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BASF Conference Call for Analysts and Investors: Full Year 2025

Transcript Q&A
February 27, 2026

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1 BASF Group

1.1 European competitiveness

Alejandro Vigil (Santander): Regarding the European chemical market: We are seeing all the news about potential regulatory support, the CO_2 discussion as well, the German fiscal stimulus plan. Can you elaborate how you are pricing these potential tailwinds in your guidance?

Markus Kamieth: I think it's a very fair observation that there's a lot of dynamic now also in the European market picture. Overall, I would say, the actual demand picture in Europe stays challenging. We had last year, 2025, a negative volume development of 2% in the European chemical market. And we also expect a slightly negative development for 2026 in Europe.

However, I believe that both at the European level and in the member states of the European Union, governments and regulators have understood that an improvement of the framework conditions not only for the chemical industry but for the entire industrial ecosystem in Europe is needed. And that's why we are actually quite encouraged by the recent discussions, also at the European level, for easing some of the challenging elements of the current regulation. You named one: It's, of course, the ETS system with the current perspective of increasing carbon costs in Europe.

And we have seen very constructive discussions at the European level, although it's too early to put this into any quantitative model. But we have raised awareness for ETS benchmark changes and so forth at the European level. So I expect positive contributions based on the scenario that we had a few months ago.

On the other hand, there are, as I said, positive indications regarding some elements of the European economy. You named the German stimulus package. If you look at, for example, the recent development of the PMI, the Purchasing Managers' Index in Germany, we are, for the first time in February, above 50. The PMI hasn't been so high for a long time, and that has to do with the stimulus package, the infrastructure package, also becoming effective in the real world. I talked to a CEO of a big construction company, and he also told me that these requests for proposals are now really coming through. So there is the expectation that there will be some effect now in 2026. So some indications on the positive side, I would say, for Europe, but overall it stays a challenging market from a demand perspective.

Katie Richards (Barclays): I appreciate that ETS is a significant headwind for BASF at this time. But thinking long term, don't you think Europe risks weakening its decarbonization leadership if the ETS is diluted, especially when China's upcoming five-year plan is explicitly accelerating the green transition?

Markus Kamieth: I think the view on ETS is a very complex one. We are not advocating for removing or completely abandoning the ETS system in Europe. We just feel that the current system is too rigid and, at the end of the day, incentivizes decarbonization in the chemical industry, I have to say, primarily by shutting down assets or transferring production outside of Europe.

So, we need a revision of the system. We need a smarter system – one that incentivizes the green transformation and does not put European industry at a competitive disadvantage.

I agree with you that, overall, strong momentum, also potentially a leadership role of the EU in the green transformation, is desirable. But, from my perspective, it requires a bit of a smarter system and a revision of the ETS CBAM system. I'm thinking along the same lines. But short term, we have to make sure that the competitive disadvantage for European production does not become overproportionately big and, at the end of the day, continues to erode European competitiveness.

Laurent Favre (BNP Paribas): When we used to talk about natural gas in Europe and the end of war, I remember you telling us that energy prices were not a magic wand and that more likely than not, you wouldn't necessarily benefit from lower natural gas prices as margin conditions or utilization rate conditions would be such that you would pass on lower cost to customers. What is different with the ETS situation, please?

Markus Kamieth: You always have to differentiate a little bit, Laurent, when we make some of these statements, whether we're looking at BASF Group in general or whether we're looking at the competitiveness of specific value chains and assets.

If we look at a product and asset level, of course, the cost contributions of ETS are already significant today. And our message on ETS is that it is going to become a significant offset if we are not careful. And if we continue to restrict the amount of certificates in Europe, then ETS cost, so CO_2 costs per ton, in Europe will become triple-digit relatively soon and will further move up significantly. On a product and asset level that's a significant disadvantage and also to BASF, producing the same products elsewhere.

You're right: On a company level, this is just one of many effects, so the ETS costs alone are not as big. And of course, natural gas is something that is predominantly a market equilibration. So, natural gas is in Europe an LNG-based market mechanism. And in times of long gas markets, for example, we also have a chance to bring down the cost gap to the U.S. and Middle East significantly. And markets typically adjust to this.

Product markets adjust much less well to politically induced price signals like ETS taxes, for example. We are dealing with a lot of customers who also have buying opportunities in different regions. That's why I see a slight difference between a totally market-based LNG price scheme versus a politically induced special regime in Europe that results in additional costs for producers with European assets.

I know, it's a complicated topic. But I hope it gives you some color on how I'm looking at this.

Laurent Favre (BNP Paribas): Typically, you're talking about the avoidance of an incremental negative if CO_2 costs start to go up and you get lesser free allowances as opposed to removing a cost that you are entering today. My point is: The removal of the ETS would be the removal of a potential incremental risk in the future. It's not improving the situation of today.

Markus Kamieth: Yes. I mean, we have significant costs from ETS today. I've been saying this also publicly. I talked about a low triple-digit million euro amount already in 2024 and 2025. So, it's a significant cost item.

But the discussion we have in Europe right now is about avoiding significant increases in the next years because, with the tightening of the ETS market and the end of free allocations, I expect that the ETS costs will increase significantly if we don't give that perspective of more free allocations.

And this is what I'm worried about. Today, in that order of magnitude, – you know the P&L of BASF – it is not the one and only golden bullet to re-achieve competitiveness. But, of course, it could become a big headache if politics doesn't act. And that's what we're advocating for.

As I said earlier, we are optimistic that politics have understood this. And you've maybe seen also some politicians in Brussels indicating that there's an openness to discuss, for example, extension of free allocations, which, from my perspective, would be a good recipe.

Jaideep Pandya (On Field Investment Research): My question is around the BDO investigation, which happened in Europe around the anti-dumping. Have you seen any change in the approach from the EU towards anti-dumping? And could we see more products like BDO falling in this category, given the increased pressure on imports from China, but also from North America and the Middle East? I've been reading also about the shortening of the investigation time horizon.

Markus Kamieth: I cannot comment now on the individual anti-dumping case. Maybe a few comments on this. First of all: You are right, the number of anti-dumping cases, in particular in Europe, against Chinese producers has increased significantly over the last years. It's a pretty steep increase, given the overall market dynamics and the strong export activity of Chinese companies. There's actually quite some grounds for a lot of these anti-dumping cases from my perspective right now.

We have active discussions also with the EU Commission because on the one hand, the increasing number of anti-dumping cases also stresses their resources. It's a very practical problem for the EU Commission because they don't have enough people to work on these cases. That extends the time period now quite a bit. So, we have active discussions that, from my perspective at least, the legal framework in the EU also would allow for a much swifter implementation of, for example, provisional duties.

There are already provisional duties put into place more swiftly than what we've seen in the past. So, there's active discussion on that, but there's no super quick fix solution in the political space. But it's something that we strongly advocate and is needed in Europe.

So, I am positive and I also believe that you will see a counterreaction by the European Union being much stronger on protecting against anti-competitive imports.

1.2 Shareholder distributions

Alejandro Vigil (Santander): Regarding shareholder distributions: Considering the difficult market environment, is the total distribution of 12 billion euros – about 3 billion euros every year – aggressive in the current market context?

Dirk Elvermann: Let me first say: Management is fully committed to the 12 billion euros distribution, as announced in the context of our strategy. Out of that, at least 8 billion euros is from dividends and at least 4 billion euros is from share buybacks. You just heard about our progress in this regard. And you heard our dividend proposal for the year 2025.

I would not call this approach aggressive. I would call it balanced. With the cash flow that we are getting, plus the incoming cash proceeds from our portfolio measures, we will be in the position to do both: to distribute these amounts to shareholders, but at the same time also to significantly deleverage and therefore strengthen our balance sheet.

Fortunately, for the time being, we do not have a big capital expenditures plan. We are now fully invested with the China investment coming on stream and the MDI investment in the U.S. coming on stream in 2026. So, there are no big capital expenditures to be expected from us in the next couple of years. And, as you know, we are also trimming the company on the cost side, so being very cash-minded also in this regard. And with all of that, we are very confident that we can deliver on the 12 billion euros distribution.

Laurent Favre (BNP Paribas): Regarding cash flow and share buybacks: At 1.5 to 2.3 billion euros, can I make sure that this free cash flow guidance includes the federal investment guarantees? And should we assume that at the end of the first tranche of the buyback in June, you start straight ahead a second tranche? Or are you looking for a certain catalyst to start it up?

Dirk Elvermann: First, I confirm that our cash flow guidance of 1.5 to 2.3 billion euros includes the payments from the federal investment guarantee, which I outlined in my part of the speech.

Secondly, on the share buybacks: We will, as was mentioned by Markus, complete our first tranche, 1.5 billion euros, by June 2026. Whether we will start a second tranche immediately or later is not yet decided. We will decide that later this year. So, we would not rule out anything, but would also not yet say we will do that immediately.

The share buyback program of at least 4 billion euros by the end of 2028 is confirmed. But the timing of the second tranche is not yet decided.

1.3 Full-year outlook and guidance

Chetan Udeshi (JP Morgan): On Q1: I was just wondering if you can give us a little bit more color. I heard you, Markus; you talked about 200 million euros of FX headwind. I suppose we should have some underlying decline on top as well because you talked about margin pressure, weaker volumes. So, should the base case be that we at least have a 300 to 400 million euro year-on-year decline in EBITDA in Q1?

Markus Kamieth: On Q1: You brought the right elements. I think your hunch that Q1 could be lower than last year is the right one, although the order of magnitude that you have indicated is too dramatic from my perspective. I don't want to give specific Q1 guidance now, but that's why I mentioned it in the speech: Q1 is a very peculiar one because we have a couple of things that we face as headwinds. The biggest one is currency because we have this overproportionate sensitivity on currency in Q1 because of our Ag business. And, of course, the spread is now between almost $1.20 per euro and I think last year it was 1.05 in the first quarter. So, it's a pretty significant comp issue that we have here.

The second one is that we also have some additional cost elements, especially early in the year, coming from some turnarounds. We are in a turnaround season now for two of our main crackers, one in Europe, one in the U.S., so Port Arthur. And we have also a vitamin turnaround in Q1.

So, we are starting with some headwinds on cost and FX in Q1. That's why there's a likelihood that we will be below prior-year quarter. But as I said, your order of magnitude is a bit too steep for me.

Thomas Wrigglesworth (Morgan Stanley): On the free cash flow expectations for 2026: You've called out very clearly the reimbursement benefits. You've identified lower capex. Those two together equate to 1.7 billion euros improvement in free cash flow year over year. I'm interested to understand what you see as the offsetting negatives and headwinds that your free cash flow generation will face to get to the midpoint of your 2026 forecast.

Dirk Elvermann: The negative is in a way a positive because in 2026 we will incur quite a high amount of severance costs from our ongoing restructuring. We already told you in the speech that we put into our P&L higher severance costs, 300 million euros more than originally anticipated.

This is because we are able to accelerate our programs, which means we are more quickly achieving a positive run rate on the underlying costs. But, of course, it comes with a one-time cost, and this is the cash-out in the context of the restructuring.

Secondly, there is certainly the precious-metal effect. As you know, we have quite some cash tied up in precious metal. And depending on the price development, you saw already quite a big effect in 2025, you will see that ongoing. And with the Battery Materials business going up, you will see positives in the P&L. But you'll certainly see more cash then also tied up in the cash perspective.

That, I would say, are the two big effects that I would like to share with you.

Tony Jones (Rothschild & Co Redburn): On the guidance, some of the positive comments that you talked about earlier on the call like potential regulatory easing, German stimulus and some of the customer feedback: Can you confirm if any of these factors are captured within the guidance range or just too late to make it into the targets?

Dirk Elvermann: I can assure you that everything that we said today and shared today is reflected in the guidance, so the guidance is really up-to-date.

So, what will keep us busy and still will keep the business on a relatively low basis will be the FX effects that we talked about – this is a significant effect – and also the ongoing margin pressure and price pressure that Markus has talked about.

We have fully factored in the self-help measures that we will also be taking this year. We also factored in the positive volume effects that we also talked about for the segments.

I think the relatively wide range that we have to offer here is due to the ongoing uncertainty. We are all listening to the news every day and we remain in a world of uncertainty. You see that also in the confidence levels of the customer industries. So, we have to come up with a relatively broad range in the guidance. But I think this is as good as it can get today. And we are, I would say, confident with the guidance that we are providing today.

James Hooper (Bernstein Société Générale Group): Can you give us a little bit of detail about the energy cost outlook? Just because you've got your partnership with Cheniere and we're expecting a lot more LNG supply coming into Europe.

Markus Kamieth: It's quite simple. We gave you the short-term outlook on oil. We are doing our planning based on oil, and we do the same on natural gas.

The outlook on natural gas as the most important energy carrier for the chemical industry, especially in Europe, is actually quite simple. We believe that in the midterm it is going to be an LNG-based pricing mechanism in Europe. That means that, in the long run, LNG pricing in Europe in a balanced market scenario will always have a certain offset versus the export price from the U.S. Gulf Coast or Middle East.

This is also the picture that we see, for example, today in future markets. If you look out to 2028, 2029, you can already buy natural gas futures in Europe, and this is in that range. So, we see a balanced market. The LNG market dynamics globally will determine, will anchor, so to say, the energy costs for natural gas in Europe.

That's our outlook, and so we're not so concerned. But we have to also acknowledge: There will always be an offset of natural gas costs in Europe versus the U.S. in the order of magnitude of 5 to 7 dollars per MMBtu.

Geoff Haire (UBS): At the lower end of your guidance of 6.2 billion euros, what do you assume? Is that just a continuation of what we're seeing in Q1? Or is it that the world gets worse?

Markus Kamieth: That's, of course, a tough one. I mean, it's the lower end of the guidance for a reason. This factors in that there's a lot of things in 2026 that could also go south.

Dirk answered the question on the guidance and made a comment also on the wide range of the guidance. I can only remind everybody: We're giving a guidance for the next ten months. The year end is ten months away. If you look ten months back, it was "Liberation Day," April 2nd, Mr Trump standing in the Rose Garden.

So, a lot of things can happen in ten months. Yesterday, I saw pictures of U.S. aircraft carriers in the Persian Gulf. I also don't know what the next months will be like. We just wanted to indicate with a rather wide range that there's a lot of insecurities. And we, of course, looked at some challenging scenarios for 2026 that could emerge. That's how we set the lower end of the range, if that gives you any feeling.

So, it's the best guess we have today, late February 2026. But end March, there's a meeting between Mr. Trump and Mr. Xi. Nobody knows what the outcome of this meeting will be, and that could drive dynamics in 2026, also in a much more positive direction than what we have in the books today. So, high unpredictability, I think. And that's why you see the guidance as it is.

Matthew Yates (Bank of America): The midpoint of your free cash flow guidance, if I understand correctly, excluding the Wintershall Dea compensation, is only a bit over 1 billion euros. That's less than half of your dividend and despite having capex at really minimum levels.

Maybe we're at the bottom of the cycle and in profits recovery. But if not, it makes me wonder whether BASF needs to push even harder with its cost-cutting. I see your European headcount last year was down about 3%. Maybe it goes down further in light of the provisions you took. But in that context, why did you agree in December to the labor agreement in Ludwigshafen for no compulsory redundancies for another three years? I'm just wondering whether BASF needs to be more aggressive in how it's tackling its cost base in light of the environment we find ourselves in.

Dirk Elvermann: Maybe we split this into two parts. I start with the ongoing cost savings. You are spot on: The cost savings that we have already now launched, they bring us to a point, but they will not bring us to an end. But what we said is that rather than coming up with new cost savings programs with certain amounts, we rather now engage in continuous productivity gains, continuous efficiency measures. A token of that is what you have seen in our announcement for the restructuring of the backend service organizations, for both big services, digital and business services. And parts of what we are currently doing in high-cost Europe, we are going to do in low-cost locations in Asia, notably India.

So, this is another measure that we are taking because we know exactly that our programs so far will not do the trick. And therefore, you are spot on: We need to be aware of costs and cash, and we will do that going forward.

Markus Kamieth: Also from my side, you can be assured that costs and adaptation of costs to the market outlook that we have stays number one, two and three priority for us at this point in time because it is going to be key.

When you look at personnel development, you will also see an acceleration in 2026 versus 2025. The reason is that, of course, some of these processes, in particular in Europe and in Germany, are slower than you would wish for. But that is just also the nature of the environment that we operate in. I cannot change this.

To your question on the labor agreement: I would also say that, of course, it is often simplified, as this is the agreement that we commit not to lay off people for operational reasons. But that is an oversimplification of what was actually agreed upon. The new labor agreement for the site here in Ludwigshafen gives us much more flexibility to do structural changes than the old one. So, we have actually gained a lot of flexibility here because we had a consensus with our Works Council and the unions that further restructuring is needed to make the site more competitive for the future. So, this is actually a very positive step in the right direction that we took jointly.

The limiting factor for operational redundancies in Germany is actually not the site agreement. It is the German labor law. That is the toughest or the limiting regime that we have to apply.

The site agreement, I can only say, for us as a Board is a significant positive step in the right direction. It offers us more opportunities to do structural adaptations at the site than ever before. But I cannot get out of the German labor law regime, which is something that is compulsory for every company that operates in Germany.

1.4 Chinese Verbund sites

Katie Richards (Barclays): On Zhanjiang: Could you give us a little more color on the earnings contribution you would expect in 2026 from this site, please? And in this regard, I’m looking at the income from the integral companies line in the P&L, where you classify the BASF-YPC joint venture with Sinopec. This line has fallen from 675 million euros in 2021 to about 2 million euros in 2024, now negative in 2025, although I appreciate for other reasons. In this vein, why should investors believe that the new Verbund ramp-up will deliver any earnings at all beyond 2026, please?

Dirk Elvermann: After a very successful startup of the site, we are expecting a negative EBITDA contribution of up to 100 million euros in 2026. This is still due to ongoing startup costs. Even after the startup, you have some remaining startup costs. So this will still burden our business contribution in Zhanjiang, particularly in the first half of the year.

Let me say at the same time that the earnings contribution from Zhanjiang to the segment Chemicals will be significantly stronger, i.e., there will be much less costs, than in the last year. But, yes, for this year, we are still expecting a negative contribution.

For BASF-YPC, the BASF-Sinopec joint venture in Nanjing, which you have correctly spotted, we had a massive turnaround in the year 2025. And with that, the result for BASF-YPC turned negative in the year 2025. Going forward, we are, of course, mindful that we are returning to the positive territory with this big machine park that we are operating with our partner.

1.5 Current market environment

Christian Faitz (Kepler Cheuvreux): What is BASF's current order book visibility in your traditional chemical activities? And in that context, what is the feedback from your sales people on the ground in China how demand has developed since the end of the Chinese New Year celebrations?

Markus Kamieth: That's a very recent question. I have not talked to all our sales people in China over the last days. But I can tell you, maybe coming to your question on order book visibility: We have not seen a significant change now over the last couple of quarters. This phenomenon of shorter and shorter visibility on order books is not materially changing throughout the portfolio. I would say.

The insecurity in the markets is still high. As I said earlier, confidence in Europe in particular seems to be coming back on the producer side somewhat with a more positive outlook on 2026. But we also have consumer confidence now going in the other direction in the U.S. So, there's still a lot of movement there. This is why cautious order behavior is still there, more short term. Order behavior certainly is still the name of the game, so to say.

In China, as I said also in my speech, we have seen a tremendous volume growth in the fourth quarter and a very strong January as well. Zhanjiang is already contributing. With the early start, we had almost a full January of operation and also now a February where operations have run fairly well. So, this continues to grow strongly.

Also on the demand side, I don't hear any major challenges. In China, it's pricing. And you have seen maybe statistics that China has now seen 40 months – four zero – of continued producer price deflation. And that, of course, is a big problem for the industry in China in general, also for our customers. But volume in China is still growing at fairly high rates. And our outlook for the chemical market in China this year is again significantly above everywhere else in the world. So, volume is positive.

2 Segments

2.1 Chemicals

Tony Jones (Rothschild & Co Redburn): In the Chemicals segment, EBITDA margins are now around 8%, so the implied return on capital is low-single digits. With the guidance being quite cautious, does that now trigger another strategic review of your German and European upstream assets?

Markus Kamieth: Given the overall market dynamics that we are seeing, especially in upstream now, we don't consider an additional or a new strategic review of our upstream assets, sites or business strategies. In 2024, we have gone through this assessment of which assets, in Europe in particular, are fundamentally competitive versus our peers. And where we have seen competitive issues, we have either already taken appropriate action or we have flagged assets for potential restructuring in case the assets get into profitability issues.

So, that strategic review is done and it's still robust today. So, there's no need to review this. Of course, we will operationally react to the market situation, market dynamics and margin situation that we have. But strategically, for the most part, we are well set up and our strategies remain intact.

At the last Capital Market Update we gave you some information on a few major "construction sites," as I call them, in our portfolio, namely the upstream polyamide business, the plastic additives business, the vitamins business and the BDO business.

And here, we continue to challenge the asset footprint with ongoing efforts, but there is no fundamental reassessment of our asset footprint. We believe we are competitive in Europe and North America and China in our major markets. And, at the end of the day, we just have to ride out a trough in the overall market situation with this asset setup.

2.2 Materials

Jaideep Pandya (On Field Investment Research): Given the MDI expansion, could you just give some color around the trading dynamics, import/export balance, and the margin dynamics in the US, given this was predominantly an import market back in the day for MDI? And how it will benefit you with the capacity expansion?

Dirk Elvermann: First of all, let me say: This is and remains a very strong product for us. It's one of the reasons why we are obviously also doing the investment in Geismar.

Now, overall: If I look into what happened recently, the overall specific margins decreased due to weaker prices in all regions. That is particularly driven by weaker demand that we saw in 2025. But if I look into 2026, one important driver is demand from construction. This is at least expected to improve slightly, driven by restocking that we will see in Europe, but also in North America.

Then we will have to see how this develops in China after the Lunar New Year holidays. But fundamentally, I would say this is and remains a strong product for us.

Markus Kamieth: And let me just add: At the end of the day, the excess MDI capacity, if there is any, is in China. So, the path for importing into the U.S. would be product from China. And that, of course, has become more difficult given the current trade policy.

I think that overall is a case where the U.S. trade policy certainly provides tailwind for BASF and the MDI expansion in Geismar. So, it provides support for this investment in Geismar. Overall, our investment is a significant contribution to further growth of the domestic industries in the U.S. and to the self-sufficiency of the U.S. market with regard to that key ingredient.

2.3 Industrial Solutions

– No specific questions –

2.4 Nutrition & Care

Chetan Udeshi (JP Morgan): I was just surprised by your guidance on Nutrition & Care, about the earnings increase. What will drive that? Because the vitamin prices are worse than last year. And you yourself talked about the challenges that you have in your Care Chemicals business, especially given that you are so levered to the bigger customers who are losing share to regional customers. And there is also a reference to pricing pressure in some of those businesses. So, what will drive earnings growth in Nutrition & Care this year?

Markus Kamieth: Nutrition & Care: Yes, you're right. The vitamin prices are low right now, both in E and in A. But overall, we are expecting a significant increase in volumes in the coming year. After the force majeure, especially in Nutrition & Health, we are still in the phase of increasing the volumes and the volume increase is pretty steep. So, that will also help to absorb the fixed costs in our manufacturing and drive profitability up, even at low vitamin prices. And the incremental profitability increase is still pretty significant.

Also on the Care Chemicals side, I think your comment was a bit too negative. I didn't want to portray it so negative in my speech. Yes, we had a challenging dynamic over the last, I would say, six months, as I described it. But I would say, the overall care chemicals markets, also home care, personal care, and also industrial and institutional cleaning, are healthy overall. And we also see a volume recovery and we have strong self-help measures. Plus, we see new capacities now coming on stream in Care Chemicals, and we are already targeting to have our new capacity in China, for example, filled up to 50% in this business in 2026. So, we have a lot of upsides in Care Chemicals. I don't believe that the momentum we've seen in the last months is going to continue.

2.5 Surface Technologies

Sebastian Bray (Berenberg): I was surprised to see that guidance on Surface Tech is so conservative that it's down year on year at EBITDA for 2026. Precious metals prices are up, it looks as if Battery Materials did better in Q4. Auto catalyst seems to be doing quite well. Why would the earnings in this segment decline year on year?

Markus Kamieth: Yes, the guidance is down. We had a significant one-time effect in 2025. It was very significant and it was a catch-up effect for the last few years. This was – I don't know what the technical term is – a refund or government grant, if you want. So, this certainly inflated the 2025 results somewhat. We will not have this in this order of magnitude going forward. It will be a continued effect, but it will be in the low double-digit million. So, not so material for the segment going forward.

On the precious metals pricing, you're right. We have seen a strong increase in precious metals pricing. Rhodium, platinum, palladium are all up and steeply up. We saw a lot of volatility, which typically also brings up our trading results quite a bit. So, it's not only the absolute level of pricing, but it's the volatility that drives profits in that segment.

And our scenario for 2026, at least, is that we will see moderation of PGM prices. There's no guarantee, but that's the underlying assumption of the guidance for Surface Technologies. So, significantly less government grants, and a moderation of PGM prices and less volatility. That's basically the summary why we say, as a net, it's a significant decrease. But still a strong performance. We are very happy with the performance of the ECMS business in particular. And we also see that the Battery Materials team is doing a good job in increasing its profitability and in a tough market environment using all their levers.

2.6 Agricultural Solutions

Sebastian Bray (Berenberg): On agriculture. It looks as if BASF is calling the top of the market a bit and saying that the segment's EBITDA might decline slightly in 2026, although I appreciate there is an FX headwind. What is the company seeing at the moment on the pricing and volume side across seed and crop protection as we move into Q1?

Dirk Elvermann: The Ag business will fundamentally deliver another strong year. Agronomic conditions remain or are very positive in 2026. Also the channel inventories from the customers that we see right now are in the normal range. So, fundamentally, the business is good.

Two things are dragging the business. First and foremost is the FX effect. We already mentioned it now a couple of times. The rollover from 2025 to 2026 was all smooth apart from the FX effect. So this is dragging us.

Then, of course, on top of that, commodity prices are soft and remain under pressure. Farmers still are not back to the normal level of earning and buying power. So these, I would say, are the two factors. But fundamentally, we are okay on the business side, with the exception of the FX effect.