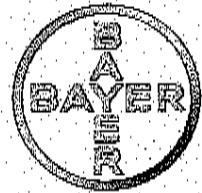


Bayer



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Investor News

Bayer presses ahead with investment projects in China:

First stage of major polycarbonate project inaugurated

- Go-ahead for construction of a world-scale MDI plant with a capacity of 350,000 tons/year
 - Global MDI capacity to be increased to 1.3 million tons/year
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Shanghai / June 30, 2005 – Implementation of the Bayer investment projects at the company's Caojing site near Shanghai, China is progressing at pace. Dr. Udo Oels, member of the Bayer Board of Management responsible for the Asia region and for Innovation, Technology and the Environment, inaugurated a new compounding plant for polycarbonate and polycarbonate blends with an annual capacity of 40,000 tons on June 30, 2005. The compounding plant is part of the polycarbonate production facility which is still under construction and is scheduled to go on stream in the first half of 2006.

A further project being undertaken at the Caojing site is the construction of a production facility for the polyurethane raw material MDI (methylene diphenyl diisocyanate). With an annual volume of 350,000 tons/year – 120,000 tons more than originally planned – it will be the largest of its kind in the world. Following the conclusion of the environmental audit process, the company now has the most important approval it requires to begin construction of the facility. Production is due to start in 2008. “We are looking to increase our annual MDI production capacity from current levels of approximately 930,000 tons to 1.3 million tons per year. The plant in China will make an important contribution to this,” said Oels. He also announced that the “Bayer MaterialScience Trading Company” is to be founded on August 1, 2005. Headquartered in Shanghai, the trading company will enable Bayer to sell its MaterialScience products directly to the Chinese market.

These projects form part of an investment program for the integrated Caojing site, to which a total of about USD 1.8 billion has already been committed. "This is the largest investment Bayer has ever made outside of Germany. We will start operation of at least one large-scale facility each year until 2009," asserted Oels during the commissioning of the compounding plant, which was attended by government officials and the president of the Shanghai Chemical Industry Park.

Polycarbonate and polycarbonate blends for the Asian market

For the Bayer MaterialScience subgroup, the commissioning of the compounding plant represents the starting signal for the manufacturing and processing of polycarbonates and polycarbonate blends in China. Compounding involves the continuous processing of plastics into molding material that can be readily worked. The new Bayer MaterialScience plant with its annual capacity of 40,000 tons will, for example, process the company's Makrolon® polycarbonate to produce Bayblend® PC/ABS copolymer, whose applications include the manufacture of high-quality housings for monitors and television sets.

In 2006 Bayer MaterialScience will also begin producing polycarbonate on-site for sale to customers in the region. The world-scale plant for manufacturing Makrolon®, with a total investment volume of USD 450 million, will start off with annual production of 100,000 tons, with plans to increase output to 200,000 tons as early as 2007. Applications for high-tech Makrolon® plastic include the production of CDs and DVDs, car headlights, glazing and roofing.

The Bayer Management Board member emphasized the major potential inherent in the polycarbonate products produced now and in the future on the Chinese market. "According to our estimates, key industries such as the automotive, electronics, construction, IT and sports sectors will grow at around 10 percent annually." According to Oels, Bayer MaterialScience's share of the polycarbonate market in Greater China is currently 25 percent and growing.

Caojing MDI plant part of global MDI expansion program

With the construction of the MDI plant in Caojing by 2008, Bayer MaterialScience is tackling the growing demand for polyurethane raw materials, particularly in Asia. The plant will have a production capacity of 350,000 tons of MDI per year – a

considerable increase on the 230,000 tons originally planned. Thanks to start-of-the-art process engineering, however, the investment cost will be only slightly higher than originally intended. This increased capacity will put the company in a position where it can meet future demand in the Asia Pacific region and win an above-average share of this growing market. The raw material MDI is used for the production of rigid polyurethane foam, which boasts the highest insulating efficiency of any material on the market, and is widely used, among other things, as an insulating material in home construction.

A production facility for the processing of crude MDI into polymeric and monomeric MDI, together with associated logistics facilities, is also scheduled to be completed in Caojing by mid-2006.

The construction of the new MDI plant in China is another important step in the expansion program for the environmentally compatible production of MDI and its feedstocks. "Bayer MaterialScience is already the world's leading MDI supplier. Our goal is to produce around one million tons next year," declared Oels. At present production volume amounts to almost 930,000 tons/year. In addition, the capacity of the plant in Tarragona (Spain) will increase by some 50,000 tons per year by 2006. After the completion of all development and expansion projects, total MDI capacity is expected to stand at around 1.3 million tons/year. In the medium term, Bayer MaterialScience expects average global volume growth of six percent per year for this polyurethane raw material.

New trading company for greater customer proximity

The establishment of the "Bayer MaterialScience Trading Company" in Shanghai – with branches in Beijing, Qingdao and Guangzhou – in August 2005 will enable Bayer MaterialScience to control the marketing of its portfolio of locally and internationally produced products in China directly. As a result, customers in China will be offered an all-round service in the future – ranging from technical support through ordering to delivery and invoicing. China's entry to the World Trade Organization (WTO) and subsequent changes to Chinese commercial law made it possible for foreign companies to begin selling directly to the Chinese market several months ago. The license to trade for the Bayer trading company, a wholly owned subsidiary of Bayer China Limited, was one of the very first of its kind to be issued in the country. It is hoped that the newly founded company will achieve sales of USD 1 billion per annum in five years' time.

Dahmer heads up Greater China region

As from July 1, 2005, Dr. Jürgen Dahmer (48) will head Bayer's operations in the Greater China region, which comprises the People's Republic of China, Hong Kong and Taiwan. Dahmer has been a Senior Representative of Bayer MaterialScience AG for Greater China since October 1, 2004 and is additionally taking over the post of Senior Country Representative for Bayer China as successor to Dr. Elmar Stachels (62), who is to retire after 32 years with Bayer, the last five of which have been spent in China.

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Forward-looking statements

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