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DEA to acquire Sierra Oil & Gas in Mexico, including stake in world class Zama discovery

- **DEA acquires Sierra Oil & Gas, a leading Mexican independent oil and gas company.**
- **Sierra holds interests in approximately 9,400 square kilometres of exploration acreage in the core of the Sureste basin, including a 40% share in the world-class Zama discovery.**
- **Zama is one of the world's largest shallow water discoveries, estimated to hold 400 to 800 million barrels of oil equivalent (boe) in recoverable volumes.**
- **DEA will add Sierra's acreage to its existing portfolio of operated production and exploration blocks, becoming one of the largest exploration acreage holders in Mexico.**
- **The Sierra Oil & Gas team has a tremendous track record in Mexico and brings in-depth knowledge of the Mexican upstream sector to DEA.**

DEA Deutsche Erdoel AG has signed an agreement to acquire Sierra Oil & Gas, a leading independent Mexican oil and gas company. Sierra holds interests in a portfolio of six exploration and appraisal blocks in Mexico, including the world class Zama discovery.

The transaction is an important milestone in DEA's international growth strategy, fulfilling DEA's objective of building a significant portfolio in the Mexican upstream market. DEA will add Sierra's acreage to its existing portfolio of operated production and exploration blocks, to become one of the country's largest acreage holders. Once completed, it will be the largest upstream M&A transaction in the country since the liberalization of the petroleum sector in 2013.



DEA's Chief Executive Officer Maria Moraeus Hanssen commented: "The acquisition of Sierra will allow DEA to achieve materiality in the highly strategic and competitive Mexican upstream market and provide us with a high-quality exploration and appraisal portfolio in one of the world's most sought-after offshore basins, as well as a strong team. The transaction also underlines our confidence in the future of Mexico's energy industry. Upon completion of the planned merger of DEA and Wintershall, this acquisition will further strengthen Mexico as a core region for the combined company, which will become one of the major players in Mexico."

Sierra holds a 40% non-operated working interest in Block 7, containing a significant part of Zama, one of the largest shallow water discoveries in the past 20 years globally. As a whole, Zama is estimated to hold 400 million to 800 million barrels of recoverable oil equivalent and expected to start production by 2022/23. In addition, Sierra owns non-operated interests in five highly prospective exploration blocks. Sierra's exploration blocks cover approximately 9,400 square kilometres in the core part of Mexico's Sureste basin.

DEA currently operates the onshore Ogarrio oil field, in partnership with Pemex, and holds interests in exploration blocks in the Tampico Misantla and Sureste Basins. Following the acquisition of Sierra, DEA will hold interests in one onshore production block and ten exploration blocks, including the Zama discovery, which together will attract significant investments from DEA and its joint venture partners over the next five years.



Juan Manuel Delgado, Country Manager for DEA's Mexican business, said: "As a long-term strategic investor with extensive international oil and gas experience, DEA is fully committed to contributing to the development of Mexico's oil and gas sector. We are excited to work with our joint venture partners in Block 7 on delivering first oil from Zama on an expedited timetable and to being actively involved in unlocking the significant production potential of the Sureste basin. Sierra's team has a tremendous track record in Mexico and brings valuable expertise and in-depth knowledge of the Mexican upstream sector to DEA. We look forward to working with them on growing DEA's business in Mexico in the future."

The transaction is subject to obtaining government approvals, including from Mexico's National Hydrocarbons Commission (CNH) and the Federal Economic Competition Commission (COFECE), as

well as satisfying other customary conditions, and is expected to close in the first half of 2019. The acquisition will be fully equity funded by LetterOne.

Further information

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Background information

DEA Deutsche Erdoel AG is an international independent exploration and production company headquartered in Germany. DEA has 119 years of experience working along the entire upstream value chain as operator and project partner. With a workforce of 1,150 employees, DEA currently holds a diversified portfolio of assets in Europe, North Africa, and Latin America. Through its subsidiary **Deutsche Erdoel México**, DEA has operated in Mexico since 2015. The company has offices in Mexico City and in Villahermosa. Deutsche Erdoel México is operator of the onshore Ogarrio oil field and currently holds interests in four offshore exploration blocks in the Tampico Misantla and Sureste Basin, three of which as operator.

Wintershall DEA

In September 2018, DEA's shareholder LetterOne and BASF signed a Business Combination Agreement to merge their oil and gas businesses and create Wintershall DEA, the leading independent European exploration and production company. Closing of the transaction is subject to customary regulatory approvals and is expected in 2019.

Sierra Oil & Gas is the first independent oil and gas company in Mexico. Established in 2014 and headquartered in Mexico City, Sierra Oil & Gas is backed by three world-class energy funds and a highly qualified, experienced management team. In a series of successful bid rounds from 2015 to 2018, Sierra Oil & Gas and its international partners built an exploration portfolio of 6 shallow to deep water blocks in the Sureste Basin offshore Mexico. In 2017, Sierra and its partners announced the world class Zama discovery in Block 7.

Forward-looking statements

This communication may include projections and other "forward-looking statements" within the meaning of applicable securities laws. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, no reliance should be placed on any of these forward-looking statements.