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## **WINTERSHALL DEA Q1 2023 RESULTS PRESENTATION**

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### **Aleksander Azarnov – SVP Investor Relations**

Good afternoon, everyone and welcome to our first quarter results presentation.

As usual together with me on the call we have our CEO Mario Mehren and CFO Paul Smith, who will walk you through today's presentation and address any questions at the end. We kindly ask that you utilise the chat function within the webcast to submit your questions.

Before we proceed, please take note of the disclaimer. Throughout the presentation we will be making forward-looking statements that refer to our projections, plans and expectations all of which are subject to assumptions and risks as stated there.

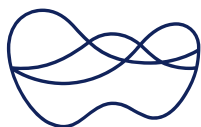
Without further ado, please let me now hand over to Mario.

#### **Wintershall Dea AG**

Friedrich-Ebert-Str. 160, 34119 Kassel  
T +49 561 301-0, F +49 561 301-1702  
Überseering 40, 22297 Hamburg  
T +49 40 6375-0, F +49 40 6375-3162  
[www.wintershalldea.com](http://www.wintershalldea.com)

#### **IR contact**

Aleksander Azarnov  
SVP Investor Relations  
T +49 40 6375 3437  
[aleksander.azarnov@wintershalldea.com](mailto:aleksander.azarnov@wintershalldea.com)



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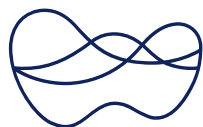
### **Mario Mehren – Chief Executive Officer**

#### **PAGE 4 – KEY MESSAGES**

Thank you, Aleks. Good afternoon and good morning, everyone. Thank you for joining us today.

In January, as you all know, we announced the deconsolidation of the Russian business and that we will exit the country in an orderly manner and in compliance with all applicable laws. We've been taking the appropriate steps in the past weeks: We started the wind-down of our St Petersburg office, reducing local staff. We are bringing back our expatriate colleagues to their home location. And, we are exploring different options of how to exit the assets. However, the exit remains a complex and ongoing process since the Russian government continues to create new hurdles and obstacles for those wanting to leave the country. We will continue to keep you updated on the progress we are making.

Our teams globally have been busy delivering our development projects throughout the quarter. In Norway, the partner operated Njord came onstream at the very end of 2022 and continued with commissioning activities



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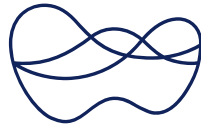
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during the first quarter. I'm pleased to say that as of a couple of weeks ago, the other two fields to be tied into Njord, Hyme and Bauge, which we are also a part of – are now in production as well. This is a major milestone since the entire Njord area will act as an important oil and gas production hub for another two decades.

The Dvalin gas field is in its final stages of completion and we expect it to be online during Q2.

In Mexico, we continue to gain momentum. In March, we closed the acquisition of the Hokchi transaction, which will be the majority of our production in the country until new projects such as Zama come onstream in the next few years.

As you may have seen last night, we just announced a major shallow water oil discovery in Mexico, in our own operated Block 30, a prospect called Kan. This is truly exciting, since not only is it our first own-operated exploration well that is also immediately successful, but the size of the discovery is impressive. Preliminary estimates indicate 200 – 300 million barrels of oil in place. Kan, together with our other discoveries in the country such as Zama, Polok and



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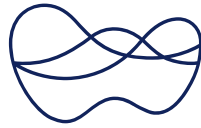
Chinwol, are now setting us up for future growth in the country in the second half of this decade.

Both, the start-up of our Norwegian fields, as well as the exploration successes in Mexico are important contributions to our first strategic priority, moderate growth for our E&P business.

Our first quarter production was 318 mboe/d – flat year over year. With production from our recent developments ramping up, we expect to comfortably reach our production guidance of 325 – 350 mboe/d for the year.

Financial performance, which Paul will go over in a minute, was primarily driven by the external environment. Following the record high commodity prices last year, we are now closer to the prices seen in the previous years, even though European gas prices remain roughly double of what they used to be prior to the pandemic.

Our EBITDAX was €1.14 billion, 14% lower than in the first quarter of last year, whilst our free cash flow was 76% lower at €164 million. Our leverage remains low at less than 0.3x and I'm sure you have seen that both Moody's and Fitch have reaffirmed our current ratings at Baa2/BBB with stable outlooks.



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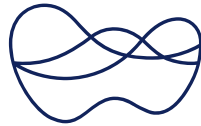
In March, we published our sustainability report for 2022, including greenhouse gas emissions data. Our Scope 1 and 2 intensity in 2022 reduced to 8 kg of CO<sub>2</sub> per barrel of oil equivalent from 10 kg in 2021, which is about half of 2021 IOGP average. I'd like to remind you that our goal is to achieve 25% net reduction of Scope 1 and 2 emissions by 2025 compared to 2020 and ultimately become Scope 1 and 2 Net Zero by 2030<sup>1</sup>. We have a long way to go as the industry and as Wintershall Dea, but are committed to the climate goals and taking concrete steps.

In parallel to reducing our own emissions, we continue to progress our second strategic priority, namely to build a carbon management business where, as you know, we are involved in exciting projects.

In March, first pilot injections took place in project Greensand in Denmark. This is the first ever cross border full CCS value chain implementation, with CO<sub>2</sub> captured from a Belgian industrial plant and then stored in the depleted Nini West field. This is remarkable not just from technical perspective, but even

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<sup>1</sup> Operated and non-operated upstream activities at equity share basis



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more so to prove that CCS can be and should be a result of collaboration between governments of different countries.

Secondly, we have been awarded our second operated CO<sub>2</sub> storage license in the Norwegian North Sea, called Havstjerne, which has the potential to store up to 7 million tonnes of CO<sub>2</sub> annually. We are building an attractive portfolio of sinks, that will provide optionality to develop our carbon management business in a very thoughtful manner.

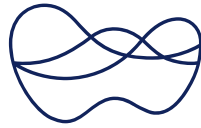
And with that, let me hand over to Paul.

**Paul Smith – Chief Financial Officer**

### **PAGE 6 – GAS AND OIL PRICE DEVELOPMENT**

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

Before going into the details of our 1Q results, a couple of words on the external environment, and in particular European gas prices.



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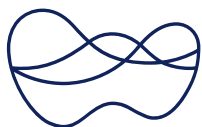
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During the first quarter, European gas prices softened significantly reaching levels not seen since the summer of 2021, with prices averaging \$17/mcf - down 40% on the previous quarter.

Europe managed to navigate through the winter with significantly lower gas demand on the back of a combination of an unseasonably warm winter, industrial and consumer demand destruction on the back of record gas prices, and fuel switching as record levels of coal power production were switched back online in Europe. This allowed the continent to end the heating season with storage levels at nearly 60% - well above the long term averages of about 30-35%.

We expect gas price volatility to remain high due to a number of uncertainties as we prepare for next winter without the benefits of any material Russian gas supply to the continent, and increased demand for LNG as the Chinese economy continues to recover.



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### **PAGE 7 – Q1 2023 PERFORMANCE SUMMARY**

Moving on to 1Q results.

Please note that in the slides ahead, to allow meaningful comparison, the comparison period is always shown on a like-for-like basis as if the Russian business had been deconsolidated already at the beginning of 2022.

Starting with health and safety. Our Lost Time Injury Rate was flat compared to last quarter but our Total Recorded Injury Rate of 3.2 per million hours worked is now trending lower. We continue to look to improve not only our own safety culture, but also work with the partners and contractors on our sites to ensure that everyone in our activities goes home in the evening in the same condition as they left in the morning, both physically and mentally.

Moving on to financial and operational performance.

Here are the 4 messages I'd like to leave you with.

**First**, our production was stable during the quarter. 1Q production of 318 mboe/d was flat to the same period last year and slightly lower than in 4Q. Following first production at the end of 2022, Njord experienced some early





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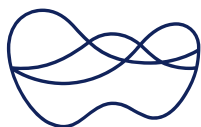
commissioning challenges requiring the field to be down for remedial action for most of the first quarter but came back on-stream following successful repairs at the end of March and continues to ramp-up. Two smaller fields which are part of the Njord area - Hyme and Bauge – successfully came on-stream earlier this month.

With Dvalin due to come on-stream during the second quarter, we expect a strong production build for the remainder of the year and remain on track to achieve our production guidance of 325 – 350 mboe/d for the year.

**Second**, our financial result was primarily driven by the softening macro environment.

On the back of the 45% decline in European gas prices and 20% decline in Brent, our EBITDAX result of €1.14 billion was 14% lower compared to the then record-breaking 1Q 2022. As a reminder Northern Europe continues to represent around 85% of our total EBITDAX.

Adjusted net income of €298 million was 10% higher compared year over year, impacted by a few one off-items that flow through ANI.



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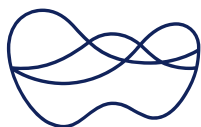
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**Third**, a combination of softening commodity prices and increased Norwegian tax payments this year for record earnings in 2022 have resulted in reduced free cash flow. During the 1<sup>st</sup> quarter we recorded free cash flow of €164 million, significantly lower year over year, and included €560 million in Norwegian tax payments during the quarter – a topic I will come back to in a moment. Despite lower prices and high cash taxes on the back of our 2022 results, we expect to remain free cash flow positive for the year at current forwards allowing us to put the totality of our cash allocation framework to work.

**Last**, but not least, our balance sheet remains strong. We ended the first quarter with €2.9 billion of cash and cash equivalents, net debt of €1.5 billion and LTM leverage of under 0.3x. As previously signalled, we intend to de-lever the balance sheet by circa €900 million later this year by letting the first of our senior notes mature without refinancing. Our low leverage, prudent financial policy, and OECD dominated portfolio were all highlighted by the rating agencies, who have reaffirmed our current BBB/Baa2 ratings during the first quarter.



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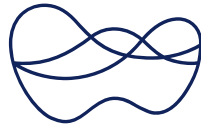
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### **PAGE 8 – FINANCIAL PERFORMANCE**

Let me go over a few more aspect of earnings in more detail.

Despite the 45% drop in TTF prices, our Group-wide realised prices were only down about 10%, due to both existing hedges in place as well as contractual pricing in the MENA and Latam regions. The Group-wide realised price in 1Q was \$9/mscf, while in Northern Europe the post-hedge realised gas price during the first quarter was \$13.7/mscf. Our liquids realisations were down about 22% year over year at \$68/boe - in line with the development of Brent pricing.

Our operating costs remain stable, with group production costs of €5.9/boe slightly lower than the €6/boe delivered in the 4<sup>th</sup> quarter. As mentioned in the full year results call, we are currently in the process of reviewing our G&A cost base and will be looking to right-size the organisation to take in to account the exit from Russia, and expect to be able to provide more details on this in the second half of this year.



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All in all, our EBITDAX result of €1.14 billion was 14% lower compared to 1Q 2022, primarily due to the softening commodity price environment, partially offset by three liftings during the quarter in Libya.

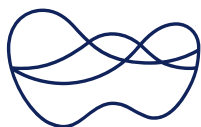
Adjusted Net Income of €298 million was slightly up on same quarter in 2022, primarily due to an increased net financial result, positive effects from deferred taxes, as well as lower depreciation and amortisation charges.

### **PAGE 9 – CASH FLOW**

Moving on to cash flow.

During the quarter, we generated operating cash flow of almost €400 million, which was materially lower from just over €1 billion in 1Q 2022. The circa 60% decrease in operating cash flow was primarily due to lower prices, but also due to significant taxes paid in Norway on the back of record earnings in 2022.

In Norway, we expect to pay total tax instalments in the first half of this year in relation to earnings for 2022 of circa €1.65 billion. During the first quarter the first of three instalments of circa €550 million was paid, and we will be



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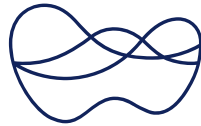
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paying the other two instalments totalling €1.1 billion during the second quarter of this year.

Based on the current commodity price environment, we expect to now pay around €2.7 billion of income taxes in Norway in 2023 - €1.65 billion in the first half of the year, relating to 2022 profits and €1 billion in the second half of the year - compared to €3.5 – 4.0 billion we had indicated in our FY earnings call based on stronger commodity price assumptions for 2023 at the time.

During the quarter, our CAPEX was largely flat year over year at €214 million and we capitalised a further €19 million of exploration expenditures.

Taking all of the above into account results in our FCF before M&A of €164 million and with the final Hokchi acquisition payment of €326 million on closing during the first quarter, free cash flow including M&A was negative €150 million.



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### **PAGE 10 – BALANCE SHEET**

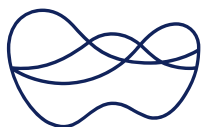
On to the balance sheet and our outlook

Our balance sheet remains strong despite lower prices. With €2.9 billion of cash and €1.5 billion of net debt, our leverage was less than 0.3x and well below our target of less than 1.5x through the cycle.

Our robust liquidity position will allow us to put our full financial framework into practise by continuing to focus on wisely investing to modestly grow the business to 350 – 400 mboe/d in the medium term, retire €900 million of senior debt to de-lever the balance sheet, pay a base common dividend of €400 million, and maintain further strategic flexibility.

Now very briefly onto the outlook, which we have kept unchanged for the time being.

With 1Q production of 318 mboe/d and April production quite a bit higher than that as Njord ramps-up and Dvalin comes on-stream during the quarter, we remain confident in our full year production guidance of 325 – 350 mboe/d.



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In addition, we expect capex and exploration expenditures to come in within the guidance provided at the beginning of the year - €1.2 - 1.4 billion for capex, and €200-€250 million for exploration and appraisal expenditure.

With that, let me hand over to Mario.

### **Mario – Summary**

Thank you, Paul and thank you to our listeners.

2023 is a transformational year for us in many ways. Our major projects are all starting to contribute valuable volumes and making us more resilient.

Our next set of projects are at the beginning of their development and will be the backbone of our production in the second half of the decade.

And of course commodity price volatility going forward means that we'll have to remain resilient, flexible and competitive in all areas and that is what we are focusing on.

With that, let's start with the Q&A session. Operator over to you.