

# News Release

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## **BASF and LetterOne complete merger of Wintershall and DEA**

- **Creation of the leading independent oil and gas company in Europe**
- **On track to reach production target of 750,000 to 800,000 barrels of oil equivalent per day between 2021-2023, equivalent to an annual production growth rate of 6% to 8%**
- **Synergies of at least €200 million per year**
- **Initial Public Offering envisaged for 2nd half of 2020**

Ludwigshafen, Germany – May 1, 2019 – Following the approval of all relevant authorities, BASF and LetterOne have successfully completed the merger of Wintershall and DEA. In September 2018, BASF and LetterOne had signed a transaction agreement to merge their respective oil and gas businesses in a joint venture. “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 strong profitable growth for Wintershall Dea,” said Dr. Hans-Ulrich Engel, Vice Chairman of the Board of Executive Directors of BASF SE. Lord Browne of Madingley, Executive Chairman of L1 Energy, added: “Very rarely do you have the opportunity to create a company of this scale and quality. Wintershall Dea will hit the ground running, with a project pipeline that will deliver market-leading growth in the years to come.”

To effect the merger, LetterOne contributed all shares in DEA Deutsche Erdoel AG into Wintershall Holding GmbH against the issuance of new shares. The shareholders have decided to rename the company Wintershall Dea GmbH.

The joint venture is headquartered in Kassel and Hamburg. Upon formal registration of the corresponding capital increase, BASF will 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. This will result in a total initial shareholding of BASF in Wintershall Dea of 72.7%. No later than 36 months after closing but in all cases before an IPO, these preference shares will be converted into ordinary shares of Wintershall Dea.

In 2018, the combined business of Wintershall and DEA had pro-forma sales of €5.7 billion, income from operations before depreciation and amortization (EBITDA) of €3.6 billion and net income of €1.1 billion. In 2018, pro-forma hydrocarbon production of Wintershall and DEA together was 215 million barrels of oil equivalent (BOE). At the end of 2018, proven reserves on a pro-forma basis stood at 2.4 billion BOE, which led to a reserve to production ratio of 11 years.

As a result of the merger, Wintershall Dea has a regionally balanced footprint with superior growth opportunities. Based on underlying exploration and production projects, the company is on track to reach a daily production of 750,000 to 800,000 BOE between 2021 and 2023 from currently 590,000 BOE per day. This equals an annual production growth rate of 6% to 8%. Wintershall Dea expects to realize synergies of at least €200 million per year as of the third year following the closing of the transaction.

Both shareholders are committed to the profitable growth path of Wintershall Dea and set a solid capital basis for the joint venture. Wintershall Dea targets an investment grade credit rating. Following closing, the joint venture has no shareholder loans outstanding with BASF or LetterOne.

Wintershall Dea will be managed by an Executive Board consisting of five members: Mario Mehren, Chairman and Chief Executive Officer (CEO); Maria Moraeus Hanssen, Deputy CEO and Chief Operating Officer (COO), responsible for Europe and MENA; Thilo Wieland, Member of the Executive Board responsible for Russia, Latin America and Midstream; Hugo Dijkgraaf, Chief Technology Officer (CTO) and Paul Smith, Chief Financial Officer (CFO).

The integration phase has been prepared during recent months. The integration will be completed in approximately one year. BASF and LetterOne envisage to list

Wintershall Dea through an Initial Public Offering (IPO) in the second half of 2020, subject to market conditions.

In the Supervisory Board of Wintershall Dea, Hans-Ulrich Engel and Lord Browne of Madingley will be rotating non-executive Chairmen. The role will be held by Hans-Ulrich Engel for the first fifteen months.

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

BASF's participating interest in Wintershall Dea will be reported in the consolidated financial statements of the BASF Group according to the equity method as of May 1, 2019, with an initial valuation at fair value. The gain from the transition from full consolidation to the equity method will be shown in income after taxes from discontinued operations for the second quarter of 2019. As of May 1, 2019, BASF will report its share of Wintershall Dea's net income in EBIT before special items and EBIT of the BASF Group, reported under Other.

During the period between signing of the business combination agreement in September 2018 and the closing of the merger, the oil and gas business of BASF was classified as discontinued operation. Sales and earnings of the oil and gas business were no longer included in BASF Group's reporting – retroactively as of January 1, 2018 and with the prior-year figures restated. Earnings were presented in BASF's statement of income in the line "income after taxes from discontinued operations."

### **About Wintershall Dea**

With the merger of Wintershall Holding GmbH and DEA Deutsche Erdoel AG, two successful companies with a long tradition have formed Europe's leading independent natural gas and oil company: Wintershall Dea. The company with German roots and headquarters in Kassel and Hamburg explores for and produces gas and oil in 13 countries worldwide in an efficient and responsible manner. With activities in Europe, Russia, Latin America and the MENA region (Middle East & North Africa), Wintershall Dea has a global upstream portfolio and, with its participation in natural gas transport, is also active in the midstream business.

Wintershall Dea stands for more than 120 years of experience as an operator and project partner along the entire E&P value chain. The company employs around 4,000 people worldwide from over 60 nations. The company plans to increase its average daily production from around 590,000 barrels of oil equivalent to a range of 750,000 to 800,000 barrels in the period between 2021 and 2023. In the medium term, an initial public offering of Wintershall Dea is envisaged.

**About BASF**

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 122,000 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 six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of around €63 billion in 2018. BASF shares are traded on the stock exchange in Frankfurt (BAS) and as American Depositary Receipts (BASFY) in the U.S. 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.