Wintershall with record production

- Production of 171 million barrels of oil equivalent significantly exceeds previous level
- EBIT before special items up 155 percent in 2018
- Future: Wintershall DEA will be the largest independent European gas and oil company

Kassel. Wintershall is looking back in 2019 not only on 125 years of company history, but also on a successful past business year. "In 2018 we set a production record with daily production of up to 500,000 barrels of oil equivalent (BOE). With a crude oil and natural gas production of 171 million BOE in 2018, Wintershall has once again significantly surpassed the record figure – 164 million BOE – from the previous year," explained CEO Mario Mehren at the Annual Press Conference for Wintershall, Germany's largest internationally active crude oil and natural gas producer.

Wintershall also increased its reserves by 12 percent to 1.9 billion BOE – also a record figure. Wintershall replenished 214 percent of the volumes produced in 2018. The reserves-to-production ratio was increased to around eleven years. This is the ratio of Wintershall's production in 2018 to the end-of-year reserves.
"However, we’re not resting on our laurels, but are actively shaping our future in our anniversary year and are writing the next chapter in the company’s history: Wintershall DEA will be the largest independent European gas and oil company – a European champion in the best sense of the word," said Wintershall's CEO. "We're convinced that it is right and important that Germany also has a powerful gas and oil company – in the same way that many of our neighboring countries also have a major player." The European Commission already gave its approval to the merger of Wintershall and DEA at the end of February. The transaction is expected to close in the first half of 2019.

**Future-oriented gas and oil production**

Despite the continued challenging market environment in 2018, Wintershall increased its income from operations before special items (EBIT) by 155 percent, from 683 million euros in 2017\(^1\) to 1,745 million euros.\(^2\) This was primarily due to higher gas and oil prices and higher production volumes in Norway and Russia. EBIT increased by 798 million euros to 1,733 million euros. This is a plus of 85 percent. BASF's net income after taxes increased by 69 million euros (plus 9 percent) to 829 million euros (2017: 760 million euros).

Sales to third parties increased by 842 million euros over the previous year to 4,094 million euros (2017: 3,252 million euros) due to higher prices and volumes. This is a 26 percent increase. The average price for a barrel of Brent crude in 2018 was 71 US dollars (2017: 54 US dollars). Gas prices on the European spot markets rose by around 32 percent over the previous year.

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\(^1\) Due to the changed disclosure of the oil and gas business in BASF's 2018 financial reporting, the corresponding prior-year figures for 2017 have also been adjusted here and below.

\(^2\) Includes only depreciation for the first three quarters of 2018.
The merger with DEA sets the course for further growth. The new company is aiming to increase Wintershall DEA's average daily production, which together for the two companies is currently around 590,000 BOE, by around 40 percent to between 750,000 and 800,000 BOE within the next four years. This growth is expected to come from both the existing portfolio of the two companies and the new production regions. DEA has recently become active in Mexico, and Wintershall has succeeded in entering a new oil and gas concession in Abu Dhabi.

**Russia: Expansion of projects**

The production in Russia and the further field developments in Western Siberia are making a significant contribution to the planned increase in production. The drilling campaign in Block 1 A of the Achimov Formation in the Urengoy field, in which Wintershall has a 50 percent interest, is set to be completed by the end of 2019. In the future the joint venture with Gazprom will produce around 8 billion cubic meters of natural gas per year from up to 110 wells. The development of blocks 4 A and 5 A in the Achimov Formation, in which Wintershall has a 25 percent interest, is proceeding according to plan. Gazprom estimates that 15.5 billion cubic meters of natural gas will be produced here by Wintershall and Gazprom at plateau level.

Wintershall also has a 35 percent stake in the commercial success of the Yuzhno Russkoye natural gas field in Western Siberia, which has been producing 25 billion cubic meters of natural gas per year since the middle of 2009. The successful development of the Turonian layer is expected to maintain the high production level to at least 2022, according to estimates from Severneftegazprom.

Volgodeminoil, Wintershall's joint venture with Lukoil's RITEK subsidiary in southern Russia, is the longest existing joint venture
between a Russian company and a foreign partner and is regarded as a pioneer of German-Russian oil production. Even after more than 25 years the cooperation still exemplifies successful bilateral collaboration and joint economic success. Last year the company reached a new milestone with a total production volume of 10 million tons of oil. "In 2018 we once again increased production in our Russian projects," said Mario Mehren. "We also want to continue this course after the planned merger and invest in expanding our projects in Russia, which is – and remains – our most important core region," Mehren explained.

**Further expansion of the Norwegian shelf**

Wintershall has achieved a production volume of over 100,000 BOE in Norway. "This is an ideal starting point for the new Wintershall DEA company. After merging with DEA we will be the third largest producer on the Norwegian Continental Shelf, with a daily volume of over 200,000 BOE in the next few years," said Mehren. "However, we don't want to rest on our laurels – we're continuing to expand our production. Wintershall is investing around 2 billion euros from 2017 to 2020 in exploration and development in Norway," Mehren explained. This strategy illustrates the company's strong commitment to Norway, which will become an even more important growth region once the merger of Wintershall DEA is completed. Norway accounts for more than a third of Wintershall's global exploration budget.

In autumn 2018, the Norwegian Ministry of Petroleum and Energy approved the Plan for Development and Operation (PDO) for the Nova field, the third subsea field operated by Wintershall. Nova will be developed with two templates on the seabed. The two subsea templates will be tied back to the Gjøa platform for processing and further transport. "This sustainable development solution is a win-win situation: Instead of building a new installation, the tie-back to the
nearby platform increases Wintershall's cost efficiency and extends the economic life of the existing infrastructure. This is how future oil production will look like," emphasized Mehren.

Wintershall's investment in the Aasta Hansteen field, which came on stream in December 2018 and is operated by Equinor, will help to secure Europe's energy supply with natural gas. "The field will make a significant contribution to Norway's annual natural gas production in the coming years and thus to supplying significant energy volumes to Europe – from one of the cleanest producing countries in the world," said Mehren. "Aasta Hansteen and the Polarled pipeline represent new infrastructure in the northern part of the Norwegian Sea, thus opening up new opportunities for this part of the shelf." Wintershall's recent Balderbrå discovery in the Vøring Basin is estimated to be one of the two largest discoveries on the shelf in 2018.

In addition, Wintershall has successfully expanded its portfolio after being allocated six new exploration licenses in January 2019, which the Norwegian Ministry of Petroleum and Energy awarded as part of the 2018 APA licensing round. Wintershall is the operator for two of these licenses. All licenses are located in core areas: with three in the Vøring basin, one near the Maria field, one in the 35th quadrant of the North Sea and one near the Edvard Grieg field.

**Latin America: Successful entry into Brazil**

Wintershall continued its growth course in Latin America in 2018. A total of seven exploration licenses have been acquired in Brazil. Wintershall is the operator for four of these licenses. The licenses are located off the north and southeast coasts of Brazil. Since December 2018, initial 3D seismic measurements have been conducted in three blocks in the Potiguar basin off the northeast coast of the country where Wintershall is the operator. Once the
survey is completed the data will then be processed and evaluated. The first results are expected by mid-2020. "The coast of Brazil is considered one of the most highly promising oil regions in the world. It is part of our growth course that we are also active in new regions, and Brazil offers great potential," said Mario Mehren. "We want to build a broad and diversified portfolio in Brazil."

Wintershall has been active in Latin America for several decades. The company has a long tradition in Argentina where it proudly celebrated a major anniversary in 2018: Wintershall has been exploring and producing hydrocarbons here with great success for 40 years and is the country's fourth largest gas producer. Today Wintershall is involved in a total of 15 onshore and offshore fields. The company is the operator in three of these fields.

Wintershall intends to further expand its technology base in Argentina and is involved in unconventional oil and gas production in the promising Vaca Muerta shale formation. In 2018, two horizontal wells were drilled in Wintershall's operated Aguada Federal block to further explore the shale rock in the formation. "We've been contributing to the oil and gas industry in Argentina for decades. We have the technology and expertise to drill wells under demanding geological conditions, and with the highest environmental and safety standards," Mehren explained.

Wintershall took over a further operatorship in 2018 with the CN-V block in Mendoza Province. Two exploratory wells have been drilled here, one of which has discovered hydrocarbons. The results of the drilling are now being evaluated.

**Ghasha concession – milestone in the Middle East**

In November 2018 Wintershall took a decisive step in expanding its operations in the Middle East with the acquisition of a 10 percent
stake in the Ghasha concession, alongside the Abu Dhabi National Oil Company (ADNOC). Abu Dhabi is one of the world’s most important centers for natural gas and oil production. Investments in this region represent a strategic further development and make the Middle East region another core region for Wintershall.

The Ghasha concession covers the development of the Hail, Ghasha, Dalma and other ultra-sour gas and condensate fields located in the Al Dhafra region off the coast of Abu Dhabi. The agreement marks the first time that Wintershall will produce gas and condensate in Abu Dhabi, and follows the success of two exploratory wells, which were drilled in the Shuwaihat sour gas and condensate field in 2015 and 2017. Wintershall brings to Gasha the company's more than 40 years of expertise in the safe development and production of sour gas fields. "Here we can impress with expertise from Germany. Our expertise from German sour gas fields has opened doors for us in the Gulf. And we know what counts in ecologically sensitive areas," said Mehren.

According to the ADNOC plans, the project is expected to produce more than 40 million cubic meters of natural gas per day by the middle of the next decade, enough to supply around two million households with energy. In addition to sour and sweet gas, 120,000 barrels of oil and high-quality condensate will be produced here every day. The gas produced in the concession area will make a significant contribution to achieving ADNOC's goals of a permanently reliable and economical gas supply and, ultimately, gas self-sufficiency in the United Arab Emirates.

**Domestic production – securing supplies with technological expertise**

In 2018 Wintershall expanded its technology center in Germany at the Barnstorf site in Lower Saxony (Rural District of Diepholz), where
it now utilizes state-of-the-art digital technology to analyze the potential of natural gas and crude oil reservoirs worldwide even more precisely. The centerpiece of the new laboratory is a micro-computed tomography (microCT) scanner. Using the digital rock method, experts can create high-resolution 3D images of rock samples from natural gas and oil reserves. "The analyses carried out in our expanded technology center help our colleagues in Germany, Siberia, Norway or Argentina to make the right decisions when developing gas and oil reserves and to work successfully," said Mario Mehren. Following the merger of Wintershall and DEA, Barnstorf will become the technology and training center for the joint company.

Wintershall successfully completed a high-resolution 3D seismic survey at the Emlichheim site in Lower Saxony (county of Bentheim) at the beginning of 2018. Along with Völkersen and Mittelplate, Emlichheim will become one of Wintershall DEA's core activities in Germany. The results of the seismic survey in Emlichheim form the basis for further development. Wintershall is planning to drill new wells – the first five are scheduled to start in September 2019. In the second half of the year, Wintershall also plans to begin construction of an approximately 14-kilometer-long crude oil pipeline between Emlichheim and Osterwald in order to also transport the extracted oil in the future in a safe and environmentally friendly manner to the refinery in Lingen. Wintershall has been producing crude oil at a constantly high level in Emlichheim for over 70 years.

Investments in domestic production are focusing on the Mittelplate drilling and production platform on the southern edge of the Wadden Sea National Park in Schleswig-Holstein. Mittelplate is the only oil drilling and production facility in German waters. The offshore field, which Wintershall already operates together with DEA, is the mainstay of oil production in Germany. More than 35 million tons of oil have already been recovered from the reservoir. "To ensure that
Mittelplate can continue making an important contribution to domestic production in the future, Wintershall and DEA initiated a further drilling campaign in 2017 that will last to 2022," said Mehren. "Thirty years of safe production in the sensitive natural habitat of the Wadden Sea show that it is possible to reconcile oil production with environmental protection."

Nord Stream 2: Infrastructure for Europe – safe, cost-effective, environmentally friendly

For affordable climate protection and a competitive industry in Europe, it is essential that natural gas is delivered to Europe reliably, cost-effectively and in a climate-friendly manner. The Nord Stream Baltic Sea pipeline, which is being expanded with Nord Stream 2 due to the growing demand for energy and the decline in production in the EU, will contribute to this. The capacities of Nord Stream 1 were fully utilized in 2018. "Nord Stream 2 offers up to 55 billion additional cubic meters of natural gas for the European markets. Arithmetically speaking this could replace, for example, Germany's entire coal-fired power generation," said Mehren. Wintershall is helping to finance the Nord Stream 2 project as a lender and will provide up to 950 million euros for the project. By December 31, 2018, almost two thirds of this amount had been released. To date, the Nord Stream 2 AG project company has received approval for the construction and operation of the pipeline system from all neighboring states except Denmark. Over 800 kilometers of pipes have already been laid.

Outlook for 2019

In 2019, delivering the merger with DEA will be the decisive issue for Wintershall. Wintershall will also be investing in the expansion of gas and oil production, particularly in Russia, Norway and the Middle East. A key project in Norway will be Nova, while in Russia plans are
underway to prepare plateau production in Block 1 A of the Achimov Formation. The extensive infrastructure and construction work for developing blocks 4 A and 5 A in the Achimov Formation is proceeding according to plan. In addition, Wintershall will begin developing its local operations in Brazil. The production in Europe will continue to focus on increasing efficiency and effectiveness, but it is also planned to step up the exploration activities again.

"Our plans for 2019 are based on an average Brent crude oil price of 70 US dollars per barrel and an exchange rate of 1.15 US dollars per euro," said Mehren.

Forward-looking statements and forecasts

This report contains forward-looking statements. These statements are based on current estimates and forecasts by the Executive Board of Directors as well as on information currently available. The forward-looking statements should not be considered to be guarantees of future developments and results. Rather, the future developments and results are dependent on a variety of factors; they include various risks and uncertainties and are based on assumptions that may prove to be incorrect. We accept no obligation, beyond what is required by law, to update the forward-looking statements made in this press release.

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 125 years, and in the exploration and production of crude oil and natural gas for over 85 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 50 nations and is now Germany’s largest internationally active crude oil and natural gas producer.

At the end of September 2018, BASF and LetterOne signed a binding agreement to merge their respective oil and gas companies, Wintershall and DEA (Deutsche Erdöl AG). Subject to regulatory approvals, the transaction is expected to close in the first half of 2019. Wintershall DEA would become the leading independent oil
and gas producer in Europe. BASF and LetterOne are planning an initial public offering (IPO) for Wintershall DEA in the medium term.

**Wintershall. Shaping the future.**

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