

Wintershall with stable income

- **Fourth year of billion-euro profits in a row**
- **Active portfolio management: expansion of activities in Norway**
- **New production target: 190 million boe in 2018**
- **Goal: Also profitably contribute to BASF result in 2015**

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Kassel. Wintershall made a profit of more than one billion euros in 2014, for the fourth year in a row. The net income after taxes and minority interests was 1.464 billion euros (2013: 1.730). “Despite the low oil price, especially in the fourth quarter, in 2014 we achieved the second-best result in the company’s history,” says the Wintershall Chairman of the Executive Board, Rainer Seele. The income from operations before special items (EBIT) remained at a high level of 1.795 billion euros (2013: 1.856). Despite several months of interruptions to production in Libya, Wintershall managed to increase the oil and gas production to 136 million boe (2013: 132). The higher volumes, especially in Russia and Norway, were only partially able, however, to compensate for the lower prices.

The good result in 2014 was delivered by a diversified portfolio in comparison with competitors, low costs for production and reserves replenishment, as well as by a focus on attractive technology and exploration projects. “This enables us to make significant

contributions to the results of the BASF Group even when the oil price is low,” explains Seele.

New goal: Oil and gas production to further increase until 2018

The company now aims to continue raising the production of oil and gas to 190 million boe by 2018. “Wintershall pursues promising projects,” Seele says. That includes the ongoing development of the Achimgaz project in Siberia, the Norwegian fields Edvard Grieg, Maria and Aasta Hansteen, as well as the gas project Vega Pleyade off the Argentinean coast at Tierra del Fuego. Wintershall plans to start increasing production as soon as 2015.

“Future performance demands continuous investments and innovation,” says Seele. However, he adds, these must be weighed up carefully and be well-balanced: “Wintershall will invest at least four billion euros in expanding its oil and gas activities during the next five years, in particular in Norway, Argentina and Russia. The strategy remains the same: we want to achieve more profitable growth at the source and continue our focused diversification.”

Successful exploration – new oil and gas fields discovered

In 2014 Wintershall established an excellent foundation for its further growth: the company has been particularly successful in its search for new crude oil and natural gas reservoirs. From a total of 21 (2013: 20) exploration and appraisal wells, 16 (2013: 8) discovered oil and gas deposits – in Russia, the Netherlands, Norway and Argentina. Wintershall also recorded growth with the proven crude oil and natural gas reserves. These rose 17 percent on the 2013 year-end figure to 1.7 billion boe. The quantities produced in 2014 were replenished by a factor of 284 percent. The total reserve-to-production ratio, which is based on Wintershall's share of production

in 2014 and refers to the reserves at year end, is around 13 years (2013: 11).

Successful Innovation

Particularly pioneering is the research project for the **biopolymer Schizophyllan**, which Wintershall is working on together with BASF and which is attracting a great deal of attention internationally. This biopolymer, which is produced by a fungus that grows in Germany, thickens the water that is injected into the reservoir to enhance oil production. Experts believe this will enable mature oil fields to be exploited effectively and in an environmentally safe manner. Wintershall continued its field test with the biopolymer Schizophyllan in the North German oil field Bockstedt in 2014. "We are very satisfied with the progress of the field test so far. We are producing considerably more from our test well," confirms Seele. The data we have gathered will now be evaluated further and the field test extended. "We don't just want to produce more; we also want to know more first," says Seele. In addition, Wintershall is working on other innovations to improve the oil recovery.

Oil and gas will also continue to make significant contribution to meeting the increasing energy needs of the growing world population in the future. Wintershall is investing in the exploration and production of oil and gas, particularly in the core regions of Europe, North Africa, Russia, South America, and increasingly the Middle East region.

Production expanded – focus on Norway

55 percent of the natural gas required in the European Union is still produced in the North Sea and the countries bordering it. The

domestic North Sea is therefore an important and secure source for Europe's energy beyond 2020.

Norway is a core region for future growth for Wintershall. The company has expanded its activities in the country significantly in recent years. With over 50 licenses – more than half of these as operator – Wintershall is already one of the major license holders in Norway. At the same time, Wintershall's successful exploration portfolio is progressing further to the development and production phase. During the last few years it has already expanded its daily production from 3,000 to 60,000 boe. A key component of these increased activities is the partnership with the Norwegian company Statoil. Wintershall received shares in the producing fields Brage, Vega and Gjøa as part of two transactions. In addition, Wintershall also acquired a stake in the Aasta Hansteen development project, the Asterix discovery and the Polarled pipeline project. Brage also represents Wintershall's first operatorship of a large production platform in Norway. The company has also been the operator of the Vega production field since March 2015.

Wintershall's license portfolio also received a major boost in 2014 with the allocation of eight new exploration licenses, five with the operatorship. The activities to develop the oil discoveries Knarr and Edvard Grieg continued in 2014. In the last few days the Knarr oil field was commissioned.

Wintershall is one of the largest natural gas producers in the **Netherlands**. It is currently working on the F17oil discovery in the Dutch North Sea. In **Denmark**, Wintershall is also operator for the first time – for the Ravn oil reservoir. The Danish energy agency has confirmed the development plan for the field. It is expected to be commissioned by the end of the year.

In the **UK**, Wintershall is the operator of the Wingate gas production platform, which was brought on stream in October 2011. Wingate is the first own-operated gas production of Wintershall in the British North Sea. Wintershall has also optimized its portfolio: the sale of selected interests in non-self-operated development projects on the British Continental Shelf to the Hungarian MOL Group was completed in the first quarter of 2014 with retroactive economic effect as of 1 January 2013.

The cooperation with its long-standing partner Gazprom in **Russia** is proof that partnerships can be possible and successful over decades. The western Siberian natural gas field Yuzhno Russkoye, in which Wintershall has a 35 share of the profits, has been producing at a plateau since 2009. A development concept for the Turon horizon, another formation in the gas field, is currently being drawn up together with Gazprom. The second project, the development of Block IA of the Achimov formation in the Urengoy field in western Siberia, in which Wintershall holds a 50 percent share, is also progressing successfully. The step-by-step field development of the technically challenging Achimov formation has been continuing more quickly than was originally scheduled: 40 wells were already producing by the end of 2014. The production has been increased in 2014 by more than 40 percent to 3.4 billion cubic meters of natural gas. In the Volgograd region Wintershall is active in oil and gas exploration and production with Lukoil.

New projects in Argentina and the Middle East

Wintershall has been active in **Argentina** for 37 years and has working interests in 15 onshore and offshore fields altogether. Argentina is estimated to have the second-largest shale gas and fourth-largest shale oil deposits in the world. Since 2014 Wintershall has held a 50 percent share in the Aguada Federal block in the

Neuquén province (central Argentina) and is the operator here. Together with the local state-owned energy company Gas y Petróleo del Neuquén S.A. (GyP), Wintershall intends to investigate the block and possibly develop it further. Wintershall launched the first vertical exploration well in the block in March 2015. The launch of a second exploration well is also planned for 2015. The shale rock of the Vaca Muerta formation is being developed in the 97-square-kilometer block. In addition, Wintershall is working on the development of the new natural gas field, Vega Pleyade, in the Argentinean Sea off the coast of Tierra del Fuego together with Total and Pan American Energy (PAE). New production wells have also been sunk in the neighboring Carina field since May 2014, which should allow production to be increased short-term.

In **Libya** Wintershall is the operator of eight oil fields in the onshore concessions 96 and 97. Owing to external influences, in particular the partially interrupted export-infrastructure, onshore crude oil production in Libya was suspended for sustained periods during 2014. Since February 2015 the company has been producing 30,000 barrels of oil a day again. However, the crude oil field Al Jurf off the coast of Libya, in which Wintershall holds a share, was operated continuously throughout this time.

About 50 percent of all the world's oil and gas reserves are located in the **Middle East**. No other region has comparable potential. Hence, the Middle East plays an increasingly important role in Wintershall's diversified portfolio. In May 2014, Wintershall began with its first own-operated exploration well for the development of the Shuwaihat sour gas and condensate field in Abu Dhabi. The state-run oil company of Abu Dhabi, ADNOC, and the Austrian oil and gas company OMV are also participating in the project. The markets in the Middle East demand the flexibility of the Wintershall experts, their extensive experience and cutting-edge technological expertise

for difficult geological conditions. Wintershall brings its know-how in the production of sour gas to the Shuwaihat project, for example. The company has been producing sour gas in Germany for more than 40 years.

Domestic production as a source of innovation

In **Germany** Wintershall demonstrates how to produce profitably under challenging conditions. Owing to very complex geological conditions, production in Germany is technologically demanding. This makes domestic production a source of innovation for new technologies for Wintershall, which can then be deployed in international projects. The research and development activities mainly focus on improving the discovery rate of oil and gas reservoirs, developing technologies for reservoirs with difficult development and production conditions, and on increasing the yield from reservoirs (Enhanced Oil Recovery – EOR). The best example is in Emlichheim, where Wintershall has been producing at plateau for 65 years with the steam flooding technique. Wintershall is currently investigating old oil reservoirs in Germany that were abandoned 20 years ago (when the oil price was between 10 and 20 US dollars).

“Production in Germany contributes to securing energy supplies,” says Seele. About 11 percent of demand in Germany is currently covered from domestic reservoirs. Before diversifying import deliveries and looking to far-away countries, domestic resources should be exploited intelligently, he adds. “Crude oil and natural gas production in Germany must not be endangered due to confusion between tight and shale gas as well as a result of inaccurate and uninformed discussions,” Seele says. “Business needs a reliable regulatory framework, a timeframe and planning certainty, especially for the future use of fracking technology in Germany – while of

course observing Germany's stringent safety and environmental standards. "The current draft legislation is a good starting point, but could place a disproportionately high burden on the industry," Seele explains. Policy-makers had to consider these consequences and bring the legislative process to a conclusion quickly and with careful judgement so that natural gas production in Germany could continue in a responsible manner and so that new potential could finally be investigated.

Important contribution to supply security

As well as developing and producing natural gas, Wintershall also makes an important contribution to supply security in Western Europe by building and operating natural gas pipelines, with natural gas storage facilities, and with its trading activities with Gazprom. With demand for natural gas in Europe rising, and Europe's own production falling, natural gas will have to be imported in increasingly large volumes in future. Wintershall helps to secure Europe's supply of natural gas with its stake in the Nord Stream Baltic Sea Pipeline as well as the connecting pipelines OPAL and NEL, amongst other things.

Natural gas trading with a rise in sales volume

In the natural gas trading segment, the sales volume of the joint venture companies (WINGAS, WIEE and WIEH) was increased by 40 billion kilowatt hours to 561 billion kilowatt hours (2013: 521) due to increased trading on the European spot markets. Sales to third parties in natural gas trading rose by 360 million euros to 12.2 billion euros owing to the volume increases. The EBIT before special items was 383 million euros, 23 million euros below the previous year's figure (2013: 406). A lower contribution from the storage business was partially compensated for by the higher income from the

transport business and ongoing optimization measures on the procurement side of the trading business.

Given the difficult political environment, Wintershall and Gazprom agreed in December not to proceed the asset swap planned for the end of 2014. "We will nevertheless continue our successful joint ventures in western Europe and Russia, even if the political conditions are difficult," Seele explains. Together the two companies are continuing to make a significant contribution to securing Europe's energy supply and are focusing on continuity.

The acquisition of Wintershall's shares in Verbundnetz Gas AG (VNG) by EWE Aktiengesellschaft was completed in October 2014 as planned.

Outlook in 2015

"Our planning for the year 2015 is based on an average oil price between \$60 and \$70 per barrel and a U.S. dollar exchange rate of \$1.20 per euro," says Seele. "We expect gas prices to remain at 2014 levels. Because of the lower price of oil, we anticipate a slight decrease in sales and considerably reduced EBIT before special items in 2015." Despite the difficult general conditions Wintershall will make significant contributions to the results of the BASF Group.

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 some 2,500 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

		2014	2013	Change
<u>Wintershall Group</u>				
Sales to third parties	€ million	15,145	14,776	+ 2%
Investments and acquisitions ¹	€ million	3,162	3,167	0%
Income from operations (EBIT) before special items	€ million	1,795	1,856	- 3%
Annual net income after minority interests	€ million	1,464	1,730	- 15%
Number of employees ²	As of 31.12.	2,400	2,416	- 1%
<u>Exploration and Production</u>				
Sales to third parties	€ million	2,938	2,929	0%
Investments and acquisitions ¹	€ million	3,092	2,945	+ 5%
Production				
- Crude oil	MMBOE	31	32	- 5%
- Natural gas	MMBOE	105	100	+5%
Income from operations (EBIT) before special items	€ million	1,412	1,450	-3%
<u>Natural Gas Trading</u>				
Sales to third parties	€ million	12,207	11,847	+3%
Investments and acquisition ¹	€ million	70	222	- 68%
Gas volume sold by JVs (100%) ³	kWh billion	561	521	+8%
<i>thereof WINGAS</i>	kWh billion	481	429	+12%
Income from operations (EBIT) before special items	€ million	383	406	-6%

¹Property, plant, and equipment and intangible assets.

²Excluding employees on fixed-term contracts; part-time employees included pro rata.

³Includes gas volume sold to BASF.