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Capital Market Update – Keynote

Transcript Q&A

October 2, 2025

Laurent Favre (Exane BNP Paribas): Can I ask a question about slide 16? That's the one where you show operating cash flow, capex and FCF. Without a magic ruler, it looks like you see 2026 operating cash flow in line with 2024, which implies about a billion euros of improvement compared to this year. Can you talk about the different buckets of EBITDA, working capital and other to get to that number? Does that include the federal guarantees, which I assume it does?

Dirk Elvermann: Laurent, let me take this question. It includes two assumptions: First of all, a certain push, also from the earnings power that we have in the company with all the self-help that we have explained. And then also dividends from at-equity reported companies, which, once a cash inflow is happening, would also be reported as free cash flow. So, this is a contributor as well. Yes, I confirm that.

Laurent Favre (Exane BNP Paribas): And the federal guarantees?

Dirk Elvermann: Yes, that would be part of it because, once we are receiving money, Wintershall Dea as an at-equity reported company has to book it and then distribute it via dividend. Then it would flow in as at-equity result from the associated company.

Christian Faitz (Kepler Cheuvreux): Two questions. First of all, can you give us a specific example of the scope re-evaluation you were talking about in Zhanjiang?

The second question is: If you won €10 billion in a lottery or generated it as cash flow or asset sales, which region would you invest this in in the current geo situation? We are in an overregulated Europe, an unpredictable U.S. and an oversupplied China.

Markus Kamieth: First of all, we're not playing the lottery, just for the record. We try to stay away from this. We have better ideas about what to do with our money than playing the lottery.

The first question on Zhanjiang: When we designed the project between 2018 and 2020, we designed it in several phases. Still today, we have ideas on paper where we could potentially extend some of the value chains even further downstream. Given the current market environment, this is not something we have a strong appetite for. We are focusing on rounding out the Verbund as we had it at one point in time; we called it phase one. We added a few minor assets where it was smart to actually do this. And we are now approaching every decision on assets that we might build in Zhanjiang with awareness of the current market environment and with a strong make-or-buy focus as well.

We have actually decided, for example, to source certain materials in the Chinese market for quite some time because the market is long; it's available. That seems to be advantageous right now.

That is not a stop for investments in Zhanjiang. But I would say, the time that this project gets any kind of air cover because it's a new Verbund site is over. Now, every investment project, when divisions have the idea to put a new asset into Zhanjiang, has to fulfil our overall profitability expectation.

Right now, for the time being, in Zhanjiang, we're done.

To your question about if we have a focus area for further investments: We have been very outspoken, also in the strategy, about our capital allocation when it comes to regions. From my perspective, it is very prudent to look at Asia and continue to look at Asia as *the* market for growth. In the next 10 years, more than 80% of all growth in the chemical industry will happen in Asia. It will happen in seven countries in Asia: China, India and five ASEAN countries. Today, in 2025, more than 100% of chemical market growth globally is in China. The rest of the world is shrinking.

China continues to be the growth engine of the chemical industry, and we are well invested in China. China has become a more cyclical, a more competitive place. We are, of course, now changing our focus very much to South Asia, meaning India, but also Southeast Asia/ASEAN as the next opportunities for us to invest. Challenges: These markets are significantly smaller than China, but they offer opportunities because you will see strong growth of domestic manufacturing and the domestic chemical industry in these markets. If I could make a wish, these would be the next areas for hopefully very profitable organic investments for BASF.

Chris Counihan (Jefferies): I found the China ramp-up slide very interesting, showing the overhang in startup costs, but also the limited earnings contribution or still loss-making, as you said, in 2026.

I'm not trying to draw you on a 2026 guidance. It appears you're implicitly saying upstream markets globally remain under pressure, not just in China. So, what are the implications of this across the broader BASF upstream portfolio into 2026 and beyond?

How should we be thinking about that path to 2030, towards the €1 billion to €1.2 billion and how the market balances over time?

Markus Kamieth: You are right. Our view into 2026 for most markets is actually not that we currently expect new end markets and/or chemical markets to change significantly in momentum in 2026 versus 2025.

Since April 2, we are seeing a quite difficult end market development, very little volume growth in most end-use markets, and a continued challenging environment especially in upstream commodity markets with low margins across the board, as discussed many times.

I don't think this scenario will fundamentally change next year. We might see some improvements. We have some positive triggers, certainly next year, for example, in Europe – which is still our biggest market – things like the stimulus package of the German government. Generally, the appetite to invest more in defense and other sectors will certainly be a bit of a tailwind, but it's not going to change the picture fundamentally.

We have not gone through the exercise of operational planning for 2026 with all our divisions yet, but our guidance is: Don't plan with too much growth next year

unless you have a particular situation, such as starting up a very competitive capacity, you have locked-in contracts, you have certain market segments where you launch a new thing. But in general, don't expect too much from the market and focus on self-help measures.

We have a big machine, both in terms of cost and in terms of assets, where there's a lot of self-help. Then, there's always the question of how fast you can execute this to actually drive your profitability. That's where we put a lot of effort, focus and pressure. Also on being as quick as possible because I don't expect a lot of tailwinds for 2026, particularly not in upstream.

Dirk Elvermann: I couldn't agree more. Maybe just one more data point: If you look at our volume performance year-to-date – and that goes upstream to downstream – we're holding up in terms of volumes. It's rather prices that are the challenge and even more so FX. But I think it's fair to say that the company is holding up quite nicely in terms of volume development.

As we said earlier, we are in a position now to use our reserve capacities. So, there is room on the basis of the self-help we are doing to push more into the market. I think this is one lever that we will also activate in the coming years.

Markus Kamieth: Right now, as I just described, China is growing as a chemical market and the rest of the world is contracting, probably slightly negative numbers for 2025.

The latest number I've seen is: We are still volume-positive year-to-date versus last year. You know that we are rather small in China. Our footprint in China is not big; we have only 13% of our sales in China. That shows you that we're holding up volume-wise also fairly well in this difficult environment. That shows the strength of our businesses. But it's a tough market and will stay probably challenging for 2026; that would be my guidance.

Tony Jones (Rothschild): Firstly, if we see more China production volumes exported to Europe and then less to the U.S., how do you see the BASF and market response if margins stay low for longer?

Then on the Verbund: Years ago, you used to talk about roughly a billion euros of savings from the Verbund model. I don't think you disclose that anymore. But with the portfolio changes and the new China complex, could you update us about what the savings could be to the group?

Markus Kamieth: I'll start with the second one. I know the billion-euro figure; we have communicated this in the past. This was probably based on a lot of questions asking us to put a number to this Verbund advantage.

For me, it's a bit of a theoretical thing. Think about the value chain, the EO value chain that I've shown you. You can, of course, do calculations, such as the savings of not transporting stuff between sites. You can come up with inventory that you don't need because you have this all in one site or in one company. But I think, at the end of the day, this is a bit theoretical. I don't know whether this billion-euro figure has ever been really tangible.

Ultimately: If you have this value chain and you are competitive on all steps – that's always the prerequisite. A long value chain does not help you if you are uncompetitive at certain steps. You have to make sure both on the upstream side and the last downstream asset are competitive against their respective peers.

The true value comes from resilience because upstream and downstream markets have very different price volatilities. It's, of course, supply security. And it's the value transfer and steering opportunities you have. That's the true value.

If you split up our EO value chain into 10 companies and they all have to negotiate with each other every quarter for pricing, for volumes, for green attributes, for how to share value, you can already sense that, over the cycle, this is probably not going to be a very profitable setup versus ours.

Of course, if you have situations where upstream markets are long and everything's available and commodity prices are down, you could get away with a non-integrated downstream business and be really happy with it.

But over the cycle, I think this long value chain setup – if you have it competitive on each step – is a really strong, robust setup, and that's why we are pretty happy with it.

Regarding your other question, just one thing. We talked about it with Thomas a few weeks ago. Right now, if you look at the imports into Europe, it's not only China, it's also from the United States. This is because in the United States, especially the C2 value chain built at the U.S. Gulf Coast – based on ethane crackers, low input cost, low feedstock cost – that was all built for China. This material is now not going as much into China, so there's also a lot of stuff coming into Europe.

But, again, these are predominantly cracker and cracker-plus-one products. From China, it's more C3 downstream products. This is more what we see in our portfolio coming from China.

So, you have to be very careful with making assumptions like China is flooding the European chemical market with chemicals. You have to look at it value chain by value chain. But the pressure is certainly increasing. You can also ask the four division presidents later. I think in all their divisions they are also struggling now with more import volumes from opportunistic exporters from China, but also, I would say, especially in Thomas's case, from the United States. Think about it: The tariffs also went away; they were 6.5%, now 0%. That also brings tailwind for U.S. competitors. So, Europe is a more vulnerable place, I would say.

But that only means that in Europe you have to be competitive against imports. Of course, you are never insured and insulated against not-so-value-oriented behavior of competitors that dump products and are very opportunistic in export businesses. But there's also an increasing number of anti-dumping cases now in the E.U. An extreme end of the spectrum can be handled. If it were faster, it would be better.

In general, the only thing that helps is to have competitive assets in Europe. We told you last year – and we stand by this – that most of our assets that we run in Europe are competitive, also against imports from China, the Middle East or the

United States. So, we feel we have a good setup. But, of course, if there's overcapacity in China... China is half of the market, so a little overcapacity in China is a big overcapacity for the rest of the market. It will only finally go away when China rebalances. And that will take a few years.

So, we brace ourselves for stronger competition in Europe as well. Here and there, we will also address this via measures like anti-dumping cases where they are justified. But at the end of the day, there's no silver bullet other than to run competitive assets. We believe that not everybody in Europe will be set up as robustly as BASF.

Thomas Wrigglesworth (Morgan Stanley): Two follow-on questions.

What we're talking about here is to some extent pricing power or the balance of pricing power. So, you have cost-saving programs to keep you competitive. But at the moment, we don't see any effects on the P&L. Maybe that's unfair, but in essence, you give away your cost savings because of the competitive nature in the market.

How do you strike that balance? And when we look at the core, how much of that business is taking those molecules as far downstream as they need to versus being sold as a C plus 2 or as a cracker plus 2 step? That's the first question.

My second question is again around this. Clearly, the Coatings business has a lot of value. What assurances can you give shareholders today about value realization there, that you'll be able to really extract the medium-term prospects in a challenging market for that business?

Markus Kamieth: Your first question: I think you will see some data around the degree of integration, at least for the two big value chains that we will discuss today. Later, you will even get some numbers about how integrated this is.

A value chain is never set up perfectly because, typically, you build an upstream asset as big as possible because you have to be competitive. You need scale. Then you never have the perfect downstream integration. So you always have outlets that you also need upstream to be in the merchant market. This is why it is never a fully closed value chain.

Because of the fact that we run these long value chains, we have a significant merchant exposure with upstream commodities. In good times, this is a wonderful thing. In bad times, it can be challenging. That's just the cyclicity of the upstream portfolio. There's not much you can do about it.

The way you describe the dynamic of the P&L is a little bit backwards. At the end of the day, most of the cyclical, more commoditized chemicals are commodities by nature. Everybody in the market is a price taker. So, you get the price that the market gives you.

The cost efforts we make in the company are to compensate for some of the margin losses that we expect in low-price environments, as we see today for many chemicals. But you don't do the one because there's the other. The cost savings and increased competitiveness, becoming more productive, getting asset

effectiveness up – these are all no-regrets moves. We would do this even if margins were better. It's not so much a reactive move as it is a move to become as competitive as we can be in the medium to long term in an environment that will no longer allow us to have any kind of fat.

But short term, the margin level you achieve in commodity markets is not something that you can influence. The only thing you can really influence is your cost position and your competitive position and how high your utilization is. If you're a marginal player, you have a tough time these days because then you cannot run your assets and you will not be able to place your volumes. And that's what we see.

We see quite a big gap in utilization rates. I always quote the example in China because it is out there. In China, the average cracker utilization is 70%. By the way, in Europe it's not much higher. In Europe, it's 75% cracker utilization, and cracker utilization in the United States is also in this range.

But we run our Nanjing cracker at 95+%. We run it as hard as we can. As we are at a very low point in the cash cost curve, we can still create value out of the ethylene and the propylene that come out of the cracker when a lot of other players in China who don't have that downstream integration can no longer do it, and they have to shut down.

That's why you see this shut-down and start-up mentality of many of our competitors: because they don't have the cost position and the integration. This is really the key. That's what you can influence. This is why I'm always preaching: We have to have competitive assets in Europe. And then, even if the weather is bad in Europe, we will still be able to win our races.

Dirk Elvermann: Regarding your second question, I can give it a start. I think, Tom, you are spot on. We have to capture the value from this business and this is what we will do. This is also why we stressed that we are not disposing of the asset because we are in urgent need of cash or anything like that. What we want to do is to unlock the value of the business.

If there is a transaction, we still say there might be different kinds of transaction, whether it is a joint venture or a straight sale. In the end, we will only decide on a transaction if we have confidence that the full value of the business is also reflected in this transaction. This is why we gave ourselves the time to do it, with all the speed attributes that are important for us. And why we said we are a little bit agnostic about what a transaction structure would look like. Because we have to make sure that the value is unlocked and that we are, with our share, participating in the full value of this business.

Markus Kamieth: That's why I never like to read that this is a disposal process. For us, it's really an unlocking value exercise. That's the lens through which we look at this. That's why we are agnostic. We are also open towards different ways of doing it. And we're fully aware that there's a lot of value you can leave on the table if you do it wrong.

So, the assurance I can give you is only that we take this part of that consideration very seriously, and you have to trust us that we're not eager to throw value away.

Matthew Yates (Bank of America): Just to follow-up on Coatings: I'm trying to understand the accelerated share buyback as to what is different today versus a year ago, because I wouldn't necessarily think the balance sheet is stronger than you would have thought a year ago. So is the delta that a cash transaction in Coatings is now more unlikely than a JV or some other structure? Or is there any other reason why you feel you're in a position to accelerate the buyback?

Dirk Elvermann: Let's maybe move away a little bit from a specific transaction. If there were a transaction, then it would be obviously a valuable one, a big one.

The fundamental thinking is: We are now carving out the standalone businesses and have various forms of transactions for them. The core business, for the time being at least, is getting a bit smaller. So, apparently, we also have to address the capital structure, starting with reducing the debt levels. This will allow us – from a position of strength – to also do the shareholder distribution that we have promised.

Currently, our confidence level is such that we say: If there is a Coatings transaction coming, then we are in a position that we can a) uphold our promise on the dividend – that's very clear; b) we can do meaningful deleveraging with a clear goal to maintain our single A rating; and c) also accelerate share buybacks.

Markus Kamieth: Let me just add: The question of share buybacks is also dependent on our belief that the company is significantly undervalued today. So, the timing is not bad for share buybacks right now because the value of the company is low, it's attractive. It's an attractive buy for us. That's my simplified view on this.

Matthew Yates (Bank of America): I have a separate question about this idea of value chains. I'm sure, by the end of the day we will have learned a lot more about it. Do you think the value of that is the same as it was five or 10 years ago?

It strikes me that there's more capacity, there's more competition in multiple parts of these value chains. If we think forward five to 10 years from now, will the value of that integrated strategy still be the same?

Markus Kamieth: My answer would be yes, but your hypothesis is still true because all of the businesses in my chart of the EO value chain, with all these outlets, have commoditized. They all have more competitors now than they had 10 years ago. So the value capture in each of these outlets is under more pressure than it was 10 years ago. That's true.

But, generally, the delta between running this in an integrated or non-integrated way has stayed the same. It's more difficult right now to capture high value-adds and the overall competitive pressure is there.

That's what we have been seeing in the chemical industry for a number of years and decades: There is this sliding commoditization of most products. We're working against this with our big R&D machine, cranking out new products. But, overall, there is this trend. I still believe that the relative advantage of running this in an integrated fashion has stayed the same.

Chetan Udeshi (J.P. Morgan): You're not taking questions from audience on the webcast. So, I'm getting a lot of questions on the one common question, which is: We heard you provided some trading update last evening. Maybe for a broader audience, can you just provide a bit more granular update on how you see things?

For me, the most striking thing was not that margins are under pressure in your chemical business, but more the comments on ag starting to come under pressure. So, maybe if you can provide some granularity on the third quarter, that would be helpful.

The second question was the German insurance payment. The magnitude at some point was €2 billion, €2.5 billion. Is that the magnitude we are still looking for from a BASF perspective?

The third question I had was actually on cost savings. It feels like cost savings are just neutralizing the fixed cost inflation, at least from what I can see. Will that change next year? Are you expecting cost savings to actually more than offset the inflation, so that you have a net contribution?

The last question, on Zhanjiang: Will the EBIT loss be worse next year than this year? You also will have a big step-up in D&A, I suppose, if the EBITDA is not improving. Can the EBIT loss be higher than what you have this year?

Dirk Elvermann: I'll start with the first three. Let me start with the federal investment guarantees. We are still not disclosing the exact amount, we never have done this. There's a lot of speculation how much it is, but the rules of the game are to stick to confidentiality here.

I think I gave you a couple of data points today where you see we are making concrete progress. Unfortunately, more is not possible for now. It's not reflected in our books, though. So whatever we are collecting is an upside to the current investment case.

On the cost side: For sure, inflation is the biggest counter-effect to our ongoing cost-saving measures. I showed you the one slide where the one-time costs for the program are apparently stopping by the end of the year 2026. So this will be helpful because the run-rate delta versus cost to achieve is getting bigger and bigger. So that's helpful.

Secondly, we also have to be very clear: We have to address the inflation bucket and see which parts of inflation you can influence with self-help and then do that.

And thirdly, there will have to be one point where pricing power will have to come back in order to sustain the model. That's also very clear. So you cannot just do it on cost saving each year alone. But for the time being, we feel cost saving is the way to go in this trough situation – which we will have to exit eventually. Current trading: I'm building on what we said at Q2. Q3 is trending in the same direction. We are holding up volumes quite nicely. Prices are a little bit subdued but also not significantly.

The big thing for euro-denominated companies, obviously, is also the FX effect. Overall, don't expect a significant shortfall. But also don't expect at this point in time a recovery.

What we also said yesterday was: There are some pockets where we really have nice results. The semiconductor supply was already mentioned yesterday evening, where we have a strongly growing business, admittedly on a smaller basis. The auto business with a particular emphasis on China is holding up quite nicely, which I think is also better for BASF than for other companies with auto exposure.

And especially on the ag business, as you asked: We are very confident that the ag business – in an environment which is not easier – is delivering on what was planned at the beginning of the year.

Markus Kamieth: On Zhanjiang, I will not give you now a 2026 detailed breakdown of the P&L. We probably will get a little bit more precise when we get closer to it and also do our planning for next year. But roughly, since you also mentioned depreciation: We gave you the capex number: €8.7 billion. We depreciate over 15 years. So, it's not rocket science. We will be facing roughly €500 million of depreciation. This is the order of magnitude. I don't know whether it's the exact accurate number, so don't crucify me if it turns out to be a bit different. That's my back-of-the-envelope calculation.

We have startup costs this year. The startup costs will still be significant next year, so we will have a spill over. Technically, we will start up the plants at the end of the year, but when you run up big assets, it's quite a lot of hangover of real startup costs, of additional people. You need to make this stable. It's a bit of a dynamic picture. That's why I cannot be as precise as I would like to be, to give you a guidance on what the net EBIT impact will be from Zhanjiang next year.

We'll do our best to do this, maybe in one of the next calls, to give you a bit of an impact there. But right now, I don't want to pull this number out of my pocket. But that depreciation number gives you one element that can maybe help you bridge these numbers a little bit.

Alejandro Vigil (Santander): My question is about the decision to keep the Environmental Catalyst division and the rationale of that, if you tackle the market and you thought the potential valuations were not attractive enough. Can you elaborate on that process?

Markus Kamieth: It's relatively simple. It's as you have said. When we carved out this business, we received a lot of interest. Also, people were asking: What is the future of this business? Through the internal carve-out, we already prepared a potential strategic option, as we said. Even in the original announcement, we said we are willing to look at strategic options.

But what it shows is that it's a business that has this sunset character. Eventually, we will probably see a declining market. Of course, most people that would be interested in taking over such a business assign a very low terminal value to this business. And that leads to a valuation that gives you potential EBITDA multiples that are lower than what BASF Group has.

This business is doing operationally very well; we are gaining market share. We are in the right markets with the right technologies. I have ample opportunities

through the carve-out to rebase my cost structure and this is now a time where I have to spend very little capex. I can extract quite a good cash flow out of this business.

I gave you a number today, which is also an updated number. That is roughly a run rate of €500 million cash to the Group every year. You can also compare this to other similar-sized firms in this industry. That's a very attractive cash flow.

I believe that, given my valuation as BASF Group, my investors can value these cash flows higher than a potential buyer would. And that's why I say: Not only is BASF a good operational owner of this business because we're showing our team runs it very well, BASF is also a good financial owner of this business if it maintains this cash flow strength.

I personally believe it will last even beyond 2030 for quite some time.

James Hooper (Bernstein Société Générale Group): I just want to ask about the capex cut from €17 billion to €16 billion. What were the key drivers of this? Is this the Zhanjiang saving or are these higher hurdle rates? Is this maybe flexibility for other kinds of growth investments? You mentioned Southeast Asia/India in your presentation. Obviously, the German government is doing a very large infrastructure defense program that probably will need help from the chemical industry.

Markus Kamieth: Yes, true. On your last point, you're right. The stimulus package in Europe is an upside. There are also other upsides. I think there's pent-up demand in infrastructure in many economies, at least in the Western world, particularly in Europe. The infrastructure spend, or the bucket of €500 billion, is now a clearly compartmentalized bag of money. It will not come as fast as some people think. It will take some time: German bureaucracy, planning processes, permits and so forth. But we will see this probably towards the latter half of 2026. It will make a difference.

Still, I would say today, looking at the asset setup that we and most other chemical companies have in Europe, this will not trigger investments in capacities in Europe. Let's also keep things in perspective. It's €500 billion over, I think, more than 10 years. So it's not going to put Europe into space in terms of growth rates.

But it's a tailwind, for sure. And we will capture this. We are also very strong in all the inputs in the construction sector especially. Because don't forget: For every building, for every school that's being built, it's not only the cement and the construction material. You need to insulate the building. You need to put a carpet in, you need to put paint on the wall. You need to put plugs and cables in these buildings. This is what drives chemical demand. Building, like no other industry, drives chemical demand. So there's this upside.

Now, is there room for additional capex? For sure. However, over the next years, we will run a tight ship in capex. And that's basically the answer to your first question, that we are coming down from €17 billion to €16 billion.

There is no official strategic guideline we can give you. It is a matter of us going through all projects and challenging every project, asking: What can we postpone, given the latest market outlook? What can take a year longer? And what can we maybe put on the waiting list? So, this is not a strategic discussion, it's very operational. It's very execution-driven. You can also ask the division presidents later. Capex is a tough discussion right now in the company.

Dirk is running a really tight ship here and I think it's appropriate. However, we have ideas and Dirk also mentioned this on one of the slides. For our growth capex, we want to allocate it to the markets that will eventually grow. We are very committed to doing all of these smart investments in areas where markets will grow. But we're always talking about a timeframe of 2025 to 2028. Even if we decided today that we were doing a big project in Vietnam or India, the spending would come towards the end of that period; so it's not going to make a big dent in it.

I think we also have to reassess this over the course of the next years. But for the time being, the direction is clear: We will stay very disciplined on capital.

Dirk Elvermann: Just one small addition: The reduction in capex is not financial engineering. It's real.