



Wacker Chemie AG
Conference Call
on the Second Quarter 2008

July 31st, 2008

Dr Staudigl, CEO

Dr Rauhut, CFO

Hoffmann, IR

Hoffmann:

Ladies and Gentlemen, welcome to the second-quarter 2008 conference call on Wacker Chemie AG. My name is Joerg Hoffmann, Head of Investor Relations. It is a pleasure to have with me today on the call Dr. Rudolf Staudigl, 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 Q2 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.

Now let me hand the call over to Dr Staudigl.

Dr Staudigl:

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

Let me start with an overview on the positioning of our segments and the status of our various expansion projects. Joachim Rauhut will then cover our Q2 performance in more detail. After that I will confirm our outlook statement for 2008.

I am pleased to report that we beat our own quarterly record once again. The record results we published today show the power of our portfolio and confirm our solid growth path. We made good progress in all segments despite many challenges.

Group sales in Q2 increased to over 1.1 billion euro, which is 17 per cent above Q2 of last year and 10 per cent over Q1 of 2008.

EBITDA went up to 318 million, making this our best quarter ever reported.

In Q2 this year we have absorbed an additional 36 million in FX impacts unhedged, mainly from the US Dollar. Major raw materials and energy added another total of 35 million euro to our costs compared to the prior year's quarter. Excluding effects from the weak US-Dollar group sales would have actually grown by 24 per cent.

This result represents a lot of hard work on price increases, productivity improvements and accelerated capacity additions. We were very successful in price increases in the last quarters. But this is becoming more difficult in a slowing construction sector. Construction in Spain has almost come to a stop, the US region is underperforming and building in the UK has also slowed down.

However, as worldwide GDP seems to slow down, the Megatrends that support our sales growth remain intact. These megatrends are digitization, renewable energies, regional growth and resource saving.

Our strategic growth projects that meet these megatrends continue as scheduled or better. Our most important step forward during the last quarter was the inauguration of the **Siltronic Samsung Wafer** operations in Singapore. After a rapid build-up period, the unit is producing 300 mm wafers meeting the highest quality expectations of our customers. We now expect positive contributions from the JV at the end of next year in the **Siltronic** segment.

The **WACKER SCHOTT** solar joint venture is busy contracting with third parties for deliveries of solar wafers. We already will record first sales to third parties within the present quarter Q3.

The JV is well on track to reach its targets for 2008.

The integration of our Air Products Polymers acquisition is progressing well and meeting its milestones. Full IT systems integration is expected at the end of Q3.

Our success in this transaction is not yet visible in today's results, mainly due to the fragile state of the US economy and the downturn in construction business in major regions.

In **POLYSILICON**, I can confirm again that our expansion project so called "Poly 7" is well on track and that we are running approximately 3 months ahead of schedule. In addition, we have previously said that we want to ramp the new unit 3 months faster than we had originally planned. This would result in a full capacity run rate of 4,500 tons by mid 2009. Our target however, is to reach full capacity already towards the beginning of Q2 2009. The equipment for Poly 7 is on site and our engineers are working diligently to implement it and to get the plant operational.

All this makes us confident to reach our guidance for 2008 with sales growth clearly above 10 per cent and higher EBITDA than last year.

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

Dr Rauhut:

Thank you Rudolf,

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

WACKER SILICONES recorded sales of 381 million euro, an 8 per cent increase over Q2 last year. Before currency conversion and adjusting for internal sales increases, external sales grew by 14 per cent. Sales performance was in parts slowed by the declines in the global construction industry. Higher growth in Asia and Eastern Europe compensated for some of this.

With a combination of increasing raw material and energy costs and a weak US Dollar, EBITDA lagged sales growth and amounted to 61 million euro, 7 million euro lower than last year.

This translates into an EBITDA Margin of 16 per cent. The segment made good progress in compensating cost increases with productivity improvements. In addition, we announced and implemented a series of price increases.

In this challenging market situation, we remain confident about the growth and the performance of our **SILICONES** business. We continue to make good progress in upgrading our portfolio with higher value added products, effectively leveraging **WACKER SILICONES'** technological strength with a global market presence and a leading service offering. This will help us to meet the challenges from rising raw materials and other cost factors. Mainly due to seasonality, we expect lower sales and a lower margin in the second half than in the first half, similar to our performance in prior years.

In **WACKER POLYMERS**, total Q2 sales amounted to 245 million euro. In comparison to Q2 2007 this was a sales increase of 46 per cent. 43 per cent sales growth resulted from the consolidation of sales of the former APP partner companies. In a very challenging business environment our globalization strategy helped us to decouple from regional downturns.

Strong demand from Asia, Eastern Europe and the Near East compensated slower construction sales in the US and Europe.

POLYMERS EBITDA at 37 million euro was just above Q2 2007.

This translates into an EBITDA margin of 15 per cent. In addition to strong increases in Ethylene cost, the segment's EBITDA margin was diluted by the consolidation of the lower margin APP business which were particularly affected by the weaker US economy. During the quarter we recorded 5 million euro additional release of goodwill as the purchase accounting is nearly completed. This positive effect was nearly offset by accounting for additional restructuring costs of 3.6 million euro related to the closure of South Brunswick.

During the quarter, Wacker **POLYMERS** announced officially to discontinue production of underperforming PVB compounds; the asset write down was already done in the fourth quarter of 2007.

POLYMERS was successful in implementing price increases to compensate for rising raw material costs. However, in the face of weaker construction markets it is becoming difficult to implement further price increases. Full year sales are now expected to come in at around 900 million euro, as the slowing construction markets impact the business.

WACKER FINE CHEMICALS reported sales of 24 million euro with an EBITDA of 3 million euro. The withdrawal from exclusive synthesis is on track, and we are expecting strong growth rates from our Ingredients and Biologics business, although from a lower base. **FINE CHEMICALS** is the group's center of competence for biotechnology. We continue to invest into this promising area and are expanding our site in Jena to produce pharmaceutical proteins leveraging our unique secretion system.

WACKER POLYSILICON posted again record results with very strong sales of 194 million euro. This is more than 24 per cent higher than in Q1 and nearly twice as high as our reported Q2 2007 sales. **POLYSILICON** EBITDA amounted to 105 million euro, which represents an EBITDA margin of nearly 55 per cent. This strong set of results reflects increases in capacity and contract pricing. Almost all of our capacity is booked through long-term contracts. As you know, more than 80 per cent of our planned volumes are secured through 2015 and some even more through 2018. Pricing remains healthy and Q2 saw a slightly larger share of sales in the spot market, as we had some additional material available following excellent plant performance and improved maintenance schedules. Given continuous progress on productivity and the upcoming effects of Poly 7 in Q4, we now target 800 million euro in sales in 2008 with an EBITDA margin of 50 per cent for the full year.

We expect incoming prepayments for long-term polysilicon contracts in 2008 to amount to 190 million euro, for a total of 840 million euro at year end in polysilicon prepayments.

As expected, **Siltronic** reported sales of 352 million euro in Q2. In euro, 5 per cent below the level of last year's results and sequentially flat. In US dollar terms, we were up 6 per cent over the last quarter. EBITDA in the segment stayed at Q1 levels with 112 million euro. While overall ASPs in US-Dollars were flattish, stronger price declines than normal in 300 mm were mostly offset by an improved product mix. As price levels for smaller wafers stay depressed, we continue to sell single crystals to the solar industry. Looking forward, we expect sales in Q3 to look similar to Q2 with some effect from lower ASPs in 300 mm and higher polysilicon pricing on EBITDA.

Moving on to other parts of our P&L this quarter: SG&A stayed at 12 per cent of sales. Other income in the quarter more than doubled mainly following hedging benefits which increased from 0.5 million euro last year to 18 million euro in Q2.

A 12 million euro loss from associates reflect start-up costs at our joint ventures in China and Singapore.

Our tax rate came in at about 32 per cent, reflecting lower tax rates in Germany than in the US or Japan. Earnings per share came in at 3.08 euro per share, up 18 per cent from last year.

Our balance sheet remains exceptionally strong. Our strong earnings resulted in an equity ratio of 45 per cent. Our net cash position was about 100 million euro. In the first half year, operating cash flow was 6 per cent lower than in the first half of 2007 as EBITDA increased substantially. Counteracting this, prepayments came in lower than during last year's campaign.

Following our aggressive capacity additions and the APP acquisition, capex for the first 6 months was up 79 per cent to 475 million euro.

As a reminder, we are going to spend about 1 billion euro in capex in 2008, with only a small effect on our net debt position.

Rudolf?

Dr Staudigl

Ladies and Gentlemen,

We continue to expect strong growth in our portfolio. As we pursue our investment program, our focus is on the longer term. Although our chemical businesses are under pressure from currencies, raw materials and energy costs, we are maintaining our target margins for these segments at 20% EBITDA. We are working hard to get back to these levels in the coming years.

Siltronic is currently operating in a weak semiconductor environment due to lower growth in consumer electronics worldwide.

Beside the opportunistic solar sales we focus on ramping up 300 mm as well as on enhancements of productivity and efficiency.

For **Polysilicon** the market outlook is bright. Our basis is our strong technology, our cost leadership and our excellent operational performance. We are working hard and smart on our plans for further capacity increases.

Now let me again confirm our guidance for 2008:

For the group we are convinced to achieve sales growth of clearly above 10 per cent over 2007 and a further increase in EBITDA above the 1 billion achieved last year. And this despite of a more difficult business environment.

In short, the first half of 2008 was very strong, and we believe that we are on track for another year of record performance.

WACKER

Hoffmann

Operator, we are now ready for the Q&A session.