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Wacker Chemie AG

Conference Call
on the First Quarter 2008

April 30th, 2008

Dr Wacker, CEO

Dr Rauhut, CFO

Hoffmann, IR

Hoffmann:

Ladies and Gentlemen, welcome to the first-quarter 2008 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 published today our quarterly report, a press release, an Excel file detailing our quarterly data and a short presentation on Q1 to accompany this call. All these files as well as our fact book can be found on our website www.wacker.com under Investor Relations.

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 would like to speak about the economic environment, the status of our growth projects, our core competencies and will add some remarks on poly.

Then Joachim will give you more detail on the numbers and segments. I will wrap up with confirming our outlook for 2008.

Wacker achieved record results once again, despite a comparison to our strongest earnings quarter ever, which was Q1 2007. I am proud of this achievement, especially in light of a difficult environment marked by a general economic slowdown coupled with slower demand in semis, a weaker dollar and rising raw material costs.

Group sales in Q1 increased to over 1 billion euros, which is 8 per cent above Q1 last year and 11 per cent over Q4. EBITDA went up to 291 million, making this our best quarter ever achieved.

An overriding theme this quarter was the sharp decline in the value of the US dollar. To put things in perspective, about 40 per cent of our sales are denominated in US Dollars. Compared to Q1 last year, the US-Dollar exchange rate worsened from 1.31 by 19 cents to 1.50 dollars per Euro. This means our sales had to absorb this quarter an additional 57 million euros in various currencies versus Q1 2007 alone. Without the dollar effect, our sales growth would have been 6 per cent higher compared to Q1 2007.

In this tough environment Wacker Chemie is well positioned. A strong group-wide focus on pricing and productivity supports this. We achieved an outstanding EBITDA margin of over 28 per cent this quarter despite many headwinds. Our growth projects are taking hold. We have a number of projects under way that will help to increase our available capacities substantially over the next few years.

I am pleased to report that all our strategic growth projects are well on track:

- Our polysilicon project Poly 7 is progressing better than planned.

- The solar joint venture with SCHOTT will reach 120 megawatts of capacity at the end of this year already; we just opened a new fab in Jena, as you may have seen,

- the integration of the newly acquired APP-business should help our Polymers business achieve close to 1 billion in sales this year,

- The Singapore Samsung JV is shipping qualification wafers and is testing its lines. I can tell you today that the first reports on these wafer tests are excellent and the official inauguration of the plant will take place on June 19th.

- The Dow Corning joint venture in Zhangjiagang is on track with its Siloxane production.

Wacker is steadily building on its core competences. These are advanced process and production technologies, as well as an integrated approach to our businesses and a dedicated commitment to productivity. Coupled with a strong background in chemistry and a proven internal engineering capability, we have demonstrated that we can manage demanding chemical operations with difficult materials and that we are able to get things done on time and on budget.This gives us strength and defiens our portfolio well.

Please remember, Wacker is the only company globally with a verbund-structure in silicon, ranging from polysilicon to silicates and silicones. Productivity improvements in our silicones and silicates production have helped to mitigate the effect of increasing raw material costs in silicones by increasing yields.

A culture of permanent optimization and a strong engineering focus will allow us to accelerate the completion of our Poly 7 plant. We are now working to advance our Poly 7 ramp similar to the accelerated start of the Poly 6 unit, which came in 3 months early. I am confident that we can achieve this acceleration.

Also, I would like to confirm today that we are not going to stop building world-class, cost leading polysilicon units after reaching 22,000 tons. We have started the site selection process for a new polysilicon facility. Decisions on size and exact timing are expected within the next 12 months.

Now, let me touch on the question of polysilicon supply and demand again. Many have asked us if metallurgical silicon in our view is a viable substitute for polysilicon in solar applications. Let me put it this way: the samples of metallurgical silicon that we have received have not been satisfactory.

The material may be used in blends, but what we have seen is not a full fledged alternative to hyper pure polysilicon. High cell efficiency requires hyper pure material; after all it’s about the generation of electricity. Another question is, will this material or other capacity additions impact the supply demand ratio for polysilicon? We think no.

We would actually welcome a loosening of the very tight supply demand balance, although we don’t see it happening before 2012. In our view, additional material for the solar market will help our poly customers to increase their utilization levels and to gain scale economies. This would effectively lower their cost and thus lead the way to further growth in solar. In addition, more volume translates into more business models becoming viable and helps to utilize spare capacity at incumbent solar producers.

All of this translates into a larger market and a stronger industry. This should lead to more competition on the cell and module level, resulting in a more attractive pricing for solar end users. And at the end, this gives us more room to grow even further.

With this, I'd like to hand it over to Joachim.

Dr Rauhut:

Thank you Peter,

I am going to touch on our segment performance last quarter and will provide some divisional outlook.

WACKER SILICONES recorded sales of 360 million euros, a 3 per cent increase over Q1 last year. Before currency conversion and adjusting for internal sales increases, external sales grew by 6 per cent.

Growth areas were Asia and Germany. This compensated for lower demand from the US automotive and the construction industries in the US and Europe. The business managed to cope with higher raw material costs through a combination of price increases and yield improvements. Despite the additional FX impact, EBITDA was 65 million euros -- on the same level as last year.

Please note that, given the translation mechanics, the segment results of the Chemical divisions show the full impact of the US dollar, while offsetting hedging benefits show up in our segment “Other” .

We continue to see higher prices for silicon metal, driven by strong demand for aluminum grade material and the solar industry. Let me state that in sourcing we are not participating in the spot market to a large degree. Our silicon metal requirements are covered by contracts with firm pricing and volumes.

While we enjoyed year end deliveries with favorable conditions in Q1 this year, we expect our average cost of silicon metal to go up slightly in the coming quarters. In methanol, which continued to be very expensive this past quarter, we expect significantly lower prices in Q2.

We have received a large amount of questions regarding our ability to pass on increasing raw material costs in **Silicones** and **Polymers**. In both of these businesses we are working hard to increase prices. Ultimately the success of our efforts will be determined by our relative market position, the prevailing supply/demand situation, the cost of substituting materials and increasingly currency ratios. As in the past we distinguish between commodity and value added pricing. You can see further detail on our pricing policy in the presentation accompanying this call.

If you look to our competitors in **Silicones,** there are lots of efforts particularly in commodity materials to adjust prices to offset higher raw material costs. Also, all producers are trying to increase sales of higher value added products, a market segment where WACKER’s share is traditionally comparably high. With our high technical content in these products we can maintain our market share.

Keeping all this in mind we continue to expect **Silicones** to grow by 3 per cent above worldwide GDP in 2008 adjusted for currency movements. Full year EBITDA margin 2008 should come in lower than in 2007 because of US dollar weakness and rising raw material costs at the same time.

In **WACKER POLYMERS,** last year’s Q1 saw record earnings on the back of a very mild winter. Winter this year was a bit colder in Europe and came in with massive snow in China, resulting in slower construction business.

Besides this “winter effect” on sales, there is a slower demand in the construction industry in Western Europe and in the US. Accordingly, Q1 2008 sales were just 3 per cent above the prior year quarter when you adjust sales for the 44 million euros which we consolidated from the APP transaction for the first time. Despite the weaker demand in core construction markets, we expect our powders business to accelerate its growth in the coming months.

Effective February 1st we closed the transaction with Air Products for a payment of 173 million Euros. 55 per cent of the purchase price was related to the 20 per cent minority share in WPS and 45 per cent to the 65 per cent majority share in APP*.* The business of APP now is being fully consolidated in our **POLYMERS** segment. Naturally, we strive to improve productivity and profitability of the acquired businesses in the integration process. As one of the first steps towards integration we are closing down the acquired operations in South Brunswick in order to concentrate our leading VAE production at Calvert City.

This move will result in improved capacity utilization and less complexity. The closure results in a 5 million Euro extra depreciation charge in Q1. Since we acquire the APP business below net asset value, we recorded a badwill credit of nearly 10 million euros in the quarter. This 10 million more than compensates the extra depreciation charge.

Our Polymers EBITDA amounting to 38 million euros was influenced by a lot of factors: rising raw material costs, some burden from our ethylene supplier in Germany in January, and negative currency effects. In the next two quarters we should see an improved EBITDA margin supported by higher volume in the construction sector and price increases. We particularly are bullish about construction growth in Asia, Middle East and Eastern Europe.

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WACKER **FINE CHEMICALS** reported sales below Q1 2007 as planned. Our reorganization is progressing well, shifting sales to ingredients and biologics, and our EBITDA margin improved.

POLYSILICON continues with excellent results. Running increased capacities at full utilization and with further improved pricing, **POLYSILICON** sales increased by 69 per cent to 156 million euros. We reported EBITDA at 71 million euros, more than twice the amount we saw in Q1 2007.

Strong pricing for semi and solar grade material, as well as additional volumes from our expansions are supporting this growth. Our current production run rate is at 10,000 tons of polysilicon per year. Pricing in the sector shows no weakness. For the remainder of the year, we expect that the EBITDA margin should not fall below 45 per cent.

Due to the planned accelerated ramp of Poly 7, sales should exceed 700 million euros this year. As you can see, our excellent results lead us to upgrade our segment guidance.

We are pleased with the results **Siltronic** delivered in Q1 2008. Despite the continued falling US dollar and the challenges in the semiconductor industries, **Siltronic** was able to perform again.

While sales in Dollars reached an all-time high, reported sales in Euros at 346 million stayed at the Q4 level, which is about 8 per cent less than in Q1 last year. Pricing was similar to the development in Q4 – with US Dollar ASP reductions for wafers in the low single digits. We also absorbed planned start-up losses of our JV with Samsung in Q1. **Siltronic** was able to offset all this with some growth in 300mm and solar ingot sales. As a result of the improved mix, the Q1 EBITDA margin remained at 33 per cent.

In addition to growing the 300mm volumes, we continue to see strength in our specialty float zone business. Volumes and prices of intermediates such as ingots for solar applications have continued to rise due to the polysilicon shortage. For Q2 2008 we expect a similar overall picture for SIltronic. Volume will be up, especially for 300mm. The pricing environment seems to be similar as in Q4, except that Q2 pricing for 300mm is a bit weaker. Taking current currency conditions into account, we expect quarter on quarter a more or less flattish revenue development. With most of its sales denominated in US dollars Siltronic is especially exposed to the weak dollar.

From a total Wacker perspective, as I look to the projected incoming cash flows, we are well equipped to manage a record capital budget of one billion euros this year with minor fluctuation of our net financial debt.

At this point, I would like to hand it back to Peter.

Dr Wacker:

Ladies and Gentlemen,

Our major challenges are the decline in the US dollar and the cost increases for raw materials. While we can cope with raw material inflation via productivity improvements and pricing, matching a sharp decline in a key currency in one go is a difficult task. We are very optimistic that ongoing systematically after opportunities for productivity and price improvements in all our businesses will pay out.

For the group in 2008, we confirm our forecast of clearly above 10 per cent sales growth and a further increase in EBITDA above the 1 billion achieved last year despite a more difficult business environment. In short, Q1 was very strong and we believe that we are on track for another year of record performance.

Please allow me to close with a personal note. As you know, this is my last conference call as the CEO of Wacker.

I will step down at our Annual General Meeting on May 8th to run for the office of the chairman of the supervisory board.

I would like to express my personal thanks for your interest in Wacker, and I have thoroughly enjoyed working with you during the past two years. Today, I think that our company is well positioned to cope with difficult markets and to continue to grow successfully.

For those of you who may not know him, I hope you will have a chance to meet my successor, Rudolph Staudigl, either at the AGM or during our Capital Markets Day, which will take place on June 12th in London. The next call on July 31st will be hosted by Dr Staudigl and Dr Rauhut.

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

Operator?