

# MEMC Electronic Materials

First Quarter 2013 Results Conference Call

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May 9, 2013

**MEMC**



# Safe Harbor

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With the exception of historical information, the matters disclosed in this presentation are forward-looking statements. Such statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties are described in the Company's filings with the Securities and Exchange Commission (SEC), including its 2012 Form 10-K in addition to the risks and uncertainties described on page 21 of this presentation. These forward-looking statements represent the Company's judgment as of the date of this presentation. The Company disclaims, however, any intent or obligation to update these forward-looking statements.

This presentation also includes non-GAAP financial measures. You can find a reconciliation of each of these non-GAAP measures to the most directly comparable GAAP financial measure in our earnings press release filed on Form 8-K today with the SEC and posted in the Investor Relations portion of our web site at [www.memc.com](http://www.memc.com).

# Agenda

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- Quarter Overview
- Results Review
- Segment Performance
- Solar Pipeline & Backlog
- Development Activity / Major 2013 Projects
- Cash Flow
- Balance Sheet & Liquidity
- Outlook
- Appendix
- Forward-Looking Statements

# Quarter Overview

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- 1Q'13 Metrics in-line with guidance issued at Capital Markets Day
- FY 2013 outlook has improved
- Semiconductor Materials outperformed the market
  - Volume growth better than industry
  - Pricing pressure continued in 1Q
  - Improvements continuing in quality, customer service & OEE
- Positioned well to capture solar opportunity
  - Strong and growing pipeline & backlog
  - Ramping project construction
  - Investing to grow the business
  - Driving linearity

# 1Q 2013 Results Review

Key Metrics	1Q 2013 Outlook	1Q 2013 Actual
Semiconductor Revenue (\$ mil)	\$228 to \$235	\$230
Solar Energy Systems MW Sold (Non-GAAP)	10 to 38	45
Solar Energy Systems MW Retained on Balance Sheet	0 to 2	0
Solar Energy Systems Avg. Price (\$/W <sub>dc</sub> )	\$3.50 to \$3.60	\$3.00 <sup>(1)</sup>
Capex (\$M)	\$30 to \$40	\$31 <sup>(2)</sup>

<sup>(1)</sup> Includes a 12 MW South Asian project sold in 1Q'13 for \$2/watt which generated greater than 20% gross margin that was originally planned for 2Q'13

<sup>(2)</sup> Includes \$5 million related to the acquisition of a TCS plant from Evonik

Note: unaudited

## 1Q Highlights

- Semiconductor Materials continues to perform
  - Revenue grew 1% Q/Q
  - Free cash flow grew Q/Q
- MW sold above high end of range
- Average Price per Watt
  - \$3.84 for fully developed (FD) projects excluding S. Asia
  - \$3.00<sup>(1)</sup> for all FD projects
  - \$2.38 for all FD and EPC
- Capex better than forecast
  - Continue to invest in Semiconductor Materials segment



# 1Q 2013 Summary Results

(\$ Millions, except per share)	Semiconductor Materials	Solar Energy	Corporate	MEMC GAAP	Non-GAAP Adjustments (Solar Energy)	MEMC Non-GAAP
<b>Net Sales</b>	\$ 229.8	\$ 213.8	\$ -	\$ 443.6	\$ (12.3)	\$ 431.3
<b>Gross Profit</b>				49.7	(7.9)	41.8
<i>Gross Margin%</i>				11.2%		9.7%
<b>Operating Expenses</b>				83.2	-	83.2
<b>Operating Income (Loss)</b>	1.4	(10.8)	(24.1)	(33.5)	(7.9)	(41.4)
<i>Operating Margin %</i>	0.6%	-5.1%		-7.6%		-9.6%
<b>Other Expense / (Income)</b>				48.1	(10.5)	37.6
<b>Profit / (Loss) Before Tax</b>				(81.6)	2.6	(79.0)
<b>Income Taxes/(Benefit)</b>				19.5	(51.3)	(31.8)
<b>Equity in Earnings (Loss) of JVs/Noncontrolling Interest</b>				11.7	-	11.7
<b>Net Income (Loss)</b>				(89.4)	53.9	(35.5)
<b>Diluted Earnings (Loss) per Share</b>				\$ (0.40)	\$ 0.24	\$ (0.16)

- Sales reflect growth in Semiconductor Materials and lower Solar Energy revenue due to decision to reduce solar development spending in 2012
- Semiconductor Materials gross margin rose despite lower ASP, however Solar Energy gross margin was lower due to fewer MW delivered from fully-developed projects and temporary slowdown of solar module sales
- Negative non-GAAP revenue adjustment is due primarily to the reversal of non-GAAP revenue recognized in previous quarters that is now being recognized under GAAP

Note: unaudited



# Period Comparisons

(\$ Millions, except per share)	1Q 2013	4Q 2012	vs. Prior Quarter		1Q 2012	vs. Prior Year	
	Non-GAAP	Non-GAAP	\$ Variance	% Variance	Non-GAAP	\$ Variance	% Variance
<b>Net Sales</b>	\$ 431.3	\$ 704.3	\$ (273.0)	-39%	\$ 523.8	\$ (92.5)	-18%
<b>Gross Profit</b>	41.8	92.4	(50.6)	-55%	45.9	(4.1)	-9%
<i>Gross Margin %</i>	9.7%	13.1%			8.8%		
<b>Operating Expenses</b>	83.2	40.4	42.8	106%	104.3	(21.1)	-20%
<b>Operating Income (Loss)</b>	(41.4)	52.0	(93.4)	-180%	(58.4)	17.0	29%
<i>Operating Margin %</i>	-9.6%	7.4%			-11.1%		
<b>Net Income (Loss)</b>	(35.5)	19.9	(55.4)	-278%	(66.0)	30.5	46%
<b>Diluted Earnings (Loss) per Share</b>	\$ (0.16)	\$ 0.08	\$ (0.24)	-296%	\$ (0.29)	\$ 0.13	46%

## Revenue

- Semiconductor Materials growth offset by temporary slowdowns in solar module and solar project sales

## Operating Expenses

- Lower sequentially & YoY excluding \$43 mil restructuring benefit in 4Q'12

## EPS

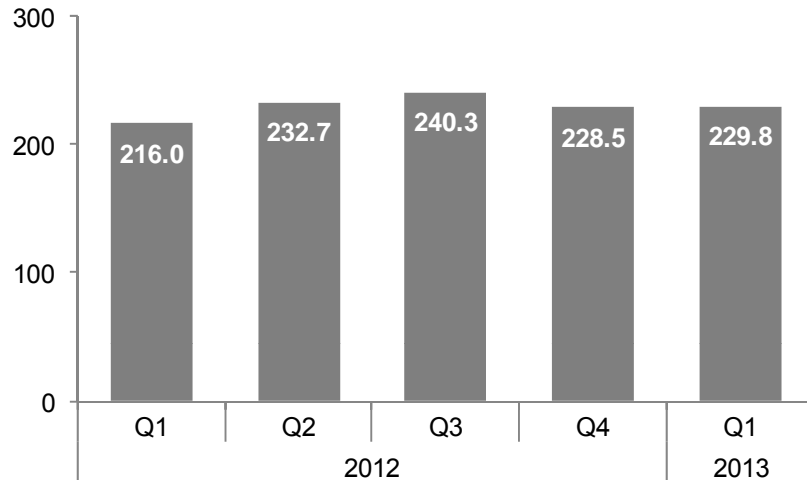
- 1Q'13 includes \$0.11 related to amendment of supply contract with Tainergy
- 4Q'12 includes \$0.05 related to restructuring and asset impairments and \$0.14 related to gain on the acquisition of a TCS plant as part of the contract settlement with Evonik

Note: unaudited



# Semiconductor Materials

## Revenue (\$ Millions)



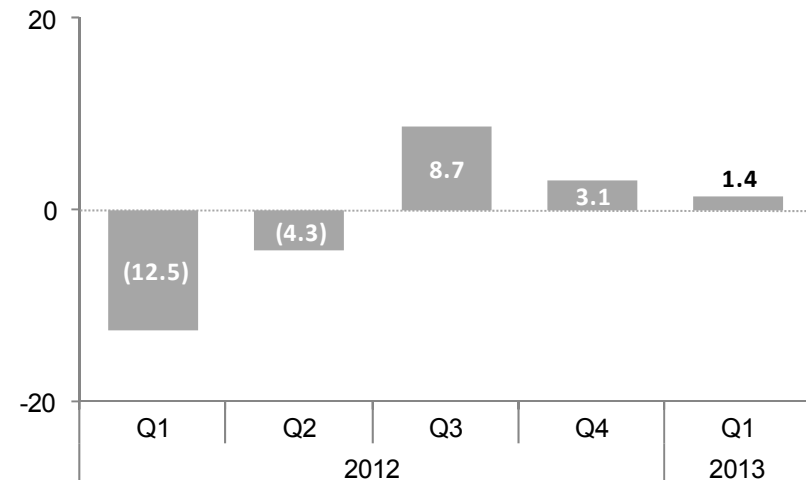
### Sequential up \$1M, or 1%

- 4% higher volume, 3% lower ASP, driven mostly by small diameter

### YOY up \$14M, or 6%

- 15% higher volume and 8% lower ASP, driven mostly by 300mm

## Operating Profit (\$ Millions)



### Sequential down \$2M

- Continue to generate positive operating profit at bottom of cycle

### YOY up \$14M

- Despite 8% lower ASP, OM% up due to restructuring actions

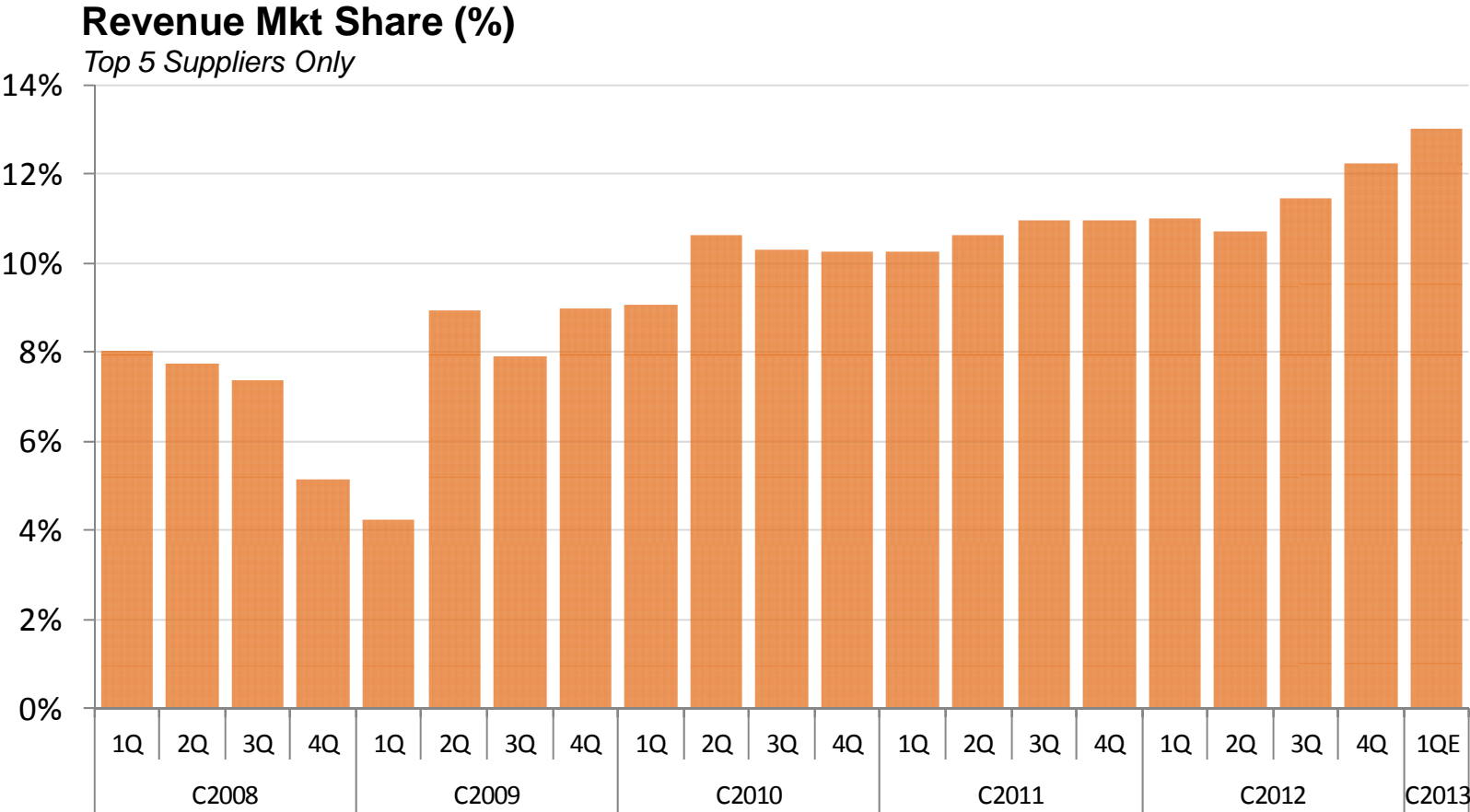
*Top Line Improvement; Positioned for Margin Expansion*

Note: unaudited





# Semi Market Share Trend



Source: Company reports, guidance and internal estimates. Market share results shown based on top five suppliers' (MEMC, Shin-Etsu, SUMCO, Wacker Siltronic, and LG Siltron) revenue converted to US\$ using quarterly average FX rates

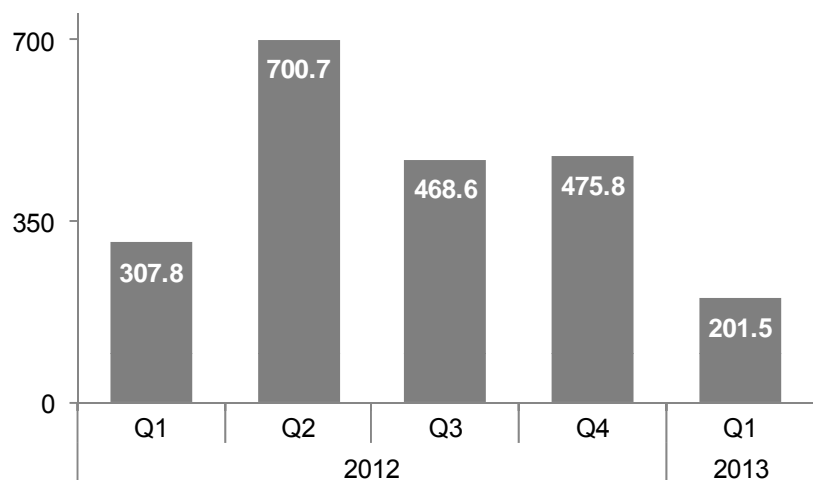
*Share Gains in a Tough Market Driven by Disciplined Execution*

Note: unaudited



# Solar Energy (Non-GAAP)

## Revenue (\$ Millions)



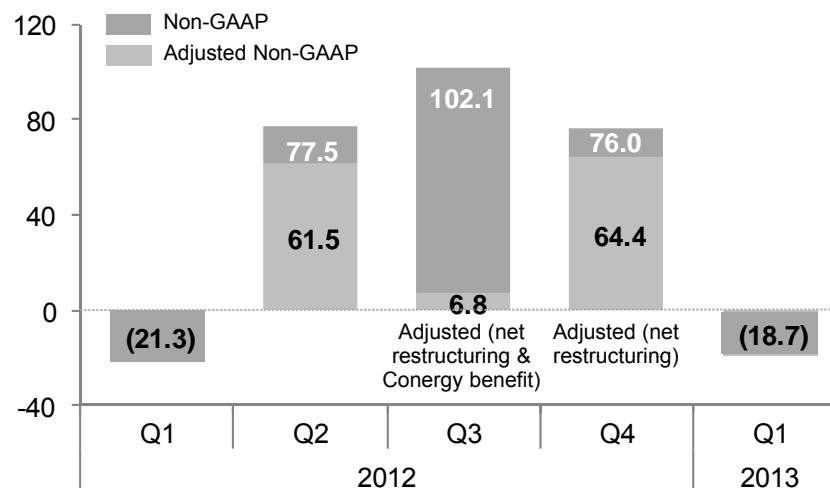
### Sequential down \$274M, or 58%

- Lower project sales driven by MW and EPC mix; \$19M lower materials sales
- MW sold lower due to curtailed development spending in 2012

### YOY down \$106M, or 35%

- Lower solar project and materials sales
- Unfavorable project mix included EPC with lower ASP

## Operating Profit (\$ Millions)



### Sequential down \$83M (adjusted)

- Fewer MW sold, weaker margin due to mix, partially offset by \$25M from Tainergy

### YOY up \$3M

- \$25 million from Tainergy mostly offset by lower materials sales, weaker project margin due to EPC/project mix

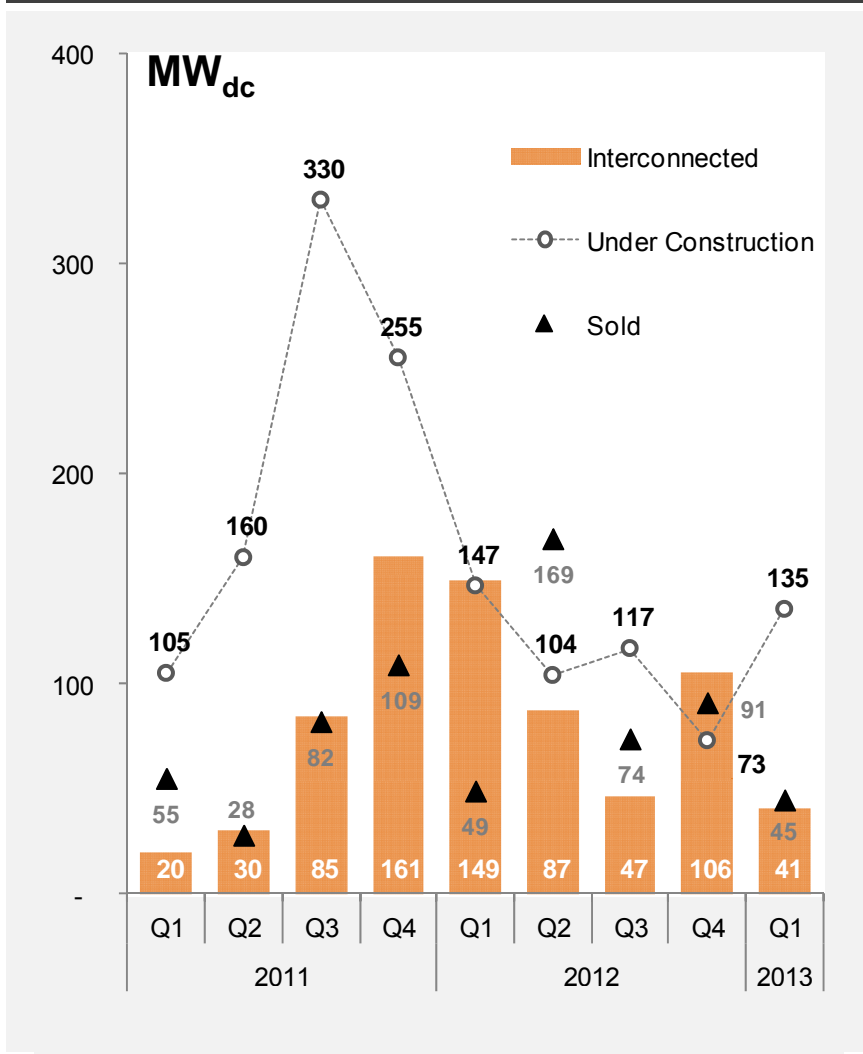
*Lower MW in 1Q'13 Driven by Reduced Dev Spending in 2012*

Note: unaudited

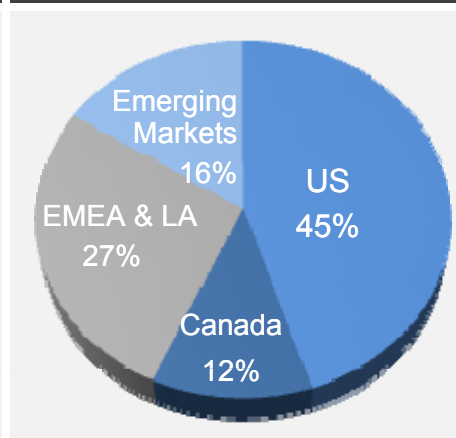


# Solar Project Pipeline & Installations

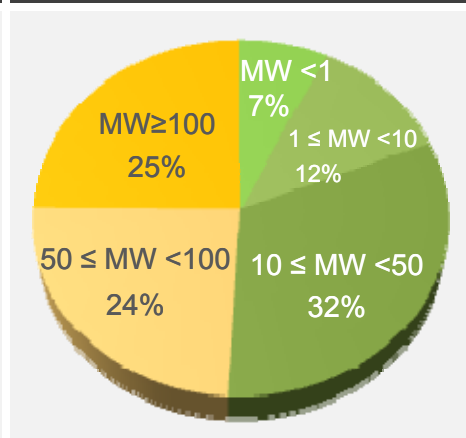
## Construction & Interconnections



## Pipeline by Region



## Pipeline by Size



### 2.7 GW<sub>dc</sub> Pipeline

- Up from 2.6 GW due to Latin America, Japan & Europe

### 45 MW<sub>dc</sub> recognized for non-GAAP revenue

- Includes 17 MW of previously interconnected or POC projects

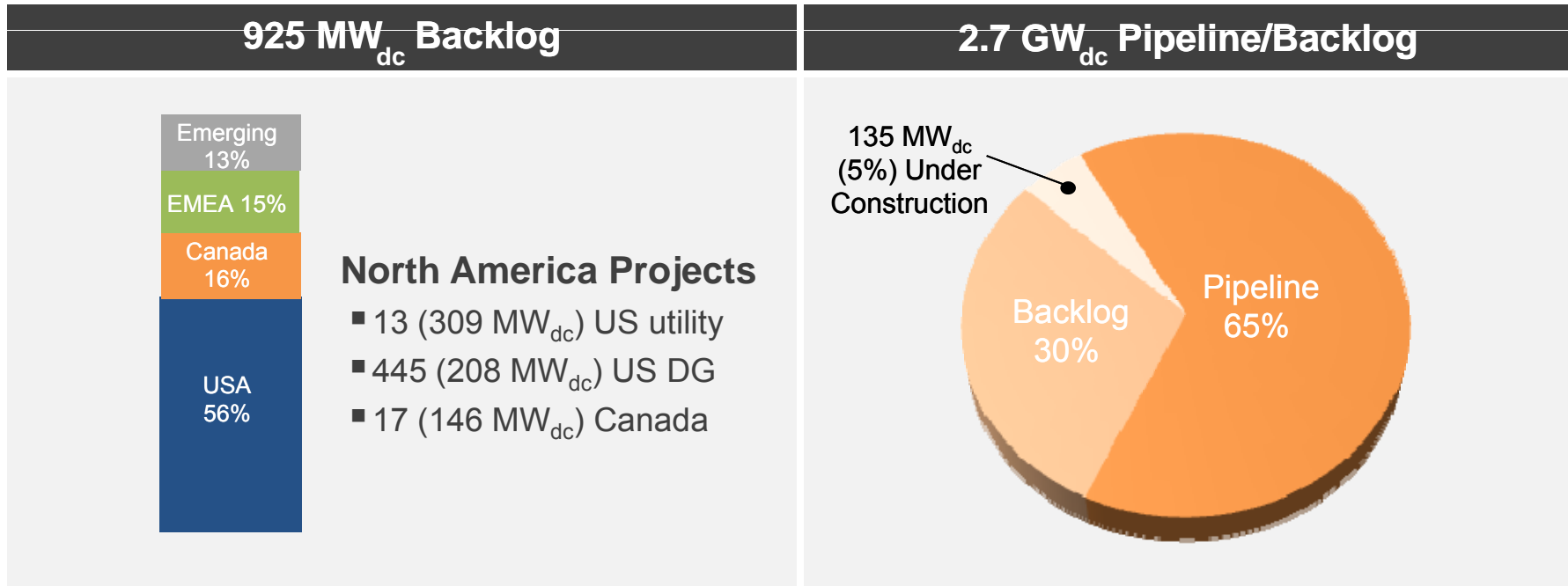
### 41 MW<sub>dc</sub> interconnected in 1Q 2013

- Predominantly projects in Southern Asia and Canada

Note: unaudited



# Solar Project Backlog



- Backlog up 98 MW Q/Q due mostly to additions in Latin America
- 925 MW<sub>dc</sub> or 35% of Pipeline is Backlog
  - All backlog projects have signed PPA or FiT
  - Most expected to be completed by 4Q'14
- Expected gross margin
  - Backlog: \$0.75/W - \$0.80/W, 90%-95% success rate

*Pipeline:* A project with a signed or awarded PPA or other energy off-take agreement or has achieved each of the following three items: site control, an identified interconnection point with interconnection cost estimate, and executed energy off-take agreement or the determination that there is a reasonable likelihood that an energy off-take agreement will be signed.

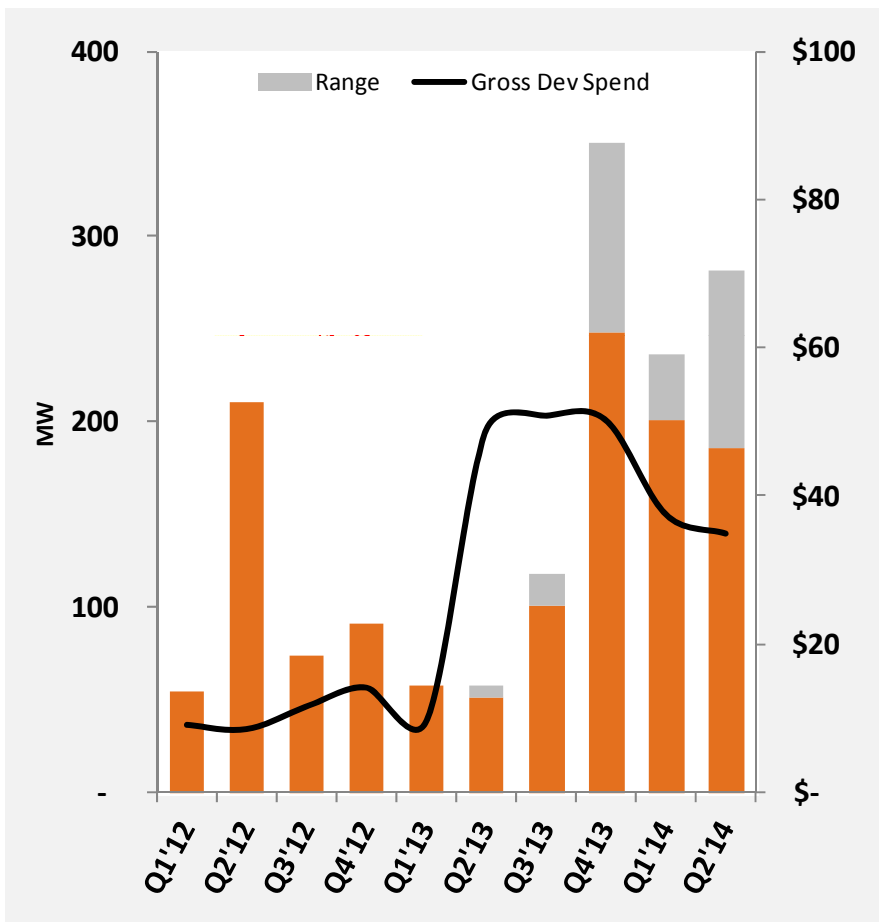
*Backlog:* A project with an executed PPA or other energy off-take agreement, such as a FiT.

Note: unaudited



# Strong Project Development Activity

## Project Completions



- Increased development spending in 2H'12 has led to increased construction activity today
- Construction starts increased from 38 MW in 4Q'12 to 104 MW in 1Q'13 and are expected to be near 400 MW in 2Q'13

### 3Q'13 – 2Q'14 Cumulative Project Completions

	Total MW	% in Backlog
NAMR – Utility	289	95%
NAMR – DG	161	27%
SEA/SSA	127	57%
EMEA	147	0% (expected 2Q)
LatAm	187	54%
<b>Total</b>	<b>910</b>	<b>54%</b>

*Construction Start:* A project is deemed to have started construction when adequate internal approvals have been issued, notice to proceed has been issued and the first construction contractor begins mobilization.

*Project Completions:* Projects MW sold (non-GAAP) and project MW retained on the balance sheet.

Note: unaudited



# Major 2013 Projects

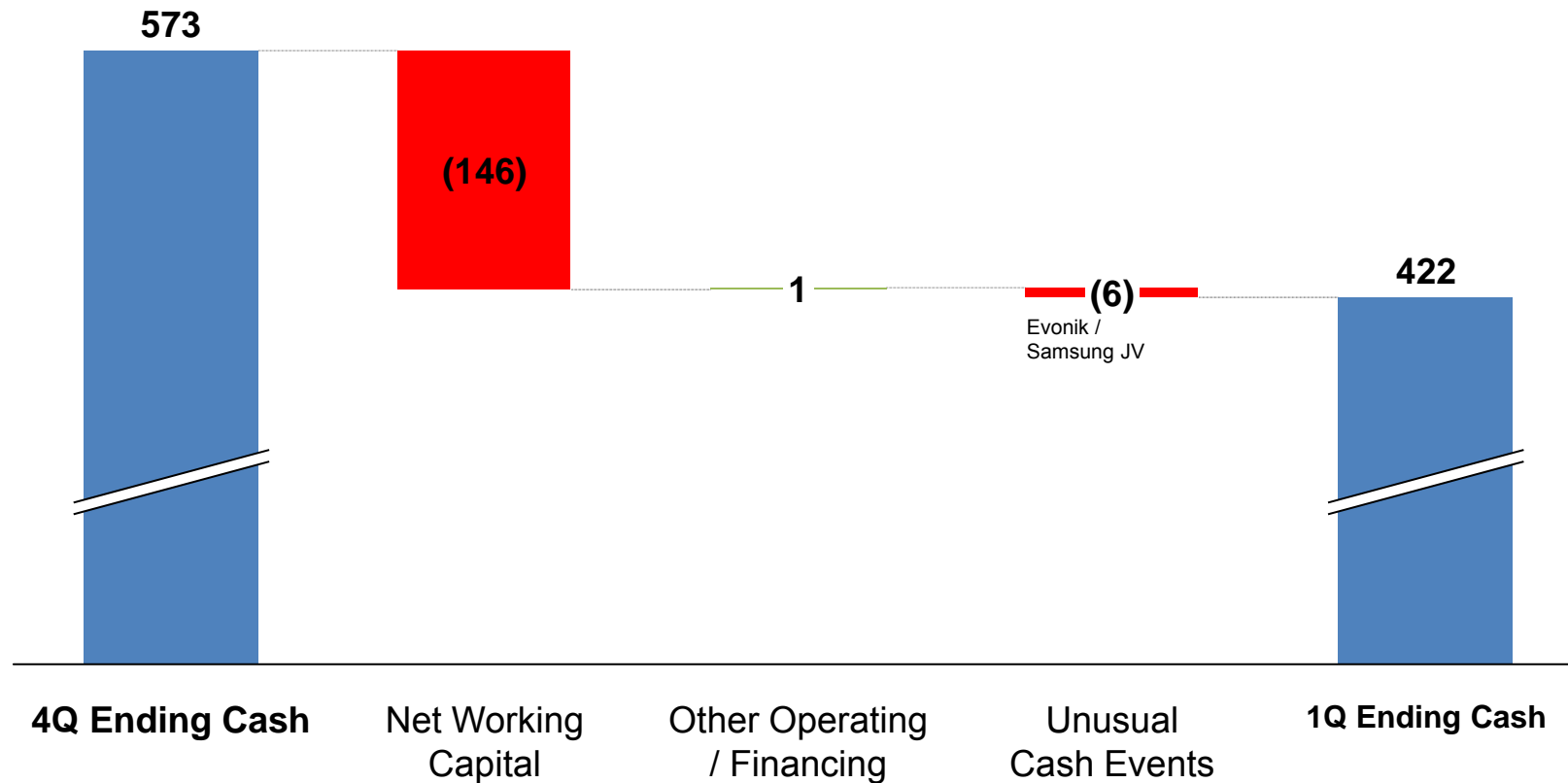
Project Name	MW <sub>dc</sub>	Location	Expected Start Date	Expected Completion Date
Project 1	75	LatAm	2Q'13	4Q'13
Project 2	50	LatAm	2Q'13	4Q'13
Project 3	38	NAMR	1Q'13	3Q'13
Project 4	31	NAMR	2Q'13	4Q'13
Project 5	24	NAMR	2Q'13	4Q'13
Project 6	22	NAMR	2Q'13	4Q'13
Project 7	16	NAMR	2Q'13	4Q'13
Project 8	14	Canada	2Q'13	4Q'13
Project 9	13	Canada	2Q'13	4Q'13
Project 10	13	Canada	4Q'12	4Q'13
Project 11	12	Canada	4Q'12	4Q'13
Project 12	12	SSA	4Q'12	1Q'13
Project 13	11	EMEA	3Q'13	4Q'13
Project 14	10	SSA	4Q'12	2Q'13
Project 15	10	NAMR	2Q'13	4Q'13

*~ 350 MW of Projects > 10 MW in 2013*

Note: unaudited



# 1Q13 Cash Walk



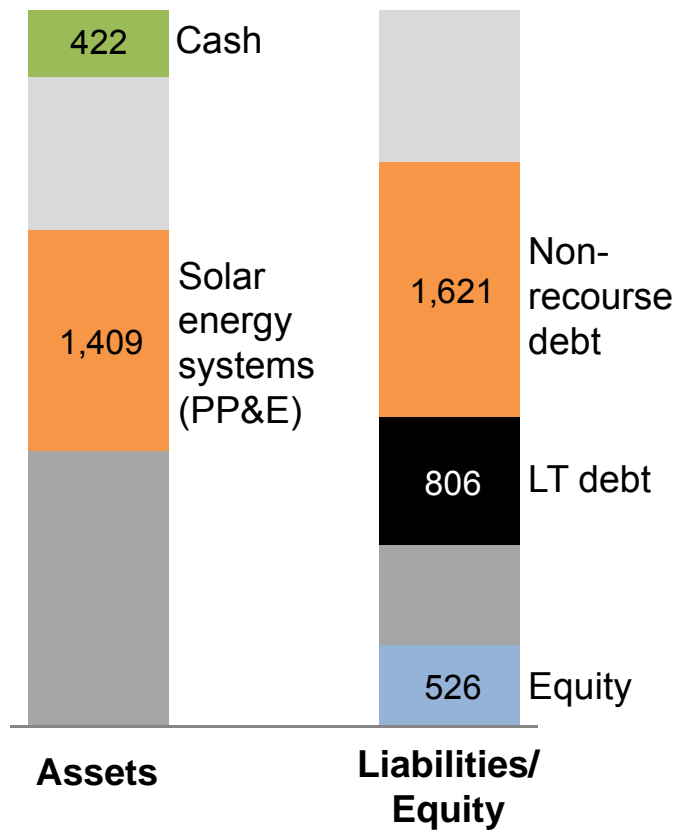
- Majority of cash use driven by working capital related to project construction and collections timing
  - A/R up \$61 mil, driven by payment timing (majority has been collected)
  - A/P down \$67 mil driven by non-linearity

Note: unaudited



# Balance Sheet & Liquidity

(\$ Millions)



- \$661 million in liquidity
  - \$422 million cash/cash equivalents
  - \$239 million unused corporate revolver
- Non-recourse debt excluded from leverage calculations in covenants
- Non-recourse debt (including lease obligations) supported by Solar Energy systems
- No significant debt maturities until 2017

Note: unaudited



# 2Q 2013 Outlook

Key Metrics	2Q 2013 Outlook	Comments
Semiconductor Materials Revenue (\$ mil)	\$235 to \$245	Volume higher, pricing flat
Solar Energy Systems MW Sold (Non-GAAP)	29 to 54	
Solar Energy Systems MW Retained on Balance Sheet	0 to 3	
Solar Energy Systems Avg. Price (\$/W <sub>dc</sub> )	\$3.40 to \$3.55	Excludes EPC projects
Capex (\$ mil)	\$30 to \$40	Focus on Semiconductor Materials

# FY 2013 Outlook

Key Metrics	Prior FY 2013 Outlook	New FY 2013 Outlook	Comments
Semiconductor Materials Revenue (\$ mil)	\$940 to \$990	\$960 to \$1,000	Volume growth through the year with price strength in 2H'13
Solar Energy Systems MW Sold (Non-GAAP)	420 to 490	430 to 500	Strong ramp in 2H'13
Solar Energy Systems MW Retained on Balance Sheet	50 to 100	50 to 100	Attractive IRR
Solar Energy Systems Avg. Price (\$/W <sub>dc</sub> )	\$3.10 to \$3.40	\$3.10 to \$3.40	Includes all MW from fully developed and EPC projects
Capex (\$ mil)	\$120 to \$140	\$120 to \$140	Focus on Semiconductor Materials

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# Appendix



# Segment Cash Flow

(\$ Millions)	Semiconductor Materials	Solar Energy	Corporate	MEMC
For the Quarter ending Mar. 31, 2013				
<b>Net Income</b>	<b>\$ 1.3</b>	<b>\$ (40.1)</b>	<b>\$ (62.6)</b>	<b>\$ (101.4)</b>
Depreciation & Amortization	30.4	28.6	1.8	60.8
Stock Compensation	1.1	0.3	5.8	7.2
Accounts Receivable	(7.0)	(53.5)	-	(60.5)
Inventory/Solar Energy Systems	0.1	(18.3)	-	(18.2)
Accounts Payable	(1.4)	(66.1)	-	(67.5)
Deferred Revenue	-	36.4	-	36.4
Other Operating	12.0	(3.3)	3.9	12.6
Taxes, net	-	-	12.0	12.0
<b>Operating Cash Flow</b>	<b>36.5</b>	<b>(116.0)</b>	<b>(39.1)</b>	<b>(118.6)</b>
Capital Expenditures	(24.9)	(4.7)	(1.2)	(30.8)
Construction of Solar Energy Systems	-	(47.4)	-	(47.4)
Financing & Capital Lease Obligations, net	-	86.1	-	86.1
Return of Investment to Noncontrolling Interest	-	0.1	-	0.1
<b>Free Cash Flow</b>	<b>11.6</b>	<b>(81.9)</b>	<b>(40.3)</b>	<b>(110.6)</b>
Restricted Cash & Other	(3.9)	(36.7)	0.2	(40.4)
<b>Total Cash Flow</b>	<b>\$ 7.7</b>	<b>\$ (118.6)</b>	<b>\$ (40.1)</b>	<b>\$ (151.0)</b>

In addition to other key performance indicators, we evaluate the performance of the solar project business on the cash generation abilities of the projects which is best reflected in Free Cash Flow. Projects are typically financed at the inception of a lease, resulting in a gain on sale that is deferred and not immediately included in net income (loss). For direct sales, we sometimes finance these projects prior to sale in which our customers assume the debt upon sale. For our GAAP financial statements, debt proceeds are recorded as financing activities while costs to construct the solar energy systems are reflected as operating outflows.

Because certain sites include operations, facilities and/or back office functions that are utilized to support our Semiconductor Materials and Solar Energy businesses, we do not have discrete financial information for certain assets. Accordingly, our segment cash flow includes certain estimates and allocations and is therefore non-gaap.

Note: unaudited



# Forward-Looking Statements

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Certain matters discussed in this presentation and on the conference call are forward-looking statements, including the expected completion dates for major 2013 solar projects and that for the second quarter of 2013, the company expects Semiconductor Materials revenue to be between \$235 million and \$245 million, solar energy systems total non-GAAP sales volume to be in the range of 29 MW to 54 MW, solar energy systems MW retained on the balance sheet to be between 0 MW and 3 MW, fully-developed solar energy systems average project pricing to be between \$3.40/watt and \$3.55/watt, and capital spending to be between \$30 million and \$40 million; that for the 2013 full year, the company expects Semiconductor Materials revenue to be between \$960 million and \$1 billion, solar energy systems total non-GAAP sales volume to be in the range of 430 MW to 500 MW, solar energy systems MW retained on the balance sheet to be between 50 MW and 100 MW, total solar energy systems average project pricing to be between \$3.10/watt and \$3.40/watt, and capital spending to be between \$120 million and \$140 million. Such statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include concentrated project development risks related to large scale solar projects; the availability of attractive project finance and other capital for SunEdison projects; market demand for our products and services; changes in the pricing environment for silicon wafers and polysilicon, as well as solar power systems; the availability and size of government and economic incentives to adopt solar power, including tax policy and credits and renewable portfolio standards; the ability to effectuate and realize the savings from the restructuring plan; our ability to maintain adequate liquidity and compliance with our debt covenants; the need to impair long lived assets or other intangible assets due to changes in the carrying value or realizability of such assets; the effect of any antidumping or countervailing duties imposed on photovoltaic cells and/or modules in connection with any trade complaints in the United States, Europe or elsewhere; the result of any Chinese government investigations of unfair trade practices in connection with polysilicon exported from the United States or South Korea into China; changes to accounting interpretations or accounting rules; existing or new regulations and policies governing the electric utility industry; our ability to convert SunEdison pipeline into completed projects in accordance with our current expectations; dependence on single and limited source suppliers; utilization of our manufacturing volume and capacity; the terms of any potential future amendments to or terminations of our long-term agreements with our solar wafer customers or any of our suppliers; general economic conditions, including interest rates; the ability of our customers to pay their debts as they become due; changes in the composition of worldwide taxable income and applicable tax laws and regulations, including our ability to utilize any net operating losses; failure of third-party subcontractors to construct and install our solar energy systems; quarterly fluctuations in our SunEdison business; the impact of competitive products and technologies; inventory levels of our customers; supply chain difficulties or problems; interruption of production; outcome of pending and future litigation matters; good working order of our manufacturing facilities; our ability to reduce manufacturing and operating costs; assumptions underlying management's financial estimates; actions by competitors, customers and suppliers; changes in the retail industry; damage to our brand; acquisitions of pipeline in our Solar Energy segment; changes in product specifications and manufacturing processes; changes in financial market conditions; changes in foreign economic and political conditions; changes in technology; changes in currency exchange rates and other risks described in the company's filings with the Securities and Exchange Commission. These forward-looking statements represent the company's judgment as of the date of this press release. The company disclaims, however, any intent or obligation to update these forward-looking statements.



