FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

MEMC ELECTRONIC MATERIALS INC

CIK:**945436**| IRS No.: **561505767** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **3674** Semiconductors & related devices

Business Address
501 PEARL DR
ST PETERS MO 63376
3142795500

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-13828

MEMC ELECTRONIC MATERIALS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	56-1505767
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
501 PEARL DRIVE (CITY OF O'FALLON), ST. PETERS, MISSOURI	63376
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (314) 279-5500

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS:	NAME OF EACH EXCHANGE ON WHICH REGISTERED:
$.01 PAR VALUE COMMON STOCK	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
NONE

(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant, based upon the closing price of such stock on March 23, 1999, as reported by the New York Stock Exchange, was approximately $125.4 million.

The number of shares outstanding of the registrant's Common Stock as of March 23, 1999, was 55,906,346 shares.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the registrant's Annual Report to Stockholders for the fiscal year ended December 31, 1998 (Part I, Part II, and Part IV of Form 10-K).

(2) Portions of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement dated April 2, 1999 (Part III of Form 10-K).

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PART I

ITEM 1. BUSINESS

GENERAL

MEMC Electronic Materials, Inc. (MEMC or the Company) is a leading worldwide producer of silicon wafers. The silicon wafer is the fundamental building block from which almost all semiconductors are manufactured. Semiconductors are used in virtually all electronic applications, including computers, telecommunications equipment, automobiles, consumer electronics products, industrial automation and control systems, and analytical and defense systems. We operate manufacturing facilities, directly or through joint ventures, in Italy, Japan, Malaysia, South Korea, Taiwan, and the United States. We sell silicon wafers to most of the world's largest manufacturers of semiconductors. We are the leading worldwide supplier of silicon wafers outside of Japan and the only significant non-Japanese silicon wafer manufacturer with manufacturing and research facilities in Japan.

MEMC was incorporated in 1984 under the name Dynamit Nobel Silicon Holdings, Inc. (DNS). Huls AG, a subsidiary of VEBA AG, subsequently acquired ownership of DNS. In 1989, Huls AG, through DNS and other related companies, acquired the electronic materials businesses operated by Monsanto Company (Monsanto) in the United States, Europe, Japan and Malaysia. Huls AG changed the name of DNS to MEMC Electronic Materials, Inc. and combined the assets acquired from Monsanto with the assets of its United States and Italian silicon wafer business to form the current MEMC. VEBA Corporation, a subsidiary of VEBA AG, acquired all of the outstanding common stock of MEMC from Huls AG in 1990, which it subsequently transferred to its wholly-owned subsidiary, Huls Corporation, in 1993. On July 12, 1995, the Company completed its initial public stock offering. As a result of the public stock offering, Huls Corporation's ownership interest in the Company was reduced to 51.9%. On September 30, 1998, Huls Corporation merged into VEBA Corporation.

On October 22, 1998, we filed a registration statement with the Securities and Exchange Commission (the "SEC") for the sale of our common stock in a rights offering to existing stockholders except VEBA AG and its affiliates (the "Offering"). We expect to sell approximately 13,628,446 shares in the Offering. On March 22, 1999, we sold 15,399,130 shares of common stock to VEBA Zweite Verwaltungsgesellschaft mbH ("VEBA Zweite"), a subsidiary of VEBA AG, in a private placement. VEBA Zweite has also agreed to purchase all shares of common stock issuable upon exercise of the rights that are not subscribed for by other stockholders in the Offering, subject to certain conditions that are customary in a firm commitment underwriting.

We are engaged in one reportable industry segment -- the design, manufacture and sale of electronic grade silicon wafers for the semiconductor industry. Financial information regarding this industry segment is contained in our 1998 Annual Report which information is incorporated herein by reference.

INDUSTRY OVERVIEW

Almost all semiconductors are manufactured from silicon wafers, and thus the strength of the silicon wafer industry is highly correlated to the performance of the semiconductor industry. Although there are over two hundred semiconductor manufacturers worldwide, we believe that the top twenty semiconductor manufacturers accounted for over 70% of all semiconductor revenues in 1998. We also believe that of the approximately 18 silicon wafer manufacturers in the world today, six principal manufacturers, including MEMC, supply a substantial majority of the wafers used by the major semiconductor manufacturers.

Semiconductor Industry

The semiconductor industry historically has been a high growth cyclical industry. Worldwide, the industry grew at a compound annual growth rate of 14.1% from $24.3 billion in revenues in 1985 to $134.8 billion in revenues in 1998, according to Dataquest estimates. Continuous improvements in semiconductor process and design technologies, semiconductor fabrication equipment and the composition of silicon wafers

have allowed semiconductor manufacturers to produce more complex, higher performance and more reliable devices at a lower cost per device. The result has been a large proliferation of uses for semiconductors and historically rapid growth in semiconductor revenue.

Despite the semiconductor industry's history of significant growth, semiconductor revenues grew by only 3.6% in 1997 and declined by 8.4% in 1998, according to Dataquest estimates. This slowdown has been attributed to excess capacity and resultant price erosion, especially for DRAM (commonly used computer memory chips). This downturn extended through 1998 due to continued overcapacity and the weak economic conditions in the Asia Pacific and Japanese markets.

Throughout this downturn, semiconductor manufacturers have been exerting significant price pressure on their raw material suppliers, including silicon wafer manufacturers. Semiconductor manufacturers have also accelerated the speed at which they have reduced their device line widths, or the distance between circuit elements, in an effort to reduce costs. The reduction in line widths results in a requirement of less silicon per device. Additionally, the semiconductor industry has recently experienced significant restructuring and consolidation activities.

Semiconductor manufacturers greatly reduced their capital spending beginning in late 1997 and throughout 1998. This reduced capital spending has limited additions to capacity.

Silicon Wafer Industry

The silicon wafer industry historically has been a high growth cyclical industry correlated to the growth of the semiconductor industry. Worldwide, the industry grew at a compound annual growth rate of 9.2% from 1.2 billion square inches in 1985 to 3.7 billion square inches in 1998, according to Dataquest estimates. From 1993 through the first half of 1996 the industry was characterized by excess demand and wafer shortages. Due to these shortages and anticipated future demand, wafer manufacturers quickly added capacity, especially for 8-inch wafers, the predominant wafer used in the industry today and the wafer diameter anticipated to have the most significant growth in demand over the next several years. This growth rate declined significantly in 1996.

The silicon wafer industry slowdown, which began in the summer of 1996, has left the industry in a state of overcapacity. Price declines have resulted from this overcapacity. Moreover, the weakness of the Japanese yen and Deutsche mark have allowed Japanese and German competitors to offer lower dollar based pricing. The price declines have been greatest for 8-inch wafers where the highest overcapacity exists. According to Dataquest, silicon wafer consumption declined by an estimated 7.6% in 1998.

Major silicon wafer manufacturers, including MEMC, invested in 12-inch wafer manufacturing capacity in anticipation that the semiconductor industry would migrate to this larger diameter wafer. However, in 1998, the industry experienced a softening semiconductor market and successful implementation of thinner device linewidths on the current diameters. This resulted in industry recognition that the transition to 12-inch wafers would be delayed. The new transition timing requires 12-inch wafer characteristics to be even more advanced at the time they are introduced for production of integrated circuits.

The leading semiconductor manufacturers organized and funded two industry consortia, International Sematech in Austin, Texas, and SELETE in Japan, for the purpose of evaluating 12-inch equipment and materials. While the primary use of 12-inch wafers in 1999 will continue to be for semiconductor device process and tool development, MEMC expects to also ship samples of 12-inch prime polished and epitaxial wafers.

PRODUCTS

Our silicon wafers vary in diameter, surface features (polished or epitaxial), composition, electrical properties and method of manufacture. Our silicon wafers are manufactured according to the exacting specifications required by the our customers; we currently produce wafers with a variety of product features satisfying more than 1,000 unique product specifications. Semiconductor manufacturers require wafers of

larger diameter and more stringent technical specifications in order to produce increasingly complex semiconductor devices such as the larger megabit memory chips and microprocessors.

Our customers have increased their focus on efficient semiconductor production processes because their manufacturing processes for semiconductor devices have become more expensive. Our customers make many semiconductor devices, or chips, from the same wafer, and all chips from a particular wafer are manufactured and processed simultaneously at each stage in the device manufacturing process. Because of this, larger-sized wafers allow for a greater throughput from the same semiconductor manufacturing process and allow semiconductor manufacturers to spread their fixed costs of production over a larger volume of finished products. For example, a 6-inch (150 millimeter) wafer has a surface area of approximately 27.4 square inches, whereas an 8-inch (200 millimeter) wafer has a surface area of approximately 48.7 square inches. Thus, the 8-inch wafer has approximately 78% more surface area than the 6-inch wafer. A 12-inch (300 millimeter) wafer has a surface area of approximately 109.6 square inches or approximately 125% more surface area than an 8-inch wafer. Despite the industry's focus on 6-inch and larger diameter wafers, we continue to manufacture and sell a significant amount of 4-inch (100 millimeter) and 5-inch (125 millimeter) wafers.

We manufacture wafers in sizes ranging from 4 inches to 8 inches in diameter as well as a limited number of 12-inch diameter wafers from our pilot development lines. Customers use the larger diameter wafers in more sophisticated applications where semiconductor manufacturers benefit from the increased efficiencies and greater number of available die per wafer.

Our silicon wafers fall into one of three general types:

Prime Polished Wafers

Our principal product is the prime polished wafer, which is a highly refined, pure silicon wafer with an ultraflat and ultraclean surface. We put prime polished wafers through a sophisticated chemical-mechanical polishing process that removes defects and leaves an extremely smooth surface. This makes the wafers suitable for the advanced technologies used by our customers. Our customers use prime polished wafers in a broad range of applications for integrated circuit devices.

Epitaxial Wafers

Customers have forced semiconductor manufacturers to use smaller and smaller device features in order to incorporate more complex functionality in the integrated circuit. Smaller devices also improve performance and control power consumption and heat production. We manufacture epitaxial wafers to serve the technological demands of our customers that manufacture advanced semiconductors.

Epitaxial wafers consist of a thin, single-crystal silicon layer grown on the polished surface of the silicon wafer. The wafer is designed to have different composition and electrical properties from the epitaxial layer on the wafer surface. The wafer, among other things, helps to improve isolation between circuit elements our customers fabricate on the silicon film surface of the wafer. One result of such smaller devices is the requirement that the distance between circuit elements becomes increasingly narrow. The industry refers to the distance between circuit elements as line widths. A critical aspect in the construction of any integrated circuit device is the isolation of these different elements that comprise the integrated circuit device. Without sufficient isolation of the various elements, the elements could communicate electrically with each other, which could ruin the device. Epitaxial wafers provide improved isolation and allow for increased reliability of the finished semiconductor device, greater efficiencies during the semiconductor manufacturing process, and ultimately more complex integrated circuit devices.

Test/Monitor Wafers

We supply test/monitor wafers, or monitor wafers, to our customers for their use in testing semiconductor fabrication lines and processes. Although monitor wafers are substantially the same as prime polished wafers with respect to cleanliness, and in some cases flatness, other specifications are generally less rigorous. This

allows us to produce monitor wafers from the portion of a silicon ingot that does not meet customer specifications for wafers to be used in the manufacture of semiconductors. Therefore, sales of monitor wafers allow us to experience a higher yield from each silicon ingot produced.

RAW MATERIALS

The main raw material in our production process is polysilicon. We produce over one-half of our total polysilicon requirements and purchase the remainder of our requirements from others. The availability of polysilicon currently significantly exceeds demand. We believe that an adequate supply of polysilicon will be available internally or from others for the foreseeable future.

We obtain substantially all of our requirements for several raw materials, equipment, parts and supplies from sole suppliers. Although we believe that we could find adequate alternative sources of supply for these raw materials, equipment, parts and supplies, we may be required to obtain new qualifications from our customers in order to change or substitute suppliers. Because we cannot predict whether we would be successful or how long that process would take, our manufacturing yields could be adversely affected while we transition to a new supplier.

We believe that adequate quantities of all our key raw materials, equipment, parts and supplies are currently available. However, because of the cyclical nature of our industry, we may experience shortages in the future. See "Business -- Risk Factors -- We Depend on Certain Suppliers and Finding Alternative Sources of Supply Could Affect Adversely Our Customer Qualifications and Manufacturing Yields."

MANUFACTURING PROCESS

Silicon wafers for the semiconductor industry are extremely complex materials with characteristics such as high purity levels, highly uniform crystal structure, and precise mechanical tolerances. Electronic grade silicon is one of the most refined materials in the world, having an impurity level of no more than one part per billion. Requirements for highly uniform crystal structure, mechanical tolerances and cleanliness in the manufacture of silicon wafers are at levels that stretch manufacturing processes to the limits of measurement, and necessitate that we conduct certain processes in "clean rooms."

The silicon wafer manufacturing process consists of three principal phases: the crystal growth process, the wafer slicing process and the wafer finishing process.

Crystal Growth Process

The first step in the wafer manufacturing process is the formation of a large, silicon single crystal or ingot. This process begins with the melting of polysilicon, together with minute amounts of electrically active elements such as arsenic, boron, phosphorous or antimony in a quartz crucible.

Once the melt has reached the desired temperature, we lower a silicon seed crystal, or "seed" into the melt. The melt is slowly cooled to the required temperature, and crystal growth begins around the seed. As the growth continues, the seed is slowly extracted or "pulled" from the melt. The temperature of the melt and the speed of extraction govern the diameter of the ingot, and the concentration of an electrically active element in the melt governs the electrical properties of the silicon wafers to be made from the ingot. This is a complex, proprietary process requiring many control features on the crystal-growing equipment.

Wafer Slicing Process

After we grow the ingots, we extract them from the crystal pulling furnaces and allow them to cool. We grind the ingots to the specified diameter, and then we slice the ingots into thin wafers. Next, we prepare the wafers for the surface polishing steps with a multi-step process using precision lapping machines, edge contour machines and chemical etchers.

Wafer Finishing Process

Final polishing and cleaning processes give the wafers the clean and superflat mirror polished surfaces required for the fabrication of semiconductor devices. For wafer polishing, we currently use our proprietary, ninth-generation polishers together with an innovative chemical-mechanical polishing process. This form of polishing was one of our early inventions that first allowed solid state devices to move from individual circuits to the complexities of today's integrated circuits. We further process some of our products into epitaxial wafers.

RESEARCH AND DEVELOPMENT

A number of factors drive our current research and development efforts. These include our business strategy and focus mainly on:

- the development and improvement of large diameter and advanced silicon wafer products;

- manufacturing process improvements; and

- enhancement and cost reduction of existing products.

Customer focus also influences research and development. We work closely with customers in developing new products and refining existing products to faster meet the needs of the marketplace. To strengthen this relationship and interaction, we assign research and development application engineers to key customer accounts worldwide.

A recent product innovation of our research and development program includes a new class of polished wafer with a virtually defect-free wafer surface. We are currently delivering 6-inch and 8-inch diameters of this class of polished wafer to customers for evaluation in increasing their yields. We also engage in ongoing research and development to continuously improve the surface of epitaxial wafers. Further, as a result of our commitment to develop the next diameter of silicon wafers, we are now supplying high quality 12-inch wafers to the industry from pilot development lines. We first produced our 12-inch diameter wafers in 1991 and believe we are one of the industry leaders in the development of this next generation of wafers. Our new class of polished wafer and 12-inch wafers are in the pilot stage of development, and we cannot assure you that either will ever mature to a commercial product.

We continue to see rapid technological change and product innovation in the market for silicon wafer products. In response to this business environment, we recently commissioned a "Wafering Center of Excellence" to direct our wafering process research and development. The Wafering Center of Excellence is located at our plant in Utsunomiya, Japan and has the capacity to produce 12-inch wafers.

We do not expect the demand for 12-inch wafers to develop until the year 2001 or beyond. In the interim, we expect semiconductor customers to continue their support of two industry consortia to develop the tool set and processes necessary to fabricate integrated circuits on 12-inch wafers.

Our expenditures for research and development activities during 1998, 1997 and 1996, excluding expenditures by our unconsolidated joint ventures, were $81.6 million, $64.5 million and $44.3 million, respectively, representing 10.8%, 6.5% and 4.0% of our net sales for the respective periods.

MARKETING AND SALES

We market most of our products through a direct sales force. We believe a key element of our marketing strategy is establishing and maintaining close relationships with our customers. We try to accomplish this through multi-functional teams of technical, marketing and sales, and manufacturing personnel. These teams work closely with customers in developing their new production facilities, qualifying our products for use at such new facilities and maintaining qualification at all existing manufacturing facilities. We complete sales principally through indicative-only contracts of one year or less that indicate expected volumes and specify price.

Our close relationships with our customers are partly the result of the lengthy and expensive "qualification" process by which customers qualify silicon wafer manufacturers, and their individual facilities, to supply a particular product. We are aware of changing customer needs and target our manufacturing to try to produce wafers adapted to each customer's process and requirements. For 1998, the following ten customers generated over half of our sales:

- Advanced Micro Devices, Inc.;
- Chartered Semiconductor Manufacturing, Ltd.;
- Cypress Semiconductor Corporation;
- International Business Machines Corporation;
- Motorola, Inc.;
- National Semiconductor Corporation;
- Philips Electronics N.V.;
- Samsung Electronics Co., Ltd.;
- ST Microelectronics N.V.; and
- Texas Instruments Incorporated.

Texas Instruments alone represented approximately 20%, 20% and 17% of our sales in 1998, 1997 and 1996, respectively.

COST REDUCTION PLAN

During the first half of 1998 we accelerated our cost reduction plan in response to the difficult industry environment.

We decided to close our small-diameter wafer facility in Spartanburg, South Carolina and to withdraw from our joint venture participation in a small-diameter wafer facility in China. We are negotiating the terms of our withdrawal with our joint venture partner. We took these actions because:

- our customers have been operating their 8-inch fabrication lines in preference to their smaller diameter fabrication lines, reducing the demand for smaller diameter wafers;
- a number of our customers recently have undertaken restructuring initiatives focused on permanently eliminating small diameter lines; and
- we believe that even when the semiconductor market begins to recover, we will have excess small diameter wafer capacity.

We also decided not to construct a new 8-inch wafer facility in Malaysia due to the substantial excess capacity for these wafers.

In addition, we implemented a voluntary separation program for our hourly and salaried U.S. employees. As a result of the actions described above and other initiatives, we are reducing our workforce by approximately 2,000 employees, or 25% compared to December 31, 1997.

We estimated pre-tax savings from our restructuring activities and our voluntary separation program to be $60 million on an annualized basis. We began to realize approximately $30 million of these estimated savings in the third quarter of 1998 through reduced personnel costs as a result of the voluntary separation program.

We expect the other $30 million in annualized savings to come from the closure of our Spartanburg facility. We expect approximately half of the savings from the Spartanburg facility's closure to relate to personnel costs, and the other half of these savings to relate to manufacturing costs such as depreciation and supplies and utilities. As we re-qualify and transfer the production of silicon wafers made at the Spartanburg facility to other locations, we expect to reduce our Spartanburg workforce. With each workforce reduction, we

expect a portion of our annualized cost savings associated with personnel costs to be realized. As a result, we began to realize a portion of the remaining $30 million in annualized cost savings in the third quarter of 1998. As the manufacturing cost savings are fixed in nature, we expect they will largely be realized upon the closure of the Spartanburg facility.

The time frame for achieving the $30 million in annualized cost savings from the closing of the Spartanburg facility is largely dependent upon how long it takes us to re-qualify the silicon wafers produced at the Spartanburg facility at our other locations. This, in turn, determines how quickly Spartanburg's workforce will be reduced. While we believe that this will occur during the second quarter of 1999, the ability to re-qualify silicon wafers is highly dependent upon the cooperation of our customers.

We are also implementing a number of other cost cutting and savings initiatives:

- We have initiated short-term plant shutdowns to better align production with the current lower level of demand;

- We are accelerating the implementation of our "best practices" worldwide and the development of new manufacturing technologies in order to reduce our processing costs;

- We are implementing a plant focus program that limits the number of wafer diameters manufactured at each site;

- We have implemented aggressive spending cuts for all of our departments;

- We are obtaining price concessions from our vendors; and

- We are performing a critical review of our capital spending and research and development requirements and reducing these planned investments where possible.

We anticipate that we will reduce our capital expenditures in 1999 to less than $85 million.

The statements above regarding expected future savings and cost reduction efforts are forward-looking statements. Actual results could differ materially from our expectations due to, among other things, the factors set forth above and the accuracy of assumptions regarding savings from restructuring activities. See "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

COMPETITION

We face intense competition in the silicon wafer industry from established manufacturers throughout the world. We believe that we possess certain technological and other strengths relative to our competitors. However, realizing and maintaining such strengths requires us to continue making a high level of investment in research and development, marketing and customer service and support. Our inability to maintain such investments could have a material adverse effect on our operating results. For other risks related to competition, see "Business -- Risk Factors -- We Experience Intense Competition in the Silicon Wafer Industry and Our Customers Expect Continuing Technological Innovation at a Low Cost" and "Business -- Risk Factors -- Currency Exchange

Rates and Increased Competition Have Reduced Wafer Prices and Have Led to Lower Margins and Profits."

JOINT VENTURES

We have entered into a number of joint ventures as part of our strategy to leverage our capital, to enter expanding markets, to forge closer working relationships with our principal customers and to broaden the geographic diversification of our operations. We have unconsolidated joint ventures with prominent partners in South Korea and Taiwan.

POSCO HULS Co., Ltd.

In 1990, we entered into a joint venture in South Korea with Samsung Electronic Co., Ltd. and Pohang Iron and Steel. Samsung is a South Korean manufacturer of integrated circuits and one of our largest

customers. Pohang is a South Korean steel manufacturer. The South Korea joint venture is named POSCO HULS Co., Ltd. (commonly known as PHC) and manufactures and sells silicon wafers in South Korea. PHC generated sales of $121.0 million in 1998, $215.9 million in 1997 and $275.1 million in 1996. Over half of PHC's sales in each of these years were to Samsung. PHC has the capacity to produce per month an aggregate of approximately 320,000 6-inch and 8-inch wafers. We currently own 40% of PHC. Pohang currently owns 40% and Samsung currently owns 20%.

We have agreed to provide technical assistance and information to PHC. We have also granted licenses to PHC to use certain technology to manufacture, promote and sell silicon wafers. In exchange for such technical assistance and licenses, we receive royalties. Through September 30, 1998, we received quarterly royalties based on PHC's net sales. Effective October 1, 1998, the agreement by which we provide technical assistance and information and have granted licenses to PHC was amended. The amendment, among other things, extends the term of the technical agreement. Under the amendment, we receive quarterly royalties based on net sales and an annual royalty based on net income after taxes. The quarterly royalties and the annual royalty we receive from PHC are separate and independent calculations. Accordingly, if PHC has a net loss for the fiscal year, then we will not receive an annual royalty based on net income after taxes, but we will receive and retain the full amount of the quarterly royalties based on net sales.

Taisil Electronic Materials Corporation

In 1994, we formed Taisil Electronic Materials Corporation with China Steel Corporation. China Steel Corporation is a Taiwanese steel manufacturer. Taisil manufactures and sells silicon wafers in Taiwan. Taisil generated sales of $58.7 million in 1998, $61.6 million in 1997 and $7.2 million in 1996. Taisil has the capacity to produce approximately 140,000 8-inch wafers per month. Taisil has in place infrastructure that could support the production of approximately 240,000 8-inch wafers per month. We currently own 45% of Taisil. The remainder of Taisil is owned by China Steel Corporation (35%), Chao Tung Bank (10%) and the China Development Corporation (10%).

We have agreed to provide technical assistance and information to Taisil. We have also granted licenses to Taisil to use certain technology to manufacture and sell silicon wafers. In exchange for such technical assistance and licenses, we receive semiannual royalties based on Taisil's net sales and operating income.

Taisil's financial performance has been adversely affected in recent periods due to the downturn in the semiconductor industry in Taiwan. As a result of this downturn, Taisil has incurred losses, which have negatively impacted its debt-to-equity ratio. The increase in the debt-to-equity ratio and the downturn in the semiconductor industry in Taiwan have raised concerns with Taisil's lenders. In recent months, several financial institutions have indicated that they would no longer purchase Taisil's commercial paper. Thus, Taisil was forced to use alternative financing. In addition, we believe that several lenders have placed Taisil on their credit watch lists. Certain of these lenders have also made inquiries to MEMC and VEBA AG regarding our continued financial support to Taisil. We have also been informed by one member of a three bank syndicate of lenders to Taisil, that another bank in the syndicate expressed a preliminary concern that a material adverse change in the financial condition of Taisil might have occurred and, without additional equity contributions, an event of default should be declared. Action by such bank syndicate, however, required the agreement of two of the three banks, and we have been informed by the two other banks that they did not believe a material adverse change in the financial condition of Taisil had occurred.

In order to improve Taisil's debt-to-equity ratio, certain of Taisil's shareholders made capital contributions to Taisil of approximately $20.7 million in November 1998 and $10.0 million in December 1998. Our share of these capital contributions was approximately $10.3 million and $5.1 million, respectively. We and certain of Taisil's other shareholders made an additional capital contribution to Taisil of approximately $24 million in March 1999. Our share of this capital contribution was approximately $12 million. Taisil also is in the process of raising up to approximately $6 million of additional capital through sale of stock to Taisil's employees and possibly to other investors. We believe that these capital contributions will satisfy the concerns of Taisil's current lenders, including the bank syndicate member that had previously expressed concern about potential material adverse changes in the condition of Taisil. However, if Taisil's financial performance

continues to be adversely affected by the downturn in the semiconductor industry in Taiwan, we and Taisil's other shareholders may have to consider additional financing alternatives for Taisil.

Statements above as to future capital contributions to Taisil and the response to such capital contributions by Taisil's lenders are forward looking statements. Such future capital contributions and response from Taisil's lenders may not occur due to a variety of factors, including inability of Taisil's shareholders to agree on the magnitude, apportionment or other terms of such capital contributions, changes or perceived changes in Taisil's prospects, regulatory requirements and the willingness of Taisil employees to make an equity investment in Taisil.

For other information regarding Taisil, see "Business -- Risk Factors -- We May Have to Make Substantial Payments in Connection With Our Taisil Joint Venture, and This Could Divert Funds From Other Needed Areas."

OPTION ON PASADENA FACILITY

In September 1998, we granted Tokuyama Corporation, Marubeni Corporation and Marubeni America Corporation an option to acquire a majority interest in MEMC Pasadena, Inc. Tokuyama is a Japanese polysilicon manufacturer and Marubeni is a Japanese trading company. MEMC Pasadena is our granular polysilicon subsidiary. In exchange for the option, Tokuyama and Marubeni made an option payment to us. The term of the option is two years, subject to a one year extension at the option of Tokuyama and Marubeni. If Tokuyama and Marubeni exercise their option, we will then negotiate the terms and conditions (including price) of the exercise with them based on the market value at that time. The entire option payment will be applied toward the ultimate purchase price. If Tokuyama and Marubeni do not exercise their option, then we will return one-half of the option payment to them. During the term of the option, Tokuyama and Marubeni have a right of first refusal over any transfer of MEMC Pasadena's granular polysilicon business. In addition, for two years, we cannot solicit offers from third parties for this business. In connection with the option, Tokuyama will provide technical assistance to MEMC Pasadena for two years (unless the option is earlier terminated by Tokuyama and Marubeni) to help improve the quality of MEMC Pasadena's granular polysilicon products.

PROPRIETARY INFORMATION AND INTELLECTUAL PROPERTY

As of November 30, 1998, we owned of record or beneficially approximately 112 U.S. patents, of which approximately 14 will expire by 2003, approximately 22 will expire between 2004 and 2008 and approximately 76 will expire after 2008. As of November 30, 1998, we owned of record or beneficially approximately 174 foreign patents, of which approximately 34 will expire by 2003, approximately 79 will expire between 2004 and 2008 and approximately 61 will expire after 2008. These foreign patents are generally counterparts of our U.S. patents. We cannot assure you, however, that any of these patents will not be challenged, invalidated or circumvented in the future, or that they do or will provide a competitive advantage. As of that date, we have also submitted approximately 96 U.S. and 440 foreign patent applications. However, we cannot assure you that any of these applications will be granted.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology that we consider proprietary, and third parties may attempt to develop similar technology independently. In addition, effective protection of intellectual property rights may be unavailable or limited in certain countries. Accordingly, there can be no assurance that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar technology.

Under certain contracts, we are required to indemnify some third parties against claims of infringement of the intellectual property rights of others.

Any litigation in the future to enforce patents issued to us, to protect trade secrets or know-how possessed by us or to defend us or indemnify others against claimed infringement of the rights of others could have a material adverse effect on our financial condition and operating results. Also, regardless of the validity or

successful outcome of such claims, we may need to expend significant time and expense to protect our intellectual property rights or to defend against claims of infringement by third parties, which could have a material adverse effect on us. If we lose any such litigation, the Company may be required to:

- pay substantial damages;

- seek licenses from others; or

- change, or stop manufacturing or selling, some of our products.

Any of these outcomes could have a material adverse effect on our business, results of operations or financial condition.

EMPLOYEES

At January 31, 1999, we had approximately 6,000 full-time employees and 100 temporary workers worldwide. We intend to close our Spartanburg, South Carolina facility in the first half of 1999 and withdraw from our joint venture in Luoyang, China during the second quarter of 1999. As of January 31, 1999, approximately 530 full-time employees worked at our Spartanburg, South Carolina facility and joint venture in Luoyang, China.

We have not experienced any material work stoppages at any of our facilities during the last several years. We believe our relationships with employees are satisfactory.

GEOGRAPHIC INFORMATION

Information regarding our foreign and domestic operations is contained in Note 17 on page 42 of our 1998 Annual Report, which information is incorporated herein by reference.

RISK FACTORS

This Annual Report on Form 10-K contains "forward-looking" statements within the meaning of the Securities Litigation Reform Act of 1995, including those set forth under "Item 1. Business"; "Item 2. Properties"; and "Item 3. Legal Proceedings." In addition to the business risks and uncertainties discussed elsewhere in this Annual Report on Form 10-K, the following are important risk factors which could cause actual results and events to differ materially from those contained in any forward-looking statement contained herein or made elsewhere by us.

We Have Had Significant Operating and Net Losses and We Anticipate Future Losses

We have not reported an operating profit since the third quarter of 1997. We reported an operating loss in 1997 of $10.4 million. In 1998, we had an operating loss of $333.3 million, which included restructuring costs of $146.3

million. Due to overcapacity and decreasing prices in the semiconductor and silicon wafer industries, weak economic conditions in the Asia Pacific region and Japan, and other factors, we do not expect to be profitable at least through 1999. We cannot predict how long we will continue to experience significant or increasing operating and net losses or whether we will become profitable.

We Need Substantial Capital Investments to Fund Our Future Operations Otherwise We May Not Keep Pace With Our Competitors

We will need substantial amounts of cash to continue to fund capital expenditures, research and development, and marketing and customer service and support to keep pace with our competitors. Our business is very capital intensive. Our capital needs depend on numerous factors, including our profitability and investment in research and development and capital expenditures. We cannot assure you that, even with the proceeds from our pending rights offering, our recently completed private placement to VEBA Zweite and cash flows from operations, if any, we will have enough capital to be able to fund our future operations. We have incurred negative cash flows from operations in recent periods.

We May Not Be Able to Obtain Capital from Other Parties in the Future to Meet Our Needs and May Be Forced to Reduce Our Investment In Our Business

We cannot assure you that we will be able to obtain capital in the future to meet our needs. If we cannot obtain additional funding, whether from current or new lenders or investors, we may be required to reduce our investments in research and development, marketing and customer service and support and capital expenditures. Such reductions could materially adversely affect our ability to compete and our business.

If we do find a source of additional capital, the terms and pricing of any such financing may be significantly more favorable to the lender or investor than those previously provided by us. Future capital raising could dilute or otherwise materially adversely affect the holdings or rights of our existing stockholders.

Historically, we have funded our operations primarily through loans from VEBA AG and its affiliates, internally generated funds and our initial public offering. To a lesser extent, we have raised funds by borrowing money from commercial banks. Recently, as part of our financial restructuring, we completed a private placement of common stock to VEBA Zweite and are in the process of a rights offering to our existing shareholders. The Company will continue to explore and, as appropriate, enter into discussions with other parties regarding possible future sources of capital. However, under the loan agreements between us and our principal lender, VEBA AG and its affiliates, we cannot pledge any of our assets to secure additional financing. We do not believe that we currently can obtain unsecured financing from third parties on better terms than those with VEBA AG and its affiliates.

We Have Relied on VEBA AG and its Affiliates for Capital Funding in the Past, But May Not be Able to Rely on Them for Such Funding in the Future Which May Force Us to Reduce Expenditures

VEBA AG and its affiliates are not obligated to provide capital to us except in under the standby agreement entered into in connection with the Company's pending rights offering and under current loan agreements. We cannot assure you that VEBA AG and its affiliates will provide additional capital to us in the future. We may be forced to reduce expenditures if VEBA AG and its affiliates do not provide us with capital in the future. In such an event, we may not be able to fund certain capital expenditures, research and development, and marketing and customer service and support.

We Have a Significant Amount of Debt That Will Adversely Affect Our Ability to Obtain Additional Financing

The Company currently has a significant amount of debt that will adversely affect our ability to obtain additional financing for working capital, capital expenditures or other purposes. As of January 31, 1999, we owed $777.0 million to VEBA AG and its affiliates, and $163.0 million to other lenders. Our debt service could make us more vulnerable to industry downturns and competitive pressures. In addition, the cash flow required to service our debt may reduce our ability to fund internal growth and capital requirements.

If The Semiconductor Industry Downturn Continues We Will Face Intense Pressure to Further Reduce Prices Which May Lead to Further Losses

If the current downturn in the semiconductor industry continues, or the industry experiences other downturns in the future, we will face pressure to further reduce prices. However, our ability to reduce expenses during a downturn is limited because of the fixed costs associated with our substantial excess capacity and continued investment in research and development and marketing necessary to maintain our extensive worldwide customer service and support capabilities. If we are unable to reduce our expenses sufficiently to offset the decline in our prices, our operating results and financial condition could be materially adversely affected.

Our business depends in large part upon the market demand for our customers' semiconductors and products utilizing semiconductors. The semiconductor industry experiences:

- rapid technological change;
- product obsolescence;
- price erosion; and
- wide fluctuations in product supply and demand.

Recently, the semiconductor industry rapidly expanded its production capacity, resulting in overcapacity, especially for DRAM (commonly used computer memory chips). This overcapacity has caused semiconductor prices to decline, which has depressed semiconductor revenues and profitability.

From time to time the semiconductor industry has experienced significant downturns and is currently in the midst of such a downturn. These downturns often occur in connection with, or in anticipation of, maturing product cycles (of both the semiconductor companies and their "end customers") and declines in general economic conditions. Some of these downturns have lasted for more than a year. Also, during such periods, customers of semiconductor manufacturers benefiting from shorter lead times may delay some purchases of semiconductors into future periods. The current semiconductor industry downturn began in the fourth quarter of 1995. The resulting downturn in the silicon wafer industry began in the summer of 1996.

The economic recessions in Japan and in nations in the Asia Pacific region have made the current downturn in the semiconductor industry worse. The economies in these regions have contracted, and demand for semiconductors and silicon wafers in these regions has decreased significantly.

Substantial Excess Capacity and Declining Wafer Prices Limit Our Ability to Become Profitable

Excess capacity in the silicon wafer industry limits our ability to maintain or raise prices and could dramatically increase the worldwide supply of silicon wafers in the future, increase the downward pressure on prices and materially adversely impact our operating results. The growth in the worldwide supply of silicon wafers has outpaced the growth in worldwide demand in recent periods, especially for 8-inch silicon wafers. As a result, the selling prices for our products have decreased. Because of price decreases and declining product volume, our revenues are currently insufficient to offset our costs, and this is adversely affecting our operating results. We have no firm information with which to determine the capacity and expansion plans of our competitors. Although some of our competitors have announced plans to slow their capacity expansion programs, many have already added significant capacity for the production of 8-inch wafers. We and our competitors have the ability to increase production of silicon wafers through unused capacity and our ability to expand our capacity quickly.

Our Dependence on the Semiconductor Industry Causes Substantial Fluctuations in Our Operating Results and at Times This Has Adversely Affected the Market Price of MEMC Common Stock

Our quarterly and annual operating results can fluctuate dramatically, and this can adversely affect the market price of MEMC common stock. The main factor affecting these fluctuations is our dependence on the performance of the semiconductor industry, which historically has been cyclical. Another factor is currency exchange rate volatility, which affects the price we receive for our wafers and may result in gains or losses on unhedged currency exposure at our unconsolidated joint ventures.

Our operating results are also affected by:

- the timing of orders from major customers;

- product mix;

- competitive pricing pressures; and

- the delay between the incurrence of expenses to develop marketing and service capabilities and expand capacity and the realization of benefits from these expenditures.

Moreover, customers may cancel or reschedule shipments, and production difficulties could delay shipments. We cannot predict the future impact of any of these factors. These and other factors could have a material adverse effect on our quarterly or annual operating results.

VEBA AG's Control of MEMC Could Prevent a Favorable Acquisition of MEMC

VEBA AG's control of MEMC could prevent or discourage any unsolicited acquisition of MEMC and consequently could prevent an acquisition favorable to MEMC's other stockholders. After the pending rights offering, VEBA AG will continue to have sufficient voting power to control our direction and policies. VEBA AG will continue to be able to control any merger, consolidation or sale of all or substantially all of our assets, to elect the members of the Board of Directors and to prevent or cause a change in control of MEMC. Four of the eight members of our Board of Directors are employees of VEBA AG or its affiliates, not including MEMC.

In addition, VEBA Corporation and VEBA Zweite (collectively, the VEBA group) have advised us that VEBA AG or one of its affiliates may purchase rights on the New York Stock Exchange during the pending rights offering. However, the VEBA group has agreed not to exercise the over-subscription privilege with respect to any rights. The VEBA group has also advised us that it may decide to purchase additional shares of MEMC common stock following the rights offering.

Restrictive Covenants Will, and Higher Interest Rates May, Apply to MEMC if VEBA AG or its Affiliates Cease to Own a Majority of Our Stock

Certain of our loan agreements with VEBA AG and its affiliates provide that if VEBA AG and its affiliates own less than a majority of the outstanding MEMC common stock on or after January 1, 2001, then the interest rates we pay on our loans from VEBA AG and its affiliates will be the higher of:

- the interest rate currently set forth in each such loan agreement; or

- an interest rate determined, as of the later of January 1, 2001 or the change of control date, for an average industrial borrower at an assumed credit rating based on the remaining term of each such loan agreement.

In addition, in such an event we will become subject to certain affirmative covenants set forth in all of our loan agreements with VEBA AG and its affiliates. These affirmative covenants include requirements that we maintain a minimum net worth and a minimum amount of working capital. We would also need to meet certain financial ratios, including a minimum fixed charge coverage ratio and minimum working capital ratio.

If we had been subject to these covenants as of January 31, 1999, we would not have been in compliance with all of these covenants. If VEBA AG and its affiliates own less than a majority of our outstanding common stock at any time on or after January 1, 2001 and we are then not in compliance with all of these affirmative covenants, then we would be in default under these loan agreements.

If VEBA AG and its affiliates own less than a majority of the outstanding MEMC common stock, then Taisil Electronic Materials Corporation, our Taiwanese joint venture, may become obligated to repay certain debt. See "Business -- Risk Factors -- We May Have to Make Substantial Payments in Connection With Our Taisil Joint Venture, and This Could Divert Funds From Other Needed Areas."

We Experience Intense Competition in the Silicon Wafer Industry and Our Customers Expect Continuing Technological Innovation at a Low Cost

We face intense competition in the silicon wafer industry from established manufacturers throughout the world. If we cannot compete effectively with other silicon wafer manufacturers, our operating results could be materially adversely affected. Some of our competitors have substantial financial, technical, engineering and manufacturing resources. We believe that our Japanese competitors benefit from their dominance of the Japanese market, which represented approximately 38% of the worldwide silicon wafer market in 1998. In

particular, Shin-Etsu Handotai, the largest supplier of silicon wafers in Japan and the world, is able to leverage globally its sales and technology base.

We compete principally on the basis of product quality, consistency and price, as well as technical innovation, customer service and product availability. We expect that our competitors will continue to improve the design and performance of their products and to introduce new products with competitive price and performance characteristics. Competitive pressures may cause additional price reductions, which could have a material adverse effect on our operating results.

If We Fail to Make Significant Investments Necessary to Comply With Changing Semiconductor Industry Customer Specifications, We May Lose Customers

If we fail to meet future customer requirements, we could experience a material adverse effect on our competitive position and operating results. The silicon wafer industry changes rapidly. Changes include requirements for new and more demanding technology, product specifications and manufacturing processes. Our ability to remain competitive will depend upon our ability to develop technologically advanced products and processes. We must continue to meet the increasingly demanding requirements of our customers on a cost-effective basis. As a result, we expect to continue to make significant investments in research and development. We cannot assure you that we will be able to successfully introduce, market and cost-effectively manufacture any new products, or that we will be able to develop new or enhanced products and processes that satisfy customer needs or achieve market acceptance.

We Have a Limited Number of Principal Customers, and Accordingly a Loss of One or Several of Those Customers Would Hurt Our Business

Our operating results could materially suffer if we, or our joint ventures, experience a significant reduction in, or loss of, purchases by one or more of our top customers. Historically, we have sold a significant portion of our products to a limited number of principal customers. In 1998, we made over one-half of our sales to ten customers, with one customer accounting for approximately 20% of our sales. Likewise, POSCO HULS Co., Ltd. (commonly known as PHC), our unconsolidated joint venture in South Korea, sold over half its products to Samsung, one of our partners in that joint venture. We cannot assure you that we or PHC will realize equivalent sales from our top customers in the future.

Currency Exchange Rates and Increased Competition Have Reduced Wafer Prices and Have Led to Lower Margins and Profits

Decreases in wafer prices have lowered our margins and profits. In 1998, we had a gross margin of negative 4.2%. This negative gross margin was due in part to the decline of the Japanese yen and the Deutsche mark relative to the U.S. dollar over the past few years. Recently, the Japanese yen has recovered moderately relative to the U.S. dollar. The currency declines have given, and similar currency declines in the future may give, our Japanese and German competitors significant cost advantages in the marketplace. These currency pressures, together with the effects of the semiconductor industry downturn and excess capacity in the silicon wafer industry, as described above, have increased competition and resulted in significant decreases in wafer prices.

We Expect that International Sales Will Continue to Represent a Significant Percent of Our Total Sales, and Accordingly We are Subject to Periodic Foreign Economic Downturns and Fluctuations in Foreign Currency Exchange and Interest Rates

A number of factors in the past have affected adversely, and may affect adversely in the future, our results of operations and international sales and operations, including periodic economic downturns and fluctuations in interest and foreign currency exchange rates.

We expect that international sales will continue to represent a significant percentage of our total sales. In addition, a significant portion of our manufacturing operations are located outside of the United States. Sales outside of the United States expose us to currency exchange rate fluctuations. Our risk exposure from these

sales is primarily limited to the Japanese yen, Deutsche mark and European euro. Our risk exposure from expenses at international manufacturing facilities is concentrated in Italian lira, Japanese yen and Malaysian ringgit. We generally hedge receivables denominated in foreign currencies at the time of sale. We hedge some foreign currency denominated intercompany loans by entering into long-dated forward exchange contracts. However, we cannot predict whether exchange rate fluctuations will have a material adverse effect on our operations and financial results in the future.

Our unconsolidated joint ventures have sales denominated in the U.S. dollar and manufacturing expenses primarily denominated in the U.S. dollar, Korean won and New Taiwanese dollar. PHC also has significant debt denominated in the U.S. dollar and Korean won. Likewise, Taisil Electronic Materials Corporation, our unconsolidated Taiwanese joint venture, has significant debt denominated in the U.S. dollar and New Taiwanese dollar. For U.S. generally accepted accounting principles, these two unconsolidated joint ventures use the U.S. dollar as their functional currency and do not hedge net Korean won or New Taiwanese dollar exposures. We do not hedge our net Korean won exposure, because the forward contract market is limited for the Korean won and we do not believe the prices of such contracts are attractive. To date, we have not hedged net New Taiwanese dollar exposure. However, given the increasingly broader market and depth for forward contracts in both Korea and Taiwan, we may consider forward contracts in the future.

The economic downturns in the Asia Pacific region and Japan and the devaluation of the Japanese yen against the U.S. dollar have affected and in the future could affect our operating results. Additionally, other factors may have a material adverse effect on our operations in the future including:

- the imposition of governmental controls;

- export license requirements;

- restrictions on the export of technology;

- political instability;

- trade restrictions and changes in tariffs; and

- difficulties in staffing and managing international operations.

As a result, we may need to modify our current business practices.

We May Have to Make Substantial Payments in Connection With Our Taisil Joint Venture, and This Could Divert Funds From Other Needed Areas

As of January 31, 1999, Taisil had approximately $202.9 million of debt outstanding. We have guaranteed approximately $75 million of such debt (which may increase to approximately $81 million). Generally under the guarantees, if VEBA AG's and its affiliates' ownership of MEMC common stock falls below 50% of MEMC's total issued and outstanding shares, we become obligated to either pay, or provide other collateral satisfactory to the banks, which may include a letter of credit in an amount equal to, the maximum amount we may owe under the guarantees.

The terms of Taisil's loan agreements vary. If Taisil defaults on its obligations to its lenders, in some circumstances Taisil may immediately be required to repay all of its obligations to its lenders. If Taisil is required to make an immediate repayment of its obligations to its lenders, we may be required to make payments on our guarantees of Taisil's debt. The circumstances in which immediate repayment may occur include, without limitation:

- a material adverse change in Taisil;

- a reduction below 70% in the combined ownership of Taisil by the two major joint venture partners (us and China Steel Corporation);

- a material adverse change in us or China Steel Corporation;

- a reduction below 50% in VEBA AG's and its affiliates' ownership of MEMC common stock; or

- other customary circumstances.

We cannot assure you that Taisil's lenders will not declare a default on Taisil's debt if they determine there has occurred a material adverse change, or they determine a material adverse change occurs in the future, in Taisil or MEMC. If MEMC is required to make payments on any guarantees, this would divert capital needed to fund future operations.

For more information about Taisil please see, "Business -- Joint Ventures -- Taisil Electronic Materials Corporation."

Because We Cannot Easily Transfer Production of Specific Products From One of Our Manufacturing Facilities to Another, Manufacturing Delays at a Single Facility Could Result in a Loss of Customers

It typically takes six months for one of our customers to qualify one of our manufacturing facilities to produce a specific product, but it could take longer in today's environment of excess capacity. Interruption of operations at any of our primary manufacturing facilities could result in delays or cancellations of shipments of silicon wafers and a loss of customers which could materially and adversely affect our operating results. A number of factors could cause interruptions, including labor disputes, equipment failures, or shortages of raw materials or supplies. A union represents employees at PHC's facility in South Korea. A strike at this facility could cause interruptions in manufacturing. We cannot assure you that alternate qualified capacity would be available on a timely basis or at all.

Much of Our Proprietary Information is Not Patented and May Not be Patentable

Much of our proprietary information and technology relating to the wafer manufacturing process is not patented and may not be patentable. We believe that the success of our business depends in part on our proprietary technology, information and processes and know-how. We generally try to protect our intellectual property rights based on trade secrets and patents as part of our ongoing research, development and manufacturing activities. Recently, we have increased our efforts to obtain patent protection for our technology in response to an increase in patent applications by our competitors. However, we cannot assure you that we have adequately protected or will be able to adequately protect our technology, that our competitors will not be able to utilize our existing technology or develop similar technology independently, that the claims allowed on any patents held by us will be broad enough to protect our technology or that foreign intellectual property laws will adequately protect our intellectual property rights.

Some of Our Technology May Infringe on the Intellectual Property Rights of Third Parties Which May Subject Us to Costly Patent Litigation

From time to time, we receive notices from substantial companies with significant patent portfolios that we may be infringing certain of their patents or other rights. We may receive more of these notices in the future. If such companies were to assert any claims against us based on patents or other rights described in existing notices, we believe, based on strategic and other considerations, that we should be able to resolve them outside of litigation without a material adverse effect to us; however, this conclusion is subject to significant uncertainty. We expect to try to resolve these matters through negotiation or, if necessary, by obtaining a license. However, if we are not able to resolve these matters satisfactorily, or to obtain a license on acceptable terms, we may face litigation. In that event, the ultimate outcome of these matters could have a material adverse effect on our business, results of operations or financial condition. Although third parties have not sued us based on claims of infringement of intellectual property rights during the last several years, we cannot assure you that third parties will not bring such suits in the future. Competitors, suppliers and others frequently sue each other regarding intellectual property rights in other technology industries, including the semiconductor industry.

Despite Our Efforts We Have Failed to Retain a Number of Experienced Upper and Middle Management, and as a Result We Face Challenges in Attracting and Retaining Qualified Personnel

The loss of key personnel or the inability to hire and retain qualified personnel could have a material adverse effect on our operating results. We are dependent upon a limited number of key management and technical personnel. We compete for personnel with other companies, academic institutions, government entities and other organizations. Our future success will depend in part upon our ability to attract and retain highly qualified personnel. We cannot assure you that we will be successful in hiring or retaining qualified personnel, or that any of our personnel will remain employed by MEMC.

In March 1998, we adopted a special incentive bonus program designed to retain the services of 24 of our officers and key employees, including eleven then executive officers. Under this program, the participants received a special bonus. Half of this bonus was paid when the participant entered into a special incentive bonus agreement; the other half becomes payable on June 30, 1999, subject to continued employment. If the participant's employment is terminated under certain circumstances, that participant must repay us all or a portion of the bonus the participant has already received. Despite this program, a number of experienced members of upper and middle management have left MEMC.

We Depend on Certain Suppliers and Finding Alternative Sources of Supply Could Affect Adversely Our Customer Qualifications and Manufacturing Yields

We obtain substantially all our requirements for several raw materials, equipment, parts and supplies from sole suppliers. We believe that we could find adequate alternative sources of supply for these raw materials, equipment, parts and supplies. However, we may be required to obtain new qualifications from our customers in order to change or substitute suppliers. We cannot predict whether we would be successful or how long that process would take. In addition, our manufacturing yields could be adversely affected while we transition to a new supplier. A decrease in our manufacturing yields could have a material adverse effect on our operating results.

From time-to-time we have experienced limited supplies of certain raw materials, equipment, parts and supplies, particularly polysilicon. We believe that adequate quantities of all our key raw materials, equipment, parts and supplies are currently available. However, because of the cyclical nature of our industry, we may experience shortages in the future. Increases in prices resulting from these shortages could have a material adverse effect on our operating results.

Because the Public is Focusing More Attention on the Environmental Impact of Our Industry and Its Manufacturing Operations, Environmental Laws and Regulations May Become More Stringent in the Future and Could Force MEMC to Expend Capital to Comply with Such Laws

Because the public is focusing more attention on the environmental impact of the semiconductor and related industries' manufacturing operations, environmental laws and regulations related to our industry may become more stringent in the future. Any failure to comply with environmental laws could subject us to substantial liability or could force us to significantly change our manufacturing operations. We are subject to a variety of foreign, federal, state and local laws and regulations governing the protection of the environment. These environmental regulations include those related to the use, storage, handling, discharge and disposal of toxic, volatile or otherwise hazardous materials used in our manufacturing processes. Under some of these laws and regulations, we could be held financially responsible for remedial measures if our properties are contaminated, even if we did not cause such contamination.

In early 1998, a valve at our Italian facility malfunctioned, resulting in a release of a hazardous gas. Governmental authorities are continuing to investigate the incident and, in addition to private individuals, could seek to assert claims against us. However, based on information currently available, we do not believe any such claims should have a material adverse effect on us. Also, we have been named as a defendant in two lawsuits with many other defendants in which the plaintiffs allege damages related to environmental problems.

Our Fluctuating Financial Results, Our Position in the Silicon Wafer Industry and Our Relationship with VEBA may Create Fluctuations in the MEMC Stock Price

Based on the trading history of MEMC common stock, we believe that certain factors cause the market price of MEMC common stock to fluctuate significantly. These factors include, without limitation:

- quarterly fluctuations in our financial results;

- announcements of technological innovations or new products by us or our competitors;

- market conditions in the semiconductor industry;

- market conditions in the silicon wafer industry;

- developments in patent or other proprietary rights;

- changes in our relationships with our customers;

- any actual or perceived change in our relationship with VEBA AG and its affiliates; and

- the size of the public float of MEMC common stock (which will depend, in part, on the number of shares of MEMC common stock purchased or acquired by rights holders other than by the VEBA group in our pending rights offering).

Technology company stocks in general have experienced extreme price and trading volume fluctuations that often have been unrelated to the operating performance of these companies. This market volatility may adversely affect the market price of MEMC common stock. In addition, if we suffer an actual or anticipated shortfall in net sales, gross margin or net earnings from security analysts' expectations, the trading price of MEMC common stock in any given period could decline.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The following statements are or may constitute forward-looking statements:

- statements set forth in this Annual Report on Form 10-K or statements incorporated by reference from documents we have filed with the Securities and Exchange Commission, including possible or assumed future results of our operations, including but not limited to any statements contained herein or therein concerning:

  - the manner, timing and estimated savings of restructuring activities and the voluntary separation program;

  - the transfer of Spartanburg-based small diameter production activities to other existing locations;

  - the utilization of the restructuring reserve;

  - product volumes, pricing and operating results for the first quarter of 1999;

- pricing for the near term;

- capital expenditures for 1999;

- our liquidity into 2000;

- excess capacity for future periods;

- the resolution of any intellectual property infringement claims;

- the shipment of 12-inch prime polished and epitaxial wafers in 1999 and timing of future demand for 12-inch wafers;

- the continued support of VEBA AG;

- the status, effectiveness and projected completion of our Year 2000 initiatives;

- the outcome of potential litigation;

- an increase in interest expense on existing debt with VEBA AG and its affiliates;

- the impact of the introduction of the euro;

- estimated cost reductions for the global purchasing, plant focus and other initiatives;

- our expectations for an increase in market demand for silicon wafers and semiconductors and an easing of pressure on pricing and margins in the year 2000;

- our expectations concerning our lack of profitability in 1999 and our ability to generate positive cash flows in the year 2000;

- implementations in our plants of QS 9000 and ISO 14001 certifications;

- the expectations concerning Taisil and the Taiwanese silicon wafer market; and

- any statements preceded by, followed by or that include the words "believes," "expects," "predicts," "anticipates," "intends," "estimates," "should," "may" or similar expressions.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially are set forth under "Business -- Risk Factors."

You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public accountants have not examined or compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a list, as of March 1, 1999, of the names and ages of our executive officers and all positions and offices with us that are presently held by the person named. Each executive officer's term will end upon the appointment of his or her successor or upon his or her earlier resignation, except that Mr. von Horde's term of office expires in 2003 pursuant to the terms of his employment agreement. There are no family relationships between or among any of the named persons and the directors.

<TABLE>
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NAME	AGE	ALL POSITIONS AND OFFICES HELD
Klaus R. von Horde	57	President, Chief Executive Officer and Director
James M. Stolze	55	Executive Vice President and Chief Financial Officer
Marcel Coinne	58	Corporate Vice President
Dr. John P. DeLuca	56	Corporate Vice President
Helene F. Hennelly	52	Corporate Vice President, General Counsel and Secretary
Jonathon P. Jansky	47	Corporate Vice President
Dr. Thomas Knothe	41	Corporate Vice President
Paul V. Pastorek	52	Corporate Vice President
James W. Wick	56	Corporate Vice President

Each executive officer has held the same position or another executive position with us during the past five years, except as set forth in the 1999 Proxy Statement and as indicated below.

Mr. von Horde was President and Chief Operating Officer of the Company from December 1997 to February 1999 and has been President and Chief Executive Officer of the Company since February 1999.

Mr. Stolze was a Partner with KPMG LLP from 1977 until joining us as Executive Vice President and Chief Financial Officer in June 1995.

Mr. Coinne was Corporate Vice President and President of the U.S. Region of the Company from March 1993 to October 1996, Corporate Vice President and President -- North America of the Company from October 1996 to December 1997 and has been Corporate Vice President, Customer Operations of the Company since December 1997.

Dr. DeLuca was Director, Manufacturing Technology of the Company from May 1992 to November 1994 and has been Corporate Vice President, Technology of the Company since November 1994.

Ms. Hennelly was Vice President, General Counsel and Secretary of the Company from October 1990 until May 1996 and has been Corporate Vice President, General Counsel and Secretary of the Company since May 1996.

Mr. Jansky was Plant Manager of the Company's St. Peters facility from 1992 until January 1997, Corporate Vice President, Investment Planning of the Company from January 1997 to May 1998 and has been Corporate Vice President, Operations of the Company since May 1998.

Dr. Knothe was Director, Corporate Development Plastics Business for Huls AG from 1994 to 1995 and Director, Corporate Development Electronic Materials for Huls AG from 1995 until January 1998. Dr. Knothe was Vice President, Strategy Development of the Company from January 1998 until August 1998 and has been Corporate Vice President, Corporate Development of the Company since August 1998.

Mr. Pastorek was Director, Marketing and Business Development-Asia of the Company from 1993 until December 1995, Corporate Vice President of the Company and Executive Vice President of POSCO HULS Co. Ltd., the Company's joint venture in South Korea, from December 1995 to May 1998 and has been Corporate Vice President, Product Management of the Company since May 1998.

Mr. Wick was Vice President, Human Resources for Bunge Corporation from 1990 until joining us in January 1999. Bunge Corporation is an international, privately-held, multi-billion dollar, integrated agri-business company engaged in commodity trading, grain and edible oil exporting and food processing.

ITEM 2. PROPERTIES

Our principal executive offices are located at 501 Pearl Drive (City of O'Fallon), St. Peters, Missouri 63376, and our telephone number at that address is (314) 279-5500. Our principal manufacturing and administrative facilities and the principal manufacturing and administrative facilities of our joint ventures comprised approximately 4.2 million square feet as of December 31, 1998 and were situated in the following locations:

<TABLE>
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LOCATION	SQUARE FOOTAGE
St. Peters, MO, USA	737,000
Spartanburg, SC, USA	309,000
Sherman, TX, USA	707,000
Pasadena, TX, USA	436,000
Luoyang, China	70,000
Merano, Italy	319,000
Novara, Italy	322,000
Utsunomiya, Japan	305,000
Kuala Lumpur, Malaysia	53,000
Chonan, South Korea (PHC joint venture)	460,000
Hsinchu, Taiwan (Taisil joint venture)	450,000

</TABLE>

We lease a portion of our St. Peters facility pursuant to a lease agreement between us and the City of O'Fallon, Missouri that was entered into in connection with an industrial revenue bond financing. The term of the St. Peters lease expires in 2011, and we have the option to purchase the leased portion of the St. Peters

facility at the end of the lease. We also lease our small diameter facility in Sherman, Texas. The initial term of this lease expires in 2001 and is extendable at our option for three (3) additional renewal terms of five (5) years each. We lease our facility in Pasadena, Texas. The term of the Pasadena lease expires in 2030 and is extendable for four (4) additional renewal terms of five (5) years each. Taisil leases the land on which its Hsinchu, Taiwan facility is located. This lease expires in 2014. We also lease our facilities in Luoyang, China and Kuala Lumpur, Malaysia. These leases expire in 2012 and 2000, respectively.

In 1999, we intend to close our facility in Spartanburg, South Carolina and withdraw from our joint venture participation in the facility in Luoyang, China.

We believe that our existing facilities and equipment are well maintained, in good operating condition and are adequate to meet our current requirements. The extent of utilization of these facilities varies from plant to plant and from time to time during the year.

ITEM 3. LEGAL PROCEEDINGS

Equipment Purchase Dispute

We have a dispute with a manufacturer of equipment for the production of silicon wafers. The dispute involves our cancellation of an order for a number of pieces of equipment. The manufacturer claims that we are obligated for approximately $5 million for costs related to the cancelled order, including the cost of inventory it has on hand and on order with its vendors. We are in the process of evaluating the merits of the manufacturer's claim. The manufacturer has advised us that if we are unable to resolve this dispute, it will file suit against us. While we will assert all of our defenses in this dispute, we cannot assure you that we will be able to resolve this dispute on terms favorable to us.

Litigation Related To MEMC Pasadena

In a case entitled Damewood vs. Ethyl Corporation, et al., (Case No. 96-38521), filed on August 1, 1996, three employees of the former operator of MEMC Pasadena's plant, Albemarle Corporation, filed suit against us and others in the 189th Judicial District Court, Harris County, Texas. The employees alleged that they sustained injuries during an explosion at that plant on January 27, 1996. We have settled this matter with plaintiffs and have been dismissed as a party. One of the other defendants, Ethyl Corporation, was the only defendant in this case at the time of trial in October 1998. A jury awarded a verdict against Ethyl Corporation in the amount of $6.1 million.

In July of 1996, two employees of the former operator of the MEMC Pasadena plant were injured when flaming liquid escaped from a valve under repair. These individuals filed suit on June 13, 1997, against us and others in a case entitled Parden vs. Ethyl Corporation, et al. (Case No. 97-34857) in the 61st Judicial District Court, Harris County, Texas. Plaintiffs are seeking actual and exemplary damages in an unstated amount. We believe that we have meritorious defenses to this cause of action. This case is currently set for trial on August 16, 1999.

A demand against us for defense and indemnity in both these cases was made on behalf of Ethyl Corporation by Albemarle Corporation on September 29, 1998. Albemarle Corporation has assumed the obligation to defend and indemnify Ethyl Corporation under an agreement in which Ethyl Corporation transferred ownership of the plant where the injury took place to Albemarle Corporation. Albemarle Corporation's demand for defense and indemnification against us on behalf of Ethyl Corporation is under evaluation by our counsel. In early November, we made a demand for indemnity in these cases against Albemarle. Demands for indemnity made by Albemarle Corporation on behalf of Ethyl Corporation and by us are both based on contractual indemnity language contained in the contract for the sale of the MEMC Pasadena plant from Albemarle Corporation to us.

In October 1997, a flash ignition occurred at the MEMC Pasadena plant. Eleven employees of U.S. Contractors, Inc., a construction contractor, received injuries from the impact. Three of these individuals have filed suit against us, Albemarle Corporation and another party for injuries allegedly sustained in this accident in a case entitled Larry Lambert, Andres Garcia and Rogers Patino vs. MEMC Pasadena, Inc.,

(Cause No. 97-61639). The case was filed in the 152nd Judicial District, Harris County, Texas. Two of these individuals allege head injuries and all three allege hearing loss. The plaintiffs are seeking actual, punitive and exemplary damages against the defendants in an unstated amount. We believe all of the defendants have significant defenses to the plaintiffs' claims.

Pursuant to a construction contract between us and U.S. Contractors, Inc., U.S. Contractors, Inc. originally agreed to defend and indemnify us in this suit up to $25 million. Under a contract between us and Albemarle Corporation, we are contractually obligated to defend Albemarle Corporation in this suit. We have also made a demand upon U.S. Contractors, Inc. to defend and indemnify Albemarle Corporation pursuant to the construction contract between us and U.S. Contractors, Inc. U.S. Contractors, Inc.'s insurance carrier has recently indicated to us that it disputes the obligation of U.S. Contractors, Inc. to defend and indemnify us and Albemarle Corporation despite U.S. Contractors, Inc.'s prior agreement to defend and indemnify us.

On March 18, 1999, the parties agreed in principal to a settlement of the foregoing matter which will be completely covered by insurance. We anticipate that the parties will execute agreements reflecting this settlement in the next several weeks.

Due to uncertainty regarding the litigation process, the scope and interpretation of contractual indemnity provisions and the status of any insurance coverage or pending settlements, we cannot assure you that the ultimate outcome of the foregoing matters will not have a material adverse effect on us.

Texas Nuisance Actions

In a case entitled Crye, et al. vs. Reichhold Chemicals, Inc., et al. (Case No. 97-24399), over 7,000 plaintiffs filed suit against MEMC Pasadena and approximately 31 other companies operating industrial facilities along I-10 and along the Houston Ship Channel in Harris County, Texas. The suit was filed in the 334th Judicial District, Harris County, Texas. MEMC Pasadena was served in this matter on December 30, 1998. In a similar case entitled Gerlich, et al. vs. Merichem Company, et al. (Case No. 98-59745), almost 400 plaintiffs filed suit against MEMC Pasadena and approximately 26 other companies operating industrial facilities along I-10 and along the Houston Ship Channel in Harris County, Texas. The suit was filed in the 80th Judicial District, Harris County, Texas. MEMC Pasadena was served in this matter on February 2, 1999.

In both cases, plaintiffs allege that defendants have discharged various pollutants into the air, soil, ground and surface water. Plaintiffs also allege that these facilities generate deafening noise, sickening foul odors and glaring and intrusive lights. Plaintiffs have sued all defendants alleging nuisance, trespass, negligence and gross negligence. Plaintiffs are seeking an injunction and actual and exemplary damages in an unstated amount. We are in the process of evaluating these lawsuits. Because these suits were only recently served on us, we have not fully evaluated our potential exposure, if any. Due to the early stage of our investigation of these lawsuits and the uncertainty regarding the status of any insurance coverage, we cannot assure you that the ultimate outcome of these matters will not have a material adverse effect on us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The narrative or tabular information regarding the market for our common equity and related stockholder matters required by this item is set forth under Note 18, "Unaudited Quarterly Financial Information", on pages 42 and 43 of our 1998 Annual Report and under "Stockholder Information" on page 48 of our 1998 Annual Report, which information is incorporated herein by reference. We have not paid any dividends on our common stock for the last two fiscal years.

ITEM 6. SELECTED FINANCIAL DATA

The tabular information (including the footnotes thereto) required by this item is set forth under "Five Year Selected Financial Data" on page 12 of our 1998 Annual Report, which information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is set forth on pages 13 through 22 of our 1998 Annual Report, which information is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is set forth under "Market Risk" on pages 21 and 22 of our 1998 Annual Report, which information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements appearing on pages 23 through 43, and the Independent Auditors' Report thereon of KPMG LLP appearing on page 45 of our 1998 Annual Report, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

We will file a definitive proxy statement with the Securities and Exchange Commission within 120 days of year-end (the 1999 Proxy Statement). The information required by this item with respect to directors will be set forth in the 1999 Proxy Statement under "ELECTION OF DIRECTORS" and is incorporated herein by reference. The information required by this item with respect to executive officers is set forth in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information appearing under (i) "BOARD MEETINGS AND COMMITTEES;

COMPENSATION OF DIRECTORS -- Directors' Fees"; (ii) "SUMMARY COMPENSATION TABLE" and related footnotes; (iii) "OPTION/SAR GRANTS IN LAST FISCAL YEAR" and related footnotes; (iv) "AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES" and related footnotes; (v) "Pension Plan"; (vi) "Pension Plan Table (1)," "Pension Plan Table (2)," and "Pension Plan Table (3)" (vii) "Employment Agreements"; (viii) "Annual Incentive Plan"; (ix) "Special Incentive Bonus Plan"; and (x) "Compensation Committee Interlocks and Insider Participation" of the 1999 Proxy Statement are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information appearing under "SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS" of the 1999 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under "CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS" of the 1999 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

1. FINANCIAL STATEMENTS

The following consolidated financial statements of us and our subsidiaries, included on pages 23 through 43 of the 1998 Annual Report, and the Independent Auditors' Report thereon of KPMG LLP appearing on page 45 of such report are incorporated herein by reference.

Consolidated Statements of Operations -- Years ended December 31, 1998, 1997 and 1996.

Consolidated Balance Sheets -- December 31, 1998 and 1997.

Consolidated Statements of Cash Flows -- Years ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Stockholders' Equity -- Years ended December 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements.

Independent Auditors' Report.

2. FINANCIAL STATEMENT SCHEDULES

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3. EXHIBITS

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	EXHIBIT NO.	DESCRIPTION
<S>		<C>
	3(i)	Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3-a of the Company's Form 10-Q for the Quarter ended June 30, 1995)
	3(ii)	Restated By-laws of the Company (Incorporated by reference to Exhibit 3.2 of Amendment No. 4 to the Company's Form S-3 Registration Statement No. 333-65973)
	4	Form of Rights Certificate to Subscribe for Shares of Common Stock of the Company (Incorporated by reference to Exhibit 4.1 of Amendment No. 3 to the Company's Form S-3 Registration Statement No. 333-65973)
*	10-a	Shareholders Agreement dated May 24, 1994 among the Company and China Steel Corporation ("China Steel"), China Development Corporation and Chiao Tung Bank (Incorporated by reference to Exhibit 10(a) of Amendment No. 4 to the Company's Form S-1 Registration Statement No. 33-92412)
*	10-b	Technology Cooperation Agreement dated October 26, 1994 between the Company and Taisil Electronic Materials Corporation ("Taisil") (Incorporated by reference to Exhibit 10-b of Amendment No. 4 to the Company's Form S-1 Registration Statement No. 33-92412)
	10-c	Joint Venture Agreement dated August 28, 1990 among the Company, Pohang Iron and Steel Company, Ltd. ("POSCO") and Samsung Electronics Company, Ltd. ("Samsung") (Incorporated by reference to Exhibit 10-c of Amendment No. 1 to the Company's Form S-1 Registration Statement No. 33-92412)
	10-c(1)	First Amendment to Joint Venture Agreement dated December 9, 1993 among the Company, POSCO and Samsung (Incorporated by reference to Exhibit 10-d of Amendment No. 1 to the Company's Form S-1 Registration Statement No. 33-92412)
	10-c(2)	Second Amendment to Joint Venture Agreement dated December 30, 1994 among the Company, POSCO and Samsung (Incorporated by reference to Exhibit 10-e of Amendment No. 1 to the Company's Form S-1 Registration Statement No. 33-92412)
*	10-d	Technical Agreement dated December 19, 1990 between the Company and POSCO HULS Company Ltd. ("PHC")
*	10-d(1)	Amendment to Technical Agreement dated as of January 1, 1995 between the Company and PHC (Incorporated by reference to Exhibit 10-g of Amendment No. 1 to the Company's Form S-1 Registration Statement No. 33-92412)
	10-d(2)	Second Amendment to Technical Agreement effective as of September 30, 1998 between the Company and PHC (Incorporated by reference to Exhibit 10-g(1) of the Company's Current Report on Form 8-K dated October 22, 1998)
**	10-d(3)	Third Amendment to PHC Technical Agreement effective as of October 1, 1998 by and between the Company and PHC
*	10-e	Shareholder's Agreement dated as of May 16, 1995 between the Company and Texas Instruments Incorporated ("TI") (Incorporated by reference to Exhibit 10-h of Amendment No. 4 to the Company's Form S-1 Registration Statement No. 33-92412)
*	10-f	TI Purchase Agreement dated as of June 30, 1995 between the Company, MEMC Southwest Inc. ("MEMC Southwest") and TI (Incorporated by reference to Exhibit 10-i of the Company's Form 10-Q for the Quarter ended June 30, 1995)

*	10-f(1)	Amendment to TI Purchase Agreement dated as of June 5, 1997, between MEMC Southwest and TI (Incorporated by reference to Exhibit 10-i of the Company's Form 10-Q for the Quarter ended June 30, 1997)

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	EXHIBIT NO.	DESCRIPTION
	<S>	<C>
	10-g	Lease Agreement Covering Silicon Wafer Operation Premises dated June 30, 1995 between TI and MEMC Southwest (Incorporated by reference to Exhibit 10-j of the Company's Form 10-Q for the Quarter ended June 30, 1995)
	10-g(1)	Sublease Agreement covering Silicon Wafer Operation Premises dated June 30, 1995 between TI and MEMC Southwest (Incorporated by reference to Exhibit 10-j(1) of the Company's Form 10-Q for the Quarter ended June 30, 1995)
*	10-h	Technology Transfer Agreement dated as of June 30, 1995 between the Company, TI and MEMC Southwest (Incorporated by reference to Exhibit 10-k of the Company's Form 10-Q for the Quarter ended June 30, 1995)
	10-i	Registration Rights Agreement between the Company and VEBA Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-l of the Company's Form 10-K for the Year ended December 31, 1995)
	10-i(1)	Form of Amendment to Registration Rights Agreement by and between the Company and VEBA Corporation (Incorporated by reference to Exhibit 10.3 of Amendment No. 3 to the Company's Form S-3 Registration Statement No. 333-65973)
	10-j	Form of Master Reserve Volume Agreement (Incorporated by reference to Exhibit 10-m of the Company's Form 10-K for the Year ended December 31, 1995)
	10-k	Service Agreement dated January 1, 1995 between the Company and Huls Corporation (Incorporated by reference to Exhibit 10-v of Amendment No. 1 to the Company's Form S-1 Registration Statement No. 33-92412)
	10-k(1)	Letter Agreement dated June 19, 1995 amending the Service Agreement dated January 1, 1995 among the Company and Huls Corporation (Incorporated by reference to Exhibit 10-w of the Company's Form 10-Q for the Quarter ended June 30, 1995)
*	10-l	Trichlorosilane Supply Agreement between MEMC Electronic Materials SpA and Huls Silicone GmbH dated as of December 31, 1995 (Incorporated by reference to Exhibit 10-bb of the Company's Form 10-K for the Year ended December 31, 1995)
	10-m	MEMC Technology License Agreement dated as of July 31, 1995, between Albemarle Corporation and the Company (Incorporated by reference to Exhibit 10-tt of the Company's Form 10-K for the Year ended December 31, 1995)
*	10-n	Seller Technology License Agreement dated as of July 31, 1995, among Albemarle Corporation, the Company, and MEMC Pasadena, Inc. (Incorporated by reference to Exhibit 10-ll of the Company's Form 10-K/A Amendment No. 2 for the Year ended December 31, 1997)
*	10-o	Technology Purchase Agreement dated as of July 31, 1995, among Albemarle Corporation and the Company (Incorporated by reference to Exhibit 10-mm of the Company's Form 10-K/A Amendment No. 2 for the Year ended December 31, 1997)
	10-p	Ground Lease Agreement dated as of July 31, 1995, between Albemarle Corporation and MEMC Pasadena, Inc. (Incorporated by reference to Exhibit 10-nn of the Company's Form 10-K/A Amendment No. 2 for the Year ended December 31, 1997)
	10-p(1)	Amendment to Ground Lease Agreement dated as of May 31, 1997, between the Company, MEMC Pasadena, Inc., and Albemarle Corporation (Incorporated by reference to Exhibit 10-nn(1) of the Company's Form 10-K/A Amendment No. 2 for the Year ended December 31, 1997)
	10-q	Purchase Agreement dated as of October 22, 1998 by and among the Company and VEBA Corporation (Incorporated by reference

to Exhibit 2 of the Schedule 13D dated October 30, 1998 filed by VEBA Aktiengesellschaft and VEBA Corporation with respect to the Company)

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EXHIBIT NO.	DESCRIPTION
<S>	<C>
10-q(1)	First Amendment to Purchase Agreement dated as of December 29, 1998 by and among the Company and VEBA Corporation (Incorporated by reference to Exhibit 10.1(a) of Amendment No. 2 to the Company's Form S-3 Registration Statement No. 333-65973)
10-q(2)	Second Amendment to Purchase Agreement dated as of February 14, 1999 by and among the Company and VEBA Zweite Verwaltungsgesellschaft mbH (as successor to VEBA Corporation) (Incorporated by reference to Exhibit 10.1(b) of Amendment No. 3 to the Company's Form S-3 Registration Statement No. 333-65973)
10-r	Standby Agreement dated as of October 22, 1998 by and among the Company and VEBA Corporation (Incorporated by reference to Exhibit 3 of the Schedule 13D dated October 30, 1998 filed by VEBA Aktiengesellschaft and VEBA Corporation with respect to the Company)
+ 10-aa	Employment Agreement dated as of April 1, 1993 among Huls Belgium S.A., the Company and Marcel Coinne (Incorporated by reference to Exhibit 10-r of Amendment No. 1 to the Company's Form S-1 Registration Statement No. 33-92412)
+ 10-bb	MEMC Supplemental Executive Pension Plan 1997 Restatement (Incorporated by reference to Exhibit 10-s of the Company's Form 10-Q for the Quarter ended March 31, 1997)
+ 10-cc	MEMC Electronic Materials, Inc. 1995 Equity Incentive Plan as Amended and Restated on March 18, 1997 (Incorporated by reference to Exhibit 10-t of the Company's Form 10-Q for the Quarter ended March 31, 1997)
+ 10-cc(1)	Form of Stock Option and Restricted Stock Agreement (Incorporated by reference to Exhibit 10-t(1) of the Company's Form 10-K for the Year ended December 31, 1995)
+ 10-cc(2)	Form of Stock Option and Performance Restricted Stock Agreement (Incorporated by reference to Exhibit 10-yy of the Company's Form 10-K for the Year ended December 31, 1995)
+ 10-cc(3)	Form of Stock Option Agreement (Incorporated by reference to Exhibit 10-zz of the Company's Form 10-K for the Year ended December 31, 1995)
+ 10-cc(4)	Form of Stock Option and Performance Restricted Stock Agreement (Incorporated by reference to Exhibit 10-nnn of the Company's Form 10-Q for the Quarter ended March 31, 1997)
+ 10-cc(5)	Form of Stock Option Agreement (Incorporated by reference to Exhibit 10-ooo of the Company's Form 10-Q for the Quarter ended March 31, 1997)
+ 10-cc(6)	Form of Stock Option Agreement (Nonemployee Directors) (Incorporated by reference to Exhibit 10-ppp of the Company's Form 10-Q for the Quarter ended March 31, 1997)
+ 10-dd	Annual Incentive Plan for Selected Key Employees of MEMC Electronic Materials, Inc. and its Subsidiaries (Incorporated by reference to Exhibit 10-u of Amendment No. 1 to the Company's Form S-1 Registration Statement No. 33-92412)
+ 10-ee	Employment Agreement effective as of June 16, 1995 between the Company and James M. Stolze (Incorporated by reference to Exhibit 10-ee of Amendment No. 1 to the Company's Form S-1 Registration Statement No. 33-92412)
+ 10-ff	Employment Agreement dated September 3, 1996 between the Company and Ludger H. Viefhues (Incorporated by reference to Exhibit 10-hhh of the Company's Form 10-Q for the Quarter ended September 30, 1996)
+ 10-ff(1)	Supplemental Retirement Agreement dated as of February 17,

	1999 between the Company and Ludger H. Viefhues (Incorporated by reference to Exhibit 10-xx(1) of the Company's Current Report on Form 8-K dated February 17, 1999)

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EXHIBIT NO.	DESCRIPTION
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+ 10-ff(2)	Supplemental Retirement Agreement Clarification dated March 17, 1999 between the Company and Ludger H. Viefhues (Incorporated by reference to Exhibit 10.6 of Amendment No. 4 to the Company's Form S-3 Registration Statement No. 333-65973)
+ 10-gg	Stock Option Agreement dated as of September 1, 1996 between the Company and Ludger H. Viefhues (Incorporated by reference to Exhibit 10-iii of the Company's Form 10-Q for the Quarter ended September 30, 1996)
+ 10-hh	Consulting Agreement dated December 1, 1997, between the Company and Dr. Robert M. Sandfort (Incorporated by reference to Exhibit 10-nnn of the Company's Form 10-K/A Amendment No. 2 for the Year ended December 31, 1997)
+ 10-ii	Separation Agreement, General Release and Covenant Not to Sue dated December 31, 1997, between the Company and Tommy L. Cadwell (Incorporated by reference to Exhibit 10-ooo of the Company's Form 10-K for the Year ended December 31, 1997)
+ 10-jj	Agreement dated as of April 1, 1993, between the Company and Ralph D. Hartung (Incorporated by reference to Exhibit 10-ppp of the Company's Form 10-K for the Year ended December 31, 1997)
+ 10-kk	MEMC Electronic Materials, Inc. Special Incentive Plan Summary (Incorporated by reference to Exhibit 10-qqq of the Company's Form 10-Q for the Quarter ended June 30, 1998)
+ 10-kk(1)	Special Incentive Bonus Agreement dated as of March 26, 1998 between the Company and Marcel Coinne (Incorporated by reference to Exhibit 10-rrr of the Company's Form 10-Q for the Quarter ended June 30, 1998)
+ 10-kk(2)	Special Incentive Bonus Agreement dated as of March 24, 1998 between the Company and Ralph D. Hartung (Incorporated by reference to Exhibit 10-sss of the Company's Form 10-Q for the Quarter ended June 30, 1998)
+ 10-kk(3)	Special Incentive Bonus Agreement dated as of March 31, 1998 between the Company and James M. Stolze (Incorporated by reference to Exhibit 10-ttt of the Company's Form 10-Q for the Quarter ended June 30, 1998)
+ 10-kk(4)	Special Incentive Bonus Agreement dated as of March 24, 1998 between the Company and John P. DeLuca
+ 10-ll	Employment Agreement effective as of April 1, 1998 between the Company and Klaus R. von Horde (Incorporated by reference to Exhibit 10-uuu of the Company's Form 10-Q for the Quarter ended June 30, 1998)
+ 10-ll(1)	Employment Agreement effective as of February 17, 1999 between the Company and Klaus R. von Horde (Incorporated by reference to Exhibit 10.5 of Amendment No. 4 to the Company's Form S-3 Registration Statement No. 333-65973)
+ 10-mm	Letter Agreement dated April 17, 1998 between the Company and Dr. Werner Schmitz (Incorporated by reference to Exhibit 10-vvv of the Company's Form 10-Q for the Quarter ended June 30, 1998)
+ 10-nn	Agreement dated May 19, 1998 between the Company and Ralph D. Hartung (Incorporated by reference to Exhibit 10-www of the Company's Form 10-Q for the Quarter ended June 30, 1998)
+ 10-oo	International Transfer Letter Agreement effective as of October 1, 1998 between the Company and Marcel Coinne (Incorporated by reference to Exhibit 10-yyy of the Company's Current Report on Form 8-K dated October 21, 1998)
10-aaa	Credit Agreement dated as of July 10, 1995, between the

Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-jj of the Company's Form 10-Q for the Quarter ended June 30, 1995)

</TABLE>

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EXHIBIT NO.	DESCRIPTION
<S>	<C>
10-aaa(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-cc(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-bbb	Credit Agreement dated as of July 10, 1995, between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-kk of the Company's Form 10-Q for the Quarter ended June 30, 1995)
10-bbb(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA Corporation (Incorporated by reference to Exhibit 10-dd(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-ccc	Credit Agreement dated as of July 10, 1995, between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-ll of the Company's Form 10-Q for the Quarter ended June 30, 1995)
10-ccc(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-ee(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-ddd	Credit Agreement dated as of July 10, 1995, between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-mm of the Company's Form 10-Q for the Quarter ended June 30, 1995)
10-ddd(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-ff(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-eee	Credit Agreement dated as of July 10, 1995, between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-nn of the Company's Form 10-Q for the Quarter ended June 30, 1995)
10-eee(1)	First Amendment to Credit Agreement effective as of July 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-gg(1) of the Company's Form 10-Q for the Quarter ended June 30, 1998)
10-eee(2)	Second Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-gg(2) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-fff	Credit Agreement dated as of July 10, 1995, between the Company and Fidelia Corporation (as successor to Huls AG) (Incorporated by reference to Exhibit 10-oo of the Company's Form 10-Q for the Quarter ended June 30, 1995)
10-ggg(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-hh(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-hhh	Revolving Credit Agreement dated as of July 10, 1995, between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-pp of the Company's Form 10-Q for the Quarter ended June 30, 1995)
10-hhh(1)	Amendment to Loan Agreement effective March 4, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-ii(1) of the

Company's Form 10-Q for the Quarter ended June 30, 1998)
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EXHIBIT NO.	DESCRIPTION
10-hhh(2)	Second Amendment to Revolving Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-ii(2) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-iii	Reimbursement Agreement effective as of August 1, 1995 between the Company and Huls AG (Incorporated by reference to Exhibit 10-rr of the Company's Form 10-K for the Year ended December 31, 1995)
10-jjj	Credit Agreement between the Company and VEBA AG (as successor to Huls AG) dated as of December 22, 1995 (Incorporated by reference to Exhibit 10-aaa of the Company's Form 10-K for the Year ended December 31, 1995)
10-jjj(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-qq(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-kkk	Credit Agreement between the Company and VEBA AG (as successor to Huls AG) dated as of December 22, 1995 (Incorporated by reference to Exhibit 10-bbb of the Company's Form 10-K for the Year ended December 31, 1995)
10-kkk(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-rr(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-lll	Credit Agreement between the Company and VEBA AG (as successor to Huls AG) dated as of December 22, 1995 (Incorporated by reference to Exhibit 10-ccc of the Company's Form 10-K for the Year ended December 31, 1995)
10-lll(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-ss(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-mmm	Credit Agreement between the Company and VEBA AG (as successor to Huls AG) dated as of December 22, 1995 (Incorporated by reference to Exhibit 10-ddd of the Company's Form 10-K for the Year ended December 31, 1995)
10-mmm(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-tt(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-nnn	Credit Agreement dated as of December 1, 1996 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-jjj of the Company's Form 10-K for the Year ended December 31, 1996)
10-nnn(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-ccc(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-ooo	Credit Agreement dated as of December 1, 1996 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-kkk of the Company's Form 10-K for the Year ended December 31, 1996)

</TABLE>

EXHIBIT NO.	DESCRIPTION
10-ooo(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-ddd(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-ppp	Credit Agreement dated as of April 1, 1996 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-lll of the Company's Form 10-K for the Year ended December 31, 1996)
10-ppp(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and VEBA AG (as successor to Huls AG) (Incorporated by reference to Exhibit 10-eee(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-qqq	Fourth Short-Term Loan Agreement dated as of March 31, 1996 between the Company and VEBA Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-mmm of the Company's Form 10-K for the Year ended December 31, 1996)
10-qqq(1)	First Amendment to Overnight Loan Agreement effective as of September 1, 1998 between the Company and VEBA Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-fff(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-rrr	Five Year Credit Agreement dated as of June 26, 1997, between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-qqq of the Company's Form 10-Q for the Quarter ended June 30, 1997)
10-rrr(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-jjj(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-sss	Six Year Credit Agreement dated as of June 26, 1997, between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-rrr of the Company's Form 10-Q for the Quarter ended June 30, 1997)
10-sss(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-kkk(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-ttt	Seven Year Credit Agreement dated as of June 26, 1997, between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-sss of the Company's Form 10-Q for the Quarter ended June 30, 1997)
10-ttt(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-lll(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-uuu	Eight Year Credit Agreement dated as of June 26, 1997, between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-ttt of the Company's Form 10-Q for the Quarter ended June 30, 1997)
10-uuu(1)	First Amendment to Credit Agreement effective as of September 1, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-mmm(1) of the Company's Current Report on Form 8-K dated October 21, 1998)

EXHIBIT NO.	DESCRIPTION
10-vvv	Loan Agreement dated as of June 30, 1998 between the Company and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-xxx of the Company's Form 10-Q for the Quarter ended June 30, 1998)
10-vvv(1)	First Amendment to Loan Agreement effective as of September 1, 1998 between the Company and and Fidelia Corporation (as successor to Huls Corporation) (Incorporated by reference to Exhibit 10-xxx(1) of the Company's Current Report on Form 8-K dated October 21, 1998)
10-www	Revolving Credit Agreement dated as of September 23, 1998 between the Company and VEBA AG (Incorporated by reference to Exhibit 10-zzz of the Company's Current Report on Form 8-K dated October 21, 1998)
10-xxx	Revolving Credit Agreement dated as of February 26, 1999 between the Company and Fidelia Corporation (as successor to VEBA Corporation)(Incorporated by reference to Exhibit 10.4 of Amendment No. 3 to the Company's Form S-3 Registration Statement No. 333-65973)
13	Pages 12 through 45 (excluding the 'Report of Management' on page 44) and page 48 of the Company's 1998 Annual Report
21	Subsidiaries of the Company
22	Omitted -- Inapplicable
23-a	Consent of KPMG LLP
23-b	Consent of KPMG San Tong Corp.
23-c	Consent of KPMG Certified Public Accountants
24	Powers of Attorney submitted by Dr. Hans Michael Gaul; Helmut Mamsch; Willem D. Maris; Paul T. O'Brien; Dr. Alfred Oberholz; Michael B. Smith; and Ludger H. Viefhues
27	Financial Data Schedule (filed electronically with the SEC only)
99	Omitted -- Inapplicable

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* Confidential treatment of certain portions of these documents has been granted.

** Portions of this Exhibit have been redacted pursuant to a request for confidential treatment filed separately with the Secretary of the Securities and Exchange Commission.

\+ These Exhibits constitute all management contracts, compensatory plans and arrangements required to be filed as an Exhibit to this form pursuant to Item 14(c) of this report.

(B) REPORTS ON FORM 8-K

During the fourth quarter of 1998, we filed the following two (2) current reports on Form 8-K:

1. Item 5 Form 8-K filed on October 22, 1998; and

2. Item 5 Form 8-K filed on October 27, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEMC ELECTRONIC MATERIALS, INC.

By: /s/ KLAUS R. VON HORDE

Klaus R. von Horde
President, Chief Executive Officer
and Director

Date: March 25, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
/s/ KLAUS R. VON HORDE Klaus R. von Horde	President, Chief Executive Officer and Director (Principal executive officer)	March 25, 1999
/s/ JAMES M. STOLZE James M. Stolze	Executive Vice President and Chief Financial Officer (Principal financial and accounting officer)	March 25, 1999
* Dr. Hans Michael Gaul	Director	March 25, 1999
* Helmut Mamsch	Chairman of the Board of Directors	March 25, 1999
* Willem D. Maris	Director	March 25, 1999
* Dr. Alfred Oberholz	Director	March 25, 1999
* Paul T. O'Brien	Director	March 25, 1999
* Michael B. Smith	Director	March 25, 1999
* Ludger H. Viefhues	Director	March 25, 1999

</TABLE>

* James M. Stolze, by signing his name hereto, does sign this document on behalf of the above noted individuals, pursuant to powers of attorney duly executed by such individuals which have been filed as an Exhibit to this Report.

/s/ JAMES M. STOLZE

James M. Stolze
Attorney-in-Fact

EXHIBIT INDEX

The following exhibits are filed as part of this report:

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<S>	<C>
10-d	Technical Agreement dated December 19, 1990 between the Company and POSCO HULS Company, Ltd.
10-d(3)	Third Amendment to PHC Technical Agreement effective as of October 1, 1998 by and between the Company and POSCO HULS Co., Ltd.
10-kk(4)	Special Incentive Bonus Agreement dated as of March 24, 1998 between the Company and John P. DeLuca
13	Pages 12 through 45 (excluding the "Report of Management" on page 44) and page 48 of the Company's 1998 Annual Report
21	Subsidiaries of the Company
23-a	Consent of KPMG LLP
23-b	Consent of KPMG San Tong Corp.
23-c	Consent of KPMG Certified Public Accountants
24	Powers of Attorney submitted by Dr. Hans Michael Gaul; Helmut Mamsch; Willem D. Maris; Paul T. O'Brien; Dr. Alfred Oberholz; Michael B. Smith; and Ludger H. Viefhues
27	Financial Data Schedule (filed electronically with the SEC only)

</TABLE>

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
MEMC Electronic Materials, Inc.

Under date of January 25, 1999, we reported on the consolidated balance sheets of MEMC Electronic Materials, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998, as contained in the 1998 annual report to stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1998. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule as listed in item 14(a)(2) of this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

St. Louis, Missouri
January 25, 1999

MEMC ELECTRONIC MATERIALS, INC. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS--DESCRIBE	DEDUCTIONS--DESCRIBE	BALANCE AT END OF PERIOD
			(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for doubtful					

accounts:					
Year ended December 31, 1996	$2,040	$ 295	$0	$ (36)(A)(B)	$ 2,299
Year ended December 31, 1997	2,299	1,700	0	(526)(A)(B)	3,473
Year ended December 31, 1998	3,473	(620)	0	0(A)(B)	2,853
	======	=======	==	=======	=======
Inventory reserves:					
Year ended December 31, 1996	$4,432	$ 6,576(D)	$0	$(4,063)(C)	$ 6,945
Year ended December 31, 1997	6,945	5,902(D)	0	(4,984)(C)	7,863
Year ended December 31, 1998	7,863	18,420(D)	0	(6,681)(C)	19,602
	======	=======	==	=======	=======

</TABLE>

(A) Currency fluctuations

(B) Write-off of uncollectible accounts

(C) Write-off of inventory

(D) Charged to cost of goods sold

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors
POSCO HULS Co., Ltd.:

We have audited the accompanying balance sheets of POSCO HULS Co., Ltd. as of December 31, 1998 and 1997, and the related statements of operations, appropriation (disposition) of retained earnings (deficit) and cash flows for each of the years in the three-year period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Auditing Standards, as established by the Financial Supervisory Commission of the Republic of Korea, which are substantially similar, in all material aspects, to generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1(b) to the financial statements, the operations of the Company have been significantly affected and will continue to be affected for the foreseeable future by the liquidity crisis and related adverse economic circumstances in the Republic of Korea.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of POSCO HULS Co., Ltd. as of December 31, 1998 and 1997, and the results of its operations, the changes in its retained earnings (deficit), and its cash flows for each of the years in the three-year period ended December 31, 1998 in conformity with the Financial Accounting Standards, as established by the Financial Supervisory Commission of the Republic of Korea.

The Financial Accounting Standards in the Republic of Korea, as established by the Financial Supervisory Commission of the Republic of Korea, vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected results of operations for each of the years in the three-year period ended December 31, 1998 and stockholders' equity as of December 31, 1998 and 1997, to the extent summarized in note 18 to the financial statements.

/s/ KPMG San Tong Corp.

Seoul, Korea
January 11, 1999

POSCO HULS CO., LTD.

BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE DATA)	
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	$ 60,048	$ 20,217
Marketable securities	1,235	295
Notes and account receivable, less allowance for doubtful accounts of $81 in 1998 and $147 in 1997 (note 10)	8,003	14,561
Inventories (note 3)	29,178	29,892
Prepaid expenses and other current assets (notes 4 and 10)	4,249	3,713
Total current assets	102,713	68,678
Investments and other assets (note 6)	13,051	7,795
Fixed assets, less accumulated depreciation (notes 5, 7 and 8)	134,377	113,437
Debt issuance costs	135	--
Deferred foreign currency translation loss	23,676	44,046
	$273,952	233,956
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes and accounts payable (note 10)	$ 6,932	$ 3,141
Short-term borrowings (note 5)	3,850	8,834
Accounts payable -- other (note 10)	4,640	7,083
Current portion of long -- term liabilities (notes 5, 8, 12 and 13)	44,256	39,745
Accrued expenses and other current liabilities	3,379	2,462
Total current liabilities	63,057	61,265
Retirement and severance benefits (note 11)	7,071	3,873
Bonds issued (note 12)	48,175	--
Long-term debt, less current portion (notes 5 and 13)	65,438	77,981
Long-term obligations under financing leases (note 8)	28,946	39,180
Total liabilities	212,687	182,299
Stockholders' equity (notes 10 and 14):		
Common stock of $2.95 par value Authorized -- 20,000,000 shares Issued and outstanding -- 17,200,000 shares	112,175	112,175
Appropriated retained earnings (note 14)	16,931	18,403
Unappropriated retained earnings (deficit)	(18,619)	11,898
Cumulative translation adjustment	(49,222)	(90,819)
Total stockholders' equity	61,265	51,657
Commitments and contingencies (note 16)		
	$273,952	$233,956

</TABLE>

See accompanying notes to financial statements.

POSCO HULS CO., LTD.

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

	1998	1997	1996
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)		
<S>	<C>	<C>	<C>
Sales (note 10)	$120,980	$215,938	$275,096
Cost of goods sold (note 10)	122,267	169,388	176,833
Gross profit (loss)	(1,287)	46,550	98,263
Selling, general and administrative expenses	8,713	10,143	10,719
Operating income (loss)	(10,000)	36,407	87,544
Other income (deductions):			
Interest income	5,687	5,634	4,910
Interest expense	(17,362)	(16,894)	(18,213)
Foreign currency translation and exchange gain (loss), net	2,845	5,887	(9,230)
Amortization of deferred foreign currency translation loss	(6,247)	(15,139)	--
Loss of inventory valuation	(7,299)	(3,953)	--
Other, net	387	(4,640)	(2,215)
	(21,989)	(29,105)	(24,748)
Earnings (loss) before income taxes	(31,989)	7,302	62,796
Income taxes (note 15)	--	1,332	5,771
Net earnings (loss)	$(31,989)	$ 5,970	$ 57,025
Earnings (loss) per share of common stock in U.S. dollars (note 17)	$ (1.86)	$ 0.35	$ 3.32

</TABLE>

See accompanying notes to financial statements.

POSCO HULS CO., LTD.

STATEMENTS OF APPROPRIATION (DISPOSITION) OF RETAINED EARNINGS (DEFICIT)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
DATE OF APPROPRIATION FOR 1998: MARCH 19, 1999
DATE OF APPROPRIATION FOR 1997: MARCH 24, 1998
DATE OF APPROPRIATION FOR 1996: FEBRUARY 8, 1997

<TABLE>
<CAPTION>

	1998	1997	1996
	(IN THOUSANDS OF U.S. DOLLARS)		
<S>	<C>	<C>	<C>
Unappropriated (undisposed) retained earnings (deficit):			
Balance at beginning of year	$ 11,898	$ 6,749	$(1,288)
Net earnings (loss) for the year	(31,989)	5,970	57,025
	(20,091)	12,719	55,737
Transfers from voluntary reserves:			
Reserve for export loss (note 14)	1,472	--	--

	1,472	--	--
Appropriation (disposition) of unappropriated retained earnings (deficit):			
Legal reserve (note 14)	--	--	3,141
Reserve for business rationalization (note 14)	--	821	5,523
Cash dividends	--	--	31,406
Reserve for technology development (note 14)	--	--	2,010
Reserve for export loss (note 14)	--	--	5,150
Reserve for overseas market development (note 14)	--	--	1,758
	--	821	48,988
Balance of unappropriated (undisposed) retained earnings (deficit) after (proposed) appropriation (disposition)	$(18,619)	$11,898	$ 6,749

</TABLE>

See accompanying notes to financial statements.

POSCO HULS CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
	(IN THOUSANDS OF U.S. DOLLARS)		
Cash flows from operating activities:			
Net earnings (loss)	$(31,989)	$ 5,970	$ 57,025
Adjustments to reconcile net earnings (loss) to cash provided by operating activities:			
Foreign translation loss (gain), net	45	658	11,631
Loss on disposition of fixed assets, net	45	486	2,392
Depreciation and amortization	39,942	69,574	59,723
Provision for retirement and severance benefits	1,930	3,039	3,103
Contribution to National Pension Fund	(423)	(287)	(223)
Payment for retirement and severance benefits	(197)	(352)	(304)
Decrease (increase) in notes and accounts receivable	8,302	(8,164)	(7,927)
Decrease (increase) in prepaid expenses and other current assets	614	(1,232)	1,202
Decrease (increase) in inventories	10,913	(9,965)	(27,646)
Increase (decrease) in trade notes and accounts payable	2,618	3,273	(639)
Increase (decrease) in accrued expenses and other current liabilities	(66)	(685)	1,914
Other, net	482	118	579
Net cash provided by operating activities	32,216	62,433	100,830
Cash flows from investing activities:			
Additions to fixed assets	(12,720)	(39,020)	(65,032)
Purchase of marketable securities	(5,494)	--	(3,714)
Proceeds from sale of fixed assets	432	380	30
Proceeds from disposition of marketable securities	4,731	2,518	232
Increase in investments, other assets and deferred charges	(1,744)	(2,159)	(7,499)
Net cash used in investing activities	(14,795)	(38,281)	(75,983)
Cash flows from financing activities:			
Proceeds from bank overdraft and short-term borrowings	13,815	14,427	20,031
Repayments of bank overdraft and short-term borrowings	(20,863)	(2,245)	(18,004)
Proceeds from issuance of bonds, net of discounts	56,818	--	--
Proceeds from long-term debt	2,300	26,356	36,922
Repayment of long-term debt	(43,623)	(41,138)	(48,873)
Payment of dividends	--	(28,156)	--

Increase (decrease) in accounts payable -- other	(4,512)	3,123	(6,679)
Net cash provided by (used in) financing activities	3,935	(27,633)	(16,603)
Net increase (decrease) in cash and cash equivalents	21,356	(3,481)	8,244
Effect of changes in exchange rates	18,475	(17,647)	(3,357)
Cash and cash equivalents at beginning of year	20,217	41,345	36,458
Cash and cash equivalents at end of year	$ 60,048	$ 20,217	$ 41,345
Supplemental disclosure of cash flow information: Cash paid during the year for:			
Income taxes	$ 795	$ 1,772	$ 3,233
Interest	16,979	2,059	18,487
Supplemental schedule of non-cash investing and financing activities:			
Capital lease obligations incurred and additions to leased equipment	$ --	$ --	$ 15,712

</TABLE>

See accompanying notes to financial statements.

POSCO HULS CO., LTD.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS OF U.S. DOLLARS)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presenting Financial Statements

The accounting records of Posco HULS Co., Ltd. (the "Company") are expressed in Korean Won and maintained in accordance with the Financial Accounting Standards of the Republic of Korea, which may differ in some material respects from International Accounting Standards or the accounting principles and standards of the country of the reader. The accompanying financial statements have been extracted from the Company's Korean language financial statements that were prepared using accounting principles and reporting practices generally accepted in the Republic of Korea. The financial statements and the auditors' report have been translated from those issued in Korea, from the Korean language into the English language, and have been modified to allow for formatting of the financial statements in a manner different from the presentation under Korean financial statements practices. Certain modifications have been made in the accompanying financial statements to bring the formal presentation into conformity with practices outside of Korea, and certain information included in the Korean language statutory financial statements, which management believes is not required for a fair presentation of the Company's financial position or results of operations, is not presented in the accompanying financial statements. The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Korea.

The Company's financial position and results of operations are presented utilizing a reporting currency of U.S. dollars. The U.S. dollar amounts are determined by translating the Korean Won amount of assets and liabilities into U.S. dollars at the basic exchange rate as of the balance sheet date (-1,207.80 to US$1 and -1,695.80 to US$1 (except for amounts denominated in foreign currencies at December 31, 1997, which are translated at -1,415.20 to US$1 (see note 1(k))) as of December 31, 1998 and 1997, respectively), the amount of common stock at the basic exchange rate on the date of issuance, and income and expense items at the average basic exchange rate for the year (-1,415.62 to US$1,-952.84 to US$1 and -807 to US$1 for the years ended December 31, 1998, 1997 and 1996, respectively). The effect of changes in exchange rates are reflected as "cumulative translation adjustment" within stockholders' equity.

(b) Economic Environment

In 1998, the continued adverse economic conditions in the Republic of Korea and other countries in the Asia Pacific region, which began in 1997, continued to result in, among others, a national liquidity crisis, higher domestic interest rates, reduced opportunities for refinancing or refunding of maturing debts, and a general reduction in spending throughout the region. In order to partially address this situation, the Government of the Republic of Korea received assistance from the International Monetary Fund and announced a comprehensive policy package intended to address the structural weaknesses in the Korean economy and financial sector. While the reform policies are intended to alleviate the economic crisis in Korea and improve the economy over time, the immediate effects have included and could continue to include, among others, slower or negative economic growth, a reduction in the availability of credit, an increase in interest rates, an increase in taxes, an increased rate of inflation, devaluation of the Korean Won, an increase in the number of bankruptcies of Korean companies, and labor unrest resulting from the increase in unemployment. The impact of these and other factors have had and could continue to have a material adverse effect on the financial position and results of operations of the Company. The accompanying financial statements reflect management's current assessment of the possible impact of this economic situation on the financial position of the Company.

The effect on the Company's financial position of future developments and access to further financial information concerning the Company's customers, suppliers, financiers and others and their ability to continue

to transact with the Company cannot presently be determined. The financial statements therefore may not include all adjustments that might ultimately result from these adverse economic conditions.

(c) Marketable Securities

Marketable securities, which are certificates of deposit, are stated at cost plus incidental expenses, determined by the weighted average method.

(d) Inventories

Inventories, excluding materials-in-transit, are stated at the lower of cost (the weighted average method) or market value. Materials-in-transit are valued at cost determined by the individual identification method.

(e) Fixed Assets

Fixed assets are stated at cost. The Company charges maintenance, repairs and minor renewals to expense as incurred. Major renewals and improvements are capitalized. Interest incurred during the construction and installation of manufacturing plant is capitalized as part of fixed assets.

Depreciation is computed by the straight-line method at rates based on the following estimated useful lives:

	USEFUL LIVES	
Buildings	30 - 60	years
Buildings -- auxiliary facilities	15 - 18	
Structures	15 - 40	
Machinery and equipment	4 - 10	
Vehicles	5	
Tools and equipment	5	
Furniture and fixtures	5	
Industrial water usage rights	15	

(f) Accounting for Leases

The Company accounts for leases as operating or financing leases in accordance with the Accounting Standards for Leases.

Under the operating lease method, lease expenses are charged to operations as actual payments are made or due. Prepaid lease expense relating to operating leases is amortized over the lease term of the related lease.

Under the financing lease method, the principal amount of leased equipment, which is the present value of total minimum lease payments, is recorded as a leased asset and a long-term obligation under financing leases. The leased assets are amortized over the term of the related lease. Interest expense on long-term obligations under financing leases is recorded when incurred.

(g) Deferred Charges

Deferred charges are stated at cost less accumulated amortization. Bond issue costs are amortized over the repayment period of the related bonds. Deferred foreign currency translation loss is amortized over the remaining repayment period of the respective assets and liabilities.

(h) Discount on Bonds Issued

Discount on bonds issued is amortized over a period from the date of issue to the maturity of the related bonds using the straight-line method.

(i) Retirement and Severance Benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on current rates of pay and length of service when they leave the Company. The Company's estimated liability under the plan has been accrued in the accompanying financial statements at the amount which would be payable if all employees left the Company at the balance sheet date.

Under the National Pension Scheme of Korea, the Company is required to transfer a certain portion of retirement allowances of employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount payable to the employees when they leave the Company and is reflected as a reduction of the retirement and severance benefits liability in the accompanying financial statements.

The Company has covered 37% and 41% of the retirement and severance benefits liability as of December 31, 1998 and 1997, respectively by insurance policies, which is included in the investments and other assets account as deposits for retirement and severance benefits.

(j) Revenue Recognition

Local sales are recognized when goods are delivered and inspection by the customer is completed, while export sales are recognized as of the shipment date.

(k) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date. In accordance with a change in financial accounting standards in the Republic of Korea in 1997, net losses on long-term foreign currency denominated monetary assets and liabilities and the current portion of long-term debt denominated in foreign currencies are permitted to be recorded as a deferred foreign currency translation loss and amortized over the remaining repayment period of the respective assets and liabilities. In 1996, such gains or losses were recorded in current results of operations. The 1996 financial statements are not affected by such change in financial accounting standards.

As of December 31, 1998 and 1997, monetary assets and liabilities denominated in a foreign currency are translated into Korean Won at -1,207.80 to US$1 and -1,415.20 to US$1, respectively, the rates of exchange permitted under the financial accounting standards in the Republic of Korea. On December 31, 1997, the basic rate of exchange was -1,695.80 to US$1. Had the basic rate of exchange been used to translate foreign currency assets and liabilities as of December 31, 1997, the net earnings reported by the Company would be reduced by $5,606 for the year ended December 31, 1997. The difference in these exchange rates has no impact on the US GAAP reconciliation as presented in Note 18.

(l) Income Taxes

Provision is not made in the accounts to reflect the future tax benefit (expense) on the interperiod allocation of income taxes resulting from certain income and expense items being treated differently for financial reporting purposes than tax computation purposes.

(m) Earnings (Loss) Per Share

Earnings (loss) per common share is calculated by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding during each period.

(n) Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid marketable securities with a maturity of three months or less to be cash equivalents.

(o) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the period. Actual results could differ from those estimates.

(p) Significant Changes in Financial Accounting Standards in Korea

On December 11, 1998, the Financial Supervisory Commission announced certain changes in the Financial Accounting Standards in the Republic of Korea ("Korean GAAP"). The revised accounting standards are applicable for fiscal years starting on or after January 1, 1999. The more significant changes affecting the Company are as follows:

(i) Deferred Income Tax Currently under Korean GAAP, no provision is made to reflect the interperiod allocation of income and expense items being treated differently for financial reporting purpose than income tax purposes. Under revised Korean GAAP, income tax expense shall be computed by applying the statutory rate to income (loss) before income tax expense. Accordingly, differences in the manner in which certain income and expense items are treated for financial reporting and income tax purposes will require the recognition of deferred income tax debits and credits.

(ii) Foreign Currency Translation Currently under Korean GAAP, certain unrealized foreign currency translation gains and losses on non-current monetary assets and liabilities are permitted to be excluded from results of operations and recognized as a deferred credit and a deferred asset, respectively. Under revised Korean GAAP, all unrealized foreign currency translation gains and losses on monetary assets and liabilities are to be included in results of operations. Amounts deferred as of December 31, 1998 will be charged or credited to retained earnings as of January 1, 1999.

(iii) Impairment of Long-lived Assets Currently under Korean GAAP, there is no accounting standard regarding the impairment of long-lived assets. Under revised Korean GAAP, a valuation allowance will be required where there has been a material decline in the value of long-lived assets.

(iv) Investments Currently under Korean GAAP, investments in debt securities are carried at amortized cost. Under revised Korean GAAP, investments in debt securities are to be carried at market value, unless they are intended to be held to maturity in which case they may continue to be carried at amortized cost.

(v) Deferred and Intangible Assets Currently under Korean GAAP, pre-operating costs, stock issuance cost, debt issuance costs, and research and development costs may be deferred and amortized over future periods. Under revised Korean GAAP, pre-operating costs (other than corporate organization costs) must be expensed as incurred, stock issuance costs must be recognized as a reduction of stockholders' equity, debt issuance costs must be reflected as a discount in the related debt, and research costs must be expensed as incurred (development costs may be deferred and amortized over 5 years provided such costs are recoverable from future earnings).

Currently under Korean GAAP, goodwill is amortized over 5 years. Under revised Korean GAAP, goodwill may be amortized over periods up to 20 years.

(vi) Prior Period Error Corrections Currently under Korean GAAP, prior period error corrections are included in results of operations. Under revised Korean GAAP, prior period financial statements shall be restated to reflect such corrections, if material.

(vii) Transfers of Receivables with Resources Currently under Korean GAAP, transfers of receivables on which the Company is continently liable are recognized as sales of receivables. Under revised Korean GAAP, such transactions must be treated as borrowings; only transfers of receivables without recourse may be treated as sales.

(viii) Accounting Changes Currently under Korean GAAP, accounting changes are applied on a prospective basis.

Under revised Korean GAAP, the cumulative effect of changes in accounting principles will be charged to retained earnings at the beginning of the year.

(ix) Other Under revised Korean GAAP, certain disclosures will be required for segments, discontinued operations, and material breaches in debt agreements. Currently under Korean GAAP, no such disclosures are required.

The Company plans to adopt the changes on a prospective basis from January 1, 1999. The Company has not yet determined the impact that adoption of the revised accounting standards will have on its financial statements.

(2) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 1998 and 1997 consist of the following:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Cash on hand	$ 2	$ 1
Checking accounts	4	3
Corporate savings deposits	--	1
Foreign currency deposits	48	577
Time deposits	17,315	13,858
Installment time deposits	1,152	620
Cash management account	41,527	5,157
	$60,048	$20,217

</TABLE>

(3) INVENTORIES

Inventories at December 31, 1998 and 1997 consist of the following:

	1998	1997
Finished goods	$ 8,894	$13,394
Goods-in-progress	6,820	4,753
Raw materials	415	1,410
Sub materials	4,308	3,412
Supplies	5,043	4,351
Materials-in-transit	3,698	2,572
	$29,178	$29,892

(4) PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at December 31, 1998 and 1997 consist of the following:

	1998	1997
Other receivables	$ 122	$ 260
Accrued income	1,677	1,542
Prepayments	19	57
Income taxes refundable	1,291	363
Value added tax refundable	362	813
Prepaid expenses	769	635
Import guarantee deposit	9	43
	$4,249	$3,713

(5) PLEDGED ASSETS AND GUARANTEES PROVIDED BY OTHERS

(a) The following assets are pledged as collateral for short-term borrowings and long-term debt at December 31, 1998 and 1997.

ASSETS	1998	1997
Land	$ 14,394	$ 5,046
Buildings	32,557	23,524
Machinery and equipment	66,436	59,423
	113,387	87,993
Obligations the collateral is pledged to secure:		
Short-term borrowings	3,850	8,641
Long-term debt, including current portion	80,534	76,192
	$ 84,384	$84,833

(b) In addition, to secure borrowings of the Company, its shareholders have provided guarantees as follows:

GUARANTORS	1998	1997

<S>	<C>	<C>
MEMC Electronic Materials, Inc. (MEMC)	$581	$3,743

</TABLE>

(6) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 1998 and 1997 consist of the following:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Long-term deposits	$ 1,486	$ 951
Leasehold deposits	446	262
Rental deposit	105	96
Deposits for retirement and severance benefits	3,004	1,742
Loans to employees	6,983	4,096
Restricted cash and deposits	11	9
Telephone rights	43	37
Membership rights	667	475
Long-term prepaid expenses	306	127
	$13,051	$7,795

</TABLE>

(7) FIXED ASSETS

Fixed assets at December 31, 1998 and 1997 consist of the following:

<TABLE>
<CAPTION>

	1998		
<S>	COST <C>	ACCUMULATED DEPRECIATION <C>	NET <C>
Land	$ 14,394	$ --	$ 14,394
Buildings	35,811	3,254	32,557
Building -- auxiliary facilities	6,181	1,716	4,465
Structures	6,278	1,226	5,052
Machinery and equipment	209,809	143,373	66,436
Vehicles	575	378	197
Tools and equipment	1,871	1,464	407
Furniture and fixtures	10,234	7,102	3,132
Machinery-in-transit	2,362	--	2,362
Construction-in-progress	4,886	--	4,886
Industrial water usage rights	489	--	489
	$292,890	$158,513	$134,377

</TABLE>

<TABLE>
<CAPTION>

1997

	COST	ACCUMULATED DEPRECIATION	NET
Land	$ 5,046	$ --	$ 5,046
Buildings	25,269	1,745	23,524
Building -- auxiliary facilities	4,402	994	3,408
Structures	4,409	681	3,728
Machinery and equipment	138,998	79,575	59,423
Vehicles	385	207	178
Tools and equipment	1,564	1,022	542
Furniture and fixtures	6,864	3,589	3,275
Machinery-in-transit	4,555	--	4,555
Construction-in-progress	9,361	--	9,361
Industrial water usage rights	397	--	397
	$201,250	$87,813	$113,437

</TABLE>

Property, plant and equipment, and inventories were insured against fire and other damage up to an amount of $526,044 and $315,734 at December 31, 1998 and 1997, respectively.

(8) FINANCING LEASES

The Company has leased silicon wafer manufacturing and other facilities from Hanmi Leasing Co., Ltd. and Korea Development Leasing Co., Ltd. under financing lease contracts. The following is a schedule of minimum future payments on financing leases as of December 31, 1998:

<TABLE>

1999	$12,849
2000	12,849
2001	9,281
2002	6,234
2003 and after	4,231
	45,444
Less portion representing interest	6,265
Less current portion	10,233
Long-term obligations under financing leases	$28,946

</TABLE>

The following is a summary of the acquisition cost of leased assets and accumulated depreciation thereon at December 31, 1998 and 1997 which are included in machinery and equipment:

<TABLE>
<CAPTION>

DESCRIPTION	1998	1997
Leased assets at cost (including other incidental cost)	$41,485	$28,782
Accumulated depreciation	33,857	18,038
	$ 7,628	$10,744

</TABLE>

(9) OPERATING LEASES

The Company leases certain equipment and machinery from Korea Industrial Leasing Co., Ltd. and accounts for each of the leases as an operating lease. The operating leases expired in 1998.

Operating lease expenses of $90, $459 and $1,433 charged to operations in the years ended December 31, 1998, 1997 and 1996, respectively.

(10) STOCKHOLDERS AND RELATED PARTY TRANSACTIONS

The Company was established under the Foreign Capital Inducement Law in December, 1991 as a joint venture company to manufacture and sell silicon wafers and related products. Dividends are paid to shareholders in Korean Won. The stockholders of the Company and their ownership percentages at December 31, 1998 are as follows:

STOCKHOLDERS	NUMBER OF SHARES	OWNERSHIP PERCENTAGE
Pohang Iron and Steel Co., Ltd. (POSCO)	6,880,000	40%
MEMC Electronic Materials, Inc. (MEMC)	6,880,000	40%
Samsung Electronics Co., Ltd. (SEC)	3,440,000	20%
	17,200,000	100%

The following are major balances and transactions with stockholders at and for the years ended December 31, 1998, 1997 and 1996:

	1998	1997	1996
MEMC:			
Notes and accounts receivable	$ 1,215	$ 3,257	$ 1,757
Prepaid expenses and other current assets	47	217	93
Notes and accounts payable	46	49	324
Accounts payable -- other	695	1,141	2,495
Sales	21,558	30,168	88,765
Purchases	3,353	6,914	48,770
Licensing and royalty payments	3,186	6,329	6,392
SEC:			
Notes and accounts receivable	5,199	2,843	5,688
Sales	78,746	135,298	142,348

(11) RETIREMENT AND SEVERANCE BENEFITS

Changes in retirement and severance benefits for the years ended December 31, 1998, 1997 and 1996 are summarized as follows:

	1998	1997	1996
Beginning balance	$4,271	$ 5,433	$3,033
Provision for the year	2,014	3,039	3,103
Payments	(197)	(352)	(304)
Effect of changes in exchange rates	2,039	(3,849)	(399)
Ending balance	8,127	4,271	5,433
Contribution to National Pension Fund	1,056	398	465
	$7,071	$ 3,873	$4,968

(12) BONDS ISSUED

Bonds issued at December 31, 1998 and 1997 are summarized as follows:

SERIES	MATURITY	INTEREST PER ANNUM	1998	1997	GUARANTOR
#6	1998	13.0%	$ --	$ 5,897	Samsung Securities
#7	1998	13.0%	--	5,897	LG Securities
#9	1998	13.0%	--	7,666	Unsecured (*)
#10	1999	17.0%	10,763	--	Boram bank
#11	1999	16.0%	8,280	--	Koram bank
#12	2000	13.3%	16,559	--	Unsecured
#13	2001	10.0%	24,838	--	Unsecured
#14	2001	8.0%	8,280	--	Unsecured
			68,720	19,460	
Less current portion..........................			18,927	19,427	
Less unamortized discount.....................			1,618	33	
			$48,175	$ --	

(*) Private acceptance by Korea Long-term Credit Bank.

(13) LONG-TERM DEBT

Long-term debt at December 31, 1998 and 1997 is summarized as follows:

	INTEREST PER ANNUM	FINAL MATURITY	1998	1997
Korean Won loans:				
General facility loan..................	Floating rate	2005	$ 1,449	$ --
Information Communication Supporting Fund...............................	6.5%	1999	191	317
			1,640	317
Foreign currency loans:				
Facility loan..........................	Floating rate	2005	1,186	--
Facility loan..........................	3LIBOR*+1.2%	1998	--	2,000
Facility loan..........................	6LIBOR*+0.7%	2003	8,591	10,500
Facility loan..........................	6LIBOR*+1.0%	2003	3,562	3,562
Facility loan..........................	3LIBOR*+2%	1999	328	984
Facility loan..........................	3LIBOR*+1.5%	1999	253	759
Facility loan..........................	6LIBOR*+0.6%	1998	--	4,734
Facility loan..........................	6LIBOR*+1.3%	2003	5,355	6,694
Facility loan..........................	6LIBOR*+0.6%	2003	25,480	27,307
Facility loan..........................	6LIBOR*+1.2%	2003	2,012	2,459
Operating loan.........................	6LIBOR*+1.6%	2003	1,727	1,900
Operating loan.........................	6LIBOR*+0.7%	2000	12,700	12,700
Operating loan.........................	6LIBOR*+0.8%	2001	9,700	9,700
Operating loan.........................	6LIBOR*+0.7%	1999	3,040	3,040
Operating loan.........................	6LIBOR*+0.8%	2001	4,960	4,960
			78,894	91,299

Total long-term debt	80,534	91,616
Less current portion	15,096	13,635
	$65,438	$77,981

</TABLE>

----

* 3LIBOR = 3 month London inter-bank offered rate

* 6LIBOR = 6 month London inter-bank offered rate

The following is a schedule of payments of long-term debt as of December 31, 1998:

<TABLE>

<S>	<C>
1999	$15,096
2000	24,378
2001	26,469
2002	11,169
2003 and after	3,422
	$80,534

</TABLE>

(14) APPROPRIATED RETAINED EARNINGS

Appropriated retained earnings as of December 31, 1998 and 1997 are summarized as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Legal reserve	$ 3,141	$ 3,141
Reserve for business rationalization	6,344	6,344
Reserve for technology development	2,010	2,010
Reserve for export loss	3,678	5,150
Reserve for overseas market development	1,758	1,758
	$16,931	$18,403

</TABLE>

The Korean Commercial Code requires the Company to appropriate as legal reserve an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. This legal reserve may be used to reduce a deficit or it may be transferred to common stock as a stock dividend.

Under the Tax Exemption and Reduction Control Law, the Company is allowed to make certain deductions from corporate income taxes. The Company is, however, required to appropriate from retained earnings the amount of the tax benefit obtained and transfer such amount into a reserve for business rationalization. This legal reserve may be used to reduce a deficit or may be transferred to common stock as a stock dividend.

Under the Tax Exemption and Reduction Control Law, the Company is allowed to make certain deductions from taxable income and set up reserves for technology development, reserve for export loss and reserve for overseas market development by appropriating retained earnings. The unused portion of the reserves is generally added back to taxable income over three to four years after a certain grace period. These voluntary reserves may be restored to unappropriated retained earnings by a future stockholders' resolution.

(15) INCOME TAXES

The Company is subject to a number of taxes based upon taxable earnings which result in the following normal tax rates:

TAXABLE EARNINGS	RATES 1998	1997	1996
Up to W100,000 thousand	17.6%	17.6%	17.6%
Over W100,000 thousand	30.8%	30.8%	30.8%

Under the Foreign Capital Inducement Law (FCIL), the Company is entitled to the exemption from corporation taxes to the extent of its foreign equity portion for the periods stipulated in the Law.

A reconciliation between net earnings (loss) before income taxes and taxable income (tax loss carryforward) for the years ended December 31, 1998, 1997 and 1996 is as follows:

	1998	1997	1996
Net earnings (loss) before income taxes	$(31,989)	$ 7,302	$62,796
Unrealized exchange loss, net	(108)	(585)	(50)
Accrued interest income, net	409	(1,534)	(483)
Loss on inventory valuation	4,507	3,312	--
Entertainment expense over tax limit	98	205	106
Reserve for tax purpose	827	--	(8,790)

	1998	1997	1996
Income deduction for foreign capital increase	$ --	$ (67)	$(1,078)
Others, net	5,564	163	215
	(20,692)	8,796	52,716
Utilization of tax loss carryforward	--	--	(2,444)
Taxable income (tax loss carryforward)	(20,692)	8,796	50,272
Income taxes payable on taxable income	--	2,962	15,291
Tax exemption tax under FCIL	--	(804)	(3,135)
Investment tax credit	--	(826)	(6,385)
Income taxes payable	$ --	$ 1,332	$ 5,771

The tax loss carryforward will expire, if not utilized to offset future taxable income, in 2003.

(16) COMMITMENTS AND CONTINGENCIES

(a) As of December 31, 1998, the Company has provided 4 blank checks and 10 blank notes to financial institutions in connection with various contracts to guarantee repayment in case the Company is in default for the repayment of its borrowings or in breach of certain borrowing covenants. The Company is not currently in default of its borrowings or lease contracts.

(b) As of December 31, 1998, the Company has entered into bank overdraft agreements for borrowing up to $9,935 with five banks and has also entered into borrowing arrangements with three short-term financing companies.

(c) Under a technical license agreement with MEMC, the Company paid a lump-sum royalty during 1995 and 1996 for the transfer of a technical license to manufacture silicon wafers. The Company is also required to pay MEMC a royalty at a specified percentage of net sales for 5 years from the commencement of commercial production, which took place in 1995.

(17) EARNINGS (LOSS) PER SHARE

Earnings (loss) per share for the years ended December 31, 1998, 1997 and 1996 are calculated as follows:

	1998	1997	1996
Net earnings (loss)	$ (31,989)	$ 5,970	$ 57,025
Weighted average number of shares of common stock	17,200,000	17,200,000	17,200,000
Earnings (loss) per share in U.S. dollars	$ (1.86)	$ 0.35	$ 3.32

(18) RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The accompanying financial statements are prepared in accordance with Korean GAAP, which differ in certain significant respects from generally accepted accounting principles in the United States (U.S. GAAP). The significant differences are described below. Other differences do not have a significant effect on either consolidated net earnings (loss) or stockholders' equity. The estimated effects of the significant adjustments to

net earnings (loss) and stockholders' equity which would be required if U.S. GAAP were applied instead of Korean GAAP are summarized as follows:

	1998	1997	1996
Net earnings (loss) -- Korean GAAP	$(31,989)	$ 5,970	$57,025
Adjustments:			
Start-up costs	406	2,383	3,184
Inventories	1,845	1,044	(2,443)
Depreciation in relation to useful life and functional currency differences	(13,108)	11,294	19,837
Capitalized interest	97	1,273	2,684
Amortization of deferred foreign currency translation loss	6,247	15,139	--
Foreign currency translation gain (loss), net	(5,493)	(20,305)	10,733
Deferred income taxes	(2,435)	10,915	(6,080)
Others	(12)	140	374
Total adjustments	(12,453)	21,883	28,289
Net earnings (loss) -- U.S. GAAP	$(44,442)	$ 27,853	$85,314
Basic earnings (loss) per share -- U.S. GAAP	$ (2.46)	$ 1.62	$ 4.96

</TABLE>

For Korean GAAP presentation, the Company records gains and losses through its statement of operations for changes in currency rates effecting monetary assets and liabilities denominated in dollars. For US GAAP purposes, the US dollar is the functional currency. Thus, for US GAAP purposes, currency gains and losses result from changes in currency exchange rates related to monetary assets and liabilities denominated in Korean won. The differences between the currency gains and losses calculated under the two different sets of assumptions appear as adjustments in reconciling Korean GAAP net earnings (loss) to net earnings (loss) under US GAAP.

<TABLE>
<CAPTION>

<S>	1998	1997
Stockholders' equity -- Korean GAAP	$ 61,265	$ 51,657
Adjustments:		
Start-up costs	(1,059)	(1,465)
Inventories	(623)	(2,468)
Fixed assets:		
Depreciation in relation to useful life and functional currency differences	30,462	43,570
Capitalized interest and related depreciation	2,793	2,696
Functional currency impact, principally on fixed assets and inventories	80,397	141,556
Deferred foreign currency translation loss	(23,676)	(44,046)
Deferred income taxes	2,389	4,824
Others	--	66
Total adjustments	90,683	144,733
Stockholders' equity -- U.S. GAAP	$151,948	$196,390

</TABLE>

For US GAAP purposes fixed assets are depreciated over longer lives than for Korean GAAP purposes. Additionally, fixed assets are presented in the Korean GAAP financial statements using a translation rate in effect at the balance sheet date. For US GAAP purposes, the US dollar is the functional currency.

Accordingly, fixed assets are translated at rates in effect at the acquisition date of the various assets. As a result, in reconciling from Korean GAAP to US GAAP stockholders' equity, positive adjustments result both from the longer life used for US GAAP as well as translating the gross asset basis, and accompanying accumulated depreciation, at rates different than for Korean GAAP.

The condensed balance sheets of the Company as of December 31, 1998 and 1997 under U.S. GAAP are summarized as follows:

<TABLE>
<CAPTION>

<S>	1998	1997
Current assets:		
Inventories	$ 29,655	$ 37,518
Other current assets	74,916	39,134
Total current assets	104,571	76,652
Fixed assets	419,964	421,551
Less accumulated depreciation	173,990	132,051
	245,974	289,500
Investments and other assets	14,090	12,612
	$364,635	$378,764

Current liabilities	$ 63,057	$ 61,340
Long-term liabilities	149,630	121,034
Total liabilities	212,687	182,374
Stockholders' equity:		
Common stock	112,175	112,175
Retained earnings	39,773	84,215
Total stockholders' equity	151,948	196,390
	$364,635	$378,764

</TABLE>

The tax effects of temporary differences that resulted in significant portions of the deferred tax assets and liabilities at December 31, 1998 and 1997 computed under U.S. GAAP, and a description of the financial statement items that created these differences follow:

	1998	1997
Deferred tax assets:		
Inventories	$ 2,055	$ 766
Start-up costs	165	139
Capital leases	1	2
Foreign currency translation loss	5,501	10,131
Korean tax operating loss carryforwards	5,772	--
Others	3	--
Total deferred tax assets	13,497	11,038
Deferred tax liabilities:		
Depreciation in relation to useful life difference	(9,050)	(4,897)
Depreciation on capitalized interest	(447)	(285)

	1998	1997
Reserves for tax purpose	(1,167)	(850)
Accrued income	(399)	(182)
Land	(45)	--
Total deferred tax liabilities	(11,108)	(6,214)
Net deferred tax asset	$ 2,389	$4,824

(a) Deferred Income Taxes

Under Korean GAAP, a provision is not made in the accounts to reflect the future tax effects resulting from certain income and expense items being treated differently for financial reporting purposes and tax computation purposes.

However, U.S. GAAP requires the recognition of deferred tax assets and liabilities created by temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The tax rate used to calculate deferred tax assets and liabilities was changed from 18.5% in 1996 to 20.3% in 1997, and was further increased to 23.8% in 1998 to reflect the normal corporation tax rate and exemptions statutorily available under FCIL. The effect of this increase on the effective tax rate was to increase the net deferred tax asset, increase net earnings by $5,401 in 1997 and decrease net loss by $291 in 1998.

(b) Pre-Operating and Start-Up Costs

Certain pre-operating and start-up costs are deferred for Korean GAAP and amortized in equal annual amounts over 5 years from 1993. These costs would be expensed as incurred under U.S. GAAP.

(c) Capital Leases

Under Korean GAAP, the Company has leased certain equipment and machinery and accounts for such leases as operating leases. However, under U.S. GAAP those leases would be classified as capital leases. Under U.S. GAAP, equipment under capital lease is recorded as an asset and a liability is recorded for the present value of minimum lease payments at the inception of the lease. This equipment is depreciated over the estimated useful life of the asset.

(d) Useful Life of Machinery and Equipment

In 1995, the Company changed the estimated useful life of certain machinery to 4 years from 6 years. For U.S. GAAP purposes, the Company continues to depreciate the machinery and equipment over its estimated useful life of 6 years.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There is no indication of impairment of property, plant and equipment at December 31, 1998 and 1997.

(e) Inventories

For U.S. GAAP, inventories are adjusted for the effect of capitalized depreciation in beginning and ending inventory balances relating to the differences in useful lives of machinery and equipment and to depreciation on capitalized interest.

(f) Depreciation on Capitalized Interest

In 1994, the Company recorded a prior year adjustment under Korean GAAP for interest that should have been capitalized to construction-in-progress in 1993 and is being depreciated over the useful life of the related fixed assets. For U.S. GAAP purpose, the interest amount was charged to earnings in 1993.

(g) Foreign Currency Translation

In accordance with a change in Korean GAAP in 1997, net foreign exchange losses on long-term foreign currency denominated monetary assets and liabilities and the current portion of long-term debt denominated in foreign currencies are recorded as a deferred foreign currency translation loss and amortized over the remaining repayment period of the respective assets and liabilities. In 1996, such losses were expensed as incurred. However, for U.S. GAAP purposes, all such foreign currency transaction losses are expensed as incurred in all periods.

(h) Functional Currency

Under U.S. GAAP, the Company considers the U.S. dollar as its functional currency. Accordingly, the accounting bases of nonmonetary assets and liabilities, primarily property, plant and equipment are reflected at the historical exchange rate when the transaction occurred, foreign currency exchange gains and losses under Korean GAAP are reversed, and exchange gains and losses are recognized on Won-denominated monetary assets and liabilities. The effects of using the U.S. dollar as the functional currency are included in the U.S. GAAP reconciliation information.

(i) Restatement of U.S. GAAP

As discussed in note 18(h), the Company reports its financial position and results of operations using the U.S. dollar as the functional currency under U.S. GAAP. Originally reported net earnings and stockholders' equity under U.S. GAAP reflected the use of the U.S. dollar as the functional currency only for periods after September 30, 1997. Accordingly, net earnings and stockholders' equity under U.S. GAAP have been restated as follows:

	NET EARNINGS	STOCKHOLDERS' EQUITY
As of and for the year ended December 31, 1996:		
As previously reported	$73,165	
Effect of adjustment	12,149	
As restated	$85,314	
As of and for the year ended December 31, 1997:		
As previously reported	$26,915	$158,255
Effect of adjustment	938	38,135
As restated	$27,853	$196,390

POSCO HULS CO., LTD.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The effect of such restatement on basic earnings per share as adjusted in accordance with U.S. GAAP was an increase of $0.06 per share and $0.71 per share for the years ended December 31, 1997 and 1996, respectively.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Taisil Electronic Materials Corporation:

We have audited the accompanying balance sheets of Taisil Electronic Materials Corporation as of December 31, 1998 and 1997 and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China, which are substantially similar to auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taisil Electronic Materials Corporation as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the Republic of China.

The accompanying financial statements for the year ended December 31, 1996 were not audited by us and, accordingly, we express no opinion or other form of assurance on the financial statements for the year ended December 31, 1996.

As discussed in note (2)(j) to the financial statements, as of December 31, 1997, Taisil Electronic Materials Corporation changed its method of accounting for pensions.

Accounting principles generally accepted in the Republic of China vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected stockholders' equity as of December 31, 1998 and 1997, and the results of operations for the years then ended to the extent summarized in note 15 to the financial statements.

/s/ KPMG Certified Public Accountants

Taipei, Taiwan
February 9, 1999

TAISIL ELECTRONIC MATERIALS CORPORATION

BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

	1998	1997
	(EXPRESSED IN THOUSANDS OF US DOLLARS)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents (note 4)	$ 31,068	$ 18,755
Short-term investments (note 5)	337	2,053
Restricted bank deposits (note 13)	962	3,094
Notes and accounts receivable (note 3)	14,649	21,335
Inventories, net (note 6)	15,869	18,121
Prepayments and other current assets (notes 3 and 12)	2,076	3,200
Deferred income tax, net (note 12)	--	4,434
Total current assets	64,961	70,992
Long-term investments	23	--
Property, plant and equipment (notes 3, 7 and 13):		
Buildings	51,642	51,225
Machinery and equipment	213,303	189,931
Furniture and fixtures	6,691	6,509
	271,636	247,665
Less: accumulated depreciation	(70,715)	(33,519)
Construction in progress, including deposits for equipment	20,751	31,969
Net property, plant, and equipment	221,672	246,115
Other assets:		
Deferred technology fees (note 3)	5,583	5,417
Deferred income tax, net (note 12)	3,678	13,038
Other assets	884	1,383
Total other assets	10,145	19,838
	$296,801	$336,945

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Short-term loans (note 8)	$ 35,362	$ 23,847
Short-term bills payable (note 8)	15,851	27,745
Current portion of long-term loans (notes 3 and 9)	37,395	19,433
Notes and accounts payable (note 3)	4,370	11,750
Payables for construction in process	940	732
Accrued expenses and other current liabilities (notes 3 and 10)	8,182	10,152
Total current liabilities	102,100	93,659
Long-term loans (notes 3 and 9)	116,346	163,682
Deposits from contractors	66	20
Accrued pension liabilities (note 10)	310	39
Total liabilities	218,822	257,400
STOCKHOLDERS' EQUITY (NOTE 11):		
Common stock -- par value NT$10, Authorized 480,000,000 shares and issued 400,000,000 shares in 1998 and authorized 480,000,000 shares and issued 315,000,000 shares in 1997	139,887	113,783
Advance from stockholders	30,744	--
Accumulated deficit	(92,652)	(34,238)
Total stockholders' equity Commitments (note 14)	77,979	79,545
	$296,801	$336,945

</TABLE>

See accompanying notes to financial statements.

TAISIL ELECTRONIC MATERIALS CORPORATION

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

	1998	1997	1996 (UNAUDITED)
	(EXPRESSED IN THOUSANDS OF US DOLLARS)		
<S>	<C>	<C>	<C>
Net sales (note 3)	$ 58,663	$ 61,554	$ 7,214
Cost of goods sold (note 3)	80,284	70,017	21,569
Gross loss	(21,621)	(8,463)	(14,355)
Selling, general and administrative expense	7,678	6,939	8,058
Research and development expense	2,117	6,908	3,523
	9,795	13,847	11,581
Operating loss	(31,416)	(22,310)	(25,936)
Non-operating income (expense):			
Interest income	1,589	1,959	3,607
Interest expense, excluding capitalized interest of $0 in 1998, $991 in 1997 and $1,799 in 1996 (note 3)	(15,286)	(15,356)	(6,955)
Gain (loss) on foreign exchange, net	(1,773)	14,800	622
Other income, net (note 3)	1,525	1,458	79
	(13,945)	2,861	(2,647)
Loss before income tax	(45,361)	(19,449)	(28,583)
Income tax benefit (expense) (note 12)	(13,053)	5,665	11,652
Net loss	$(58,414)	$(13,784)	$(16,931)

</TABLE>

See accompanying notes to financial statements.

TAISIL ELECTRONIC MATERIALS CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

	COMMON STOCK	ADVANCE FROM STOCKHOLDERS	ACCUMULATED DEFICIT DURING DEVELOPMENT STAGE	ACCUMULATED DEFICIT	TOTAL
	(EXPRESSED IN THOUSANDS OF US DOLLARS)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance as of January 1, 1996 (unaudited).........................	$ 53,075	$ --	$(3,523)	$ --	$ 49,552
Accumulated deficit during development stage carried forward to accumulated deficit............................	--	--	3,523	(3,523)	--
Capital increase through cash..........	41,867	--	--	--	41,867
Net loss.............................	--	--	--	(16,931)	(16,931)
Balance as of December 31, 1996 (unaudited).........................	94,942	--	--	(20,454)	74,488
Capital increase through cash..........	18,841	--	--	--	18,841
Net loss.............................	--	--	--	(13,784)	(13,784)
Balance as of December 31, 1997........	113,783	--	--	(34,238)	79,545
Capital increase through cash..........	26,104	--	--	--	26,104
Advance from stockholders.............	--	30,744	--	--	30,744
Net loss.............................	--	--	--	(58,414)	(58,414)
Balance as of December 31, 1998........	$139,887	$30,744	$ --	$(92,652)	$ 77,979

</TABLE>

See accompanying notes to financial statements.

TAISIL ELECTRONIC MATERIALS CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

	1998	1997	1996
			(UNAUDITED)
	(EXPRESSED IN THOUSANDS OF US DOLLARS)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss...	$(58,414)	$(13,784)	$ (16,931)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash foreign exchange (gain) loss...............	1,521	(16,510)	(644)
Depreciation and amortization.......................	38,961	26,497	9,356
Provision (reversal) for inventory loss.............	1,170	(1,207)	5,628
Loss from disposal of fixed assets..................	52	9	4
Decrease (increase) in notes and accounts receivable...	6,686	(20,027)	(3,826)
Decrease (increase) in inventories..................	1,082	(5,068)	(16,713)
Decrease (increase) in prepayments and other current assets..	1,264	(4,103)	1,216
Decrease (increase) in deferred income taxes.........	13,794	(3,852)	(11,671)
Increase (decrease) in notes and accounts payable....	(7,380)	1,550	1,662
Increase (decrease) in accrued expenses and other			

current liabilities	(1,801)	10,573	1,234
Increase in accrued pension liabilities	310	--	--
Net cash used in operating activities	(2,755)	(25,922)	(30,685)
Cash flows from investing activities:			
Decrease (increase) in short-term investments	1,716	(2,060)	--
Increase in long-term investment	(23)	--	--
Additions to property, plant and equipment	(13,020)	(75,965)	(139,758)
Proceeds from disposal of property and equipment	22	18	18
Increase in technology fees and other assets	(1,379)	(247)	(1,538)
Decrease (increase) in restricted bank deposits	2,132	36,650	(10,635)
Net cash used in investing activities	(10,552)	(41,604)	(151,913)
Cash flows from financing activities:			
Proceeds from issuance of common stock and advance from stockholders	56,848	18,841	41,867
Increase (decrease) in loans and bills payable	(31,132)	57,081	142,658
Increase (decrease) in deposits from contractors	46	(16)	37
Net cash provided by financing activities	25,762	75,906	184,562
Net increase in cash and cash equivalents	12,455	8,380	1,964
Effect of exchange rate changes on cash	(142)	(740)	(66)
Cash and cash equivalents at beginning of the year	18,755	11,115	9,217
Cash and cash equivalents at end of the year	$ 31,068	$ 18,755	$ 11,115
Supplemental disclosure of cash flow information:			
Cash paid for interest, excluding capitalized interest	$ 15,032	$ 14,015	$ 6,549
Cash paid for income taxes (including refundable income taxes)	$ 163	$ 191	$ 358

</TABLE>

See accompanying notes to financial statements.

TAISIL ELECTRONIC MATERIALS CORPORATION

NOTES TO FINANCIAL STATEMENTS
(AMOUNTS EXPRESSED IN THOUSANDS OF US DOLLARS OR
NEW TAIWAN DOLLARS, UNLESS OTHERWISE STATED)
(AMOUNTS AND INFORMATION WITH RESPECT TO 1996 ARE UNAUDITED)

(1) ORGANIZATION AND BUSINESS ENVIRONMENT

Taisil Electronic Materials Corporation (the "Company"), was founded in the Hsinchu Science-Based Industrial Park of the Republic of China ("ROC") on September 26, 1994. Prior to June 30, 1996, the Company was a development stage enterprise whose activities primarily involved the construction of its manufacturing facilities, financial planning, testing equipment, and recruiting and training employees. The Company started its main activities of research, development, production and sale of the latest generation silicon wafers in July 1996.

The operations of the Company have been affected, and may continue to be affected, by the currency devaluations and general deterioration of the economies of countries in the Asia Pacific region. The Company does not, however, expect the currency valuation problems and potential slowdown in Asian economies to have a significant long-term effect on its financial position.

The accompanying financial statements reflect management's current assessments of the possible impact of this economic situation on the financial position of the Company. Actual results could differ from management's current assessments. In addition, the effect on the Company's financial position of future developments and access to further financial information concerning the Company's customers, suppliers, financiers and others and their ability to continue to transact with the Company cannot presently be determined.

(2) SIGNIFICANT ACCOUNTING POLICIES

(a) Generally accepted accounting principles

The financial statements have been prepared in accordance with accounting principles generally accepted in the Republic of China ("ROC GAAP"). ROC GAAP varies in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). Application of US GAAP would have affected stockholders' equity as of December 31, 1998 and 1997, and the results of operations for each of the two years then ended, to the extent summarized in note 15.

(b) Foreign currency transactions

Foreign currency transactions in currencies other than the functional currency are recorded at rates in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at year-end are translated at the exchange rate then prevailing. Gains or losses resulting from settlement of such transactions or translations are included in non-operating income.

(c) Cash equivalents

The Company considers commercial paper and bank acceptances, with a maturity of less than three months from the date of purchase and time deposits as cash equivalents.

(d) Short-term investments

Investments are carried at the lower of cost or market value. The market value of unlisted trust funds is determined on the basis of the trust fund's net worth on the balance sheet date. Costs of sale of investments are determined on the weighted-average basis.

(e) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the weighted-average method. The market value of raw materials is determined on the basis of replacement cost. Market values of work in process and finished goods are determined on the basis of net realizable value.

(f) Long-term investments

Long-term investments in equity securities that are not publicly traded in which the Company owns less than 20% of the investee's common stock and does not exercise significant influence over the investee's operations, are stated at the cost.

(g) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost which includes the capitalization of interest and certain expenses incurred in connection with the construction of plant and installation of machinery and equipment. Depreciation on plant and equipment is provided on the straight-line method over the estimated useful lives of the respective assets.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of property, plant and equipment, the estimated future undiscounted net cash flows of each operational gross of assets is compared to the carrying amount of the assets. If the carrying amount exceeds the undiscounted cash flows, the impairment is measured based on the fair values of the assets. At December 31, 1998, the estimated future undiscounted net cash flows of property, plant and equipment exceeded their carrying amount.

(h) Technology fees

The Company has entered into a technical assistance service agreement with MEMC Electronic Materials, Inc. involving information and processes embodying technology, equipment design, and assets and property rights for the manufacture of silicon wafers. Payments for such technology are capitalized and amortized over five years from the commencement of commercial production.

(i) Organization cost and deferred charges

The costs incurred in the establishment of the Company are capitalized and amortized over five years commencing from the start of commercial operations. Charges for the installation of gas and power systems are included in other assets and amortized over five years.

(j) Employee retirement plan

The Company adopted a retirement plan covering substantially all employees in December 1995. Benefits are based on the employees' years of service. Starting in August 1996, in accordance with ROC Labor Standards Law, the Company made monthly contributions to a pension fund with the Central Trust of China. As approved by the authorities, the funding rate was set at 2% of salaries and wages. Pension cost is recognized based on the amount to be appropriated. Retirement benefits to employees will be paid from the retirement fund first, and if the fund is insufficient, the balance will be charged to current operations.

Effective December 31, 1997, the Company adopted ROC Statements of Financial Accounting Standards ("SFAS") No. 18, "Accounting for Pensions," for its retirement plan. Based on the provisions of SFAS No. 18, pension costs charged to earnings are actuarially computed. The measurement date was the balance sheet date. Accrued pension liabilities were recognized for the excess of accumulated benefit

obligation over fair value of plan assets. Net periodic pension costs including current service cost and net obligation at transition which are amortized over a 27 year period based on the straight-line method, are recognized starting in 1998. The effect of this accounting change increased the net loss by approximately $288 in 1998.

(k) Income taxes

Under the asset and liability approach of SFAS No. 22, deferred tax liabilities are recognized for tax consequences of taxable temporary differences by applying enacted statutory tax rates. Deferred tax assets are recognized for tax consequences of deductible temporary differences, tax credits and operating loss carryforwards. A valuation allowance is provided when some portion or all of the deferred tax assets is not expected to be realized. Deferred income tax is reported in the financial statements as a current or noncurrent item based on the classification of the related asset or liability which causes the temporary differences. Deferred income taxes not relating to assets or liabilities are classified as current or noncurrent based on the expected period that the temporary differences will reverse.

(l) Forward exchange rate contracts

The Company enters into foreign currency forward contracts to hedge future operating cash outflows in currencies other than the functional currency. Foreign currency forward contracts reduce the Company's exposure to the risk that eventual foreign currency cash outflows will be adversely affected by changes in exchange rates. Foreign currency gains and losses under the above arrangements are not deferred as the cash flows being hedged do not represent firm commitments. Foreign currency forward contracts are entered into with major commercial European banks that have high credit ratings. From time to time, the Company uses foreign currency forward contracts to hedge purchases of capital equipment. Foreign currency gains and losses for such purchases are deferred as part of the basis of the asset.

(m) Restatement of Financial Statements

The Company reports its financial position and results of operations using the US dollar as the functional currency. Previously reported results of operations and stockholders' equity reflected the use of the US dollar as the functional currency only for periods after September 30, 1997. Accordingly, net loss, net loss per share and stockholders' equity have been restated from amounts originally reported as follows:

<TABLE>
<CAPTION>

<S>	NET LOSS <C>	NET LOSS PER SHARE <C>	STOCKHOLDERS' EQUITY <C>
For the year ended December 31, 1996 (unaudited):			
As previously reported..........................	$(17,161)	$(0.08)	
Effect of adjustment...........................	230	--	
As restated....................................	$(16,931)	$(0.08)	
As of and for the year ended December 31, 1997:			
As previously reported..........................	$(17,851)	$(0.07)	$71,366
Effect of adjustment...........................	4,067	0.02	8,179
As restated....................................	$(13,784)	$(0.05)	$79,345

</TABLE>

TAISIL ELECTRONIC MATERIALS CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(3) TRANSACTION WITH RELATED PARTIES

(a) Name and relationship

<TABLE>
<CAPTION>

NAME OF RELATED PARTY <S>	RELATIONSHIP WITH THE COMPANY <C>	OWNERSHIP PERCENTAGE <C>
MEMC Electronic Materials Inc. USA (MEMC)	Investor using equity method to account for its investment in the Company and represented on the Company's Board of Directors	45%
Chiao Tung Bank of Taipei, Taiwan, ROC (CTB)	Investor and represented on the Company's Board of Directors	10%
China Steel Corporation (CSC)	Investor and represented on the Company's Board of Directors	35%
China Development Corporation		10%
		100%
Posco Huls Co. Ltd. (PHC)	MEMC group company	
MEMC Japan Ltd. (MJL)	MEMC group company	
MEMC Electronic Materials SPA (Novara)	MEMC group company	

</TABLE>

(b) Significant transactions with related parties

(i) Net sales to and corresponding amounts receivable from related party are as follows:

<TABLE>
<CAPTION>

SALES 1998 AMOUNT	SALES 1998 % OF NET SALES	SALES 1997 AMOUNT	SALES 1997 % OF NET SALES	SALES 1996 (UNAUDITED) AMOUNT	SALES 1996 % OF NET SALES	ACCOUNTS RECEIVABLE DECEMBER 31, 1998	ACCOUNTS RECEIVABLE DECEMBER 31, 1997

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
MEMC.................	$8,987	15.32	$17,031	27.67	$921	12.63	$2,693	$6,983
Novara...............	240	0.41	--	--	--	--	247	--
	$9,227	15.73	$17,031	27.67	$921	12.63	$2,940	$6,983

</TABLE>

Purchases from and corresponding amounts payable to related party are as follows:

<TABLE>
<CAPTION>

	PURCHASES						ACCOUNTS PAYABLE DECEMBER 31,	
	1998		1997		1996			
	AMOUNT	% OF TOTAL PURCHASES	AMOUNT	% OF TOTAL PURCHASES	(UNAUDITED) AMOUNT	% OF TOTAL PURCHASES	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
MEMC.................	$2,131	8.64	$6,314	17.78	$485	9.51	$ 4	$3,290
Others...............	186	0.75	--	--	--	--	77	--
	$2,317	9.39	$6,314	17.78	$485	9.51	$81	$3,290

</TABLE>

(ii) Financing

The Company's long-term loans from CTB are summarized as follows:

<TABLE>
<CAPTION>

YEAR	MAXIMUM BALANCE	INTEREST RATE	ENDING BALANCE	INTEREST EXPENSE	INTEREST PAYABLE	COLLATERAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998.................	$36,934	5.875% - 6.855%	$35,909	$2,127	$199	Machinery and equipment $60,886
1997.................	$28,450	5.825% - 6.575%	$28,306	$1,751	$153	Machinery and equipment $32,570

</TABLE>

(iii) Technology, royalty and commission agreements

The Company has entered into various agreements with MEMC which provide for payments related to, among other things, technology, royalties and commissions. The Company paid MEMC, net of amounts received, $713, $1,312, and $2,703 in 1998, 1997 and 1996, respectively, pursuant to the terms of such agreements. The related amounts outstanding of $148 and $2,048 as of December 31, 1998 and 1997, respectively, are included in accrued expenses.

(iv) Guarantees

MEMC and CSC have provided guarantees over certain of the Company's long-term loans and bills payable up to a maximum of $92,863 and $65,965, respectively.

(4) CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

DECEMBER 31,

	1998	1997
Cash on hand, current and checking accounts.............	$ 413	$ 2,112
Cash equivalents.......................................	30,655	16,643
	$31,068	$18,755

(5) SHORT-TERM INVESTMENTS

The Company had invested $337 and $2,053 in open-ended trust funds as of December 31, 1998 and 1997, respectively. The market value of such investments as of December 31, 1998 and 1997 was approximately $338 and $2,065.

(6) INVENTORIES

The components of inventories as of December 31, 1998 and 1997, are summarized below:

	DECEMBER 31, 1998	DECEMBER 31, 1997
Finished goods...	$ 6,153	$ 5,381
Work in process..	3,188	6,733
Raw materials and spare parts..........................	11,905	10,068
	21,246	22,182
Provision for inventory devaluation....................	(5,377)	(4,061)
	$15,869	$18,121

As of December 31, 1998 and 1997, insurance coverage of inventories amounted to approximately $21,728 and $18,383, respectively.

(7) PROPERTY, PLANT AND EQUIPMENT

The construction in progress consists of various payments for plant construction and engineering design and consulting.

Certain property, plant and equipment is pledged as security for long-term loans. See note 13.

Insurance coverage on property, plant and equipment and the third-party liability as of December 31, 1998 and 1997, amounted to approximately $247,846 and $199,617, respectively.

(8) SHORT-TERM LOANS AND SHORT-TERM BILLS PAYABLE

	DECEMBER 31, 1998		DECEMBER 31, 1997	
	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE
Unsecured loans.................	$29,023	5.988% - 7.023%	$ --	--
Secured loans...................	931	7.25%	3,064	6.80%

Credit loans and import loans under usance letters of credit........................	5,408	0.514% - 6.50%	20,783	0.98% - 8.99%
Commercial paper payable.........	15,520	5.35% - 6.75%	28,494	7.30% - 8.15%
Bank acceptance payable..........	621	6.50%	--	--
Unamortized discount on short-term bills payable.......	(290)		(749)	
	$51,213		$51,592	

</TABLE>

As of December 31, 1998 and 1997, certain time deposits were pledged as security for the issuance of short-term bills payable. See note 13.

(9) LONG-TERM LOANS

<TABLE>
<CAPTION>

BANK	CREDIT LINE AND PURPOSE	PERIOD	REPAYMENT TERM	BALANCE AT DECEMBER 31, 1998	BALANCE AT DECEMBER 31, 1997
<S>	<C>	<C>	<C>	<C>	<C>
Chiao Tung Bank	NT$240,000 Loan for purchase of machinery	February 1998 to February 2005	Repayable in 17 quarterly installments starting in February 2001	$ 6,497	$ --
Chiao Tung Bank	NT$400,000 Loan for purchase of machinery	November 1995 to November 2002	Repayable in 17 quarterly installments starting in November 1998	11,686	12,256
Chiao Tung Bank	NT$100,000 Loan for purchase of machinery	November 1995 to November 2002	Repayable in 21 quarterly installments starting in November 1997	2,365	2,918
Chiao Tung Bank	NT$100,000 Loan for purchase of machinery	November 1995 to November 2005	Repayable in 29 quarterly installments starting in January 1999	3,104	3,064
Chiao Tung Bank	NT$200,000 Loan for purchase of machinery	December 1996 to November 2003	Repayable in 17 quarterly installments starting in December 1999	4,136	2,213
Chiao Tung Bank	NT$200,000 Loan for purchase of machinery	December 1996 to November 2003	Repayable in 17 quarterly installments starting in March 2000	6,208	6,128

</TABLE>

<TABLE>
<CAPTION>

BANK	CREDIT LINE AND PURPOSE	PERIOD	REPAYMENT TERM	BALANCE AT DECEMBER 31, 1998	BALANCE AT DECEMBER 31, 1997
<S>	<C>	<C>	<C>	<C>	<C>
Chiao Tung Bank	NT$80,000 Loan for purchase of machinery	December 1996 to November 2006	Repayable in 29 quarterly installments	1,913	1,727

			starting in January 2000		
The International Commercial Bank of China	NT$1,000,000 Loan for plant construction	December 1995 to December 2002	Repayable in 10 semi- annual installments starting in June 1998	24,832	30,639
The International Commercial Bank of China	NT$600,000 Loan for plant construction	--	--	--	2,298
Taiwan Cooperative Bank	NT$600,000 Credit loan	--	--	--	18,383
ABN AMRO Bank (In charge of syndication loan agreement for the phase I expansion)	$60,000 Loan for purchase of machinery	October 1995 to August 2002	Repayable in 10 semi- annual installments starting in February 1998	48,000	60,000
ABN AMRO Bank (In charge of syndication loan agreement for the phase II expansion)	$20,000 Bridge loan for the following ABN AMRO loan	--	--	--	3,489
ABN AMRO Bank (In charge of syndication loan agreement for the phase II expansion)	$45,000 Loan for purchase of machinery	January 1997 to December 2001	Repayable in 6 semi- annual installments starting in June 1999	45,000	40,000
				153,741	183,115
Less: current portion				(37,395)	(19,433)
				$116,346	$163,682

</TABLE>

The following is a schedule of payments of long-term debt as of December 31, 1998:

<TABLE>
<CAPTION>

YEAR	AMOUNT
1999	$ 37,395
2000	39,786
2001	41,378
2002	26,372
2003	4,651
After 2003	4,159
	$153,741

</TABLE>

On December 23, 1996, the Company obtained a syndicate loan from the ABN AMRO Bank and six other banks (the Banks). In accordance with the syndication loan agreements, the Banks granted credit facilities to the Company for purchase of machinery and equipment. During the period of loan, restrictions on the above syndication loan are as follows:

The major stockholders MEMC and CSC, together, must own not less than 70% of the Company's issued common shares, and VEBA AG must own not less than 50% of MEMC issued common shares.

The ranges for interest rates on these borrowings for the years ended December 31, 1998, 1997 and 1996 were 6.50% - 7.95%, 6.00% - 7.605% and 0.85% - 7.495%, respectively. As of December 31, 1998 and 1997, total unused lines of credit for short-term and long-term loans amounted to approximately

$102,903 and $263,435, respectively.

As December 31, 1998 and 1997, certain time deposits and property, plant and equipment were pledged as security for long-term loans. See note 13.

(10) PENSION

Effective December 31, 1997, the Company adopted SFAS No. 18, "Accounting for Pensions." The measurement dates for the actuarial study of the Company's pension obligation were December 31, 1998 and 1997. The funded status of the Company's pension scheme as of December 31, 1998 and 1997, was as follows:

	BALANCE AT DECEMBER 31, 1998	BALANCE AT DECEMBER 31, 1997
Benefit obligation:		
Vested benefit obligation	$ --	$ --
Non-vested benefit obligation	(411)	(256)
Accumulated benefit obligation	(411)	(256)
Effects of future salary progression	(977)	(638)
Projected benefit obligation	(1,388)	(894)
Fair value of plan assets	476	256
Benefit obligation in excess of plan assets	(912)	(638)
Unrecognized net obligation at transition	584	599
Accrued pension liabilities	$ (328)	$ (39)

The net pension cost for the year ended December 31, 1998 consisted of following components:

Service cost	$421
Interest expense	59
Expected returns on pension fund	(24)
Amortization and deferral	23
	$479

Actuarial assumptions are as follows:

	1998	1997
Discount rate	6.50%	6.50%
Rate of salary progression	6.00%	6.00%
Projected return on plan assets	6.50%	6.50%

Pension expenses were $198, and $135 for the years ended December 31, 1997 and 1996, respectively. As of December 31, 1998 and 1997, the balances of the Company's pension fund maintained with the Central Trust of China were $476 and $256, respectively. As of December 31, 1998 and 1997, the unpaid balances of $15 and $63, respectively, were included in accrued expenses.

(11) STOCKHOLDERS' EQUITY

(a) Capital stock

On July 17, 1996, the stockholders' meeting approved the issuance of an additional 55,000,000 shares at NT$10 par value per share for cash on July 17, 1996.

On July 25, 1997, the stockholders' meeting approved a proposal to increase authorized capital stock to 480,000,000 shares at NT$10 par value per share and to issue an additional 60,000,000 shares at NT$10 par value per share for cash on December 25, 1997. After this capital increase, the total issued capital was $113,783.

On February 5, 1998, the board of directors decided to issue an additional 85,000,000 shares at NT$10 per value per share for cash. After this capital increase, the total issued capital was $139,887. The above increases were all registered and approved by the authorities.

On October 12, 1998, December 14, 1998 and January 11, 1999, the board of directors decided to issue an additional 75,000,000, 35,000,000 and 90,000,000 shares at NT$10 par value per share for cash. On December 14, 1998, the special stockholders' meeting approved the deduction of capital by 200,000,000 shares at NT$10 par value to offset the accumulated deficit. The effective date of above increase and decrease of capital has not been determined. Prior to December 31, 1998, the Company received $30,744 from stockholders related to the approved share issuances. The advance payment was recorded as "advance from stockholders," a separate component of stockholders' equity, on the balance sheet as of December 31, 1998.

(b) Distribution of earnings

In accordance with ROC Company Law, the Company's articles of incorporation stipulate that 10% of annual earnings (net of losses of prior years, if any) is to be retained as statutory reserve until such retention equals the amount of issued share capital. The distribution of remaining earnings should be proposed by the board of directors and decided in a stockholders meeting. At least 0.01% of the distribution should be appropriated as employees' bonuses when the stockholders approve an earnings distribution. Future dividends will be distributed in NT dollars.

(c) Accumulated deficit

According to the ROC Company Law, if accumulated deficit is over one-half of the common stock, the board of directors shall convene a meeting of stockholders and make a report on such loss.

(12) INCOME TAXES

The Company's earnings are subject to an income tax rate of 20%. For the years ended December 31, 1998, 1997 and 1996, income tax expense (benefit) was as follows:

	1998	1997	1996 (UNAUDITED)
Current income tax expense	$ --	$ 25	$ --
Deferred income tax expense (benefit)	13,053	(5,690)	(11,652)
	$13,053	$(5,665)	$(11,652)

The Company's income tax expense (benefit) for the years ended December 31, 1998, 1997 and 1996, differed from the expected income tax, computed by applying the 20% tax rate on loss before income tax as shown on the financial statements, as follows:

	1998	1997	1996 (UNAUDITED)
Computed "expected" income tax benefit	$(9,072)	$(3,890)	$ (5,717)
Investment tax credits earned	(9,406)	(4,736)	(10,811)
Unrealized exchange gain	--	(5,070)	--
Other	1,712	45	32
Valuation allowance	29,819	7,986	4,844
Income tax expense (benefit)	$13,053	$(5,665)	$(11,652)

As of December 31, 1998 and 1997, refundable income taxes were as follows:

	DECEMBER 31, 1998	DECEMBER 31, 1997
Estimated income tax expense	$ --	$ 25
Prepaid income tax	163	178
Other	--	(25)
Income tax refundable from prior years	181	477
Income tax refundable	$344	$655

The temporary differences, tax credits, loss carryforwards and their effects on deferred income tax assets are as follows as of December 31, 1998 and 1997:

	DECEMBER 31,			
	1998		1997	
	AMOUNT	INCOME TAX EFFECT	AMOUNT	INCOME TAX EFFECT
Current assets:				
Unrealized loss from inventory devaluation	$ 5,056	$ 1,011	$ 3,738	$ 748
Organization cost deferred for tax purposes	2,408	482	2,448	490
Employee benefit costs deferred for tax purposes	174	35	171	34
Unrealized foreign exchange loss	12,145	2,429	15,809	3,162
		3,957		4,434
Less: valuation allowance		(3,957)		--
		$ --		$4,434

	DECEMBER 31,			
	1998		1997	
	AMOUNT	INCOME TAX EFFECT	AMOUNT	INCOME TAX EFFECT
Noncurrent assets:				
Investment tax credits earned	$25,178	$25,178	$14,762	$14,762
Organization costs deferred for tax purposes	1,338	268	3,507	702
Employee benefit costs deferred for tax purposes	--	--	171	34
Difference in technology fee	1,081	216	391	78
Tax loss carryforward	90,787	18,157	46,851	9,370
		43,819		24,946
Less: valuation allowance		(40,141)		(11,908)
		$ 3,678		$13,038

A valuation allowance has been established at December 31, 1998 and 1997 due to the uncertainty of realizing a portion of the deferred tax asset balance. In management's opinion it is more likely than not that the net deferred tax asset balance at December 31, 1998 and 1997 will be realized.

The significant factors considered in determining the valuation allowance at December 31, 1998 and 1997 included the Company's eight year financial forecast, the expected length of the Company's start-up period for its newly constructed facilities, the expected future market conditions in Taiwan and the semiconductor industry, the impact of the tax holiday periods, and the expiration dates of available investment tax credits and loss carryforwards. The Company increased its valuation allowance by approximately $30 million as of December 31, 1998 as compared to December 31, 1997 primarily due to a change in market conditions which resulted in a significant reduction in the Company's near-term taxable income forecast.

According to the ROC Income Tax Law, pre-operating expenses of the Company during the development stage are amortized for tax purposes on a straight-line basis over a period of not less than five years.

ROC tax regulations stipulate that investment tax credits used by the Company each year shall not exceed 50% of the current income tax payable, and any unused balance can be carried forward to the following four years, subject to the same percentage limitation for each year except in the year of expiration when any remainder can be used for offset of income tax payable in that year. As of December 31, 1998, the estimated unused income tax credits, resulting from investment in machinery and equipment and research and development, available to reduce future tax liabilities and the years of expiration were as follows:

YEAR OF INVESTMENT	TAX CREDITS	YEAR OF EXPIRATION
1995	$ 282	1999
1996	304	1999
1996	455	2000
1997	2,742	1999
1997	10,846	2000
1997	1,143	2001
1998	2,243	2000
1998	5,719	2001
1998	1,444	2002
	$25,178	

TAISIL ELECTRONIC MATERIALS CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The Company is authorized to be a "Science-based industry" and "Important technology-based industry" as defined by the Statutes.

According to the Statute for the Establishment and Administration of Science-Based Industrial Park, a science-based industry may, within two years from the date on which it begins to sell its products or to render services, select any fiscal year in the four-year period from such date for exemption from profit-seeking enterprise income tax for a period of five consecutive years from the starting date of such fiscal year.

In accordance with Article 8 of the Statute for Promotion of Upgrading Industries, the important technology-based industry shareholders which held their investments for a period over two years, the shareholders may credit up to 20% of price paid for the acquisition of such investments against their income tax payable.

The Company's initial NT$200,000 capital expenditure project (phase I project) is entitled to enjoy both the tax holiday and shareholders investment tax credit incentive schemes. The Company has chosen January 1, 2000 as the tax holiday starting date.

The Company's subsequent expansion of NT$200,000 capital expenditure project (phase II project) can only apply one of the above incentive schemes. The stockholders' meeting on May 22, 1998 has selected to enjoy shareholders investment tax credit.

Pursuant to the ROC Income Tax Law, the Company's tax losses may be carried forward for up to five years to reduce future taxable income. As of December 31, 1998, the estimated tax loss carryforwards were as follows:

YEAR LOSS	AMOUNT	YEAR OF EXPIRATION
1996	$16,429	2001
1997	30,862	2002
1998	43,496	2003
	$90,787	

The tax authorities have examined and assessed the Company's income tax returns through 1996.

(13) PLEDGED ASSETS

As of December 31, 1998 and 1997, pledged assets were as follows:

ASSETS	RELATED SECURED LIABILITIES	DECEMBER 31, 1998	DECEMBER 31, 1997
Time Deposits			
Restricted bank deposits	Short-term loans	$ 931	$ 3,063
Restricted bank deposits	Documentary draft for export in customs	31	31
Machinery and equipment	Long-term loans	73,757	53,312
Buildings	Long-term loans	38,113	34,333
		$112,832	$90,739

(14) COMMITMENTS

(a) Operating lease

The Company is leasing its plant site from the Science-Based Industrial Park Administration Bureau for a period of 20 years, expiring December 31, 2014. In accordance with the lease agreement, rental payments

are subject to adjustment as and when the government reappraises the land value. The current rent is NT$12,390 ($383) per year.

Future minimum lease payments as of December 31, 1998, under the existing non-cancelable agreement are:

YEARS	MINIMUM LEASE PAYMENTS	
1999 through 2003	$1,915	($383 annually)
2004 through 2008	1,915	
2009 through 2013	1,915	
2014	382	
	$6,127	

(b) Technical service agreement

In accordance with a technical assistance agreement between the Company and MEMC, the Company is required to pay MEMC fixed payments and the timing of such payments is based on reaching certain milestones. As of December 31, 1998 and 1997, the remaining balance of such payments to be paid under the agreement amounted to $834 and $2,500, respectively.

In addition, the Company pays MEMC an annual royalty based on net sales and operating income.

(c) Purchase of equipment

As of December 31, 1998 and 1997, the Company had outstanding letters of credit amounting to approximately $4,906 and $3,242, respectively, and was committed to purchase equipment with a total estimated cost of $981 and $15,369, respectively.

(d) Syndicated term loan agreement

The Company entered into certain syndication loan agreements with ABN AMRO Bank and seven other banks (the "Banks") for the Company's Phase I and II planned expansion. In accordance with the syndication loan agreements, the Banks granted credit facilities to the Company for the purchase of machinery and equipment. The commitment fee is charged at a certain rate per annum payable quarterly, based on the committed-to withdraw but unborrowed balance, if any. Commitment fees paid for the years ended December 31, 1998 and 1997 amounted to $9 and $44, respectively.

(15) RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's financial statements have been prepared in accordance with ROC GAAP. ROC GAAP vary in certain significant respects from US GAAP. Differences which have a significant effect on the Company's results of operations and stockholders' equity are as follows:

(a) Employee retirement benefits

Prior to January 1, 1998, the pension expense recorded by the Company in connection with its defined benefit pension plan was based on the amount of the contributions made by the Company to the pension plan as required by government regulations under ROC GAAP. As described in note 2(j), the Company began recording pension expense using actuarial techniques as specified by ROC SFAS

No. 18 (ROC SFAS No. 18 is similar to US SFAS No. 87). Under US GAAP, the accumulated pension obligation and pension expense is determined on an actuarial basis, assuming the Company first adopted this policy at the beginning of 1997

since it was not feasible to apply the actuarial basis at an earlier period. The impact of this difference is not significant to the Company's determination of results of operations or stockholders' equity under US GAAP for the periods presented.

(b) Technology fee

Under ROC GAAP, the Company capitalizes and amortizes certain costs in connection with a technical assistance agreement entered into with a shareholder, MEMC. Under US GAAP, such payments are expensed as incurred or treated as a deemed dividend depending on the nature of the payment. In 1998, the Company made a royalty payment of $1,666 which was treated as a deemed dividend.

A reconciliation from ROC GAAP to US GAAP of net loss and stockholders' equity are as follows:

	1998	1997	1996 (UNAUDITED)
Net loss as reported under ROC GAAP	$(58,414)	$(13,784)	$(16,931)
(a) Amortization of capitalized technology fees	1,500	1,500	583
(b) Income tax effects resulting from capitalized technology fees	(240)	(295)	(119)
Net loss in accordance with US GAAP	$(57,154)	$(12,579)	$(16,467)

Stockholders' equity:

	DECEMBER 31, 1998	DECEMBER 31, 1997
Stockholders' equity as reported under ROC GAAP	$77,979	$79,545
(a) Effect of capitalization of technology fees, net of amortization	(5,583)	(5,417)
(b) Income tax effects resulting from capitalized technology fees	313	553
Stockholders' equity in accordance with US GAAP	$72,709	$74,681

(16) RECLASSIFICATIONS

Certain amounts in the 1996 and 1997 financial statements have been reclassified to conform with the 1998 presentation for comparison purposes. These reclassifications do not have a significant impact on the financial statements.

EXHIBIT 10-d

CONFIDENTIAL TREATMENT OF CERTAIN PORTIONS
OF THIS EXHIBIT HAVE BEEN GRANTED

TECHNICAL AGREEMENT - SILICON WAFER MANUFACTURING

THIS TECHNICAL AGREEMENT (hereinafter referred to as "Agreement") made and entered into as of the 19th day of December, 1990, by and between:

MEMC Electronic Materials, Inc., a corporation of the State of Delaware, United States of America, having an office at 501 Pearl Drive, O'Fallon, Missouri, U S A (hereinafter referred to as "MEMC")

and

POSCO HULS Company Limited, a corporation organized under the laws of the Republic of Korea, having an office at Pohang, the Republic of Korea (hereinafter referred to as "PHC").

WITNESSETH:

WHEREAS, MEMC has developed over the years and possesses processes involving technology, equipment design, and other intangible assets and property rights of value, all of which are useful with respect to the manufacture of Silicon Wafers (as hereinafter defined) and certain value added features such as epitaxial layers; and

WHEREAS, MEMC is commercially practicing in the United States and elsewhere the foregoing processes embodying the technology, equipment design, assets, and property rights for the manufacture of the aforesaid Silicon Wafers; and

WHEREAS, PHC desires to have MEMC license the aforesaid intangible assets and property rights and furnish Technical Information (as hereinafter defined) to PHC to the extent provided in this Agreement, which will allow PHC to design, construct, and operate manufacturing operations in Korea, and MEMC is willing to license such intangible assets and property rights and to furnish such Technical Information to PHC under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants set forth herein and other valuable consideration, it is agreed by and between the parties as follows:

ARTICLE I
DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth in this Article I:

1.01 - "Silicon" means a semiconductor grade of elemental silicon of sufficient purity and crystalline structure useful in the manufacture of semiconductor devices.

1.02 - "Silicon Wafers" means [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC].

1.03 - "Prime Wafers" herein means Silicon Wafers which meet customer specifications of prime wafer and are used by the customers as direct substrate of semiconductor devices.

1.04 - "Test and/or Monitor Wafers" herein means Silicon Wafers which meet customer specifications of test and/or monitor wafer and are used to test or monitor their equipment or processes and not as a direct substrate of semiconductor devices.

1.05 - "Field of this Agreement" means Silicon Wafers and processes, apparatus, equipment, and materials useful in producing Silicon Wafers consistent with the commercial requirements of PHC.

The Field of this Agreement shall not include processes, apparatus, equipment, and materials useful in producing polycrystal Silicon.

1.06 - "Technical Information" means any and all information and know-how commercially in use at MEMC's Plants, which from time to time may be in existence, relating to processes, equipment, apparatus, materials, and market technical service within the Field of this Agreement and shall include but shall not be limited to engineering and manufacturing information, operating procedures, design information on manufacturing plants and equipment, specifications for raw materials, and analytical methods. "Technical Information" shall not include data or other information relative to research, pilot plant technology (except where the technology is required for the construction or operation of PHC's facilities within the Field of this Agreement or when PHC and MEMC specifically agree in writing to participate in joint research projects), prices, profit margins, customers, customer relationships, sales, market areas, or quantities of products produced by MEMC.

1.07 - "Date of this Agreement" means the date first set forth above.

1.08 - "Effective Date of this Agreement" means the date when any and all of the conditions precedent set forth in ARTICLE VII of this Agreement have been fulfilled and the parties have so notified each other in writing.

1.09 - "Date of First Commercial Production" means the first date, as agreed upon in writing between PHC and MEMC, on which Prime Wafers of commercial quantity are commercially invoiced by PHC utilizing Technical Information acquired under this Agreement.

1.10 - "SIE" means square inch equivalent which is a unit to measure the surface area of Silicon Wafers.

1.11 - "Subsidiary" means a company or corporation, the majority of whose stock eligible to be voted for the election of directors is owned or controlled directly or indirectly through share ownership by another company or corporation.

1.12 - "Parent" means the company or corporation directly or indirectly so owning or controlling the stock of a Subsidiary.

1.13 - "Affiliates" means the Parent and all Subsidiaries of the Parent.

1.14 - "MEMC's Plants" shall mean MEMC's and its Affiliates' plants in the US and other countries engaged in the commercial production of Silicon Wafers.

1.15 - "Net Sales Proceeds" means the total invoiced price of Silicon Wafers sold or disposed of by PHC in a normal, bona-fide commercial transaction, less the following items:

a. sales discounts (including sales rebate);

b. sales returns;

c. indirect taxes, insurance premiums, packing expenses, freight and delivery expenses, sales commissions, advertising expenses and installation expenses imposed or incurred with regard to the sale of Silicon Wafers; and

d. CIF price of, import duties on, other duties and taxes on, and fees on, single crystal ingots and its derivatives manufactured by and purchased from MEMC or MEMC's Plants.

1.16 - "Joint Venture Agreement" shall mean the Joint Venture Agreement dated as of the Aug. 29th day of 199___, by and between Pohang Iron and Steel Company, Ltd., Samsung Electronics Company, Ltd. and MEMC.

1.17 - "Export Sales" means any sale or distribution whether direct or indirect of Silicon Wafers manufactured by PHC, for first value added processing outside the Republic of Korea.

ARTICLE II
TECHNICAL INFORMATION AND ASSISTANCE

2.01 - MEMC shall furnish to PHC sufficient Technical Information to enable PHC to design, construct and operate in Korea a facility capable of producing Silicon Wafers at a capability agreed upon by the parties, initially with a production capacity of approximately 60 million SIE of Silicon Wafers per year (hereinafter referred to as the "Initial Facility"). The process capability of the Initial Facility shall be from crystal growing to polishing for 150mm and 200mm diameter wafers for use in advanced semiconductor processes. The Technical Information shall also include, when required, information necessary to expand the Initial Facility to include production of advanced wafers such as epitaxial wafers. Technical Information to be provided by MEMC to PHC pursuant to this Agreement shall contain the latest technical developments commercially in use by MEMC at the time of providing such Technical Information.

2.02 - The Technical Information conveyed pursuant to this ARTICLE II shall be such that the Initial Facility, if designed, constructed and operated in accordance with good engineering practice and in accordance with information and instructions furnished by MEMC, shall be capable of producing Silicon Wafers with the same product quality and specifications and the same general efficiency as is realized in the manufacture of corresponding types of Silicon Wafers in MEMC's Plants on the Effective Date of this Agreement, but making due allowances for the different sizes of the manufacturing facilities to be constructed by PHC and for different local labor and manufacturing conditions including the type and quality of raw materials used, and provided the design and installation of the Initial Facility have been approved by MEMC and provided further that the Initial Facility is operated in accordance with MEMC's operating instructions.

2.03 - As soon as possible and in no event later than six (6) months following the Effective Date of this Agreement, MEMC shall make available to PHC in O'Fallon, Missouri, the services of one or more technical representatives familiar with all phases of manufacture of Silicon Wafers and who, at PHC's request, will review with English-speaking representatives of PHC, the Korean manufacturing conditions, the availability of raw materials, and proposed manufacturing methods to be used in Korea for the purpose of establishing the general design basis of the Initial Facility. Following such consultation, the processing methods to be used in the Initial Facility, the raw material specifications and the general design basis of the Initial Facility shall be mutually agreed upon between MEMC and PHC and set forth in writing.

2.04 - As soon as practical and in any event within six (6) months subsequent to the date that PHC and MEMC agree in writing as to processing methods to be used in the Initial Facility, the raw material specifications and the general design basis as provided in Paragraph 2.03, MEMC shall furnish to PHC two (2) copies of an engineering manual or equivalent information in a format agreed to by the parties, in English, which shall be written in terms of United States engineering practices and which shall contain the following Technical Information relative to the design, construction, and operation of the Initial Facility:

1. Process design data, including materials balance, utility requirements, and a process flow sheet.

2. Equipment specifications and sketches, including recommended manufacturers for such equipment, and such other information as in MEMC's opinion will be useful to PHC in preparing procurement specifications and detailed equipment drawings for fabricators in Korea, and in obtaining quotations from equipment suppliers in Korea.

3. Recommended general layout drawings suitable for use as a pattern for the placement of equipment, including preliminary plan and elevation views.

4. Specifications for piping, control and electrical systems.

2.05 - PHC shall prepare all design and construction drawings for the Initial Facility, but MEMC will assist and advise PHC in applying the most modern engineering practices to the extent that MEMC has the information available. PHC shall submit all such drawings to MEMC for review and approval, and for purposes of such review and approval, such drawings shall be in English, or alternatively, PHC shall make available to MEMC in the United States of America an English-speaking Korean engineer to assist MEMC in interpreting Korean drawings and engineering practices. MEMC's review and approval of the construction aspects of such drawings shall include no more than a confirmation that the construction details conform to process requirements, and shall not include or be concerned with determining that the structures and equipment are sound and/or conform to the requirements of applicable building or other codes. After reviewing such drawings, MEMC shall either approve the drawings and return them to PHC or return the drawings with necessary modifications indicated thereon.

2.06 - Within four (4) months after all drawings for the Initial Facility as specified in Paragraph 2.05 have been received by MEMC from PHC and have been reviewed and approved by MEMC, there shall be supplied to PHC by MEMC two (2) copies of a written manual of operating procedures, in English, for use in the operation of the Initial Facility. This manual shall include a list of required raw materials together with specifications therefor and complete information as to the amounts required for each such raw material and, additionally, shall contain detailed information relative to the operation of the Initial Facility, including testing, control, start-up and normal operating procedures, and normal and emergency shut-down instructions. The manual shall also contain information, based on plant practices used in the manufacture of products covered by the Field of this Agreement in MEMC's Plants relative to maintenance and repair of manufacturing equipment, safety practices, including fire prevention, and methods of handling raw materials, goods in process, and finished products.

2.07 - MEMC shall arrange for the technical training of approximately twelve (12) technical personnel of PHC in one or several of MEMC's Plants. The time and duration of such training shall be arranged by mutual consent of the parties and is expected to total approximately seventy-two (72) man months. It is understood and agreed that PHC will pay all traveling, living and other expenses of its own personnel incurred during the training pursuant to this paragraph 2.07.

2.08 - MEMC will supply, upon PHC's request, the services of one (1) or more engineers to advise and consult with PHC during the final construction stages and start-up period of the Initial Facility, such services to be supplied until the Initial Facility has demonstrated its ability to produce Silicon Wafers of a quality equivalent to those produced in MEMC's Plants. It is expected that such consultation will be in the range of forty-eight (48) man months.

2.09 - In addition to the services of MEMC engineers during the final construction stages and start-up period of the Initial Facility as defined in Section 2.08, MEMC shall make available to PHC during the term of this Agreement the services of at least two (2) engineers and/or technical personnel (including the Executive Vice President if the Executive Vice President is an engineer). PHC may at its option from time to time request MEMC to provide additional technical personnel to assist in the transfer of technology or training of PHC personnel. Such additional personnel will be provided upon agreement of MEMC. It is understood and agreed by the parties that the personnel described in this Section 2.09 are supplied for the purpose of ensuring the effective initial and on-going transfer of full and complete technical information from MEMC as described in this agreement, the initial and on-going training of PHC employees, and the close coordination and communication between MEMC and PHC. It is understood and agreed that PHC will pay all salaries and other expenses of such personnel during the entire duration of their employment on behalf of PHC. A separate agreement between the individual or MEMC and PHC will cover the

specific items to be included in salary and expenses of persons covered by this Section 2.09.

ARTICLE III
TECHNICAL INFORMATION AND CONTINUING KNOW-HOW

3.01 - MEMC will, during the five (5) year period beginning with the Date of First Commercial Production, make available to PHC all of MEMC's technical improvements and developments within the Field of this Agreement which MEMC has incorporated into any of MEMC's Plants for the commercial production of Silicon Wafers to the extent PHC has requested such improvements and developments and has a commercial requirement for the manufacture of such Silicon Wafers commercially produced by MEMC.

3.02 - PHC will, during the five (5) year period beginning with the Date of

First Commercial Production, make available to MEMC all of PHC's technical improvements and developments in the Field of this Agreement which PHC has incorporated into any of its plants engaged in the commercial production of Silicon Wafers.

3.03 - MEMC and PHC shall be obligated under this Agreement to supply only such Technical Information as MEMC and PHC each has the legal right to supply to the other party and only to the extent and manner set forth in this Agreement. If at any time disclosure of any Technical Information by either party to the other party would require any payments to third parties, excluding Affiliates, by the party disclosing said Technical Information and the disclosing party requests the other party to share in making such payments, such disclosure shall be made only after the parties to this Agreement have agreed as to bearing the cost of such payments. In the event such payments are required, PHC shall obtain governmental approval, if required, for such payments.

3.04 - During the five (5) year period following the Date of First Commercial Production, MEMC shall permit representatives of PHC, and PHC shall permit representatives of MEMC to inspect, examine, and study, respectively, MEMC's and PHC's machinery, equipment, including detailed engineering drawings thereof, manufacturing processes, plants and related control laboratories, wherever located, engaged in the commercial production of Silicon Wafers using Technical Information furnished by MEMC. The number of PHC or MEMC representatives and the time and duration of their visits to MEMC's Plants or PHC's plants and laboratories shall be subject to MEMC's or PHC's approval, respectively, it being understood that such inspection, examinations and studies shall not interfere with MEMC's or PHC's operation, and such inspections shall not be excessive. The visit of a representative of either party as provided for in this paragraph shall not be disapproved or limited without good cause. It is understood and agreed that the expenses of the visiting party shall be borne by the visiting party.

3.05 - No later than four years after the Date of First Commercial Production MEMC and PHC shall negotiate in good faith on another technical agreement with the object of allowing PHC and MEMC to obtain continuing technology from the other party at reasonable terms.

ARTICLE IV
RIGHTS AND LICENSES

As of the Effective Date of this Agreement the parties agree as follows:

4.01 - MEMC agrees to grant and hereby grants to PHC on a nontransferable basis:

(1) the [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] right and license to use all Technical Information for the manufacture of Silicon Wafers in the Republic of Korea; and

(2) a [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] right and license to use Technical Information to promote and sell Silicon Wafers in and outside the Republic of Korea.

As an exception to the foregoing, PHC shall not use, without MEMC's written consent, such Technical Information to manufacture for Export Sales to territories where:

(1) MEMC is engaged in regular sales activities for Silicon Wafers when such Export Sales are made, or

(2) MEMC is restricted from exporting Silicon Wafers by U.S. laws and regulations.

It is agreed between the parties that PHC's Export Sales of Silicon Wafers into the territories as defined in (1) and (2) of the preceding sentence shall be made exclusively through MEMC under an International Distributorship Agreement to be agreed upon by the parties hereto prior to such Export Sales.

4.02 - MEMC agrees to grant and hereby grants to PHC [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC], non-transferable right and license under and for the full terms of all patents within the Field of this

Agreement currently or in the future owned or controlled (in the sense of having the right to grant licenses thereunder) by MEMC in the Republic of Korea during the term of this Agreement; further, MEMC agrees to grant, as necessary, to PHC [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC], non-transferable right and license under and for the full terms of other patents within the Field of this Agreement currently or in the future owned or controlled (in the sense of having the right to grant licenses thereunder) by MEMC during the term of this Agreement, to the extent necessary for PHC to use all Technical Information for Export Sales to which MEMC has consented under Section 4.01 above.

4.03 - PHC agrees to grant and hereby grants to MEMC a non-exclusive right and license, with the right to sublicense Affiliates, to use all Technical Information which PHC supplies to MEMC pursuant to this Agreement. MEMC shall pay a reasonable royalty to be agreed upon by the parties.

4.04 - PHC agrees to grant and does hereby grant to MEMC a non-exclusive license, with the right to sublicense Affiliates, under and for the full terms of all future patents owned or controlled by PHC, to the extent, but only to the extent, necessary for MEMC and/or any sublicensee of MEMC to use all Technical Information which PHC supplies to MEMC pursuant to this Agreement. MEMC shall pay a reasonable royalty to be agreed upon by the parties.

ARTICLE V

PAYMENTS

5.01 - PHC shall pay to MEMC, as compensation for the rights and licenses, Technical Information and continuing know-how a technology fee of seven million and eight hundred thousand US dollars (US $7,800,000). This payment shall be the only payment to MEMC by PHC for the rights, licenses, and Technical Information which MEMC shall provide for the five (5) year period of this Agreement or extended term of this Agreement in accordance with Paragraph 3.05 except for the running royalties and other payments set forth in this Article V and any additional royalties to be agreed upon in accordance with Paragraph 3.05.

The technology fee shall be paid as follows:

(a) one twelfth of the aforementioned fee which is six hundred and fifty thousand US dollars (US$650,000) by the end of the calendar quarter following the calendar quarter during which this Agreement will become effective; and one twelfth of the aforementioned fee, US$650,000, each for eleven times by the end of each calendar quarter following the aforementioned first payment.

(b) No interest will be accrued during the aforementioned payment period.

(c) The payments shall be made in US dollars in the United States of America and shall not be reduced by any taxes, licenses, fees or other withholdings levied upon such payments by the Korean government or political subdivision or agency thereof. All taxes, licenses, fees or other levy or duty imposed upon or which arise because of payments by PHC to MEMC shall be paid and absorbed by PHC.

5.02 - PHC shall reimburse MEMC's out-of-pocket expenses, which MEMC will incur to supply PHC with technical assistance for the Initial Facility as specified in Article II. MEMC shall provide reasonable evidence to substantiate the amounts billed to PHC under this Section 5.02.

The out-of-pocket expenses shall include:

(a) Salaries and salary overhead of the MEMC engineers and associated personnel who, upon MEMC's recommendation and PHC's approval, will be assigned to provide the technical assistance. MEMC shall invoice PHC with actual cost provided however, salaries and salary overhead shall not exceed US$600 per day per person.

(b) Travel expenses in accordance with MEMC's travel policy to and from their place of employment, local travel expenses of such personnel and living expenses (adequate to provide accommodation comparable to home country standards) during the time they are away from their regular work place.

(c) The amounts billed to MEMC for services provided for by independent contractors retained upon MEMC's recommendation and PHC's approval as part of MEMC's technical assistance to PHC.

5.03 - In addition to the payments specified in Sections 5.01 and 5.02 and elsewhere in the Agreement, PHC shall pay to MEMC a running royalty of three and ninety-four one-hundredths percent (3.94%) of Net Sales Proceeds during the five (5) year period beginning with the Date of First Commercial Production; provided, however that no such running royalty shall be payable for Test and/or Monitor Wafers for the period beginning with the Date of First Commercial Production and ending on the first anniversary thereafter.

5.04 - PHC shall not pay any running royalty for Export Sales made through

MEMC under the International Distributorship Agreement referred to in Section 4.01 above. Silicon Wafers bartered or sold by PHC for other than cash shall be considered to be sold.

5.05 - The payments to be made by PHC to MEMC pursuant to this Agreement shall not be reduced by any taxes, licenses, fees, or other withholdings levied upon such payments by the Korean government or political subdivision or agency thereof, unless all of the following requirements are met:

(a) The amount, if any, by which the payments are reduced, is a tax imposed on MEMC's income and is not an excise, franchise, privilege, turnover, sales, production or property tax, or any other tax, levy, or duty;

(b) The tax is imposed on MEMC under the laws of Korea or a political subdivision or agency thereof, and PHC is required by law to withhold the tax from payments to MEMC and pay the tax withheld to the Korean government, or political subdivision or agency thereof; and

(c) PHC furnishes MEMC a tax receipt for the taxes withheld.

All taxes, licenses, fees or other levy or duty imposed upon or which arise because of payments by PHC to MEMC under this Agreement, other than those which meet the requirements of (a) through (c) of this Section 5.05 shall be paid and absorbed by PHC.

5.06 - The royalties due MEMC pursuant to Section 5.03 of this Agreement shall be computed quarterly and shall be paid to MEMC within sixty (60) days of the last day of March, June, September, and December of each calendar year; each such payment shall be accompanied by a written report setting forth the quantities and descriptions of all Silicon Wafers sold by PHC during the period for which payment is made. The amounts payable to MEMC shall be paid in United States dollars or such other currency or currencies as MEMC shall elect, at New York, NY, USA. PHC will prepare the quarterly computation promptly for submittal and approval of the remittal of the payment with the Foreign Exchange authorities.

5.07 - PHC shall keep such detailed records as may be necessary to determine the payments due under this Agreement. At the request of MEMC, PHC shall permit an independent public accountant selected by MEMC (except one to whom PHC has some reasonable objection) or a MEMC internal auditor to have access during ordinary business hours to such records as may be necessary to determine in respect to any calendar quarter ending not more than two (2) years prior to the time of such request, (a) the correctness of any report and/or payment under this Agreement or (b) information as to any sum payable for such period in case of PHC's failure to render reports for payment pursuant to this Agreement.

ARTICLE VI
CONFIDENTIAL INFORMATION

6.01 - During the term of this Agreement and for ten (10) years thereafter PHC shall keep confidential and restrict access to all Technical Information and other secret or confidential information received from MEMC pursuant to this Agreement to those directors, officers, employees, and representatives of PHC who have a reasonable need for such information in carrying out their respective duties on behalf of PHC. PHC's duty of confidentiality pursuant to the Article shall not be applicable to information which:

(a) was in the public domain at the time of disclosure or comes into the public domain; or

(b) Technical Information which the receiving party can show by written or other tangible evidence was in its possession at the time of the disclosure hereunder, and which the receiving party without breach of any obligation is free to disclose to others;

(c) Technical Information which was received by the receiving party from a third party who did not acquire it, directly or indirectly, from the disclosing party under an obligation of confidentiality and which the third party without breach of any obligation is free to disclose to others;

(d) Technical Information which is required to be disclosed by the laws of Korea in order to carry on the business of PHC provided that all necessary steps are taken by PHC to the extent permitted by law to maintain the information as confidential.

6.02 - PHC, prior to permitting them to receive or have access to any Technical Information or other secret or confidential information received from MEMC, shall cause its directors, officers, employees, and representatives to enter into a written agreement requiring them to keep confidential and not to use, except in connection with their assigned duties at PHC, during the term of this Agreement and for ten (10) years thereafter, all such information which may be communicated to or acquired by them. No representative of an entity engaged in manufacture and/or research of Silicon Wafers may enter PHC's premises or be exposed to Technical Information unless prior approval has been granted jointly

by PHC's President and Executive Vice President.

6.03 - PHC may secure and use the services of engineering contractors in the design, engineering, and erection of a facility for manufacturing Silicon Wafers, but such engineering contractors must be approved in advance, in writing by MEMC and such engineering contractors and their employees shall be required to sign security agreements approved by MEMC wherein such engineering contractors and their employees agree to keep confidential and to use only on behalf of PHC any confidential information within the Field of this Agreement received, directly or indirectly, from MEMC or PHC.

ARTICLE VII
CONDITIONS PRECEDENT

7.01 - The rights and obligations set forth in this Agreement shall not have any legal effect, and the Agreement shall not become binding upon either of the parties hereto, unless and until all of the following conditions have been fulfilled:

(a) both parties shall have executed the Agreement, with the further requirement that the second party to execute the Agreement shall have executed it within sixty (60) days after the execution by the first party;

(b) all necessary official approvals of appropriate Korean and United States governmental authorities shall have been obtained.

(c) the Joint Venture Agreement shall have become effective pursuant to its Section 10 and shall not have been terminated pursuant to its Section 11.

7.02 - The parties shall keep each other currently informed as to the fulfillment of each of the conditions of Paragraph 7.01 of this ARTICLE VII; upon fulfillment of all such conditions within the times specified, this Agreement shall then become binding upon the parties and shall thereafter be considered as made and entered into as of the Date of this Agreement.

ARTICLE VIII
MARKETING

8.01 - The parties agree that beginning with the Date of the First Commercial Production of Silicon Wafers by PHC, PHC shall have the option to choose among any and all commercial orders of Silicon Wafers to PHC and/or MEMC (where permitted under such orders), from the electronics industry in the Republic of Korea. Except for as defined in this Article 8.01, this Agreement shall not be construed in any way as preventing, restricting, or limiting the sales activities of PHC or MEMC in the Republic of Korea.

ARTICLE IX
ASSIGNABILITY

9.01 - Neither this Agreement nor any of the rights and obligations arising thereunder may be assigned or transferred by either party, except that MEMC may assign this Agreement and the rights and obligations arising thereunder to an Affiliate or a company acquiring substantially all of the business and assets of MEMC dealing with the Field of this Agreement.

9.02 - In case of any assignment as provided for in Section 9.01 of this ARTICLE IX, the assignor shall guarantee compliance by the assignee with the provisions of this Agreement.

ARTICLE X
FORCE MAJEURE

10.01 - Neither of the parties shall be liable for any default or delay caused by any contingency beyond its control, including, without limitation, war, restraints affecting shipping, strikes, lockouts, fires, accidents, floods, droughts, natural calamities, short or reduced supply of fuel or of raw materials, demand or requirements of the Korean or other government or of any governmental subdivisions thereof, restraining orders or decrees of any court or judge having jurisdiction in the premises; except for payments due under the Agreement from PHC, but not made because of PHC's improfitability or lack of cash.

ARTICLE XI
DAMAGES AND INDEMNIFICATION AND WARRANTIES

11.01 - Except as stated in Section 11.02, each party hereunder agrees that the party disclosing Technical Information pursuant to this Agreement shall not be liable to the other party for and that the other party shall defend, indemnify and hold the disclosing party harmless from any loss, liability, claim, damage or expense of whatever kind arising out of or as a consequence of, as the case may be, the use by the receiving party of any Technical Information or patents furnished or licensed to such receiving party pursuant to this

Agreement or the use of any products produced with such Technical Information. This Section 11.01 shall survive the termination or expiration of this Agreement.

11.02 - MEMC hereby warrants that, to the best of its knowledge at the time of execution of this Agreement, there is no claim, suit, lien or judgement made, brought or obtained by any other predecessor or affiliated entity of MEMC or by any third party, based on any actual or alleged infringement of any patent or other proprietary right with respect to the Technical Information transferred hereunder.

PHC will use best efforts to protect MEMC's confidential and proprietary information and will defend any suits made against PHC for alleged infringement of a patent or intellectual property rights.

Should any products manufactured by PHC strictly in accordance with the Technical Information furnished by MEMC under this Agreement partially or totally infringe a patent or intellectual property right belonging to a third party who makes a claim against PHC for alleged infringement of such patent or intellectual property right, MEMC shall give necessary assistance for the effective defense of such suit; and the damages, penalties and all other expenses, including attorney's fees, shall be divided between the parties in the proportions to be agreed upon by the parties. If MEMC and PHC cannot agree upon a proportion, the parties shall allocate fifty (50) percent of such expenses to MEMC and fifty (50) percent to PHC. MEMC's liability under this Section 11.02 shall not be applicable with respect to allegations of or actual infringement which:

a. relate to Technical Information not required to be transferred pursuant to the second sentence of Section 2.01 of this Agreement, and which

b. relate to Technical Information thereafter transferred and is disclosed, as an existing or potential subject of infringement, by MEMC to PHC at the time of its transfer in a good faith belief by MEMC of potential liability.

MEMC's cumulative liability to PHC under this Section 11.02 shall not exceed one-third of the sum of the running royalties and/or technology fees paid to MEMC by PHC during the three year period preceding the date PHC first asserts in writing a claim against MEMC under this Section 11.02.

MEMC's liability under this Section 11.02 shall terminate upon the termination or expiration of this Agreement except with respect to usage of the Technical Information by PHC prior thereto.

ARTICLE XII
NOTICE

12.01 - All notices or communications given or required to be given hereunder shall be given by personal delivery or by registered airmail, cable, telex or facsimile at the following addresses:

If to MEMC: MEMC Electronic Materials, Inc.
501 Pearl Drive (City of O'Fallon)

Post Office Box 8
St. Peters, Missouri 63376
USA

Attention: General Counsel

If to PHC: ______________________________________
____

12.02 - Notices and communications shall be deemed received by the addresses on the date of delivery if delivered personally, on the date fourteen (14) days after the date of posting if sent by registered airmail or when received if sent by cable, telex or facsimile.

12.03 - The parties may change their addresses at any time by giving notice thereof in the manner provided in this Article.

12.04 - Any payment required under this Agreement shall be considered made only when received.

ARTICLE XIII
INTERPRETATION AND ARBITRATION

13.01 - All disputes, controversies, or differences which may arise between the parties out of or in relation to or in connection with this contract, or for the breach thereof, shall be finally settled by arbitration pursuant to the U.S. - Korean Commercial Arbitration Agreement, dated December 1, 1974, by which each party hereto is bound.

13.02 - The arbitration shall be held at Seoul, the Republic of Korea if the case is brought against PHC and in St. Louis, Missouri, USA if the case is brought against MEMC.

13.03 - This Agreement shall be construed in accordance with and governed by the laws of the Republic of Korea.

ARTICLE XIV
TERMINATION AND DEFAULT

14.01 - In the event that PHC is in default with respect to any payments required pursuant to this Agreement, MEMC may give written notice to PHC, calling attention thereto. If PHC does not correct such default within sixty (60) days after such notice, MEMC shall at any time thereafter have the right to terminate, by giving written notice to that effect, all of its obligations to supply further information or services pursuant to this Agreement, and all of the rights and licenses granted to PHC pursuant to ARTICLE IV of this Agreement. MEMC's right to terminate pursuant to this Section 14.01 shall be at the option of MEMC and shall not constitute a waiver of its other rights or remedies with respect to said default, and the failure to exercise any such right in the event of any occurrence giving rise thereto, shall not constitute a waiver of the right in the event of any subsequent occurrence.

In the event of termination of this Agreement by MEMC under this Section 14.01, then PHC agrees to return to MEMC originals and copies of all portions of any notes, reports, photographs, manuals, memoranda, plans, drawings, flow sheets, records or other documents containing any Technical Information provided, directly or indirectly, by MEMC and in PHC's possession and further agrees to destroy all portions of any copies of any materials prepared by PHC, its employees, or representatives which contain Technical Information. Such return and delivery and/or destruction shall be within sixty (60) days following the date that MEMC notifies PHC of the termination of this Agreement.

14.02 - It is understood and agreed by the parties that MEMC may, subject to the conditions set forth below, terminate this Agreement upon thirty (30) days written notice, in the event that MEMC's ownership or control, either directly or indirectly, of PHC stock eligible to vote in the election of directors falls below forty percent (40%) of the total number of shares of such PHC stock outstanding:

a) that the five (5) year period beginning with the Date of First Commercial Production has expired; and

b) that MEMC shall not be in default under the Joint Venture Agreement.

Termination by MEMC pursuant to the provisions of this Section 14.02 shall not act to terminate rights and licenses already granted pursuant to this Agreement prior to the effective date of such termination, provided however, such rights and licenses shall be non-exclusive.

14.03 - It is understood that, in case of failure of the negotiations under Section 3.05 of this Agreement, this Agreement shall expire five (5) years after the Date of First Commercial Production, and such expiration shall not act to terminate rights and licenses already granted pursuant to this Agreement, provided however, such rights and licenses shall be non-exclusive.

14.04 - If either party shall be in default of any obligation hereunder of a substantial nature and if such party shall fail to remedy such default within sixty (60) days after written notice thereof, any non-defaulting party hereto shall have the right to terminate this Agreement by written notice of termination to the other party given at any time within ninety (90) days after said sixty (60) days. Such termination shall be in addition to any other rights or remedies which may exist on account of such default.

14.05 - Termination pursuant to this ARTICLE XIV and expiration pursuant to Section 14.03 of the rights and obligations specified therein shall not terminate any of the obligations of PHC, including the obligation to pay in full any and all amounts of money having come due prior to the termination by MEMC or the expiration of this Agreement and the obligation of PHC to observe the confidentiality provisions set forth in ARTICLE VI of this Agreement. It is expressly agreed that the provisions of Section 4.01 second and third sentences of this Agreement shall survive termination pursuant to Section 14.02 or expiration pursuant to Section 14.03 for a period of five (5) years, or the duration of the Joint Venture Agreement whichever is longer.

ARTICLE XV
EXPORT OF TECHNICAL INFORMATION

15.01 - The parties are aware that the transfer of MEMC's Technical Information with respect to 200mm Silicon Wafers prior to April 1, 1994 requires approval or concurrence by the U.S. Committee on Foreign Investment in the US (CFIUS), and MEMC shall have no obligations with respect to the transfer and license of such information prior to April 1, 1994 unless the approval or concurrence by CFIUS is obtained; provided, however, that MEMC shall use all reasonable efforts to obtain such approval or concurrence prior to April 1, 1994.

15.02 - Notwithstanding other provisions of the Agreement, PHC agrees to make no disclosure of or use any Technical Information furnished or made known

to PHC pursuant to this Agreement, except in compliance with the laws and regulations of the United States of America, and in particular, PHC agrees not to export, directly or indirectly, either the technical data (the term "technical data" as used herein shall mean and include the Technical Information furnished or made known to PHC pursuant to this Agreement) or the "direct product" thereof to any country or countries for which a validated license is required pursuant to the Export Regulations pertaining to the exportation of technical data and the "direct product" thereof, promulgated by the Bureau of Export Administration of the United States Department of Commerce. The term "direct product" as used above is defined to mean the immediate product (including processes and services) produced directly by the use of the technical data.

ARTICLE XVI
TRADEMARKS AND TRADE NAMES

16.01 - No right, expressed, or implied, is granted by this Agreement to PHC to use in any manner whatsoever the name "MEMC" or MEMC Electronic Materials, Inc. or any other trade name or trademark of MEMC in connection with the use or sale of any product produced by PHC. However, a separate trademark license agreement, shall be entered into between MEMC and PHC dealing with the use of the MEMC trademark "YIELD-GUARD".

ARTICLE XVII
MISCELLANEOUS

17.01 - The heading of the Articles have been inserted for convenience and reference only and shall not affect the interpretation or the constructions of the provisions of this Agreement.

17.02 - This Agreement constitutes the entire agreement and understanding between the parties hereto, and supersedes and cancels all previous negotiations, representations, undertakings and agreements heretofore made between the parties hereto with respect to the subject matter hereof.

17.03 - This Agreement shall not be modified except by a written instrument executed by duly authorized representatives of the parties hereto.

17.04 - In the event any term or provision of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or provision of the Agreement, and this Agreement shall be interpreted and construed as if such term or provisions, to the extent it is invalid, illegal or unenforceable, had never been contained in this Agreement, provided, however, such invalidity, illegality or unenforceability shall not result in a material change of this Agreement.

17.05 - Waiver of any right by a party hereto towards the other for breach or a series of breaches thereof shall not affect the right of the waiving party to execute any of its rights provided hereunder on account of any other breach hereof or similar breach hereof or similar breach subsequent thereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate by their duly authorized representatives as of the day and year first above written.

MEMC Electronic Materials, Inc.	POSCO HULS Company Limited
By /s/ Roger D. McDaniel	By /s/ In Bo Shim
Title: President and Chief Executive Officer	Title: President and Chief Executive Officer

STATE OF MISSOURI)
) ss.
COUNTY OF ST. CHARLES)

On this 14th day of December, 1990, before me appeared Roger D. McDaniel, to me personally known and known to be the person who executed the foregoing as

President and Chief Executive Officer of MEMC Electronic Materials, Inc., and that he is authorized to execute said instrument on behalf of said corporation by authority of its Board of Directors, and unto me acknowledged said instrument to be his free act and deed and the free act and deed of said Corporation.

/s/ Patricia E. Lockett

Notary Public

My Commission Expires:

April 22, 1991

EXHIBIT 10-d(3)
CONFIDENTIAL TREATMENT REQUESTED

THIRD AMENDMENT TO PHC TECHNICAL AGREEMENT

This Third Amendment to Technical Agreement - Silicon Wafer Manufacturing (the "Third Amendment") is made and entered into as of the date affixed by the signatures below, and is effective as of October 1, 1998, by and between MEMC ELECTRONIC MATERIALS, INC., a Delaware corporation ("MEMC"), and POSCO HULS COMPANY LIMITED, a Korea corporation ("PHC"). All terms used herein, unless otherwise defined, shall have the same meanings ascribed to them in the Agreement (as defined below).

Recitals

A. MEMC and PHC made and entered into that certain Technical Agreement-Silicon Wafer Manufacturing as of December 19, 1990, that certain Amendment to Technical Agreement effective as of January 1, 1995, and that certain Second Amendment to Technical Agreement effective as of September 30, 1998 (as so amended, the "Agreement").

B. MEMC and PHC wish to further amend the Agreement as set forth below.

NOW, THEREFORE, pursuant to Section 17.03 of the Agreement, the parties agree as follows:

1. Limitation of Scope. The following sentence shall be added at the end of the definition of Silicon Wafers in Section 1.02:

   "As used herein, Silicon Wafers shall mean [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC]."

2. Research and Development Projects. Add the following paragraphs at the end of Section 3.01 as follows:

   "During the Term of the Agreement, the parties shall meet no less frequently than annually at a mutually agreeable time and place at which MEMC shall advise PHC of the nature of any major research or pilot plant projects within the Field of this Agreement which MEMC is undertaking. In addition, during the Term of the Agreement, MEMC shall periodically advise PHC of the status and progress of projects in the Field of the Agreement which MEMC has undertaken via its "Product and Process Pipeline" program (the program under which MEMC currently directs its research and development activities) or any similar successor program.

   During the Term of this Agreement, if PHC requests information regarding a technical improvement or development of MEMC (either product or process-related) within the Field of the Agreement and PHC and MEMC agree that PHC has a commercial requirement for such information, then MEMC will make available to PHC the necessary technical information if MEMC has incorporated the improvement or development into any of its Plants. If MEMC has not incorporated the improvement or development into any of its Plants, the parties will either agree for MEMC to transfer the information to PHC at a later stage of development or for PHC to participate in the development. PHC may undertake its own research or pilot plant projects provided such projects (i) are not duplicative of any MEMC projects, (ii) are mutually beneficial, and (iii) are agreed upon by both parties."

3. Licenses to MEMC.

(a) Sections 4.03 and 4.04 are deleted in their entirety and the following sections are added to the Agreement:

"4.03 - PHC agrees to grant and hereby grants to MEMC a worldwide, royalty-free, nonexclusive right and license, with the right to sublicense, to use all Technical Information which PHC supplies to MEMC pursuant to this Agreement.

4.04 - PHC agrees to grant and hereby grants to MEMC a royalty-free, nonexclusive right and license, with the right to sublicense, under and for the full terms of all PHC Korean Patents. PHC agrees to grant and hereby grants to MEMC a royalty-free, exclusive right and license, with the right to sublicense, under and for the full terms of all PHC Ex-Korean Patents; provided, that the parties agree that PHC shall retain the right to use (but not license) the PHC Ex-Korean Patents.

4.05 - Notwithstanding the foregoing, MEMC shall be permitted to sublicense PHC Technical Information or patents to its Affiliates or MEMC Joint Ventures only if the Affiliate or MEMC Joint Venture grants to PHC a royalty-free license to its Technical Information and patents in the Field of the Agreement which such Affiliate or MEMC Joint Venture has the legal right to grant. Any license from an MEMC Affiliate or MEMC Joint Venture shall be on the same terms as the MEMC licenses granted in Sections 4.01 and 4.02 hereof."

(b) New Sections 1.18, 1.19 and 1.20 are added as follows:

"1.18 - "MEMC Joint Ventures" means joint venture companies in which

MEMC participates as a shareholder, partner or member and which is engaged in the manufacture and/or sale of silicon wafers.

1.19 - "PHC Korean Patents" shall have the meaning set forth in Section 18.01 hereof.

1.20 - "PHC Ex-Korean Patents" shall have the meaning set forth in Section 18.02 hereof."

4. Running Royalty

(a) Section 5.03 is deleted in its entirety and replaced with the following:

"5.03 - In addition to the payments specified in Sections 5.01 and 5.02 and elsewhere in this Agreement, during the Term of this Agreement, PHC shall pay MEMC a running royalty consisting of (i) [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] of Net Sales Proceeds (the "Net Sales Royalty"), and (ii) [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] of Net Income After Taxes (the "NIAT Royalty")."

(b) The first sentence of Section 5.06 is deleted in its entirety and replaced with the following:

"5.06 - The Net Sales Royalty due MEMC pursuant to this Agreement shall be computed quarterly and shall be paid to MEMC within sixty (60) days of the last day of March, June, September, and December of each calendar year; each such payment shall be accompanied by a written report setting forth the quantities and descriptions of all Silicon Wafers sold by PHC during the period for which payment is made; the NIAT Royalty shall be computed annually and shall be paid to MEMC within sixty (60) days of the last day of each calendar year; each such payment shall be accompanied by an earnings statement of PHC detailing the calculation of Net Income After Taxes."

(c) In the last sentence of Section 5.06, the phrase "or annual, as the case may be" is inserted after the word "quarterly".

(d) In the second sentence of Section 5.07, the phrase "or year, as the case may be" shall be added after the phrase "calendar quarter".

(e) A new Section 1.21 is added as follows:

"1.21 - "Net Income After Taxes" shall mean PHC's net income after taxes but before deduction of the NIAT Royalty and shall be computed in accordance with U.S. generally accepted accounting principles.

5. Sharing of Certain MEMC Royalties.

(a) A new Section 5.08 is added as follows:

"5.08 - In the event that MEMC sublicenses any patent jointly owned by the parties or owned or controlled solely by PHC to a third party other than (i) an MEMC Affiliate, or (ii) an MEMC Joint Venture, in consideration for cash royalties, PHC shall be entitled during the Term of this Agreement to a share of the royalties as agreed between the parties. In determining PHC's share of the royalties, the parties shall take into consideration each party's relative contribution to the sublicensed technology, and MEMC's contribution to the core technology on which the sublicensed technology is based or to which it is related. If the parties are unable to agree on PHC's share of the royalties, the matter shall be submitted to arbitration as set forth in Section 13.04 below."

6. Running Royalty Upon Termination

(a) A new Section 5.09 is added as follows:

"5.09 - Following termination or expiration of this Agreement, PHC shall pay MEMC, in accordance with the procedures set forth in this Article V, a running royalty as follows:

a. For the [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] following termination or expiration, a percentage Net Sales Royalty and NIAT Royalty equal to [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] of the percentage Net Sales Royalty and NIAT Royalty, respectively, in effect at the date of termination or expiration;

b. For the [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] following termination or expiration, a percentage Net Sales Royalty and NIAT Royalty shall be equal to [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] of the percentage Net Sales Royalty and NIAT Royalty, respectively, in effect at the date of termination or expiration; and

c. For the [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] following termination or expiration, a

percentage Net Sales Royalty and a NIAT Royalty equal to [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] of the percentage Net Sales Royalty and NIAT Royalty, respectively, in effect at the date of termination or expiration.

d. Thereafter, PHC shall have no obligation to pay any royalty whatsoever to MEMC."

(b) The following phrase is added at the end of the first sentence of Section 14.05:

"and the obligation of PHC to pay MEMC a running royalty upon termination or expiration of this Agreement as set forth in Section 5.09"

7. Notice

In Sections 12.01 and 12.02, "telex or facsimile" shall be replaced with "telex, facsimile, or electronic mail."

8. Arbitration of Certain Matters

(a) The following phrase shall be added at the beginning of the first sentence of Section 13.01:

"Except for those matters which are to be settled by arbitration in accordance with Section 13.04 below,"

(b) A new Section 13.04 is added as follows:

"13.04 - Arbitration to determine PHC's share of royalties received by MEMC pursuant to Section 5.08 shall be by a single arbitrator pursuant to the Rules of Conciliation and Arbitration of the International Chamber of Commerce (the "Rules") then in force. The single arbitrator shall be selected by the parties and shall be a person familiar with the silicon wafer business. If the parties are unable to agree upon an arbitrator within thirty (30) days after arbitration is invoked, either party may ask the ICC to appoint an arbitrator subject to the following stipulation: if PHC so requests, the arbitrator shall not be a U.S. national and, if MEMC so requests, the arbitrator shall not be a Korean national. The arbitration shall be conducted in Singapore. Each party shall submit its position to the arbitrator and the arbitrator shall agree upon and approve one of the positions submitted. Unless otherwise agreed by the parties, the arbitration proceedings shall be conducted in English and any relevant documents in other languages shall be translated into English at the expense of the party producing them. In rendering its decision, the arbitrator shall apply the terms and conditions of this Agreement. The arbitrator shall determine how the expenses of the arbitration are to be borne by the parties in dispute."

9. Term of Agreement

(a) Section 14.03 is deleted in its entirety and replaced with the following:

"14.03 - No later than [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] after the effective date of this Third Amendment, MEMC and PHC shall negotiate in good faith on another technical agreement with the object of allowing PHC and MEMC to obtain continuing technology from the other party on reasonable terms. In the case of failure of such negotiations and unless terminated earlier as herein provided, this Agreement shall expire [CONFIDENTIAL MATERIAL HAS BEEN DELETED AND FILED SEPARATELY WITH THE SEC] from the effective date of this Third Amendment. Expiration or termination of this Agreement shall not act to terminate any of the rights or licenses granted by the parties hereunder, provided, however, that all rights and licenses granted by MEMC to PHC shall be non-exclusive. The period prior to the expiration or termination of this Agreement is herein referred to as the "Term of the Agreement.""

(b) In Section 3.02, the phrase "during the five (5) year period beginning with the Date of First Commercial Production" shall be replaced with "during the Term of this Agreement."

(c) In Section 3.04, the phrase "During the five (5) year period following the Date of First Commercial Production" shall be replaced with "During the Term of this Agreement".

10. Management of PHC and Jointly-Owned Patents. A new Article XVIII-Management of PHC and Jointly-Owned Patents is added with the following provisions:

"18.01 - In the Republic of Korea, PHC shall be responsible for preparing, filing, prosecuting and maintaining patents and patent applications which claim as an invention a PHC development ("PHC Korean Patents").

18.02 - In countries other than the Republic of Korea, MEMC shall be responsible, upon the request of and at the expense of PHC, for preparing,

filing, prosecuting and maintaining patents and patent applications which claim as an invention a PHC development ("PHC Ex-Korean Patents"). The decision of when and where to file PHC Ex-Korean Patents and what other actions to take with respect thereto shall be agreed between the parties; provided, that if PHC elects not to pay for any filing or action proposed by MEMC with respect to a PHC Ex-Korean Patent and MEMC makes such filing or takes such action at its expense, PHC agrees that it will assign its entire right and interest in and to such patent or patent application to MEMC. MEMC shall keep PHC advised as to all developments with respect to PHC Ex-Korean Patents and shall endeavor to supply PHC copies of all papers received and filed in connection with the prosecution thereof and give due consideration to PHC's comments thereon. If PHC requests MEMC to prepare, file, prosecute or maintain a PHC Ex-Korean Patent and MEMC elects not to assume or continue responsibility for such actions, PHC may take such actions at its own expense. In such event, the exclusive license granted to MEMC with respect to such patent shall become nonexclusive.

18.03 - All patents and patent applications which claim as an invention a joint development of PHC and MEMC shall be filed in the names of and be jointly owned by PHC and MEMC. MEMC shall be solely responsible for preparing, filing, prosecuting and maintaining such patents and patent applications. The expenses of such actions shall be shared equally by PHC and MEMC. MEMC shall have the right to freely sublicense any of such jointly-held patents; provided, that in the Republic of Korea, PHC's consent shall be required for any such sublicense. Elsewhere, if PHC's consent is legally required prior to MEMC's grant of a sublicense, then PHC agrees that it shall provide such consent. PHC shall have the right to sublicense any of such jointly-held patents with the consent of MEMC. MEMC shall notify PHC in writing prior to granting a sublicense of any jointly-held patent."

11. Effect

This Third Amendment shall become effective on October 1, 1998 and shall supercede any provisions of the Agreement which are in conflict with this Amendment. All other provisions of the Agreement shall remain effective and binding.

IN WITNESS WHEREOF, the parties have executed this Third Amendment as follows:

MEMC ELECTRONIC MATERIALS, INC	POSCO HULS COMPANY, LIMITED
By: /s/ Klaus R. von Horde	By: /s/ S. B. Hong
Title: President, COO	Title: President, PHC
Date: December 17, 1998	Date: December 17, 1998

EXHIBIT 10-kk(4)

MEMC ELECTRONIC MATERIALS, INC.

SPECIAL INCENTIVE BONUS AGREEMENT

THIS AGREEMENT is entered into between MEMC Electronic Materials, Inc. ("MEMC") and John P. De Luca ("Employee").

Employee is employed by MEMC.

MEMC recognizes the value of the services performed by Employee and wishes to encourage Employee to continue employment with MEMC. Employee wishes to be paid a certain amount of additional compensation in return for continuous employment with MEMC for a designated period of time.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, the parties agree as follows:

1. Nature of Contract. This Agreement provides for an additional bonus (the "Special Incentive Bonus") to be paid by MEMC to Employee in consideration for Employee's continuous employment throughout the period of April 1, 1998 through June 30, 1999 (the "Retention Period").

Nothing contained in this Agreement shall be construed to be a contract of employment for any term, nor as conferring upon Employee the right to continue in the employment of MEMC in Employee's present capacity or in any other capacity. Nothing contained in this Agreement shall be construed to preclude either party from terminating the employment relationship at any time.

It is expressly understood by the parties that this Agreement relates exclusively to additional compensation for Employee's services and is not intended to be the entire employment contract. This Agreement merely supplements Employee's employment contract with MEMC.

The Special Incentive Bonus provided by this Agreement is in addition to the cash compensation and other fringe benefits provided to Employee pursuant to any plan or plans maintained by MEMC for its employees generally.

2. Special Incentive Bonus. If Employee remains in the employment of MEMC continuously throughout the Retention Period of April 1, 1998 through June 30, 1999, Employee shall be entitled to a Special Incentive Bonus in the amount of $250,000.

3. Terms of Payment. Fifty percent of the Special Incentive Bonus will be payable with the March 31, 1998 payroll (the "Advance Payment"); the remaining fifty percent of the Special Incentive Bonus will be payable with the June 30, 1999 payroll (the "Final Payment").

Subject to the exceptions below, in the event Employee terminates employment with MEMC before April 1, 1999, Employee shall reimburse MEMC the entire amount of the Advance Payment (including any payroll tax withheld).

Subject to the exceptions below, in the event Employee terminates employment with MEMC after March 31, 1999 and before July 1, 1999, Employee shall reimburse MEMC that portion of the Advance Payment (including any payroll tax withheld) that the number of days in the period beginning on the date of Employee's termination of employment with MEMC and ending on June 30, 1999 bears to 456. For example, if Employee terminates employment with MEMC on June 1, 1999, Employee shall reimburse MEMC 30 / 456 (or 6.58%) of the Advance Payment.

No reimbursement of the Advance Payment shall be required in the event of the death or total and permanent disability of Employee, or in the event Employee's employment with MEMC is involuntarily terminated by MEMC as a result of a change in control of MEMC or a reduction in the workforce of MEMC. The reimbursement as described above shall be required in the event of Employee's termination of employment with MEMC for any other reason.

In no event shall Employee be entitled to the Final Payment in the event of Employee's termination of employment with MEMC for any reason before July 1, 1999.

4. Tax Withholding

MEMC shall withhold from the Special Incentive Bonus the amount necessary to enable MEMC to remit to the appropriate government entity or entities the amount required to be withheld from wages with respect to such payments. All references to the Special Incentive Bonus, the Advance Payment, and the Final Payment shall mean the gross amount of such amount before such payroll taxes are withheld.

5. Collection of Reimbursement

Employee agrees that any reimbursement of the Advance Payment due MEMC in the event of termination of employment of the Employee before July 1, 1999 may be withheld by MEMC from any amounts owed by MEMC to Employee.

6. Confidentiality

Employee agrees that the terms of this Special Incentive Bonus Agreement

are confidential and will not be discussed with or disclosed to any present or former employee of MEMC or its affiliates or subsidiaries.

7. Governing Law

The interpretation and enforcement of this Agreement shall be governed by the laws of the State of Missouri.

Employee acknowledges that this Agreement has been reviewed in detail by Employee and that Employee voluntarily entered into this Agreement.

IN WITNESS WHEREOF, the parties have executed this Special Incentive Bonus Agreement this 24th day of March, 1998.

MEMC ELECTRONIC MATERIALS, INC.

By: /s/ Ludger H. Viefhues

Ludger H. Viefhues, Chief Executive Officer

/s/ John P. De Luca

John P. De Luca

EXHIBIT 13

FIVE YEAR SELECTED FINANCIAL DATA
Dollars in thousands, except share data

<TABLE>
<CAPTION>

Year ended December 31,	1998	1997	1996	1995)	1994
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Net sales	$ 758,916	$ 986,673	$1,119,500	$ 886,860	$660,807
Gross margin	(31,829)	124,759	250,185	223,279	143,210
Marketing and administration	73,515	70,715	79,680	63,893	41,298
Research and development	81,591	64,457	44,313	31,226	27,403
Restructuring costs	146,324(1)	--	--	--	--
Operating profit (loss)	(333,259)	(10,413)	126,192	128,160	74,509
Equity in income (loss) of joint ventures	(43,496)	5,480 (3)	26,716(3)	13,199(3)	(6,384)(3)
Net earnings (loss)	(316,332)	(4,513)(3)	103,388(3)	86,564(3)	34,475(2)
Basic earnings (loss) per share	(7.80)	(0.11)(3)	2.50(3)	2.83(2)(3)	1.60(2)(3)
Diluted earnings (loss) per share	(7.80)	(0.11)(3)	2.49(3)	2.81(2)(3)	1.60(2)(3)
Shares used in basic earnings (loss) per share computation	40,580,869	41,345,193	41,308,806	30,612,636(2)	21,490,942(2)
Shares used in diluted earnings (loss) per share computation	40,580,869	41,345,193	41,534,412	30,838,704(2)	21,490,942(2)
BALANCE SHEET DATA:					
Working capital	40,494	38,449	42,805	199,258	69,597
Total assets	1,773,714	1,794,424(3)	1,519,472(3)	1,102,167(3)	631,543(3)
Long-term debt (including current portion)	873,680	519,995	304,589	91,451	165,230
Stockholders' equity	399,040	715,754(3)	748,583(3)	642,695(3)	205,468(3)
OTHER DATA:					
Capital expenditures	194,610	372,416	590,049	215,359	78,676
Equity infusions in joint ventures	25,533	10,638	14,698	29,904	20,922
Employment	6,300	8,000	7,100	6,600	5,300

</TABLE>

(1)During 1998, the Company recorded restructuring costs totaling $146.3 million to close its Spartanburg, South Carolina facility, to forego construction of a 200 millimeter wafer facility at its joint venture in Malaysia, to withdraw from its joint venture in a small diameter wafer operation in China and to implement a voluntary severance program.

(2)Earnings (loss) per share and shares used in earnings (loss) per share computation have been restated to comply with SFAS No. 128, "Earnings Per Share."

(3)The Company's financial statements for all periods presented have been restated to reflect from inception the designation of the U.S. dollar as the functional currency for POSCO Huls Co., Ltd. and Taisil Electronic Materials Corporation, the Company's unconsolidated joint ventures. See Note 19 of Notes to Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998 COMPARED WITH YEAR ENDED DECEMBER 31, 1997

NET SALES. Net sales decreased by 23.1% to $758.9 million for 1998 from $986.7 million for 1997, due to significant declines in the price for silicon wafers and a 14.3% decrease in product volumes somewhat offset by an improved product mix. The decline in price during 1998 is primarily attributable to significant excess capacity in the silicon wafer industry and continuing pricing pressure from customers who are experiencing reduced profitability or losses due to significant excess capacity and price erosion in the semiconductor industry. The decrease in product volume in 1998 was principally due to the weak economic conditions in the Asia Pacific markets brought on by the Asian financial crisis and the continuing recession in Japan coupled with semiconductor customers shrinking the size of their devices (requiring less silicon per device). A concerted effort by customers to use fewer test/monitor wafers also caused product volumes to decline in 1998. This marks the first year since 1985 that product volumes for the silicon industry have not increased year over year.

Advanced large diameter and epitaxial products represented 47.1% of product volume for 1998 compared to 39.1% for 1997. While both 200 millimeter and epitaxial product volumes grew during 1998, the increase in this ratio is primarily indicative of customers utilizing 200 millimeter wafers in preference to smaller diameter wafers in order to obtain the lowest cost per device. While product volume declined in total by 14.3% during 1998, 200 millimeter product volume grew by 12.3%.

MEMC operates in all major semiconductor-producing regions of the world, with almost half of the Company's 1998 net sales to customers located outside North America. Net sales to North America decreased 21.7% and comprised 51.4% of 1998 sales compared to 50.4% of 1997 sales, led by a fall in prices and product volume, partially offset by improved product mix. Lower prices offset by an improved product mix and higher volumes combined to result in a 10.1% decrease in net sales to Europe, which constituted 23.4% of 1998 sales compared to 20.0% of 1997 sales. Net sales to Japan decreased 22.6% and comprised 15.7% of 1998 sales compared to 15.6% of 1997 sales, as lower volumes and prices more than offset an improved product mix. Declines in product volumes, prices and product mix resulted in a decrease of 47.5% in net sales to Asia Pacific, which comprised 9.5% of 1998 sales compared to 13.9% of 1997 sales. See Note 17 of Notes to Consolidated Financial Statements herein.

GROSS MARGIN. The lower volumes experienced in 1998 decreased the capacity utilization and, coupled with the lower selling prices, caused gross margins to decrease to a negative 4.2% for 1998 from the 12.6% achieved in 1997. Despite the benefits from the mix improvement and cost cutting measures that were implemented during 1998, the volume decreases and price pressures began early in the year and resulted in negative margins. These cost-cutting initiatives included short-term plant shutdowns, implementing the Company's "best practices" worldwide, implementing a plant focus program that limits the number of wafer diameters manufactured at each site, and working with our suppliers to create cost reduction opportunities and price reductions. In addition, the Company reduced its workforce by approximately 1,700 employees, or 21.3%, compared to December 31, 1997.

MARKETING AND ADMINISTRATION. Marketing and administration expenses increased 4.0% and represented 9.7% of net sales for 1998 compared to 7.2% for 1997. The increase is predominately attributable to expenses incurred for business systems redesign in anticipation of implementing SAP worldwide and fees related to several other initiatives completed during the year.

RESEARCH AND DEVELOPMENT. Research and development costs rose 26.6% and represented 10.8% of net sales for 1998 compared to 6.5% for 1997. The increase in research and development costs is attributable to continuing investments in 300 millimeter wafer development and depreciation associated with capital expenditures made for the 300 millimeter pilot line in St. Peters, Missouri and the 300 millimeter integrated development line in Utsunomiya, Japan.

RESTRUCTURING COSTS. During the second quarter of 1998, the Company decided to close its small diameter wafer facility in Spartanburg, South Carolina and to withdraw from the Company's joint venture in a small diameter wafer operation in China. These actions were taken because (1) a number of semiconductor manufacturers have been running their larger diameter manufacturing lines in preference to their small diameter lines in order to

gain production efficiencies; (2) a number of semiconductor manufacturers recently have undertaken restructuring initiatives focused on permanently eliminating small diameter lines; and (3) management believes that small diameter wafer capacity will exceed demand even after the semiconductor industry begins to recover. The Company also decided to forego construction of a new 200 millimeter wafer facility at its joint venture in Malaysia. This decision was based upon current and anticipated excess capacity for 200 millimeter wafers and the significant price erosion that the Company has experienced for these wafers.

These actions resulted in a charge to operations of $121.7 million, comprised of $81.3 million non-cash asset impairments/write-offs, $25.9 million in dismantling and related costs and $14.5 million in personnel related costs. The assets for which an impairment loss has been recorded or which have been or will be written-off are primarily property, plant and equipment which cannot be sold or used at other Company facilities. In addition, the Company wrote-off architectural design and site preparation fees as well as costs incurred to develop a computer-integrated manufacturing system for the Malaysian joint venture.

Personnel costs represent the expected cost of involuntary terminations for approximately 600 hourly and salaried employees whom the Company does not expect to relocate elsewhere within the organization. See Note 5 of Notes to

Consolidated Financial Statements herein. The Company also recorded a $24.6 million charge for a voluntary severance program for approximately 600 hourly and salaried U.S. employees. Substantially all this amount was paid to employees as of December 31, 1998.

Ongoing operating expenses until plant closure associated with the Spartanburg facility of approximately $7.9 million will continue to be recorded as period costs. Costs of approximately $8.2 million relating to the relocation and installation of equipment from the Spartanburg facility to other sites will be capitalized as incurred.

The Company estimates pre-tax savings from these restructuring activities and the voluntary severance program to be approximately $60 million on an annualized basis. Approximately half of these expected savings relate to the voluntary severance program. As employees who participated in the voluntary severance plan were no longer employed by the Company as of June 30, 1998, these savings began to be realized in the third quarter of 1998.

The remaining $30 million in annualized savings principally relates to the closure of the Company's Spartanburg facility. Approximately half of these expected savings relate to personnel costs and the other half relate to manufacturing costs such as depreciation and supplies and utilities which will not be duplicated when Spartanburg's silicon wafer production is transferred to another Company location. As the Company re-qualifies and transfers the production of silicon wafers made at the Spartanburg facility to other Company locations, it will reduce its Spartanburg workforce. With each workforce reduction, the Company expects a portion of the annualized cost savings associated with personnel costs to be realized and to a much lesser extent manufacturing costs. As a result, a portion of the remaining $30 million in annualized cost savings began to be realized in the third quarter of 1998 and is expected to grow as workforce and production at the Spartanburg facility are reduced. On an annualized basis, the Company estimates that approximately $9.0 million in savings began to be realized by December 31, 1998 related to the closure of the Spartanburg facility. Because the manufacturing cost savings are fixed in nature, they will largely be realized upon the closure of the Spartanburg facility. While the Company believes that this will occur by April 30, 1999, the ability to re-qualify silicon wafers is highly dependent upon the cooperation of the Company's customers.

INTEREST EXPENSE. Interest expense increased to $45.8 million for 1998 from $14.7 million for 1997. The increase in interest expense is primarily attributable to increased borrowings, and to a lesser extent the completion of projects for which interest expense could no longer be capitalized. In addition, the interest rates on the Company's loan agreements with its principal lender were increased as a result of a debt re-negotiation during September 1998, as described in Liquidity and Capital Resources below. Total debt was $909.8 million and $632.5 million at December 31, 1998 and 1997, respectively.

OTHER, NET. Other, net decreased to $1.0 million in expense for 1998 from $4.1 million of income for 1997, primarily due to the sale of the Company's Santa Clara wafer facility in May 1997 that resulted in a pre-tax gain of $6.0 million.

INCOME TAXES. The effective income tax rate was 24.0% for 1998, as compared to (26.8%) for 1997. This fluctuation is the result of changes in the composition of worldwide taxable income, restructuring costs, non-

deductible operating expenses at the Company's Malaysian and Chinese joint ventures, the establishment of valuation allowances on certain deferred tax assets in Japan and certain foreign tax credit elections.

EQUITY IN INCOME (LOSS) OF JOINT VENTURES. Equity in income (loss) of joint ventures decreased $49.0 million to a loss of $43.5 million in 1998 from $5.5 million in income in 1997. POSCO Huls Co., Ltd. (PHC), the Company's 40%-owned, unconsolidated joint venture in South Korea, experienced a 28.0% decrease in product volume and significantly lower prices resulting in lower sales throughout 1998. While the reasons for the decline in prices are similar to those of the Company, product volume declines were primarily the result of excess capacity within the DRAM (memory) industry and efforts by Korean DRAM manufacturers to reduce their production, thereby reducing the worldwide oversupply, and shrink the size of their devices. For the year, PHC contributed losses of $17.8 million compared to $11.1 million in income for 1997.

Net sales for Taisil Electronic Materials Corporation (Taisil), the Company's 45%-owned, unconsolidated joint venture in Taiwan, decreased slightly due to significantly lower prices, which were partially offset by a 40.9% increase in product volumes. The higher product volumes were primarily attributable to obtaining additional customer qualifications during 1998. In addition, the Taiwanese semiconductor market, particularly the foundry market, grew during 1998. During 1998, Taisil also made adjustments to its deferred tax valuation allowance in recognition of changes in expected realization of its operating loss carryforwards, of which the Company's share was $6.0 million. For the year, Taisil contributed losses of $25.7 million in 1998 compared to $5.6 million in losses for 1997.

NET LOSS. The decrease in net sales, restructuring costs, higher research and development costs and interest expense, and the equity in loss of joint ventures resulted in a net loss of $316.3 million for 1998 compared to $4.5 million for 1997. Management expects some reduction in losses in the first quarter of 1999, as a result of the restructuring and cost-cutting actions, as well as anticipated higher product volumes. Due to overcapacity and decreasing prices in the semiconductor and silicon wafer industries, weak economic conditions in the Asia Pacific region and Japan, and other factors, while the Company will continue its significant performance improvements and cost-cutting efforts, management does not expect the Company to be profitable in 1999.

YEAR ENDED DECEMBER 31, 1997 COMPARED WITH YEAR ENDED DECEMBER 31, 1996

NET SALES. Net sales decreased by 11.9% to $986.7 million for 1997 from $1.1 billion for 1996, due to a 5.1% decrease in product volume and a decline in price somewhat offset by an improved product mix. Overcapacity, inventory reduction and weak pricing in the semiconductor industry, particularly for the DRAM market, led to reduced orders for silicon wafers that began in the second half of 1996 and gradually recovered throughout 1997. In addition, the Company and its competitors expanded at a faster rate than silicon consumption growth during 1997, resulting in overcapacity in the silicon wafer industry. The combination of these market conditions led to significant price reductions throughout 1997. Advanced large diameter and epitaxial products represented 39.1% of product volume for 1997 compared to 36.7% for 1996.

Net sales to North America decreased 12.5% and comprised 50.4% of 1997 sales compared to 50.8% of 1996 sales led by a fall in prices and, to a lesser extent, volume, partially offset by improved product mix. Lower prices and volume, a less favorable product mix and the general weakening of European currencies relative to the U.S. dollar throughout 1997 combined to result in a 22.8% decrease in net sales to Europe, which constituted 20.0% of 1997 sales compared to 22.9% of 1996 sales. Net sales to Japan increased by 21.0% and comprised 15.6% of 1997 sales compared to 11.4% of 1996 sales as higher volume from expanded manufacturing capacity and improved product mix more than offset lower pricing and the weakening of the Japanese yen relative to the U.S. dollar throughout 1997. The Asia Pacific market experienced similar declines in pricing, volume and product mix as did other geographic markets served by the Company. Net sales to Asia Pacific decreased 17.9% and comprised 13.9% of 1997 sales compared to 14.9% of 1996 sales. Product volume also declined due to the continued shift in sales from the Company to PHC and Taisil.

GROSS MARGIN. Gross margin as a percentage of net sales decreased to 12.6% in 1997 from 22.3% in 1996. Lower pricing and capacity utilization more than offset the slight improvement in product mix during 1997. The Company also completed the construction of its 200 millimeter silicon wafer facility at MEMC Southwest (the Company's 80%-owned joint venture in Sherman, Texas) and the expansion of its 200 millimeter epitaxial wafer facility in St. Peters which resulted in higher levels of training and start-up costs and contributed to the lower

capacity utilization. However, these expansions, which are dedicated to the production of 200 millimeter product, position the Company to respond to the demand for this diameter wafer, which analysts estimate grew approximately 28% industry wide in 1997.

MARKETING AND ADMINISTRATION. Marketing and administration expenses declined 11.3% and represented 7.2% of net sales for 1997 compared to 7.1% for 1996. The decrease is predominately attributable to a reduction in incentive compensation.

RESEARCH AND DEVELOPMENT. Research and development costs rose 45.5% and represented 6.5% of net sales for 1997 compared to 4.0% for 1996. The increase in research and development costs is attributable to the addition of engineering and scientific personnel, the start-up of the 300 millimeter pilot line in St. Peters and increased efforts in the areas of crystal technology, epitaxial silicon research and the development of the 300 millimeter wafer.

INTEREST EXPENSE. Interest expense increased to $14.7 million for 1997 from $0.5 million for 1996 as outstanding debt rose, projects were completed and interest costs were no longer capitalized. Total debt was $632.5 million and $331.8 million at December 31, 1997 and 1996, respectively.

OTHER, NET. Other, net improved to $4.1 million of income for 1997 from $7.4 million in expense for 1996, primarily due to the recognition of a $6.0 million gain on the sale of its Santa Clara, California silicon wafer facility.

INCOME TAXES. Income tax expense was recorded for 1997 despite the recognition of a pre-tax loss primarily due to the composition of the Company's worldwide taxable income. The effective income tax rate for 1996 was 40.0%.

EQUITY IN INCOME OF JOINT VENTURES. Equity in income of joint ventures decreased to $5.5 million in 1997 from $26.7 million in 1996. PHC recorded higher volumes and net sales; however, the impact of lower prices, a less favorable product mix and a work stoppage in the third quarter (and the subsequent ramp-up of operations) resulted in significantly reduced gross margins. For the year, PHC provided a contribution of $11.1 million compared to $34.1 million for 1996. Following the start-up and qualification of its operations, Taisil was able to generate net sales sufficient to keep pace with the increase in expenses as its capacity expanded. As a result, the Company's share of Taisil's loss of $5.6 million in 1997 and $7.4 million in 1996 is fairly consistent.

NET EARNINGS (LOSS). Lower pricing and capacity utilization coupled with higher start-up and training costs, research and development costs and interest expense, and lower equity in income of joint ventures resulted in a net loss of $4.5 million for 1997 compared to net earnings of $103.4 million for 1996.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the Company had $16.2 million of cash and cash equivalents compared to $30.1 million at December 31, 1997.

Cash flows from operating activities decreased to ($33.9) million for 1998 from $29.4 million for 1997. This $63.3 million decline was largely attributable to lower results from operations, an increase in deferred taxes, and a decrease in accounts payable, partially offset by a decrease in accounts receivable and inventories.

Accounts receivable of $98.5 million at December 31, 1998 decreased $56.2 million, or 36.3%, from $154.7 million at the end of 1997. This decrease is consistent with the 40.5% decrease in fourth quarter sales between the two years. Days' sales outstanding were 58.4 days at December 31, 1998 compared to 55.0 days at the end of 1997 based upon annualized fourth quarter sales for the respective years. This increase is attributable to lengthier collection periods in the Asian region in the fourth quarter of 1998.

Inventories declined $25.5 million, or 18.0%, from the prior year to $115.9 million at December 31, 1998. This decrease is primarily due to lower anticipated sales in the first quarter of 1999 compared to the year-ago period and a concerted effort by the Company to reduce raw materials and manage inventory levels. Related inventory reserves for obsolescence, lower of cost or market issues, or other impairments increased $11.7 million in 1998 to $19.6 million, as a result of declining sales and the resultant determination that certain goods in process, finished goods and spare parts were no longer salable or usable. Year-end inventories as a percentage of annualized fourth quarter sales increased from 13.8% at the end of 1997 to 18.8% at December 31, 1998, as

a result of the significant sales decline in 1998 and the character of certain inventory items such as spare parts which do not fluctuate with sales levels.

The Company's net deferred tax assets increased $99.1 million to $127.8 million at December 31, 1998. Management believes it is more likely than not that, with its projections of future taxable income and after consideration of the valuation allowance, the Company will generate sufficient taxable income to realize the benefits of the net deferred tax assets existing at December 31, 1998.

In order to realize the net deferred tax assets existing at December 31, 1998, the Company will need to generate future taxable income of approximately $353 million. The Company's net operating loss (NOL) carryforwards total $410 million, of which $7 million will expire in 2001; $15 million will expire in 2002; $32 million will expire in 2003; $27 million will expire in 2012; and $329 million will expire in 2018. There can be no assurance, however, that the Company will generate sufficient taxable income to realize the full benefit of the existing net deferred tax assets.

Accounts payable decreased $33.6 million or 23.0% compared to the balance at the end of 1997 due to a significant reduction in capital expenditures and lower operating costs as a result of lower product volumes in the fourth quarter of 1998 compared to the year-ago period.

Capital expenditures decreased $177.8 million or 47.7% versus the prior year to $194.6 million. The 1998 capital expenditures primarily consisted of equipping the 300 millimeter pilot line in St. Peters, the 300 millimeter integrated development line in Utsunomiya, the granular polysilicon expansion at MEMC Pasadena and the installation of epitaxial reactors in Utsunomiya. The Company anticipates that it will reduce capital expenditures in 1999 to less than $85.0 million. At December 31, 1998, the Company had $38.8 million of committed capital expenditures related to the implementation of SAP worldwide and various manufacturing and technology projects.

Equity infusions in joint ventures increased $14.9 million to $25.5 million for 1998 and related solely to Taisil. Although Taisil has not yet generated positive net income, the Company does not consider its investment in Taisil to be impaired as of December 31, 1998 based on the following factors: the level of commitment by all of Taisil's shareholders; the growing Taiwanese silicon wafer market; increased customer qualifications and associated increased product volumes; and future anticipated positive operating cash flows.

At December 31, 1998, the Company maintained $927.2 million of committed long-term loan agreements, of which $873.7 million was outstanding. The Company also maintained $83.0 million of short-term lines of credit, of which $36.1 million was outstanding at year-end. The Company's weighted average cost of borrowing was 7.8% at December 31, 1998.

Total debt outstanding increased to $909.8 million at December 31, 1998 from $632.5 million at December 31, 1997. The total debt to total capital ratio at December 31, 1998 was 67.0%.

During September 1998, the Company received a three-year $100.0 million revolving credit facility from VEBA AG, the parent of the Company's majority stockholder. This is in addition to a $50.0 million credit facility from VEBA AG that was made available to the Company on June 30, 1998. VEBA AG and its affiliates agreed to extend until 2001 all of the Company's outstanding debt with VEBAAGand its affiliates maturing prior to January 1, 2001 (but only in the event the Company has used its best efforts to obtain replacement financing on equivalent terms).

As part of this agreement, the Company agreed to increase the interest rates payable on the Company's outstanding debt with VEBA AG and its affiliates to reflect interest rate spreads applicable to an average industrial borrower at a specified credit rating. These higher rates, which are in part attributable to extended terms, will result in an increase in interest expense of approximately $15.0 million per year based upon $679.6 million of debt outstanding with VEBA AG and its affiliates as of September 30, 1998. Prior to this debt re-negotiation, interest rates on the U.S. dollar and Japanese yen based loans outstanding with VEBA AG and its affiliates ranged from 2.1% to 7.6%. As a result of this debt re-negotiation, these loans will now have interest rates ranging from 3.4% to 10.2%. Additionally, all outstanding debt with VEBA AG and its affiliates maturing prior to January 1, 2001 which is extended at maturity will be repriced based upon then-current interest rates applicable to an average industrial borrower at a specified credit rating.

Subsequent to year-end, the Company received a $75.0 million short-term revolving credit facility from an affiliate of VEBAAG. The interest rate on the credit facility reflects interest rate spreads applicable to an average industrial borrower at a specified credit rating. Under the loan agreement, the Company cannot pledge any of its assets to secure additional financing. Management believes this will satisfy the Company's short-term liquidity needs.

During 1998, the Company repurchased 893,000 shares of common stock for a total of $15.7 million.

On October 22, 1998, the Company filed a registration statement with the Securities and Exchange Commission (SEC) for the sale of its common stock in a rights offering to existing stockholders except VEBA AG and its affiliates (the Offering). The Company expects approximately $91.1 million in aggregate net proceeds from the Offering, after paying estimated expenses, including fees to dealer managers. Immediately prior to the Offering, the Company will sell common stock to VEBA Zweite Verwaltungsgesellschaft mbH, an affiliate of VEBA AG (VEBA Zweite), for aggregate net proceeds of approximately $105.9 million. VEBA Zweite has also agreed to purchase all shares issuable upon exercise of the rights that are not subscribed for pursuant to the basic subscription privilege or the over-subscription privilege by other stockholders, subject to certain conditions that are customary in a firm commitment underwriting. The subscription price and number of shares will be determined based on the average share price during a period shortly before the effective date of the registration statement. The Company intends to use the proceeds from the Offering and the private placement to reduce debt outstanding under revolving credit agreements and for general corporate purposes. The Company expects the registration to be effective and the Offering to commence by the end of the first quarter of 1999. The private placement to VEBA Zweite will be consummated immediately prior to commencement of the Offering.

Management currently believes that cash generated from operations, together with the liquidity provided by existing cash balances and credit facilities and the anticipated proceeds from the private placement and the Offering will be sufficient to satisfy commitments for capital expenditures and other cash requirements into 2000. If the Offering is not completed, the Company may need to explore other future sources of capital.

The silicon wafer industry is highly capital intensive. Even with the proceeds from the private placement to VEBA Zweite and the Offering (if such transactions are consummated) and anticipated cash from operations, the Company may need to seek additional capital in order to fund all its future needs for capital expenditures, research and development, and marketing and customer service and support. The Company's capital needs depend on numerous factors, including its profitability and investment in capital expenditures and research and development.

Historically, the Company has funded its operations primarily through loans from VEBA AG and its affiliates, internally generated funds, and an initial public offering. To a lesser extent, the Company has raised funds by borrowing money from commercial banks. The Company will continue to explore and, as appropriate, enter into discussions with other parties regarding possible future sources of capital. Under the loan agreements between the Company and its principal lender, VEBA AG and its affiliates, the Company cannot pledge any of its assets to secure additional financing. The Company does not believe that it currently can obtain unsecured financing from third parties on better terms than those with VEBA AG and its affiliates.

For financial reporting purposes, both VEBA Corporation and VEBA AG include VEBA Corporation's share of the Company's net earnings or losses in their consolidated financial statements. The Company's recent losses have adversely affected VEBA Corporation's and VEBA AG's reported earnings. While the Company is not one of the focus areas of VEBA AG and its affiliates' future major investments, they have recently provided the Company with additional capital and have committed to provide substantial additional capital, as described herein. However, VEBA AG and its affiliates are not otherwise obligated to provide capital to the Company. There can be no assurance that VEBA AG and its affiliates will continue to provide capital to the Company in the future.

YEAR 2000

Many existing software programs, computers and other types of equipment were not designed to accommodate the Year 2000 and beyond. If not corrected, these computer applications and equipment could fail or create erroneous results. For the Company, this could disrupt purchasing, manufacturing, sales, finance and other support areas and affect the Company's ability to timely deliver silicon wafers with the exacting specifications required by the Company's customers, thereby causing potential lost sales and additional expenses.

STATE OF READINESS. The Company has created a Year 2000 Project Team that is comprised of a Program Office, including a Global Project Manager, Customer and Vendor Management groups, and Year 2000 representatives from all sites around the world, including the Company's unconsolidated joint ventures. This team is responsible for planning and monitoring all Year 2000 activities and reporting to the Company's executive management. The Company's Chief Financial Officer is the sponsor for the Year 2000 project and reports to the Company's Board of Directors on a periodic basis.

The Company's Year 2000 project encompasses both information and non-information systems within the Company as well as the investigation of the readiness of the Company's strategic suppliers/business partners. The Company's goal is to have all Year 2000 issues resolved by June 1999, with Year 2000 issues relating to the most critical business systems (i.e., financial, order processing) resolved by the first quarter of 1999. To that end, the Company has inventoried and assessed the Year 2000 readiness of the following:

- In-house Applications -- Those applications that are developed and supported in-house or purchased applications that are heavily customized and supported in-house. This classification also includes end-user-developed applications deemed critical to the business.

- Business Software (Purchased) -- Applications purchased from an outside vendor and used for automating business processes (i.e., financial systems, order processing systems, purchasing systems).

- Manufacturing Software (Purchased) -- Applications purchased from an outside vendor and used for automating manufacturing processes.

- Personal Computer Software (Purchased) -- All software packages resident on personal computers. This includes things such as operating systems, word processing software, communications software, project management software, and spreadsheet software.

- Infrastructure Software (Purchased) -- Purchased software used in the client/server and network environments.

- IT Hardware -- Information Technology hardware components including midrange machines, personal computers, printers, network hardware.

- Facilities & Utilities -- Components in the office and manufacturing supporting systems environments. Types of components include: copy machines, fax machines, telephone/communications systems, security systems, fire alarm/control, electrical, waste treatment, alarms, and air handlers.

- Manufacturing Equipment -- Shop floor equipment such as clean rooms, crystal pullers, epitaxial reactors, inspection, lab, lappers, laser markers, measurement tools, grinders, polishers, slicers, and wet benches.

IN-HOUSE APPLICATIONS. The Company is evaluating the extent to which modifications of the Company's in-house applications will be necessary to accommodate the Year 2000 and are modifying the Company's in-house applications to enable continued processing of data into and beyond the Year 2000. This phase of the Company's Year 2000 project is approximately 75% complete and the Company anticipates completing remediation and testing of the Company's in-house applications by the end of the first quarter of 1999.

PURCHASED SOFTWARE. The Company is obtaining, where feasible, contractual warranties from systems vendors that their products are or will be Year 2000 compliant. The Company has completed approximately 85%, 55% and 75% of its Year 2000 project related to business software, manufacturing software and personal computer software, respectively, and has completed its Year 2000 project related to infrastructure software. The Company expects this phase of its Year 2000 project to be completed by the end of the first quarter of 1999. The Company requires Year 2000 contractual warranties from all vendors of new software and hardware. In addition, the Company is testing newly purchased computer hardware and software systems in an effort to ensure their Year 2000 compliance.

EMBEDDED SYSTEMS. For in-house embedded systems, the Company is modifying its systems to enable the continuing functioning of equipment into and beyond the Year 2000. For third-party embedded systems, the Company is obtaining, where feasible, contractual warranties from systems vendors that their products are or

will be Year 2000 compliant. The Company has completed this phase of its Year 2000 project for hardware and has completed approximately 65% and 55% of its Year 2000 project related to facilities and utilities, and manufacturing equipment, respectively. The Company anticipates that such embedded systems will be fully tested by June 1999.

SUPPLIERS/BUSINESS PARTNERS. The Company has also communicated with its strategic suppliers and equipment vendors seeking assurances that they will be Year 2000 ready. The Company's goal is to obtain as much detailed information as possible about its strategic suppliers/business partners' Year 2000 plans so as to identify those companies which appear to pose a significant risk of failure to perform their obligations to the Company as a result of the Year 2000. Detailed information regarding all of its strategic suppliers and equipment vendors has been compiled and Year 2000 audits are planned for the most critical suppliers. This will be an ongoing process during the Company's Year 2000 project. For those strategic suppliers and equipment vendors that do not respond as to their status or their response is not satisfactory, the Company intends to develop contingency plans to ensure that sufficient resources are available to continue with business operations.

COSTS TO ADDRESS THE YEAR 2000. Spending for modifications and updates is being expensed as incurred and is not expected to have a material impact on the Company's results of operations or cash flows. The cost of the Company's Year 2000 project is being funded through borrowings. The Company estimates that its total incremental Year 2000 expenditures will be in the range of $5 - $7 million. Through December 31, 1998, the Company has expended approximately $2.2 million of incremental costs consisting mainly of contract programmers and consulting costs associated with the evaluation, assessment and remediation of computer systems and manufacturing equipment. The Company anticipates that contract programming costs will be its most significant cost as the Year 2000 project proceeds to completion.

RISK ANALYSIS. Like most large business enterprises, the Company is dependent upon its own internal computer technology and relies upon the timely performance of its suppliers/business partners. A large-scale Year 2000 failure could impair the Company's ability to timely deliver silicon wafers with the exacting specifications required by its customers, thereby causing potential lost sales and additional expenses. The Company's Year 2000 project seeks to identify and minimize this risk and includes testing of its in-house applications, purchased software and embedded systems to ensure that all such systems will function before and after the Year 2000. The Company is continually refining its understanding of the risk the Year 2000 poses to its strategic suppliers/business partners based upon information obtained through its surveys. This refinement will continue into mid-1999.

CONTINGENCY PLANS. The Company's Year 2000 project includes the development of contingency plans for business critical systems and manufacturing equipment as well as for strategic suppliers/business partners to attempt to minimize disruption to its operations in the event of a Year 2000 failure. The Company will be formulating plans to address a variety of failure scenarios, including failures of its in-house applications, as well as failures of strategic suppliers/business partners. The Company anticipates it will complete Year 2000 contingency planning by March 1999.

YEAR 2000 CAUTIONARY STATEMENT. Year 2000 issues are widespread and complex. While the Company believes it will address them on a timely basis, the Company cannot guarantee that it will be successful or that these problems will not materially adversely affect its business or results of operations. To a large extent, the Company depends on the efforts of its customers, suppliers and other organizations with which it conducts transactions to address their Year 2000 issues, over which the Company has no control.

EURO CONVERSION

On January 1, 1999, eleven of the fifteen member countries of the European union established fixed conversion rates between their existing sovereign currencies and the Euro. The participating countries have agreed to adopt the Euro as their common legal currency as of that date while still utilizing their local currency until January 1, 2002.

The Company has begun to assess the potential impact that may result from the Euro conversion. In addition to tax accounting considerations, the Company is also assessing the potential impact from the Euro conversion in a number of other areas, including the technical challenges to adapt information technology and other systems to accommodate Euro-denominated transactions; the competitive impact of cross-border price transparency, which may make it more difficult for businesses to charge different prices for the same products on a country-by-coun-

try basis; the impact on currency exchange costs and currency exchange rate risk; and the impact on existing contracts. While the Company will continue to assess the impact of the introduction of the Euro, based on currently available information, management does not believe that the introduction of the Euro will have a material adverse effect on the Company's financial condition or results of operation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires the recognition of all derivatives as assets or liabilities within the balance sheet, and requires both the derivatives and the underlying exposure to be recorded at fair value. Any gain or loss resulting from changes in fair value will be recorded as part of the results of operations, or as a component of comprehensive income or loss, depending upon the intended use of the derivative. SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company does not believe that the implementation of this Statement will have a material adverse effect on its financial condition or results of operations.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. This Statement also requires that costs related to the preliminary project stage and the post-implementation/operations stage of an internal-use computer software development project be expensed as incurred. SOP 98-1 is effective for financial statements issued for fiscal years beginning after December 15, 1998. The Company does not believe that the implementation of this Statement will have a material adverse effect on its financial condition or results of operations.

RISK FACTORS

Certain statements made in this report are or may constitute "forward looking statements". These include statements concerning the manner, timing and estimated savings and effects of the Company's restructuring activities; estimated cost reductions for the global purchasing, plant focus and other initiatives; the Company's expectations for an increase in market demand for silicon wafers and semiconductors and an easing of pressure on pricing and margins in the year 2000; the Company's expectations concerning its lack of profitability in 1999 and its ability to generate positive operating cash flows in the year 2000; implementation in MEMC plants of QS 9000 and ISO 14001 certification; the transfer of Spartanburg-based small diameter production activities to other existing locations; utilization of the restructuring reserve; realization of the net deferred tax asset as it relates to the Company's ability to generate future taxable income; capital expenditures in 1999; the expectations concerning Taisil and the Taiwanese silicon wafer market; the consummation of the pending private placement to VEBA Zweite and the Offering; the continued support of the Company by VEBA AG and its affiliates; and the status, effectiveness and projected completion of the Company's Year 2000 initiative.

Because these matters are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by forward looking statements. Factors that could cause actual results to differ materially include the demand for semiconductors worldwide; changes in the pricing environment for the Company's products; changes in financial market conditions; the economic conditions in the Asia Pacific region and Japan; actions taken by the Company's competitors; the willingness of the Company's customers to re-qualify Spartanburg-based production to other locations; the accuracy of assumptions made by the Company regarding savings from its restructuring activities; changes in interest and exchange rates; and those risk factors described in "Risk Factors" and set forth in our Form 10-K for the 1998 fiscal year.

Undue reliance should not be placed on these forward looking statements, which speak only as of the date that they are made. The Company does not undertake any obligation to release publicly any revisions to these statements to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign exchange rates. The Company enters into currency swaps to minimize the risk and costs associated with its financing activities in currencies other than its functional currency. The Company does not hold derivatives for trading purposes.

The following table provides information about the Company's financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents principal maturities and related weighted-average

interest rates by expected maturity dates. Weighted-average variable rates are based on implied forward rates in the yield curve at the reporting date. The information is presented in U.S. dollar equivalents. The instruments' actual cash flows are denominated in U.S. dollars (USD), Japanese Yen (JPY), and Italian Lira (ITL), as indicated in parentheses.

INTEREST RATE SENSITIVITY
Principal (Notional) Amount by Expected Maturity and Average Interest Rate

<TABLE>
<CAPTION>

Dollars in thousands	1999	2000	2001	2002	2003	Thereafter	Total	Fair Value 12/31/98
LIABILITIES								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Variable rate debt:								
Long-term debt - (USD)			$131,400				$131,400	$131,400
Average interest rate			10.2%				10.2%	
Fixed rate debt:								
Long-term debt - (USD)	$30,000(1)	$10,000(1)	$145,000	$100,000	$90,000	$200,000	$575,000	$542,593
Long-term debt - (JPY)	8,610(1)	20,776(1)	44,410	31,461	4,219	45,504	154,980	154,581
Long-term debt - (ITL)	2,517	2,288	2,347	1,926	1,220	2,002	12,300	12,670
Total fixed rate debt	$41,127	$33,064	$191,757	$133,387	$95,439	$247,506	$742,280	$709,844
Average interest rate	7.2%	4.4%	7.5%	7.5%	8.4%	8.1%	7.6%	

Total Fixed and Variable	$873,680	$841,244

</TABLE>

(1) The Company has the ability and intent to refinance all U.S. Dollar denominated debt in 1999 and 2000, all Japanese Yen denominated debt in 1999, and $8,610 of the Japanese Yen denominated debt in 2000 at interest rates reflecting new maturities to 2001 and interest rate spreads applicable to an average industrial borrower at a specified credit rating.

The Company routinely enters into forward currency exchange contracts in the regular course of its business to manage its exposure against foreign currencies. The Company had $30.8 million in foreign currency contracts outstanding at December 31, 1998 with an estimated fair value of $32.1 million. These contracts are for a short duration, generally less than six months, and their contract values approximate fair value. Thus, they have been omitted from the table below. In addition, the Company entered into foreign currency swaps to hedge a portion of its debt in Japan. For debt obligations, the table presents debt obligations which are held by the Company in a currency that is not its reporting currency.

FOREIGN CURRENCY EXCHANGE RATE SENSITIVITY

Principal (Notional) Amount by Expected Maturity

<TABLE>
<CAPTION>

Dollars in thousands	1999	2000	2001	2002	Total	Fair Value 12/31/98)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
LONG-TERM DEBT (US $ Functional Currency)						
Long-term debt - (JPY)	$8,610	$8,610	$8,610	$8,610	$34,440	$33,582
Average interest rate	3.4%	4.1%	4.7%	5.2%	4.4%	
CURRENCY SWAP AGREEMENTS						
Payment of Japanese Yen						
Notional amount			12,634		12,634	10,384
Average contract rate			79.15			

</TABLE>

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

Year ended December 31,	1998	1997	1996
Dollars in thousands, except share data			
<S>	<C>	<C>	<C>
Net sales	$ 758,916	$986,673	$1,119,500
Cost of goods sold	790,745	861,914	869,315
Gross margin	(31,829)	124,759	250,185
Operating expenses:			
Marketing and administration	73,515	70,715	79,680
Research and development	81,591	64,457	44,313
Restructuring costs	146,324	--	--
Operating profit (loss)	(333,259)	(10,413)	126,192
Nonoperating (income) expense:			
Interest expense	45,832	14,743	494
Interest income	(2,291)	(2,570)	(5,436)
Royalty income	(4,628)	(8,186)	(6,158)
Other, net	1,043	(4,070)	7,437
Total nonoperating (income) expense	39,956	(83)	(3,663)
Earnings (loss) before income taxes, equity in income (loss) of joint ventures and minority interests	(373,215)	(10,330)	129,855
Income taxes	(89,394)	2,769	51,942
Earnings (loss) before equity in income (loss) of joint ventures and minority interests	(283,821)	(13,099)	77,913

Equity in income (loss) of joint ventures	(43,496)	5,480	26,716
Minority interests	10,985	3,106	(1,241)
Net earnings (loss)	$(316,332)	$ (4,513)	$ 103,388
Basic earnings (loss) per share	$ (7.80)	$ (0.11)	$ 2.50
Diluted earnings (loss) per share	$ (7.80)	$ (0.11)	$ 2.49
Weighted average shares used in computing basic earnings (loss) per share	40,580,869	41,345,193	41,308,806
Weighted average shares used in computing diluted earnings (loss) per share	40,580,869	41,345,193	41,534,412

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

December 31,	1998	1997
Dollars in thousands, except share data		
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,168	$ 30,053
Accounts receivable, less allowance for doubtful accounts of $2,853 and $3,473 in 1998 and 1997, respectively	98,528	154,702
Income taxes receivable	10,161	14,382
Inventories	115,927	141,447
Deferred tax assets, net	23,129	13,206
Prepaid and other current assets	35,225	23,185
Total current assets	299,138	376,975
Property, plant and equipment, net	1,188,832	1,200,827
Investments in joint ventures	94,610	112,573
Excess of cost over net assets acquired, net of accumulated amortization of $5,128 and $3,752 in 1998 and 1997, respectively	48,396	49,772
Deferred tax asset, net	104,650	15,472
Other assets	38,088	38,805
Total assets	$1,773,714	$1,794,424
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 38,644	$ 122,476
Accounts payable	112,581	146,172
Accrued liabilities	35,404	40,219
Customer deposits	17,639	8,392
Provision for restructuring costs	37,299	--
Accrued wages and salaries	17,077	21,267
Total current liabilities	258,644	338,526
Long-term debt, less current portion	871,163	510,038
Pension and similar liabilities	92,466	76,837
Customer deposits	59,033	67,141
Other liabilities	45,126	26,901
Total liabilities	1,326,432	1,019,443
Minority interests	48,242	59,227
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 50,000,000 shares authorized, none issued or outstanding in 1998 or 1997	--	--
Common stock, $.01 par value, 200,000,000 shares authorized, 41,436,421 and 41,440,369 issued in 1998 and 1997, respectively	414	414
Additional paid-in capital	574,188	574,317
Retained earnings (accumulated deficit)	(147,836)	168,496
Accumulated other comprehensive loss	(10,581)	(25,721)
Unearned restricted stock awards	(125)	(424)
Treasury stock, at cost: 929,205 and 36,205 shares in 1998 and 1997, respectively	(17,020)	(1,328)

Total stockholders' equity	399,040	715,754
Total liabilities and stockholders' equity	$1,773,714	$1,794,424

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Year ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Dollars in thousands			
Cash flows from operating activities:			
Net earnings (loss)	$(316,332)	$ (4,513)	$ 103,388
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	155,874	126,913	91,660
Minority interests	(10,985)	(3,106)	1,241
Equity in (income) loss of joint ventures	43,496	(5,480)	(26,716)
Restructuring costs	104,704	--	--
(Gain) loss on sale of property, plant and equipment	6,916	(4,766)	610
Deferred compensation earned	299	596	1,001
Changes in assets and liabilities:			
Accounts receivable	61,836	(36,051)	32,247
Income taxes receivable	4,655	(8,794)	(24,127)
Inventories	28,461	(46,445)	(11,126)
Prepaid and other current assets	(1,203)	9,487	(10,638)
Deferred taxes	(98,074)	(17,783)	11,546
Accounts payable	(38,833)	3,976	19,221
Accrued liabilities	(7,792)	8,301	(8,257)
Customer deposits	(348)	17,806	69,626
Accrued wages and salaries	(4,209)	(3,797)	1,749
Other, net	37,680	(6,915)	10,480
Net cash provided by (used in) operating activities	(33,855)	29,429	261,905
Cash flows from investing activities:			
Capital expenditures	(194,610)	(372,416)	(590,049)
Proceeds from sale of property, plant and equipment	5,730	21,512	884
Equity infusions in joint ventures	(25,533)	(10,638)	(14,698)
Dividend received from unconsolidated joint venture	--	11,263	--
Deposit with affiliate	--	--	55,000
Notes receivable from affiliates	(8,642)	212	2,376
Net cash used in investing activities	(223,055)	(350,067)	(546,487)
Cash flows from financing activities:			
Net short-term borrowings	(8,843)	87,420	14,898
Proceeds from issuance of long-term debt	515,313	248,553	222,166
Principal payments on long-term debt	(248,936)	(18,693)	(2,060)
Repurchase of common stock	(15,692)	--	(1,328)
Other	(129)	385	8,603
Net cash provided by financing activities	241,713	317,665	242,279
Effect of exchange rate changes on cash and cash equivalents	1,312	(2,070)	207
Net decrease in cash and cash equivalents	(13,885)	(5,043)	(42,096)
Cash and cash equivalents at beginning of year	30,053	35,096	77,192
Cash and cash equivalents at end of year	$ 16,168	$ 30,053	$ 35,096
Supplemental disclosures of cash flow information:			
Interest payments, net of amount capitalized	$ 48,179	$ 21,204	$ --
Income taxes paid	$ 9,794	18,020	57,590

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common Stock: Number of Shares Issued	Common Stock: Par Value	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Unearned Restricted Stock Awards	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Dollars in thousands, except per share data								
Balance at December 31, 1995	41,399,998	$414	$569,959	$ 69,621	$ 4,717	$(2,016)	$ --	$ 642,695
Comprehensive income:								
Net earnings	--	--	--	103,388	--	--	--	103,388
Net translation adjustment	--	--	--	--	(364)	--	--	(364)
Comprehensive income								103,024
Stock plans, net	70,973	1	3,392	--	--	(202)	--	3,191
Deferred compensation earned	--	--	--	--	--	1,001	--	1,001
Repurchase of common stock	--	--	--	--	--	--	(1,328)	(1,328)
Balance at December 31, 1996	41,470,971	415	573,351	173,009	4,353	(1,217)	(1,328)	748,583
Comprehensive loss:								
Net loss	--	--	--	(4,513)	--	--	--	(4,513)
Net translation adjustment	--	--	--	--	(30,074)	--	--	(30,074)
Comprehensive loss								(34,587)
Stock plans, net	(30,602)	(1)	966	--	--	197	--	1,162
Deferred compensation earned	--	--	--	--	--	596	--	596
Balance at December 31, 1997	41,440,369	414	574,317	168,496	(25,721)	(424)	(1,328)	715,754
Comprehensive loss:								
Net loss	--	--	--	(316,332)	--	--	--	(316,332)
Net translation adjustment	--	--	--	--	17,682	--	--	17,682
Minimum pension liability (net of $1,625 tax)	--	--	--	--	(2,542)	--	--	(2,542)
Comprehensive loss								(301,192)
Stock plans, net	(3,948)	--	(129)	--	--	129	--	--
Deferred compensation earned	--	--	--	--	--	170	--	170
Repurchase of common stock	--	--	--	--	--	--	(15,692)	(15,692)
Balance at December 31,1998	41,436,421	$414	$574,188	$ (147,836)	$(10,581)	$ (125)	$(17,020)	$399,040

</TABLE>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except share data

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1 - NATURE OF OPERATIONS

MEMC Electronic Materials, Inc. and subsidiaries (the Company) is a leading manufacturer and worldwide supplier of electronic grade silicon wafers for the semiconductor industry. The Company has production facilities directly or through joint ventures in Italy, Japan, Malaysia, South Korea, Taiwan and the United States. The Company's customers are located throughout the world.

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2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation
The preparation of the consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain prior period amounts have been reclassified to conform to the current year's presentation.

(b) Principles of Consolidation
The consolidated financial statements include the accounts of MEMC Electronic Materials, Inc. and its wholly and majority-owned subsidiaries. Investments of less than 50% in two joint venture companies are accounted for using the equity method. All significant intercompany transactions have been eliminated.

(c) Cash Equivalents
Cash equivalents consist of cash in banks, principally overnight investments and short-term time deposits, with original maturities of three months or less.

(d) Inventories
Inventories are stated at the lower of cost or market. Raw materials and supplies inventories are valued using the first-in, first-out method. Goods in process and finished goods inventory values are based upon standard costs which approximate average costs.

(e) Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation is computed principally using the straight-line method over estimated service lives as follows:

<TABLE>
<CAPTION>

<S>	Years <C>
Land improvements	6-15
Buildings and building improvements	10-30
Machinery and equipment	3-12

</TABLE>

The Company capitalizes interest costs as part of the cost of constructing facilities and equipment. Interest costs of $5,521, $15,968 and $8,957 were capitalized in 1998, 1997 and 1996, respectively.

(f) Excess of Cost Over Net Assets Acquired
Excess of cost over net assets acquired (goodwill) is amortized on a straight-line basis over the periods estimated to be benefited, not exceeding 40 years. Excess of cost over net assets acquired is reviewed for impairment whenever events and changes in business circumstances indicate the carrying value of the goodwill and related acquired assets that gave rise to the goodwill may not be recoverable. Impairment losses are recognized if expected future cash flows of the related assets are less than their carrying values. There is no indication of impairment of excess of cost over net assets acquired at December 31, 1998 or 1997.

(g) Computer Software Developed or Obtained for Internal Use
Costs related to the development or purchase of internal-use software are capitalized and amortized over the estimated useful life of the software. Costs related to the preliminary project stage and the post- implementation/operations stage of an internal-use computer software development project are expensed as incurred.

(h) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed of
Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the

fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There is no indication of impairment of property, plant and equipment at December 31, 1998 or 1997.

(i) Impairment of Investments in Joint Ventures
Impairment of investments in joint ventures is measured by comparing the carrying amount of the asset to future net cash flows expected to be generated by the asset. In addition, the level of commitment of the joint venture's shareholders, the silicon wafer markets serviced by the joint ventures, and the level of customer qualifications at the joint ventures are also considered in assessing the impairment of the Company's investments in joint ventures. There is no indication of impairment of these investments at December 31, 1998 or 1997.

(j) Revenue Recognition
Revenues are recognized when products are shipped.

(k) Derivative Financial Instruments
The Company enters into forward exchange contracts to manage foreign currency exchange risk relating to current trade receivables with its foreign subsidiaries and current trade receivables with its customers denominated in foreign currencies (primarily Japanese yen and Deutsche mark). The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual dollar net cash flows resulting from foreign currency transactions will be adversely affected by changes in exchange rates. The Company does not hold or issue financial instruments for trading purposes.

The Company's forward exchange contracts are accounted for as hedges and, accordingly, gains and losses on those contracts are deferred and recognized at the time of settlement of the related receivables. Deferred gains and losses are included on a net basis in the consolidated balance sheets as either other assets or other liabilities. Upon termination, gains and losses are included in the consolidated statements of operations as other income or expense. If a forward exchange contract is designated as a hedge but is no longer effective, it is marked to market and included in other income or expense in the consolidated statements of operations. A payment or receipt arising from the termination of a forward exchange contract that is effective as a hedge is included in other income or expense in the consolidated statements of operations.

(l) Translation of Foreign Currencies
Assets and liabilities of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using average rates during the period. Adjustments resulting from the translation process are included as a component of accumulated other comprehensive income (loss).

(m) Income Taxes
Deferred tax assets and liabilities are recognized for the future tax consequences attributable to material differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. A valuation allowance has been established for deferred tax assets that the Company believes may not be realized. No provision is made for U.S. income taxes on unremitted earnings of the Company's consolidated non-U.S. subsidiaries, as the retention of such earnings is considered essential for continuing operations, or the additional taxes are considered to be minimal based upon available foreign tax credits.

(n) Stock-Based Compensation
The Company measures its compensation cost of equity instruments issued under employee compensation plans under the provisions of Accounting Principles Board Opinion No. 25 (Opinion 25) and related Interpretations. Compensation expense related to restricted stock awards is recognized over the applicable vesting periods, and the unamortized portion of deferred compensation is reflected as a separate component of stockholders' equity. The Company does not issue equity instruments to non-employees.

(o) Comprehensive Income (Loss) Reclassification Adjustment

The Company's decision to forego construction of a new 200 millimeter facility at its joint venture in Malaysia and to withdraw from its small diameter joint venture in China resulted in a reclassification adjustment to comprehensive income (loss) in 1998 of approximately $9,500.

(p) Contingencies
Contingent liabilities are disclosed when management believes they are material to the Company's financial position. There are no such known contingent liabilities at December 31, 1998 or 1997.

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3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's cash, accounts receivable, income taxes receivable, short-term borrowings, accounts payable and accrued liabilities approximates fair value due to the short maturity of these instruments. Consequently, such instruments are not included in the table below which provides information regarding the estimated fair values of other financial instruments, both on and off balance sheet, as follows:

<TABLE>
<CAPTION>

December 31,	1998		1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Dollars in thousands				
Long-term debt	$873,680	$841,244	$519,995	$522,970
Off-balance sheet financial instruments:				
Foreign currency contracts	30,846	32,139	69,842	67,810
Currency swap contract	12,634	10,384	12,634	9,334

</TABLE>

The fair value of each long-term debt facility is based upon the amount of future cash flows associated with each instrument discounted at the Company's current borrowing rate for similar debt instruments of comparable terms.

The Company has entered into forward exchange contracts with VEBA AG and its affiliates to manage foreign currency exchange risk relating to current trade sales with its foreign subsidiaries and current trade sales with its customers denominated in foreign currencies (primarily Japanese yen and Deutsche mark), and a currency swap contract relating to foreign currency denominated intercompany loans. The Company believes its hedging arrangements with VEBA AG and its affiliates allow for transactions on a basis that is comparable to terms available from unrelated third-party financial intermediaries.

The fair values of the forward and the currency swap contracts were a net gain to the Company of $957 and $5,332, as measured by the amount that would have been paid to liquidate and repurchase all open contracts as of December 31, 1998 and 1997, respectively. Deferred losses for intercompany loans totaled $2,897 and $3,437 at December 31, 1998 and 1997, respectively.

---

4 - CONCENTRATION OF CREDIT RISK

The Company sells products to customers in the semiconductor industry which are located in various geographic regions including the United States, Europe, Japan and Asia Pacific. The primary customers in this industry are well capitalized and the concentration of credit risk is considered minimal due to the Company's customer base. Sales to the Company's largest customer were 20.3%, 20.0% and 16.8% of net sales in 1998, 1997 and 1996, respectively. No other customer constituted 10% or more of net sales in 1998, 1997 or 1996.

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5 - RESTRUCTURING COSTS

During the second quarter of 1998, the Company decided to close its small diameter wafer facility in Spartanburg, South Carolina and to withdraw from its 60%-owned joint venture in a small diameter wafer operation in China. These actions were taken because (1) a number of semiconductor manufacturers have been running their larger diameter manufacturing lines in preference to their small diameter lines in order to gain production efficiencies; (2) a number of semiconductor manufacturers recently have undertaken restructuring initiatives focused on permanently eliminating small diameter lines; and (3) management believes that small diameter wafer capacity will exceed demand even after the semiconductor industry begins to recover. The Company also decided to forego construction of a new 200 millimeter wafer facility at its 75%-owned joint venture in Malaysia. This decision was based upon current and anticipated excess capacity for 200 millimeter wafers and the significant price erosion that the Company has experienced for these wafers.

The Company recorded a charge to operations of $121,670 (of which $81,325 is non-cash) related to the above actions.

Restructuring activity since the provision for restructuring costs was recorded is as follows:

<TABLE>
<CAPTION>

	Provision	Amount utilized	Balance at December 31, 1998)
<S>	<C>	<C>	<C>
Dollars in thousands			
Asset impairment/write-off:			
Spartanburg property, plant and equipment	$ 36,300	$36,300	$ --
Malaysian joint venture assets	28,000	25,195	2,805
Chinese joint venture assets	13,800	9,642	4,158
Other infrastructure	3,225	3,225	--
Total	81,325	74,362	6,963
Dismantling and related costs:			
Dismantling costs	11,345	1,039	10,306
Costs incurred by equipment supplier	5,000	5,000	--
Environmental costs	3,500	11	3,489
Operating leases	3,000	--	3,000
Other	3,000	--	3,000
Total	25,845	6,050	19,795
Personnel costs	14,500	3,959	10,541
Total restructuring costs	$121,670	$84,371	$37,299

</TABLE>

The assets for which an impairment loss has been recorded or which have or will be written-off are primarily property, plant and equipment that cannot be sold or used at other Company facilities. Accordingly, these assets have been written down to net realizable value. The net balance of Spartanburg property, plant and equipment before and after the write-off was $50,965 and $14,665, respectively. Additionally, the Company wrote-off architectural design and site preparation fees and costs incurred to develop a computer integrated manufacturing system for the Malaysian joint venture that do not have applicability elsewhere within the Company. Ongoing operating expenses until plant closure associated with the Spartanburg facility will continue to be recorded as period costs. Costs relating to the relocation and installation of equipment from the Spartanburg facility to other sites will be capitalized as incurred.

The Chinese joint venture assets represent the operating assets of the Company's 60%-owned joint venture in China. The Company anticipates ceding its interest in the operating assets of the joint venture to the partner in the joint venture, with which the Company has no other interest, and receiving de minimus proceeds in conjunction with its withdrawal.

The provision for dismantling and related costs primarily relates to the Spartanburg facility and includes estimates for the dismantling of the facility, collection and disposal of process chemicals, decontamination of manufacturing equipment, modification of the wastewater treatment facility, remaining operating lease payments on equipment that will not be used elsewhere in the Company and scrapping charges. Environmental remediation costs of $3,500 relating to the closure of the Spartanburg facility were accrued in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies".

Personnel costs of $12,200 represent the expected severance cost of involuntary terminations for all hourly and salaried employees at the Spartanburg facility whom the Company does not expect to relocate elsewhere within the organization. At December 31, 1998, approximately 240 of these employees had not yet been terminated. An additional $2,300 restructuring charge relates to severance benefits for certain employees at other MEMC sites.

In addition to the restructuring activities discussed above, the Company recorded a $24,654 charge for a voluntary severance program for approximately 600 hourly and salaried U.S. employees. All of this amount was paid to participants as of December 31, 1998.

Of the $37,299 restructuring reserve at December 31, 1998, approximately $7,000 is non-cash. Half of the approximately $30,000 remaining reserve is expected to be paid out in the first half of 1999. During this time, the Company will transfer the small diameter production activities of the Spartanburg facility to other existing Company locations. The remaining half is expected to be expended by 1999 year-end and relates primarily to dismantling costs associated with the Spartanburg facility.

---

6 - INVENTORIES

Inventories consist of the following:

December 31,	1998	1997
Dollars in thousands		
Raw materials and supplies	$ 59,722	$ 65,369
Goods in process	33,612	37,996
Finished goods	22,593	38,082
	$115,927	$141,447

---

7 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

December 31,	1998	1997
Dollars in thousands		
Land and land improvements	$ 14,404	$ 13,055
Buildings and building improvements	484,820	435,740
Machinery and equipment	1,110,195	1,001,846
	1,609,419	1,450,641
Less accumulated depreciation	569,327	465,384
	1,040,092	985,257
Construction in progress	148,740	215,570
	$1,188,832	$1,200,827

---

8 - INVESTMENTS IN JOINT VENTURES

The Company has a 40% interest in POSCO Hulls Co. Ltd. (PHC), a company formed to manufacture and sell silicon wafers in South Korea, and a 45% interest in Taisil Electronic Materials Corporation (Taisil), a company formed to manufacture and sell silicon wafers in Taiwan.

During 1998, 1997 and 1996, the Company earned $4,628, $8,186 and $6,158, respectively, from these unconsolidated joint ventures under royalty agreements. Sales by these unconsolidated joint ventures of intermediate and finished product to the Company totaled $34,479, $32,313 and $89,723 in 1998, 1997 and 1996, respectively.

The Company provides PHC and Taisil with debt guarantees totaling $581 and $74,711, respectively. At December 31, 1998, PHC and Taisil had $581 and

$74,711, respectively, in standby letters of credit and borrowings outstanding against these guarantees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the results of operations for 1998, 1997 and 1996, and financial position as of December 31, 1998 and 1997 of the Company's unconsolidated joint ventures follows:

December 31,	1998	1997	1996
Dollars in thousands			
Total:			
Net sales	$ 179,643	$ 277,492	$ 282,310
Gross margin	(33,668)	54,120	107,366
Net earnings (loss)	(101,596)	15,274	68,847
The Company's share - Net earnings (loss)	$ (43,496)	$ 5,480	$ 26,716
Current assets	$ 169,532	$ 147,644	
Noncurrent assets	488,634	565,201	
Total assets	658,166	712,845	
Current liabilities	165,157	155,038	
Noncurrent liabilities	266,352	284,736	
Total liabilities	431,509	439,774	
Interests of others	132,047	160,498	
The Company's investments	$ 94,610	$ 112,573	

The Company's share of undistributed retained earnings (deficit) of unconsolidated joint ventures was approximately ($27,406) and $16,090 at December 31, 1998 and 1997, respectively. In 1997, the Company received a dividend from PHC of $11,263.

The Company's unconsolidated joint ventures have net sales denominated in or based on the U.S. dollar and manufacturing expenses primarily denominated in the U.S. dollar, Korean won and New Taiwanese dollar. PHC also has significant debt denominated in the U.S. dollar and Korean won. Likewise, Taisil has significant debt denominated in the U.S. dollar and New Taiwanese dollar. PHC and Taisil use the U.S. dollar as their functional currency for U.S. GAAP purposes and do not hedge net Korean won or New Taiwanese dollar exposures.

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9 - SHORT-TERM BORROWING AGREEMENTS AND LINES OF CREDIT

Interest expense related to short-term borrowings with an affiliate was $4,195, $1,667 and $181 in 1998, 1997 and 1996, respectively.

The Company has unsecured borrowings from banks of approximately $36,000 at December 31, 1998, under approximately $83,000 of short-term loan agreements which bear interest at various rates ranging from 1.0% to 11.1% and are renewable annually. The interest rate on the borrowings is negotiated at the time of the borrowings.

Commitment fees of 1/4 of 1% are paid on the unused portion of the lines of credit. The Company's weighted average interest rate on short-term borrowings was 3.3% and 4.9% at December 31, 1998 and 1997, respectively, and was favorably impacted by interest rates in Japan.

10 - LONG-TERM DEBT

<TABLE>
<CAPTION>

Long-term debt consists of the following:

December 31,	1998	1997
Dollars in thousands		
Owed to affiliates:		
<S>	<C>	<C>
Note with interest payable semiannually at 6.7%, due in 1998	$ -(1)	$ 25,000
Notes with interest payable semiannually at rates ranging from 2.1% to 7.2%, due in 1999	-(1)	37,690
Notes with interest payable semiannually at rates ranging from 2.5% to 6.4%, due in 2000	-(1)	17,690
Notes with interest payable semiannually at rates ranging from 2.9% to 10.2%, due in 2001	342,230	77,690
Notes with interest payable semiannually at rates ranging from 3.2% to 9.7%, due in 2002	108,610	82,690
Notes with interest payable semiannually at rates ranging from 6.4% to 8.8%, due in 2003	90,000	40,000
Notes with interest payable semiannually at rates ranging from 6.5% to 9.7%, due in 2004	125,000	100,000
Notes with interest payable semiannually at rates ranging from 7.3% to 9.6%, due in 2005	75,000	75,000
Total owed to affiliates	740,840	455,760
Owed to nonaffiliates:		
Note with interest payable semiannually at 4.1%, due in 1998	-	7,690
Notes with interest payable semiannually at rates ranging from 1.7% to 2.2%, due in 2001	17,220	15,380
Notes with interest payable semiannually at rates ranging from 1.6% to 1.7%, due in 2000 through 2002	43,050	15,380
Notes with interest payable semiannually at rates ranging from 1.5% to 8.9%, due in 1999 through 2017	72,570	25,785
Total owed to nonaffiliates	132,840	64,235
Total long-term debt	873,680	519,995
Less current portion	2,517	9,957
	$871,163	$510,038

</TABLE>

(1) In 1998, VEBAAG and its affiliates agreed to extend these notes until 2001.

The Company has long-term committed loan agreements of approximately $927,000 at December 31, 1998, of which approximately $874,000 is outstanding. Commitment fees of 1/4 of 1% are paid on the unused portion of committed loan agreements. The Company has approximately $53,000 of available long-term loan agreements with affiliates at December 31, 1998. Under the terms of certain of these long-term loan agreements owed to affiliates, the Company cannot pledge any of its assets to secure additional financing.

Interest expense related to long-term notes payable to affiliates was $43,567, $25,633 and $7,337 in 1998, 1997 and 1996, respectively.

<TABLE>
<CAPTION>

The aggregate amounts of long-term debt maturing subsequent to December 31, 1998 are as follows:

<S> <C>

Dollars in thousands

1999	$ 2,517
2000	14,454
2001	380,377
2002	133,387
2003	95,439
Thereafter	247,506
	$873,680

</TABLE>

In October 1996, the Company entered into a financing arrangement with the City of O'Fallon, Missouri related to the expansion of the Company's St. Peters facility. In total, approximately $252 million of industrial revenue bonds were issued to the Company by the City of O'Fallon, of which at December 31, 1998 and 1997, $215 million and $210 million was outstanding, respectively.

The bonds were exchanged by the City of O'Fallon for the assets related to the expansion, which were then leased by the Company for a period of 10 years for machinery and equipment and 15 years for building and building improvements. The Company has the option to purchase the machinery and equipment at the end of five years and the building and building improvements at the end of 10 years. The industrial revenue bonds bear interest at a rate of 6% per annum and mature concurrent with the annual payments due under the terms of the lease.

The Company has classified the leased assets as property, plant and equipment and has established a capital lease obligation equal to the outstanding principal balance of industrial revenue bonds. Lease payments may be made by tendering an equivalent portion of the industrial revenue bonds. As the capital lease payments to the City of O'Fallon may be satisfied by tendering industrial revenue bonds (which is the Company's intention), the capital lease obligation, industrial revenue bonds and related interest expense and interest income, respectively, have been offset for presentation purposes in the consolidated financial statements.

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11 - STOCKHOLDERS' EQUITY

Preferred Stock

The Company has 50,000,000 authorized shares of $.01 par value preferred stock. The Board of Directors is authorized, without further action by the stockholders, to issue any or all of the preferred stock.

Common Stock

Holders of the $.01 par value common stock are entitled to one vote for each share held on all matters submitted to a vote of the stockholders. Subject to the rights of any holders of preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the Board of Directors. In the event of liquidation, dissolution or winding up of the Company, holders of the common stock are entitled to share ratably in the distribution of all assets remaining after payment of liabilities, subject to the rights of any holders of preferred stock.

The Company does not anticipate paying dividends in the foreseeable future. The declaration and payment of future dividends by the Company, if any, will be at the sole discretion of the Board of Directors.

Stock-Based Compensation

The Company has an Equity Incentive Plan (the Plan) that provides for the award of incentive and non-qualified stock options, restricted stock and performance shares. Total shares authorized for grant under the Plan are 3,597,045. Non-qualified stock options to employees are typically granted on January 1 and vest at a rate of 25% annually over four years. Non-qualified stock options to non-employee directors are also typically granted on January 1 but vest at a rate of 33 1/3% annually over three years. The exercise price of each option equals the market price of the Company's common stock on the date of the grant, and each option's maximum term is 10 years. Total restricted shares awarded in 1997 and 1996 were 1,300 and 38,200, respectively, with weighted average fair values of $22.50 and $33.46, respectively. Total compensation cost recognized for these awards in 1998, 1997 and 1996 was $170, $596 and $1,001, respectively.

The Company applies Opinion 25 and related Interpretations in accounting for the Plan. Accordingly, no compensation cost has been recognized for non-qualified stock options granted under the Plan. Had compensation cost been determined for the Company's non-qualified stock options based on the fair value at the grant dates consistent with the alternative method set forth under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company would have reported the following amounts indicated below:

Year ended December 31,	1998	1997	1996
Dollars in thousands, except share data			
Net earnings (loss):			
As reported	$(316,332)	$(4,513)	$103,388
Pro forma	(319,627)	(6,551)	101,820
Basic earnings (loss) per common share:			
As reported	(7.80)	(0.11)	2.50
Pro forma	(7.88)	(0.16)	2.46
Diluted earnings (loss) per common share:			
As reported	(7.80)	(0.11)	2.49
Pro forma	(7.88)	(0.16)	2.45

The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rate of 5.7%, 6.1% and 6.5%; expected life of six years for all periods; expected volatility of 51.4%, 44.8% and 36.4%; expected dividends of zero percent for all periods.

A summary of the Company's Plan activity with respect to stock options is presented below:

	Shares	Weighted-Average Option Price	Weighted-Average Fair Value of Options Granted
Year ended December 31, 1998			
Outstanding at beginning of year	1,024,292	$24.92	
Granted	887,300	15.06	$8.40
Exercised	-	-	
Canceled	(138,418)	23.31	
Outstanding at end of year	1,773,174	$20.11	
Options exercisable at year-end	894,065	$22.99	
Year ended December 31, 1997			
Outstanding at beginning of year	965,838	$25.32	
Granted	177,352	22.56	$11.94
Exercised	(12,298)	27.23	
Canceled	(106,600)	24.36	
Outstanding at end of year	1,024,292	$24.92	
Options exercisable at year-end	516,674	$24.77	
Year ended December 31, 1996			
Outstanding at beginning of year	914,694	$24.00	
Granted	141,300	32.99	$15.54
Exercised	(36,333)	24.00	
Canceled	(53,823)	24.00	
Outstanding at end of year	965,838	$25.32	
Options exercisable at year-end	146,733	$24.53	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of information about non-qualified stock options outstanding at December 31, 1998 is presented below:

Range of Exercise Prices	Options Outstanding: Number Outstanding at December 31, 1998	Options Outstanding: Weighted-Average Remaining Contractual Life	Options Outstanding: Weighted-Average Exercise Price
$24.00	618,424	6.5 years	$24.00
$32.63-49.50	126,900	7.0 years	32.81
$22.50-29.00	157,750	8.0 years	22.57
$3.13-15.25	870,100	9.0 years	15.05
$3.13-49.50	1,773,174	7.9 years	$20.11

Range of Exercise Prices	Exercisable Options Outstanding: Number Exercisable at December 31, 1998	Exercisable Options Outstanding: Weighted-Average Exercise Price
$24.00	537,781	$24.00
$32.63-49.50	87,300	32.78
$22.50-29.00	85,584	22.58
$3.13-15.25	183,400	15.25
$3.13-49.50	894,065	$22.99

---

12 - EARNINGS (LOSS) PER SHARE

A reconciliation of the numerator and denominator of the earnings (loss) per share calculations is provided for all periods presented. The numerator for basic and diluted earnings (loss) per share is net earnings (loss) for all periods presented. The denominator for basic and diluted earnings (loss) per share for 1998, 1997 and 1996 follows:

Year ended December 31,	1998	1997	1996
Weighted-average shares used for basic earnings (loss) per share	40,580,869	41,345,193	41,308,806
Effect of dilutive securities:			
Restricted stock	-	-	74,579
Stock options	-	-	151,027
Weighted-average shares used for diluted earnings (loss) per share	40,580,869	41,345,193	41,534,412

Options outstanding at December 31, 1998, 1,773,174 shares, were not included in the computation of diluted loss per share during 1998, because they were antidilutive.

In January 1999, the Company granted options to purchase 647,600 shares of common stock at $8.50 to $10.50 per share. These options will expire in January 2008.

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13 - INCOME TAXES

Earnings (loss) before income taxes, equity in income (loss) of joint ventures and minority interests are as follows:

Year ended December 31,	1998	1997	1996
Dollars in thousands			
U.S.	$(349,573)	$ (59,702)	$ 57,200
Foreign	(23,642)	49,372	72,655
	$(373,215)	$ (10,330)	$ 129,855

Income tax expense consists of the following:

	Current	Deferred	Total
Dollars in thousands			
Year ended December 31, 1998:			
U.S. federal	$ 1,524	$(103,435)	$(101,911)
State and local	2,207	(4,534)	(2,327)
Foreign	4,790	10,054	14,844
	$ 8,521	$ (97,915)	$ (89,394)
Year ended December 31, 1997:			
U.S. federal	$ (5,764)	$ (18,712)	$ (24,476)
State and local	(924)	(398)	(1,322)
Foreign	25,766	2,801	28,567
	$ 19,078	$ (16,309)	$ 2,769
Year ended December 31, 1996:			
U.S. federal	$ 5,425	$ 5,420	$ 10,845
State and local	2,778	(133)	2,645
Foreign	33,756	4,696	38,452
	$ 41,959	$ 9,983	$ 51,942

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 35% in 1998, 1997 and 1996 to earnings (loss) before income taxes, equity in income (loss) of joint ventures and minority interests as a result of the following:

Year ended December 31,	1998	1997	1996
Dollars in thousands			
Income tax at federal statutory rate	$(130,625)	$ (3,616)	$ 45,449
Increase (reduction) in income taxes resulting from:			
Change in the balance of the valuation allowance for deferred tax assets allocated to income tax expense	19,386	(4,738)	(3,200)
Foreign tax differences	15,310	13,511	12,323
State income taxes, net of federal benefit	(1,513)	(859)	1,719
Investment incentives	(600)	(916)	(1,809)
Malaysian joint venture charges	5,552	-	-
Other, net	3,096	(613)	(2,540)
	$ (89,394)	$ 2,769	$ 51,942

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:
<TABLE>
<CAPTION>

December 31,	1998	1997
<S>	<C>	<C>
Dollars in thousands		
Deferred tax assets:		
Inventory, principally due to additional costs inventoried for tax purposes and/or financial reserves recorded to state inventories at net realizable values	$ 7,427	$ 5,584
Accruals for expenses currently not deductible for tax purposes	40,936	11,115
Pension, medical and other employee benefits, principally due to accrual for financial reporting purposes	37,433	31,838
Net operating loss carryforwards	160,640	14,175
Investment tax credit carryforwards	1,456	1,456
Alternative minimum tax credit carryforwards	3,427	3,737
Foreign tax credit carryforwards	-	21,407
Other	1,151	498
Total gross deferred tax assets	252,470	89,810
Less valuation allowance	(42,166)	(11,408)
Net deferred tax assets	210,304	78,402
Deferred tax liabilities:		
Property, plant and equipment, principally due to differences in depreciation and capitalized interest	(80,505)	(45,480)
Other	(2,020)	(4,244)
Total deferred tax liabilities	(82,525)	(49,724)
Net deferred tax assets	$ 127,779	$ 28,678

Net deferred tax assets were classified in the consolidated balance sheets as follows:

December 31,	1998	1997
Dollars in thousands		
Current deferred tax assets, net	$ 23,129	$ 13,206
Noncurrent deferred tax assets, net	104,650	15,472
	$ 127,779	$ 28,678

</TABLE>

The Company's net deferred tax assets increased $99.1 million to $127.8 million at December 31, 1998. Management believes it is more likely than not that, with its projections of future taxable income and after consideration of the valuation allowance, the Company will generate sufficient taxable income to realize the benefits of the net deferred tax assets existing at December 31, 1998.

In order to realize the net deferred tax assets existing at December 31, 1998, the Company will need to generate future taxable income of approximately $353 million. The Company's net operating loss (NOL) carryforwards total $410 million, of which $7 million will expire in 2001; $15 million will expire in 2002; $32 million will expire in 2003; $27 million will expire in 2012; and $329 million will expire in 2018. There can be no assurance, however, that the Company will generate sufficient taxable income to realize the full benefit of the existing net deferred tax assets. The Company also has AMT credit carryforwards of $3,427 and net investment tax credit carryforwards available of $1,456. Utilization of $7,053 of loss carryforwards and all of the investment tax credit carryforwards are subject to limitation under Internal Revenue Code Sections 382 and 383, respectively. Pursuant to these Internal Revenue Code sections, the amount of combined loss and tax credit carryforwards that may be utilized is limited to approximately $2,000 per year. Under Internal Revenue Service regulations, the investment tax credit carryforwards are not permitted to reduce income tax expense until the year 2000.

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14 - PENSION PLANS AND OTHER RETIREMENT BENEFITS

The Company has a noncontributory defined benefit plan covering most U.S. employees. Benefits for this plan are based on years of service and qualifying compensation during the final years of employment. The Company complies with federal funding requirements. The Company also has a nonqualified plan under the Employee Retirement Income Security Act of 1974, which provides benefits not otherwise payable under the above plan due to Internal Revenue Code restrictions. Eligibility for participation in this plan requires coverage under the above plan and other specific circumstances.

In addition, the Company sponsors a health care plan that provides postretirement medical benefits to full-time U.S. employees who meet minimum age and service requirements. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. The Company's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

In 1998, the Company changed the measurement date for the defined benefit plans from December 31 to September 30 to improve administrative efficiencies and the timeliness and accuracy of its financial reporting and planning process. The effect on retirement plan expense was not material to the consolidated financial statements.

Net periodic pension cost consists of the following:
<TABLE>
<CAPTION>

	Pension Plans			Health Care Plan		
Year ended December 31,	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Dollars in thousands						
Service cost	$ 8,134	$ 8,178	$ 6,449	$ 1,791	$ 2,441	$ 2,552
Interest cost	9,128	7,937	6,121	2,995	3,468	3,435
Expected return on plan assets	(7,219)	(6,189)	(5,316)	--	--	--
Amortization of service costs	501	576	68	(1,010)	(206)	--
Net actuarial loss/(gain)	818	562	443	47	(76)	3
Curtailment (gain) recognized	4,381	--	--	(148)	--	--
Cost of special termination benefits	--	1,067	--	1,023	--	--
Net periodic benefit cost	$ 15,743	$ 12,131	$ 7,765	$ 4,698	$ 5,627	$ 5,990

</TABLE>

The following summarizes the change in benefit obligation, change in plan assets and funded status of the Company's plans:
<TABLE>
<CAPTION>

		Pension Plans		Health Care Plan	
		1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Dollars in thousands					
Change in benefit obligation:					
Benefit obligation at January 1		$ 134,408	$ 104,246	$ 38,751	$ 51,057
Service cost		6,235	8,179	1,407	2,441
Interest cost		6,919	7,939	2,128	3,468
Amendments		140	8,685	--	(13,768)
Actuarial (gain)/loss		6,123	12,317	3,899	(3,673)
Benefits paid		(18,494)	(6,958)	(773)	(774)
Curtailments		2,144	--	6,138	--

Special termination benefits	-	--	1,023	--
Benefit obligation at December 31	137,475	134,408	52,573	38,751
Change in plan assets:				
Fair value of plan assets at January 1	94,707	75,155	--	--
Actual return on plan assets	6,744	14,846	--	--
Employer contributions	2,155	11,664	773	774
Benefits paid	(18,494)	(6,958)	(773)	(774)
Fair value of plan assets at December 31	85,112	94,707	--	--
Funded status	(52,363)	(39,701)	(52,573)	(38,751)
Unrecognized prior service cost	4,726	18,813	(8,495)	(14,484)
Unrecognized net actuarial (gain)/loss	20,511	7,324	2,596	(1,604)
Fourth quarter contribution	801	--	--	--
Accrued benefit cost	$ (26,325)	$ (13,564)	$ (58,472)	$ (54,839)
Amounts recognized in statement of financial position:				
Accrued benefit liability	$ (31,396)	$ (13,860)	$ (58,472)	$ (54,839)
Fourth quarter contribution	801	--	--	--
Intangible asset	109	296	--	--
Accumulated other comprehensive income	4,161	--	--	--
Accrued pension expense	$ (26,325)	$ (13,564)	$ (58,472)	$ (54,839)

</TABLE>

Pension plan assets consist principally of insurance contracts, marketable securities including common stocks, bonds and interest-bearing deposits.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $137,475, $109,865 and $85,112, respectively, as of December 31, 1998, and $8,457, $7,698 and $547, respectively, as of December 31, 1997.

The Company recognized the curtailments and the special termination benefits related to the closure of the Spartanburg facility and the voluntary severance program offered to employees during 1998.

The following is a table of the actuarial assumptions:
<TABLE>
<CAPTION>

	Pension Plans		Health Care Plan	
Year ended December 31,	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Weighted-average assumptions as of December 31				
Discount rate	6.75%	7.00%	6.75%	7.00%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%

</TABLE>

For measurement purposes, a 6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate was assumed to decrease gradually to 5% by the year 2001 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage change in assumed health care cost trend would have the following effects:
<TABLE>
<CAPTION>

	One-Percentage-Point Increase	One-Percentage-Point Decrease

Dollars in thousands		
Effect on total service and interest cost components	$ 58	$ (56)
Effect on postretirement benefit obligation	$190	$(186)

The Company has pension plans for its foreign subsidiaries. The aggregate pension expense and liability are not material to the consolidated financial statements.

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15 - RETIREMENT SAVINGS PLAN

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code covering all U.S. salaried and hourly employees with more than one year of service. Company contributions included in results of operations totaled $4,012, $4,138 and $3,656 for 1998, 1997 and 1996, respectively.

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16 - COMMITMENTS AND CONTINGENCIES

The Company leases buildings, equipment and automobiles under operating leases. Rental expense under these leases was $28,733, $23,789 and $17,262 in 1998, 1997 and 1996, respectively. Minimum aggregate future rental obligations under leases having remaining terms of one year or more at December 31, 1998, are as follows:

Dollars in thousands	
1999	$22,603
2000	14,275
2001	4,188
2002	62
2003	--
Thereafter	--
	$41,128

---

17 - GEOGRAPHIC SEGMENTS

The Company is engaged in one reportable segmen-the design, manufacture and sale of electronic grade silicon wafers for the semiconductor industry. Geographic financial information is as follows:

Dollars in thousands	United States	Japan	Italy	Other Foreign Countries	Total
Net sales to customers:					
1998	$389,721	$119,138	$30,855	$219,202	$ 758,916
1997	497,601	153,897	25,784	309,391	986,673
1996	516,571	127,231	29,066	446,632	1,119,500
Long-lived assets:					
1998	$901,940	$221,701	$131,436	$114,849	$1,369,926
1997	976,032	136,567	135,588	153,790	1,401,977
1996	821,029	111,196	132,299	136,811	1,201,335

</TABLE>

Net sales are attributed to countries based on location of customer. Investments in joint ventures are presented based on the countries in which they are located.

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18 - UNAUDITED QUARTERLY FINANCIAL INFORMATION

<TABLE>
<CAPTION>

1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Dollars in thousands, except share data				
Net sales	$235,243	$ 202,153	$ 167,685	$ 153,835
Gross margin	23,768	(3,812)	(28,095)	(23,690)
Loss before equity in loss of joint ventures and minority interests	(20,497)	(143,705)	(57,897)	(61,722)
Equity in loss of joint ventures	(11,621)	(6,860)	(12,860)	(12,155)
Minority interests	1,280	1,920	5,807	1,978
Net loss	(30,838)	(148,645)	(64,950)	(71,899)
Basic loss per share	(0.75)	(3.67)	(1.60)	(1.78)
Diluted loss per share	(0.75)	(3.67)	(1.60)	(1.78)
Market price:				
High	19	16 7/16	10 13/16	12 5/8
Low	14 1/2	9 1/4	2 15/16	2 15/16
1997				
Net sales	$222,284	$ 245,780	$ 260,026	$ 258,583
Gross margin	28,069	30,832	36,170	29,688
Earnings (loss) before equity in income (loss) of joint ventures and minority interests	(1,337)	4,315	(111)	(15,966)
Equity in income (loss) of joint ventures	(1,891)	(1,205)	(3,737)	12,313
Minority interests	333	1,109	1,883	(219)
Net earnings (loss)	(2,895)	4,219	(1,965)	(3,872)
Basic earnings (loss) per share	(0.07)	0.10	(0.05)	(0.09)
Diluted earnings (loss) per share	(0.07)	0.10	(0.05)	(0.09)
Market price:				
High	29 3/4	38 1/4	38 7/8	30
Low	22 1/4	22 7/8	25 5/8	14 7/16

</TABLE>

As noted in Note 19 below, the Company restated its results for all periods presented to reflect from inception the designation of the U.S. dollar as the functional currency for PHC and Taisil, the Company's unconsolidated joint ventures. Accordingly, the unaudited quarterly financial information presented above has also been restated.

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19 - RESTATEMENT OF OPERATING RESULTS

The Company's financial statements for all periods presented have been restated to reflect from inception the designation of the U.S. dollar as the functional currency for PHC and Taisil, the Company's unconsolidated joint ventures. The effect of the restatement on each year is as follows:

<TABLE>
<CAPTION>

December 31,	1997		1996	
Dollars in thousands, except share data	As previously reported	As restated	As previously reported	As restated

<S>	<C>	<C>		
Consolidated Balance Sheet:				
Investment in joint ventures	$ 95,307	$112,573		
Retained earnings	164,396	168,496		
Accumulated other comprehensive loss	(38,887)	(25,721)		
Consolidated Statement of Operations:				
Equity in income of joint ventures	3,246	5,480	$ 24,884	$ 26,716
Net earnings (loss)	(6,747)	(4,513)	101,556	103,388
Basic earnings (loss) per share	(0.16)	(0.11)	2.46	2.50
Diluted earnings (loss) per share	(0.16)	(0.11)	2.45	2.49

</TABLE>

---

20 - SUBSEQUENT EVENTS-PRIVATE PLACEMENT AND RIGHTS OFFERING

On October 22, 1998, the Company filed a registration statement with the SEC for the sale of its common stock in a rights offering to existing stockholders except VEBA AG and its affiliates (the Offering). The Company expects approximately $91.1 million in aggregate net proceeds from the Offering, after paying estimated expenses, including fees to dealer managers. Immediately prior to the Offering, the Company will sell common stock to VEBA Zweite for aggregate net proceeds of approximately $105.9 million. VEBA Zweite has also agreed to purchase all shares issuable upon exercise of the rights that are not subscribed for pursuant to the basic subscription privilege or the over-subscription privilege by other stockholders, subject to certain conditions that are customary in a firm commitment underwriting. The subscription price and number of shares will be determined based on the average share price during a period shortly before the effective date of the registration statement. The Company intends to use the proceeds from the Offering and the private placement to reduce debt outstanding under revolving credit agreements and for general corporate purposes. The Company expects the registration to be effective and the Offering to commence by the end of the first quarter of 1999. The private placement to VEBA Zweite will be consummated immediately prior to commencement of the Offering.

Subsequent to year-end, the Company received a $75,000 short-term revolving credit facility from an affiliate of VEBAAG. The interest rate on the credit facility reflects interest rate spreads applicable to an average industrial borrower at a specified credit rating. Under the loan agreement, the Company cannot pledge any of its assets to secure additional financing.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
MEMC Electronic Materials, Inc.:

We have audited the accompanying consolidated balance sheets of MEMC Electronic Materials, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MEMC Electronic Materials, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

St. Louis, Missouri
January 25, 1999

STOCKHOLDER INFORMATION

CORPORATE OFFICE
MEMC Electronic Materials, Inc.
501 Pearl Drive (City of O'Fallon)
St. Peters, Missouri 63376
(314) 279-5000

TRANSFER AGENT AND REGISTRAR
Harris Trust & Savings Bank
311 West Monroe
P. O. Box A3504
Chicago, Illinois 60690
(312) 461-6001

ANNUAL MEETING
All stockholders are invited to attend the annual meeting of MEMC Electronic Materials, Inc. at 10:00 a.m. central standard time on Thursday, May 6, 1999, at the Ritz-Carlton Hotel, 100 Carondelet Plaza, Clayton, Missouri 63105. Holders of common stock of record at the close of business on March 8, 1999, are entitled to vote at the meeting. A notice of the meeting, proxy statement and proxy were sent to stockholders with this Annual Report.

STOCKHOLDER INQUIRIES
Inquiries regarding address corrections, lost certificates, changes of registration, stock certificate holdings and other stockholder account matters should be directed to MEMC's transfer agent, Harris Trust & Savings Bank, at the address or phone number above.

COMMON STOCK LISTING
MEMC's common stock is traded on the New York Stock Exchange under the symbol "WFR". On December 31, 1998, the last business day of the year, the Company had 830 stockholders of record.

FORM 10-K
Stockholders may obtain a copy of MEMC's Annual Report on Form 10-K and related financial statement schedule for the year ended December 31, 1998, filed with the Securities and Exchange Commission, by writing MEMC's Investor Relations Department or by calling (314) 279-5505.

FINANCIAL INFORMATION
MEMC maintains a home page on the Internet at www.memc.com where the Company publishes information, including earnings releases, other news releases, significant corporate disclosures and the names of securities analysts who issue research on the Company.

INDEPENDENT AUDITORS
KPMG LLP
10 South Broadway, Suite 900
St. Louis, Missouri 63102

INVESTOR RELATIONS
Stockholders, securities analysts, investment professionals and prospective investors should direct their inquiries to:

MEMC Electronic Materials, Inc.
Investor Relations Department
501 Pearl Drive (City of O'Fallon)
St. Peters, Missouri 63376
Tel: (314) 279-5443
Fax: (314) 279-5162
E-mail: invest@memc.com

MANUFACTURING FACILITIES
Chonan, South Korea
Hsinchu, Taiwan
Kuala Lumpur, Malaysia
Merano, Italy
Novara, Italy
Pasadena, Texas
Sherman, Texas
St. Peters, Missouri
Utsunomiya, Japan

Exhibit 21

List of Subsidiaries

Subsidiary	Jurisdiction of Incorporation
MEMC Japan, Ltd.	Japan
MEMC Electronic Materials France SARL	France
MEMC Electronic Materials GmbH	Germany
MEMC Electronic Materials, S.p.A.	Italy
MEMC Electronic Materials UK Ltd.	United Kingdom
MEMC Electronic Materials, SDN BHD	Malaysia
MEMC Electronic Materials Sales, SDN BHD	Malaysia
MEMC Kulim Electronic Materials, SDN BHD	Malaysia
MEMC Huls Korea Company	South Korea
F*: POSCO HULS Co., Ltd.	South Korea
F*: Taisil Electronic Materials Corporation	Taiwan
SiBond, L.L.C.	Delaware
MEMC-CSMC Electronic Materials, Ltd.	China (PRC)
MEMC Southwest Inc.	Delaware
MEMC Pasadena, Inc.	Delaware
MEMC Foreign Sales Corp., Inc.	Barbados
MEMC International, Inc.	Delaware
PlasmaSil, L.L.C.	Delaware

F*: The inclusion of these entities on this Exhibit 21 does not constitute an admission by the Company that the Company "controls" these entities for purposes of the Federal Securities laws.

Exhibit 23-a

Independent Auditors' Consent

The Board of Directors
MEMC Electronic Materials, Inc.:

We consent to incorporation by reference in the registration statement (Nos. 33-96420 and 333-19159) on Form S-8 and registration statement (No. 333-65973) on Form S-3 of MEMC Electronic Materials, Inc. of our reports dated January 25, 1999, relating to the consolidated balance sheets of MEMC Electronic Materials, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998, and related schedule, which reports appear in or are incorporated therein in the December 31, 1998 annual report on Form 10-K of MEMC Electronic Materials, Inc.

/s/ KPMG LLP

St. Louis, Missouri
March 25, 1999

Exhibit 23-b

Independent Auditors' Consent

To the Stockholders and Board of Directors
POSCO HULS Co., Ltd.

We consent to incorporation by reference in the registration statement (Nos. 33-96420 and 333-19159) on Form S-8 and registration statement (No. 333-65973) on Form S-3 of MEMC Electronic Materials, Inc. of our report dated January 11, 1999, relating to the balance sheets of POSCO HULS Co., Ltd. as of December 31, 1998 and 1997, and the related statements of operations, appropriation (disposition) of retained earnings (deficit) and cash flows for each of the years in the three-year period ended December 31, 1998, which report appears in the December 31, 1998 annual report on Form 10-K of MEMC Electronic Materials, Inc.

/s/ KPMG San Tong Corp.

Seoul, Korea
March 25, 1999

Exhibit 23-c

Independent Auditors' Consent

The Board of Directors
Taisil Electronic Materials Corporation

We consent to incorporation by reference in the registration statement (Nos. 33-96420 and 333-19159) on Form S-8 and registration statement (No. 333-65973) on Form S-3 of MEMC Electronic Materials, Inc. of our report dated February 9, 1999, relating to the balance sheets of Taisil Electronic Materials Corporation as of December 31, 1998 and 1997, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended, which report appears in the December 31, 1998 annual report on Form 10-K of MEMC Electronic Materials, Inc.

/s/ KPMG Certified Public Accountants

Taipei, Taiwan
March 25, 1999

Exhibit 24.1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That I, Hans Michael Gaul, Director of MEMC Electronic Materials, Inc. (the "Company"), a Delaware corporation, hereby constitute and appoint James M. Stolze and Helene F. Hennelly, or either of them, my true and lawful attorney or attorneys and agent or agents with full power of substitution and resubstitution to sign in my name, place and stead the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and documents and exhibits in connection therewith, and to file the same with the Securities and Exchange Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in my name and on my behalf and on the name and behalf of the Company every act whatsoever which said attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as I might or could do in person or the Company might or could do by a properly authorized agent.

Witness my hand this 17th day of February, 1999.

/s/ Hans Michael Gaul

Hans Michael Gaul

Exhibit 24.2

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That I, Helmut Mamsch, Director of MEMC Electronic Materials, Inc. (the "Company"), a Delaware corporation, hereby constitute and appoint James M. Stolze and Helene F. Hennelly, or either of them, my true and lawful attorney or attorneys and agent or agents with full power of substitution and resubstitution to sign in my name, place and stead the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and documents and exhibits in connection therewith, and to file the same with the Securities and Exchange Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in my name and on my behalf and on the name and behalf of the Company every act whatsoever which said attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as I might or could do in person or the Company might or could do by a properly authorized agent.

Witness my hand this 17th day of February, 1999.

/s/ Helmut Mamsch

Helmut Mamsch

Exhibit 24.3

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That I, Willem D. Maris, Director of MEMC Electronic Materials, Inc. (the "Company"), a Delaware corporation, hereby constitute and appoint James M. Stolze and Helene F. Hennelly, or either of them, my true and lawful attorney or attorneys and agent or agents with full power of substitution and resubstitution to sign in my name, place and stead the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and documents and exhibits in connection therewith, and to file the same with the Securities and Exchange Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in my name and on my behalf and on the name and behalf of the Company every act whatsoever which said attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as I might or could do in person or the Company might or could do by a properly authorized agent.

Witness my hand this 22nd day of March, 1999.

/s/ Willem D. Maris

Willem D. Maris

Exhibit 24.4

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That I, Paul T. O'Brien, Director of MEMC Electronic Materials, Inc. (the "Company"), a Delaware corporation, hereby constitute and appoint James M. Stolze and Helene F. Hennelly, or either of them, my true and lawful attorney or attorneys and agent or agents with full power of substitution and resubstitution to sign in my name, place and stead the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and documents and exhibits in connection therewith, and to file the same with the Securities and Exchange Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in my name and on my behalf and on the name and behalf of the Company every act whatsoever which said attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as I might or could do in person or the Company might or could do by a properly authorized agent.

Witness my hand this 17th day of February, 1999.

/s/ Paul T. O'Brien

Paul T. O'Brien

Exhibit 24.5

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That I, Alfred Oberholz, Director of MEMC Electronic Materials, Inc. (the "Company"), a Delaware corporation, hereby constitute and appoint James M. Stolze and Helene F. Hennelly, or either of them, my true and lawful attorney or attorneys and agent or agents with full power of substitution and resubstitution to sign in my name, place and stead the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and documents and exhibits in connection therewith, and to file the same with the Securities and Exchange Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in my name and on my behalf and on the name and behalf of the Company every act whatsoever which said attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as I might or could do in person or the Company might or could do by a properly authorized agent.

Witness my hand this 17th day of February, 1999.

/s/ Alfred Oberholz

Alfred Oberholz

Exhibit 24.6

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That I, Michael B. Smith, Director of MEMC Electronic Materials, Inc. (the "Company"), a Delaware corporation, hereby constitute and appoint James M. Stolze and Helene F. Hennelly, or either of them, my true and lawful attorney or attorneys and agent or agents with full power of substitution and resubstitution to sign in my name, place and stead the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and documents and exhibits in connection therewith, and to file the same with the Securities and Exchange Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in my name and on my behalf and on the name and behalf of the Company every act whatsoever which said attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as I might or could do in person or the Company might or could do by a properly authorized agent.

Witness my hand this 17th day of February, 1999.

/s/ Michael B. Smith

Michael B. Smith

Exhibit 24.7

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That I, Ludger H. Viefhues, Director of MEMC Electronic Materials, Inc. (the "Company"), a Delaware corporation, hereby constitute and appoint James M. Stolze and Helene F. Hennelly, or either of them, my true and lawful attorney or attorneys and agent or agents with full power of substitution and resubstitution to sign in my name, place and stead the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and documents and exhibits in connection therewith, and to file the same with the Securities and Exchange Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in my name and on my behalf and on the name and behalf of the Company every act whatsoever which said attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as I might or could do in person or the Company might or could do by a properly authorized agent.

Witness my hand this 17th day of March, 1999.

/s/ Ludger H. Viefhues

Ludger H. Viefhues

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This schedule contains summary financial information extracted from the consolidated balance sheet as of December 31, 1998 and the consolidated statement of operations for the year ended December 31, 1998, and is qualified in its entirety by reference to such financial statements.
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