

# MEMC Electronic Materials

2Q'11 Earnings Conference Call  
August 3, 2011

**MEMC**



# Agenda

- ❑ Safe Harbor
- ❑ Q2 Financial Results
- ❑ Net Income Walk
- ❑ Q2 Segment Highlights
  - Semiconductor Materials
  - Solar Materials
  - SunEdison
- ❑ Cash Flow / Balance Sheet Highlights
- ❑ Outlook / Guidance

# Safe Harbor

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, including its 2010 Form 10-K and Q1 2011 Form 10-Q, in addition to the risks and uncertainties described on page 27 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.

# Presentation Material & Supplemental Data

Mark Murphy, Chief Financial Officer  
August 3, 2011

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# Q2 2011 Summary Results

(\$ Millions, except per share)	Semiconductor Materials	Solar Materials	Solar Energy (SunEdison)	Corporate	MEMC GAAP	Non-GAAP Adjustments (SunEdison)	MEMC Non-GAAP
<b>Net Sales</b>	<b>275.3</b>	<b>323.1</b>	<b>147.2</b>	<b>-</b>	<b>745.6</b>	<b>34.0</b>	<b>779.6</b>
<b>Gross Profit</b> <i>Gross Margin%</i>					<b>181.1</b> 24.3%	15.5	<b>196.6</b> 25.2%
<b>Operating Expenses</b>					<b>129.4</b>	-	<b>129.4</b>
<b>Operating Income / (Loss)</b> <i>Operating Margin %</i>	<b>3.4</b> 1.2%	<b>89.2</b> 27.6%	<b>(8.4)</b> -5.7%	<b>(32.5)</b>	<b>51.7</b> 6.9%	<b>15.5</b>	<b>67.2</b> 8.6%
<b>Decline / (Increase) FMV of Warrants</b>					<b>1.9</b>	-	<b>1.9</b>
<b>Other Expense / (Income)</b>					<b>3.1</b>	(5.2)	<b>(2.1)</b>
<b>Profit / (Loss) Before Tax</b>					<b>46.7</b>	20.7	<b>67.4</b>
<b>Income Taxes</b>					<b>0.9</b>	1.8	<b>2.7</b>
<b>Minority Interest / (Equity Earnings)</b>					<b>(1.5)</b>	-	<b>(1.5)</b>
<b>Net Income (Loss)</b>					<b>47.3</b>	<b>18.9</b>	<b>66.2</b>
<b>Diluted Earnings (Loss) per Share</b>					<b>\$ 0.21</b>	<b>\$ 0.08</b>	<b>\$ 0.29</b>

**Strong GAAP and non-GAAP results boosted by Suntech contract resolution, partially offset by unusual items**

Note: unaudited

# Q2 2011 Variance (Non-GAAP)

(\$ Millions, except per share)	Q2 2011 Non-GAAP	Q1 2011 Non-GAAP	vs. Prior Quarter		Q2 2010 Non-GAAP	vs. Prior Year	
			\$ Variance	% Variance		\$ Variance	% Variance
<b>Net Sales</b>	<b>779.6</b>	<b>832.6</b>	(53.0)	-6%	<b>465.0</b>	314.6	68%
<b>Gross Profit</b>	196.6	149.6	47.0	31%	79.8	116.8	146%
<i>Gross Margin %</i>	25%	18%		725bps	17%		806bps
<b>Operating Expenses</b>	129.4	114.2	15.2	13%	73.6	55.8	76%
<b>Operating Income (Loss)</b>	<b>67.2</b>	<b>35.4</b>	31.8	90%	<b>6.2</b>	61.0	984%
<i>Operating Margin %</i>	9%	4%		437bps	1%		729bps
<b>Net Income (Loss)</b>	<b>66.2</b>	<b>21.5</b>	44.7	208%	<b>15.4</b>	50.8	330%
<b>Diluted Earnings (Loss) per Share</b>	<b>0.29</b>	<b>0.09</b>	0.20	222%	<b>0.07</b>	0.22	314%

## Revenue

- 6% sequential decline, driven by lower volume and price in Solar Materials and project timing at SunEdison, partially offset by growth in Semiconductor Materials
- 68% year over year increase driven by growth in all segments and Suntech contract resolution

## EPS

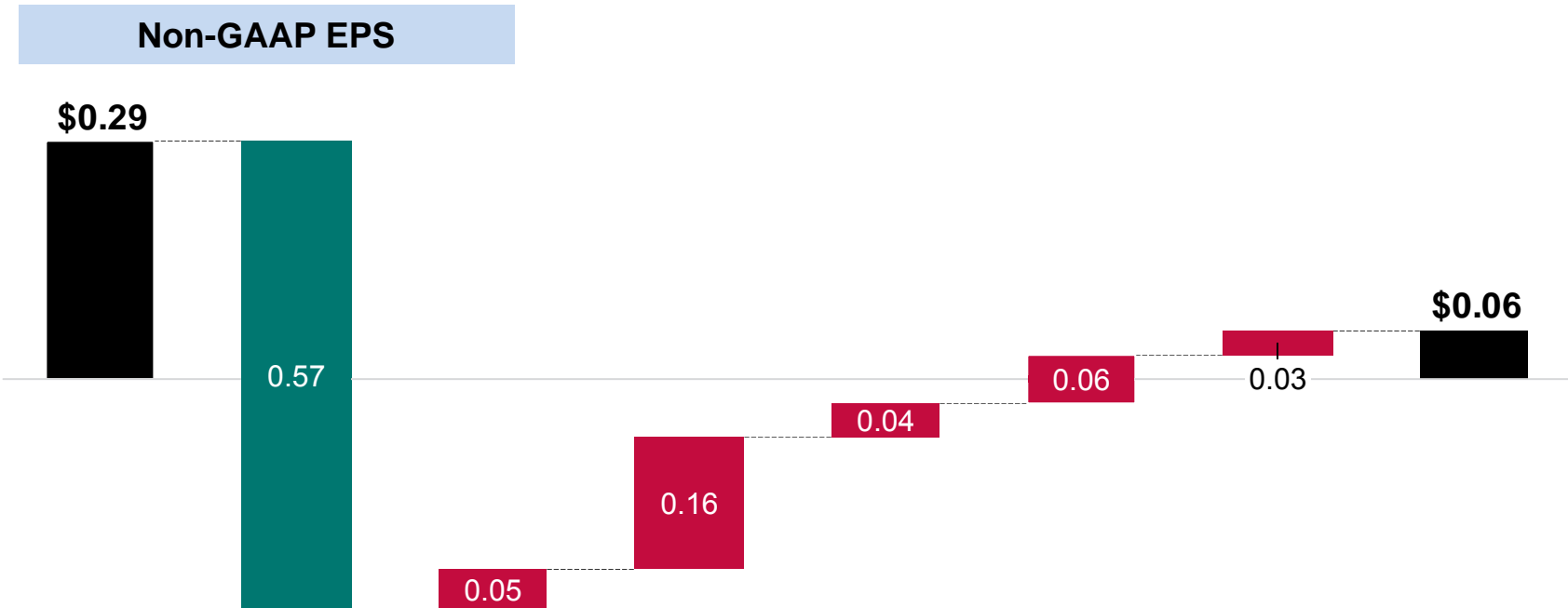
- Includes \$0.23 per share favorable net impact due to Suntech contract resolution partially offset by unusual charges

Note: unaudited

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# Q2 2011 EPS Walk



US\$ Millions

Non-GAAP Net income	Suntech Resolution	Suntech Recurring*	Supplier Contracts	Japan Earthquake	Low Volume Kuching/Inventory	Restructuring & Other	Non-GAAP Net income (Ongoing)
66.2	(132.6)	12.0	38.0	8.5	14.0	7.6	13.7

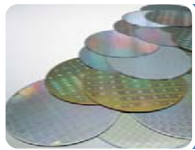
**Reported**

----- unusual items ----->

**Ongoing**

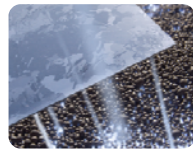
\* \$24 million of additional Suntech resolution income will occur over 2H11

# Q2 2011: Segment Highlights



## Semiconductor Materials

- Japan 300mm wafer production back to pre-earthquake level
- Ipoh 200mm ramping and ready for St. Peters and Sherman production shift
- Completed 50k 300mm wafer/month expansion in Korea



## Solar Materials

- Performed well despite collapse in industry wafer pricing
- Leveraging downstream demand with SunEdison to pull through wafer volume
- Delivering MEMC modules to SunEdison to support project growth
- Qualifying new products Solaicx CCZ and Kuching wafers with strategic customers



## SunEdison

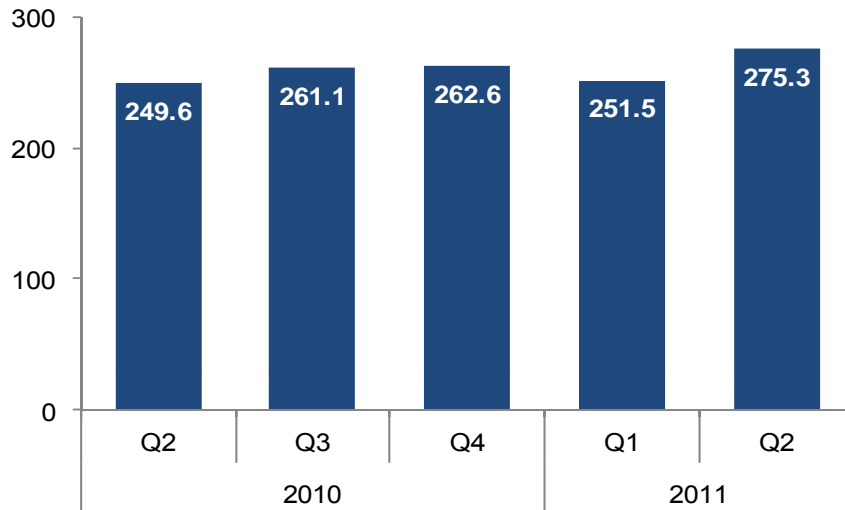
- Strong pipeline growth
- 2011 interconnections on pace to more than double year over year
- Cash cycle improvements reducing working capital requirements

Note: unaudited



# Q2 2011: Semiconductor Materials

## Revenue (\$ Millions)



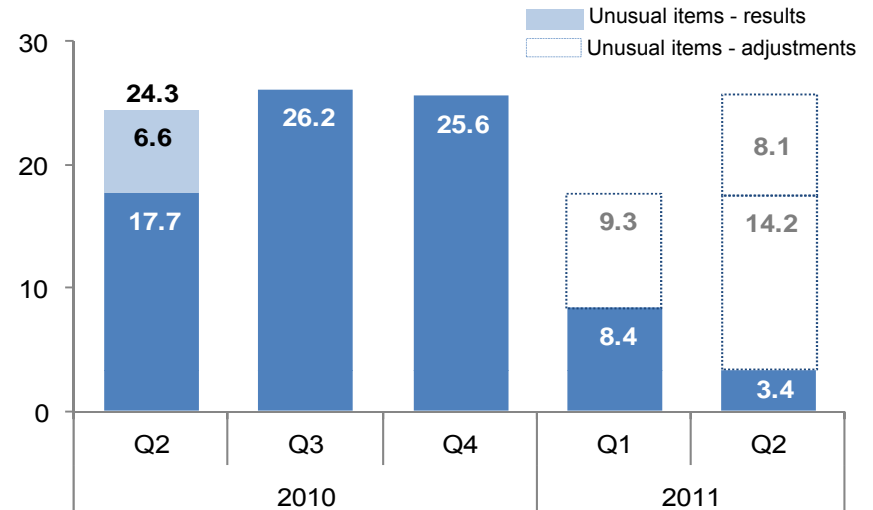
### Sequential increase \$24M, or 9%

- 11% volume growth despite Japan earthquake
- Slightly lower pricing due to mix

### YoY increase \$26M, or 10%

- Prices up 7%
- 3% increase in volume

## Operating Profit (\$ Millions)



### Sequential decline \$5M, or 60%

- Includes Q211 charges of \$8M (restructuring) and \$14M (Japan earthquake), and \$9M in Q111 (Japan earthquake)
- Excluding above charges, profit was up \$8M, driven by volume and productivity improvement

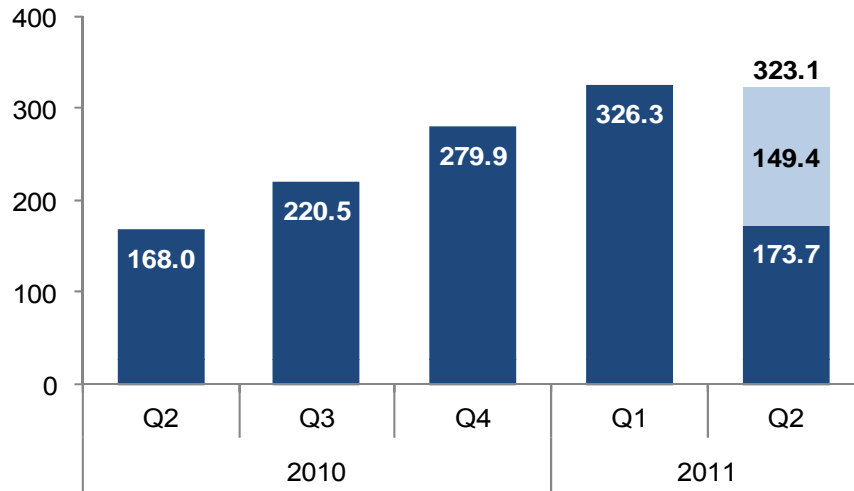
### YoY down \$21M, or 86%

- Excluding above charges, \$1.4M restructuring charge and insurance proceeds of \$8M in Q210, profit was up \$8M, driven by higher pricing and volume

Note: unaudited

# Q2 2011: Solar Materials

## Revenue (\$ Millions)



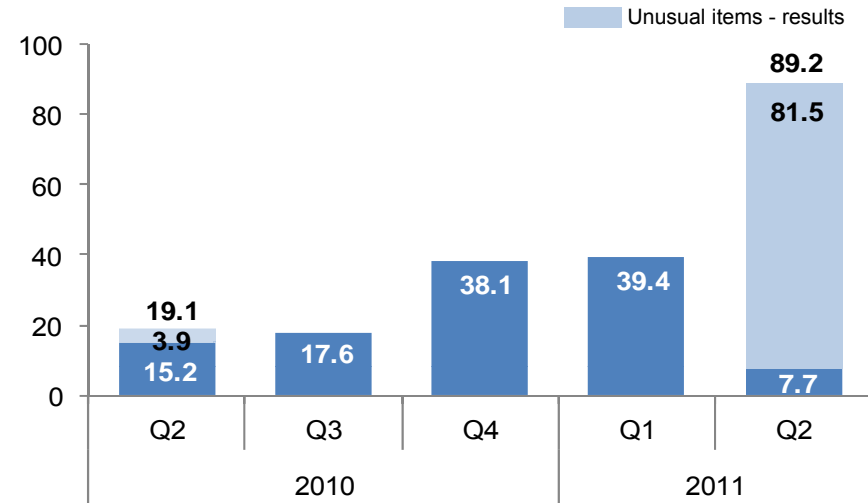
### Sequential down \$3M, or 1%

- Includes \$149M for Suntech contract resolution
- Solar wafer volume down 40%, wafer pricing down 17%

### YoY increase of \$155M, or 92%

- Includes \$149M for Suntech contract resolution
- Wafer volumes up 10%, offset by wafer pricing decline of 14%

## Operating Profit (\$ Millions)



### Sequential up \$50M, or 126%

- Includes Q2 unusual items of \$82M: \$149M Suntech benefit, \$52M supplier contracts charge, \$14M Kuching/inventory, \$1M restructuring
- Excluding above net benefit, profit was \$8M despite lower volume and pricing

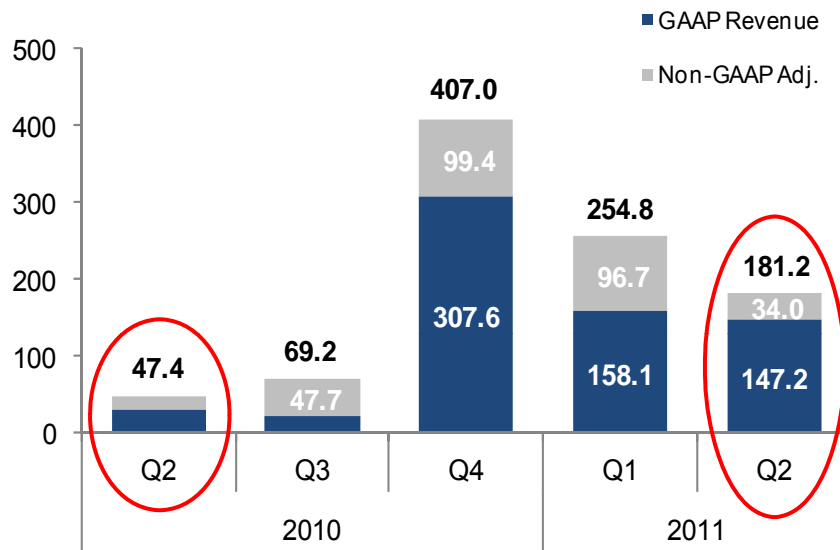
### YoY increase of \$70M, or 367%

- Excluding unusuals, profit was down \$8M
- Higher volume, offset by lower pricing

Note: unaudited

# Q2 2011: SunEdison (Non-GAAP)

## Non-GAAP Revenue (\$ Millions)



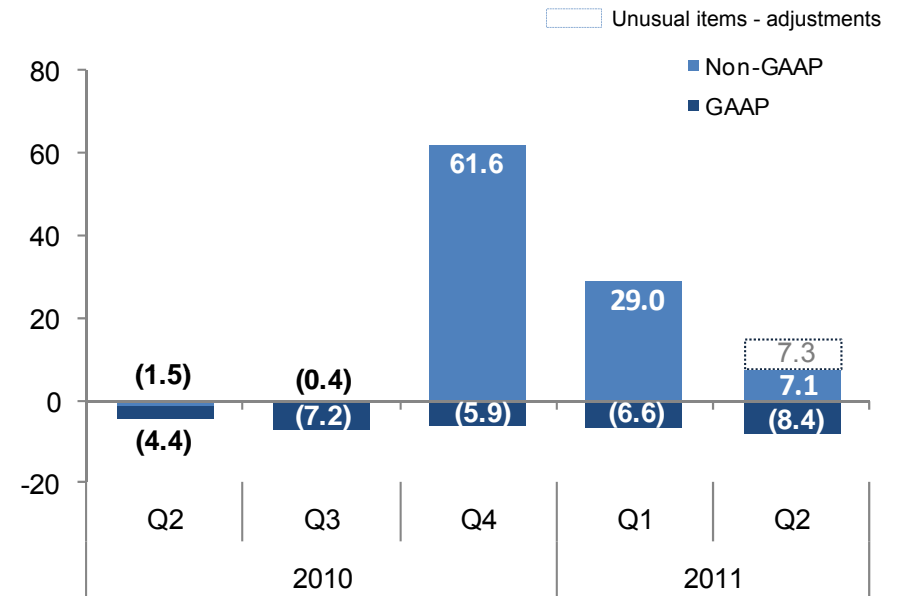
### Sequential down \$74M, or 29%

- Lower volumes on timing of project completions

### YoY increase of \$134M, or 282%

- Strong volume growth as pipeline grows and business scales

## Non-GAAP Operating Profit (\$ Millions)



### Sequential down \$22M

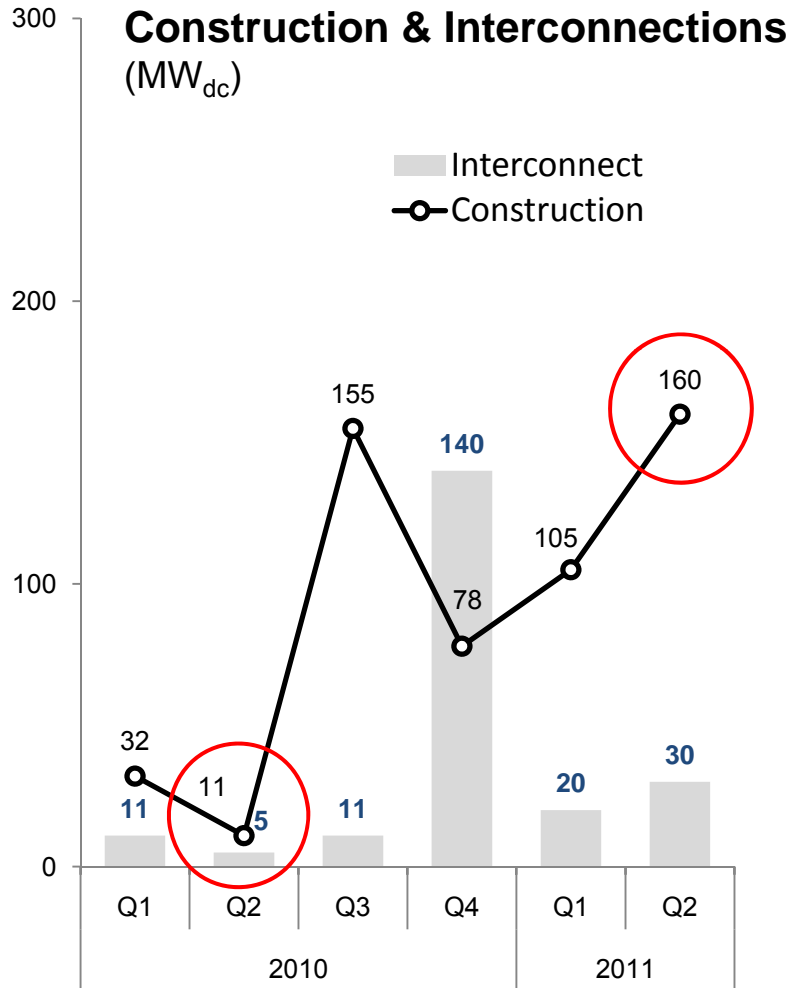
- Q1 results included revenue recognition of a large project that was interconnected in Q410
- \$7M restructuring & other charges and higher operating expenses to support business growth

### YOY up \$9M

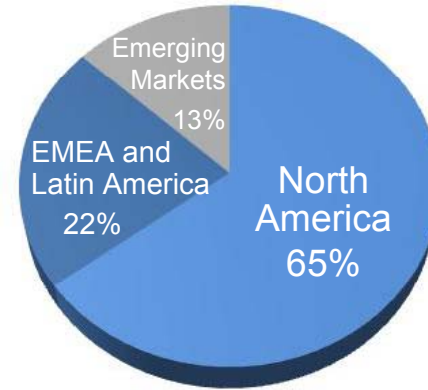
- Significant volume growth
- Lower pricing offset by lower system costs

Note: unaudited

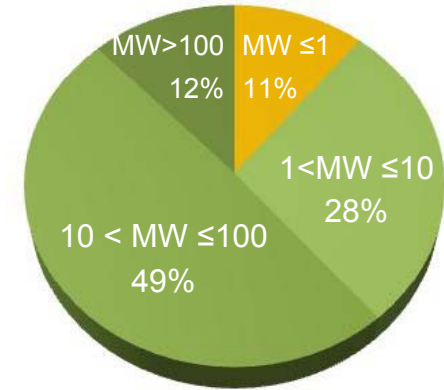
# Q2 2011: SunEdison Pipeline & Installations



### Pipeline by Region



### Pipeline by Size



Pipeline grew to 2.5GW<sub>dc</sub>

Geographic composition:

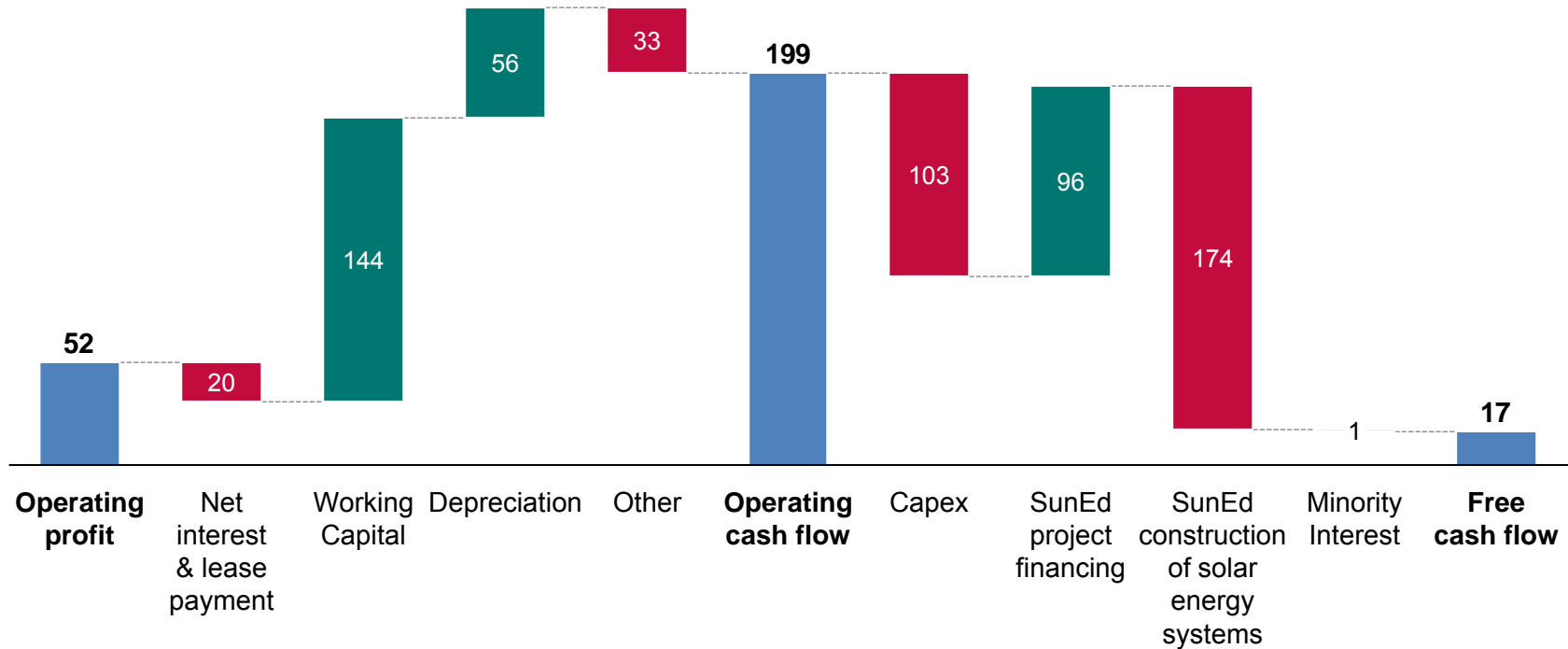
- Majority of pipeline in North America and emerging markets where incentives remain stable and attractive
- Less exposure to EU where FiT rates are on the decline

Systems size composition of pipeline biased to smaller systems

Note: unaudited

# Q2 2011: Free Cash Flow

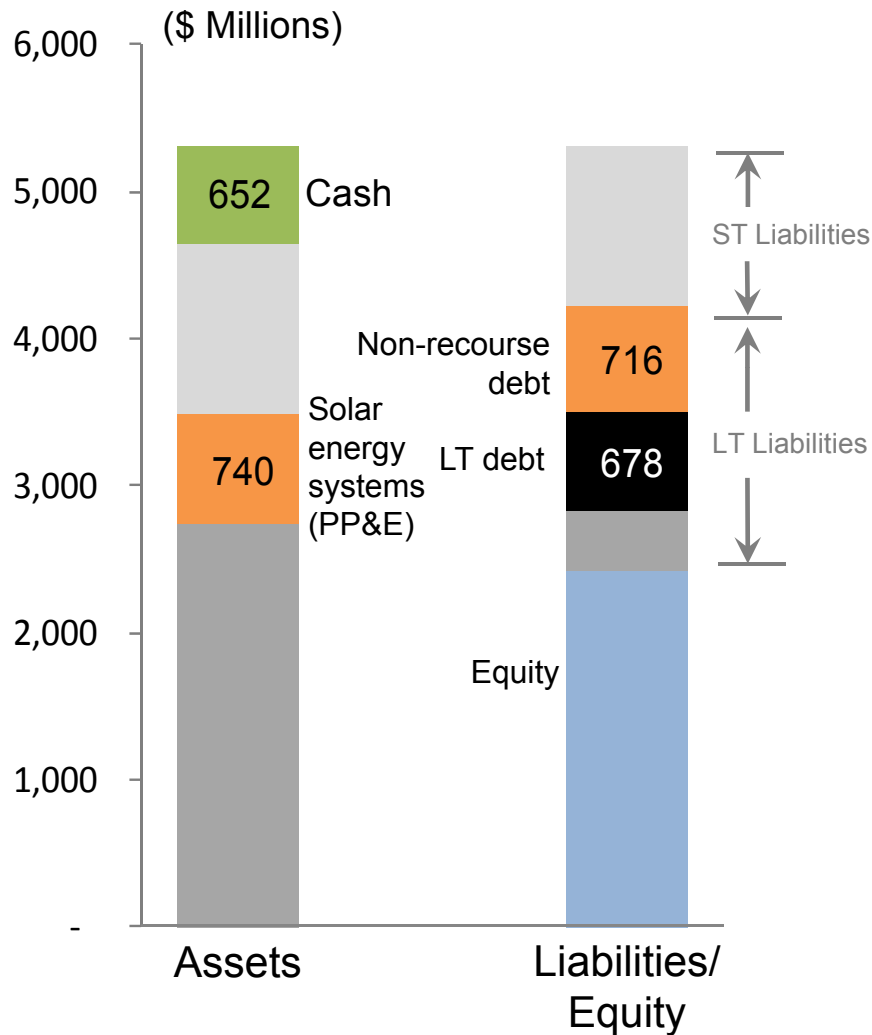
(\$ Millions)



- Improved project management and working capital initiatives driving working capital improvements
- Significantly lower capex in 2H11
- Higher SunEdison construction spend in 2H11 to support SunEdison project build

Note: unaudited

# Q2 2011: Balance Sheet Highlights



**Focused on cash management**

**Strong liquidity: \$652 million cash and \$400 million credit facility**

**Target leverage <2X recourse debt/EBITDA**

**Investment practices:**

- Invest in differentiated technology
- Conduct rigorous capital allocation process
- Disciplined acquisition and organic development of pipeline

Note: unaudited

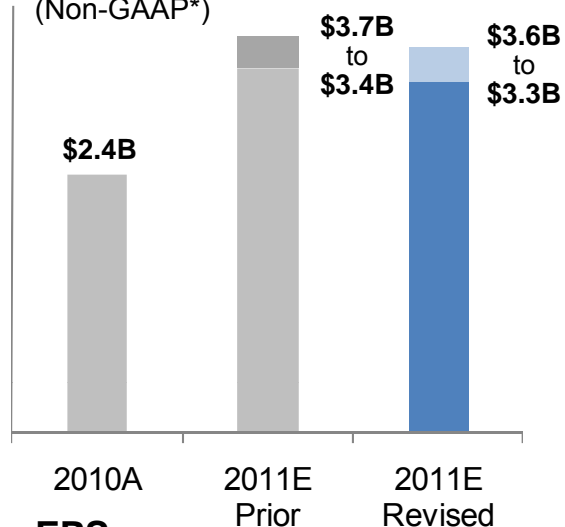
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# 2011 Non-GAAP Guidance

## Revenue

(Non-GAAP\*)



## EPS

(Non-GAAP\*)



- **Non-GAAP revenue guidance of \$3.3B – \$3.6B**
- **Non-GAAP EPS guidance at \$0.80 to \$1.00**
  - Approximately 3/4 of 2H11 earnings expectations in 4Q

### Headwinds & Tailwinds:

- Price and volume weakness on solar wafers
- Semiconductor wafer demand uncertainty in 2H
- Public policy
- + SunEdison demand pull and lower input costs
- + Cost savings from semi restructuring and productivity initiatives

- **Cash balance at year end >\$550M**
- **Significantly lower capital expenditures in 2H11**

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# Business Review & Outlook

Ahmad Chatila, Chief Executive Officer  
August 3, 2011

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# Agenda

## **2H11 Outlook and 2012 Preview**

### **Business Segment Review**

Semiconductor

Solar Materials

SunEdison

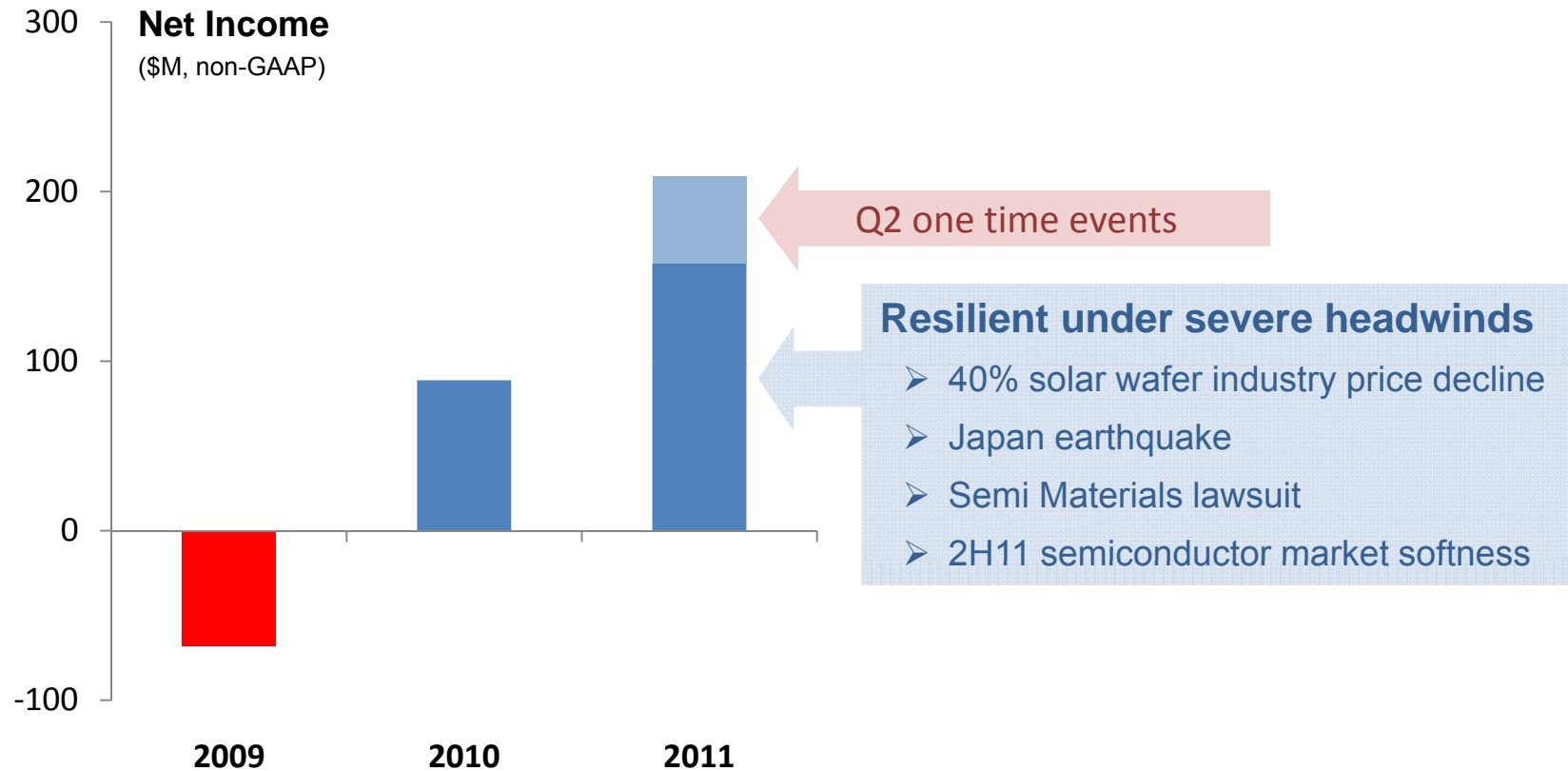
### **Summary**

# Outlook

	2H11 Outlook	2012 Preview
Cash:	Cash generation	Further cash generation
Net Income:	>\$100M	Y/Y income growth
Pipeline	Continued growth	

- **MEMC's business model proving its resiliency**
- **SunEdison's growing pipeline offers stability in a volatile business environment, significant economies of scale**

# Net Income Growth

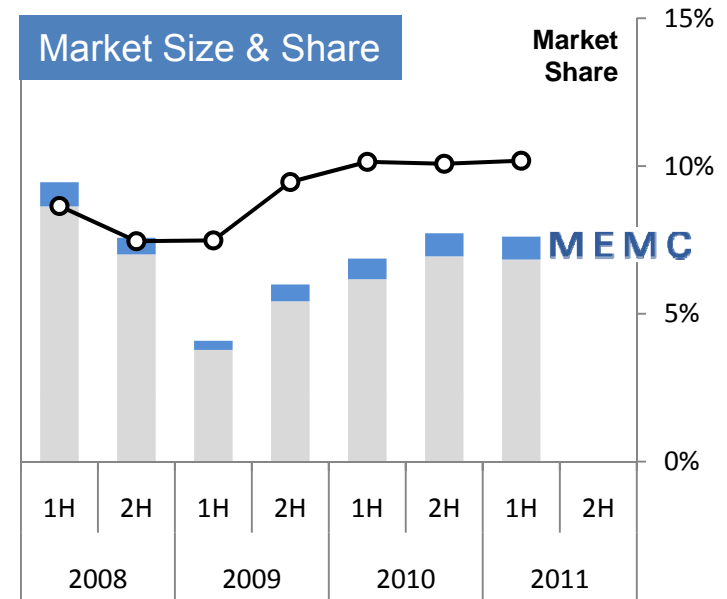


- **Expect momentum to continue in 2012**

# Semiconductor Business Rejuvenated

	1H09	2H11	2012
Market Share	7%	>10%	Sustain
Segment Margins	(\$120M)	>\$50M	Up y/y <sup>(1)</sup>
FCF	- ve	+ ve	++ ve

(1) Excluding charges related to earthquake in Japan

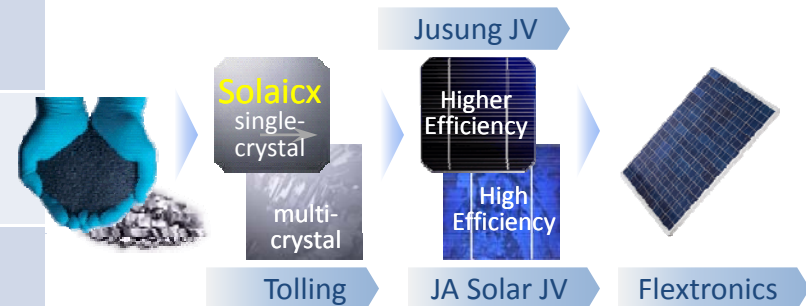


Source: SEMI, MEMC

- **Market share gains over two years; more gains in 2011**
- **ASP improvement over the past two years**
- **FCF generation in 2H11 and beyond**

# Solar Materials Revitalized

	2010	2011	2012
CapEx	\$200M	\$300M	< 2010 levels
Wafer/Install Ratio <sup>(1)</sup>	10 : 1	4 : 1	2 : 1
FCF	- ve	- ve	+ ve



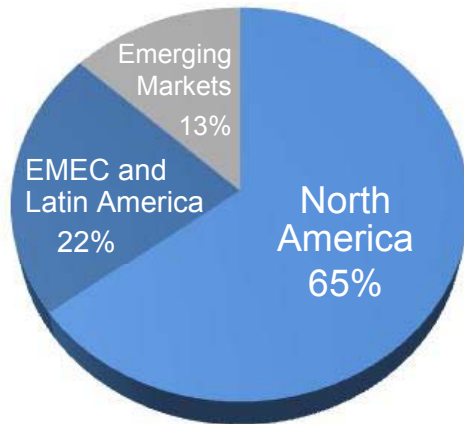
- **Internal technology and manufacturing revitalized, leading to <math>\lt; \\$1.00/W\_{dc}</math> fully burdened module cost in 2012<sup>(2)</sup>**
- **Maintain mix of internal and external sourced products for optimal capacity utilization and cost management**
- **Capacity scalable to 3GW<sub>dc</sub> with limited CapEx (<math>\lt; \\$500M</math>)**

(1) Ratios presented are approximate figures

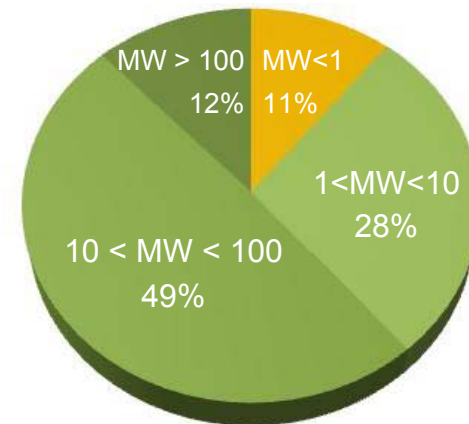
(2) Fully burdened module cost includes SG&A, interest expense, working capital costs

# Q211: SunEdison Pipeline

**2,496MW<sub>dc</sub>**



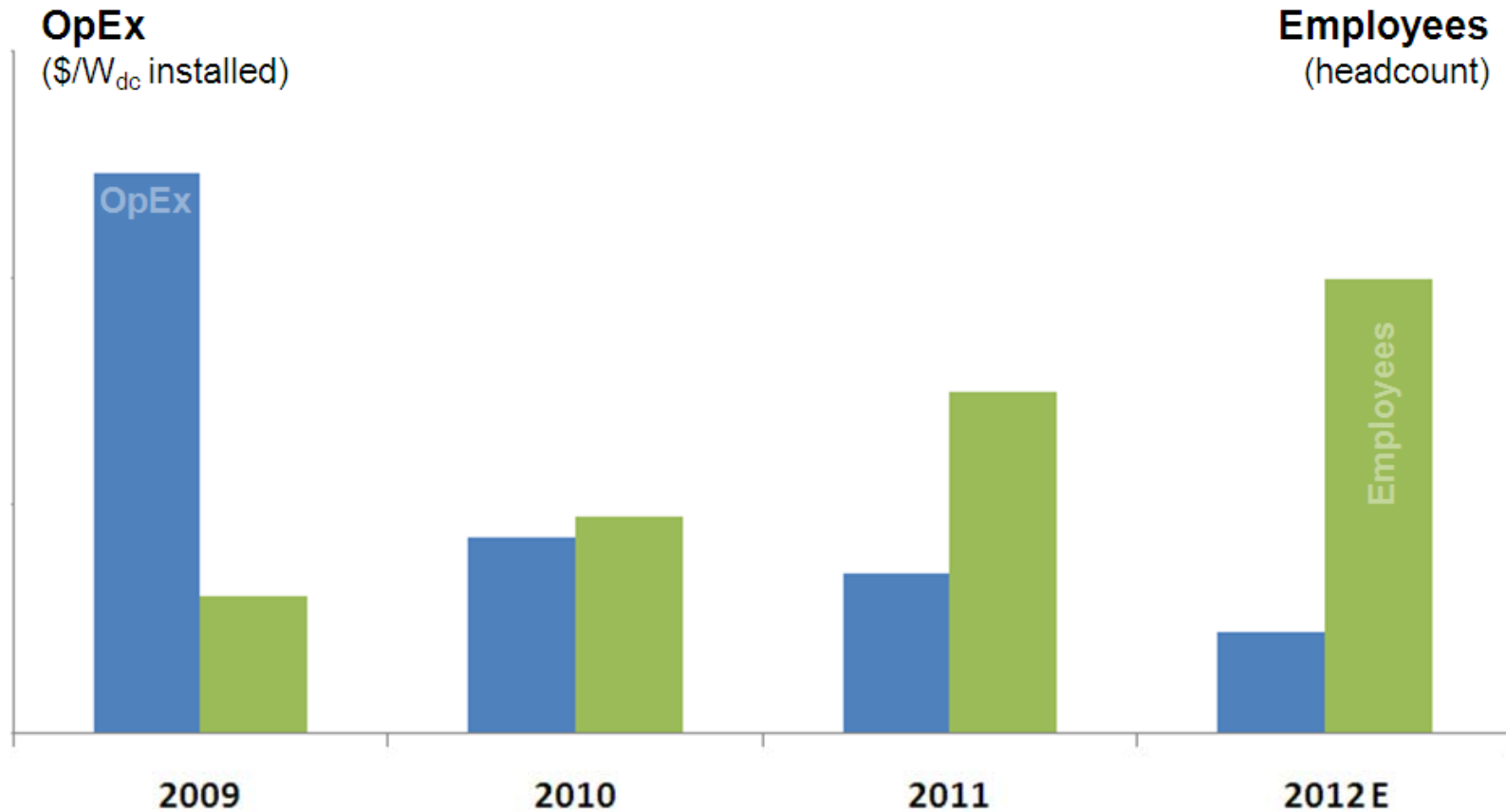
**Pipeline by Region**



**Pipeline by Size**

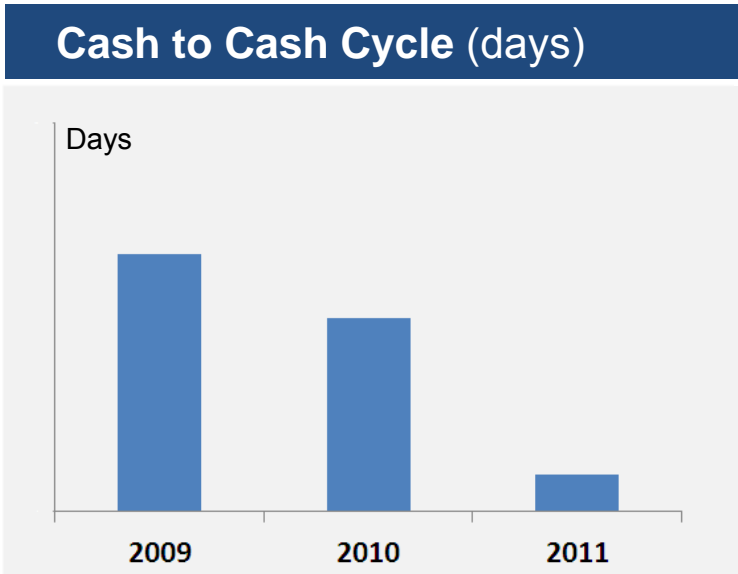
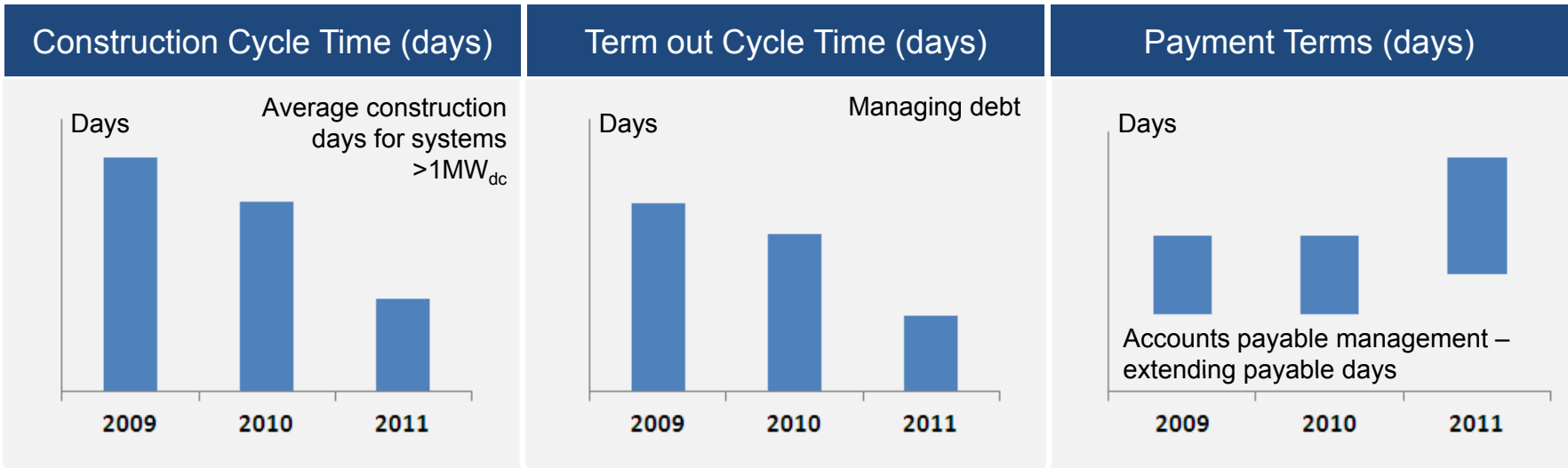
- **SunEdison's pipeline grew to 2,496MW<sub>dc</sub> in 2Q11, further improving visibility**
- **Good regional exposure and size mix**

# Cost Leverage (OpEx/ $W_{dc}$ )



- SunEdison business (OpEx in  $\$/W_{dc}$ ) is scalable

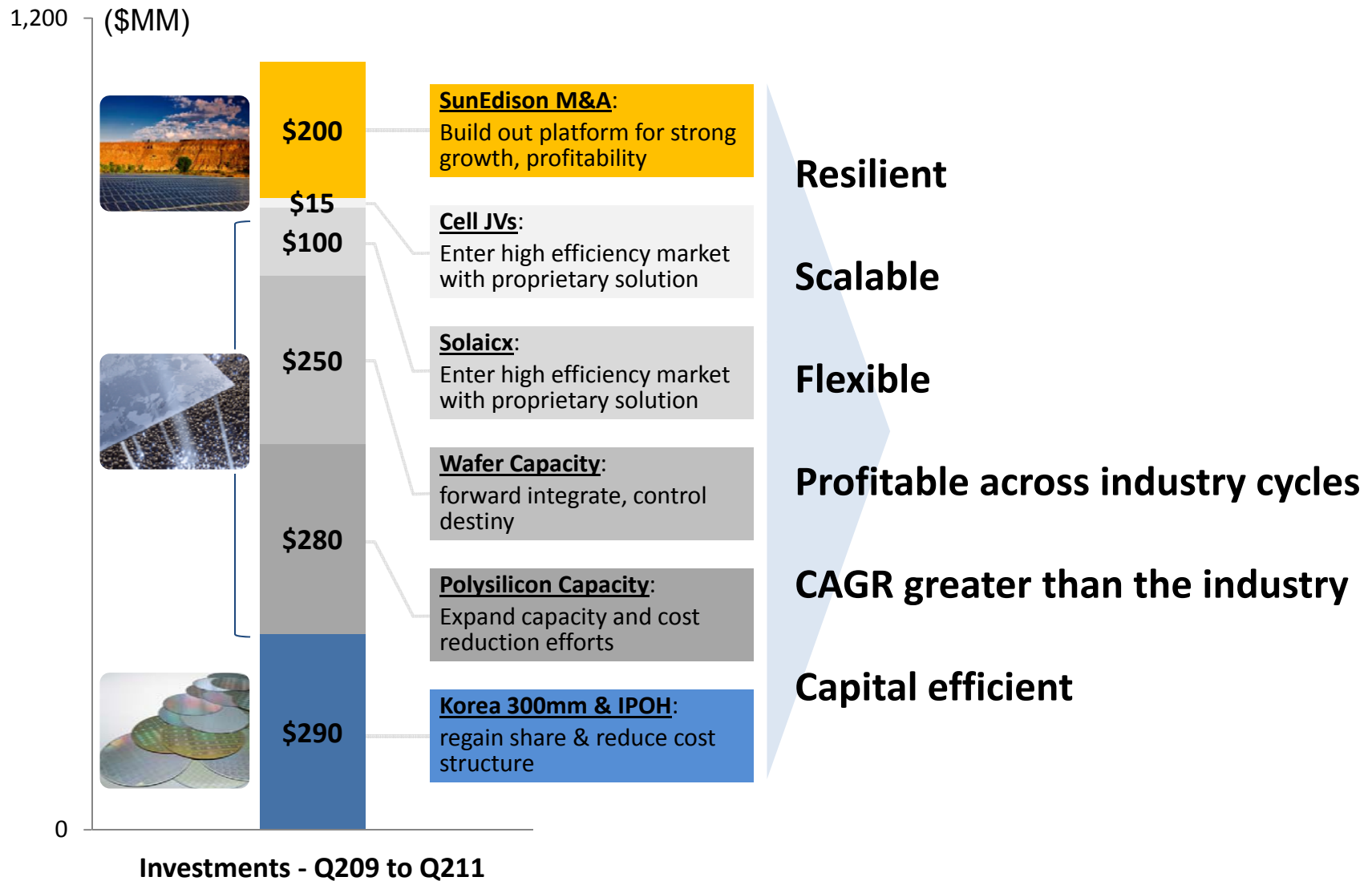
# Net Working Capital Optimization



- **Managing working capital in an accelerating growth period**
- **Net working capital till June 2011 is ~\$30M on average**

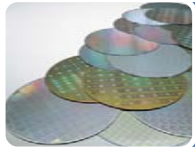


# Cash Investments Q209-Q211

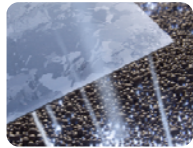


(1) Data represents cash outlays only

# MEMC Focused on Cash Generation



Semiconductor



Solar Materials



SunEdison

- Grew semiconductor business market share and cash generation
- Invested in flexible capacity that offers best in class technology and cost, at optimal capital efficiency
- Built out a downstream solar energy platform, driving pipeline aggregation
- Now, refining business model to drive sustained cash generation while outgrowing the industry
- Present Industry slowdown is proving out resiliency in MEMC's business model

# Forward-Looking Statements

Certain matters discussed in this presentation are forward-looking statements, including that we believe our SunEdison business 2011 interconnections are on pace to more than double year over year; that we expect significantly lower capital expenditures in the second half of 2011; that for the full year of 2011, we expect non-GAAP sales in the range of \$3.3 – 3.6 billion and non-GAAP earnings per share of \$0.80 to \$1.00; that we anticipate price and volume weakness on solar wafers; that we expect semiconductor wafer demand uncertainty in the second half of 2011; that we expect SunEdison demand pull and lower input costs; that we expect cost savings from our semiconductor restructuring and productivity initiatives; that we expect to have a cash balance in excess of \$500 million at year end; that we expect significantly lower capital expenditures in the second half of 2011; that we expect non-GAAP net income to be over \$100 million in the second half of 2011; and that we expect our segment margins in our Semiconductor Materials business to exceed \$50 million in the second half of 2011. 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; changes to accounting interpretations or accounting rules; changes in the pricing environment for silicon wafers and polysilicon, as well as solar power systems; market demand for our products and services; the availability and size of government and economic incentives to adopt solar power, including tax policy and credits and renewable portfolio standards; the availability of attractive project finance and other capital for SunEdison projects; 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, including the successful ramping of production at our Ipoh and Kuching facilities; the terms of any potential future amendments to or terminations of our long-term agreements with our solar wafer customers; general economic conditions, including interest rates, the ability of our customers to pay their debts as they become due; our ability to realize the benefits of any announced or future facility closings and/or restructurings; our ability to maintain future growth; failure of third-party subcontractors to construct and install our solar energy systems; customer acceptance of our new products; 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; delays in capacity expansion and the restructuring of our manufacturing operations across different plants; actions by competitors, customers and suppliers; changes in the retail industry; changes in federal or state laws governing utilities; damage to our brand; the integration of the Solaicx acquisition, acquisitions of pipeline in our Solar Energy segment, or any future acquisitions; changes in product specifications and manufacturing processes; changes in financial market conditions; changes in foreign economic and political conditions; changes in the composition of worldwide taxable income and applicable tax laws and regulations, including our ability to utilize any net operating losses; changes in technology; the impact of competitive products and technologies; changes in interest and 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 presentation. The company disclaims, however, any intent or obligation to update these forward-looking statements.