Press information

Wintershall raises oil and gas production again

- Earnings in 2015 significantly below previous year owing to price developments
- High production target for 2018 remains unchanged
- Increase in activities in Russia, Argentina and Norway
- Expenditures will decrease considerably in 2016

Kassel. Wintershall made a profit of more than 1 billion euros in 2015 for the fifth year in a row – despite the challenging economic environment. Earnings after taxes and minority interests totaled 1.050 billion euros (2014: 1.464). “Despite the major fall in the oil and gas prices compared to 2014, we once again proved Wintershall’s competitiveness and robustness in 2015,” Mario Mehren, Chairman of the Board of Executive Directors of Wintershall, said at the company’s Annual Press Conference in Kassel.

Sales to third parties fell to 12.998 billion euros (2014: 15.145). This was primarily attributable to the asset swap with Russian company Gazprom executed at the end of September 2015; the consequence of which was the loss of contributions from the gas trading and storage business and from Wintershall Noordzee B.V. in the fourth quarter of 2015. Income from operations (EBIT) before special items declined as a result of decreasing sales to 1.366 billion euros (2014: 1.795). Special charges totaled 636 million euros; these arose predominantly
from impairments on exploration and production projects and on goodwill as a result of our reduced oil and gas price assumptions. Special income of 342 million euros, particularly from the asset swap with Gazprom, was only partly able to compensate for this. The price for the benchmark Brent crude oil fell by 47 percent on 2014 to $52/barrel. The price for gas on the Northwest European spot markets decreased by 21 percent to $6.51/mmBtu (2014: 8.23) compared to 2014.

“We have a diversified portfolio with low production and reserve replacement costs, especially in Russia and Argentina. This enables us to make a positive contribution to the earnings of the BASF Group, even with the low oil price,” Mehren commented. However, the current year remains challenging, the Wintershall CEO said, and could not be compared with 2015: “Volatility at low prices will continue in 2016. We cannot compensate for low oil and gas prices despite rising production. Hence, strict cost management, the reduction of investments, focused innovation and operational excellence are now crucial.”

**Oil and gas production stepped up significantly**

Wintershall was able to raise oil and gas production significantly, by 13 percent to 153 million barrels of oil equivalent (boe) (2014: 136). The higher volumes came primarily from Norway and the Achimgaz joint operation in Russia. In Libya, Wintershall was able to produce from onshore concession 96 – on a low level – for a total of 125 days from February to May and from September to the beginning of November 2015 despite the difficult political circumstances. The production trend in Germany continued in the opposite direction, with the key driving factors being the natural decline in production and the authorization gridlock for fracking plans in conventional reserves that has now persisted for more than five years.
Wintershall intends to continue raising oil and gas production in the coming years to 190 million boe in 2018, mostly via the further development of the Achimgaz project in Siberia, the company’s Norwegian activities, as well as the Vega Pléyade gas project in Tierra del Fuego off the coast of Argentina, which commenced production in February 2016.

“Wintershall will do both in the coming years: save and invest. That is not a contradiction,” Mehren explained at the press conference. On the one hand, the company will reduce its expenditures considerably in 2016. To do so, ongoing operating costs will be further optimized, and expenditure on exploration, development and technology, especially in countries with high costs, will be reduced. This means the number of exploration wells in the current year will fall. The savings potential of the cost-cutting measures planned in 2016 is up to 200 million euros.

On the other hand, Wintershall will keep investing in selected projects, especially in regions with favorable production conditions such as Argentina and Russia. The company plans to invest around 4.8 billion euros overall in the next five years in expanding its oil and gas activities. Investments of 1 billion euros have been earmarked for 2016, which represents a significant reduction on last year (2015: 1.4). “We will continue laying the foundations for our future production growth, invest in infrastructure, and above all efficiency. But we have to weigh up the investments very carefully,” the Wintershall CEO said. Hence, individual development projects such as the Norwegian oil field Skarjell and expanding production from the Wingate field in the British North Sea will be postponed and further optimized; shale oil and gas projects in Argentina will be developed more slowly.
**Successful exploration – new oil and gas fields discovered**

Wintershall created a strong basis for further growth with its success rate in finding new crude oil and natural gas reservoirs in 2015. 17 exploration and appraisal wells (2014: 16) out of 25 (2014: 21) discovered hydrocarbons. Wintershall also recorded growth in its proven crude oil and natural gas reserves. These increased by 2 percent on the 2014 year-end figure to 1.744 billion boe. The quantities produced in 2015 were replenished by a factor of 123 percent. The total reserve-to-production ratio, which is based on Wintershall’s share of production in 2015 and refers to the reserves at year end, is 11 years (2014: 13). In addition, Wintershall is working on additional innovative applications for enhanced oil recovery, which are increasingly sought after by national oil companies (NOCs).

**Activities expanded in North Sea and Russia**

More than 50 percent of the natural gas currently required in the European Union is still produced in the North Sea and the countries bordering it. Hence, North Sea resources remain an important and secure source for the European energy supply. Norway is a core region of further production expansion for Wintershall. The company has significantly expanded its activities in the country in recent years. Wintershall is already one of the major license-holders in Norway with over 60 licenses – more than half of these as operator. At the same time, it continues transferring its successful exploration portfolio to the development and production phase. In the last few years, Wintershall increased its daily production from 3,000 boe to currently 80,000 boe; most recently with the start of production in the Knarr and Edvard Grieg fields.

A key element of the continued expansion of the company’s activities is the partnership with Norwegian company Statoil. Wintershall
received shares in three producing fields, Brage, Vega and Gjøa, as part of two transactions. At Brage and Vega Wintershall is the operator. In addition, the company also acquired an interest in the development project Aasta Hansteen, the Asterix discovery as well as the Polarled pipeline project.

At the beginning of September 2015, the Norwegian Ministry of Petroleum and Energy approved the development and operation plan for the Maria field submitted by operator Wintershall. The Maria discovery (Wintershall share: 50 percent) with a planned production start in 2018 has an estimated 180 million boe of technically recoverable resources. It will be linked by a subsea tieback to the producing platforms Kristin, Heidrun and Åsgard B.

Wintershall is one of the largest gas producers in the Netherlands. It is working on the F17 oil discovery in the Dutch North Sea in order to expand its portfolio there. The unmanned “Minimum Facility” platform L6-B commenced operations for natural gas production. Moreover, in Denmark, Wintershall is operator for the first time – at the Ravn oil reservoir. Production is scheduled to begin this year.

In the UK, Wintershall is operator of the Wingate gas production platform, which was commissioned in October 2011. Wingate is the first Wintershall-operated natural gas production in the British North Sea.

Wintershall’s 25-years-long cooperation with its partner Gazprom in Russia is proof that partnerships can be sustained successfully over decades. The West Siberian natural gas field Yuzhno Russkoye, in which Wintershall has a 35 percent shareholding, has been producing at plateau level since 2009. The first wells for the development of the Turon horizons, another formation of this natural gas field, were drilled successfully. The partners’ second project, development of block IA
of the Achimov formation in the Urengoy field in West Siberia, in which Wintershall has a 50 percent share, is also progressing successfully. The step-by-step field development of the technically demanding Achimov formation continued: at the end of 2015 it was already producing from 62 wells. Production was increased in 2015 by around 48 percent on the previous year to about 26 million boe (100 percent). In the Volgograd region, Wintershall works in oil and gas exploration and production with Lukoil.

New projects in Argentina and the Middle East

Wintershall has been active in Argentina for 38 years and holds interests in 15 onshore and offshore fields there. Argentina is estimated to have the second-largest shale gas deposits and fourth-largest shale oil reserves in the world. Since 2014, Wintershall has also been active in Aguada Federal in the province of Neuquén (central Argentina) as operator with a 90 percent share in order to conduct exploration activities in the block together with the local state-run energy company, Gas y Petróleo del Neuquén S.A. (GyP) and to examine the possibility of developing the field commercially.

Two vertical exploration wells have been launched in the block since March 2015. The Vaca Muerta shale rock formation is being developed in this 97-square-kilometer block. The pilot production operations in Aguada Pichana also continued. Wintershall received a new block, Bandurria Norte, as operator (100 percent stake). Furthermore, it commenced production from the new Vega Pléyade natural gas field in the Argentine Sea off the coast of Tierra del Fuego together with Total and Pan American South at the end of February 2016.

In Libya, Wintershall operates eight oil fields in the onshore concessions 96 und 97 together with Gazprom. Onshore oil
production in Libya had to be suspended for prolonged periods in 2015 due to the intermittent availability of the export infrastructure. However, it was possible to operate uninterrupted from the Al Jurf crude oil field off the coast of Libya, in which Wintershall holds a share.

About 50 percent of the world’s oil and gas reserves are found in the Middle East region. No other region has comparable potential. The company has completed the first Wintershall-operated exploration well to develop the Shuwaihat sour gas and condensate field in Abu Dhabi and preparations for a second exploration well are underway. Other partners in the project are the state-run oil company of Abu Dhabi, ADNOC, and the Austrian oil and gas company OMV. The flexibility of the Wintershall specialists, their many years of experience and their cutting-edge technological expertise in difficult geological conditions are crucial for the markets in the Middle East. Wintershall, for instance, brings its know-how in sour gas production to the Shuwaihat project as it has experience in producing sour gas in Germany for over 40 years. Additionally, Wintershall has deepened its partnership with ADNOC: a Memorandum of Understanding (MoU) on joint research into Enhanced Oil Recovery (EOR) methods was signed in November 2015.

**German production as center of innovation at risk**

In Germany Wintershall demonstrates how production can remain possible in future despite the challenging conditions here. Recovering natural resources in Germany is technologically demanding owing to the very complex geological conditions. In this sense, domestic production forms a center of innovation for Wintershall for new technologies, which can then be applied to other projects worldwide. The focus of its research and development activities lies on improving the discovery rate for oil and gas reservoirs, developing technologies for reservoirs with difficult development and production conditions as
well as increasing the yield from reservoirs. The best example of this is in Emlichheim, where Wintershall has maintained crude oil production at plateau for more than 65 years using the steam flooding technique. “From the North Sea to the Alps, it is endurance, innovative strength and efficient project management that are in demand – precisely the things we need in the current difficult environment,” Mehren commented.

“Production in Germany also makes a crucial contribution to ensuring the security of our energy supply,” Mehren said. Around 11 percent of Germany’s demand for natural gas is currently met by domestic reservoirs; just a few years ago it was still 20 percent – and this downward trend is likely to continue. “The German federal government has tried to lift the blockade on conventional natural gas production in Germany. But its legislative initiative is stuck in the parliamentary gridlock,” Mehren said.

The economy needed a reliable legal and time framework, as well as planning certainty, especially for the future deployment of fracking technology in Germany, while, of course, complying with the strict German security and environmental standards, Mehren added.

**Important contribution to security of supply**

In addition to the development and production of natural gas, Wintershall’s construction and operation of natural gas pipelines is instrumental in ensuring supply security in Western Europe. With demand for natural gas in Western Europe rising long-term and domestic production falling, natural gas has to be imported in increasingly large quantities. Wintershall also makes a contribution to ensuring a secure supply of natural gas for Europe with its participation in the Nord Stream Baltic Sea pipeline as well as the connecting pipelines OPAL and NEL. Moreover, Wintershall intends
to take part in the expansion of Nord Stream together with other European partners. The Nord Stream 2 project aims to build two additional offshore pipelines with an overall capacity of 55 billion cubic meters of natural gas and would thus help to ensure a reliable supply for Europe long-term.

“This is natural gas at competitive prices without any transit risk,” Mehren explained. “Nord Stream 2 is a truly European project in which six European companies from five countries are taking on the responsibility together because it makes economic sense to do so and because it is necessary for the energy industry.” The CEO said it would be beneficial to Germany’s and the EU’s climate targets if natural gas could finally be promoted as a partner for renewable energies. “Gas is a flexible source of energy and does not require any subsidies. Germany’s and Europe’s carbon footprints could be significantly improved by the greater utilization of gas power stations,” the Wintershall CEO explained.

Natural gas trading with increase in sales volumes in the first three quarters

In the previous natural gas trading business sector, sales to third parties in 2015 decreased by 17 percent to 10.189 billion euros. This was due to the asset swap with Gazprom completed on September 30, 2015, which stopped the contributions from trading and storage activities in the fourth quarter. In the first three quarters of 2015, these activities contributed around 10.1 billion euros to sales. In the same period, the former joint venture companies (WINGAS, WIEE und WIEH) sold 497 billion kilowatt hours and thus 88 billion kilowatt hours more than in the same period the year before. As a result of the transaction, sales volumes fell by 64 billion kilowatt hours on the previous year. EBIT before special items exceeded the previous year’s figure considerably. Low contributions both from the storage
sector and the transport sector were more than compensated for by the higher earnings from trading activities.

**Outlook 2016**

“Our planning for 2016 is based on an average oil price for Brent crude oil of $40 per barrel and an exchange rate of $1.10 per euro,” Mehren said. “Average gas prices are likely to fall well below the level of 2015. We expect our production to be increased, but a significant fall in sales and EBIT before special items compared to 2015.” The lower prices for oil and gas as well as the divestment of the gas trading and storage business are the main reasons for this. In addition, Wintershall will generate less sales and earnings from its stake in the Yuzhno Russkoye natural gas field because the additional amounts procured in the last ten years will be balanced out in 2016 – as contractually agreed.

**Forward-looking statements and forecasts**

This report contains forward-looking statements based on current expectations, assumptions and forecasts by the Board of Executive Directors, as well as on the information currently available to that Board. Forward-looking statements are not deemed to be guarantees of the future developments and results set out therein. Future developments and results are in fact dependent on a large number of factors; they contain different risks and imponderables and are based on assumptions that may not be accurate. We do not assume any obligation to update the forward-looking statements made in this document.

**Wintershall Holding GmbH**, based in Kassel, Germany, is a wholly-owned subsidiary of BASF in Ludwigshafen. The company has been active in the extraction of natural resources for 120 years, and in the exploration and production of crude oil and natural gas for over 80 years. Wintershall focuses on selected core regions where the company has built up a high level of regional and technological expertise. These are Europe, Russia, North Africa, South America, and increasingly the Middle East region. The company wants to expand its business further with exploration and production, selected partnerships, innovation and technological competence.
Wintershall employs about 2,000 staff worldwide from 40 nations and is now Germany’s largest, internationally active crude oil and natural gas producer.

Wintershall. Shaping the future.

More information on the Internet at www.wintershall.com or follow us on Twitter, Facebook or YouTube.
## At a glance

<table>
<thead>
<tr>
<th>Wintershall Group</th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
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<tbody>
<tr>
<td>Sales to third parties million €</td>
<td>12,998</td>
<td>15,145</td>
<td>- 14%</td>
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<tr>
<td>Investments and acquisitions¹ million €</td>
<td>1,823</td>
<td>3,162</td>
<td>- 42%</td>
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<td>Income from operations (EBIT) million €</td>
<td>1,072</td>
<td>1,688</td>
<td>- 36%</td>
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<td>Number of employees² on Dec. 31</td>
<td>2,000</td>
<td>2,715</td>
<td>- 26%</td>
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<th>Exploration and Production</th>
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<tr>
<td>Sales to third parties million €</td>
<td>2,809</td>
<td>2,938</td>
<td>- 4%</td>
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<tr>
<td>Investments and acquisitions¹ million €</td>
<td>1,769</td>
<td>3,092</td>
<td>- 42%</td>
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<tr>
<td>Production</td>
<td></td>
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<tr>
<td>- Crude oil MMBOE³</td>
<td>40</td>
<td>31</td>
<td>+ 30%</td>
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<tr>
<td>- Natural gas MMBOE³</td>
<td>113</td>
<td>105</td>
<td>+ 7%</td>
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<th>Natural Gas Trading⁴</th>
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<tr>
<td>Sales to third parties million €</td>
<td>10,189</td>
<td>12,207</td>
<td>- 16%</td>
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<tr>
<td>Investments and acquisitions⁵ million €</td>
<td>54</td>
<td>70</td>
<td>- 22%</td>
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<td>Natural gas sold by J.V. (100 %)⁶ billion kWh</td>
<td>497</td>
<td>561</td>
<td>- 11%</td>
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<tr>
<td>thereof WINGAS⁷ billion kWh</td>
<td>439</td>
<td>481</td>
<td>- 9%</td>
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¹ Property, plant and equipment and intangible assets including active exploration wells
² Figure from 2015 not including employees of the divested trading and storage activities and not including Wintershall Noordzee B.V.
³ Millions of barrels of oil equivalent
⁴ There were no contributions from trading and storage activities in the fourth quarter of 2015 owing to the asset swap with Gazprom completed on 30.09.2015
⁵ Property, plant and equipment and intangible assets
⁶ Includes volume sold to BASF