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### **WINTERSHALL DEA FY 2021 AND Q4 2021 RESULTS PRESENTATION**

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

Good morning, everyone and welcome to our Q4 and full year results presentation.

Today due to the worrying events unfolding in Ukraine which we are observing with great concern and dismay we have a different process. We will not take any questions. The company will host a separate Q&A session as soon as possible. Anyone who is interested in a call with us, please send your contact details to the IR team directly and we will get back to you with details. Thank you for your understanding.

All of the materials prepared for today were done prior to the events unfolding and the impacts of these events cannot yet be determined.

Paul Smith our CFO will go through today's presentation.

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 and have been prepared prior the today's events.

With that, let me now hand over to Paul.

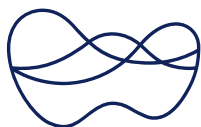
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Good morning, everybody. It seems somewhat strange for us to be having this call given the dramatic and unfortunate events which have unfolded over the night and this morning, but we thought it's important for us to continue with the call to provide some colour around our 2021 results and forward guidance for 2022.

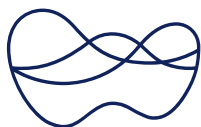
### **MACROECONOMIC BACKDROP**

Let me start with the macro-economic backdrop where I would like to highlight a few points.

Natural gas price fundamentals in Europe continue to point towards a robust near and mid-term outlook on the back of declining supply from a mature European resource base, lower than usual storage levels in Europe when we entered the winter season, strong demand for LNG from Asian economies experiencing strong growth, and of course geopolitics. Whilst we can fully expect a great deal of volatility going forward, the fundamentals remain robust for double digit, gas prices in the near to medium term.

On the oil side of the equation, we see global demand almost back at pre-pandemic levels of around 100 million barrels of oil equivalent per day, but supply is clearly lagging. OPEC continues to be disciplined in bringing incremental supply back to the market, but there may be a lot less spare OPEC capacity than previously thought being priced into the forward oil prices.

Whilst the outlook for oil remains uncertain, a lengthy period of underinvestment in the industry combined with financial discipline of the



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industry point towards robust near to mid-term fundamentals for oil price dynamics.

### **2021 PERFORMANCE SUMMARY**

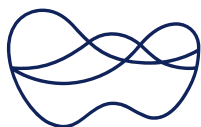
Let me move on to our full year 2021 results and performance.

First of all, needless to say that we have enjoyed the macro tailwinds, but commodity prices are completely outside of our control and hence we focus on what we can actually influence, that is our safety performance, operational performance, capital efficiency, and cost control.

I'm glad to see that last year we only had one lost time injury in the entire year meaning our Lost Time Injury Frequency Rate, which measures frequency of serious incidents, has continued to improve, with LTIR now at 0.12 - 8x lower than a year ago.

That's a result of the relentless work of every employee at the company ensuring we walk the talk, day in and day out, on prioritising the well-being of those who work with us.

Secondly, our production for both 2021 and 4Q were at record highs. The year would have seen an even higher outcome were it not for the significant 3<sup>rd</sup> party incident in Russia in 3Q which as you know resulted in about 150,000 boe/d of our global production being shut-in for about a month. Despite this operational set-back, we were able to deliver an exceptional full year



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outcome of 634,000 boe/d, and exit the year with strong 4Q operating momentum of 678,000 boe/d.

And thirdly, our record financial performance was the result of a combination of strong operational delivery and a robust macro environment.

Our capex of €952 million came in below our full year guidance of €1-1.1 billion, and we were able to maintain our peer leading cost structure with production costs of less than €4/boe.

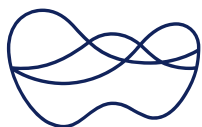
We delivered EBITDAX of over €3.8 billion for the year and over €1.5 billion in the 4<sup>th</sup> quarter alone - almost the same as for the entire year in 2020, €950 million of adjusted net income, and over €2 billion of free cash flow.

On the back of these strong results, we intend to distribute a 2021 common dividend to our shareholders which is maintained at last year's level of €600 million and will be distributed during the 1<sup>st</sup> quarter. We will be able to maintain a strong, robust, balance sheet and continue to put our financial framework into action throughout the year.

Let me now go into a few more detail around a few areas starting with realisations.

### **REALISATIONS**

During the year, our group gas realisations, excluding Russian gas, were up 200% compared to 2020.



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Our Northern European pre-hedging gas realizations tend to follow TTF and NBP prices relatively closely with Northern European gas realisations up almost 300%.

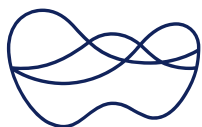
Our prices in the MENA and Latam regions are a lot more stable due to the contractual arrangements in these parts of our portfolio. In MENA prices overall are capped by the ceilings in some of our Egyptian contracts. And in Latin America realisations are also subject to domestic prices, which are partially regulated.

As mentioned in previous quarters, prices in Russia tend to follow European prices with a delay. For the full year, Russian gas realisations have essentially tripled in a year, thanks to being partially exposed to the European price markers. That is even more visible if we look at 4Q realisations in Russia, where we have netted over \$2.5/mscf compared to \$0.55 in 4Q of the year before or even the \$1.13 realised in 3Q.

This increase has a significant impact on cash flow generation, since cash flow conversion rate in Russia is very high, thanks to low and stable production costs, relatively low corporate taxes and other costs in the country.

Our liquids realisations in most of the regions follow more or less Brent prices. Year over year we realized 88% more, which is a slightly higher increase compared to the 70% increase in Brent.

Only in Russia, our realised prices have a different dynamic. Contractual prices there follow a price formula, which excludes tariffs and certain other opex,



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lowering the headline price substantially. However, given the cost structure in the country, as well as close to 130% increase in realised price making these barrels quite profitable.

### **PRODUCTION COSTS**

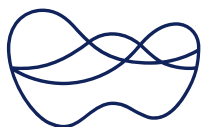
Moving on to production costs where, excluding a pre-merger commercial settlement with a third party which resulted in the company booking an additional €40 million provision which flows through production costs, our underlying full year production costs stayed well below €4 per barrel.

Whilst our full year production costs increased marginally year-over-year from €3.5/boe to €3.8/boe – driven primarily by increased CO<sub>2</sub> and energy costs particularly in 4Q – we expect to be able to maintain our lifting costs below €4/boe in 2022 and make a further step-change down in 2023 when we will see the benefits of the volumes coming from our Norwegian growth projects spread across our already lean cost structure.

### **RECORD FINANCIAL PERFORMANCE**

Moving on to the financial performance of the company, where, as I said before, we achieved record high EBITDAX for the year and for the quarter. Quarter on quarter our pre-tax earnings are up 54% to €1.5 billion and for the full year EBITDAX is up 133% at over €3.8 billion.

If we look at the regional breakdown, our earnings continue to be dominated by our Northern European business. Together with our European midstream



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earnings, this accounts for about 2/3 of our entire EBITDAX, followed by Russia with less than 20% and our North African and Latin American businesses making up the remaining 20%.

Our hedge book continues to have a significant impact on our earnings since we have a non-speculative hedging policy and hence took on some of the hedges also in 2020, when prices were low.

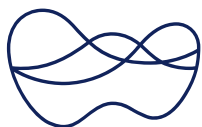
We realised a circa €640 million post-tax hedging loss for the quarter, €40 million on oil and €600 million on gas hedges – bringing our year-to-date hedging losses incorporated into our results to €1 billion post-tax.

Additionally, our headline G&A was up €152 million, from €277 million to €429 million primarily due to the fact that 2020 benefitted from a €86 million reversal of a restructuring provision, whereas the reporting period included a €54 million restructuring provision.

Finally, we recorded a €34 million loss from the disposal of our interest in a Russian license during the year which has been booked into G&A. Our underlying group G&A however remains stable at around €350 million per year – representing top quartile G&A at around €1.6/boe.

### **SOURCES AND USES OF CASH, AND CASH FLOW**

Let me go over our cash flow.



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In 2021, our operating cash flow was €3 billion compared to €1.6 billion in 2020. Our development capex was slightly lower than we guided for the year at €952 million and we capitalized €98 million of exploration expenditures.

In the summer, we pivoted to a tax paying position in Norway, but for the year we were still in a net tax receipt position thanks to the significant refunds received earlier in the year.

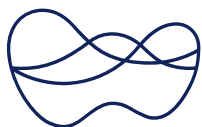
In total, our net tax receipts in 2021 in Norway were €230 million. This will of course change in 2022 now that we are in a full tax paying position in Norway on the back of the strong external environment, and the reduced project pipeline following the commencement of production from the three major projects due to come onstream in the second half of this year – Nova, Njord and Dvalin.

Together with other effects, including the refinancing of a €120 million shareholder loan to one of our JV companies in Russia, this has resulted in just under €2.1 billion of cash flow for the year, with €878 million in the fourth quarter alone. OECD countries continue to dominate our free cash flow, contributing about 70% of our FY 2021 free cash flow.

### **ROBUST BALANCE SHEET**

2021 was an interesting year, with our cash flow generation significantly higher than planned, allowing us to continue to de-lever the balance sheet with leverage reduced from 3.4 times net debt to EBITDAX at the end of 2020, to ending 2021 with leverage at only 0.7x net debt to EBITDAX.





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We ended the year with strong cash balances of €2.1 billion and intend to distribute a €600 million common dividend to shareholders during the 1<sup>st</sup> quarter and use the remainder of the year to remain disciplined and focused on our clear priorities laid out in our financial framework.

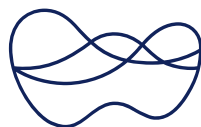
### **GUIDANCE AND OUTLOOK**

Let me now summarize what we expect from the coming months, although I will caveat this by reminding everyone that this guidance was put together prior to the events of this morning.

On the macro front we see strong in-year fundamentals to support both oil and gas prices, and while we may continue to see a great deal of volatility for both, there are likely to be significant tailwinds from robust commodity prices on which we can continue to build operating and financial momentum.

Having exited Gulf of Suez in Egypt and our Argentinian unconventional assets earlier this year, we enter the year with less production. I will also remind all of us that whilst our Russian production has been running at full capacity since the recovery from the 3<sup>rd</sup> party processing plant fire through temporary facilities, a permanent solution is yet to be established. That leaves us with a higher degree of uncertainty than usual, and despite the strong 4Q exit rate we expect our production for the full year to be between 610,000 – 630,000 boe/d.

However, with our three major projects in Norway – Nova, Njord and Dvalin all due to come on-stream in the second half of this year, we anticipate major



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growth in our production exit rate from 2022, setting up a strong year of production growth for 2023 where we will see the full benefits of all three major projects.

In terms of development capex, we expect to invest between €1 and 1.1 billion with over half of our investments going towards the major projects, I just mentioned, in Norway.

And finally, our exploration budget for the year is again the same as last year at around €200-250 million, focused in on infrastructure led exploration in Norway, and exploration and appraisal activities in Mexico.

That concludes today's call on what is a sad day for Europe. I appreciate your understanding that today is not a day to discuss hypotheticals and unknowns, and instead we will look to set up a series of calls with all of our investors in the weeks ahead, as and when there is some greater clarity around the events which are unfolding as we speak, and we can deal with facts rather than speculation and assertion. In addition, we will use these meetings to provide you with an update on the company's strategy evolution. Again, something we do not feel is right to be discussing today given the events overnight. I look forward to speaking with many of you then and for now wish you all a good day.

Thank you very much and goodbye.