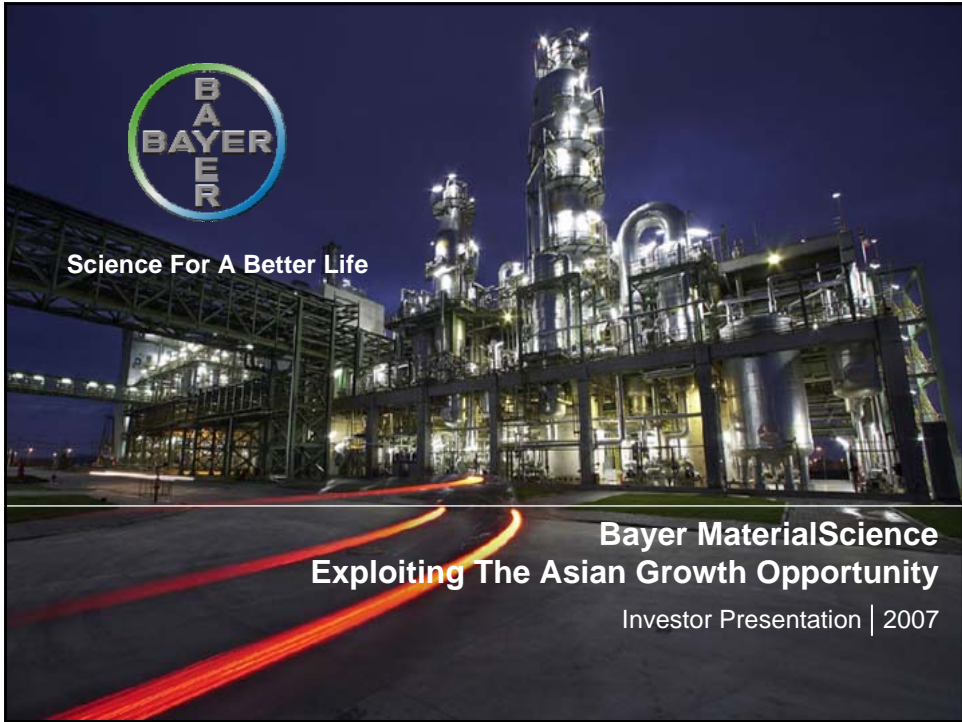




Science For A Better Life



Bayer MaterialScience Exploiting The Asian Growth Opportunity

Investor Presentation | 2007



Bayer MaterialScience



Investor Presentation

Exploiting The Asian Growth Opportunity

Dr. Tony van Osselaer

Member of the Board of Management
Industrial Operations
Bayer MaterialScience AG

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.

Asia Within Our Business Strategy



Deliver Growth

- Maintain or expand market leadership positions in our key product areas
- Tap significant growth potential through business expansion in Asia
- Extend businesses further along the value chain

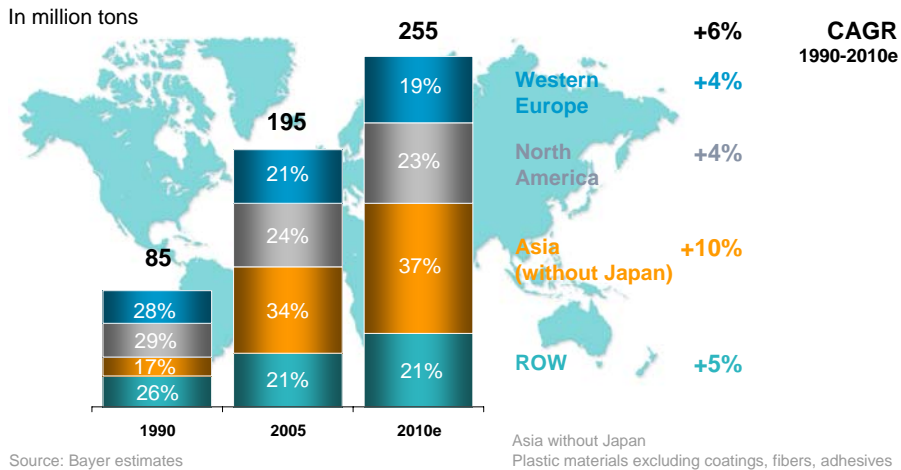
Increase Efficiency

- Improve the cost base through process innovation
- Concentrate on world-scale production

Generate Value

- Earn a premium over our capital and asset reproduction costs throughout the cycle
- Improve underlying EBITDA margin to >18% under favorable economic conditions

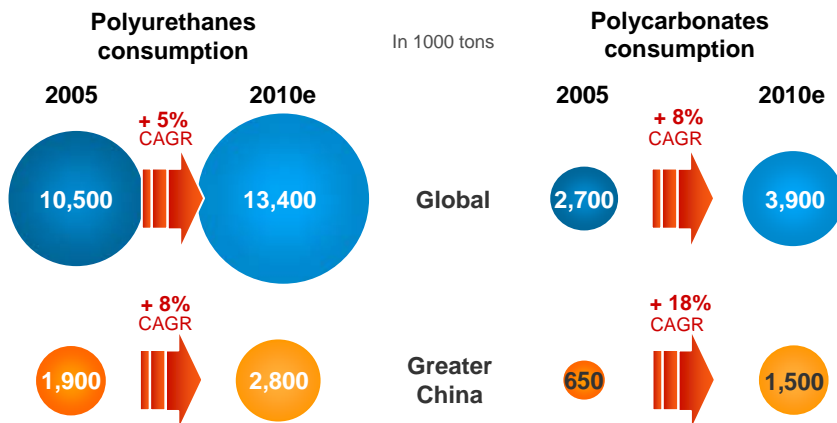
Asia Outpaces Other Regions Global Consumption of Plastic Materials



Fastest business expansion of +10% CAGR expected in Asian polymer market

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China Outpaces Global Growth in Our Major Businesses PUR and PCS



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

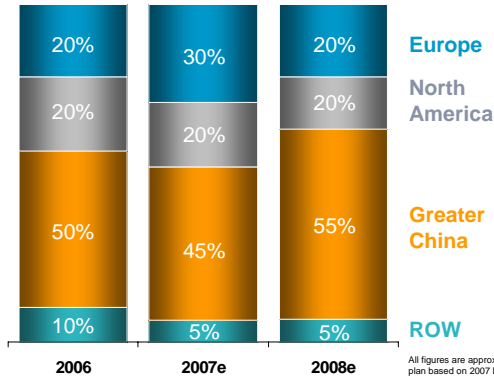
China already is the world's largest PCS market today

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Focused Capital Investment in China

CapEx on fixed assets
in million €



■ Competitive CapEx funding to secure long-term volume growth

■ Investment focus of approx. € 1.8bn in China demonstrates commitment to participate in future growth of this region

All figures are approximations, plan based on 2007 budget

Greater China: PR China, Taiwan, Hongkong

Bayer MaterialScience capital expenditures efficiently deployed

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Exploiting Growth Opportunities of Our Businesses

Strengthen our regional competitiveness through local production in China



PUR: Polyurethanes
PCS: Polycarbonates
CAS: Coatings, Adhesives, Sealants

PUR	PCS	CAS
MDI 80kt in 2006 (crude MDI splitter) 350 kt in 2008* TDI 300 kt in 2009**	PCS 40 kt in 2005 (PC compounding) PCS 100 kt in 2006 +100 kt in 2008*	Desmodur® N 12 kt in 2003 Desmodur® L 11 kt in 2004 HDI 30 kt in 2006 +20 kt thereafter**

*under construction
**planned

All numbers are name plate capacities
Dates for HDI refer to mechanical completion

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Bayer Integrated Site Shanghai – A Major Milestone in Our Growth Strategy



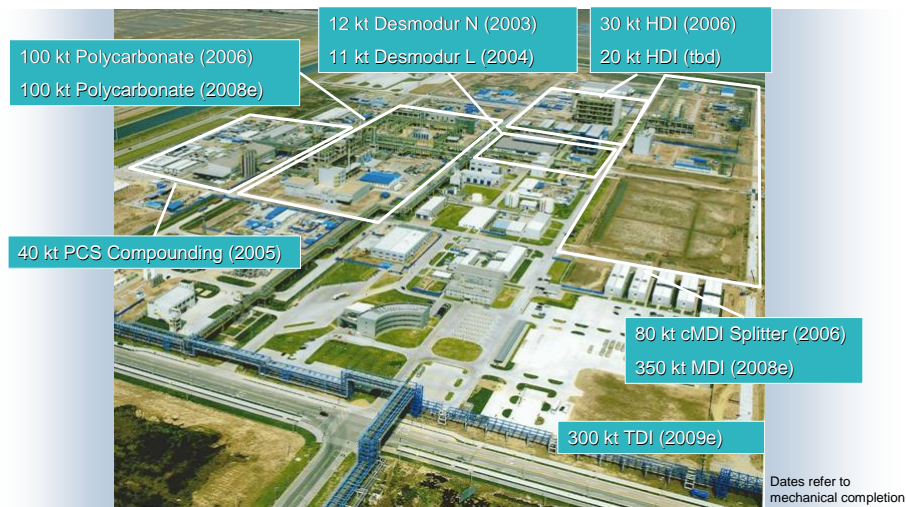
Key site facts

- Bayer premises: 1.5 square km
- Capital expenditures: approx. € 1.8bn
- All PCS and PUR production lines in world-scale format
- Employees:
> 1.000 FTE
- Sales target by volume:
> 900 kt of commercial products
- Sales target by value: > € 2bn
- Integrated into Shanghai Chemical Industry Park, Caojing, China
- Raw materials consumption
~1 million tons p.a. of solid and gas



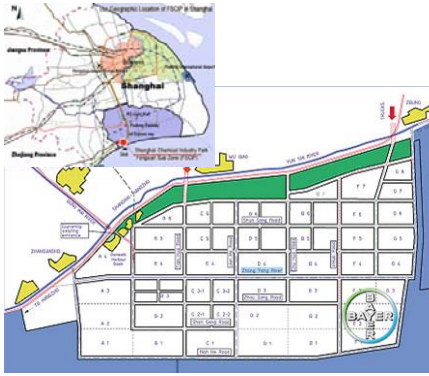
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Substantial Progress in the Development of Our Caojing Site



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Advantages Through Operating in the Shanghai Chemical Industry Park



- Proximity to fast growing customer industries
- Strategic local business partners
 - Additional external chlorine supply
 - Supply of industrial gases (H₂, O₂, CO, N₂) via pipeline
 - Tank farm services
- Excellent infrastructure
 - Feedstock availability to efficiently operate world-scale facilities
 - Raw materials delivered by ship, truck and pipeline
 - Proximity to major domestic and international transport routes
- Proximity to competitors allows temporary volume transfer agreements (e.g. MDI, TDI)
- Reliable energy supply

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Advantages Through Operating a Fully Integrated Site



- Cost efficient PCS, PUR and CAS operations through common use of:
 - Raw materials supply, e.g. chlorine
 - Infrastructure
 - Technical engineering expertise, e.g. in phosgenation
 - Centralized logistics
 - Other supply services, e.g. energy
 - Administration
- Construction of grass roots plants allows employment of state-of-the-art technologies in world-scale format
 - Adiabatic aniline process – Reduced conversion costs by 25%
 - High efficiency phosgenation (MDI) – Reduced conversion costs by 45%
 - Oxygen-depleting cathode technology – Reduced energy costs by 30%
 - Gas phase phosgenation (TDI) – Reduced energy costs by 40%



BPA and polycarbonate plant, Caojing

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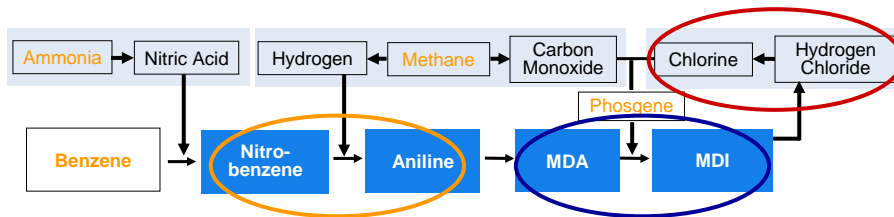
Setting Standards in the MDI Train

Competitive Advantage Through Process Efficiency



Best-in-class technology leads to significant conversion cost savings

	Technology today	Conversion cost savings (Today* vs 1995)
Nitrobenzene	Adiabatic nitration	25%
MDI	High efficiency phosgenation	45%
Chlorine	Oxygen-depleting cathode technology	30%



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* Technology basis for new plant

Adiabatic Aniline Process

Costs Savings and Higher Space-Time Yield in MDI



Process characteristics

- Aniline is a key precursor to MDI
- Adiabatic process suspends expensive cooling circuits, in contrast to conventional isothermal process

Benefits of new process

- Reduced capital expenditures
- Reduced conversion costs due to lower energy demand
- Higher space-time yield in comparison to conventional process
- Higher quality of raw product, resulting in simplified processing
- New process to reach cost and technology leadership in aniline production



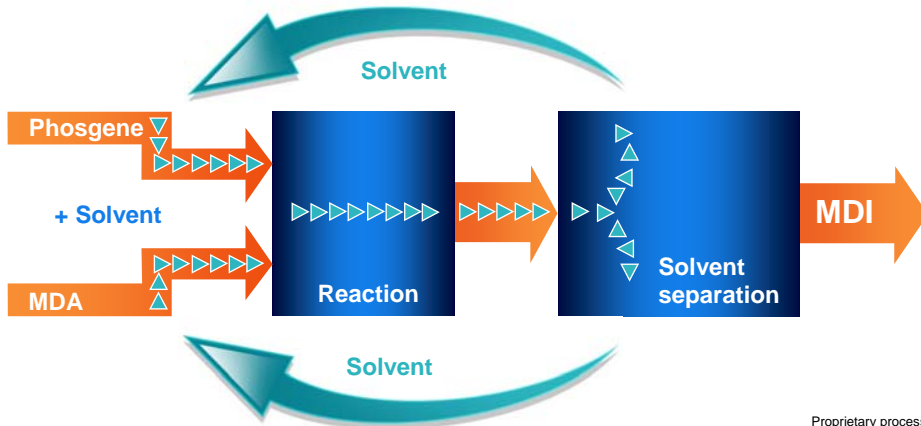
- World-scale production line in Caojing
- Annual capacity of 270 kt
- Operation start due in 2008

Conversion costs of aniline process reduced by 25% (new vs. conventional process)

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Bayer's High Efficiency Phosgenation

Saving Conversion Costs Through Energy Optimization



Proprietary process

- Energy costs are a major lever for MDI conversion costs
- Solvent separation accounts for approx. 80% of energy usage in MDI train
- 45% reduction in conversion costs (new vs. conventional process)

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Oxygen-Depleting Cathode Technology

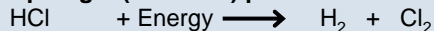
Significantly Reducing Energy Consumption



- Chlorine required to operate our world-scale MDI and TDI production plants
- Hydrochloric acid that occurs as a by-product in isocyanate production will be recycled on site at world's largest oxygen-depleting cathode (ODC) plant
- Innovative hydrochloric acid electrolysis is based on the oxygen-depleting cathode (ODC) technology, developed by Bayer and partners



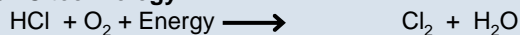
Diaphragm (standard) process



By-product of isocyanate production

Reused for local MDI and TDI trains

ODC technology



- First use in world-scale format in Caojing
- Annual capacity of 215 kt
- Operation start due in 2008

- By feeding in oxygen the electrolysis performs at significantly lower voltage
- About 30 percent reduced consumption of electrical energy (vs. standard method)

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TDI Gas Phase Process Likely to Become New Standard For Efficiency and Safety



Process characteristics

- Reaction of phosgene and TDA in the gas phase
- Proprietary process new standard for efficiency

Benefits of gas phase process

- Reduced capital expenditures by approx. 20%
- Reduced conversion costs due to lower energy demand and reduced solvent usage
- Reduced phosgene hold up by approx. 60%
- New process to extend cost and technology leadership in TDI production

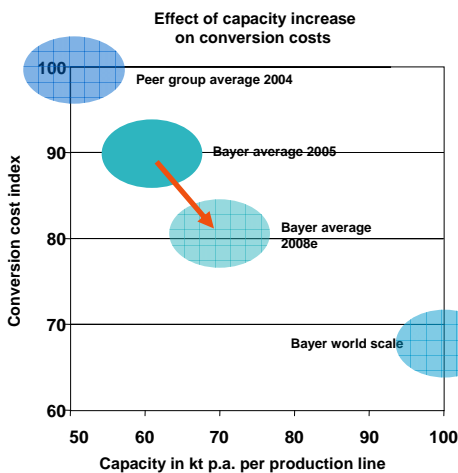


- Successful operation of 30 kt pilot plant (Germany) since 2005
- World-scale 300 kt production line in Caojing planned
- Operation start due in 2009

Energy costs of gas phase process reduced by 40% vs. optimized conventional process

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Capitalizing on World Scale in Polycarbonates Cost Reduction Through Economies of Scale



100kt polycarbonate lines significantly reduce specific conversion costs

- 2002 Map Ta Phut, Thailand (First 100kt line worldwide)
- 2003 Uerdingen, Germany
- 2006 Caojing, China
- 2008e Caojing II, China

Bayer MaterialScience is currently the only PCS producer running 100kt lines

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Recap: Asia Within Our Business Strategy



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