wintershall dea

CALL TRANSCRIPT

WINTERSHALL DEA Q3 2023 RESULTS PRESENTATION

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Aleksander Azarnov – SVP Investor Relations

Good afternoon, everyone and welcome to our third 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.

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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.

The third quarter was a busy one for us in a number of areas.

First and foremost are of course the significant and difficult organisational changes that we announced in September.

Having adapted our strategy last year, as a response to the economic expropriation of our business in Russia, we are now adapting our organisational structure in line with the strategy to strengthen our competitiveness, reduce our cost base and focus even more on our strategic priorities.

We are significantly simplifying our organisation in order to reflect the new scale of the company. By empowering our business units to conduct operations from exploration to production, we can significantly reduce overlapping activities and ensure proper accountability.

This of course means less need for activities at the headquarters level, which comes with the very difficult decision to reduce our staff at all levels from the board, and other leadership positions to all other levels in the organisation.

Our board will consist of three members, CEO, COO and CFO from 1st December 2023. The CTO function will be dissolved and Hugo Dijkgraaf will resign from his position as of the end of November. His responsibilities will be distributed among the remaining three Board members. A big thank you to Hugo for his commitment and outstanding work over the many-many years at the company. His positive attitude and drive will certainly be missed by all.

The next two levels, SVPs and VPs, will also see a similar decrease of roughly 40%. Overall, about 500 positions will be reduced globally, which is about 22% of our workforce, with the majority being in the headquarters in Germany. Lastly, we will close our Hamburg headquarters and relocate all of the HQ functions in a single location in Kassel.

We expect that these measures will allow us to achieve annual G&A savings of around €200 million, by 2025.

The changes to our organisational structure have required tough decisions. Tough decisions, but the right ones to deliver a significantly reduced cost base, to keep us competitive and to secure a healthy future for our company and I thank our colleagues at Wintershall Dea, who are working with professionalism during what is clearly a difficult time.

In the last 18 months, we have lost half of our production, but we have also reacted. We revisited our strategy, which we announced last year, we have fully redesigned our operating model to match our new company and the strategy. Our new set-up positions us to deliver on the strategy we have set out since announcing our Russia exit: Diversification and decarbonisation, moderate growth in our core E&P business while building out our carbon management and hydrogen activities.

And lastly, we have progressed our Russian legal separation. We now expect to finish our legal reorganisation by the middle of next year.

Let me now go over a couple of other operational updates before handing over to Paul.

During the quarter, we delivered average daily production of 324,000 barrels of oil equivalent. Although broadly in line with last year, our production in Norway in particular, was impacted by extended and unplanned maintenance in two of our partner-operated fields.

This also impacted our own operations, at our Dvalin gas field in the Norwegian Sea, where we resumed production at the end of July but had to limit the ramp-up due to the shutdown of the related third-party facilities. Thankfully, all of this is now behind us and Dvalin is now onstream, just in time before the winter season.

We also marked a major milestone at our Maria Phase II project, where the installation of a three hundred tonne template, on the seabed at a depth of three hundred metres was successfully completed. This next phase of the Maria project is expected to start production in 2025 and adds around 27 million barrels of oil equivalent to the total field reserves.

Now from the North Sea to South America.

In Argentina, our major gas project Fénix is progressing well. The required subsea pipeline connecting the Fénix offshore wellhead platform with the existing Vega Pléyade platform has been successfully laid and the construction of the Fénix production platform is close to finalisation. We expect to start production in 2025.

We continue to make good progress with our Carbon Management & Hydrogen activities. In August, Wintershall Dea and Synergia were granted a CCS licence in the United Kingdom, called Camelot which is expected to have an annual storage potential of up to 6 million tonnes of CO_2.

This award marks a significant milestone for us to access the UK CCS industry, and to further develop Northwest Europe as a key region for our carbon management portfolio.

And with that, let me hand over to Paul.

<u>Paul Smith – Chief Financial Officer</u>

PAGE 6 – GAS AND OIL PRICE DEVELOPMENT

Thank you, Mario, and good afternoon to everyone.

A couple of words on commodity markets before going into our performance.

European gas prices softened in the first three quarters of 2023 as Europe managed to successfully navigate various headwinds and reach record level of gas in storages just before the next heating season begins. Prices seem to have bottomed out in the third quarter, with TTF averaging $10.5/mscf in 3Q. However, we expect to see continued volatility in the months ahead with gas markets finely balanced, and tighter LNG supply in to Europe, leaving European markets potentially exposed to a pro-longed cold spell coupled with other external factors like we have witnessed in recent weeks.

In the oil market, the supply-side concerns that drove prices higher in the summer gave way in the third quarter to demand-side worries that 'higher for longer' interest rates could slow global economic growth and demand. However, 3Q marked the highest quarter for oil prices this year with Brent averaging $87/bbl with physical oil markets pointing to tightness, as falling crude inventories have coincided with OPEC+'s decision to extend its voluntary production cuts until the end of this year. This, coupled with the escalation of geopolitical risks in the Middle East, a region that accounts for more than a third of the world's seaborne oil supply, is unsettling the markets, and although there has been no direct impact on physical supply so far, markets will be watching closely to see how this terrible crisis unfolds.

PAGE 7 – Q3 2023 PERFORMANCE SUMMARY

Moving on to our 3Q results

As in previous quarters, it should be noted that in the slides ahead to allow for a meaningful comparison, the comparison period is always shown on a like-for-like basis as if the Russian business had been deconsolidated already beginning of 2022.

Starting with health and safety.

I am pleased to see that our efforts to improve our safety performance are starting to pay off, and we have reversed the negative trend from recent quarters. Last quarter's total recordable incident rate of 2.15 per million hours worked is a significant improvement on the 3.1 recordable incident rate from the same quarter last year. Whilst we are cautiously optimistic that the interventions made this year are starting to pay dividends, we are a long way away from meeting our aspirations in this area.

Moving on to financial and operational performance. There are the 4 key messages I'd like to leave you with.

Firstly, our operational performance remains robust with 3Q average daily production of 324,000 boe/d, broadly in line with last year despite two significant unplanned, and extended, outages at the partner operated fields in Norway – Aasta Hansteen and Skarv. At the beginning of the quarter we commenced production at the long-awaited Dvalin project in Norway. The project start-up phase is continuing and we hope to bring the remaining wells onstream in the coming weeks.

Secondly, while we delivered robust underlying operational performance, our financials were significantly impacted by weaker commodity prices when compared with the third quarter in 2022 when gas prices averaged nearly \$60/mcf and oil prices averaged more than \$100/bbl. As a result of the significantly lower commodity prices, our EBITDAX of €964 million and adjusted net income of €61 million were 53% and 86% lower respectively compared to the same period last year.

Thirdly, we recorded a significant net loss of €535 million during the quarter, primarily driven by two special, one-off items. Firstly, we took a €142 million post tax provision for the restructuring process Mario outlined earlier, with an expectation to reduce our G&A by €200 million per annum by 2025. In addition, we have taken a €445 million impairment in the recently FIDed Ghasha project in the UAE as a result of material increases in final cost estimates to complete this world-scale project.

Finally, whilst our leverage remains low and balance sheet continues to be strong, the deconsolidation of our Russian business and our decision to fully exit Russia, means that we are a smaller company. In line with our financial policy, we are reducing our debt stack proportionally to the lost Russian cash flow and therefore, in September, we repaid the remaining €901 million of our 2023 tranche of the senior notes. Consequently, our cash position reduced from €2.3 billion at the end of the second quarter, to €1.5 billion at the end of the third quarter.

PAGE 8 – FINANCIAL PERFORMANCE

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

Despite the over 80% YoY drop in TTF prices, our group-wide realised prices were down only 50%, due to portfolio effects from contractual pricing in the MENA and Latam regions and hedges in place. The group-wide realised gas price in the third quarter was $6.6/mscf, while in Northern Europe the post-hedge realised gas price during the third quarter was $9.1/mscf. At $71/bbl our group wide liquids realisations were largely flat compared to last year 3Q.

3Q EBITDAX of €964 million was 53% lower year over year and roughly flat on the previous quarter, and mostly in line with the decrease of commodity prices. Whilst we recorded a net loss in the quarter as a result of the aforementioned one-off restructuring provision and impairment on our Ghasha asset which collectively totalled €587 million, our underlying adjusted net income, excluding extraordinary items, came in at €61 million for 3Q and €562 million for the first 9 months of the year, with circa 85% coming from Northern Europe.

PAGE 9 – CASH FLOW

Moving on to cash flow and our cash position.

During the quarter, we generated operating cash flow of €409 million, roughly 70% lower compared to last year due to lower commodity prices, but partly offset by lower tax payments compared to what we paid in 3Q of last year. During the quarter we paid €247 million in income taxes, primarily in Norway taking our YTD income taxes paid in Norway close to €1.9 billion.

Our development and exploration capex amounted to €274 million, roughly 10% higher than 3Q 2022, primarily driven by ramping up our investments in the Fénix development project in Argentina, due to come on-stream in 2025. Despite significant investments, we generated €134 million of free cash flow in the quarter.

PAGE 10 – BALANCE SHEET

Our balance sheet continues to be strong, despite material cash outflows and lower prices this year. With €1.5 billion of cash and €2.4 billion of net debt, our leverage is 0.5x and well below our target of less than 1.5x through the cycle.

Having retired our first bond tranche, we now don't have any maturities until September 2025, leaving us in a comfortable position from a balance sheet management perspective. We will continue to monitor the markets, but currently do not see the need to either issue new debt or pro-actively manage our liabilities and repay more debt before the next maturity.

PAGE 12 – OUTLOOK

Now very briefly onto the outlook, which we have kept unchanged for the remainder of this year.

With the year to date production of 322 mboe/d in the first nine months, major projects in Norway on-stream and the turnaround season now behind us, we remain confident in our full year production guidance of 325 – 340 mboe/d and anticipate being closer to the middle of our indicated range.

In addition, we expect capex to come in at the very low end of our guidance of €1.0-1.2 billion and exploration in the middle of our guidance of €200-250 million.

With that, let me hand over to Mario.

Mario Mehren (CEO) – Summary

Many thanks Paul.

All in all, we had a solid quarter.

We now turn our attention to the tasks ahead. The world is changing and we are changing with it. With an even sharper focus, we are securing a strong future for our company, we are determined to contribute to profitable, sustainable and responsible gas and oil production in a low-carbon environment.

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