WACKER

REPORT ON THE 2ND QUARTER 2006

APRIL – JUNE 2006

CREATING TOMORROW'S SOLUTIONS

WACKER AT A GLANCE

€ million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
Sales	830.4	701.5	18	1,628.9	1,309.7	24
EBITDA [1]	195.7	182.7	7	379.3	274.7	38
EBITDA margin [2]	23.6 %	26.0 %	– 10	23.3 %	21.0 %	11
EBIT [3]	111.8	87.0	29	217.5	96.2	> 100
EBIT margin [2]	13.5 %	12.4 %	9	13.4 %	7.3 %	82
Financial result	– 17.9	– 16.2	10	– 28.9	– 30.4	– 5
Pre-tax result	93.9	70.8	33	188.6	65.8	> 100
Net profit/loss	66.5	30.9	> 100	132.7	10.6	> 100
Net profit/loss per share in €	1.35	0.59	> 100	2.84	0.20	> 100
Investment in intangibles and property, plant, and equipment	96.1	73.3	31	171.1	132.9	29
Net cash flow	15.0	23.7	– 37	37.7	– 70.1	> 100

€ million	Jun. 30, 2006	Jun. 30, 2005	Dec. 31, 2005
Equity	1,409.3	936.6	934.4
Financial liabilities	546.9	999.3	946.2
Provisions for pensions	358.6	349.4	352.1
Net financial debt	514.3	975.4	911.5
Total assets	3,078.8	2,934.3	2,922.9
Employees (number at end of period)	14,555	14,449	14,434

1 EBITDA is EBIT before depreciation and amortization.
2 Margins are calculated based on sales.
3 EBIT is the result from continuing operations for the period before interest and other financial results, limited partnership interests, and income tax.

REPORT ON THE 2ND QUARTER 2006

- Sales up in Q2 by 18 percent with EBITDA margin at 24 percent
- EBITDA of €195.7 million, Group sales reach €830.4 million
- Earnings per share of €1.35
- IPO increases equity by €409 million, equity ratio rises to 46 percent at mid-year
- WACKER raises earnings estimates due to strong demand and higher prices for silicon wafers

Dear Shareholders,

Against the backdrop of a continued strong global economy and the ongoing upturn in the chemical and semiconductor sectors, WACKER boosted year-on-year sales and earnings in Q2 2006. Volume growth and positive product mix effects more than offset significantly higher raw material and energy costs. However, as the exceptional growth in the current fiscal year's first three months was significantly influenced by a weak Q1 2005 growth in the second quarter was slightly lower than in Q1.

Economic Environment Remains Robust

The OECD [1] expects continued economic growth in the second quarter – with year-on-year GDP increases in OECD countries averaging 3.3 percent. Germany's IFO Institute [2] estimates year-on-year Eurozone GDP growth of 2.1 percent in Q2. According to the VCI (German Chemical Industry Association) [3], German chemical industry sales rose six percent in the first half of 2006. In its current analysis for Q2 2006, SEMI Silicon Manufacturers Group (SMG) indicates year-on-year silicon wafer volume growth of 22 percent in terms of surface area sold.

Sales Significantly Exceed Prior-Year Figure

Under these favorable conditions, the WACKER Group generated sales of €830.4 million in Q2 2006, a year-on-year rise of 18 percent (Q2 2005: €701.5 million). All business divisions surpassed their prior-year sales figures. Sales gained 17 percent from higher sales volumes and product mix effects. Price changes (1 percent) and exchange-rate effects (±0 percent) were minor factors. Through the first half of 2006, the Group generated €1.63 billion (2005: €1.31 billion) in sales – a 24 percent increase compared to the prior year.

The semiconductor business contributed strongly to Q2 growth. Siltronic's sales from April to June 2006 totaled €300.3 million (Q2 2005: €215.8 million) – a year-on-year increase of 39 percent. Driven by volume gains, WACKER SILICONES and WACKER POLYMERS both posted sales gains of over ten percent. WACKER FINE CHEMICALS increased sales by four percent. In Q2, WACKER POLYSILICON increased its sales by 14 percent to €77.9 million (Q2 2005: €68.5 million).

Regionally, most of the Group's sales gains were achieved in international markets. WACKER generated 80 percent of Q2 sales outside Germany. From April to June 2006, Asian sales rose 42 percent to €225.5 million (Q2 2005: €158.7 million). In China, sales growth remained above average in Q2 – rising 47 percent. At €165.7 million, sales in the Americas grew 12 percent from April to June 2006 (Q2 2005: €147.6 million). In European markets (excluding Germany), sales rose

11 percent to € 248.5 million (Q2 2005: € 223.9 million) – with central and eastern European countries making an above-average contribution. In Germany, sales in Q2 2006 rose eight percent to € 163.8 million (Q2 2005: € 151.5 million).

Adjusted for Special Items, Earnings Up 42 Percent

Q2 2006 EBITDA totaled € 195.7 million (Q2 2005: € 182.7 million) – an increase of seven percent compared to the prior-year period. However, the prior-year quarter's EBITDA contained some non-recurring special items that benefited earnings. These special items include proceeds from past divestitures of € 32.7 million, as well as a reversal of € 12.1 million in provisions built up for Siltronic restructuring expenses. Adjusted for these special items, year-on-year EBITDA grew 42 percent in Q2 – thus clearly outpacing sales growth yet again. Q2's EBITDA margin totaled 24 percent. EBITDA reached € 379.3 million in the first half year (first half 2005: € 274.7 million). In Q2, EBIT rose to € 111.8 million (Q2 2005: € 87.0 million). EBIT in the first half year totaled € 217.5 million (2005: € 96.2 million).

Semiconductor operations contributed particularly strongly to this significant improvement in earnings. In Q2, Siltronic generated an EBITDA of € 73.0 million (Q2 2005: € 33.2 million). WACKER SILICONES and WACKER POLYSILICON also posted very strong Q2 earnings compared to last year's second quarter. At € 67.0 million (Q2 2005: € 58.7 million), WACKER SILICONES increased its EBITDA by 14 percent, while at WACKER POLYMERS and WACKER FINE CHEMICALS, EBITDA approximately matched the prior year quarter levels. WACKER POLYSILICON increased EBITDA by 8 percent to € 23.0 million (Q2 2005: € 21.2 million).

Positive Net Cash Flow

Net cash flow (i.e. the difference between cash inflow from operating activities and outflow due to investment activities) was below prior year at € 15.0 million (Q2 2005: € 23.7 million) following a substantial rise in capital expenditures.

Capital Expenditures Boosted

At € 96.1 million, Q2 investments in intangibles and property, plant, and equipment were up 31 percent year-on-year (Q2 2005: € 73.3 million). The increase was largely due to spending on strategic growth projects, particularly at WACKER POLYSILICON. Here, spending more than doubled year-on-year due to a project to expand production capacity for hyperpure polycrystalline silicon in Burghausen, Germany. In the quarter under review, WACKER also pressed ahead with the expansion of its silicone site at Nünchritz, Germany, and construction of a production plant for downstream silicone products at Zhangjiagang, China.

Employee Numbers Rise Slightly

On June 30, 2006, WACKER had 14,555 employees worldwide (March 31, 2006: 14,520). Thus, the number of Group employees rose slightly compared to the end of Q1 2006. The main factors here were strategic-growth projects, especially site expansion in Zhangjiagang, China.

Joint Ventures with Air Products

WACKER's joint-venture partner Air Products Chemicals Inc. has given notification of its withdrawal from the joint ventures (Air Products Polymers and Wacker Polymer Systems) in March 2006 and has since begun the divestiture process. WACKER does not expect any business impact due to the contractual situation.

Earnings per Share Rise Year-on-Year to €1.35

At €66.5 million in Q2 2006, year-on-year Group earnings more than doubled (Q2 2005: €30.9 million) translating into earnings per share of €1.35 (2005: €0.59). The increase is even greater when comparing the first half-year results of €132.7 million to €10.6 million in the prior-year period.

1 OECD Economic Outlook No. 79, Paris, May 23, 2006.
2 Euro-zone economic outlook, Munich/Paris/Rome, July 12, 2006.
3 VCI's semiannual press conference, statements by Werner Wenning, Frankfurt, July 5, 2006.

CONSOLIDATED INCOME STATEMENT

€ million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
Sales	**830.4**	**701.5**	**18**	**1,628.9**	**1,309.7**	**24**
Costs of goods sold	– 595.8	– 531.6	12	– 1,168.2	– 1,009.6	16
Gross profit from sales	**234.6**	**169.9**	**38**	**460.7**	**300.1**	**54**
Selling expenses	– 56.0	– 57.8	– 3	– 110.4	– 114.1	– 3
Research and development expenses	– 37.0	– 42.2	– 12	– 73.5	– 80.9	– 9
General administration expenses	– 23.0	– 22.1	4	– 45.2	– 44.5	2
Other operating income	20.6	74.5	– 72	36.4	101.7	– 64
Other operating expenses	– 35.8	– 43.6	– 18	– 59.5	– 74.7	– 20
Operating result	**103.4**	**78.7**	**31**	**208.5**	**87.6**	**> 100**
Equity result	0.2	0.0	n. a.	0.8	0.3	> 100
Other investment result	8.2	8.3	– 1	8.2	8.3	– 1
EBIT	**111.8**	**87.0**	**29**	**217.5**	**96.2**	**> 100**
Interest result	– 10.6	– 10.2	4	– 18.7	– 19.9	– 6
Other financial result	– 3.3	– 2.0	65	– 3.7	– 5.1	– 27
Limited partnership interests	– 4.0	– 4.0	0	– 6.5	– 5.4	20
Pre-tax result	**93.9**	**70.8**	**33**	**188.6**	**65.8**	**> 100**
Income tax	– 27.2	– 39.8	– 32	– 55.6	– 54.9	1
Net profit/loss	**66.7**	**31.0**	**> 100**	**133.0**	**10.9**	**> 100**
Minority interests	– 0.2	– 0.1	100	– 0.3	– 0.3	0
Group profit/loss	**66.5**	**30.9**	**> 100**	**132.7**	**10.6**	**> 100**

Earnings per share in €	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
Profit per share	1.35	0.59	> 100	2.84	0.20	> 100
Average number of shares outstanding (weighted)	49,143,145	52,152,600	– 6	46,736,372	52,152,600	– 10

Reconciliation to EBITDA in € million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
EBIT	111.8	87.0	29	217.5	96.2	> 100
Depreciation/amortization	83.9	95.7	– 12	161.8	178.5	– 9
EBITDA	**195.7**	**182.7**	**7**	**379.3**	**274.7**	**38**

In Q2, sales growth and an improved cost position (resulting mainly from higher capacity utilization) led to a significant increase in gross profit – rising 38 percent to €234.6 million. A weak Q1 in 2005 means that gross profit in 2006's first half rose 54 percent year-on-year to €460.7 million (first half 2005: €300.1 million).

Selling, research, and administration costs have remained stable as percent of sales revenues.

The decline in other operating income is a result of the above-mentioned special items totaling €44.8 million last year and of greatly reduced exchange rate profits. Other operating expenses declined due to lower exchange rate losses. However, the decline was dampened by asset impairments – related to decommissioned or no longer used production facilities – totaling €5.4 million.

The quarter's interest result includes non-recurring charges relating to the optimization of refinancing.

The Group's tax rate was 29 percent in Q2 and 29.5 percent in the first half year. As in Q1, these figures are influenced by deferred taxes relating to loss carry-forwards. Without these effects, the tax rate would have been 32 percent in Q2 and 33 percent in the first half year. By comparison, the prior year's tax rate was marked by the interplay of two effects. First, positive taxable results at some Group companies triggered tax payments. Second, losses at other Group companies, notably Siltronic, were not matched by deferred taxes.

CONSOLIDATED BALANCE SHEET

Assets in € million	Jun. 30, 2006	Jun. 30, 2005	Change in %	Dec. 31, 2005	Change in %
Intangible assets, property, plant, and equipment	1,862.3	1,889.5	– 1	1,875.2	– 1
Investments valued at equity	14.4	12.0	20	14.0	3
Financial assets	65.9	64.8	2	64.8	2
Other assets	6.1	0.0	n. a.	1.7	> 100
Deferred taxes	22.0	6.9	> 100	20.4	8
Long-term assets	**1,970.7**	**1,973.2**	**0**	**1,976.1**	**0**
Inventories	392.4	384.1	2	382.0	3
Trade receivables	504.0	425.3	19	420.2	20
Other assets	179.1	127.8	40	109.9	63
Cash and cash equivalents	32.6	23.9	36	34.7	– 6
Current assets	**1,108.1**	**961.1**	**15**	**946.8**	**17**
Total assets	**3,078.8**	**2,934.3**	**5**	**2,922.9**	**5**

Liabilities in € million	Jun. 30, 2006	Jun. 30, 2005	Change in %	Dec. 31, 2005	Change in %
Subscribed capital	260.8	260.8	0	260.8	0
Capital reserves	157.4	202.5	– 22	59.9	> 100
Own shares	– 45.1	0.0	n. a.	– 142.6	– 68
Other equity	1,025.2	469.3	> 100	753.0	36
Minority interests	11.0	4.0	> 100	3.3	> 100
Equity	**1,409.3**	**936.6**	**50**	**934.4**	**51**
Minority shares in limited partnership capital	35.9	33.6	7	29.6	21
Provisions for pensions	358.6	349.4	3	352.1	2
Other provisions	191.4	220.6	– 13	177.9	8
Deferred taxes	17.5	49.9	– 65	17.3	1
Financial liabilities	442.9	683.2	– 35	890.2	– 50
Trade liabilities	2.8	4.7	– 40	4.3	– 35
Other liabilities	81.4	12.1	> 100	19.2	> 100
Long-term liabilities	**1,130.5**	**1,353.5**	**– 16**	**1,490.6**	**– 24**
Other provisions	82.3	42.7	93	69.5	18
Financial liabilities	104.0	316.1	– 67	56.0	86
Trade liabilities	193.8	142.5	36	216.4	– 10
Other liabilities	158.9	142.9	11	156.0	2
Short-term liabilities	**539.0**	**644.2**	**– 16**	**497.9**	**8**
Liabilities	**1,669.5**	**1,997.7**	**– 16**	**1,988.5**	**– 16**
Total liabilities and equity	**3,078.8**	**2,934.3**	**5**	**2,922.9**	**5**

Compared to the previous year, total assets rose by € 144.5 million to € 3,078.8 million. This was primarily due to increased trade receivables resulting from higher business volumes and an increase in other current assets.

The increase in other current assets results primarily from higher market values for derivative financial instruments, as well as reimbursement claims for partial IPO costs against shareholders who sold. Deferred tax assets increased following a higher recognition of tax loss carryforwards at Siltronic.

Equity markedly rose year-on-year by € 472.7 million due to positive contributions from the operational business, the IPO, and the related sale of treasury shares.

Cash inflows from the IPO were targeted at reducing financial liabilities, particularly as a result of the IPO. Long-term financial liabilities fell € 240.3 million year-on-year, while short-term financial liabilities decreased € 212.1 million. Net liabilities dropped even further by € 461.1 million.

Other liabilities rose significantly year-on-year, particularly long-term ones. This is due to advance payments received related to contracting for the new polysilicon expansion.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	6M 2006	6M 2005	Change in %
Profit for the period, after tax	133.0	10.9	> 100
Depreciation/reversed depreciation of fixed assets	161.8	178.5	– 9
Changes in provisions and accruals	36.1	– 4.2	n. a.
Changes in deferred taxes	– 6.0	7.5	n. a.
Changes in inventories	– 16.5	– 12.0	38
Changes in trade receivables	– 88.5	– 95.6	– 7
Changes in other receivables, other assets	– 62.0	49.3	n. a.
Changes in liabilities	69.1	– 8.8	n. a.
Other non-cash expenses and income	6.9	– 13.7	n. a.
Cash flow from operating activities (gross cash flow)	**233.9**	**111.9**	**> 100**
Investment in intangibles and property, plant, and equipment	– 200.9	– 182.4	10
Income from disposal of intangibles and property, plant, and equipment	4.7	5.4	– 13
Income from disposal of financial assets	0.0	– 5.0	n. a.
Cash flow from investing activities	**– 196.2**	**– 182.0**	**8**
Net cash flow	**37.7**	**– 70.1**	**n. a.**
Increase of equity – paid-in capital from minority shareholders	7.5	0.3	> 100
Dividends paid on prior year’s result	– 70.9	0.0	n. a.
Sale of treasury shares	408.7	0.0	n. a.
Withdrawal of limited partnership capital	0.0	0.0	n. a.
Change in bank liabilities and other borrowings	– 384.2	68.6	n. a.
Cash flow from financing activities	**– 38.9**	**68.9**	**n. a.**
Changes in cash flow due to exchange rate fluctuations and changes in the scope of consolidation	– 0.9	0.4	n. a.
Change in cash and cash equivalents	**– 2.1**	**– 0.8**	**> 100**
Cash at beginning of year	34.7	24.7	40
Cash at period end	32.6	23.9	36

Cash flow from operating activities more than doubled in the first half year due to the significantly higher Group result. Increased business volume led to higher inventories and trade receivables, which resulted in lower cash inflows. The increase in other current assets did not contribute to cash flow from operating activities, as related cash inflows fell into the next quarter.

First-half-year cash outflows from investment activities totaled € 196.2 million – up € 14.2 million year-on-year. In Q2, increased investments impacted the SILICONES and POLYSILICON divisions. No acquisitions were made in the period under review.

First-half-year cash flow from financing activities was impacted by the IPO, during which 5,348,383 treasury shares previously held by Wacker Chemie AG were sold to new shareholders. Adjusted for IPO-related costs, the Group generated cash inflows totaling € 408.7 million. At the same time, financial liabilities were reduced by € 384.2 million. In Q2, Wacker Chemie's Fumed Silica Holding company received a € 6.9 million capital increase from its minority shareholder.

DEVELOPMENT OF CONSOLIDATED EQUITY

€ million	Subscribed capital	Capital reserves	Equity	Retained earnings/ Consolidated result	Translation adjustment	Changes in equity- w/o impact on result	Minority interests	Total
Dec. 31, 2004, as previously reported	**260.8**	**202.5**	**0.0**	**504.4**	**– 65.6**	**7.1**	**2.9**	**912.1**
Effect of implementation of new accounting standards				– 1.3				– 1.3
Jan. 1, 2005	**260.8**	**202.5**	**0.0**	**503.1**	**– 65.6**	**7.1**	**2.9**	**910.8**
Result for the period				10.6			0.3	10.9
Derivatives						– 9.7		– 9.7
				10.6		**– 9.7**	**0.3**	**1.2**
Paid-in capital							0.3	0.3
Exchange rate differences					23.8		0.5	24.3
Jun. 30, 2005	**260.8**	**202.5**	**0.0**	**513.7**	**– 41.8**	**– 2.6**	**4.0**	**936.6**
Dec. 31, 2005, as previously reported	**260.8**	**59.9**	**– 142.6**	**791.2**	**– 35.1**	**– 1.3**	**3.3**	**936.2**
Effect of implementation of new accounting standards				– 1.8				– 1.8
Jan. 1, 2006	**260.8**	**59.9**	**– 142.6**	**789.4**	**– 35.1**	**– 1.3**	**3.3**	**934.4**
Result for the period				132.7			0.3	133.0
Derivatives						7.1		7.1
				132.7		**7.1**	**0.3**	**140.1**
Dividends paid				– 70.9				– 70.9
Paid-in capital							7.5	7.5
Sale of treasury shares		97.5	97.5	213.7				408.7
Exchange rate differences					– 10.4		– 0.1	– 10.5
Jun. 30, 2006	**260.8**	**157.4**	**– 45.1**	**1,064.9**	**– 45.5**	**5.8**	**11.0**	**1,409.3**

Group equity was distinctly affected by Wacker Chemie AG's German stockmarket IPO on April 10, 2006.

In addition to the sale of shares by existing shareholders, Wacker Chemie AG sold the majority of its treasury shares in the IPO.

Of a total of 7,823,000 shares held prior to the IPO (15 percent of total outstanding shares), 5,348,383 shares were sold, including over-allotment. Adjusted for Wacker Chemie AG's IPO-related costs, the sale resulted in a non-income-affecting equity increase of €408.7 million.

The offsetting item in equity due to treasury shares was increased – on a pro-rata basis – by €97.5 million.

BUSINESS DIVISION RESULTS

Sales in € million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
WACKER SILICONES	327.3	295.2	11	650.3	561.7	16
WACKER POLYMERS	147.4	130.2	13	268.8	230.0	17
WACKER FINE CHEMICALS	28.0	27.0	4	61.5	54.4	13
WACKER POLYSILICON	77.9	68.5	14	163.4	148.2	10
Siltronic	300.3	215.8	39	586.7	388.5	51
Corporate Functions/Other	52.7	49.5	6	105.0	92.4	14
Consolidation	– 103.2	– 84.7	22	– 206.8	– 165.5	25
Group sales	**830.4**	**701.5**	**18**	**1,628.9**	**1,309.7**	**24**

Business Divisions' EBIT in € million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
WACKER SILICONES	45.7	33.3	37	89.9	56.7	59
WACKER POLYMERS	24.8	27.1	– 8	44.0	39.3	12
WACKER FINE CHEMICALS	– 0.9	2.3	n. a.	3.1	5.2	– 40
WACKER POLYSILICON	16.4	14.9	10	41.0	33.9	21
Siltronic	37.6	– 13.9	n. a.	70.9	– 49.4	n. a.
Corporate Functions/Other	– 12.0	23.2	n. a.	– 30.0	10.5	n. a.
Consolidation	0.2	0.1	100	– 1.4	0.0	n. a.
Group EBIT	**111.8**	**87.0**	**29**	**217.5**	**96.2**	**> 100**

Business Divisions' EBITDA in € million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
WACKER SILICONES	67.0	58.7	14	131.8	104.3	26
WACKER POLYMERS	29.4	31.9	– 8	53.1	49.5	7
WACKER FINE CHEMICALS	3.1	4.1	– 24	8.9	8.9	0
WACKER POLYSILICON	23.0	21.2	8	53.9	46.5	16
Siltronic	73.0	33.2	> 100	142.3	35.0	> 100
Corporate Functions/Other	0.0	33.6	– 100	– 9.3	30.9	n. a.
Consolidation	0.2	0.0	n. a.	– 1.4	– 0.4	> 100
Group EBITDA	**195.7**	**182.7**	**7**	**379.3**	**274.7**	**38**

WACKER SILICONES

€ million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
Sales						
External sales	316.6	285.4	11	628.7	543.1	16
Internal sales	10.7	9.8	9	21.6	18.6	16
Total sales	**327.3**	**295.2**	**11**	**650.3**	**561.7**	**16**
EBIT	**45.7**	**33.3**	**37**	**89.9**	**56.7**	**59**
EBIT margin	14.0 %	11.3 %	24	13.8 %	10.1 %	37
Depreciation	21.3	25.4	– 16	41.9	47.6	– 12
EBITDA	**67.0**	**58.7**	**14**	**131.8**	**104.3**	**26**
EBITDA margin	20.5 %	19.9 %	3	20.3 %	18.6 %	9
Capital expenditures	27.2	27.5	– 1	50.3	40.8	23
	Jun. 30, 2006	**Mar. 31, 2006**		**Jun. 30, 2006**	**Dec. 31, 2005**	
Number of employees	3,702	3,672	1	3,702	3,596	3

WACKER SILICONES generated total sales of €327.3 million in Q2 2006, a year-on-year rise of 11 percent (Q2 2005: €295.2 million), largely stemming from substantial sales volume growth.
The effects of price increases and exchange rate fluctuations on sales were negligible. Compared to the prior year the division improved sales in all regions. The strongest growth stemmed from European markets (excluding Germany) and Asia.

The division's earnings also grew at a double-digit rate driven by capacity expansions, improved utilization rates, positive product mix effects, and strong growth in silicone elastomers, silanes, and resins. These gains more than offset energy and raw material price increases. EBITDA reached €67.0 million, a rise of 14 percent (Q2 2005: €58.7 million). EBIT substantially increased by around 37 percent, reaching €45.7 million (Q2 2005: €33.3 million).

WACKER SILICONES' capital expenditures from April to June 2006 amounted to €27.2 million (Q2 2005: €27.5 million) – a year-on-year and project-related drop of one percent. The division's strategic growth projects continued to make good progress in the period under review. This included the ongoing development of the Nünchritz site and construction of production facilities for downstream silicones at the Zhangjiagang site in China. Elastomers originating from Zhangjiagang production facilities began shipping to customers in April. Further facilities are being built for production of such products as pyrogenic silica and room-temperature-curing silicone rubber grades.

The division had 3,702 employees on June 30, 2006 (March 31, 2006: 3,672).

WACKER POLYMERS

€ million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
Sales						
External sales	145.0	130.1	11	263.7	229.7	15
Internal sales	2.4	0.1	> 100	5.1	0.3	> 100
Total sales	**147.4**	**130.2**	**13**	**268.8**	**230.0**	**17**
EBIT	**24.8**	**27.1**	**– 8**	**44.0**	**39.3**	**12**
EBIT margin	16.8 %	20.8 %	– 19	16.4 %	17.1 %	– 4
Depreciation	4.6	4.8	– 4	9.1	10.2	– 11
EBITDA	**29.4**	**31.9**	**– 8**	**53.1**	**49.5**	**7**
EBITDA margin	19.9 %	24.5 %	– 19	19.8 %	21.5 %	– 8
Capital expenditures	3.8	3.2	19	7.0	6.3	11
	Jun. 30, 2006	**Mar. 31, 2006**		**Jun. 30, 2006**	**Dec. 31, 2005**	
Number of employees	1,048	1,035	1	1,048	1,000	5

WACKER POLYMERS' second-quarter sales totaled €147.4 million, a year-on-year increase of 13 percent (Q2 2005: €130.2 million).
Growth was primarily driven by higher sales volumes, especially for dispersible polymer powders. Volume gains and product mix effects boosted sales by about 12 percent. Price increases and currency shifts only had a minor impact on sales in Q2. All regions except Germany saw year-on-year sales gains. Asia, eastern Europe, and the Middle East experienced the highest percentage growth.

WACKER POLYMERS posted an EBITDA of €29.4 million – 8 percent below Q2 2005 (€31.9 million) due to much higher energy and raw material prices. To offset these cost increases, the division announced in early May that it would raise prices for dispersions and dispersible powders taking effect for uncontracted volumes in the second half of 2006, leveraging a tightening of the powder market. WACKER POLYMERS' Q2 EBIT totaled €24.8 million (Q2 2005: €27.1 million).

From April to June, the division's capital expenditures of €3.8 million (Q2 2005: €3.2 million) focused on debottlenecking opportunities. In mid-May, WACKER POLYMERS announced construction of an additional dispersible polymer powder production facility in Burghausen, Germany, to meet the growing global demand for high-quality polymer binders. Commissioning is set for 2007, with a planned annual capacity of 30,000 metric tons.

WACKER POLYMERS had 1,048 employees on June 30, 2006 (March 31, 2006: 1,035).

WACKER FINE CHEMICALS

€ million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
Sales						
External sales	25.2	24.9	1	55.8	51.1	9
Internal sales	2.8	2.1	33	5.7	3.3	73
Total sales	**28.0**	**27.0**	**4**	**61.5**	**54.4**	**13**
EBIT	**– 0.9**	**2.3**	**n. a.**	**3.1**	**5.2**	**– 40**
EBIT margin	– 3.2 %	8.5 %	n. a.	5.0 %	9.6 %	– 47
Depreciation	4.0	1.8	> 100	5.8	3.7	57
EBITDA	**3.1**	**4.1**	**– 24**	**8.9**	**8.9**	**0**
EBITDA margin	11.1 %	15.2 %	– 27	14.5 %	16.4 %	– 12
Capital expenditures	2.0	1.4	43	2.0	7.4	– 73
	Jun. 30, 2006	**Mar. 31, 2006**		**Jun. 30, 2006**	**Dec. 31, 2005**	
Number of employees	327	320	2	327	321	2

WACKER FINE CHEMICALS generated total sales of €28.0 million from April to June 2006 (Q2 2005: €27.0 million).
Organic intermediates performed particularly well. In addition, new customer projects for biotech-produced pharma proteins were acquired in Q2. In contrast, base silanes experienced a sales decline.

The division's second-quarter EBITDA was €3.1 million (Q2 2005: €4.1 million). Although bioengineered products posted profitability gains, the upturn did not fully offset increasing price pressure in the field of customer syntheses. EBIT totaled €–0.9 million (Q2 2005: €2.3 million) due to special depreciation for production facilities. With consolidation accelerating across customer syntheses markets, the division has decided to combine the Exclusive Synthesis business team with its organic fine chemicals business at year end.

The division made no major investments in the period under review.

WACKER FINE CHEMICALS had 327 employees on June 30, 2006 (March 31, 2006: 320).

WACKER POLYSILICON

€ million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
Sales						
External sales	31.5	29.1	8	71.5	73.1	-2
Internal sales	46.4	39.4	18	91.9	75.1	22
Total sales	**77.9**	**68.5**	**14**	**163.4**	**148.2**	**10**
EBIT	**16.4**	**14.9**	**10**	**41.0**	**33.9**	**21**
EBIT margin	21.1 %	21.8 %	– 3	25.1 %	22.9 %	10
Depreciation	6.6	6.3	5	12.9	12.6	2
EBITDA	**23.0**	**21.2**	**8**	**53.9**	**46.5**	**16**
EBITDA margin	29.5 %	30.9 %	– 5	33.0 %	31.4 %	5
Capital expenditures	32.7	15.0	> 100	55.6	20.6	> 100
	Jun. 30, 2006	**Mar. 31, 2006**		**Jun. 30, 2006**	**Dec. 31, 2005**	
Number of employees	868	858	1	868	832	4

In Q2 2006, WACKER POLYSILICON posted total sales of €77.9 million (Q2 2005: €68.5 million).
Sales grew 14 percent despite continuing capacity-related constraints. The upturn benefited from price increases and process yield improvements. Compared to Q1 2006, rising polysilicon sales did compensate for road salt's seasonal volume decline, resulting in a quarter-over-quarter drop in sales (Q1 2006: €85.5 million).

Earnings at WACKER POLYSILICON grew, too, though not quite as strongly as sales. This was partly due to higher costs for the start-up of new silane production facilities and for planning costs related to new polysilicon capacity expansions. The division's second-quarter EBITDA reached €23.0 million, up eight percent (Q2 2005: €21.2 million). EBIT grew to € 16.4 million, up 10 percent (Q2 2005: € 14.9 million).

Capital expenditures more than doubled to €32.7 million (Q2 2005: € 15.0 million) for the strategic expansion of production capacities for hyperpure polycrystalline silicon. An additional 1,000 metric tons in existing units are scheduled to become available by the end of 2006. Nominal capacity is expected to reach 6,500 metric tons annually as a result. According to current plans, expansion work on a solar-grade silicon plant should boost total nominal capacity by another 3,500 metric tons of polysilicon annually from the start of 2008. Burghausen has also just been named as the site for a further polysilicon project which announced in June. This is scheduled to add a further 4,500 metric tons to nominal capacity, pushing the annual total to 14,500 metric tons by the end of 2009.

WACKER POLYSILICON had 868 employees on June 30, 2006 (March 31, 2006: 858).

SILTRONIC

€ million	Q2 2006	Q2 2005	Change in %	6M 2006	6M 2005	Change in %
Sales						
External sales	298.7	213.1	40	583.5	381.3	53
Internal sales	1.6	2.7	– 41	3.2	7.2	– 56
Total sales	**300.3**	**215.8**	**39**	**586.7**	**388.5**	**51**
EBIT	**37.6**	**– 13.9**	**n. a.**	**70.9**	**– 49.4**	**n. a.**
EBIT margin	12.5 %	– 6.4 %	n. a.	12.1 %	– 12.7 %	n. a.
Depreciation	35.4	47.1	– 25	71.4	84.4	– 15
EBITDA	**73.0**	**33.2**	**> 100**	**142.3**	**35.0**	**> 100**
EBITDA margin	24.3 %	15.4 %	58	24.3 %	9.0 %	> 100
Capital expenditures	21.4	19.6	9	40.3	44.0	– 8
	Jun. 30, 2006	**Mar. 31, 2006**		**Jun. 30, 2006**	**Mar. 31, 2005**	
Number of employees	5,565	5,602	– 1	5,565	5,631	– 1

The upturn at Siltronic since 2005 and Q1 2006 continued unabated in the quarter under review.
Total Q2 2006 sales increased to € 300.3 million (Q2 2005: € 215.8 million), a rise of 39 percent. 300mm wafer sales were up significantly, growing almost three times faster than sales of smaller diameter wafers. Key growth drivers were sales-volume gains and product mix enhancements. The impact of pricing and exchange rate shifts virtually balanced each other out. From April to June 2006, Asia (including Japan) once again accounted for over half of total sales. The region “Europe/other countries” showed the strongest quarterly growth.

Siltronic posted further earnings gains in the quarter under review. Year-on-year, EBITDA climbed to € 73.0 million (Q2 2005: € 33.2 million). EBIT rose to € 37.6 million (Q2 2005: €–13.9 million). Q2 2005’s EBITDA contained positive special items due to the reversal of €12.1 million in provisions relating to restructuring expenses. Adjusted for these effects, the increase was even more pronounced. The EBITDA margin of 24 percent in Q2 was the same as in Q1. Price increases were offset by exchange rate shifts.

These figures underscore the long-term success of initiatives aimed at productivity and cost improvements. Substantial volume gains resulted in higher capacity utilization. Another key factor in achieving earnings growth was the Freiberg site’s expansion of 300mm production to its final capacity of 150,000 wafers per month. Siltronic’s Freiberg and Burghausen sites have announced plans to further expand 300mm wafer capacity – by a total of 110,000 wafers a month. The necessary construction measures are already underway.

In the period under review, the division’s capital expenditures amounted to € 21.4 million, nine percent higher than a year earlier (€ 19.6 million). Following the period under review, Siltronic signed a joint venture agreement with Samsung Electronics to set up a joint 300mm production facility in Singapore. Construction of the new fab is due to start in August 2006, with production likely to commence mid-2008. By 2010, the joint venture should have a monthly wafer capacity of 300,000.

Siltronic had 5,565 employees on June 30, 2006 (March 31, 2006: 5,602).

CORPORATE FUNCTIONS/OTHER AND OUTLOOK

Corporate Functions/Other

Sales at Corporate Functions/Other totaled €52.7 million in Q2 (Q2 2005: €49.5 million) and EBITDA was €0.0 million (Q2 2005: €33.6 million). The quarter under review contains investment income of €7.5 million (Q2 2005: €5.0 million). The year-on-year comparison is distorted due to proceeds from past divestitures of €32.7 million in 2006.

Outlook

Business results in Q2 met our expectations. Improved visibility of Siltronic's second-half performance increased previous financial targets regarding the rest of the year. Based on the current trading conditions and expected strong sales volume gains for silicon wafers in the semiconductor sector (with higher average selling prices in the second half year), we expect to post higher full-year sales and earnings gains in 2006. We now anticipate exceeding our 2005 sales figure of €2.76 billion by about 20 percent. EBITDA is expected between €730–750 million. This would be some 30 percent above the adjusted prior-year EBITDA of €567 million. Previously, WACKER had forecast full-year 2006 sales growth of slightly over ten percent and EBITDA of €640–680 million.

The Executive Board
Munich, August 21, 2006

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS PER JUNE 30, 2006

Accounting and Valuation Methods

The consolidated financial statements of Wacker Chemie AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid in the European Union on June 30, 2006. Consolidated financial statements for 2005 were essentially based on the same standards.

IFRIC 7 ("Applying the Restatement Approach under IAS 21 Financial Reporting in Hyperinflationary Economies") published in the EU's official journal on May 9, 2006, and amendments to IAS 21 ("The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation") had no impact on Wacker Chemie AG's consolidated statements. Furthermore, IFRIC 7 is only bindingly applicable beginning January 1, 2007.

Exchange rates

The following exchange rates were used in the reporting period and in the previous year's period to convert foreign currency positions, as well as for the accounts of Group companies with the U.S. dollar as a functional currency:

Exchange rates (1 EUR)	Jun. 30, 2006 [1]	Jun. 30, 2005 [1]	Q2 2006 [2]	Q2 2005 [2]
US dollar	1.25	1.21	1.26	1.29

1 Due date rate. 2 Average rate.

Initial Public Offering

Wacker Chemie AG's shares were first traded on the German stockmarket on April 10, 2006. In the IPO, Wacker Chemie AG sold part of its treasury shares:

The IPO resulted in a gross cash inflow of € 427.9 million. Adjusted for Wacker Chemie AG's IPO-related non-income-affecting costs of € 13.3 million and non-income-affecting tax burden (per IFRS) of € 5.9 million, the sale resulted in an equity capital increase of € 408.7 million. A further part of the emission costs, totaling € 1.7 million, had an effect on results.

In a letter from April 12, 2006, the Blue Elephant Holding GmbH notified Wacker Chemie AG that its voting rights share had dropped below 25 percent and now equals 10.86 percent. The company is a related party as defined in IAS 24. The IPO resulted in a claim of € 9.8 million – posted under "Other assets" – which is due to Blue Elephant Holding GmbH's share of all related costs.

Events After the Reporting Date

On July 19, 2006, Siltronic signed an agreement with Samsung Electronics Co. Ltd. to establish a joint venture. Siltronic AG will have a 50 percent stake in the new Singapore-based joint venture Siltronic Samsung Wafer Pte. Ltd.

Number of treasury shares	Quantity	Book value (in € million)
Prior to the IPO	7,823,000	142.6
Sold (including over-allotment)	5,348,383	97.5
Post IPO	2,474,617	45.1

CORPORATE GOVERNANCE, UPCOMING DATES AND INVESTOR RELATIONS

Corporate Governance
The first declaration of conformity for the current year will be submitted by the end of the current fiscal year. It will be publicly posted on Wacker Chemie AG's website (www.wacker.com).

Upcoming Dates
The Q3 report is scheduled for publication on November 10, 2006.

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