



We create chemistry

Capital Market Update – Keynote

Transcript Speech

October 2, 2025

Dr. Markus Kamieth

Chairman of the Board of Executive Directors

Dr. Dirk Elvermann

Chief Financial Officer

Markus Kamieth

Welcome here in Antwerp!

We are here to give you an update of where we are one year into the new strategy. Today, we also want to take a closer look at our core businesses because, since we started to differentiate in our portfolio steering between standalone and core businesses last year, we've spent a lot of time talking about the direction of travel for our standalone businesses. I will also give you an update on this, but today we want to focus on the core businesses. And what better place is there to do this than in Antwerp?

Antwerp is a very proud site. It has a motto in Dutch that means something like "the coolest site in chemicals." You will see today that this has some merit to it. It's really a very cool site and a very successful site.

[Slide 2: Why are we in Antwerp?]

So, why are we in Antwerp today? There are a lot of good reasons for this. First of all: the strategic relevance of Antwerp, not only for the chemical industry but particularly for BASF. It is BASF Group's second-largest Verbund site in the world and it really symbolizes the concept of integration and Verbund very well. For example, it has one of the highest degrees of energy integration of any chemical site worldwide. At least during some times of the year when the temperature is not too extreme, the site is energy-neutral. So, you don't need to have any steam production on site because the energy integration is so good.

It has a strong footprint for our core businesses. All eight core operating divisions are present here in Antwerp and the four divisions that are going to be highlighted today along the two major value chains are big asset owners here at the site.

The site was built 60 years ago. Roughly 30 years ago, we started up the steam cracker here and it's still Europe's largest steam cracker – and will likely remain the largest for some time.

We have the opportunity today to take a look at two of our major value chains here in Antwerp: the polyurethanes and the EO value chains. We will share how we think about our value chains, their value, their characteristics, and why this matters so much to BASF.

Antwerp itself has a lot of advantages, such as being close to one of Europe's busiest and largest ports. Certainly for chemicals, it is one of the most important ports and has an excellent location.

What you can also see here in Antwerp is sustainability in action: a high degree of energy integration. A lot of ideas about how to drive the green transformation, which is so important in our industry, along the lines that we have described in the strategy.

This is why we're in Antwerp today.

[Slide 3: One year Winning Ways strategy]

Now on to our Winning Ways strategy. We launched this roughly one year ago. I think it's fair to say that we set a new course for BASF, to get the company on its Winning Ways for the future. We focus predominantly on the topics of portfolio steering, capital allocation and establishing what we call a performance culture or winning culture in BASF.

That was the start a year ago. When we reflect back – and with all the things that have happened over the last 12 months, it has not been the steadiest time in the world, as you know – from today's perspective, we still think that with this strategy, we picked exactly the right topics to transform, to initiate change, and to focus on.

Despite all the macroeconomic developments, we remain very convinced that we have chosen the right strategy and the focus areas we identified are the right ones.

We will show you today that we are also making significant progress on our initiatives for the strategy implementation, despite all the headwinds that we are currently seeing in our markets. We are just increasing our appetite to focus even more on self-help measures; we will talk about this later. In the current environment in the chemical industry, this is absolutely key.

[Slide 4: Our ambition: To be the preferred chemical company to enable our customers' green transformation]

Just a quick reminder what our strategy is all about. This was the narrative structure for our strategy that we presented a year ago, always starting from our ambition: To be the preferred chemical company to enable our customers' green transformation.

We have structured our strategy implementation around these four levers:

Focus: Here we ask: What is the portfolio we're striving towards in the future? How do we create and unlock value from our broad portfolio in BASF? How do we improve internal capital allocation for our businesses?

Accelerate: This is largely about internal transformation, making BASF leaner, more streamlined, a faster and much more productive company. And bringing AI as a new enabler and as a new "muscle," if you will, into the organization to really bring BASF to the next performance level.

Transform: This is all about how to shift focus in the green transformation away from a target-driven to a market-driven transformation. It means lowering our risk profile and making our green transformation pathways more adaptable to the quite volatile progress of the green transformation in our customer industries and to the unpredictability in the regulatory environment.

I think we are making great strides here. And, of course, it was about making our European sites more competitive. This means over the past year, we focused a lot on getting our costs down, in Ludwigshafen in particular, but also at other sites around the world. We'll give you an update on this as well.

And last but not least...

Win: This lever is all about driving a performance culture in BASF from top to bottom, from the boardroom all the way to the shop floor. It has a lot to do with how we deal with each other, which kinds of behaviors we're trying to promote in the company. This is a topic I'm very passionate about and we're making great progress.

If you talk to BASF people, many of them will tell you that, over the last year, the conversations in the company have changed a lot when it comes to culture, performance orientation, output orientation and speed. For example, the speed of how we make decisions and how we move the company forward.

We have also introduced a number of more hard-wired things in this Win column. For example, we've changed the entire performance management system in the Group for all of the more than 100,000 employees worldwide. We changed from a very monolithic performance management, for example, for how annual bonuses were paid. Now we have a very agile and more targeted performance management system where each individual is ultimately rewarded based on the performance of his or her respective division.

So that was the "canvas," the solution suite for our strategy implementation. From our perspective, we are on a great path and we will try to convince you that you see it the same way after today.

[Slide 5: Core and standalone businesses have different value creation levers]

Let's start with the portfolio. Last year, we introduced the concept of separating BASF's portfolio into what we call core businesses and standalone businesses. Our four segments – Chemicals, Materials, Industrial Solutions and Nutrition & Care, along with the eight operating divisions that make up these segments – are what we call our core businesses. As you see, we have laid out clear financial ambitions for the year 2028: to take the core businesses from €5.4 billion EBITDA before special items to between €7 billion and €9 billion over the next years.

On the other side of the slide, we have what we call our standalone businesses. These are the businesses where there is no strong connection to the core. They are not integrated in our value chains. They are also typically competing in the market with pure-play companies. So, they have a much different business and competitive environment and different success factors.

We've also said that we want to look for ways to unlock the value that we have in these standalone businesses. There's often a situation where these businesses could command a clear premium over the valuation they have as part of a chemical company. We will update you in the next slides on where we are with all these standalone businesses.

But the main focus later on will be on the core. We will talk a lot today about the value chains, about the Antwerp site and about four of the divisions that are part of the core.

[Slide 6: ECMS]

Let's start with an update on the directions of travel, as we call it, for our four standalone businesses. Let's start with our ECMS business, which is our automotive catalysts and precious metal services business.

As you know, we started the internal carve-out of this business in 2022. With hindsight, I have to say this internal carve-out and the repositioning of this business in view of a low-growth market, maybe even eventually declining market in automotive catalysts has been a real success story. The team has done an outstanding job in reinventing themselves and creating new structures that are more targeted and fit-for-purpose. And this has significantly reduced the capital requirements. We are now putting this business in a mode where we have the optimum setup to extract attractive cash flows for quite some time.

Even over the last year, the expectations for the development of the automotive catalyst market or for the internal combustion engine have also changed quite a bit. Today, I think many people would agree with what I said at the last Capital Markets Day in September 2024: If this is a sunset business, it will be a very long sunset. I think this statement is even truer now than it was 12 months ago.

We believe this business has a bright – and long – future. With the setup we have chosen, we also gave it the right environment to be a very successful business in BASF.

As you can see here: Between 2024 and 2030, we are expecting a cumulative cash flow contribution of roughly €4 billion from this business to the Group. So, it's a very significant cash contributor to the Group based on the new operating model. This also means that BASF is a very good owner for this business because we can typically value the cash flows higher than any other company would do at this point in time. So, we believe that this business is set up stronger for longer and will remain part of BASF Group for quite some time in this more standalone and independent fashion.

[Slide 7: Battery Materials]

A short update on batteries. Here, the market situation has turned out to be as challenging as we described it last year, especially outside of China. A lot of developments have been very volatile in the battery market, both with cell manufacturers and battery materials manufacturers. I think here, too, the path we chose last year proved to be exactly right. We have reduced our fixed costs significantly and ramped down our capital spend to near-zero, basically de-risking our pathway, at least for the next year, because of the volatile market environment in battery manufacturing, especially in Europe right now.

I think this was the prudent thing to do and the team has done an outstanding job of restructuring this business based on these market volatilities and headwinds. We have worked very hard on creating partnerships along the value chain that will help us enter the phase of profitable growth once the market comes back.

You've maybe also seen that we've announced one of these collaborations with the market leader in battery cell manufacturing, the company CATL from China. We have agreed to form a strategic supply relationship with CATL. Now, we are

very confident that we will fill our existing assets over the coming years. We have 190,000 metric tons of capacity for cathode active materials, so we can grow significantly without having to build new capacities in this business.

Overall, in a tough market environment for everybody in the battery value chain, I think we've chosen exactly the right path.

[Slide 8: Coatings]

A short update on Coatings. You know that we have approached this portfolio journey or “direction of travel” in two separate steps. One step we concluded last night. As we announced, we successfully closed the divestment of our decorative paints business in Brazil, the Suvinil business. This has been divested to Sherwin-Williams for an overall purchase price of \$1.15 billion. From the announcement to last night's closing, we completed this transaction in one year, which also exemplifies our strategic focus on speed. I think this was a very successful transaction.

Concerning the rest of the Coatings business, representing roughly €3.8 billion in sales, we've also announced that we are looking for ways to unlock the value of this business, either by forming a joint venture or a divestiture.

We started the process in the second quarter. We went to the market, got a lot of interest, both from financial as well as strategic investors. We are currently in discussion with highly motivated parties to come to a conclusion here. We expect that a decision is going to be published in the fourth quarter. So, we are in the middle of it and remain confident that we have chosen the right approach. Also, we are happy with the response that we got from the market.

[Slide 9: Agricultural Solutions]

Last but not least, the fourth standalone business. Our most valuable business, so to speak, is our Agricultural Solutions business. There was quite a lot of noise in the agricultural solutions space over the past days. We have decided here to pursue the pathway of carving out this business internally. We will set up its own legal entity structures and give it the right process and IT environment to operate as a standalone entity and then prepare this business for an IPO. We target IPO readiness by 2027, with a partial IPO as a next step.

I have to say I'm very impressed by how the team has taken this on and how far we have come in this process; they are extremely diligent and professional. We're very confident that this IPO preparation phase will be on time and according to our expectations.

Overall, we can report good progress here and we are staying on track with this direction of travel that we published. Based on the recent news that you've seen, let me also repeat that we are firmly convinced that our strategy of having an integrated business model between crop protection and seeds is exactly the right one. And with our focused approach when it comes to crop systems and target markets, this strategy is exactly right.

We believe that this is the winning model for BASF, also going forward.

[Slide 10: We confirm our financial targets and create the foundation for attractive shareholder distributions]

I just wanted to reconfirm: For 2028, we had announced the financial targets of €10 billion to €12 billion of EBITDA before special items, a cumulative free cash flow of €12 billion over the period 2025 to 2028, and a targeted ROCE by 2028 of around 10%. Today, despite the fact that 2025 has certainly turned out to be much more challenging for the chemical industry in general, we want to confirm the targets. We are staying focused on self-help measures and everything that is in our control in order to execute our plans and stay on course to deliver those targets.

Dirk, I would ask you to take it over from here.

Dirk Elvermann

As Markus just said, we confirm our mid-term financial targets.

We are also confirming the shareholder distributions that we announced last year. So, we will stick to the dividend policy that we announced last year. Our strategy is to pay out at least €2.25 per share to our shareholders each and every year, plus share buybacks, which should bring the overall shareholder distribution between 2025 and 2028 to at least €12 billion.

With this confirmation of both the corporate financial targets and the distribution policy comes a new capital allocation framework that we already presented to you last year.

I would like to provide an update on this, giving specific examples, including what we have done in the meantime to reinforce our capital allocation framework.

Basically, it is about three things: First of all, maintain our financial strengths, which will require that we protect our balance sheet; it will require that we deleverage the current debt level of the company.

Secondly, grow with high capital efficiency. This will require that we use the capacity reserves that we have in the system. You might remember: Last year we gave you one data point saying each percentage point of additional utilization we get from our machine park will bring us an EBITDA contribution of around €300 million plus. So, you see where there are value pockets within BASF.

Thirdly, we are sharpening our portfolio. We already alluded to this. This will allow us to channel the funds that we have available in the company to those activities that are moving the needle for us and avoid funding things that are distracting us.

[Slide 11: We are realizing the benefits of earlier investments and bringing down capex below depreciation as of 2026]

Now let me give you some more substantial information and some examples of our capital management that we have started since launching the strategy.

First of all, we will significantly bring down our capex until 2028. With the completion of the Zhanjiang Verbund site and the completion of the MDI plant

in the United States next year, we will conclude our major investment program, and we will be a very well-invested company.

This means we can work with the existing machine park for quite a while. And this allows us to even further reduce the capex amount we announced last year.

Last year at the strategy launch, we told you that we would probably spend capex of €17 billion in the 2025-2028 period. In the meantime, we can very comfortably say it will be €16 billion at most.

We'll rigorously pursue asset utilization, as I already mentioned. And, importantly, we will direct the majority of the capex to growth regions and growth businesses going forward. This also shows how we want to be more selective with our capital allocation.

[Slide 12: We are committed to strict capital discipline while pursuing selected investments in growth markets]

On this slide, you see a very recent photo of our new Verbund site in Zhanjiang. I'll share with you three examples of how we are spending or not spending capex going forward.

Let's start with Zhanjiang. This project has been executed according to schedule. We are very confident that the site will be up and running by the end of the year and it has been delivered significantly below budget. We have been alluding to this for several quarters, but now I have a number for you.

We are completing the project with a capex €1.3 billion lower than originally estimated. So, the €10 billion project that we announced is basically an €8.7 billion project.

That is thanks to the team's very disciplined management approach. It is thanks to some rescoping – relating to the technical setup, not the portfolio field – which helped us to save some money here. And it's thanks to a very smart procurement approach, which also leveraged the tight and tense conditions on the engineering market during and after Covid. So we can now safely say: With these procurement savings and some rescoping, we are realizing this project for €8.7 billion.

Second example: We are also not shy about changing course on certain things if the situation is changing, if the environment is changing, and we have the feeling that deploying capital for a certain project is not the best use of our money right now. This was the case with the low-carbon ammonia joint project that we evaluated with our partner, Yara. Both partners came to the conclusion that, at this point in time, this is not the best use of capital. So, we stopped that for good. Instead, to meet our low-carbon ammonia demand, we will source it from the market and explore other possibilities.

The third one is a smart investment in our integrated site in Ludwigshafen, where we have announced construction of a semiconductor-grade sulfuric acid plant. This plant will come on stream in 2027, which nicely coincides with our partners' demand because they are also expanding capacity for their semiconductor business into 2027. So, that's an investment that is planned exactly for the demand that we already see coming.

To sum up: We are doing things cheaper; we are not pursuing certain projects; and we are smartly investing incremental capacity in those businesses which are yielding good profits.

[Slide 13: We are on an accelerated path to achieve our targeted ~€2.1 billion cost savings by the end of 2026]

You are probably very familiar with this graphic and you hear me repeating that we are on a very good track with our cost saving programs. I am saying it again, but would also like to give you some good examples of this. We are indeed accelerating our cost saving program. We have a current program of €2.1 billion, which is basically addressing 10% of the overall fixed costs of the BASF Group. If you look at the addressable fixed costs of the Group, it's actually 13% to 14%, so it's quite a big program.

We have accelerated this and are confident that we will achieve savings of €1.6 billion as a run rate by the end of this year and the remaining €500 million by the end of next year, so fully on track.

We are now also gradually seeing the effects of this cost saving in the P&L, because the delta between the one-time costs and the run rate that we are achieving now is getting wider and we are seeing the effects that we wanted to see.

So, this is in full swing. It is accelerated and it will be delivered as planned.

One of the questions we always get is: Once you have concluded the project, are you then done? We as a board, as a management team, say: Under the current conditions, we are never done, but the cost savings will continue. We will go into a continuous productivity improvement mindset. So, we will deliver the €2.1 billion and then we will move forward.

[Slide 14: We are decisively executing the €1 billion Ludwigshafen Cost Improvement Program by 2026]

Let me also talk a bit more about the site in Ludwigshafen. We are addressing the Ludwigshafen site specifically with a €1 billion program, which is part of the €2.1 billion.

What are we doing there? We have a number of project groups to achieve these savings. I would like to give you three concrete examples of what we are currently tackling.

One is the further streamlining of our asset park. We already announced a few plant closures after looking meticulously into each and every plant to see whether they were competitive under the current tough conditions. We have announced the closure of the adipic acid plant, the CDon plant and the CPon plant. And now we take the next step and have also announced the closure of the hydrosulfite plant in Ludwigshafen. This plant is not contributing to the earnings of the site anymore and it is not critical for the Verbund itself. So, we have a clear case to close this plant and we are going to do that.

A big savings potential we have is in the non-operations part, including all the site services. Here we have just taken one measure to consolidate all the central

maintenance into one unit in Ludwigshafen. This sounds a little bit trivial. So far, it has been scattered in various units. By consolidating, we are reducing a lot of interfaces and achieving a significant headcount reduction, which is exactly the way to go.

The third example is in site procurement. We are not solely addressing the fixed cost side but also variable costs. With a new procurement approach, vigorously using not only AI but also game theory, we are currently in a position to significantly lower our spending in Ludwigshafen.

[Slide 15: We have stepped up our operational focus on optimizing net working capital]

Another aspect is the working capital. As you know, as part of our strategy, we also set a very clear and distinct cash target. So, it's not only about earnings, it's also very much about cash. We are setting cash flow targets for the units and each and every unit is laser-focused on the working capital levels.

We have already proven that we can reduce our working capital. Between mid-2023 and mid-2025, we have taken roughly €3 billion of cash out of the system by simply reducing the working capital. This trend will continue.

There is, of course, some offsetting now when we are ramping up Zhanjiang; we have to fill the plants. This will lead to new inventory levels, but the overall trend – bringing down the inventories, bringing down the DSOs on the accounts receivable side – will be continued.

[Slide 16: We aim to achieve our €12 billion free cash flow target by reducing capex, realizing cost savings and optimizing working capital]

This will lead to what we see on this slide, namely the inflection point for the cash performance. Going forward, we are now assessing an operating cash flow until the end of 2028 of roughly €29 billion. As I've already said, we reduced our capex plan to €16 billion, which will enable us to reach at least €12 billion cumulated free cash flow by the end of 2028.

[Slide 17: Our successful portfolio measures enable us to strengthen our balance sheet and potentially accelerate share buybacks]

Now, I would like to conclude my part with this slide on the cash contributions and cash allocations, including some good news already shared by Markus.

Let's first look at the cash contributions on the left. We executed the sale of our food and health performance ingredients businesses on September 30, 2025. We have agreed with our partner that we are not disclosing the purchase price and the commercial terms. The mere fact that you see it on the slide tells you that it is a meaningful transaction for BASF. So, it's positive news.

Second, as Markus mentioned, the sale of the Brazilian decorative paints business to Sherwin-Williams successfully closed last night, on October 1, 2025.

We are also making good progress on the further monetization of our oil and gas assets. In terms of our participation in Harbour Energy, we have recently participated in the share buyback program that the company has set up. We are

receiving our base dividends and altogether this year will probably get a cash inflow from Harbour Energy of somewhere around €200 million.

On top of that, there is good progress with the federal investment guarantees for Wintershall Dea. I know I have also been saying this for quite some time, but now I can confirm that it is really concretizing. We are seeing the first smaller cash inflows via dividends out of the federal investment guarantee from Wintershall Dea. And there's a bigger payment made to Wintershall Dea still sitting in Wintershall Dea for booking reasons. But what I can say is: We are trending in the right direction there. I am reasonably optimistic that, within the 2025/26 timeframe, we will be able to resolve the majority of this topic.

On the cash contribution side, if there is a successful Coatings transaction, this would lead to meaningful cash inflows. The same is true for the potential IPO of the minority shares in the ag business, where we confirm that we are targeting IPO readiness by 2027.

Moving to the right-hand side of the slide: What are we going to do with the money that we are expecting?

First of all, we confirm the ordinary dividend at a level of at least €2.25 per share annually.

Secondly, we want to deleverage and support our balance sheet. And we want to maintain the current single A rating with a stable outlook that we have from all three rating agencies. This is also a commitment of the management team.

Thirdly, we are focused on the share buyback programs that we have already announced. As we have said, we want to deliver on this in 2027 and 2028 at the latest and reach at least €4 billion by the end of 2028. Under the current circumstances and depending on a successful closing of a Coatings transaction, we may consider accelerating this and starting a share buyback program even earlier than the beginning of 2027.

Acquisitions: Large acquisitions are currently not our focus. Small or mid-size acquisitions – by mid-size, we mean up to and around €2 billion – are always a possibility. The firepower of the company is always there to do this without distracting us too much. So, this is a possibility. We do not expect anything here imminently, but this is a possibility that we would not rule out going forward.

For capex, I think I said my part. We are invested now. We have to make use of the invested assets we have. For the next couple of years until the end of 2028, we will certainly invest below depreciation level, which is probably at a level of €4.5 billion. That's the depreciation level annually; so we will certainly stay below that.

Markus Kamieth

[Slide 18: We are taking decisive steps to increase earnings in our core businesses]

Let me now switch back to the topic of the day; this is our core portfolio.

We're taking decisive steps to increase the earnings in our core businesses. As you've seen, we have ambitious targets to drive earnings growth in our core businesses. We have already described the strengths of our core businesses last year, but we will go much deeper today. Some of the characteristics of the core are worth spending some time on.

We're building on very strong key value chains. I'm going to show you some examples of this and how relevant this is. I think it then becomes clear why we believe this core is actually fundamentally a good portfolio to have and to run, and why this also belongs together.

As Dirk said, we are very much focused on filling existing capacities now. We are coming out of a wave of years of high investments. We have capacity to grow, partly by design because we've invested, partly also because the recent years in all markets have been below expectations, certainly in terms of volume growth.

So, we have ample opportunities to grow. And we're doing this based on very strong market positions. In our core business, 75% of all our businesses have a top-3 market position in their respective markets. So, we are often operating from a position of strength and, as you will see later in some detail, also in a position of good competitiveness.

And last but not least, the core is and remains the innovation engine for BASF. You will see that this part of the portfolio – the core – makes a disproportionately high contribution to innovation-driven profitable growth.

[Slide 19: Our Zhanjiang Verbund site is on schedule and below budget and will strengthen our core businesses]

But let's start with one project that Dirk already talked about. He showed a nice picture of our new investment in Zhanjiang. Here, again, I just want to reconfirm: We are on track to start up the site in late 2025; that's the current plan. Dirk already alluded to the capex budget: €8.7 billion. That is all in, so everything we spend from 2019 all the way to 2028.

As we have also discussed at length over the last months, in many individual discussions and many calls, the site is now starting up in a Chinese market that is very different from what we thought when we made the decision for the plant. It's much longer, a lot more capacities came on stream that were not necessarily all anticipated. And the Chinese market growth has been, at least during the Covid years, somewhat lower than expected. So, overall, we see much longer markets in most value chains.

But that also means that, in these markets, the players who have competitive capacities are at the low end of the cash cost curve and have a strong right to run at high utilization. That's the expectation we have for our Zhanjiang site as well. Most of our plants will be in very favorable cost positions, also in the Chinese market. And we expect a fast ramp-up of our capacities, as enabled by our technical capabilities.

However, due to the fact that we currently see very low margins in most of the commodity markets in China, we will have a slower than anticipated ramp-up of the overall profitability. Nevertheless, we still expect most markets and

value chains to rebalance in China over the coming years towards the end of the decade, so we confirm our overall outlook of the site profitability of €1.0 billion to €1.2 billion in EBITDA before special items. But the ramp-up towards this time will certainly be more challenging. And we're also looking next year at a lower than originally expected EBITDA contribution, which might be either slightly positive or even negative, depending also on the startup costs that we have to incur and, of course, on the market development.

But, overall, we remain confident about this site, its cost position and its competitiveness in the Chinese market. And we are still overall very confident about the rebalancing of the Chinese market in most value chains. This is based on strong demand growth which we continue to see in China even today as well as some of the measures that were prominently discussed over the last month in the public space, e.g., the anti-involution measures, as they are now called. Some of these will certainly be fleshed out in the upcoming five-year plan.

Overall, this is the outlook for the Zhanjiang site. As you can imagine, given the tougher market environment we are seeing, before even starting up the site we have already initiated efficiency programs to make sure we're reaching benchmark cost positions much earlier than originally anticipated. This also applies to non-production areas or services, such as overhead and contracting. So, the pressure certainly is on and we will deliver a great project in a tough market with a strong earnings outlook in the medium term.

[Slide 20: We generate around 15% of sales in core businesses from innovative products]

As I have already said: The core portfolio is the engine of innovation for BASF. Here, you can see some numbers on products that were launched in the last five years. Newly launched innovative products generate 15% of the sales in core businesses. The number is €6 billion. So, this is a very sizeable part of the portfolio we crank out of our R&D machine every five years. The projection is that this number even goes up over the next years. So, the big driver in the core business and innovation is the trend towards sustainability, the green transformation.

All of the divisional presentations that you will see later will have examples, so that you can really see how we are spending our R&D money. You'll see how we're driving the green transformation and how that leads to a relative improvement of BASF's competitive position and how we really transform this into profitable growth for us.

We're very confident about our capabilities to make a difference through R&D, through innovation in the core. I stress this so much because sometimes over the last year, I got the feeling that the perception is that our core is a very commodity-heavy portfolio, which it is not. If you look at the composition of the core, this is still by far the largest specialty chemicals entity in the world. It does, of course, have a certain base chemicals/commodity chemicals character because of the upstream divisions. But there's also a good reason for that.

[Slide 21: We operate long and multiple-step value chains and sell products at every step in the value chain]

That's what I want to introduce today, because today we will talk a lot about value chains and why this matters so much to BASF. The EO value chain is one example that will be discussed in much more detail later with Mary and Thomas.

I just want to go through the general logic in our thinking. Then you will also see why we are making such a big deal about value chains and why, if you look at the current restructuring of the chemical industry in Europe for example, we are not like the other chemical companies that have made announcements about cracker restructuring or asset rationalization.

This is a very rough and very high-level depiction of our EO value chain; Thomas and Mary will show you this in much more detail.

So, we start with ethylene. Typically, when BASF makes ethylene, we make it with a steam cracker. We have mixed-feed steam crackers in all regions of the world and we make ethylene.

But we are not making ethylene to predominantly market products based on ethylene plus 1. We're not in this ethylene market to make MEG or to make polyethylene. This is not our business. Our business is to make magic with ethylene and to make many, many different products out of ethylene, partly with a value-add of 10 times or even higher over the course of this value chain.

You see the outlets that we have for ethylene oxide here on this chart. It goes from relatively commoditized products – such as commodity surfactants, ethanolamines and products like that – all the way to specialties in the agricultural formulation or even in the pharma excipients space, where the molecule of ethylene experiences a huge value-add.

This is basically what we talk about when we talk about Verbund. I know we have abused the word “Verbund” for many things in the past, but this is really what the core of the Verbund is.

You can see: The value-add over a molecule of ethylene looks very different for BASF than for a company with a non-integrated business that runs a steam cracker, maybe even an ethane steam cracker, makes polyethylene out of it and then is a merchant for polyethylene.

This is a completely different exposure to an ethylene cycle. We are exposed to the ethylene cycle as well because it's a key raw material for us. But, of course, we have a very different perspective on why we also run a cracker.

So, it's very important to understand this. And this will be the core theme of our presentations when we look at the polyurethanes and the EO value chain later today.

[Slide 22: 80% of our core businesses are deeply integrated in key value chains, giving us a competitive edge]

Here are four examples of our key value chains at BASF. The ethylene oxide and the polyurethane value chains we will discuss today. But we have other examples

like the C3 acrylics value chain or the C4 isobutene value chain. These four value chains represent roughly 50% of the entire core business. So, 80% of the core business overall is linked to one of our value chains and these four represent 50%.

These are very meaningful parts of the core portfolio. For us, therefore, it's not a very straightforward idea that is sometimes floating around in capital markets to say, shouldn't BASF split up the core any further?

For us, this is a very strange thought. Because we believe that splitting up these very powerful and very well positioned and competitive value chains has a lot of potential to destroy value. This is why this topic is so important to us.

If you look at isobutene, for example, it is sort of a byproduct in a cracker. Probably two-thirds of all isobutene gets made into MTBE or rubber.

We make sophisticated stuff out of isobutene. In the last decades, BASF chemists have invented great technologies to upgrade this isobutene molecule into really fancy things like fuel additives, vitamins and fragrances. Our entire fragrance portfolio is built on isobutene.

So, this is what we do with chemistry. This is what the Verbund is all about. And this is why we are different, despite the fact that we have an upstream business. We run crackers, but we are not a cracker-centered company. Thomas might see this a little bit differently from his perspective. But we run crackers to make magic with chemistry along our value chain.

This is what I wanted to say on this topic before we get to the presentations later.

[Slide 23: We are taking decisive action by addressing the main performance gaps in our core businesses]

Last, I will also address that we have issues in the core portfolio. We have what I call "construction sites." In the portfolio of our core, we also have pruning opportunities. We said this last year, too. Yesterday, we announced that we are looking for strategic options for our feed enzymes portfolio, for example.

But we also have a lot of businesses where we feel there is still a substantial gap to the target profitability. Our approach here is to look very carefully: What can we fix? What do we have in our control? And where can we focus on improving profitability?

Here, I want to be quite open about four of these construction sites, where current profitability levels are not meeting our expectations.

This is partly due to significant global overcapacities, like in the case of butanediol or partly also upstream polyamide value chains. Sometimes this is due to increased competition, like in plastic additives, where a lot of Asian competition has emerged over the last 10 years. Or, it can be asset-related issues, like in our vitamins value chain. As you know, we also had issues with our own production assets.

So, we – also as an executive team – are very much focusing on this because if we fix our issues with these construction sites and we take the steering wheel in our hands, we can actually lift the profitability of the core quite a bit.

As a board, we have spent some time really deep-diving into these “construction sites” and you can see that some of the measures are quite assertive and often include asset restructurings as well. Addressing the obvious pain points in these four construction sites alone will deliver an earnings lift of €400 million by 2028.

So, we have many self-help measures in the core portfolio to address the parts that are not performing according to expectations.

[Slide 24: We are actively streamlining our global organization]

We also put pressure on the organization to get leaner, to accelerate. This was the topic of Accelerate in our strategy. And, of course, the current headwinds in the macroeconomic environment are a strong trigger to accelerate. Making the company leaner and overall creating a more fit-for-purpose setup for the core also means that we can accelerate here.

Here are just two numbers that show there’s a lot happening within BASF on this side as well: Dirk always talks about the savings, the €2.1 billion savings. But if you look at what is really happening in BASF, it’s quite remarkable.

Over the last year – as announced last year – we have dissolved the regional organization in BASF and removed an entire axis from our three-dimensional matrix organization. And we have focused a lot on restructuring existing organizations, for example in Europe, in Ludwigshafen. Dirk has given you some examples.

As a result, since last year, we’ve reduced 10% of all our senior executive positions in BASF Group. We have reduced the number of employees by 3,000 since 2024. That is before the build-up of Zhanjiang. Of course, in Zhanjiang, we now have to add operators to run the site. But if you take Zhanjiang out, we’ve reduced 3,000 positions.

This means: A lot is happening in BASF. There’s a lot of self-help that we really focus on now. It is partly planned but also partly accelerated based on the current difficult market environment.

[Slide 25: BASF’s core businesses will...]

Overall, we feel that our core businesses have a very strong setup, strong leading market positions and strong technology positions. We have the ability to run the business now for quite some time at lower capex levels, as Dirk said. Out of the €16 billion in capex over four years that we have shown, the core businesses will have a run rate of roughly €3 billion or less per year.

We will continue to build on our strengths based on these deep and long high value-add value chains that we run across our portfolio. And, of course, we are increasingly preparing our core for enabling the green transformation of our customers – you will also see some examples of this later. This means increasing our offerings of sustainable solutions when it comes to low carbon footprint, high circularity or bio-based materials, where the Verbund and the value chains that we run are the perfect setup to drive this green transformation with a low risk profile.

[Slide 26: The key to success: execution]

So, this is the program for the core businesses. You will deep-dive later. I will close with a chart that I also showed as the first slide at the Capital Markets Day a year ago. This is what we want to leave as the legacy of the current Executive Board. We want to leave behind a path for BASF that is focused on value creation, value creation for our shareholders in particular. We want to leave behind a winning culture. Especially in tough times like we have right now in the chemical industry in general, execution is the number one, the number two and the number three priority for us.