NOK IN MILLION)	2009	2008
Operating lease expenses	11	7
Operating and maintenence costs	6	2
Audit remuneration	3	3
Consultancy fees and temporary contract workers	68	57
Travel costs	11	9
Marketing, representation, meeting and conference expenses	2	3
Insurance	2	1
IT and telecommunication costs	8	7
Other office expenses	7	2
Total other operating expenses	116	90

Audit remuneration

(NOK IN MILLION)	2009	2008
Statutory audit	2.9	2.2
Other assurance services	0.0	0.0
Tax advisory	0.1	0.3
Other non–audit services	0.1	0.2
Total auditor's remuneration expensed	3.1	2.7
Amounts are exclusive VAT.		

For description of the services, see note 22 to the consolidated financial statements.

Future payment obligations

The future aggregate minimum payment obligations are as follows

	2009			2008		
(NOK IN MILLION)	OPERATING LEASE	OTHER	TOTAL	OPERATING LEASE	OTHER	TOTAL
Not later than 1 year	19	28	47	11	1	12
1–5 years	37	12	49	31	2	33
Later than 5 years	0	0	0	0	0	0
Total	56	40	96	42	3	45

G. INTEREST BEARING LIABILITIES

For information regarding interest bearing liabilities, see note 17 to the consolidated financial statement.

H. SHARES IN SUBSIDIARIES

			CARRYING VALUE DECEMBER 31, (NOK IN MILLION)	
Company	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE	2009	2008
REC Silicon AS	100%	Bærum	224	223
REC Wafer Norway AS [1)]	100%	Meløy	1 273	NA
REC ScanWafer AS [1)]	100%	Meløy	NA	744
REC SiTech AS [1)]	100%	Meløy	NA	27
REC Solar AS	100%	Bærum	445	193
REC Technology Ventures AS	100%	Bærum	0	0
REC Site Services Pte Ltd	100%	Singapore	2 618	1 080
Total			4 561	2 268

1) As from January 1, 2009, REC ScanWafer AS and REC SiTech AS were merged into REC Wafer Norway AS.

During 2009, REC ASA converted loans to shares in REC ScanModule AB. The shares were then sold to REC ScanModule's parent company, REC Solar AS. See note O. Except for REC SiTech AS and REC Site Services Pte Ltd, the subsidiaries own shares in other subsidiaries as described in their respective financial statements.

I. JOINTLY CONTROLLED ENTITY AND OTHER INVESTMENTS

Shares in jointly controlled entity at December 31,

(NOK IN MILLION)	OWNERSHIP/ VOTING RIGHT	ACQUISITION COST 2009	ACQUISITION COST 2008	CARRYING VALUE 2009	CARRYING VALUE 2008
Sovello AG, Thalheim, Germany	33.33%	473	421	0	421

During 2009, REC ASA recognized interest income of NOK 26 million from Sovello, and NOK 18 million in 2008. See note O.

Other investments at December 31, 2009

(NOK IN MILLION)	OWNERSHIP/ VOTING RIGHT	ACQUISITION COST 2009	ACQUISITION COST 2008	CARRYING VALUE 2009	CARRYING VALUE 2008
CSG Solar AG, Thalheim, Germany	2%	87	85	3	1
Affitech AS, Oslo, Norway	2%	1	1	0	0
Solar Implant Technologies Inc., USA	10%	1	0	1	0
Total shares		88	86	4	2
Non current receivables				120	122
Total other investments				124	123

Non-current receivables consist primarily of a loan to a vendor to the REC Group of NOK 120 million.

J. INCOME TAXES

(NOK IN MILLION)	2009	2008
Current tax benefit (−) / expense (+) for the year	−5	310
Total deferred tax benefit (−) / expense (+) for the year	−4	56
Total tax benefit (−) / expense (+) for the year	−9	366

Current tax

(NOK IN MILLION)	2009	2008
Profit before taxes	−966	1 356
Impairment of shares − permanent difference	473	1
Other permanent differences	9	10
Cost for capital increase, recognized to equity	−183	0
Part of group contribution not taxable	0	−59
Changes in temporary differences	396	−201
Basis for current tax	−270	1 108
Utilization of special tax rule, carry−back of tax loss	20	0
Tax loss carried forward	−250	0
Current tax benefit (−) / expense (+) for the year	−5	310

Current tax benefit for 2009 relates primarily to the utilization of a special tax rule for 2009 and 2008 to carry-back up to NOK 20 million of current year's tax losses.

Specification of temporary differences

(NOK IN MILLION)	2009	2008
Fixed assets	2	3
Receivables	−480	−15
Provisions	−90	0
Pension liability	−11	−20
Derivatives	329	−509
Net unrealized losses on non−current foreign exchange receivables and liabilities	36	738
Tax losses carried forward	−250	0
Total	−463	197
28% deferred tax assets (−)/liabilities (+)	−130	55
Deferred tax assets not recognized	130	0
Deferred tax assets (−)/liabilities (+) in the statement of financial position	0	55
Change in deferred tax assets (−)/liabilities (+) in the statement of financial position	−55	56
Of which cost for capital increase, recognized to equity	−51	0
Total deferred tax benefit (−)/expense (+) for the year	−4	56

For 2008 current tax expense included an expense of NOK 29 million and deferred tax expense included a benefit of NOK 29 million as adjustments of prior periods. This current tax was paid during 2008. Consequently, current tax liability at December 31, 2008 was lower than the current tax expense for 2008.

K. EQUITY

(NOK IN MILLION)	SHARE CAPITAL	SHARE PREMIUM RESERVE	CONTRIBUTED CAPITAL	OTHER CAPITAL	TOTAL
Equity at January 1, 2008	494	8 266	283	805	9 848
Share option program	0	0	0	4	4
Profit for the year	0	0	0	990	990
Equity at December 31, 2008	494	8 266	283	1 798	10 841
Share option program	0	0	0	8	8
Rights issue	170	4 215	0	0	4 385
Loss for the year	0	0	0	−956	−956
Equity at December 31, 2009	665	12 481	283	850	14 278

Share capital at December 31, 2008 consisted of 494,314,725 shares while the number at December 31, 2009 was 664,768,079 shares at par value NOK 1. There is one class of shares which all have the same voting rights. See note 15 to the consolidated financial statements for more information.

REC ASA's distributable equity at December 31, after allocations amounted to

(NOK IN MILLION)	2009	2008
Contributed capital	283	283
Other equity	850	1 798
Loans − employee share purchase program	−2	−1
Distributable equity	1 131	2 080

L. DERIVATIVES AND CURRENCY GAINS/LOSSES

See notes 3 and 11 to the consolidated financial statements for a description of derivatives. Derivative transactions are entered into for the purpose of economic hedge, but hedge accounting has not been applied except for the fair value hedge of part of the NOK bond, as described in note 11 to the consolidated financial statements.

2009
External derivatives

Not back–to–back with subsidiaries; contractual cash flows in foreign exchange forward contracts at December 31, 2009

		2010		2011
(CURRENCY IN MILLION)		FX FORWARD	CC SWAP	FX FORWARD
BOUGHT CURRENCY	SGD/EUR	200	0	0
	USD/NOK	189	0	0
SOLD CURRENCY	EUR/NOK	−313	0	−100
	USD/NOK	0	−89	0

Back–to–back with subsidiaries; contractual cash flows in foreign exchange forward contracts at December 31, 2009

		2010		2011	2012
(CURRENCY IN MILLION)		FX FORWARD	FX FLEX FORW	FX FORWARD	FX FORWARD
SOLD CURRENCY	EUR/NOK	−341	−180	−208	−20

The tables above show contractual currency amounts for the different types of instruments, per year. Positive amounts are the principal amount of the first currency mentioned bought forward with payment of the second currency. Negative amounts are the principal amount of the first currency mentioned sold forward with receipt of the second currency. The total of the two tables above corresponds to the table for the REC Group in note 11 to the consolidated financial statements, which also shows fair values for the same.

Principal amounts of interest rate swaps at December 31, 2009

		2014 PRINCIPAL AMOUNT (CURRENCY IN MILLION)
PAY FIXED RATE	USD	100
RECEIVE FIXED RATE	NOK	1 250

The interest rate swaps have one fixed interest rate against a floating interest rate and there are no other cash flows (which mean that the principal amounts shall not be paid). The table above corresponds to the table for the REC Group in note 11 to the consolidated financial statements, which also shows fair values for the same.

Internal derivatives

Internal derivatives consist of the opposite side of the derivatives back-to-back with subsidiaries as show in the table above. In addition, at December 31, 2009 REC ASA had entered into agreements to buy USD 140 million from subsidiaries, primarily during 2011. These internal derivatives are not back-to-back with external parties, and fair value at December 31, 2009 was estimated to a loss of NOK 17 million.

2008
External derivatives

Not back–to–back with subsidiaries; contractual cash flows in foreign exchange forward contracts at December 31, 2008

		2009	2010
(CURRENCY IN MILLION)		FX FORWARD	CC SWAP
BOUGHT CURRENCY	SGD/USD	200	0
SOLD CURRENCY	EUR/USD	−10	0
	USD/NOK	0	−334

Back–to–back with subsidiaries; contractual cash flows in foreign exchange forward contracts at December 31, 2008

		2009		2010		2011	2012
(CURRENCY IN MILLION)		FX FLEX FORW	FX FORWARD	FX FLEX FORW	FX FORWARD	FX FORWARD	FX FORWARD
BOUGHT CURRENCY	GBP/NOK	2	0	0	0	0	0
	CHF/NOK	13	0	0	0	0	0
SOLD CURRENCY	EUR/NOK	−203	−320	−180	−93	−32	−20
	USD/NOK	0	−220	0	−91	−260	−112

The total of the two tables above corresponds to the table for the REC Group in note 11 to the consolidated financial statements.

Internal derivatives

Internal derivatives consist of the opposite side of the back-to-back contracts in the table above. In addition, at December 31, 2008 REC ASA had entered into agreements to buy EUR 60 million from subsidiaries in 2009 (FX forward) that are not back-to-back with external counterparties.

Currency gains/losses

In 2009 NOK has strengthened considerably compared to foreign currencies, that for REC ASA is especially relevant for USD, EUR and SGD. Net currency losses for 2009 primarily related to net currency losses on receivables on subsidiaries and joint venture company as well as the cash pool system. This was partially offset by gains on external interest bearing liabilities. For 2008 NOK weakened compared to foreign currencies which led to net currency gains.

M. RESEARCH AND DEVELOPMENT

Research and development expenses in REC ASA, net of the parts invoiced to the subsidiaries were NOK 49 million in 2009, the amount in 2008 was NOK 16 million. In addition comes a technology agreement with SiGen, for which the payments have been capitalized, see note D.

REC ASA's corporate technology department conducts and coordinates research and development within the REC Group, primarily related to next generation technologies and enhancement of existing technologies. It is expected that research and development expenses will create future profitability.

N. GUARANTEES

REC ASA had provided parent company guarantees for subsidiaries amounting to NOK 718 million at December 31, 2009, the amount at December 31, 2008 was NOK 625 million. These are related to future supply of goods and services and capital expenditure.

O. LOSSES ON FINANCIAL ASSETS

(NOK IN MILLION)	2009	2008
Loss on conversion of loans to shares in REC ScanModule AB	−725	0
Impairment loss on shares in Sovello AG	−473	0
Impairment loss on loans to Sovello AG	−480	0
Impairment loss on shares in, and loans to, CSG Solar AG	0	−26
Losses on financial assets	−1 678	−26

See note 7 and 9 to the consolidated financial statements for description of impairments of Sovello and agreement for the sale of all of the shares in, and shareholder loans to Sovello. Impairment losses on shares in, and loan to, Sovello were not realized at December 31, 2009. At December 31, 2009 loans to Sovello before impairment losses were NOK 480 million, the amount at December 31, 2008 was NOK 420 million.

P. OTHER FINANCIAL EXPENSES AND PROVISIONS

Other financial expenses include primarily provision for losses on guarantees and undertakings related to Sovello of NOK 90 million, expenses related to the establishment of a bridge to bond financing that was not utilized, and expenses related to the convertible bond.

AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Renewable Energy Corporation ASA

AUDITOR'S REPORT FOR 2009

Respective Responsibilities of Directors and Auditors
We have audited the annual financial statements of the Renewable Energy Corporation ASA as of 31 December 2009, showing a loss of MNOK 956 for the parent company and a total comprehensive income of MNOK -3 995 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The group accounts comprise the statement of financial position, the income statement and the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the parent company's financial statement. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion
We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent Company as of 31 December 2009, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2009, the total comprehensive income, its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and comply with the law and regulations.

Oslo, 15 April 2010
KPMG AS

Arve Gevoll
State Authorised Public Accountant
Note: This translation from Norwegian has been prepared for information purposes only

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