



18 Oct 2005 - 10:03:31 AM EDT

## COMPANY ALERT

## MEMC Electronic Materials

## MEMC receives favorable patent ruling in Europe

## Company Announcement

## Buy

Reuters:WFR.N Exchange:NYSE Ticker:WFR

Price (USD)	20.57
Price target	24.00
52-week range	23.39 - 8.73
Market cap (USDm)	4,309.8
Shares outstanding (m)	209.5
Volume	2,307,500
S&P 500	1,190.10

FYE 12/31	2004A	2005E	2006E
1Q EPS (USD)	0.16	0.23	0.32
2Q EPS (USD)	0.20	0.26	0.33
3Q EPS (USD)	0.27	0.29	0.36
4Q EPS (USD)	0.25	0.31	0.39
FY EPS (USD)	0.89	1.09	1.40
P/E (x)	10.6	18.9	14.7

## MEMC receives favorable ruling

The European Patent Office upheld an MEMC patent challenged by SUMCO for defect-free silicon for 200mm and larger wafers. The patent was granted in 2001; SUMCO's objection to the grant in Europe was filed in 2002, and resolved favorably for MEMC in October, 2005. MEMC also received a favorable ruling in the US on the counterpart US patent. We would not build upside potential from this ruling into estimates, as timing on any sort of resolution that could result in monetary compensation to MEMC is indeterminate. We reiterate our Buy rating and \$24 price target (17x our C2006 EPS estimate).

## Potential upside is likely well in the future

The US case is scheduled to go to trial in 2006. The potential to MEMC from both cases is positive. There could be upside to estimates, but the magnitude and timing is too uncertain to have any near term impact. We monitor the case, but make no changes to estimates. Potential avenues of pursuit would include payment for damages, potential licensing of technology for future royalties, and/or a potential share gains from patent enforcement. We note MEMC's comment, "this is of particular importance because we believe other competitors are also violating our intellectual property rights."

## The technology

The patent refers to the manufacture and use of single crystal defect-free silicon wafers at 200mm and larger wafer sizes - MEMC's Perfect Silicon™ product. The technology enables the growth of defect-free single-crystal silicon by controlling defect formation mechanisms as the crystal cools. We believe this can enable the creation of defect-free silicon wafers without the need for subsequent post-crystal-growth processes to improve material properties, improving technical specifications and reducing cost.

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