



Science For A Better Life

MaterialScience

Bayer MaterialScience
Patrick Thomas, CEO

Merrill Lynch Chemicals Conference
November 19-20 | 2008

Forward Looking Statements



This presentation contains forward-looking statements based on current assumptions and forecasts made by Bayer Group management.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Form 20-F). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

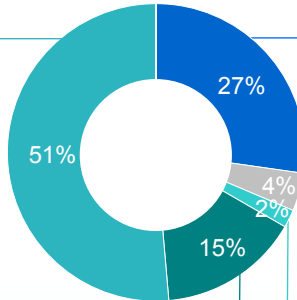
A Growing Business, Focused on Polyurethanes and Polycarbonates



Polyurethanes

#1; approx. 25% market share

Applications: mainly rigid and soft foams in construction (insulation), furniture (mattresses) and automotive



Polycarbonates

#1-2; approx. 30% market share

Main brand: Makrolon

Applications: electro/electronics, construction, automotive, sports/leisure

Basic Chemicals

Internal supplier of chlorine, sodium hydroxide solution, hydrogen, hydrochloric acid

Thermoplastic Polyurethanes

#1; approx. 20% market share

Applications: automotive, sports/leisure, electro/electronics, mechanical engineering

Coatings, Adhesives, Specialties

#1; >40% market share (arom. and aliph. isocyanates)

Applications: automotive & transport, construction, furniture & wood

€10,435m

Bayer MaterialScience
FY 2007 sales

Agenda



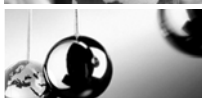
A Fast Growing Business



Recent Business Trends and Outlook



Long-term Opportunities



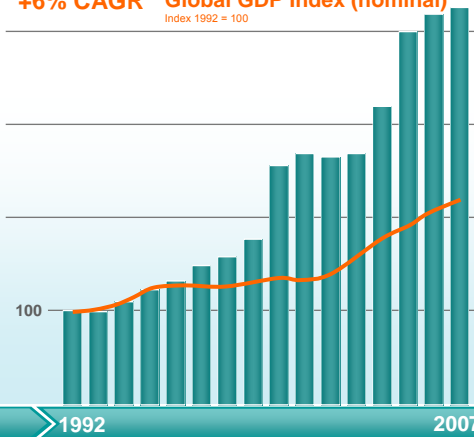
Summary

Major Products Outpace GDP Growth Long-term



+10% CAGR Major products sales growth
Polyurethanes and Polycarbonates

+6% CAGR Global GDP Index (nominal)
Index 1992 = 100



Major Global Market Trends

Scarce resources

- Energy savings
- Lightweight construction

Climate change

- Energy efficiency
- Fuel efficiency

Desire for mobility

- Lightweight transportation

Growing wealth

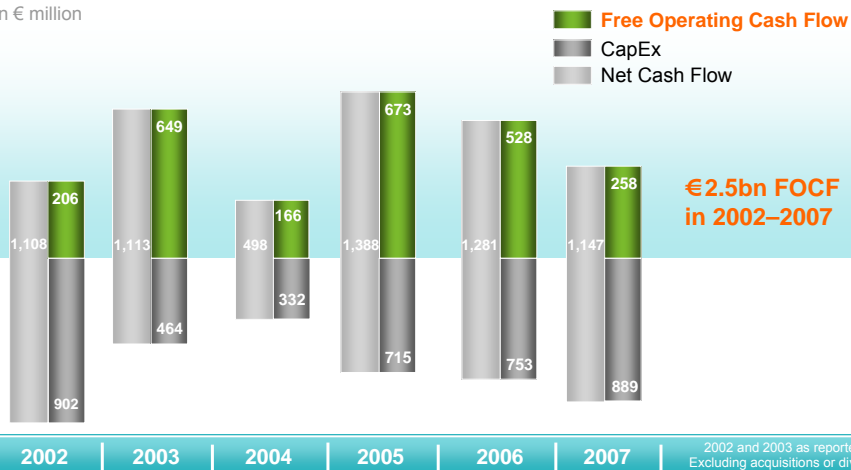
- Increasing living standards
- Demand for entertainment

Future growth drivers

Cash Generation in Excess of Own Investment Needs



In € million



Agenda



A Fast Growing Business



Recent Business Trends and Outlook



Long-term Opportunities



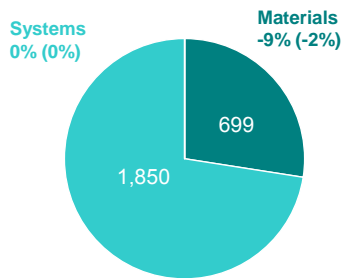
Summary

Q3'08 – Financial Highlights



Q3'08 Sales

In € million, Δ% y-o-y



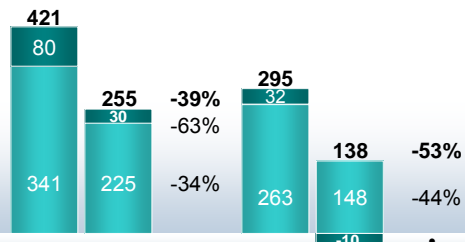
MaterialScience €2,549m; -3% (-0.5%)

() Currency & portfolio adjusted

Earnings

Underlying EBITDA

Underlying EBIT

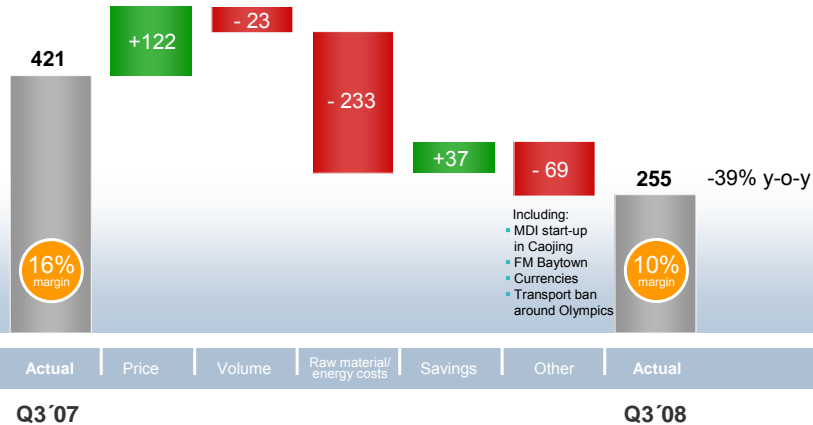


Q3'07 | Q3'08 Q3'07 | Q3'08

Q3 '08 – Earnings Burdened by Higher Raw Material Costs and Several One-time Effects



Underlying EBITDA in € million



Exposure to Key Customer Industries – Auto and Construction Currently Hit Worst



Weaker Demand Expected in Major Markets



	PCS	MDI	TDI
Bayer market share 2007	30%	25%	24%
Bayer market position 2007	#1	#1	#1
Expected average long-term demand growth p.a.	5-7%	~6%	~4%
Estimated demand growth in 1H'08	4-5%	~9%	~4%
Expected demand in 2009	Weaker	Weaker	Weaker
Expected capacity utilization in 2009	Lower	Lower	Lower

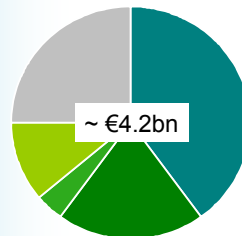
All estimates are Bayer estimates as of Q3'08 and refer to global volumes.
Expected 2009 utilization refers to global capacity utilization. Growth rates are y-o-y.

Raw Material and Energy Costs



- Additional raw material and energy costs are expected to negatively impacted EBIT by approx. €550m in FY
- Petrochemical feedstock prices seem to have peaked this summer
- First potential relief from petrochemical raw material costs expected to be seen sequentially in Q4'08 vs. Q3'08

Cost split 2007



Exposure by value in % of total basket

- Benzene (incl. phenol, aniline, styrene)
- Propylene oxide
- Toluene
- Other petrochemical feedstock
- Others

Outlook



2008

- Q4 underlying EBITDA below Q3'08 level
- Sustain a good, value-creating earnings level for the full year 2008, though well below the 2007 figure

2009

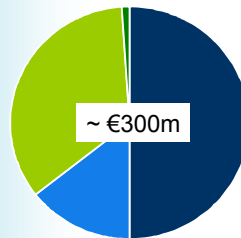
- Underlying EBITDA below the 2008 level
- Weaker demand
- Lower raw material/energy costs

Savings Programs Reduce Costs and Realign Organization



- Process and cost optimization in the operation and maintenance of production facilities worldwide
- Clear differentiation of marketing concepts and budgets
- Significant reduction of G&A costs through reduced complexity of corporate structures
- Reduction of personnel costs by cutback of about 1,500 positions worldwide
- Phasing of realized savings and related costs splits roughly equally between 2008 and 2009
- Related special charges expected below €150m

Savings by functions in 2009



- Manufacturing and Procurement
- Marketing and Sales
- General and Administration
- Research and Development

Responding to Changed Business Environment



- Accelerate restructuring program and realization of savings
- Hiring freeze, restricted traveling and other short-term cost containment measures in place
- Design of contingency plans, including temporary plant shut-downs, under way
- Capital expenditures to be reduced

Agenda



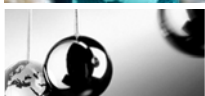
A Fast Growing Business



Recent Business Trends and Outlook

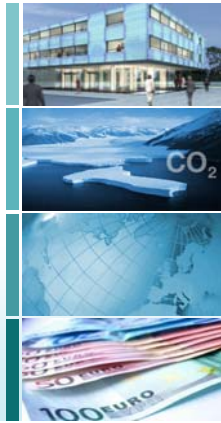


Long-term Opportunities



Summary

Capitalize on Global Market Trends and Spur Future Growth



Scarce resources

- Energy savings
- Lightweight construction

Climate change

- Energy efficiency
- Fuel efficiency

Mobility

- Lightweight transportation

Growing wealth

- Increasing living standards
- Demand for entertainment

MaterialScience contributions

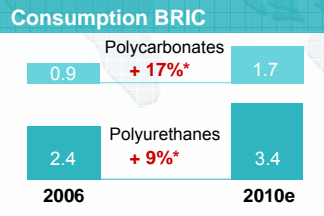
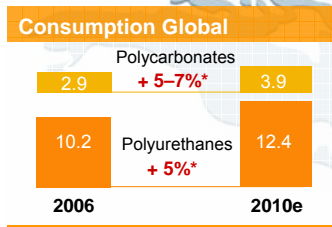
- Building insulation
- Insulation along the cold chain
- Lightweight roofing
- Materials for solar modules
- Lightweight materials for cars
- Waterborne Coatings
- Automotive glazing
- Foam mattresses
- Blends for electro/electronic housing
- PCS sheets in large-frame screens

Major product examples only

BRIC Countries Outpace Global Growth



In million tons



*CAGR

Bayer estimates; PCS incl. Blends; PUR incl. MDI, TDI and polyether polyols; BRIC: Brazil, Russia, India, China

China is set to become the world's largest PUR market by 2015

China already is the world's largest PCS market

Employing State-of-the-Art Technologies in World-Scale Format on One Site in Caojing



Polycarbonates

World-scale standard: 100kt single trains
100kt line with melt process: conversion costs -30%

MDI

New world-scale standard: 350kt
Adiabatic nitration (aniline): conversion costs -25%
High efficiency phosgenation: conversion costs -45%
ODC chlorine recycling: energy costs -30%

TDI

New world-scale standard: 250kt
Gas phase phosgenation: energy costs -40%
Chlorine recycling: energy costs -50%

HDI

Gas phase phosgenation: energy costs -65%



All improvements compare to conventional process technology
ODC: Oxygen-depleting cathode

Moving Further Along the Value Chain Through A Global Systems House Network



BaySystems concept supports target of 50% of MDI sales in systems business

Three reasons to acquire or invest in new systems houses:

- **Access new regional markets**
e.g. Brahe in Czech Republic – Strengthen market position in eastern Europe
e.g. BaySystems India – A green field project in an important emerging market
- **Broaden applications in existing markets**
e.g. Resina in Netherlands – New rigid foam applications for Europe, Middle East and Africa
- **Complementary technologies**
e.g. Baulé in France - Prepolymer systems for hot- and cold-cast elastomers







A global network of currently 30 local polyurethane systems providers under one umbrella brand



Multiple Applications of Advanced Resins Lead Future Growth of Polycarbonates






-  Auto & Transport
-  IT & Communications
-  Electro, Electronics & Appliances
-  Consumer Products
-  Medical
-  Sheets

Advanced Resins (70% of sales)
Above average growth

Average PCS franchise

+5–7% p.a.
Long-term volume growth

-  Optical Data Storage (ODS)
-  Extrusion businesses
-  Water bottles

Performance Resins (30% of sales)
Below average growth

Agenda



A Fast Growing Business



Recent Business Trends and Outlook



Long-term Opportunities



Summary



Respond to Current Economic Challenges While Following Long-Term Growth and Value Strategy



A growth business

- Long-term demand from customer industries supports growth aspiration
- Major global trends and emerging markets offer significant growth opportunities

A well proven business strategy

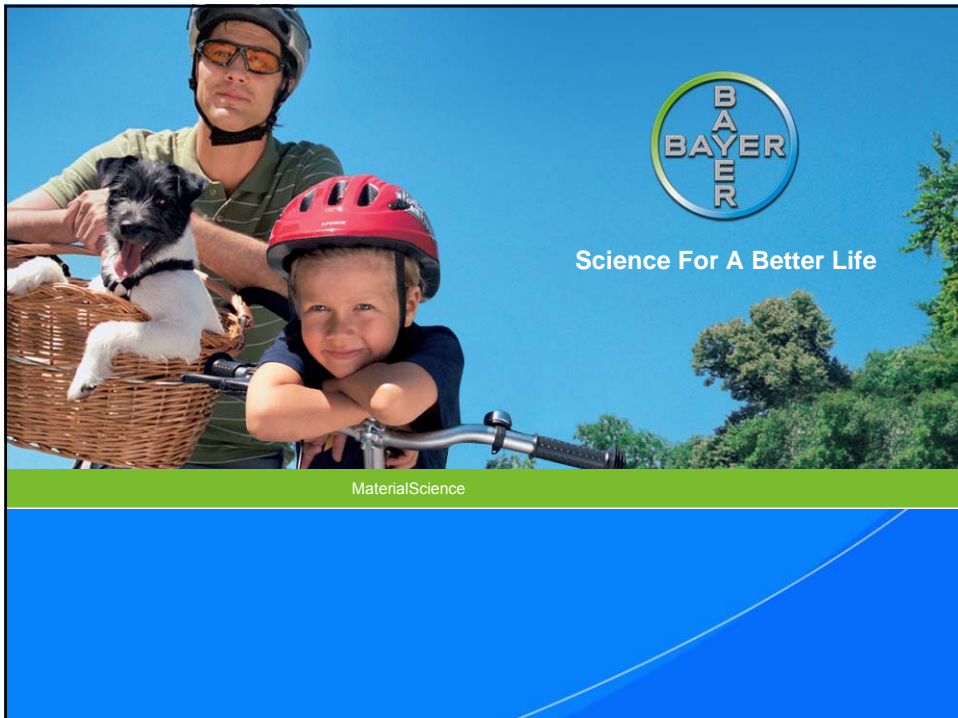
- Maintain market and technology leadership in our businesses
- Optimize cost base through higher process efficiency
- Focus resources on growth of differentiated businesses

Long-term opportunities

- Proven >18% underlying EBITDA margin under favorable economic conditions
- Aiming at premiums over capital and asset reproduction costs

Near-term challenges

- Respond to slowdown in major customer industries
- Tightly control cost base and accelerate savings
- Focus on cash management



Science For A Better Life

Reporting Events and AGM



Date	Event	Publication
Tuesday, March 3, 2009	Investor Conference Call	2008 Annual Report
Wednesday, April 29, 2009	Investor Conference Call	First Quarter Results Stockholders' Newsletter
Tuesday, May 12, 2009	Annual General Meeting	
Wednesday, July 29, 2009	Investor Conference Call	Second Quarter Results Stockholders' Newsletter
Tuesday, October 27, 2009	Investor Conference Call	Third Quarter Results Stockholders' Newsletter

Bayer MaterialScience • Merrill Lynch Chemicals Conference 2008 • Page 25

Investor Relations Contacts



Dr. Alexander Rosar

Head of Investor Relations

Phone: +49-214-30-81013

E-mail: alexander.rosar@bayer-ag.de

Dr. Jürgen Beunink

Phone: +49-214-30-65742

E-mail: juergen.beunink@bayer-ag.de

Peter Dahlhoff

Phone: +49-214-30-33022

E-mail: peter.dahlhoff@bayer-ag.de

Ilia Kürten

Phone: +49-214-30-35426

E-mail: ilia.kuerten@bayer-ag.de

Ute Menke

Phone: +49-214-30-33021

E-mail: ute.menke@bayer-ag.de

Judith Nestmann

Phone: +49-214-30-66836

E-mail: judith.nestmann@bayer-ag.de

Dr. Olaf Weber

Phone: +49-214-30-33567

E-mail: olaf.weber@bayer-ag.de

Bayer MaterialScience • Merrill Lynch Chemicals Conference 2008 • Page 26