

# Strategy

## Our Strategy

Chemistry is our passion. Our ambition is to be the preferred chemical company to enable our customers' green transformation. With our "Winning Ways" strategy, we aim to grow profitably and create value for our shareholders based on a broad portfolio as well as our product and process innovations. Simultaneously, we are further developing our performance culture. We rely on four levers to successfully implement our strategy: Focus, Accelerate, Transform and Win. We are systematically integrating sustainability topics into our strategy and business as well as into our assessment, steering and compensation systems. This principle is embedded in our corporate purpose: We create chemistry for a sustainable future.

Humankind is facing enormous challenges in its efforts to preserve a world worth living in for future generations. The climate is changing, natural resources are becoming scarcer, pressure on ecosystems is increasing and our growing world population needs to be fed. More and more urgently than ever, solutions are needed for a more sustainable future. Chemistry is of key importance as an essential part of our everyday lives and the foundation of nearly all industries. It can pave the way to greater sustainability and accelerate the transformation needed to achieve this.

Competitive conditions in the chemical industry are changing. Our customers are also adapting their business models – for lower CO<sub>2</sub> emissions and a more circular economy. The speed of this development varies across regions and customer industries. We want to be the preferred chemical company to enable our customers' green transformation. We are committed to the green transformation of our own production and our product portfolio (for more information, see the section on the strategic lever Transform from page [19](#) onward).

We aim to grow profitably and create value for our shareholders with our broad portfolio as well as our product and process innovations (for more information on our portfolio management, see the section on the strategic lever Focus from page [17](#) onward and for more information on accelerated value generation, see the section on the strategic lever Accelerate from page [18](#) onward). Our goal is for customers to be successful in their respective markets thanks to our products. Our solutions and technologies contribute to the more efficient use of raw materials, reducing waste, and enabling healthy and affordable food as well as climate-smart mobility, for example.

Our focus as a company is also on cash generation. Significantly lower capital expenditures compared to a record level in 2024, which was mainly due to the establishment of the Verbund site in Zhanjiang, and the consistent implementation of our cost savings programs stand for a high degree of capital discipline (for more information on capital and resource allocation under the strategic lever Focus see page [17](#) onward).

At the same time, we are further developing our performance culture with the aim of making BASF an even more performance-driven organization. To this end, we have established nine actionable Winning Behaviors (for more information, see the section on the strategic lever Win from page [20](#) onward).

As an international chemical company, we operate in countries and markets with different guidelines and conditions. We are guided by our values and our global standards in order to act responsibly and maintain our license to operate. The main guidelines are primarily summarized in our BASF policies on compliance, human rights, labor standards and in the Supplier Code of Conduct. With appropriate management and monitoring systems, we want to ensure that we act in line with the applicable laws and take responsibility for the environment and society. (Customers, shareholders, partners and employees can rely not only on the high quality of our products, but also on the way in which we conduct business.

With our CORE values, we combine economic success with the creation of value for the environment and society and stand for respectful interaction with each other and with our customers and partners:

**C – creative:** We make great products and solutions for our customers. This is why we embrace bold ideas and give them space to grow. We act with optimism and inspire one another.

**O – open:** We value diversity, in people, opinions and experience. This is why we foster feedback based on honesty, respect and mutual trust. We learn from setbacks.

**R – responsible:** We value the health and safety of people above all else. We make sustainability part of every decision. We are committed to strict compliance and environmental standards.

**E – entrepreneurial:** We focus on our customers, as individuals and as a company. We seize opportunities and think ahead. We take ownership and embrace personal accountability.)

Our standards are based on, and in some cases, exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote:

- The Universal Declaration of Human Rights of the United Nations (U.N.) and the two U.N. Human Rights Covenants
- The Ten Principles of the UN Global Compact
- The core labor standards of the International Labour Organization (ILO) and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
- The United Nations' Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The Responsible Care® Global Charter of the International Council of Chemical Associations (ICCA)
- The German Corporate Governance Code (GCGC)

## Our Strategic Levers

BASF's strategic direction is based on a comprehensive analysis of our markets, competitors and the economic environment. We continuously monitor global trends and short-term developments and anticipate the resulting opportunities and risks. In doing so, we keep a close eye on our customers' needs and the transformation of our company.

Our "Winning Ways" strategy is based on four strategic levers:

**Focus, Accelerate, Transform and Win.**

### Focus

At the center of the strategic lever Focus is our portfolio management. BASF distinguishes between core businesses and standalone businesses. The core businesses comprise the Chemicals, Materials, Industrial Solutions and Nutrition & Care segments. These are closely integrated into BASF's value chains and Production Verbund at major sites. (They generate value through efficient use of resources, operational excellence and cost efficiency.) The portfolio of our core businesses ranges from basic chemicals to specialties. The standalone businesses, which have greater flexibility and operational independence, comprise the Surface Technologies segment with the Environmental Catalyst and Metal Solutions (ECMS) and Battery Materials divisions as well as the Agricultural Solutions segment. Until October 1, 2025, the Surface Technologies segment also included the Coatings division (more on the changes in Coatings in 2025 on page [18](#) and on the segments and divisions from page [25](#) onward).

In the coming years, we will focus on strengthening our core businesses and growing profitably in these areas, organically or through value-increasing acquisitions: We see the current consolidation in the chemical industry as an opportunity for BASF. We want to operate our core businesses in an even more cost-efficient and leaner manner in order to secure their profitability and competitive advantage over emerging competitors, in particular from China and the Middle East.

Our standalone businesses compete with pure-play peers that are subject to their own market trends. We want these businesses to be able to respond quickly to the specific requirements of their customers and to strengthen their competitive position. We therefore rely on various measures, such as the introduction of standalone ERP systems (Enterprise Resource Planning Systems) or differentiated steering with industry-specific financial steering indicators in order to make the performance of the businesses more transparent compared to competitors (for more information, see page [29](#)). We have further promoted the entrepreneurial independence of our standalone businesses and have identified individual paths through which each business can generate the greatest value:

- Our **ECMS business** has been carved out since 2023. It operates in a low-growth industry but continues to deliver a strong cash contribution. At present, we see ourselves as the best owner to operate this business.
- Our **Battery Materials** business operates in a rapid-growth environment characterized by high market and technology risks. We have significantly reduced fixed costs and capital expenditures and signed contracts with key customers to utilize existing capacities. We are also investigating opportunities for cooperation along the value chain.

- In the **Coatings** division, we completed the sale of the Brazilian decorative paints business to Sherwin-Williams, Cleveland, Ohio, effective October 1, 2025. In October 2025, we signed a binding agreement with Carlyle, Washington D.C., for the sale of the automotive OEM coatings, automotive refinish coatings and surface treatment business units. The transaction is expected to close in the second quarter of 2026, subject to regulatory approvals. We will then continue to hold a 40% equity stake in this coatings business (for more information, see page [39](#)).
- For the **Agricultural Solutions** segment, we are targeting IPO readiness by 2027, in order to float a minority stake. The Frankfurt Stock Exchange is targeted as listing location. The legal carve-out and the implementation of an industry-specific ERP system are progressing well.

Under the strategic lever Focus, we have changed our internal steering processes for capital and resource allocation in order to focus even more strongly on cash generation and to strengthen our capital discipline. We are now following a strategic allocation approach for our operating divisions instead of the largely project-based approach previously used at BASF Group level. We have developed medium-term value creation plans for the divisions based on their respective roles in the BASF portfolio. These plans are the basis for capital allocation. Within this framework, the operating divisions are empowered with increased autonomy to make business decisions – and with it their accountability for business success.

The strategic focus on profitable growth also means prioritizing high-growth markets. One example of this is our new Verbund site in Zhanjiang, China. We manufactured the first products from the Verbund there in November 2025. Commissioning of the steam cracker commenced at the end of December 2025. This project milestone was achieved on schedule with strict cost discipline, and we expect to remain below the original project budget, with total investments of around €8.7 billion in the period 2019 to 2028.

In addition to China, we want to expand our presence primarily in India and five ASEAN countries (Indonesia, Malaysia, Singapore, Thailand and Vietnam) by strengthening local organizational structures, our production sites and our research and development (R&D) activities. These seven countries will account for around 80% of global chemical growth by 2035.

## Accelerate

With the strategic lever Accelerate, we want to generate value faster by adjusting the way in which we collaborate and complete tasks at BASF. Our priority is to empower our business units through lean steering, simplify our organizational structure and increase the use of artificial intelligence (AI).

The Board of Executive Directors focuses on topics that are important to BASF as a whole: strategy, portfolio management, capital allocation and talent development. By contrast, the individual operating divisions have greater ownership of specific business decisions and accountability for business success. In line with this, we introduced an enhanced performance management system in 2025 that provides a closer link between incentives and unit-specific performance (for more information, see page [30](#)).

We are making our organization simpler and leaner by sharpening role clarity, flattening hierarchies and by reducing bureaucracy and internal alignment processes. Spans of control are being broadened to increase individual ownership. An important step in this direction was dissolving the regional dimension of our organizational structure, which was mostly completed at the end of 2025. With few exceptions, the responsibilities of the previous country organizations have been transferred to the largest operating division in each country. In smaller markets, we are either forgoing our local presence or developing new sales approaches to reduce the complexity of our sales channels. With this simplified organizational setup, we are aiming to accelerate decisions in all areas of our company.

BASF is harnessing the potential of digitalization and AI to advance productivity and accelerate innovations. We aim to gradually enable our employees to utilize AI in their respective areas of work. For this purpose, we provide them with a variety of digital tools in their day-to-day work and offer accompanying training courses. At the same time, our focus is on applications whose added value has been confirmed by fast and effective pilot projects. In particular, we target key functions such as sales, marketing, R&D, production, procurement and services. One example is the Sonata analysis platform, which automatically analyzes large volumes of production data and helps to prevent quality deviations in the production process. Another example is the cloud-based software solution OMP, which combines previously fragmented planning processes for BASF supply chains into one optimized system. With this BASF wants to respond faster and more effectively to market requirements.

## Transform

Sustainability is an integral part of our strategy as well as our targets, steering processes and business models. We are fully committed to our climate protection targets (for more information on our sustainability strategy, see page [155](#) onward and for more on our targets, see page [32](#) onward) as well as to the green transformation of our production and our product portfolio.

With the strategic lever Transform, we aim to drive the green transformation in a more differentiated and focused way as well as in line with market development, in order to grow profitably. Our transformation approach goes beyond the green transformation of our own production. Our key customer industries are facing tremendous challenges in achieving their transformation targets. We want to be the preferred chemical company to enable our customers' green transformation with our broad portfolio as well as our product and process innovations.

Our approach here is to intensify our focus on specific opportunities for our business and to increase volumes of products with sustainability attributes according to customer needs. With this approach, we are mitigating the investment and business risks resulting from capital-intensive new technologies and the varying transformation speed of our customer industries. In addition, in the green transformation we are prioritizing projects that have a positive impact on our license to operate.

Over time, we are staggering our transformation projects based on these priorities. In recent years, we have already increasingly invested in renewable energies to operate our plants. Furthermore, we are already piloting new technologies in selected value chains, are using alternative raw materials and have launched products with sustainability attributes such as a reduced or net-zero product carbon footprint (Low/Zero Product Carbon Footprint; LowPCF/ZeroPCF). We are now focusing on ramping up the use of renewable, recycled and low-emission feedstocks in our existing plants and thus offering more products with a reduced carbon footprint and other sustainability attributes in line with market demand and at low capital expenditure. At the same time, we consistently continue to evaluate new business models and technologies. As markets for more sustainable products grow, we want to be in a position in the medium to long term to apply and scale up the new technologies we are currently developing and, in some cases, already piloting.

[In line with our market-oriented approach and the reduced speed of industrial feedstock transformation, we have adjusted our investments to an expected €1.2 billion from 2026 to 2029.] We continue to assume that most of the major capital expenditure for our green transformation will be incurred after 2030.

BASF's integrated Verbund system has fundamental advantages for our transformation approach, in particular the energy and resource efficiency provided by the Verbund and the numerous entry points that offer feedstock flexibility. We can be flexible and scalable in how we employ renewable and recycled feedstocks in existing plants. We therefore expect that BASF as a whole, will benefit from the change and growth momentum in connection with the green transformation. This also applies to our largest site, Ludwigshafen, and its integrated Verbund.

In the medium to long term, our aim is to successfully develop Ludwigshafen into a leading, sustainable chemical site for Europe with an improved competitive position. To this end, we have initiated, among other things, a cost savings program with a focus on the Ludwigshafen site. From the end of 2026, we aim to save more than €2.3 billion worldwide compared to the base year 2022 with all ongoing programs and measures – €200 million more than originally targeted.

In Ludwigshafen, we have conducted a thorough analysis of our production asset structure based on current and future market and customer demand: Selected plants and production lines no longer deliver sufficient earnings or are at risk of losing their competitiveness. Against this background, we decided to close individual plants and discontinue business operations in 2025. However, the majority of the assets in the Ludwigshafen Verbund remain competitive. In addition, we are investing in new plants in Ludwigshafen, for example for the production of high-purity chemicals for semiconductor manufacturing, in order to meet the growing demand for advanced semiconductor chips in Europe.

## Win

The strategic lever Win is how we want to drive change in corporate culture throughout the entire company. This change is a decisive factor for us in successfully implementing our "Winning Ways" strategy. Our Winning Culture is based on three topics to make BASF an even more performance-oriented company: Accountability (Own it!), Speed (Drive it!) and Improvement Mindset (Excel in it!).

Within these three topics, the Board of Executive Directors has developed nine actionable Winning Behaviors: They define the behavior that BASF expects from all employees, including the Board of Executive Directors, and show in a concrete way how each and every individual can contribute to successful change.

### Accountability:

- We give and take ownership over narrow supervision.
- We strive for results, not staying in the comfort zone.
- We take action on low performance, not dragging it along.

### Speed:

- We prioritize speed over perfection.
- We spread motivation and inspiration, not skepticism.
- We focus, not do a bit of everything.

### Improvement Mindset:

- We fight for the best solution over compromises.
- We give candid and constructive feedback, not empty phrases.
- We learn from external perspectives, not just from internal views.

Our CORE corporate values (creative, open, responsible, entrepreneurial) will remain the guide for our behavior (for more information, see page [16](#)).

We want to deepen our employees' understanding of the Winning Behaviors and inspire them to actively live them out. For this purpose, we have, for example, provided various internal communication formats such as videos and podcasts. Employees regularly have the opportunity to provide feedback on the progress of change in corporate culture in global surveys. The survey results from 2025 confirm that cultural change is progressing. In October 2025, employees indicated that in their work environment all Winning Behaviors were being implemented more strongly than in March 2025.

Further developing our corporate culture goes hand in hand with our enhanced performance management system with a closer link between incentives and unit-specific achievements. We introduced this worldwide in 2025 (for more information, see page [30](#)).

## How We Create Value

ESRS 2 SBM-1

The following overview shows how we create value for our stakeholders.



### Inputs<sup>1</sup>

#### Financial

Our aim is to increase profitability and the ability to generate cash, optimize our cost of capital and limit financial risks.

45.1%  
Equity ratio

3 single A ratings  
From credit rating agencies Fitch, Moody's and Standard & Poor's

#### Environment

We use renewable resources, among other things, to manufacture products and solutions with high value added for our customers.

1.1 million metric tons  
Renewable resources<sup>2</sup>

1,521 million m<sup>3</sup>  
Total water withdrawal<sup>2</sup>

#### Innovations

We develop innovative and more sustainable solutions with our customers and suppliers in order to enter new markets and further increase our productivity.

~9,000  
R&D employees

€2.0 billion  
R&D expenses

#### Employees

Everything we do is based on the expertise, knowledge and engagement of our employees.

108,251  
Employees around the world

€12.3 billion  
Personnel expenses

#### Production

Safety, quality and reliability as well as environmental protection are the key to our excellence in production.

€4.0 billion  
Capital expenditures (capex)

36%  
Electricity from renewable sources<sup>2</sup>

#### Partnerships

Trust-based relationships are crucial to our license to operate and our reputation.

>70,000  
Suppliers

~75,000  
Customers

<sup>1</sup> In October 2025, BASF completed the divestiture of its Brazilian decorative paints business from its Coatings division and signed a binding transaction agreement with Carlyle on the sale of the automotive OEM coatings, automotive refinish coatings and surface treatment business units. In accordance with IFRS<sup>®</sup> Accounting Standards, the discontinued coatings business is not included in the key figure R&D expenses. See also page 148.

<sup>2</sup> The sustainability-related key figures shown in this graphic are – unlike the financial key figures shown – not part of the statutory audit but are part of a separate audit with limited assurance.



## Business model



## Outputs<sup>3</sup>

Financial	Innovations	Production
€6.6 billion EBITDA before special items	898 New patents worldwide	~40,000 Products evaluated with TripleS (Sustainable Solution Steering) <sup>4,5</sup>
€2.4 billion For dividend payments and share buybacks <sup>6</sup>	~€11 billion Sales of products launched in the past five years <sup>7</sup>	5.2 million metric tons Amount of CO <sub>2</sub> avoided by the Verbund and combined heat and power generation <sup>4</sup>
Environment	Employees	Partnerships
>1,900 Mass balance products based on alternative raw materials <sup>4</sup>	77% Engagement Index according to our annual employee survey <sup>4</sup>	357 Evaluations of BASF suppliers as part of Together for Sustainability <sup>4</sup>
81% Water demand recirculated <sup>4</sup>	29.9% Global share of women in leadership positions <sup>4</sup>	269 Collaborations with universities and research institutes <sup>4</sup>

<sup>3</sup> The discontinued coatings business is not included in the following key figures shown in this graphic: EBITDA before special items, patents, sales of innovations, products evaluated with TripleS, collaborations with universities and research institutes. See also page 148.

<sup>4</sup> The sustainability-related key figures shown in this graphic are – unlike the financial key figures shown – not part of the statutory audit but are part of a separate audit with limited assurance.

<sup>5</sup> The definition of the relevant portfolio and further information on TripleS can be found on page 157.

<sup>6</sup> In 2025, around €2 billion in dividends for the 2024 business year was paid out to the shareholders of BASF SE and shares were repurchased for €355 million.

<sup>7</sup> This is voluntary, unaudited information, which was critically read by the auditor.



## Outcomes<sup>8</sup>

Relevant external impact factors for our company's success as well as positive and negative impacts of our business activities<sup>9</sup>:

Economic

Environmental

Social



### Selected relevant external impact factors

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>▪ Customer demand and requirements</li> <li>▪ Investment readiness</li> <li>▪ Capital market trends</li> <li>▪ State of the economy, competitive conditions, investment climate</li> </ul> | <ul style="list-style-type: none"> <li>▪ Climate change</li> <li>▪ Energy transformation</li> <li>▪ Availability of/access to renewable resources</li> <li>▪ Climate-related legislation</li> <li>▪ Regulations on product safety</li> <li>▪ Sustainability targets of our customers</li> </ul> | <ul style="list-style-type: none"> <li>▪ Demand for more sustainable products, willingness to pay</li> <li>▪ Labor, environmental and social standards</li> <li>▪ Stakeholder trust</li> <li>▪ Interest of qualified personnel and leaders</li> <li>▪ Demographic change</li> </ul> |
|---|---|---|

### Selected impacts of our business activities

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>+ Growth, progress and value creation for the state, customers, investors and employees</li> <li>+ Our customers' competitiveness and innovative strength</li> <li>+ Digital transformation of the industry</li> <li>+ Attractive dividend and share buyback payments to shareholders</li> <li>+ Market development through more climate-smart products</li> </ul> | <ul style="list-style-type: none"> <li>+ Contribution to climate protection/ climate change adaptation</li> <li>+ Innovation as a lever for climate protection</li> <li>+ Contribution to the circular economy</li> <li>+ More environmentally friendly and safer products</li> <li>- Greenhouse gas emissions</li> <li>- Emissions to air and water</li> <li>- Land use</li> <li>- Resource consumption and nonrecyclable waste</li> <li>- Potential misuse or spillage of products</li> </ul> | <ul style="list-style-type: none"> <li>+ Taxes and competitive wages and salaries</li> <li>+ Attractive jobs</li> <li>+ Integration, help to overcome social challenges</li> <li>+ Global compliance systems and codes of conduct</li> <li>- Procurement of raw materials with risk of violation of, for example, social and environmental standards</li> <li>- Health and occupational safety risks</li> <li>- Restructuring measures such as personnel adjustments</li> </ul> |
|---|---|---|



**BASF**

**We address positive and negative impacts through:**

<ul style="list-style-type: none"> <li>▪ Corporate strategy</li> <li>▪ Portfolio management</li> <li>▪ Cost management, cost of capital optimization and efficient capital allocation</li> <li>▪ Differentiated Steering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Climate protection and circular economy initiatives</li> <li>▪ Water and energy management</li> <li>▪ Actions to protect biodiversity</li> <li>▪ Responsible Care Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Supplier management</li> <li>▪ Sustainability projects in the supply chains</li> <li>▪ Compliance Program and Code of Conduct</li> <li>▪ Employee training programs</li> <li>▪ Performance management system</li> </ul>
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**In providing our customers with solutions to enable their green transformation, we want to grow profitably and create value.**

<sup>8</sup> Outcomes shows examples of impacts on our business and impacts that our activities may have on others, the environment and our business environment as well as the associated measures we take.

<sup>9</sup> The results of our double materiality assessment are included in the presentation of external factors and impacts of our business activities. These are not shown in full here. A comprehensive explanation of the impacts, risks and opportunities identified as part of our double materiality assessment can be found from page 163 onward.

## Business Models of the Segments

Our segments' business models are consistently aligned with their respective strategic action areas. Customer orientation, innovation and sustainability are the cornerstones of future business success. Thanks to our extensive industry knowledge, we are aware of the particular challenges our customers are facing and we can offer customized solutions that support their specific efforts in their green transformation and make them even more successful.

### Chemicals

The Chemicals segment is one of our core businesses and forms the heart of the Verbund with its production facilities. Its Petrochemicals and Intermediates divisions market high-quality basic chemicals and intermediates to customers in downstream industries. They also reliably supply BASF's other segments with chemicals to produce higher value-added products and in this way, ensure the competitiveness of the BASF Group.

The segment strives for technological leadership and operational excellence and focuses on individual value chains. It concentrates on the essential success factors of the traditional chemicals business: leveraging economies of scale and the advantages of our Verbund, high asset reliability, continuous optimization of access to raw materials, lean and energy-efficient processes, and reliable, cost-effective logistics. This enables fundamental cost advantages and opens up various opportunities for decarbonization. The segment aims to create value through process and product innovation and invests in research and development to implement new, more sustainable technologies and make existing technologies even more efficient. Thanks to our integrated production processes, the carbon footprint of a number of our products is significantly lower than that of our competitors. Furthermore, by using renewable, recycled and low-emission feedstocks in our production network, we can provide products with diverse sustainability attributes. Examples of these offerings include our LowPCF, ZeroPCF and Ccycled® products.

The Petrochemicals and Intermediates operating divisions are continuously developing their value chains and are expanding their market position – especially in Asia – with investments and collaborations in growth markets. We want to participate in the growth of the largest chemicals market in the world and establish the Verbund site in Zhanjiang as a pioneer in sustainability in the manufacturing industry in China. We manufactured the first products from the Verbund there in November 2025, and commissioning of the steam cracker commenced at the end of December 2025. We are also continuously reviewing and improving our production structures in other regions and aligning them with regional market requirements. At the Verbund site in Ludwigshafen, for example, the production capacity of Neopor® is being expanded (for more information, see page [36](#)).

## Materials

The Materials segment is also a core business and in terms of production capacity is a global leader in high-performance plastics and their precursors. Materials is home to the Performance Materials and Monomers divisions. The Performance Materials division offers innovative and customized solutions in engineering plastics, polyurethanes and thermoplastic polyurethanes, as well as special plastics, and creates value through co-creations with customers, particularly in the field of sustainability. Our global production network enables us to provide our solutions wherever our customers are. At the same time, we constantly review the efficiency of our production network. The Monomers division has a broad portfolio of large-volume monomers and basic polymers in the isocyanate and polyamide value chains and follows a lean and cost-driven approach focused on efficient structures. In a large part of its business areas, the Monomers division holds one of the top three market positions with regard to production capacities, for example in polyamides and isocyanates.

The Materials segment combines expertise in basic chemicals with a diverse range of high-performance specialties and successfully operates some of BASF's most profitable value chains, for example methylene diphenyl diisocyanate (MDI). Throughout the chemical cycle, the Materials segment plays an important role in BASF's portfolio with its high cash flow and earnings contributions. The fully integrated polyurethane and polyamide value chains with world-scale plants ensure cost advantages. Thanks to its R&D capabilities, the segment is developing new, more sustainable high-performance materials and applications for a broad range of industries, particularly in the automotive, construction, and consumer goods industries.

Both divisions follow ambitious sustainability roadmaps. They understand sustainability as the decisive factor for future business success and utilize their industry knowledge and application expertise to provide customers with the right solutions.

## Industrial Solutions

The Industrial Solutions segment is another part of the core businesses and develops and markets ingredients and additives for industrial applications. The customers of its two operating divisions, Dispersions & Resins and Performance Chemicals, are primarily active in the following key industries: coatings, construction, electronic materials, plastics and adhesives, paper coatings, automotive, petrochemical and petroleum processing, as well as energy and resources. The segment aims to generate value through customer proximity, in-depth industry expertise and a broad product portfolio that is tightly integrated into the BASF Verbund. The portfolio includes fuel and lubricant solutions, process catalysts and adsorbents as well as refinery catalysts, dispersions, resins and additives, electronic materials and plastic additives. The segment's focus is on research and development with the aim of enabling a more efficient use of resources and developing high-performance and more sustainable products and production procedures. Furthermore, the divisions focus on efficient production setups and backward integration in our Production Verbund's value chains. In addition, capacity management as well as technology and cost leadership are important levers for the segment.

Trends such as ever faster time to market for electronic materials innovations, longer product life cycles and increasing processing of recycled plastic are boosting the need for products that enable precisely these trends. With its broad product portfolio, the segment is ideally positioned for this. Our global presence enables us to operate in close proximity to our customers, collaborate with them on new and customized solutions and strive for long-term partnerships that create mutually profitable growth opportunities.

## Nutrition & Care

The Nutrition & Care segment is also part of our core portfolio. The Care Chemicals and Nutrition & Health divisions provide highly attractive markets with high-quality, high-performance products. Future growth in these markets will be driven by rising consumer awareness of sustainable product solutions with lower carbon footprints and the demand for natural and organic ingredients and their traceability. Moreover, digitalization, a focused technology and product portfolio, and close cooperation with our customers are crucial to meeting the dynamic market requirements. The basis for this segment's business are highly competitive, world-scale plants that are deeply integrated in the BASF Verbund.

For this segment, we strive to expand its market position as a leading provider of nutrition and care ingredients. The divisions generally focus their portfolio on growth markets and continuously develop their capabilities in areas such as biotechnology. They offer new biodegradable products. The Care Chemicals division supports its customers globally with innovative and more sustainable high-performance products, solutions and concepts, especially in the cosmetics, detergent and cleaner industries. The Nutrition & Health division focuses on important product platforms (vitamins, carotenoids and feed enzymes), which are supplemented by selected growth fields such as special aroma ingredients and (bio)pharma ingredients. With its (bio)pharma ingredients, the division serves a variety of markets, such as bioprocessing and formulation of vaccines and antibodies.

## Surface Technologies

Some of our standalone businesses are bundled in the Surface Technologies segment, consisting of the Battery Materials and Environmental Catalyst and Metal Solutions divisions. Together with our customers, we develop novel products and technologies for emissions catalysts, coatings and battery materials. We also offer services in the areas of precious and base metals. We leverage our portfolio of technologies to find the best solution for our customers in terms of performance and cost and thus to generate growth. This helps our customers to drive forward innovation in their industries and contribute to more sustainable development.

Our key growth drivers are the increasing demand for chemicals in the automotive market, especially in Asia, and the shift toward more sustainable low-emission mobility. As one of the largest chemical suppliers to the automotive industry, the segment is developing customized, more sustainable solutions for battery and catalyst recycling in close cooperation with its customers. Our specialties and system solutions in these areas enable our customers to stand out from their competitors.

Until October 2025, the Surface Technologies segment also included the Coatings division, which is no longer listed as part of the segment due to the following transactions: On October 1, 2025, BASF completed the sale of its Brazilian decorative paints business to Sherwin-Williams. In addition, on October 10, 2025, BASF and Carlyle announced they had signed an agreement for the sale of BASF's automotive OEM coatings, automotive refinish coatings and surface treatment business units. The transaction is expected to close in the second quarter of 2026, subject to the approval of the relevant competition authorities (for more information on material investments and portfolio measures, see page [36](#) onward).

## Agricultural Solutions

The Agricultural Solutions division, which shares its name with the segment, is one of our standalone businesses. As one of the world's leading agricultural solutions companies, we are making a positive impact on sustainably transforming agriculture and food systems. The goal of efficient farming is to provide healthy and affordable food globally to a rapidly growing world population.<sup>1</sup> At the same time, farmers must reduce their environmental impact as natural resources are limited. We support them in achieving this and strive to contribute to building a sustainable future for agriculture by connecting innovation, customers and society.

The segment's strategy focuses on long-term and profitable growth within selected crops and their appropriate cultivation systems: soy, corn (maize) and cotton in the Americas; wheat, canola (oilseed rape) and sunflower in North America and Europe; rice in Asia; and fruit and vegetables globally. Our sustainability approaches are integral to all business and portfolio decisions. In this way, we help farmers sustainably grow more and higher-quality crops.

We leverage our expertise in research and development as well as our many years of experience working with growers, data and artificial intelligence to provide crop-specific offers across technologies. These include novel solutions for seeds and traits, seed treatment, fungicides, herbicides, insecticides, biological solutions and digital products tailored to the farming needs of their region and crop systems.

<sup>1</sup> Compared with 2024, the world's population is expected to grow by around 1.5 billion people by 2050; source: UN World Population Prospects 2024.

## Our Steering Concept

Our “Winning Ways” strategy pursues the goal of strengthening the autonomy of the operating divisions and their responsibility for their own business success, as well as increasing the competitiveness of the business units. To this end, we use a steering concept that includes both financial and sustainability-related indicators.

### Steering concept of the BASF Group

At the beginning of 2024, we launched a new, optimized steering concept at both Group and segment level. The goal is to strengthen the autonomy of our business units and thus also their responsibility for business success.

We use three most important key performance indicators to steer the BASF Group: income from operations before depreciation, amortization and special items (EBITDA before special items), free cash flow as well as Scope 1 and Scope 2 CO<sub>2</sub> emissions.

EBITDA before special items is used to steer our profitability. It describes the operational performance of our businesses independent of age-related depreciation and amortization of assets and is particularly suitable for comparisons with businesses in similar sectors.

We use free cash flow to steer the ability to generate cash. The indicator shows the extent to which operating cash surpluses are available for the payment of dividends, the reduction of debt or for acquisitions.

We regard sustainability as a decisive factor for our long-term business success. This view is also reflected in our steering concept with Scope 1 and Scope 2 CO<sub>2</sub> emissions as the most important sustainability-related key performance indicator at Group level.

In addition, our return on capital is an important part of the steering concept. Return on capital employed (ROCE) depends significantly on strategic decisions such as acquisitions, divestitures and investments, making it a suitable medium-term target for the BASF Group. This is reflected in the ROCE target that we have set ourselves for 2028.

The key figures for steering the business units are based on the most important financial key performance indicators of the BASF Group. For example, the profitability of the segments is measured by their absolute contribution to EBITDA before special items.

To manage cash flow at segment level, we use a specific key figure, segment cash flow, which includes the elements of free cash flow that can be managed by the operating divisions. This key performance indicator also applies to all segments.

For the year 2025 as well as for the comparative period, the key performance indicators EBITDA before special items, as the most significant performance indicator, as well as ROCE and segment cash flow are reported excluding the discontinued coatings business, while free cash flow and CO<sub>2</sub> emissions include the businesses to be divested. For the calculation of performance-based compensation for the year 2025, EBITDA before special items including coatings (€7,098 million) is considered.

## Value-based management throughout the company

A performance-related variable compensation system based on financial and non-financial targets is an important part of our value-based management. The performance management system has been adapted in line with the increased autonomy of the business units. Already since 2024, variable compensation for senior executives has been based on targets derived from the key performance indicators for the steering of the respective business unit or the BASF Group respectively. As planned, we introduced this differentiated bonus system for the majority of employees worldwide over the course of 2025. As part of this enhanced performance management system, BASF takes into account not only the ROCE of the BASF Group, but also other financial and nonfinancial key performance indicators of the operating division in which the relevant person works. For employees who do not work in an operating division, the targets of the BASF Group and the nonfinancial targets of the respective unit apply. This means that variable compensation is linked to our ROCE target and the performance of the relevant BASF unit. This is a further step toward Differentiated Steering with a high degree of accountability on the part of the business units.

## Key figures in reporting

In line with the steering concept, in financial reporting we analyze, comment on and forecast the most important key performance indicators EBITDA before special items and free cash flow for the BASF Group, and EBITDA before special items and segment cash flow for the segments. We also forecast cash flows from operating activities and payments made for property, plant and equipment and intangible assets as key elements of free cash flow.

ROCE is managed as a medium-term target on the basis of factors that include capital expenditure in property, plant and equipment. These comprise additions to property, plant and equipment excluding additions from acquisitions, IT investments and restoration obligations as well as right-of-use assets arising from leases. Capital expenditure is therefore a key element of ROCE and is also forecast.

## Calculation of EBITDA before special items

EBITDA is the result from income from operations reported in the Consolidated Financial Statements plus depreciation, amortization, impairments and reversals of impairments on property, plant and equipment and intangible assets. This is adjusted for special items that may arise from the integration of acquired businesses, from restructuring measures, from gains or losses resulting from divestitures and sales of shareholdings as well as from other expenses and income that may arise outside of ordinary business activities.

## Calculation of free cash flow and segment cash flow

Segment cash flow measures the cash inflow and outflow of a segment and thus its contribution to the BASF Group's free cash flow. It includes only those amounts that can be steered by the segment and is calculated from EBITDA, changes in inventories and trade accounts receivable, and other extraordinary adjustments (such as those related to divestitures), less payments made for intangible assets and property, plant and equipment. The BASF Group's free cash flow also includes components of cash flows from operating activities that are not allocated to the segments as well as adjustments of other noncash effects.

Free cash flow is the cash flows from operating activities less payments made for intangible assets and property, plant and equipment.

## Reconciliation of segment cash flow to free cash flow

### EBITDA of the segments

+ Changes in inventories
+ Changes in trade accounts receivable
+ Gains (-) / losses (+) from the disposal of noncurrent assets and divestitures
- Payments made for property, plant and equipment and intangible assets

### Segment cash flow

+ Net income from shareholdings
+ Financial result
+ Income taxes
+ Segment cash flow, net income from shareholdings, financial result and income taxes from discontinued operations
- Income after taxes attributable to noncontrolling interests
+ Changes in items included in the segment cash flow that are recognized under Other
+ Remaining items recognized in cash flows from operating activities <sup>a</sup>

### Free cash flow

<sup>a</sup> These include changes in trade accounts payable, provisions, other operating assets, other operating liabilities and pension provisions as well as equity-accounted income, dividends received from equity-accounted investments and other noncash items.

## Calculation of CO<sub>2</sub> emissions

We calculate the BASF Group's absolute CO<sub>2</sub> emissions on the basis of greenhouse gas emissions, which are the sum of direct emissions from production processes and the generation of steam and electricity (Scope 1), as well as indirect emissions from the purchase of energy (Scope 2). For this target key figure, direct emissions from the generation of energy for third parties are not considered. Relevant emissions include other greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents (for more information, see page [172](#) onward).

## Calculation of ROCE and cost of capital

ROCE is calculated as the EBIT of the segments as a percentage of the average cost of capital basis.

To calculate the EBIT of the segments, we take the BASF Group's EBIT and deduct the EBIT of activities recognized under Other, which are not allocated to the segments.

The cost of capital basis is calculated using the month-end figures and consists of the operating assets of the segments. They include property, plant and equipment as well as intangible fixed assets, integral investments accounted for using the equity method, inventories, trade accounts receivable, other receivables and miscellaneous assets as well as, if applicable, the assets of disposal groups, insofar as they are allocated to the segments. The cost of capital basis also includes customer and supplier financing.

We have integrated the cost of capital percentage into our ROCE target as a comparative figure. This is determined using the weighted cost of capital from equity and borrowing costs (weighted average cost of capital). To calculate a pretax figure similar to EBIT, the cost of capital is adjusted using the expected tax rate for the BASF Group for the business year. In addition, the projected net expense of Other is already provided for by an adjustment to the cost of capital percentage. The cost of equity is ascertained using the capital asset pricing model. Borrowing costs are determined based on the financing costs of the BASF Group. The cost of capital percentage for 2026 is 10% (2025: 10%).

## Our Targets and Target Achievement 2025<sup>1</sup>

For us, long-term business success means creating economic, ecological and social value, which is why we pursue measurable targets along the entire value chain. We report transparently on our progress in achieving these targets so that stakeholders can understand and evaluate our development.

Our objective is profitable growth – we have set ambitious targets for our EBITDA before special items, our cumulative free cash flow and our targeted return on capital employed (ROCE) by 2028. We continue to adhere to our shareholder distribution policy: We aim to keep the overall distribution to shareholders at least at prior-year levels through a combination of dividends and share buybacks.

We have also set ourselves comprehensive targets in the area of sustainability. For instance, regarding climate protection: We want to significantly reduce greenhouse gas emissions from our production processes (Scope 1)<sup>2</sup> and our energy purchases (Scope 2)<sup>2</sup> by 2030. [At the same time, we are pursuing an ambitious target to reduce our specific raw materials-related emissions (Scope 3.1)<sup>3</sup>. Our long-term target is to achieve net zero for our Scope 1, Scope 2 and Scope 3.1 emissions by 2050. In addition, we want to advance sustainability in the supply chain in a targeted manner and are therefore focusing on improving the sustainability performance of suppliers with an increased risk.

With our “Winning Ways” strategy, we are continuing our efforts to steer our product portfolio even more toward sustainability. For this reason, we aim to further increase our sales of Sustainable-Future Solutions, defined as products that make a positive contribution to sustainability, by 2030. We are also aiming to increase sales of Loop Solutions – products that close or extend loops and thus support the transition to a more circular economy.

The health and safety of our employees and the protection of the environment are our highest priority. In the area of occupational and process safety, we focus on high severity injuries and incidents. We also advocate for the protection of water as a resource, the continuous improvement of water use efficiency and the reduction of emissions. We focus on our Verbund sites as well as on production sites in water stress areas.<sup>4</sup>

Furthermore, we strive to increase the number of women in leadership positions worldwide<sup>5</sup> and to create a working environment in which our employees can thrive and perform at their best.

To underscore the importance of our targets, both the long-term and short-term variable compensation of the Board of Executive Directors and senior executives is linked to the achievement of selected financial and sustainability-related targets (see page [178](#).)

The following table shows our targets and the respective degree of achievement for the 2025 business year. Some targets and prior-year figures have been technically adjusted due to the planned divestiture of the automotive OEM coatings, automotive refinish coatings and surface treatment business units and are indicated accordingly.

<sup>1</sup> With the exception of the financial targets and indicators specified as well as the Scope 1 and Scope 2 emissions, the contents of this chapter are not part of the statutory audit but are part of a separate audit with limited assurance.

<sup>2</sup> Scope 1 and Scope 2 (excluding the sale of energy to third parties). The emissions account for 96% of total Scope 1 and Scope 2 emissions in relation to the 2018 base year. The target includes greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents (CO<sub>2</sub>e). Scope 2 emissions are calculated using the market-based approach in accordance with the Greenhouse Gas Protocol. The target is aligned with limiting global warming to a global average of 1.5°C, and is thus science-based. It has not been externally audited.

<sup>3</sup> Scope 3.1, raw materials excluding battery materials, excluding services and technical goods, excluding greenhouse gas emissions from BASF trading business. Future adjustment of the baseline in line with the Together for Sustainability guideline (TfS) possible depending on the availability of further primary data. The base year is 2022. For additional information on the calculation method, see page [196](#).

<sup>4</sup> We define water stress areas as regions in which more than 40% of the available water is used by industry, households and agriculture. Our definition is based on the Water Risk Atlas (Aquaduct 4.0) published by the World Resources Institute. For more information, see [wri.org/aquaduct](http://wri.org/aquaduct). Our water target also continues to take into account the sites that we identified as water stress sites in accordance with Pfister et al. (2009) prior to 2019, as well as water stress sites according to Aquaduct 3.0.

<sup>5</sup> We strive to always act in accordance with the applicable local laws.

## Degree of target achievement 2025<sup>6</sup>

### Profitable growth<sup>7</sup>

	Status 2025	Target
<b>EBITDA before special items</b> In the 2028 business year, we want EBITDA before special items to reach a value between €9 billion and €11 billion in moderate to good economic conditions. <sup>7</sup>	<b>€6.6 billion</b> <i>2024: €7.2 billion<sup>7</sup></i>	<b>€9.0–11.0 billion<sup>7</sup></b> 2028
<b>Free cash flow</b> Cumulative free cash flow is expected to be around €11 billion between 2025 and 2028. <sup>7</sup>	<b>€1.3 billion</b> <i>2024: €0.7 billion</i>	<b>~€11.0 billion<sup>7</sup></b> 2025–2028
<b>Return on capital employed (ROCE)</b> For the 2028 business year, we aim to achieve a return on capital employed (ROCE) of around 10%.	<b>5.8%</b> <i>2024: 5.1%<sup>7</sup></i>	<b>~10%</b> 2028
See also <a href="#">Results of Operations</a> and <a href="#">Financial Position</a>		
<b>Dividend per share</b> We strive for a dividend per share of at least €2.25 annually.	<b>€2.25<sup>8</sup></b> <i>2024: €2.25</i>	<b>≥€2.25</b> 2025–2028
<b>Distribution to shareholders</b> Between 2025 and 2028, we want to pay out a total of at least €12 billion to shareholders through dividends and share buybacks.	<b>€2.4 billion<sup>9</sup></b>	<b>≥€12 billion</b> 2025–2028
See also <a href="#">Outlook 2026</a>		

### Effective climate protection

	Status 2025	Target
<b>CO<sub>2</sub> emissions (Scope 1 and 2)</b> We want to reduce our absolute CO <sub>2</sub> emissions (Scope 1 and 2) by 25% by 2030 compared with 2018. <sup>10</sup>	<b>16.1 million metric tons CO<sub>2</sub>e</b> <i>2024: 17.0 million metric tons</i>	<b>16.4 million metric tons CO<sub>2</sub>e</b> 2030 <i>2018: 21.9 million metric tons</i>
<b>CO<sub>2</sub> emissions (Scope 3.1)</b> We want to reduce our specific Scope 3.1 emissions by 15% by 2030 compared with 2022. <sup>11</sup>	<b>1.62 kg CO<sub>2</sub>/kg raw material</b> <i>2024: 1.58 kg</i>	<b>1.39 kg CO<sub>2</sub>/kg raw material</b> 2030 <i>2022: 1.64 kg</i>

See also [E1 Climate Change](#)

<sup>6</sup> With the exception of the financial targets and indicators specified as well as the Scope 1 and Scope 2 emissions, the contents of this chapter are not part of the statutory audit but are part of a separate audit with limited assurance.

<sup>7</sup> The target figure (previously €10–12 billion) and the prior-year figure for EBITDA before special items (previously €7.9 billion), the prior-year figure for ROCE (5.1%) and the target figure for free cash flow (previously >€12 billion) have been technically adjusted as a result of the planned divestiture of the automotive OEM coatings, automotive refinish coatings and surface treatment business units.

<sup>8</sup> Dividend proposed by the Board of Executive Directors for the 2025 business year

<sup>9</sup> In 2025, around €2 billion in dividends for the 2024 business year was paid out to the shareholders of BASF SE and shares were repurchased for €355 million.

<sup>10</sup> Scope 1 and Scope 2 (excluding the sale of energy to third parties). The emissions account for 96% of total Scope 1 and Scope 2 emissions in relation to the 2018 base year. The target includes greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents (CO<sub>2</sub>e). Scope 2 emissions are calculated using the market-based approach in accordance with the Greenhouse Gas Protocol. The target is aligned with limiting global warming to a global average of 1.5°C, and is thus science-based. It has not been externally audited.

<sup>11</sup> Scope 3.1, raw materials excluding battery materials, excluding services and technical goods, excluding greenhouse gas emissions from BASF trading business. Future adjustment of the baseline in line with the Together for Sustainability guideline (TfS) possible depending on the availability of further primary data. The base year is 2022. In 2025, we adjusted the calculation of Scope 3 emissions in category 3.1 due to increased availability of primary and secondary data. For additional information on the calculation method, see from page [196](#) onward.

## Responsible procurement

### Sustainability performance

We are striving toward ensuring that annually, 80% of suppliers who underwent a sustainability evaluation during the reporting period, and who had inadequate results in a prior comparable evaluation, improve their sustainability performance.

#### Status 2025

77%  
2024: 76%

#### Target

80%  
2030

See also [S2 Workers in the Value Chain](#)

## More sustainable products

### Sustainable-Future Solutions

By 2030, we want to achieve more than 50% of BASF sales relevant for TripleS<sup>12</sup> from products that make a positive contribution to sustainability.

#### Status 2025

48.5%  
2024: 46.3%

#### Target

>50%  
2030

### Loop Solutions

By 2030, we aim to generate sales of €10 billion from products that contribute to the transition to a circular economy.

€5.8 billion  
2024: €5.7 billion

€10 billion  
2030

See also [E5 Resource Use and Circular Economy](#)

## Resource-efficient and safe production

### High Severity Process Safety Incidents

We have set ourselves a target of no more than 0.10 High Severity Process Safety Incidents (hsPSI) per 200,000 working hours worldwide by 2030.<sup>13</sup>

#### Status 2025

0.04 hsPSI  
2024: 0.03 hsPSI

#### Target

0.10 hsPSI  
2030

See also [E2 Pollution Prevention](#)

### High Severity Work Process Related Injuries

We have set ourselves a target of no more than 0.05 High Severity Work Process Related Injuries (HSI) per 200,000 working hours worldwide by 2030.<sup>13</sup>

0.01 HSI  
2024: 0.02 HSI

0.05 HSI  
2030

See also [S1 Own Workforce](#)

### Sustainable water management

We aim to introduce sustainable water management at our production sites in water stress areas<sup>14</sup> and at our Verbund sites by 2030.

73%  
2024: 65%

100%  
2030

See also [E3 Water](#)

<sup>12</sup> The definition of the relevant portfolio and further information can be found in our TripleS manual at [basf.com/en/sustainable-solution-steering](https://basf.com/en/sustainable-solution-steering).

<sup>13</sup> Includes BASF employees, agency workers and contractors

<sup>14</sup> We define water stress areas as regions in which more than 40% of the available water is used by industry, households and agriculture. Our definition is based on the Water Risk Atlas (Aqueduct 4.0) published by the World Resources Institute. For more information, see [wri.org/aqueduct](https://wri.org/aqueduct). Our water target also continues to take into account the sites that we identified as water stress sites in accordance with Pfister et al. (2009) prior to 2019, as well as water stress sites according to Aqueduct 3.0.

## Employee engagement and women in leadership positions

### Employee engagement

We would like to create a work environment in which more than 80% of our employees feel that they can thrive and perform at their best at BASF.

Status 2025

77%  
2024: 79%

Target

>80%

### Women in leadership positions

We strive to increase the proportion of women in leadership positions with disciplinary responsibility to 30% worldwide by 2030.<sup>15</sup>

29.9%  
2024: 29.3%

30%  
2030

See also [S1 Own Workforce](#)

<sup>15</sup> We strive to always act in accordance with the applicable local laws.

## Material Investments and Portfolio Measures

Portfolio management is a key element of our strategy: Our goal is to empower the core businesses and to realize the value of the standalone businesses. In addition, investments remain a significant driver of our targeted profitable growth as well as our green transformation. In this context, we focus on high-growth markets. The establishment of the new Verbund site in Zhanjiang, China, is an important step in achieving these goals.

### Material investments

Continuous investments in our plants provide the basis for achieving the organic growth we strive for in our core businesses. We invest in ensuring the safety of our production facilities and securing our license to operate. In addition, we are driving the use of new technologies to enable our own green transformation and that of our customers. At the same time, we are taking measures to increase the efficiency of existing production processes and thereby to improve the profitability and competitiveness of our operations.

For the period 2026 to 2029 we are planning capital expenditures<sup>1</sup> of around €13 billion. Having reached a record level of capital expenditures in 2024, mainly due to the establishment of the Verbund site in Zhanjiang, capital expenditures in 2025 were significantly below the prior-year figure at around €4 billion. For 2026, we anticipate a further decline to around €3 billion; the investment volume is thus expected to be below the level of depreciation and amortization, as planned (for more information on our future investments, see page [88](#)).

In 2025, we focused our investment projects on the expansion of our position in our three key regions: Asia Pacific, North America and Europe. The **Asia Pacific** region, especially China, is making a significant contribution to the growth of the global chemicals market with a share of almost 70%. We expect that over 80% of growth in the chemical industry will be concentrated in this region by 2035. By establishing our new integrated Verbund site in Zhanjiang we aim to participate in this development and serve the increasing demand from various growth industries in this region. We manufactured the first products from the Verbund there in November 2025. Commissioning of the steam cracker commenced at the end of December 2025. We also continuously invest in the ongoing development of our other Asian sites (see table on page [38](#)).

The expansion of our production capacities in the isocyanates value chain in Geismar, Louisiana, BASF's largest standalone investment in **North America**, remains on schedule and is set for startup in 2026. This will increase BASF's production capacity for methylene diphenyl diisocyanate (MDI) in North America from 380,000 metric tons per year to around 600,000 metric tons per year.

We are also strengthening our sites in **Europe**. At the Verbund site in Ludwigshafen, for example, we have started construction of a new production plant for semiconductor-grade sulfuric acid as well as a new plant for electronic-grade ammonium hydroxide. After the planned startups of the plants in 2027, the new capacities are expected to meet the growing demand from the European semiconductor industry while strengthening the resilience of supply chains for the European semiconductor sector.

<sup>1</sup> Additions to property, plant and equipment excluding acquisitions, restoration obligations, IT investments and right-of-use assets arising from leases

## Investments and acquisitions 2025

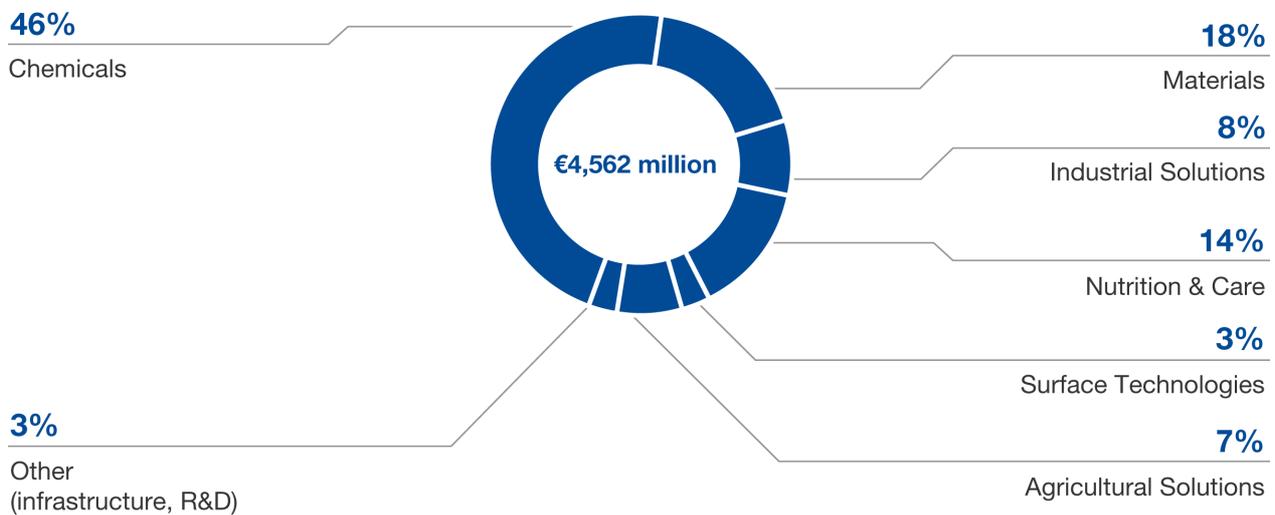
Million €	Investments	Acquisitions	Total
Intangible assets	122	0	122
of which goodwill	–	–	–
Property, plant and equipment <sup>a</sup>	4,562	103	4,665
<b>Total</b>	<b>4,684</b>	<b>103</b>	<b>4,787</b>

<sup>a</sup> Including restoration obligations, IT investments and right-of-use assets arising from leases

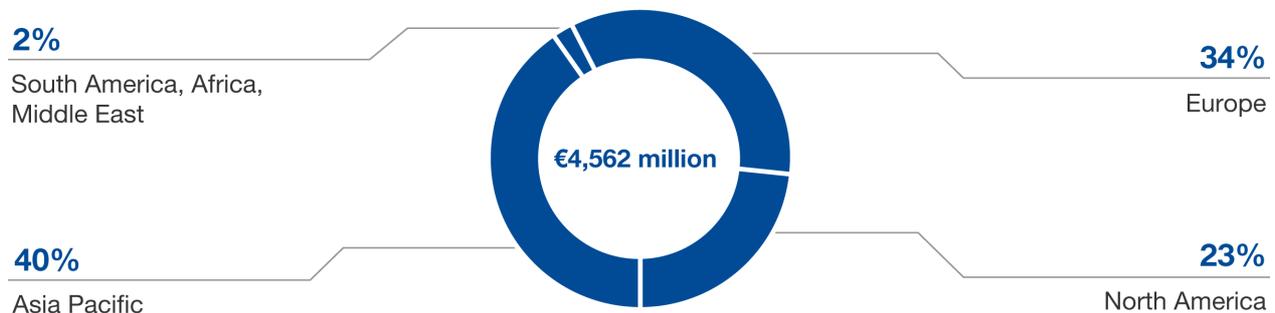
### Investments in the segments and regions

In 2025, investments in property, plant and equipment (including restoration obligations, IT investments and right-of-use assets arising from leases) amounted to €4,562 million (2024: €6,506 million). Capex accounted for €4,027 million of this amount (2024: €5,996 million). Our investments in 2025 focused on the Chemicals, Materials and Nutrition & Care segments.

### Additions to property, plant and equipment<sup>a</sup> by segment in 2025



### Additions to property, plant and equipment<sup>a</sup> by region in 2025



<sup>a</sup> Including restoration obligations, IT investments and right-of-use assets arising from leases

## Overview of material investments

Segment	Location	Project	Startup
Chemicals	Ludwigshafen, Germany	Expansion of production capacity of Neopor®	2027
		Modernization of the chloroformates and acid chlorides plant	2026
	Zhanjiang, China	Construction of a new steam cracker and plants for ethylene oxide, syngas, monoethylene glycol, polyethylene, C4 oxo alcohols, acrylic monomers and neopentyl glycol	2025–2026
Materials	Geismar, Louisiana	Capacity expansion at the MDI plants	2026
	Ludwigshafen, Germany	New alcoholates plant (sodium methylate, potassium methylate)	2027
	Dahej, India	Construction of a new production plant for Cellasto®	2026
	Shanghai, China	Construction of a new production plant for Cellasto®	2027
Industrial Solutions	Nanjing, China	Capacity expansion at the additives production plant	2025
	Lampertheim, Germany and Pontecchio Marconi, Italy	Capacity expansion for hindered amine light stabilizers (HALS)	2026
	Ludwigshafen, Germany	Construction of a new production plant for additively manufactured catalysts	2026
		Capacity expansion of polyisobutene plant	2026
		Construction of a new production plant for semiconductor-grade sulfuric acid	2027
		Construction of a new production plant for electronic grade ammonium hydroxid	2027
Nutrition & Care	Bangpakong, Thailand	Construction of a new production plant for alkyl polyglucosides	2025
	Cincinnati, Ohio	Construction of a new production plant for alkyl polyglucosides	2026
	Holthausen, Germany	Construction of a new production plant for multi-purpose reactor, production of emollients and other specialties, mainly for personal care markets	2025–2026
	Ludwigshafen, Germany	Construction of new production plants for menthol and linalool	2026
	Zhanjiang, China	Construction of a new production plant for citral	2026
		Construction of a new production plant for nonionic surfactants	2026
Surface Technologies <sup>a</sup>	Münster, Germany	Construction of a new production plant for more sustainable automotive paints	2025
	Würzburg, Germany	Capacity expansion for automotive paints	2025
Agricultural Solutions	Beaumont, Texas and Hannibal, Missouri	Modernization of site infrastructure	2027
	Europe <sup>b</sup>	Traceability of crop protection products based on digital identification	2025
	Ludwigshafen, Germany	Construction of a new fermentation facility for sustainable crop protection products	2025

<sup>a</sup> These projects concern investments in discontinued operations.

<sup>b</sup> This project will be implemented in Genay and Graveline, France, in Ludwigshafen, Germany, and in Tarragona, Spain.

## Portfolio measures

In the context of portfolio management, we want to further strengthen our core businesses through value-adding acquisitions. With regard to our standalone businesses, we are pursuing options to create the greatest value for BASF and its shareholders. To achieve profitable growth, we also intend further expanding our presence in high-growth markets.

### Acquisitions

On July 1, 2025, BASF completed the purchase of the 49% stake held by DOMO Chemicals GmbH, Leuna, Germany, in the Alsachimie S.A.S. joint operation in Chalampé, France, which had been announced on May 28, 2025. BASF had held 51% of the joint operation prior to the transaction. Full ownership of Alsachimie enables BASF to optimize backward integration of key raw materials, ensuring supply reliability and efficiency across the polyamide 6.6 value chain.

### Divestitures

On March 25, 2025, BASF and Vattenfall announced the sale of BASF's 49% equity share in the Nordlicht 1 and 2 wind farm projects to Vattenfall. The collaboration with Vattenfall will continue, securing BASF a long-term supply of electricity from renewable sources for its chemical production in Europe – at a later point in time when additional green electricity is needed. The transaction resulted in a non-cash-effective loss of €325 million in the first quarter.

Effective April 21, 2025, BASF completed the divestiture of its shares in BASF Markor Chemical Manufacturing (Xinjiang) Co., Ltd. and Markor Meiou Chemical (Xinjiang) Co. Ltd. in Korla, China to Verde Chemical Singapore Pte. Ltd. The companies operated production plants for butanediol and PolyTHF, which were allocated to the Chemicals segment. The assets and liabilities allocated to the disposal group were derecognized in April 2025.

On September 30, 2025, BASF successfully completed the sale of the food and health performance ingredients business to the Louis Dreyfus Company (LDC), Rotterdam, Netherlands. This transaction included the production site in Illertissen, Germany, three application laboratories outside Germany and around 300 employees. The transferred business activities were part of the Nutrition & Health division and include food performance ingredients, health ingredients and several smaller product lines.

After approval by the responsible competition authority, BASF completed the sale of its Brazilian decorative paints business to Sherwin-Williams, Cleveland, Ohio, on October 1, 2025. On a cash and debt-free basis, the purchase price amounted to \$1.15 billion (€981 million). The transaction included the Brazilian production sites in Demarchi and Jaboaão, related contracts, the Suvinil and Glasu! brands, and the transfer of approximately 1,000 employees. The decorative paints business, which was part of the Coatings division in the Surface Technologies segment, generated sales of around €485 million in 2024 and operated almost exclusively in Brazil.

### Agreed transactions

On October 10, 2025, BASF and Carlyle, Washington D.C., announced they had signed a binding agreement for the sale of BASF's automotive OEM coatings, automotive refinish coatings and surface treatment business units ("coatings"). The enterprise value of the transaction amounts to €7.7 billion. Subject to approval from the relevant regulatory bodies, the transaction is expected to close in the second quarter of 2026. Upon closing, BASF will receive pre-tax cash proceeds of approximately €5.8 billion as well as a 40% equity stake in the new coatings entity, which it will report as a financial investment accounted for using the equity method.

The business to be divested generated sales of around €3.7 billion in 2025. Owing to the planned divestiture, the affected business units are reported as discontinued operations in accordance with IFRS 5 as of September 30, 2025. From this date, the sales and earnings of the automotive OEM coatings, automotive refinish coatings and surface treatment business units will no longer be part of the sales and EBIT(DA) of the BASF Group or the Surface Technologies segment. Retroactively to January 1, 2025, and until the transaction closes, the income after taxes of these business units is presented in the income after taxes of BASF Group as a separate item (income after taxes from discontinued operations). The 2024 figures have been restated accordingly. The decorative paints business was not affected by this retroactive restatement and remained part of the Surface Technologies segment until the divestiture on October 1, 2025.

On December 16, 2025, BASF and Catexel GmbH, Wiesbaden, Germany, announced that they had signed an agreement to sell BASF's optical brightener business, an ingredient for detergent formulations. The business is currently part of the Care Chemicals division within the Nutrition & Care segment. The transaction involves the international business, including the production of optical brighteners at the Monthey site in Switzerland, as well as around 80 employees. The transaction is expected to close in the first quarter of 2026, subject to the approval of the relevant authorities.

## Innovation

Innovations based on chemistry play a pivotal role in overcoming the greatest challenges of our time. Our activities are aimed at improving and developing new products and processes, further increasing our competitiveness and enabling our customers' green transformation.

Innovations are one of the essential factors in BASF's success. The knowledge and skills of our highly qualified employees are our most valuable resources and the source of our innovative strength. In 2025, approximately 9,000 employees (2024: approximately 10,000) worldwide were working in research and development (R&D).<sup>1</sup>

⟨In 2025, we generated sales of around €11 billion (2024: around €11 billion) with products launched on the market in the past five years that stemmed from research and development activities.<sup>2</sup>⟩ In the long term, we aim to further increase sales and earnings with new and improved products and processes.

Our **research and development expenses** amounted to €1,995 million in 2025 (2024: €1,969 million). R&D activities in our operating divisions, which are mainly application- and customer-related, accounted for 87% of this figure (2024: 86%). Cross-divisional and strategic topics were responsible for 13% (2024: 14%) of these expenses.<sup>3</sup>

Our **innovation focus** encompasses the development of new products and solutions as well as product and process improvements that ensure our long-term competitiveness and enable our customers' green transformation. Another focus is on innovation for more sustainable agriculture.

By using resources more efficiently, manufacturing our products in a more environmentally friendly way and helping to recycle them, we support our customers in reducing their carbon footprint. At the same time, we contribute to decoupling growth from the consumption of limited resources. In the area of electromobility, we develop materials for batteries and electric powertrains in close cooperation with vehicle manufacturers to enable safer and more efficient driving. We are also driving forward innovative technologies in catalyst manufacturing that enable customized, particularly high-performance catalysts to be produced. To help farmers control resistant weeds, we are investing in the development of herbicide-tolerant cotton traits. In addition, we are working on novel production processes that significantly improve the manufacturing of detergent enzymes. We are researching circular solutions for textiles, biodegradable polymers for home and personal care applications, as well as biodegradable UV absorbers for sunscreens, thus supporting our customers in achieving their sustainability goals. At the same time, we are working on new process innovations such as methane pyrolysis, a virtually emission-free process for producing hydrogen (see page [186](#)).

Our research and development units explicitly address the industry-specific needs of our customers. Customer-focused activities are directly integrated into the operating divisions. Research activities that are relevant to several operating divisions are bundled in the cross-functional global division Group Research, which supports the R&D activities of the operating divisions. Corporate funding is used to finance Group Research projects that are of strategic relevance to the BASF Group and go beyond the industry-specific focus of the individual operating divisions. These include process innovations for our green transformation, the circular economy of our products, as well as digital tools. The unit is globally positioned with research centers in Asia Pacific, Europe and North America. Together with the research and development units in our operating divisions, Group Research forms the core of our global Research and Development Verbund.

<sup>1</sup> Number of employees including employees of the discontinued coatings business

<sup>2</sup> Sales from the discontinued coatings business are not included in the figure for the 2025 business year. Its sales are included in the prior-year figure.

<sup>3</sup> The discontinued coatings business is not included in the disclosures on our R&D expenses in the 2025 business year and the previous year.

The number and quality of our patents demonstrate our innovative power and our long-term competitiveness. In 2025, we filed **898 new patents** worldwide (2024: 1,159). Of these, 45% (2024: 44.5%) were for innovations with a particular focus on sustainability. The Patent Asset Index, a method that compares patent portfolios, once again ranked us among the leading companies in the chemical industry in 2025.<sup>4</sup>

Our **global research and development presence** – and its effectiveness – is vital to our long-term success. This enables us to respond to the needs and requirements of the regional markets in a differentiated way, establish strong customer relationships and leverage potential in growth markets.

The largest site in our Research and Development Verbund is Ludwigshafen in Germany. There we work on a variety of overarching research topics.

Innovation Campus Shanghai, China, is our largest research and development site in Asia Pacific. Here, we work on new products and processes for a variety of customer industries, including in growing sectors such as electromobility and renewable energies. Innovation Campus Mumbai, India, with its research focus areas of crop protection, process development, specialty chemicals and analytics, represents a key pillar of our growing research network in the Asia Pacific region.

At our largest research and development site in North America, Research Triangle Park, North Carolina, we work on new crop protection products. At the Biodegradation and Microplastics Center of Excellence in Wyandotte, Michigan, our teams research the biodegradability of materials and solutions for the circular economy.

Our global network of top universities, research institutes and companies gives us direct access to external scientific expertise, talented minds from various disciplines as well as new technologies. This strengthens our Research and Development Verbund and makes BASF an even more attractive partner and employer. (In 2025, we collaborated with multiple companies as well as with 269 (2024: 260) universities and research institutes.<sup>5</sup>)

<sup>4</sup> The discontinued coatings business is not included in the patent figures for 2025. Its patents are included in the prior-year figure.

<sup>5</sup> The figure for 2025 excludes the discontinued coatings business. The prior-year value includes collaborations of the discontinued business.