

**Wacker Chemie AG
Conference Call
on the Full Year 2006**

March 22, 2007

Dr Wacker, CEO

Dr Rauhut, CFO

Hoffmann, IR

Hoffmann:

Ladies and Gentlemen, welcome to the full-year 2006 conference call on Wacker Chemie AG. My name is Joerg Hoffmann, Head of Investor Relations. It's a pleasure to have with me today on the call Dr Peter Wacker, our CEO and Dr Joachim Rauhut, our CFO.

As a reminder, let me state that during this call we may make forward-looking statements based on current assumptions and estimates of WACKER's Executive Board. Although we assume that the expectations in these forward looking statements are realistic, we cannot guarantee that they will prove to be correct.

These assumptions may harbor risks and uncertainties that could cause actual results to differ considerably from the forward-looking statements. WACKER may not update those risk factors or the forward-looking statements made during this call, nor does it assume any obligation to do so.

We have provided a number of materials on our website today, including our annual report in English and German, a press release, an Excel file detailing our quarterly data and a short presentation on Q4 and the Full Year to accompany this call.

Please look at our website WWW.WACKER.COM under Investor Relations.

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In addition, material from today's press conference, including scripts and presentations, are available on our website. Finally, let me point you to other various documents we routinely make available on our website or by request. Given the increasing number of analysts that are following us, these documents for the first time include an overview of analyst consensus which is posted for your benefit on our investor relations website.

With this let me hand the call over to Dr. Wacker.

Dr Wacker:

Thank you, Joerg, and thank you all for joining us on this call.

First, I'd like to speak briefly about our performance last year and then discuss general market trends and our investments for future growth. Joachim will then go into a bit more detail on the numbers and I'll wrap up with our outlook for 2007.

As you have seen by now, 2006 was an outstanding year for WACKER both in terms of financial performance and strategic development. Our sales rose 21%, and adjusted EBITDA increased almost double that rate by 39%. Our EBITDA margin climbed from 20.6% to 23.6%. We successfully demonstrated that, despite a considerable headwind from rising raw material and energy costs, we were able to grow our businesses with high margins.

Although we focus on EBITDA as a comparable measure relative to our competitors, we also focus on the bottom line. I am very excited that in 2006 we increased our EPS from 2.90 euros to 6.46 euros. With our strong performance last year, we will propose a dividend for 2006 of 2 euros per share plus a 50 cent non-recurring special bonus. We feel that the underlying 2% basic dividend yield based on our year-end share price is a very competitive dividend for a growth company. In addition, we wanted to reward investors for the confidence they placed in the company during our IPO with the special bonus.

Many of you are aware that we are aggressively positioning the company to take advantage of the favorable trends in our markets with the best products and technology in the industry. We are making substantial investments for the future, and I would like to review where we stand with our most significant programs.

Several external developments are supporting our strategies. To underline that, let me give you some examples.

From navigational systems in cars, to mp3 players, to cell phones and digital cameras, wafer area supplied to the electronic markets in total has been growing 15% annually during the past five years. Over this period the dependence on the highly volatile PC market has significantly decreased to a share of less than 40%. In consequence the semi market is becoming more and more diversified. On top of this we see huge unsatisfied demand in newly industrializing regions, which signals us a bright future.

Silicon wafer demand is moving strongly toward 300mm, and last December saw global monthly demand top 2 million 300mm wafers for the first time. In addition to Siltronic 300mm expansions in Freiberg and Burghausen, we are partnering with Samsung, one of the most rapidly growing and most demanding customers in the industry. Together, we will be spending 1 billion US dollars in Singapore on a new fab with a planned capacity of 300 thousand wafers per month. You can imagine that we do everything possible to accelerate the ramp in 2008.

Another major development relates to concerns about global warming and the growing need for cleaner energy sources and improved energy efficiency. WACKER offers polysilicon for solar energy production and also specialty materials for building insulation systems. Let's look at Polysilicon first. In our Poly segment, we are spending 500 million euros to add capacity. Our capacity will increase from 6,500 tons at the end of last year to 14,500 tons by the end of 2009.

As a part of this effort, we will be ramping up 3,500 tons of new solar-only Poly capacity this year, significantly increasing external sales in the segment. As you know, most of our existing poly capacity can be switched between electronic and solar grades. And, we have reduced our effective capital cost by partnering with our customers for the long term. This included the receipt in 2006 of over 200 million euros of pre-payments against future product delivery. The result is that we expect significant growth in our Poly business with shared risk. I am happy to report that both Poly projects are on budget and on time.

Next to alternative energy generation, energy conservation is also important in global initiatives against climate change. Our Polymers segment plays an increasingly important role in this.

Our dispersible powders are contained in polymer-modified mortars and in adhesives that are used to fasten modern insulation materials to buildings.

Demand especially in Asia, the Middle East and Eastern Europe has been accelerating due to the strengthening of the construction industry and the ongoing substitution of other formulations. We are increasing our annual powder capacity from 170 thousand tons to 230 thousand. A 30 thousand ton dryer is being added at Burghausen and is scheduled to start up in Q3. Another similar unit is needed in China. To satisfy this demand, we have decided to invest into a new integrated site at Nanjing, which is targeted to be operational by the end of next year. We are planning to spend about 50 million euros on this new integrated site in one of the hottest markets for our product.

In parallel, we are expanding our network of Technical Centers around the world. We are moving closer to our customers and providing them and their customers with access to first-rate testing labs, local customization capabilities and training facilities.

So in combination, WACKER has two significant businesses aimed squarely at the global moves toward clean energy and energy efficiency.

Finally, the rapid economic development in the emerging economies is creating a sharp increase in consumer spending of all types. Personal care products, appliances and convenience articles are seeing rapid growth in these regions. Silicones play an important role in many consumer items. In 2005 the consumption of silicones in the EU and in NAFTA was about 7 US dollars per person annually. This compares with an average of only 50 cents in China, India, the CIS and South America. By any measure, the future market potential for silicones in these rapidly developing regions is enormous.

We recently increased capacity for siloxane at Nünchritz, raising our total by 35% to 200 thousand tons. On top of that, we are partnering with Dow Corning to build an integrated facility at Zhangjiagang, China which will increase our global net effective capacity to 250 thousand tons by the end of the decade. The first stage of the upstream complex is the fumed silica plant which will be operational by the end of the year, in time and on budget.

By sharing the investment in this single largest upstream complex worldwide, we will achieve optimal production economies while reducing financial exposure and risk. At the same time, we will become a major factor with local production in one of the world's fastest growing economies.

Let me summarize. There are common themes to all of these major investment activities. We are experiencing rapid demand growth in most of our key markets. We are combining our technical expertise and many years of experience to rapidly construct and efficiently operate state-of-the-art capacity where it is needed most. We can realize this with our own engineering capabilities, which given the current tight market for those services is a competitive advantage. And, we are partnering with our customers and others to reduce our net level of investment and to minimize business risk. Last year our capital investments were 580 million euros or about 17% of sales, and we are estimating that this will continue at high rates for the next years.

Take this as a sign of our confidence into our future markets, our portfolio and our growth capabilities.

We are determined to grow rapidly in response to our customers' needs. WACKER historically developed a culture of carefully investing cash flow and managing investments. This continues today. In addition, we have the people and resources in place to ensure that we are successfully managing all of these expansion projects in parallel without compromising our high quality standards.

Now I'd like to hand it over to Joachim.

Dr Rauhut:

Thank you Peter,

I am going to touch on our segment performance last year and then go into some more detail concerning our financials.

In **Silicones**, 2006 saw an increase in sales of 15% driven by additional volumes, mainly in Europe and Asia. This includes 4% growth from regional and time deferred swaps with Dow Corning. Despite sharply rising costs for Methanol and Platinum we managed to increase EBITDA in the full year by 10% to 232 million euros. Particularly the last quarter was hit with 44% higher methanol costs and further start up costs of 6 million euros for our Joint Venture in China. In 2007 we are seeing strong demand for elastomers, construction and paper related products and expect to grow in line with the long-term market growth rate of about 6%. With now higher siloxane capacities and therefore more commodity grades, we continue to work on upgrading our overall product portfolio.

In **Polymers**, following our strong sales growth of 18 per cent to 560 million euros in 2006, we are capacity constrained with utilization at or above capacity limits. Our 8 per cent increase in full-year 2006 EBITDA lagged sales growth, as ethylene prices increased.

Price increases and portfolio mix effects should help in 2007 to rebalance this. Our fourth quarter was comparably quite strong, as the mild winter and the good market conditions in the construction industry led to higher sales. Today we have product on allocation and have most of our powder capacity for 2007 contracted under new terms. We therefore feel comfortable to achieve a growth rate above 10 per cent in line with our capacities. To cope with the strong demand we are accelerating our powder expansions and are utilizing VAE dispersion capacity at the Calvert City site of APP, our Joint Venture with Air Products.

In **Fine Chemicals** we continue the portfolio and product optimization process started last year. As a result we will give up sales that yield returns below our cost of capital and will focus on the more profitable parts of the business. In line with this strategy we took an impairment charge of 6 million euros on specific assets in the fourth quarter.

In essence this should result in a further concentration on our chemical catalogue business and a shift towards our rapidly growing ingredients and biologics businesses.

In our **Polysilicon** segment the market shortage continues as all our units are producing at their capacity limits. Last year, we increased sales to 326 million euros with an EBITDA margin of 36 per cent. About one third of our reported sales relates to salt and internal sales of silica. In 2006 external and internal sales of hyper pure Polysilicon were on the same level. As Peter has emphasized, our outlook will be primarily driven by our ability to complete our expansions as rapidly as possible. Poly is also working hard to improve yields from our existing facilities, and we are expecting some additional output as a result of these efforts. Looking into 2007, we feel that we can reach a sales target of 400 million euros in the segment by leveraging our additional capacity towards customers in the solar industry. Despite higher energy costs as of January 1st, particularly effecting Poly, we stick to our target EBITDA margin in the mid-thirties.

At **Siltronic**, 2006 sales were up 37 per cent to 1.26 billion euros as we brought 300mm capacity online in a strong market.

A positive pricing environment for both 300mm and smaller diameters coupled with the effects of our cost savings and productivity improvements helped increase EBITDA more than twofold to 356 million euros, a 28 per cent margin. The fourth quarter was particularly strong with an EBITDA margin of 33% due to higher pricing.

According to Gartner, this year should be a slower growth year for wafers than 2006 with growth rates around ten per cent. Growth in the silicon area will almost entirely come from 300mm, primarily driven by memory applications. Although the industry is clearly in an inventory burn-off phase, Siltronic sees sequential growth in wafers in the first quarter of this year, trending at about the level of Q4 last year supported by some ASP improvements and volumes. Pricing outlook is stable. As we see 2007 now, the first half looks moderate, and most industry analysts expect a stronger second half of the year.

After a strong growth year 2006 with new 300mm lines available our growth in 2007 will be limited by capacity.

We expect growth mainly from an increase in average capacity of 70 kilo wafers per month.

As we had expected for the Group we saw a price increase for Energy and major raw materials in 2006 in the range of 50 million euros, namely for Methanol, Ethylene, and Platinum. With volume growth, productivity improvements, some price increases and portfolio mix shifts we were able to absorb these increases. For 2007 we see again an increase of a similar magnitude. We have plans in place to compensate the anticipated cost increases for Platinum, Silicon metal and energy. While our Silicones segment was hit by Methanol price increases in Q4 and in Q1 this year, it appears that looking further out into 2007 Methanol prices are easing.

In Polymers, which was hit hard with Ethylene cost rises in 2005 and 2006, price increases have been communicated and are being implemented helping us to cope with the higher cost of raw materials.

As you may have heard, the German chemical industry negotiated a new collective bargaining agreement with the trade unions resulting in a 3.6 per cent rise in wages and a one time payment. For us, this translates into slightly more than 20 million euros higher personnel costs in Germany, which we have in our budgets for 2007.

Now for some more detail on other important figures of 2006.

Below operating profit, income from associates and participations dropped to negative 2 million euros last year from positive 8 million euros in 2005. This was mainly due to planning costs for the China JVs in Silicones, as income from other participations remained essentially unchanged.

In November we recorded a 15 million Euro credit to income taxes as the German government made the capitalization of certain tax receivables mandatory. Together with the utilization of tax loss carry forwards at Siltronic, this effectively reduced our full-year tax rate to 25%. As you are well aware, the German government is proposing to cut the corporate tax rate from 38% to 29%. Overall, looking into 2007 with us using the remaining tax loss carry forwards at Siltronic and with the announced German corporate tax reduction coming in 2008 we expect our long-term tax rate to level in the mid 30's.

Our operating cash flow rose in 2006 from 456 million euros in the previous year to 761 million, helped significantly by 231 million euros of prepayments on the supply of polysilicon. Despite an ambitious investment program of 580 million euros, we achieved a net cash flow of 185 million euros.

This was somewhat below our 250 million guidance because we accelerated our investments in the Siltronic and Samsung joint venture and because anticipated government grants will be only received in 2007. In 2007 we expect to end the year again with positive free cash flow despite our ambitious investment activities.

During 2006 we reduced net debt by nearly two thirds to 367 million euros, and our equity, helped substantially by the IPO, rose almost 70% to 1.6 billion euros. Our equity ratio, equity to total assets, increased from 32% to 49%. We clearly have the financial strength and flexibility to support our expansion plans.

With this let me hand it back to Peter for some closing words.

Dr Wacker:

Thank you, Joachim.

Due to the successful implementation of our growth strategy and to the excellent efforts of our team, 2006 was a record year for WACKER. And we think that 2007 will be even better.

We are essentially sold out in many of our businesses, and our capacity expansions are coming along well – on budget and on time. 2007 is off to a good start, and we are confident for the remainder of the year. In a given normal year the first and fourth quarter are typically seasonally burdened by winter conditions.

This year is different. Mainly the construction industry continued work throughout the winter, the German economy is doing well, our wafer business is strong and from today's point of view we are going to see an atypically, strong first quarter in both sales and earnings.

Looking out toward the remainder of the year, at this early stage I just can't give you the detail you would like, and you are aware that our forecasting horizon in Siltronic is about 3 to 6 months.

Please note that we have scheduled our Q1 2007 conference call for May 8th, and we hope you will be able to join us then. At that time we plan to be able to present a more detailed forecast for this year.

Now, Joachim and I are looking forward to your questions.

Operator?