

Investor News

Bayer MaterialScience expands production capacities in Shanghai for coating and adhesive raw materials

- New plant for polyurethane dispersions
 - Polyisocyanate production to be expanded
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Leverkusen / May 9, 2007 – Bayer MaterialScience AG is expanding its most important production site in the Asia-Pacific region for coating and adhesive raw materials. “With a new plant construction and two expansion measures in Shanghai, we want to ensure long-term supply to our customers in this region and to keep pace with future market growth. By that, we also substantiate our position as one of the world's leading producers of polyurethane coating and adhesive raw materials,” says Dr. Joachim Wolff, member of the Executive Committee of Bayer MaterialScience and head of the Coatings, Adhesives, Sealants Business Unit.

At the integrated site in Shanghai the company plans to build up a new facility for polyurethane dispersions with an annual capacity of 20,000 tons. It is scheduled to come on stream in the second quarter of 2008. In addition, annual production capacity at the site for the aromatic polyisocyanate Desmodur[®] L will be increased to 20,500 tons during the second half of 2007. This is nearly twice the original capacity (11,000 tpa) of the plant, which came on stream in January 2005.

Annual capacity for aromatic grades of the Desmodur[®] IL product line will also be doubled to 5,500 tons by the end of 2007. Furthermore, production of aliphatic polyisocyanates of the Desmodur[®] N series will be expanded by the start of 2008. The existing 11,500 tpa capacity shall be increased in line with market growth.

These three measures are part of a comprehensive Bayer investment program at its integrated Shanghai site, with a total investment volume of 1.8 billion euros by 2012.

Waterborne polyurethane dispersions make a significant contribution to the reduction of volatile organic compounds (VOCs). They are used in coating and adhesive formulations, textile and leather coatings and in glass fiber sizings, particularly where the use of solventborne systems is restricted or prohibited entirely. Examples of applications include bonds for the soles of high-quality athletic shoes; the film lamination of furniture facings; the coating of furniture, parquet, vehicles, plastic parts and industrial goods; and bonds in automotive interiors.

Desmodur[®] L and IL are key raw materials for wood and furniture coating applications. The first product is also used in the formulation of adhesives, in particular for flexible packaging. Bayer MaterialScience recently announced plans to erect a world-scale, 300,000 tpa plant in Shanghai for the production of toluene diisocyanate (TDI). Used primarily in upholstered furniture, mattresses and car seats, TDI is also a raw material for Desmodur[®] L and IL. After the scheduled commissioning of the TDI plant in 2010, the raw material supply for these aromatic polyisocyanates will be widely backward-integrated.

Desmodur[®] N is used primarily as a polyurethane raw material for automotive, industrial and plastics coatings. In recognition of the growing importance of this polyisocyanate, Bayer MaterialScience erected a new facility in Shanghai for the production of the precursor hexamethylene diisocyanate (HDI). With the official opening of the plant in September 2006, the supply of raw materials for Desmodur[®] N is now backward-integrated. The HDI plant has an annual capacity of 30,000 tons and can be expanded in a second stage if required. In line with requirements of the market, additional aliphatic isocyanates shall perhaps be included in this step.

About Bayer MaterialScience:

With 2006 sales of 10.2 billion euros (continuing operations), Bayer MaterialScience AG 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. Bayer MaterialScience employs approximately 14,900 people (2006) at 30 production sites around the globe. Bayer MaterialScience is a Bayer Group company.

Leverkusen, May 9, 2007

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