WACKER

Wacker Chemie AG

Conference Call

on the Third Quarter 2008

November 4th, 2008

Dr Staudigl, CEO

Dr Rauhut, CFO

Hoffmann, IR

Hoffmann:

Ladies and Gentlemen, welcome to the third-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 Q3 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.

I am proud to present another record quarter for **WACKER:**

Group sales for Q3 came in 21 per cent higher at 1.2 billion Euro. This is even 3 per cent more than our last record quarter, Q2. Group EBITDA went up to 328 million, beating last quarter's record number.

We are proud about this strong performance despite of the economic headwinds, amplified by rising raw materials and energy costs. Major earnings drivers this quarter were additional volumes and price increases in the chemical segments and in Polysilicon. Our performance was held back by further declines in 300 mm pricing and a slower construction industry.

Since we last spoke a lot of things have changed. As the financial crisis is spreading to the real economy, I see WACKER positioned very solidly. We feel well prepared to manage through more challenging times. With our large market shares, leading technologies, financial strength and good cost positions we have attained a strong standing.

Despite the current business environment we see the global trends of digitization, regional growth, resources savings and renewable energy continuing. Particularly the photovoltaic industry will further develop with cost reductions and efficiency gains, edging the industry closer to grid parity. Crystalline technologies will play an important role in this scenario, as they are the solution of choice for solar systems with high efficiencies for limited space.

As a market and cost leader for hyper-pure polysilicon we have decided to use our financial strength to continue to expand our capacities as fast as possible, supported by our own internal engineering. In **POLYSILICON**, we have announced the debottlenecking of expansion Poly 8, as well as the site selection and decision to build Poly 9. These two additions will lift our total polysilicon capacity in 2010 to 25.5mt and in 2012 to 35.5mt.

In Poly 9, we are moving to replicate the successful Burghausen model of full silicon integration at our other **Silicones** site in Nünchritz, Germany. As the first incumbent polysilicon producer to move to a new site, Nünchritz provides us with an excellent starting position where docking onto the existing **Silicones** infrastructure helps us save time and money. In addition, there are cost advantages from the integration of operations between **Silicones** and **Polysilicon**. We will invest in Nünchritz about 760 million Euros in a 10,000 ton hyper-pure polysilicon plant for the solar market.

Construction has started immediately and we expect to ship first material in Q1 2011, with the unit reaching full capacity by the end of 2011. Poly 9 will use the proven **WACKER POLYSILICON** rod technology, which we continuously innovate.

In addition, we are debottlenecking our Poly 8 expansion from an original design size of 7,000t to 10,000t for a total of 100 million Euros. Our other expansion projects Poly 5 and Poly 7 are well within our previously communicated timelines, as well as within budgeted costs.

Sales of the new volumes from Poly 8 and Poly 9 are progressing very well and in the last two weeks we have already signed 25 per cent of our new production capacity. Our target is to contract for similar levels as in our previous projects. As in previous years, these contracts come with prepayments.

We continue with our strategy to position ourselves in **Polysilicon** as the reliable supplier of choice, partnering with customers for the long term.

It is important to note here that we are expanding these capacities with our own cash and cash flows. The execution of these projects should have no large impact on our net debt position.

Now, I'd like to hand it over to Joachim, who is going to touch on our segment performance in the third quarter and will provide some outlook for the remainder of the year.

Dr Rauhut:

Thank you Rudolf.

WACKER SILICONES grew by 9 per cent over last year to 371 million Euros in sales. Volume increases across the board and the successful implementation of price increases helped to achieve this strong result.

EBITDA came in at 61 million Euros, despite significantly higher raw materials and unfavorable exchange rates. Results in this business were again supported by improvements in productivity.

Strong growth came from emerging regions, such as the Near and Middle East, China and India. A growing level of affluence in these regions has a significant effect on silicone consumption per capita. Tech Centers in emerging countries support our growth.

Looking into current trading conditions, we have seen a strong October in sales. We are noting that our customer's orders are coming in with much shorter lead times than previously, which is a reaction to reduced visibility of our customers.

For the fourth quarter we expect the usual seasonality with some additional softening. This will lead to about 5 to 6 per cent sales growth for the full year with an EBITDA margin below last year.

Following capacity expansions and the acquisition of the VAE business in Q1 2008, **WACKER POLYMERS** saw Q3 sales 43 per cent above last year amounting to 239 million Euro.

Q3 saw a shift in sales, away from Western Europe and the US, where construction business has been sluggish and customers are reducing their inventories. Sales growth in construction polymers came from Eastern Europe, Middle East and other international markets. EBITDA in the segment was at 29 million Euros at the level of the previous year. The business was successful in raising prices up to the second quarter, but could not balance the strong increase in Ethylene cost. Comparing Q3 to Q2, the business had to digest an additional 7 million Euros in raw material costs.

The acquired VAE business was successfully integrated after only 6 months. WACKER is now a dedicated player in the global VAE market with leading market positions. The broad range of VAE applications in Adhesives, Coatings and Engineered Fabrics saw a slow down in business conditions late in the quarter.

Restructuring the VAE business by closing our operations in South Brunswick is well under way. In Powders, the business is reacting to the changing environment by concentrating production on the most efficient units and by a review of our expansion schedules.

Looking into the fourth quarter, we expect to see the usual seasonal declines coupled with the effects of a weak construction market. We continue to expect about 900 million Euros in sales in **POLYMERS** with a margin level below last year.

Results in **Fine Chemicals** show the successful reorganization of the business. Our focus is on a smaller number of products and this is paying off. Demand for the biologics and ingredients products remains strong.

WACKER POLYSILICON recorded for the first time sales of more than 200 million Euros in a single quarter. At 239 million Euros, this is 90 per cent over last year. **POLYSILICON** EBITDA amounted to 131 million Euros, which represents an EBITDA margin of 55 per cent. This good result was supported by first materials from the accelerated ramp of Poly 7 that were sold with high margins in the spot market. In Q3, about 15 per cent of volumes were directed toward the spot market, which is more than we did in prior quarters. While we are acting here opportunistically, let me make it clear that our focus is not on the spot market. In our plans, we usually calculate with about 5 per cent spot volumes per quarter. On the other hand, technical expenses related to the faster ramp up of Poly 7 led to some higher costs. We now expect to finish the ramp of Poly 7 during the first quarter 2009.

The other two expansion projects, Poly 5 and 8, are progressing on accelerated schedules, as we communicated earlier.

Prepayments for the full year are expected to reach 850 million Euros, excluding payments for Poly 9.

We will produce about 11,000 tons in 2008 and together with sales of silicates, road salt and caustic soda this should result in more than 800 million Euros in sales, including 30 to 40 million Euros of sales from Wacker Schott Solar. For total 2008 the EBITDA margin should exceed 50 per cent slightly.

Despite significant headwinds in semiconductor wafers, **Siltronic** delivered sequentially higher Euro sales in Q3 2008 than in Q2 2008. Siltronic sales came in at 359 million Euros, at the level of the prior year. USD wafer pricing was down by mid single digits, with a larger decline in 300 mm. The Semi market was weak but sales of solar ingots helped to support **Siltronic's** profitability. The availability of an additional market for mono-crystalline products marks a sharp difference to the last downturn in the wafer industry.

With support from currency-hedging, higher volumes and lower wafer prices, **Siltronic** was able through cost optimization efforts and solar sales to deliver an EBITDA margin of 30 per cent.

Looking into the fourth quarter, we see inventory adjustments in the foundry space, and wafer start reductions at the memory producers affecting demand. Overall, the fourth quarter will be more challenging than the last as the negative sentiment continues. Compared to Q3, volume and pricing trends will have some negative effect on sales and EBITDA for Siltronic. On the other hand, a lower US Dollar will ease some of this.

Moving on to other parts of our P&L this quarter:

Following a 30 per cent increase in operating profits and Profit before Tax of 233 million Euros, earnings per share increased by 42 per cent to 3.44 Euros. Our tax rate in Q3 came in low at 27 per cent. In this quarter, a deferred tax asset related to the VAE transaction had a positive effect on our tax rate.

As you know, capital expenditures for 2008 are expected at 1 billion Euros; at the end of Q3 we had spent already 717 million Euros. Despite this large cash outlay and our dividend payments, net debt should not move much. With this capacity build up, depreciation is expected to increase from approximately 350 million Euros in 2007 to about 400 million Euros in 2008.

In summary, our guidance for the group in 2008 is unchanged. Our forecast includes seasonal and demand-related factors for a weaker Q4, except that WACKER POLYSILICON will come out very strongly. Despite this, we expect to see sales grow clearly above 10 per cent with a higher absolute amount of EBITDA than last year.

Rudolf?

Dr Staudigl

Ladies and Gentlemen,

is well positioned to compete in difficult times. This is the time where we can leverage our market positions and technological leadership. We have just reported a record Q3 as we had expected, despite a worsening economic background.

I know that some of you will expect guidance for 2009 from us at this point, but let me make it clear: we only guide to what we see. Right now, visibility is poor due to a high level of uncertainty in many markets. What we can say, is that results in 2009 will show a structure that follows the trends that are apparent this year. Polysilicon will be the major growth driver and a strong earnings contributor, supporting our results again just as this year. The megatrends that support our business model will continue to drive sales growth and our investments.

We will continue to expand our capacities, as the markets we serve require. Furthermore, we will keep our focus on strong cash generation as it is our target to finance our investments internally.

I am proud of the achievements of our company and the strong performance of our businesses in this challenging environment. WACKER will continue to deliver substantial growth with high margins to its shareholders.

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

Hoffmann

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