CALL TRANSCRIPT

Q3 2019 RESULTS PRESENTATION

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Slides 1-2 - Introduction
Good afternoon everyone and welcome to the first Wintershall Dea Quarterly Results presentation. I'm Aleksander Azarnov and together with our CEO Mario Mehren and our CFO Paul Smith, will lead you through today's presentation.

To start with, Mario will give you some background on the macroeconomic backdrop that we currently operate in and walk you through some of our Q3 key figures and recent developments. Paul will then continue with the presentation of our financial results.

At the end of the presentation, you'll be able to ask your questions.

And with that, I would like to hand over to Mario.

Mario Mehren, CEO

Slide 3 – Macroeconomic Backdrop
Thank you Aleks and good afternoon also from my side and welcome to our first quarterly results presentation as Wintershall Dea.

Despite the ongoing market volatility and geopolitical instabilities, it has been a resilient quarter for Wintershall Dea. While delivering strong operational performance and continuing our strategic progress, we have delivered a solid set of underlying results.

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Before I take you through our key figures and recent developments, I would like to start with a quick overview of the macroeconomic backdrop against which our company is operating on slide 3.

The third quarter continued to signal abundant oil and gas supplies globally. Oil prices increased in the first quarter of the year, they then declined throughout the year to an average of $60 per bbl in Q3 2019, which is about 20% lower compared to Q3 2018. The oil price decline in Euros was slightly more modest of about 15% during the same period. This moderation in prices indicates a further global economic slowdown and reflects continued growth in production of US shale producers. Geopolitical tensions, for example in Iran and Venezuela have however prevented a stronger decline.

In the last year, gas prices have declined a lot more than the oil prices, with TTF day ahead prices averaging $3.3 per mmbtu in Q3 2019 – representing a decline of 60% YoY. On the one hand, this decline was driven by strong global LNG supply due to the completion of liquefaction projects, especially in the US, but on the other hand it was also driven by a weakening of Asian LNG demand growth.

Slide 4 – Key Figures
Keeping this commodity environment in mind, I would like to present our key figures, which are on page 4.

Despite the challenging environment, I am pleased to see how our new company performed in the first few months of its existence. Our Q3 production increased from 578,000 boe per day in Q3 2018 to 613,000 boe per day in Q3 2019. Q3 production is typically affected by maintenance activities, so the production is slightly lower than the average for the first nine months of the year, which is 635,000 boe per day.

We continuously focus on achieving the best in class production costs and have managed to reduce our unit production costs by 21% compared to Q3 2018, which currently stand at $3.8 per boe.

Despite the significant decrease in commodity prices, with TTF falling more than 60%, our EBITDAX decreased only by 26% compared to Q3 2018, from €957 million to €708 million.

Our free cash flow for Q3 was €22 million, whilst year to date cash flow was €173 million. Paul will go through free cash flow generation in more detail later on.

Last, but certainly not least, HSEQ continues to play a role of utmost importance in our corporate culture, good performance in all aspects of HSEQ is our license to operate. Our LTIF was 0.4 per million work hours, which continues to be well below the industry benchmark.

Slide 5 – Recent Developments
Let me now give you a brief overview of our operational developments, which are set out on page 5.

With regards to the strategic developments, following the merger, our focus has been on making our integration a success and of course optimizing our portfolio. We recently announced the sale of 50% of our stakes in the Aguada Federal and Bandurria Norte blocks in the Vaca Muerta formation in Argentina to ConocoPhillips, where we remain the operator. This is an important transaction to us because we are able to utilize our new partner's extensive know-how of developing US shale deposits. Secondly, we have sold down our shares in the Polarled pipeline and the Nyhamna terminal in Norway. Both of these transactions are expected to close in the coming weeks subject to the fulfilment of all customary closing condition precedents.

Regarding our exploration ambitions, I am delighted that we were able to expand our exploration portfolio with two high quality offshore blocks in Brazil in the Santos and Campos basins with partners Chevron and Repsol during a competitive bid round. Brazil is one of the world's most promising oil and gas regions and the blocks we won are an excellent fit to our plans in Brazil. The country is an important pillar to our global growth strategy. Our activity in Brazil continued with the farm-down of the 30% stake in our three own-operated blocks in the Potiguar Basin, which helps us to mitigate the risk and optimize our portfolio. I'd like to remind you that our yearly exploration budget is around €350 million.

In terms of our development activities, we continue to make very good progress.

In Russia, the Achimov IA development was completed and the field can now produce at plateau levels of 10 bcm of gas per year following the commissioning of the last of 108 wells.

In Norway, as you know, we have a large portfolio of development assets, but I'd like to highlight two on this call. In August, we commenced production drilling in our own operated project Dvalin. Subsea installation works are almost complete there. In Nova, which is another one of our own operated fields, we have completed the installation of subsea pipelines and umbilicals, so also there, we are making good progress.

Finally, we achieved a major milestone in our integration process. On the 1st of October we have reached an agreement with the works councils and the labor unions to reduce our staff count by 760 in Germany, in addition to 200 in Norway. We strive to make all of the job cuts in a socially responsible manner. We can now focus all of our efforts on implementing the company's new structure and reaching the planned synergies. Additionally, from December 1st, the two legacy Norwegian entities will merge and form Wintershall Dea Norge. We will continue to update you on the progress of our integration in the coming quarters. On this note, I'd like to hand over to Paul and to go over our financial performance.

Paul Smith, CFO

Slide 6 – Production and Pricing
Thank you, Mario, and a warm welcome from my side on this somewhat chilly November afternoon in Hamburg.

As Mario already pointed out, we have continued to see strong production growth, with our working interest production increasing by 6% from 578 mboe per day in Q3 2018, to 613,000 boe per day in Q3 2019. The primary contributors to this growth have been our businesses in Egypt where the Giza and Fayoum fields were brought on-stream as part of the large West Nile Delta Development, and in Russia where following a successful development drilling campaign we have been able to increase plateau production in our Achimov field to about 10bcm p.a., or approximately 1 bcf per day gross.

In terms of realized prices, our liquids realized price has reduced broadly in line with commodity price development over this period, which saw Brent decrease by about 20%. However, our gas realized price declined significantly less than the European benchmark and I'll come back to this in just a second.

Our liquids realized pricing is of course a mixture of oil, condensate and NGL pricing with the mix between the three remaining broadly stable at around 65%, 25%, and 10% respectively. However, one distorting feature in our realized liquids price is our Russian condensate production of almost 50 mboe per day in 3Q, which is included at $13 per bbl, but represents a netback price which deducts processing, stabilisation and transportation fees. As a result, we have shown our realized prices with and without the Russian condensate netback.

Our realized gas prices in the quarter were down by 36% to around $2.1 per mcf, but significantly less than the 60% reduction observed in European gas prices over the same period – this is a reflection of the pricing construct of our diversified gas portfolio which includes a mixture of fixed price, oil linked price, domestic prices and European pricing, providing an in-built gas price dampening mechanism within the portfolio.

Slide 7 – Revenues and Profitability
On slide 7, I would like to talk you through our Q3 revenue and EBITDAX. Let me start with some context around our Q3 financial statements which were released earlier today. Due to the fact that the merger was formally completed on the 1st of May, we will have a 'short fiscal year' from May – December 2019, and the previous fiscal year comparison period is January – April 2019, a period which – just to make it even better – only shows financial information for Wintershall.

Given the limited relevance of the comparison periods in our IFRS financial statements, we have provided a comparison to Q3 2018 which is simply the sum of results of Wintershall and DEA combined without any pro forma adjustments.

Of course, the lower commodity prices have had a significant impact on our revenues. While increased production has partially offset the significant softening of commodity prices, our revenues were down nearly 25% compared to Q3 2018.

On EBITDAX, we have seen a similar reduction to around €708 million for the quarter, although there are a couple of underlying positive drivers which I would like to highlight.

As already mentioned by Mario, the company has continued to make significant headway in reducing production costs which are down 20%, from $4.8 per boe in Q3 18 to $3.8 per boe. This is both the result of growing low-cost production within the portfolio, as well as a continued focus on operational excellence across the portfolio.

In addition, we continue to enjoy the benefits of a predictable, and increasingly material, contribution from our European midstream pipeline distribution business which delivered nearly €80 million of EBITDAX in Q3.

Slide 8 – Capex and Free Cash Flow
We now turn to slide 8 and we talk about capex. Our capital expenditures have remained relatively stable at a level of around €400 million for the 3rd quarter, although the mix has changed with nearly three quarters of our development capex being directed towards our business in Norway. As you are aware, Norway is one of our key growth areas in the short to medium term, with production expected to nearly double from 140 mboe per day in 2018, to well over 250 mboe per day exit production by the end of 2021. Despite significantly weaker commodity prices, our operating cash flow for the quarter of €466 million, and cash flow from investment activities totaling €444 million, have resulted in free cash flow of approximately €22 million.

Slide 9 – Cash Flow Development
On slide 9, our cash position during the quarter improved primarily from the increased liquidity following the successful €4 billion bond issue used to refinance our bridging facility, has resulted in a healthy cash position of around €1.1 billion at the end of the quarter. We expect to close and receive over €200 million of proceeds from non-core dispositions during the 4th quarter, allowing us to enter 2020 with a strong liquidity position.

Our balance sheet remains strong, with a longer-term debt maturity profile following our bond issue, and leverage at the end of the 3rd quarter at about 1.8x net debt to EBITDAX, well within our target range of 1.5-2.0x.

Mario Mehren, CEO

Slide 10 – Guidance and Outlook
Lastly, on slide 10, a couple of closing remarks from my side.

In terms of production and capex guidance, with only a few weeks left of the year, we are firmly on track to outperform on guidance for both. With YTD production of approximately 635,000 boe per day we expect our full year production to be around 640,000 boe per day. In terms of capex, we expect the FY to come in around €1.6 billion, or €100 million below our original guidance.

It's been a busy but productive start for the new Wintershall Dea. We continue to make good progress on the delivery of merger synergies and have now delivered our first full quarter of solid results. Despite the challenging commodity price environment, we are continuing to live within our means, generating positive FCF, maintain a strong balance sheet, and are operationalizing our cash prioritisation framework in a disciplined manner.

On this note, we would be happy to take any questions you may have.

Operator – over to you.