ANNUAL REPORT 2010

RENEWABLE ENERGY CORPORATION ASA

2010 KEY FIGURES

REC GROUP

(NOK IN MILLION)	2010	2009
Revenues	13 776	8 831
EBITDA	3 532	1 803
EBITDA – margin	26%	20%
EBIT	1 018	-829
EBIT – margin	7%	-9%
Net financial items	801	-472
Profit/loss before tax from continuing operations	1 818	-1 301
Earnings per share from continuing operations (in NOK)		
- basic	0.96	-1.63
- diluted	0.51	-1.63
Employees	4 210	3 100

REC SILICON

(NOK IN MILLION)	2010	2009
Revenues	5 245	3 943
EBITDA	2 735	1 920
EBITDA – margin	52%	49%
Polysilicon sale in MT (Siemens and granular)	13 608	7 753
Silane gas sale in MT	1 891	2 187
Employees	850	750

REC WAFER

(NOK IN MILLION)	2010	2009
Revenues	6 804	5 879
EBITDA	808	1 065
EBITDA – margin	12%	18%
Multi wafer sale in MW	1 124	737
Mono wafer sale in MW	99	30
Total wafer sale in MW	1 223	767
Employees	1 100	1 100

REC SOLAR

(NOK IN MILLION)	2010	2009
Revenues	5 624	1 881
EBITDA	228	-1 074
EBITDA – margin	4%	-57%
External module sale in MW	412	110
Employees	2 200	1 000

OVERVIEW

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LETTER FROM THE CEO

The 2010 solar market surprised industry analysts and the industry alike by more than doubling from the previous year, adding some 16 new gigawatts of installed solar energy capacity to the world's energy market. This again demonstrates that REC operates in a young industry, full of opportunities and with great promise to those who can deliver.

The industry will no doubt continue to see short-term fluctuations in demand, and what REC can influence is how we work to continuously lower our costs and improve the quality of our products while strengthening our market position across the value chain.

Our focus in 2010 has been to develop the REC organization, including comprehensive training of the entire organization as well as strengthening the leadership at all of our sites. In this area we have taken some big steps in the right direction in 2010, and seeing this makes me really happy. Our results are still not consistent enough, and I look forward to seeing the benefits of the work we have done to solidify our organization in 2010 materialize and give results in 2011.

Two of the highlights in 2010 were celebrating the openings of the expansions in Moses Lake and the new facility in Singapore. Both events marked significant achievements for REC and all of the employees who have contributed to the successful completion of the projects. The celebrations were also important profiling events, exhibiting REC to the outside world. The feedback from our external stakeholders has been overwhelming, and many have told us that experiencing the openings and seeing the new plants exceeded even high expectations.

As new capacity has come on stream, we have also focused on building a sales organization and market position to bring our products to the market. We now have a global sales footprint and are continuously working to strengthen our market presence through our partner network. Our module was recognized as a top performer by Photon magazine's independent comparative field study and the REC Peak Energy module won the Solar Industry Award for Module Manufacturing Innovation given by industry leaders.

With having successfully completed billion-sized expansion and construction projects, and turned them into fully operational production units from which solar products are shipped steadily to customers worldwide, I believe we are well positioned for 2011. It is now up to us to deliver and capture the full potential of the plants and the equipment that we have made such an effort to build.

During 2010, we had to make the difficult decision of closing the plant in Glava, Sweden. I would like to express my gratitude to the employees in Glava. I am truly impressed by the quality of the organization, giving a top performance even in the final days of production.

The REC Business System (RBS) has been introduced and gradually implemented throughout REC. The RBS methodology is the way we are going to work to succeed with our ambition of being the preferred solar partner for our customers and keeping a competitive edge in this industry. Building and strengthening the local organizations is key, as we want decisions to be made as close to the line as possible. Several parts of our business are currently trending well and we have started to harvest the fruits of some of the hard work that has been laid down. It is no time to get complacent, of course. There are many challenges ahead of us and great room for improvement still.

The solar market is on a strong long-term growth trend, with continued room to build and create value for our shareholders. As part of our ongoing RBS work, we expect to continue to increase the production and identify opportunities for operational improvements. At the same time, we have started preparing for our next significant expansion based on our Fluidized Bed Reactor (FBR) technology. As communicated in Singapore last November, we will need to deliver on operational and financial targets to form a basis for further expansion. As the cost pressure in the industry is expected to continue, we also need to be confident that potential expansions will have an even better competitive position than our current plants.

REC will continue to develop high efficiency solar products in an ambition to respond to the need for sustainable energy solutions. With a solid organization across the solar value chain in place, our strong growth in the polysilicon segment based on proprietary technology and our fully automated plants delivering very promising results, I believe REC is well positioned to contribute to meeting the growing need for clean, renewable energy in the years to come.

Ole Enger
CEO & President REC

REC BOARD OF DIRECTORS

BJØRN M. WIGGEN (1959)

Chairman of the Board of Directors of REC since March 2011. Currently President and CEO, Orkla ASA. Deputy Chairman of the Board of Tomra, member of the Board of Orkanger Ur og Optikk. Mr. Wiggen holds a degree from the Norwegian School of Economics and Business Administration (NHH).

HILDE MYRBERG (1957)

Member of the Board of Directors of REC since June 2009. Currently Senior Vice President Corporate Governance and Compliance in Orkla ASA. 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.

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 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.

SVEIN TORE HOLSETHER (1972)

Member of the Board of Directors of REC since March 2011. Currently Executive Vice President, M&A, Orkla ASA. Mr. Holsether holds a BSc degree in Finance & Management from the University of Utah.

HELÉNE VIBBLEUS BERGQUIST (1958)

Currently independent Management Consultant. Member of the Board of Trelleborg AB, TradeDoubler AB, Tyréns AB, Nordic Growth Market NGM AB and Swedish International Development Cooperation SIDA. Ms Vibbleus Bergquist holds a Bachelor of Science degree in Business Administration from the University of Linköping Sweden and is a former Authorized Public Accountant in Sweden.

BERNT REITAN (1948)

Member of the Board of Directors since May 2010. Mr Reitan was Executive VP and member of Alcoa's Executive Council until he retired in 2010. Board member of Yara International ASA and Royal Caribbean Cruise Lines. Co-Chair of Board of Trustees ASF (American Scandinavian Foundation) in New York. Mr. Reitan holds a Master of civil engineering, Norwegian University of Science and Technology, Trondheim, Norway.

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.

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. Member of the Board of Directors of the University Hospital in Oslo and 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.

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.

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.

UNNI KRISTIANSEN (1973)

Member of the Board of Directors since May 2009, attending as deputy since December 2007. Employee elected representative. Currently Group Chief Accountant in REC ASA. Ms. Kristiansen holds a degree from Norwegian School of Economics and Administration (NHH).

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.

REPORT FROM THE BOARD OF DIRECTORS

2010 HIGHLIGHTS

- Strong market growth but reduced average selling prices
- Successful ramp up of new production facilities in the US and Singapore
- Operating results improved as capacity utilization of new assets increased
- Organization strengthened across the whole group, with focus on lean manufacturing capabilities
- Bank debt restructured and gross NOK 4.0 billion new equity issued
- Short-term market uncertainty remains, however the long-term competitiveness of solar power strengthened as cost reduction continues

2010 SUMMARY

Over the past three years, REC has carried out an extensive capacity expansion program. These investments are supporting REC's objectives of long-term profitable growth, and are positioning REC as a competitive producer of polysilicon, wafers, solar cells and modules.

After experiencing start up challenges in 2009, REC successfully ramped up the new silane gas and polysilicon plants during 2010. The plants, referred to as Silicon III and Silicon IV, are adding more than 10,000 MT of polysilicon capacity, and are based on REC's proprietary, low cost fluidized bed reactor (FBR) technology.

In 2010, REC also successfully ramped-up capacity at the new integrated wafers, solar cells and modules production facility in Singapore. After a strong operational performance in ramp-up, REC is working to further improve the cost position in Singapore.

Following the capacity expansion program, a large share of REC's asset base was in ramp-up during 2010. Low capacity utilization in the first half of the year negatively impacted financial performance. Towards the end of the year, higher capacity utilization, improved operations, and strong market demand strengthened REC's operating results substantially.

Overall, production of polysilicon increased 75 percent to 13,673 MT from 2009 to 2010, wafer production in Norway increased by 48 percent to 1,210 MW and module production more than fourfold to 491 MW in the same period.

After a weak market in 2009, the photovoltaic (PV) industry and REC saw strong demand growth across all product areas in 2010.

REC's average selling prices for modules declined 17 percent comparing the full year 2009 to the full year 2010. Average selling prices for wafers declined 30 percent, and for polysilicon average selling prices were down 13 percent. In 2010 REC Wafer continued to deliver wafers under its long-term contracts at market prices. REC Silicon sells most of the production volumes under long term contracts. In 2010 average selling prices for polysilicon were negatively affected by price discounts given on the lower grade polysilicon material produced during ramp-up of the new FBR facility.

REC's revenue increased by 56 percent to NOK 13,776 million in 2010, whereas revenue increased by 63 percent on a constant currency basis. The revenue increase is primarily explained by increased sales volumes that more than offset the reduced selling prices.

EBITDA increased by 96 percent to NOK 3,532 million in 2010, whereas EBIT increased to NOK 1,018 million from a negative NOK 829 million in 2009. The improved results reflect strong volume growth and reduced unit costs. In addition REC received a cancelation fee related to a wafer sales contract of NOK 304 million in the fourth quarter 2010. It should also be noted that the 2009 results were negatively impacted by ramp-up costs, write downs and expenses related to junction box repair.

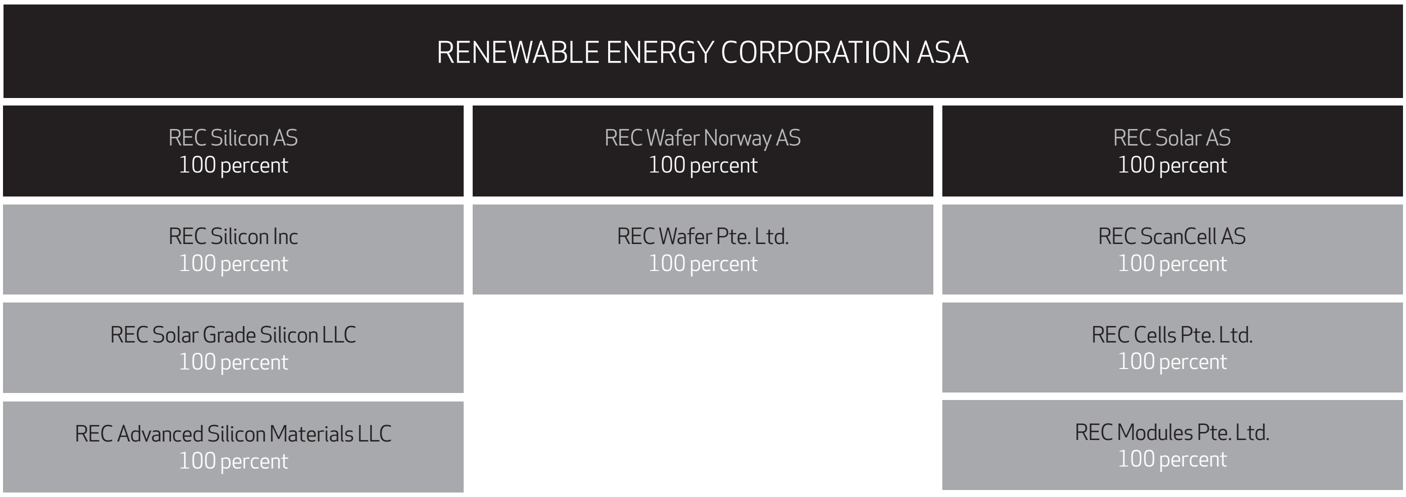
2010 EBIT was affected by impairment charges on property, plant, equipment and intangible assets of NOK 38 million compared to 1,359 million in 2009. Depreciation and amortization increased from 1,273 million in 2009 to NOK 2,476 million in 2010.

Net financial items were positive in 2010 and negative in 2009. Net currency gains, gains on currency derivatives and positive fair value adjustments of the convertible bond more than offset higher financial expenses.

Effective income tax rate for 2010 is estimated to approximately 51 percent of profit before tax from continuing operations. The high effective tax rate is affected by non-deductible losses, recognition of deferred tax liabilities due to the Singapore operations and recognition of 36 percent tax on profits in REC Silicon.

REC thus reports a pre-tax profit from continuing operations of NOK 1,818 million and a profit after tax from continuing operations of NOK 889 million for 2010. Profit after tax of NOK 101 million from discontinued operations relates to the sale of Sovello.

Capital expenditure amounted to NOK 4.3 billion in 2010. Net debt decreased from NOK 10.3 billion at year-end 2009 to NOK 7.9 billion at the end of 2010. Equity increased by NOK 5.2 billion to NOK 22.2 billion during the year, reflecting a capital increase during the spring, the profit for the year and currency translation differences.



The chart shows the principal legal structure of Renewable Energy Corporation ASA per December 31, 2010 and is not a complete representation of all the companies and ownership structures in the Group. Sovello AG was sold in March 2010 and REC ScanModule AB was closed down at the end of the year. REC Wafer Pte Ltd is managed together with the cell and module operations in Singapore, and the financial results are reported as part of REC Solar.

ACTIVITIES

Group Presentation

REC was established in Norway on December 3, 1996, and has grown to become one of the world's leading suppliers of solar and electronic grade polysilicon, and a major supplier of wafers, cells, modules to 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 was in 2010 carried out in the following subsidiaries; REC Solar Grade Silicon LLC and REC Advanced Silicon Materials LLC in the US, REC Wafer Norway AS and REC ScanCell AS in Norway, REC ScanModule AB in Sweden (closed down at the end of 2010), 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, the US and Singapore.

Mission and Vision – Smart Energy for a Cleaner Future

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

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 one of the world's leading providers 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.

Strategy – profitable growth

REC has a track record of strong growth, and 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. REC completed a comprehensive investment program in 2010, and the company is now focusing on capturing the full value of the new production facilities, while at the same time starting preparations for new investments.

The REC Business System (RBS) is a core element of the REC strategy. Through working in a systematic way with improving costs and quality, REC does not only improve costs of current operations, but also builds a base for future expansions.

Market development

Strong demand characterized the solar market in 2010. The global demand by far outgrew the 30 percent growth anticipated at the beginning of 2010. Industry analysts now estimate 2010 demand to have more than doubled from 7.3 GW in 2009.

The demand was mainly driven by markets such as Germany, Italy, US, Japan and the Czech Republic. Spot market prices for modules decreased during the year, not least influenced by feed-in tariff reductions in Germany. For wafers and polysilicon, the spot market prices decreased in the first half of the year, before increasing in the second half of the year.

PV demand continues to rely on subsidies and political support. Germany continued to be the largest PV market in 2010, representing approximately 45 percent of total demand. Based on the high installation levels in both Germany and Italy, the authorities in these countries have decided to make further adjustments to the feed-in tariffs in 2011.

Still, the cost of PV keeps coming down while the cost of electricity based on conventional energy sources is stable or rising, making it increasingly attractive for more countries to introduce various forms of subsidy schemes. Over the last year a number of countries like China, Canada, India, Australia and the UK have all introduced or strengthened their support schemes for solar. These new markets are expected to continue to grow, however the key markets in 2011 are expected to be Germany, Italy and the US.

Based on these trends, industry analysts estimate a ten to 30 percent demand growth from 2010 to 2011.

On the supply side, polysilicon is still expected to 'define' the availability of solar modules in 2011. Based on the expansion of polysilicon production capacity over the last few years, industry analysts are expecting a 30 to 40 percent supply growth from 2010 to 2011.

The potential for extraordinary feed-in tariff reductions and slower demand growth together with increase in supply is expected to result in overcapacity and downward price pressure during 2011.

In the context of current market uncertainties, REC continues to focus strongly on operational improvements, increased capacity utilization, improved product quality and cost reductions across the whole value chain.

Technology, research and development

The strategic objective of profitable growth is only attainable with cost efficiency. 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 solar industry, and continues to build on an IPR portfolio counting around 35 patents granted and more than 200 patents pending. Key patents and patent applications cover REC's production technologies for silane gas, Siemens reactors, fluidized bed reactors and polysilicon deposition, ingot crystallization, wafer sawing, washing, singulation, inline doping of solar cells and REC's future cell and module processes and designs.

The majority of REC Silicon's technology efforts in 2010 were focused on further development and stabilization of the silane process in the new plants as well as further improvements to the fluidized bed reactor process. As a result of the silane development work, the new silane plants in late 2010 could prolong the runtime between maintenance stops significantly compared to prior quarters. Good progress has also been made on REC's next generation FBR reactor, which aims at both future scale benefits and higher quality.

REC's newest wafer manufacturing plants at Herøya and in Singapore represent an important step forward in terms of improved product quality. The intensified development work in close cooperation with internal and external customers, has allowed REC Wafer to make significant improvements to its wafer quality from both the new and old manufacturing plants.

REC's in-house cell production has similarly benefited from the improved wafer quality, and continued the progress in cell efficiency reporting an average of 16.3 percent efficiency for all production lines by the end of the year. This again benefits REC's 60 cell solar modules, which now are among the most powerful modules on the market. The cell technology development has also resulted in good progress towards REC's 16.8 percent 2011 roadmap. During 2010, REC Solar successfully launched the REC Peak Energy Series modules, which includes new design features for increased power output. Manufactured in Singapore, REC Peak Energy Series modules have been installed in various types of PV systems throughout Europe, the US and Asia.

REC's module development also resulted in the release of REC's first product for the building integrated market in the fourth quarter 2010. Further work is also in progress to develop and release modules for both the utility and the rooftop market.

Total research and development expenses decreased slightly to NOK 290 million in 2010. In addition, some R&D expenditure was capitalized related primarily to wafer technology development and 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 reductions

REC's 2010 cost roadmap targeted a reduction in the production cost per watt of a module of 50 percent from 2005 to 2010, when comparing RECs 'best plant' in 2010 with 'world-class' 2005 production. On a comparable basis, REC achieved a cost reduction of about 36 percent by the end of 2010, with the shortfall mainly explained by higher investment cost, and less than expected cost reductions in wafer manufacturing.

However, in the last quarters of 2010 REC's manufacturing cost was in rapid decline due to start up of the new plants in the US and Singapore, and in November 2010, REC presented revised cost targets to be reached by the fourth quarter 2011.

By the fourth quarter 2011, REC is targeting a full cost position of 97 Eurocents/Watt based on the cost of producing granular polysilicon in the US and wafers, cells and modules in Singapore. This cost target includes cost of sales and general administration, parts of corporate overhead, research and development as well as depreciation. Excluding depreciation the cash cost target is an industry leading 74 Eurocents/Watt.

In REC Silicon the target is to reduce production cost for polysilicon based on the fluidized bed reactor (FBR) process by 26 percent from the third quarter 2010 to the fourth quarter 2011. FBR reduces energy consumption in the deposition of silane gas by more than 80 percent compared to standard Siemens reactors. In 2011, REC's cost reductions are expected to be achieved through more stable operations of the FBR plant enabling higher production volumes and increased product quality.

In REC Wafer's operations in Norway the target is to reduce production cost by 20 percent from the third quarter 2010 to the fourth quarter 2011. The cost reductions are expected to be achieved through improved operational performance, higher capacity utilization and yield, reduced polysilicon consumption, and lower cost of sourced consumables and raw materials. So far REC Wafer has not achieved satisfactory progress on cost reductions, however the 2011 cost target remains intact.

In REC Solar the target is to reduce cost of producing modules in Singapore by 30 percent from the third quarter 2010 to the fourth quarter 2011. The cost reductions are expected to be achieved through improved operational performance, higher capacity utilization and yield, higher cell efficiency, and lower cost of sourcing consumables and other materials.

Beyond 2011, operational performance is expected to continue to improve at all facilities, and REC will continue to seek cost reductions and product value enhancement through development and rapid implementation of new technologies. Areas of particular improvement potential for REC includes the silane process, FBR process, ingot crystallization, wafer sawing, cell efficiency and design as well as module product development. Many of these new technologies will however require further investments to be realized.

Market position

REC increased production and sales volumes across the group during 2010.

REC Silicon sells most of the production volumes under long term contracts, and delivered silane gas and polysilicon to approximately 40 external customers in 2010. The top five external customers accounted for approximately 33 percent of the total sales revenue in 2010, compared to approximately 39 percent in 2009. Polysilicon sales to REC companies represented 40 percent of the total sales revenue in 2010.

REC Wafer continued to deliver wafers under long-term contracts adjusted to the prevailing market prices. At the end of 2010 REC Wafer entered into two new wafer contracts worth approximately NOK 2.3 billion in total, also with pricing based on the prevailing market prices.

In 2010 REC Wafer delivered the majority of the wafer volume under contract to 13 external customers, however off-spec material and certain by-products were sold to a number of other customers in the spot market. The top five external customers accounted for approximately 65 percent of the total sales revenue in 2010, compared to approximately 75 percent in 2009. Wafer sales to REC companies represented 26 percent of the total sales revenue in 2010.

REC Solar has in 2010 expanded deliveries to existing customers and developed new customer relationships in line with the module volume growth during the year. The customer base of REC Solar counted approximately 100 of the leading system integrators, installers and distributors in major markets such as Germany, Spain, Italy, France, and the US. The top five external customers accounted for approximately 29 percent of the sales revenue in 2010, compared to approximately 38 percent in 2009.

REC continued to build brand recognition in key markets through a significant presence at a number of the largest solar conferences and fairs, hosting partner visits to the Singapore facility, and a number of other market activities. REC received the Solar Industry Award for Module Manufacturing Innovation following the launch of the REC Peak Energy Series module. The award recognizes innovative products and manufacturing processes across the PV value chain that demonstrated technological development towards grid parity while reducing overall costs.

The REC Partner Program, which has been launched to support and reward market channel relationships, has been well received. The key benefits include a dedicated portal, where partners can gain access to marketing resources, training material, technical support, displays and an online shop, all in local languages.

Mobilizing and strengthening the organization

REC continued its strong focus on organizational development through 2010. Attracting and recruiting highly capable employees across functions and units has been at the top of the management agenda.

REC's business system, RBS, has during the year been rolled-out through training across the organization. Leaders and employees alike have embraced this systematic mobilization to increase focus on operational effectiveness and continuous improvement.

In developing competitive organizational performance, leadership is the key. In 2010 leadership training programs based on the RBS philosophy have been successfully carried out. The first ever tier one REC Group Leader Development program, SHINE, was launched in October, offering 20 leading talents from across the Group a comprehensive, nine months' development program.

To fully leverage the advantages of being an integrated solar energy company, the REC Wafer and REC Solar divisions were in September consolidated under one management with two main manufacturing hubs in Singapore and Norway. Also, in order to further strengthen REC's technology activities, a decision was made to move the cell and module technology lab at RECs headquarter outside Oslo, Norway to Singapore, reason mainly being the proximity to the Singapore operations, access to highly qualified personnel and easy access to the supplier base throughout Asia. As a consequence of the Wafer/Solar reorganization, also other functions at REC headquarters were consolidated.

In September the process of closing down the operation of the 150 MW modules plant in Glava, Sweden, was initiated, affecting approximately 300 employees.

The Financial Statements

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

The REC 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)	2010	2009
Revenues	**13 776**	8 831
EBITDA	**3 532**	1 803
EBITDA – margin	**26%**	20%
EBITDA excluding special items **	**3 255**	2 167
EBITDA – margin excluding special items	**24%**	25%
EBIT	**1 018**	-829
EBIT – margin	**7%**	-9%
Net financial items	**801**	-472
Profit/loss before tax from continuing operations	**1 818**	-1 301
Earnings per share from continuing operations (in NOK)		
- basic	**0.96**	-1.63
- diluted	**0.51**	-1.63
Expansion costs ***	**39**	315

* These amounts are found in, or calculated based on the consolidated statement of income. Amounts in the consolidated statement of income for 2009 are re-presented for Sovello as discontinued operations.
** Special items include junction box expenses, restructuring cost and wafer contract cancellation fee
*** Expansion costs include primarily costs for early recruitment and training etc. until start of production.

REC achieved revenues of NOK 13,776 million, an increase of 56 percent from NOK 8,831 million in 2009. The revenue increase is primarily explained by increased sales volumes that more than offset the reduced selling prices.

EBITDA increased 96 percent to NOK 3,532 million, and the EBITDA margin increased to 26 percent. EBITDA increased substantially in REC Silicon and REC Solar, but declined in REC Wafer. More details on the financial results and operational development per segment are provided below.

The improved results reflects strong volume growth and reduced unit costs in all segments, while the 2009 results was negatively impacted by ramp-up costs, write downs and expenses related to junction box repair.

Depreciation and amortization nearly doubled to NOK 2,476 million in 2010, due to the commencement of depreciation on the assets in Singapore and Silicon IV during the year.

There were impairments of only NOK 38 million in 2010 compared to impairments of NOK 1,359 million in 2009. The impairments in 2009 reflected significant reduction in sales prices, and cost overruns and delays in construction of the new mono wafer production facility.

REC acknowledges the fact that the market capitalization of REC ASA at December 31, 2010 was below the carrying amount of equity. REC has performed impairment tests of all cash generating units. Based on these tests, REC has concluded that no additional impairment charges or reversal of previous impairments (except for some ScanModule assets) should be recognized at December 31, 2010. However, the estimated values in use for all cash generating units are sensitive to changes in assumptions, especially regarding future revenues, conversion costs, and to some extent maintenance capital expenditures. Changes in key assumptions going forward will change the estimated recoverable amounts, and may change the conclusions reached at year-end 2010.

Net financial items amounted to NOK 801 million for the full year 2010, compared to negative net financial items of NOK 472 million in 2009. Net currency gains, gains on currency derivatives and positive fair value adjustments of the convertible bond more than offset higher financial expenses.

Financial items – REC Group

(NOK IN MILLION)	2010	2009
Share of loss of associates	**1**	-64
Financial income	**35**	95
Financial expenses	**-1 381**	-874
Capitalized borrowing cost	**247**	549
Net financial expenses	**-1 134**	-325
Net currency gains/losses	**544**	-254
Net gains/losses embedded derivatives	**-80**	-2 997
Net gains/losses other derivatives	**955**	3 229
Net gains/losses derivatives	**875**	232
Impairment and loss on financial assets	**-1**	0
Fair value adjustment convertible bonds	**481**	-156
Net financial items	**801**	-472

Increased interest bearing liabilities and borrowing costs, expensing of the remaining up-front/waiver fees and costs for the terminated and repaid bank facilities contributed to increased financial expenses in 2010 compared to 2009.

Positive exchange differences in 2010 were primarily affected by currency gains on US Dollar (USD) and Euro (EUR) debt partially offset by losses on Singapore dollar (SGD) debt. Currency gains for REC ASA on the majority of its internal loans to REC Silicon in the US (loans approximately USD 1.3 billion at 2010 year-end) that are recognized to profit or loss and which is not eliminated on consolidation also contributed.

REC is hedging foreign currency cash flows by entering into derivative transactions with banks ("bank derivatives"). The main reason for the net gain on bank derivatives in 2010 was the appreciation of NOK versus EUR through the year, but USD and SGD currency derivatives also contributed positively. Net gains on bank derivatives in 2009 were primarily due to the strengthening of NOK and a change in the bank derivatives portfolio to more EUR derivatives.

Net loss on embedded derivatives was minor in 2010 compared to the large net loss in 2009. The loss in 2009 was primarily due to the significant strengthening of NOK versus USD during 2009.

Changes in the estimated fair value of a EUR 320 million convertible bond is recognized to profit or loss and contributed to a gain in 2010 compared to a loss in 2009.

REC reports a pre-tax profit from continuing operations of NOK 1,818 million and a profit after tax from continuing operations of NOK 889 million for 2010. Profit after tax of NOK 101 million from discontinued operations relates to the sale of Sovello.

REC recognized income tax of NOK 930 million for 2010. Effective income tax rate for 2010 is estimated to approximately 51 percent of profit before tax from continuing operations. The high effective tax rate is affected by non-deductible losses, recognition of deferred tax liabilities related to the Singapore operations and recognition of 36 percent tax on profits in REC Silicon.

EPS from total operations for the full year 2010 was NOK 1.07, which compares to a negative EPS of NOK 3.19 in 2009. EPS for both periods have been adjusted for the dilution effects of the rights issues in 2009 and 2010.

Consolidated statement of comprehensive income

The comprehensive income for 2010 was NOK 1,307 million for 2010 and a loss of NOK 3,995 million for 2009. Comprehensive income for 2010 is reflecting primarily profit and positive currency translation differences. Comprehensive income for 2009 consisted primarily of the loss for the year and currency translation losses.

SEGMENT REVIEW

Following the consolidation of the wafer, cell and module activities under one management, from the fourth quarter 2010, REC is reporting financial results with segment information for REC Silicon, REC Wafer (wafer production in Norway) and REC Solar (wafer, cell and module production in Singapore and cell and module production in Scandinavia).

REC Site Services, the company which provides on-site project management services and also owns and operates certain buildings and infrastructure in Singapore, was previously reported as part of "other operations". This entity is now included in REC Solar. Historic reported financial figures have been restated according to the new structure set out below.

REC Silicon

REC Silicon produces polysilicon and silane gas for the solar industry and the electronics industry at plants in Moses Lake, Washington and in Butte, Montana. REC Silicon targets a polysilicon production of approximately 17,000 MT in 2011 and employs approximately 850 people.

REC Silicon – Key financial figures

(NOK IN MILLION)	2010	2009
Revenues	**5 245**	3 943
EBITDA	**2 735**	1 920
EBITDA – margin	**52%**	49%
EBIT	**1 853**	1 446
EBIT – margin	**35%**	37%
Polysilicon production in MT (Siemens and granular)	**13 673**	7 828
– of which solar- and electronic grade in MT	**11 459**	7 023
Polysilicon sale in MT (Siemens and granular)	**13 608**	7 753
Silane gas sale in MT	**1 891**	2 187

REC Silicon reported revenue of NOK 5,245 million in 2010, an increase of 33 percent from 2009. The revenue increase was primarily driven by significantly higher polysilicon production and sales which more than offset lower average selling prices.

Total production of Siemens and granular polysilicon reached 13,673 MT, an increase of 75 percent from 2009. Overall sales volume was in line with production in 2010. Approximately 72 percent of the solar grade polysilicon sales volume was shipped to REC companies in 2010, compared to approximately 87 percent of the sales volume in 2009.

REC Silicon sells most of the production volumes under long term contracts. In 2010 average selling prices for polysilicon were negatively affected by price discounts given on volumes of lower grade polysilicon material produced during ramp-up of the new FBR facility. Hence average selling prices for polysilicon were down 13 percent from 2009 to 2010.

In 2010 the operational focus for REC Silicon has been to continue ramp-up, improve process stability and improve product quality from the new Silicon III and Silicon IV silane gas and FBR reactors. The new silane gas plant, Silicon IV, started production in the third quarter 2010. The plant is providing additional silane gas to the FBR reactors at the Silicon III plant.

Longer production runs, higher throughput and improved process control resulted in significantly improved product quality from the FBR reactors during the year and in particular in the fourth quarter 2010. In the fourth quarter, 85 percent of the granular polysilicon volume produced at the FBR reactors met the solar grade product quality specifications.

Furthermore, REC Silicon has introduced and sold granular polysilicon to a number of customers in the solar industry and has received positive response on the product. The granular form factor of the product is allowing for enhanced productivity and cost reductions in the ingot and wafer production process.

Silane gas sales amounted to 1,891 MT in 2010, down 14 percent from 2009. Silane gas sales were negatively affected by seasonality, customer inventory adjustments and weakening market conditions during 2010.

REC Silicon's EBITDA amounted to NOK 2,735 million for the full year, an increase of 42 percent from 2009. EBITDA margin thus improved to 52 percent from 49 percent in the previous year.

EBITDA was in 2009 negatively affected by ramp-up costs associated with the start-up of the Silicon III plant, whereas EBITDA in 2010 has been positively affected by higher sales volumes and improved cost position mainly driven by the increased capacity utilization of the Silicon III and Silicon IV plants.

Currency translation effects had a negative impact on EBITDA of NOK 111 million compared to 2009. On a constant currency basis (using the 2009 USD/NOK exchange rates for both years) EBITDA increased by approximately 47 percent from 2009 to 2010.

REC Wafer

REC Wafer produces mono- and multicrystalline ingots and wafers for the solar cell industry in Glomfjord and at Herøya in Norway. REC Wafer targets a production of approximately 1,650 MW in 2011 and employs approximately 1,100 people. The wafer operations in Singapore is reported as part of REC Solar.

REC Wafer – Key financial figures

(NOK IN MILLION)	2010	2009
Revenues	6 804	5 879
EBITDA	808	1 065
EBITDA – margin	12%	18%
EBITDA excluding special items*	505	1 065
EBITDA – margin excluding special items	7%	18%
EBIT	16	-557
EBIT – margin	0%	-9%
Multi wafer production in MW**	1 121	758
Mono wafer production in MW***	89	59
Total wafer production in MW	1 210	818
Multi wafer sale in MW**	1 124	737
Mono wafer sale in MW***	99	30
Total wafer sale in MW	1 223	767

* Special item is a wafer sales contract cancellation fee in the fourth quarter 2010
** Multi wafer production and sale reported at 16 percent cell efficiency for second half year 2010 and 15 percent for all other periods
*** Mono wafer production and sale reported at 20 percent cell efficiency for all periods.

Revenue in REC Wafer amounted to NOK 6,804 million in 2010, an increase of 16 percent from 2009. The increase reflects higher wafer production and sales volumes which more than offset lower average selling prices.

Total wafer production amounted to 1,210 MW in 2010, an increase of 48 percent from 2009. More than 90 percent of the production was multicrystalline wafers and the remaining mono ingots and wafers. Total sales volumes were broadly in line with production.

During 2010, REC Wafer continued to negotiate contract terms with wafer customers mainly quarterly and half yearly based on the prevailing market prices. Average selling prices for wafers declined 30 percent from 2009 to 2010, and most of the price decline materialized in the first quarter 2010. At the end of the year REC Wafer entered into two new wafer sales contracts worth approximately NOK 2.3 billion in total, also with pricing based on the prevailing market prices.

In 2010 the operational focus in REC Wafer has been to improve wafer quality and reduce cost as well as ramp-up of the new mono wafer plant in Glomfjord. Plant management has been strengthened at all production sites with a focus on lean manufacturing capabilities. Furthermore, in the second half of the year the oldest generation ingot furnaces have been upgraded to enhance process control and improve product quality.

EBITDA was NOK 808 million in 2010, down 24 percent from 2009. The EBITDA margin declined to 12 percent from 18 percent in 2009. The EBITDA decline reflects the reductions in average selling prices as well as increased EBITDA loss related to the new mono wafer plant in Glomfjord. EBITDA in 2010 was positively affected by a cancellation fee for a wafer sales contract of NOK 304 million.

There were no expansion costs in 2010 compared to NOK 79 million in 2009. Expansion costs in 2009 mainly related to the new mono wafer facility in Glomfjord.

REC Solar

REC Solar produces wafers, solar cells and modules and engage in project development activities in selected PV segments. REC Solar operates solar cell production in Narvik, Norway, and wafer, solar cell and module production in Singapore. Module production in Glava, Sweden was closed down at the end of 2010. REC Solar targets a production of 750 MW of modules in 2011 and employs approximately 2,200 people.

REC Solar – Key financial figures

(NOK IN MILLION)	2010	2009
Revenues	5 624	1 881
EBITDA	228	-1 074
EBITDA – margin	4%	-57%
EBITDA excluding special items*	255	-710
EBITDA – margin excluding special items	5%	-38%
EBIT	-589	-1 602
EBIT – margin	-10%	-85%
Module production in MW	491	115
Contract manufacturing MW	11	6
External module sale in MW	412	110

* Special items are junction box expenses and restructuring costs

Revenue in REC Solar increased to NOK 5,624 million in 2010 from NOK 1,881 million in 2009. The increase reflects higher module production and sales volumes which more than offset lower average selling prices.

Total module production amounted to 491 MW in 2010, up from 115 MW in 2009. The production growth comes from the ramp-up of the new integrated wafer, cell and module plant in Singapore. Module sales amounted to 412 MW.

Feed-in tariffs continued to be reduced in 2010, however the module market prices decreased less than these reductions, due to the very high returns previously achieved on investments in solar. REC's average selling prices for modules were reduced by 17 percent from 2009 to 2010.

In 2010 the operational focus has been on ramp-up of the production facility in Singapore, improving the cost position in the Scandinavian cell and module operations, and on strengthening REC's market position.

The Singapore plant has been performing well throughout the year with respect to production volume, yield, cell efficiency and cost position. Despite considerable efforts by REC ScanModule to improve its cost position, the financial performance of the plant remained unsatisfactory and the plant was closed at the end of 2010. In the fourth quarter 2010 REC Solar made the decision to transfer all research and technology activities related to solar cells and modules from RECs headquarter outside Oslo, Norway, to Singapore.

EBITDA amounted to NOK 228 million in 2010, compared to a negative NOK 1,074 million in 2009. In 2009, expenses for junction box repairs, write-downs, expansion costs and plant shut downs for periods of the year negatively affected the EBITDA. In 2010 the EBITDA was negatively affected by low capacity utilization at the new Singapore production facility in the first half year and by restructuring costs related to the module plant close down. However the results were positively affected by improved cost position at the Scandinavian operations.

REC Solar continued to broaden its customer base in 2010 and at the end of the year the customer base included approximately 100 of the leading system integrators, installers and distributors in main solar markets such as Germany, Spain, Italy, France and the US.

Sovello (discontinued operations)
The three equal partners REC, Evergreen and Q-Cells on March 24, 2010 entered into an agreement to sell 100 percent of its shares and shareholder loans to a company controlled by Ventizz Capital Fund IV, L.P. The transaction was closed on April 22, 2010.

Eliminations – REC Group

(NOK IN MILLION)	2010	2009
Elimination revenues	-3 995	-2 947
Elimination EBITDA	-91	44

Eliminations of internal revenue and profit depend 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.

Eliminations contributed negatively to EBITDA in 2010, primarily due to increase of inventories at REC's production facility in Singapore. In 2009 EBITDA eliminations were positive due to a reversal of write-downs in REC Solar. Reduced average selling prices and increased production cost were offset by increased volumes.

STATEMENT OF FINANCIAL POSITION AND CASH FLOW
The developments in the statement of financial position during 2010 primarily reflect the expansion projects with a high level of capital expenditure, build up of inventories and related funding, including new equity of net NOK 3.9 billion through a rights issue at the end of May.

Equity and debt
Total assets of REC amounted to NOK 36.9 billion at the end of 2010, which was an increase of NOK 2.7 billion during the year. Non-current assets increased by NOK 2.3 billion, mainly due to the expansion program and increase in non-current receivables (primarily investment grants).

Net working capital, excluding derivatives, cash and cash equivalents and including current provisions and current tax, increased by NOK 1.6 billion to NOK 3.0 billion. Excluding the accruals and payables for capital expenditure, working capital increased by NOK 1.0 billion. The increase was primarily due to the increased activity in Singapore.

Equity amounted to NOK 22.2 billion at December 31, 2010, compared to NOK 16.9 billion at December 31, 2009. In May 2010, a rights issue increased equity by net NOK 3.9 billion. The equity ratio was 60 percent at the year-end 2010, compared to 50 percent at the end of 2009.

Net debt was NOK 7.9 billion at December 31, 2010, a decrease of NOK 2.4 billion from the end of 2009. 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.

On May 25, 2010, REC signed a new bank credit and guarantees facilities agreement of NOK 10 billion. In addition, two new loan facilities of a total NOK 1.3 billion were signed with Eksportfinans, of which NOK 0.87 billion is guaranteed by GIEK. NOK 0.4 billion of the total bank facilities are utilized as guarantee for parts of the Eksportfinans loans, leaving almost NOK 9.6 billion as a revolving credit facility. REC has trough syndication established a new relationship bank group consisting of Citigroup, DnBNOR, Handelsbanken, HSBC, Nordea, and SEB.

In the summer of 2010, the two previous bank credit and guarantee facilities were cancelled and repaid with EUR 758 million. An unutilized NOK 525 million credit facility (Bridge-to-Export Financing) was also cancelled. In addition, a bilateral SGD loan was cancelled and repaid with SGD 654 million. Additional up-front fees were incurred in relation to the new facilities.

Unused credit facilities amounted to approximately NOK 6.5 billion at the end of 2010.

On March 16, 2011 REC cancelled and repaid the NOK 1.3 billion loans from Eksportfinans, and agreed to cancel NOK 1.4 billion of the NOK 10 billion bank credit and guarantee facilities agreement.

Please see note 17 for further information on REC's borrowings.

Property, plant and equipment and intangible assets

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER	REC GROUP
Carrying value at January 1, 2010	12 317	5 796	7 231	115	25 458
Translation differences	190	0	233	-1	422
Net additions*	227	1 002	3 044	57	4 331
Depreciation and amortization**	-875	-781	-785	-23	-2 464
Impairment	-6	-11	-21	0	-38
Carrying value at December 31, 2010	11 852	6 006	9 704	147	27 709
Payments of PP&E and intangibles*	1 215	354	2 652	68	4 289
* net of investment grants					
** Amortization of prepaid lease in the income statement not included in the table above:	0	0	-12	0	-12

Cash Flows

Net cash flow from operating activities was NOK 2,485 million in 2010, compared to NOK 1,286 million in 2009. EBITDA in 2010 improved compared to 2009, which contributed to the increase. However, build-up of working capital and payment of previously recognized provisions contributed negatively on cash flow from operating activities in 2010. Reduced capitalization of borrowing costs contributed to more interest expenses as part of operating activities. Derivatives contributed more positively in 2009 than in 2010. For 2010, REC was refunded some previously paid income taxes, whereas income taxes were paid in 2009.

Net cash flow from investing activities was NOK -4,329 million for 2010, compared to NOK -10,823 million in 2009. Payments for property, plant and equipment and intangible assets amounted to NOK 4,452 million in 2010, whereas the company received government grants of NOK 163 million.

The split of payments between segments is outlined in a separate table for 2010.

The table also shows additions, depreciations and amortizations and impairment. The differences between additions and payments for property, plant and equipment and for intangible assets, primarily relate to government grants, finance leases, changes in pre-payments, accruals and payables for capital expenditure and currency developments.

Net cash flow from financing activities was NOK 1,018 million for 2010, compared to NOK 10,769 million in 2009. The net cash flow from financing activities for 2010 is affected by the rights issue and repayment of debt. Please see note 17 to the consolidated annual financial statements for 2010 for more information on borrowings.

CONTRACTUAL COMMITMENTS

Please see note 29 to the consolidated annual financial statements for 2010. Estimated contractual purchase obligations amounted to NOK 4.0 billion for goods and services at December 31, 2010, of which NOK 1.9 billion is estimated to be paid in 2011. In addition, committed future minimum payments under operating leases, were estimated to NOK 0.7 billion at December 31, 2010.

Estimated contractual obligations for capital expenditure were NOK 0.1 billion at the end of 2010. In addition, REC has approved but not committed estimated capital expenditure of NOK 1.0 billion, of which NOK 0.3 billion is expected to be paid in 2011.

The amounts measured in NOK are translated at December 31, 2010 exchange rates, and changes in NOK versus the main currencies USD, SGD and EUR will affect the actual expenditures measured in NOK.

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 and corporate functions, including REC's in-house bank and corporate research and development.

REC ASA reported revenue of NOK 99 million and a negative EBIT of NOK 170 million in 2010, compared to revenue of NOK 76 million and a negative EBIT of NOK 160 million in 2009.

Profit before tax of NOK 2,001 million compares to a loss before tax of NOK 966 million in 2009, and the net profit for the year of NOK 1,576 million compares to a net loss of NOK 956 million in 2009. 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 financial items. Due to the large amounts of loans to subsidiaries, interest income exceeded interest expenses for REC ASA for 2010. REC ASA also reported net currency gains and gains on currency derivatives, primarily due to the same reasons as explained for the REC Group above.

Total equity for the parent company REC ASA amounted to NOK 19.8 billion at December 31, 2010, up from NOK 14.3 billion in 2009. The increase during the year is explained by the share issue in May and the profit for the year.

Total assets increased to NOK 29.6 billion from NOK 26.4 billion at December 31, 2009. 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. REC ASA has reduced external interest-bearing liabilities during the year. See note G to REC ASA's financial statements and note 17 to the consolidated financial statements for further description of REC ASAs external interest-bearing liabilities.

Allocation of profits for the parent company (REC ASA)
The Board proposes that the net profit for the year of NOK 1,576 million is transferred to other equity. Following this, the parent company had distributable equity of NOK 2,719 million at December 31, 2010.

REC ASA proposes to grant Group contribution for 2010 to a subsidiary with NOK 462 million net after income tax.

The Board does not propose any dividends for the financial year 2010. The new bank loan agreements established in May 2010 prevents REC from paying dividend for the financial year 2010.

RISK FACTORS
REC is an industrial corporation exposed to various market and business risks. REC is exposed to variations in prices on the products REC sells, commodities and raw materials, currency exchange rates, interest rates and a number of other risks.

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.

REC evaluates that there are significant uncertainties related to the PV market development going forward. The uncertainty primarily relates to the effects of the expected changes in renewable policies and solar energy subsidy schemes in key PV markets and to potential changes in the market supply and demand balance going forward. It is expected that reductions of the subsidy schemes will lead to decreased returns on investments in PV systems and this may lead to reduced demand.

Industry analysts are indicating that continued strong growth in supply together with a more moderate demand growth can lead to oversupply in the industry. Most subsidy schemes are also dictating annual tariff reductions to reflect the expected cost reductions throughout the PV value chain. These factors combined may result in downward price pressure going forward.

Such adverse market developments could potentially have significant negative impact on REC's financial results and financial position.

Due to the weak market developments in 2009, REC Wafer agreed to contract adjustments for most of its long term wafer customers for the second half of 2009 and for 2010. Entering 2011, REC Wafer has continued to negotiate contract adjustments. REC Wafer is involved in legal proceedings or disputes with some of its customers. Going forward, legal proceedings should be expected also with respect to other customers if REC Wafer and the customers do not succeed in reaching commercial solutions acceptable to the parties. Any such legal proceedings encounter procedural risk and may take time to resolve. Contract negotiations and disputes may also negatively affect sales volume and prices.

The solar industry has been and will continue to be subject to rapid technological change, frequent improvements, new products and services, and changing customer requirements. Competitors may launch new products and services earlier or at more competitive prices, implement and/or secure exclusive rights to new technologies.

REC has over the last 18 months ramped up new production facilities, also involving new technologies and solutions previously not fully tested in industrial-scale production. The operations of new manufacturing facilities carry a risk of operational disturbances. In 2011 the continued ramp-up of the new mono wafer plant in Glomfjord Norway, and further optimization of the new silane gas plants and FBR plant in the US represent the most significant operational risks.

In general, tuning of equipment to increase production volume and reduce costs is important for the future profitability.

With the increased module production, REC is more exposed to the up-to 25 year warranty risk related to modules. REC Solar has scaled up its efforts on product qualification and quality assurance considerably to reduce the risks of product claims.

There is a strong focus on product quality across the solar value chain. REC's newest wafer manufacturing plants at Herøya and in Singapore represent an important step forward in terms of improved wafer quality, and REC is increasing its efforts to drive further improvements. However, there is no guarantee that REC will succeed in increasing product quality in line with customers' requirements.

Financial risk factors
The goals for the REC Group finance policy and the treasury operations are mainly to minimize the risk for financial distress, secure long term funding, reduce refinancing risk, hedge currency risk of expected future net cash flows and manage interest rate risk. REC's finance policy sets the framework and limits for hedging activities in the REC Group. It defines risk management objectives, responsibilities and operational requirements. The REC Group finance policy was revised in December 2010 with limited changes from 2009.

All hedging transactions are undertaken in order to reduce negative impacts of changes in financial markets on net cash flow.

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

Currency risk
REC operates internationally and is exposed to currency risk. The Group is primarily exposed to fluctuations in US Dollar (USD), Euro (EUR), Singapore Dollar (SGD) and Norwegian Krone (NOK), arising from

commercial transactions in currencies other than the entities' functional currencies, recognized assets and liabilities, and net investments in foreign operations.

REC's primary focus is currency hedging of the forecasted external net cash flow of the Group. NOK is the functional currency of the parent company REC ASA and the reporting currency for the REC Group. Net cash flow is defined as the consolidated cash flows from operations, finance costs and capital expenditure. The REC Group's policy is to hedge currency risk between 50 and 105 percent of the forecasted consolidated net cash flow on a 24 month rolling basis.

To manage currency risk arising from commercial transactions, REC entities use various forward contracts or options. Some REC subsidiaries manage their currency risk arising from commercial transactions by entering into foreign exchange contracts with REC ASA or by entering into commercial contracts in foreign currencies. REC ASA manages the currency risk on an overall REC Group level and establishes external foreign exchange rate contracts with banks. However, entering into currency derivative contracts increase currency risk on financial instruments related to the financial statement even if the purpose is to hedge the currency risk of estimated future cash flows in relation to NOK. By entering into currency derivative contracts REC establish financial instruments and consequently expose itself for changes in the fair value of currency derivatives in the financial statements. In addition, recognized financial assets and liabilities (especially internal receivables and payables and external interest bearing liabilities) in currencies other than the separate entities functional currencies are affected by changes in currency rates. These currency risks in relation to the financial statements are not hedged.

Credit risk

REC has historically realized limited losses on trade receivables, but has in 2010 increased provisions for loss on trade 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, especially up to the first half of 2010 has increased credit risks related to counterparties. REC has also experienced some disputes where it has been necessary to call on bank guarantees from customers. Credit risk may also increase by abrupt changes in market conditions by changes in government incentives. REC has during 2010 increased the number of customers, and thereby reduced the risk related to concentration of a limited number of customers. In 2010, no single customer exceeded ten percent of revenues or trade receivables. However, the customers are to a large extent exposed to the same industry.

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. Approximately 65 percent of REC's debt (excluding the finance leases) has variable interest rates (interest periods shorter than 12 months) while 35 percent has fixed interest rates (longer than 12 months).

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

Financing and liquidity risk

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

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. 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" rating.

The liquidity risk was high in the beginning of 2010, due to the substantial capital expenditures, the difficult market through 2009 and the future market uncertainty and risk related to ramp-up of production facilities. However, on March 30, 2010, REC entered into an agreement with the lending banks for a change in the financial covenants for the first quarter 2010. At the same time, REC entered into a committed term sheet agreement for a new bank debt structure and announced a fully underwritten rights issue (see note 15). The new bank facilities contain more favorable financial covenants reflecting the expected cash flows with comfortable headroom compared to the company's business plan. See note 17 for more information. Prudent management of the completion of the expansion projects in the US (REC Silicon) and Singapore (REC Solar) and a stronger market also contributed to reduce the risk during 2010. Entering 2011, REC regards the liquidity risk to be reduced. However, it should be noted the maturity schedules of REC's borrowings, with significant maturities in 2013 and 2014, see note 17. REC will work on reducing this maturity risk, primarily through expected realization of future positive cash flows and refinancing of debt and credit facilities.

According to REC's finance policy, REC shall at all times maintain financial ratios within the limits defined in the loan agreements of REC ASA and subsidiaries, and take the necessary measures that are available to avoid financial distress. Neither the senior NOK bond nor the convertible EUR bond contain financial covenants. There is cross default between all the loan agreements above a certain threshold amount. Please refer to note 3 and note 17 for further information on the loan agreements and covenants. At December 31, 2010, REC complied with all financial covenants in the loan agreements.

ORGANIZATION AND SUSTAINABILITY

Sustainability is core business for REC

REC provides competitive solar energy solutions to meet the need for clean energy. The company is committed to maximize the positive contribution from renewable and climate-friendly solar energy at affordable prices globally. The group generates value and seeks to advance the competitiveness of solar energy through innovative technology, operational excellence and market-wide expertise. Sustainability is therefore integral to the strategy of REC. This includes maximizing the energy efficiency of its products, minimizing negative environmental impacts and carbon footprint as well as preventing pollution from all business activities and products. Both REC and the solar industry in general depend on the safety and sustainability of PV. REC operates in compliance with national legislation and strives to fulfill applicable external requirements related to the sustainability aspects of its activities.

Governing sustainability

The governing structure within sustainability has been strengthened through 2010. Group Polices on Sustainability, consisting of Quality and Improvement Policy, Safety and Health Policy, Environment and Climate Policy as well as Business Conduct Policy, have been implemented. The purpose of these 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. Together with Permits, KPIs, HSE Principles and Emergency Preparedness Plans they constitute the most important governing documents on the Group level. To safeguard sound internal control and risk management, REC sets objectives, monitors performance, reports results and executes audits in a continuously improved manner in line with the REC Business System.

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

To ensure quality in all parts of the production, REC is supporting the Business System with ISO 9001 certification. This is a quality standard seeking to accurately define the complete processes inherent in each quality process, from input to output to feedback. Seven of 12 sites now have ISO 9001 certification. To further improve the environmental aspects of the production process, REC has been focusing on the ISO 14001 standard. The ISO 14001 is a framework to assist organizations in developing their own environmental management system. Four of the REC sites now have ISO 14001 certification.

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. Two cross-group networks with dedicated leaders from all business divisions, act as advisory boards to REC management on HSE and sustainable supply chain and partner relationships.

HSE compliance

REC has experienced emissions to seawater and air above permits in Norway and in the US in 2010. In these cases, local environmental authorities were notified and corrective and preventive actions are taken to improve operational routines and design weaknesses. REC has also recorded non-compliances regarding fire safety at the Norwegian plants. These non-compliances are not considered to have implied serious risks to people, environment, operations or investments and REC is committed to close old and avoid new non-compliances by various mitigating actions and in dialogue with relevant authorities.

Safety performance

REC ended 2010 with no work-related fatalities in more than 7.5 million worked hours. The number of lost time injuries was 28, down from 34 in 2009. The Lost Time Injury (LTI) rate was 3.71 in 2010 compared with 6.30 in 2009. The improvement is a result of increased focus on systematic safety leadership and standardization throughout the organization. REC has initiated further initiatives to reduce the LTI figures. This includes setting clear performance and improvement targets for all units, intensifying HSE job observations as well as extensive management and team involvement in each incident investigation. The Total Recordable Injuries (TRI) rate has dropped from 13.25 in 2009 to 7.83 in 2010. Even if the result is an improvement, REC is continuously working to reduce the TRI-rate. Both performance and improvement targets have been defined for all units. HSE performance and systems are developed, monitored, audited, and reviewed to identify trends, measure progress, assess compliance, drive continuous improvement, manage risks and provide assurance that governing processes are working effectively.

Employment and labor practices

The number of permanent employees increased 35 percent over the past year to 4,210 at the end of 2010. This increase is mainly driven by the completion of the ramp-up of REC's production facility in Singapore, with more than doubling the number of employees to 1,534. The number of employees in the US increased by 11 percent to 867 and in Europe number of employees involved in module sales, systems integration and project development were 49 at the end of 2010. The number of employees in the Norwegian operation is 1,428, approximately as in 2009. In addition REC had by year end 2010, 410 contracted employees, apprentices and trainees, which is approximately 40 percent higher than at year end 2009.

Of the total 4,210 employees at the end of 2010, 28 percent were female up from 23 percent in 2009. Women comprised approximately 16 percent of REC's management level staff, which is down from 18 percent in 2009. Out of the total of seven executives in the Group Management team at the end of the year, one was female.

In the company's Board of Directors, one of four employee elected Directors was female, while three of the eight shareholder elected Directors were female.

The number of employees with education at university level increased 60 percent from 2009, and the number of employees with a different citizenship than the geographical location of their workplace is 41 percent compared with 26 percent in 2009.

Average absenteeism rate due to sickness is slightly above 4 percent, approximately the same as in 2009.

Approximately 75 percent of all employees in Norway are unionized. The cooperation between management and the unions is functioning well through established representation and fora. The union representatives contribute constructively in the handling of the company's challenges and opportunities. Election of new employee-elected representatives to the

Board will be carried out in 2011. There are currently no unions represented in REC companies outside Norway.

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.

Environmental performance

REC's environmental performance is best measured by two important factors: Energy Efficiency and Carbon Footprint.

Energy efficiency

The energy efficiency of PV can be measured as total generation of energy through the lifetime of a PV system, as energy generation per m^2 or as energy payback time. The total generation of energy provided by a PV module over the lifetime is an important indicator for customers investing in a PV system. As the crystalline silicon solar cell efficiency has been continuously increased the last years, a typical REC module now generates approximately 8 MWh over the guaranteed 25 years lifetime. Due to higher efficiency, crystalline silicon solar applications also generate more kWh per area than alternative technologies. A typical REC module provides 150 W/ m^2 under standard test conditions. The energy payback time is determined by the amount of time it takes a PV system to generate the energy used to produce it. REC is considered to be among the industry leaders with its low energy payback time due to energy efficient FBR technology in the polysilicon process. REC will repeat the LCA assessment in 2011 and expect an energy payback time of 1 year as both the FBR for polysilicon processes is in full production and after the ramp-up period in the new wafer, cell and module facilities.

Carbon footprint

The carbon footprint of a product is increasingly part of the demanded quality aspects and reflects both the energy efficiency and the energy source in the manufacturing chain of the PV module as well as the energy efficiency of the PV module itself. REC is able to achieve a Carbon Footprint of only 20.5 g CO2-eq/ kWh for a typical PV system, based on an energy efficient manufacturing process and use of hydropower for the most energy intensive parts of the REC manufacturing process.

Emergency preparedness

REC has comprehensive emergency preparedness organizations and procedures in place on every site. These plans include risk and vulnerability analysis, general principles, and definitions of responsibilities, notification procedures, operational action plans and reporting requirements. The priorities are given as people before environment, before reputation, before property. The threshold for notification shall be low. REC has continued to strengthen its efforts in emergency preparedness throughout 2010, with preventive training, work procedures and risk management.

Sustainable business partnerships

REC is committed to deliver the highest possible sustainability standard and this includes setting requirements to suppliers. To be able to achieve the ambitious targets, REC seeks to contract services as well as purchase, hire, or lease of equipment and materials, in a manner to ensure that REC's own sustainability policies are met, including audits and contractual obligations.

REC has further adopted the consolidated International Chamber of Commerce Code providing practical guidance and help to build consumer trust and confidence. This Code is providing a framework for REC to demonstrate responsibility and good practice in advertising and marketing communication as well as further enhance REC's overall public confidence in marketing communication.

REC 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. In 2010 REC was elected Director of the Board of PV CYCLE.

The EU Directive on Restrictions on use of Hazardous Substances (RoHS) was submitted to recast in 2010. Previously PV was not included, but the first RoHS recast report granted exclusions only to Cadmium Telluride PV while all other PV had to comply. To enforce the development of safe and sustainable solar, REC participated in an initiative for the inclusion of PV under the EU Directive on RoHS together with Atersa, Bosch, Photovoltech, SolarWorld, Solland and Wacker. The RoHS directive will be formally adopted in spring 2011 granting exclusions to all PV and being reviewed in 2012.

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. REC endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised on October 21, 2010. The Board of Directors has adopted a report on Corporate Governance for 2010 in accordance with the Code of Practice. The report is included in the annual report at page 22.

OUTLOOK

Industry analysts are indicating that continued strong growth in supply together with a more moderate demand growth can lead to oversupply in the industry. This may result in downward price pressure throughout 2011. REC's average selling prices are expected to broadly follow the prevailing market prices.

In the context of these market uncertainties, REC continues to focus strongly on operational improvements, increased capacity utilization, improved product quality and cost reductions across the whole value chain.

At the Capital Markets Day held in Singapore in November 2010, REC presented revised cost targets across the Group. By the fourth quarter 2011, REC is targeting a full cost position of 97 Eurocents/Watt based on the cost of manufacturing granular polysilicon in the US and wafers, cells and modules in Singapore. See 'Cost reductions' above for details on the cost targets.

REC expects production growth in all business segments in 2011. However, actual production volumes will be aligned with the prevailing market conditions.

In 2011, REC Silicon is expecting Siemens and granular polysilicon production to reach 17,000 MT and silane gas sales volume to reach 2,150 MT. REC Wafer is expecting multi and mono wafer production of approximately 1,650 MW. REC Solar is expecting module production of approximately 750 MW, of which 100 MW contract manufacturing.

Sandvika, March 24, 2011

Bjørn M. Wiggen
Chairman of the Board

Tore Schiøtz
Member of the Board

Svein Tore Holsether
Member of the Board

Hilde Myrberg
Member of the Board

Susanne Munch Thore
Member of the Board

Bernt Reitan
Member of the Board

Heléne Vibbleus Bergquist
Member of the Board

Odd Christopher Hansen
Member of the Board

Tommy Kristensen
Member of the Board

Anders Langerød
Member of the Board

Rolf B. Nilsen
Member of the Board

Unni Kristiansen
Member of the Board

Ole Enger
President and CEO

STATEMENT

The Board of Directors has today considered and approved the report from the Board of Directors, the financial statements for the REC Group and for the parent company REC ASA for the year ending December 31, 2010.

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, 2010. 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, 2010. The report from the Board of Directors 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, 2010.

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, 2010 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, 2010, and
- the report from the Board of Directors for the year ending December 31, 2010 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, March 24, 2011

Bjørn M. Wiggen Chairman of the Board	Tore Schiøtz Member of the Board	Svein Tore Holsether Member of the Board
Hilde Myrberg Member of the Board	Susanne Munch Thore Member of the Board	Bernt Reitan Member of the Board
Heléne Vibbleus Bergquist Member of the Board	Odd Christopher Hansen Member of the Board	Tommy Kristensen Member of the Board
Anders Langerød Member of the Board	Rolf B. Nilsen Member of the Board	Unni Kristiansen Member of the Board
		Ole Enger President and CEO

THE BOARD OF DIRECTORS' 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 October 21, 2010. The Board has adopted the following report that explains how REC meets the requirements of the Code of Practice and explains possible deviations for 2010:

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

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

The Company's ethical values and corporate social responsibility is furthermore set out in the Code of Conduct and the policies on sustainability.

The Code of Conduct includes requirements for professional integrity and ethical behavior of all employees.

REC approved the following group policies on sustainability in January 2010:

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

The guidelines are available on the Company's website.

The Board will review the Code of Conduct and the sustainability policies on an annual basis.

BUSINESS

The purpose of the Company is described in the § 3 of the Articles of Association: *"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 gas 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 and improvement of products. This should be achieved through introduction of new process and product technologies as well as through continuous productivity improvement and technology development. REC's strategies and goals are presented in the annual and quarterly reports, at Capital Market Days and at various investor meetings.

EQUITY AND DIVIDENDS

The Group's consolidated equity was NOK 22.2 million on December 31, 2010, which was equivalent to approximately 60 percent of total assets.

The Board considers that the equity capital is appropriate for the Company's objectives, strategy and risk profile. Reference is also made to note 3.3 to the consolidated financial statements regarding capital structure and financing and to the report from the Board of Directors.

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's view so far has been that retained earnings should be put to profitable use within the Company. Accordingly there has been no distribution of dividends to the shareholders since the Company was publicly listed in 2006. On this basis and due to restrictions in the credit facilities agreement, the Board of Directors does not propose to pay any dividend for the 2010 financial year. Reference is made to note 3.3 to the consolidated financial statements. The Board will continue to make a yearly assessment based on the goals and strategies and the financial situation of the Company.

At the annual general meeting (AGM) on May 19, 2010, the Board was granted the following authorities:

- The Board was authorized to resolve to raise one or more convertible loans or loans with warrants. The mandate is restricted to carrying out investments and acquisitions in line with the Company's strategy and for providing the Company with financial flexibility. The share capital increase shall not exceed NOK 99,700,000. The Board is authorized to waive existing shareholders' pre-emptive rights to subscribe for loans and shares. The authorization is valid until the 2011 annual general meeting, but in any event not later than 15 months from the authorization was given.

- 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, the fulfillment of the Company's obligation under the share purchase program for the employees, the long term incentive plan of the Company (LTIP 2007) and in connection with the Company's option program. The Board's purchase of shares under this mandate can be exercised between a minimum price of NOK 1 per share and a maximum of NOK 250 per share. The shares shall be acquired through ordinary purchase at the stock exchange. The authorization is valid until the next annual meeting in 2011 or until withdrawal by a decision of the general meeting by simple majority but in any event not longer than 15 months from the authorization was given.

- The Board was authorized to increase the share capital by up to NOK 99,700,000 through one or more increases in the share capital to be used for carrying out investments and acquisitions in line with the Company's strategy, including in the form of mergers and through consideration in kind, and for providing the Company with financial flexibility. Shares may be issued for contribution in form of cash or by transfer of other assets (contribution in kind). The Board is authorized to waive existing shareholders' pre-emptive rights to subscribe for shares. The authorization is valid until the 2011 annual general meeting, but in any event not later than 15 months from the authorization was given.

- Separate voting on each mandate included in the authorities were offered at the general meeting but not implemented as not requested by any shareholder. Going forward the Board will consider separate voting whether requested or not.

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 to transactions with shareholders, members of the Board of Directors, executive management or parties related to the above.

REC did acquire necessary shares in November 2010 in order to fulfill its obligations according to the 2010 Employee Share Purchase Program. All shares were acquired in the market.

Most of the shareholders participated in the 2010 rights issue. Approximately 98.5% of the offered shares were subscribed for through use of subscription rights. 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 April 30, 2010. There were no other new agreements in 2010 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 and guidelines for the handling of possible conflict.

FREELY NEGOTIABLE SHARES

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

GENERAL MEETINGS

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

The supporting documentation, including the recommendations of the nomination committee is available at the Company's website not later than three weeks prior to the general meeting and is not distributed to the shareholders according to the Articles of Association unless specifically requested.

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

Separate voting on each candidate for election to the Board and nomination committee is offered at the general 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.

The Company may in the notice of the meeting state that shareholders who wish to participate at the general meeting, shall notify the Company within a specific time limit. The time limit cannot expire earlier than five days prior to the general meeting. So far, the time-limit has been two working days prior to the meeting. Shareholders who have not given notice within the time limit may be denied participation at the meeting. Registration of attendance may be done by mail, telefax or electronically on the Company's website.

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 general meeting. The auditor is also present. All Board members are encouraged to participate at the meeting.

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

The protocols of the general meetings are available at the Company's website.

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. Rules of procedure for the nomination committee have been adopted by the general meeting and are available on the Company's website.

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

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

Information of the members of the Nomination Committee and deadlines for submitting proposals to the Committee are included on the Company's website. The Nomination Committee presents and provides the basis for the proposals 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. As there is no corporate assembly, the employees have extended representation in the Board.

The Board consists of between seven and twelve directors (currently twelve). 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 employee-elected members are elected for a term of two years.

The directors are presented in the Annual Report with information about education, current position and other directorships. Currently three of the eight shareholder-elected members and one of the employee-elected members are women.

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

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

- Susanne Elise Munch-Thore
- Odd Christopher Hansen
- Heléne Vibbleus Bergquist
- Bernt Reitan

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

According to its rules of procedure, the Nomination Committee must ensure that the composition of the Board 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. Information about the participants in the various committees are included on page 27 in the Annual Report.

The Board held 14 board meetings in 2010. The board meetings were well attended by all board members with limited absences.

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. Two members are independent of the Company's main shareholders. The committee collectively has the competence required in the Public Limited Liability Companies Act § 6-42 and two members are independent of the operations and have the required qualifications within accounting and auditing.

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 CFO participates in the meetings of the audit committee. The committee holds a meeting at least once a year with the auditor without the CFO or any other members of the executive management and the administration present.

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 six meetings in 2010.

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 four meetings in 2010.

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 four 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 five meetings in 2010.

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. The management report on sustainability to the board on a quarterly basis. The quarterly reports normally cover environment and climate, safety and health and as required business conduct.

All major 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 a system for internal control activities for monthly, quarterly and annual financial reporting. The internal control activities comprise planning, guidelines, procedures including monitoring by management, quarterly preparation meeting and quarterly representation letter from reporting segments. The Board is also supervising internal control systems related to financial reporting and performs a separate annual review regarding the risks and internal control systems for financial reporting. In addition, the Board regularly reviews the most important business risk exposures and potential implications for performance of the Group.

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

The report from the Board of Directors includes an analysis of the financial statements and the key risk factors.

In addition to the quarterly reporting described above, the Company seeks by various mechanisms to follow up its sustainability policies by setting objectives, monitor performance, report results and execute audits.

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. The policy is currently being reviewed.

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 statement of the remuneration of the management at the AGM in May 2010 and the AGM approved the statements.

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

- Fixed base salary
- Performance bonus
- Share options schemes
- Payments in kind, e.g. car and telephone allowances
- Pension and insurance schemes

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

There are absolute limits for performance-related remuneration.

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

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

Presentations that are open to the public are conducted in connection with every quarterly report and are also made available through a webcast. Analyst Q&A conference calls are usually held in the afternoon on the same day as the quarterly report is released. The quarterly presentations are normally given by the CEO. The CFO and the 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 capital market and to existing and potential investors of the Company. The Investor Relations Officer reports to the CFO.

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

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. The Board will assess a potential offer for the Company's shares in accordance with applicable legislation and adequate requirements in the Code of Conduct in due course. No other guidelines have been established by the Board of Directors in the event of a take-over bid.

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

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 to the Board of the most significant identified weaknesses and proposals for improvements of the internal control procedures. 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 CEO 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.

COMPOSITION OF BOARD AND COMMITTEES

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 in the Board's report on corporate governance.

Board of Directors

REC's Board of Directors consists of between seven 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 eight directors in 2010 and the Board currently consists of 12 directors. Two of the Board members were released from their positions as Board members and two new board members were elected at an extraordinary general meeting on March 9, 2011. Dag J. Opedal served as Chairman of the Board from 16.06.09 until 09.03.11 and Roar Engeland served as a board member from 16.11.05 until 09.03.11.

The Board held 14 meetings in 2010.

Board Members	
Bjørn M. Wiggen	Chairman from 24.03.11, board member from 09.03.11
Tore Schiøtz	Board member since 14.12.01
Susanne E. Munch Thore	Board member since 09.05.06
Hilde Myrberg	Board member since 16.06.09
Odd Christopher Hansen	Board member since 16.06.09
Heléne Vibbleus Bergquist	Board member since 19.05.10
Svein Tore Holsether	Board member since 09.03.11
Bernt Reitan	Board member since 19.05.10
Rolf B. Nilsen	Board member since 14.05.07
Unni Kristiansen	Board member since 29.05.09
Tommy Kristensen	Board member since 29.05.09
Anders Langerød	Board member since 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 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
Bjørn M. Wiggen	24.03.11
Tore Schiøtz	22.06.09
Heléne Vibbleus Bergquist	22.06.10

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

Audit committee

Member	Since
Odd Christopher Hansen	22.06.09
Svein Tore Holsether	24.03.11
Rolf B. Hansen	22.06.09

More information about the tasks and work of the Audit Committee can be found 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
Bernt Reitan	22.06.10

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

SHAREHOLDER MATTERS

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

The company has held more than 300 investor meetings and a large number of presentations during 2010 in Norway as well as internationally. REC also hosted two well attended capital markets days, one in the US and one in Singapore.

At year-end 2010, REC's total market capitalization was NOK 17,739 million. Around 40 analysts worldwide are regularly publishing research on the company.

Key data per share

	2010	2009
Market capitalization at year-end (NOK million)	**17,739**	29,748
Number of shares traded (million)	**3,755**	2,019
Number of shares at year-end (million)	**997.1**	664.8
Market price at year-end (NOK)	**17.79**	44.75
Highest market price during the year (NOK)	**37.27**	66.08
Lowest market price during the year (NOK)	**14.64**	32.17
Share price/Total equity per share, at year end	**0.80**	1.76

SHAREHOLDER/IR POLICY

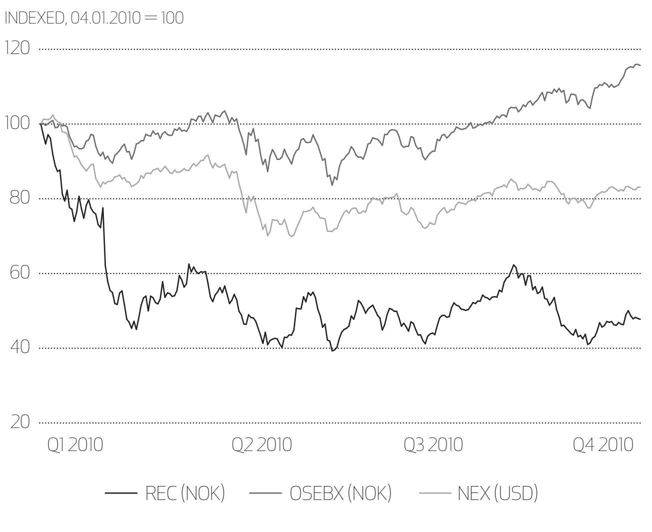
REC has implemented a corporate governance and shareholder policy approved by REC's Board of Directors to ensure the provision of accurate, relevant and timely information to the capital market.

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 world, all news and press releases are published in English only.

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

SHARE DATA

Share price development in 2010



The share price decreased throughout 2010, bringing the total market capitalization from NOK 30 billion at the beginning of the year, to NOK 18 billion at the end of the year. During 2010 REC issued 332,384,039 new shares, as part of the gross NOK 4 billion fully underwritten rights issue.

The share price development during 2010 can be seen below as well as the performance of the Oslo Stock Exchange (OBX) and the NEX renewable index.

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 2010, more than 1.3 million trades were executed and in the same period the total trading in the REC share was 3.8 billion shares. This represents a turnover velocity of 408 percent, calculated as the total number of shares traded in the period as a percentage of the average total registered number of shares.

During 2010 REC was the seventh most traded share on the Oslo Stock Exchange, measured in turnover by value. Measured by numbers of trades, REC was the second most traded company on the Oslo Stock Exchange in 2010, after Marine Harvest.

SHAREHOLDERS

At December 31, 2010, the REC Group had close to 33 thousand shareholders, and the total number of outstanding shares at the end of the year was approximately 997 million, each w ith a nominal value of NOK 1.

Share distribution and main shareholders are described in the tables below.

GEOGRAPHICAL DISTRIBUTION

Nearly 49 percent of the outstanding shares in REC are held by Orkla ASA and Hafslund Venture AS, the remaining shares are held by shareholders globally.

	COUNTRY	SHARES	% TOTAL SHARES
1	Norway	835,022,544	83.74%
2	United Kingdom	47,889,497	4.80%
3	Sweden	20,083,676	2.01%
4	United States	15,944,875	1.60%
5	Denmark	14,871,026	1.49%
	Total 5 largest	933,811,618	96.65%
	Other markets	63,340,500	6.35%
	Total number of shares	997,152,118	100,00%

Shareholders spread as per December 31, 2010

NUMBER OF SHARES FROM	NUMBER OF SHARES TO	NO. OF SHAREHOLDERS	NO. OF SHARES	OWNERSHIP (%)
1	100	3,454	218,052	0.02
101	1,000	13,769	6,571,315	0.66
1,001	10,000	12,178	42,570,535	4.27
10,001	100,000	2,949	86,544,756	8.68
100,001	1,000,000	418	122,440,309	12.28
1,000,001	-	69	738,807,151	74.09
		32,837	997,152,118	100.00

20 largest shareholders, December 31, 2010

	SHAREHOLDER	OWNERSHIP (%)	NO. OF SHARES	TYPE	NAT
1	ORKLA ASA	39.74	396,236,635		NOR
2	HAFSLUND VENTURE AS	8.93	89,037,031		NOR
3	FOLKETRYGDFONDET	2.87	28,585,526		NOR
4	RASMUSSENGRUPPEN AS	2.25	22,450,902		NOR
5	UMOE AS	1.40	14,000,000		NOR
6	CLEARSTREAM BANKING S.A.	0.98	9,752,923	NOM	LUX
7	VARMA MUTUAL PENSION INSURANCE	0.89	8,835,000		GBR
8	KAGRA AS	0.87	8,700,000		NOR
9	SKANDINAVISKA ENSKILDA BANKEN	0.73	7,243,720	NOM	SWE
10	STATOIL PENSJON	0.67	6,709,012		NOR
11	HOLBERG NORGE	0.63	6,329,086		NOR
12	SIX SIS AG	0.62	6,172,782	NOM	SUI
13	VITAL FORSIKRING ASA	0.53	5,294,271		NOR
14	DNB NOR MARKETS, AKSJEHAND/ANALYSE	0.49	4,836,806		NOR
15	DANSKE BANK A/S	0.44	4,368,134	NOM	DEN
16	NORDEA BANK DENMARK AS	0.37	3,701,047	NOM	DEN
17	JPMORGAN CHASE BANK	0.36	3,568,301	NOM	GBR
18	ABN AMRO N.V RE TREATY 26105	0.35	3,451,892	NOM	NED
19	NORDNET BANK AB	0.34	3,358,310	NOM	SWE
20	COMMERZBANK AG FRANKFURT	0.33	3,319,574		GER
	Total 20 largest	63.78	635,950,952		
	Other	36.22	361,201,166		
	Total number of shares	100.00	997,152,118		

INVESTOR RELATIONS ACTIVITIES

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

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

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

REC hosted two well attended capital markets days in 2010, one in the US in March and one in Singapore in November. The purpose of these visits was for investors and sell-side analysts to learn more about REC's operations in REC Silicon in the US and about the new integrated wafer, cell and module facility in Singapore.

During the year, REC has participated in various renewable energy- and PV conferences as well as holding more than 300 physical meetings and several hundred phone meetings with Norwegian and international investors. The cities covered by REC during road shows in 2010 include: Oslo, London, Boston, New York, Frankfurt, Zurich, Copenhagen and Stockholm.

At the end of the year, the number of sell-side analysts that regularly follow REC were around 40, of which 15 are Norwegian based. An updated list of analysts following the company can be found under Investors at www.recgroup.com

FINANCIAL CALENDAR 2011

EVENT	DATE
Fourth quarter 2010	February 9, 2011
Extraordinary General Meeting	March 9, 2011
First quarter 2011	May 4, 2011
Annual General Meeting	May 25, 2011
Second quarter 2011	July 19, 2011
Third quarter 2011	October 26, 2011
Fourth quarter 2011	February, 2012

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
Tel.: +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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VP & Investor Relation Officer
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Investor Relations Analyst
Tel.: +47 95 02 63 11
Email: ir@recgroup.com

Mail address
PO Box 594
N-1302 Sandvika
Norway

Office address
Kjørbovn. 29, Sandvika

SUSTAINABILITY

REC's mission statement is "Smart Energy for a Cleaner Future" and signals REC's commitment to making safe and sustainable solar energy affordable and accessible globally. This means continuous focus on reducing the cost and enhancing the value of solar products, while keeping safety at the forefront, and always striving for a high standard of ethics with as little negative impact on the environment as possible. REC seeks to advance the competitiveness of solar energy and create value through innovation, operational excellence, and industry-wide expertise.

REC acknowledges its responsibility as a company to be held accountable to shareholders, investors, employees, the environment and the society at large. Everywhere REC operates, it will continuously seek to minimize any negative effects caused by its activities. REC respects human rights, takes responsibility as an employer, fights corruption, and strives to build a transparent corporate culture towards all stakeholders.

REC aims to create value for its shareholders, and at the same time make a positive impact on the local communities the company operate in, and the broader society. Hence the sustainable business model is an integral part of the way REC does business. To achieve its goals, REC focuses on technology innovations, product development and production process improvements. This means reducing the cost and reducing the environmental impact of generating electricity from solar – which is the most important contribution REC can make to global sustainability.

The big picture for safe and sustainable solar

Solar energy is a clean, renewable and climate-friendly source of energy, which is produced near or at the point of consumption and making it an efficient source of electricity for a range of applications.

With global economic growth, the demand for energy will grow, while hydrocarbon depletion is expected to lead to declining supply and steadily increasing energy prices. The climatic consequence of using fossil fuel to produce energy is an added concern. The UN expects a quadrupling of annual carbon emissions in the 21st century unless active climate policies are quickly implemented.

GOVERNING SUSTAINABILITY

The Group Polices on Sustainability have been developed and implemented to define the REC way of working with Sustainability – both internally and in the various markets REC operates. The policies are governing documents for all REC activities and are normative for all underlying documents within Sustainability. The policies were adopted by the Group Management in January 2010 and meet the NUES standards regarding their content. The Policies are communicated internally and on the website. The Group Policies consist of Quality and Improvement Policy, Safety and Health Policy, Environment and Climate Policy as well as Business Conduct Policy, and describe the overall way of working.

- The Quality and Improvement Policy provides a continuous focus on quality and improvements

- The Safety and Health Policy targets zero harm to employees, contractors, partners, customers and members of the public.

- The Environment and Climate Policy shall maximize the positive contribution from renewable and climate-friendly solar energy at affordable prices.

- The Business Conduct Policy is designed to support sustainability and the highest level of business ethics in all REC's activities. Promoting transparency and accountability in all activities to continuously improve business conduct together with REC's stakeholders

The Business Conduct Policy is designed to support sustainability, human rights, labor practices, business ethics, transparency and avoidance of corruption.

A comprehensive set of HSE principles and assessment tools have been developed and implemented in 2010. All internal HSE process steps are covered and expectations and methods are explained in order to secure HSE standards and share best practices across the Group.

On Group level, REC has established an HSE Network as well as a Group Sustainable Supply Chain and Partners Network with the mandate to act as advisory boards to the Group Management and facilitate sharing of best practices across the group. All performance responsibilities lie with the line management in the business units. All REC manufacturing units have established and implemented HSE networks with dedicated resources in operation and technology development. On Group Management level, the responsibility for HSE is placed with the EVP of Human Resources and Organizational Development. Sustainability is a joint responsibility with the Board of Directors.

On Sustainability Reporting

REC's stakeholders shall recognize and acknowledge the company's commitment and ability to comply with expectations formalized by the industry and the international community.

REC's sustainability reporting addresses the issues that are material for the company with a particular focus on energy efficiency, carbon footprint, compliance, environment and safety. REC is continuously working to improve the company's sustainability reporting to the market and strives to be transparent and accountable in its dialogue with key stakeholders. Internally REC is reporting weekly, monthly, quarterly and annual progress on a range of KPIs defined in the Group Policies on Sustainability. The KPIs include Non-compliances, Injuries, HSE observations, as well as life cycle factors.

ENVIRONMENTAL PERFORMANCE

Environmental and climate changes pose threats to the planet. REC contributes to meeting these challenges, through developing competitive solar energy solutions while focusing on reducing any negative environmental impact of its processes and products.

Energy efficiency

The energy efficiency of PV can be measured as total generation of energy through the lifetime of a PV system, as energy generation per area or as energy payback time. The total generation of energy provided by a PV module over the lifetime is an important indicator for customers investing in a PV system. As the polysilicon solar cell efficiency has been continuously increased the last years, a typical REC module now generates approximately 8 MWh over the guaranteed 25 years lifetime. Due to higher efficiency, polysilicon solar applications also generate more kWh per area than alternative technologies. A typical REC module provides 150 W/ m^2 under standard test conditions.

The energy payback time is the amount of time it takes a PV system to generate the energy used for its production. REC is considered to be among the industry leaders with its low energy payback time due to the energy efficient FBR technology in the polysilicon process. REC will repeat the life cycle assessment (LCA) in the first quarter in 2011 and expects an energy payback time of 1 year as both the FBR technology for polysilicon production has been fully implemented and the ramp-up of the new wafer, cell and module facilities has been completed.

Carbon footprint

The carbon footprint is increasingly part of the demanded quality aspects of a product, and for REC's modules reflects the energy source and energy efficiency during manufacturing as well as the energy efficiency of the PV module itself. REC is able to achieve a carbon footprint of only 20.5 g CO2-eq/ kWh for at typical PV system, based on an energy efficient manufacturing process and use of hydropower for the most energy intensive parts of the manufacturing processes.

Emissions

REC has a range of HSE related permits at its various operating sites. REC keeps record of the incidents that are non-compliances to regulatory HSE requirements in each business segment. 34 HSE non-compliances were recorded, of which seven were still open at year end. This is not an acceptable situation and special focus from site managements will be required to secure compliance with all regulatory requirements at all time. In all emission cases, the local environmental authorities were notified and corrective and preventive measures are taken to improve operational routines and design weaknesses.

Environmental certification

To better manage the environmental aspects of the production process, REC has been focusing on the ISO 14001 standard. The standard is designed to assist companies in reducing their negative impact on the environment. The standard is not an environmental management system as such and therefore does not dictate absolute environmental performance requirements, but serves instead as a framework to assist organizations in developing their own environmental management system. This certification has been given to four sites in Norway and Singapore.

PRODUCT STEWARDSHIP

The process of further developing REC's product, whether it is lower cost polysilicon, thinner wafers, more efficient solar cells or attractive solar panels, is a continuous process at REC. While commercial considerations are critical for the technological inventions, additional factors like environmental and health impact plays an increasingly important role. It pushes REC to develop and create highly efficient products at a low cost, and at the same time remain a responsible citizen.

REC has adopted principles of product stewardship promoting the development of voluntary agreements with industry and environmental groups to reduce the health and environmental impacts from consumer products. Product stewardship is ensured in the whole lifecycle from R&D, design, sourcing, manufacturing, distribution, installation, maintenance, decommissioning through disposal as well as recycling. All products are in compliance with relevant prevailing legislative regulations.

Life Cycle Assessments

An LCA is a technique to assess each and every impact associated with all the stages of a product from cradle-to-grave. The main life cycle environmental negative impacts of polysilicon PV modules come from the manufacturing phase and include:

- Energy consumed during manufacturing and the emissions associated with that energy generation
- Water consumption, which is cleaned and returned to the watershed
- Hazardous by-products which are released to the air or recycled and reused in further production processes

REC is continuously looking to minimize any negative impact of the production of PV modules, including the process steps in the value chain of solar grade polysilicon, mono- and multicrystalline wafers as well as solar cells. The company monitors the improvement programs through yearly LCAs, focusing on the most important material flows.

Hazardous substances

The EU Directive on Restrictions on use of Hazardous Substances (RoHS) was submitted to recast in 2010. The PV industry has previously not been included under this EU directive, and the 2010 recast maintained the exemption for PV. The recasted RoHS directive will be formally adopted in spring 2011, but the European Commission has stated that it intends to review the scope of this directive in 2012. To promote the development of safe and sustainable solar, REC has participated in an initiative for the inclusion of PV under the EU Directive on RoHS together with Atersa, Bosch, Photovoltech, SolarWorld, Solland and Wacker. It is REC's position that the PV industry should comply with European environmental standards, while allowing for a time-limited transition period.

Waste management

Waste management is a part of REC's approach to a sustainable solar energy industry. The EU Directive on Waste from Electrical and Electronic Equipment (WEEE) is a directive governing the handling of waste from the producers of electrical and electronic equipment. PV is currently not included in the WEEE directive. With the long lifetime of PV modules and most PV systems being installed quite recently, the current volumes of PV module waste are low. The European industry has the ambition to establish a voluntary Environmental Agreement through the association PV CYCLE, dedicated to the collection and recycling of end-of-life PV modules. REC has been a member of PV CYCLE since 2008 and has been represented on the Board since 2010. REC modules that became waste in 2010 were properly treated with 3rd party recycling facilities.

Production waste is another important aspect of REC's waste management policy. In general all the waste from the manufacturing processes is sorted and recycled to a high degree with 3rd party waste management facilities. Any hazardous waste is properly collected and treated. In polysilicon production, REC operates with a closed loop cycle process, and the small waste volumes are handled according to regulatory requirements. All polysilicon waste is recycled within the manufacturing process and other inputs recovered and reused. For instance, REC does not dispose of silicon tetrachloride as a waste, as it is consumed within the closed silane manufacturing process. REC achieves a high degree of recycling of silicon carbide (SiC) and polyethylene glycol (PEG) on site as an integrated part of the wafer process.

ISO certification

To ensure quality, REC is certifying for ISO 9001. ISO 9001 seeks to accurately define the complete processes inherent in each quality process, from input to output to feedback.

This certification has been given to seven of 12 REC sites.

SAFETY FIRST

Safety is a continuous priority at REC. Fundamentally; all accidents, injuries and occupational illness are preventable and the company aims to operate with zero harm to people.

Incident Management

REC ended 2010 with no work-related fatalities in more than 7.5 million worked hours.

The Lost Time Incidents (LTI) rate on a Group level has improved from 6.32 in 2009 to 3.71 in 2010. This positive development is a result of the increased focus on incident management and HSE. The result is however above industry world-class performance demonstrated by the best in energy, semiconductor and process industry. Actions to reduce the injury levels include setting performance- and improvement targets for all units, intensifying HSE job observations and extensive management and team involvement in each lost time incident investigation.

The Total Recordable Injuries (TRI) rate has dropped from 13.25 in 2009 to 7.83 in 2010. Performance and improvement targets have been set for all units. Lessons learned and best practices are shared across sites through better reporting systems and more integrated HSE/ operations organizations. Four of the sites are in progress of receiving OHSAS 18001 certification.

Emergency preparedness

REC has comprehensive emergency preparedness organizations and procedures in place on every site. These plans are aligned with the group-wide emergency preparedness plan. The plans include risk and vulnerability analysis, general principles, and 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.

SUSTAINABLE PARTNERSHIPS

REC strives for sustainability and the highest level of business ethics in all its activities, and promotes transparency and accountability to continuously improve business conduct together with the stakeholders.

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

REC has further adopted the consolidated International Chamber of Commerce Code providing practical guidance and help to build consumer trust and confidence. This Code is providing a framework for REC to demonstrate responsibility and good practice in advertising and marketing communication as well as further enhance REC's overall public confidence in marketing communication.

Integrity

REC and its employees shall act in a socially responsible manner, obey all laws and regulations and respect the lawful customs and traditions of the countries in which REC operates.

REC supports fundamental human rights and avoids participating in any business activities that may compromise human rights. The company supports efforts to eliminate corruption and financial crime.

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.

FINANCIAL STATEMENTS REC GROUP & REC ASA

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
REC GROUP

(NOK IN MILLION)	NOTES	2010	2009
ASSETS			
Non-current assets			
Goodwill	6, 7	**587**	584
Other intangible assets	6	**536**	476
Total intangible assets	6	**1 123**	1 060
Land and buildings	6	**8 150**	2 955
Machinery and equipment	6	**17 136**	10 803
Other tangible assets	6	**439**	167
Assets under construction	6	**861**	10 473
Total property, plant and equipment	6	**26 586**	24 398
Prepaid lease, non-current	6	**104**	29
Prepaid capex		**29**	887
Investments in associates	8	**174**	146
Other non-current receivables	12	**1 085**	195
Embedded derivatives	11	**4**	0
Other derivatives	11	**192**	110
Restricted bank accounts	14	**0**	88
Financial assets		**1 455**	538
Deferred tax assets	18	**336**	374
Total non-current assets		**29 634**	27 286
Current assets			
Inventories	13	**2 495**	1 989
Prepaid lease, current	6	**11**	11
Trade and other current receivables	12	**2 953**	2 598
Assets held for sale		**21**	0
Current tax assets	18	**319**	64
Other derivatives	11	**582**	484
Restricted bank accounts	14	**0**	14
Cash and cash equivalents	14	**849**	1 688
Total current assets		**7 231**	6 848
Total assets		**36 865**	34 134

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
REC GROUP

(NOK IN MILLION)	NOTES	2010	2009
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		**997**	665
Share premium and other paid-in capital		**16 356**	12 764
Paid-in capital		**17 353**	13 428
Other equity and retained earnings		**3 809**	5 828
Profit/loss for the period from total operations		**989**	-2 347
Other equity and comprehensive income		**4 798**	3 481
Total shareholders' equity		**22 151**	16 909
Non-current liabilities			
Retirement benefit obligations	19	**94**	45
Deferred tax liabilities	18	**1 804**	761
Provisions and other non-interest bearing liabilities	20	**288**	209
Embedded derivatives	11	**144**	188
Other derivatives	11	**41**	25
Non-current financial liabilities, interest bearing	17	**8 592**	11 366
Non-current prepayments, interest calculation	17	**479**	478
Total non-current liabilities		**11 443**	13 072
Current liabilities			
Trade payables and other liabilities	20	**2 593**	3 137
Current tax liabilities	18	**200**	142
Embedded derivatives	11	**140**	75
Other derivatives	11	**20**	112
Current financial liabilities, interest bearing	17	**194**	611
Current prepayments, interest calculation	17	**124**	76
Total current liabilities		**3 271**	4 153
Total liabilities		**14 714**	17 225
Total equity and liabilities		**36 865**	34 134

Sandvika, March 24, 2011

Bjørn M. Wiggen
Chairman of the Board

Tore Schiøtz
Member of the Board

Svein Tore Holsether
Member of the Board

Hilde Myrberg
Member of the Board

Susanne Munch Thore
Member of the Board

Bernt Reitan
Member of the Board

Heléne Vibbleus Bergquist
Member of the Board

Odd Christopher Hansen
Member of the Board

Tommy Kristensen
Member of the Board

Anders Langerød
Member of the Board

Rolf B. Nilsen
Member of the Board

Unni Kristiansen
Member of the Board

Ole Enger
President and CEO

CONSOLIDATED STATEMENT OF INCOME
REC GROUP

(NOK IN MILLION)	NOTES	2010	2009
Revenues	5	**13 776**	8 831
Cost of materials		**-5 498**	-3 035
Changes in inventories		**518**	35
Employee benefit expenses	24	**-2 211**	-1 649
Other operating expenses	22	**-3 053**	-2 379
EBITDA *		**3 532**	1 803
Depreciation	6	**-2 395**	-1 218
Amortization	6	**-81**	-56
Impairment	6, 7	**-38**	-1 359
Total depreciation, amortization and impairment		**-2 514**	-2 632
EBIT		**1 018**	-829
Share of profit/loss of associates	8, 25	**1**	-64
Financial income	25	**35**	95
Net financial expenses	25	**-1 134**	-325
Net currency gains/losses	25	**544**	-254
Net gains/losses derivatives and fair value hedge	25	**875**	232
Impairment and loss on financial assets	25	**-1**	0
Fair value adjustment convertible bond	25	**481**	-156
Net financial items		**801**	-472
Profit/loss before tax from continuing operations		**1 818**	-1 301
Income tax expense/benefit from continuing operations	18	**-930**	100
Profit/loss for the period from continuing operations		**889**	-1 200
Profit/loss for the period from discontinued operations, net of tax		**101**	-1 146
Profit/loss for the period from total operations		**989**	-2 347
Attributable to:			
Owners of REC ASA		**989**	-2 347
***EBITDA includes special items**			
Costs for junction box repair		**38**	-364
Costs for restructuring		**-65**	0
Wafer contract cancellation fee		**304**	0
Total		**277**	-364
Earnings per share for profit/loss attributable to the equity holders of REC ASA (in NOK per share)			
From continuing operations			
- basic	26	**0.96**	-1.63
- diluted	26	**0.51**	-1.63
From total operations			
- basic	26	**1.07**	-3.19
- diluted	26	**0.61**	-3.19

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)	2010	2009
Profit/loss for the period from total operations	989	-2 347
Other comprehensive income, net of tax:		
Currency translation differences	341	-1 654
Actuarial gain/loss on defined benefit pension schemes	-4	11
Cash flow hedges	-19	-6
Total other comprehensive income for the period	318	-1 649
Total comprehensive income for the period	1 307	-3 995
Total comprehensive income for the period attributable to:		
Owners of REC ASA	1 307	-3 995

CONSOLIDATED DETAILS OF COMPREHENSIVE INCOME
REC GROUP

(NOK IN MILLION)	TRANSLATION DIFFERENCES	TAX	PENSION	CASH FLOW HEDGE	ACQUISITION	CHANGE IN ACCOUNTING PRINCIPLE	PROFIT/LOSS FROM TOTAL OPERATIONS	**TOTAL**
Year 2009								
Accumulated at January 1, 2009	1 362	-21	-19	34	234	-50	4 854	**6 394**
Profit/loss for the period from total operations	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/loss 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**
Year 2010								
Accumulated at January 1, 2010	-341	22	0	26	234	-50	2 507	**2 399**
Profit/loss for the period from total operations	0	0	0	0	0	0	989	**989**
Other comprehensive income:								
Currency translation differences	346	-5	0	0	0	0	0	**341**
Actuarial gain/loss on defined benefit pension schemes	0	-2	-3	0	0	0	0	**-4**
Cash flow hedges								
- valuation gain/loss taken to equity	0	0	0	1	0	0	0	**1**
- transferred to profit/loss for the period *	0	8	0	-27	0	0	0	**-20**
Total other comprehensive income for the period	346	1	-3	-26	0	0	0	**318**
Total comprehensive income for the period	346	1	-3	-26	0	0	989	**1 307**
Accumulated at December 31, 2010	6	23	-3	0	234	-50	3 497	**3 706**
Total comprehensive income for the period attributable to:								
Owners of REC ASA	346	1	-3	-26	0	0	989	**1 307**

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

(NOK IN MILLION)	**2010**	2009
Revenues	**27**	10
Total	**27**	10

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 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**
Year 2010							
At January 1, 2010	665	12 481	283	13 428	1 082	2 399	**16 909**
Equity share option plan	0	0	0	0	9	0	**9**
Share issue	332	3 593	0	3 926	0	0	**3 926**
Total comprehensive income for the period	0	0	0	0	0	1 307	**1 307**
At December 31, 2010	997	16 073	283	17 353	1 091	3 706	**22 151**

CONSOLIDATED STATEMENT OF CASH FLOWS
REC GROUP

(NOK IN MILLION)	2010	2009
Cash flows from operating activities		
Profit/loss before tax from total operations [1]	1 781	-2 482
Income taxes paid/received	147	-384
Depreciation, amortization and impairment	2 520	3 565
Fair value adjustment convertible bond	-481	156
Associates and impairment/losses financial assets	83	64
Changes in receivables and prepayments from customers etc.	-425	-493
Changes in inventories	-614	-462
Changes in payables and accrued expenses	-54	318
Changes in provisions	-262	468
Changes in derivatives	-234	706
Currency effects not cash flow or not related to operating activities	-429	-253
Other items [2]	454	83
Net cash flows from operating activities	2 485	1 286
Cash flows from investing activities		
Cash proceeds for shares (incl. associates)	3	2
Cash payments for shares (incl. associates)	0	-1
Proceeds from finance receivables and restricted cash [3]	121	34
Payments finance receivables and restricted cash[3]	-131	-140
Payments for property, plant and equipment and intangible assets	-4 452	-11 136
Proceeds from investment grants	163	420
Proceeds from sale of subsidiaries and joint ventures, net of cash sold	-34	-3
Net cash flows from investing activities	-4 329	-10 823
Cash flows from financing activities		
Increase in equity	3 888	4 333
Payments of borrowings and up-front/waiver loan fees [4]	-19 231	-17 880
Proceeds from borrowings	16 361	24 316
Net cash flows from financing activities	1 018	10 769
Effect on cash and cash equivalents of changes in foreign exchange rates	-14	-40
Net increase/decrease in cash and cash equivalents	-840	1 192
Cash and cash equivalents at the beginning of the period [5]	1 688	497
Cash and cash equivalents at the end of the period	849	1 688

[1] PROFIT/LOSS FROM TOTAL OPERATIONS CONSISTS OF

(NOK IN MILLION)	2010	2009
Profit/loss before tax from continuing operations	1 818	-1 301
Profit/loss before tax from discontinued operations	-38	-1 181
Profit/loss before tax from total operations	1 781	-2 482

[2] Other items for the year 2010 consist primarily of up-front/waiver loan fees.
[3] Proceeds/payments from finance receivables and restricted cash include also loans, non-current receivables and non-current prepaid cost.
[4] Payments of borrowings and up-front/waiver loan fees include also prepayments, interest calculation.
[5] Cash and cash equivalents exclude restricted bank accounts.

INDEX OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
REC GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REC GROUP

1 GENERAL INFORMATION

Renewable Energy Corporation ASA (the Company/REC ASA) and its subsidiaries (together REC/the REC Group) have a significant presence in the international solar energy industry. The areas of operation are principally the development and sale of products related to the photovoltaic (PV) industry. The REC Group is engaged in production of silane gas and polysilicon for the solar and electronic industry, wafers and ingots for solar applications, and manufacturing of solar cells, solar modules and PV systems.

The Company is a limited company incorporated and domiciled in Norway. The address of its registered office is Kjørboveien 29, Sandvika.

These consolidated financial statements have been approved for issue by the Board of directors on March 24, 2011 and are subject to approval by the annual general meeting on May 25, 2011.

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 assets, the revaluation of derivative instruments and a EUR convertible bond loan measured at fair value as well as fair value adjustments of parts of the fixed interest rate NOK bond 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 acquisition method of accounting is used to account for the acquisition of subsidiaries by the REC Group. The consideration transferred of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred over the fair value of REC Group's share of the identifiable net assets acquired is recorded as goodwill (see note 2.7). If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income. Step acquisitions: an increase in ownership of a jointly controlled entity or an associate that becomes a subsidiary is accounted for using the acquisition method as at the date of control. An increase in ownership in a subsidiary is accounted for in accordance with the requirements of IAS 27 *Consolidated and Separate Financial Statements* as a transaction with equity holders with no change in the carrying amounts of assets or liabilities.

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. 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). Subsequent to the sale of Sovello AG in 2010 and the reporting of the same as discontinued operations (see note 9), REC has no significant interests in jointly controlled entities.

(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. The only associate of any significance for the periods presented is Mainstream Energy Inc., see note 8.

2.3 SEGMENT REPORTING
An operating segment is a distinguishable component of the REC Group that is engaged in providing products that are subject to risks and returns that are different from those of other operating segments; this also corresponds to the internal management reporting in the REC Group. 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 disposed, such exchange differences are recognized in the statement of income as part of the gain or loss on sale. The REC Group did not at December 31, 2010 or 2009 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 non-current 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, 2010 and 2009, 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, 2010 and 2009, 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 or a commonly used currency (see note 4.1(D)). 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 cash flow hedge accounting. At the end of 2008, the designation as hedge was revoked, with amounts previously recognized in equity through OCI remaining in equity until the forecasted transactions occurred. At December 31, 2010 all amounts have been transferred to profit or loss. At December 31, 2010 REC had no hedge accounting for currency risk and the only remaining designated hedge instruments related to fair value interest rate hedge of a NOK 1,250 million bond.

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 recognized in equity through OCI 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 recognized in equity through OCI 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 through OCI 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.

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 statements of financial position or cash flow.

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

REC ASA established a fixed rate convertible bond in the fourth quarter of 2009 that is denominated in a foreign currency (EUR). 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 remeasured to market at reporting date. For the 2009 convertible bond, REC recognizes the change in the fair value of the whole convertible bond, and not just the embedded derivative, through profit or loss as a part of financial income or expenses.

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

A financial liability (or a part of a financial liability) is removed from the statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between REC and an existing lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss. REC has evaluated that the debt restructuring in 2009 did not include extinguishment of debt. The repayment and cancelling of debt in 2010 in relation to the establishment of the new debt structure was accounted for as extinguishment of debt.

2.15 INVENTORIES AND CONSTRUCTION CONTRACT COSTS

Inventories are stated at the lower of cost or net realizable value. Cost for inventory with different nature or use is determined using the first-in, first-out (FIFO) or average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less 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.

Eligible costs relating to building of PV systems for sale in the ordinary course of business in REC Systems has from 2010 been accounted for as inventories or construction contract costs, as applicable.

2.16 INCOME TAX

Income tax expense represents the total of the tax currently payable (current tax) and the change in deferred tax allocated to the statement of income. The current tax is based on taxable profit 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 buildings in Singapore and 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. In 2009, the REC Group recognized gains on the curtailment and settlement of defined benefit plans in Norway, see note 19.

For defined contribution plans, the REC Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, the plan is accounted for as if it were a defined contribution plan, which for REC Group is relevant for an early retirement plan in Norway and a pension plan in Sweden, see note 19.

2.19 REVENUE RECOGNITION
Revenues are primarily generated from sale of goods: polysilicon, silane gas, wafers, ingots, solar cells and solar modules. Starting in 2010, REC Group has realized revenues from sale of PV systems.

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

Revenues are normally reported gross with a separate recording of expenses to vendors of products or services. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred (transferred significant risks and rewards of ownership and control) or services have been rendered, the price is fixed or determinable, collectability is reasonably assured (probable that future economic benefits will be realized) and the costs can be measured reliably. Recognition of revenues from construction contracts also depends on being able to measure reliably the stage of contract completion.

The REC Group's opinion is that it has no significant difficulties in deciding when delivery has occurred, except to some extent for the PV system projects. Delivery is normally according to terms in the relevant contracts. When REC products are sold with a right of return for damaged goods, experience is used to estimate and provide for such returns at the time of sale. For the PV system projects, judgment is needed to decide if it is a construction contract or sale of goods or services, which affects when revenue shall be recognized. The REC Group has limited experience in sale of PV systems and the probability of realizing future economic benefits have effectively limited some revenue recognition for 2010. Sales of PV systems that are realized by sale of special purpose entities are also accounted for as mentioned above.

When sub-contractors are used to perform parts of the production, e.g. wafer cutting or cell or 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. In determining minimum lease payments it has been taken into consideration the possibility of termination of contracts.

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

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 STATEMENT OF CASH FLOWS

The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash line items. Interest received and paid and dividends received are reported as a part of operating activities. The statement of cash flows includes discontinued operations prior to their disposal.

Operating activities include all cash flow effects from derivatives, and the difference between the amounts reported as gains or losses in the statement of income and net amounts paid or received is reported in the line item "change in derivatives". REC Group has recognized large amounts of currency gains and losses in the statement of income, primarily reported by REC ASA. The net currency gains or losses are split into items estimated to relate to borrowings (finance activities), non-current financial assets and investments (investing activities) and unrealized gains or losses on cash and cash equivalents held at the end of the periods. These amounts are included in the line item under operating activities "currency effects not cash flow or not related to operating activities" as an adjustment to the amount reported in the statement of income and reclassified as relevant. The remaining currency gains or losses are consequently included as part of operating activities. Investing activities include cash flows related to non-current receivables and non-current prepayments (assets), even if these relates to purchase or sale of goods and services. Financing activities include cash flows related to issue of new shares, net of costs for the capital increase. The income tax effect on these costs does not materialize as cash flow in the same period, and is included in the separate line under operating activities for income taxes paid/received. Payments of borrowings include cash flows for prepayments (liabilities), interest calculations. It also includes main parts of payments of up-front and waiver loan fees and costs for loan and guarantee facilities.

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 operations and effective for annual reporting periods beginning on January 1, 2010:

- IFRS 2 *Share-based Payment: Group cash settled share-based payment transaction*
- IFRS 3 *Business Combinations: Revised*
- IAS 27 *Consolidated and Separate Financial Statements: Amended*
- IAS 39 *Financial Instruments – Recognition and Measurement: Eligible Hedged Items*
- IFRIC 12 *Service Concession Arrangements*
- FRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*
- *Improvements to IFRS issued April 2009*

The Group has not early adopted any standards or interpretations in 2010.

When the adoption of a standard or interpretation has impacted the Group's consolidated financial statements for 2010, the impact is described below:

IFRIC 15 *Agreements for the Construction of Real Estate*. This interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements in the scope of this interpretation are agreements for the construction of real estate. In addition to the construction of real estate, such agreements may include the delivery of other goods or services. The interpretation addresses two issues: (a) is the agreement within the scope of IAS 11 or IAS 18 and (b) when should revenue from the construction of real estate be recognised. REC has evaluated that this interpretation is relevant for the construction of PV systems.

REC did not recognize any revenues for construction of PV systems prior to 2010, and the adoption of the interpretation did not imply any change in its accounting principles.

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

IFRS 7 *Financial Instruments – Disclosures* (effective from July 1, 2011, but not yet approved by the EU). The amendment contains new disclosures to enhance the transparency of disclosure requirements for the transfer of financial assets. The amendments will assist users to understand the implications of transfers of financial assets and the potential risks that may remain with the transferor. The potential impact of the standard on the Group's disclosures in consolidated financial statements has not been concluded.

IFRS 9 *Financial Instruments* (effective from January 1, 2013, but not yet approved by the EU). The present IFRS 9 is phase one of the IASB's project plan for the replacement of IAS 39, that consists of three main phases. The IASB aims to replace all of the requirements of IAS 39 by the second quarter of 2011. The objective of the project is to improve the decision usefulness for users of financial statements by simplifying the classification and measurement requirements for financial instruments. The three phases are:

- Phase one: Classification and measurement. IFRS 9 *Financial Instruments* was published in November 2009 and contained requirements for financial assets. Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading which may be held at fair value through equity. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. Gains and losses on own credit arising from financial liabilities designated at fair value through profit or loss will be excluded from the statement of income and instead taken to other comprehensive income.
- Phase two: Impairment methodology. The exposure draft *Amortised Cost and Impairment* was published in November 2009. Both expected losses and incurred losses will be reflected in impairment allowances for loans and advances.
- Phase three: Hedge accounting. The exposure draft *Hedge Accounting* was published in December 2010. Hedge accounting will be more closely aligned with financial risk management.

The IASB will also address offsetting of financial assets and liabilities.

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

IAS 12 *Deferred tax: Recovery of Underlying Assets – amendments* (effective from annual periods beginning on or after January 1, 2012, but not yet approved by the EU). IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult to assess when the asset is measured using the fair value model in IAS 40. The amendment provides a practical solution by introducing a presumption that recovery of the carrying amount will, normally be through sale. The same applies to non-depreciable asset measured using the revaluation model in IAS 16. The preliminary evaluation for is that REC has no such assets, and the amendments should have no effect for REC.

IAS 24 *Related Party Disclosures – revised* (effective from January 1, 2011). 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 the revised standard will have limited or no impact on the Group's consolidated financial statements.

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 evaluation is that the amendment will only have effect on any future transactions, if any.

IFRIC 14 *Prepayments of a Minimum Funding Requirement – amended* (effective for annual periods beginning on or after January 1, 2011). The amendment to the interpretation will allow entities to recognise a prepayment of pension contributions as an asset rather than an expense. REC has evaluated that the amendment will have no impact on the Group's consolidated financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after July 1, 2010). 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 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, 2011). The changes are primarily in order to remove inconsistencies and to clarify the wording of standards and interpretations. There are separate transition provisions for each standard. These changes have limited effect for the Group.

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

2.25 RE-PRESENTATION OF DISCONTINUED OPERATIONS
Comparative statement of income figures are re-presented to reflect Sovello as discontinued operations, see note 9.

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, refinancing risk and others.

The goals for the REC Group finance policy and the treasury operations are primarily to minimize the risk for financial distress, secure long term funding, reduce refinancing risk, hedge currency risk of expected future net cash flows and manage interest rate risk. REC's finance policy sets the framework and limits for hedging activities in the REC Group. It defines risk management objectives, responsibilities and operational requirements. The REC Group finance policy was revised in December 2010 with limited changes from 2009.

All hedging transactions are 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. The REC Group has centralized its treasury function to REC ASA. By concentrating financial management and operations in REC ASA, economies of scale and better control of financial risks are achieved.

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

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

REC's primary focus is hedging the currency risk of external net cash flow of the Group in currencies other than NOK. NOK is the functional currency of the parent company REC ASA and the reporting currency for the REC Group. Net cash flow is defined as the consolidated external cash flows from operations, finance costs and capital expenditure. The REC Group's policy is to hedge between 50 and 105 percent of forecasted consolidated external net cash flow on a 24 month rolling basis. The purpose is to reduce the currency risk of the expected future net cash flows for the Group measured in NOK.

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

See note 30 for currency sensitivities of derivatives and other financial assets and liabilities. Entering into currency derivative contracts increase currency risk from financial instruments related to the financial statement even if the purpose is to reduce the currency risk of estimated future cash flows in relation to NOK. This is because by entering into currency derivative contracts REC establish financial instruments and consequently expose itself for changes in the fair value or cash flows of the financial instruments. In addition, recognized financial assets and liabilities (especially internal receivables and payables and external interest bearing liabilities) in currencies other than the separate entities functional currencies are affected by changes in currency rates. These currency risks in relation to the financial statements are currently not hedged.

In 2009 and 2010, REC has not used hedge accounting according to IAS 39 *Financial Instruments Recognition and Measurement* for currency hedges.

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

(B) Credit risk
REC has historically realized limited losses on trade receivables, but has in 2010 increased provisions for loss on trade 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, especially up to the first half of 2010 increased credit risks related to counterparties. REC has also experienced some disputes when it has been necessary to call on bank guarantees from customers. Credit risk may also increase by abrupt changes in market conditions by changes in government incentives. REC has during 2010 increased the number of customers, and thereby reduced the risk related to concentration of a limited number of customers. In 2010, no single customer exceeded ten percent of revenues or trade receivables. However, the customers are to a large extent exposed to the same industry. See note 30 for further discussion of credit risk related to receivables.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. For derivatives traded with banks ("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. All the banks currently used as derivative counterparties have credit ratings in the A or higher categories assigned by Standard & Poor's or Moody's.

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, 2010 and some future years were originally pre-defined in long-term contracts. However, due to the market developments, REC Wafer has had to make downward adjustments compared to the original amounts in 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. REC had insignificant positive fair values in embedded derivatives at December 31, 2010 and 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 long-term committed revolving credit facilities and/or cash on deposit.

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

The liquidity risk was high in the beginning of 2010, due to the substantial capital expenditures, the difficult market through 2009 and the future market uncertainty and risk related to ramp-up of production facilities. However, on March 30, 2010, REC entered into an agreement with the lending banks for a change in the financial covenants for the first quarter 2010. At the same time, REC entered into a committed term sheet agreement for a new bank debt structure and announced a fully underwritten rights issue (see note 15). The new bank facilities contain more favorable financial covenants reflecting the expected cash flows with comfortable headroom compared to the company's business plan. See note 17 for more information. Prudent management of the completion of the expansion projects in the USA (REC Silicon) and Singapore (REC Solar) and a stronger market also contributed to reduce the risk during 2010. Entering 2011, REC regards the liquidity risk to be reduced. However, it should be noted the maturity schedules of REC's borrowings, with significant maturities in 2013 and 2014, see note 17. REC will work on reducing this maturity risks, primarily through expected realization of future positive cash flows and refinancing of debt and credit facilities.

(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. However, in 2009 REC issued a EUR fixed interest rate convertible bond without swapping to floating interest rate. A fixed interest rate NOK bond was also issued, that is swapped to variable interest rate plus a fixed margin.

The bank debt has short term interest rates with one, three or six months interest periods at REC's option, plus margins that vary according to predetermined financial ratios for net debt to EBITDA. REC has borrowings through drawdown on credit facilities and term loans, bond, convertible bond and finance leases.

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

Interest hedging instruments may be used to control and minimize the debt's exposure towards interest rate fluctuations within the framework defined in the finance policy. The debt's price sensitivity towards fluctuations or volatility in interest rates is measured by modified duration. Market interest rate volatility affects the pricing of the net debt and is also impacting the Group's net interest costs. Interest rate fluctuations affect the pricing of the debt instruments less when the modified duration is low. The modified duration expresses the price effect of a one percent change in interest rates measured by years. The net debt of REC Group shall not have a modified duration exceeding 3 years. Normally, the modified duration for REC Group should be between 0.5 - 1.5 years. At December, 31 2010 the modified duration was 1.2 years (excluding finance lease debt).

Interest income and interest expense in the statement of income, as well as interest receipts and payments, are influenced by interest rate changes for financial instruments that carry variable interest rates. Fair values of fixed rate instruments and interest derivatives are affected by interest rate changes. See note 30 for interest rate sensitivity. REC has paid significant up-front and waiver fees in relation to establishment and restructuring of interest bearing debt and guarantees. Any additional refinancing or restructuring of debt will require additional up-front fees and costs.

(E) Hedging of risk related to supply of raw material/commodities
According to the finance policy, REC subsidiaries that have a high portion of total costs from a specific input factor may hedge the risk of significant negative movements in prices. The extent of a significant negative movement is evaluated in each case considering the effect of price increases and price volatility for the relevant input factor on the operating results for the subsidiary. Price risk for the input factor should be hedged primarily through long-term contracts. Financial instruments may also be used for hedging significant changes in the price of important input factors. As of year-end 2010 and 2009, no such hedges have been conducted, except entering into some energy and natural gas purchase contracts.

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

3.3 CAPITAL STRUCTURE AND FINANCING
REC aims to have a profitable growth and shall seek to maintain a sustainable capital structure and maintain access to various sources of funding. The main reason for this is the high industry volatility and operational risks which could significantly impact EBITDA and cash flow from operations and 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 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.

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

The refinancing activities during 2009 and 2010 have been affected by the difficult markets for REC's products and volatility in capital markets. In the same period, REC has incurred significant capital expenditure for expansion projects.

On May 25, 2010 REC signed a new bank credit and guarantee facilities agreement of NOK 10 billion. In addition, two new loan facilities of a total of NOK 1.3 billion were signed with Eksportfinans, of which NOK 0.9 billion is guaranteed by GIEK. NOK 0.4 billion of the total bank facilities are utilized as guarantee for parts of the Eksportfinans loans, leaving almost NOK 9.6 billion as a revolving credit facility. REC has trough syndication established a new relationship bank group consisting of Citigroup, DnB NOR, Handelsbanken, HSBC, Nordea and SEB.

In May 2010, the two previous bank credit and guarantee facilities were cancelled and repaid with EUR 758 million. An unutilized NOK 525 million credit facility was also cancelled. In addition, a bilateral SGD loan was cancelled and repaid with SGD 654 million.

At December 31, 2010 REC had unused committed long term facilities of NOK 6.5 billion. The net debt of the REC Group was NOK 7.9 billion at December 31, 2010, a decrease of NOK 2.4 billion from the end of 2009. Net debt include bank debt, Eksportfinans loans, senior domestic bond, the convertible bond at fair value and finance leases, but exclude net debt of Sovello (relevant for year end 2009), restricted bank accounts, and prepayments on which interest is calculated. Equity amounted to NOK 22.2 billion at December 31, 2010, compared to NOK 16.9 billion at the end of 2009. In May 2010, a rights issue increased equity by net NOK 3.9 billion. The equity ratio was approximately 60 percent at December 31, 2010 compared to 49 percent at year-end 2009.

According to REC's finance policy, REC shall at all times maintain financial ratios within the limits defined in the loan agreements of REC ASA and subsidiaries, and take the necessary measures that are available to avoid financial distress. Neither the senior NOK bond nor the convertible EUR bond contains financial covenants. There is cross default between all the loan agreements above a certain threshold amount. Please refer to note 17 for further information on the loan agreements. The calculations of financial covenants have certain adjustments compared to the reported IFRS numbers. At December 31, 2010, REC complied with all financial covenants in the loan agreements.

REC ASA's bank 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). 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.

REC's bank credit and guarantee facilities agreement put restrictions on the amount of capital expenditure, other investments or acquisitions if the financial ratios are weaker than defined thresholds. Due to satisfactory level of the key financial ratio net debt/EBITDA in the two consecutive third and fourth quarters of 2010, these restrictions do not apply when entering 2011. According to the agreements, REC ASA cannot pay dividends in 2011 for the financial year 2010. This restriction does not apply to future financial years as long as REC Group is in compliance with the financial covenants after the distribution of any dividends.

Below is shown the calculation of leverage ratio (net debt/EBITDA), interest coverage ratio and equity ratio under the 2010 bank credit and guarantee and Eksportfinans facilities.

(NOK IN MILLION, EXCEPT RATIOS)	2010
Interest-bearing financial liabilities, excluding debt interest calculation (see note 17)	8 786
Less convertible bond included above, reported as equity for the covenant calculation	-2 175
Less finance lease in capacity lease contracts (max NOK 1,250 million)	-965
Less cash and cash equivalents	-849
Less any interest bearing debt held in proportionally consolidated joint ventures	0
Net debt for covenant calculation	4 797
EBITDA REC Group	3 532
Exclude EBITDA effects of any plant closures (max NOK 250 million for the period from May 25, 2010 - June 30, 2011)	65
Exclude EBITDA of any proportionally consolidated joint ventures	9
Exclude EBITDA effect of eliminated internal profit on sale to proportionally consolidated joint ventures	-7
Nominal EBITDA REC Group for for covenant calculation	3 599
Total assets REC Group	36 865
Exclude total assets proportionately consolidated joint ventures	-9
Include carrying value of investment in shares in proportionally consolidated joint ventures	19
Total assets REC Group for covenant calculation	36 875
Total equity REC Group	22 152
Add convertible bond, reported as equity for the covenant calculation – principal amount	2 500
Deduct comprehensive income (in period of ownership) of proportionally consolidated joint ventures	10
Total equity for covenant calculation	24 662
Financial income	35
Financial expenses before capitalization of borrowing costs	-1 381
Deduct calculated interest	14
Deduct expensed up-front fees	461
Net interest paid for covenant calculation	-871
Leverage ratio	1.33
Equity ratio	66.88%
Interest cover ratio	4.13

The covenants are measured at the end of each quarter.

For the 12 month periods up to, and including June 30, 2011 the nominal EBITDA must exceed specified amounts that for the 12 month period to June 30, 2011 is NOK 2,100 million. Starting from the 12 month period ending on September 30, 2011 the leverage ratio shall not exceed 3.50. For subsequent quarters the 12 month leverage ratio decreases steadily to 2.50 for the period ending December 31, 2012 and for each relevant period thereafter.

The equity ratio shall never be lower than 30.00 percent.

The interest cover ratio in respect of any 12 month period shall be equal to or exceed specified ratios. The measurement starts for the period ending September 30, 2011 with the ratio 2.25 and increases steadily to 3.25 for the period ending March 31, 2013 and for each relevant period thereafter.

There are no restrictions on annual capital expenditure upon the Company's delivery of compliance certificates for two consecutive financial quarters demonstrating a leverage ratio below 3.00. In the opposite case, the aggregate capital expenditure of the REC Group in any financial year from 2011 shall not exceed NOK 1,750 million.

The credit facilities contain, among other things negative pledge clauses, restrictions in providing any security interest on any of the REC Group's assets, acquire or dispose of assets or businesses, provide financial support and incur financial indebtedness.

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 between Norway and the USA, withholding tax of 15 percent would apply on any dividends paid by the REC Group's operations in the USA to the parent company in Norway. REC ASA controls the distribution of future dividends from the US operations, and has determined that those profits will not be distributed in the foreseeable future. Consequently, REC ASA has not recognized a deferred tax liability on these undistributed earnings. In addition, a tax on three percent applies on dividends received from shares covered by the Norwegian participation exemption rules. The effective tax rate due to this on relevant dividends is thus below one percent. REC's understanding is that Group contribution can be distributed within Norway without being taxed under the 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 2010 and 2009, 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) and development of software systems for own use.

(D) Embedded derivatives

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

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

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

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

REC's understanding is that the exception in (ii) above is not relevant for the products sold by REC. REC believes that there are different interpretations in practice for number (iii) above. REC has interpreted this narrowly, and that this exception is relevant only for a few countries that REC has trade relations with and that it usually refers to the situation in which the local currency of a country is not stable, causing businesses in that environment generally to adopt a more stable and liquid currency for internal and cross-border trade. For REC this means that most contracts that are not denominated in the functional currency of any substantial party to that contract contain embedded currency derivatives that must be separated and fair valued. Currently, this is relevant for some wafer sales contracts in USD.

Competent standard setting bodies or others may provide clarifications in the future that will affect REC's future interpretation of these IAS 39 regulations.

(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. In some instances, REC Group is not able to reliably estimate these values.

For the 2010 and 2009 note disclosures the future minimum payments for lease and other elements in some arrangements in REC Silicon and REC Wafer Pte Ltd have been reported as part of purchase commitments (see note 29) as the REC Group is not able to reliably estimate and separate the values of the different components. These contracts, as well as an agreement in REC Solar similar but smaller than those in REC Silicon, have been determined to contain operating leases.

REC Wafer has several capacity contracts that have been 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 contain operating and finance leases (see notes 6 and 29). Until the production facilities were completed, the last in 2010, the estimated total minimum payments for the lease and commodity output elements were reported as contractual commitments (see note 29). At year-end 2010 all contracts are separated into finance leases, operating leases and commodity and service executory contracts, based on estimates of fair values of the different components.

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, but not limited to estimates of future performance, revenue generating capacity of the assets, reinvestment levels and assumptions of the future market conditions. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods. According to IAS 36 *Impairment of assets*, cash flow projections shall exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. To the best of management's judgment, the cash flows do not include restructuring or effects from expansion and enhancement investments that are not committed and where construction has not started. However, in the cash flow estimates with ongoing reduction in prices and costs and a number of process improvement initiatives initiated and planned (see note 7), REC may not have been able to identify and exclude all effects that relates to asset enhancements or new technologies according to IAS 36.

In 2009, significant impairment charges were recognized (see notes 6, 7 and 9).

Financial assets are also periodically reviewed for objective evidence of impairment. In 2010, provisions for losses on trade receivables were recognized. See notes 3, 12 and 30. See note 8 for impairment of shares in the associate Mainstream Energy Inc. in 2009.

The uncertain future market developments and operational risks have increased 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, see note 6. In the case of replacements or disposals any remaining carrying value will be recognized to the statement of income, net of any proceeds receivable.

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

REC reported losses for 2009 and for some entities also for 2010, 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, a five year limited warranty that the product is free of defects in materials and workmanship, a ten year limited warranty of 90 percent power output and a 25 year limited warranty of 80 percent power output of the solar 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 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, 2010 and 2009 provisions, excluding specific events, amounted to less than one percent of accumulated revenues from sales of solar modules. This is in addition to some other short-term specific events that have been identified, especially problems with junction boxes discovered at the end of 2008, see note 20.

Management believes that the assumptions are reasonable and comparable to other relevant companies, but they are inherently uncertain and unpredictable and, as a result, future estimates and actual results may differ significantly 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 and 2010 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 adjustments of the estimated future cash flows. The 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 were limited. The estimated cash flows were increased during 2010. 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, 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 periodically receives information about the performance of the company. REC understands the term CODM as relating to an operating level, and not on a strategic decision level. The Group management consists of the segment managers and corporate functions. It periodically receives information on the operations, and some decisions are made in Group management meetings. The Group management is headed by the Chief Executive Officer (CEO), and the CEO is the one that makes decisions across segments. Consequently, REC regards the CEO as the CODM.

Financial and operational information are prepared specifically for each segment for the purpose of assessing performance and allocating resources. Segment results are disclosed in accordance with IFRS, which is the same basis as presented internally. However, the internal reporting also shows a breakdown of operating expenses included in EBITDA that are not shown separately in the tables below. The financial market currently focuses on EBITDA as measurement of segment results. Consequently, this is also the primary focus of REC management with regards to segment results. However, in the internal reporting EBIT is also shown, the difference to EBITDA being depreciation, amortization and impairment. Amounts for assets and liabilities, financial income and expenses are not shown per segment in the internal reporting. Consequently, it is REC's understanding that such details are not required to be presented per segment in the tables below. However, for the 2010 and 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. In addition, the REC Group reports "Other operations".

In the fourth quarter 2010 REC changed the composition of its segments. The figures for 2009 are re-presented to adapt the new composition. The new structure and the changes are described below.

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 silane gas and electronic grade polysilicon, while solar grade polysilicon is primarily sold internally to REC Wafer and REC Solar on long-term contracts based on arms-length terms, conditions and market expectations that existed at the time terms were fixed.

REC Wafer is comprised of multicrystalline wafer manufacturing in Glomfjord and Herøya (Norway) and monocrystalline wafer and ingot manufacturing at a separate plant in Glomfjord. 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. In the previous structure the REC Wafer segment also included the wafer plant in Singapore.

REC Solar is comprised of an integrated plant in Singapore producing multicrystaline wafers, solar cells and modules, REC Site Services (Singapore), solar cells manufacturing in Narvik (Norway), solar modules production in Glava (Sweden) and building of PV systems. The wafers and cells are primarily used internally to produce solar modules. REC Systems pursues project development opportunities based on REC modules in selected segments with limited capital exposure. REC Site Services was established as an organizational structure for on-site project management services in Singapore and also owns and operates some buildings and infrastructure used to provide services to the plant in Singapore. In the previous structure REC Site Services was reported in "Other operations" and the wafer plant in Singapore was included in the previous REC Wafer. During 2009 REC Solar established sales companies in Europe and in 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. At the end of third quarter 2010 REC decided to close down the solar module production in Glava (Sweden) and in January 2011 an agreement to sell most of the property and production equipment was signed.

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

Sovello was 33.33 percent owned and jointly controlled by REC ASA, EverGreen Solar Inc. and Q-Cells AG. Sovello was sold and deconsolidated from April 2010 and is re-presented as discontinued operations.

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

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

Customers over ten percent of consolidated external revenues for the Group

(NOK IN MILLION)	2010	2009
Customer in REC Wafer	NA	17%
Customer in REC Wafer	NA	12%

Segment information for the year ended December 31, 2010

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER OPERATIONS	SOVELLO	ADJUSTMENT FOR DISCONTINUED OEPRATIONS	ELIMINATIONS	REC GROUP
Revenues – External	3 146	5 057	5 573	1	114	-114	0	13 776
Revenues – Internal	2 099	1 747	51	98	0	0	-3 995	0
Total revenues	5 245	6 804	5 624	99	114	-114	-3 995	13 776
EBITDA	2 735	808	228	-149	1	-1	-91	3 532
Depreciation and amortization	-875	-781	-796	-23	0	0	0	-2 476
Impairment	-6	-11	-21	0	-6	6	0	-38
EBIT	1 853	16	-589	-172	-5	5	-91	1 018
Additions of non-current assets	232	1 003	2 279	57	6	0	0	3 577
Non-current assets at December 31*	11 872	6 006	9 818	147	0	0	0	27 842

* Non-current assets include property, plant, equipment, intangibles, prepaid capex and prepaid lease.

Segment information for the year ended December 31, 2009

(NOK IN MILLION)	REC SILICON	REC WAFER	REC SOLAR	OTHER OPERATIONS	SOVELLO	ADJUSTMENT FOR DISCONTINUED OEPRATIONS	ELIMINATIONS	REC GROUP
Revenues – External	2 188	4 768	1 876	0	325	-325	0	8 831
Revenues – Internal	1 755	1 111	5	76	0	0	-2 947	0
Total revenues	3 943	5 879	1 881	76	325	-325	-2 947	8 831
EBITDA	1 920	1 065	-1 074	-151	-62	62	44	1 803
Depreciation and amortization	-466	-614	-186	-7	-78	78	0	-1 273
Impairment	-8	-1 009	-342	0	-855	855	0	-1 359
EBIT	1 446	-557	-1 602	-159	-995	995	44	-829
Additions of non-current assets	2 961	1 906	5 746	68	118	0	0	10 799
Non-current assets at December 31*	12 331	5 796	8 132	115	0	0	0	26 374

* Non-current assets include property, plant, equipment, intangibles, prepaid capex and prepaid lease.

Included in the EBITDA for REC Wafer for 2010 is a gain of NOK 304 million related to a cancellation fee received for a wafer sales contract. Included in the EBITDA for REC Solar for 2010 is a net loss related to costs for restructuring and reversal of provisions for repair of junction boxes of NOK 27 million (NOK 364 million in 2009 for repair of junction boxes).

Geographic distribution of non-current assets based on company location

(NOK IN MILLION)	2010	2009
Norway	6 583	6 557
Sweden	45	13
USA	11 918	12 333
Singapore	9 292	7 459
Other countries	3	12
Total non-current assets*	27 842	26 374

* Non-current assets include property, plant, equipment, intangibles, prepaid capex and prepaid lease.

Geographic distribution of external revenues based on customer location

(NOK IN MILLION)	2010	2009
Germany	2 922	2 489
Italy	1 352	284
Spain	585	173
Other Europe	1 934	924
USA	822	453
China	1 640	469
Hong Kong	650	286
Japan	1 651	2 255
Korea	550	518
Taiwan	1 267	620
Other Asia	197	345
Other countries	206	17
Total external revenues*	13 776	8 831

* The 2009 figures in this table have been re-presented for discontinued operation and are therefore reduced by NOK 325 million

Customer location is the country in which REC's customers are located. Wholesale customers (see note 30) may distribute the products to other countries.

Revenues by category

(NOK IN MILLION)	2010	2009
Polysilicon	2 371	1 122
Silane gas	878	1 031
Wafers and ingots	4 987	4 740
Cells	74	75
Modules	5 096	1 798
PV Systems*	256	0
Other	114	65
Total revenues**	13 776	8 831

* PV Systems include NOK 150 million construction contract revenues in 2010.
** The 2009 figures in this table have been re-presented for discontinued operation and are therefore reduced by NOK 325 million

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, 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 grant – reduction to cost price**	8	0	0	-373	**-365**
Disposals	0	-6	2	0	**-4**
Depreciation – continuing operations	-174	-993	-50	0	**-1 218**
Depreciation – discontinued operations	-15	-65	4	0	**-76**
Impairment – continuing operations	-481	-805	-24	-22	**-1 331**
Impairment – discontinued operations	-170	-394	-26	-35	**-625**
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/impairment	-1 035	-3 648	-186	-57	**-4 926**
Carrying value at December 31, 2009	2 955	10 803	167	10 473	**24 398**
Carrying value at January 1, 2010	2 955	10 803	167	10 473	**24 398**
Exchange differences	60	12	0	344	**416**
Net additions*	5 696	8 648	371	-9 544	**5 170**
Government grant – reduction to cost price**	-29	-530	-4	-398	**-961**
Disposals	1	-2	-1	-8	**-10**
Depreciation	-498	-1 806	-91	0	**-2 395**
Impairment – continuing operations	-36	13	-1	0	**-25**
Impairment – discontinued operations	0	-2	0	-4	**-6**
Carrying value at December 31, 2010	8 150	17 136	439	861	**26 586**
At December 31, 2010					
Cost price	9 491	21 983	700	882	**33 057**
Accumulated depreciation/impairment	-1 341	-4 848	-261	-21	**-6 471**
Carrying value at December 31, 2010	8 150	17 136	439	861	**26 586**

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

Specification of useful life and depreciation

(NOK IN MILLION)	USEFUL LIFE (RANGE IN YEARS)	WEIGHTED AVERAGE USEFUL LIFE (YEARS) [1]	DEPRECIATION 2010	COST PRICE, DECEMBER 31, 2010	CARRYING VALUE, DECEMBER 31, 2010	ESTIMATED DEPRECIATION 2011 [2]
LAND AND BUILDINGS						
REC Silicon	10-32	30	25	731	639	24
REC Wafer	10-20	16	175	3 157	2 358	163
REC Solar	7-28	21	293	5 569	5 124	308
Other operations	2-10	5	5	35	29	5
Total			498	9 491	8 150	500

(NOK IN MILLION)	USEFUL LIFE (RANGE IN YEARS)	WEIGHTED AVERAGE USEFUL LIFE (YEARS) [1]	DEPRECIATION 2010	COST PRICE, DECEMBER 31, 2010	CARRYING VALUE, DECEMBER 31, 2010	ESTIMATED DEPRECIATION 2011 [2]
MACHINERY AND EQUIPMENT						
REC Silicon	2-20	14	785	11 341	9 808	835
REC Wafer	5-10	7	567	5 234	2 964	690
REC Solar	3-28	9	445	5 367	4 333	616
Other operations	3-5	3	9	42	30	12
Total			1 806	21 983	17 136	2 153

[1] Weighted average useful life per class of assets is estimated by weighing the individual assets' useful lives with their relative part of the segment's total cost price.
[2] Estimated depreciation is calculated based on cost price and estimated useful life at December 31, 2010 translated to NOK at December 31, 2010 exchange rates. It does not include assets under construction or effects of any additions or disposals subsequent to December 31, 2010. The actual depreciation for 2011 may deviate from the estimates in the table due to, among other things, changes in currency exchange rates, changes in estimated useful life, additions and disposals. Estimated depreciation in 2011 cannot be calculated as cost price divided by weighted average useful life.

The table above shows a specification of useful life and estimated depreciation in 2011 for asset class land and buildings and asset class machinery and equipment. Estimated useful life of other tangible fixed assets is 3-30 years.

The effects of the annual analysis for 2010 of the useful lives resulted in decreased depreciation in 2010 of approximately NOK 15 million and estimated decreased depreciation in 2011 of approximately NOK 57 million. The annual analysis for 2009 of the useful lives resulted in only minor changes in depreciation.

Finance leases included in property, plant and equipment at December 31

(NOK IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	**TOTAL**
Carrying value at January 1, 2009	218	58	**276**
Net additions	49	442	**492**
Depreciation	-19	-42	**-61**
Carrying value at December 31, 2009	249	458	**707**
Cost – capitalized finance leases	287	550	**837**
Accumulated depreciation	-39	-92	**-130**
Carrying value at December 31, 2009	249	458	**707**
Carrying value at January 1, 2010	249	458	**707**
Net additions	319	325	**644**
Depreciation	-53	-118	**-171**
Carrying value at December 31, 2010	515	665	**1 180**
Cost – capitalized finance leases	606	875	**1 481**
Accumulated depreciation	-91	-210	**-301**
Carrying value at December 31, 2010	515	665	**1 180**

Finance leases at December 31, 2010 and 2009 were primarily leases of production equipment and part of the building structure 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 and Glomfjord, Norway. 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 994 million and NOK 505 million at December 31, 2010 and 2009, respectively. The minimum contract terms for the total contracts 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 leases are paid over five to ten 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. A purchase option expired in 2010 without being utilized by REC. The carrying values were NOK 186 million and NOK 202 million at December 31, 2010 and 2009, respectively.

The assets under finance leases 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, 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**
Amortization – continuing operations	0	0	-7	-49	**-56**
Amortization – discontinued operations	0	0	0	-2	**-2**
Impairment – continuing operations	-12	0	0	-15	**-27**
Impairment – discontinued operations	-225	0	0	-5	**-230**
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/impairment	-237	0	-55	-201	**-494**
Carrying value at December 31, 2009	584	161	59	257	**1 060**
Carrying value at January 1, 2010	584	161	59	257	**1 060**
Exchange differences	4	-1	1	4	**7**
Net additions*	0	-14	0	69	**54**
Internal development	0	84	0	0	**84**
Amortization – continuing operations	0	0	-6	-63	**-69**
Impairment	0	0	0	-13	**-13**
Carrying value at December 31, 2010	587	230	53	253	**1 123**
At December 31, 2010					
Cost price	626	230	115	503	**1 474**
Accumulated amortization/impairment	-38	0	-62	-250	**-351**
Carrying value at December 31, 2010	587	230	53	253	**1 123**

* Net additions include transfers from assets under construction.

The intangible assets except goodwill included above have estimated finite useful lives, over which the assets are amortized on a straight-line basis. Intangible assets under construction are not ready for their intended use, and consequently amortization has not started. At December 31, 2010 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, 2010 and 2009, 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 in 2009, see note 20. Other intangible assets at December 31, 2010 were primarily related to furnace technology in REC Wafer (10 years), software (3-8 years) and FBR technology in REC Silicon (20 years).

Prepaid Lease

(NOK IN MILLION)	2010	2009
Carrying value at January 1	**39**	47
Exchange differences	**2**	-7
Additions	**86**	0
Amortization	**-12**	0
Carrying value at December 31	**115**	40

Distribution of total prepaid lease

(NOK IN MILLION)	2010	2009
Current	**11**	11
Non-current	**104**	29
Total	**115**	40

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

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)	2010	2009
REC Silicon (segment)	**257**	254
REC Wafer (multi)	**330**	330
Total REC Group	**587**	584

The change in the carrying amount of goodwill during 2010 was due to translation difference.

CASH GENERATING UNITS

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

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

Management monitors the operations primarily by segments, but also by product lines and by individual locations. The different segments sell primarily products to external parties that are different from products of the other segments, however REC Solar also produces wafers and may sell these externally. 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.

The composition of the main cash generating units are unchanged from 2009 and are discussed below.

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 in the world. 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 the 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.

The integrated plant in Singapore produces wafers and cells that currently are primarily intermediate products in REC's value chain. REC management has evaluated that there currently exist active markets for multi-wafers and multi-cells, and that the Singapore plant cannot be 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 by REC only be produced at 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.

REC Wafer has through 2010 supplied multi-wafers to REC Solar in Norway and Singapore as well as sold externally. REC Solar's integrated plant in Singapore includes multi-wafer production lines that to a large extent are similar to the newest multi-wafer lines at Herøya. The wafer production in Singapore started in 2010 and the wafers are primarily used by REC's cell production in Singapore. REC Wafer and REC Solar is headed by the same member of REC Group management team. Shipments to external customers and own use can be allocated between the multi-wafer production lines the way REC management finds most advantageous. Therefore, management judgment is that the future cash inflows for the multi-wafer production lines cannot be determined individually, and the multi-wafer producing assets in Norway and Singapore are included in the same cash-generating unit.

REC Solar's external sales are primarily solar modules. The production lines in REC ScanCell in Narvik produce cells that at year-end 2010 primarily are used in the module production in Singapore or for contract manufacturing of modules. The way the total cell production is managed, management judgment is that the future cash inflows for the cell lines in Narvik and the Singapore cell lines cannot be determined individually, and are regarded as one cash-generating unit.

The solar modules production in REC ScanModule in Glava was closed down in 2010, and is evaluated separately for the impairment test. The module production in Singapore is evaluated as a separate cash-generating unit.

Sovello was a joint venture entity that was sold in April 2010. Sovello was in 2009 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 processes in 2010, as for 2009, were affected by the significant uncertainty of future development in key assumptions, such as future price development and cost and efficiency structure and development. During 2010 the main part of the expansions projects were finalized. The development in most operations and market was in line with or improved during 2010 compared to expectations used in the 2009 impairment tests.

At the end of 2010, the Board of directors approved a budget for 2011 and was presented business plan figures for 2012 - 2015. Some further work has been conducted on the business plan figures that are used as basis for the impairment tests, primarily to update for recent development and additional information, due to general quality assurance and to comply with IAS 36 requirements.

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 capital expenditure to complete and estimated future cash flows from their operations.

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 the land. A growth rate factor of zero for the period subsequent to 2015 has been used in the calculations at year-end 2010, which is the same as for 2009. This is below the average expected growth rate for the photovoltaic industry. Growth rates used for the industry take into consideration effects of future capital expenditure and technology improvements that cannot be included the same way in the impairment test. However, REC's committed improvements, primarily those related to assets under construction or projects initiated 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 year risk free interest rates in the relevant markets and take into account estimated risk premiums on debt and equity, gearing and beta. REC believes this takes into consideration the market's assessments of the time value of money and reflects the premium that the market would require from uncertain future cash flows based on the distribution estimated by REC. 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 discount rates appropriate for that currency.

Discount rates (%)

	2010		2009	
	POST-TAX	**PRE-TAX**	POST-TAX	PRE-TAX
REC Silicon USD	**8.7**	**12.9**	9.2	13.6
REC Wafer-mono NOK	**9.3**	**11.3**	9.7	12.9
REC Wafer-multi (Norway) NOK	**9.3**	**12.0**	9.7	12.2
REC Wafer-multi (Singapore) SGD [1]	**9.0/8.6**	**9.0/9.3**	8.9/8.6	8.9/9.3
REC ScanModule EUR	**NA**	**NA**	9.0	9.0
REC Modules EUR [1]	**9.4/9.0**	**9.4/9.8**	9.6/9.2	9.6/10.1
REC Solar-cells (Singapore) EUR [1]	**9.4/9.0**	**9.4/9.8**	9.6/9.2	9.6/10.1
REC Solar-cells (Norway) EUR	**8.7**	**10.5**	9.0	10.7

[1] Cash flows generated in Singapore are tax exempt for a period.

The changes in the discount rates in 2010 compared to 2009 were primarily due to changes in risk free interest rates.

In general, the impairment tests for 2009 were to a large extent affected by negative changes in the market situation and reduction in sales prices which significantly reduced the estimated recoverable amounts of the different cash-generating units compared to prior years. During 2010 the prices have continued to decline, but not more than expected when performing the 2009 impairment tests. Demand for solar modules has been higher than expected in 2010 and assets performance has to a large extent been in line with, or better than anticipated when performing the 2009 impairment tests. However, the future development is still very uncertain, including the development in subsidy schemes, market prices and demand, cost and efficiency development.

During 2010, REC recognized minor impairment charges, as illustrated in the table below.

Specification of impairments (continuing operations) for 2010

(NOK IN MILLION)	PROPERTY, PLANT, EQUIPMENT	INTANGIBLE ASSETS	**TOTAL**
REC Silicon	6	0	**6**
REC Wafer	11	0	**11**
REC Solar – ScanModule	-42	13	**-29**
REC Solar – Other	49	0	**49**
Total impairments	25	13	**38**

REC acknowledges the fact that the market capitalization of REC ASA at December 31, 2010 was below the carrying amount of equity for the Group. REC has performed impairment tests of all Cash Generating Units (CGUs). Based on these tests, REC has concluded that no additional impairment charges or reversal of previous impairments (except for some REC ScanModule assets) should be recognized at December 31, 2010. However, the estimated recoverable amounts of many of the CGUs are sensitive to changes in key assumptions.

In the fourth quarter 2010, as a consequence of the decision to transfer all research and technology activities related to solar cells and modules to Singapore, the value of certain laboratory installation and equipment was written down by approximately NOK 48 million in REC Solar – Other. Following the decision to close down the REC ScanModule operation in Glava (Sweden), an agreement to sell most of the property and production equipment was signed in 2011. Based on this transaction and transfer of some equipment to Singapore, a part of the impairment of property, plant and equipment recognized in 2009 was reversed by approximately NOK 42 million in 2010. Remaining impairment charges in 2010 relates primarily to assets taken out of use.

During 2009, REC recognized significant impairment charges, as illustrated in the table below.

Specification of impairments (continuing operations) for 2009

(NOK IN MILLION)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	ASSETS UNDER CONSTRUCTION	GOODWILL	OTHER INTANGIBLES	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**
Other	0	0	1	0	0	0	**1**
Total impairments	481	805	24	22	12	15	**1 359**

REC Silicon for 2009
The minor impairment charges in 2009 related to equipment that is taken out of use. REC 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 was considerably reduced compared to the previous years' estimates.

REC Wafer – mono and – multi for 2009
The impairment charges in REC Wafer were primarily related to the mono plant, with NOK 991 million including goodwill. The changes in the market situation and reduction in sales prices 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 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) were also negatively affected by the reduced sales prices and some ramp-up delay at the new Herøya plants, but was 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 related to equipment that is taken out of use.

REC Solar – cells and ScanModule for 2009
The impairment charges recognized in REC Solar – cells related to equipment that was taken out of use in REC ScanCell.

REC wrote down all REC ScanModule property, plant and equipment in 2009. This resulted in impairment losses 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 was 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.

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 (sales prices and volume), cost of the major input, conversion costs and efficiency and to some extent maintenance capital expenditures. In addition, future cash flows are sensitive to successful achievement of design capacity of the equipment, successful implementation of technological innovations embedded in these assets and realization of expected future cost reductions. Most units expect continuous considerable price reductions, and it is essential to succeed with the significant planned cost reductions, efficiency and quality improvements of the operations. Through tuning of equipment and processes, continuous process improvements, use of improved materials etc, efficiency and volume is expected to improve and unit costs decrease. The significant sales price decreases is also expected to decrease costs of input, including the cost for maintenance capital expenditure. Changes in key assumptions going forward will change the estimated recoverable amounts, and may change the conclusions reached at year-end 2010.

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 the budget/business plan period have been escalated based upon specific commodities futures market pricing, general inflation rates, and/or specific contract pricing commitments, taking into consideration probable future cost reductions and improvements as prices are expected to decline and operations are scaling up, especially the FBR production.

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 construction.

For REC Silicon, the estimated recoverable amount in excess of carrying amount at year-end 2010 was below 30 percent. Compared to the assumptions used an unfavorable change individually in the estimate for all years of below six percent for prices, or below eight percent for volume (effect on variable contribution margin) or less than three percentage-point for the post-tax discount rate would cause the estimated recoverable amount to be reduced to the carrying amount. Parts of the estimated cost improvements are dependent on high capacity utilization of the various production equipment.

REC Solar and REC Wafer

The module and wafer prices are estimated based on a selection of external sources. However, the estimates from different sources vary and do not cover the period of the impairment tests. Experience has also shown that market demand and prices can change rapidly and significantly and prices are also dependent on government incentives. Even though the prices dropped considerably in 2009 and 2010, it is expected that prices will decrease every year until, and including 2015, with the largest percentage decline in the first years, but not at the same pace as in 2009 and 2010. Solar cell and wafer prices are estimated to follow somewhat the same price-curve/development as for solar modules.

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

For volume, it has been assumed full capacity utilization and sale. Volume is expected to increase compared to 2010 due to the ramp-up of new production facilities during 2010, further tuning of equipment in subsequent years, some with significant increase in volumes, and process improvements.

The estimated recoverable amount in excess of carrying amount at year-end 2010 was approximately 50 percent for REC Wafer-multi, 25 percent for REC Solar-cells and approximately 400 percent for REC Solar–modules Singapore. Even if the estimated headrooms in percentage are 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, 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 seven percent for prices would cause the estimated recoverable amount to be reduced to the carrying amount. The same applies to a change individually in volume of approximately 15 percent, approximately 20 percent for conversion cost or cost of the main raw material and below six percentage-points for the combined post-tax discount rate. However, as mentioned above, the long-term plans include assumptions of significant costs reductions, volume increases and efficiency improvements, and the percentage changes in key assumptions before impairment will be much lower if these are not realized as expected. Parts of the estimated cost improvements are dependent on high capacity utilization of the various production equipment.

For REC Solar-cells an unfavorable change in the estimates for all years of approximately two to three percent for prices, four percent for the cost of the main raw material, 12 percent for conversion cost, eight percent for volume and approximately 3.5 percentage-points for the combined post-tax discount rate 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, volume increases and efficiency improvements, and the percentage change will be much lower if these are not realized as expected. Parts of the estimated cost improvements are dependent on high capacity utilization of the various production equipment.

For REC Solar-modules Singapore an unfavorable change in the estimates for all years of approximately ten percent for prices and 15 percent for the cost of the main raw material, below 50 percent for conversion cost and 40 percent for volume would cause the estimated recoverable amount to be reduced to the carrying amount. However, as mentioned above, the long-term plans include assumptions of significant costs reductions, volume increases and efficiency improvements, and the percentage changes in key assumptions before impairment will be much lower if these are not realized as expected. Parts of the estimated cost improvements are dependent on high capacity utilization of the various production equipment.

REC Wafer-mono was impaired at year-end 2009. Negative cash flows in excess of expectations were realized during 2010. The updated best estimate of future performance takes into consideration the uncertainties present at year-end 2010, and the estimated recoverable amount at year-end 2010 equals the carrying amount. Any unfavorable change in key assumptions, including changes in prices, volume, cost, discount rate and future capital expenditure would cause the estimated recoverable amounts to decline below carrying value.

8 INVESTMENTS IN ASSOCIATES

(NOK IN MILLION)	2010	2009
At January 1	146	288
Share of loss in associates	1	-8
Impairment	0	-57
Share of profit/loss of associates	1	-64
Investment in associates	0	0
Transfers and disposals	0	-2
Exchange differences	27	-75
At December 31	174	146

Share of loss is after tax and non-controlling interest of associates, including fair value adjustments. The main investment in associates is Mainstream Energy Inc. located in California, USA. In April 2008, REC Solar AS acquired a 20 percent ownership interest/voting right in this company. The investment supports REC's ambition to take an active role in the building of robust and scalable market channels, and marked the entry in the increasingly important US market. Mainstream Energy conducts its 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). Under an agreement between REC and the other shareholders of Mainstream Energy, REC could increase its shareholding to a majority position through options exercisable from May to July in each of the years 2009 and 2010. The options expired in 2010 without being used.

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.

REC Wafer Norway AS owns shares in Meløy Bedriftsservice AS and owned shares in Si Pro AS until November 2009. Both are located at Glomfjord (Norway). REC Wafer Norway AS 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	PROFIT/LOSS
Total 2010	251	77	277	1
Total 2009	182	36	180	-64

* Including fair value adjustments and goodwill.

9 DISCONTINUED OPERATIONS

In the first quarter 2010, the owners of Sovello AG entered into an agreement to sell all the Sovello shares and shareholders loans. The acquirer is a fund under the management of Ventizz Capital Partners. The transaction was closed on April 22, 2010. No consideration was received for the shares and shareholders loans. For practical purposes, Sovello has been deconsolidated as from April 1, 2010.

In connection with the sales agreement, Sovello has been reported as a discontinued operation in the consolidated financial statements of REC for all periods presented.

Discontinued operations remain consolidated in the consolidated financial statements until it is disposed of, with the internal transactions between continued and discontinued operations being eliminated in the consolidation. As a consequence, only income and expense from external transactions are reclassified to discontinued operations.

Items that were disposed of or settled in connection with the sale in the second quarter 2010 (shareholder loans and remaining provisions for losses on guarantees and undertakings) were included in assets and liabilities sold. The effects of these items on the statement of income (interest income, currency gains and losses, provision for losses and estimated income taxes related to these) are included as a part of discontinued operations in the statement of income. This means that the results presented will not represent the activities of Sovello on a stand-alone basis. Most line items in the consolidated statement of income have been re-presented for previous periods.

Amounts for discontinued operations presented in one line item (profit/loss for the period from discontinued operations, net of tax) in the consolidated statement of income

(NOK IN MILLION)	2010	2009
Revenues	114	325
EBITDA	1	-62
Depreciation & amortization	0	-78
Impairment	-6	-855
EBIT	-5	-995
Net financial items	-33	-186
Loss before tax	-38	-1 181
Income taxes	138	35
Profit/loss for the period from discontinued operations, net of tax	101	-1 146

Profit from discontinued operations in 2010 amounted to NOK 101 million. Of this, the result from Sovello was NOK -18 million and the remaining relates to recognition of net losses and tax benefits related to the sale of Sovello.

Tax benefits have been recognized in 2010 and 2009 on the realization of losses on REC ASA's shareholder loans to Sovello. In the consolidated statement of income, these estimated tax benefits have been included as part of discontinued operations and has not affected the income tax line as part of continuing operations.

The substantial loss from discontinued operations for the full year 2009 was primarily related to impairment of Sovello's assets. Other negative results from Sovello, as well as recognition of provision for losses on guarantees and undertakings and currency losses on shareholder loans in REC ASA, also contributed negatively in 2009.

The net cash flows of Sovello proportionally consolidated in the consolidated statement of cash flow for the REC Group

(NOK IN MILLION)	2010	2009
Operating activities	-14	145
Investing activities	-50	-69
Financing activities	7	-47
Effect on cash of changes in foreign exchange rates	-2	-7
Cash at beginning of period	60	38
Cash at end of period	0	60

The major classes of assets and liabilities of discontinued operations sold in 2010

(NOK IN MILLION)	2010
Non-current assets	19
Inventories	112
Receivables and other current financial instruments	318
Cash and cash equivalents	34
Total assets	484
Non-current liabilities	4
Current interest bearing liabilities	445
Other current liabilities	134
Total liabilities	583

Cumulative income or expense recognized in other comprehensive income relating to Sovello at the time of sale in 2010

(NOK IN MILLION)	TRANSLATION DIFFERENCES	CASH FLOW HEDGE	ACQUISITION
Accumulated	30	-1	100

The translation difference and cash flow hedge has been recycled through profit or loss and had a positive effect on the results from discontinued operations. The effect of acquisition of Sovello has been kept permanently in equity and not recycled to profit or loss.

Earnings per share from discontinued operations

(NOK PER SHARE)	2010	2009
Basic	0.1	-1.6
Diluted	0.1	-1.6

10 RELATED PARTY TRANSACTIONS

The amounts below in NOK are calculated at average exchange rates for profit or loss items and at year-end exchange rates for items in the statement of financial position.

The REC Group has related party relationships with its subsidiaries, associates, joint ventures and with its Group management and Board of directors and principle shareholders. Transactions with subsidiaries are eliminated on consolidation and are not reported as related party transactions in the consolidated financial statements for the REC Group.

PRINCIPLE SHAREHOLDERS

The principle shareholder in REC ASA that had significant influence over the REC Group at year-end 2010 was Orkla ASA with an ownership interest of 39.7 percent. At year-end 2009, Elkem AS and Orkla ASA had combined ownership interests of 39.7 percent. Orkla ASA is the ultimate owner of Elkem AS. In 2010, Elkem AS's shares in REC ASA were transferred to Orkla ASA. The rights issue in May 2010 was fully underwritten. Orkla and Elkem together guaranteed for 39.7 percent and received underwriting fees of NOK 36 million. The rights issue in 2009 was fully underwritten. Orkla ASA and Elkem AS together guaranteed for 39.7 percent and received guarantee provision of NOK 54 million.

During 2010, REC bought goods and services for NOK 5 million from Orkla. In 2010, REC Silicon made purchases from a company of the Elkem group of NOK 38 million (USD 6 million) (in 2009 NOK 36 million (USD 6 million)). At December 31, 2010 REC Silicon had no accounts payables to this company, compared to NOK 5 million (USD 1 million) at December 31, 2009.

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.

JOINTLY CONTROLLED ENTITY – SOVELLO

Sovello AG became a jointly controlled entity at December 19, 2006. In the first quarter 2010, the owners of Sovello entered into an agreement to sell all the Sovello shares and shareholders loans. The acquirer is a fund under the management of Ventizz Capital Partners. The transaction was closed on April 22, 2010. No consideration was received for the shares and shareholders loans. For practical purposes, Sovello has been deconsolidated as from April 1, 2010. During the first half of 2010, REC ASA paid the total provisions of EUR 10.8 million recognized at December 31, 2009 to the Sovello banks under the guarantees and undertakings. Sovello accrued interest of NOK 7 million (EUR 1 million) on the loans to REC ASA during the first quarter 2010. From January 1 to April 22, 2010 REC Silicon invoiced USD 10 million for sales of polysilicon to Sovello.

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 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 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, for accounting purposes REC Silicon calculated interest on these balances.

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 had majority ownership interest) could increase REC Solar AS's shareholding in future years. The options expired in 2010 without being used. In 2010, REC Solar sold modules for NOK 479 million to AEE Solar Inc. and REC Solar Inc., subsidiaries of Mainstream Energy Inc., made purchases for NOK 3 million and had net receivables of NOK 210 million at December 31, 2010.

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

The Norwegian company Meløy Bedriftsservice AS, located at Glomfjord (Norway) is an associate of REC Wafer Norway AS. The Norwegian company Si Pro AS, located at Glomfjord (Norway) was an associate of REC Wafer Norway AS until the fourth quarter 2009. In 2010, REC Wafer made purchases of NOK 14 million from Meløy Bedriftsservice 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.

11 DERIVATIVE FINANCIAL INSTRUMENTS

Fair values and carrying amounts at December 31

	2010		2009	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Foreign exchange forward contracts	759	23	594	98
Interest rate swaps	16	38	0	25
Embedded foreign exchange forward contracts	4	284	0	263
REC Silicon natural gas contract, net settlement	0	0	0	12
Sovello's derivatives	0	0	0	1
Total	779	346	594	400
– of which designated as hedging instruments*	16	0	0	49

* Including any ineffective parts and changes in fair value subsequent to revoking of the hedge designation in the fourth quarter of 2008, see below. See the consolidated statement of recognized income and expense for the part recognized to equity. At December 31, 2010 REC had no hedge accounting for currency risk and the only remaining designated hedge instruments related to fair value interest rate hedge of a NOK 1,250 million bond.

Distribution of derivatives at December 31

	2010		2009	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Embedded derivatives, non-current	4	144	0	188
Other derivatives, non-current	192	41	110	25
Total non-current derivatives	197	186	110	213
Embedded derivatives, current	0	140	0	75
Other derivatives, current	582	20	484	112
Total current derivatives	582	160	484	187
Total derivatives	779	346	594	400

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

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

2010

Contractual cash flows in foreign exchange forward contracts at December 31, 2010

(CURRENCY IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	SEK/NOK	200	0
	SGD/NOK	200	100
	USD/NOK	35	0
SOLD CURRENCY	SEK/NOK	-100	0
	EUR/NOK	-609	-425
	USD/NOK	-250	-200

FX Forward is a foreign exchange forward contract. The table above shows contractual currency amounts by year of maturity. Positive (negative) amounts are the principal amount of the first currency mentioned bought (sold) forward with payment (receipt) of the second currency. The SEK, EUR, SGD and USD currencies noted in the table above have spot rates to NOK of 0.87, 7.81, 4.56 and 5.86 at December 31, 2010.

At December 31, 2010 and during the year REC had estimated positive external future cash flows in EUR and USD and negative cash flows in SGD. REC is hedging these cash flows by entering into derivative transactions for sale of EUR/NOK and USD/NOK and purchase of SGD/NOK forward (FX Forward). REC does not use hedge accounting for these FX Forwards. REC increased SGD forward purchases significantly from the beginning of 2010 towards June for the repayment of a SGD loan. Compared to December 31, 2009 REC has increased USD, EUR and SGD future contracts in accordance with currency forecasts and the finance policy. Renewing FX hedges that are maturing has given cash contribution throughout the year 2010.

Fair value of foreign exchange forward contracts at December 31, 2010

(NOK IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	SEK/NOK	8	0
	SGD/NOK	-16	-3
	USD/NOK	2	0
SOLD CURRENCY	SEK/NOK	1	0
	EUR/NOK	381	131
	USD/NOK	187	45
Total		562	173

The table above shows a specification of fair values, equaling carrying amounts, at December 31, 2010 of currency derivatives distributed by year of maturity and currency. The main reason for unrealized the gains on FX Forwards at December 31, 2010 is the appreciation of NOK versus EUR and USD compared to the time the contracts were entered into.

Principal amounts and fair value of interest rate swaps at December 31, 2010

		2014 PRINCIPAL AMOUNT (CURRENCY IN MILLION)	2014 FAIR VALUE (NOK IN MILLION)
PAY FIXED RATE	USD	100	-38
RECEIVE FIXED RATE	NOK	1 250	16

The table above shows contractual principle currency amounts in interest rate swaps and a specification of fair values, equaling carrying amounts, at December 31, 2010 distributed by year of maturity and currency. The interest rate swaps have one fixed interest rate against a floating interest rate and there are no other cash flows or principal amounts. The interest rate swap of NOK 1,250 million, where REC is paying floating interest rate, is hedge of the NOK bond fixed rate and the USD fixed rate swap is general interest hedging of floating rate.

Estimated contractual cash flows in embedded foreign exchange forward contracts at December 31, 2010

(USD IN MILLION)	**TOTAL**	2011	2012	2013	2014	2015
Total contract value*	**783**	346	211	131	66	29

* Represents the estimated total contract values for sales of wafers in USD to customers that do not have USD as their functional currency and USD is not regarded as commonly used currency in the countries of the purchasers or seller (see note 4.1(D)).

REC Wafer has entered into sales contracts in USD which are not in the functional currency of either of the contracting parties and USD is not regarded as commonly used currency in the countries of the purchasers or seller (see note 4.1(D)). For accounting purposes this shall be reported as if the commodity sales contracts were in NOK and forward purchases of USD shall be separated and measured at fair value (embedded derivatives) with changes in fair values recognized to profit or loss. The reasons for entering into the sales contracts in USD were partially requests by customers and to provide economic hedges of future purchases of polysilicon in USD in line with REC's finance policy at that time.

These wafer sales contracts state future cash flows, with some limited adjustment mechanisms. However, REC Wafer has in 2009 and 2010 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 cash flows in some contracts that are disputed by the customers have been reduced to the amount of any bank guarantee or zero. Future cash flows at December 31, 2010 have been increased compared to the cash flows estimated at December 31, 2009 for the period from 2011 by USD 329 million, of which USD 182 million is a new contract. Cash flows have been reduced to the most likely amount, but are uncertain and the actual outcome could be higher or lower. The estimated fair values of embedded derivatives were negatively affected by the increase in the estimated future cash flows in these wafer sales contracts at December 31, 2010 compared to 2009. See notes 25 and 30.

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. At December 31, 2010 there are no remaining currency and interest rate cash flow hedges. There was no ineffectiveness recognized in the statement of income that arises from cash flow hedges in 2010.

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, 2010 designated and effective as hedge instruments was a gain of NOK 16 million excluding accumulated interest, and a loss of NOK 17 million on the bond.

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

FX Forward is a foreign exchange forward contract. FX Flex Forw (foreign exchange flexible forward) is a forward currency contract 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.

In 2009 REC restructured the currency hedging portfolio and debt portfolio in accordance with a corporate risk analysis of net cash flows and 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. REC does not use hedge accounting for these FX Forwards.

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

(NOK IN MILLION)		2010 FX FORWARD	2010 CC SWAP	2010 FX FLEX FORW	2011 FX FORWARD	2012 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 mean 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 and USD is not regarded as commonly used currency in the countries of the purchasers or seller (see note 4.1). See further description above for 2010.

These wafer sales contracts state future cash flows, with some limited adjustment mechanisms. However, REC Wafer in 2009 experienced that contracts were 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 amount 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 at December 31, 2009

REC Silicon had a contract for purchase of natural gas that was entered into for own use. Due to delays in the ramp-up of the new polysilicon plant, a part was 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 2009

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	1 497	1 497
Interest rate swaps [2]	-1	1	1
Total [3]	-40	1 498	1 498

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 in equity through OCI 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 through OCI 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 through OCI 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 2009

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.

12 DETAILS RECEIVABLES

Trade and other current receivables

(NOK IN MILLION)	2010	2009
Trade receivables	2 231	1 590
Less provision for loss on trade receivables	-102	-2
Trade receivables – net	2 128	1 588
Accrued revenues	182	7
Prepaid costs	127	247
VAT and similar receivables	286	281
Shareholder loans to Sovello	0	322
Government grant current receivables	101	95
Other current receivables	129	58
Total	2 953	2 598

Specification of provision for loss on trade receivables

(NOK IN MILLION)	2010	2009
At January 1	-2	-4
Change in provision	-102	1
Exchange differences	2	1
At December 31	-102	-2
Realized loss on trade receivables	-1	-9
Change in provision	-102	1
Transferred to discontinued operations	0	2
Loss on trade receivables in the statement of income	-103	-6

The REC Group has realized minimal losses on receivables. The provisions for loss on receivables are based on individual assessment of receivables and relates primarily to receivables that are long overdue. The provisions are made to arrive at the best estimate of the amounts recoverable of the receivables, taking into consideration security, probabilities for different outcomes and inherent risk in legal proceedings. The actual outcomes may differ significantly from the estimates, both positively and negatively.

For more information see notes 3 and 30.

Other non-current receivables

(NOK IN MILLION)	2010	2009
Government grant non-current receivables	797	0
Financing receivables	165	128
Prepaid cost non-current	107	21
Other non-current receivables	14	45
Total other non-current receivables	1 085	195

13 INVENTORIES

(NOK IN MILLION)	2010	2009
Stock of materials, consumables, production supplies	773	931
Spare parts	554	432
Work in progress	277	206
Finished goods	950	520
Reserve for obsolescence	-59	-99
Total	2 495	1 989

14 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

(NOK IN MILLION)	2010	2009
Group account systems (cash pools)	555	1 470
Other bank deposits	294	218
Total cash and cash equivalents	849	1 688

The REC Group uses multi currency Group bank account systems to coordinate liquidity use of subsidiaries. Under these agreements, REC ASA is the Group account holder, whereas other REC companies are participants and holds a position only against REC ASA. The banks can offset overdrafts against deposits, so that the net position represents the net balance between the bank and REC ASA. The Group account systems include overdraft facilities of in total NOK 350 million at December 31, 2010.

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

(NOK IN MILLION)	2010	2009
Non-current	0	88
Current	0	14
Total restricted bank accounts	0	101

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 2010, the guarantee amount was NOK 56 million (2009: NOK 51 million).

15 SHAREHOLDER INFORMATION

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

	2010		2009	
NAME OF SHAREHOLDER	NO. OF SHARES	OWNERSHIP	NO. OF SHARES	OWNERSHIP
Orkla ASA	396 236 635	39.74%	108 244 768	16.28%
Hafslund Venture AS	89 037 031	8.93%	76 691 354	11.54%
Folketrygdfondet	28 585 526	2.87%	25 057 751	3.77%
Rasmussengruppen AS	22 450 902	2.25%	7 820 000	1.18%
Umoe AS	14 000 000	1.40%	0	0%
Clearstream Banking S.A.	9 752 923	0.98%	8 018 002	1.21%
JP Morgan Chase Bank	1 057 819	0.11%	12 057 836	1.81%
Elkem AS	0	0%	155 912 989	23.45%

At December 31, 2010, REC ASA had 32,837 shareholders. The total number of outstanding shares at December 31, 2010 was 997,152,118 (664,768,079 shares in 2009) each with a par value of NOK 1.

At the annual general meeting on May 19, 2010, the Board was authorized to resolve to raise one or more convertible loans or loans with warrants to be used for carrying out investments and acquisitions in line with the Company's strategy and for providing the Company with financial flexibility. The share capital increase shall not exceed NOK 99,700,000. The Board is authorized to waive existing shareholders' pre-emptive rights to subscribe for loans and shares. The authorization is valid until the 2011 annual general meeting, but in any event not later than 15 months from the authorization was given.

At the annual general meeting on May 19, 2010, 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, the fulfillment of the Company's obligation under the share purchase program for the employees, the long term incentive plan of the Company (LTIP 2007) and in connection with the Company's option program. The Board's purchase of shares under this mandate can be exercised between a minimum price of NOK 1 per share and a maximum of NOK 250 per share. The shares shall be acquired through ordinary purchase at the stock exchange. The authorization is valid until the next annual meeting in 2011 or until withdrawal by a decision of the general meeting by simple majority but in any event not longer than 15 months from the authorization was given.

At the annual general meeting on May 19, 2010, the Board was authorized to increase the share capital by up to NOK 99,700,000 through one or more increases in the share capital to be used for carrying out investments and acquisitions in line with the Company's strategy, including in the form of mergers and through consideration in kind, and for providing the Company with financial flexibility. Shares may be issued for contribution in form of cash or by transfer of other assets (contribution in kind). The Board is authorized to waive existing shareholders' pre-emptive rights to subscribe for shares. The authorization is valid until the 2011 annual general meeting, but in any event not later than 15 months from the authorization was given.

At the extraordinary general meeting on April 29, 2010, a resolution to conduct a rights issue was passed. The rights issue with gross proceeds of approximately NOK 4,022 million was raised according to the resolutions passed and the share capital increase was registered with the Norwegian Register of Business Enterprises on May 31, 2010. Following the registration, the share capital of REC ASA was increased to NOK 997,152,118.

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 million. 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 million in October 2009. The bond may through conversion from the bond holders result in an increase of the share capital of NOK 59.3 million (increased from 49.3 million due to the rights issue referred to above) provided that no further adjustments of the conversion price takes place, and a maximum amount of NOK 60 million if such adjustments take place.

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 2010 and 2009 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 2011 that include factors mentioned below.

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

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

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

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 base salary level above 12 G.

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

In addition to fixed base salary and performance bonus, REC's compensation plan for 2010 and 2009 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) 2011 the REC Board will propose to continue the share option program for 2011. The proposed 2011 program is similar to the 2010 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 base salary (2 years' fixed base 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 was 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 ten percent. 2) Exercise price for the option was calculated as ten percent above the weighted average trading price on the first trading day after the publication of the Company's results for the second quarter 2010.

The first three years are 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 of directors will ask the AGM for allocations and authorizations to support each year's program. The total share option program 2008-2010 should at any time not exceed one percent of the total number of outstanding shares, fully diluted.

Compensation of the Group management for 2010

(AMOUNTS IN NOK (IF NOT OTHERWISE STATED))

NAME	BASE SALARY	BONUS EARNED AND MAX %	SHARE BASED PAYMENT	PENSION BENEFITS	OTHER TAXABLE BENEFITS	SEVERENCE PAY ETC.
Ole Enger	4 796 077	1 946 700	585 325	379 314	212 325	0
President and CEO		100%				
John Andersen Jr.	2 593 293	1 074 013	600 183	497 356	180 540	0
EVP and COO		60%				
Erik Sauar	2 019 145	597 618	510 424	313 188	84 620	0
SVP and CTO		50%				
Tore Torvund	2 786 436	1 134 039	383 731	344 375	1 981 751	0
EVP		60%				
Ingelise Arntsen (to March 1)	1 722 397	0	-534 898	183 129	256 803	1 089 498
EVP		60%				
Bjørn Brenna	2 366 710	812 765	638 238	453 101	190 168	0
EVP and CFO		50%				
Svànaug Bergland (to October 15)	1 394 480	272 349	342 425	212 665	174 416	0
SVP		50%				
Øyvind Hasaas (from October 15)	418 919	122 917	42 456	132 421	137 085	0
EVP		40%				
Einar Kilde (to September 3)	1 991 019	0	-504 596	242 994	117 025	0
EVP Projects / Wafer		60%				
Matthew Shippey (to November 24)	1 543 573	0	-48 745	0	1 366 236	531 995
EVP Projects		20%				
Kristine Ryssdal	1 836 633	539 823	457 596	299 441	171 616	0
SVP & CLO		50%				
Total 2010	23 468 683	6 500 224	2 472 139	3 057 983	4 872 584	1 621 493

Compensation of the Group management for 2009

(AMOUNTS IN NOK (IF NOT OTHERWISE STATED))

NAME	BASE SALARY	BONUS EARNED AND MAX %	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	419 200	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

All amounts are exclusive of social security tax. Compensation in foreign currencies has been translated to NOK at average exchange rates for the relevant years, except for bonus that has been calculated at year-end rates. All amounts include payments and benefits from REC ASA and subsidiaries to the Group management. There were no payments and benefits from REC companies for services outside the function as Group management, except for Einar Kilde in 2009, Matthew Shippey and Øyvind Hasaas, see below.

Changes to the Group Management in 2010: Ingelise Arntsen resigned on March 1, 2010, Einar Kilde on September 3 and Matthew Shippey on November 24. Øyvind Hasaas was appointed EVP Human Resource & Organizational Development and became a member of the Group Management from October 15. Svànaug Bergland is from the same date not a part of the Group Management. Øyvind Hasaas receives parts of his compensation from REC ASA and parts from REC Site Services Pte. Ltd.

Changes to the Group Management in 2009: Erik Thorsen and Gøran Bye terminated their employment in REC in the beginning of 2009. Ole Enger took up the position as the President and CEO on April 4, 2009. Tore Torvund became employed by REC Silicon Inc. from February 1, 2009. 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 Services Pte. Ltd) as EVP Projects from October 1, 2008 until August 31, 2009. Subsequent to this he took over as EVP REC Wafer and Ingelise Arntsen became EVP Strategy and Business Development. Matthew Shippey, employed by REC Site Services Pte. Ltd, took over as EVP Projects from September 10, 2009.

The guidelines for 2010 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 2010 are adjustments of the amounts, as shown in the table above, and the changes in the composition of the Group management.

The amounts in the table are for months of employment for persons that have taken a position during the relevant year and those that have left the Group management but still are employed by the company. For persons that left the Group management and the company, the amounts include all earned taxable remuneration and earned bonus during the year; for 2010 this is relevant for Ingelise Arntsen, Einar Kilde and Matthew Shippey.

Base salary in the tables above represents the amounts, including holiday pay that has been paid in the year (and for those that have terminated employment also holiday pay earned in the year). Fixed base salary is normally adjusted at January 1.

The bonuses are annual performance bonuses that are not to exceed the stated percentage of fixed base salary. 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, value-creating performance.

In 2008, a REC share option program was established. The share option program is further described above and 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 tables are the amounts expensed in the relevant year. Negative amounts for share based payment in the tables 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 2010.

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 (last time in 2010) of the earned amounts are consequently not included. Ingelise Arntsen has in addition received commuting housing allowance and coverage of expenses for commuting, and Øyvind Hasaas has received commuting housing allowance, which are not taxable benefits and not included in the tables.

The severance payments etc for EVP Ingelise Arntsen in 2010 and the former CEO and President Erik Thorsen and EVP Gøran Bye in 2009 were according to their respective termination agreements.

Ms. Arntsen was entitled to a severance payment equal to six months of her salary. In addition she received remuneration according to her employment contract in the normal notice period of six months.

Mr. Shippey was offered a severance of two months extended salary and compensation and continuation of schooling allowance for his daughters in Singapore for an additional period of five months.

Mr. Thorsen's employment contract could be terminated by REC ASA 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. This estimate was revised in 2010 as Mr. Thorsen did not take new employment with the estimated salary. Further payments were made in 2010 and are estimated for four months in 2011. These increases are not reflected in the tables above.

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.

The following other members of the Group management have arrangements that at December 31, 2010 and 2009 entitle them to special benefits if the employment is terminated, beyond the normal notice period of six 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 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.

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

In the event that Ms. Ryssdal is terminated by REC, she is entitled to a severance payment equal to six months of her salary. Any amount in excess of this that she receives from another employer would be deducted from the balance.

In the event that Mr. Hasaas is terminated by REC, he is entitled to a severance payment equal to six months of his salary. Any amount in excess of this that he receives from another employer would be deducted from the balance.

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 2010

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Dag Opedal [1]	425 000	50 000
Tore Schiøtz	250 000	50 000
Odd Christopher Hansen	250 000	50 000
Hilde Myrberg [1]	250 000	50 000
Roar Engeland [1]	250 000	50 000
Grace Reksten Skaugen	250 000	50 000
Susanne Munch Thore [1]	250 000	50 000
Total period May 19, 2009 – May 19, 2010	1 925 000	350 000

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

Compensation of employee elected board members paid in 2010

(AMOUNTS IN NOK)

NAME	BOARD COMPENSATION	COMPENSATION FOR COMMITTEES
Tommy Kristensen	250 000	0
Anders Langerød	250 000	0
Rolf B. Nilsen	250 000	50 000
Silje Johnsen (March 1 - May 25, 2010)	54 795	0
Unni Iren Kristiansen (excl. March 1 - May 25, 2010)	195 208	39 042
Total period May 19, 2009 – May 19, 2010	1 000 003	89 042

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

The amounts in the tables represent the amounts that were paid in 2010 and 2009, 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, 2010 to May 25, 2011, will be decided by the AGM on May 25, 2011.

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 2010

(AMOUNTS IN NOK)

NAME	SALARY PAID	BONUS PAID	PENSION BENEFITS	OTHER TAXABLE BENEFITS
Tommy Kristensen	484 175	0	30 741	4 472
Anders Langerød	403 739	22 631	16 553	9 357
Rolf B. Nilsen	394 794	36 152	22 072	11 095
Silje Johnsen (March 1 - May 25)	213 548	23 753	20 748	8 261
Unni Iren Kristiansen (excl. March 1 - May 25)	490 648	82 792	45 366	13 448
Total 2010	1 986 904	165 328	135 479	46 633

Amounts for employee elected board members are calculated for the period of being a part of the board.

Bonus in the tables for employee elected board members are amounts paid in the year. This differs from how bonus is reported for the Group management in the tables above.

Ordinary salary etc. for employee elected board members 2009

(AMOUNTS IN NOK)

NAME	SALARY	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

Loans and guarantees for group management and board of directors

On December 8, 2005, the Company loaned Svànaug Bergland NOK 500,000. The purpose of this loan was to facilitate the borrower's purchase of a car. The loan is interest and installment free for two years. The terms of the loan has been extended. If the borrower resigns from the Company, the loan will become due and payable. The loan is secured by mortgage on the borrower's house.

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

(AMOUNTS IN NOK)	AT DECEMBER 31,	
NAME	2010	2009
Ole Enger	25 666	23 333
John Andersen Jr.	25 666	0
Erik Sauar	25 666	0
Bjørn Brenna	25 666	0
Kristine Ryssdal	25 666	0
Øyvind Hasaas	25 666	NA
Rolf B. Nilsen	0	23 333

Except from loans to employees, primarily in the ESPP as described i note 24, no board member or other shareholders than mentioned above, including their closely related parties had any loans or guarantees at December 31, 2010 or 2009.

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, 2010 or 2009.

	OPTIONS		SHARES	
NAME	2010	2009	2010	2009
Ole Enger	559 146	138 962	32 941	3 716
John Andersen Jr.	395 503	123 740	292 798	186 671
Erik Sauar (shares also through Sauar Invest AS)	334 756	105 436	257 467	428 129
Ingelise Arntsen	NA	124 015	NA	8 411
Bjørn Brenna (shares also through RBBR Invest AS)	382 380	124 015	85 511	50 695
Svànaug Bergland	NA	76 039	NA	12 064
Øyvind Hasaas	251 162	NA	6065	NA
Einar Kilde	NA	116 967	NA	685
Kristine Ryssdal	306 575	99 432	3085	685
Tore Torvund	444 241	88 530	16 486	9 629
Matthew Shippey	NA	51 719	NA	0
Tore Schiøtz (shares through Granhaug Industrier AS)	0	0	558 017	339 448
Roar Engeland	0	NA	150 000	0
Odd Chr. Hansen	0	NA	50 000	0
Anders Langerød	0	0	201	134
Rolf B. Nilsen	0	0	1 681	1 681
Unni Iren Kristiansen	0	0	4 044	2 696

17 BORROWINGS

Financial liabilities, interest bearing

(NOK IN MILLION)	2010	2009
Non-current financial liabilities, interest bearing		
Bank borrowings (REC ASA)	3 075	4 390
Bilateral loan (REC ASA)	0	2 693
Eksportfinans (REC ASA and REC Singapore)	1 132	0
NOK bond (REC ASA)	1 267	1 235
Up-front loan fees etc (amortized as part of effective interest)	-64	-392
EUR convertible bond (REC ASA)	2 175	2 816
Finance lease liabilities (REC Wafer and REC ScanCell)	1 008	623
Total non-current financial liabilities, interest bearing	8 592	11 366
Current financial liabilities, interest bearing		
Current portions of finance lease liabilities (REC Wafer and REC ScanCell)	162	101
Eksportfinans (REC Singapore)	115	0
Up-front loan fees etc. (amortized as part of effective interest)	-84	0
Sovello – bank borrowings [1]	0	189
Sovello – shareholders' loans [1]	0	321
Total current financial liabilities, interest bearing	194	611
Total financial liabilities, interest bearing	8 786	11 977

[1] The former jointly controlled company Sovello (owned 33.3% by REC) was sold in April 2010.

On May 25, REC signed a new bank credit and guarantee facilities agreement of NOK 10 billion. REC has trough syndication established a new relationship bank group consisting of Citigroup, DnB NOR, Handelsbanken, HSBC, Nordea, and SEB. The bank credit and guarantee facilities are available for general corporate purposes. In addition, two new loan facilities of a total of NOK 1.3 billion were signed with Eksportfinans, of which NOK 0.87 billion is guaranteed by GIEK. NOK 0.4 billion of the total bank facilities are utilized as guarantee for parts of the Eksportfinans loans, leaving almost NOK 9.6 billion as a revolving credit facility. In May 2010, the two previous bank credit and guarantee facilities from 2006 and 2008 were terminated and repaid with EUR 758 million. An unutilized NOK 525 million credit facility was also terminated. In addition, a bilateral SGD loan guaranteed by the same bank facilities was terminated and repaid with SGD 654 million. Additional up-front fees were incurred in relation to the new facilities.

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.

In October 2009, REC ASA issued a EUR 320 million convertible bond. The subordinated unsecured convertible bond has an annual coupon of 6.50 percent, payable quarterly in arrears on the specified payment dates. At issue it had a conversion price of EUR 6.49 per share that was adjusted to EUR 5.40 per share due to the dilution effect of the rights issue in May 2010. The convertible bond was issued and will be redeemed at 100 percent of its principal amount and will, unless previously redeemed, converted or purchased and cancelled, mature on June 4, 2014. REC ASA has the right to convert the bond into ordinary shares at any time on or after January 4, 2013, provided that the value of the underlying shares on the Oslo Stock Exchange (translated into EUR) on at least twenty trading days within a period of thirty consecutive trading days has exceeded 150 percent of the principal amount of the outstanding bond.

At December 31, 2010 the bank credit and guarantee facilities agreement and Eksportfinans loans contain financial covenants and other restrictions. Neither the senior NOK bond nor the convertible EUR bond contains financial covenants. However, there is cross default between all the loan agreements above a certain threshold amount. According to REC's finance policy, REC shall at all times maintain financial ratios within the limits defined in the loan agreements of REC ASA and subsidiaries, and take the necessary measures that are available to avoid financial distress. Taking into account the market volatility and the risk related to future cash flow from the major expansion projects, REC is according to its finance policy targeting an average maturity on the debt portfolio above 3 years. At December 31, 2010 the average maturity is approximately 2.9 (including finance lease liabilities) and REC will evaluate opportunities to increase debt maturity.

The bank debt, the Eksportfinans loans and the Norwegian bond are all senior debt while the convertible bond of EUR 320 million is subordinated. All the loans and credit facilities agreements have negative pledge clauses with certain threshold amounts. The loans and credit facilities, except for the subordinated convertible bond of

EUR 320 million and finance leases, are guaranteed by REC ASA and material subsidiaries. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default, see note 6.

The calculations of financial covenants have certain adjustments compared to the reported IFRS numbers. Please refer to note 3 for further information on the covenants and other restrictions. At December 31, 2010, REC complied with all financial covenants and other restrictions in the loan agreements.

REC ASA's bank credit and guarantee facilities have limits defined in NOK even if the majority of this debt will be drawn and serviced by other currencies (e.g. EUR and USD). 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..

Non-financial liabilities, interest calculation [1)]

(NOK IN MILLION)	2010	2009
Non-current prepayments, interest calculation	479	478
Current prepayments, interest calculation	124	76
Total prepayments, interest calculation	603	554

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

The following are the contractual maturities of financial liabilities.

AT DECEMBER 31, 2010 (NOK IN MILLION)	CARRYING AMOUNT	TOTAL EXPECTED PAYMENTS	MATURITY ANALYSIS – CONTRACTUAL PAYMENTS TO BE MADE 0 - 6 M 2011	6 - 12 M 2011	2012	2013	2014	AFTER 2014
Bank borrowings (REC ASA)	3 075	3 655	124	124	239	3 168	0	0
Eksportfinans (REC ASA and REC Singapore)	1 247	1 435	100	98	190	1 046	0	0
NOK bond (REC ASA)	1 267	1 771	69	69	138	138	1 359	0
Up-front loan fees*	-148	0	0	0	0	0	0	0
EUR convertible bond (REC ASA)	2 175	3 055	81	81	163	163	2 568	0
Finance lease liabilities (REC Wafer and REC ScanCell)	1 170	1 418	110	109	218	213	184	584
Total	8 786	11 335	483	481	948	4 727	4 110	584

* Amortized as part of effective interest.

AT DECEMBER 31, 2009 (NOK IN MILLION)	CARRYING AMOUNT	TOTAL EXPECTED PAYMENTS	MATURITY ANALYSIS – CONTRACTUAL PAYMENTS TO BE MADE 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 (REC Wafer and REC ScanCell)	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.

The NOK bond is effectively swapped to variable 6 months NIBOR plus a margin of 6.9 percent. The swapped variable interest rate at December 31, 2010 was 9.8 percent. Due to the effective hedge of the NIBOR, the net interest rate reported in the statement of income is the variable rate. In the maturity analysis tables 11 percent is used.

The difference between carrying amount and total expected payments in the tables above represent primarily interest, remaining parts of upfront loan fees and not discounting of payments in finance leases. Interest payments are estimated using the interest rates at December 31, 2010 and 2009, respectively. Commitment fees on undrawn amounts under the credit and guarantee facilities are calculated using the commitment fee margins at the respective year-ends, and are included as payment of interest for bank borrowings as well as bilateral loan for 2009. All cash flows are undiscounted. Amounts in other currencies than NOK are translated at the exchange rates at December 31, 2010 and 2009, respectively.

Starting at the end of the first quarter 2012, the total amounts available in the new revolving bank credit facilities will be reduced by NOK 350 million quarterly. The residual principal amount shall be repaid at the end of the second quarter 2013. The Eksportfinans loans partially require bank guarantees, and the residual principal amounts must be repaid at the end of the second quarter 2013 unless a new guarantee is in place at that time. This is illustrated in the table by assuming full repayment of the residual in 2013 even though the term of the Eksportfinans loan (REC Singapore) guaranteed by GIEK is eight years.

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 one, three, six or twelve months, at REC ASA's choice. The amounts at December 31, 2010 and 2009 were drawn at one or three month intervals. However, the contractual payments in the tables above are based on the contractual repayment dates of the tranches as described above.

The nominal interest rates and currency distribution (notional amounts) at December 31, 2010 were as follows

	INTEREST RATE (%)		CURRENCY	AMOUNTS IN MILLION CURRENCY	BORROWER
Bank overdrafts	2.2	Variable	NOK	0	REC ASA
Bank borrowings	5.3	Variable	EUR	425	REC ASA
Bank borrowings	5.2	Variable	USD	75	REC ASA
Eksportfinans	7.0	Variable	EUR	42	REC ASA
Eksportfinans	6.8	Variable	EUR	118	REC Singapore
NOK bond	11	Fixed	NOK	1 250	REC ASA
EUR convertible bond	6.5	Fixed	EUR	320	REC ASA
Finance leases	6.7	Fixed	NOK	205	REC ScanCell
Finance leases	3.4 - 11.6	Fixed	NOK	965	REC Wafer

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 and Eksportfinans loans to REC ASA and subsidiaries 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. In addition REC ASA has to pay commitment fees for undrawn amounts under the bank credit and guarantee facilities and has already paid up-front loan fees etc. The commitment fees also vary based on the ratio of net debt to EBITDA. Consequently, the effective interest rates for most borrowings are higher than the nominal interest rates. The NOK bond is effectively swapped to variable 6 months NIBOR plus a margin of 6.9 percent. The swapped variable interest rate at December 31, 2010 was 9.8 percent.

Total undrawn revolving bank credit facilities were NOK 6.5 billion at December 31, 2010 (NOK 8.2 billion in 2009). This does not include NOK 350 million overdraft facility in the Group account system. Starting at the end of the first quarter 2012, the total amounts available in the 2010 revolving bank credit facilities will be reduced by NOK 350 million quarterly, and matures at the end of the second quarter 2013.

18 INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

Recognized income tax expense

(NOK IN MILLION)	2010	2009
Current income tax expense (-) / benefit (+)	166	-180
Deferred tax expense (-) / benefit (+)	-1 095	281
Total income tax expense (-) / benefit (+) in the statement of income from continuing operations	-930	100

Deferred tax benefits of NOK 35 million have been re-presented to discontinued operations for 2009.

Current income tax expense includes benefits of NOK 88 million for 2010 and NOK 4 million for 2009 as adjustments of prior periods. Deferred tax expense include expenses of NOK 78 million for 2010 and NOK 3 million for 2009, as adjustments of prior periods.

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

(NOK IN MILLION)	2010	2009
Profit/loss before tax from continuing operations	1 818	-1 301
Tax calculated at domestic tax rates applicable to profits /losses in the respective countries	-670	240
Effects of changes in tax rates and use of another tax rate for parts of profits /losses	6	1
Tax credits, expenses deductible only for tax, and income not subject to tax	5	204
Results not taxable (Singapore)	-234	-10
Expenses not deductible for tax purposes	-7	-5
Effects of not recognized deferred tax assets, including reversal of previous years'	-40	-313
Results from associated companies	0	-19
Adjustment of prior year's income taxes	10	1
Total income tax expense (-) / benefit (+) in the statement of income from continuing operations	-930	100
Effective tax rate	51%	Not meaningful

Deferred tax benefits of NOK 35 million have been re-presented to discontinued operations for 2009, and some reclassifications have been made between line items in the table for 2009.

The total estimated income taxes for 2010 are affected by losses that are not tax deductible and recognition of deferred tax liabilities due to the operations in Singapore and 36 percent effective tax rate on profits in the USA. The total estimated income taxes for 2009 were affected by non-recognition of deferred tax assets, but were also reduced by realized loss on REC ASA's receivables on REC ScanModule.

The income tax calculation for the REC Group is primarily based on corporate income tax rates of 28 percent in Norway, 26.3 percent in Sweden, around 30 percent in a number of other European countries, 36.5 percent in the USA (37 percent in 2009) and 17 percent in Singapore,.

Tax credits, expenses deductible only for 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.

A 17 percent tax rate has been applied for profit or loss items related to Singapore in the table in the line item "tax calculated at domestic tax rates applicable to profits/losses in the respective countries" for 2010 and 2009. However, only limited income tax has been recognized on the losses and unrealized internal profits on inventories in the Singapore operations, due to a tax exempt period. This contributes to parts of the amounts in the reconciling line item "results not taxable (Singapore)". For 2010 it also includes a negative NOK 81 million of deferred tax liabilities that was recognized due to commencement of depreciation of property, plant and equipment in 2010 on assets with expected useful lives that exceed the tax-free period in Singapore. The effect occurs because there is initial high tax depreciation that creates deferred tax liabilities that are estimated to be un-reversed at the end of the tax-free period. In addition, REC has recognized income tax expenses (using 28 percent tax rate) of NOK 84 million on payments, including prepayments, of royalties from the Singapore operations to REC Wafer in Norway in 2010 that has affected this reconciling line item negatively (deferred tax liabilities have not been recognized on similar royalties to REC ScanModule and REC ScanCell due to non-recognition of deferred tax assets). REC has capitalized borrowing costs on REC Group level related to qualifying assets in Singapore. Capitalization of borrowing costs affected this reconciling line item by a positive NOK 18 million in 2010 compared to NOK 21 million in 2009.

Net deferred tax assets not recognized in 2010 are primarily related to REC ScanModule in Sweden, REC ScanCell in Norway and REC Systems, whilst other deferred tax assets not recognized in 2009 related to the Norwegian operations were realized or recognized in 2010. For 2009, deferred tax assets were not recognized in REC ScanModule (NOK 213 million) and to some extent in the Norwegian operations (NOK 100 million). In addition, in the table for 2009 deferred tax assets in Sovello (NOK 231 million) that were not recognized has been re-presented as part of discontinued operations.

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 2010 a weighted average of 36.5 percent (37 percent for 2009). The effective tax rate for REC Silicon in the USA for 2010 was 35.9 percent (36.5 percent for 2009).

Income tax assets and liabilities in the statement of financial position

(NOK IN MILLION)	2010	2009
Current tax assets	319	64
Current tax liabilities	200	142
Net current tax assets (+) / liabilities (-)	120	-78
Deferred tax assets	336	374
Deferred tax liabilities	1 804	761
Net deferred tax assets (+) / liabilities (-)	-1 468	-387

The difference between current tax in the statement of income for the year and the statement of financial position at year end was in 2010 affected by repayment of some income taxes paid in previous years, reclassification in the statement of income to discontinued operation and income taxes on costs for the equity capital increase. For 2009 it was primarily affected by income tax for the financial year being paid during the year in the USA. Current tax assets at December 31, 2010 related primarily to REC Silicon 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)	2010	2009
Deferred tax assets		
Deferred tax asset to be recovered after 12 months	832	252
Deferred tax asset to be recovered within 12 months	316	589
Offset deferred tax assets and liabilities	-812	-468
Total	336	374
Deferred tax liabilities		
Deferred tax liability to be settled after 12 months	2 196	1 007
Deferred tax liability to be settled within 12 months	420	222
Offset deferred tax assets and liabilities	-812	-468
Total	1 804	761
Net deferred tax liabilities	-1 468	-387

Tax losses and tax credits carried forward are presented as deferred tax assets to be recovered after 12 months in the table above.

The following are the major deferred tax assets (+) and liabilities (-) 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 loss carry-forward recognized	8	24	51	-1	83
Total	-907	316	94	110	-387

The amounts recognized in income in 2009 in the table above include deferred tax benefits of NOK 35 million that in the statement of income has been re-presented to discontinued operations for 2009.

The following are the major deferred tax liabilities (-) and assets (+) recognized by the Group and movements during 2010

(NOK IN MILLION)	BALANCE JAN 1, 2010	RECOGNIZED IN INCOME	RECOGNIZED IN OCI/EQUITY	TRANSLATION DIFFERENCE	BALANCE DEC 31, 2010
Total non current assets	-912	-1 118	0	16	-2 014
Total current assets	132	-150	0	1	-18
Total non current liabilities	75	-41	-7	-2	25
Total current liabilities	236	-334	8	4	-87
Tax loss and credits carry-forward recognized *	83	548	0	-5	625
Total	-387	-1 096	1	15	-1 468

* Includes deferred tax assets for tax credits carried forward in REC Silicon in the USA of NOK 104 million, primarily related to the alternative minimum tax (AMT). The AMT is an additional tax calculation required in the USA on top of regular tax, and the tax payer will pay the higher of the two calculations. The AMT credit has a provision which provides for an indefinite carry forward. Any AMT tax paid in previous years can be used as a credit in the current taxable year to the extent that the regular tax liability exceeds the AMT calculated for the current taxable year.

Total accumulated income taxes recognized to equity excluding translation differences on deferred tax (minus is reduction to equity)

	AT DECEMBER 31	
(NOK IN MILLION)	**2010**	2009
Effect of transition to IAS 39 at January 1, 2005	**14**	14
Effect of actuarial gains and losses	**-6**	-4
Effect of convertible bonds	**-371**	-371
Effect of costs for capital increase	**51**	51
Effect of translation differences on loans as part of net investment	**14**	19
Effect of cash flow hedge	**0**	-7
Total deferred tax	**-298**	-299
Current tax – effect of costs for capital increase	**80**	42
Total	**-218**	-257

The following main deferred tax assets have not been recognized at December 31

(NOK IN MILLION)	**2010**	2009
Tax losses carried forward	**279**	183
Other deferred tax assets	**48**	343
Government grants for investments	**1**	19
Total	**328**	545

Tax losses carried forward and other deferred tax assets are not recognized due to requirements in IAS 12 for convincing evidence of future profits. Deferred tax assets not recognized at December 31, 2010 relates primarily to REC ScanModule (NOK 241 million) and REC ScanCell (NOK 72 million. However, due to this non-recognition of deferred tax assets, deferred tax liabilities of NOK 25 million on prepaid royalty from REC in Singapore to REC ScanCell have not been recognized). NOK 231 million of the unrecognized tax losses and other deferred tax assets in the table above for 2009 were found in Sovello.

Government grants for investments in 2009 were primarily related to the previous jointly controlled entity Sovello that was sold in 2010.

In addition estimated un-reversed deferred tax liabilities of NOK 30 million have not been recognized on property constructed in Singapore during the year because the text of current legislation has been interpreted not to allow for tax deduction of depreciation, so the tax base has been estimated to zero. The reason for non-recognition is that the deferred 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 (IAS 12.15). If REC should succeed in claiming that these assets are qualifying assets, the corresponding deferred tax liability will be recognized.

At December 31, 2010 and 2009, accumulated undistributed earnings for REC ASA's ownership share in the REC Silicon Group in the USA were approximately USD 623 million and USD 480 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.

There is a tax on three percent of dividends received from shares covered by the Norwegian participation exemption rules. 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 defined contribution and defined benefit 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). The G-amount at December 31, 2010 is NOK 75,641.

Termination of the previous defined benefit pension plans for fixed base salary up to 12 G 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 has been settled at the benefits earned at year-end 2009.

The new Norwegian plans from 2010 include a contribution plan for retirement benefits with annual contributions of five to eight percent of fixed base salary up to 12 G as well as pension insurance for some disability, spouse and children pension rights. 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. This compensation plan is a defined benefit plan. The compensation is contingent on the individual employee being older than a specified age in case of termination of employment. It varies according to age, years of employment after January 1, 2010 and between employees. No rights to payments are earned at January 1, 2010.

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 fixed base salary above 12 G per year of employment plus or minus a calculated return based on a defined index, which is to be paid upon retirement or at termination of employment. 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. A few individual pension plans also exist.

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. The REC Silicon subsidiary ASiMI in the USA 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 (AFP NHO). 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 15 million and NOK 9 million were included as pension expenses for 2010 and 2009, respectively. The Norwegian AFP NHO plan was changed in 2010 with effect from 2011. The close of the old AFP NHO plan requires all member companies to pay premiums per employee to 2015 regardless of the actual number of early retirees in the company. The calculated present value of future premiums is included in service cost and defined benefit liabilities for 2010 with NOK 8 million.

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, 2010 and 2009. 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 to payments of earned benefits was calculated at more than 30 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)	2010	2009
Gross retirement benefit obligations at January 1	174	428
Service cost	41	83
Interest cost on pension obligations	10	19
Actuarial gains and losses	-3	-26
Benefits paid, paid-up policies and disability obligation	-12	-27
Settlements and curtailments	0	-268
Translation differences	2	-35
Gross retirement benefit obligations at December 31	212	174
Fair values of plan assets at January 1	130	283
Actual return on plan assets	0	4
Pension premiums	1	54
Benefits paid, paid-up policies and disability reserve	-9	-24
Settlements and curtailments	0	-157
Translation differences	2	-30
Fair value of plan assets at December 31	124	130
Funded status at December 31	88	44
Accrued social security tax	6	2
Net retirement benefit obligations at December 31	94	45

Retirement benefit obligations in the statement of financial position

(NOK IN MILLION)	2010	2009
Net retirement benefit obligations at January 1	45	156
Net periodic benefit costs	49	-25
Actuarial gains and losses recognized directly in equity through OCI	3	-19
Pension premiums and benefits paid	-3	-57
Social security tax on pension premiums	0	-6
Translation differences	0	-5
Net retirement benefit obligations at December 31	94	45

The amounts recognized in the statement of income are as follows

(NOK IN MILLION)	2010	2009
Current service cost	41	83
Interest cost on gross retirement benefit obligations	10	19
Expected return on plan assets (net of administration cost)	-7	-14
Settlements and curtailments	0	-110
Employer's social security tax on defined benefit costs	5	-2
Total benefit plans	49	-25
Contribution plans including employer's social security tax	107	38
Total pension expenses (see note 24)	156	13

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 42 million and NOK 31 million, at December 31, 2010 and 2009, respectively. Net pension costs of NOK 2 million were recognized in the statement of income in 2010 and 2009. Actuarial losses of NOK 9 and 7 million were recognized in other comprehensive income in 2010 and 2009. Employer's contributions were NOK 1 million in 2010 and 2009. Translation differences was net zero in 2010 and reduced the net liability by NOK 5 million in 2009 when converting the USD amounts to NOK.

Cumulative actuarial loss recognized to equity through OCI was NOK 3 million before income taxes at December 31, 2010 and zero at December 31, 2009.

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

(NOK IN MILLION)	2010	2009	2008	2007	2006
(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)	-7	-10	-3	28	3
(b) the effects of changes in actuarial assumptions	4	-16	-15	-17	2
Total actuarial gains (-)/losses (+) on gross retirement benefit obligations	-3	-26	-18	11	5

The difference to actuarial gains/losses on net retirement benefit obligations is actuarial gains/losses 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)	2010	2009	2008	2007	2006
Gross pension obligations	212	174	428	321	284
Fair value of plan assets	124	130	283	215	187
Funded status	88	44	145	106	97

At December 31, 2010 the Norwegian defined benefit plans are un-funded. The plan assets relate to one of the three ASiMI plans, and are invested in cash/money market funds (100 percent at the end of 2010 and 40 percent in 2009) and bonds/commercial paper (none at the end of 2010 and 60 percent in 2009). The current investment strategy of plan assets for ASiMI is to have low volatility.

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 2010 and 2009 were: Mortality K2005, Marriage K2005 and Disability IR02.

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

	NORWEGIAN PLANS (%)			ASIMI PLANS (%)		
	2010	2009	2008	2010	2009	2008
Discount rate	3.9-4.0	4.3	3.8	5.4	5.5	5.5
Future salary increases	3.8-4.0	4.3	4.0	NA	NA	NA
Future pensions increases	1.9-4.7	2.0	2.3-3.8	NA	NA	NA
Future increase in social security base amount (G)	3.8	4.0	3.8	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 Norwegian defined benefit plans are unfunded, so expected long-term return on plan assets is not relevant. However, the compensation plan and over 12 G plan contain guaranteed annual returns based on reference to different portfolios of assets. The expected long-term return for the ASiMI schemes was five percent, reduced to 4.2 percent at year-end 2010. The expected rate of return on plan assets was determined based on a review of historical returns, both for this plan and for medium- to large-sized defined benefit pension funds with similar targeted assets allocations.

The average expected remaining service periods in years for participants in the Norwegian defined benefit plans were about 15 in the compensation plan and 13 in the over 12 G plan at December 31, 2010, and about 16 in 2009. The corresponding years for ASiMi plans were about 13.

The total number of employees in the Norwegian defined benefit plans were 847 for the compensation plan and 58 in the over 12 G plan at the end of 2010 (78 at the end of 2009). The compensation plan started in 2010 and no new participants will be added, and the number of eligible employees decreased during the year by 154. The Norwegian defined benefit plans that were terminated at year-end 2009 had in total 1,467 employees. The corresponding number for ASiMI plans was below 700.

Pension premiums of NOK 3 million are expected to be paid during 2011 to the plans accounted for as defined benefit plans.

Due to the relatively small amounts of defined benefit obligations for the Norwegian plans, no sensitivity analysis for possible changes in assumptions is provided at December 31, 2010. 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 (25) million at December 31, 2010.

20 TRADE PAYABLES, PROVISIONS AND OTHER NON-INTEREST BEARING LIABILITIES

(NOK IN MILLION)	2010	2009
Current		
Provisions	**85**	420
Trade payables	**986**	997
Accrued costs for capital expenditures	**149**	1
Payables for capital expenditures	**171**	881
VAT and other public taxes and duties payable	**361**	68
Accrued operating costs	**423**	520
Accrued finance costs	**157**	133
Prepaid revenues / prepaid from customers	**123**	5
Other non-interest bearing liabilities	**138**	112
Total current provisions, trade payables and other liabilities	**2 593**	3 137
Non-current		
Provisions	**288**	195
Negative value delivery contract*	**0**	20
Other	**0**	-6
Total non-current provisions and other non-interest bearing liabilities	**288**	209

* Non-current delivery contract that was fair valued 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 five years from August 2005.

Specification of provisions

(NOK IN MILLION)	RESTRUCTURING	JUNCTION BOXES	WARRANTIES	ASSET RETIREMENT OBLIGATIONS	FINANCIAL GUARANTEES	OTHER PROVISIONS	TOTAL
At January 1, 2009	0	64	50	8	0	14	**136**
Additional provisions	0	310	14	2	90	42	**458**
Recorded directly to the statement of financial position	0	0	0	125	0	0	**125**
Used during the year	0	-75	-1	0	0	-11	**-87**
Exchange differences	0	-7	-6	0	0	-3	**-16**
At December 31, 2009	0	291	58	134	90	42	**615**
Additional provisions	91	37	39	0	0	5	**172**
Unused amounts reversed	-26	-66	0	-1	0	0	**-93**
Recorded directly to the statement of financial position	0	0	-5	53	0	-30	**18**
Used during the year	-14	-245	-5	0	-90	-3	**-357**
Increase in provisions due to interest	0	0	0	5	0	0	**5**
Exchange differences	2	5	3	4	0	-2	**12**
At December 31, 2010	52	22	90	197	0	12	**373**

Distribution of total provisions

(NOK IN MILLION)	2010	2009
Provisions current	**85**	420
Provisions non-current	**288**	195
Total provisions	**373**	615

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 and a provision of NOK 61 million was recognized. The scope of the potential repair work was reviewed during 2009 and additional provisions were recognized. During 2009 parts of the repair work was conducted, and has to a major extent been finalized in 2010. Accumulated expenses for the junction box repair project are estimated to be NOK 387 million, of which NOK 38 million was recognized as reversal of expenses in

2010, NOK 364 million as expense in 2009 and NOK 61 million in 2008. These accumulated expenses include write downs of solar modules used in the project and therefore do not reconcile to the movements in the specification of provisions in the table above.

Restructuring relate primarily to the close down of the REC ScanModule operations in Glava (Sweden). Warranties are primarily related to the sale of solar modules, see note 4.2 (E). Asset retirement obligations relate primarily to the Singapore plant. Financial guarantees at December 31, 2009 were estimated losses on guarantees and undertakings related to Sovello.

21 GOVERNMENT GRANTS

(NOK IN MILLION)	2010	2009
Recognized in the statement of financial position – grants related to assets	**961**	365
Recognized in the statement of income – grants related to income	**86**	47
Total	**1 047**	412

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

A government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received. To qualify for the grants recognized, several future conditions need to be fulfilled. 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 2010, REC Silicon recognized an estimated present value of USD 125 million (NOK 756 million) as a reduction to capital expenditure in the statement of financial position (shown above as recognized in the statement of financial position – grants related to assets), and a non-current receivable (plus unwinding of interest at December 31, 2010, USD 127 million that calculated at year-end USD/NOK rate equals NOK 744 million) for Advanced Energy Manufacturing Tax Credit. Some future conditions must be fulfilled to receive the grants, including that awardees have three years from the date of issuance of the 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. The executed agreement between REC Solar Grade Silicon LLC and the Department of Treasury of the United States of America applies only to the taxpayer who signed the agreement, REC Solar Grade Silicon LLC. Any successor in interest must execute a new agreement with the Internal Revenue Service of the United States of America no later than the due date (including extensions) of the successor in interest's Federal income tax return for the taxable year in which the transfer occurs. If the successor in interest does not execute a new agreement, the project ceases to be investment credit property and the recapture rules of § 50 (a) and similar rules with respect to qualified progress expenditures apply.

22 OTHER OPERATING EXPENSES

(NOK IN MILLION)	2010	2009
Energy and water	984	528
Total operating, service and maintenance costs	873	617
Lease expenses	216	135
Freight, postage and transportation	152	85
IT and telecommunication costs	140	112
Travel and entertainment costs	95	110
Insurance costs	79	68
Sales, marketing and advertising costs	55	22
Consultancy, temporary contract workers and auditor's fees	619	463
Own work capitalized on fixed assets	-120	-133
Expenses for junction box repair and warranties [1]	10	324
Loss on receivables [2]	103	6
Restructuring costs [3]	65	0
Other income [4]	-304	0
Other operating costs [5]	86	43
Other operating expenses [6]	3 053	2 379

1) See note 20.
2) See note 12.
3) Restructuring cost refers mainly to the close down of the REC ScanModule operation in Glava (Sweden), see note 20.
4) Other income relates to a wafer contract cancellation fee.
5) Other operating costs include reduction relating to the negative value of the long-term delivery contract of NOK 21 million in 2010 (NOK 37 million in 2009), see note 20.
6) The 2009 figures in this table have been re-presented for discontinued operation and the total has been reduced by NOK 76 million.

Auditor's remuneration

(NOK IN MILLION)	2010	2009
Statutory Audit	12	14
Other assurance services – from auditor	0	1
Tax advisory services – from auditor	1	1
Other non-audit services – from auditor	1	0
Total auditor's remuneration*	14	15

* 2009 figures have been adjusted including re-presentation of discontinued operations.

Amounts are exclusive of VAT and relate only to the statutory auditor.

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 had share option programs for management and key personnel in REC ASA and subisidiaries. In addition, REC ASA has had employee share purchase programs from 2008.

SHARE OPTION PROGRAM

Each program is a six year program with a lock up period in the first three years. Each of the programs has a profit cap of one to two years fixed base salary. The number of share options awarded is limited to a maximum profit gain in each calendar year of the exercising period relative to annual fixed base salary effective at January 1 in the year of exercise. The profit gain is calculated as the difference between the exercise price and the market price at the time of exercise.

PROGRAM	NO. OF EMPLOYEES GRANTED OPTIONS	NO. OF OPTIONS GRANTED	EXPECTED VOLATILITY	RISK FREE INTEREST RATES	AVERAGE EXPECTED LIFE TIME (YEAR)	AVERAGE ESTIMATED VESTING PERIOD (YEAR)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEAR) AT DEC 31		
							2008	2009	2010
2008	71	638 464	59%	4.9% - 5.3%	3.5	3.2	5.6	4.6	3.6
2009	85	3 250 094	77%	3.4% - 3.9%	3.3	3.0		5.6	4.6
2010	68	7 245 411	81%	2.4%	3.3	3.0			5.6

Fair values were estimated based on the Black-Scholes option price model. Expected volatility is based on historical volatility and no dividends are expected in the periods. Expected lifetime has been set based on expectations that employees will exercise the options early due to the structure of the programs, including the annual profit cap, and the high volatility of the REC share price.

		PER OPTION (NOK)	PER SHARE (NOK)	
	NO. OF OPTIONS	AVERAGE ESTIMATED FAIR VALUE AT GRANT DATE	AVERAGE EXERCISE PRICE	MARKET PRICE AT GRANT DATE
Outstanding at January 1, 2009	621 770	31.01	178.59	NA
Granted April 3, 2009	138 962	8.69	60.50	55.00
Granted August 12, 2009	770 131	7.71	52.48	47.71
Granted August 14, 2009	2 341 001	7.37	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	7.37	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	10.89	71.02	NA
Exercisable at December 31, 2009	0	NA	NA	NA
Granted July 21, 2010	2 109 628	2.92	20.61	18.74
Granted August 6, 2010	5 135 783	2.91	20.61	18.68
Forfeited in 2010 of the 2008 program	-164 052	31.85	178.59	NA
Forfeited in 2010 of the 2009 program	-714 134	7.46	52.48	NA
Forfeited in 2010 of the 2010 program	-288 618	2.91	20.61	NA
Exercised in 2010	0	NA	NA	NA
Expired in 2010	0	NA	NA	NA
Outstanding at December 31, 2010	9 750 057	5.10	34.60	NA
Exercisable at December 31, 2010	0	NA	NA	NA

Calculation of social security tax is based on intrinsic value at end of period.

The share option expense recognized in 2010 was NOK 9.3 million and NOK 7.7 million in 2009. At year end 2010, total estimated fair value not recognized was NOK 29.2 million.

In 2011, the compensation committee of REC ASA has, according to the terms and conditions of the programs adjusted the exercise price and number of options granted to compensate for the dilutive effects of the rights issues in 2009 and 2010. The adjustment factors are the bonus elements (dilutive effects) discussed in note 26 Earnings Per Share, as follows:

ADJUSTED EXERCISE PRICE	ADJUSTED NUMBER OF OPTIONS
Old exercise price * 1/Bonus factor	Old number * Bonus factor

For the 2008 share option program, the adjustments are made for the bonus factor for the rights issues in 2009 and 2010. For the 2009 share option program, the adjustments are made for the bonus factor for the rights issue in 2010.

OUTSTANDING AT DECEMBER 31, 2010			BONUS FACTOR		ADJUSTMENT FACTOR		ADJUSTED	
PROGRAM	EXERCISE PRICE	NO. OPTIONS	2009	2010	EXERCISE PRICE	NO. OPTIONS	EXERCISE PRICE	NO. OPTIONS
2008	178.59	366 805	1.15	1.19	0.73	1.37	130.53	501 862
2009	52.48	2 426 459	1.00	1.19	0.84	1.19	44.00	2 894 255
2010	20.61	6 956 793	1.00	1.00	1.00	1.00	20.61	6 956 793
Total		9 750 057						10 352 910

These adjustments are to make the option holders equally well of as prior to the dilution in the rights issues. The total fair values are thus unchanged.

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 2010, the number of shares allocated was 351,347 at a weighted average share price of NOK 17 on November 15, 2010. Five percent of the employees participated in the program for 2010. 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.

24 EMPLOYEE BENEFITS

(NOK IN MILLION)	2010	2009
Payroll	**1 576**	1 276
Bonus	**165**	90
Social security tax	**158**	132
Pension costs incl. social security tax	**156**	13
Other employee related costs	**155**	138
Total employee benefit expenses*	**2 211**	1 649

* 2009 figures are re-presented to exclude discontinued operations in the amount of NOK 114 million.

The average number of permanent employees during 2010 measured in man-years was 3,623 (2009: 2,660). The number of permanent employees at December 31, 2010 was 4,210 (2009: 3,117).

Total loans and guarantees to employees amounted to NOK 4.5 million at December 31, 2010, of which NOK 4 million related to the Employee Share Purchase Program (ESPP). All REC employees were offered a 12-month interest-free loan for the amount of shares each employee purchased in the 2010 ESPP (see note 23). The loans shall be repaid in 12 equal installments starting in December 2010. Total loans and guarantees to employees amounted to NOK 5.2 million at December 31, 2009.

25 FINANCIAL INCOME AND EXPENSES

(NOK IN MILLION)	2010	2009*
Share of loss of associates	1	-64
Interest income for financial assets not at fair value through profit or loss	35	94
Other income from financial assets and liabilities	0	1
Total income for financial assets not at fair value through profit or loss	35	95
Interest expenses for the convertible EUR bond (fair value through profit or loss)	-169	-38
Interest expenses for the NOK bond (partially fair value through profit or loss)	-121	-34
Interest expenses for financial liabilities not at fair value through profit or loss	-735	-760
Capitalization of borrowing cost	247	549
Other expenses from financial assets and liabilities	-356	-42
Net financial expenses	-1 134	-325
Total exchange differences	544	-254
Net gain/loss other derivatives [1) 2)]	972	3 215
Net gain/loss embedded derivatives	-80	-2 997
Fair value through profit or loss – interest rate fair value hedge NOK bond [2)]	-17	15
Total net gains/losses derivatives and fair value hedge (excl. interest)	875	232
Fair value through profit or loss – convertible EUR bond (excl. interest)	481	-156
Total fair value through profit or loss	1 356	76
Total impairment loss on investments in shares and other non-current receivables	-1	0
Net financial items	801	-472

* The amounts for 2009 have been re-presented for discontinued operations.
1) Derivatives entered into with banks (bank derivatives), see note 11.
2) Including ineffective parts in hedge accounting.

Interest expenses include normal amortization of up-front/waiver fees and costs and the relevant period's commitment fees on undrawn credit facilities. It also includes interest on the convertible bond recognized at fair value through profit or loss and the hedged interest of the NOK bond (see note 17). Increased interest bearing liabilities and borrowing costs have contributed to increased interest expenses in 2010 compared to 2009.

REC expensed the major part of the, at that time, remaining up-front/waiver fees and costs for the bank facilities that were terminated and repaid in May 2010. This explains the major part of other expenses from financial assets and liabilities for 2010.

For 2009, other expenses from financial assets and liabilities include primarily 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 2010 relate to qualifying assets under construction in Singapore and in REC Silicon in the USA. During the year, the new REC assets in Singapore and the USA have become ready for their intended use and explain the reduction from 2009. REC Silicon's capitalization was made at an average interest rate just above 6 percent, and the Group has for qualifying assets in Singapore used approximately 7.5 percent.

Borrowing costs capitalized and included in the cost of qualifying assets during 2009 were primarily related to REC Silicon in the USA and REC Wafer in Norway for the first half of the year. In the second half, it was primarily related to REC Silicon 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. REC Wafer's capitalization during the first half year 2009 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.

Total exchange differences in 2010 were primarily affected by currency gains on USD and EUR debt, partially offset by losses on SGD debt. Currency gains for REC ASA on the majority of its internal loans to REC Silicon in the US (loans were approximately USD 1.3 billion at year-end 2010) that are recognized to profit or loss and not eliminated on consolidation also contributed.

For currency exposure, REC is exposed to positive future operating cash flows in EUR and USD and negative cash flows in SGD. REC is hedging the currency risk of these estimated future cash flows by entering into derivative transactions with banks ("bank derivatives") for sale of EUR/NOK and USD/NOK and purchase of SGD/NOK forward. REC does not use hedge accounting for these currency derivative contracts. The main reason for the net gain on bank derivatives in 2010 was the appreciation of NOK versus EUR through the year, but USD and SGD currency derivatives also contributed positively. Net gains on bank 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). See note 11.

REC has significant estimated future cash flows in wafer sales contracts for which embedded derivatives have been separated and accounted for as derivatives (see note 11). The contracts states future cash flows, with some limited adjustment mechanisms. However, REC has in 2010 and 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.

Net losses on embedded derivatives (some host contracts with future sale of wafers in USD; the receipt of USD is accounted for as a derivative for future purchase of USD) for 2010 were primarily related to changes in estimated cash flows in the contracts, including a new contract in the fourth quarter. The large net loss on embedded derivatives in 2009 was primarily due to the significant strengthening of NOK versus USD during 2009.

In 2010, the estimated values of embedded derivatives were negatively affected by approximately NOK 45 million due to the increase in estimated future cash flows at December 31, 2010 compared to 2009 for contracts that existed at year-end 2009. The decrease in estimated credit risk margins from 2009 to 2010 have decreased the discount rates, estimated to have negatively affected the estimated fair values of embedded derivatives by approximately NOK 1 million.

In 2009, 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.

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. Due to the bonus element factor in the rights issue in May 2010 (see note 26 Earnings Per Share), the exercise price and the total number of shares that could be issued by conversion of the bond were changed. The exercise price was reduced from EUR 6.5 per share to EUR 5.4 and the number of shares increased from 49.3 million to 59.3 million. Because EUR is not the functional currency of REC ASA, no part of the convertible loan can be reported as equity.

The estimated fair values are shown in the table below.

(EUR IN MILLION)	AT ISSUE	DEC. 31, 2009	CHANGE 2009	DEC. 31, 2010	CHANGE 2010
Nominal value	320	320	0	320	0
Value of the total loan	320	339	19	278	-60
Value bond element	249	262	13	272	10
Value option element	71	77	6	7	-71

(NOK IN MILLION)	AT ISSUE	DEC. 31, 2009	CHANGE 2009	DEC. 31, 2010	CHANGE 2010
Nominal value	2 665	2 661	-4	2 500	-161
Value of the total loan	2 665	2 816	151	2 175	-641
Value bond element	2 073	2 176	103	2 124	-52
Value option element	592	641	48	51	-590

Changes in the estimated fair value of the total loan (for 2010 a total gain of NOK 641 million) is recognized to profit or loss, of which the change in nominal value measured in NOK is included in the line item currency gains or losses (for 2010 a gain of NOK 161 million) in the statement of income and the remaining as fair value adjustment of convertible bond (for 2010 a gain of NOK 481 million). Estimated fair value excludes accrued interest.

The effect of the estimated increase in REC's credit spread (own credit) of 50 basis points for 2010 is estimated to have decreased the fair value by just below EUR 4 million.

ADDITIONAL INFORMATION TO THE STATEMENT OF CASH FLOWS ON PAID INTEREST AND UP-FRONT AND WAIVER FEES ETC.

Paid interest is estimated to be approximately NOK 900 million for 2010 and NOK 550 million for 2009 (adjusted for discontinued operations). It does not include payment of up-front and waiver fees etc. of approximately NOK 240 million in 2010, of which approximately NOK 220 million is reported as part of financing activities in the statement of cash flow, and NOK 280 million for 2009. These fees were paid to establish new loans or to restructure or renegotiate existing loans. The fees are amortized over the duration of the loans as part of financial expenses. Paid interest is not reduced by borrowing cost that is capitalized and reported as part of investing activities in the statement of cash flows. A loan from Komatsu was paid in 2009, including accumulated interest from the time it was established in the middle of 2005. The amounts for paid interest in 2009 referred above and amounts included in operating activities in the statement of cash flows for 2009 include the interest expensed in 2009 for the Komatsu loan, and the remaining for the Komatsu loan is reported as part of financing activities in the statement of cash flows for 2009.

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 elements in the rights issues in June/July 2009 and in May 2010. The bonus element factors were calculated by dividing the fair value per share immediately before the rights issues 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 factors for the 2009 and 2010 rights issues were calculated to 1.15 and 1.19 respectively.

	2010	2009
Profit/loss from continuing operations attributable to equity holders of the company (NOK IN MILLION)	889	-1 200
Profit/loss from total operations attributable to equity holders of the company (NOK IN MILLION)	989	-2 347
Weighted average number of ordinary shares in issue (IN MILLION)	927	735
Basic earnings per share from continuing operations (NOK per share)	1.0	-1.6
Basic earnings per share from total operations (NOK per share)	1.1	-3.2

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the convertible bond and employee share options. The convertible bond has a dilutive effect if EPS is reduced when adjusting for all effects on earnings and assuming the bond was converted to shares in full at the beginning of the period (or when it was issued in relation to 2009). If the effect of adjusting for the bond increases EPS, it is anti-dilutive, and is then not included in diluted EPS. Effects on earnings of the convertible bond are interest expenses, currency and fair value gains or losses and estimated income taxes.

Due to the bonus element factor in the rights issue in May 2010, the exercise price and the total number of shares that could be issued by conversion of the bond were changed. The exercise price was reduced from EUR 6.5 per share to EUR 5.4 and the number of shares increased from 49.3 million to 59.3 million. The calculation shows that the convertible bond is dilutive in 2010 and anti-dilutive in 2009.

Details related to the share option programs are found in note 23. The share options are anti-dilutive for both 2010 and 2009.

	2010	2009
Adjusted profit/loss from continuing operations (NOK IN MILLION)	505	-1 200
Adjusted profit/loss from total operations (NOK IN MILLION)	606	-2 347
Weighted average number of ordinary and potential shares (IN MILLION)	986	735
Diluted earnings per share from continuing operations (NOK per share)	0.5	-1.6
Diluted earnings per share from total operations (NOK per share)	0.6	-3.2

27 DIVIDENDS PER SHARE

The Board of directors did not propose any dividend payments for the financial year 2009 due to the growth strategy and material investment activities. The new bank loan agreements established in May 2010 prevents REC ASA from paying dividend for the financial year 2010.

28 RESEARCH AND DEVELOPMENT

(NOK IN MILLION)	2010	2009
Research and development expenses	290	304

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. The 2009 figure is re-presented for Sovello as discontinued operations.

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, 2010 and 2009. Operating lease payments are shown in a separate table below. Contractual maturities of borrowings, including finance leases, are shown in note 17.

For purchase of goods and services it has been taken into account possibilities for termination of contracts. The amounts presented in the table only constitute the contracted unavoidable minimum portion of the REC Group's expected future costs. It does not reflect the REC Group's expected future cash outflows.

Contractual purchase obligations at December 31, 2010

		DISTRIBUTION OF PAYMENTS					
(NOK IN MILLION)	TOTAL FUTURE PAYMENTS *	2011	2012	2013	2014	2015	AFTER 2015
Purchase of goods and services							
REC Silicon	2 212	1 019	490	100	100	99	403
REC Wafer	1 517	677	248	241	239	87	26
REC Solar	254	223	13	13	4	1	1
Other	16	16	0	0	0	0	0
Total purchase of goods and services	3 999	1 935	751	353	343	187	431
Capex							
REC Silicon	0	0	0	0	0	0	0
REC Wafer	25	25	0	0	0	0	0
REC Solar	33	33	0	0	0	0	0
Other	32	20	12	0	0	0	0
Total capex	90	78	12	0	0	0	0
Total contractual obligations	4 089	2 013	763	353	343	187	431

* Payments are undiscounted.

Contractual purchase obligations at December 31, 2009

(NOK IN MILLION)	TOTAL FUTURE PAYMENTS*	DISTRIBUTION OF 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	1 606	478	237	207	101	127	456
REC Solar	503	71	109	76	75	84	88
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							
REC Silicon	202	197	5	0	0	0	0
REC Wafer	153	153	0	0	0	0	0
REC Solar	2 045	1 949	96	0	0	0	0
Sovello	12	12	0	0	0	0	0
Other	32	21	12	0	0	0	0
Total capex	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 for 2009 do not include Sovello's committed purchases of polysilicon from the REC Group. Neither does it include REC's undertakings at December 31, 2009 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. These are constructed to serve the production needs associated with the Moses Lake and the Butte facilities. At December 31, 2010 and 2009 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 787 million (USD 134 million) at December 31, 2010 (NOK 852 million (USD 147 million) in 2009) and include commodity output and operating lease elements. Some facilities were not completed at December 31, 2009, but all are completed in 2010.

Certain property tax payments in REC Silicon are included whereby the company operates one of its facilities in an area (Butte) designated by the taxing authorities as a special industrial Tax Increment Financing District (TIFID). The payments associated with these property taxes are expected to be made through the period ending December 31, 2022. The total undiscounted amounts of these payments were USD 18 million (NOK 103 million) at December 31, 2010 (NOK 146 million in 2009). The commitment is related to the level of TIFID-bonds outstanding that have been used to finance investments in the industrial financing district. Each year the bonds are serviced and a portion paid down. In December, 2010 the bonds were refinanced at a lower interest rate which reduced the nominal amount of the commitment. REC Silicon invested in the bonds (USD 14 million), which also made REC able to release funds in previously restricted bank accounts.

The contractually committed minimum purchase of goods and services for REC Wafer include NOK 235 million at December 31, 2010 (NOK 1,253 million in 2009) 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. The facility was completed in 2010. The lease amounts are now included as finance lease (see note 6). The minimum remaining terms of the contracts at December 31, 2010 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 payments for coverage of the vendors operating expenses may change according to the output and efficiency of the production process.

REC Solar has entered into a partially similar contract with another vendor in Singapore that contains lease of machinery and delivery of products and services. REC is not able to separate the payments reliably, and has included the total amounts in the table for committed purchase of goods and services. In 2010 it was established that the contracts can be terminated by REC with some minimum payments, and the total minimum contractual amounts in the table above at December 31, 2010 has been reduced to NOK 127 million compared to NOK 437 million in 2009.

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. As REC during 2010 has completed the main parts of the expansion projects, the contractually committed capex at

December 31, 2010 is insignificant. At December 31, 2009 85 percent of the contractually committed capex was related to the expansion in Singapore. The remaining primarily related to Silicon IV and the REC Wafer mono extension project.

In addition to contractually committed capex, the REC Group had approved capex of approximately NOK 1.0 billion at December 31, 2010, of which approximately NOK 0.3 billion is expected to be paid in 2011. The expected total capex in 2011 exceeds the sum of committed and approved capex at December 31, 2010.

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

(NOK IN MILLION)	2010	2009
Not later than 1 year	**208**	186
Later than 1 year but not later than 5 years	**363**	406
Later than 5 years	**112**	147
Total	**684**	738

The operating leases at December 31, 2010 in the table above primarily relates to service agreements for recycling, mixing and supply of slurry in REC Wafer containing operating leases, land-lease in Singapore, lease of buildings for REC ScanCell and the lease of the corporate headquarters.

It has been evaluated that REC has entered into operating leases for the industrial buildings used in the service contracts for recycling, mixing and supply 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. In addition, REC Wafer leases further buildings at Herøya. Total operating leases for REC Wafer at December 31, 2010 was NOK 316 million.

REC leases land in Singapore with a remaining term of 27.5 years at December 31, 2010. 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, of which a part has been paid and reported as separate line items in the statement of financial position at December 31, 2010 and 2009 and the remaining payments, estimated at NOK 211 million shall be made during the next two years.

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 (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.

Government grants with remaining value of SEK 3 million at December 31, 2010 are secured by total assets of REC ScanModule AB, but limited to SEK 14 million.

2009

See note 9 regarding the 2010 agreement for the sale of all shares and shareholders' loans in Sovello to a third party. REC ASA's additional cash exposure from shareholder guarantees and undertakings in connection with the transaction was estimated at NOK 90 million (EUR 10.8 million) at December 31, 2009.

Sovello had 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 had through an external bank issued letters of credit available to provide credit enhancement and had provided liquidity support for certain purchase agreements. REC Silicon had 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 had 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 had pledged USD 16 million at December 31, 2009 of assets that were 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 were secured by total assets of REC ScanModule AB, but limited to SEK 14 million.

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.

	2010		2009		
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES	FV HIERARCHY LEVEL
Convertible bond – fair value whole instrument	0	2175	0	2 816	2
Norwegian bond – fair value hedge of market interest rate	0	1 267	0	1 235	2
Derivatives					
Currency and interest rate derivatives from banks	775	61	594	124	2
REC Silicon natural gas contract, net settlement	0	0	0	12	2
Embedded derivatives	4	284	0	263	3

Deciding the level in the fair value (FV) hierarchy into which the fair value measurements are categorized according to IFRS 7 involves judgment.

Level 2

EUR Convertible bond: REC accounts for the combined instrument at fair value. The convertible bond is not listed on any exchange. However, the convertible bond is traded in the market and a number of banks set prices each trading day. Bloomberg makes a quotation list based on these prices that it publishes each trading day, but the volumes of trades are not shown. The prices per the quotation list from Bloomberg and actual trades are the basis for fair value used by REC during the year. At year-end the value is adjusted to the tax assessment value published by Norges Fondsmeglerforbund. This value is an estimate of fair value.

Norwegian bond: The fair value adjustment for the NOK 1,250 million Norwegian bond is an estimate of the fair value of the five year fixed interest rate excluding the credit margin. The fair value has been calculated as the difference in discounted cash flows of 11 percent fixed interest rate and a floating interest rate plus the original credit margin of 6.9 percent. The fair value adjustment recognized in the financial statements of the Norwegian bond is due to fair value hedge of the NIBOR. The Norwegian bond is traded on Oslo Stock Exchange, but the liquidity is limited. The market value of the total bond estimated by trades around year-end 2010 and by Norges Fondsmeglerforbund at December 31, 2010 was NOK 1,297 million.

Derivative instruments purchased from banks: The fair value has been estimated by external parties based on contractual cash flows and traded prices for input components. Fair values of foreign currency forward contracts and interest rate swaps are estimated to the present value of the future cash flows in the contracts, calculated by using quoted forward interest and currency rates as of December 31, 2010 and 2009, respectively. For 2009, option elements in flexible and participating forward contracts are valued using appropriate option pricing models.

REC Silicon's natural gas contract: The fair value has been estimated by external parties to the present value of the future cash flows in the contracts based on contractual cash flows and traded prices for forward gas purchases and interest rates.

Level 3

The fair values of embedded derivatives (EDs) 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 EDs are calculated using forward currency bid-rates and interest rates at December 31. The forward currency rates are market rates for future delivery of currency calculated as the spot rate adjusted for the difference in interest rates between the currencies to the future point in time. The forward currency bid rate normally takes into consideration normal credit risk of the counterparty to a bank, but does not take into consideration credit risk of REC or of REC's counterparties to the contracts (i.e. the customers). See note 11 Derivatives for estimated cash flows. At December 31, 2010 and 2009, estimated credit risk margins have been added to the inter bank interest rates to arrive at discount rates. For contracts with estimated negative fair values (losses), estimated credit risk margins for REC are used; estimated between 5.0 percent and 6.1 percent in 2010 and 6.8 percent in 2009.

REC Wafer has entered into wafer sales contracts in USD containing EDs that are separated and fair valued. These wafer sales contracts state future cash flows, with some limited adjustment mechanisms. However, REC Wafer has in 2009 and 2010 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 were reduced from a total of USD 2,617 million to USD 582 million. During 2010, REC has reached agreements with several customers for deliveries in 2011 and to some extent beyond and REC has increased the estimated cash flows under the contracts containing EDs compared to 2009 and has also entered into a new contract at the end of the year. The total estimated future cash flows in ED contracts at December 31, 2010 that existed at December 31, 2009 was increased from USD 454 million to USD 601 million. Cash flows have been estimated 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 amount of any bank guarantee or zero.

In 2010, the estimated values of embedded derivatives were negatively affected by approximately NOK 45 million due to the increase in estimated future cash flows at December 31, 2010 compared to 2009 for contracts that existed at year-end 2009 (see above). The decrease in estimated credit risk margins from 2009 to 2010 have decreased the discount rates, estimated to have negatively affected the estimated fair values of embedded derivatives by approximately NOK 1 million.

In 2009, 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 (EDs)

(NOK IN MILLION)	2010	2009
Fair value January 1	-263	2 729
Net loss embedded derivatives incl. as part of financial expenses, note 25 [1)]	-80	-2 997
Realized cash flows during the year	62	5
Fair value December 31	-280	-263

1) Of which NOK 93 million in 2010 net loss included in profit or loss for ED held at December 31, 2010. Net loss included in profit or loss for EDs held at December 31, 2010 is calculated as the estimated fair value of cash flows in EDs at December 31, 2010 minus estimated fair value of cash flows for 2011 and beyond in the calculation of fair value of EDs at December 31, 2009. Net loss in 2009 was primarily affected by the significant change in the USD/NOK currency exchange rate. Calculated as for 2010, net loss included in profit or loss for ED held at December 31, 2009 can be calculated to be below NOK 600 million in 2009 when excluding breached contracts at December 31, 2009.

Effect on estimated fair value of reasonable change in assumptions for calculation of fair values of embedded derivatives at December 31

(NOK IN MILLION)	2010	2009
Increase/decrease in discount rate by 1 percentage point	+3/-4	+5/-5
Future cash flows increase from the estimated cash flows to the original contractual amounts	197	23
– Of which amounts in breached contracts [1)]	327	221
– Of which estimated changes in price and volumes in non-breached contracts	-131	-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 fixed NIBOR component at fair value. The difference to the quoted price should then represent company credit risk and liquidity risk.

None of the other REC Group's interest bearing liabilities has market quotes. The interest bearing liabilities under the bank credit facilities in 2010 and 2009 and Eksportfinans loans in 2010 have floating interest rates based on LIBOR plus a margin depending on the ratio of net interest bearing debt to EBITDA. This ratio based on net interest bearing debt to EBITDA is updated quarterly and is regarded as an adjustment for credit risk based on the margins in the market at the time the credit facilities were established.

During 2008, the credit margins in the market increased considerably, primarily due to the financial turmoil. During 2009 and 2010, 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.

REC management evaluates bank borrowings to approximate par value at December 31, 2010 and 2009. The corporate credit market in general developed positively in 2009 and 2010, but the REC credit pricing has underperformed compared to the market. The REC credit and guarantee facilities were reprised during 2009 and refinanced in the middle of 2010. Based on the fact that the margins on the bank and Eksportfinans loans are not fixed, but varies quarterly based on a leverage ratio that is normally used by banks for pricing credits, the relative short term from refinancing/

reprising to year-end and the relatively limited estimated change in market credit margins in the same period, REC management has evaluated that REC's variable rate borrowings reflect par value at December 31, 2010 and 2009.

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 and assets. Significant difficulties and uncertainties are present for these estimates.

Additional comments for 2009 related to Sovello
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. In the table below, the estimated fair value of the Sovello shareholders' loans has been set to zero at December 31, 2009, which is consistent with the evaluation of the net recoverable amount of the cash-generating unit Sovello.

Options – Mainstream, relevant only for 2009
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, up to the middle of 2010 call options for REC and put options for the other shareholders (put options effective only if REC has majority) could increase REC's shareholding. The specific terms and conditions in any subsequent transactions were dependent on the future performance of Mainstream Energy. The number of shares that could be exercised under the call and put options were interrelated and would consequently vary according to if and when the options were exercised. Based on the structure, complexity and interdependency of the put and call options, REC's view was that the options could not 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 had limited value. The options expired in the middle of 2010 without being exercised.

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 very 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

(NOK IN MILLION)	2010 CARRYING AMOUNT	2010 ESTIMATED FAIR VALUE	2009 CARRYING AMOUNT	2009 ESTIMATED FAIR VALUE
Cash and bank (incl. restricted bank accounts)	849	849	1 790	1 790
Trade receivables and accrued revenues	2 310	2 310	1 595	1 595
Other non-current and current receivables	1 277	1 277	476	476
Finance receivables and short-term loans	215	209	128	128
Shares available for sale	1	1	5	5
Derivatives – assets	779	779	594	594
Derivatives – liabilities	-346	-346	-400	-400
Payables and accrued cost	-2 386	-2 386	-2 717	-2 717
Provisions and other obligations	-373	-373	-610	-610
Sovello – loans from Shareholders	0	0	-321	0
Sovello – other interest bearing liabilities	0	0	-189	-189
Interest bearing liabilities	-8 786	-8 786	-11 468	-11 445
Total	-6 459	-6 466	-11 115	-10 772

The table above does not include tax assets or liabilities, retirement benefit obligations, 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), non-current prepaid costs and prepaid revenues. In addition prepayments received by REC for future deliveries by 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 zero at December 31, 2010 and NOK 20 million at December 31, 2009 is included as other obligations in the statement of financial position but is per definition not a financial liability (see note 20). At December 31, 2009 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 tables 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 had provided financial guarantees and undertakings related to Sovello at December 31, 2009 amounting to NOK 48 million (EUR 5.8 million). The undertakings have no stated amounts. However, these were estimated to NOK 42 million (EUR 5 million) at December 31, 2009. The estimate was based on an agreement for the sale of 100 percent of the shares and shareholders' loans in Sovello to a third party, see note 9. The guarantees and undertakings are reported as current provisions at December 31, 2009. At December 31, 2010 REC does not have similar financial guarantees and undertakings.

CREDIT RISK

The maximum credit risks related to financial instruments* are estimated in the table below:

(NOK IN MILLION)	2010 CARRYING AMOUNT	2010 MAX. EXPOSURE	2009 CARRYING AMOUNT	2009 MAX. EXPOSURE
Cash and bank (incl. restricted bank accounts)	849	849	1 790	1 790
Trade receivables and accrued revenues	2 310	2 310	1 595	1 595
Other non-current and current receivables	1 277	1 277	476	476
Finance receivables and short-term loans	215	215	128	128
Embedded derivatives – assets	4	4	0	0
Other derivatives – assets	775	775	594	594
Guarantees and undertakings – Sovello	0	0	90	90
Total	5 431	5 431	4 673	4 673

* See above for a description of what is included in the table.

REC ASA had provided parent company guarantees for subsidiaries amounting to NOK 6 million at December 31, 2010 and NOK 718 million at December 31, 2009. These are related to future supply of goods and services and capital expenditure. REC ASA has cosigned bank guarantees as security for fulfillment of subsidiaries' commercial obligations in line of ordinary business. The total amount of bank guarantees for subsidiaries amounted to NOK 287 million at December 31, 2010 and NOK 63 million at December 31, 2009. These guarantees are not regarded as financial guarantees for the consolidated financial statements for REC or 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 increased the credit risk of REC's counterparties. 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 wholesale and manufacturing customers in the solar and electronic industry in Europe, USA and Asia.

Shared characteristics that identify each concentration of trade receivables and accrued revenues at December 31, 2010

GEOGRAPHICAL		SECTOR		INDUSTRY	
Europe	40%	Wholesale	44%	Solar Industry	88%
USA	15%	Manufacturing	46%	Electronic Industry	12%
Asia	45%	Other	10%	Other	0%
Total	100%		100%		100%

REC has during 2010 increased the number of customers, and thereby reduced the risk related to concentration of a limited number of customers. However, the customers are to a large extent exposed to the same industry. In 2010, no single customer exceeded ten percent of revenues or trade receivables.

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, 2010 and 2009 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, 2010 and 2009 were overdue and REC increased its provision for loss on trade receivables.

Analysis of aging of receivables at December 31, 2010

		AGING OF RECEIVABLES THAT ARE NOT IMPAIRED					
			PAST DUE				
(NOK IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE*	< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	IMPAIRED
Trade receivables and accrued revenues	2 412	1 900	234	40	0	0	240
Provision for loss on trade recivables	-102	0	0	0	0	0	-102
Other non-current and current receivables	1 277	1 277	0	0	0	0	0
Finance receivables and short-term loans	215	215	0	0	0	0	0
Total	3 803	3 392	235	40	0	0	138

* No receivables were not due because renegotiated.

Analysis of aging of receivables at December 31, 2009

		AGING OF RECEIVABLES THAT ARE NOT IMPAIRED					
			PAST DUE				
(NOK IN MILLION)	TOTAL CARRYING AMOUNT	NOT DUE*	< 30 DAYS	>30<90 DAYS	>90<365 DAYS	>365 DAYS	IMPAIRED
Trade receivables and accrued revenues	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
Total	2 198	1 598	189	265	141	6	0

* No receivables were not due because renegotiated.

Approximately 21 percent of trade receivables not due, 17 percent of trade receivables overdue and 90 percent of trade receivables regarded as impaired were secured by bank guarantees or prepayments at December 31, 2010. 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. REC Wafer had at December 31, 2009 and 2010 requested the bank to draw on a bank guarantee for the largest receivable regarded as impaired. This customer has disputed REC's right to draw on the bank guarantee and REC had at December 31, 2009 and 2010 not received payment under the guarantee. See note 12 and 31 for more information.

Due to the market developments, especially during 2009, REC Wafer 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.

Customers have to some extent deferred payments to REC, partially related to claims and requests for price adjustments. In 2009, REC 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. Due to the more favorable market in 2010 compared to 2009 this situation improved during 2010.

NOK 1,185 million of other non-current and current receivables at December 31, 2010 are receivables for VAT and other taxes (not income taxes) and government grants. These are regarded to have a low credit risk.

Finance receivables and short-term loans at December 31, 2010 are primarily unsecured loans to a vendor of REC Wafer (NOK 112 million). 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. It also includes municipality bonds in Moses Lake, Washington (NOK 80 million) that are serviced by property tax payments by REC Silicon and a receivable on a customer in the REC Systems business in Europe (NOK 23 million), secured by shares in the company that owns the relevant PV system.

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 had insignificant positive fair values in embedded derivatives at December 31, 2010 and 2009.

SENSITIVITIES

Convertible EUR bond – sensitivity to changes in REC ASA share price

At December 31, 2010 it is estimated that a ten percent increase (decrease) in REC ASA's share price will change the estimated fair value of the convertible bond with an effect to profit or loss by NOK -26 (19) million.

At December 31, 2009 it is estimated that a ten percent increase (decrease) in REC ASA's share price will change the estimated fair value of the convertible bond with an effect to profit or loss by NOK -156 (144) million.

The currency and interest rate sensitivities related to the convertible bond are included in the calculations below.

Interest rate sensitivity

Interest bearing assets and liabilities are accounted for at amortized cost, except for derivatives, the EUR convertible bond and the 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 affect profit or loss for the year by NOK -46 (46) million calculated on outstanding amounts at December 31, 2010. The same calculation at December 31, 2009 was NOK -67 (67) million. These calculations are not adjusted for capitalization of borrowing costs.

A one percentage point increase (decrease) in interest rates is estimated to change the net estimated fair values of the bonds and derivatives with an effect to profit or loss by NOK -33 (33) million at December 31, 2010. The same calculation at December 31, 2009 was NOK -68 (71) million.

Contractual cash flows in REC Silicon's natural gas contract – net settlement (only for 2009)

A ten percent increase (decrease) in market price for natural gas was estimated to have a positive (negative) effect of NOK 9 (-9) million at December 31, 2009.

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, 2010 and 2009. 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, 2010 and 2009, respectively. In addition, in 2009 REC had 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 a receivable that is regarded as a part of net investments in a foreign entity. For 2009, 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.

"Of which to equity" is an estimate of the effect that could affect equity through other comprehensive income. It excludes translation differences on net investments in foreign currencies, except receivables regarded as a part of the net investments (a loan to REC Silicon in the USA).

The calculation should not be viewed as an estimate of what the effects could be for the financial year for changes in currency rates. This is, among other things, due to the fact that the amounts of financial instruments in foreign currencies may change during the year at the same time as changes in currency rates may occur unevenly throughout the year. If there is a change in the amounts of derivatives that are designated and qualify for hedge accounting compared to December 31, more or less effects would be recognized to equity through OCI versus profit or loss.

The tables below show an estimate of the effects of a 10 percent change in foreign currencies compared to functional currencies for each entity and totaled to arrive at the estimated effects for the REC Group.

The exchange rate sensitivity at December 31, 2010 for financial assets in USD relates primarily to REC ASA's total loans to REC Silicon in the USA. The main part of the remaining sensitivity on financial assets relates to the Group account system, with the largest amounts being group internal receivables (see note 14). Sensitivity on financial liabilities relates primarily to interest bearing liabilities (see note 17) and group internal payables (mainly in the Group account system). For information on derivatives, see note 11.

Exchange rate sensitivity on financial instruments at December 31, 2010

	CHANGE + 10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	**TOTAL**
Financial assets and liabilities					
Financial assets	100	922	7	18	**1 047**
Financial liabilities	-342	-281	-64	-16	**-703**
Net excluding derivatives	-242	641	-57	2	**343**
Derivatives					
Other derivatives (bank derivatives)	-807	-246	138	9	**-906**
Embedded derivatives	0	412	0	0	**412**
Net derivatives	-807	167	138	9	**-494**
Total	-1 049	808	81	11	**-150**
Of which to equity					
USD receivables as part of net investment	0	77	0	0	**77**
Rest is to profit or loss	-1 049	730	81	11	**-228**

Exchange rate sensitivity on financial instruments at December 31, 2010

	CHANGE -10% COMPARED TO FUNCTIONAL CURRENCIES				
(NOK IN MILLION)	EUR	USD	SGD	OTHER	**TOTAL**
Financial assets and liabilities					
Financial assets	-100	-922	-7	-18	**-1 047**
Financial liabilities	342	281	64	16	**703**
Net excluding derivatives	242	-641	57	-2	**-343**
Derivatives					
Other derivatives (bank derivatives)	807	246	-138	-9	**906**
Embedded derivatives	0	-412	0	0	**-412**
Net derivatives	807	-167	-138	-9	**494**
Total	1 049	-808	-81	-11	**150**
Of which to equity					
USD receivables as part of net investment	0	-77	0	0	**-77**
Rest is to profit or loss	1 049	-730	-81	-11	**228**

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					
Other 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					
Other 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**

31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

REC Wafer is engaged in arbitration proceedings with Moser Baer Photo Voltaic Limited (Moser Baer) related to a long-term contract for supply of multi-crystalline wafers. Moser Baer has terminated the agreement inter alia due to alleged breaches related to defects, pricing and volumes. REC Wafer is contesting that Moser Baer is entitled to terminate the contract and REC Wafer claims payment of outstanding invoices of USD 37 million in addition to damages for breach of contract. In the arbitration proceedings Moser Baer has also claimed damages in the excess of USD 450 million. REC considers the claim as unfounded and believes that even in the unlikely event of an award against REC Wafer, the claim is grossly exaggerated and it is not likely that REC Wafer would be liable for a significant sum. The arbitration proceedings are scheduled to take place in London in September 2011.

The obligations of Moser Baer are secured by bank guarantees given by Canara Bank and Union Bank of India. Even though the guarantees are governed by English law and subject to jurisdiction of the English courts, Moser Baer has obtained a court order in India restraining REC Wafer from cashing the guarantees. REC obtained an anti-suit injunction from the Commercial High Court in London on October 15, 2010 restraining Moser Baer from proceedings in India. The proceedings have not yet been discontinued.

REC is also involved in other legal proceedings and disputes related to various contracts. Some disputes relate to claims submitted by REC for damages, reimbursement of costs, compensation for breach of contract etc. The largest claims relate to a claim under bank guarantees related to a wafer customer (China Sunergy (Nanjing) PV-Tech Co. Ltd.), welding work for REC Silicon in the USA (claims against Shaw Group Inc. and Shaw Process Fabricators, Inc. (Shaw)), and delivery of junction boxes to REC ScanModule in Sweden. REC has not recognized any contingent assets related to these legal disputes. The timing and amount of any outcome is uncertain.

REC has also disputes concerning claims against REC submitted by vendors and other parties. The single largest item (besides Moser Baer mentioned above) relates to litigation initiated by REC against Shaw, where Shaw has filed counterclaims of approximately USD 8 million (approximately NOK 50 million). REC has not recognized any liability for these claims.

In connection with the construction of the integrated plant in Singapore, REC has received an initial claim for property taxes of SGD 12 million annually, starting from the end of 2009. REC contests the size of the claim and believes it is significantly overestimated. REC has accrued the most likely amount as liability, taking into consideration that a claim has been received.

32 EVENTS AFTER THE REPORTING PERIOD

On March 16, 2011 REC cancelled and repaid the NOK 1.3 billion loans from Eksportfinans, and agreed to cancel NOK 1.4 billion of the NOK 10 billion bank credit and guarantee facilities agreement.

BALANCE SHEET (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

AT DECEMBER 31 (NOK IN MILLION)	NOTES	2010	2009
ASSETS			
Non-current assets			
Intangible assets	D	**82**	87
Property and equipment	C	**20**	25
Shares in subsidiaries	H	**5 906**	4 561
Non-current interest bearing receivables from subsidiaries		**8 227**	8 725
Other investments	I	**110**	124
Total investments		**14 243**	13 410
Other receivables		**1**	1
Derivatives, internal	L	**0**	17
Derivatives, external	L	**192**	110
Total non current assets		**14 538**	13 650
Current assets			
Group account system, subsidiaries	B	**13 570**	10 081
Trade receivables from subsidiaries		**42**	42
Trade receivables from others		**2**	0
VAT and other taxes		**3**	10
Receivables on group contributions from subsidiaries		**0**	467
Other receivables from subsidiaries		**212**	169
Other receivables		**75**	14
Derivatives, internal	L	**15**	39
Derivatives, external	L	**582**	484
Total current receivables		**14 501**	11 305
Cash and cash equivalents	B	**555**	1 470
Total current assets		**15 056**	12 775
Total assets		**29 594**	26 425

BALANCE SHEET (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

AT DECEMBER 31 (NOK IN MILLION)	NOTES	2010	2009
EQUITY & LIABILITIES			
Shareholders equity			
Share capital	K	**997**	665
Share premium reserve	K	**16 073**	12 481
Contributed capital	K	**283**	283
Total paid-in capital		**17 354**	13 428
Other equity and retained earnings	K	**2 437**	850
Total shareholders equity		**19 790**	14 278
Non-current liabilities			
Interest bearing liabilities	G	**7 035**	10 590
Retirement benefit obligations	E	**17**	11
Deferred tax liabilities	J	**277**	0
Non-current provisions		**0**	1
Derivatives, internal	L	**39**	42
Derivatives, external	L	**41**	25
Total non-current liabilities		**7 410**	10 669
Current liabilities			
Trade payables to subsidiaries		**4**	2
Group account system, subsidiaries	B	**1 342**	938
Trade payables to others		**11**	31
Social security tax, VAT and other taxes		**7**	7
Current provisions		**2**	91
Group contributions		**641**	0
Other current liabilities		**172**	156
Derivatives, internal	L	**193**	155
Derivatives, external	L	**20**	98
Total current liabilities		**2 393**	1 479
Total liabilities		**9 803**	12 147
Total equity and liabilities		**29 594**	26 425

Sandvika, March 24, 2011

Bjørn M. Wiggen
Chairman of the Board

Tore Schiøtz
Member of the Board

Svein Tore Holsether
Member of the Board

Hilde Myrberg
Member of the Board

Susanne Munch Thore
Member of the Board

Bernt Reitan
Member of the Board

Heléne Vibbleus Bergquist
Member of the Board

Odd Christopher Hansen
Member of the Board

Tommy Kristensen
Member of the Board

Anders Langerød
Member of the Board

Rolf B. Nilsen
Member of the Board

Unni Kristiansen
Member of the Board

Ole Enger
President and CEO

INCOME STATEMENT (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

YEAR ENDED DECEMBER 31 (NOK IN MILLION)	NOTES	2010	2009
Lease revenues and other revenues external		1	0
Revenues from subsidiaries		98	76
Total revenues		99	76
Employee benefit expenses	E	-129	-112
Other operating expenses	F	-127	-116
Depreciation and amortization	C	-13	-7
Operating loss (EBIT)		-170	-160
Group contributions from subsidiaries		0	467
Interest income, internal		1 784	911
Interest income, external		24	98
Interest expenses, internal		-11	0
Interest expenses, external		-901	-721
Other financial expenses	O	-287	-131
Currency gains/losses	L	1 002	-1 025
Net gains/losses on internal derivatives	L	-308	-1 622
Net gains/losses on external derivatives	L	941	2 895
Losses on financial assets	O	-72	-1 678
Profit/loss before taxes		2 001	-966
Income tax expense/benefit	J	-425	9
Profit/loss for the year		1 576	-956
Profit/loss for the year is distributed as follows			
Other equity	K	1 576	-956
Total distributed		1 576	-956
Allocation of Group contribution, net after tax		462	0

STATEMENT OF CASH FLOWS (NGAAP)
RENEWABLE ENERGY CORPORATION ASA

YEAR ENDED DECEMBER 31 (NOK IN MILLION)	2010	2009
Cash flows from operating activities		
Profit/loss before tax	2 001	-966
Taxes paid/received	75	-281
Depreciation and amortization	13	7
Impairment loss financial assets	65	1 678
Changes in receivables	3	-4
Changes in payables	-19	131
Changes in provisions	-90	91
Effect of group contribution	467	320
Changes in derivatives	-136	-839
Currency effects not cash flow or not related to operating activities [1]	-987	1 023
Other items [2]	491	125
Net cash flows from operating activities	1 884	1 285
Cash flows from investing activities		
Cash proceeds for shares	2	0
Cash payments for shares	-943	-2 348
Payment finance receivables	-481	-1 800
Proceeds finance receivables	1 036	0
Net change in internal part of group account system [1] [3]	-2 653	-7 251
Payments for property, plant and equipment and intangible assets	-2	-65
Net cash flows from investing activities	-3 041	-11 464
Cash flows from financing activities		
Repayment of borrowings	-19 025	-16 973
Proceeds from borrowings	15 379	24 061
Issuance of shares	3 888	4 333
Net cash flows from financing activities	241	11 421
Net increase/decrease in cash and cash equivalents	-915	1 243
Cash and cash equivalents at January 1	1 470	227
Cash and cash equivalents at December 31	555	1 470

[1] The profit/loss before tax includes significant currency gains in 2010 and currency losses in 2009. Currency gains and losses are primarily related to interest bearing liabilities, loans to subsidiaries and the Group account system. The net currency gains and losses in the Group account system relates to Group internal receivables and payables and REC ASA's external bank accounts. It is impracticable to separate these effects in the Group account system. However, the internal receivables and payables in the Group account system are significantly higher than the external bank accounts. REC ASA has consequently included the net currency effects in the net change in the internal part of the Group account system, as a part of investing activities in the statement of cash flows. This is a change compared to what was reported in 2009, and a currency loss of NOK 892 million has been reclassified from operating activities to investing activities for 2009.

[2] Other items for 2010 consist primarily of up-front/waiver fees.

[3] See note 14 to the consolidated financial statements for a description of REC's Group account systems (cash pool). The Group account systems contain receivables and payables on subsidiaries (internal part) and REC ASA's external bank accounts. In the balance sheet, these are presented separately at December 31, 2010 and 2009.
In the statement of cash flow, net change in internal part of Group account system is presented net because of high turnover and large amounts.

INDEX OF THE NOTES TO THE FINANCIAL STATEMENTS
RENEWABLE ENERGY CORPORATION ASA

NOTES TO THE FINANCIAL STATEMENTS
RENEWABLE ENERGY CORPORATION ASA

A SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

Renewable Energy Corporation ASA (REC ASA) is a holding company and consists of parts of the Group management, corporate functions, corporate research and development, a corporate project management organization and the REC Group's inhouse bank. 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 (NGAAP) in effect at December 31, 2010. The functional and reporting currency of REC ASA is Norwegian Krone (NOK). The consolidated financial statements of the REC Group have been prepared in accordance with IFRS. However, except as stated, REC ASA's accounting principles are similar to the accounting principles for the REC Group, as described in the notes to the consolidated financial statements. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the consolidated financial statements for the Group.

Group contributions and dividends that are subject to approval by the annual general meeting are according to IFRS recognized in the consolidated financial statements at the time of approval. For REC ASA's financial statements according to NGAAP, these are recognized in the fiscal year they relate to. For REC ASA this is relevant for Group contributions payable to subsidiaries in 2010 and receivable from subsidiaries in 2009. In REC ASA's financial statements, subsidiaries, jointly controlled entities and associates are carried at the lower of cost and estimated recoverable amount. In the consolidated financial statements, these are consolidated, proportionately consolidated and accounted for using the equity method, respectively. In the consolidated financial statements, the convertible bond issued in 2009 has been measured at fair value. In REC ASA's financial statements it is measured at amortized cost.

In REC ASA's financial statements, payments expected to be made during the next 12 months on non-current financial assets or liabilities are not reclassified to current financial assets or liabilities. In the consolidated financial statements, these are reclassified.

The financial statements of REC ASA have been approved for issue by the Board of directors on March 24, 2011 and are subject to approval by the annual general meeting on May 25, 2011.

B CASH AND CASH EQUIVALENTS

In 2010 and 2009, REC ASA had a guarantee through Nordea Bank of NOK 8.0 million and NOK 7.5 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	**2010 TOTAL**	2009 TOTAL
Cost at January 1	14	16	7	**36**	22
Additions	0	1	0	**1**	14
Cost at December 31	14	16	7	**37**	36
Accumulated depreciation at December 31	4	10	4	**18**	11
Carrying value at December 31	10	7	3	**20**	25
Depreciation for the year	2	3	1	**7**	4
Estimated useful life, years	Up to 10	Up to 5	Up to 5		
Depreciation plan	Straight line	Straight line	Straight line		

REC management has decided to move the silane lab to San Francisco in 2011. The carrying value of the original cost for leasehold improvements (rebuilding of the office spaces to lab etc) at year end 2010 was NOK 5.5 million. This will have no value when the lab is moved because the building will have to be restored to its original state. The lab is expected to be utilized until the lab is moved, and consequently the assets are depreciated over the remaining expected useful life so that the value will be reduced to zero during 2011.

D INTANGIBLE ASSETS

(NOK IN MILLION)	INTERNALLY GENERATED INTANGIBLES	ASSETS UNDER CONSTRUCTION	OTHER INTANGIBLE ASSETS	2010 TOTAL	2009 TOTAL
Cost at January 1	5	76	10	**91**	40
Additions	0	1	1	**2**	51
Reclassification	0	-14	14	**0**	0
Cost at December 31	5	63	24	**93**	91
Accumulated amortization at December 31	4	0	6	**10**	4
Carrying value at December 31	1	63	19	**82**	87
Amortization for the year	2	0	5	**6**	3
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, 2010. Other intangible assets consist of a license agreement with CSG Solar AG and software consisting of IFS accounting system, Hyperion consolidation system, Sharepoint collaboration software, Common IT platform systems, directory service/domain system and Exchange mail system.

E EMPLOYEE BENEFITS

Employee benefit expenses

(NOK IN MILLION)	2010	2009
Payroll	**98**	92
Social security tax	**13**	12
Pension expense including social security tax	**16**	2
Other employee related costs	**2**	6
Employee benefit expenses	**129**	112

The average number of employees measured in man-years was 67 during 2010 and 73 during 2009. Total loans to employees in REC ASA were NOK 1.8 million at December 31, 2010 of which NOK 1.3 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 2010 ESPP. The loans are repaid in 12 equal installments starting in December 2010. Total loans to employees at December 31, 2009 were NOK 1.9 million. For compensation, loans and shareholdings for the Group management and Board of directors, see note 16 to the consolidated financial statements.

RETIREMENT BENEFIT OBLIGATIONS AND PENSION EXPENSE

Defined benefit plans

(NOK IN MILLION)	2010	2009
Gross retirement benefit obligations at January 1	9	27
Service cost	9	15
Interest cost on pension obligations	0	2
Actuarial gains and losses	-2	-1
Benefits paid, paid-up policies and disability obligation	-2	-4
Settlements and curtailments	0	-30
Gross retirement benefit obligations at December 31	15	9
Fair value of plan assets at January 1	0	10
Actual return on plan assets	0	1
Pension premiums	0	6
Benefits paid, paid-up policies and disability reserve	0	-1
Settlements and curtailments	0	-16
Fair value of plan assets at December 31	0	0
Funded status at December 31	15	9
Accrued social security tax	2	1
Net retirement benefit obligations at December 31	17	11

Retirement benefit obligations in the balance sheet

(NOK IN MILLION)	2010	2009
Net retirement benefit obligations at January 1	11	20
Net benefit expense	11	2
Actuarial gains and losses recognized directly in equity	-2	-1
Pension premiums and benefits paid	-2	-9
Social security tax on pension premiums	0	-1
Net retirement benefit obligations at December 31	17	11

The amounts recognized in the income statement are as follows

(NOK IN MILLION)	2010	2009
Current service cost	9	15
Interest cost on gross retirement benefit obligations	0	2
Expected return on plan assets (net of administration cost)	0	-1
Settlements and curtailments	0	-14
Employer's social security tax on defined benefit costs	1	0
Total benefit plans	11	2
Contribution plans including employer's social security tax	5	0
Pension expense including social security tax	16	2

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, settlement and curtailment gains of NOK 14 million were recognized excluding social security tax in 2009. 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 plan for salary over 12 G was 31 and for the compensation plan 60 at the end of 2010 and for the pension plans in 2009 the number was 83. REC ASA's pension plans for all employees fulfill 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)	2010	2009
Gross before tax	1	-1
Less tax	0	0
Total recognized directly to equity	1	-1

SHARE OPTION PROGRAMS

See note 23 to the consolidated financial statements for the REC Group for details of the share option programs.

REC ASA had share option programs for 2008, 2009 and 2010 for management and key personnel. The expense for the share option programs amounted to NOK 3.7 million for 2010 and NOK 4.4 million for 2009. At December 31, 2010 the accumulated amount recognized to equity was NOK 20.5 million and NOK 11.3 million at December 31, 2009. At December 31, 2010 the accumulated expense recognized in REC ASA was NOK 9.8 million and NOK 6.1 million at December 31, 2009. The difference between the amounts recognized to equity and the expenses are share options offered by REC ASA to employees in subsidiaries, that is recognized as additions to the cost price of shares in subsidiaries (see note H).

		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, 2009	275 121	31.24	178.59	NA
Granted April 3, 2009	138 962	8.69	60.50	55.00
Granted August 12, 2009	681 601	7.71	52.48	47.71
Granted August 14, 2009	647 404	7.37	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	10.98	71.19	NA
Exercisable at December 31, 2009	0	NA	NA	NA
Granted July 21, 2010	1 753 916	2.92	20.61	18.74
Granted August 6, 2010	1 311 792	2.91	20.61	18.68
Forfeited in 2010 of the 2008 program	-70 235	32.77	178.59	NA
Forfeited in 2010 of the 2009 program	-354 821	7.55	52.48	NA
Forfeited in 2010 of the 2010 program	-130 222	2.92	20.61	NA
Transferred between units in the 2008 program	27 437	27.87	178.59	151.75
Transferred between units in the 2009 program	-110 694	7.56	52.48	47.71
Transferred between units in the 2010 program	-67 746	2.91	20.61	18.68
Exercised in 2010	0	NA	NA	NA
Expired in 2010	0	NA	NA	NA
Outstanding at December 31, 2010	4 072 736	5.43	36.58	NA
Exercisable at December 31, 2010	0	NA	NA	NA

In 2011, the compensation committee of REC ASA has, according to the terms and conditions of the programs adjusted the strike price and number of options granted to compensate for the dilutive effects of the rights issues in 2009 and 2010, see note 23 to the consolidated financial statements for the REC Group for more details.

For REC ASA employees the following adjustments have been made in 2011.

OUTSTANDING AT DECEMBER 31, 2010			BONUS FACTOR		ADJUSTMENT FACTOR		ADJUSTED	
PROGRAM	EXERCISE PRICE	NO. OPTIONS	2009	2010	EXERCISE PRICE	NO. OPTIONS	EXERCISE PRICE	NO. OPTIONS
2008	178.59	202 544	1.15	1.19	0.73	1.37	130.53	277 121
2009	52.48	1 002 452	1.00	1.19	0.84	1.19	44.00	1 195 714
2010	20.61	2 867 740	1.00	1.00	1.00	1.00	20.61	2 867 740
Total		4 072 736						4 340 575

These adjustments are to make the option holders equally well of as prior to the dilution in the rights issues. The total fair values are thus unchanged.

F OTHER OPERATING EXPENSES

Specification of other operating expenses

(NOK IN MILLION)	2010	2009
Operating lease expenses	19	11
Operating and maintenence costs	7	6
Audit remuneration	3	3
Consultancy fees and temporary contract workers	61	68
Travel costs	9	11
Marketing, representation, meeting and conference expenses	1	2
Insurance	15	2
IT and telecommunication costs	3	8
Other office expenses	9	7
Onerous (loss) contracts	1	0
Total other operating expenses	127	116

Audit remuneration

(NOK IN MILLION)	2010	2009
Statutory audit	2.4	2.9
Other assurance services	0.0	0.0
Tax advisory	0.0	0.1
Other non-audit services	0.2	0.1
Total auditor's remuneration expensed	2.6	3.1

Amounts are exclusive VAT.

For description of the auditor services, see note 22 to the consolidated financial statements.

Future payment obligations at December 31

The future aggregate minimum payment obligations are as follows

	2010			2009		
(NOK IN MILLION)	OPERATING LEASE	OTHER	TOTAL	OPERATING LEASE	OTHER	TOTAL
Not later than 1 year	20	37	57	19	28	47
Later than 1 year but not later than 5 years	23	12	34	37	12	49
Later than 5 years	0	0	0	0	0	0
Total	43	48	91	56	40	96

G INTEREST BEARING LIABILITIES

(NOK IN MILLION)	2010	2009
Bank borrowings	3 075	4 390
Bilateral loan	0	2 693
Eksportfinans	325	0
NOK bond	1 267	1 235
Up-front loan fees etc. (amortized as part of effective interest)	-132	-389
EUR convertible bond	2 500	2 661
Total interest bearing liabilities	7 035	10 590

See note 17 to consolidated financial statement for information regarding interest bearing liabilities for REC ASA.

H SHARES IN SUBSIDIARIES

			CARRYING VALUE DECEMBER 31 (NOK IN MILLION)	
COMPANY	OWNERSHIP/ VOTING RIGHT	BUSINESS OFFICE	2010	2009
REC Silicon AS	100%	Bærum	225	224
REC Wafer Norway AS	100%	Meløy	1 275	1 273
REC Solar AS	100%	Bærum	1 409	445
REC Technology Ventures AS	100%	Bærum	4	0
REC Site Services Pte Ltd	100%	Singapore	2 992	2 618
Total			5 906	4 561

In 2010 shares in REC Wafer Norway AS and REC Silicon AS increased due to share option programs. Increases in shares in REC Technology Ventures AS and REC Site Services Pte Ltd are mainly capital increases as well as share option programs. Increase in shares in REC Solar AS relates to Group contribution of NOK 462 million (net after tax), capital increase and share option programs.

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 for NOK 1. See note O.

Except for 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

Sovello AG was a jointly controlled entity of REC ASA. REC ASA's ownership was 33.33 percent. In the first quarter of 2010, the owners of Sovello AG entered into an agreement to sell all the Sovello shares and shareholders loans. The acquirer is a fund under the management of Ventizz Capital Partners. The transaction was closed on April 22, 2010. No consideration was received for the shares and shareholders loans. REC ASA recognized interest income of NOK 7 million from Sovello in 2010 and NOK 26 million in 2009. None of these were paid and were included in impairment loss on loans and other receivables to Sovello.

At December 31, 2010 other investments amounted to NOK 110 million, primarily a loan to a vendor. The amount at December 31, 2009 was NOK 123 million of which NOK 120 million was loan to a vendor and NOK 3 million was shares mainly in CSG Solar AG. See note O regarding Sovello.

J INCOME TAXES

(NOK IN MILLION)	2010	2009
Current income tax benefit (+) / expense (-) for the year	-148	5
Total deferred tax benefit (+) / expense (-) for the year	-277	4
Total income tax benefit (+) / expense (-) for the year in the income statement	-425	9

The income tax in the income statement differs from the theoretical amount that would arise using the 28 percent corporate tax rate applicable to profit/loss before tax

(NOK IN MILLION)	2010	2009
Profit/loss before tax	2 001	-966
Tax calculated at domestic tax rate of 28 percent	-560	270
Income not subject to tax (permanent differences)	1	0
Expenses not deductible for tax (permanent differences)	-2	-135
Effects of not recognized, or recognition of previosuly not recognized, deferred tax assets	126	-126
Adjustment of prior year's income taxes	11	0
Total income tax benefit (+) / expense (-) in the income statement	-425	9
Effective tax rate	21%	1%

Current income tax

(NOK IN MILLION)	2010	2009
Profit/loss before tax	2 001	-966
Impairments and losses on shares – permanent difference	-36	473
Other permanent differences	1	9
Changes in temporary differences	-1 437	396
Basis for current tax in the income statement	529	-87
Estimated 28 percent current income tax	-148	24
Not recognized current income tax (tax loss carried forward)	0	-19
Current income tax benefit (+) / expense (-) in the income statement	-148	5
Basis for current tax in the income statement	529	-87
Cost for capital increase, recognized to equity	-134	-183
Recognition of temporary difference due to received repayment of previously paid income taxes	247	0
Group contribution to subsidiaries	-641	0
Not recognized tax loss carried forward	0	250
Basis for current tax in the balance sheet	0	-20
Current tax asset (+) / liability (-) in the balance sheet	0	6

In 2010, REC ASA received repayment of previously paid income taxes of NOK 69 million and increased deferred tax liabilities by the same amount related to up-front loan fees that were paid in previous years (NOK 247 million). REC ASA also made a review of what are permanent differences on impairment and losses on shares, and evaluated that some of the previously reported permanent differences should be tax deductible losses, contributing to the adjustment of prior year's income taxes of NOK 11 million in 2010.

Specification of temporary differences, deferred tax assets and liabilities

(NOK IN MILLION)	2010	2009
Fixed assets	1	2
Receivables	0	-480
Up-front loan fees	132	0
Hedging NOK bond	-17	15
Provisions	0	-90
Pension liability	-17	-11
Derivatives	497	329
Net unrealized losses on non-current foreign exchange receivables and liabilities	396	36
Tax losses carried forward	0	-250
Total	991	-449
28 percent deferred tax assets (-) / liabilities (+)	277	-126
Deferred tax assets not recognized	0	126
Deferred tax assets (-) / liabilities (+) in the balance sheet	277	0
Change in deferred tax assets (-) / liabilities (+) in the balance sheet	277	-55
Of which cost for capital increase, recognized to equity	0	-51
Total deferred tax benefit (-) / expense (+) for the year	277	-4

K EQUITY

(NOK IN MILLION)	SHARE CAPITAL	SHARE PREMIUM RESERVE	CONTRIBUTED CAPITAL	OTHER CAPITAL	TOTAL
Equity at January 1, 2009	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	664	12 481	283	850	14 278
Share option program	0	0	0	9	9
Rights issue	332	3 593	0	0	3 925
Actuarial gains/losses on defined pension scheme, net of tax	0	0	0	2	2
Profit for the year	0	0	0	1 576	1 576
Equity at December 31, 2010	997	16 073	283	2 437	19 790

Share capital at December 31, 2010 was 997,152,118 shares at par value of NOK 1 (at December 31, 2009 it was 664,760,061). 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 increased equity in 2009 and 2010 through rights issues

(IN MILLION EXCEPT PRICE PER SHARE)	2010	2009
Number of shares	332	170
Price per share (in NOK)	12	27
Gross amount	4 022	4 517
Costs	-135	-183
Tax on costs	38	51
Net paid-in equity	3 925	4 385

REC ASA's distributable equity at December 31, after allocations amounted to

(NOK IN MILLION)	2010	2009
Contributed capital	283	283
Other equity	2 437	850
Loans – employee share purchase program	-1	-2
Distributable equity	2 719	1 131

L CURRENCY GAINS/LOSSES AND DERIVATIVES

CURRENCY GAINS AND LOSSES

Net currency gains in 2010 related primarily to currency gains on USD and EUR interest bearing liabilities, partially offset by losses on SGD interest bearing liabilities, and currency gains on loans to subsidiaries and the Group account systems (cash pool systems). Net currency losses in 2009 related to net currency losses on loans to subsidiaries and joint venture company as well as the Group account systems (cash pool systems). This was partially offset by currency gains on external interest bearing liabilities.

DERIVATIVES

Distribution of derivatives at December 31

	2010		2009	
(NOK IN MILLION)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Non-current derivatives, internal	0	39	17	42
Non-current derivatives external	192	41	110	25
Total non-current derivatives	192	80	127	66
Current derivatives, internal	15	193	39	155
Current derivatives, external	582	20	484	98
Total current derivatives	598	213	522	254
Total derivatives	790	293	649	320

See notes 3 and 11 to the consolidated financial statements for a description of derivatives, the purpose of entering into derivative transactions and accounting for derivatives. See note 25 to the consolidated financial statements for explanation of the net gains on bank derivatives in 2010. Net gains for REC ASA was lower than for the REC Group due to losses on internal derivatives, primarily the internal part of back-to-back derivatives.

The total of the tables below for external derivatives, including external part of back-to-back derivatives for 2010 corresponds to the tables for the REC Group in note 11 to the consolidated financial statements. Refer to this note for further explanations. Back-to-back derivatives are derivative contracts that REC ASA has entered into with a bank with corresponding opposite contracts with subsidiaries.

2010
EXTERNAL DERIVATIVES

Not back-to-back with subsidiaries
Contractual cash flows in foreign exchange forward contracts at December 31, 2010

(CURRENCY IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	SEK/NOK	200	0
	SGD/NOK	200	100
	USD/NOK	35	0
SOLD CURRENCY	SEK/NOK	-100	0
	EUR/NOK	-343	-360
	USD/NOK	-250	-200

Not back-to-back with subsidiaries
Fair value of foreign exchange forward contracts at December 31, 2010

(NOK IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	SEK/NOK	8	0
	SGD/NOK	-16	-3
	USD/NOK	2	0
SOLD CURRENCY	SEK/NOK	1	0
	EUR/NOK	188	92
	USD/NOK	187	45
Total		369	134

Back-to-back derivatives with subsidiaries – external
Contractual cash flows in foreign exchange forward contracts at December 31, 2010

(CURRENCY IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
SOLD CURRENCY	EUR/NOK	-266	-65

Back-to-back derivatives with subsidiaries – external
Fair value of foreign exchange forward contracts at December 31, 2010

(NOK IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
SOLD CURRENCY	EUR/NOK	193	39

Principal amounts and fair value of external interest rate swaps at December 31, 2010

		2014 PRINCIPAL AMOUNT (CURRENCY IN MILLION)	2014 FAIR VALUE (NOK IN MILLION)
PAY FIXED RATE	USD	100	-38
RECEIVE FIXED RATE	NOK	1 250	16

INTERNAL DERIVATIVES

Back-to-back derivatives with subsidiaries – internal
Contractual cash flows in foreign exchange forward contracts at December 31, 2010

(CURRENCY IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	EUR/NOK	266	65

Back-to-back derivatives with subsidiaries – internal
Fair value of foreign exchange forward contracts at December 31, 2010

(NOK IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	EUR/NOK	-193	-39

Internal derivatives with subsidiaries
Contractual cash flows in foreign exchange forward contracts at December 31, 2010

(CURRENCY IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	USD/NOK	120	0

Internal derivatives with subsidiaries
Fair value of foreign exchange forward contracts at December 31, 2010

(NOK IN MILLION)		2011 FX FORWARD	2012 FX FORWARD
BOUGHT CURRENCY	USD/NOK	15	0

2009
EXTERNAL DERIVATIVES 2009

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 derivatives with subsidiaries – external
Contractual cash flows in foreign exchange forward contracts at December 31, 2009

(CURRENCY IN MILLION)		2010 FX FORWARD	FX FLEX FORW	2011 FX FORWARD	2012 FX FORWARD
SOLD CURRENCY	EUR/NOK	-341	-180	-208	-20

Principal amounts of external interest rate swaps at December 31, 2009

		2014 PRINCIPAL AMOUNT (CURRENCY IN MILLION)
PAY FIXED RATE	USD	100
RECEIVE FIXED RATE	NOK	1 250

INTERNAL DERIVATIVES 2009

Internal derivatives consist of the opposite side of the derivatives back-to-back with subsidiaries as show in a 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.

M RESEARCH AND DEVELOPMENT

Research and development expenses in REC ASA, net of the parts invoiced to the subsidiaries were NOK 54 million in 2010, the amount in 2009 was NOK 49 million. In addition there is 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 6 million at December 31, 2010 and NOK 718 million at December 31, 2009. These are related to future supply of goods and services and capital expenditure.

REC ASA has cosigned bank guarantees as security for fulfillment of subsidiaries' commercial obligations in line of ordinary business. The total amount of bank guarantees for subsidiaries amounted to NOK 287 million at December 31, 2010 and NOK 63 million at December 31, 2009.

In 2009 REC ASA established a bond of NOK 1.250 million and a convertible bond of EUR 320 million. In 2010 REC ASA entered into a NOK 10,000 million bank credit and guarantee facilities agreement, and REC ASA and the REC Singapore subsidiaries entered into loan agreements with Eksportfinans of in total NOK 1,297 million. At December 31, 2010, REC ASA had drawn NOK 325 million and the REC subsidiaries in Singapore (REC Wafer Pte Ltd, REC Modules Pte Ltd, REC Cells Pte Ltd and REC Site Services Pte Ltd) had drawn in aggregate NOK 922 million loans from Eksportfinans. At December 31, 2010, REC ASA had drawn NOK 3,075 million as loans under on the bank facility and utilized NOK 418 million under the guarantee facility. The loans and guarantees mature as shown in note 17 to the consolidated financial statements for REC Group. REC ASA and the following direct or indirect 100 percent owned subsidiaries of REC ASA are jointly and several liable for the above mentioned loans: REC Wafer Pte Ltd, REC Modules Pte Ltd, REC Cells Pte Ltd, REC Wafer Norway AS, REC ScanCell AS, REC Solar AS, REC Silicon AS, REC Silicon Inc, REC Advanced Silicon Materials LLC, REC Solar Grade Silicon LLC. REC Wafer Pte Ltd, REC Modules Pte Ltd and REC Cells Pte Ltd have limited their liability to the value of their net assets.

O LOSSES ON FINANCIAL ASSETS AND OTHER FINANCIAL EXPENSES

(NOK IN MILLION)	2010	2009
Loss on conversion of loans to shares in REC ScanModule AB	0	725
Impairment loss on shares in Sovello AG	64	473
Impairment loss on loans and other receivables to Sovello AG	7	480
Loss on sale of shares in CSG Solar AG	2	0
Losses on financial assets	72	1 678

See note I regarding Sovello.

At December 31, 2009 REC ASA recognized provisions of NOK 90 million for losses on guarantees and undertakings related to Sovello AG. These were paid during 2010. NOK 64 million of the payments were in 2010 classified as impairment loss on shares in Sovello AG, with the opposite income as reduction of other financial expenses, with a net zero effect on the profit before tax in 2010. The remaining part of other financial expenses in 2010 relates primarily to the fact that REC ASA expensed the major part of the, at that time, remaining up-front/waiver fees and costs for the bank facilities that were terminated and repaid in May 2010.

Other financial expenses for 2009 included 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 convertible bond.

AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Renewable Energy Corporation ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Renewable Energy Corporation ASA, which comprise the financial statements of the parent company Renewable Energy Corporation ASA and the consolidated financial statements of Renewable Energy Corporation ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December, 2010, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the statement of financial position and the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and generally accepted accounting standards and practices in Norway and for the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report
Renewable Energy Corporation ASA

Opinion on the separate financial statement

In our opinion, the parent company's financial statements give a true and fair view of the financial position of Renewable Energy Corporation ASA as at 31 December, 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Renewable Energy Corporation ASA and its subsidiaries as at 31 December, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 24. March 2011
KPMG AS

Arve Gevoll
State Authorised Public Accountant

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