



Capital expenditures of EUR 1 billion:

Bayer plans to significantly expand capacities in China

- Group sales in Greater China planned to increase to around EUR 5 billion by 2015
- New MaterialScience production plants to be constructed and existing ones expanded
- Expansion of research and development activities
- Headquarters of the Polycarbonates Business Unit to move to Shanghai

Leverkusen, December 9, 2010 – Bayer intends to significantly expand its capacities for the production of high-grade materials in China by 2016. Investments of around EUR 1 billion are planned at the Shanghai site. This means Bayer will focus even more intensively on the Asia/Pacific region, where it expects consistent growth in its customer industries. Capacities for the polyurethane raw material MDI are to be more than doubled to one million metric tons a year and for high-performance polycarbonate to 500,000 t/y. The company also intends to significantly strengthen its research and development activities there. Moreover, the headquarters of the Polycarbonates Business Unit will be relocated from the main Leverkusen site to Shanghai. The intention is to ensure even greater proximity to the booming polycarbonates market in Asia.

“The expansion of our capacities in China is an important step in strengthening our presence in the emerging economies,” explained Bayer AG’s Management Board Chairman, Dr. Marijn Dekkers. “We want to increase Group sales in Greater China to around EUR 5 billion by 2015. MaterialScience is expected to contribute at least half of this amount.” In fiscal 2009, the Bayer Group in Greater China recorded sales of EUR 2.1 billion, of which EUR 1.2 billion was accounted for by MaterialScience.

“The strong economic growth in China and in the whole region offers us outstanding opportunities, and we want to make the most of them,” added Patrick Thomas, CEO of Bayer MaterialScience. “For us, it is strategically important to have the necessary capacities in the Asia/Pacific region to meet constantly rising demand.”

Thomas emphasized that this was one of the biggest single investments to date for Bayer MaterialScience. In terms of sales, China is the second most important country in the world for the Bayer subgroup. It is already investing EUR 2.1 billion in Shanghai as part of a long-term project lasting until 2012. Together with the now announced expansions, this means a total investment of more than EUR 3 billion. For these new projects, a memorandum of understanding has now been signed with the relevant authorities.

Five production projects

Five separate projects are planned – in cooperation with Bayer Technology Services – to increase production capacity at the Shanghai Chemical Industry Park. For polycarbonate, a new facility is scheduled to be built with a capacity of 200,000 metric tons a year. In addition, it is planned to increase the capacity of the existing plant by 100,000 to 300,000 t/y. The Asia/Pacific region currently accounts for around 60 percent of the world's total polycarbonate market, with the greatest demand coming from China. The plastic is used predominantly in the automotive, electrical and electronics, and construction industries.

In addition, Bayer wants to increase its capacities in Shanghai for raw materials for the production of polyurethane rigid foam, which is used, for example, to save energy throughout the cool chain as an insulant. To this end, it plans to build a new MDI plant with an annual production capacity of 500,000 tonnes. At the same time, the company also intends to expand the capacity of its present MDI production facility from 350,000 to 500,000 t/y.

A further part of this investment package is the expansion of HDI production. HDI is an important starting product for high-quality surface coatings. There are plans to expand the capacity of the existing HDI production to meet short term market demand. The construction of a further 50,000-tonnes/year HDI production facility is also planned.

Only recently, Bayer MaterialScience announced the construction of five customer support facilities in Shanghai and three other Chinese cities. They will focus on customized production and further processing. The company has earmarked a further EUR 110 million for this project.

With the expansion of its research and development center for polymers in Shanghai, Bayer MaterialScience intends to strengthen its capability as a provider of innovative solutions. It plans to concentrate on areas in which China plays a leading global role, such as wind turbines and solar energy plants. The other research and development facilities in Europe and the United States will continue to be dedicated to further promising areas of research and to be part of the company's global R&D network.

New headquarters for polycarbonate activities

Furthermore, Shanghai will become the new headquarters of the global polycarbonate activities of Bayer MaterialScience. The management team headed by Dr. Günter Hilken will move there from Leverkusen. The relocation is scheduled to begin next year. By moving closer to its customers, Bayer MaterialScience is taking account of the importance of the region for the global polycarbonates market. The company expects this step to speed up decision-making processes and to achieve more efficiency generally in day-to-day work processes.

About Bayer MaterialScience:

With 2009 sales of EUR 7.5 billion, Bayer MaterialScience is among the world's largest polymer companies. Business activities are focused on the manufacture of high-tech polymer materials and the development of innovative solutions for products used in many areas of daily life. The main segments served are the automotive, electrical and electronics, construction and the sports and leisure industries. At the end of 2009, Bayer MaterialScience had 30 production sites and employed approximately 14,300 people around the globe. Bayer MaterialScience is a Bayer Group company.

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