

Wintershall with profit jump

- **Significant increase in sales and EBIT**
- **Net income after minority interests doubled**
- **Extensive optimization of projects and costs successfully implemented**

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Kassel. BASF's Wintershall subsidiary has presented significantly improved results for 2017. "Compared with 2016, we have significantly increased our economic performance and improved our profitability. We are clearly on course for growth," said CEO Mario Mehren at the company's Annual Press Conference in Kassel. After strong increases in previous years, Mehren expects Wintershall to set a new production record for 2018 by commissioning of new production in the established production regions, and thereby considerably increasing sales and EBIT before special items. In addition, Wintershall now intends to become active in Brazil in the exploration of oil and gas reserves. Furthermore, BASF's and LetterOne's intended merger of Wintershall with DEA Deutsche Erdoel AG will provide further momentum: "This is an exciting prospect because it offers additional perspectives for growth that suit Wintershall."

In 2017, Germany's largest internationally active oil and gas producer increased its income from operations (EBIT) before special items by 53 percent (€276 million) to €793 million (2016: €517 million). This is primarily attributable to the increase in oil and gas prices as well as

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the higher earnings contribution from our share in the Yuzhno Russkoye natural gas field. Comprehensive measures aimed at optimizing exploration and technology projects as well as the successful implementation of operational cost-saving measures also had a positive effect. EBIT rose by €544 million (plus 109 percent) to €1,043 million (2016: €499 million). This included special income from the reversal of impairments in Norway and the Netherlands as well as from the sale of shares in the Aguada Pichana concession in Argentina. This was partially offset by an impairment on the exploration potential in Norway. Net income increased by €357 million (plus 99 percent) to €719 million (2016: €362 million).

“Our goal of achieving significantly higher earnings for the BASF Group in 2017 with our oil and gas business was achieved thanks to the strong performance of the Wintershall team,” said the Wintershall CEO. For example, sales to third parties increased by €476 million (plus 17 percent) to €3,244 million over the previous year (2016: €2,768 million) as a result of higher prices and volumes. The price of a barrel of Brent crude oil averaged \$54 in 2017 (2016: \$44). Gas prices on the European spot markets rose by around 24 percent compared with the previous year. Volumes growth was mainly driven by higher gas sales volumes.

Oil and gas production maintain record levels

The company managed to maintain its crude oil and natural gas production at the previous year's level (2016: 165 million barrels of oil equivalent). In the search for new oil and gas reservoirs, Wintershall completed a total of seven exploration and appraisal wells in 2017, of which three were successful. Our proven oil and gas reserves rose by 3 percent compared with the end of 2016 to 1,677 million barrels of oil equivalent (2016: 1,622 million boe). Wintershall replenished 133 percent of the volumes produced in 2017. The reserves-to-production

ratio is around 10 years (2016: 10 years). This is based on Wintershall's production in 2017 and the reserves at year-end. "We have increased our production by around 50 percent since 2011 alone, whereby we have not lived at the expense of the future," said Mehren. This is because in the same period Wintershall also successfully increased its reserves by almost 50 percent.

Overall, Wintershall plans to invest around €3.5 billion in expanding its oil and gas activities by 2022. This is about one fifth (18 percent) of the BASF Group's total investment for the period from 2018 to 2022.

Wintershall DEA to become key player in Europe

In December 2017, fundamental changes were announced: BASF and the LetterOne group plan to merge their respective oil and gas businesses in a joint venture. The new company, Wintershall DEA, would be one of the largest independent exploration and production companies in Europe, with excellent growth prospects. The medium-term plan is to list the joint venture on the stock exchange. "The portfolios of the two companies complement each other perfectly. We could further strengthen our European production and expand our production regions in South America and North Africa," explained Mehren. "Wintershall DEA's annual production would exceed 215 million boe. That's around 600,000 barrels per day¹," Mehren said. Three quarters of the production would come from Wintershall.

Russia remains the most important core region

The natural gas production from the Yuzhno Russkoye natural gas field in Western Siberia celebrated its tenth anniversary at the end of 2017. Here Wintershall has been producing at a plateau of 25 billion

¹ Based on the production figures for 2016.

cubic meters of natural gas per year since 2009. A total production of 250 billion cubic meters will be achieved in the first half of 2018. This roughly corresponds to the German natural gas consumption during the last three years. The natural gas volumes produced there are transported to Europe via, among others, the Nord Stream pipeline. Wintershall is therefore making a decisive contribution to securing the supply of natural gas in Europe. The development of Block 1 A of the Achimov Formation in the Urengoy field, in which Wintershall holds a 50 percent share, has been gradually continued. 88 wells were producing natural gas there by the end of 2017, enabling an increase in production to 6.6 billion cubic meters of natural gas in 2017. Together with Gazprom, the BASF subsidiary is also planning to develop blocks 4 A and 5 A in the Achimov Formation.

Wolgodemin oil, Wintershall's joint venture with Russian partner RITEK in southern Russia, recently celebrated its 25th anniversary. The collaboration between the two companies is regarded as a trailblazer for German-Russian oil production and is still exemplary for successful bilateral cooperation and joint economic success. "Our projects, as well as our more than 25 years of collaboration with our Russian partners, once again demonstrated last year that we can make the German-Russian cooperation trustful, stable and successful," emphasized Mehren. "Based on this partnership and with significant natural gas reserves in Siberia, Russia will continue to be the central pillar in the company's portfolio. Russia is and will remain the most important partner for Wintershall," Mehren added.

Norway: Expectations exceeded

In **Norway**, Wintershall was able to further expand its commitment and exceed its self-imposed goals. "The innovative development concept for the Maria field with the installation directly on the seabed, including its tie-back to the existing infrastructure, enables us to

leverage advantages in terms of the costs,” said Mehren. Production in the Norwegian Sea started in December 2017, one year earlier than planned. At around €1.2 billion, the costs were more than a fifth lower than the allotted budget. Maria is the first project in Norway that Wintershall has led through the entire development process – from the field exploration to the start of production.

“The successful delivery of the complex offshore project is testament to Wintershall's high level of efficiency and know-how – and not just in Norway. It's a showpiece project for us and the entire industry,” emphasized Mehren. Maria is Wintershall's largest operated offshore investment so far. The development of the Ivar Aasen and Edvard Grieg fields was also continued with additional wells.

With Aasta Hansteen and Nova (formerly Skarfjell), the oil and gas company's future project pipeline is looking very robust: “We're planning to submit the Plan for Development and Operation for Nova to the Norwegian Energy Ministry in the first half of 2018,” Mehren said. The development concept envisages connecting the oil and gas reservoir via a subsea tieback to the nearby Gjøa platform. At the end of February 2018, contracts worth around €190 million had already been awarded for this purpose.

The major projects are not just a milestone for the company itself. They also confirm the high relevance of oil and gas production in the North Sea, which continues to be one of the most important production regions in Europe. The North Sea and its neighboring countries supply about half of the natural gas needed in the EU.

The portfolio in Norway was also expanded thanks to the allocation of six new exploration licenses in January 2018, which the Norwegian Ministry of Petroleum and Energy awarded as part of the APA 2017

licensing round. Wintershall acts as the operator for three of these licenses. All licenses are located in Wintershall's core regions.

South America: Investing in the future

Wintershall can look back at a long tradition in **Argentina**: for 40 years, the company has been exploring and producing hydrocarbons with great success. Today, Wintershall is involved in a total of 15 onshore and offshore fields – two of them as operator. “For decades we've been making our contribution to the oil and gas industry in Argentina. Today, we are also the operator of two licenses from which unconventional oil is being recovered during the pilot phase,” Mehren said.

The Aguada Federal and Bandurria Norte blocks, which lie in the province of Neuquén, are situated within the promising Vaca Muerta Formation. Following the implementation of a shale oil pilot project in Aguada Federal in 2015, three horizontal pilot wells were drilled in 2017 in Bandurria Norte. Here the team was able to draw on its experience garnered from the previous project and thus complete the drilling campaign earlier and at lower costs. Both projects will be tested in 2018. “We have the technology and expertise to drill wells under demanding geological conditions and meet the highest HSE standards,” said Mehren.

Wintershall has discovered oil in the CN-V block in the province of Mendoza. In 2018, a second exploration well will follow in the block and Wintershall will take over the operatorship. In Tierra del Fuego, work has begun on expanding the gas treatment facilities for the Cuenca Marina Austral 1 concession.

In Neuquén province, Wintershall reduced its interest in the Aguada Pichana concession. Its share in the Aguada Pichana Oeste (West)

block was sold to Pan American Energy LLC, Buenos Aires, Argentina, and YPF S.A., Buenos Aires, Argentina. Wintershall marginally reduced its interest in the Aguada Pichana Este (East) block through the sale of shares to Total Austral S.A., Buenos Aires, Argentina in early 2018.

Wintershall is also planning to expand its activities in South America and to participate in the search for oil and gas off the coast of Brazil. “We will participate in bidding rounds for exploration licenses in 2018,” the Wintershall CEO announced. The coast of Brazil is considered one of the most highly promising oil regions in the world.

Middle East: Shuwaihat-6 well successfully drilled

In 2017, Wintershall successfully completed its second exploration well (SH-6) in the “Shuwaihat” field in **Abu Dhabi**. It achieved this significantly faster and at a lower cost than planned. The SH-6 well was spudded five kilometers offshore in the Arabian Gulf.

The Shuwaihat sour gas and condensate field is located in the western part of Abu Dhabi, about 25 kilometers west of the industrial city of Ruwais. As operator, Wintershall implements the highest HSE standards and can look back on more than 40 years of experience in the safe development and production of sour gas fields.

Wintershall has already been active in Abu Dhabi for several years and plans to strategically expand its involvement in the region. In June 2012, Wintershall signed an agreement with the Abu Dhabi National Oil Company (ADNOC) and Austria's OMV company for the technical evaluation of the Shuwaihat field. This has now been provisionally completed with a 3D seismic survey (2015) and two exploratory wells (2016 and 2017). The data is currently being evaluated. Further

development concepts for the Shuwaihat field are currently being discussed.

In **Libya**, Wintershall operates eight oil fields in the onshore concessions 96 and 97 as the operator. In both concessions, crude oil production was initially discontinued in March 2017. In accordance with an agreement with the government-owned National Oil Corporation (NOC), production was able to be resumed from June to October 2017 with production rates of 55,000 barrels of oil per day (BOPD) for concession 96 and 10,000 BOPD for concession 97. The production in concession 96 has once again been suspended until the end of January 2018 due to a strike. Wintershall is currently negotiating the framework for future cooperation with NOC. At the Al Jurf oil field off the coast of Libya, in which Wintershall holds a share, operations could be continued without interruption in 2017.

Domestic production contributes to supply security

In Germany, Wintershall successfully completed and started up twelve new wells as part of a drilling campaign at the Emlichheim concession on the German-Dutch border. Emlichheim is one of the largest and most tradition-steeped oil production sites in Germany. Wintershall has been producing crude oil at a consistently high level there for over 70 years. As Emlichheim still has untapped reserves, Wintershall has been analyzing the oil field with a modern, high-resolution 3D seismic survey. The preliminary results of the cross-border measurement carried out in February 2018 will be available in early 2019.

In addition, Wintershall successfully completed a drilling campaign in the Mittelplate field off the German North Sea coast. Wintershall holds a 50 percent interest in the largest German oil field, whose operator is DEA. The Mittelplate drilling and production island makes a

significant contribution to supplying Germany. Since production started in October 1987, more than 34 million tons of oil have been recovered from the oil reservoir. More than 30 years of safe production in the Wadden Sea demonstrate how crude oil production can be reconciled with environmental protection. To ensure that Mittelplate can also continue contributing to domestic production in the future, Wintershall and DEA initiated a further drilling campaign that will last from 2017 to 2022.

At the Barnstorf site in Lower Saxony where Wintershall's German operations are based, Wintershall has successfully modernized its crude oil processing facility and spudded five new wells in Bockstedt, the first of which have already been brought into production. In addition, Wintershall started construction of a new laboratory facility in autumn 2017. The new €5.8 million building is scheduled to begin operations in the late summer of 2018. Among other things, the central laboratory in Barnstorf processes around 2,000 samples a year from all Wintershall locations worldwide. Its order volume has increased by about 30 percent since 2012.

At its concession in Landau in Southern Palatinate, Wintershall completed a 3D seismic survey at the beginning of 2017. Geologists and reservoir engineers are currently exploring the potential for new drilling. Wintershall has been recovering crude oil in Landau for over 60 years.

Infrastructure for securing natural gas supplies in Europe

Through Nord Stream AG, based in Zug, Switzerland, Wintershall holds a 15.5 percent share in the Nord Stream pipeline, which commenced operation in 2011. This pipeline, which runs from Russia through the Baltic Sea to the German coast, helps strengthen the

security of supply in Europe with a total annual capacity of 55 billion cubic meters of natural gas.

In addition, Wintershall is contributing to the financing of the new Nord Stream 2 project as a co-creditor. Its implementation will strengthen the infrastructure and security of supply in Europe, which is particularly important given the decline in production there. In April 2017, Wintershall and four other European energy companies signed long-term financing agreements with the project company Nord Stream 2 AG based in Zug, Switzerland. In the agreements, the companies committed to long-term financing of 50 percent of the entire project costs, which are currently estimated at €9.5 billion. Wintershall will provide up to €950 million. As of December 31, 2017, €324 million of this amount has already been called up. Gazprom is the sole shareholder of the project company Nord Stream 2 AG. At the end of January 2018, Nord Stream 2 received approval for constructing and operating the pipeline system in German coastal waters as well as at the landfall area in Lubmin near Greifswald.

Outlook for 2018

In 2018 Wintershall will continue to invest in the expansion of oil and gas production, particularly in Norway, Argentina and Russia. The key projects in the coming years will be Nova (formerly Skarfjell) and Aasta Hansteen in Norway, the projects in the Achimov Formation in Russia as well as our projects in the Tierra del Fuego and Neuquén provinces in Argentina. The company's production in Europe will continue to focus on increasing efficiency and effectiveness. Wintershall will also continue to push ahead with its exploration activities.

“Our plans for 2018 are based on an average crude oil price (Brent) of \$65 per barrel and an average exchange rate of \$1.20 per euro.

Gas prices in Northwest Europe are likely to be on a level with 2017,” Mehren said. “We expect a considerable increase in sales and EBIT before special items, driven by positive price effects and the start of production at fields in Norway in particular.”

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 120 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.

Wintershall. Shaping the future.

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