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## **WINTERSHALL DEA Q3 2022 RESULTS PRESENTATION**

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

Good afternoon, good morning wherever you are, everyone and welcome to our third quarter results presentation. Hope everyone is doing well.

As usual 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.

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 very much, Aleks.

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Good afternoon and good morning, everyone. Thank you for joining us today. The unjustifiable Russian war in Ukraine is ongoing and even escalating, taking lives daily, creating a humanitarian crisis for millions of Ukrainians. Unfortunately, there are currently no signs that this terrible war of aggression against Ukraine will come to an end any time near soon. And the war has of course also continued to have an impact on Wintershall Dea and our business also in the third quarter.

It has been a busy quarter for us with many developments on various aspects. Once again both our operational and financial performance continued to be robust. Our financial performance was driven by reliable operations and macroeconomic tailwinds. Q3 gas prices in Europe reached all-time highs.

I'm sure you all know the drivers of the high gas prices - Russian flows to Europe via Nord Stream 1 stopped completely, at the time when Europe was filling its gas storage in preparation for the upcoming winter on top of all other uncertainty. In addition, at the end of September, sabotage acts occurred damaging both strings of Nord Stream 1 as well as one string of Nord Stream 2.



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High prices allowed Europe to import a record level of LNG cargos and fill storages quicker than planned to now over 90% of capacity on average, meeting European goals. This gives comfort that absent of an abnormally cold winter, current gas flows and storage levels will be sufficient this winter. Of course, the focus now needs to shift to next winter.

In the third quarter, we produced 614,000 barrels of oil equivalent per day, which was 26,000 barrels higher than last year at the same time. Q3 production was always impacted by summer maintenance, primarily in our Russian fields.

At the end of July, we started operations at our Nova field, where we continue to ramp up oil production at a time when we all need it the most. A big thank you to everyone involved in this project, including our partners.

Following the successful start-up of Nova during the third quarter, there are two major projects coming onstream in the short term, with Njord due to come onstream during the fourth quarter, while Dvalin is expected to come onstream around the turn of the year.

Our exploration team continues a very successful near-field exploration campaign in Norway with three new discoveries in the quarter. The overall



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estimated gross resources are in the range of 50 – 150 million barrels of oil equivalent.

In July, we made a gas discovery in the partner operated Storjo prospect in the Norwegian Sea, where we hold a 30% interest. The Storjo discovery will be evaluated as a possible tie-back to the nearby Skarv field.

In early August, we had an exploration success in the Newt prospect in the Norwegian Sea. The gas find complements the just mentioned Storjo discovery, and will be evaluated for a possible tie-back to the nearby Skarv field as well.

Also in August, we had another discovery in the partner operated Ofelia prospect. The Ofelia oil discovery will be evaluated as a possible tie-back to the nearby Gjøa field in conjunction with the Hamlet discovery, which we announced earlier this year.

In addition, just recently in October we made a fourth discovery, the Oswig East prospect, evaluation of the discovery is ongoing.

We have a lot operational momentum currently in Norway. Before the end of the year, we intend to submit a number of PDO's to the Norwegian authorities for approval including operated ones.



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In Russia, our operations continue to remain stable with all joint ventures producing at planned levels. The annual turnarounds have been performed safely and successfully, as planned. However, a great deal of uncertainty remains for our Russian business going forward, and we continue to accumulate cash within the Joint Ventures with inability to dividend out given the current geopolitical situation.

In Argentina, together with our partners, we took the final investment decision to develop the Fenix gas project offshore Tierra del Fuego. It is part of the producing CMA-1 concession and operated by TotalEnergies. Fenix is planned to start production in 2025 and to reach a peak gross production of around 10 million cubic metres of gas per day or about ~65,000 barrels of oil equivalent per day. This will materially extend the plateau production of the CMA-1 concession, which supplies about 16% of Argentina's natural gas demand.

You may have seen our announcement last night that we just agreed with Hokchi Energy to acquire a 37% stake in the Hokchi block in Mexico. We are very excited to increase our presence in the country and continue to diversify our portfolio.



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This is an early stage production asset and will contribute valuable, low cost barrels for many years to come. Currently, the field produces 26,000 barrels of oil per day in total and is expected to ramp up to 37,000 barrels a day next year.

Let me now update you on where we stand in terms of our carbon management and hydrogen projects.

At the end of August, we entered into a cooperation agreement with Equinor to jointly pursue the development of the Carbon Capture and Storage value chain. We intend to connect Germany, the largest CO<sub>2</sub> emitter in Europe, and Norway, holding Europe's largest CO<sub>2</sub> storage potential. To achieve that, the partnership aims to commission a pipeline for the safe transportation and long-term storage of CO<sub>2</sub> from the German North Sea Coast to the Norwegian North Sea with an annual capacity of up to 40 million tons as early as 2032. For context, this is equivalent to around 20% of the annual industrial emissions in Germany. Furthermore we also plan to jointly apply for offshore CO<sub>2</sub> storage licences in Norway.

Additionally, in October, in a different partnership together with CapeOmega, we were awarded our first CO<sub>2</sub> storage licence in the Norwegian North Sea by



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the Ministry of Petroleum and Energy. Wintershall Dea will be the operator of the Luna licence which is estimated to hold a CO<sub>2</sub> storage injection capacity of up to 5 million tonnes per year. That is another important milestone to implement our carbon management strategy.

Our target, as you know, is to be able to abate 20-30 million tons of CO<sub>2</sub> per year by 2040. It's an ambitious target, but so are we.

Currently, given the early stage of this industry, we are working towards creating partnerships, develop value chains and ensure we have a wide range of optionality for the future.

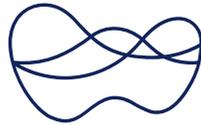
Let me now hand over to Paul, to go over our financial performance.

**Paul Smith – Chief Financial Officer**

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

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

Mario touched upon gas prices already and all that I can really add is that the only certainty we see in the short term is an unprecedented amount of forward volatility as Europe looks to navigate through a difficult winter with limited remaining storage available. Clearly current price levels are not



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sustainable in the longer term, and with the mid-term rebalancing of European supplies largely driven by the availability of incremental LNG volumes which will take some years to come on-stream, we anticipate a strong and robust mid-term European gas pricing environment.

Oil prices have come down from the peaks achieved in the second quarter, with recession fears and a continued zero-covid policy in China weighing on oil prices. However, the OPEC+ decision to take a further 2 million barrels of supply off the market would appear to provide short-term support for oil prices to remain above \$90 per barrel.

### **PAGE 7 – 2022 Q3 PERFORMANCE SUMMARY**

Let us move on to our 3Q performance summary and start with health and safety.

In the third quarter, unfortunately we had three lost workday cases, resulting in the increase of our LTIR from 0.60 in second quarter to 0.89 per million hours worked in the third quarter. We continue to prioritise health and safety in all of our activities and expect to reverse the trend as we further develop our health and safety standards and culture.



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Looking beyond health and safety in the third quarter here are the 4 messages I'd like to leave you with.

**Firstly**, our operational delivery remains strong. Despite the uncertainty in Russia, our production of 614,000 boe/d, or 328,000 boe/d excluding Russian volumes, was 4% higher year over year, and just slightly lower than 2Q due to planned maintenance in our Russian joint ventures. With Nova successfully on-stream, and Njord and Dvalin expected to be on-stream in the months ahead, we expect to have strong operational exit momentum from Norway to take in to 2023.

**Second message** I'd like to leave you with, is that our financial performance, despite planned maintenance and an impairment on Nord Stream AG, was strong, delivering €2.6 billion of EBITDAX, and free cash flow of €1.6 billion, or free cash flow of €1.2 billion excluding Russia. Our net income of €810 million includes a €175 million partial impairment on our equity investment in Nord Stream AG as we have reassessed our cost of equity to reflect the increased risks following the events in the Baltic Sea during the quarter.

**Thirdly**, our strong operational and financial delivery has allowed us to further increase our cash balances from €4.4 billion at the end of the second



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quarter, to €6.2 billion at the end of the third quarter, or excluding the €2.0 billion cash currently trapped in Russia, we essentially have €4.2 billion of available cash on the balance sheet. This very strong position will allow us to continue to put the totality of our financial framework into action this year, including the addition of the acquisition of a 37% working interest in the cash flow accretive Hokchi block in Mexico, which Mario has already mentioned.

**Fourthly**, a great deal of uncertainty remains for the business in Russia going forward, and we continue to accumulate cash within the Joint Ventures with an inability to dividend given the current geopolitical situation. In September, the Russian government enacted in to law Decree 1554 which could have the impact of unilaterally overriding our contractual arrangements in one of our three assets – Yuzhno Russkoye, which in turn would in practice take our netbacks down to zero in this Joint Venture.

Whilst we dispute this unilateral action which breaks the sanctity of our contracts, it demonstrates clearly the uncertainties facing our business in Russia – both in terms of volumes going forward, as well as pricing. As a reminder, the three Joint Ventures are covered by the German Federal Investment Guarantees.



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

Let me provide a few more details around our earnings on page 8.

On the back of the external environment, we were able to further improve our financial delivery during the quarter. Our portfolio wide realised gas netbacks excluding Russia and hedge result was up 210% year over year to \$27.6/mcf, while liquids realisations were up 21% year over year to just over \$80 per barrel.

3Q EBITDAX of €2.57 billion is 41% higher compared to the previous quarter, and takes our year to date EBITDAX to €6.2 billion. The business, excluding Russia, delivered EBITDAX of €2.1 billion, 60% higher compared to the previous quarter and accounting for 80% of our overall 3Q EBITDAX.

Given the high commodity prices and the hedges put in place in previous years at lower prices to provide greater cash flow stability to protect our investment grade rating, our results continue to be impacted negatively by hedge results. During the quarter we realized post tax hedging losses of €433 million on both oil and gas hedges.



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Third quarter G&A was slightly lower compared to the previous quarter at around €100 million primarily due to a one off effect impacting 2Q.

Taking it all together results in a net income of €810 million for the third quarter, which as stated in my summary includes a partial impairment of €175 million of our shareholding in Nord Stream AG.

In addition, we recorded a gain of €175 million for the quarter on optimised location trading differentials taking the year to date gain to €97 million.

Adjusting for both the impairment and the location spread fair value change, our adjusted net income for the quarter was €851 million, taking our year to date adjusted net income to €2.1 billion.

### **PAGE 9 – 3Q SOURCES AND USES OF CASH**

Let's move on to cash flow.

Where our operating cash flow for the quarter was €1.8 billion, taking our year to date operating cash flow to €4.3 billion year.

During the quarter we paid cash taxes of €566 million taking our year to date paid income taxes to nearly €1.5 billion before royalties and other production related taxes. In Norway alone we have paid nearly a billion euros of taxes



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year to date, including over €400 million in the third quarter, and expect to pay a total of €1.9 billion for the year.

Despite the heated supplier market, the majority of this year's spend is related to projects sanctioned and committed to several years ago and hence we remain confident of our ability to manage capital expenditures this year well within our guidance.

However, as we look in to 2023 and the medium term, we see some significant inflationary pressures for materials, services and energy costs, in particular in Norway where there is a record number of PDO's looking to be sanctioned before the year-end deadline when some tax incentives expire.

Strong operating cash flow and capital discipline have allowed us to deliver nearly €1.6 billion of free cash flow in the third quarter of which around 75% was generated in the portfolio outside of Russia.

### **PAGE 10 – ROBUST BALANCE SHEET**

Our cash generation allowed us to end the quarter with cash balances of €6.2 billion, of which about €4.2 billion was cash held outside of Russia and we consider as 'available cash'. In the meantime, we continue to work on seeking



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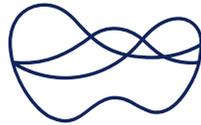
to receive the relevant approvals in Russia to expatriate our dividends planned for 2022 distribution of circa €1 billion out of the country.

Our strong balance sheet with significant available cash balance has allowed us to end the quarter in net cash position of €1.8 billion, or excluding the €2 billion of cash in Russia a very modest net debt position of €180 million leaving us with IFRS leverage of zero when excluding the cash and EBITDAX contribution from Russia.

This strong position will allow us to continue to put the totality of our financial framework into action this year, including, as I previously mentioned, the acquisition of a 37% working interest in Hokchi in Mexico, and following the decision to defer our common dividend at the start of the war this year, the distribution of a common dividend to our shareholders during the fourth quarter. In addition, we expect to carry a significant amount of liquidity, and hence flexibility also for balance sheet measures, into next year.

### **PAGE 12 – GUIDANCE**

Let me now summarise how we expect to end the remaining couple of months of the year.



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Our operational performance continues to be robust. Despite our year to date production of 635,000 boe/d and better visibility in terms of major projects, we continue to face uncertainty around potential reductions in Russian production volumes for the remainder of this year. Therefore we have kept our production guidance for the rest of the year at 620,000-640,000 boe/d assuming no major reductions in Russian volumes for the remainder of this year. Outside of Russia, we are confident in delivering about 320,000-325,000 boe/d relative to a year to date delivery of 320,000 boe/d.

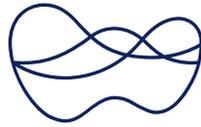
In terms of development capex, we expect to end the year below our guidance of €1.0-1.1 billion.

And finally, in terms of exploration, we expect to end the year between €200 and €225 million, or at the very low end of our original guidance.

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

### **Mario Mehren - Summary**

Thank you very much, Paul.



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As the year is nearing the end, I can only say that it's been certainly one of the most challenging for us all on many levels. However, I'm proud of teamwintershalldea having delivered once again in these difficult times.

During the upcoming weeks, we will be looking to bring both Njord and Dvalin onstream. Additionally, we are going to go ahead with the start of the development of a number of projects in Norway.

Last, but certainly not least, we'll be looking to finalize our strategic roadmap. Key questions that we would like to answer to ourselves, is what is next for Wintershall Dea in our role as a supplier of energy to Europe after the start of the war in Ukraine. This required a full bottom up review of our strategy and options, particularly around Russia. We are also analysing whether the international business of Wintershall Dea could be legally separated from our Russian business.

And with that, operator, back to you.