

# News Release

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## **BASF and LetterOne sign agreement to merge Wintershall and DEA**

- **Creation of the leading independent European oil and gas company**
- **Closing of transaction expected in the first half of 2019**
- **Adjustment of BASF's financial reporting as of January 1, 2018 and consequently of BASF Group's outlook**

Ludwigshafen, Germany – September 27, 2018 – BASF and LetterOne signed a definitive transaction agreement to merge their respective oil and gas businesses in a joint venture, which will operate under the name Wintershall DEA. “With Wintershall DEA we create the leading independent European exploration and production company with international operations in core regions. By combining the two German-based entities, BASF and LetterOne lay the basis for further profitable growth,” said Dr. Hans-Ulrich Engel, Vice Chairman of the Board of Executive Directors and Chief Financial Officer of BASF SE. In the medium term, BASF and LetterOne envisage to list Wintershall DEA through an Initial Public Offering (IPO).

Closing of the transaction is expected in the first half of 2019, subject to approvals of merger control and foreign investment authorities as well as mining authorities and the German Federal Network Agency. Until closing, Wintershall and DEA will continue to operate as independent companies.

In 2017, the combined business of Wintershall and DEA had pro-forma sales of €4.7 billion, income from operations before depreciation and amortization (EBITDA) of €2.8 billion and net income of €740 million. In 2017, pro-forma hydrocarbon production of Wintershall and DEA totaled 210 million barrels of oil equivalent

(BOE); this equals a production of around 575,000 BOE per day. The joint venture will have a regionally more balanced footprint with growth opportunities in the core regions and strives for a daily production of 750,000 to 800,000 BOE between 2021 and 2023. Through the merger, synergies of at least €200 million per year are expected as of the third year following the closing of the transaction.

Mario Mehren, Chief Executive Officer (CEO) of Wintershall, has been determined to be the Chairman of the Management Board and CEO of Wintershall DEA. Maria Moraeus Hanssen, CEO of DEA, has been determined as the deputy CEO and Chief Operating Officer of the joint venture. In addition, Thilo Wieland, member of the Board of Executive Directors of Wintershall, and Hugo Dijkgraaf, Managing Director of Wintershall Norge, will be on the five-member Management Board of Wintershall DEA. The appointment of the Chief Financial Officer will take place at a later date.

To effect the merger, LetterOne will contribute all its shares in DEA Deutsche Erdöl AG into Wintershall Holding GmbH against the issuance of new shares of the company to LetterOne. Wintershall will then be renamed Wintershall DEA, which will be headquartered in Kassel and Hamburg. BASF will initially hold 67% and LetterOne 33% of Wintershall DEA's ordinary shares reflecting the value of the respective exploration and production businesses of Wintershall and DEA. To reflect the value of Wintershall's gas transportation business, BASF will receive additional preference shares. No later than 36 months after closing but in all cases before an IPO, these preference shares will be converted into ordinary shares of the company Wintershall DEA. This will result in a total shareholding of BASF in Wintershall DEA of 72.7%.

### **Effect on financial reporting and outlook of BASF Group**

The signing of the agreement has immediate effect on the reporting of BASF Group: Sales and earnings of Oil & Gas are no longer included in sales and EBIT of BASF Group – retroactively as of January 1, 2018 and with the prior-year figures restated. Until closing, earnings will be presented in the income before minority interests of BASF Group as a separate item (“income from discontinued operations”).

As a result of the changed reporting of Wintershall Group following the signing of the definitive transaction agreement, BASF Group's outlook for the full year 2018 is adjusted. The company continues to expect a slight increase in sales compared to

the adjusted 2017 figure (2017 restated: €61.2 billion). The company now expects a slight decline in EBIT before special items compared to the adjusted 2017 figure (2017 restated: €7.6 billion), EBIT is expected to decline considerably compared to adjusted previous year figure (2017 restated: €7.6 billion). Before taking the accounting effects of the transaction into consideration, a slight increase in sales and EBIT before special items and a slight decline in EBIT was expected. In 2017, BASF's Oil & Gas segment generated sales of €3.2 billion, EBIT before special items of €793 million and EBIT of €1.0 billion. In the first half of 2018, the segment generated sales of €1.9 billion, EBIT before special items amounted to €756 million and EBIT to €783 million.

From the transaction closing date, BASF will account for its share in the joint venture Wintershall DEA using the equity method and include its share of Wintershall DEA's net income in EBIT of BASF Group (reported under "Other"). The gain from the transition from full consolidation to the equity method will be shown in income from discontinued operations as of the closing of the transaction.

### **Key facts and figures about Wintershall and DEA**

The oil and gas business of BASF is bundled in the Wintershall Group consisting of Wintershall Holding GmbH and its subsidiaries, including the gas transportation business. The oil and gas business of LetterOne comprises DEA Deutsche Erdöl AG and its subsidiaries.

DEA is operating in the field of exploration and production of crude oil and natural gas and is headquartered in Hamburg, Germany. The company has long-standing experience along the entire value chain of the upstream business. With its workforce of around 1,150 employees, DEA has stakes in production facilities and concessions in Germany, Norway, Denmark, Egypt, Algeria and Mexico.

Wintershall, headquartered in Kassel, Germany, focuses on exploration and production in oil and gas-rich regions in Europe, Russia, South America, North Africa, and the Middle East. Together with Gazprom, Wintershall is also active in the transportation of natural gas in Europe. The company has about 2,000 employees worldwide and is Germany's largest, internationally active oil and natural gas producer.

**About BASF**

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The more than 115,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is organized into five segments: Chemicals, Performance Products, Functional Materials & Solutions, Agricultural Solutions and Oil & Gas. BASF generated sales of €64.5 billion in 2017. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA) and Zurich (BAS). Further information at [www.basf.com](http://www.basf.com).

**Forward-looking statements and forecasts**

This release contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. BASF does not assume any obligation to update the forward-looking statements contained in this release above and beyond the legal requirements.