

**Technology, Media & Telecom: Semiconductor Manufacturing**

Important disclosures may be found on the last two pages of the report.

MEMC ELECTRONIC MATERIALS, INC. (WFR: \$17.50*)St. Peters, MO
July 28, 2005**Market Perform**Price Target \$15.00
Update**STOCK DATA**

52 Week Range	\$18.50-\$7.33
ADTV - 3 Month	2.0
Market Cap	\$3,659.6
Shares	224.7
Outstanding (Diluted)	

EARNINGS DATA

EPS (FD Operating)			
Dec.	2004A	2005E	2006E
1Q	\$0.16	\$0.23A	\$0.25
2Q	0.19	0.26A	0.28
3Q	0.27	0.28	0.32
4Q	0.27	0.30	0.33
FY	\$0.89	\$1.07	\$1.18
P/E	14.8x	16.4x	14.8x

FY	2004A	2005E	2006E
Revenue	1,028.0	1,117.5	1,213.1

FINANCIAL DATA

	2Q05
Cash & Equivalents	101.0
Accounts Receivable	132.1
Inventories	134.9
Current Assets	395.2
Total Assets	1,079.5
Total Current Liabilities	199.9
Long-Term Debt	108.2
Total Debt	129.9
Total Stockholder Equity	563.6

Financial Values In Millions

WFR: 2Q Results and Guidance Suggest That Our Thesis Is Playing Out--Maintaining Market Perform**Summary and Recommendation**

Although MEMC's 2Q reported revenue exceeded our estimate as well as the company's guidance range, ASP pressure caused the reported operating margin to come in line with our estimates. However, a lower than expected tax rate caused a penny upside to our EPS estimate of \$0.25. The continued ASP pressure into 3Q, in our view, caused guidance to come in below expectations, although a lower tax rate (or \$0.01/share), offset some of the shortfall due to the ASP declines. We believe our thesis is playing out, and although guidance may have caught some of the bulls off guard, we actually believe that fundamentals are bottoming. To that end, although we raised our price target from \$14 to \$15 this morning, driven by a modest increase in multiples, we remain on the sidelines until: 1) we have increased confidence in ASP improvement in 1H06; and/or 2) there is a better entry point. We reiterate our Market Perform rating.

Key Points

- **2Q results.** MEMC reported 2Q revenue of \$275M and EPS of \$0.26; revenues and EPS came in above our estimate of \$270M (which was in line with consensus) and \$0.25 (which was a penny below consensus). A lower tax rate helped the company to meet consensus. Guidance for revenues to improve 3%-5% QOQ, was below our growth estimate.
- **Overall raw wafer demand at MEMC appears to be stabilizing.** Although MEMC is guiding to 3%-5% QOQ growth in revenues, we actually believe the unit growth is higher, and it is the ASP pressure (driven by the discounts given during 2Q05) that has limited the guidance. We believe there is possible upside if demand remains strong into the month of September.

We need to see proof of higher ASPs to get off the sidelines. The jury is still out on the polysilicon issue, as we need evidence of its impact on wafer prices. Also, industry utilization rates need to rise to levels that allow wafer suppliers to raise prices. We believe 2006 is the earliest MEMC could see improvement in ASPs.

2Q Results: In Line, with a Little Help from the Tax Man

Last night after the close, MEMC reported 2Q revenue of \$275.4 million, up 7% sequentially, and above our estimate of \$270 million (which was in line with consensus). The 2Q revenue is attributed to an up tick in trailing edge wafer starts, although continued pricing pressure negatively impacted the increase in unit demand. Gross margin and operating margin of 36% and 26%, respectively, were in line with our estimates. A lower than anticipated tax rate resulted in a reported operating EPS of \$0.26, which was a penny above our below-consensus EPS estimate of \$0.25 and in line with the consensus estimate.

Figure 1: Reported Results versus FBR and Consensus Estimates, 2Q05

	JUN05A				Compares		SEP05E			
	Reported	Est	Guidance	Consensus	MAR05A	JUN04A	Est	Guidance	Consensus	
Rev (\$M)	\$275	\$270	\$263-\$271	\$270	\$258	\$256	\$286	\$284-\$289	\$289	
% Y/Y	8%	6%			13%	33%	4%			
% Q/Q	7%	5%	2-4%		(4%)	12%	4%	3% - 5%		
GM	36%	36%	36%		36%	34%	37%	improve over 2Q		
OM	26%	26%	26%		25%	23%	26%	improve over 2Q		
Tax Rate	12%	15%			15%	25%	14%			
Shares (M)	225	224			224	221	225			
OP EPS	\$ 0.26	\$0.25	N/A	\$ 0.26	\$ 0.23	\$ 0.19	\$ 0.28		\$ 0.30	

Source: FBR Research and Company reports

3Q Guidance: Like Guidance for 2Q, Cautious with Continued Pricing Pressure

The company's guidance of revenues improving 3% to 5% sequentially (\$284 million-\$289 million) was below our growth estimate, and the midpoint of the range was below our prior revenue estimate of \$289 million (even with the higher revenue base in 2Q). The lower than expected 3Q revenue guidance, in our view, reflects continued pricing pressure. The company's comments indicated that the pricing pressure seen in 2Q will continue into 3Q, which is consistent with our current belief and previous commentary. The company believes that its increased cost-reduction activities should offset any potential wafer pricing weakness; therefore, 3Q margins should be flat to up as a percentage of sales, and operating expenses should decline in absolute dollar terms. Although we believe that the company's 2Q ASP-driven contracts that have expired will be renewed for lower ASPs; the company's gross margin guidance is in line with our original estimate.

ASP Issues Continue: Where's the Beef?

Below, we illustrate the historical blended ASP trends for the different diameters of production-grade bare semiconductor wafers (polished and epitaxial). We note that, historically, all wafers types (including ones used for advanced chip technologies), on average, have shown year-over-over price declines.

Figure 2: Historical Blended ASP of Polished and Epitaxial Wafers, at Start of Year, 1998-2004 (Price per Square Inch, in U.S. Dollars)

Wafer Diameter	1998	1999	2000	2001	2002	2003	2004	CAGR
3 Inches	\$2.05	\$1.99	\$1.96	\$1.98	\$1.90	\$1.84	\$1.68	-3.2%
%Y/Y Change		-3%	-2%	1%	-4%	-3%	-9%	
100 mm	\$2.02	\$1.91	\$1.90	\$1.90	\$1.81	\$1.90	\$1.85	-1.4%
%Y/Y Change		-5%	0%	0%	-5%	5%	-3%	
125 mm	\$1.94	\$1.83	\$1.83	\$1.79	\$1.63	\$1.53	\$1.46	-4.6%
%Y/Y Change		-6%	0%	-3%	-9%	-6%	-5%	
150 mm	\$2.00	\$1.68	\$1.64	\$1.65	\$1.46	\$1.38	\$1.28	-7.1%
%Y/Y Change		-16%	-2%	1%	-12%	-5%	-7%	
200 mm	\$2.54	\$1.95	\$1.80	\$1.78	\$1.44	\$1.30	\$1.20	-11.7%
%Y/Y Change		-23%	-8%	-1%	-19%	-10%	-7%	
300 mm	N/A	N/A	N/A	N/A	\$4.66	\$3.03	\$2.49	-27.0%
%Y/Y Change						-35%	-18%	

Note: CAGR is for the period of 1998-2004, except 300mm, which is 2002-2004

MEMC's management has been arguing for some time that the current supply/demand imbalance of raw polysilicon will ultimately result in the increase of wafer ASPs (or in the very least, buffer the rate of wafer price declines). The logic is as follows: 1) MEMC's competitors, (which MEMC claims must buy polysilicon at inflated prices) will pass along the higher raw material price to their customers; 2) MEMC will follow the price increase with increased prices of its own, therefore growing revenues at a higher rate than wafer starts, as ASPs firm; 3) In the very least, MEMC's competitors will get hit on margins if they do not pass along the increased raw material prices.

So, we differ in opinion with several points within the story. First, we believe that a majority of MEMC's top competitors in the industry have polysilicon supply, either through facilities of their own or through long-term contracts with existing suppliers. We would argue that the spot price of polysilicon has very little impact on the prices in which MEMC's competitors have to pay for raw polysilicon, now or in the longer term.

Second, we are relatively sure that the chip makers will not accept higher wafer pricing, unless it pushed to them across the board from all of their suppliers. All that it takes is one supplier to try and take market share by accepting lower margins (by not increasing their prices in the face of higher raw material costs), and the pricing story falls apart. Keep in mind that other large players in the wafer industry are either a division within a larger public company or are privately held. We believe the ownership structure of MEMC's competitors adds complexity to the situation, and it is not a simple economic story of passing along higher costs to the consumer.

Third, due to the current price differential in solar-grade wafers versus semiconductor-grade wafers (approximately 5x-6x, per our estimates), we believe that a majority of the raw polysilicon price increase that the market has seen to date has been for solar-grade silicon rather than the grade used by the semiconductor industry; in addition, we do not expect the increase in polysilicon pricing to impact the availability of semiconductor wafers, or the price of semiconductor-grade wafers. Again, we note that MEMC receives negligible revenues from the solar market, as it just shipped its first solar ingot in the first quarter and currently does not participate in the solar wafer market. MEMC continues to sell excess raw polysilicon to the solar industry.

Finally, the most important point of all, management mentioned in the conference call that it expects the industry-wide utilization rate to remain in the 80th percentage range going into 2006. We would argue that the industry's average utilization rate will need to increase above 90% before we begin to see wafer ASP increases. We note that internal utilization rates at wafer suppliers are currently ranging between 80% and 90% (200mm at the low end, while 300mm is at the high end); and, for ASPs to improve significantly from here, the internal utilization rate would need to increase well above 90%. Also, Although the wafer-demand environment has improved, we note that MEMC, along with its top competitors, has been increasing its 300mm capacity. This, according to our estimates, will result in 6%, 8%, and 3% sequential increases in total capacity at MEMC from 2Q05 to 4Q05, respectively. Therefore, for MEMC's internal capacity utilization to improve well above 90%, sequential wafer demand would need to improve well above the rate at which capacity is coming online at MEMC. Our current sequential wafer start estimates for 2Q05 through 4Q05 are 5%, 8%, and 4%, sequentially, and therefore, we do not anticipate demand to outstrip supply in the near term, somewhat limiting ASP growth. We estimate that the mix of 300mm wafer capacity at MEMC will remain in the 30% to 35% range (of revenues) in the near future, which is well below that of such competitors as Shin-Etsu Handotai.

Admittedly, we could be wrong. But the argument above is what has kept us on the sidelines. We would like to see some sort of proof that wafer ASPs are on the rise, either through 1) polysilicon price increases, or 2) industry-wide factory utilization rate increases that allow suppliers to raise prices, or 3) significant differentiation through advanced technologies/materials that allow a price differential to be charged.

Review of Our Investment Thesis

Past: What MEMC reported the second quarter and provided as guidance for the third quarter was pretty much in line with our preview from Tuesday. To that extent, we were not surprised by the report and the guidance: 1) we said demand for mature technology (i.e. 200mm) had picked up during the quarter, and that's what MEMC indicated. In fact, the ASP pressure that caught some investors by surprise was expected, as the wafers used for mature technologies do not carry the ASP premium that 300mm wafers do. As MEMC's customers, particularly the foundries, had reduced prices to stimulate demand, we believe that this price reduction had led to further pressure on raw wafer prices at MEMC. 2) We stated that we do not expect ASP improvement for several quarters. MEMC indicated that ASP pressure has actually sustained into the third quarter. 3) We also stated that the polysilicon shortage is currently more hype than having a material impact, and that's what the reported numbers and guidance indicate. Net/net here is that the company met our expectations, though some of the bulls on the name may have come out disappointed.

Present: Based on what logic manufacturers, memory manufacturers, and foundries have reported for second-quarter results, we believe that the overall wafer demand has improved so far into the third quarter. Although MEMC is guiding to 3%-5% sequential growth in revenues, we actually believe the unit growth is higher, and it is the ASP pressure (driven by the discounts given during 2Q05) that has limited the sequential revenue growth. We also do not rule out upside to the revenue guidance range, especially if demand in the month of September were to hold. Therefore, the net/net here is that the overall raw wafer demand at MEMC appears to be stabilizing during the third quarter, with possible upside if demand remains strong into the month of September.

Future: Consistent with our thesis, we believe the earliest MEMC would see stabilization in the overall wafer ASPs would be in 1H06. We note that there are two factors behind possible ASP improvement. 1) given MEMC's overall mix between 200mm (and-below) and 300mm (which we estimate to be 75% and 25%), we believe that a continued improvement in demand at the trailing edge (at MEMC's customer sites) combined with the fact that MEMC is the largest provider of 200mm wafers could help stabilize the overall ASPs. This, combined with improving 300mm wafer demand, could actually help stabilize and somewhat improve ASPs in 1H06. 2) Although we have yet to see the impact of polysilicon to the top and bottom line at MEMC, if the company is correct with its expectations, we believe that we could see limited positive impact in early 2006. However, the jury is still out on this, and we would need further evidence of this to better quantify the impact. Thus, the net/net here is that although the overall business has stabilized, we still need to see or have increased confidence in improving profits above and beyond what is in our estimates.

Risks

MEMC recently extended the useful lives of certain assets to better reflect their economic lives. This reevaluation resulted in a 2% favorable impact on gross profit, which somewhat affects comparisons. We, thus, would look for ongoing improvement in gross margin through better asset utilization and turnover to determine management's effectiveness.

Although Texas Pacific Group's (TPG) ownership in MEMC has been reduced from 64% to its current level of about 40%, we believe that this is still an overhang on the stock that has nothing to do with fundamentals. We expect further reduction in TPG's ownership going forward.

Although the industry has consolidated, mitigating the risk of wafer supply overcapacity, we believe that the risk of overcapacity remains as Japan-based competitors, with deep pockets, could flood the market with 300mm capacity aimed at increasing market share.

Given MEMC's facility loans and the indenture for its senior subordinated secured notes, the company is required to fulfill a number of restrictive covenants. In the event of violation, the loan commitments under the revolving credit facility may terminate, and, thus, the loan and accrued interest outstanding would be lost.

Company Profile

Incorporated in 1984, MEMC Electronic Materials, Inc. is engaged in the design, manufacture, and sale of electronic-grade wafers for the semiconductor industry. The company provides wafers in sizes ranging from 100 millimeters (4 inches) to 300 millimeters (12 inches), including three general categories of wafer: prime polished, epitaxial, and test/monitor. Its principal customers are semiconductor device manufacturers, including major memory, microprocessor, and application-specific integrated circuit (ASIC) manufacturers and foundries. MEMC's wafers are used as a starting material for the manufacture of various types of semiconductor devices, including microprocessor, memory, logic, and power devices. The company operates manufacturing facilities in Europe, Malaysia, Japan, South Korea, the United States, and Taiwan.

(FY DEC)	MAR04A	JUN04A	SEP04A	DEC04A	FY04	MAR05A	JUN05A	SEP05E	DEC05E	FY05	MAR06E	JUN06E	SEP06E	DEC06E	FY06
REVENUE	228.8	255.5	275.3	268.4	1028.0	257.9	275.4	286.4	297.9	1,117.5	283.0	297.1	314.9	318.1	1,213.1
% Change Y/Y	21.5%	33.2%	40.5%	30.9%	31.6%	12.7%	7.8%	4.0%	11.0%	8.7%	9.7%	7.9%	10.0%	8.8%	8.6%
% Change Q/Q	11.6%	11.7%	7.7%	-2.5%		-3.9%	6.8%	4.0%	4.0%		-5.0%	5.0%	6.0%	1.0%	
TOTAL COGS	155.4	168.4	164.5	170.2	658.5	164.6	175.0	181.1	186.5	707.1	182.8	188.3	192.0	192.8	755.9
GROSS PROFIT	73.3	87.2	110.7	98.2	369.4	93.3	100.4	105.3	111.3	410.4	100.2	108.8	122.9	125.3	457.2
% Total Revenue	32.1%	34.1%	40.2%	36.6%	36.9%	36.2%	36.5%	36.8%	37.4%	36.7%	35.4%	36.6%	39.0%	39.4%	37.7%
R&D	8.9	9.3	9.4	10.4	38.0	11.4	11.0	11.0	10.5	43.9	10.0	10.5	11.0	11.1	42.7
% Total Revenue	3.9%	3.6%	3.4%	3.9%	3.7%	4.4%	4.0%	3.8%	3.5%	3.9%	3.5%	3.5%	3.5%	3.5%	3.5%
SG&A	17.2	17.8	17.8	19.2	71.9	18.2	18.3	18.5	20.3	75.3	19.8	21.4	22.7	22.9	86.8
% Total Revenue	7.5%	7.0%	6.5%	7.1%	7.0%	7.0%	6.7%	6.5%	6.8%	6.7%	7.0%	7.2%	7.2%	7.2%	7.2%
OPERATING PROFIT	47.2	60.0	83.6	68.6	259.5	63.7	71.1	75.8	80.6	291.2	70.4	77.0	89.2	91.3	327.8
% Total Revenue	20.7%	23.5%	30.4%	25.6%	25.2%	24.7%	25.8%	26.1%	27.1%	26.1%	24.3%	25.9%	28.3%	28.7%	27.0%
% Change Y/Y	44.4%	78.2%	128.9%	72.9%	81.9%	34.9%	18.4%	-9.3%	17.4%	12.2%	10.4%	8.3%	17.7%	13.2%	12.6%
% Change Q/Q	19.0%	27.1%	39.2%	-17.9%		-7.2%	11.5%	6.7%	6.3%		-12.7%	9.3%	15.9%	2.3%	
OTHER	6.5	(9.1)	(0.4)	2.4	(0.6)	(1.3)	(1.5)	(1.0)	(1.0)	(4.8)	(1.0)	(0.8)	(0.5)	(0.5)	(2.8)
PRETAX PROFIT	53.7	51.0	83.2	71.1	258.9	62.4	69.6	74.8	79.6	286.4	69.4	76.2	88.7	90.8	325.1
% Total Revenue	23.5%	19.9%	30.2%	26.5%	25.2%	24.2%	25.3%	26.1%	26.7%	25.6%	24.5%	25.6%	28.2%	28.5%	26.8%
% Change Y/Y	83.2%	47.5%	70.9%	64.0%	66.1%	16.2%	36.5%	-10.0%	12.0%	10.6%	11.1%	9.5%	18.6%	14.0%	13.5%
% Change Q/Q	24.0%	-5.1%	63.1%	-14.6%		-12.1%	11.4%	7.5%	6.4%		-12.8%	9.8%	16.4%	2.3%	
TAXES	13.4	12.7	20.8	10.6	57.6	9.4	8.7	10.2	10.8	39.0	10.4	11.4	13.3	13.6	48.8
Tax Rate	25.0%	25.0%	25.0%	15.0%	22.2%	15.0%	12.4%	13.8%	13.6%	13.6%	15.0%	15.0%	15.0%	15.0%	15.0%
OTHER AFTER TAX	1.7	(17.5)	-	(11.0)	(26.8)	(25.0)	-	-	-	(25.0)	-	-	-	-	-
MINORITY INTERESTS	2.7	3.0	2.7	2.4	10.7	1.8	2.0	2.0	2.0	7.8	2.0	2.0	2.0	2.0	8.0
NET INCOME - CONT OPS	35.9	43.1	59.7	59.0	197.7	51.3	58.9	62.6	66.8	239.6	57.0	62.8	73.4	75.1	268.3
% Total Revenue	15.7%	16.9%	21.7%	22.0%	19.2%	19.9%	21.4%	21.9%	22.4%	21.4%	20.1%	21.1%	23.3%	23.6%	22.1%
% Change Y/Y	81.9%	57.9%	69.7%	71.4%	69.5%	42.9%	36.8%	4.9%	13.2%	21.2%	11.0%	6.6%	17.2%	12.5%	14%
% Change Q/Q	4.4%	20.0%	38.6%	-1.2%		-13.0%	14.8%	6.3%	6.6%		-14.7%	10.2%	16.9%	2.4%	
NET INCOME - TOTAL	35.9	60.6	59.7	70.0	226.2	76.3	58.9	62.6	66.8	264.6	57.0	62.8	73.4	75.1	268.3
% Total Revenue	15.7%	23.7%	21.7%	26.1%	22.0%	29.6%	21.4%	21.9%	22.4%	23.7%	20.1%	21.1%	23.3%	23.6%	22.1%
% Change Y/Y	81.9%	122.2%	69.7%	103.4%	94.0%	112.5%	-2.8%	4.9%	-4.6%	17.0%	-25.3%	6.6%	17.2%	12.5%	14%
% Change Q/Q	4.4%	68.8%	-1.5%	17.2%		9.1%	-22.8%	6.3%	6.6%		-14.7%	10.2%	16.9%	2.4%	
SHARES	222.1	221.0	220.4	222.1	221.4	223.9	224.7	225.1	225.5	224.8	225.9	226.3	226.7	227.1	226.5
EPS - CONT OPS	\$ 0.16	\$ 0.19	\$ 0.27	\$ 0.27	\$ 0.89	\$ 0.23	\$ 0.26	\$ 0.28	\$ 0.30	\$ 1.07	\$ 0.25	\$ 0.28	\$ 0.32	\$ 0.33	\$ 1.18
% Change Y/Y	72.5%	55.6%	72.3%	72.1%	67.5%	41.8%	34.5%	2.7%	11.5%	19.4%	10.1%	5.8%	16.3%	11.8%	11.1%
% Change Q/Q	4.8%	20.6%	39.0%	-2.0%		-13.7%	14.4%	6.2%	6.4%		-14.8%	10.0%	16.7%	2.2%	
EPS - TOTAL	\$ 0.16	\$ 0.27	\$ 0.27	\$ 0.32	\$ 1.02	\$ 0.34	\$ 0.26	\$ 0.28	\$ 0.30	\$ 1.18	\$ 0.25	\$ 0.28	\$ 0.32	\$ 0.33	\$ 1.18
% Change Y/Y	72.5%	118.9%	72.3%	104.2%	91.7%	110.8%	-4.4%	2.7%	-6.0%	15.2%	-26.0%	5.8%	16.3%	11.8%	0.6%
% Change Q/Q	4.8%	69.6%	-1.2%	16.3%		8.2%	-23.1%	6.2%	6.4%		-14.8%	10.0%	16.7%	2.2%	

Proprietary to Friedman, Billings, Ramsey and Co., Inc. - Mehdi Hosseini - 415.248.2931

WFR Cash Flow Model (\$ Millions)												
	1Q04A	2Q04A	3Q04A	4Q04	1Q05	2Q05	3Q05E	4Q05E	1Q06E	2Q06E	3Q06E	4Q06E
Net Income from Operations	35.91	60.60	59.72	69.97	76.31	58.91	62.65	66.77	56.97	62.78	73.41	75.14
Depreciation & Amortization	9.92	10.24	11.44	12.53	13.34	14.30	15.00	16.00	16.00	16.00	15.75	15.90
(Incr) Decr in Accounts Receivable	(16.23)	(19.61)	(13.00)	11.15	10.19	(1.57)	(9.13)	(5.65)	7.34	(6.98)	(8.79)	(1.59)
(Incr) Decr in Inventories	(13.56)	10.49	(7.22)	(7.79)	(7.70)	0.41	(9.53)	(5.78)	7.51	(7.13)	(8.99)	(1.59)
(Incr) Decr in Other Current Assets	(9.40)	10.10	1.32	(9.61)	1.50	0.96	0.00	0.00	0.00	0.00	0.00	0.00
(Incr) Decr in Current Liab. (Excl. debt)	27.31	11.01	(6.26)	31.86	(20.31)	(23.50)	0.00	0.00	0.00	0.00	0.00	0.00
=Cash from Operations	33.95	82.83	46.00	108.12	73.34	49.51	58.99	71.34	87.82	64.67	71.37	87.91
(Incr) Decr in Other Non-Current Assets	(57.23)	0.01	0.06	0.01	(0.03)	0.82	0.00	0.00	0.00	0.00	0.00	0.00
Capital Spending (Net of sales)	(29.00)	(44.00)	(25.50)	(51.73)	(54.40)	(51.20)	(34.03)	(28.00)	(45.27)	(45.00)	(46.00)	(46.00)
=Cash from Investing	(86.23)	(43.99)	(25.44)	(51.72)	(54.43)	(50.38)	(34.03)	(28.00)	(45.27)	(45.00)	(46.00)	(46.00)
Incr (Decr) in Non-curr Liab. (Excl. debt)	(23.55)	(7.57)	(11.71)	(8.47)	5.05	(2.34)	0.00	0.00	0.00	0.00	0.00	0.00
Additional Debt	83.42	(31.94)	(40.19)	(78.90)	(4.08)	(6.46)	0.00	0.00	0.00	0.00	0.00	0.00
Common Stock/Other Equity	(0.18)	5.78	0.60	18.06	1.31	(15.03)	(0.00)	0.00	0.00	0.00	0.00	0.00
=Cash from Financing	59.68	(33.73)	(40.75)	(69.31)	2.28	(23.83)	(0.00)	0.00	0.00	0.00	0.00	0.00
=Increase/(Decrease) in Cash	7.41	5.10	(20.20)	(12.91)	21.19	(24.70)	24.96	43.34	42.55	19.67	25.37	41.91
+Beginning Cash	130.70	140.62	129.49	103.31	92.31	116.32	101.00	125.96	169.30	211.85	231.52	256.89
+Adjustment	(0.40)	(13.79)	(5.94)	1.91	2.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00
=End Cash	137.70	131.93	103.35	92.31	116.32	91.62	125.96	169.30	211.85	231.52	256.89	298.80
FREE CASH FLOW												
Quarterly	4.95	38.83	20.50	56.39	18.94	(11.69)	24.96	43.34	42.55	19.67	25.37	41.91
% Y/Y	-59%	868%	133%	120%	282%	-104%	22%	-23%	125%	-1266%	2%	-3%
% Q/Q	-81%	684%	-47%	175%	-65%	-109%	-1581%	74%	-32%	-54%	29%	65%
FY-End				\$ 121			\$ 86					\$ 129
% Y/Y	2%	15%	7%	21%	7%	-1%	9%	-29.1%	15%	7%	8%	13%
FCF Margin				12%				8%				11%
YE-FCF Margin												
ASSETS												
Cash & equivalents	140.62	129.49	103.31	92.31	116.32	101.00	125.96	169.30	211.85	231.52	256.89	298.80
Accounts receivable, net	119.25	138.86	151.87	140.73	130.53	132.11	141.24	146.89	139.55	146.52	155.31	156.87
Inventories, net	123.05	112.56	119.78	127.56	135.27	134.85	144.38	150.15	142.65	149.78	158.77	160.35
Other current assets	31.54	16.44	20.12	29.72	28.22	27.26	27.26	27.26	27.26	27.26	27.26	27.26
Total Current Assets	414.45	397.36	395.08	390.33	410.34	395.21	438.83	493.60	521.30	555.08	598.23	643.28
PPE	361.55	392.71	387.28	444.67	476.34	503.86	522.89	534.89	564.16	593.16	623.41	653.51
Other non-current assets	76.06	106.74	98.94	147.54	181.29	180.47	180.47	180.47	180.47	180.47	180.47	180.47
Total Assets	852.06	896.81	881.29	982.54	1,067.97	1,079.55	1,142.19	1,208.96	1,265.93	1,328.71	1,402.11	1,477.26
LIABILITIES & SHAREHOLDERS' EQUITY												
Short term debt	86.90	57.45	21.87	24.40	23.06	21.71	21.71	21.71	21.71	21.71	21.71	21.71
Other current liabilities	166.88	179.12	167.63	191.23	200.71	177.20	177.20	177.20	177.20	177.20	177.20	177.20
Total Current Liabilities	253.78	236.57	189.50	215.62	223.76	198.91	198.91	198.91	198.91	198.91	198.91	198.91
Long term debt	127.61	125.12	120.51	116.08	113.35	108.23	108.23	108.23	108.23	108.23	108.23	108.23
Other non-current liabilities	241.33	239.40	217.22	208.76	211.15	208.81	208.81	208.81	208.81	208.81	208.81	208.81
Total Liabilities	622.72	601.08	527.24	540.46	548.26	515.96	515.96	515.96	515.96	515.96	515.96	515.96
Total Shareholders' Equity	229.34	295.73	354.05	442.08	519.71	563.59	626.24	693.01	749.98	812.75	886.16	961.30
Total Liabilities & Shareholders' Equity	852.06	896.81	881.29	982.54	1,067.97	1,079.55	1,142.19	1,208.96	1,265.93	1,328.71	1,402.11	1,477.26
LIQUIDITY RATIOS												
Current Ratio	163	168	208	181	183	199	221	248	262	279	301	323
Quick Ratio	102	113	135	108	110	117	134	159	177	190	207	229
Net Working Capital	\$ 161	\$ 161	\$ 206	\$ 175	\$ 187	\$ 196	\$ 240	\$ 295	\$ 322	\$ 356	\$ 399	\$ 444
Long-term Debt/Equity	0.56	0.42	0.34	0.26	0.22	0.19	0.17	0.16	0.14	0.13	0.12	0.11
Total Debt/Equity	94%	62%	40%	32%	26%	23%	21%	19%	17%	16%	15%	14%
Operating Income/Assets Ex Cash	5%	6%	8%	7%	5%	6%	6%	6%	5%	6%	6%	6%
Operating Income/Assets Ex Cash (12 mo)	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
BOOK & CASH VALUE												
Book Value Per Share	\$103	\$134	\$161	\$199	\$232	\$251	\$278	\$307	\$332	\$359	\$391	\$423
Tangible Book Value/Share	\$103	\$134	\$161	\$199	\$232	\$251	\$278	\$307	\$332	\$359	\$391	\$423
Cash Per Share	\$0.63	\$0.59	\$0.47	\$0.42	\$0.52	\$0.45	\$0.56	\$0.75	\$0.94	\$1.02	\$1.13	\$1.32
Net Cash Per Share	(\$0.33)	(\$0.24)	(\$0.18)	(\$0.22)	(\$0.09)	(\$0.13)	(\$0.02)	\$0.17	\$0.36	\$0.45	\$0.56	\$0.74
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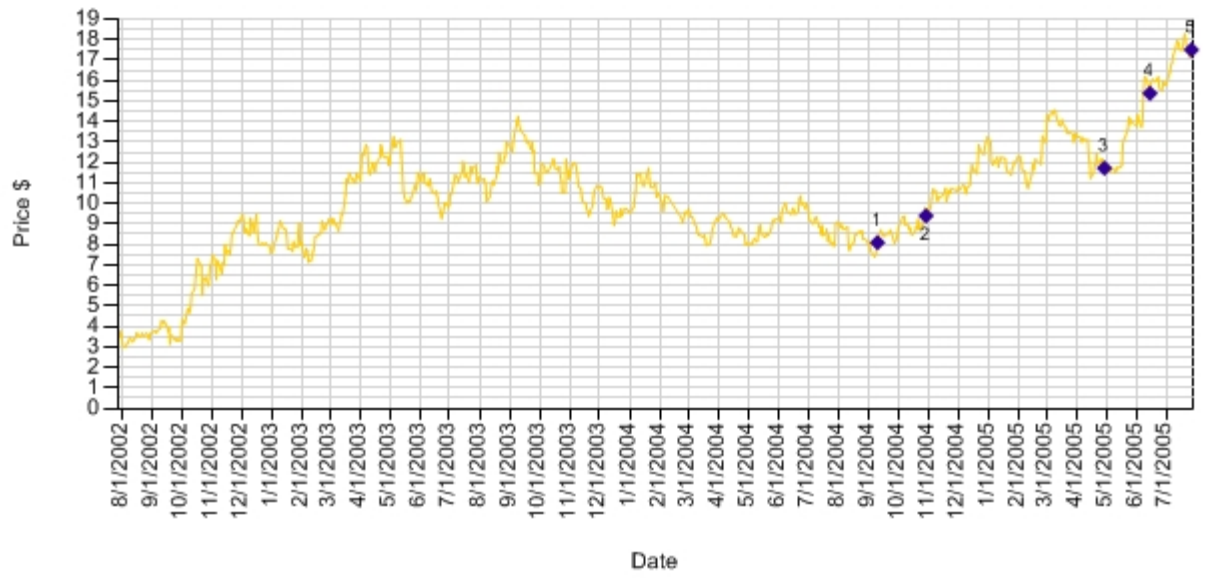
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- 2: \$10.00 p/t H - 10/29/04
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