

wintershall dea

CALL TRANSCRIPT

WINTERSHALL DEA Q1 2022 RESULTS PRESENTATION

Date:

28.04.2022

Page:

1 of 15

Aleksander Azarnov – SVP Investor Relations

Good morning, everyone and welcome to our first quarter results presentation. Hope everyone is doing well.

Together with me on the call we have our CEO Mario Mehren and CFO Paul Smith, who will go through today's presentation and answer questions at the end. Please use the chat function in the webcast to send your questions.

As customary, I'd like to draw your attention to the disclaimer. In today's presentation we will be making forward-looking statements that refer to our estimates, plans and expectations which are all subject to assumptions and risks as stated there.

With that, let me now hand over to Mario.

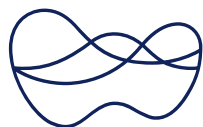
Mario Mehren – Chief Executive Officer

PAGE 4 – KEY MESSAGES

Thank you, Aleks.

Good morning, everyone. It is great to have you join us, as ever. We have many topics to discuss today.

First and foremost is of course the impact of the appalling Russian invasion of Ukraine on our business. Over the last two months since the beginning of



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
2 of 15

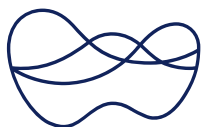
this war, I have made our company's position clear on this matter. We condemn this invasion to the highest possible degree. In the last nine weeks we have witnessed unimaginable brutality, war crimes against civilians and of course millions of Ukrainians being forced to flee their homes. The atrocities happening in Ukraine must stop right away.

It is clear that we cannot continue operating in Russia as we used to before the 24th of February. We have stopped pursuing any additional oil and gas projects in the country and have stopped planning for new projects.

We have fully impaired the Nord Stream 2 financing and have reduced all our activities in the country to the minimum required level to maintain safe operations and fulfil our obligations.

But, I want to be clear. We have decided to continue with our participation in our existing projects in Russia because we do bear responsibility for the people who work for us, but also responsibility to contribute to the energy supply that Europe depends on. European industry, jobs, livelihoods still depend on this energy supply.

Needless to say, that this war has impacted Wintershall Dea, but our strategy has always been to ensure that our business is properly diversified and that we are not dependent on any one country. The same is true for Russia. The earnings contribution from Russia have been in the 20-30% range historically. During the quarter, because of the war, we had to take significant impairments related to our Russian business. Nevertheless, the rest of our



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
3 of 15

business continues to be incredibly resilient and you can see that from our numbers published this morning.

Due to the war, and the actions we've taken in response, we've had a €1.5 billion impairment of our Russia related assets, such as Nord Stream 2 financing and a few others. All of this resulted in net loss of €1 billion. But, adjusted net income for our underlying business was €669 million.

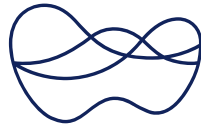
Our operational performance in all of our business units remained robust throughout the quarter. Q1 production of 669,000 boe/d was only slightly lower than in Q4 due to maintenance in March and dispositions announced earlier in the year, but it was 2% higher than in the first quarter of last year.

Our underlying financial performance was also strong as a result of both, steady operations, but also very high commodity prices, both for gas and more recently also for oil. We generated €1.8 billion of EBITDAX whilst maintaining strict capital discipline, which resulted in over €1 billion of free cash flow for the quarter.

In terms of development projects, we are nearing completion of the remaining three major projects in Norway.

Nova development is expected to come onstream the earliest of the three and already as soon as the third quarter of this year.

Both Dvalin and Njord are also progressing well, with Njord A production platform having sailed away in March and Njord Bravo to follow in the coming



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
4 of 15

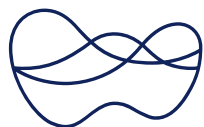
weeks. Production from both of these projects is expected to commence towards the end of the year. Once all of the three projects are onstream, we expect them to contribute about 70,000-80,000 boe/d. Over half of these volumes is gas, helping to diversify Europe's gas supplies further.

We are also looking beyond the immediate future. In Mexico, SENER, the Ministry of Energy in the country, finalised the Zama unitisation process paving the way to commence the development of this massive field following the final investment decision which is expected in 2023. This is an important project for the country and for us and will bring significant barrels once the project is completed.

In Argentina, where we focus on natural gas production, the government has recently extended the CMA-1 license until 2041. Not only does this allow to continue safeguarding the energy supply to the Argentine market, but is also an important step ahead of the final investment decision of our future project called Fenix.

We continue to focus on our other strategic objectives, which is to ensure we maintain a low-cost, low-emissions portfolio:

- Earlier in the year, we announced that we will be exiting our activities in Brazil, which were purely focused on exploration.
- Also in January, we have sold our remaining share in the Aguada Federal and Bandurria Norte unconventional oil concessions in Argentina.



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
5 of 15

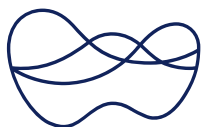
- And lastly, after 40 years of operations, we have assigned our entire interest in the Gulf of Suez concessions to EGPC and thus closing this successful chapter in Egypt, leaving us with two low cost, predominantly gas producing assets Disouq and West Nile Delta in the country.

Since the start of the war, Paul and team have had extensive and constructive dialogues with the rating agencies. As you know, following the review, Fitch maintained our current rating with stable outlook, whereas Moody's put us on review for a possible one notch downgrade depending on the position they take on our Russian business. In any case, we remain committed to our balance sheet and our rating.

In response to the uncertainty caused by the war in Ukraine, together with the Supervisory Board, we decided to propose to the Annual General Meeting, the payment of only the legal minimum common dividend for 2021 while maintaining flexibility for further distribution later this year depending on circumstances. This minimum payment of €6 million was approved in the AGM this Monday.

Last but not least, on May 1st, Wintershall Dea will turn three years old, which also means that the preference shares held by BASF will convert into ordinary shares increasing BASF's common shareholding to 72.7%.

And with that, let me hand over to Paul to go over our financial performance for the quarter.



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
6 of 15

Paul Smith – Chief Financial Officer

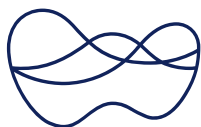
PAGE 6 – MACROECONOMIC BACKDROP

Thank you, Mario, and good morning to everyone, also from my side.

We continue to see daily commentary on high commodity prices, so I will not spend too much time on this topic, but highlight just a few key points.

European gas prices were already elevated prior to the war due to underinvestment in new gas supplies for a number of years. But following a cold winter and the depletion of European storage levels, natural gas prices continue to be heavily impacted by potential disruptions from Russian gas supply which accounts for approximately a third of current total gas demand in Europe. Consequently, we experienced strong European gas prices during the first quarter, with TTF averaging over \$30 per mscf for the second quarter in a row.

On the oil side, European and US sanctions, as well as off-takers' increasing reluctance to deal with Russian crude has significantly increased oil price volatility. Prices averaged over \$100 per barrel during the quarter for the first time since the oil price crash in 2015. OPEC, despite requests from western countries to bring incremental volumes to market, has continued to demonstrate discipline in allowing to release circa 400,000 boe/d per month of incremental volumes to global markets.



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
7 of 15

It is worth noting that neither the recent outbreak of COVID-19 in China, nor the unprecedented release of 180 million barrels from the US strategic oil reserves have had a major impact on dampening global oil prices. With global demand estimated at nearly pre-pandemic levels of circa 97-98 million barrels of oil equivalent per day and, we still see limited demand destruction and combined with industry underinvestment, expect robust mid-term commodity prices along with a high degree of volatility.

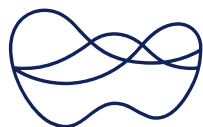
PAGE 7 – 2022 Q1 PERFORMANCE SUMMARY

Let us move on to our 1Q performance.

Starting with health and safety, which remains our top priority in everything we do. During the quarter, we saw our Lost Time Injury Frequency Rate, which is a measure of how frequently someone is hurt seriously enough that they cannot return to work, decrease from 0.80 per million hours worked in 1Q last year to 0.35 this quarter.

Before going into detail about our financial performance, let me leave you with the following summary messages.

Firstly, our operational performance continues to remain very strong. In 1Q, despite the disposition of our Gulf of Suez licences in Egypt and our unconventional business in Argentina, our 1Q production of 669,000 boe/d was 2% higher than at the same time last year.



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
8 of 15

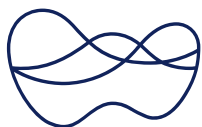
Secondly, our strong operational delivery combined with a robust macro environment have allowed us to deliver a quarter of record-breaking financial performance and cash generation. 1Q EBITDAX of €1.8 billion and free cash flow of just over €1 billion are both significant increases on the previous record breaking fourth quarter. The €1 billion of free cash flow generated during the first 3 months of the year is nearly half of the FCF generated during the whole of 2021.

Our adjusted net income of €669 million was up significantly compared to 1Q of last year. However, due to a number of one-off special items totalling €1.7 billion, we incurred a net loss of €1 billion during the quarter.

Thirdly, we continue to demonstrate capital discipline with CAPEX being down 13% compared to 1Q of last year and 25% lower than the fourth quarter last year.

And finally, the record breaking FCF delivery of €1 billion during the quarter has allowed the company to build its cash balances from €2.1 billion at the end of the year to €3.1 billion at the end of the quarter, including €508 million in Russia. The company's leverage at the end of the quarter had reduced to 0.3x net debt to EBITDAX.

Let me now go into more detail on a few areas of our 1Q results.



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
9 of 15

PAGE 8 – REALISATIONS

Our Northern European pre-hedging gas realisations follow TTF and NBP prices closely, and were up 380% compared to the same period last year, at \$32/mscf.

In Russia, the European price component of the Russian price formulas has a several month delay, which is now fully reflecting the high prices in Europe achieved at the end of 2021. Realized prices in Russia are generally stable but have increased nearly eightfold to \$3.8/mscf and are now even higher than what we realise in Latin America and nearly at the same levels as the net backs in Egypt.

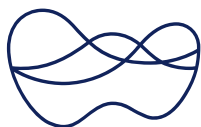
For the entire group, we realized \$6.6/mscf, including hedge results and Russian price effects, which is over 200% more than in 1Q of last year.

Our liquids realisations in most regions generally follow Brent prices. Year over year we realised 81% more, including hedge effect, which is a slightly higher increase compared to the 65% increase in Brent.

In Russia, where the contractual prices are based on a price formula and include tariffs and certain other opex, realised prices were up 64% achieving \$16.6 per barrel.

PAGE 9 – PRODUCTION COSTS

Our production costs of €4.3/boe were stable compared to the previous quarter, but 35% higher than in 1Q 2021. During the quarter we incurred



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
10 of 15

additional one-off costs of around € 35 million (€0.8/boe) relating to two dry production wells in Norway, as well as underlying cost increases in our European business relating to significant increase in electricity and CO₂ prices.

Production costs in Latin America have temporarily increased to €4.5/boe from €3.0, due to increased costs associated this quarter with planned maintenance work.

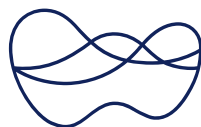
In MENA, our production costs have almost halved due to the relinquishment of our high-cost operations in the Gulf of Suez.

Excluding one off effects, and despite the significant energy and CO₂ price pressures in Europe, our underlying production costs continue to be peer-leading at around €3.5/boe.

PAGE 10 –FINANCIAL PERFORMANCE

Let me now go over our earnings, on page 10. We achieved another strong quarter on all key earnings metrics.

Our 1Q EBITDAX of €1.84 billion, was up 161% compared to 1Q of last year. The Russian contribution of our quarterly EBITDAX was 28% and slightly higher as a proportion compared to the previous quarters, as a result of the delayed realised price increases in Russia. Earnings without Russia of €1.33 billion for the quarter, were nearly double that of earnings with Russia in the same period last year. Northern Europe alone contributes about 2/3 of our overall EBITDAX.



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
[11](#) of [15](#)

Our hedge book continues to have a significant impact on our earnings due to the non-speculative nature of our hedging policy. We realised circa €271 million of post-tax hedging loss for the quarter, €55 million on oil and €216 million on our gas hedges.

Our adjusted net income of €669 million was up nearly 300% compared to 1Q of last year. However, due to a number of one-off special items totalling €1.7 billion our net loss for the quarter was €1 billion.

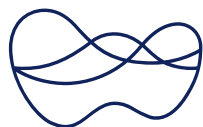
In addition to the previously signalled €1 billion impairment on the financial receivable towards Nord Stream 2, we have partially impaired a number of assets related to our Russian business by about €550 million pre-tax.

Additionally, due to the extreme volatility in gas prices, the fair value of our trading book that comprises mainly optimisation of location spreads resulted in circa -€200 million P&L effect, driven by an increase of those location spreads by nearly 50 times in an almost completely illiquid market experienced during the quarter. However, given the underlying locking in of these location spreads, the -€200 million impact will reverse once the hedges mature in the coming quarters.

PAGE 11 – SOURCES AND USES OF CASH, AND CASH FLOW

Let me go over our cash flow.

Our operating cash flow for the quarter was €1.25 billion, nearly 80% higher compared to 1Q 2021 and that despite swinging into a tax paying position in



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
12 of 15

Norway. Overall, we paid €260 million of taxes in 1Q compared to tax cash inflow of €156 million in the same period last year.

Our total capex, including capitalised exploration, amounted to €222 million which was 16% lower compared to the same period last year due to lower investment activity as our Norwegian development projects are coming closer to completion.

During the quarter, our cash pooling liabilities with our joint ventures decreased by €183 million, shown as financing cash flow.

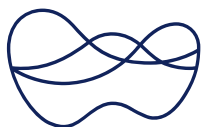
Overall, we generated just over €1 billion of free cash flow for the quarter, nearly half of all of last years' cash flow generation and €689 million if we were to exclude Russian contribution.

PAGE 12 – ROBUST BALANCE SHEET

As of end of 1Q, thanks to the very strong free cash flow generation, our cash position was €3.1 billion, of which about the equivalent of around €500 million was in Russia.

This has resulted in our net debt reducing to €1.36 billion.

Our strict capital discipline, strong operational and financial performance, as well as the decision to postpone and limit the payment of the common dividend to €6 million, has resulted in rapid deleveraging to 0.3x net debt to EBITDAX, significantly lower than our target of 1.5-2.0x.



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
13 of 15

We continue to consolidate our Russian businesses as we used to previously, but illustratively, if we were to exclude our Russian contribution to leverage, while keeping the same gross debt position, our leverage would still be only 0.5x, again significantly lower than our target and importantly lower than any rating sensitivities.

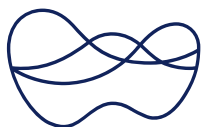
Our rating and balance sheet remain our top priorities when it comes to financial policy and capital allocation framework. Which means that we will continue to do what we need to do to maintain our ratings and, if needed, reduce gross debt over time.

PAGE 14 – GUIDANCE AND OUTLOOK

Let me now summarise what we expect from the coming months.

As mentioned in the earlier remarks, we expect continued strong fundamentals to support both oil and gas prices.

Our operations continue to remain robust, and production is currently higher than we planned for 1Q, however, given the great deal of uncertainty in Russian production, we have maintained our production guidance for the year of 610,000-630,000 boe/d. As the three remaining development projects in Norway come on-stream in the second half of the year, we expect to exit the year at significantly higher production levels and see the full year benefits next year of the three projects coming on-stream.



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
14 of 15

In terms of development capex, we continue to expect to invest between €1.0 and 1.1 billion with over half of our investments going towards the major projects in Norway.

And finally, in terms of exploration, we expect to end the year within our original guidance of €200-250 million.

And with that I will now hand it back to Mario.

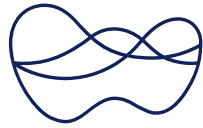
Mario - Summary

Thank you, Paul.

Whilst financially and operationally, first quarter was undoubtedly a strong one for us, it was also in many ways one of the most difficult ones we had to endure.

The war in Ukraine touched many of us not only from a business perspective, but also personally. We have many colleagues from Ukraine, and also of course from and in Russia who have all been impacted by the ongoing war.

The management team is now actively working on updating the strategy of our company. First, we already have a strong portfolio outside of Russia, but are looking to strengthen it further to diversify European energy supply sources. Second, our ambition to contribute to energy transition has only grown over time. We will continue to invest in carbon management and hydrogen solutions and see an enormous market potential there. No doubt,



wintershall dea

CALL TRANSCRIPT

Date:
28.04.2022

Page:
15 of 15

events in Ukraine mean significant changes for us as Wintershall Dea and I look forward to updating all of you in due course.

But for now, first and foremost, let us hope that these atrocities in Ukraine end as soon as possible. That there is at least a cease fire. And a return to peace soon.