wintershall dea

CALL TRANSCRIPT

WINTERSHALL DEA Q4 AND FULL 2023 YEAR RESULTS PRESENTATION

Date: 22.02.2024

Aleksander Azarnov – SVP Investor Relations

Good afternoon, everyone and welcome to our fourth quarter and full year 2023 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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PAGE 4 – KEY MESSAGES

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

Challenging times is a much-used phrase these days, nevertheless I have to say once again that the past year was a profoundly challenging year for Wintershall Dea. The year started with the after-effects of the economic expropriation of our assets by the Russian government, our decision to exit Russia and ended with an announcement that brings major change for Wintershall Dea.

In December, our shareholders signed a business combination agreement with Harbour Energy. The agreement is for the transfer of the majority of our E&P and CMH assets to Harbour Energy. Our headquarters, including the team, are not part of the transaction. The transaction is expected to close in Q4, once the approvals are in place and following the finalisation of the legal separation of our "now legally expropriated" Russian business, JVs with Gazprom, as well as the midstream business.

The assets to be transferred will sit in Wintershall Dea AGs subsidiary called Wintershall Dea Global Holdings that will eventually be spun off and acquired by Harbour Energy. BASF and LetterOne will remain the shareholders of Wintershall Dea AG after the spin-off of assets to Harbour.

Until the transaction closes, we continue to operate as two independent companies and will deliver on our plans, safely and efficiently.

Let me briefly go over the highlights of the past year.

During the year, we started to implement changes to our organisational structure, in order to simplify our business, strengthen our competitiveness, reduce our cost base and focus even more on our strategic priorities. The majority of these changes are still very relevant ahead of Harbour's transaction, since the focus was on ensuring that our business units are less dependent on the corporate units. Therefore, we will continue with the majority of the planned changes within the business units until closing.

2023 was also a busy year for us operationally.

During the year, we delivered average daily production of 323,000 barrels of oil equivalent. Although broadly in line with 2022, it was slightly lower than what we had planned for the year. Our production in Norway in particular was temporarily impacted by extended and unplanned maintenance in two of our partner-operated fields, as well as longer ramp up of the Dvalin field, which is now fully onstream and at plateau.

Earlier in March, two of Njord's satellite fields, Bauge and Hyme, also came onstream, completing the Njord redevelopment project.

During the year our Maria Phase II project achieved a major milestone - the installation of a three hundred tonne template, on the seabed at a depth of three hundred metres was successfully completed.

Now from the North Sea to South America.

In Argentina, our major gas project Fénix is progressing very well. The required subsea pipeline connecting the Fénix offshore wellhead platform with the existing Vega Pléyade platform was successfully laid and just recently, the Fénix production platform itself was installed. We expect to start production in Q4 2024, earlier than planned.

In Mexico, we continue to build momentum. In April, we discovered hydrocarbons in the Kan prospect, potentially containing 200-300 mmboe of gross volumes in place, whilst Zama development continues to be matured. The Unit Development Plan for the Zama project was submitted to the National Hydrocarbon Commission in March 2023 and received approval in June 2023. In addition, the unit partners have created an Integrated Project Team consisting of experts from all companies to develop the project. Front-End Engineering Design studies are expected to take place in 2024 before a final investment decision can be made.

We continue to make good progress with our Carbon Management & Hydrogen activities and increased our CCS portfolio by three licences. In March 2023, the Norwegian Ministry of Petroleum and Energy awarded us and our partner our second CO_2 licence in Norway, Havstjerne. The storage area, in which we hold a 60% stake, will be operated by us. The annual storage potential is estimated at up to 5 million tonnes of CO_2. 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. And lastly, in November, we joined the CCS project Poseidon in the United Kingdom.

As of right now, we have one of the leading CCS portfolios in Europe, which is a great starting point for the future development of carbon capture in Europe.

And with that, let me hand over to **Paul**.

Paul Smith – Chief Financial Officer

PAGE 7 – GAS AND OIL PRICE DEVELOPMENT

Thank you, Mario, and good afternoon to everyone.

A couple of words on the macro backdrop before going into more detail on the financials.

Gas prices continued to soften throughout the year. TTF was approximately 65% lower for the year compared to 2022, averaging just under $13/mcf. The rapid diversification of gas supply into Europe through the build out of LNG import facilities, and significantly lower consumption allowed European storages to remain comfortably above long-term averages, easing the immediate gas supply deficit. In recent weeks, we have witnessed a continued drop in gas prices to levels not seen since early 2021, and, with the continued build out of LNG import facilities in Germany, combined with an increase in Global LNG supply from next year onwards, we can reasonably expect less volatility in gas prices than we have seen over the last few years.

Oil prices continue to be range bound between $75/bbl and $90/bbl, on the back of ongoing uncertainties around global economic growth and the tense situation in the Middle East. The 2023 average Brent price of $83/bbl remained high in a historical context.

PAGE 8 – 2023 PERFORMANCE SUMMARY

Moving on to our Q4 and full year performance summary results.

Following the announcement of the Harbour transaction, our financial reporting will be significantly impacted due to the need to apply IFRS5 and show the sales perimeter which accounts for the vast majority of our current business as discontinued operations. To allow for a meaningful update, in this presentation we are showing our numbers as if IFRS5 was not applied and therefore combining continuing and discontinued operations with the comparison period 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**.

Our commitment to safety remains our overriding priority, and even more so on the back of some of the inevitable uncertainty relating to the Harbour transaction. Our total recordable incident rate at 2.3 per million hours worked marked a significant 30% improvement over 2022, but we recognise that we have some way to go on our journey of continuous improvement towards HSE excellence.

There are four key overarching messages I'd like to leave you with.

Firstly, 4Q average daily production of 329,000 boe/d was the highest over the last two years. Our major projects, Nova, Njord and Dvalin are now all onstream and will continue to ramp-up during 2024, and we now expect the Fénix project in Argentina to come on-stream ahead of schedule in the fourth quarter this year.

Full year production of 323,000 boe/d was slightly lower than what we had planned for the year, predominantly due to unplanned maintenance in a number of third-party facilities in Norway, as well as commissioning issues at Dvalin that we have overcome in time for the higher winter demand.

Secondly, in line with significantly softer commodity prices our like-for-like full year EBITDAX saw a 29% decrease to €4.2 billion, while our adjusted net income was €513 million, or 45% lower compared to last year. Northern Europe continues to contribute roughly 85% of our EBITDAX, with the Middle East and Latin America, both contributing less than 10% each. Our net income was impacted by a number of material one-off impacts, which I'll come to in a moment.

Thirdly, during the year, we paid €2.3 billion of income taxes, mainly in Norway, on the back of record earnings in 2022. Together with lower commodity prices, and an increase in our capital investments, this meant that we ended the year with modestly negative free cash flow of -€27 million.

Lastly, and crucially, our balance sheet remained strong. Having distributed a €400 million dividend and having repaid €900 million on the matured senior notes, we ended the year with a cash position of €1.2 billion, net debt of €2.4 billion and leverage of 0.6x, well below our target leverage.

PAGE 9 – FINANCIAL PERFORMANCE

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

Despite the 65% YoY drop in TTF prices, our group-wide realised prices were down only 29%, due to portfolio effects from contractual pricing in the MENA and LATAM regions and hedges in place. The group-wide realised gas price for the year was $7.7/mscf, while in Northern Europe the post-hedge realised gas price was $11.1/mscf. At $69/bbl our group wide liquids realisations were 11% lower compared to the year before.

We continued to hedge as planned throughout the year, with average hedged gas price for 2024 of $12.5/mcf and average hedged oil price of $72/bbl, providing downside protection against the currently softening commodity price environment. At the end of the year the pre-tax MtM of the hedge book was circa €300 million.

Full year EBITDAX of €4.2 billion was 29% lower than last year.

Underlying production costs were €115 million or 17% higher year over year, impacted by a pre-merger one-off commercial settlement in Germany, incremental production costs associated with the acquisition of Hokchi in

Mexico, as well as higher allocations. Excluding the one-off effect from the commercial settlement, our production cost remained competitive at €6.1 per barrel.

Our full-year G&A of €716 million included one-offs of €453 million related to the closure of both Hamburg and Kassel headquarters and wider reorganisation. The reorganisation costs are not part of underlying costs, hence do not flow through EBITDAX or adjusted net income.

Our full year net income was -€9 million compared to nearly -€1.3 billion in 2022. As in the previous year, 2023 was significantly impacted by a number of one-offs. These included the above-mentioned restructuring, integration and transformation costs of €453 million, the impairment of deferred tax assets of nearly €200 million triggered by the Harbour transaction and €376 million relating to the significant devaluation of the Argentinian peso. However, these large one-off charges were partially offset by the net reversal of impairments of €200 million.

Our underlying adjusted net income came in at €513 million, about 45% lower year over year, reflecting the softening commodity price environment and the significant devaluation in Argentina.

PAGE 10 – CASH FLOW AND BALANCE SHEET

Moving on to our cash flow.

Our 2023 operating cash flow before tax for the year was €3.6 billion compared to €5.3 billion in the record 2022. We paid over €2.3 billion of taxes, and invested nearly €1.6 billion, including M&A of €310 million, resulting in modestly negative free cash flow of €27 million.

We started the year in an advantaged position of having €3.1 billion of cash allowing us to put the totality of our capital allocation framework to use. We repaid our first maturing senior bond of €900 million, allowing us to reduce gross debt roughly by the same proportion as the lost free cash flow from our Russian business and therefore helping us to maintain our Baa2/BBB flat rating.

We also paid a common dividend of €400 million to our shareholders in line with our commitment to shareholder returns after securing our balance sheet. After also taking into account the significant €260 million impact of currency devaluation and other balance sheet effects, we ended the year with a cash balance of just over €1.2 billion.

With net debt of €2.4 billion and stable leverage of 0.6x, we remain comfortably within our target of below 1.5x through the cycle.

Earlier today, we announced the results of the consent solicitation, and I'm pleased that the consent passed on all tranches. After closing of the acquisition, Harbour Energy will become the guarantor of our bonds and the bondholders will benefit from a bigger and more diversified portfolio.

PAGE 13 – GUIDANCE

Now very briefly onto the outlook for continuing and discontinued operations.

Our guidance for the coming year anticipates a production range between 315 to 330 mboe/d.

We continue to expect to see the Norwegian projects which came on-stream last year continue to ramp-up during the year, and as mentioned earlier we now expect Fénix in Argentina to come onstream ahead of schedule in the 4th quarter this year. As we look to next year, we have two major projects due to come on-stream – Maria phase 2 and Dvalin North – and both these projects remain on schedule for start-up as planned in 2025.

We estimate capital expenditures to be between €1.0 to €1.2 billion, roughly similar to 2023 with majority of our investments focused around the 8 major projects being progressed in Norway, the completion of Fénix in Argentina, and our infill drilling activities on Mittelplate in Germany

Lastly, following a successful exploration program over the last couple of years, we will now focus on appraising the discoveries that we made in the previous years. The majority of the estimated €200-230 million exploration and appraisal budget for 2024 will be related to appraisal activities in both Norway and Mexico.

With that, let me hand over to **Mario.**

Mario – Summary

Many thanks Paul.

2023 was a difficult year for Wintershall Dea. Nevertheless, we continue to be focused on delivering secure, affordable energy supplies that Germany, Europe and the world need.

In 2024 we will continue to progress our goals diligently, while preparing for the closing of the Harbour acquisition.

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