wintershall dea

2020

WINTERSHALL DEA GROUP 2020 ANNUAL REPORT

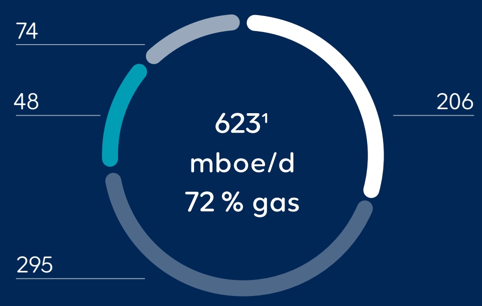
WINTERSHALL DEA AT A GLANCE

OUR GLOBAL PRESENCE

4 KEY REGIONS

13 COUNTRIES

KEY FIGURES 2020



PRODUCTION

EBITDAX

CAPEX[2]

- Northern Europe
- Russia
- Middle East/North Africa
- Latin America
- Midstream
- Other

€ 1.6 BN OPERATING CASH FLOW

€ 159 M FREE CASH FLOW

€ 195 M ADJUSTED NET INCOME

€3.5 PER BOE[3] PRODUCTION COSTS

3.6 BN BOE 2P RESERVES

16 YEARS 2P RESERVES LIFE

[1] Excluding Libya onshore
[2] Production and Development Capex

[3] excluding a one-off effect in the 4th quarter 2020

ABOUT THIS REPORT

Disclaimer

This annual report contains forward-looking statements regarding the future development of the Wintershall Dea Group and its companies, as well as of the economic and political environment. These statements are assessments that we have made based on information available to us at the time this document was prepared. Forward-looking statements are not guarantees of the future developments and results outlined therein. In the event that the underlying assumptions do not materialise or unforeseen risks arise, actual developments may deviate from the currently predicted developments. Therefore, we cannot assume responsibility for the correctness of these statements. Wintershall Dea does not assume any obligation to update the forward-looking statements contained in this report above and beyond the legal requirements.

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CHIEF EXECUTIVE LETTER

Mario Mehren

Dear Stakeholders,

2020 was a challenging year. COVID-19 had a severe and difficult impact on economic and private life. Wintershall Dea was no exception and we were heavily impacted by the effects of the pandemic.

We did however respond decisively, taking immediate action in line with three priorities: protecting our people, ensuring business continuity, and protecting our balance sheet and liquidity. We responded to the crisis in the right way: securing operational stability while also being flexible and improving our position for the future.

Our operational delivery was strong. We delivered record high production of 623 mboe/d, and continued to have peer-leading underlying production costs at € 3.5 per boe. We achieved this thanks to our excellent team, embedding a strong safety performance in everything we do.

Together with our partners, we have reached first production at a number of our development projects: Ærfugl and the Snorre Expansion Project in Norway, and the Achim Development Area 4A/5A project in Russia. However, the pandemic inevitably led to some project delays, such as Njord and Nova in Norway. Our production will grow further when these projects, as well as others in our development pipeline, come on stream.

As well as protecting our people and safeguarding business continuity, we protected our balance sheet and liquidity. We took firm and immediate actions to sustain our strong and solid financial position, reducing Capex by 20 per cent, Expex by 60 per cent and Opex by 10 per cent compared to 2019. Rating agencies confirmed our current rating and we generated a positive free cash flow in 2020 despite the market headwinds.

Our ability to deliver has been supported by faster than expected integration following our 2019 merger. We completed the active phase of our merger towards the end of 2020, only 20 months after Day One. Today, we are one team, the Wintershall Dea team. A strong team, that has demonstrated its ability to deliver in challenging times.

In 2020 we reacted effectively to manage the crisis. But we also used the crisis as a unique opportunity for change, accelerating digitalisation and introducing 'Flex Forward', a model for much more flexible working. This model will stay when the pandemic is gone, to further improve our performance and build on our agile and diverse culture.

Mario Mehren
Chief Executive Officer

One positive aspect of 2020 was the significant acceleration of the energy transition, in which we are determined to play our part. The year saw an important milestone for our company: we set out clear and measurable targets, to thrive in the energy transition. We target net zero greenhouse gas emissions from our upstream portfolio (Scope 1&2) by 2030, for our operated and non-operated projects. We will bring methane emissions intensity below 0.1% by 2025, and end routine flaring by 2030. Beyond 2030, we intend to start meaningfully reducing our Scope 3 emissions. Here, CCS and hydrogen will be key technologies – for us and for a successful energy transition.

We will work on and invest in CCS and hydrogen technologies that allow us to leverage our gas-weighted portfolio even further. We firmly believe that gas can and has to be a driving force behind decarbonisation: as a substitute to coal and supplement to renewables in the short term, and as feedstock to hydrogen production in the long term.

2020 was full of challenges, but we responded decisively, while also preparing for the challenges of the future. A future, in which we will continue implementing our strategy and our clear financial framework; balancing future growth with cash returns to shareholders, while maintaining a strong balance sheet.

I thank our Wintershall Dea team, all of our partners and stakeholders for their enormous contribution to our success in an extraordinary year.

We have shown that whatever the future may hold, Wintershall Dea is ready, resilient, and flexible. With a low-cost, heavily gas-weighted portfolio. And prepared for the energy transition.

We will embrace the future, in the Wintershall Dea way. With the minds of engineers, and the hearts of pioneers.

Mario Mehren

REPORT OF THE SUPERVISORY BOARD OF WINTERSHALL DEA GMBH

For the fiscal year from 1 January to 31 December 2020

In the fiscal year, the Supervisory Board performed the duties incumbent on it under the law and the Articles of Association and continuously monitored the management of the company. The Management Board regularly informed the Supervisory Board about the company's activities and certain matters of corporate policy, both in meetings and in writing. The business policy intended by the Management Board, as well as the situation and development of the company, were discussed in detail. In addition, the Supervisory Board received regular reports on ongoing projects. The chairman of the Supervisory Board also discussed key business matters with the Management Board and was informed about the situation and development of the company in individual discussions.

At an early stage during the period under review, the Supervisory Board addressed the COVID-19 pandemic regarding the operational development of the business, the expected impact on business performance and the overall economic situation of the company. In addition, the Supervisory Board received regular reports on the effects of the pandemic from the Management Board.

Four ordinary meetings were held in the fiscal year in Kassel. Considering the exceptional circumstances caused by the COVID-19 developments and the related travel advisory, the Supervisory Board members agreed on a video conference option in addition to in-person meetings.

In an additional written circulation procedure, Lord Browne of Madingley was elected Chairman and Dr Hans-Ulrich Engel was elected as first deputy chairman of the Supervisory Board in accordance with an agreement of the shareholders to rotate the chairmanship of the Supervisory Board of the company every 15 months between a BASF and a LetterOne representative. The other members of the Supervisory Board are Michael Winkler, as second deputy chairman, Birgit Böl, Sabine Brandt, Saori Dubourg, Dr Wolfgang Haas, Michael Heinz and German Khan.

The Supervisory Board monitored the accounting processes, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the financial statements, and dealt with the selection and independence of the auditor.

Furthermore, the Supervisory Board dealt with the course of business, production, cost and revenue development, as well as the earnings situation, corporate planning and all significant transactions of the company. In addition, the Supervisory Board received reports relating to the market environment for oil and gas prices, measures to hedge business risks, corporate development, the business model and corporate strategy. Furthermore, the

Supervisory Board was informed of the HSE performance (which includes personal safety, process safety and environmental performance) in the context of Health, Safety, Environment, Quality (HSEQ) reporting. The financial results and the status of the IPO preparations were also discussed in detail. The integration following the merger with DEA was another key topic and has been closely monitored by the Supervisory Board.

The financial statements and the consolidated financial statements for Wintershall Dea GmbH for the fiscal year from 1 January to 31 December 2020, the management reports of the Wintershall Dea Group and Wintershall Dea GmbH were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the elected and appointed auditors. The auditors issued an unqualified audit opinion. The financial statements and the consolidated financial statements of Wintershall Dea GmbH for the fiscal year from 1 January through 31 December 2020, the management reports of the Wintershall Dea Group and Wintershall Dea GmbH and the respective auditor's reports were distributed to the Supervisory Board in a timely manner prior to the balance sheet meeting on 19 February 2021.

The auditor took part in the discussion of the annual financial statements and the consolidated financial statements for the fiscal year, reported about material findings of the audit and was available to answer questions. The Supervisory Board noted the report and the explanations. The Supervisory Board approved the audit results for the financial statements and consolidated financial statements for the fiscal year from 1 January through 31 December 2020.

The Supervisory Board examined the financial statements, the consolidated financial statements and the management reports for the fiscal year compiled by the Management Board for the Wintershall Dea Group and for Wintershall Dea GmbH. The final audit did not give rise to any objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements for the fiscal year from 1 January through 31 December 2020.

The Supervisory Board would like to thank the members of the Management Board, the Works Councils and all employees for their commitment and the work they have done in this exceptional year.

On behalf of the Supervisory Board
Lord Browne of Madingley

GROUP MANAGEMENT REPORT

The following symbols indicate important information:

The content of this section is voluntary, unaudited information, which was critically read by the auditor.

ABOUT WINTERSHALL DEA

Wintershall Dea is a leading European independent gas and oil company, complemented by a stable midstream business.

Wintershall Dea was formed in May 2019 through the merger of BASF's Wintershall Holding GmbH (BASF's oil, gas and midstream businesses and subsidiaries) with LetterOne's DEA Deutsche Erdoel AG (LetterOne's oil and gas business and subsidiaries).

This merger brought together two German companies, each with a history spanning more than 120 years. Both organisations have executed projects around the world, where they have developed extensive expertise and advanced capabilities, making Wintershall Dea, in our assessment, a leading operator and partner of choice for stakeholders worldwide. We believe that our new organisation combines the best of both entities, creating something truly unique – a company equipped for the future and positioned to thrive and grow throughout the energy transition.

As the largest European independent exploration and production company both in terms of production and reserves, we take pride in our technical capabilities, competencies and passion for our work. As one company, we believe to fill the gap in the market for a player substantial enough to tackle large-scale opportunities, while maintaining agility and flexibility. We believe that our business is underpinned by a strong entrepreneurial culture of continuous improvement and excellence, focussed on consistently delivering safe, reliable and efficient energy to our communities to the highest standards.

We continuously adapt to the ever-changing external environment and aim to be at the forefront of change. As the energy transition accelerates, we are also adjusting our strategy to lead the change. Our ambitious greenhouse emissions target of becoming a net zero company in all of our operations (Scope 1 and 2) by 2030 is a testament to this. We are also looking further into the future and investing significant resources in new business areas such as carbon capture and storage (CCS) and hydrogen. In everything we do, we aim to meet the highest possible environmental, health, safety and quality standards.

German engineering is in our DNA, and we have a long and proven track record in onshore and offshore innovation and development. The digital revolution is creating additional opportunities to further automate our operations, drive at lasting reduction in operating costs through use of artificial intelligence and deliver continued improvements in operational efficiency.

We expect that demand for our products – and particularly natural gas – will continue to be strong over the next few decades, facilitating the transition of industry and society to a low-carbon economy. With natural gas representing about 70 % of our production and reserves and our high focus on emissions management from operations and products, we believe our portfolio today is already positioned for this transition.

> “The robust performance of the company in 2020, against the backdrop of the pandemic, underscores the benefits of our merger and strategy.
>
> **Mario Mehren** – CEO

Wintershall Dea GmbH, dual-headquartered in Kassel and Hamburg, is the parent company of the Wintershall Dea Group.

The Group’s business is conducted in six segments:

- Northern Europe
- Russia
- Middle East/North Africa (MENA)
- Latin America (LATAM)
- Midstream
- Other

The segments Northern Europe, Russia, MENA and LATAM comprise the E&P business and are further divided into eleven divisions, based on countries in the respective region. The E&P segments comprise exploration, appraisal, field development and production activities in the following divisions:

- **Northern Europe:** Germany, Norway and Denmark/the Netherlands/UK
- **Russia:** Russia
- **Middle East/North Africa:** Egypt, Libya, Algeria and United Arab Emirates (UAE)
- **Latin America:** Argentina, Mexico and Brazil

The **Midstream** segment comprises the onshore and offshore gas transportation assets in Europe.

The **Other** segment includes the Management Board; the corporate functions, including, Strategy, Global Exploration, Carbon Management & Hydrogen, Technology & Innovation and Digital; the holding companies; and the trading activities managed by headquarter.

The active phase of the integration of Wintershall and DEA was completed in 2020. The focus remains on three areas: entrepreneurial culture, the operating model and value capture.

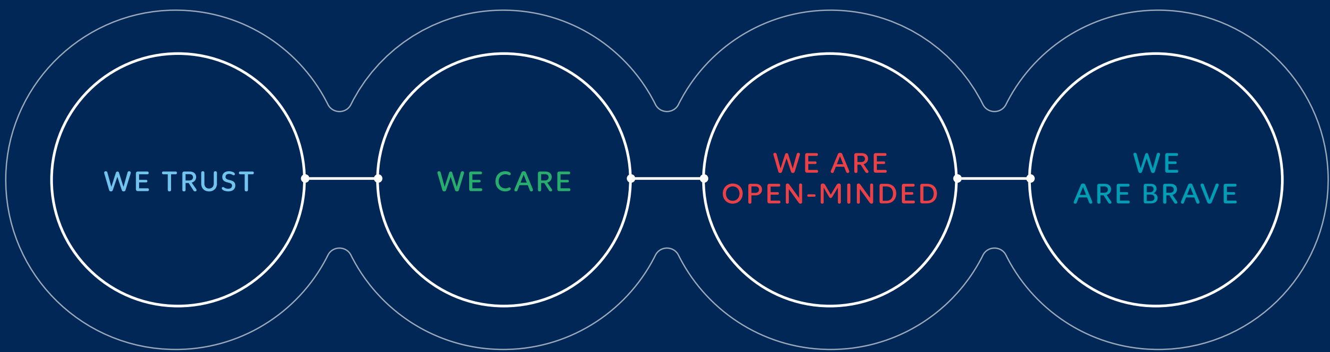
- The creation of a new, shared entrepreneurial corporate culture based on our values.
- A new operating model to further optimise the existing portfolio and generate further growth.
- Value capture to deliver all identified synergy targets by 2022.

By 2022, Wintershall Dea aims to achieve cash synergies of over €200 million per year before tax, which will be derived from operating synergies, capital expenditure and other business synergies.

OUR VALUES

The values that guide us

We know that as a company, we are measured at all levels by our actions. Our four corporate values of trust, care, open-mindedness and bravery are therefore extremely important to us in all our relations – both internally and externally. Our values guide our actions and define how we want to work together – as a team, with our stakeholders and our partners. They are pivotal in defining Wintershall Dea's culture.



Trust is the basis for all our values and also their outcome. We believe in respect and sustainability as the foundation for our success. We also believe in trust as the basis for achieving our goals and empowering our organisation. We trust people to make informed decisions.

We care for our people, the environment, our assets and our capital. We accept responsibility and act on it. We do not shy away from difficult conversations and weigh our decisions carefully. Safe operations that pose no threat to people and the environment are always our top priority.

We are convinced that open-mindedness is key to being innovative, to achieving robustness, to securing exciting projects and providing an inspiring work environment. We work on the assumption that we can learn something from every person whom we interact with.

We are ready to accept big challenges, be they demanding fields, new opportunities or our social responsibility to advance the gas and oil industry. We have a strong focus on performance delivery and strive for excellence in all that we do. We seize opportunities while managing risks intelligently.

THE ENERGY LANDSCAPE – OUR PERSPECTIVES

The global energy mix in historical context

The energy transition to a low-carbon economy has commenced and, at Wintershall Dea, our strategy is to thrive and grow in this dynamic and fast-moving landscape. Important changes to the energy mix are underway, and yet there is much to do in order to deliver the energy transition.

According to the International Energy Agency (IEA)[1] a growing global population and rising living standards worldwide continue to drive energy demand growth. Energy demand increased by almost 50% from 2000 to 2019, particularly in the developing world. We believe this strong and long-lasting trend is set to continue, despite progress on energy efficiency.

Economic shocks such as the 2008 credit crisis and the 2020 pandemic are significant but in our view relatively short-term interruptions in these powerful long-term growth trends. Historically, growing energy demand has led to growing emissions, which in turn lead to climate change. Breaking this cycle is the key challenge for all players in the energy transition.

Natural gas and renewable energy have enjoyed the largest growth in consumption in the last decade. And yet, against the backdrop of growth in overall energy demand, production of carbon-intensive coal and oil have both continued to increase. Greenhouse gas emissions have grown by almost 40 % since the year 2000 to 47 billion tonnes in 2019[2].

According to the IEA, global energy demand remains largely met by fossil fuels, with coal, oil and natural gas accounting for some 80 % of the energy mix in 2019. The remainder is provided by energy that has very low CO_2 emissions such as nuclear, hydro and renewables, including wind, solar, as well as traditional biomass. Despite their rapid growth, 'modern' renewables such as wind and solar still represent only a small fraction of global primary energy supply, at some 2–3 % of the supply mix.[1]

The ability of producers to continue providing access to reliable and affordable energy will continue to underpin the long-term growth of the global economy and the rising living standards that many people enjoy around the world. This is why we expect further growth in energy demand to be closely linked to expectations for rising GDP.

Following the 2015 Paris Agreement, many countries have been putting policies and measures in place to reduce greenhouse gas emissions in order to mitigate the effect of climate change. At Wintershall Dea, we strongly support these initiatives and are determined to deliver on our targets.

Against this backdrop and despite the negative economic impact of COVID-19, we believe that high economic growth rates in the developing world and clear aspirations for improving quality of life should continue to drive growth in demand for energy. Substantial changes in the energy mix are expected to continue, towards a low-carbon future.

[1] IEA Energy Technology Perspective, 2020. https://www.iea.org/data-and-statistics/charts/global-primary-energy-demand-by-fuel-1925-2019

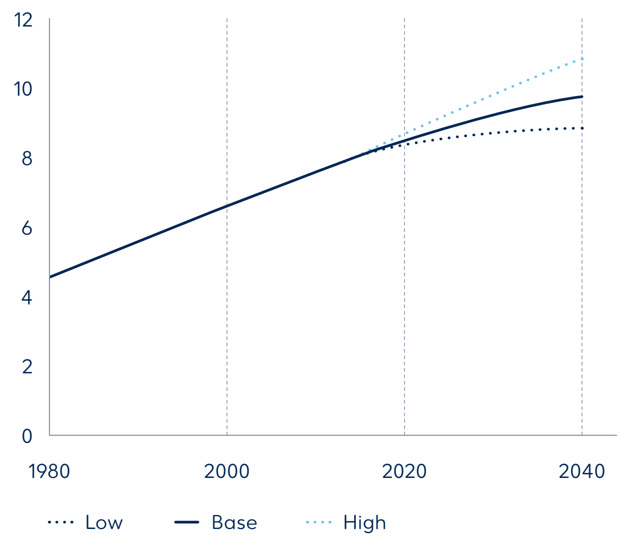
[2] IHS Energy & Climate Scenarios 2020

The energy transition

In its 2020 World Energy Outlook, the IEA assessed a range of potential energy supply scenarios for the future. The IEA's 'Stated Policies Scenario' (STEPS) reflects the impact of existing policy frameworks and today's announced policy intentions, taking into account contemporary trends. This is not a business-as-usual scenario, and it assumes strong progress in energy efficiency and changes in the energy mix. Even so, this scenario anticipates a further almost 20 % increase in overall energy demand from 2019 to 2040, as historical linkages of GDP growth and energy consumption continue.

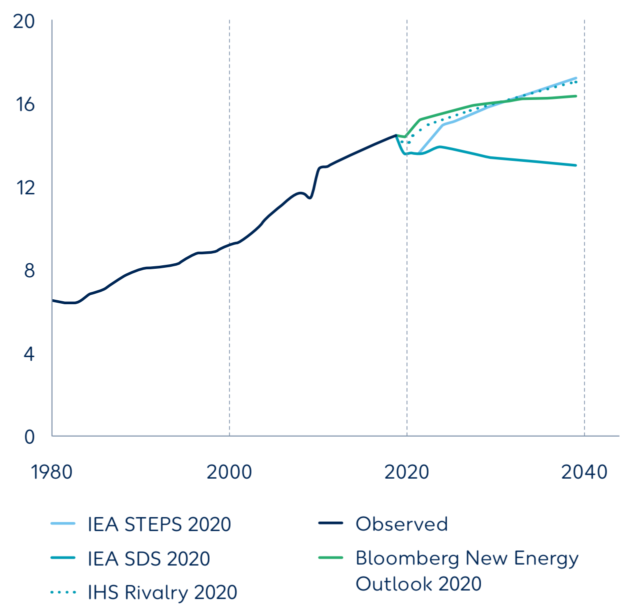
The IEA's 'Sustainable Development Scenario' (SDS) outlines a transformational pathway to delivering the Paris Agreement targets, which aim to keep the increase in average global temperatures well below 2°C above pre-industrial levels. According to the Sustainable Development Scenario, overall energy demand is expected to decrease by some 10 % between 2019 and 2040, in anticipation of substantially more impactful energy efficiencies than are the case today.

Growing population

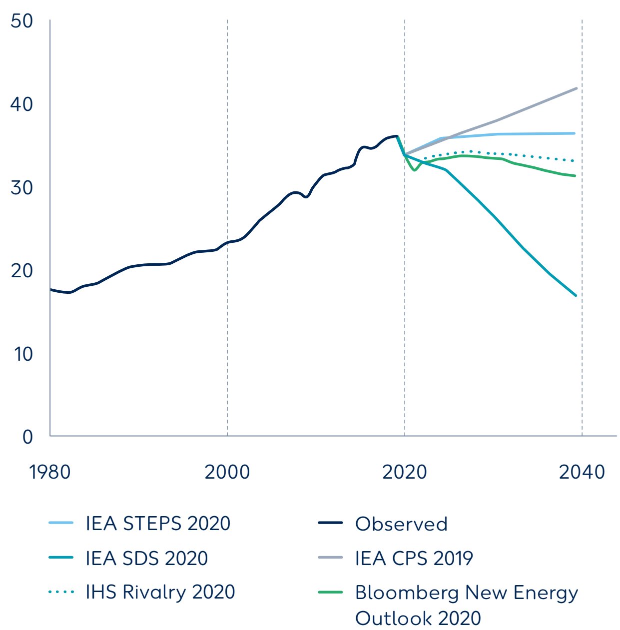


In the Stated Policies Scenario, the IEA sees gas demand increasing by a third by 2040 compared to 2019, with oil demand growing slowly, by some 6 %, in this timeframe. In the Sustainable Development Scenario, the IEA expects oil demand to decline going forward and gas demand to remain broadly unchanged to 2030 and decline slowly thereafter.

Growing energy demand



Growing emissions (CO_2) without strong action



Sources: IEA WEO, BP statistical review, IHS, Bloomberg
Note: IEA Stated Policies Scenario (STEPS), Sustainable Development Scenario (SDS), Current Policies Scenario (CPS), Net Zero Emissions (NZE)

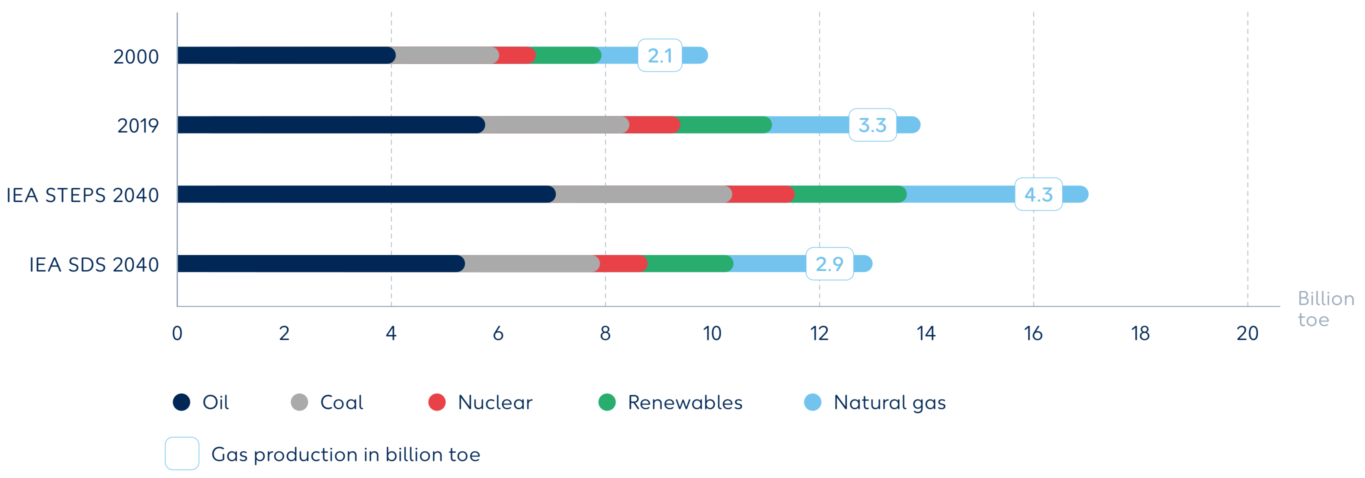
We believe that meeting future demand will require energy from multiple sources, stable regulatory and financial frameworks, effective carbon pricing and sustained investment in new technology, capacity and infrastructure.

In all its scenarios, the IEA sees an important role for oil and gas in the supply mix for decades to come, as energy sources and raw materials for chemical production, even while the world transitions to a low-carbon energy system.

Natural gas is a key enabler in the energy transition. It is abundant and affordable. It is a reliable source of electricity generation and as feedstock to hydrogen production in hard to decarbonise sectors. There is substantial infrastructure in place to transport gas to customers, and gas produces significantly fewer emissions than coal in generating electricity and heat. With the deployment of technologies such as methane pyrolysis and geological sequestration of CO_2, natural gas can be used in the future with even fewer emissions than today, for example by capturing emissions and/or converting into hydrogen.

Oil demand will continue to be underpinned by transport sectors, which will largely be electrified over time, yet oil will still be required as a raw material for many products such as chemicals and plastics.

Gas to remain integral to energy supply for decades



Source: IEA WEO
Note: IEA Stated Policies Scenario (STEPS), Sustainable Development Scenario (SDS)

What is often overlooked is the capital intensity of oil and gas production and the requirement for sustained investment to maintain low-cost and reliable supplies.

Oil and gas reservoirs naturally deplete as they are produced, with production typically declining by between 3–5 % per year, as a result of falling pressure in reservoirs caused by the production process. This is known as 'natural decline' and occurs in all oil and gas production worldwide.

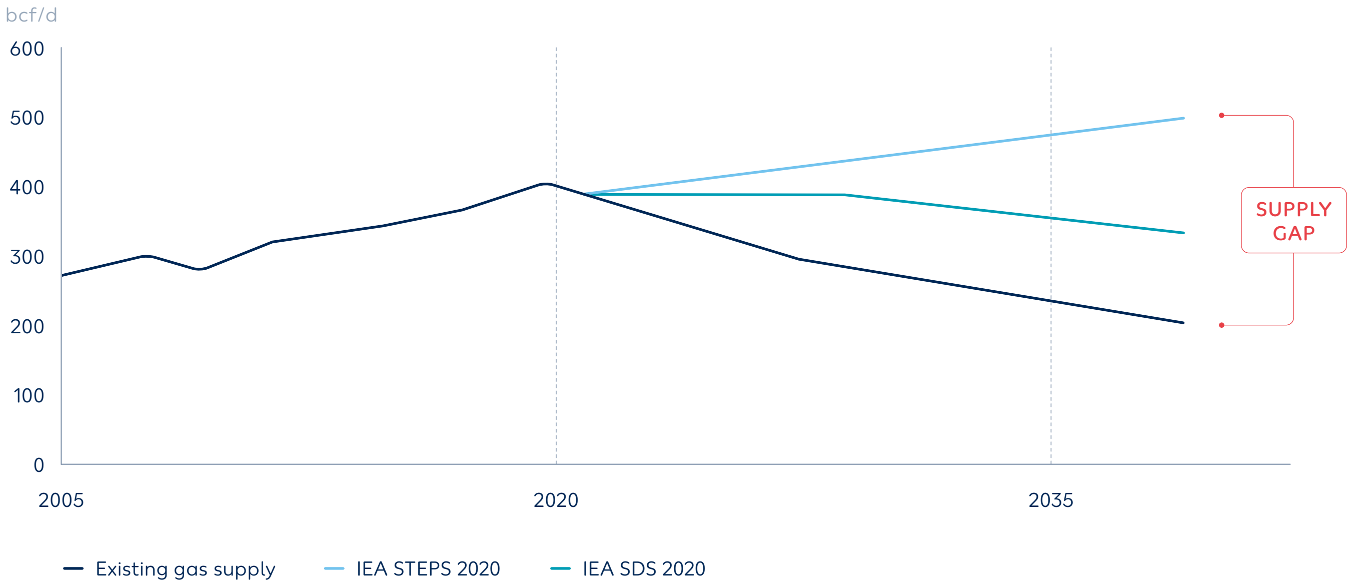
Compensating for this natural decline requires sustained investment in existing fields, supporting reservoir pressure with new wells, drilling infill production wells, and exploring for new reserves.

If investments were to simply cease, this natural decline would lead to a sharp fall-off in oil and natural gas supplies, leading to a 50 % or more reduction in oil supplies in 2040. This would in turn cause a significant gap in supply versus demand and result in shortages and likely higher prices.

Based on these scenarios and our own studies, we believe that oil and particularly natural gas with its infrastructure will continue to play an important role in the global energy mix for decades to come. An energy transition to low-carbon has commenced and, at Wintershall Dea, our strategy is to actively contribute to energy transition and affordable and reliable energy supply.

see 'Our Strategy'

Investments required to close the potential supply gap



Sources: IEA WEO; Note: IEA Stated Policies Scenario (STEPS), IEA Sustainable Development Scenario (SDS)

COVID-19 impacts on energy investment

The COVID-19 pandemic has had an unprecedented impact on society and the global economy, and the aftermath will be felt for years to come.

In the energy sector, sharp reductions in travel and industrial activity due to the COVID-19 pandemic have resulted in strong declines in oil and gas demand and prices in 2020. However, the global economy seems to be on the trajectory of recovery despite remaining challenges.

We believe that there is a significant amount of uncertainty ahead in the oil and gas industry, as in other sectors. The sharp reduction in energy prices that has accompanied this demand fall-off has resulted in an unprecedented pull-back in industry investment in new energy supplies, alongside production cuts from OPEC+ nations and others.

Worldwide investment in oil and gas is expected to have fallen by one-third in 2020. Within that total, the North America shale industry, which had been delivering strong production growth, is expected to see a 50 % decline in investment in 2020.[1]

These are significant declines in the context of the industry and will likely have far-reaching and long-term implications such as lower industry and supply chain costs. It is also likely that the sharp reduction in industry spending in 2020 will result in fewer options for supply growth in the next several years. Should energy demand recover quickly, there is the potential for price spikes, as demand growth outstrips supply growth.

COVID-19 accelerating the energy transition

There has undoubtedly been widespread disruption to policy development in most regions of the world during 2020 due to the COVID-19 pandemic.

Yet the implementation of COP 21 pledges and the execution of the energy transition to a low-carbon economy remain important themes, as governments around the world attempt to look past the COVID-19 pandemic and set out plans and budgets for the future.

Arguably, the pace of policy implementation has increased as a result of COVID-19, as governments have experienced increased pressure from societies to not only fight climate but also to stimulate economic growth by investing in low-carbon technologies. However, many challenges remain and every stakeholders has to support the change, including ourselves.

The European Green Deal, announced in several stages in 2020, is a landmark policy that aims to boost the efficient use of resources by moving to a clean, circular economy, and to restore biodiversity and reduce pollution. The EU aims to be climate-neutral by 2050 and to cut greenhouse gas emissions by at least 55 % by 2030, which Wintershall Dea supports.

In 2020, Japan and Korea both pledged to reach net zero emissions by 2050; China has pledged the same by 2060.

As a further example, in September 2020, California Governor Gavin Newsom issued an executive order requiring sales of all new passenger vehicles in the state to be zero-emission by 2035, as well as additional measures to eliminate harmful emissions from the transportation sector. The arrival of the new US President Joe Biden is expected to result in a fresh set of policies there, including plans for net zero emissions by 2050 and the return of the US to the Paris Agreement.

[1] IEA World Energy Investment 2020

OUR STRATEGY

1. PROFITABLE GROWTH DRIVING COMPETITIVE SHAREHOLDER RETURNS

Our business strategy is designed to provide competitive shareholder returns across the commodity price cycle. Despite the industry-wide slowdown in investment due to COVID-19, the growth portfolios of Wintershall Dea are set to continue to deliver robust and profitable production growth in the near term, followed by moderate long-term growth.

Our activities span the entire value chain from upstream exploration to investments in gas transportation infrastructure. We benefit from a low-cost base, as well as significant geographical and pricing diversification, all of which underpin our ability to generate competitive cash flow across the cycle.

2. STRICT FINANCIAL DISCIPLINE

We prioritise our use of cash as follows:

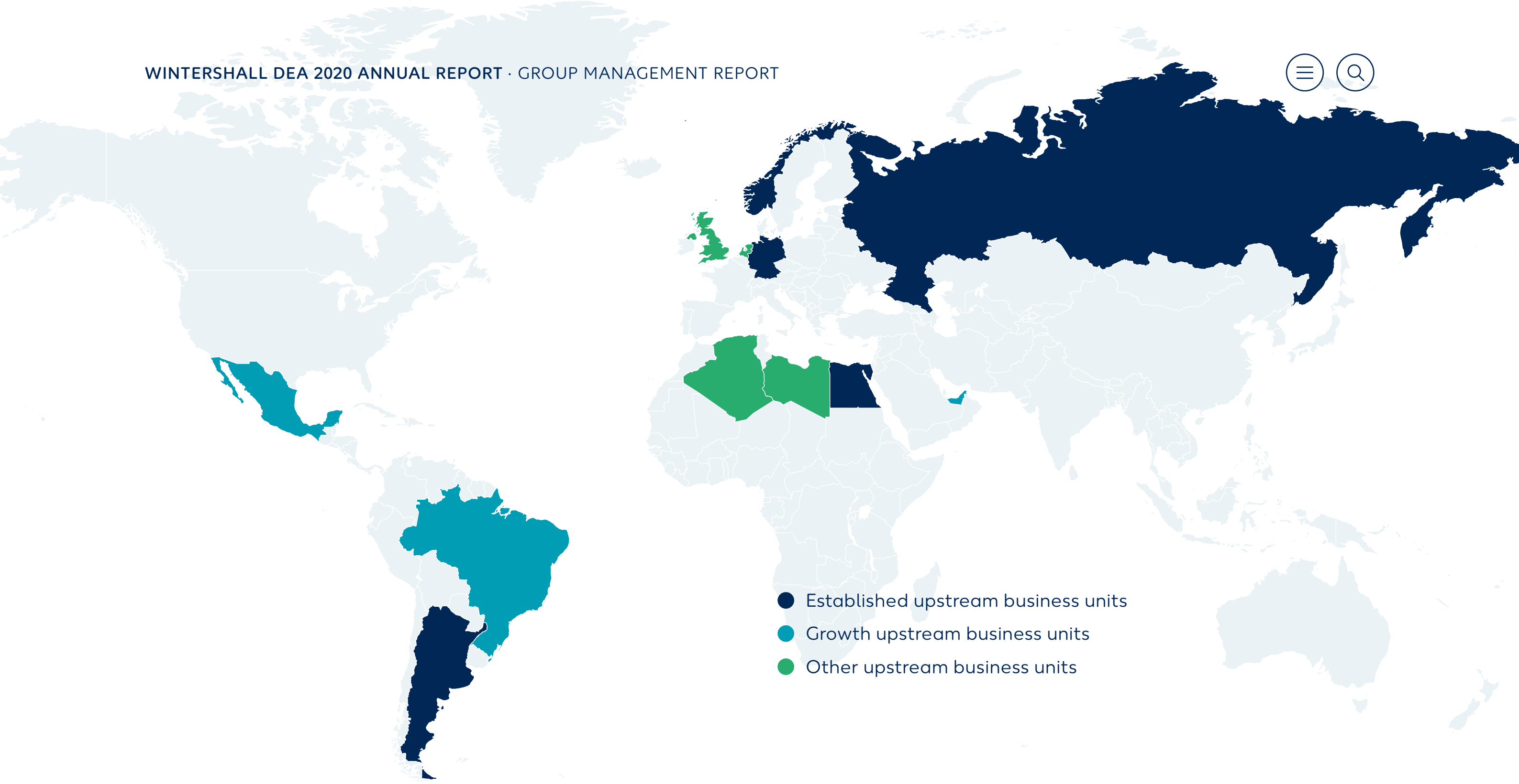
1. **Sustaining and committed investment** – Our priority is to maintain existing production and to meet our commitments to ongoing development projects. This maintains our robust cash generation and ensures the operational integrity of our assets.

2. **Balance sheet** – Our strong balance sheet supports our commitment to an investment-grade rating against the backdrop of high commodity price volatility. This strong balance sheet is a key competitive advantage for the company.

3. **Dividend** – Our dividend policy rewards our investors with a competitive dividend payment. We are committed to building a business that is resilient in order to pay a competitive dividend through the cycle.

4. **Growth** – Our strategy assumes moderate, profitable growth, with an emphasis on value creation.

> “By taking early and decisive actions in response to the pandemic and in line with our strict financial policy, we were able to maintain our strong balance sheet, which positions us well for profitable growth.
>
> **Paul Smith** – CFO



3. FOCUS ON SUSTAINABILITY

Our commitment to sustainable development, transparency and a low-carbon future are integral parts of our strategy. We believe that low-cost natural gas and low-carbon oil will play a major part in the global energy transition.

During 2020, we updated our plans to contribute to climate change mitigation. Our targets are to reduce Scope 1 and 2 greenhouse gas ('GHG') emissions of our combined operated and non-operated upstream activities on equity basis to net zero by 2030. Additionally, we will reduce our methane intensity to below 0.1 % by 2025. Furthermore, we will maintain no-routine flaring in our operations according to our commitment to the World Bank´s 'Zero routine flaring by 2030' initiative.

In the longer term, we plan to reduce our Scope 3 GHG emissions. We intend to invest around €400 million over the next ten years in low-carbon initiatives and technologies focusing on carbon capture and storage, and hydrogen, to underpin our climate goals and ambitions.

4. ADVANTAGED UPSTREAM PORTFOLIO

We believe that our competitive position is underpinned by our economies of scale, strong operating capabilities and competitive operating cost basis, against the backdrop of high commodity price volatility.

The combination of the Wintershall and DEA portfolios created an enhanced platform to capture new synergies. We have safely reduced our underlying production costs to peer-leading €3.5 per boe[1] in 2020. Through the further achievement of operational excellence and continuous improvement, we expect further cost efficiencies in the future.

Our portfolio is being re-shaped so that each business unit in the company has the scale to capture new growth opportunities and operating efficiencies and to be relevant and impactful with local stakeholders.

Established	Decades-long positions in well-established hydrocarbon provinces, delivering material production to the company and contributing significant cash flow. Our positions there play an important role in our portfolio today, and the diversity serves as a key risk mitigating factor.
Growth	High potential for new scale and profitable growth. Exploration and appraisal in Brazil and Mexico. World-scale Ghasha development project in the UAE. Potential to grow all of these to be comparable to established business units.
Other	Modest contributors to our production with significant local expertise. Under review to determine whether to increase our scale or to exit.

5. A HIGH QUALITY AND STABLE MIDSTREAM BUSINESS

Wintershall Dea has been active in German natural gas transportation activities since the early 1990s. Predictable returns and cash flow from today's onshore and offshore assets provide financial support to the inherently more cyclical upstream business, which in turn supports our financial framework and returns to shareholders.

Our interests in pipelines and other facilities are essential elements of the energy system in Germany and Europe, providing a reliable low-emission transportation system especially for low-cost, natural gas from North-West Siberia for the growing import demand in Europe.

[1] excluding a one-off effect in the 4th quarter 2020

OUR PURPOSE

Our guiding principles

Wintershall Dea as the leading independent European gas & oil company is committed to producing natural gas and crude oil in the most efficient and environmentally friendly way. The company acknowledges its responsibility to help solve two of today's greatest global challenges: meeting the world's growing energy needs while achieving climate goals.

WHAT WE DO

We are the leading independent European gas and oil company. We explore for and produce gas and oil worldwide in the most efficient and responsible way.

WHY WE DO WHAT WE DO

We believe we contribute to a better world for today's and tomorrow's generations by addressing two major challenges at the same time – the world's growing demand for energy and global climate change. We are committed to securing energy supplies while pursuing climate targets.

HOW WE DO WHAT WE DO

Reliable partner
As the leading independent European gas and oil company, we are the long-term and reliable partner for all our stakeholders. We are setting industry benchmarks in safety and environmental responsibility as well as in operational and financial performance.

Ambitious people
People are our greatest resource. We promote an entrepreneurial spirit and empower people, while welcoming diversity. We cultivate an open and team-orientated working environment which makes it possible to find the best solutions.

Experienced pioneer
German engineering is our heritage. We push for innovation, embrace opportunities presented by the digital revolution and constantly strive to broaden our horizons. We are and will remain experts in the most demanding fields – now and in the future.

SUSTAINABILITY AT WINTERSHALL DEA

Our industry and our company play a vital role in the energy transition towards a low-carbon economy. At the same time, the energy industry is under increasing scrutiny from multiple stakeholders regarding a wide range of environmental, social and governance topics. At Wintershall Dea, we are working to meet growing demand for energy in a responsible manner by providing innovative and sustainable solutions.

The sustainability approach at Wintershall Dea is underpinned by our strong belief in continued demand for our products in the coming decades, particularly natural gas, as industry and society adapt in the energy transition to a low-carbon economy. Our portfolio is well-positioned for this transition, with natural gas representing about 70 % of both our production and reserves base.

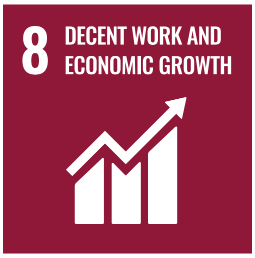
For us, industry-leading sustainability is an essential mainstay of our business model. Our aim is to govern the company responsibly, strive to mitigate the risks we identify, and communicate in a transparent manner. This is how we maintain our social licence to operate, and it reinforces our investment case for shareholders.

Our contribution to the United Nations Sustainable Development Goals

We support the UN Sustainable Development Goals (SDGs), which aim to address global challenges such as poverty, inequality and climate change. Wintershall Dea is convinced that business action is needed to achieve these goals, and we already contribute to many of them in our operations.

Following a company review, we decided to focus on supporting four sustainable development goals where we can make the greatest contribution.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS IN THE FOCUS OF WINTERSHALL DEA



We describe our contribution to the SDGs in the Sustainability Report 2020.

Our Environment, Social and Governance (ESG) approach

We are defining and implementing distinct, industry-leading standards in sustainability, and setting clear priorities and actions for the company.

Our sustainability framework encompasses economic, environmental and social responsibility and is embedded in our corporate strategy. We endeavour to address these issues across all our activities. Building on an uncompromising approach to health, safety, environment, quality (HSEQ) management our strategic sustainability priorities are climate and environmental protection, promotion of responsible collaboration, and advanced sustainability management.

We produce gas and oil as efficiently and responsibly as possible. We aim to minimise our environmental footprint and use resources efficiently. We advocate for high social standards, we collaborate extensively with a wide range of stakeholders, and we aim to create trust through transparency.

OVERVIEW OF SUSTAINABILITY STRATEGY: ACHIEVING LONG-TERM SUCCESS WITH RESPONSIBILITY

Explore and produce gas and oil in the most efficient and responsible way

Minimised footprint

High transparency

ENVIRONMENT
REDUCE EMISSION FOOTPRINT

Enabling the energy transition

SOCIAL
PROMOTE RESPONSIBLE COLLABORATION

Fostering high standards in all activities

GOVERNANCE & MANAGEMENT
ADVANCE SUSTAINABILITY MANAGEMENT

Committed to boosting ESG performance

Our targets

Environment:
- Net zero GHG emissions by 2030[1]
- Methane intensity below 0.1% by 2025[2]
- Maintain zero routine flaring of associated gas during own operations

Social:
- > 30 % of executive positions filled by women by 2025[3]
- > 35 % of executive positions filled by internationals by 2025

Governance & Management:
- Establish an external stakeholder advisory panel

[1] Scope 1 + 2 emissions, operated and non-operated upstream activities at equity share basis
[2] 100% of methane emissions form Wintershall Dea's operated assets divided by the share of marketed gas
[3] Up to two levels below the Management Board

ESG

ENVIRONMENT

Climate approach

Addressing and adapting to climate change is one of the biggest challenges the world is facing today. We see the competing forces of rising demand for energy products, driven by population growth and rising living standards, but at the same time, the requirement from society to decarbonise the economy.

Today's energy transition to a low-carbon economy is far-reaching and complex, requiring government policy changes and difficult choices for consumers. Energy supply should be abundant, affordable and carbon-efficient and, at the same time, not undermine prosperity.

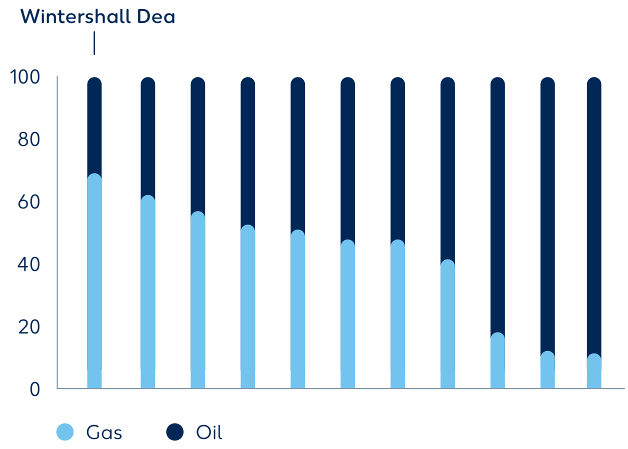
Delivering more affordable energy, while at the same time reducing greenhouse gas emissions and other pollution, will require significant changes in the current energy mix.

Our role in the energy transition

At Wintershall Dea, we are determined to play a key role in the energy transition, delivering low-cost, reliable energy to customers. We have set ambitious and measurable targets to further reduce our emissions. Our portfolio is well-positioned for growth in natural gas. We believe that the European Green Deal provides us with import policies and priorities that will further shape our thinking and strategy. Our investment plans call for continued growth in upstream, especially natural gas and, at the same time, the implementation of clear and measurable policies and plans to further reduce our greenhouse gas footprint. Over the next decade, Wintershall Dea will be investing around €400 million in various initiatives to reduce our GHG emissions, which will also include investing in projects involving carbon capture and hydrogen production.

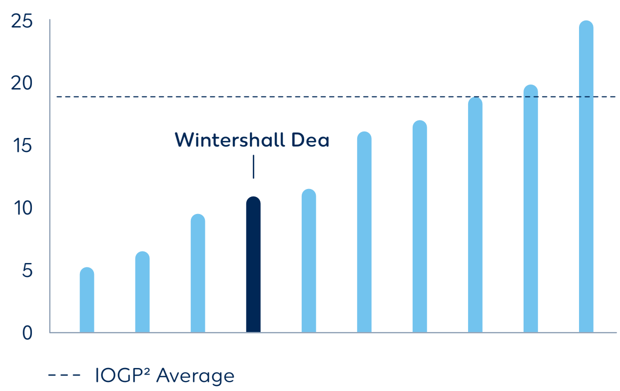
Our portfolio has the highest weighting to natural gas in our peer group. Natural gas has a crucial role in the energy transition, including the switch from coal to gas in the next decade and the production of hydrogen in the years to come.

GAS vs OIL SPLIT OF PEERS
(2019 Production share in %)



Our GHG emissions are already at the lower end of our peer group, and we have continued to take measures to drive them lower still. For example, the power supply for our Mittelplate field in Germany was switched to 100 % certified electricity from renewable sources during 2020.

SCOPE 1 UPSTREAM GHG INTENSITY OF PEERS[1]
(2019 $kgCO_2e/boe$)



NOTE: Peers Include Aker BP, Lundin, Galp, OMV, BP, ENI, Equinor, Shell, Total; figures are based on reported data
[1] Based on peer-reported data, incl. equity share of operated assets only or operated plus non-operated assets
[2] International Association of Oil & Gas Producers

Our gas-weighted, low-emission portfolio is also supported by very low production costs, which remained below €4 per boe throughout 2020. This enables our company to stay resilient and competitive in this transformational period.

PRODUCTION COSTS OF PEERS[1]
(2019)

Wintershall Dea strongly supports the European Union's 2050 carbon neutrality target. As Europe's leading independent gas and oil company, we want to contribute to this path by setting ambitious greenhouse gas reduction targets and utilising new technologies.

Carbon capture (utilisation) and storage (CC(U)S) and hydrogen are considered essential components to achieving the target set by the European Union. According to a Wintershall Dea analysis, about 70 % of Europe's emissions of more than 4.1 Gt of CO_2 p. a. (in 2017) could be mitigated by implementing the CC(U)S technology and promoting hydrogen as a major future energy carrier. This would benefit industry sectors like steel, cement, refining, chemistry and heavy transport and could be used for the heating and cooling of buildings.

We believe that due to our consistent innovation management approach to identifying new business opportunities anchored in existing assets, skills and competencies, CC(U)S and hydrogen will become a part of Wintershall Dea's DNA in the future.

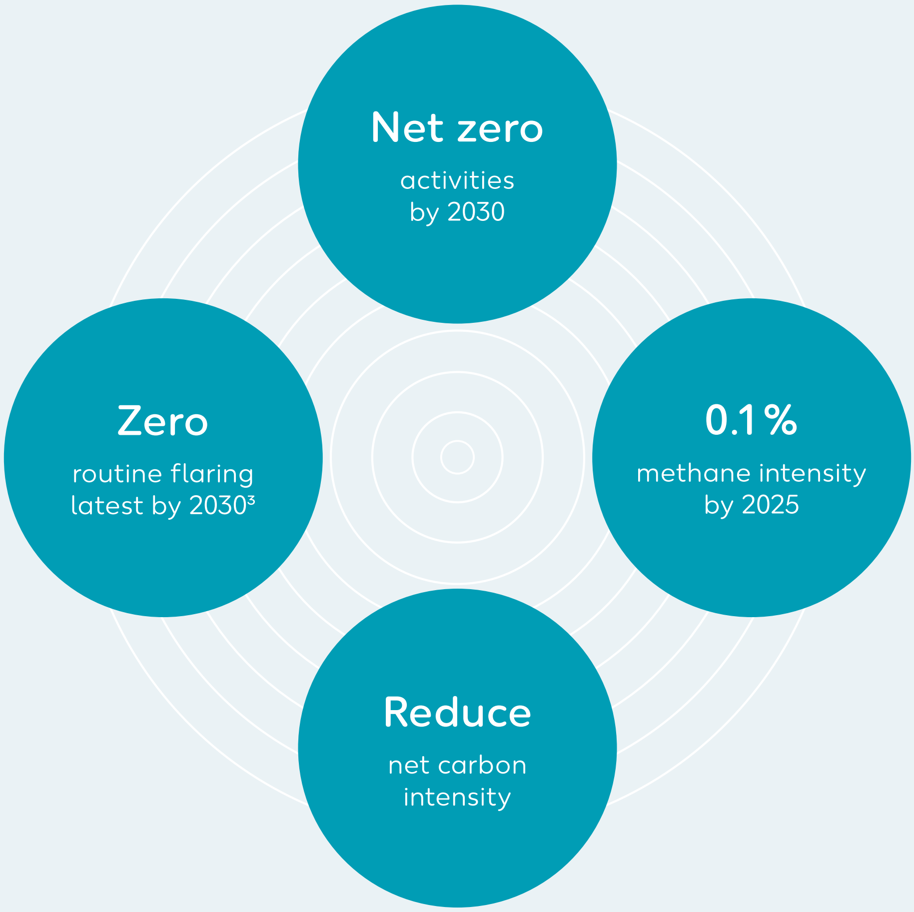
Wintershall Dea has already started to participate and invest in CCS and hydrogen projects, which is central to reduce Scope 3 emissions and represents one path towards our medium-to-long-term contribution to reaching the Paris climate goals.

During 2020, our main focus in CCS and hydrogen was on the four key countries in Europe in our portfolio: Germany, the Netherlands, Denmark and Norway.

[1] Production costs include only production relevant expenses

OUR CLIMATE TARGETS AND AMBITIONS

Our target is to reduce our Scope 1 and Scope 2 greenhouse gas emissions of our upstream activities[1] at equity basis by 2030.



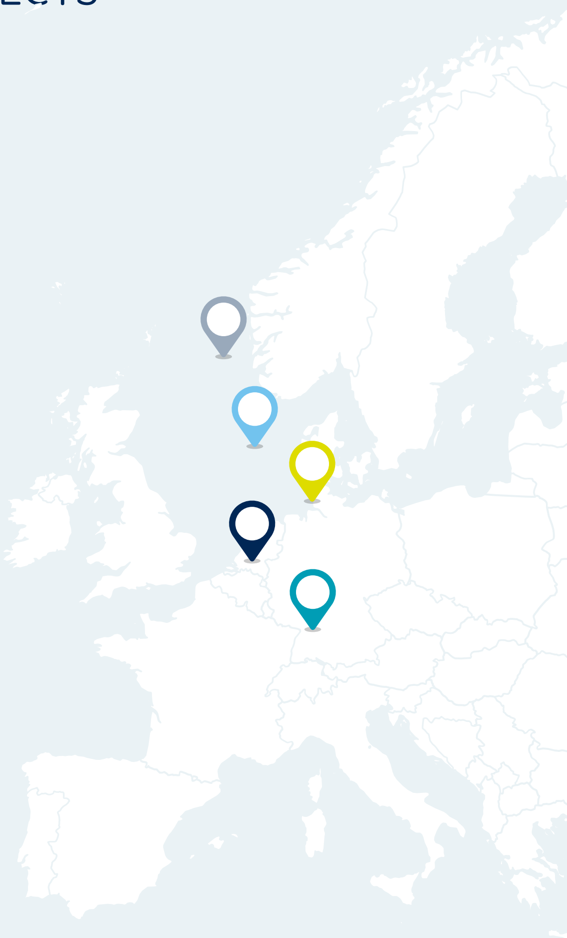
Our target is to maintain zero routine flaring of associated gas during our operations.

Our target is to reduce our methane intensity[2] to below 0.1 % by 2025.

Our ambition is to manage and reduce net carbon intensity including Scope 1, 2 and 3 greenhouse gas emissions.

[1] Scope 1 and 2; operated and non-operated at equity basis
[2] 100% of methane emissions from Wintershall Dea's operated assets divided by the share of marketed gas
[3] Commitment to the World Bank's initiative 'Zero Routine Flaring by 2030'

WINTERSHALL DEA'S CURRENT CCS AND HYDROGEN PROJECTS



Project Greensand

A joint project with INEOS, Maersk Drilling and GEUS (Geological Survey of Denmark and Greenland), targeting the development of storage capacity for meeting a significant portion of Denmark's CO_2 reduction target through the reuse of our Nini offshore oil fields in the Danish North Sea and includes the storage of CO_2 for a 10-year period. The first phase is underway and has already received the independent certification of DNV GL, proving the suitability of the reservoir for CO_2 injection.

CCS Netherlands

Our operations in the Netherlands, involving a large number of mature, operated gas fields, are projected to become a prototype for accelerating our CCS vision. The depleted fields held by our joint venture Wintershall Noordzee have significant CO_2 storage potential and are located in proximity to CO_2 producers onshore. The regulatory regime of the Netherlands is one of the most progressive in Europe.

CCS Norway

Wintershall Dea Norge is currently conducting a feasibility study in the Brage field to investigate using injected CO_2 for enhanced oil recovery (EOR) in the field. The project is expected to be finalised in 2021 and assesses how a mature field like Brage can be used for permanent CO_2 storage after the production period is completed. In the study, it is assumed that CO_2 will be transported by ship for direct injection into the reservoir.

Flip the switch, Mittelplate, 2020

Hydrogen Mittelplate

Hydrogen projects are being implemented at our operations in the Mittelplate field in Germany where we aim to convert gas into hydrogen for initial use in order to propel the supply vessel that services the Mittelplate production island in a climate-friendly way.

Pilot for turquoise hydrogen

Additionally, together with the Karlsruhe Institute of Technology (KIT), we are further developing the turquoise hydrogen technology to provide the foundation for a pilot plant generating hydrogen via methane pyrolysis.

Hydrogen for local markets

Wintershall Dea and partner VNG intend to join forces to establish a hydrogen project in Germany to demonstrate its economic feasibility. The project aims to prove that natural gas is a suitable and reliable source to provide the local market with decarbonised hydrogen that benefits the whole value chain.

> **We are pursuing innovative projects that advance hydrogen and CCS as commercially viable solutions for the energy transition.**
>
> **Hugo Dijkgraaf** – CTO

How we aim to achieve our energy transition targets

Our energy transition pathway is set to contribute to sustainable, responsible and profitable gas and oil production in the low-carbon environment. We focus on four pillars, which provide us a response framework for the climate challenge and are firmly anchored in our strategy.

To begin, we continuously review our portfolio, focusing on carbon-efficient assets and activities. We then implement strict emission management in operations by realising increasing energy efficiency, introducing electrification and using other state-of-the-art technologies.

Emissions that cannot be avoided at a reasonable cost through portfolio and emissions management will be compensated through investments in nature-based solutions, such as afforestation or conservation projects and the development and use of CCS and related hydrogen activities.

The four-pillar climate approach

PORTFOLIO
Emission-efficient portfolio via portfolio optimisation

EMISSIONS MANAGEMENT
Emission and energy efficiency in operations

TRANSPARENCY
Comprehensive reporting that also supports TCFD[1] and OGMP 2.0[2]

OFFSETTING
Net GHG emission reduction supported by nature-based solutions

TECHNOLOGIES
CCS and hydrogen to enable energy transition

[1] Task Force on Climate-related Financial Disclosures
[2] Oil and Gas Methane Partnership 2.0

ESG

SOCIAL

Social responsibility

Health and safety

Health and safety are our top priorities. We have established robust health and safety management systems to continue driving our goal of 'zero harm'. We have the mindset, systems and processes in place to further improve our performance and to learn from incidents if they occur. We focus on both personal health and safety, including preventive healthcare and process safety at all of our facilities.

Human rights

We are committed to conducting business in a manner that respects the dignity and human rights of everyone affected by our operations, namely, our employees, contractors and external stakeholders. We are a signatory of the United Nations Global Compact, and our commitment to human rights is based on the United Nations Guiding Principles on Business and Human Rights, as well as on the OECD Guidelines for Multinational Enterprises and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration). Our approach is further guided by the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

Opening ceremony of Winiclusia, an inclusive kindergarden in Novy Urengoy (Russia) supported by Wintershall Dea Russia

Employees

Our employees have the knowledge and commitment to continue driving our industry leadership position. In order to attract and retain top talent, we seek to be an attractive employer by offering the best working conditions, professional development opportunities, and a good work-life balance. We believe that an inclusive corporate culture is a key prerequisite to benefitting from the diversity of our workforce. Therefore it is our aim to foster diversity within Wintershall Dea's global working teams and ensure that we make use of the different perspectives by giving them room to unfold, thereby positioning diversity as a core element in our company culture and our business strategy.

Communities

We acknowledge that the presence of our business has direct and indirect impacts on local communities. Therefore, we believe that an open and responsive dialogue with affected communities and other relevant stakeholders, as well as building strong and constructive relationships with them, are essential for successful partnerships. By understanding stakeholder issues and striving for joint solutions, we can maintain our social licence to operate.

We are committed to ongoing and open dialogue with stakeholders, and we provide regular information on our activities. We contribute to the sustainable development of the communities where we operate. To that end, we work closely with local communities, policymakers and business partners and offer support for sustainable development projects in the communities around us.

We engage at a local level across the globe in initiatives that foster sustainable development and a prosperous society. We are committed to many different forms of social engagement, including donations, and the sponsoring of education, science, culture, and social issues as well as community development programmes.

'Open to Diversity – Closed to Exclusion'

In 2018, Wintershall Dea joined other major companies in Kassel to launch the 'Open to Diversity – Closed to Exclusion' initiative. In the wake of events in Germany in which people became the targets of attacks due to their ethnicity, religion or commitment to democracy, it became clear to us that we cannot and will not accept this.

Wintershall Dea wanted to do more and decided to send a clear signal in favour of a diverse society to show the company's commitment to values such as respect, tolerance and a willingness to engage in dialogue – and that businesses need diversity and benefit from it.

It soon became clear that taking a stance against violence alone doesn't go far enough and only covers one aspect of diversity. After setting up the initiative, the members quickly agreed to expand their efforts to six familiar dimensions of diversity (gender, ethnic origin, physical ability, age, sexual orientation and religion/ideology) and to advocate for them equally.

This resulted in campaign signs, of which over 10,000 have been ordered to date.

ESG

GOVERNANCE & MANAGEMENT

Sustainability governance and transparency

Effective management of sustainability is vitally important for the development of the company. We have established policies, processes and targets across our business units, and we are monitoring our progress. The overarching responsibility for the topics lies with the Chief Executive Officer and the Management Board.

A sustainability unit ensures the strategic integration of sustainability into our core business and the coordination of company-wide measures. The team is supported by an internal group of experts, the Sustainability Community. Beyond the regular exchange with the Board at least two dedicated sessions per year are held, where relevant sustainability topics are discussed and the course of actions are agreed upon. The implementation of regional and topic-related measures lies within the responsibility of the respective units and country organisations. They are ideally positioned to judge the needs and expectations of their specific areas and regions.

The responsibility for strategic climate topics lies within the sustainability unit. A climate manager strategically coordinates the measures as defined in the climate strategy in close collaboration with the relevant corporate and business units. The climate manager is further responsible for monitoring the overall progress of the delivery of targets and regular reporting to the Management Board.

In addition, due to the strategic importance of CCS and hydrogen, we established a new division called 'Carbon Management & Hydrogen'. The SVP of the division directly reports to the CTO on the Management Board.

We see our sustainability performance as a key element of our strategy, and this mindset is embedded throughout the company. Led by the Management Board, we are committed to effective corporate governance, adherence to laws, and a culture of ethics and compliance throughout the organisation. Wintershall Dea is committed to high levels of transparency and the implementation of leading reporting and governance systems. Transparency fosters trust, and trust is a fundamental value for us.

Our focus areas are the following:

› **Governance:** We work to continuously integrate sustainability aspects and processes into our existing governance elements such as compliance, risk management and internal audit.

› **Dialogue/Engagement:** We consider steady dialogues and engagements to be high priorities enabling us to understand the concerns and expectations of our stakeholders.

› **Disclosure:** We intend to expand our sustainability reporting in line with the Global Reporting Initiative Standard to include other internationally recognised reporting standards such as the Task Force on Climate-related Financial Disclosures (TCFD) and expected topics to meet the information expectations of our stakeholders.

CORPORATE GOVERNANCE

Strong governance structure

Wintershall Dea is a limited liability company (GmbH) with its registered headquarters in Celle, Germany, with corporate governance consistent with German laws. Wintershall Dea GmbH is the ultimate parent company of various subsidiaries around the world, which carry out the business of the Wintershall Dea Group.

In accordance with applicable German law, the fundamental elements of Wintershall Dea's corporate governance system are its two-tier board system with transparent, effective separation of the management of the company and supervision between the Management Board of Wintershall Dea and the Supervisory Board; codetermination in the Supervisory Board by two-thirds of shareholder representatives and one-third of employee representatives; and the shareholders' rights in the Shareholders' Meeting and the Shareholders' Committee. The details of Wintershall Dea's corporate governance architecture are set out in the company's Articles of Association (Satzung), the Rules of Procedure (Geschäftsordnung) for the Management Board and Supervisory Board, as well as in a shareholders' agreement governing the legal relationship between BASF and LetterOne as shareholders that was entered into by the shareholders and the company. It is envisaged that the company will convert into a stock corporation (AG) before proceeding with an IPO.

> “We put a strong emphasis on good corporate governance. By ensuring that Wintershall Dea operates according to good governance, we safeguard long-term value for stakeholders, partners, employees and the public. The structure of our corporate governance establishes us as an independent company on the pathway to an initial public offering.
>
> **Mario Mehren** – CEO

Shareholders' Committee	› Includes members from shareholders BASF and LetterOne as well as two independent observers › Reserved matters for the agreement in the Shareholders' Committee: approval of annual budgets, new country entries, major capital commitments and changes to corporate governance
Supervisory Board	Responsible for oversight of the Management Board
Management Board	Responsible for executing the strategy and ongoing operations › Chief Executive Officer (CEO) › Chief Operating Officer (COO) › Chief Financial Officer (CFO) › Head of Russia, LATAM and Midstream › Chief Technology Officer (CTO)

Shareholder overview

BASF holds 67 % of the ordinary shares of Wintershall Dea and LetterOne holds 33 %. As consideration for the value of the midstream business of Wintershall Dea, BASF also received preference shares, resulting in the overall participation of BASF in the entire share capital of Wintershall Dea of 72.7 % and an overall participation of LetterOne of 27.3 %. The preference shares will convert into ordinary shares of the company on either 1 May 2022 or upon the IPO, whichever comes earlier.

BASF – We create chemistry

Headquartered in Ludwigshafen, Germany, BASF SE is a leading global producer of chemicals.

As one of the world's leading chemical companies, BASF combines economic success with environmental protection and social responsibility. BASF's portfolio is organised into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions.

More than 110,000 employees in the BASF Group work in nearly all sectors and almost every country in the world.

LETTERONE

L1 Energy is part of LetterOne Holdings, a member of the LetterOne Group.

Founded in 2013, LetterOne is based in Luxembourg. It is an international investment business led by successful entrepreneurs, former CEOs and international personnel. In 2015, LetterOne acquired DEA and E.ON Norge.

LetterOne's investments are focussed on the energy, telecoms and technology industries, as well as health and retail sectors within different business units.

Shareholders' Meeting

The company's corporate bodies also include the Shareholders' Meeting, in which the shareholders adopt resolutions pertaining to the company.

An ordinary Shareholders' Meeting is held at least once during the first eight months of each fiscal year of the company. The Management Board shall convene an extraordinary Shareholders' Meeting if required by law or at the request of a shareholder. The Shareholders' Meetings are chaired by a member of the Supervisory Board, determined by the Supervisory Board members who were elected by the Shareholders' Meeting. Each ordinary share with a nominal value of €1 grants one vote. Unless the Articles of Association or mandatory statutory provisions require otherwise shareholders' resolutions are passed with a simple majority of the votes cast.

The Shareholders' Meeting shall resolve, inter alia, on the appropriation of the balance profit (Bilanzgewinn), the formal discharge (Entlastung) of the managing directors and members of the Supervisory Board, the appointment of an auditor of the annual accounts, the election of members of the Supervisory Board and, where provided for by law, the adoption of the annual financial statements (Feststellung des Jahresabschlusses). Furthermore, the Shareholders' Meeting shall resolve upon certain transactions and measures set out in the Rules of Procedure for the Management Board requiring the prior consent of the Shareholders' Meeting and certain additional matters referred to the Shareholders' Meeting by operation of applicable law.

Shareholders' Committee

The shareholders have also set up a shareholders' committee to consult on certain relevant matters and align their interests to those of the company, in particular, prior to taking any relevant decision in the Shareholders' Meeting.

The Shareholders' Committee coordinates the shareholders' interests in Wintershall Dea and is responsible for any matter referred to it by the shareholders and, specifically, for passing decisions on reserved matters such as the approval of annual budgets, new country entries, major capital commitments and changes to corporate governance. The Committee consists of six members, four of whom are appointed by the shareholders (two by BASF and two by LetterOne), and two jointly appointed as independent observers by both BASF and LetterOne. The independent observers shall be granted full membership rights in the Shareholders' Committee, including voting rights, at the earlier of six months before the targeted date for the proposed IPO or the expiry of a 24-month period following the merger of Wintershall and DEA.

The Shareholders' Committee has two co-chairmen: one designated by BASF and one by LetterOne. The presiding chairman alternates on a meeting-by-meeting basis. The current Shareholders' Committee members are Dr Hans-Ulrich Engel, Lord Browne of Madingley, German Khan and Michael Heinz, as well as Scott Nyquist and Matti Lievonen as independent advisors.

Supervisory Board

The Supervisory Board is responsible for oversight of the Management Board and shall act in the interest of the company. While the Supervisory Board is not permitted to exercise any management functions, the Management Board requires the consent of the Supervisory Board for certain important transactions and measures.

The Supervisory Board is composed of nine members, including three employee representatives and six members to be appointed by the shareholders, with four of those six members to be nominated by BASF and the remaining two members to be nominated by LetterOne. The chairman of the Supervisory Board alternates every 15 months between a BASF nominee and a LetterOne nominee.

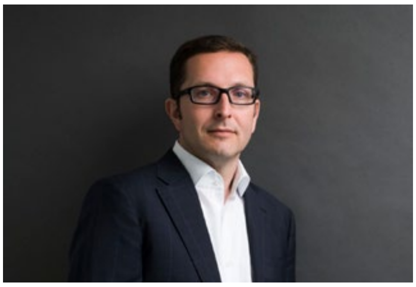
The following table sets out the current composition of the company's Supervisory Board.

NAME	POSITION
Lord Edmund John Philip Browne of Madingley	Chairman (since 1 August 2020, First Deputy Chairman until 31 July 2020); Executive Chairman L1 Energy (UK) LLP, London, United Kingdom
Dr Hans-Ulrich Engel	First Deputy Chairman (since 1 August 2020, Chairman until 31 July 2020); Deputy Executive Chairman of BASF SE, Ludwigshafen am Rhein
Michael Winkler	Second Deputy Chairman; Trade Union Secretary of IG BCE, Hannover
Birgit Böl	Chair of the Joint Works Council of Wintershall Dea GmbH, Kassel
Sabine Brandt	Consultant for HSE, member of Central Works Council of Wintershall Dea Deutschland GmbH, Barnstorf
Saori Dubourg	Member of the Board of Executive Directors of BASF SE, Ludwigshafen am Rhein
Dr Wolfgang Haas	General Counsel and Chief Compliance Officer, President Legal, Compliance, Tax and Insurance, BASF SE, Ludwigshafen am Rhein
Michael Heinz	Member of the Board of Executive Directors of BASF SE, Ludwigshafen am Rhein
German Khan	Director, LetterOne Holdings S.A., London, United Kingdom

Management Board

The Management Board is responsible for the strategy and ongoing operations. It consists of five managing directors: the chairman and four additional members.

The members of the Management Board conduct the day-to-day operations of the company and are jointly responsible for the overall management of the Group. The Management Board decides on all matters in accordance with the applicable law, the Articles of Association and the Rules of Procedure for the Management Board.



Mario Mehren

Chief Executive Officer

Mario Mehren is responsible for Human Resources, Legal, Compliance, Corporate Communications, HSEQ, Strategy and M&A, Investor Relations and Integration. After completing his studies in business administration at Saarland University in Saarbrücken, he began his professional career in 1998 as a specialist adviser in BASF's Group Accounting section. After various positions within the BASF Group he moved to Wintershall in 2006 and joined its Board of Executive Directors in 2011. Mr Mehren was the CEO of Wintershall before becoming the CEO of Wintershall Dea in 2019.

Paul Smith

Chief Financial Officer

Paul Smith is responsible for Accounting and Reporting, Corporate Finance and Treasury, Information Technology, Procurement, Corporate Audit and Marketing and Sales. He studied business organisation at Heriot-Watt University in Edinburgh and began his career at BP in Aberdeen in 1993. During a 15-year career with BP, he held a number of management roles in the North Sea, Trinidad & Tobago and Russia. He spent ten years in Canada with Talisman Energy, first as executive vice president North America and finally as CFO.

Dawn Summers

Chief Operating Officer

Dawn Summers is responsible for Europe, Middle East and North Africa. She holds a degree in chemical engineering from Edinburgh University and executive operations leadership from MIT Sloane School of Management. During a 20-year career with BP she held various operations, project and leadership positions before moving to the Executive Leadership Team of Genel Energy and more recently as COO to Origin Energy and Beach Energy. In addition, she currently holds the position of president of Gas Naturally and president of IOGP Europe.

Thilo Wieland

Member of the Board, Region Russia, Latin America and Midstream

Thilo Wieland is responsible for Russia, Latin America and Midstream. After studying industrial engineering at the Technical University of Berlin, he joined Wintershall Erdgas Handelshaus in Berlin in 1999. He then held various posts at the Wintershall Group including the role as head of strategy & M&A and, among other responsibilities, was in charge of Nord Stream and other gas transport projects. From 2015, he served as a member of Wintershall's Board of Executive Directors.

Hugo Dijkgraaf

Chief Technology Officer

Hugo Dijkgraaf is responsible for Digital Transformation, Technology and Innovation, Integrated Reservoir Management, Global Exploration, Global Development and Engineering, Global Production and Operational Excellence and Major Projects. He has a master's degree in petroleum engineering from Delft University of Technology, and he joined Wintershall in 2000. He held various technical, operational and management roles in five countries. In 2017, he took charge of the Norwegian activities as managing director.

COMPLIANCE

Compliance programme

Our compliance programme is based on Wintershall Dea's Code of Conduct, which applies worldwide. These rules are founded on globally accepted values and international standards and govern our conduct towards people, the environment, assets, information, business partners and third parties. The primary goal of our compliance programme is to prevent violations – whether legal or otherwise related to the Code of Conduct.
For this reason, all employees are required to participate in training courses shortly after joining the company and on a regular basis thereafter.

Code of Conduct

Wintershall Dea has a long tradition and, as a responsible company, has played a substantial part in shaping today's energy industry. We can maintain this reputation on a lasting basis only when we adhere to and are willing to be measured by the standards defined by the Code of Conduct in our business activities.

The Code of Conduct is the basis for all our business activities. Wintershall Dea demands the highest standards of its business partners and expects them to abide by the company's corporate and similar principles. When a business partner fails to meet these requirements, we are prepared to take appropriate action, which may even include terminating the relationship.

Compliance management

Our worldwide compliance function comprises the Chief Compliance Officer and the Department of Compliance and Data Protection, acting as global compliance managers, as well as local compliance managers in all business units. The Chief Compliance Officer reports directly to the CEO and the Wintershall Dea Management Board on a regular basis about the implementation status of compliance initiatives and training courses, as well as compliance incidents and key insights, as required.

The Department of Compliance and Data Protection is responsible for globally applicable regulations, the compliance management system and training measures. Local compliance managers in the various business units are responsible for ensuring adherence to our regulations and standards on-site and in agreement with the global compliance function.

> Our Code of Conduct shows how we want to and must behave as a responsible company. Our corporate values and principles are neither negotiable nor optional.
>
> **Mario Mehren** – CEO

Dealing with violations

If in doubt, employees are encouraged to take action and seek advice at an early stage. They can turn to their supervisors, the legal department and the company compliance managers for assistance. Employees and third parties can use our digital whistle-blower system to report potential violations of laws or company regulations – and they can do so anonymously if desired. Our whistle-blower portal 'SpeakUp' is available in all of the languages of the countries in which Wintershall Dea operates.

Human rights

Respecting human rights in our business relationships is an important basis for how we assume our social responsibility. Our standards comply with existing laws and regulations and are guided by internationally recognised principles.

Wintershall Dea strives to act worldwide in compliance with internationally recognised human rights standards, as well as key labour and social standards. These include the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO core labour standards and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

As a member of the UN Global Compact, we support the ten universal principles, the United Nations Sustainable Development Goals and the United Nations Guiding Principles on Business and Human Rights. We are guided by these goals and principles when drafting our internal regulations and organising our processes.

Data and information security

Wintershall Dea attaches particular importance to the protection of information and data because, today more than ever, the value of a company is determined by its knowledge base and know-how. All of our employees must therefore be aware of how their own conscientious behaviour plays a decisive role in safeguarding our cyber security. Moreover, we are currently implementing a new cyber security training portal for our employees.

Supplier partnerships

We drive our business forward using a partnership-based approach, including with our contractors. We pursue long-term business relationships and have a vital interest in continuously improving our performance through cooperation. Suppliers and contractors are not chosen merely on the basis of economic criteria; environmental protection, occupational safety and social standards also play a role in how we evaluate new and existing supplier relationships. When it comes to compliance with such standards, Wintershall Dea places equally high demands on its contractors as it does on its own employees and qualification of each supplier is, among other things, based on the acceptance of our Supplier Code of Conduct.

A RESPONSIBLE EMPLOYER

Each of Wintershall Dea's employees has a role in safeguarding and growing the value of the company. Strong production performance – safe, efficient and reliable – is the foundation of our business. We continuously challenge ourselves to maximise economic recovery through the active management of our assets, while operating at the highest environmental, health and safety standards. Our human resources strategy is derived from our corporate strategy and values and sets three priorities: nurturing dedicated employees, developing capable executives and fostering a modern work environment. To promote employee performance and acquire new talent, Wintershall Dea actively encourages a culture of inclusion that underlines the importance of equal opportunities and the company's global workforce.

Company culture

We attach great importance to a respectful, collaborative working environment. We believe that due to our inclusive and diverse company culture, targeted and individualised support and facilitation of a good work-life balance, we offer our employees a positive long-term perspective.

Our executives play an important role in implementing our company culture. We expect them to set an example and create a work environment in which our employees can develop their skills, abilities and careers.

We go beyond the minimum statutory requirements in our commitment to freedom of association, collective bargaining and social partnerships. Our fringe benefits are in line with local market conditions, and we provide for appropriate working hours, paid annual leave and reasonable disciplinary measures.

Our four corporate values of trust, care, open-mindedness and bravery guide our actions and define how we want to work together - as a team, with our stakeholders and partners. Therefore, these values are the basis of and pivotal in defining Wintershall Dea's culture.

Empowering people
Team-oriented
Welcoming diversity

Employment

We have a strong and established team of highly competent professionals in all relevant disciplines. Some of our employees in Germany, Norway and Argentina are unionised. Wintershall Dea is confident of its good relationship overall with its employees and the unions involved. The number of employees (full-time equivalents) at the Wintershall Dea Group, including all fully and proportionately consolidated companies, decreased by 334, from 2,847 as at 31 December 2019 to 2,513 as at 31 December 2020. The total number of employees included 29 trainees and 56 apprentices. The main reason for the decrease were restructuring activities, particularly those in Germany and Norway.

EMPLOYEES BY REGION 2020

- Northern Europe[1]
- Latin America
- Russia
- Middle East/North Africa

[1] Including FTEs in head offices in Germany and other corporate functions

Company pension schemes

Through our employer-funded company pension schemes, we make a contribution to our employees' retirement provision and support them in the event of invalidity and bereavement. Our company pension scheme provides for a personal pension to be paid to each employee of Wintershall Dea GmbH once a qualifying period has elapsed. The amount of the company pension depends on the years of service and remuneration paid. At Wintershall Dea GmbH and some of the German Group companies, the basic level of benefits is provided, among others, via BASF Pensionskasse VVaG, a legally independent plan. Exceeding levels of occupational pension commitments are financed via pension provisions at the respective Group company.

To supplement the employer-funded pension scheme, our employees also have the option of providing for their retirement themselves by means of remuneration conversion, thus further securing their standard of living after retirement. At Wintershall Dea, employees have the choice of investing parts of their gross remuneration in pension insurance funds, pension funds, direct life insurance and direct commitments. Our employees also benefit from pension plans in a number of our foreign companies.

> Wintershall Dea embraces diversity and inclusion. People like to work for companies where every person counts, and everyone has equal opportunities.
>
> **Thilo Wieland** – Member of the Management Board

Welcoming diversity

Differences make us stronger

We embrace diversity because it enriches our organisation. Companies that are inclusive of people with different backgrounds, perspectives and approaches tend to outperform their competitors. We seek to recruit people with both technical and non-technical expertise who can add value to Wintershall Dea, regardless of their nationality, ethnicity, gender, sexual orientation, age, disability or beliefs.

Diversity and inclusion

At Wintershall Dea, we are convinced that diversity contributes to business success. We promote an inclusive company culture, with over 60 nationalities represented in our workforce. We believe that employees tend to be more highly motivated and identify more with the company when their individual backgrounds are perceived and valued. By acting accordingly, we strengthen the performance and innovative power of our workforce and thereby the success of our company.

The principles of diversity and equality are integrated into the Wintershall Dea Code of Conduct. By signing the Corporate Charter of Diversity in Germany in May 2019, we have also made our dedication to diversity visible to the outside world. By implication, this also means that we will not tolerate discrimination or exclusion of any sort due to people's personal characteristics or preferences. Training courses for employees and executives on topics such as unconscious bias help everyone increase their awareness of the value of diversity and inclusion.

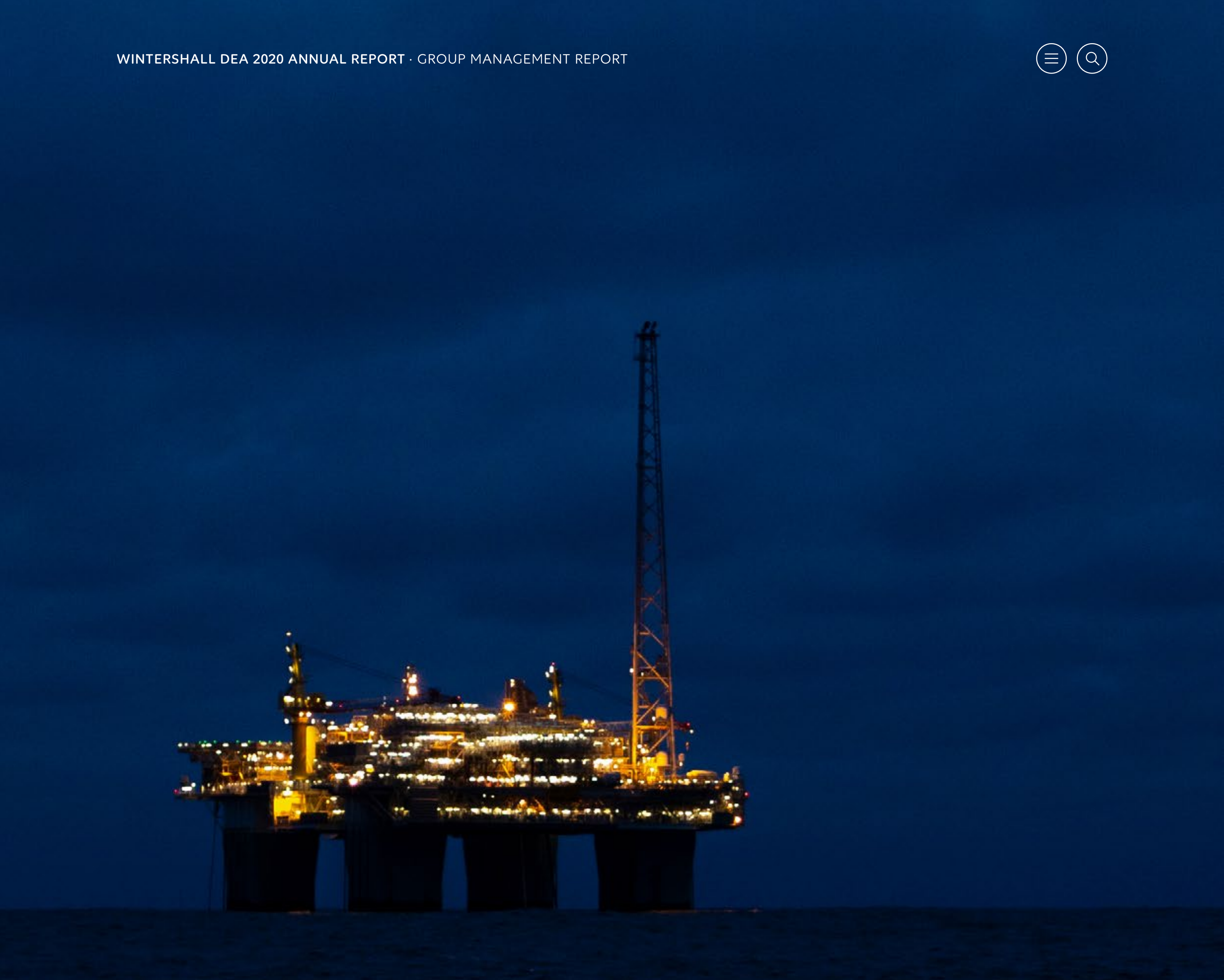
Gender equality

Traditionally, the oil and gas industry has been a sector with a male-dominated workforce. The proportion of women employed at Wintershall Dea is about 30 % (31 December 2020). We are planning to continuously increase the proportion of women in executive positions (top 2 levels below the Management Board) to over 30 % by 2025. One out of five management board positions is held by a female.

Internationality

Our industry tends to be highly international. Deployment abroad is typical of everyday work in many positions and is indispensable for the advancement of our company. Even today, our workforce comprises people from more than 60 different countries. We aim for this diversity to also be reflected in our leadership: our goal is to maintain a high proportion of executives with varied nationalities in our leadership team (>35 %).

More on work-life balance, health management and family care in our Sustainability Report.



PORTFOLIO OVERVIEW

NORTHERN EUROPE

In Northern Europe, Wintershall Dea operates in Germany, Norway, the UK, the Netherlands and Denmark, with a combined 2020 production of 206 mboe/d and a 2P reserves base of 820 million boe.

> Wintershall Dea has its roots in Germany. For more than a century, we have been implementing natural gas and oil production projects here that set international standards.
>
> **Mario Mehren** – CEO

Germany

OVERVIEW

The German oil and gas industry is mature, with production in decline for most assets. We have focussed our activities on Wintershall Dea Deutschland's most important operated production sites, in northern Germany: Mittelplate crude oil production in Schleswig-Holstein, natural gas production in the Verden area and oil production in Emlichheim, both of which are in Lower Saxony. Our production facilities in southern Germany have been divested. In addition, smaller non-core interests in other licences will be divested in the future in line with our strategy in the country.

PRODUCTION (MBOE/D)

	2019	2020
GAS	51 % / 25	47 % / 21
OIL	49 % / 24	53 % / 24
TOTAL:	49	45

2P reserves	R/P
190 mmboe	12 years

KEY ASSETS

Mittelplate

Wintershall Dea has produced over 260 million boe of oil in Mittelplate since 1987. Our operations in Mittelplate are regarded internationally as a benchmark for safe oil production in an environmentally sensitive area. In 2020, we focussed our activities on the development of the southern area of the known reservoir. The drilling in the Dogger Beta reservoir continued in 2020. Well A-30, a long step-out extended reach well with a length of 7,920 metres, is one of the longest wells ever drilled from the island. Further infill wells are planned to maximise production and reserves from the largest German oil field. The delivery of technically complex projects at Mittelplate provides us with critical know-how and competencies for follow-up projects all over the world and is highly valued by our international partners.

Völkersen

Völkersen

Völkersen gas field is the largest field in the Gas Nord production district and the most productive gas field in Germany, accounting for about 12 % of total German gas production. The field started production in 1994. The primary focus of the Völkersen gas field is to optimise production processes and support volume recovery. Continuous subsurface and facility enhancements, such as the installation of velocity strings and additional local compression capacities, are key to achieving these targets. All of this is supported by the automation and digitalisation of processes enabling us to monitor and control the assets remotely. Workover operations and re-perforations were successfully performed in 2020 that will support production from this field for years to come.

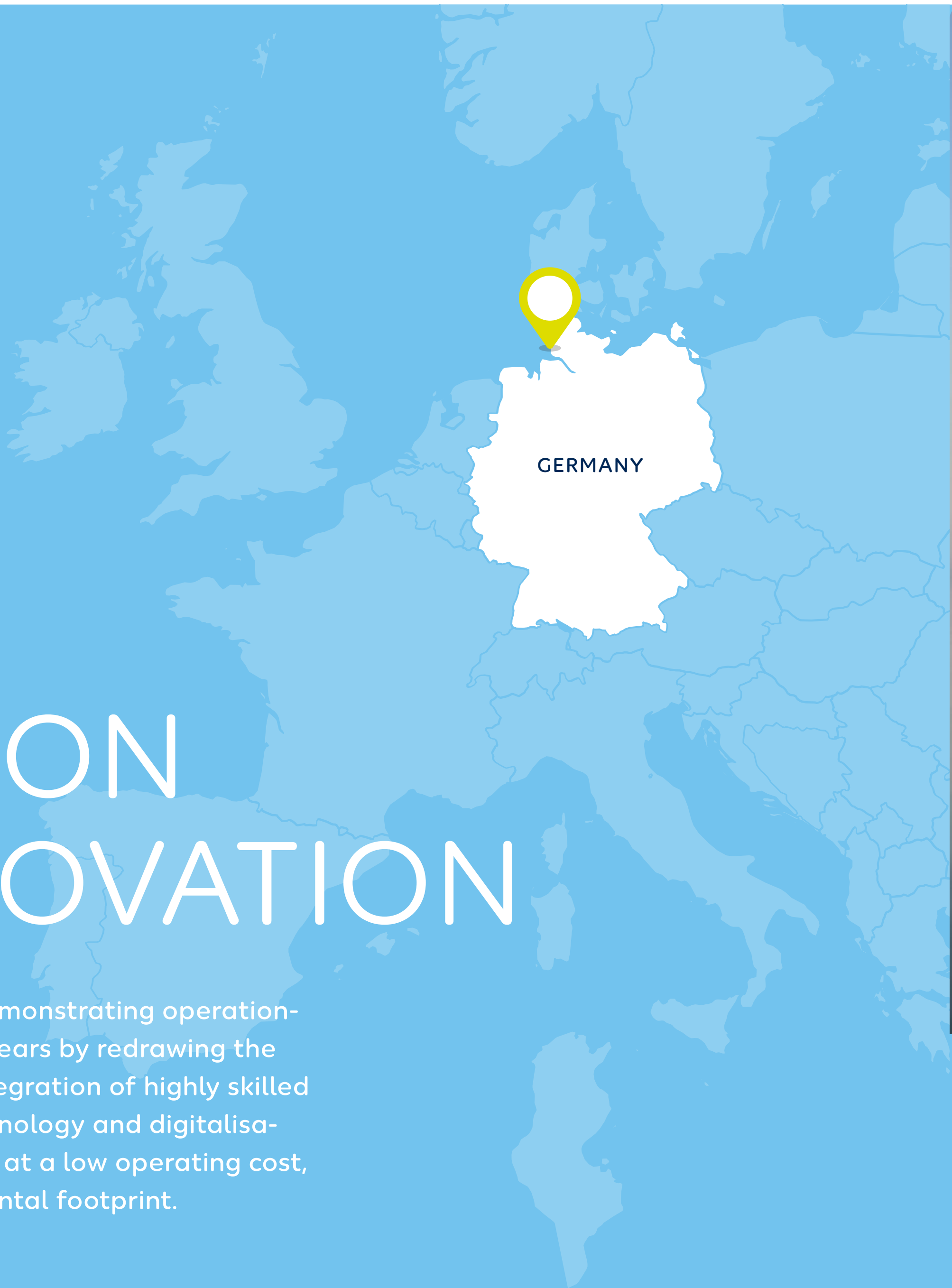
Emlichheim

Situated near the Dutch border, the operated Emlichheim field is one of the oldest oil fields in Germany. Wintershall Dea has been producing oil there for more than 70 years. In 2020, we continued a drilling campaign started in 2019 comprising four new wells connected to the Bentheim Sandstone oil reservoir located 800 to 900 metres below ground level. The aim of the new wells is to maintain production at current levels through our advanced capabilities in enhanced oil recovery (EOR), reservoir management and production optimisation. In summer 2020, we started constructing a new crude oil pipeline between Emlichheim and Osterwald. The around 14-kilometre-long pipeline will replace the current transport of the crude oil to the refinery by train, therewith decreasing the operational costs while improving environmental and safety standards.

KEY ASSETS OVERVIEW

FIELD	WI share	Start of production	Operator
Producing			
Mittelplate	100 %	1987	Wintershall Dea
Völkersen	100 %	1994	Wintershall Dea
Emlichheim	90 %	1944	Wintershall Dea

CASE STUDY:
MITTELPLATE, GERMANY



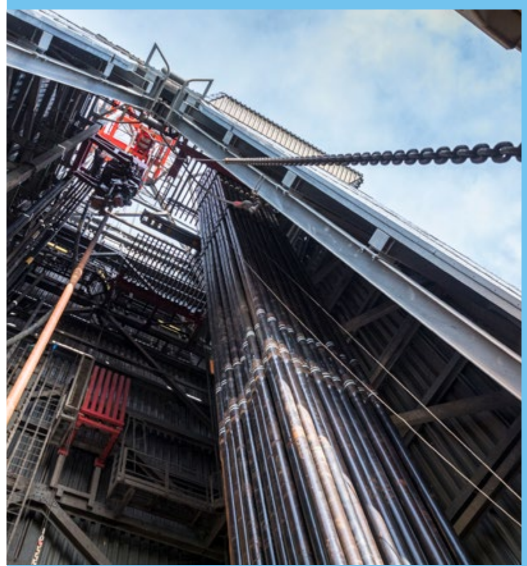
A BEACON OF INNOVATION

At Mittelplate, we have been demonstrating operational excellence for more than 30 years by redrawing the operational boundaries. The integration of highly skilled personnel, state-of-the-art technology and digitalisation deliver efficient production at a low operating cost, whilst minimising our environmental footprint.

Up to

36,000

tonnes of CO_2 will be saved p. a. by switching from a gas turbine-driven power supply to green electricity from shore.



Smart Drilling:
Real-time geo-steering expertise paired with smart tools delivers the precise drilling of extended reach wells of more than 7 km in length. This minimises drilling time as well as costs and ensures accurate well placement in reservoirs and thereby maximises production.

Digital Modelling and Operations:
Digital 3D representations called Digital Twins (Replicating subsurface and topside facilities digitally to facilitate, monitoring and planning) support the operations and further development of the Mittelplate reservoir. This helps us solve and prevent operational issues in advance and identify future drilling targets in the reservoir, resulting in a considerable reduction in operating and maintenance costs.

Lean Operations:
Intelligent cloud solutions using Wintershall Dea's integrated Data Hub capabilities facilitate controlled remote operations of drilling activities and reduce manning and operating costs while enhancing safety significantly.

Artificial Intelligence & Machine Learning:
Complex machine learning algorithms support the prediction of surface & subsurface tools behaviour in multiple settings. Performance and failure indications of electric pumps (ESP), for example, is quickly and pro-actively detected in advance and mitigated. These and other measures safeguard and enhance the optimisation of maintenance cycles and decrease operating cost whilst maximising oil production.

Zero Emissions:
We recently switched the gas turbine-driven power supply of Mittelplate to renewable power from shore, saving 36,000 tonnes of CO_2 per year, or the equivalent of circling the planet with an average car more than 5,700 times generating 157 grams of CO_2 per kilometre. Mittelplate is planned to be supplied by noiseless hydrogen-powered logistic vessels, which are one of the world's first zero-emission marine applications, applied in the world natural heritage Wadden Sea. This will save 275,000 litres of diesel fuel, equal to 700 tonnes of CO_2 annually.

> Norway is an essential part of our portfolio and will continue to be so.
>
> **Dawn Summers** – COO

Norway

OVERVIEW

Norway is Europe's second largest supplier of natural gas and oil. Wintershall Dea has been active on the Norwegian Continental Shelf for more than 45 years and is now one of the leading gas and oil companies in the country. The Group currently participates in over 100 licences, in 33 of them as the operator. The portfolio is now being further upgraded with smart technical solutions, including advanced subsea technology for development and production, and energy-saving solutions such as hybrid battery power on our rigs and vessels.

Wintershall Dea has developed significant technical capabilities in project management, offshore operations, subsea technology and digital improvements through its operated fields in Norway.

Our portfolio in Norway consists of a number of producing assets in different life cycles and the key development projects Nova, Dvalin and Njord.

PRODUCTION (MBOE/D) — GAS / OIL

	2019	2020
Gas	52 % / 75	53 % / 82
Oil	48 % / 70	47 % / 72
TOTAL:	145	154

2P reserves
623 mmboe

R/P
11 years

SELECTED KEY ASSETS

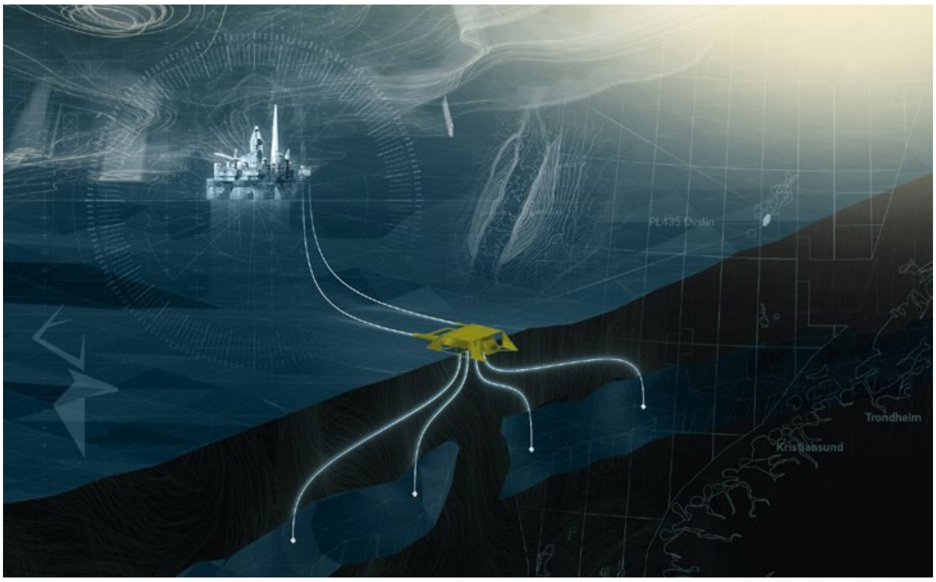
Vega

Vega is a Wintershall Dea-operated gas and gas condensate field located in the northern part of the North Sea, 28 km west of the Gjøa facility. The water depth in the area is 370 metres. Vega was discovered in 1981. It consists of three separate deposits: Vega North, Vega Central and Vega South. The field has been developed with three subsea templates, each with four well slots. All are tied to the processing facility on the Gjøa field. A total of six production wells have been drilled. Production commenced in 2010. Due to the development concept and highly efficient operations it has a very low GHG footprint.

Three infill wells are expected to be drilled through the existing templates in 2021/2022, to increase production and continue increase recovery from the field.

Brage

Brage is our own-operated field in the northern part of the North Sea. The Brage platform has been producing crude oil since 1993. The oil is transported by pipeline to the nearby Oseberg field. Wintershall Dea became the operator in 2013. A series of infill wells drilled since then are some of the most efficient to date and are part of continuously developing new parts of the field. Thanks to optimised production processes and efficient infill wells, the field is expected to remain on stream until at least 2030.



Schematics of Dvalin facilities tied back to Heidrun host platform

Since being taken over, the Production costs have been reduced by ~35% from an annual spend well above 1 billion NOK through optimisation of prioritisation of tasks and how the tasks are performed, through application of digitalisation technologies within predictive maintenance, optimisation of planning and execution of operational tasks and use of collaborative technologies between the teams onshore and offshore leading to reduced manhours spent. In addition, collaboration with the main contractors on sharing of offshore tasks has led to the reduction of offshore FTE's.

Aasta Hansteen

Aasta Hansteen, operated by Equinor, is the deepest water field on the Norwegian Continental Shelf. It is located in the northern part of the Norwegian Sea at a depth of around 1,270 metres. The field includes four subsea templates tied back to a floating platform with a vertical cylindrical hull moored to the seabed (known as a 'spar platform'). It is the largest spar platform in the world. Production started in December 2018, and since the start the processing capacity has been increased through de-bottlenecking and improvements, leading to higher daily export of gas from the platform. There are development plans for future tie-ins, including future and existing discoveries, such as the Asterix field where Wintershall Dea is shareholding partner as well.

Gjøa

Gjøa, operated by Neptune Energy, is a gas and oil field that was discovered in 1989 and is located in the North Sea. The water depth in the area is 360 metres. Production began in 2010. The development comprises four subsea templates with 11 production wells tied to a semi-submersible production and processing facility. The Gjøa facility is partly supplied with power from shore and therefore generates low emissions and has a small CO_2 footprint. Our operated Vega field is tied to the Gjøa facility for processing and export.

Further developments currently underway contain the own-operated Nova field, as well as the Gjøa P1 re-development, and the nearby Duva project which will also be tied to Gjøa as of 2021/2022 when they are scheduled to come onstream.

A vessel with templates for the Nova project in the Norwegian Sea. In the background: the platform Gjøa.

Skarv

The Skarv area, operated by AkerBP, comprises several gas and oil reservoirs, including Skarv, Idun, Ærfugl and Gråsel deposits. The area is located in the Norwegian Sea, approximately 45 km north of the Heidrun field. Skarv was discovered in 1998 and Idun in 1999, and production started in December 2012. The water depth in the area ranges from 350 to 450 metres.

The Skarv development comprises a large, purpose-built floating production storage facility and off-loading unit (FPSO), five subsea templates with 24 well slots currently holding 15 subsea development wells. The FPSO has been upgraded by increasing the gas processing capacity to enable further tie-ins and extend the lifetime of the field. Projects to be tied in comprise, amongst others to come, the Ærfugl Phase 2 development with two additional subsea wells and the Gråsel development project, which consists of one producer and one injector and has been approved for development at the end of 2020.

Ærfugl

The Ærfugl gas field is a tie-back to the Skarv Unit. The Plan for Development and Operation (PDO) was approved by the Ministry of Petroleum and Energy in April 2018. The water depth in the area ranges from 350 to 450 metres.

The Ærfugl development was split into two phases. Phase 1 develops the southern part of the field and has been producing since November 2020. Phase 2, focused in the northern part, started production early with one well in April 2020. Two additional wells are expected to come onstream in 2021. The project is on schedule and within budget and contributes to a reduction of CO_2 emissions of the Skarv field by 30–40 % per barrel produced.

Snorre Unit

The Snorre field was discovered in 1979 in the Tampen area in the northern part of the North Sea approximately 140 kilometres west of Florø and consists of Snorre A and B. The water depth in the area is 300-350 metres. Snorre A, located in the southern part of the field, is a floating tension-leg platform for accommodation, drilling and processing. Production from Snorre A started in 1992. In 2001, production started from Snorre B, a semi-submersible integrated drilling, processing and accommodation facility located in the northern part of the field. In 2018, both Snorre A and Snorre B received consent to continue using the facilities through to 2040. In 2018, the Snorre Expansion Project was approved and came into production with the first five wells in December 2020. This subsea development ties back to Snorre A and consists of six subsea templates, each with four wells, extending the lifetime of Snorre significantly.

The field will benefit from renewable power delivered from the Hywind Tampen offshore floating windfarm, which is currently in development. Hywind Tampen start-up is expected in 2022.

The Nova Topside Module

SELECTED GROWTH PROJECTS

Nova

Nova is our own-operated field in the northern part of the North Sea, 17 km southwest of the Gjøa field. The water depth in the area is 370 metres. The development consists of two four-slot subsea templates tied-back to the Gjøa platform; one for oil production and one for water injection, and each with three wells. Hydrocarbons from the field will be produced by pressure support from water injection and gas lift, both of which are supplied from Gjøa. The well stream will be routed for processing and export via the pipeline to the Gjøa platform. The oil will be transported further through the Troll Oil Pipeline II to Mongstad, and the gas will be exported via the FLAGS pipeline to St. Fergus in the UK.

In 2020, several major milestones for Nova were achieved. We safely installed the subsea manifolds, lifted in a 740-tonne heavy processing module on the host platform and installed the required risers on Gjøa. Drilling commenced in October 2020 and Nova is expected to come onstream in the second half of 2022.

Dvalin

Dvalin is our operated gas field in the central part of the Norwegian Sea, north of the Heidrun facility, and consists of two separate structures: Dvalin East and Dvalin West. The water depth is 400 metres. The development concept is a subsea template with four gas production wells tied-back via pipeline to the Heidrun platform. Gas is processed at the Heidrun platform in a new dedicated gas processing module and exported to the Nyhamna processing plant via a new pipeline from Heidrun connected to the Polarled pipeline. Drilling of the production wells was successfully completed in August 2020. As planned, first gas was achieved in late 2020. However, during the commissioning phase, measurements showed that the gas flow contained a level of mercury that exceeded the maximum permitted level in the system. A technical solution is currently being investigated. The commercial startup of production is expected in the second half of 2022.

We have identified several possible tie-in options in the vicinity of Dvalin. A prospect, for example, to the north of the Dvalin field, which will be drilled in 2021 and if successful is expected to add significant volumes and value due to the close vicinity to Dvalin and the inherent synergies.

Njord

Njord Future is a major re-development project operated by Equinor, which aims to add an additional 20 years of production from the field. The field consists of Njord A, a floating integrated steel platform with drilling, processing facilities and a living quarter. Njord B is a floating storage vessel (FSU). Njord has been shut in since 2016 for extensive onshore upgrades. Once back in production, Njord will be the host for one existing third-party field Hyme and two new third-party tie-back fields Bauge and Fenja. The Njord facilities are expected to be recommissioned in the first half of 2022.

EXPLORATION

We currently have stakes in 56 exploration licenses in Norway. Eighteen of these are located in the North Sea (we are the operator of six), 28 in the Norwegian Sea (eleven as operator) and ten licences in the Barents Sea (one as operator). Nine of these new exploration licences in Norway were awarded by the Ministry for Petroleum and Energy as part of the 2019 Awards in Predefined Areas (APA) in January 2020, including three as the operator. Further sixteen licences were awarded as part of the APA 2020 in January 2021, thereof four as operator.

In 2019/2020, the Group drilled 15 exploration and appraisal wells and participated in two licensing rounds. In 2019 and 2020, the Group participated in 7 potential commercial discoveries (commercial success rate of 47%).

We continued our exploration activities carried over from previous years by completing seven wells in 2019, two of which resulted in potentially commercial discoveries in the vicinity of the Edvard Grieg field (Wintershall Dea share 15%), and one in the PL782S exploration licence. In 2020 the Group participated in eight completed exploration and appraisal wells, resulting in four potentially commercial discoveries. Two are located in the vicinity of the PL089 licence and the Snorre, Tordis and Vigdis fields. The remaining two were the successful exploration wells Iving and Bergknapp, the latter with Wintershall Dea as operator.

In line with our active, global portfolio management, we executed several measures by farming out of a number of exploration licences.

SELECTED ASSETS OVERVIEW

FIELD	WI share	Start of production	Operator
Producing			
Vega	57 %	2010	Wintershall Dea
Brage	35 %	1993	Wintershall Dea
Maria	50 %	2018	Wintershall Dea
Aasta Hansteen	24 %	2018	Equinor
Gjøa	28 %	2010	Neptune Energy
Skarv	28 %	2012	Aker BP
Ærfugl	28 %	2020	Aker BP
Snorre Unit	9 %	1992	Equinor
Edvard Grieg	15 %	2018	Lundin
In development			
Dvalin	55 %		Wintershall Dea
Nova	45 %		Wintershall Dea
Njord	50 %		Equinor

The Netherlands, UK and Denmark

OVERVIEW

The majority of our activities in the Netherlands, UK and Denmark are managed through our 50 % stake in Wintershall Noordzee (a 50/50 joint venture with Gazprom International). These activities are accounted for in Wintershall Dea's financial statements using the equity method.

The Netherlands

Wintershall Dea has been active in the Dutch North Sea for more than 50 years. The company is one of the larger producers of natural gas in the Netherlands, operating 15 producing platforms and four subsea installations. Wintershall Noordzee has fully fledged operating capabilities that drive value across the entire E&P lifecycle. The portfolio includes the recently developed and own-operated Sillimanite and Sillimanite South natural gas fields that straddle the maritime border of the Netherlands and the UK. The Sillimanite D12-B production platform, which uses the topside from the retired Dutch E18-A platform, received first gas from the first Sillimanite well in February 2020. In July 2020, an additional development well was drilled and tied in to enhance production. The successful Sillimanite South exploration well, discovered after the completion of the second Sillimanite well, was brought into production in December 2020. Wintershall Noordzee is highly advanced in low-cost, efficient offshore operations, complemented by its remote control centre in Den Helder, the Netherlands.

Over the years, Wintershall Noordzee has also taken the lead in reuse and decommissioning, having reused eight topsides at new locations and fully decommissioned and removed eight additional installations in recent times. In 2020, both the F16-A and A6-A production platforms were shut in after some 20 years of faithful service and placed into lighthouse-mode. As Wintershall Noordzee operates in a mature area in the Dutch North Sea, the continuation of safe decommissioning activities, together with the further streamlining of its operational activities, are at the fore of the company's activity portfolio in this area.

Wintershall Dea envisages its operations in the Netherlands to become a prototype for implementing CCS projects and managing the energy transition in the future. The depleted fields held by our subsidiary Wintershall Noordzee have significant CO_2 storage potential and are located in proximity to CO_2 producers onshore. The project realisation is supported by the regulatory regime of the Netherlands, one of the most progressive in Europe.

Replacement of the upper deck on the Sillimanite platform.

Denmark

Wintershall Noordzee also has a long-standing presence in Denmark and continues to pursue a strategy of supplying energy to Europe and is evaluating the next phases in the development of the Greater Ravn area. Wintershall Noordzee has two interesting prospects in the immediate vicinity of the Ravn field.

In addition to the licences held by Wintershall Noordzee in Denmark, Wintershall Dea has interests in three smaller oil fields (Cecilie, Nini and Nini East), which are located in the Danish Central Graben.

CCS activities are currently being planned through the Greensand project in the Nini field.

UK

Wintershall Noordzee holds and operates several licences in the UK. Production is clustered around the established Wingate gas field (discovered in 2008) and developed via an ordinarily unmanned platform.

Looking into the future, a core theme for Wintershall Noordzee's UK portfolio will be the extension of the Greater Wingate area. The company was awarded three new licences in that area in September 2020 as part of the UK 32nd licensing round, leading to the potential to bring new gas to the D12-B production platform, and from there into the Netherlands.

KEY ASSETS OVERVIEW

FIELD	COUNTRY	WI share	Start of production	Operator
Producing				
Wingate	The UK	25 %	2011	Wintershall Noordzee[1]
Nini	Denmark	43 %	2003	INEOS
Cecilie	Denmark	44 %	2003	INEOS
Sillimanite	The Netherlands	40 %	2020	Wintershall Noordzee[1]

[1] Joint venture between Wintershall Dea (50 %) and Gazprom International (50 %)

PORTFOLIO OVERVIEW

RUSSIA

In Russia, Wintershall Dea has activities in Western Siberia and Southern Russia with a combined production of 295 mboe/d and a 2P reserves base of 2,155 million boe.

> Wintershall Dea has been active in Russia for 30 years – in particular through its highly successful cooperation with Gazprom.
>
> **Thilo Wieland** – Member of the Management Board

COUNTRY OVERVIEW

Russia has the largest known gas reserves and the sixth-largest proven oil reserves worldwide.

Wintershall Dea is involved in several joint venture projects for the production and exploration of hydrocarbons in Western Siberia and Southern Russia.

Wintershall Dea and PJSC Gazprom have enjoyed a long-term, successful partnership – first in joint natural gas trading and the gas pipeline and storage business in Western Europe and later in E&P projects in Russia and around the world. Both companies successfully operate three joint companies. Two of them operate in the Urengoy field, which represents one of the three largest onshore reserves in the world and is situated in Western Siberia, about 3,500 km northeast of Moscow. Wintershall Dea and Gazprom promote the exchange of experience and know-how to support the core business activities of these joint ventures.

AO Achimgaz is a joint venture between the Gazprom subsidiary Gazprom Dobycha Urengoy (50 %) and Wintershall Dea (50 %). The joint venture produces natural gas and condensate from the complex Achimov Formation in the Urengoy field (Block 1A). The joint venture operates under a risked service model, with Achimgaz providing services to the field licence holder (LLC Gazprom Dobycha Urengoy) and receiving a service fee for producing from the Achimov 1A Block. It also receives a fee for providing development services as a general contractor to LLC Achim Development, a joint venture between Gazprom and Wintershall Dea established to develop and start up Achimov Blocks 4A and 5A. The results of Achimgaz are consolidated proportionally to Wintershall Dea accounts (50 %).

PJSC LUKOIL is another of Wintershall Dea's partners in Russia. Together with LUKOIL, Wintershall Dea owns the Wolgodeminoil joint venture located in the Volgograd region.

PRODUCTION (MBOE/D) (GAS / OIL)

	2019	2020
Gas	81 % / 234	80 % / 235
Oil	19 % / 56	20 % / 60
TOTAL:	289	295

2P reserves	R/P
2,155 mmboe	20 years

KEY ASSETS

Achimov 1A

Achimov 1A is the largest field in Wintershall Dea's portfolio in terms of reserves and production.

In 2020, Achimgaz further increased its hydrocarbon production and reached its annual production plateau of about 11 billion cubic metres of natural gas and more than 4 million tonnes of gas condensate. In order to achieve this record level, capacities of the Achimgaz processing plant UKPG-31 have been extended, and an additional process train has been commissioned. Since the start of production in 2008, the joint venture has produced a total of more than 50 billion cubic metres of natural gas and 20 million tonnes of gas condensate.

Wintershall Dea significantly contributed to the value through the application of technology, e.g. in the simulation of the wells and production optimisation.

Achimov: In the Urengoy field, we continue to boost our production successfully under challenging conditions

Achimov 4A and 5A

LLC Achim Development is a joint venture between Gazprom Group (74.99 %) and Wintershall Dea (25.01 %) created to develop Blocks 4A and 5A of the Achimov Formation in the Urengoy field. The joint venture produces natural gas and condensate, with Achim Development providing services to the field licence holder (LLC Gazprom Dobycha Urengoy).

In April 2018, Achim Development was formed to start the execution of the first construction phase, consisting of a start-up complex with 40 production wells. Due to the experience and know-how it gained from the Achimov 1A field development, Achimgaz was appointed as the general works contractor of Achim Development to complete this first construction phase. The Achim Development start-up complex has successfully come onstream in January 2021 and is in the hot commissioning phase. The execution of the Full Field Development has already been launched successfully in 2020 and includes the drilling and tie-in of more than 100 additional production wells in the years to come. Completion of these wells represents a significant milestone in the successful development of the Achimov formation and will boost Wintershall Dea's production in Russia.

Yuzhno-Russkoye

OAO Severneftegazprom is a joint venture between Gazprom, Wintershall Dea and OMV, which holds the Yuzhno-Russkoye licence and operates the Yuzhno-Russkoye field. The field was discovered near the Arctic Circle 50 years ago, in November 1969, and has already produced more than 300 billion cubic metres of gas since commencing production in 2007.

The production from 139 wells of the Cenomanian layer and the wells of the Turonian layer in this field is sold exclusively to Gazprom. The results of Severneftegazprom are included in the Wintershall Dea accounts at equity. We sell our share of the production to Gazprom via our trading company YRGM Trading and fully consolidate this result in the Wintershall Dea accounts.

In the past, Severneftegazprom produced gas mainly from the Cenomanian layer, but we are moving forward to develop new formations. The joint venture began operating the first test wells in the Turonian rock strata at the end of 2011. Over 120 new wells (22 of which were drilled in 2020) will be drilled between 2020 and 2033 as part of the production start-up from the Turonian formations. The aim here is to extend the plateau production at the Yuzhno-Russkoye field.

The partners in the joint venture are currently preparing the implementation of a Digital Twin project to optimise gas production from the Cenomanian and Turonian reservoirs. This involves creating a dynamic digitalised image of the reservoirs and surface facilities, which will reduce operating costs and increase reliability and production. Artificial intelligence will be a key part of the digital twin and support decision-making in operations.

Wintershall Dea is committed to continuing the optimisation and maximisation of the production and recovery through actively supporting the use of state-of-the-art technology, e. g. by building an integrated production optimisation model.

Exploration

Since April 2014, Severneftegazprom has also been testing the sandstone formations in the Lower Cretaceous and Jurassic strata, which are up to 4,000 metres deep. Six exploration wells were completed in 2017. In 2020, a new exploration well targeting Jurassic layers was drilled and will be completed in 2021. These exploration activities aim to confirm additional hydrocarbons and to prolong the life field.

KEY ASSETS OVERVIEW

FIELD	WI share	Start of production	Operator
Producing			
Achimov 1A	50 %	2011	Achimgaz[2]
Yuzhno-Russkoye	35 %[1]	2007	Severneftegazprom[3]
Achimov 4A & 5A	25 %	2021	Achim Development[4]

[1] Represents economic interest, Wintershall Dea has 25 % legal interest in the project
[2] Joint venture between Gazprom (50 %) and Wintershall Dea (50 %)
[3] Joint venture between Gazprom (40 %), Wintershall Dea (35 %) and OMV (25 %)
[4] Joint venture between Gazprom (75 %) and Wintershall Dea (25 %)

PORTFOLIO OVERVIEW

MIDDLE EAST AND NORTH AFRICA

In the MENA region, Wintershall Dea is active in Egypt, Algeria, Libya and the United Arab Emirates with a combined 2020 production of 48 mboe/d and a 2P reserves base of 367 million boe.

> Wintershall Dea has been active in Egypt for the last 45 years. A country with high potential and well-positioned to become a major energy hub for the region.
>
> **Dawn Summers** – COO

Egypt

COUNTRY OVERVIEW

Egypt is the second-largest natural gas producer and the largest non-OPEC oil producer in Africa. Wintershall Dea has been active in Egypt for 45 years and has stakes in five onshore and offshore concessions. Our activities in Egypt are centred primarily around three assets. The first is the West Nile Delta development, which is one of the most important energy projects in Egypt, with all of the five planned fields now producing. The second is the Gulf of Suez, where we have been producing oil for more than 35 years and have rejuvenated production following a recent re-development. The third is Disouq, where we have been producing gas since 2013 and have returned to exploration at an onshore block in the Nile Delta nearby.

PRODUCTION (MBOE/D) GAS · OIL

	2019	2020
Gas	79 % / 30	80 % / 29
Oil	21 % / 8	20 % / 7
TOTAL:	38	36

2P reserves	R/P
71 mmboe	5 years

KEY ASSETS

West Nile Delta

West Nile Delta (WND) is one of the largest developments in the Mediterranean Sea, located offshore Egypt, and provides critical gas supply to the domestic market. The project offers unique governance terms and is the first IOC-operated (BP) production asset in Egypt with no traditional joint venture operation or cost recovery structure. It consists of a subsea development of five fields: Taurus, Libra, Giza, Fayoum and Raven. The Taurus and Libra fields were fast-tracked through an offshore tie-in to the third-party Burullus Gas Co. subsea and onshore infrastructure. Production from the Taurus and Libra fields commenced in March 2017. In 2019, the Giza and Fayoum wells started production. Giza and Fayoum, along with Raven, are integrated field developments with common MEG and subsea controls and shared landfall and beach crossings, but there are separate pipelines and additional greenfield facilities for Raven. To ensure higher efficiency, Giza and Fayoum are also using third-party Burullus onshore infrastructure. Raven, the largest of the five fields, is in the commissioning phase.

The five fields combined are capable of producing approximately 1 bscf/d, equivalent to about ~20 % of Egypt's gas production at the end of 2018. All the gas produced supplies the Egyptian domestic market.

Ongoing updating of WND seismic mapping supports further maturation of the existing potential in the area. The Miocene segments are expected to be developed in the second phase of the project.

Sunset on a platform in West Nile Delta

Disouq

Disouq is an onshore gas field, which has been producing since 2013. It currently has 19 producing wells. It is a 322 km² concession located in the highly prolific Nile Delta province and comprises two development areas: Disouq Area-1 and Northwest Khilala.

Development activities implemented in the Disouq field were completed, resulting in significantly increased production compared to 2019.

A liquid-rich gas field development in the Disouq concession is planned with the first gas envisaged/expected to flow in 2023.

Wintershall Dea global expertise in gas condensate fields and digital skills were successfully applied using the Digital Rocks technology to derisk the project.

Wintershall Dea plans to drill up to three exploration wells in the vicinity of the Disouq field in 2021.

Gulf of Suez

Wintershall Dea has been producing crude oil in the Gulf of Suez for almost 40 years, with operations conducted by a joint venture between Wintershall Dea and the Egyptian General Petroleum Corporation (EGPC). The concessions for the Ras Budran and Zeit Bay fields were renewed in March 2019, resulting in licence extension until 2022, in addition to an improvement in commercial terms for us.

KEY ASSETS OVERVIEW

FIELD	WI share	Start of production	Operator
Producing			
Disouq	100 %	2013	DISOUCO[1]
Gulf of Suez	100 %	1983	SUCO[2]
West Nile Delta	17 %	2017	BP

[1] Joint venture between Wintershall Dea (50 %) and EGAS (50 %)
[2] Joint venture between Wintershall Dea (50 %) and EGPC (50 %)

> Wintershall Dea is a reputable partner in Ghasha, one of the UAE's major gas and condensate developments.
>
> **Dawn Summers** – COO

United Arab Emirates

COUNTRY OVERVIEW

As one of the world's largest holders of oil and gas reserves, the United Arab Emirates (UAE) is a globally important centre for energy production and a focus area for Wintershall Dea. Our activities in the UAE began in 2010 when we opened a representative office and established a joint venture with the national oil company ADNOC and international partner OMV. Following thorough preparation and project planning, we started our first operations with the technically complex Shuwaihat sour gas field, where we drilled and successfully tested two complex appraisal wells.

In November 2018, we entered the Ghasha concession with a 10 % interest. In addition to ADNOC (55 %) and Wintershall Dea, ENI, OMV and LUKOIL are also partners in this mega project.

KEY ASSET

Ghasha

The Ghasha concession in offshore Abu Dhabi consists of several major oil, gas and condensate development projects, including the Hail & Ghasha-East sour gas field which is one of the largest fields yet to be developed in the UAE. The 40-year concession term for the project strengthens Wintershall Dea's long-term portfolio and gives us a strong position in production and technological deployment in Abu Dhabi and enhances our partnership with ADNOC and other international partners.

The resources will be developed in a total of nine fields in several phases. The first phase is the Dalma Gas Development, encompassing the development of three gas fields from four well head towers tied back to an offshore gas liquids separation plant. The project passed final investment decision in 2019 and drilling activities have commenced. The tendering process for two EPC packages is ongoing.

The largest project is the Hail & Ghasha-East development. Within the scope of this project, a total of ten artificial islands will be built to accommodate nine drill centres tied back to an offshore gas liquids separation plant. About 40 % of the island's construction has been completed to date. The separated liquid and gas products will be routed to new onshore gas processing facilities for further treatment. Wintershall Dea is actively shaping the optimisation of the giant development project, utilising its technological capabilities and experiences like geomechanics, shallow water drilling and Mittelplate artificial island knowledge.

The project is a strategic priority in the country with a rapidly growing demand for gas. The gas produced is intended for use in the UAE and will make a major contribution to meeting UAE's and ADNOC's 2030 vision of a sustainable and economical self-sufficient gas supply. Through its investment in Ghasha, Wintershall Dea establishes a strong and long-lasting presence in Abu Dhabi in partnership with ADNOC.

Since discovering our first sour gas reservoir in 1961 at the Düste field in Germany, Wintershall Dea has been a pioneer of sour gas production. It has developed 16 fields in Germany and produced over 30 billion cubic metre of sour gas. In doing so, Wintershall Dea has developed technical expertise from plant design to operational safety that makes it a value adding partner for the Ghasha project.

The site of the project Reggane Nord in Algeria

Algeria

COUNTRY OVERVIEW

Algeria is the leading natural gas producer in Africa, an OPEC member and one of the top three oil producers in Africa. Algeria is estimated to hold the third-largest amount of shale gas resources in the world.

KEY ASSET

Reggane Nord

The gas fields of the Reggane Nord project are located in western Algeria, one of the Earth's hottest regions: the Reggane Basin in the Sahara. It is located 1,500km from the capital, Algiers, and Algeria's Mediterranean coast. Wintershall Dea holds a 19.5 % share in the Reggane Nord concession, which is operated by the Groupement Reggane Nord (GRN).

Wintershall Dea and its partners have built a central processing facility and significant infrastructure to process the gas collected from the wells: 209km of gas collecting systems and more than 160km of roads were constructed as well as a 74km pipeline connecting the project to Algeria's export facilities. Following an extensive development programme, GRN celebrated first gas in 2017. The Reggane Nord project is expected to be in production until at least 2041.

Libya

COUNTRY OVERVIEW

Oil reserves in Libya are the largest in Africa and among the ten largest globally. Since 2011, activities in the country have been affected by the difficult political and security situation in the country.

KEY ASSETS

Wintershall Dea has been involved in the exploration and production of crude oil in Libya since 1958. The company participates in the crude oil production from nine onshore oil fields across Contract Areas 91 and 107 through its affiliate Wintershall Aktiengesellschaft (WIAG). After 54 years of own operatorship, in October 2020 WIAG has handed over operatorship of Contract Areas 91 and 107 in the Eastern Sirte Basin to Sarir Oil Operations (SOO), a joint venture of WIAG with Libya's National Oil Corporation that has been newly established following the conversion of the former concession agreements to the EPSA IV contractual standard at the end of 2019.

Wintershall Dea also holds a stake in the offshore oil production from Al-Jurf offshore platform in Contract Areas 15/16/32 (former C137), operated by Mabruk Oil Operations and located in the Mediterranean Sea. Furthermore, Wintershall Dea operates the Area 58 exploration license on the Cyrenaica Plateau and Areas 69/70/86/87 (formerly NC193) and 88/89 (formerly NC195) in the Sirte Basin. Since 2014, activities in these areas were suspended due to the difficult security situation (force majeure).

PORTFOLIO OVERVIEW

LATIN AMERICA

In Latin America, Wintershall Dea is active in Argentina, Mexico and Brazil, with combined 2020 production of 74 mboe/d and a 2P reserves base of 212 million boe.

> Wintershall Dea has been successfully producing natural gas in Argentina for more than four decades.
>
> **Thilo Wieland** – Member of the Management Board

Argentina

COUNTRY OVERVIEW

Wintershall Dea has been active in Argentina since 1978 and is the fifth-largest gas producer with operated and non-operated acreage in the Neuquén, Austral and Malvinas Basins. Today, our company has a stake in 11 operated and non-operated licences, acting as the operator of three of them. In total, we participate in 20 gas and oil fields in the country, including the fields in the large unconventional Vaca Muerta play. Argentina not only has large amounts of conventional resources but also has one of the most important growth regions in the area for unconventional resources. It is number two in the world for shale gas reservoirs and number four for shale oil resources.

PRODUCTION (MBOE/D)

	2019	2020
GAS	91 % / 65	91 % / 63
OIL	9 % / 7	9 % / 6
TOTAL:	72	69

2P reserves	R/P
187 mmboe	7 years

Wintershall Dea operates acreage in the highly prolific Vaca Muerta shale formation and signed a sales and purchase agreement with ConocoPhillips in July 2019 to develop the Aguada Federal and Bandurria Norte blocks in the central Argentine province of Neuquén. The blocks hold significant unconventional oil resources of the Vaca Muerta shale formation. The two companies are now planning the development of the two prospective blocks.

Wintershall Dea was one of the first oil and gas companies in Argentina to receive certification for its HSEQ management system according to the ISO 14001 & ISO 45001 international standards. The certificates were issued by the testing service provider TÜV Rheinland after two external audits.

KEY ASSETS

Cuenca Marina Austral (CMA-1)

Cuenca Marina Austral began production in 1989. It currently consists of seven fields (Antares-Ara-Cañadón Alfa, Hidra, Ara South, Kaus, Carina, Aries and Vega Pleyade) and five offshore platforms. Approximately 16 % of the gas produced in Argentina today comes from CMA-1. Two onshore processing plants (Cañadón Alfa and Río Cullen) receive and process production from the seven fields.

In 2019, the CMA-1 Cañadón Alfa plant expansion project was successfully completed yielding additional reserves and significantly extending the lifetime of the existing facilities.

The Fenix Phase I project is envisaged to be the next offshore development of CMA-1. The planned scope of the project includes the installation of an offshore platform, three horizontal wells, as well as a 24-inch, 77 km multiphase subsea pipeline and the modification of onshore facilities at Río Cullen. Wintershall Dea and the operator Total are currently evaluating the effects on the economics of the new governmental natural gas incentive scheme, which has been established recently. Following Fenix Phase I, additional incremental development phases in Fenix and Carina are envisaged.

Aguada Federal and Bandurria Norte

The operated Aguada Federal and Bandurria Norte blocks are two highly promising blocks located within the Vaca Muerta rock formation in the Neuquén province. Large amounts of oil and gas are located in the shale rocks here. The exploitation of Vaca Muerta requires complex technology with horizontal wells and multi-stage hydraulic stimulation to produce the crude oil and natural gas. Both blocks are expected to be developed at the same time to maximise synergies. The project is in the early development phase.

KEY ASSETS OVERVIEW

FIELD	WI share	Start of production	Operator
Producing			
CMA-1	38 %	1989	Total
Future developments			
Aguada Federal	50 %		Wintershall Dea
Bandurria Norte	50 %		Wintershall Dea

> Wintershall Dea is proudly bringing its capabilities and expertise to the rapidly evolving Mexican E&P industry.
>
> **Hugo Dijkgraaf** – CTO

Mexico

COUNTRY OVERVIEW

Mexico contains some of the world's largest proven reserves. Sierra Oil & Gas which was acquired by Wintershall Dea in 2019 is active in Mexico since 2015. In October 2017 Wintershall Dea was awarded the operated Ogarrio field as a result of a farm-out bid round of Mexico's National Hydrocarbons Commission (CNH). Subsequently, in March 2018, the company secured three other offshore areas (areas 16, 17 and 30) as the operating partner. In addition, the takeover of Sierra Oil & Gas secured a considerable share of the Zama discovery – one of the world's largest shallow-water discoveries in recent times.

PRODUCTION (MBOE/D) GAS OIL

	2019	2020
Gas	30 % / 1	36 % / 2
Oil	70 % / 3	64 % / 3
TOTAL:	4	5

2P reserves
25 mmboe

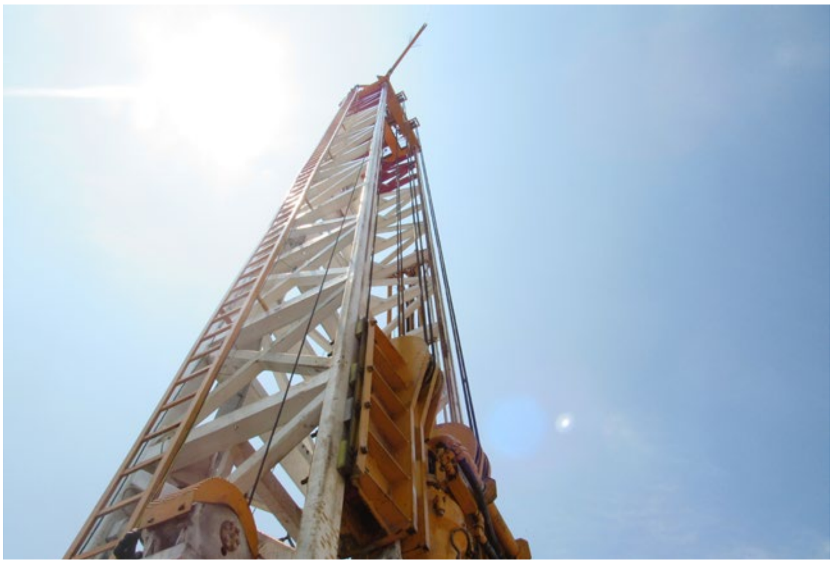
R/P
14 years

KEY ASSETS

Ogarrio

The onshore Ogarrio field was discovered in 1957 and is located in the state of Tabasco, in the south of Mexico. Wintershall Dea holds a 50 % stake and has been the operator since 2018. Ogarrio is one of the first producing oil fields in Mexico operated by an international company since the liberalisation of the energy sector. Wintershall Dea is leveraging its global expertise to maximise the production output of this mature field in the long term.

In 2019, Wintershall Dea increased the production in Ogarrio by implementing an intensive subsurface, drilling and facility work programme in addition to 12 well workovers. We also launched a drilling campaign at four wells in 2019, which was concluded in early 2020 and further increased our production in this field. These activities have continued in 2020 and will be sustained further in 2021, albeit at a deliberately lower level due to the impact of the COVID-19 pandemic.



Production well Ogarrio

GROWTH PROJECT

Zama

The Zama field, located in Block 7 in the Sureste Basin of the Gulf of Mexico, was discovered in July 2017 and represents one of the largest shallow-water discoveries made globally in the last 20 years. The discovery was made via the first wildcat exploration well drilled by a consortium of international private companies since the launch of the Mexican energy reform in 2014.

A three-well appraisal campaign was concluded in 2019, confirming the excellent geological properties of the field and the 400–800 million boe recoverable resource estimate range that had been anticipated before the start of the appraisal campaign.

In the meantime, the Block 7 consortium has been finalising the engineering studies aimed at designing the detailed development plan of the field. Additionally, the partners are continuing the fields' unitisation discussions with Pemex, which holds the neighbouring block to the East and contains an extension of the Zama field. Upon finalisation of the unitisation process, requested by the Mexican Ministry of Energy, the final investment decision is expected to be taken.

EXPLORATION

In Mexico, we currently hold material interests in ten offshore blocks. Of these ten licences, we operate three blocks, including Block 30 in the vicinity of the Upper Miocene Zama fairway. With a total exploration acreage of 11,656 km² (3,918 km², net), we are one of the main offshore acreage holders in Mexico. In total, we participated in the drilling of seven exploration and appraisal wells (including side-tracks).

After the successful Zama discovery, we drilled the Cholula discovery in Block 5 in 2019, which confirmed the northern extension of the Upper Miocene Zama fairway. In 2020, we continued our exploration drilling programme successfully with the Early Miocene play opening Polok find as well as the Late Miocene-Early Pliocene Chinwol discovery in Block 29.

The assessment of these discoveries is ongoing, and we are planning follow-up appraisal drilling in 2021.

KEY ASSETS OVERVIEW

FIELD	WI share	Start of production	Operator
Producing			
Ogarrio	50 %	1957	Wintershall Dea
Pre-development			
Zama	40 % (Block 7)		Talos

> Brazil is an important country for Wintershall Dea's future exploration activities.
>
> **Hugo Dijkgraaf** – CTO

Brazil

COUNTRY OVERVIEW

Brazil is one of the most prolific and attractive growth regions for the global oil and gas industry. The northeastern coastal region, in particular, with its undeveloped offshore basins, is considered promising. Wintershall Dea aims to develop a resource base there over the next few years. In 2018 and 2019, the company secured exploration licences through its participation in Brazil's Agência Nacional do Petroleo, Gas Natural and Biofuels (ANP) licencing rounds.

EXPLORATION

Wintershall Dea successfully participated in Brazil's 15th and 16th ANP licence rounds in 2018 and 2019. The company has acquired exploration blocks in four Brazilian basins (Ceará, Potiguar, Santos and Campos). Wintershall Dea now holds a Brazil portfolio comprising four operated blocks in the northeastern Ceará and Potiguar basins, as well as five non-operated blocks in the Santos and Campos basins with partners Repsol and Chevron.

Wintershall Dea acquired 8,200 km² of new 3D seismic data in operated blocks in Ceará and Potiguar basins and has successfully finalised the 3D seismic data acquisition in the Santos and Campos basins in early 2021.

> **Connected throughout Europe – pipelines to the heart of Europe's gas infrastructure.**
>
> **Thilo Wieland** – Member of the Management Board

Midstream

The reliable and efficient transport of natural gas via pipelines will continue to be of crucial importance for the security of energy supply and achieving Europe's climate protection goals. Natural gas imports into Western Europe are expected to continue to rise as domestic production declines. This development will require a partial expansion of the existing transport network. The diversification of transport routes for natural gas to Europe, the development of new reserves ever further north and the completion of the European energy market that is being advanced by the European Commission, are also having an impact here.

Wintershall Dea is involved in midstream projects and companies with a strong track record and outlook. Together with PJSC Gazprom (Gazprom) and other European energy companies, we have been contributing to creating and expanding the necessary transport systems on- and offshore for the last three decades.

Our independently operating subsidiaries transport gas through offshore and onshore pipelines including gas produced in Russia, to the European consumer market in the most efficient way possible. They are a reliable source of low-emission transportation for low-cost and efficient natural gas from Russia for the markets in Europe and, as such, also support our production joint ventures in Russia. Our strong presence in the gas midstream business provides an important source of predictable and stable price- and volume-independent earnings in contrast to the inherently more cyclical upstream business.

KEY MIDSTREAM ASSETS

Onshore

The joint activities with Gazprom in Germany started in the early 1990's. Today, they are combined in WIGA Gastransport Beteiligungs-GmbH & Co. KG (WIGA), a joint venture of Wintershall Dea and Gazprom Germania GmbH, with equity interests of 50.02 % and 49.98 %, respectively.

The subsidiaries of WIGA operate an approximately 4,000 kilometre long-distance onshore pipeline network consisting of GASCADE's German high-pressure transportation network (including GASCADE's share in EUGAL), as well as the OPAL and NEL pipelines. Nord Stream and the planned Nord Stream 2 are connected to EU grids via OPAL, NEL and EUGAL.

Offshore

With a shareholding of 15.5 %, Wintershall Dea is also an indirect shareholder in Nord Stream AG, which has been operating the Nord Stream offshore pipeline for nearly a decade in a reliable, safe and ecologically sensitive manner. As a financial investor, we support the realisation of what is currently the largest European natural gas pipeline project, Nord Stream 2.

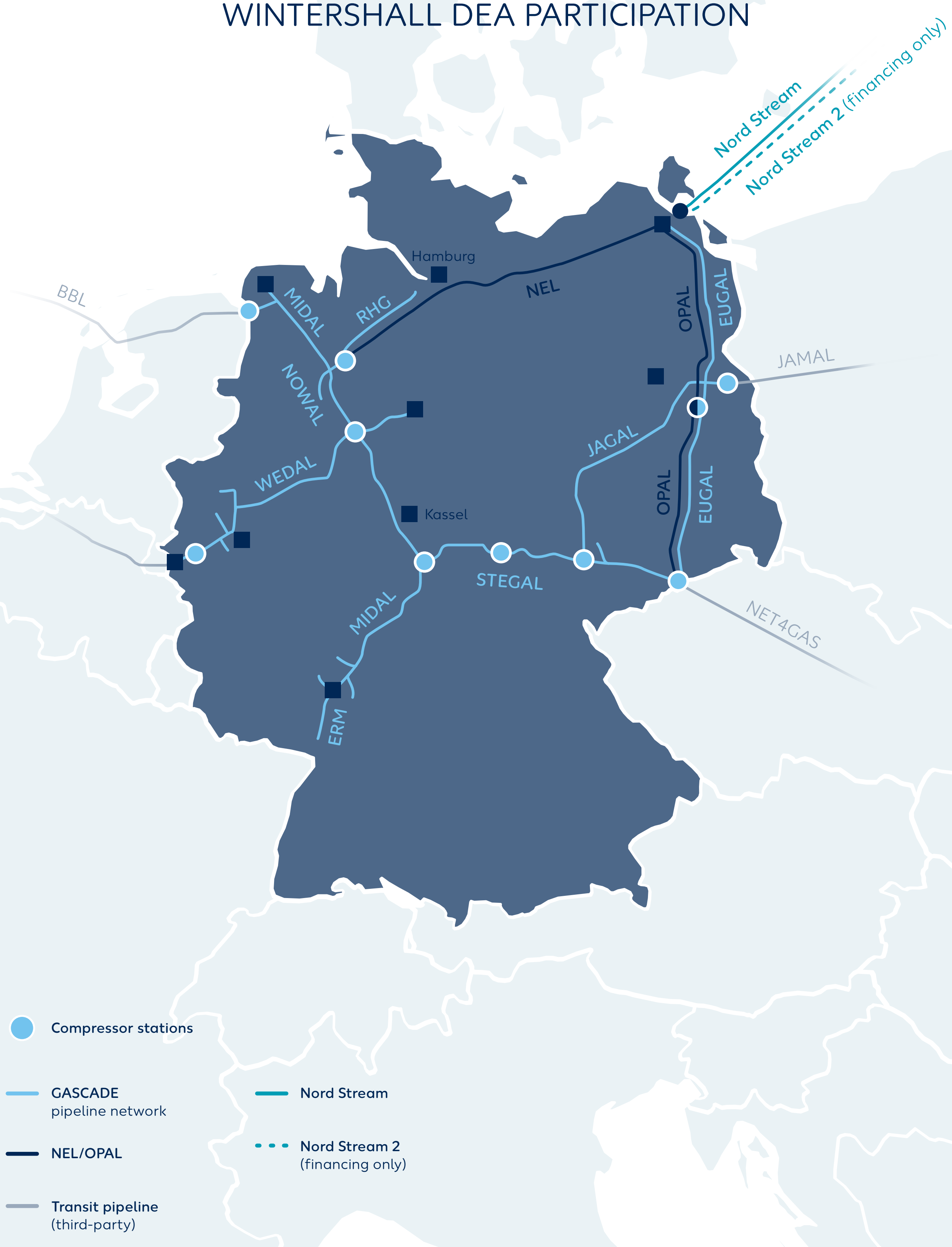
Nord Stream is an offshore pipeline system connecting Russia and the EU via the Baltic Sea with a capacity of approximately 55 billion cubic metres per year transported by two 1,224 kilometres of subsea pipelines.

Nord Stream 2 starts on the opposite coast of the Gulf of Finland, near Ust-Luga instead of Vyborg. Apart from the Russian landfall, it is technically very similar to Nord Stream. Nord Stream 2 is being developed and constructed by Nord Stream 2 AG, a wholly owned subsidiary of Gazprom.

Wintershall Dea takes part in the Nord Stream 2 project as a financial investor and is not a shareholder in the project, together with other European energy companies.

We believe that our presence in the larger gas value chain, from upstream production via the non-cyclical European gas midstream business to the European markets, enhances our competitiveness and strengthens our financial profile.

PIPELINES WITH WINTERSHALL DEA PARTICIPATION



Onshore Germany

GASCADE TRANSPORTATION NETWORK

German high-pressure transportation network with direct connection to several European countries

- Ownership: GASCADE Gastransport GmbH (100 %)
- Operator: GASCADE Gastransport GmbH
- Net regulated asset base (Net RAB) ~ €2,400 million as of 2020.
- 2,900 kilometre pipeline network

The most important pipelines are the central German pipeline link MIDAL (Mitte-Deutschland-Anbindungsleitung), the western German gas link WEDAL (Westdeutschland-Anbindungsleitung), the Jamal gas pipeline link JAGAL (Jamal-Gas-Anbindungsleitung), the Saxony-Thuringia natural gas pipeline STEGAL (Sachsen-Thüringen-Erdgas-Anbindungsleitung) as well as European gas pipeline link EUGAL (Europäische Gas-Anbindungsleitung).

OPAL

Pipeline from the landfall point of Nord Stream near Greifswald to Brandov, Czech Republic, on the German-Czech border

- Ownership: W & G Transport Holding GmbH (80 %), Lubmin-Brandov Gastransport GmbH (20 %)
- Operator: OPAL Gastransport GmbH & Co. KG
- Total capacity: 36 billion cubic metres p.a. via a 472 kilometre pipeline
- Start-up in 2011, together with the first offshore string of Nord Stream

EUGAL

The pipeline from landfall point of Nord Stream 2 near Greifswald to Deutschneudorf near the German-Czech border

- Ownership: GASCADE Gastransport GmbH (50.5 %), Fluxys Deutschland GmbH (16.5 %), Gasunie Deutschland Transport Services GmbH (16.5 %), ONTRAS Gastransport GmbH (16.5 %)
- Operator: GASCADE Gastransport GmbH
- Total capacity: approx. 55 billion cubic metres p.a. via two pipeline strings measuring 480 and 330 kilometres
- First pipeline string commissioned in January 2020; full EUGAL transport capacities will be reached by the second quarter of 2021

NEL

Pipeline from landfall point of Nord Stream near Greifswald towards Rehden in Lower Saxony

- Ownership: NEL Gastransport GmbH (51 %), Gasunie Deutschland Transport Services GmbH (25.13 %), Fluxys Deutschland GmbH (23.87 %)
- Operator: NEL Gastransport GmbH
- Total capacity: 20 billion cubic metres p.a. via a 441 kilometre pipeline
- Start-up in 2012, together with the second offshore string of Nord Stream

Offshore

NORD STREAM

Twin pipeline through the Baltic Sea from Vyborg, Russia, to Greifswald, Germany

- Ownership: Gazprom (51 %), Wintershall Dea (15.5 %), E.ON via PEG Infrastruktur AG (15.5 %), Nederlandse Gasunie (9 %) and ENGIE (9 %)
- Total capacity: approx. 55 billion cubic metres p.a. via two 1,224 kilometre subsea pipelines
- First pipeline operational in November 2011; project completed with second string in October 2012
- Over 370 billion cubic metres of gas transported since commissioning; operating at full capacity since 2018

NORD STREAM 2 (Financing)

Twin pipeline through the Baltic Sea from Ust-Luga, Russia, to Greifswald, Germany

- Ownership: Gazprom (100 %)
- Financing investors: Gazprom (50 %), Wintershall Dea (10 %), OMV (10 %), ENGIE (10 %), Uniper (10 %), Shell (10 %)
- Wintershall Dea financing commitment: up to €950 million
- Total capacity: approx. 55 billion cubic metres p.a. via two 1,230 kilometre subsea pipelines
- Project under construction

MORE ENERGY WITH LOWER EMISSIONS

MINDS OF ENGINEERS. PIONEERS AT HEART. THAT'S HOW WE SEE OURSELVES.

Today, we are looking for solutions to one of the biggest challenges of our time. A growing global population and its desire for prosperity requires more and more energy – but with significantly lower emissions. The answer is a diverse mix of renewable and low-carbon energy.

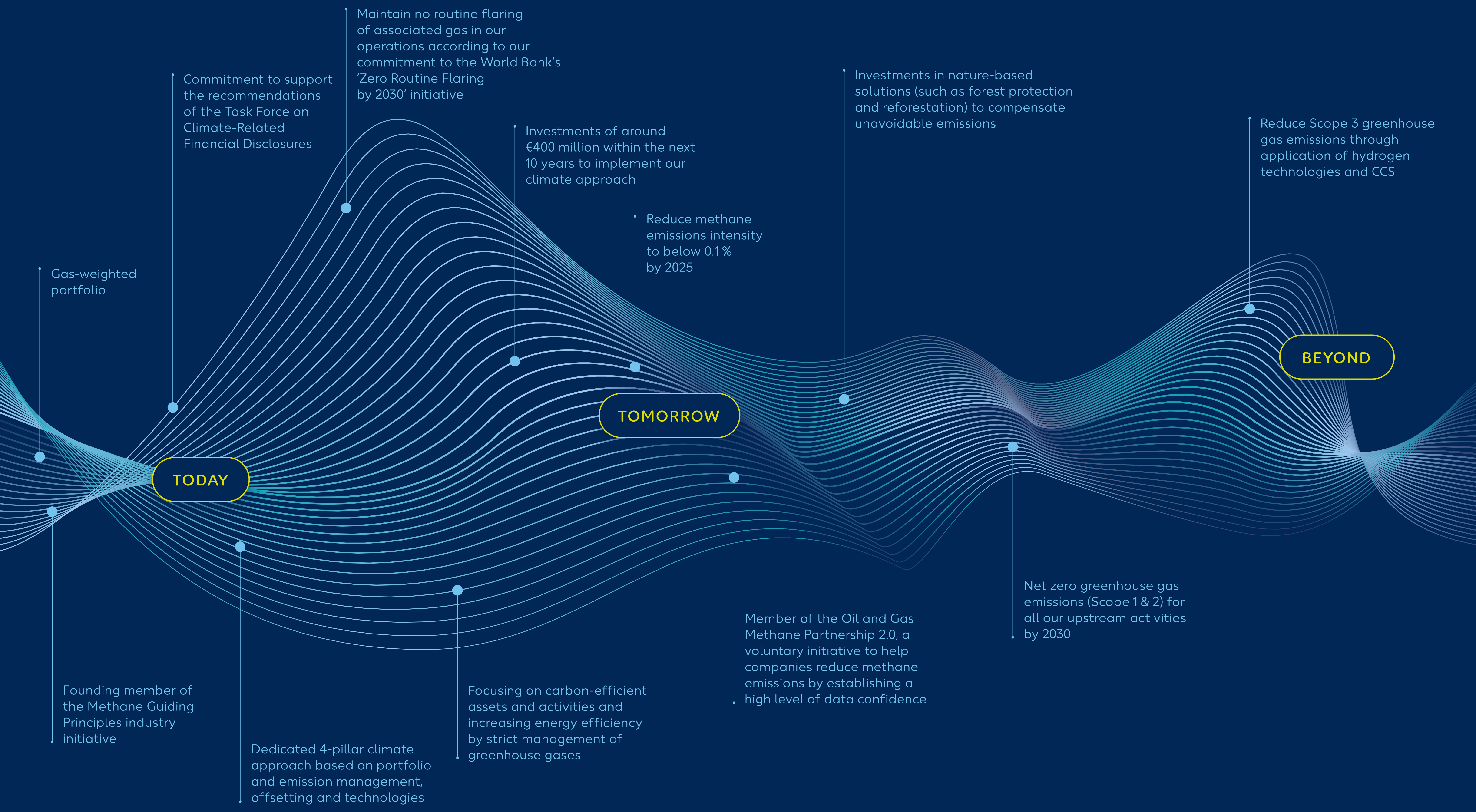
As Europe's leading independent gas and oil company, we will make our contribution. After all, change has always been a part of our company's DNA.

We have always faced up to the challenges of the time, assumed responsibility, and developed solutions that have moved society forward. We have always had the courage to venture into unknown territory, question the status quo, and forge new paths to find the right answers.

The search for solutions is what drives us. With the minds of engineers and as pioneers at heart, we will help shape the decarbonisation of energy, and successfully master the energy transition.

Today. Tomorrow. And beyond.

OUR ENERGY TRANSITION PATHWAY



MERGER IS SUCCESSFULLY COMPLETED.

FORGING THE FUTURE – TOGETHER.

Two years ago, Wintershall and DEA, two companies both steeped in tradition, became one company. Today, we can say that our merger was a success. Because together we have created something new: Europe's leading independent gas and oil producer – Wintershall Dea.

The new company has a strong foundation: more than 120 years of tradition and German engineering – times two! A geographically diverse portfolio focused on selected regions. And a common culture of effective cooperation – based on clear positioning and supported by a strong set of values and our common identity. An identity which speaks to our commitment, and which drives us to deliver excellence each and every day: Minds of engineers. Pioneers at heart.

That means we are well-positioned to tackle the challenges of the future. Today. Tomorrow. And beyond.

TRUSTFUL PARTNER, LARGE ENOUGH TO HAVE AN IMPACT, SMALL ENOUGH TO BE FLEXIBLE. WE CALL IT A GOOD SIZE!

TRUST IS EVERYTHING – ALWAYS.

We focus on long-term collaboration and measure it over decades. We are the partner of choice.

The way we act with trust, openness and commitment within the company is how we are perceived and respected outside it.

As Europe's leading independent gas and oil producer, we are reliable. But we also have the flexibility to make bold decisions.

We are responsible and stand by our word. A rock-solid, stable company with a long tradition. With long-term and successful partnerships worldwide – some already 30 years old – we secure and deliver the lifeblood of society. Energy supply.

Together, we work for profitable, sustainable growth and healthy business development. We create long-term value for our shareholders, employees, partners and society.

DRIVING DIGITALISATION, NEW TECHNOLOGIES AND NEW WAYS OF WORKING.

OUR NATURAL RESOURCES ARE AGE-OLD – OUR METHODS AND PROCESSES MODERN.

We are experienced, established and reliable, yet modern, digital and forward looking. For us, the two go hand in hand! Gas and oil are fossils, our solutions and our mindset are not!

We are experts in highly challenging fields – now and in the future. More innovation and digitalisation in our projects are key prerequisites for what we do. We rely on the openness and entrepreneurial mindset of each and every employee.

We focus systematically on technology and development projects where digitalisation can deliver the best results in terms of budget and speed.

Efficient, high-tech and sustainable solutions, and a clear strategy, have enabled us to enjoy strong growth in the past. And we are continuing on this path of profitable growth.

The way we work together is also highly modern: we rely on mobile and flexible working. Worldwide. That's how we act with trust – one of our central corporate values. Because we know it pays off.

CHANGE HAS ALWAYS BEEN PART OF OUR CORPORATE DNA

NET ZERO BY 2030. SETTING AMBITIOUS GOALS – THAT'S IMPORTANT FOR US.

Hitting zero is ambitious, but it has to be done. And not just by 2050. We have set ourselves the goal of achieving net zero greenhouse gas emissions for all our upstream activities by 2030. That applies to all Scope 1 and 2 emissions right across our portfolio. For operated assets, and non-operated assets according to our equity share – worldwide. We will also follow our zero routine flaring commitment by 2030. And reduce the methane intensity of our production to below 0.1 % by 2025.

We are realistic: the amounts of CO_2 released in our activities (Scope 1, 2) are small compared with the CO_2 emissions produced by the combustion of oil and gas (Scope 3). But reduce emissions that arise directly from our operations to net zero is a contribution that we can and want to make ourselves.

We are already now driving forward new technologies to enable reducing Scope 3 emissions in future. To realise our climate approach we are investing around 400 million euros over a period of ten years.

That is our contribution to the global climate goals. Searching for solutions and forging new paths is what defines us as engineers and energy pioneers.

GAS IS RELIABLE, AFFORDABLE,
CLIMATE-FRIENDLY, FUTURE-PROOFED

THE FUTURE IS GREEN – AND GAS WILL BE AN ENERGY TRANSITION ENABLER.

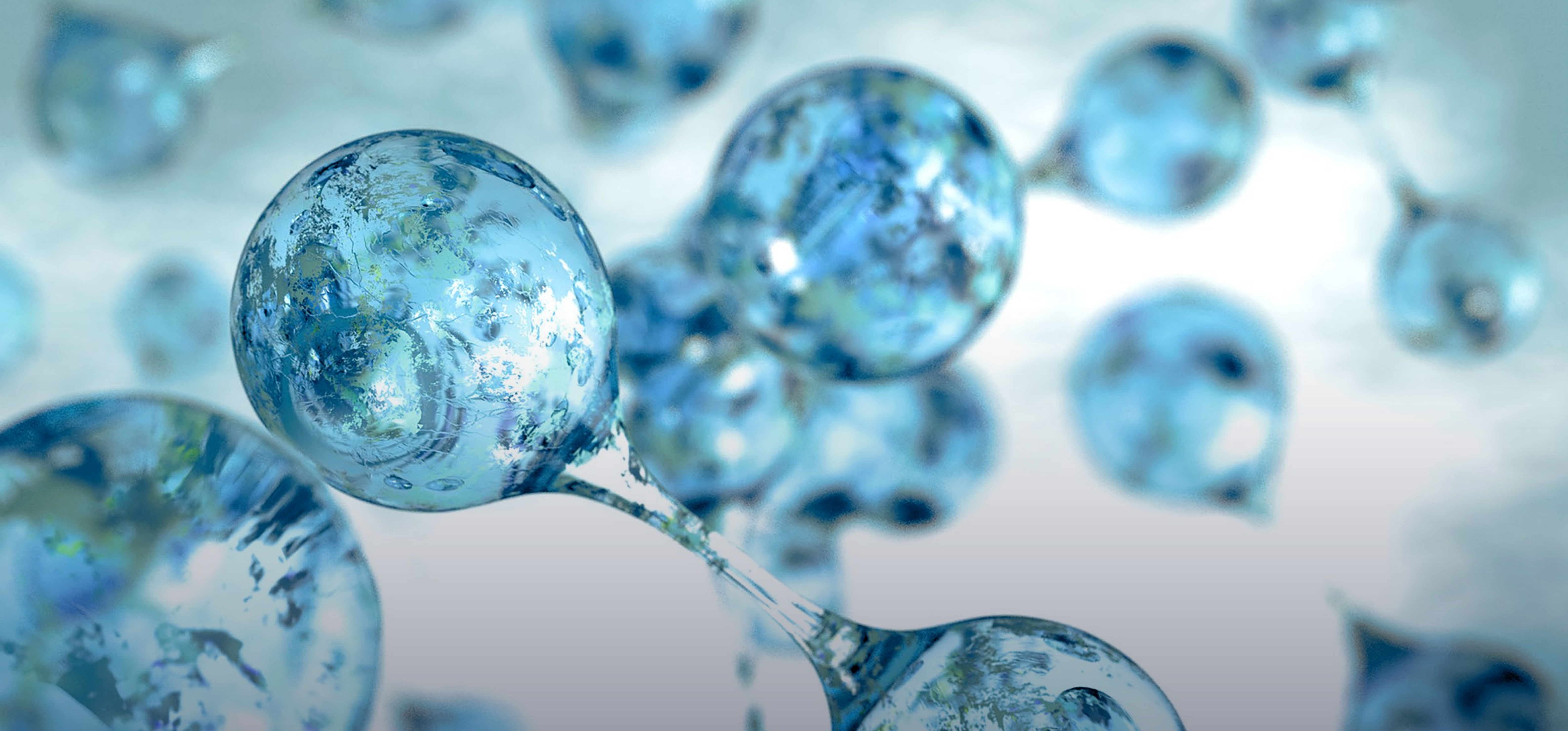
We focus on natural gas, because it has what it takes to be future-proof. And reliable, and affordable. As a lower-carbon solution, it can be a part of the future.

The world's population is growing – and along with it the need for energy. Access to affordable energy is a prerequisite for progress and prosperity.

Climate change is one of the greatest challenges faced by mankind and it requires breaking new ground.

Natural gas is not only a bridging technology. It is and will remain a forerunner for the energy transition: by supplementing renewable energies and the natural fluctuations of solar and wind energy.

Natural gas is the cleanest conventional source of energy and can become even more climate friendly in the future. For example, by using it to produce hydrogen.



FUTURE TECHNOLOGIES THAT HELP TO ACHIEVE THE CLIMATE GOALS

TOMORROW'S TECHNOLOGY NEEDS TODAY'S EXPERIENCE AND KNOWLEDGE – WE ARE AMONG THE LEADERS.

We research today so that these technologies can be used tomorrow. As part of the solution. CCS (the storage of carbon offshore, and deep underground) and hydrogen projects are great opportunities for reducing emissions in the future. Realising this vision is our goal and we are actively pursuing it.

In multiple projects, working with partners, Wintershall Dea is exploring regions in the North Sea for their suitability for carbon capture, and for their potential for the future transport of hydrogen as an energy source.

In addition, we are involved in hydrogen-from-natural-gas research and pilot projects, in particular for methane pyrolysis. Here, natural gas is split into clean hydrogen that can be used as an energy source, and solid carbon that can be stored safely or used as a valuable industrial material.

That's how we are helping to lower emissions in the future.

WINTERSHALL DEA'S FISCAL YEAR

Introduction

The reporting period comprises the months of January through December 2020. Since the preceding fiscal year covered the period from May through December 2019 (short fiscal year), the comparison period also comprises the months of May through December 2019. Therefore, the amounts presented in the financial statements for the reporting and comparison periods are not fully comparable. In addition to the comparison of the reporting period (1 January–31 December 2020) with the comparison period (1 May–31 December 2019), for the sake of comparability, the results of operations for the reporting period (1 January–31 December 2020) were compared with the results of operations for the full year 2019 (1 January–31 December 2019).

The amounts for the months of January–December 2019, derived from the addition of the consolidated financial statements of the Wintershall Group for January–April 2019, the consolidated financial statements of the Dea Group for January–April 2019 and the consolidated financial statements of the Wintershall Dea Group for May–December 2019 are reported as well. The period is unaudited and is presented voluntarily for illustrative purposes only, including the described comparisons. Therefore, the period is referred to in the following as 'unaudited like-for-like information for illustrative purposes'. For computational reasons, rounding differences to the exact mathematical figures (monetary units, percentages, etc.) may occur.

Description of KPIs and how we steer the company

The Group uses various key performance indicators to actively manage and steer its performance and achieve sustainable and value-oriented growth.

- Adjusted EBITDAX (EBITDAX)
- Production
- CAPEX
- Free cash flow

The adjusted EBITDAX (EBITDAX)[1] is a non-GAAP financial measure used for internal management control within the Wintershall Dea Group. It is the primary key indicator from the consolidated statement of income and is defined as revenues and other income less production and operating expenses, less production and similar taxes, less general and administrative expenses and less cost of sales midstream, adjusted for special items. The definition of EBITDAX was amended in the fourth quarter 2020. Consequently, the presented prior-year figures are amended.

The non-financial measure **production**[2] states the produced quantities on a working interest basis of gas and liquids in thousand barrels of oil equivalents per day for the Group's segments produced, including the proportion from equity-accounted companies.

The financial measure **CAPEX**[3] consists of payments for intangible assets, property, plant and equipment and investment properties, as shown in the Group's consolidated statement of cash flows, less capitalised exploration.

Free cash flow[4] is a non-GAAP financial measure and comprises cash flow from operating activities and cash flow from investing activities but excludes payments for acquisitions and proceeds from the disposal of non-current assets/divestures, as shown in the Group's consolidated statement of cash flows.

In order to ensure the value-oriented management of the Group, we use planning and control processes to make key figures and information available to the decision-making bodies throughout the Group. Based on long-term planning, the relevant budgets are defined and tracked during the year using a rigorous performance management process. This approach allows any deviations from the budget to be detected promptly, analysed and, in the event of negative developments, balanced to the greatest extent possible by taking suitable countermeasures.

[1] For further details, see the chapter EBITDAX and the corresponding tables
[2] For further details, see the chapter Production and the corresponding tables
[3] For further details, see the chapter CAPEX and the corresponding tables
[4] For further details, see the chapter Consolidated Statement of cash flows and the corresponding tables

Significant events

General

As at 1 June 2020, Dawn Summers became a member of the Management Board of Wintershall Dea GmbH, Celle. As chief operating officer (COO), she is responsible for the business units Germany, Norway, the Netherlands, UK and Denmark, Egypt, Libya, Algeria and UAE.

Northern Europe – Norway

In response to the COVID-19 pandemic, the Norwegian tax authorities enacted temporary changes to the tax legislation. These changes included an increase of up to 24 % in the uplift allowance for investments and the immediate tax expensing of both uplift allowances and capital expenditures in the special petroleum tax regime in 2020 and 2021. As a result, we received three instalments of cash refunds in the third and fourth quarters of 2020 from Norwegian tax authorities in the amount of NOK 4,503 million (€431 million) for the tax value of losses. An additional negative tax instalment with an amount of approx. NOK 2,929 million is expected in the 2021 fiscal year for tax losses in 2020.

On the operated Nova field, we achieved several important milestones. The drilling of the remaining wells commenced in October, with most of the subsea work already completed and a dedicated module installed on the host platform, Gjøa. The start of drilling represents the beginning of the final major parcel of work in the development of the Nova field, which is expected to come onstream in the second half of 2022.

The facilities of the major re-development project Njord Future Project are expected to be recommissioned in the first half of 2022.

We achieved several milestones in our development portfolio. Ærfugl and Snorre Expansion have reached first production in the last quarter of 2020. The Ærfugl project started production from phase 1 on time and on budget and bolsters Wintershall Dea's position in this area of the Norwegian Sea. Ærfugl will add an additional five-year economic lifetime to the Skarv production vessel, double the produced amount and significantly reduce the emissions per barrel produced. The Snorre Expansion Project came onstream at the end of 2020 and will extend the productive life of the Snorre field beyond 2040.

Our own-operated Dvalin field achieved first gas at the end of the year; however, due to higher-than-expected mercury concentration in the gas flow, commercial production will be delayed until the second half of 2022.

We secured interests in nine new exploration licences in Norway in January 2020, including three as the operator. In the Awards for Predefined Areas (APA) 2019 licensing round, we received participating interests in one licence in the Barents Sea, four in the Norwegian Sea and four in the North Sea. In the following APA 2020 round we were granted sixteen licences, thereof four as operator, in January 2021.

Northern Europe – The Netherlands/UK/Denmark

Wintershall Noordzee has successfully started gas production at the own-operated Sillimanite field with two production wells in the first half-year 2020. A third well was successfully drilled in the third quarter, and production began in December 2020.

Russia

The execution of the Full Field Development of the Achim Development start-up complex has been launched successfully. Hot commissioning from Area 4A has commenced in January 2021 with full commissioning to commence in second quarter 2021.

Latin America – Mexico

In Mexico, we made significant oil discoveries with our licence partners at the Polok and the Chinwol prospects in Block 29 offshore Mexico. We are planning to commence follow-up drilling in Mexico in 2021.

Middle East/North Africa – Libya

In October 2020, we transferred the operatorship of contract areas 91 (former Concession 96) and 107 (former Concession 97) in the onshore Sirte Basin in Libya to Sarir Oil Operations (SOO), a newly established joint operating company with the National Oil Corporation (NOC).

1. Business environment

According to current estimates by the International Monetary Fund, global economic output in 2020 contracted by approximately -3.5 % compared to an increase of 2.8 % in 2019 as a result of the COVID-19 pandemic. The European Central Bank expects Gross Domestic Product in the Eurozone to have fallen by 7.6 % in 2020, compared to a growth rate of 1.2 % in 2019. Central banks across the world have reacted quickly with record stimulus packages that have averted a deeper recession, and while early signs of economic recovery indicate a more positive outlook than anticipated during the first half of 2020, the ascending path for 2021 and beyond remains uncertain with still unresolved trade conflicts, geopolitical tensions and the ongoing pandemic.

1.1 MACRO FUNDAMENTALS

Oil prices

Average crude oil prices for Brent decreased by 35 % from 64.2 $/bbl in 2019 to 41.8 $/bbl for calendar year 2020.

Global oil prices have declined significantly due to the increase in global supply after the OPEC+ alliance failed to reach an agreement on production curtailments in the first quarter.

In conjunction with the economic slowdown and the resulting demand shock caused by lockdown measures in almost every country, oil prices reached a multi–Decade low in April of below 20 $/bbl. Since that time, Brent prices have recovered to above 50 $/bbl, partially as a result of the OPEC+ agreement for a significant production cut in response to the prevailing volatility in oil prices and the better outlook for the COVID-19 pandemic with more and more vaccines available.

OIL PRICES

$/barrel	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[2]
Average Brent price for the period[1]	41.8	63.8	64.2

[1] Source: Platts
[2] Unaudited like-for-like information for illustrative purposes

Gas prices

During the reporting period, the average TTF prices decreased by 38 % to 3.12 $/mscf compared with 5.03 $/mscf in 2019.

European gas prices have been under significant pressure since the period before the onset of the pandemic due to excess levels of gas production across the globe exacerbated by slowing economic activity around the world. At the onset of the pandemic, TTF prices declined from above 5.0 $/mscf in the first quarter of 2020 to below 1.5 $/mscf in the second quarter of 2020. This decline was magnified by global gas market oversupply resulting in ample LNG deliveries into Western Europe. The decrease in demand followed a historically mild winter season in the northern hemisphere and the resulting high levels of gas storage. A further deterioration in demand from COVID-19 containment measures worsened existing oversupply conditions and pushed prices to historic lows in the first half of 2020. Strong demand in Asia and cold spells in Europe and Japan driving demand in the power and heating sectors going into the winter season, resulted in a price recovery to around 5 $/mscf.

GAS PRICES

$/mscf	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[2]
Average TTF price (month-ahead) for the period[1]	3.12	4.28	5.03

[1] Source: Heren/Argus; FX conversion according to ECB
[2] Unaudited like-for-like information for illustrative purposes

FOREIGN CURRENCY

CLOSING RATES €1 =	31 Dec 2020	31 Dec 2019
Argentinian peso (ARS)	103.16	67.21
Russian rouble (RUB)	91.47	69.96
Norwegian krone (NOK)	10.47	9.86
US dollar (USD)	1.23	1.12

AVERAGE €1 =	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019
Argentinian peso (ARS)	81.05	57.99	53.91
Russian rouble (RUB)	82.72	71.53	72.45
Norwegian krone (NOK)	10.72	9.92	9.85
US dollar (USD)	1.14	1.11	1.12

1.2 REALISED PRICES

	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[2]
Average realised liquids price[1] (in $/bbl)	27.9	38.4	39.6
Northern Europe	36.2	51.4	52.8
Russia[3]	6.4	11.6	12.4
Middle East/North Africa	36.6	59.6	59.3
Latin America	34.8	44.9	46.7
Average realised gas price[1] (in $/mscf)	1.57	2.17	2.29
Northern Europe	3.61	4.11	4.78
Russia[3]	0.42	0.85	0.88
Middle East/North Africa	2.78	3.47	3.52
Latin America	2.03	3.10	3.14

[1] Including commodity price hedge result
[2] Unaudited like-for-like information for illustrative purposes
[3] Includes the deduction of production costs and applicable taxes

Our oil sales are primarily priced against the Brent oil benchmark, with discounts or premia according to the quality of oil sold. Our production of condensate and NGL's in Russia is marketed to Gazprom based on agreed formulas, taking into account market prices and the deduction of relevant costs and taxes.

Our gas sales in North-western Europe are based on the NBP and the TTF. In Russia, the realised prices for production from our projects with Gazprom are based on agreed price formulas. Those formulas reflect a combination of export and domestic prices, including the deduction of transportation costs and relevant production cost and taxes. Our gas production in Argentina is mainly sold in the local market, partially at regulated prices and based partially on $, whereas our gas sales in Egypt are sold through domestic gas contracts.

In the reporting period January–December 2020, our realised liquids price declined by 10.5 $/bbl from 38.4 $/bbl to 27.9 $/bbl (27 %), compared to a decline in Brent prices of 34 % compared to the period May–December 2019.

Our realised gas price declined by 0.60 $/mscf from 2.17 $/mscf to 1.57 $/mscf (28 %). TTF declined by 27 % compared to the period May–December 2019.

Our realised liquids price declined by 11.7 $/bbl from 39.6 $/bbl to 27.9 $/bbl (30 %) compared to the period January–December 2019. This decline is slightly lower to the decline of Brent prices (-35 %), mainly due to the favourable contribution of our oil hedges. Our realised gas prices declined by 0.72 $/mscf from 2.29 $/mscf to 1.57 $/mscf (31 %) compared to the period January–December 2019. Due to the price mix in the Group, the decline in our realised prices was lower than the decline in TTF (-38 %).

2. Operational performance

2.1 PRODUCTION

NATURAL GAS (mboe/d)[1]	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[2]
Northern Europe	109	104	105
Russia	235	229	234
Middle East/North Africa	37	42	39
Latin America	65	68	67
	446	**443**	**445**

LIQUIDS (mboe/d)[1]	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[2]
Northern Europe	97	94	95
Russia	60	55	56
Middle East/North Africa[3]	11	13	12
Latin America	9	10	9
	177	**172**	**172**

TOTAL PRODUCTION (mboe/d)[1]	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[2]
Northern Europe	206	198	201
Russia	295	284	289
Middle East/North Africa[3]	48	55	51
Latin America	74	78	76
	623	**615**	**617**

[1] mboe/d – thousand barrel of oil equivalent per day/on working interest basis including proportional production from at equity-accounted companies
[2] The unaudited period comprises production for Wintershall Dea Group on a like-for-like basis for illustrative purposes (aggregating production for Wintershall Group for January–April 2019, the production for Dea Group for January–April 2019 and the production for Wintershall Dea Group for May–December 2019) on a working interest basis; including proportional production from at equity-accounted companies
[3] Excluding Libya onshore

In the reporting period January–December 2020, the Group's daily production averaged 623 mboe/d, of which gas was 446 mboe/d and liquids 177 mboe/d, representing an increase of 8 mboe/d compared to the period May–December 2019. Gas production increased by 3 mboe/d (1 %), and the production of liquids increased by 5 mboe/d (3 %). Higher production in Northern Europe and Russia were only partially offset by a reduction in demand in Argentina, maintenance and workover activities in Mexico and lower production in Egypt.

Compared to the period January–December 2019, total production increased by 6 mboe/d (1 %). This is mainly due to the commencement of production in a number of new fields primarily in Norway and Russia and higher production of liquids in Russia and Northern Europe. Gas production remained stable: higher gas production from new developments was compensated by lower demand in Latin America and lower production in Middle East/North Africa.

2.2 ADDITIONAL INFORMATION REGARDING RESERVES

The Wintershall Dea Group provides updates of the Group's reserves and resources once a year. Reserves as at 31 December 2018, 31 December 2019 and 31 December 2020 were internally estimated by educated and trained Wintershall Dea engineers. These estimates are subject to an annual internal reserves control process, which is carried out by an internal corporate team of experts. Additionally, c. 100 % of our total reserves and economically viable contingent resources are regularly reviewed and were subject to an independent evaluation by external engineers for the reporting periods of 2019 and 2020. The volumes of reserves and contingent resources are reported on a working interest level. The net entitlement in assets with production sharing agreement might be lower. Reserves and contingent resources are evaluated and classified in accordance with the Petroleum Resources Management System (PRMS) of the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC) and others, which Wintershall Dea will apply as well in future, as follows:

1P reserves, or 'proved reserves', are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 % probability that the quantities actually recovered will equal or exceed the estimate.

2P reserves, or 'proved plus probable reserves', are 1P reserves plus those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than 1P reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the estimated 2P reserves. In this context, when probabilistic methods are used, there should be at least a 50 % probability that the actual quantities recovered will equal or exceed the 2P reserves estimate.

2C resources or 'contingent resources' are those quantities of petroleum that have been estimated on a given date to be potentially recoverable from known accumulations by application of development projects. They are not however currently considered to be commercially recoverable owing to one or more contingencies of the same technical confidence as proved plus probable but not commercially matured to reserves. It is equally likely that actual remaining quantities recovered will be greater or less than than the estimated 2C resources. In this context, when probabilistic methods are used, there should be at least a 50 % probability that the actual quantities recovered will be equal to or exceed the 2C resources estimate.

As at 31 December 2020, the Wintershall Dea Group had 2P reserves of 3,554 million barrels of oil equivalent, which corresponds to c. 93 % of the reserves reported as at 31 December 2019. Due to the impact of the COVID-19 pandemic, the project maturation was reduced and could only partially compensate produced volumes. The undeveloped reserves base amounted to 1,766 million barrels of oil equivalent.

In Northern Europe, reserves decline was driven by produced volumes and reserves revisions, which were only partially compensated by discoveries. The reserves accounted for c. 90 % compared to the previous year. In Norway, we expanded our 2C resources by the Bergknapp and Iving discoveries.

In Russia, the produced reserves were partially replenished by reserves revisions in Achimgaz (Urengoyskoye Area 1A) and further maturation of Yuzhno-Russkoye reservoirs, resulting in an overall reduction of our 2P reserves to c. 97 % of last year's figure.

In the MENA region, our 2P reserves decreased to c. 87 % compared to volumes as at 31 December 2019, mainly due to reserves revisions related to the Gulf of Suez and Raven fields.

In Latin America, the reserves base declined to c. 84 % compared to volumes as at 31 December 2019 due to stable production and revisions in the Ogarrio field in Mexico.

In 2020, the Group's reserves decline due to produced volumes was only partially compensated by organic reserves additions. The reserve replacement ratio was therefore -19 % for 2P reserves and -1 % for 1P reserves, respectively. Our economically viable 2C resources as at 31 December 2020 amounted to 2,103 million barrels of oil equivalent.

The Group's 1P reserves life is 12 years and 2P reserves life around 16 years.

2P RESERVES[1]

GAS IN MILLION boe	Northern Europe	Russia	MENA[2]	LATAM	Group Total	Developed	Undeveloped
2P reserves as at 31 Dec 2020	406	1,713	205	183	2,507	1,300	1,207
Thereof equity-accounted companies	6	646	0	0	653	364	289
Revisions and other changes	-16	29	-15	-4	-7	–	–
Maturation and discoveries	4	0	0	0	4	–	–
Purchase/sale of reserves	0	0	0	0	0	–	–
Production	-40	-86	-14	-24	-163	–	–
2P reserves as at 31 Dec 2019	459	1,770	233	211	2,673	–	–
Thereof equity-accounted companies	8	674	0	0	682	–	–
Revisions and other changes	40	9	-23	6	32	–	–
Maturation and discoveries	13	0	111	0	124	–	–
Purchase/sale of reserves	-1	0	0	0	-1	–	–
Production	-38	-85	-14	-24	-162	–	–
2P reserves as at 31 Dec 2018[3]	445	1,846	159	230	2,680	–	–
Thereof equity-accounted companies	11	745	0	0	756	–	–

[1] 2P reserves (proved plus probable reserves) are inclusive of 1P reserves (proved reserves), some figures might not sum up properly due to rounding
[2] Excluding Libya onshore
[3] Wintershall Group and Dea Group combined

LIQUIDS IN MILLION boe	Northern Europe	Russia	MENA[2]	LATAM	Group Total	Developed	Undeveloped
2P reserves as at 31 Dec 2020	414	442	162	30	1,048	489	559
Thereof equity-accounted companies	0	1	0	0	1	0	0
Revisions and other changes	-8	0	-23	-11	-41	–	–
Maturation and discoveries	0	0	0	0	0	–	–
Purchase/sale of reserves	0	0	0	0	0	–	–
Production	-35	-22	-4	-3	-65	–	–
2P reserves as at 31 Dec 2019	457	463	189	44	1,153	–	–
Thereof equity-accounted companies	12	2	0	0	14	–	–
Revisions and other changes	15	-16	2	9	10	–	–
Maturation and discoveries	29	0	149	0	178	–	–
Purchase/sale of reserves	0	0	0	0	0	–	–
Production	-35	-20	-4	-3	-63	–	–
2P reserves as at 31 Dec 2018[3]	448	499	42	38	1,027	–	–
Thereof equity-accounted companies	9	8	0	0	18	–	–

[1] 2P reserves (proved plus probable reserves) are inclusive of 1P reserves (proved reserves), some figures might not sum up properly due to rounding
[2] Excluding Libya onshore
[3] Wintershall Group and Dea Group combined

TOTAL IN MILLION boe	Northern Europe	Russia	MENA[2]	LATAM	Group Total	Developed	Undeveloped
2P reserves as at 31 Dec 2020	820	2,155	367	212	3,554	1,789	1,766
Thereof equity-accounted companies	7	647	0	0	653	364	289
Revisions and other changes	-24	29	-38	-15	-47	–	–
Maturation and discoveries	4	0	0	0	4	–	–
Purchase/sale of reserves	0	0	0	0	0	–	–
Production	-75	-108	-18	-27	-228	–	–
2P reserves as at 31 Dec 2019	916	2,234	423	254	3,826	–	–
Thereof equity-accounted companies	20	676	0	0	696	–	–
Revisions and other changes	55	-6	-21	14	43	–	–
Maturation and discoveries	42	0	261	0	303	–	–
Purchase/sale of reserves	-1	0	0	0	-1	–	–
Production	-73	-106	-19	-28	-225	–	–
2P reserves as at 31 Dec 2018[3]	893	2,345	201	268	3,707	–	–
Thereof equity-accounted companies	20	753	0	0	774	–	–

[1] 2P reserves (proved plus probable reserves) are inclusive of 1P reserves (proved reserves), some figures might not sum up properly due to rounding
[2] Excluding Libya onshore
[3] Wintershall Group and Dea Group combined

2.3 CAPEX[1]

€ million	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[2]
Northern Europe	-1,036	-791	-1,071
Russia	-12	-28	-35
Middle East/North Africa	-151	-194	-311
Latin America	-33	-42	-73
Midstream	–	0	0
Other	-5	-2	-4
Total	**-1,237**	**-1,057**	**-1,494**

[2] Unaudited like-for-like information for illustrative purposes

The Wintershall Dea Group set ambitious targets to cut production and development expenditures and net exploration expenditures as a response to the 2020 external environment. Therefore, the capital expenditures amounted to €1,237 million for the period January–December 2020 compared with €1,057 million in the period May–December 2019. Compared to the period January–December 2019, CAPEX decreased by €257 million.

The majority of the capital expenditures was directed to Northern Europe, largely for development projects such as Nova, Dvalin, Njord and Ærfugl/Skarv in Norway. It also included the Raven field in the Egyptian West Nile Delta project which went into commissioning at the beginning of 2021.

[1] Voluntary disclosure

2.4 NET EXPLORATION EXPENDITURES

€ million	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[1]
Exploration CAPEX	-31	-107	-182
Northern Europe	-30	-69	-127
Russia	–	–	–
Middle East/North Africa	–	-10	-18
Latin America	-1	-28	-37
Other	–	–	–
Exploration expenses	-181	-148	-211
Northern Europe	-125	-71	-100
Russia	–	–	–
Middle East/North Africa	-4	-1	1
Latin America	-44	-77	-117
Other	-8	1	5
Adjusted for dry well costs from prior years	23	37	45
Adjusted for gains/losses from disposal of exploration assets	45	4	5
Proceeds from disposal of exploration assets	17	22	22
Adjusted for changes in provisions	-27	-47	-72
Total	**-154**	**-239**	**-393**

[1] Unaudited like-for-like information for illustrative purposes

Net exploration expenditures comprise capitalised exploration, exploration expenses as shown in the consolidated statements of income, adjusted for exploration expenses for prior-year dry well costs, adjusted for gains/losses from disposal of exploration assets, adding proceeds from the disposal of non-current exploration assets and adjusted for changes in provisions.

In the reporting period January–December 2020 exploration activities in total of €31 million were capitalised. These expenditures relate to thirteen wells drilled in Northern Europe and Latin America. Seven out of eleven drilled wells were successful, which make a success rate of 64 %. Two wells were not yet completed as at the balance sheet date. Exploration expenses included expenses for the acquisition of seismic data, licence fees, changes in provisions for outstanding work programmes and expenses for dry well costs.

In the reporting period January–December 2020 exploration expenses increased by €33 million or 22 %, to €181 million compared to €148 million in the period May–December 2019, mainly due to the different duration of reporting and comparison periods and higher losses from the disposal of assets and relinquishment of licences.

This was partially offset by lower geophysical survey and seismic costs due to shifted seismic campaigns and lower dry well costs. The dry well costs included costs for 4 wells in Latin America and Northern Europe (comparison period: 8 wells).

Compared to the period January–December 2019, exploration expenses decreased by €30 million, or 14 %, to €181 million. This is mainly due to reduced exploration activity, partially compensated by higher expenses related to licence relinquishments.

Net exploration expenditures decreased by €85 million in the reporting period January–December 2020 compared to the period May–December 2019. This is mainly due to the reduction of exploration expenditures as a response to the decline in commodity prices.

Compared to the period January–December 2019, exploration expenditures decreased by €239 million, mainly due to the reduction of the exploration budget.

3. Financial performance

CONSOLIDATED STATEMENT OF INCOME

€ million	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[1]
Sales revenues gas and oil	3,314	2,932	4,664
Sales revenues midstream	–	121	194
Sales revenues other	328	219	401
Net income from equity-accounted investments: gas and oil	-14	12	29
Net income from equity-accounted investments: midstream	196	70	114
Other operating income	68	519	528
	3,892	**3,873**	**5,930**
Production and operating expenses	-1,863	-1,298	-2,095
Production and similar taxes	-94	-110	-177
Depreciation and amortisation	-1,438	-1,053	-1,485
Net impairment on assets	-1,152	-298	-1,579
Cost of sales midstream	-	-19	-29
Exploration expenses	-181	-148	-211
General and administrative expenses	-277	-206	-694
	-1,113	**741**	**-340**
Financial income	220	107	167
Financial expenses	-445	-247	-314
	-225	**-140**	**-147**
Net income/loss (–) before taxes	**-1,338**	**601**	**-487**
Income taxes	499	-286	-186
Net income/loss (–)	**-839**	**315**	**-673**

[1] Unaudited like-for-like information for illustrative purposes

3.1 COMPARISON OF JANUARY–DECEMBER 2020 TO MAY–DECEMBER 2019

EBITDAX

Revenues and other operating income

Sales revenues gas and oil increased by €382 million, or 13 %, to €3,314 million, compared with €2,932 million in the May–December 2019 period. The effect of a longer reporting period was partially offset by significantly lower commodity prices: the realised price for liquids declined by 27 %, and the realised gas price declined by 30 %. Trading revenues amounted to €688 million in the reporting period, compared to €615 million in the period of May–December 2019.

Commodity hedges for oil and gas accounted for €80 million of revenues compared to a positive hedge effect of €38 million in the prior-year period.

After the change in the consolidation method for the WIGA Group in December 2019, revenues from midstream are no longer reported under revenues. This change was offset by the increase in net income from equity-accounted investments midstream, which includes the whole WIGA Group from December 2019 onwards.

The other sales revenues increased by €109 million to €328 million mainly due to the increase of construction services related to the General Contracting Agreement with Achim Development for Achimov 4 and 5.

This was partially compensated by a decrease in pipeline transport fees due to the sale of our shares in Polarled by the end of 2019 and a decrease in Egyptian and Libyan profit taxes.

Other operating income, which comprises mainly income from divestments, a government grant in Argentina and a gain from the settlement of a fixed price contract in Norway, decreased by €451 million as the comparison period had largely consisted of a gain from the change in the consolidation method for WIGA Group (€385 million) and the divestiture of subsidiaries (€42 million).

Production and operating expenses

Production and operating expenses increased by €565 million or 44 %, to €1,863 million compared with €1,298 million in the period May–December 2019, mainly due to the different duration of reporting and comparison periods. The cost for trade goods increased in parallel to the revenues from trading from €561 million in the comparison period to €621 million in the reporting period. The other cost of sales increased in the period January–December 2020, mainly due to higher construction volumes and drilling activities in Achimov 4 and 5.

PRODUCTION COSTS PER boe (€/boe)	Jan–Dec 2020	May–Dec 2019
Northern Europe	6.2	5.4
Russia	0.4	0.7
Middle East/North Africa	4.9	3.2
Latin America	3.1	3.6
Total	**3.7**	**3.7**

Overall specific production cost remained stable at 3.7 €/boe. The reporting period includes a one-off provision of €44 million for pre-merger commercial settlement with a third party. Excluding this one-time operating expense, the underlying production costs would have been €3.5/boe for the reporting period January–December 2020. This is mainly due to a combination of efficiency drives as well as portfolio measures.

General and administrative expenses

General and administrative expenses amounted to €277 million, a 34 % increase compared to €206 million in the comparison period. The increase was mainly due to the effect of the longer reporting period and higher integration cost, partially compensated by a release of restructuring provisions.

Reconciliation of EBITDAX

€ million	Jan–Dec 2020	May–Dec 2019
Sales revenues gas and oil	3,314	2,932
adjusted for unrealised changes in fair value of commodity derivatives	6	-23
Sales revenues midstream	-	121
Sales revenues other	328	219
Net income from equity-accounted investments: gas and oil	-14	12
adjusted for impairment and reversal of impairment on assets in the results of the equity-accounted investments (after tax)	–	–
Net income from equity-accounted investments: midstream	196	70
adjusted for impairment and reversal of impairment on assets in the results of the equity-accounted investments (after tax)	–	–
Other operating income	68	519
adjusted for gains from sale of assets/changes in consolidation scope	-5	-473
Production and operating expenses	-1,863	-1,298
adjusted for impairment/write-offs and reversal of impairment on operating receivables	13	-24
adjusted for losses from sale of assets	3	56
adjusted for non-recurring items (merger-related costs, acquisition costs, etc.)	0	-3
Production and similar taxes	-94	-110
Cost of sales midstream	–	-19
General and administrative expenses	-277	-206
adjusted for impairment/write-offs and reversal of impairment on operating receivable	0	0
adjusted for losses from sale of assets/in consolidation scope	1	1
adjusted for non-recurring items (merger-related costs, acquisition costs, etc.)[1]	-33	4
EBITDAX	**1,643**	**1,778**

[1] Included mainly the reversal of restructuring provisions (€86 million), which was partially offset by €53 million in integration cost

In the reporting period, EBITDAX declined by 8 % compared to the period May–December 2019. The higher sales revenues gas and oil (€+382 million, mainly caused by the longer reporting period and partially offset by lower commodity prices) were offset by a steeper increase in production and operating expenses (€+565 million).

The reduction in operational expenditures lagged the decline in commodity prices, as is usual. General and administration expenses – net of special items – increased as well (€+108 million), mainly caused by the longer reporting period.

EBITDAX per segment

€ million	Jan–Dec 2020	May–Dec 2019
Northern Europe	1,039	1,051
Russia	239	245
Middle East/North Africa	105	192
Latin America	200	222
Midstream	193	170
Other	-133	-102
Total	**1,643**	**1,778**

ADJUSTED NET INCOME

€ million	Jan–Dec 2020	May–Dec 2019
EBITDAX	1,643	1,778
Depreciation and amortisation	-1,438	-1,053
Exploration expenses	-181	-148
adjusted for gains/losses from sale of assets	45	4
Financial income	220	107
Financial expense	-445	-247
adjusted for impairment/write-offs and reversal of impairment on financial receivables	92	-1
Income taxes	499	-286
adjusted for taxes on adjusted and disregarded items	-240	7
Adjusted net income	**195**	**161**

Adjusted net income is a non-GAAP financial measure and derived from EBITDAX less depreciation and amortisation, less exploration expenses, plus financial income, less financial expenses and less income taxes, adjusted for special items as well as tax effects on adjusted special items or not considered items (e. g. impairments on assets).

The definition of adjusted net income has been amended in the fourth quarter 2020. Consequently, the presented prior-year figures are amended accordingly, and adjusted net income replaces net result as a measure for profit and loss in the segment reporting.

Depreciation and amortisation

Depreciation and amortisation amounted to €1,438 million in the reporting period January–December 2020. This is an increase by 37 % compared to €1,053 million in the period May–December 2019, mainly due to the effect of the longer reporting period, partially offset by adjustments on reserves in Northern Europe and effects from foreign currency translation.

Exploration expenses

Exploration expenses increased by €33 million or 22 %, to €181 million compared to €148 million in the period May–December 2019[1].

[1] More information on exploration expenses can be found on page 93f.

Financial result

The financial result amounted to €-225 million, a decrease of 61 % compared to May–December 2019. In addition to the effect of the longer period from the different duration of reporting and comparison periods, this was mainly due to the development of the foreign currency exchange result and impairments on financial receivables.

Net gains from financial derivatives improved by €68 million to €92 million compared to a net gain from derivatives of €24 million in the comparison period May–December 2019. In addition, the net interest result increased by €76 million to €83 million compared to a net interest result of €7 million in the comparison period. This increase relates to a higher interest income from loans to other parties and a decrease in interest expenses primarily as a result of refinancing the bridge financing (€8 million), lower overnight draft facilities in Argentina (€14 million) and the increase of the capitalised borrowing costs in the reporting period to €41 million (comparison period: €24 million). Furthermore, the comparison period was impacted by amortised arrangement fees (€10 million) for Facility A of the Syndicated Facilities Agreement, which was fully repaid in September 2019. These effects were more than offset by an increase in net foreign currency exchange losses of €133 million to €261 million compared to net losses in the comparison period of €128 million. The reporting period was also impacted by an impairment of €91 million on a shareholder loan to a Dutch equity-accounted investment that was fully impaired in the reporting period.

Income taxes

In the reporting period January–December 2020, the loss before taxes amounted to €1,338 million (comparison period: income of €601 million). In the reporting period, the Wintershall Dea Group incurred total tax income of €499 million (comparison period: expense of €286 million). The effective tax rate in the reporting period amounted to 37 % (comparison period: 48 %). The tax income in the reporting period mainly results from losses in the Norwegian group company and from temporary changes in the Norwegian petroleum tax system due to the COVID-19 pandemic. The changes include an increase of the uplift allowance to 24 % for investments and the direct tax expense of both uplift allowance and capital expenditures in the special petroleum tax regime in 2020 and 2021. In addition, Norwegian tax authorities granted cash refunds for the tax value of losses. Moreover, changes in deferred taxes in Norway due to the impact of the foreign exchange rate for the NOK-based tax asset base and the capitalisation of deferred tax assets for tax losses carried forward in Germany affected the tax income in the reporting period.

Adjusted net income

The adjusted net income in the reporting period January–December 2020 amounted to €195 million, an increase of 21 % compared with the period May–December 2019. In contrast, the net income/loss amounted to a loss of €839 million in the reporting period compared to income of €315 million in the comparison period. Net impairments on assets are part of the net income but not included in the calculation of the adjusted net income. For the reporting period, net impairment losses amounted to €1,152 million. The net impairments on property, plant and equipment, other intangible assets and exploration assets related to producing and development assets and acquisition costs of concession in Middle East/North Africa (€564 million), producing and development assets, acquisition costs of concession and exploration wells in Northern Europe (€337 million), as well as to acquisition costs of concessions in Latin America (€158 million). The goodwill allocated to the cash-generating units Egypt and Denmark was fully impaired (€27 million and €26 million). Moreover, the net impairments on assets included impairments on investments valued at equity in the Netherlands (€23 million) and Russia (€17 million).

The impairments recognised in June were mainly triggered by revised commodity price assumptions as well as reduced reserve expectations for the West Nile Delta development in Egypt. The net impairments recognised in December were the result of updated operational assumptions from the latest business plan.

3.2 COMPARISON OF JANUARY–DECEMBER 2020 TO JANUARY–DECEMBER 2019

EBITDAX

Revenues and other operating income

Compared to the period January–December 2019, the sales revenues gas and oil decreased by €1,350 million, or 29 %, to €3,314 million. This decline was primarily a result of significantly lower commodity prices: the realised price for liquids declined by 30 % and the realised gas price declined by 33 %. Trading revenues decreased by €362 million, mainly due to lower commodity prices.

After the change in the consolidation method for the WIGA Group in December 2019, revenues from midstream are no longer reported under revenues. This change was partially offset by the increase in net income from equity-accounted investments midstream due to the fact that from the change in the consolidation method onwards the equity consolidation includes the whole WIGA Group.

The other sales revenues decreased by €73 million, mainly due to a decrease of €38 million in pipeline transport fees in Norway resulting from the sale of our share in Polarled by the end of 2019 and due to a decrease of €26 million in profit taxes in Libya and Egypt.

Other operating income decreased significantly compared to the period January–December 2019, mainly due to the gain from the change in the consolidation method for WIGA Group (€385 million).

Production and operating expenses

Production and operating expenses decreased by €232 million, or 11 %, to 1,863 million. This is mainly due to lower trading cost, which declined by €365 million in parallel to the trading revenues. In contrast, the other cost of sales increased by €136 million mainly due to higher construction volumes and drilling activities in Achimov 4 and 5.

PRODUCTION COSTS PER boe (€/boe)	Jan–Dec 2020	Jan –Dec 2019[1]
Northern Europe	6.2	5.9
Russia	0.4	0.5
Middle East/North Africa	4.9	3.5
Latin America	3.1	3.5
Total	**3.7**	**3.8**

[1] Unaudited like-for-like information for illustrative purposes

Overall, specific production cost remained stable year-on-year. The efficiency increases were compensated by an adverse FX effect and additions to a provision.

The reporting period includes a one-off provision of €44 million for a pre-merger commercial settlement with a third party. Excluding this one-time operating expense, the underlying production costs would have been €3.5/boe for the reporting period January–December 2020.

General and administrative expenses

Compared to the reporting period January–December 2019, general and administrative expenses decreased significantly by €417 million. This is mainly related to restructuring provisions: the comparison period included additions to restructuring provisions of €273 million, whereas the reporting period comprises a release of €86 million. In addition, the comparison period included change of control fees of €40 million.

Reconciliation of EBITDAX

€ million	Jan–Dec 2020	Jan–Dec 2019[1]
Sales revenues gas and oil	3,314	4,664
adjusted for unrealised changes in fair value of commodity derivatives	6	-27
Sales revenues midstream	–	194
Sales revenues other	328	401
Net income from equity-accounted investments: gas and oil	-14	29
adjusted for impairment and reversal of impairment on assets in the results of the equity-accounted investments (after tax)	–	–
Net income from equity-accounted investments: midstream	196	114
adjusted for impairment and reversal of impairment on assets in the results of the equity-accounted investments (after tax)	–	–
Other operating income	68	528
adjusted for gains from sale of assets/changes in consolidation scope	-5	-473
Production and operating expenses	-1,863	-2,095
adjusted for impairment/write-offs and reversal of impairment on operating receivables	13	-22
adjusted for losses from sale of assets	3	56
adjusted for non-recurring items (merger-related costs, acquisition costs, etc.)	0	-3
Production and similar taxes	-94	-177
Cost of sales midstream	–	-29
General and administrative expenses	-277	-694
adjusted for impairment/write-offs and reversal of impairment on operating receivable	0	0
adjusted for losses from sale of assets/changes in consolidation scope	1	-21
adjusted for non-recurring items (merger-related costs, acquisition costs, etc.)[2]	-33	356
EBITDAX	**1,643**	**2,801**

[1] Unaudited like-for-like information for illustrative purposes
[2] Included mainly the reversal of restructuring provisions (€86 million), which was partially offset by €53 million in integration costs

Compared to the period January–December 2019, EBITDAX declined by €1,158 million, or 41 %, to €1,643 million. This is mainly related to the lower commodity prices resulting in a decline in sales revenues gas and oil of €1,350 million (-29 %). This could only be partially compensated by lower EBITDAX-relevant production and operating expenses, which declined by €217 million, or 11 %. In addition, general and administrative expenses net of non-recurring effects declined by €50 million, thus also dampening the effect of the lower commodity prices.

EBITDAX per segment

€ million	Jan–Dec 2020	Jan–Dec 2019[1]
Northern Europe	1,039	1,810
Russia	239	462
Middle East/North Africa	105	240
Latin America	200	325
Midstream	193	275
Other	-133	-311
Total	**1,643**	**2,801**

[1] Unaudited like-for-like information for illustrative purposes

Adjusted net income

€ million	Jan–Dec 2020	Jan–Dec 2019[1]
EBITDAX	1,643	2,801
Depreciation and amortisation	-1,438	-1,485
Exploration expenses	-181	-211
adjusted for gains/losses from sale of assets	45	4
Financial income	220	167
Financial expense	-445	-314
adjusted for impairment/write-offs and reversal of impairment on financial receivables	92	-9
Income taxes	499	-186
adjusted for taxes on adjusted and disregarded items	-240	-255
Total	**195**	**512**

[1] Unaudited like-for-like information for illustrative purposes

Depreciation and amortisation

Compared to the period January–December 2019, depreciation and amortisation remained nearly unchanged at €1,438 million (2019: €1,485 million).

Exploration expenses

Compared to the period January–December 2019, exploration expenses decreased by €30 million, or 14 %, to €181 million.[1]

Financial result

Compared to the period January–December 2019, the financial result decreased by €78 million to €-225 million. Higher FX losses and the impairment of a shareholder loan to a Dutch equity-accounted investment were partially compensated by higher interest income, higher net gains from derivatives and lower interest expenses after the capitalisation of borrowing costs.

Income taxes

In the reporting period January–December 2020, the loss before taxes amounted to €1,338 million (January–December 2019: loss before taxes €487 million). In the reporting period, the Wintershall Dea Group incurred total tax income of €499 million (January–December 2019: expense of €186 million).

Adjusted net income

Compared to the period January–December 2019, adjusted net income decreased by €317 million to €195 million, mainly due to lower commodity prices. Net impairment on assets are part of net income but are not included in the calculation of adjusted net income. Overall, net impairments on assets decreased by €427 million, or 27 %, to €1,152 million (January–December 2019: €1,579 million).

3.3 Financial position

Wintershall Dea's financial strategy aims to provide a long-term balance between shareholder returns and profitable growth while maintaining a conservative financial profile and balance sheet strength through the commodity price cycle. The Group works to ensure financial stability through its long-term commitment to its investment-grade credit rating. The Group's capital allocation framework prioritises cash as follows: (i) maintenance capital to sustain production, (ii) balance sheet strength and maintaining investment-grade credit rating, (iii) shareholder dividends and (iv) profitable organic/inorganic growth.

[1] More information on exploration expenses can be found on page 93f.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	Jan–Dec 2020	May–Dec 2019	Jan–Dec 2019[1]
Net income/loss (–)	**-839**	**315**	**-673**
Amortisation/depreciation/impairment losses/ reversal of impairment losses	2,631	1,378	3,123
Changes in provisions	-139	-214	137
Changes in deferred taxes	112	196	-104
Gains (–)/losses from disposal of non-current assets	67	54	34
Gains (–)/losses from deconsolidation	–	-427	-427
Other non-cash income/expenses	-138	-135	-226
Changes in working capital	-143	51	159
Changes in other balance sheet items	53	-103	-157
Cash flow from operating activities	**1,604**	**1,115**	**1,866**
Payments for intangible assets, property, plant and equipment and investment property	-1,268	-1,164	-1,676
Payments for acquisitions	-11	–	-740
Payments for equity-accounted investments	-124	–	–
Proceeds from the disposal of non-current assets/divestures	106	307	308
Payments for financial receivables	-185	-170	-308
Proceeds from financial receivables	132	–	–
Cash flow from investing activities	**-1,350**	**-1,027**	**-2,416**
Dividend payment to shareholder (preferred shares)	-57	–	–
Payments to shareholders from capital reserves	–	-1,400	-1,173
Distribution to non-controlling interests	–	-52	-52
Proceeds from shareholder loans	–	–	4,789
Repayments of shareholder loans	–	-242	-6,679
Proceeds from bonds	–	3,986	3,986
Proceeds from debt to banks	28	3,393	7,667
Repayments of debt to banks	-28	-5,657	-7,255
Change in financial liabilities (related parties)	-91	-328	-419
Repayment of lease liabilities	-67	-41	-60
Cash flow from financing activities	**-215**	**-341**	**804**
Change in cash and cash equivalents	**39**	**-253**	**254**
Effects of foreign exchange rates changes, consolidation-related changes and other changes in value	-32	178	341
Cash and cash equivalents at beginning of reporting period	**814**	**889**	**219**
Cash and cash equivalents at end of reporting period	**821**	**814**	**814**

[1] Unaudited like-for-like information for illustrative purposes

COMPARISON OF JANUARY–DECEMBER 2020 TO MAY–DECEMBER 2019

€ million	Jan–Dec 2020	May–Dec 2019
Cash flow from operating activities	1,604	1,115
Cash flow from investing activities	-1,350	-1,027
Cash flow from financing activities	-215	-341
Change in cash and cash equivalents	**39**	**-253**

Cash flow from operating activities

Cash flow from operating activities increased by €489 million from €1,115 million in the comparison period to €1,604 million in the reporting period. This increase was primarily due to income tax benefits mainly due to cash refunds for the tax value of losses plus tax refunds for prior years from Norwegian tax authorities (cash inflow of €557 million versus cash outflow of €215 million in the comparison period) and higher dividends received from equity-accounted investments (cash inflow of €213 million compared to €110 million in 2019).

Cash flow from investing activities

Cash flow from investing activities, which includes capital expenditures, acquisitions, payments for financial receivables and proceeds from divestments and disposals, amounted to €-1,350 million in the reporting period compared to €-1,027 million in the comparison period. The increase was mainly due to higher capital expenditures (€104 million) and lower proceeds from disposals and divestures (€201 million).

Cash flow from financing activities

Cash flow from financing activities amounted to €-215 million in the reporting period, compared with €-341 million in May–December 2019. Cash flow from financing activities in the reporting period reflects mainly the decrease in liabilities from cash pooling with related parties – mostly impacted by the lower cash pooling of WIGA (€-78 million) – and the repayment of lease liabilities (€-67 million) and a dividend payment on preferred shares (€-57 million). The cash flow from financing activities in the comparison period reflected payments to shareholders from capital reserves, the repayment of shareholder loans and net repayment of debt to banks, offset by proceeds from bonds after the refinancing in the course of the merger with Dea.

€ million	Jan–Dec 2020	May–Dec 2019
Cash flow from operating activities	1,604	1,115
Cash flow from investing activities	-1,350	-1,027
less payments for acquisitions	11	0
less proceeds from the disposal of non-current assets/divestures	-106	-307
Free cash flow	**159**	**-219**

COMPARISON OF JANUARY–DECEMBER 2020 TO JANUARY–DECEMBER 2019

€ million	Jan–Dec 2020	Jan–Dec 2019[1]
Cash flow from operating activities	1,604	1,866
Cash flow from investing activities	-1,350	-2,416
Cash flow from financing activities	-215	804
Change in cash and cash equivalents	**39**	**254**

[1] Unaudited like-for-like information for illustrative purposes

Cash flow from operating activities

Compared to the period January–December 2019, the cash flow from operating activities decreased by €262 million. This was mainly due to the impact of the lower commodity prices and higher integration and restructuring costs which were partially compensated by cash tax refunds arising from temporary changes in Norwegian tax legislation.

Cash flow from investing activities

Compared to the period January–December 2019, cash flow from investing activities declined by €1,066 million, or 44 %, to a cash outflow of €-1,350 million. This reflects a decrease in capital expenditures (€408 million) and lower payments for acquisitions (€729 million). This was partially compensated by lower proceeds from divestments and disposals (€-202 million).

Cash flow from financing activities

Cash flow from financing activities amounted to €-215 million in the reporting period compared with €804 million for the period January–December 2019. Cash flow from financing activities in the reporting period reflected mainly the decrease in liabilities from cash pooling with related parties – mostly impacted by the lower cash pooling of WIGA – and the repayment of lease liabilities and a dividend payment on preferred shares. In the comparison period, the cash flow from financing activities comprised payments to shareholders from capital reserves, repayment of shareholder loans, proceeds from the issuance of notes, changes in debt to banks and changes in financial liabilities to related parties.

€ million	Jan–Dec 2020	Jan–Dec 2019[1]
Cash flow from operating activities	1,604	1,866
Cash flow from investing activities	-1,350	-2,416
less payments for acquisitions	11	740
less proceeds from the disposal of non-current assets	-106	-308
Free cash flow	**159**	**-118**

[1] Unaudited like-for-like information for illustrative purposes

3.4 Net assets

BALANCE SHEET OF THE WINTERSHALL DEA GROUP

€ million	31 Dec 2020	31 Dec 2019
Intangible assets	5,629	7,082
Tangible assets	8,776	9,932
Equity-accounted investments	2,671	2,685
Financial receivables	1,127	1,064
Other assets/receivables	315	308
Non-current assets	**18,518**	**21,071**
Financial receivables	141	181
Trade and other receivables	908	1,227
Other current assets	1,410	1,181
Current assets	**2,459**	**2,589**
Assets	**20,977**	**23,660**

Non-current assets amounted to €18,518 million as at 31 December 2020, or 88 % of total assets. Compared to €21,071 million as at 31 December 2019, non-current assets decreased by €2,553 million, or 12 %.

Intangible assets amounted to €5,629 million (31 December 2019: €7,082 million). Goodwill decreased by €282 million to €2,298 million as a result of foreign currency translation effects as well as impairments in Egypt and Denmark. Exploration assets amounted to €642 million, a decrease of €935 million compared to the previous year. The main drivers were the reclassification of exploration assets into other intangible assets and property, plant and equipment after certain projects went from the exploration to the pre-development phase, impairments (€144 million) and foreign currency translation effects. Amortisation, impairments (€271 million) and translation effects of other intangible assets exceeded additions and the reclassification from exploration assets by €236 million; overall, other intangible assets amounted to €2,689 million.

Tangible assets decreased by €1,156 million and amounted to €8,776 million. Depreciation and net impairments on property, plant and equipment and investment property assets exceeded additions for 2020 by €626 million. In addition, the foreign currency translation effect impacted the overall amount.

By contrast, the financial receivables and other assets/receivables increased as of 31 December 2020 by €70 million, or 5 %, to €1,442 million (31 December 2019: €1,372 million). Financial receivables and other assets/receivables include the non-current other financial assets, derivative instruments, other receivables and deferred taxes. The increase was mainly due to higher loans to third parties and higher FX derivatives.

Current assets decreased by 5 % compared to 31 December 2019 and amounted to €2,459 million as at 31 December 2020.

The financial receivables decreased by €40 million to €141 million, mainly due to a shareholder loan to a Dutch equity-accounted investment that was fully impaired (€91 million) in the reporting period. This was partially offset by the increase of loans to other parties.

Trade and other receivables amounted to €908 million compared with €1,227 million as at 31 December 2019. The decrease of €319 million was due among other factors to lower revenues and prepayments for construction work, an impairment of a receivable in Argentina and effects from foreign currency translation.

Other current assets, which include inventories, derivative instruments, income tax assets and cash and cash equivalents, increased by €229 million to €1,410 million.

The increase in derivative instruments (€92 million as at 31 December 2020) was mainly attributable to higher fair values for commodity derivatives. Income tax assets increased in the reporting period by €213 million to €296 million as a result of the refunds for tax value of losses from the Norwegian tax authorities that will be paid in 2021. Cash and cash equivalents amounted to €821 million, slightly above the prior-year level (2019: €814 million).

€ million	31 Dec 2020	31 Dec 2019
Equity	**6,435**	**8,289**
Provisions	3,327	3,624
Financial debt	5,886	6,028
Other non-current liabilities	3,361	3,542
Non-current liabilities	**12,574**	**13,194**
Provisions	437	375
Financial debt	471	576
Trade and other payables	766	1,096
Other current liabilities	294	130
Current liabilities	**1,968**	**2,177**
Equity and liabilities	**20,977**	**23,660**

Equity decreased by €1,854 million year-on-year to €6,435 million, mainly due to the negative result of the reporting period (€839 million), unrealised losses from currency translations (€710 million) and fair value changes from cash flow hedges.

The equity ratio for Wintershall Dea Group slightly decreased from 35 % as at 31 December 2019 to 31 % as at 31 December 2020.

Compared with 31 December 2019, non-current liabilities decreased by €620 million to €12,574 million as at 31 December 2020.

Overall, non-current provisions declined by €297 million to €3,327 million as at 31 December 2020. Decommissioning provisions amounted to €2,607 million (31 December 2019: €2,815 million), the decrease mainly stemming from reclassification from long to short term decommissioning provisions (€127 million) and effects from foreign currency translation. Other provisions decreased by €141 million to €89 million, mainly due to a release of restructuring provisions. This decline was partially offset by provisions for pensions, which rose by €52 million to €631 million due to a reclassification from restructuring provisions and actuarial losses.

Financial debt amounted to €5,886 million (31 December 2019: €6,028 million). The decline of €142 million was mainly due to foreign currency translation on USD loans in Norway and lower lease liabilities.

Other non-current liabilities include derivative instruments, other liabilities, income tax liabilities and deferred tax liabilities. The increase in derivative instruments (€40 million) was mainly attributable to commodity derivatives. Deferred taxes decreased by €227 million to €3,250 million mainly due to effects from foreign currency translation. Income tax liabilities amounted to €18 million as at 31 December 2020.

Current liabilities decreased by €209 million to €1,968 million as of 31 December 2020. This was mainly driven by the decrease of current financial debt (€105 million) and trade and other payables (€330 million), partially offset by the increase of decommissioning provisions (€109 million) and derivative instruments (€207 million).

Overall provisions increased by €62 million to €437 million. Decommissioning provisions increased by €109 million to €167 million, mainly due to a reclassification from non-current decommissioning provisions. Other provisions decreased by €47 million to €270 million, mainly due to the use of restructuring provisions (€70 million). This decline was partially offset by personnel provisions, which rose by €13 million to €52 million.

Financial debt decreased by €105 million, mainly due to lower cash pool liabilities due to lower deposits from cash pooling after the amendment of the cash pooling contract with WIGA Group. From May 2020 onwards, WIGA is pooling about 50 % of their cash balances with WD Group (formerly 100 %).

Trade and other payables decreased by €330 million to €766 million compared with €1,096 million as at December 2019. The decrease was due among other factors to lower received prepayments for construction work, lower capital and operating expenditures and as a result of the foreign currency translation.

Other current liabilities include derivative instruments and income tax liabilities (31 December 2020: €294 million). The increase by €207 million in derivative instruments (€258 million as at 31 December 2020) was mainly attributable to commodity derivatives (increase of €200 million). Income tax liabilities amounted to €36 million, below the prior-year level (2019: €79 million).

NET DEBT/EBITDAX RATIO

€ million	31 Dec 2020	31 Dec 2019
Debt to banks	1,828	1,889
Bonds	3,997	3,995
Financial liabilities from cash pooling	394	485
Lease liabilities	133	223
Total debt	**6,352**	**6,592**
Financial receivables from cash pooling	-12	-16
Cash and cash equivalents	-821	-814
Net debt	**5,519**	**5,762**
EBITDAX (LTM)[1]	**1,643**	**2,801[2]**
Net debt/EBITDAX ratio[3]	**3.4**	**2.1**

[1] LTM = Last twelve months
[2] Unaudited like-for-like information for illustrative purposes
[3] Unaudited

Net debt as at 31 December 2020 amounted to €5,519 million, resulting in a net debt to EBITDAX ratio of 3.4x (31 December 2019: 2.1x).

3.5 Non-financial performance indicators

The Wintershall Dea Group prepares a separate sustainability report (unaudited) that is published on the company's website together with the Group's consolidated financial statements. As part of this sustainability report, the Group presents additional details on environmental, social (including health and safety) and governance aspects.

Research and development

The Group's activities in the exploration and development of hydrocarbon reservoirs are typical for our industry. To support these activities, we have our own modern laboratories in our Technology and Innovation Department, for example, for production engineering and geosciences. The focus of our research activities is on continuous improvement in our methods for the exploration, development and production of hydrocarbon deposits. We are also investigating opportunities in the areas of hydrogen production and carbon capture and storage.

4. Outlook and risks

4.1 FORECAST

Underlying assumptions

Our guidance is based on the underlying assumption that the recovery from the COVID-19 pandemic continues uninterrupted from further additional major infection waves and that the vaccines become available to the general public throughout the year. For 2021, we expect the following commodity prices and exchange rates:

- Brent prices of $45–55/bbl
- TTF gas prices of $4.5–6.0/mscf
- $/€ exchange rate of 1.10-1.20

Production guidance is based on our latest production profiles in each of these areas.

Actual development compared with the outlook for 2020

In the previous group management report, we gave guidance for 2020, based on the medium-term planning that was adopted in early February 2020. During the year, we gave quarterly updates to the initial guidance. According to the requirements of DRS 20, the actuals have to be compared with the original guidance for 2020.

On average during the year, Brent and TTF were approx. 30 % below the underlying assumptions for 2020 due to the onset of the global COVID-19 pandemic that significantly reduced demand for hydrocarbons. Regarding the $/€ exchange rate, the $ was 3 % weaker on average compared with the underlying assumptions in the guidance.

Production[1] for 2020 was slightly above the midpoint of the original guidance and above the latest revised guidance in the third quarter 2020.

CAPEX in 2020 was €0.3 billion below the midpoint of last year's guidance and at the level of the revised guidance from the third quarter 2020.

Free cash flow met the target set in last year's guidance.

Outlook

The Wintershall Dea Group's new medium-term planning (MTP) was adopted in early December 2020. Our guidance, which does not include potential M&A activities, is based on this MTP.

We continue to focus on optimising our production and further developing our existing assets in order to be well-positioned during the ongoing volatility in commodity prices that are relevant for us. We are also working to ensure that all of our key infrastructure maintains a high level of reliability in order to achieve consistent delivery of target production levels.

In 2021, we expect production[1] to be in the range of 620–640 thousand boe/d, which is higher than in the 2020 calendar year.

In 2021, we expect CAPEX (excluding acquisitions) to be in the range of €1.0–1.1 billion.

We expect for 2021 to significantly (>10 %) increase our EBITDAX and free cash flow compared to 2020 based on our underlying commodity price assumptions.

[1] Excluding Libya onshore

4.2 OPPORTUNITIES AND RISKS

The goal of Wintershall Dea's risk management is to identify and evaluate opportunities and risks as early as possible and take appropriate measures in order to seize opportunities and limit business losses. The aim is to avoid risks that pose a threat to Wintershall Dea's continued existence and make optimal managerial decisions to create value. We define opportunities as events that positively affect the achievement of our strategy and business goals. We understand risk to be any event that negatively affects the achievement of our strategy and business goals.

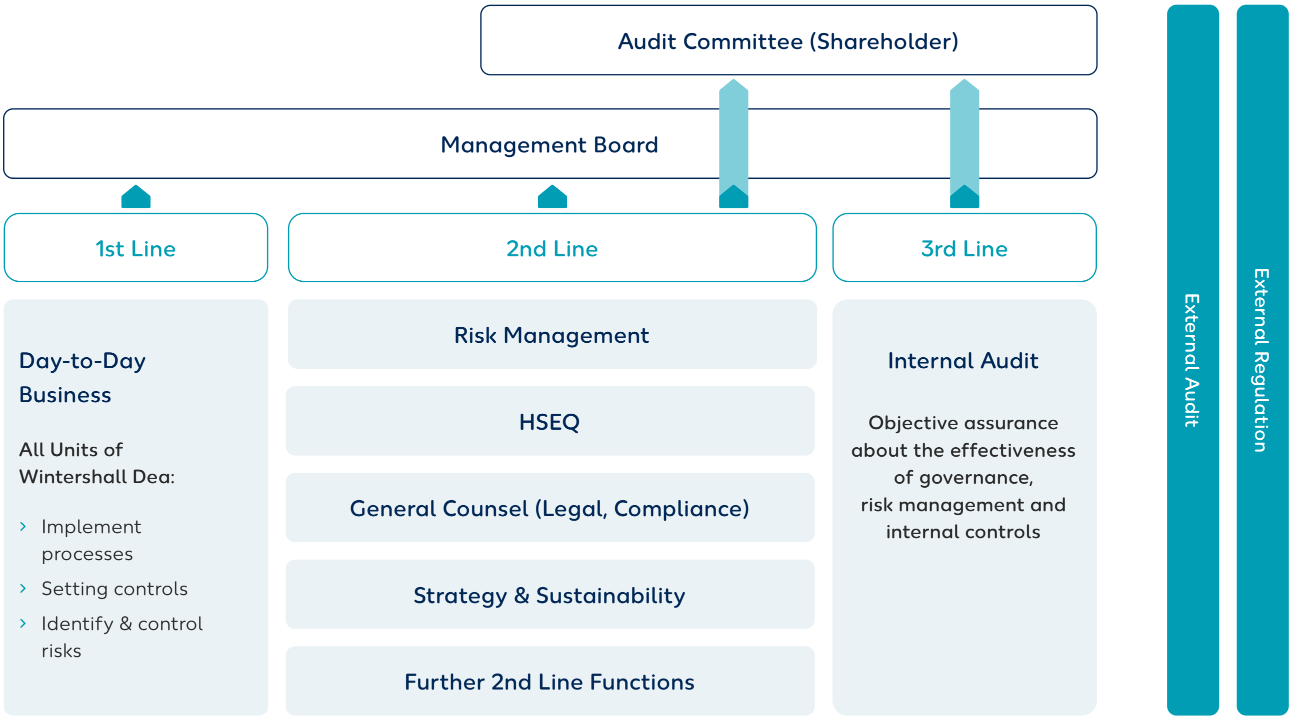
In order to effectively measure and manage the identified opportunities and risks, we quantify these where appropriate in terms of their probability and impact in the event they occur. Where possible, we use statistical methods to aggregate opportunities and risks into risk factors. This provides an overall view of the opportunities and risks at portfolio level, allowing us to take effective action to manage risks.

Overall assessment

- Significant opportunities and risks arise from changes in market prices for commodities and foreign currencies
- No threat to the continued existence of Wintershall Dea

For 2021, we also assume uncertainty around the recovery from the pandemic to remain elevated. However, we also assume recovery from the COVID-19 pandemic to be uninterrupted from further major infection waves and that the vaccines become available to the general public throughout the year. Against this background, we anticipate higher global economic growth compared with the previous year.

According to our assessment, there are no significant individual risks that pose a threat to the continued existence of Wintershall Dea. The same applies for the sum of individual risks, even in the case of a global economic crisis. Ultimately, however, risks that cannot be ruled out, even by comprehensive risk management, remain in all entrepreneurial activities.



Risk management organisation

Risk management process

Wintershall Dea's risk management process is based on the international risk management standard COSO Enterprise Risk Management – Integrating with Strategy and Performance (2017), and has the following key features:

Organisation and responsibilities

- The risk awareness of each employee of Wintershall Dea is an integral part of the company's day-to-day risk culture.
- The organisation of risk management within Wintershall Dea follows the principles of the 'Three Lines of Defence Model'.
- Risk management is the responsibility of the Management Board, which also determines the processes for approving investments, acquisitions and divestures.
- The Management Board is supported by the Corporate Risk Management unit. This unit coordinates the risk management process at company level, examines quantitative and qualitative opportunities and risks and provides the structure and appropriate methodology. Opportunity and risk management is thus integrated into the strategy, planning and decision-making processes.
- A network of local risk managers in the business units of all countries advances the implementation of appropriate risk management practices in daily operations.
- Market risks, including commodity and currency risks, are centrally evaluated and actively hedged at Group level. Hedging activities are governed by the Group's hedging policy. The management of operational opportunities and risks is largely delegated to the business and corporate units at a regional or local level.
- Our company-wide compliance programme aims to ensure adherence to legal regulations and company internal regulations. Our global Code of Conduct, binding for all employees, builds a firm basis of mandatory standards for our everyday business.
- The internal auditing unit (Corporate Audit) is responsible for regularly auditing the risk management system established by the Management Board in accordance with section 91 (2) of the German Stock Corporation Act. Furthermore, as part of its monitoring of the Management Board, the Shareholder's Audit Committee considers the effectiveness of the risk management system. The suitability of risk management is also evaluated by our external auditor.
- Wintershall Dea recognises the increasing importance of appropriate identification, assessment, management and reporting of climate-related opportunities and risks, especially in combination with our new climate targets. In line with the enterprise risk management process, the identification, assessment and management of climate-related opportunities and risks will be delegated to the assigned risk owners at the business unit and corporate unit levels governed by the Sustainabilty unit.

Enterprise risk management process

Process

- The Risk Management Policy, applicable throughout the company, forms the framework for risk management and is implemented by the business units and corporate units in accordance with their specific circumstances.
- A catalogue of opportunity and risk categories helps to identify all relevant quantitative and qualitative opportunities and risks as comprehensively as possible.
- Wintershall Dea has established a bottom-up risk management process that involves all levels within the organisation through regular risk dialogues. As part of this process, the Risk Management unit reports the aggregated opportunities/risks to the Management Board and the Shareholder's Audit Committee twice a year.
- Furthermore, updates on the risk portfolio are provided for all quantitative risks and opportunities during the regular planning cycles with the Management Board. If a new relevant risk is identified, it must be immediately reported.
- All opportunities and risks are evaluated based on their probability of occurrence and potential impact. The potential impact must generally be quantified through KPIs. If a quantification is not reasonable, a qualitative assessment is conducted based on suitable qualitative KPIs. The basis for the evaluation is the current risk considering all effective response measures in place.

  The quantification is based on the probability of occurrence and the potential impact on the planned free cash flow (FCF) and EBITDAX, which also include potential impacts on the major KPIs of production per day and capex. The threshold for consideration is €10 million per annum within the two-year period under review. The quantified risks and opportunities are simulated and aggregated to provide risk-based information. Using a 98 % confidence interval, each risk factor is classified into one of the above-referenced valuation classes.
- Long-term opportunities and risks that affect the FCF and/or EBITDAX in later years are considered separately by the net present value (NPV) of projects and assets. Long-term opportunities and risks that are not quantified are qualitatively assessed. This qualitative assessment considers the potential impact on the environmental, safety and security situations as well as legal and reputational consequences. Long-term opportunities and risks are treated separately and are not aggregated.

Overview of opportunities and risks

Monitoring comprises quantitative as well as qualitative opportunities and risks. With the additional description of major individual risks, further qualitative information is provided.

1. Quantitative opportunities and risks

Categories	Outlook - Effects on free cash flow 2021 +
1.1 Financial and market	
Hydrocarbon prices	●●●●●●●●●●
Foreign exchange	○○●●●●●●○○
Credit / Counterparty	○○●●●●○○○○
Tax	○○○●●●○○○○
Liquidity	○○○●●○○○○○
1.2 Operational	
Third-party influence	○○●●●●○○○○
Facilities / Wells	○○○●●●●○○○
Subsurfaces / Reserves	○○○○●●●○○○
Contracts	○○○●●●●○○○

The potential effects on free cash flow (FCF) in 2021 provide a holistic view on Wintershall Dea's short-term opportunities and risks, including those in the areas of investment, taxes and exploration. The FCF also shows the upside opportunity and downside risk of the company's ability to pay dividends. A 98 % confidence interval is used for each risk factor based on planned values.

Description	Effects on free cash flow from	to	Outlook - +
Very low		< €50 m	○○○○●●○○○○
Low	€50 m	€150 m	○○○●●●●○○○
Moderate	€150 m	€500 m	○○●●●●●●○○
High	€500 m	€750 m	○●●●●●●●●○
Very high	> €750 m		●●●●●●●●●●

2. Long-term opportunities and risks

2.1 Health, safety and environment (HSE)

2.2 Strategic & business
- Political
- Climate change and energy transition
- Reserves replacement and development
- Information technology
- Human resources

2.3 Compliance

3. Major individual risks

3.1 Disputes and proceedings
- OPAL gas pipeline
- Nord Stream 2
- General

1. Quantitative opportunities and risks

1.1 FINANCIAL AND MARKET

Hydrocarbon prices

The Group's business depends significantly on hydrocarbon prices, which can be volatile, and are impacted by global economic conditions.

The Group's estimated revenues, cash flow, reserves and resources, as well as profitability and growth, depend substantially on the prevailing international and local prices of the hydrocarbons that the Group produces. Hydrocarbon prices are volatile and depend on factors beyond the Group's control. Prices are currently driven and expected to be driven in the future largely by general uncertainty about the recovery in global economic activity, the potential further spread of COVID-19 and the containment actions taken globally in response, including restrictions on travel, the imposition of quarantines, the prolonged closures of workplaces, curfews and other social distancing measures. Current global economic conditions and instability in certain emerging markets are likely to have significant long-term effects on the Group's operating results. A further decline or continued volatility in prices of oil and/or gas, or a downturn in global economic conditions, could have a material adverse effect on the Group's business, financial condition and results of operations.

Risk management

The Group manages hydrocarbon price risk by systematically hedging portions of its oil and gas price risk in order to protect its investment-grade rating and increase dividend predictability. This risk management serves to ensure sufficient debt capacity and provide the management with the flexibility it needs to adapt its strategy in the event of critically low commodity prices.

The amounts to be hedged depend on the Group's financial situation, its commodity price exposures, and commodity market conditions. The maximum hedge volume is set at 75 %, 50 %, and 25 % of efficiently hedgeable production for a one-, two-, or three-year horizon, respectively. Effectively, we hedge up to 40 % of our hydrocarbon after-tax exposure primarily through the use of linear contracts.

Foreign exchange

Changes in foreign exchange rates may affect the Group's results of operations and financial position

The Group is exposed to market fluctuations in foreign exchange rates. Its reporting currency is the euro. Revenues are generated in several currencies, including the US dollar, while operating expenses and investments may be denominated in other currencies, including, the Norwegian kroner and Russian rouble. Significant fluctuations in exchange rates between the US dollar and the euro and the Group's other operational currencies could materially and adversely affect its reported results.

Risk management

The Group monitors and manages foreign currency exposure on a daily basis in an effort to eliminate the effect of currency fluctuations on the income statement.

Currency risks are monitored at Group level and entity level, and the Group's net foreign currency exposure (after natural hedges) is actively hedged, where feasible, with linear contracts.

RISK DESCRIPTION	OPPORTUNITIES AND RISK MANAGEMENT
Credit/Counterparty	
The Group is subject to credit risks The Group's business is exposed to the risk that the amounts owed by its customers for products sold or services rendered will not be paid when due and that some customers may not be able to meet their obligations fully or on a timely basis, for example, due to insolvency. In such cases, the Group seeks to resolve any disputes and recover the amounts owed to it in conformity with the laws of the jurisdictions where the Group operates and the established business practices. The Group is also exposed to credit risk through its arrangements with suppliers, its joint venture and other partners. As a result of the uncertainty regarding the amount and date at which the Group will recover overdue debts from its customers, the Group may need substantial financial resources to maintain its financial stability.	*Risk management* Credit risk is managed on a Group basis. Group-wide procedures cover applications for credit approval, the granting and renewal of counterparty credit limits, the proactive monitoring of exposures with respect to these limits and the requirements triggering secured payment terms. As part of these processes, credit exposures with all counterparties are regularly monitored and assessed on a timely basis.
TAX	
The Group is exposed to tax environment risks The Group operates and owns interests in assets in a large number of countries. It is therefore exposed to a wide range of tax environments which are subject to change in a manner that may be materially adverse for the Group, including uncertainty around and changes to subsidies, royalties or taxation (including policies relating to the granting of advance rulings on taxation matters).	*Opportunities* Favourable changes to subsidies, royalties or taxes may also serve as an opportunity.

RISK DESCRIPTION	OPPORTUNITIES AND RISK MANAGEMENT
Liquidity	
The Group's production and development projects require substantial capital expenditures and its ability to generate sufficient cash flow to fund its operations depends on many factors beyond its control The Group makes, and expects to continue to make, substantial capital expenditures in its business for the exploration, development, production and acquisition of oil and natural gas reserves and resources to offset declines in its key production assets. In recent years, there has been a shift in investor sentiment away from extractive industries, including oil and gas production. If this trend continues, it could lead to reduced or less favourable access to capital markets and other sources of funding for companies in these industries, including the Group. Additionally, the Group sets a number of operational and project targets in order to achieve its overall strategic goals. There can be no assurance, however, that the Group will be able to meet these strategic goals on time or at all. The Group's business requires significant capital expenditures, including in the areas of exploration and development, production and transportation, as well as to meet its obligations under environmental laws and regulations.	*Risk management* Risks in connection with cash flow fluctuations are recognised promptly as part of our liquidity planning. Foreseen and unforeseen short-term liquidity needs can be covered using our syndicated revolving credit facility and existing committed and uncommitted working capital lines. Our investment-grade rating gives us access to debt capital markets. Refinancing risks are mitigated through our balanced maturity profile.

1.2 OPERATIONAL

Third-party influence	
The Group's influence on its joint venture partners may be limited To the extent that the Group is not the operator of its gas and oil assets, the Group is dependent on its commercial partners acting as operators. Any mismanagement of a gas or oil property by one of its commercial partners may result in delays or increased costs. In some cases, e.g. in midstream partnerships, influence on partners is restricted.	*Risk management* Wintershall Dea Non-Operated Joint Ventures (NOJVs) represent a large portion of Wintershall Dea's business. We believe that, while we fully respect the role of the operator, we also share responsibility for the success or failure of our joint ventures. We perform our see-to-it duty, independently of requirements by authorities. The business units track the performance of the assets and their respective operator. We have established a workflow to secure a consistent approach to joint venture influencing. This includes, for example, operator assessments, stakeholder analyses, as well as opportunities and risks and their mitigation. On this basis, the responsible asset team determines key focus areas that are deemed significant and can be influenced by Wintershall Dea. These are followed up regularly. Our corporate unit 'Joint Venture Influencing' supports the asset teams to drive performance. It connects all of the Groups' joint venture influencing activities by providing guidance, service, support, consultation and quality assurance.

RISK DESCRIPTION	OPPORTUNITIES AND RISK MANAGEMENT
Facilities/Wells	
The Group is exposed to cost risks of its exploration, development and operation activities The Group incurs significant costs from drilling and carrying out seismic and other surveys when conducting its exploration and development activities to establish the extent of the oil and gas reserves and resources. The extent of reserves and resources can differ significantly from estimates. To Group's assets also require substantial capital expenditure for their continuous inspection, repair, optimisation and maintenance. Some of the development projects have required and will require significant investment due to the complexity of the well construction technologies, the scale of the projects and/or the harsh environmental conditions. In addition, it is difficult to estimate the costs of implementing any exploration and/or project development programme due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as overpressured zones, and changes in drilling plans and locations.	*Risk management* We apply defined corporate processes to ensure company-wide quality standards throughout the E&P value chain. *Opportunities* We utilise available technologies that economically increase and enhance production, reduce costs and mitigate risks. Our digital team co-develops IT solutions where required. Further on, our Technology Service Centre is the competence centre for reservoir services and production services all over the E&P value chain. We provide a unique portfolio of state-of-the-art analyses and fit-for-purpose solutions, which support, above all, the assessment of reservoirs and the optimisation of operations and recovery.
Subsurface/Reserves	
The Group may fail to properly estimate reserves and resources Reserves are those quantities of oil and natural gas anticipated to be commercially recoverable from known accumulations of hydrocarbons. Reserve estimates may undergo positive or negative changes over time and exert an influence on current depreciation and amortisation, as well as on the value of the company's assets. In general, estimates of economically recoverable oil and gas reserves are based on a number of factors and assumptions made as of the date on which the reserve estimates are determined, such as geological and engineering estimates, production from the fields, the assumed effects of regulation by governmental agencies, and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. The uncertainties described may result in either an overestimation or underestimation of the production realised in the future. It might also be required to scale down, delay or cancel drilling operations, respectively reduce or stop production, due to different factors such as unexpected drilling conditions or adverse reservoir characteristics, e.g. pressure regimes.	*Risk management* The quality of bookings of reserves and resources at the company level is assured by an independent corporate team of experts and based on defined business processes. As part of this assurance process, our reserves and contingent resources are also evaluated by independent external reserves auditors.

RISK DESCRIPTION	OPPORTUNITIES AND RISK MANAGEMENT
Contracts	
The Group is exposed to risks from existing or future contracts The Group is a party to various contracts, including production sharing contracts, joint operating agreements, sales contracts, and sales and purchase agreements. These contracts carry several risks that could have an adverse effect on the Group's business, such as hidden disadvantages, contingent liabilities, price revision or compensation clauses, and disputes over specific contract terms. The Group may also fail to fulfil commitments or could violate defined covenants resulting from those contracts. Disputes may arise over specific contract clauses that could ultimately lead to litigation. The damages claimed may be material and significant expenses may be incurred for legal defence.	*Risk management* Contracts can also serve to mitigate risk associated with reimbursement and compensation clauses.

2. Long-term opportunities and risks

2.1 HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Group's activities expose it to a wide range of HSE risks

Wintershall Dea cares about the health, safety, security and environment of those working for and with us, as well as about the communities we are working in. The geographical distribution of our operating units in combination with the technical and operational complexity of our activities exposes us to a wide range of HSE risks that could potentially result in a major accident. In addition, the effects of natural disasters, social unrest and global pandemics form a potential threat to our operational continuity and could have an adverse impact on our financial results.

Risk management

The Group actively manages the safety of all personnel working in its operations by applying health and safety standards, implementing security measures and conducting internal and external audits of health and safety risks and other measures. Pursuant to its health and safety principles, the Group endeavours to

- shape HSE culture through its own behaviour by promoting cross-unit learning, exchanges and collaboration, and driving cultural development;
- establish an active engagement with HSE topics at its JVs through execution of partner audits, follow up of findings, as well as through knowledge sharing;
- provide a safe and healthy working environment for those working on its behalf;
- identify, understand and manage security risks worldwide to protect the company, its colleagues and ensure business continuity; and
- implement and maintain robust barriers for known risks, as well as practices to create awareness of early signals to minimise damage in case of accidents.

The Group has established safety cases for all operated production facilities. It has robust emergency preparedness, incident management and business continuity plans in place, as well as regular training for employees and contractors at all locations. Its management systems are in line with the international ISO standard for occupational health and safety (ISO 45001) and regional certification of ISO 14001 (environment) and 50001 (energy).

2.2 STRATEGIC & BUSINESS

Political

The Group is exposed to significant political risks	*Risk management*
The Group operates and owns interests in assets in a large number of geographic regions and countries, some of which are complex or have unstable political or social climates. As a result, the Group is exposed to a wide range of political, economic, regulatory, social and tax environments. These environments are subject to change in a manner that may be materially adverse for the Group, for example, in cases of uncertainty or changes involving government policies or industrial production regulations, or in areas such as foreign investment, inflation, capital and price controls, import and export controls, tariffs, subsidies, income or other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), the nationalisation or expropriation of property, repatriation of income, royalties, the environment, labour, health or safety. Additionally, the Group has seen significant growth in opposition to oil and gas development globally. Companies in the oil and gas industry can become the target of opposition to hydrocarbon development from stakeholder groups, including national, state and local governments, regulatory agencies, non-governmental organisations, local communities and public citizens. This opposition is focused on attempting to limit or stop hydrocarbon development or extraction activities in or transportation from certain areas. The Group is committed to complying with all applicable sanctions in its business and taking all of the necessary measures in order to mitigate risks to its business as a result of the imposition of or changes in applicable sanctions regimes. There can be no assurance that compliance with applicable sanctions will not impose additional costs on the Group.	We continuously monitor geopolitical and societal developments to the extent of their importance to our interests. The results are taken into consideration when defining our strategy and respective actions. The Group's material investments in its North African and Russia assets, as well as its major investment in Mexico, benefit from investment guarantees provided by the Federal Republic of Germany for direct investments made by German companies in developing and emerging countries. These guarantees offer protection in specific circumstances against certain political risks, including expropriation, nationalisation, wars (including civil wars and other armed conflicts), payment embargoes and moratoria.

RISK DESCRIPTION	OPPORTUNITIES AND RISK MANAGEMENT
Climate change and energy transition	
Climate change and a transition of the energy sector towards more renewable and lower carbon energy sources could have an impact on the Group's industry and business Climate change, increased environmental awareness and the improved competitiveness of renewable energy sources have led to a global trend in recent years towards greater energy efficiency, stricter regulations and a shift to more alternative and lower carbon energy sources in the global energy mix. There is a risk that the continuation of this trend, especially in Europe, whether due to technological advancements, shift in consumer preference or more stringent regulation, could lower demand and prices for oil and gas. It may also lead to legislative changes and prohibitive regulations and result in higher costs.	*Opportunities* We believe natural gas will take a leading long-term role as an affordable and carbon-efficient energy source. This is why, as a gas and oil company, Wintershall Dea has put its emphasis on efficient and innovative gas supply growth, ahead of oil. Wintershall Dea strongly supports the European Union's 2050 carbon neutrality target. We have therefore set ourselves a clear pathway and ambitious targets that we will also link to the compensation of our Management Board. Our first target is to be a net zero company in all our upstream operations by 2030. This target encompasses the Scope 1 and Scope 2 greenhouse gas emissions of the entire portfolio — operated and non-operated — on an equity share basis. We aim to achieve net zero operations by 2030 with a four-pillar approach that increasingly focuses on natural gas and crude oil reservoirs that can be produced relatively CO_2-efficiently. At the same time, we will continue to pursue strict emissions management (e.g. increasing energy efficiency). This effort will be complemented by investments in nature-based mitigation solutions (like forest protection and reforestation) and the development and use of new mitigation technologies. In addition, we will participate in carbon capture storage projects (CCS) in the North Sea and investment in hydrogen projects. Second, as a founding member of the Methane Guiding Principles industry initiative, we intend to continue to work towards an ongoing reduction in methane emissions. To accomplish this, we have committed ourselves to achieving a methane emissions intensity of below 0.1 % by 2025 and beyond. Third, in terms of Scope 3 emissions, we have identified the areas where our assets and competencies can help contribute to further emission reductions. These areas include, most importantly, CCS and hydrogen. For example, we have access to a number of depleted fields in the North Sea, as well as to significant pipeline infrastructure in Europe, that can be used for both CCS and hydrogen transportation. We have also been involved in pilot projects for the development of pyrolysis technology in partnership with Germany's Karlsruhe Institute of Technology and CCS in Denmark. These technologies are our medium to long-term contribution to reaching the Paris climate goals and will play the key role in our effort to significantly reduce emissions along value chains until the year 2030 and beyond.

RISK DESCRIPTION	OPPORTUNITIES AND RISK MANAGEMENT
	We are committed to comprehensive reporting on our emissions and policies. In 2020, we became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and will be implementing the TCFD recommendations over time.
Reserves replacement and development	
The Group may be unsuccessful in finding, acquiring, developing and producing oil and gas reserves and resources that are economically recoverable The Group's future success depends on its ability to find and develop or acquire additional oil and gas reserves and resources that are economically recoverable.	*Opportunities* We concentrate on core regions in which we have developed a high level of regional and/or technological expertise. This allows us to pick up on opportunities at an early stage and to identify regions with above-average discovery expectations. We use active portfolio management to optimise our licence portfolio on an ongoing basis to ensure the highest possible probability of success for exploration with the funds available. The Group seeks to maintain and grow its operating capabilities in countries where it can add value through its in-depth knowledge and experience in engineering, reservoir management and execution, and as a result of operating its own in-house technical and operating team. Through strategic partnerships and cooperation with renowned partners, such as Gazprom in Russia, Equinor in Norway, BP in Egypt, Total in Argentina and ADNOC in Abu Dhabi/UAE, we strive to get access to new projects and benefit from regional expertise and influence, as well as to implement joint projects on a significant scale.

RISK DESCRIPTION	OPPORTUNITIES AND RISK MANAGEMENT
Information technology	
The Group's IT systems may be subject to unauthorised access to data In times of post-merger transition, protection mechanisms against unauthorised access to confidential data may be weaker because responsibilities have changed, new technologies have been applied, or because personal relationships have broken down. New ways of working as a consequence of COVID-19, including working from home for a large part of the workforce, requires an agile and flexible change of technologies. Effective control mechanisms must be replaced in a short time frame to ensure uninterrupted business operations. Such changes pose a risk of unauthorised access to data from physical, social or cyber attacks to gain control over Wintershall Dea confidential data. External parties could gain a competitive advantage or damage Wintershall Dea's reputation.	*Risk management* A dedicated cybersecurity organisation has been set up to ensure a high standard of cybersecurity for the internal organisation and service providers alike. An external security operations centre is being established to prevent, detect and remove threats to cybersecurity. We also conduct extensive awareness campaigns to raise the awareness of all Wintershall Dea staff and partners of the potential for attacks. In the course of redeploying IT and the changing ways of working, the need to address cybersecurity threats has become evident to all IT staff and most of Wintershall Dea's users. Together with newly implemented countermeasures, this has raised awareness and could considerably reduce the potential long-term damage from cyber attacks.
Human resources	
The Group depends on skilled personnel to effectively manage its business Attracting new recruits and retaining existing skilled personnel is fundamental to the continued growth of the Group's business. Skilled personnel are required in both the technical and non-technical business areas. No assurance can be given that the Group will successfully attract new personnel or retain the existing personnel that is required to continue its business expansion and successfully execute and implement its business strategy.	*Opportunities* We continuously assess and develop our workforce in alignment with our business needs. Our proactive diversity and inclusion philosophy, combined with our attractive compensation and benefits strategy, makes us a sought-after employer. We apply Employer Branding in order to support the recruitment of local and global talents.

RISK DESCRIPTION
OPPORTUNITIES AND RISK MANAGEMENT

2.3 COMPLIANCE

The Group is exposed to corruption and bribery risks	*Risk management*
The Group is exposed to the risk of violating anti-corruption and anti-bribery laws and regulations that are applicable in those countries where the Group, its commercial partners and agents do business. Some of the international locations in which the Group does business may lack a developed legal system and have high levels of corruption.	The Group has regulations and procedures designed to ensure its compliance with the applicable laws and regulations. It has also trained its employees to comply with such laws and regulations and to consider the regulations and compliance of its commercial partners when choosing entities with whom to enter into business arrangements. Regulations covering areas such as internal approval processes for gifts and invitations have to be followed, and business partner due diligence has to be performed. With the respective contractual wording, contractors are made aware of the Group's supplier code of conduct, as well as the expectation that they comply. A legal and compliance risk assessment is conducted based on the annually updated 'Corruption Perceptions Index' from the non-governmental organisation Transparency International. In addition, all findings within the scope of monitoring, especially with regard to the results of the Enterprise Risk Management and Corporate Audit departments, are included in the risk evaluation and vice versa. Employees, as well as third parties, can report potential violations anonymously via a whistleblower system available on the company's intranet and homepage. These allegations are further investigated by the respective compliance functions, and the appropriate measures are taken.

3. Major individual risks

3.1 DISPUTES AND PROCEEDINGS

OPAL gas pipeline

In 2009, the German Federal Grid Agency (Bundesnetzagentur, BNetzA) decided to largely exempt the OPAL gas pipeline’s capacities from network access and rates regulation from the pipeline's entry point in Germany to its exit point in the Czech Republic for a period of 22 years from the time of its commissioning. The European Commission (EU-COM) made this exemption subject to usage restrictions for companies with a dominant position in the Czech gas market. In order to enable full booking of the OPAL capacities, the companies OPAL Gastransport GmbH & Co. KG (OGT), PAO GAZPROM, OOO Gazprom Export and BNetzA concluded a settlement agreement on 11 May 2016, which was later approved by EU-COM on 28 October 2016, subject to certain conditions. The conditions imposed by EU-COM were implemented in the settlement agreement, which was signed by the contracting parties again on 28 November 2016. Due to pending appeals (main proceedings and summary proceedings), the settlement agreement that was concluded in 2016 was first implemented only in January 2017. The state of Poland and the partly state-owned Polish company Polskie Górnictwo Naftowe i Gazownictwo SA, Warsaw, Poland (PGNiG SA), its German trading subsidiary PGNiG Supply & Trading GmbH (PGNiG S&T) and the Ukrainian company Naftogaz (only lawsuit) have filed suit and urgent applications against EU-COM and BNetzA. Both the General Court of the European Union (EuG) and the Düsseldorf Higher Regional Court (OLG) issued interim injunctions at the end of 2016, which resulted in the suspension of the further implementation of the settlement agreement until a decision could be made in the summary proceedings. On 21 July 2017, the CFI reversed the interim injunctions issued at the end of 2016 and dismissed the urgent applications. Subsequently, both OLG Düsseldorf and BNetzA suspended their decisions. The marketing of the partially regulated transit capacities began in August 2017. On 11 October 2017, OLG Düsseldorf dismissed the urgent applications of PGNiG. In December 2017 and March 2018, the CFI dismissed the actions for annulment brought by PGNiG S&T, Naftogaz and PGNiG SA against EU-COM’s approval of the OPAL settlement agreement as inadmissible.

By decision of the EuG on 10 September 2019, the approval of EU-COM of 28 October 2016 of the settlement agreement was declared null and void. The Federal Republic of Germany, as a party to the proceedings, filed an appeal against the decision of the European Court of Justice (ECJ) on 20 November 2019. In accordance with BNetzA’s decision on 13 September 2019, which follows the decision of the EuG, OGT is no longer permitted to market the interconnection capacities offered under the terms of the settlement agreement of 28 October 2016, or to carry out any transports based on such capacities already booked. OGT filed an appeal against the aforementioned BNetzA decision.

Nord Stream 2

The Group finances Nord Stream 2 AG. The Group's involvement with the Nord Stream 2 project is limited to the provision of loans together with four major European energy companies (ENGIE, OMV, Shell and Uniper). The company's loan payments to Nord Stream 2 AG amount to €730 million and were completed prior to the revision of the 'Countering America's Adversaries Through Sanctions Act 'CAATSA' Section 232 Public Guidance' of the US Department of State. Further disbursements are not planned. All loans made prior to the revision of the CAATSA Section 232 Public Guidance on 15 July 2020 were grandfathered under the initial CAATSA Section 232 Public Guidance from 31 October 2017. The US has decided to put the Nord Stream 2 project in a broader geopolitical framework and is threatening all industries or parties involved in the project with sanctions. Recent activities of the US could have consequences for the timing of construction of Nord Stream 2. The US government is expected to take an aggressive approach toward the contractors of the project. On 20 October 2020, this was underlined with the publication of public guidance pertaining to the 'Protecting Europe's Energy Security Act', which puts additional pressure on all contractors of pipelay vessels that are working for Nord Stream 2. In January 2021, KVT-RUS and the pipelay vessel 'Fortuna' were sanctioned and put on the SDN List under CAATSA. Within the scope of the 'Protecting Europe's Energy Security Clarification Act', further sanctions cannot be excluded. In the unlikely event that the project is not completed and/or Nord Stream 2 cannot serve the loans, there are contractual provisions in place which limit the financial risk for the Group.

The Polish competition authority (PCA) instigated competition proceedings on 30 April 2018 in connection with the financing arrangements. In these proceedings, the PCA alleged that the company's subsidiary, Wintershall Dea Nederland Transport and Trading B.V. (WDNTT), as well as the other lenders, infringed their notification obligations by participating in the financing of the Nord Stream 2 project without submitting the transaction for approval in violation of the Polish Act on Competition and Consumer Protection. On 7 October 2020, the PCA ended its proceedings and imposed fines on the financial investors, including the sole owner Gazprom. In addition, the authority is demanding that the financing agreements be terminated within 30 days. The fines correspond to 10% of the previous year's turnover of the companies financing Nord Stream 2 AG (in case of WDNTT approximately €6.9 million fine). The fines imposed translate to the highest possible fine for an alleged infringement of the notification obligation for the establishment of a joint undertaking in Poland. The Group believes the fine is unfounded and represents the PCA applying an unconventional approach in this case by adopting a wide interpretation of the notion of concentration. Consequently, on 5 November 2020, WDNTT appealed this decision of the PCA before the competent Polish court with suspensive effect. In total, we expect the appeal proceeding to last about 3–5 years.

General

In addition, Wintershall Dea GmbH and its participating interests are regularly involved as defendants or other parties in judicial and arbitration proceedings, as well as official proceedings. On the basis of the knowledge available at present, these proceedings have no significant impact on Wintershall Dea's economic situation. Provisions for legal risks and trial costs are included in other provisions and amount to €5 million (previous year: €0 million). Further provisions for legal risks were not to be considered.

WINTERSHALL DEA
2020 ANNUAL REPORT
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

€ million	Note	Jan–Dec 2020	May–Dec 2019
Revenues gas and oil	3	3,314	2,932
Revenues midstream	3	–	121
Revenues other	3	328	219
Net income from equity-accounted investments: gas and oil	2	-14	12
Net income from equity-accounted investments: midstream	2	196	70
Other operating income	3	68	519
		3,892	**3,873**
Production and operating expenses	4	-1,863	-1,298
Production and similar taxes		-94	-110
Depreciation and amortisation		-1,438	-1,053
Net impairment on assets	10	-1,152	-298
Cost of sales midstream		–	-19
Exploration expenses	5	-181	-148
General and administrative expenses		-277	-206
		-1,113	**741**
Financial income	7	220	107
Financial expenses	7	-445	-247
		-225	**-140**
Income/loss (–) before taxes		**-1,338**	**601**
Income taxes	8	499	-286
Net income/loss (–)		**-839**	**315**
Net income/loss (–) attributable to shareholders		**-839**	**285**
Net income/loss (–) attributable to non-controlling interests		–	30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Note 15)

€ million	Jan–Dec 2020	May–Dec 2019
Net income/loss (–)	**-839**	**315**
Actuarial gains/losses	-27	-47
Actuarial gains/losses from equity-accounted investments	-8	0
Income and expenses that will not be reclassified to the statement of income at a later date, recognised directly in equity	**-35**	**-47**
Unrealised gains/losses on currency translation	-624	33
Unrealised gains/losses on currency translation from equity-accounted investments	-86	15
Fair value changes in derivatives designated in cash flow hedges	-228	11
Fair value changes in derivatives designated in cash flow hedges from equity-accounted investments	6	6
Income and expenses that will be reclassified to the statement of income at a later date, recognised directly in equity	**-932**	**65**
Other comprehensive income (net of tax)	**-967**	**18**
Total comprehensive income	**-1,806**	**333**
Total comprehensive income attributable to shareholders	**-1,806**	**303**
Total comprehensive income attributable to non-controlling interests	–	30

CONSOLIDATED BALANCE SHEET

€ million	Note	31 Dec 2020	31 Dec 2019
Assets			
Non-current assets			
Goodwill	10	2,298	2,580
Exploration assets	10	642	1,577
Other intangible assets	10	2,689	2,925
Property, plant and equipment and investment property	10	8,776	9,932
Equity-accounted investments	11	2,671	2,685
Other financial assets		16	5
Financial receivables	13	1,127	1,064
Derivative instruments	22	121	72
Other receivables	14	38	135
Deferred tax assets	8	140	96
		18,518	**21,071**
Current assets			
Inventories	12	201	227
Financial receivables	13	141	181
Trade and other receivables	14	908	1,227
Derivative instruments	22	92	57
Income tax assets	8	296	83
Cash and cash equivalents		821	814
		2,459	**2,589**
Total assets		**20,977**	**23,660**

€ million	Note	31 Dec 2020	31 Dec 2019
Equity and liabilities			
Equity			
Subscribed capital	15	189	189
Capital reserve	15	1,161	6,152
Retained earnings and other comprehensive income	15	5,085	1,948
		6,435	**8,289**
Non-current liabilities			
Pension provisions	16	631	579
Decommissioning provisions	17	2,607	2,815
Other provisions	17	89	230
Financial debt	18	5,886	6,028
Derivative instruments	22	62	22
Income tax liabilities	8	18	8
Other liabilities	19	31	35
Deferred tax liabilities	8	3,250	3,477
		12,574	**13,194**
Current liabilities			
Decommissioning provisions	17	167	58
Other provisions	17	270	317
Financial debt	18	471	576
Trade and other payables	19	766	1,096
Derivative instruments	22	258	51
Income tax liabilities	8	36	79
		1,968	**2,177**
Total equity and liabilities		**20,977**	**23,660**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Note 15)

				Other comprehensive income					
€ million	Subscribed capital of Wintershall Dea GmbH	Capital reserves of Wintershall Dea GmbH	Retained earnings and net retained profit	Remeasure-ment of defined benefit plans	Foreign currency translation	Cash flow hedges	Share-holders' equity	Non-controlling interests	Total
As at 1 Jan 2020	**189**	**6,152**	**2,943**	**-190**	**-786**	**-19**	**8,289**	**–**	**8,289**
Other comprehensive income	–	–	–	-35	-710	-222	-967	–	-967
Net income/loss (–)	–	–	-839	–	–	–	-839	–	-839
Total comprehensive income	–	–	-839	-35	-710	-222	-1,806	–	-1,806
Capital increase/ decrease	–	9	–	–	–	–	9	–	9
Dividend distribution	–	–	-57	–	–	–	-57	–	-57
Other changes	–	-5,000	5,000	0	–	–	0	–	0
As at 31 Dec 2020	**189**	**1,161**	**7,047**	**-225**	**-1,496**	**-241**	**6,435**	**–**	**6,435**
As at 1 May 2019	**105**	**1,173**	**2,699**	**-143**	**-834**	**-36**	**2,964**	**154**	**3,118**
Other comprehensive income	–	–	–	-47	48	17	18	–	18
Net income/loss (–)	–	–	285	–	–	–	285	30	315
Total comprehensive income	–	–	285	-47	48	17	303	30	333
Changes in scope of consolidation	–	–	–	–	–	–	–	-132	-132
Capital increase/ decrease	84	4,979	–	–	–	–	5,063	–	5,063
Dividend distribution	–	–	–	–	–	–	–	-52	-52
Other changes	–	–	-41	–	0	–	-41	–	-41
As at 31 Dec 2019	**189**	**6,152**	**2,943**	**-190**	**-786**	**-19**	**8,289**	**–**	**8,289**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Note 18)

€ million	Jan–Dec 2020	May–Dec 2019
Net income/loss (–)	**-839**	**315**
Amortisation/depreciation/impairment losses/reversal of impairment losses	2,631	1,378
Changes in provisions	-139	-214
Changes in deferred taxes	112	196
Gains (–)/losses from disposals of non-current assets	67	54
Gains (–)/losses from deconsolidation	–	-427
Other non-cash income/expenses	-138	-135
Changes in working capital	-143	51
Changes in other balance sheet items	53	-103
Cash flow from operating activities	**1,604**	**1,115**
Payments for intangible assets, property, plant and equipment and investment property	-1,268	-1,164
Payments for acquisitions	-11	–
Payments for equity-accounted investments	-124	–
Proceeds from the disposal of non-current assets/divestures	106	307
Payments for financial receivables	-185	-170
Proceeds from financial receivables	132	–
Cash flow from investing activities	**-1,350**	**-1,027**
Dividend payment to shareholder (preferred shares)	-57	–
Payments to shareholders from capital reserves	–	-1,400
Dividend payment to non-controlling interests	–	-52
Repayment of shareholder loans	–	-242
Proceeds from bonds	–	3,986
Proceeds from debt to banks	28	3,393
Repayments of debt to banks	-28	-5,657
Change in financial liabilities (related parties)	-91	-328
Repayment of lease liabilities	-67	-41
Cash flow from financing activities	**-215**	**-341**

€ million	Jan–Dec 2020	May–Dec 2019
Change in cash and cash equivalents	**39**	**-253**
Effects of foreign exchange rates changes, consolidation-related changes and other changes in value	-32	178
Cash and cash equivalents at beginning of reporting period	**814**	**889**
Cash and cash equivalents at end of reporting period	**821**	**814**
Supplementary information on cash flows from operating activities[1]		
Income tax paid (less refunds)	431	-303
Interest paid[2]	-70	-87
Interest received	29	27
Dividends received gas and oil	40	25
Dividends received midstream	177	85

[1] Supplementary information on paid and received interest was adjusted for the prior year to make amounts comparable.
[2] Includes capitalised borrowing cost of €-41 million shown as part of the payments for intangible assets, property plant and equipment and investment property in the cash flow from investing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of accounting policies

General information

Wintershall Dea GmbH is a German limited company registered at the District Court (Amtsgericht) of Lüneburg under entry no. HRB 200519. The company's registered office is located in Celle, Lower Saxony, Germany, and it is dual-headquartered in Kassel (Friedrich-Ebert-Straße 160 in 34119 Kassel) and Hamburg (Überseering 40 in 22297 Hamburg), Germany. Its operations and principal activities are the exploration and production of natural gas, oil and other resources and resulting products and co-products, trading in all of the resources and commodities, as well natural gas pipeline systems. The presented consolidated financial statements were approved for publication by Management Board of Wintershall Dea GmbH on 22 February 2021. They are filed electronically with the operator of the German Federal Gazette and subsequently published therein.

The consolidated financial statements of Wintershall Dea Group comprise the period from 1 January until 31 December 2020. In the previous year, the Group declared the period from 1 May until 31 December 2019 a short fiscal year in order to bring the fiscal year back into line with the calendar year. Because the reporting year comprises a twelve-month period and the preceding fiscal year comprised an eight-month period, and due to the fact that the business is also subject to seasonal effects, the amounts presented in the financial statements in the year-to-year comparisons are not fully comparable.

Basis of presentation

The consolidated financial statements of Wintershall Dea GmbH and its subsidiaries ('Wintershall Dea Group' or the 'Group') have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable in the European Union (EU), and in accordance with the supplementary accounting regulations pursuant to Section 315e (1) of the German Commercial Code (HGB). IFRSs are applied only after their adoption by the EU. All IFRSs and pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) that are binding for the 2020 fiscal year have been applied.

The consolidated financial statements have been prepared in euros (€). All amounts, including the figures for prior years, are generally reported in millions of euros (€ million). Exceptions to this rule are explicitly marked in the text (individual figures are shown in thousands of euros: € thousand). The change in presentation from thousands to millions of euros does not result in any loss of information. The statement of income is prepared in accordance with a modified cost-of-sales method which also considers certain items based on the nature of expenses (e.g. depreciation and amortisation). Various items of the consolidated statement of income and consolidated balance sheet are combined to improve the transparency of presentation. These items are shown and explained separately in the notes.

The consolidated financial statements have been prepared on a historical cost basis with the exception of certain items that have been measured at fair value as described in 'Significant accounting and measurement policies'.

The financial statements of the consolidated companies were prepared as at the balance sheet date of the consolidated financial statements. The accounting policies applied generally correspond to those applied in the prior year. This does not apply to changes resulting from the application of new or revised accounting standards.

Consolidation principles

The consolidated financial statements include the accounts of the Wintershall Dea GmbH and its subsidiaries over which the company has control. The scope of consolidation is based on the application of IFRS 10 and IFRS 11. According to IFRS 10, a group consists of a parent company and its subsidiaries, which are controlled by the parent company. The Wintershall Dea Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee. A subsidiary is deconsolidated as from the date that control is lost.

According to IFRS 11, which regulates the accounting of joint arrangements, a distinction must be made between joint ventures and joint operations. In the case of a joint venture, the parties that have joint control of the arrangement have rights to the net assets of that arrangement. In joint operations, the parties that have joint control have direct rights to the assets and obligations for the liabilities relating to the arrangement. Companies whose corporate governance structures classify them as joint arrangements are analysed to determine if they meet the criteria for joint ventures or joint operations in accordance with IFRS 11. Should the arrangement be structured through a separate vehicle, its legal form, contractual arrangements and all other facts and circumstances are reviewed. There are joint arrangements in the course of development and production activities as well as for the midstream business.

Associated companies are entities that are not subsidiaries, joint ventures or joint operations, but over whose operating and financial policies significant influence can be exercised. In general, this applies to companies in which the Wintershall Dea Group has an investment of between 20 % and 50 %. Such investments are accounted for in the consolidated financial statements in accordance with the equity method and are initially recognised at cost. Subsequently, the carrying amounts of equity-accounted investments are increased/reduced based on the proportional net income and other comprehensive income of the period as well as dividends received. The proportional net income is recognised in separate line items in the statement of income subdivided into gas and oil and midstream.

The consolidated financial statements include Wintershall Dea GmbH and all material subsidiaries in full, as well as one joint operation on a pro rata basis. Companies whose business is dormant or of low volume and therefore of minor importance for the presentation of a true and fair view of the net assets, financial position and results of operations, are not consolidated but, instead, reported under 'Other financial assets'. These companies are carried at amortised cost and written down in the event of an impairment. The aggregated assets and equity of these companies amount to less than 2.5 % of both corresponding values at Group level.

The financial statements of the domestic and foreign companies included in the consolidated financial statements of the Wintershall Dea Group are uniformly recognised and measured in accordance with the principles described herein. For companies accounted for using the equity method, material deviations in measurement resulting from the application of other accounting principles are adjusted for.

Expenses and income, as well as receivables and liabilities between the consolidated subsidiaries, are eliminated in full. For joint operations, they are proportionally eliminated. Intercompany gains or losses are eliminated unless they are negligible. Capital consolidation is performed by offsetting the carrying amounts of subsidiaries against their equity. Depreciation charged to the companies' individual statements of shares in and loans to consolidated subsidiaries is reversed.

In accordance with IFRS 3, the cost of acquisitions is measured at the fair value of the assets acquired and liabilities assumed at the date of acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Finally, the acquisition cost is compared with the proportional share of the net assets acquired at fair value. The resulting positive differences are capitalised as goodwill. Negative differences are recognised directly in profit or loss.

The incidental acquisition costs of a business combination are recognised in the consolidated statement of income under general and administrative expenses. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or until their disposal, respectively.

Foreign currency translation

In the companies separate financial statements, foreign currency transactions are translated at the exchange rates prevailing at the date of the transaction. Monetary foreign currency items are measured at the current exchange rate at each balance sheet date. Exchange rate gains and losses incurred by the balance sheet date are recognised in the statement of income under financial result.

The financial statements of Group companies with functional currencies other than the Group's presentation currency (euro) are translated using the closing rate method. All balance sheet items are translated at the balance sheet date at the prevailing period-end exchange rates (daily average rate). Translation differences compared with the previous year's translation are recognised in other comprehensive income without impact on profit or loss. Statement of income items are translated generally at the average exchange rate for the year. Differences between the average exchange rates and the closing exchange rates are also recognised in other comprehensive income.

SELECTED EXCHANGE RATES

	BALANCE SHEET DATE		AVERAGE	
€1 =	31 Dec 2020	31 Dec 2019	Jan–Dec 2020	May–Dec 2019
Argentinian peso (ARS)	103.16	67.21	81.05	57.99
Brazilian real (BRL)	6.37	4.52	5.89	4.47
British pound (GBP)	0.90	0.85	0.89	0.88
Norwegian krone (NOK)	10.47	9.86	10.72	9.92
Russian rouble (RUB)	91.47	69.96	82.72	71.53
US dollar (USD)	1.23	1.12	1.14	1.11
Mexican peso (MXN)	24.42	21.22	24.52	21.49

Changes in accounting policies

The International Accounting Standards Board (IASB) adopted the following new International Financial Reporting Standards (IFRS) and Amendments to existing standards, which became effective for the Group as at 1 January 2020 and as at 1 June 2020, respectively, with regard to the amendments to IFRS 16 'Leases COVID-19 Related Rent Concessions':

Amendments to Reference to the Conceptional Framework in IFRS Standards (2018)
Amendments to IFRS 3 (2018) 'Business Combinations'
Amendments to IAS 1 and IAS 8 (2018) 'Definition of Material'
Amendments to IFRS 9, IAS 39 and IFRS 7 (2019) 'Interest Rate Benchmark Reform'
Amendments to IFRS 16 (2020) 'Leases COVID-19 Related Rent Concessions'

The amendments had no material impact on the Wintershall Dea Group's consolidated financial statements.

New accounting policies

The IASB has adopted further standards and amendments to standards, which are not yet mandatory in the European Union (EU) for the fiscal year beginning on 1 January 2020. EU endorsement is still pending in most of the cases.

	IASB EFFECTIVE DATE
IFRS 17 (2017) 'Insurance Contracts' including Amendments to IFRS 17 (2020)	1 January 2023
Amendments to IAS 1 (2020) 'Classification of Liabilities as Current or Non-current'	1 January 2023
Amendments to IFRS 3 (2020) 'Business Combinations'	1 January 2022
Amendments to IAS 16 (2020) 'Property, Plant and Equipment'	1 January 2022
Amendments to IAS 37 (2020) 'Provisions, Contingent Liabilities and Contingent Assets'	1 January 2022
Amendments to Annual Improvements 2018 – 2020 (2020)	1 January 2022
Amendments to IFRS 4 'Insurance Contracts' – Deferral of IFRS 9 (2020)	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (2020) 'Interest Rate Benchmark Reform – Phase 2'	1 January 2021

The effects of the new standards on the Wintershall Dea Group's consolidated financial statements are currently under review.

Significant accounting and measurement policies

Revenue recognition

Revenues are recognised when a performance obligation has been satisfied by transferring a promised good or service to a customer. The transfer criterion is fulfilled when the customer obtains control. Revenues are measured at the transaction price that is allocated to the respective performance obligation.

Revenues of the Wintershall Dea Group originate primarily from gas and oil sales. Gas and oil revenues are recognised at the time of delivery to the contractual delivery point. This is generally the case when the oil passes the vessel's rail or, in the case of gas and oil supply via the pipeline when passing agreed delivery points.

Revenues and expenses from gas and oil concessions are often allocated based on defined formulas set out in exploration and production sharing agreements between the state and one or more development and production companies. The proceeds to be received under these contracts are reported as revenue.

Long-term strategic purchases and resales of gas and oil (trading activities) are generally presented on a gross basis as cost of trade goods and revenues. Further trading activities for the purpose of margin improvement, as well as the trading transactions of the Russian subsidiary YRGM Trading are shown net of cost under revenues.

The Group applies the simplification rule set out in IFRS 15. It therefore does not adjust the agreed amount of consideration to reflect the effects of a material financing component if, at the contract start date, the period between the transfer to the customer of the promised goods or services and the date the customer is expected to pay for those goods or services is expected to be one year or less.

Income taxes

Tax positions under respective local tax laws and tax authorities' views can be complex and subject to different interpretations by taxpayers and local tax authorities. Different interpretations of tax laws may result in additional tax payments for previous years and are included in management considerations.

Under the liability method, deferred tax assets and liabilities are recognised for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This also comprises temporary differences arising from business combinations, except for goodwill.

Deferred tax assets and liabilities are calculated using the country-specific tax rates applicable for the period in which the asset is realised, or the liability settled. Tax rate changes enacted or substantively enacted on or before the balance sheet date are taken into consideration. Deferred tax assets are recognised if sufficient future taxable profit is available, including knowledge about income from forecast operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities.

As of each reporting period end, the Wintershall Dea Group evaluates the recoverability of deferred tax assets on the basis of projected future taxable profits. According to the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Wintershall Dea Group believes it is probable to realise the benefits of these deductible differences. As future developments are uncertain, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

Deferred tax assets are offset against deferred tax liabilities provided they are related to the same tax authority and have the same maturities.

IFRIC 23 clarifies the application of the recognition and measurement regulations of IAS 12 if there are uncertainties with regard to the income tax treatment. For recognition and measurement, estimates and assumptions have to be made, such as whether the assessment should be made separately or together with other uncertainties, whether to use a probable or expected value for the uncertainty and whether changes have occurred in comparison to the previous reporting period. The risk of detection is not relevant for the accounting treatment of uncertain balance sheet items. The accounting is based upon the assumption that the tax authorities consider the issue in question and that they have all relevant information. There are no significant effects on the consolidated financial statements of Wintershall Dea Group.

Changes in deferred taxes in the balance sheet are recognised as deferred tax expense/income if the underlying transaction is also recognised in profit or loss. For those effects that have been recognised in equity, changes to deferred tax assets and tax liabilities are also recognised directly in equity.

Intangible assets

Intangible assets include capitalised exploration expenditure, other intangible assets such as cost recovery rights, licence rights in the production phase, commercial and technical software and goodwill.

The exploration phase encompasses the period from the receipt of the exploration rights until their expiry or until the technical feasibility of a field's development and its economic viability have been demonstrated. The exploration expenditure capitalised during this phase includes, for example, concession acquisition costs, licences, exploration rights and exploration wells. Exploration wells are accounted for at their historical cost of acquisition or production according to the successful efforts method, i.e. expenses incurred on exploration wells are generally capitalised only when they were successful, meaning they specifically led to the discovery of oil and gas deposits. Costs for geological and geophysical investigations are generally reported under exploration expenses. Once the technical feasibility and commercial viability are demonstrable, the exploration wells are reclassified as property, plant and equipment, and intangible exploration rights are reclassified as other intangible assets. During the exploration phase, the exploration expenditure capitalised is not subject to scheduled amortisation/depreciation. At least once a year, all exploration wells are assessed from an economic, technical and strategic viewpoint to see if development is still viable. If this is not the case, the capitalised expenses for the respective well are written off. With the start of production, these exploration assets are amortised/depreciated according to the unit-of-production method (see 'Property, plant and equipment'). Exploration wells for which no reserves could be proven are shown as asset disposals and expensed as exploration expenses.

Other intangible assets have a finite useful life and are therefore subject to systematic straight-line or production-related amortisation. The useful life of concessions and other licence rights corresponds to the contractual term or comprises the period until the end of economic production. Software for commercial or technical applications is amortised using the straight-line method over three to ten years. The useful economic life and amortisation methods are subject to annual reviews.

The intangible asset from the marketing agreement for natural gas from the Yuzhno Russkoye natural gas field is amortised in accordance with the Wintershall Dea Group's share of the volume produced and marketed. Goodwill is not subject to systematic amortisation. It is subject to an impairment test on an annual basis or whenever there are indications of a reduction in value (impairment test). Goodwill is allocated to cash-generating units. The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units. This is the lowest level at which goodwill is monitored for internal management purposes.

Property, plant and equipment and investment property

Property, plant and equipment comprise land and buildings, gas and oil assets, other plant, machinery and equipment, as well as fixtures and fittings and office equipment. They are valued at amortised acquisition or production cost. Borrowing costs that can be directly allocated to the acquisition or production of an asset are capitalised as part of the acquisition or production costs if a considerable period is necessary to convert the asset into its intended state for use or sale ('qualified asset').

The cost of property, plant and equipment also includes the estimated cost of de-installation or demolition and removal or reconditioning of the site under public or private law obligations, to the extent related provisions are recognised. Maintenance and repair costs are stated as expenses.

Gas and oil assets are generally depreciated using the unit-of-production method. In principle, depreciation of capitalised wells is based on the current production for the period in relation to proven developed producing reserves. In the case of acquisition costs and production facilities/support equipment, the current production for the period is set in relation to total proved reserves. Other property, plant and equipment, excluding for land and similar rights, is depreciated using the straight-line method.

The estimated useful lives and depreciation methods for property, plant and equipment are based on historical values, plans and estimates. The depreciation methods, useful lives and residual values are reviewed at each balance sheet date. The typical useful lives of the Wintershall Dea Group's non-production-related property, plant and equipment are as follows:

USEFUL LIVES	YEARS
Buildings	4–50
Technical plant and machinery	1–33
Factory and office equipment	1–23

Leases

A lease is a contract conveying the right to control the use of an identified asset for an agreed-upon period in return for compensation.

The present value of future lease payments is generally recognised as a financial liability at the commencement date of all lease agreements under which the Group acts as the lessee. Lease payments are split into principal and interest portions using the effective interest method. Correspondingly, the right-of-use asset is recognised at the present value of the liability, adding any directly attributable costs. Payments made before the commencement date and incentives received from the lessor are also included in the carrying amount of the right-of-use assets.

Right-of-use assets are shown under intangible assets or property, plant and equipment and are generally depreciated or amortised on a straight-line basis over the lease term. Right-of-use assets that are allocated to the asset category 'gas and oil assets', are depreciated on a straight-line basis or according to the unit-of-production method. The provisions of IAS 36 concerning the determination and recognition of impairments of assets also apply to right-of-use assets.

If the expected lease payments change as a result of index-linked consideration, for example, or on the basis of new assessments of contractual options, the liability is remeasured. The new carrying amount is generally adjusted without impacting profit or loss by making a corresponding adjustment to the right-of-use assets.

For leases of low-value assets with a maximum amount of €5 thousand and short-term leases with a maximum term of twelve months, the Group exercises the optional application exemptions. The lease payments under these contracts are generally recognised on a straight-line basis over the lease term as expense in the statement of income.

Impairment test

An impairment loss is recognised on intangible assets, property, plant, equipment, investment properties and equity-accounted investments if the recoverable amount of the asset is less than its carrying amount. Exploration assets are required to be tested for impairment as soon as the technical feasibility and profitability of a resource can be proven. The presence of facts and circumstances indicating an impairment also gives rise to an impairment test. If the asset is part of a cash-generating unit (the smallest identifiable group of assets generating cash flows, which are largely independent of the cash inflows of other assets or other groups of assets), then impairment is derived on the basis of the recoverable amount of the cash-generating unit. In the event that the carrying amount of a cash-generating unit to which goodwill has been allocated exceeds the recoverable amount, the resulting impairment loss is initially applied to the allocated goodwill. Any further impairment required is taken into account through the pro rata reduction of the remaining carrying amounts of the cash-generating unit. A reversal of an impairment loss up to the value of amortised cost is made if the reasons for an earlier impairment no longer exist. In this case, the higher carrying amount resulting from a reversal must not exceed the carrying amount net of amortisation and depreciation. Impairment losses are reported net of reversals of impairment losses as net impairments on assets.

Within the scope of the impairment test, the recoverable amount of the cash-generating unit is determined. The recoverable amount is defined as the higher of the fair value less cost of disposal or value in use. The fair value represents the best possible estimate of the amount for which an independent third party would acquire the cash-generating unit as at the balance sheet date; the cost of disposal is deducted. Value in use reflects the present value of the future cash flows that are expected to be generated with the cash-generating unit. If either of these amounts exceeds the carrying amount, it may not always be necessary to determine both amounts. These values are determined on the basis of discounted cash flow calculations which, in turn, are generally based on current corporate planning. The cash flow forecasts pertain to the life-of-field period for the individual concession/licence or groups of concessions/licences. The calculations are based on historical experience as well as expectations of future market trends. The principal assumptions underlying management's determination of the recoverable amount are the forecasts for oil and natural gas market prices, reserve estimates, the production forecast as well as the discount rates. The discount rates applied are based on the weighted average cost of capital (WACC), taking into consideration specific country risks. The calculation is independent of the actual capital structure of the Group and, instead, based on a peer group.

The goodwill impairment test is based on groups of cash-generating units. At the Wintershall Dea Group, these units largely correspond to the business units. If there is a need for impairment, the existing goodwill is fully impaired, if necessary. Goodwill impairments are reported under net impairments on assets. Impairment losses on goodwill are not reversed.

Inventories

Inventories are carried at the cost of acquisition or production or at the lower net realisable value. Production costs reflect the total costs directly related to production and are determined on the basis of the normal capacity. To the extent that the net realisable value of previously impaired inventories has increased, the resulting reversal is recognised in the same expense item in which the original impairment was recorded.

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Wintershall Dea Group becomes a party to a financial instrument. Financial assets are derecognised when the Wintershall Dea Group no longer has a contractual right to the cash flows from the financial asset or when the financial asset is transferred together with all material risks and rewards of ownership. Financial liabilities are derecognised when the contractual obligations expire, are discharged or cancelled. Regular-way purchases and sales of financial instruments are generally accounted for based on the settlement date.

The fair value of a financial instrument is the price that would be received on the sale of an asset or paid on the transfer of a liability in an orderly transaction between market participants at the measurement date. If pricing on an active market is available, for example in the form of share prices, these are used as the basis for the measurement. Otherwise, the measurement is based on internal measurement models using current market parameters or external measurements, for example, from banks. These internal measurements predominantly use the net present value method and option pricing models.

Except in the case of financial assets measured at fair value through profit or loss, impairments for expected credit losses are recognised regardless of the actual default events. If the reasons for impairments no longer exist, the impairment is reversed in the statement of income up to the carrying amount that would have resulted without impairment. Impairments are generally recognised in separate accounts.

The classification and measurement of financial assets are based on what is known as the cash flow condition (cash flows exclusively from interest and principal repayments), i. e. the specific structure of the contractually agreed cash flows from an individual financial asset. Secondly, they depend on the business model, depending on which portfolios of financial assets are managed. Based on these two criteria, the Wintershall Dea Group uses the following measurement categories for financial assets:

- Financial assets to be measured at fair value through profit or loss (FVPL)
- Financial assets to be measured at amortised cost

Financial assets are measured as at amortised cost only if the asset is managed based on a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that relate solely to payments of principal and interest.

Except for trade accounts receivable from revenues, at initial recognition, financial assets are measured at their fair value plus, in the case of a financial asset not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Trade accounts receivable from revenues are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components.

After initial recognition, financial assets are measured depending on their classification, either at amortised cost using the effective interest method or at fair value through profit or loss.

For financial assets measured at amortised cost, expected credit losses are recognised. The assessment of credit losses is carried out on a forward-looking basis. Impairment losses, according to IFRS 9, are presented in the respective line item for the operating functions in the statement of income. Reversals of impairment losses are credited against the same line item.

Financial liabilities are classified in the following measurement categories:

- Financial liabilities to be measured at fair value through profit or loss (FVPL)
- Financial liabilities to be measured at amortised cost

Financial liabilities are measured at fair value less, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial liabilities.

After initial recognition, financial liabilities are measured depending on their classification, either at amortised cost using the effective interest method or at fair value through profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently measured at their fair values at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivate is designated as a hedging instrument and, if so, the nature of the item being hedged.

At the inception of the hedge relationship, the Group documents its risk management objective and strategy for entering into the hedge transaction, as well as the economic relationship between the hedging instrument and hedged items. This explanation includes whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flow of the hedged items.

The Group has designated derivatives as hedging instruments within the scope of cash flow hedges. Cash flow hedges are used to hedge the risk of variability in cash flows from highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised as other comprehensive income within equity. The gains or losses relating to the ineffective portion are recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to the periods when the hedged item affects profit or loss. When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gains or losses in equity at that time remain in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gains or losses are immediately reclassified to profit or loss.

Changes in the fair values of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

Agreements concluded for the receipt or delivery of non-financial items in accordance with the Group's expected buying, selling and utilisation needs and held for this purpose (own use contracts) are not accounted for as financial derivatives but as pending transactions. If the agreements contain embedded derivatives, then the derivatives are accounted for separately from the underlying agreement if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the underlying agreement.

Provisions

Provisions are recognised for all legal or factual obligations to third parties as at the balance sheet date when they are based on past events and will probably lead to an outflow of resources in the future, and to the extent they can be reliably estimated. Provisions are not recognised for obligations to third parties or for existing obligations where an outflow of resources is improbable or cannot be reliably determined. Such obligations are disclosed in the notes as contingent liabilities unless the possibility of an outflow of resources with economic benefits is remote.

Provisions are carried at their foreseeable settlement amount and not netted against any recovery claims. The settlement amount comprises cost increases to be taken into account as at the balance sheet date. In the case of non-current provisions, the amounts are discounted to the present value applying the country-specific or currency-specific market interest rate applicable as at the respective balance sheet date. Provisions based on a large number of similar events are reported at their expected value. Releases of provisions are reversed against the expense item against which the provision was originally recognised.

Decommissioning provisions cover the updated commitments for the plugging of wells, the deinstallation of onshore and offshore production facilities and the reconditioning of operations and drilling sites. The extent of these provisions is based on the anticipated total cost, taking into account the empirical data and cost benchmarks determined by the Association of German Crude Oil and Natural Gas Producers, with comparable assumptions available for foreign activities. Should any changes in interest rates or estimates in terms of timing or level of payout lead to changes in this provision, the carrying amount of the associated asset is adjusted accordingly. If the reduction is higher than the carrying amount, the excess amount is recognised directly in profit or loss.

Provisions for pensions are recognised for defined benefit plans. This relates to commitments by the companies to cover vested entitlements of employees in active service and current benefits to active and former employees or their dependents. These commitments relate in particular to old-age pension payments. The specific commitments are based on benefits that vary throughout the industry; however, as a rule, they are measured according to employees' length of service and remuneration.

The Group pension plan consists both of defined benefit and contribution-based benefit plans. Provisions for defined benefit plans are based on the actuarial projected benefit obligation, measured using the projected unit credit method. This benefit/years of service method takes into account not only the pension benefits and benefit entitlements known as at the balance sheet date, but also anticipated future increases in salaries and pension benefits. The calculation is based on actuarial reports, taking into account appropriate mortality rates. The provision is reduced by the fair value of the plan assets established to cover the pension commitments. The service cost, i.e. the increase in the obligation resulting from the work performed by employees in the period under review, is disclosed in the operating functional areas and the interest expenses/income are reported in financial expenses.

Results of the remeasurement of defined benefit plans are fully recognised in the fiscal year in which they occur. They are reported in other comprehensive income without impact on profit or loss. In the subsequent period, they are not reclassified to the statement of income.

The Group still participates in a legally independent multi-employer plan provided by BASF Pensionskasse VVaG, which is financed by employer and employee contributions as well as the return on plan assets. Since no sufficient information is available for this multi-employer plan, the Group accounts for the plan as if it were a defined contribution plan.

In the case of contribution-based benefit plans, the Group does not incur any further obligations beyond making contribution payments to special-purpose funds. The contribution payments are recorded as expenses.

Discontinued operations and assets held for sale

Discontinued operations are reported when a component of an entity that either has been disposed of or is classified as 'held for sale' represents a separate major line of business or geographical area of operations. In the consolidated statement of income, the result from discontinued operations is reported separately from the result from continuing operations. In the consolidated statement of cash flows, the cash flows from discontinued operations are presented separately from cash flows of continuing operations. Previous periods are, in each case, presented on a comparable basis. Except in the case of Note 1, the disclosures in the notes that refer to the consolidated statement of income and the consolidated statement of cash flows relate to continuing operations. In order to present the financial effects of discontinued operations, income and expenses and receivables and liabilities arising from intragroup transactions are eliminated. Non-current assets classified as 'held for sale' are measured at the lower of their carrying amount and fair value, less costs to sell, unless these assets are not part of the measurement scope defined in IFRS 5. Depreciation and amortisation cease from the date of classification as 'held for sale'.

Important estimates and assumptions

Preparation of the consolidated financial statements on the basis of IFRS requires management to make estimates and assumptions that affect the amounts reported for assets, liabilities, income and expenses as well as disclosed contingent liabilities and fair values. The assumptions and estimates concern mainly the following areas:

Gas and oil reserves

Natural gas and oil reserves are used to determine the recoverable amount within the scope of an impairment test, as well as for production-related depreciation and amortisation using the unit-of-production method. Reserves are estimated by the Group's own qualified engineers and geoscientists based on standardised valuation methods and are classified in line with international industry standards. This process is subject to specific guidelines. Furthermore, the estimates are audited by an independent consultant on a regular basis.

Impairment tests

Key assumptions used in impairment testing for intangible assets (including goodwill) and property, plant and equipment and equity-accounted investments relate to estimated reserves, market price forecasts for natural gas and crude oil, production forecasts and discount rates.

The in-house forecasts on the long-term development of gas and oil prices are based on empirically sound analyses of global gas and oil supply and demand. Long-term estimates also include assumptions about inflation, production volumes and costs, as well as about energy efficiency and the substitution of energy sources. Gas and oil price estimates are regularly checked for plausibility based on external sources and studies. The discount rates are based on the weighted average cost of capital, taking into consideration specific country risks.

Impairment on financial assets

The loss allowances for financial assets are based on assumptions regarding the probability of default and expected credit losses. The inputs to the impairment calculation are based on the Group's history, existing market conditions and forward-looking estimates.

Derivative financial instruments

In accounting for derivative financial instruments, assumptions have to be made as to whether the principles of hedge accounting apply. In addition, certain contracts require a decision as to whether they should be recognised as derivatives or treated as pending transactions in the same way as 'own use' contracts.

Provisions

Decommissioning provisions mainly require estimates and assumptions with regard to terms, costs to be considered and discount rates. Future actual cash outflows may differ due to changes in relation to these items.

With regard to pension provisions, the discount rate is one of the most important estimators. The discount factor for pension obligations is determined on the basis of yields on high-quality, fixed-rate corporate bonds on the financial markets as at the balance sheet date.

Leases

When determining right-of-use assets and corresponding lease liabilities, assumptions must be made regarding the exercise of extension or termination options as well as discount rates in particular.

All assumptions and estimates are based on conditions and evaluations made as at the balance sheet date. In addition, with regards to expected future business trends, the future development (considered realistic at the current time) of the economic environment in the industries and regions in which the Wintershall Dea Group operates is taken in account. If the actual trend deviates from the assumed development of conditions, then the assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly. As at the date of preparation of the consolidated financial statements, it is not expected that there will be a material change in the assumptions and estimates.

Note 2 – Scope of consolidation

There are 49 fully consolidated companies and one proportionally consolidated company (31 December 2019: 50 fully consolidated companies and one proportionally consolidated company; refer to Note 29). Although Wintershall Dea Group does not have discretionary power over the relevant activities of AO Gazprom YRGM Trading, it is entitled to the company's results on the basis of the profit distribution agreements and controls the company as principal.

NUMBER OF FULLY AND PROPORTIONALLY CONSOLIDATED COMPANIES

At the beginning of the year	**51**
First-time consolidation	2
Deconsolidation of insignificant subsidiaries	-2
Deconsolidation of liquidated subsidiary	-1
At the end of the year	**50**

There are seven joint ventures and material associated companies that are accounted for using the equity method (31 December 2019: 7). Achim Development and Achim Trading are considered here as one equity-accounted investment.

Joint operations

A large part of the activities in the Exploration & Production business area is carried out in the context of joint operations, some of which are managed through separate companies. The following joint operations are structured as separate entities:

NAME	Nature of the joint arrangements	Principal place of business	Ownership interest/ voting rights (%)
SUEZ OIL COMPANY (SUCO)	Operating Company for the development and production phase	Cairo, Egypt	50.00
DEMINEX EGYPT OIL COMPANY (DEOCO)	Operating Company for the development and production phase; performed by SUCO as a service	Cairo, Egypt	50.00
DISOUQ PETROLEUM COMPANY (DISOUCO)	Operating Company for the development and production phase; performed by SUCO as a service	Cairo, Egypt	50.00
GROUPEMENT REGGANE	Operating Company for the development and production phase	Algiers, Algeria	19.50

Joint operations that are not managed through separate companies are mainly located in Germany, Norway and Argentina.

The Group’s shares in joint operations are accounted for by recognising its respective share in assets and liabilities as well as its income and expenses. The joint operation AO Achimgaz, Novy Urengoy/Russia is operated jointly with Gazprom to produce natural gas and condensate. Wintershall Dea Group holds a 50 % interest in the company and controls the company jointly with Gazprom. As a result, the company was classified as a joint operation within the meaning of IFRS 11 and is therefore proportionally consolidated.

Joint ventures and associated companies

The main joint ventures accounted for using the equity method are WIGA Transport Beteiligungs-GmbH & Co. KG, Kassel (50 % interest) and its subsidiaries (WIGA Group) and Wintershall Noordzee B.V., Rijswijk/The Netherlands (50 % interest), both of which are operated with the partner Gazprom. The WIGA Group comprises the onshore gas transportation activities in Germany. Parts of the WIGA Group have been fully consolidated until 30 November 2019.

WIGA TRANSPORT BETEILIGUNGS-GMBH & CO. KG, KASSEL/GERMANY (100 %)[1, 2]

€ million	Jan–Dec 2020/ 31 Dec 2020	May–Dec 2019/ 31 Dec 2019
Balance sheet		
Non-current assets	4,525	4,620
Current assets	750	516
of which cash and cash equivalents	0	0
Assets	**5,275**	**5,136**
Equity	2,358	2,373
Non-current liabilities	2,828	1,270
of which financial debt	2,008	400
Current liabilities	89	1,493
of which financial debt	1	1,426
Equity and liabilities	**5,275**	**5,136**
Statement of income[3]		
Revenue	899	585
Depreciation and amortisation	-277	-97
Interest expenses	-19	-8
Income taxes	10	-12
Net income/loss (–)	**231**	**41**
Carrying amount according to the equity method as at the beginning of the year	**1,187**	**646**
Proportional net income for the year	116	21
Proportional change in other comprehensive income	-10	–
Total comprehensive income	**106**	**21**
Capital measures/distribution/changes in the scope of consolidation/other adjustments	-114	520
of which additions	–	1,195
of which disposals	–	-675[4]
of which distribution	-114	–
Carrying amount according to the equity method as at the end of the year	**1,179**	**1,187**

[1] Preliminary figures, not based on final accounts
[2] As from the reporting period, the fair value adjustments are included on a grossed up basis (100 %). Prior year figures have been adjusted accordingly.
[3] For the comparison period, the statement of income includes the month of December for the previously fully consolidated subsidiaries WIGA Transport, W&G Transport Holding and Opal Gastransport.
[4] Disposal of the equity-accounted investment W&G Infrastructure Group

WINTERSHALL NOORDZEE B.V., RIJSWIJK/THE NETHERLANDS (100 %)

€ million	Jan–Dec 2020/ 31 Dec 2020	May–Dec 2019/ 31 Dec 2019
Balance sheet		
Non-current assets	445	658
Current assets	70	75
of which cash and cash equivalents	26	29
Assets	**515**	**733**
Equity	–	79
Non-current liabilities	454	467
of which financial debt	–	–
Current liabilities	61	187
of which financial debt	–	124
Equity and liabilities	**515**	**733**
Statement of income		
Revenue	66	60
Depreciation and amortisation	-88	-71
Interest expenses	-3	-1
Income taxes	4	46
Net income/loss (–)	**-34**	**-44**
Carrying amount according to the equity method as at the beginning of the year	**39**	**61**
Proportional net income for the year	-16	-22
Total comprehensive income	**-16**	**-22**
Impairments	-23	–
Carrying amount according to the equity method as at the end of the year	**–**	**39**

The tables below contain summarised financial information for material associated companies accounted for using the equity method:

› OAO Severneftegazprom, Krasnoselkup/Russia (Winterhall Dea Group's share 25 %, economic participation 35 %)

OAO SEVERNEFTEGAZPROM, KRASNOSELKUP/RUSSIA (100 %)[1, 2]

€ million	Jan–Dec 2020/ 31 Dec 2020	May–Dec 2019/ 31 Dec 2019
Balance sheet		
Non-current assets	996	1,000
Current assets	148	258
of which cash and cash equivalents	91	79
Assets	**1,144**	**1,258**
Equity	730	966
Non-current liabilities	377	195
Current liabilities	37	97
Equity and liabilities	**1,144**	**1,258**
Statement of income		
Revenue	533	472
Depreciation and amortisation	-95	-49
Interest income	4	4
Interest expenses	-8	-5
Income taxes	-15	-18
Net income/loss (–)	**40**	**65**
Carrying amount according to the equity method as at the beginning of the year	**338**	**310**
Proportional net income for the year	14	23
Proportional change in other comprehensive income	-77	14
Total comprehensive income	**-63**	**37**
Capital measures/dividends/changes in the scope of consolidation/other adjustments	-19	-9
of which dividends	-19	-9
Carrying amount according to the equity method as at the end of the year	**256**	**338**

[1] Preliminary figures, not based on final accounts
[2] As from the reporting period, the fair value adjustments are included on a grossed up basis (100 %). Prior year figures have been adjusted accordingly.

› Nord Stream AG, Zug/Switzerland (Winterhall Dea Group's share 15.5 %)

NORD STREAM AG, ZUG/SWITZERLAND (100 %)[1]

€ million	Jan–Dec 2020/ 31 Dec 2020	May–Dec 2019/ 31 Dec 2019
Balance sheet		
Non-current assets	4,772	5,067
Current assets	596	586
of which cash and cash equivalents	194	231
Assets	**5,368**	**5,653**
Equity	2,588	2,350
Non-current liabilities	2,243	2,789
of which financial debt	2,041	2,789
Current liabilities	537	514
of which financial debt	522	514
Equity and liabilities	**5,368**	**5,653**
Statement of income		
Revenue	1,078	715
Depreciation and amortisation	-293	-182
Interest income	–	–
Interest expenses	-127	-99
Income taxes	-11	-15
Net income/loss (–)	**526**	**312**
Carrying amount according to the equity method as at the beginning of the year	**380**	**427**
Proportional net income for the year	80	50
Proportional change in other comprehensive income	8	6
Total comprehensive income	**88**	**-56**
Capital measures/dividends/changes in the scope of consolidation/other adjustments	-54	-103
of which dividends	-54	-103
Carrying amount according to the equity method as at the end of the year	**414**	**380**

[1] Preliminary figures, not based on final accounts

› Wintershall AG, Kassel, which carries out the Libyan exploration and production activities (onshore) jointly with Gazprom Libyen Verwaltungs GmbH, (Winterhall Dea Group's share 51 %)

WINTERSHALL AG, KASSEL/GERMANY (100 %)

€ million	Jan–Dec 2020/ 31 Dec 2020	May–Dec 2019/ 31 Dec 2019
Balance sheet		
Non-current assets	556	597
Current assets	104	107
of which cash and cash equivalents	4	1
Assets	**660**	**704**
Equity	159	185
Non-current liabilities	336	341
of which financial debt	77	80
Current liabilities	165	178
of which financial debt	47	51
Equity and liabilities	**660**	**704**
Statement of income		
Revenue	–	69
Depreciation and amortisation	-6	-36
Interest income	–	–
Interest expenses	–	–
Income taxes	6	-49
Net income/loss (–)	**-26**	**-5**
Carrying amount according to the equity method as at the beginning of the year	**94**	**97**
Proportional net income for the year	-13	-3
Proportional change in other comprehensive income	–	–
Total comprehensive income	**-13**	**-3**
Carrying amount according to the equity method as at the end of the year	**81**	**94**

In December 2019, Wintershall Aktiengesellschaft (WIAG) and Libya's National Oil Corporation (NOC) signed two exploration and production sharing agreements (EPSAs) for areas 91 (former Concession 96) and 107 (former Concession 97) in the onshore Sirte Basin.

WIAG and NOC have established a joint operating company (JOC) named Sarir Oil Operations (51 % NOC, 49 % WIAG), which assumed operatorship in both contract areas in October 2020.

› Wintershall Dea Wolga Petroleum GmbH, Kassel (Winterhall Dea Group's share 100 %)
The equity investment comprises the holding company Wintershall Dea Wolga Petroleum GmbH and its 50 % interest in the operating joint venture Wolgodeminoil LLC

WINTERSHALL DEA WOLGA PETROLEUM GMBH, KASSEL/GERMANY (100 %)[1]

€ million	Jan–Dec 2020/ 31 Dec 2020	May–Dec 2019/ 31 Dec 2019
Balance sheet		
Non-current assets	25	10
Current assets	16	38
of which cash and cash equivalents	8	30
Assets	**41**	**48**
Equity	30	18
Non-current liabilities	2	4
of which financial debt	0	–
Current liabilities	9	26
of which financial debt	4	17
Equity and liabilities	**41**	**48**
Statement of income		
Revenue	34	50
General and administrative expenses	-5	-4
Interest income	–	1
Income taxes	-2	-3
Net income/loss (–)	4	**9**
Carrying amount according to the equity method as at the beginning of the year	**36**	**36**
Proportional net income for the year	4	9
Proportional change in other comprehensive income	-9	1
Total comprehensive income	**-5**	**10**
Capital measures/dividends/changes in the scope of consolidation/other adjustments	-4	-17
of which dividends	-4	-17
Impairment	-17	–
Carrying amount according to the equity method as at the end of the year	**10**	**36**

[1] Preliminary figures, not based on final accounts

› Achim Development, Novy Urengoy/Russia and Achim Trading, Moscow/Russia

Wintershall Dea Group's share in Achim Development is 25.01 % and in Achim Trading 18.01 %. For both companies, the economic participation amounts to 25.01 %.

The limited liability company Achim Development develops and operates Blocks 4 and 5 of the Achimov Formation. The joint stock company Achim Trading is responsible for marketing the production of Achimov 4 and 5. The carrying amount of the investments as at 31 December 2020 was €731 million (prior year: €610 million). Economic activity will not commence until the start of production. Start of commercial production of Blocks 4 and 5 is scheduled for first quarter 2021. Hot commissioning from Area 4A has commenced in January with full commissioning to commence in second quarter 2021. As a result, no relevant financial information is required to be presented for 2020 in accordance with IFRS 12. As at 31 December 2020, the assets of the Achim Development amounted to €1,161 million and the assets of Achim Trading equalled €0 million.

Note 3 – Revenues and other income

REVENUES

€ million	Jan–Dec 2020	May–Dec 2019
Revenues gas		
Gas sales own production	1,143	931
Gas sales trading	672	588
Unrealised gains/losses from gas derivatives	-6	23
	1,809	**1,542**
Revenues oil		
Oil sales own production[1]	1,489	1,363
Oil sales trading	16	27
	1,505	**1,390**
Total revenues gas and oil	**3,314**	**2,932**
Revenues midstream	–	121
Revenues other	328	219
Total	**3,642**	**3,272**

[1] Including realised gains and losses from oil swaps that had been disclosed in separate line in the prior year's financial statements.

Gas and oil (crude oil/condensate) revenues from own production also include service fees for extraction services in Russia. 'Revenues other' mainly comprise revenues from construction services provided from Achimgaz to Achim Development.

Trading revenues cover the trading activities for gas and oil. The corresponding purchase costs for gas and oil volumes sold to third parties are shown under 'cost of trade goods'. Trading activities of the headquarter for the purpose of margin improvement and the trading transactions of the Russian subsidiary YRGM Trading are shown net of cost under trading revenues.

The Wintershall Dea Group has gas sales and purchase contracts that are physically settled despite not qualifying as own use prior to settlement. These contracts are accounted for as financial instruments, according to IFRS 9. The changes in fair value prior to settlement are shown separately as unrealised gains/losses from gas derivatives unless they are qualifying for hedge accounting and are recognised in other comprehensive income.

The realised gains/losses from these gas sales contracts as well as realised gains/losses from commodity derivatives, which are settled in cash, are shown under gas and oil sales revenues. As a consequence, gas and oil sales are reported at the contract price.

In the reporting period, realised gains from gas sales and purchase contracts measured at fair value through profit or loss according to IFRS 9 are recognised as gas sales revenues and cost of trade goods in the amount of €13 million. In addition, gas sales revenues include realised losses of €32 million for fixed price contracts for which hedge accounting applies. Oil sales revenues include realised gains from oil swaps amounting to €82 million. These gains and losses are not within the scope of IFRS 15.

Other operating income

Other operating income mainly includes gains from asset disposals, a government grant in Argentina and a gain from the settlement of a fixed-price contract in Norway. In the prior year, other operating income included gains from deconsolidation as well as gains from asset disposals.

Note 4 – Production and operating expenses

PRODUCTION AND OPERATING EXPENSES

€ million	Jan–Dec 2020	May–Dec 2019
Production costs	645	391
Change over-/underlift	0	-2
Transport fees and leases	258	181
Development costs	34	16
Cost of trade goods	621	561
Other cost of sales	289	123
Other costs	16	28
Total	**1,863**	**1,298**

Production costs also comprise gas and oil extraction service costs in Russia. Other cost of sales include mainly construction services for Achim Development.

Cost of trade goods covers the trading activities for oil and gas. The corresponding revenues are shown under gas and oil sales trading. The trading activities of the headquarter for the purpose of margin improvement and the trading transactions of the Russian subsidiary YRGM Trading are shown net of costs under trading revenues.

Other costs comprise mainly net impairments on operating receivables (loss of €13 million) and losses from disposal of fixed assets of €3 million.

Note 5 – Exploration

Exploration expenses in the consolidated statement of income (€181 million) comprise, among other things, expenses related to seismology, geology, geophysics, unsuccessful exploration wells, additions and reversals of provisions and allocable administrative expenses. Impairment losses and reversals are not included in the exploration expenses.

Provisions comprise decommissioning obligations as well as obligations arising from onerous contracts and unfulfilled work programmes related to exploration licences in the amount of €100 million.

The cash flow from operating activities attributable to exploration amounts to €-140 million. In addition, the cash flow from investment activities by the exploration division amounts to €-14 million.

Note 6 – Additional disclosure: Personnel expenses and employees

Total personnel expenses included in production and other operating expenses, exploration expenses and general and administrative expenses are as follows:

PERSONNEL EXPENSES

€ million	Jan–Dec 2020	May–Dec 2019
Wages and salaries	338	245
Social security and other benefits	40	31
Expenses relating to post-employment benefits	38	47
Total	**416**	**323**

The Group had an average of 2,610 employees globally in the reporting period and 2,513 employees as at 31 December 2020 (2019 average: 2,900; as at 31 December 2019: 2,847) at fully and proportionately consolidated companies.

NUMBER OF EMPLOYEES	Average 2020	Average 2019
Wintershall Dea Group	2,610[1]	2,900[2]
of which trainees	56	61
of which employees on fixed-term contracts	157	190

[1] Thereof 266 employees in proportionally consolidated company (of which 69 employees on fixed-term contracts)
[2] Thereof 244 employees in proportionally consolidated company (of which 52 employees on fixed-term contracts)

Note 7 – Financial result

FINANCIAL RESULT

€ million	Jan–Dec 2020	May–Dec 2019
Interest income from third parties	114	73
Interest income from related parties	8	2
Gains from financial derivatives, net	92	24
Income from investments	5	3
Other financial income	1	5
Financial income	**220**	**107**
Interest expenses to third parties	80	92
Less capitalised borrowing costs	-41	-24
Foreign currency exchange losses, net	261	128
Loss absorption	7	–
Interest from addition to provisions	44	37
Net impairment on financial receivables	92	-1
Other financial expenses	2	15
Financial expenses	**445**	**247**
Total financial result	**-225**	**-140**

Interest income and interest expenses result from assets and liabilities measured at amortised cost.

In the reporting period, a shareholder loan granted to a Dutch investment valued at equity was fully impaired as repayments were not expected. The impairment loss of €91 million was recognised as net impairment on financial receivables in the financial result.

Note 8 – Income taxes

In Germany, a uniform corporate income tax rate of 15.0 % and a solidarity surcharge of 5.5 % are levied on all distributed and retained earnings. In addition to corporate income tax, income generated in Germany is subject to a trade tax that varies depending on the municipality in which the company is represented. The weighted average corporate income and trade tax rate in 2020 was 30.0 % (prior year: 30.0 %). The 30.0 % tax rate used to calculate deferred taxes for German Group companies remained unchanged in 2020. The income of foreign Group companies is assessed using the tax rates applicable in their respective countries. The foreign Group companies use the following tax rates for the deferred tax calculation:

TAX RATES FOR THE DEFERRED TAX CALCULATION

Norwegian Group company		78 % / 56 % / 22 %
Mexican Group companies		30 %
Dutch Group companies		25 %
Russian Group companies		20 %
Argentine Group company		25 %

TAX EXPENSE

€ million	Jan–Dec 2020	May–Dec 2019
Income taxes current year (corporate income tax, solidarity surcharge and trade taxes)	536	-144
Income taxes for prior years	75	31
Current income tax expense	**611**	**-113**
from changes in temporary differences	-219	-191
from changes in tax loss carryforwards/unused tax credits	107	18
from changes in the tax rate	–	0
Deferred tax expenses	**-112**	**-173**
Income taxes	**499**	**-286**

Taxes on income are derived from the expected tax expenses as follows:

RECONCILIATION TO THE EFFECTIVE TAX EXPENSE AND THE TAX RATE

€ million	Jan–Dec 2020	May–Dec 2019[1]
Result before taxes	**-1,338**	**601**
Expected income taxes based on German weighted average corporate and trade income tax rate (30 %)	401	-180
Effect of different tax rates on income of foreign Group companies	179	-33
Effect of different tax bases on income of foreign Group companies	135	-140
Effect of different tax rates and bases on income of foreign branches	-175	10
Taxes for prior years	9	31
Withholding tax on dividends	-15	-24
Tax effects on		
Gain from deconsolidation	–	128
Expenses not deductible for tax purposes German Group companies	-15	-14
Changes in tax loss carryforwards	0	-30
Goodwill impairments and disposal	-16	-80
Financial asset impairment	-39	–
Net income from investments in associated companies	55	24
Miscellaneous	-20	22
Effective income taxes	**499**	**-286**
Effective income tax rate in %	**37**	**48**

[1] The expected tax rate for the prior year's tax reconciliation has been adjusted from 15 % to 30 %. The prior year's tax reconciliation has been adjusted accordingly.

The effect of different tax rates on income of foreign Group companies of €179 million was mainly caused by losses in Norway which is a country with a high applicable tax rate due to the special petroleum tax regime.

The effect of different tax bases on the income of foreign Group companies of €135 million was mainly impacted by a tax income of €174 million due to an uplift (additional depreciation allowance for tax purposes in Norway) and a countereffect from changes in permanent differences such as non-deductible expenses.

The effect of different tax rates and bases on the income of foreign branches of €-175 million was mainly caused by fixed and intangible asset impairments, which qualify as permanent differences in the respective jurisdiction.

Income tax assets and liabilities

Income tax assets and liabilities consist primarily of income taxes for the respective current year and prior-year periods that have not been definitively audited by the tax authorities. The income tax liabilities also comprise provisions for uncertain tax positions.

Deferred tax assets and liabilities

The deferred tax assets and liabilities are allocable to the following balance sheet items:

DEFERRED TAX ASSETS AND LIABILITIES JAN–DEC 2020

			Effects recognised in OCI						
€ million	1 Jan 2020 net	Effects recognised in income	Other	Cash flow hedge	Remeasurement of benefit plans	Foreign currency translation	31 Dec 2020, net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment and investment property and intangible assets	-4,884	-85	-299	–	–	431	-4,837	6	4,843
Financial investments	–	–	–	–	–	–	–	–	–
Inventories and receivables	-82	1	11	-2	–	3	-69	1	70
Pension provisions	145	1	0	–	4	-3	147	173	26
Other provisions and liabilities	1,363	-136	295	65	–	-108	1,479	1,517	38
Other	9	0	-7	–	–	0	2	2	0
Tax loss carryforwards	68	107	–	–	–	-7	168	168	–
Deferred tax assets/ liabilities before netting	**-3,381**	**-112**	**0**	**63**	**4**	**316**	**-3,110**	**1,867**	**4,977**
Netting (same taxation authority)	–	–	–	–	–	–	–	-1,727	-1,727
Deferred tax assets/ liabilities after netting	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**140**	**3,250**

DEFERRED TAX ASSETS AND LIABILITIES MAY–DEC 2019

				Effects recognised in OCI					
€ million	1 May 2019, net	Effects recognised in income	Business combi-nations/ deconsoli-dations	Cash flow hedge	Remeasure-ment of benefit plans	Foreign currency transla-tion	31 Dec 2019, net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment and investment property and intangible assets	-2,017	-160	-2,854	–	–	-147	-4,884	51	4,935
Financial investments	–	–	–	–	–	–	0	–	–
Inventories and receivables	65	-47	-94	-7	–	1	-82	9	91
Pension provisions	60	7	51	–	29	-2	145	164	19
Other provisions and liabilities	802	239	342	-12	–	-8	1,363	1,391	28
Other	1	-18	26	–	–	–	9	14	5
Tax loss carryforwards	1	18	49	–	–	–	68	68	–
Deferred tax assets/ liabilities before netting	**-1,088**	**39**	**-2,480**	**-19**	**29**	**138**	**-3,381**	**1,697**	**5,078**
Netting (same taxation authority)	–	–	–	–	–	–	–	-1,601	-1,601
Deferred tax assets/ liabilities after netting	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**96**	**3,477**

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax asset against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: the same taxable entity; or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Of the total amount of deferred tax assets and deferred tax liabilities, €178 million (May–Dec 2019: €127 million) and €72 million (May–Dec 2019: €118 million) are expected to be realised within 12 months.

No deferred tax liabilities were recognised for temporary differences associated with investments in subsidiaries, branches and associates in the amount of approximately €741 million in 2020 because we are in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

Current income taxes for current and prior periods are measured at the amount that is expected to be paid to or be refunded from the tax authorities, taking into account the tax rates applicable in the countries of the respective Group companies as at the balance sheet date. The Group companies are liable for taxation in several countries. When assessing the Group-wide tax receivables and tax liabilities, the interpretation of tax law may create uncertainty. There is a potential risk that tax authorities and Group companies will interpret tax rules differently. Changes in assumptions of tax law interpretations that may, for example, result from revised jurisprudence are recognised in the measurement of uncertain tax receivables and liabilities in the respective period. Uncertain tax receivables and liabilities are recognised with the probable value if their probability is more likely than not.

Tax loss carryforwards

The deferred tax assets result from domestic and foreign activities. Deferred tax assets comprise capitalised tax credit claims resulting from the expected utilisation of loss carryforwards in subsequent years. The realisation of these tax loss carryforwards is ensured to an adequate level of certainty. In the fiscal year under review, there were tax loss carryforwards of €552 million (May–Dec 2019: €106 million) in Germany and €293 million (May–Dec 2019: €177 million) in Mexico, for which deferred taxes of €168 million (May–Dec 2019: €68 million) were recognised. The amount of tax loss carryforwards not covered by deferred tax assets totals €558 million (previous period: €533 million). A total amount of €404 million will not expire. A total amount of €154 million will expire between 2025 and 2035.

Tax income includes deferred tax expenses of €3 million from a write-down and reversal of a previous write-down of deferred tax assets.

The business plan is the basis for the assessment, if it is probable that future taxable profits will be available to utilise deferred tax assets, if the utilisation of the deferred tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. According to the latest available business plan, it is probable that there will be sufficient taxable profit in Germany to utilise the deferred tax assets.

Note 9 – Segment reporting

The Group's business is conducted in six segments:

- Northern Europe
- Russia
- Middle East/North Africa (MENA)
- Latin America (LATAM)
- Midstream
- Other

The segments Northern Europe, Russia, MENA and LATAM comprise the E&P business and are further divided into eleven divisions based on countries in the respective region. The E&P segments include exploration and appraisal, field development and production activities in the following divisions:

- **Northern Europe:** Germany, Norway and Denmark/The Netherlands/UK
- **Russia:** Russia
- **Middle East/North Africa:** Egypt, Libya, Algeria and United Arab Emirates (UAE)
- **Latin America:** Argentina, Mexico and Brazil

The Midstream segment comprises the onshore and offshore gas transportation activities in Europe.

The Other segment includes the Management Board; the corporate functions, including Strategy, Global Exploration, Carbon Management and Hydrogen, Technology & Innovation and Digital, the holding companies; and the trading activities managed by the headquarters.

The accounting policies for the operating segments are the same as the Group's accounting policies described in Note 1.

The consolidation column includes the elimination of inter-segment sales, mainly resulting from the gas trading activities between the headquarter and the business segments. Sales between the segments are made at prices that approximate market prices.

The key internal performance measure 'adjusted EBITDAX' (EBITDAX), which is used for internal management control purposes, and the additional performance indicator 'adjusted net income' are disclosed as a measure of profit and loss for each reporting segment. EBITDAX and adjusted net income are not recognised measures under IFRS.

The definitions of EBITDAX and adjusted net income have been amended in the fourth quarter 2020. Consequently, the presented prior-year figures are amended accordingly, and adjusted net income replaces net result as a measure for profit and loss in the segment reporting.

As of this reporting period, segment reporting includes the non-IFRS measure 'free cash flow', which also serves as a key performance indicator for internal management control.

	Jan–Dec 2020							
€ million/mboe/d	Northern Europe	Russia	Middle East/North Africa[1]	Latin America	Midstream	Other	Consoli-dation	Total
External revenues	1,680	574	237	344	2	805	–	3,642
Inter-segment revenues	211	–	–	–	–	9	-220	–
Segment revenues	1,891	574	237	344	2	814	-220	3,642
Depreciation and amortisation	-1,121	-46	-113	-151	–	-7	–	-1,438
Net impairment on assets	-386	-17	-591	-158	–	–	–	-1,152
Exploration expenses	-125	–	-4	-44	–	-8	–	-181
Income tax	517	-46	-27	37	2	16	–	499
Adjusted net income	161	154	-6	-106	190	-198	–	195
EBITDAX	1,039	239	105	200	193	-133	–	1,643
of which net income from equity-accounted investments	-17	16	-13	–	196	–	–	182
Total CAPEX[2]	-1,066	-12	-151	-34	–	-5	–	-1,268
of which production and development CAPEX	-1,036	-12	-151	-33	–	-5	–	-1,237
of which exploration CAPEX	-30	–	–	-1	–	–	–	-31
Free cash flow	401	254	-55	-42	111	-510	–	159
Production[3] [4]	206	295	48	74	–	–	–	623
of which gas	109	235	37	65	–	–	–	446
of which oil	97	60	11	9	–	–	–	177

[1] Excluding Libya onshore
[2] Cash outflows for intangible assets, property, plant and equipment and investment property
[3] On a working-interest basis, including proportional production from at equity-associated companies
[4] Production (mboe/d) is not an IFRS measure.

	May–Dec 2019							
€ million/mboe/d	Northern Europe	Russia	Middle East/North Africa[1]	Latin America	Midstream	Other	Consoli-dation	Total
External revenues	1,623	375	274	348	123	529	–	3,272
Inter-segment revenues	36	–	–	0	–	2	-38	–
Segment revenues	1,659	375	274	348	123	531	-38	3,272
Depreciation and amortisation	-763	-18	-84	-157	-27	-4	–	-1,053
Net impairment on assets	-48	–	-6	-244	–	0	–	-298
Exploration expenses	-71	–	-1	-77	–	1	–	-148
Income tax	-156	-44	-51	7	-8	-34	–	-286
Adjusted net income	43	193	180	-89	128	-294	–	161
EBITDAX	1,051	245	192	222	170	-102	–	1,778
of which net income from equity-accounted investments	-22	21	–	–	77	6	–	82
Total CAPEX[2]	-860	-28	-204	-70	0	-2	–	-1,164
of which production and development CAPEX	-791	-28	-194	-42	0	-2	–	-1,057
of which exploration CAPEX	-69	–	-10	-28	–	–	–	-107
Production[3] [4]	198	284	55	78	–	–	-	615
of which gas	104	229	42	68	–	–	–	443
of which oil	94	55	13	10	–	–	–	172

[1] Excluding Libya onshore
[2] Cash outflows for intangible assets, property, plant and equipment and investment property
[3] On a working-interest basis, including proportional production from at equity-associated companies
[4] Production (mboe/d) is not an IFRS measure.

External revenues are allocated to the following divisions:

EXTERNAL REVENUES

€ million	Jan–Dec 2020	May–Dec 2019
Norway	1,218	1,135
Germany	455	473
UK/Denmark/The Netherlands	7	15
Northern Europe	**1,680**	**1,623**
Russia	**574**	**375**
Egypt	143	161
Libya	54	78
Algeria	40	35
Middle East/North Africa	**237**	**274**
Argentina	295	299
Mexico	49	49
Latin America	**344**	**348**
Midstream	**2**	**123**
Other	**805**	**529**
Total	**3,642**	**3,272**

EBITDAX and adjusted net income

EBITDAX is defined as revenues and other income, less production and operating expenses, less production and similar taxes, less general and administrative expenses and less cost of sales midstream, adjusted for special items.

Adjusted net income is derived from EBITDAX less depreciation and amortisation, less exploration expenses, plus financial income, less financial expenses and less income taxes, adjusted for special items and tax effects on adjusted special items and disregarded items (e.g. impairments on assets).

€ million	Jan–Dec 2020	May–Dec 2019
Sales revenues gas and oil	3,314	2,932
adjusted for unrealised changes in fair value commodity derivatives	6	-23
Sales revenues midstream	–	121
Sales revenues other	328	219
Net income from equity-accounted investments: gas and oil	-14	12
adjusted for impairment and reversal of impairment on assets in the results of the equity-accounted investments (after tax)	–	–
Net income from equity-accounted investments: midstream	196	70
adjusted for impairment and reversal of impairment on assets in the results of the equity-accounted investments (after tax)	–	–
Other operating income	68	519
adjusted for gains from sale of assets/changes in consolidation scope	-5	-473
Production and operating expenses	-1,863	-1,298
adjusted for impairment/write-offs and reversal of impairment on operating receivables	13	-24
adjusted for losses from sale of assets	3	56
adjusted for non-recurring items (merger-related cost, acquisition cost etc.)	0	-3
Production and similar taxes	-94	-110
Cost of sales midstream	–	-19
General and administrative expenses	-277	-206
adjusted for impairment/write-offs and reversal of impairment on operating receivables	0	0
adjusted for losses from sale of assets/changes in consolidation scope	1	1
adjusted for non-recurring items (merger-related cost, acquisition cost etc.)	-33	4
EBITDAX	**1,643**	**1,778**

€ million	Jan–Dec 2020	May–Dec 2019
EBITDAX	**1,643**	**1,778**
Depreciation and amortisation	-1,438	-1,053
Exploration expenses	-181	-148
adjusted for gains/losses from sale of assets	45	4
Financial income	220	107
Financial expenses	-445	-247
adjusted for impairment/write-offs and reversal of impairment on financial receivables	92	-1
Income tax	499	-286
adjusted for taxes on adjusted and disregarded items	-240	7
Adjusted net income	**195**	**161**

Note 10 – Intangible Assets, Property, Plant and Equipment and Investment Property

INTANGIBLE ASSETS

€ million	Goodwill	Exploration assets	Other intangible assets	Total
Cost of acquisition and production				
As at 1 Jan 2020	2,580	1,769	3,585	7,934
Additions	–	31	37	68
Disposals	-53	-81	-20	-154
Transfer	–	-805	642	-163
Currency translation effect	-229	-87	-405	-721
As at 31 Dec 2020	2,298	827	3,839	6,964
Accumulated amortisation				
As at 1 Jan 2020	–	192	660	852
Amortisation/depreciation	–	10	210	220
Impairment	53	144	271	468
Disposals	-53	–	-19	-72
Transfer	–	-149	151	2
Currency translation effect	–	-12	-123	-135
As at 31 Dec 2020	–	185	1,150	1,335
Net carrying amount as at 31 Dec 2020	**2,298**	**642**	**2,689**	**5,629**

INTANGIBLE ASSETS

€ million	Goodwill	Exploration assets	Other intangible assets	Total
Cost of acquisition and production				
As at 1 May 2019	1,204	225	1,288	2,717
Changes in scope of consolidation	1,772	1,372	2,482	5,626
Additions	–	128	57	185
Disposals	-396	-126	-48	-570
Transfer	0	201	-146	55
Currency translation effect	–	-31	-48	-79
As at 31 Dec 2019	2,580	1,769	3,585	7,934
Accumulated amortisation				
As at 1 May 2019	132	85	543	760
Changes in scope of consolidation	–	–	–	–
Amortisation/depreciation	–	3	170	173
Impairment	212	39	4	255
Disposals	-345	-9	-11	-365
Transfer	–	75	-58	17
Currency translation effect	1	-1	12	12
As at 31 Dec 2019	0	192	660	852
Net carrying amount as at 31 Dec 2019	**2,580**	**1,577**	**2,925**	**7,082**

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

€ million	Land and buildings[1]	Gas and oil assets[2]	Other plant, machinery and equipment	Fixtures and fittings and office equipment	Total
Cost of acquisition and production					
As at 1 Jan 2020	175	17,243	28	102	17,548
Additions	14	1,271	0	5	1,290
Disposals	-4	-71	0	-9	-84
Transfers	9	317	0	-1	325
Currency translation effect	-8	-1,089	-3	-2	-1,102
As at 31 Dec 2020	186	17,671	25	95	17,977
Accumulated amortisation					
As at 1 Jan 2020	43	7,487	17	69	7,616
Amortisation/depreciation	14	1,235	1	9	1,259
Impairment	0	657	–	1	658
Reversal of impairment	–	-14	–	–	-14
Disposals	-3	-7	0	-8	-18
Transfers	9	153	0	-1	161
Currency translation effect	-1	-458	-1	-1	-461
As at 31 Dec 2020	62	9,053	17	69	9,201
Net carrying amount as at 31 Dec 2020	**124**	**8,618**	**8**	**26**	**8,776**

[1] Land and buildings include investment property.
[2] Gas and oil assets include assets under construction in the amount of €2,876 million as at 31 Dec 2020.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

€ million	Land and buildings[1]	Gas and oil assets[2]	Other plant, machinery and equipment	Fixtures and fittings and office equipment	Total
Cost of acquisition and production					
As at 1 May 2019	160	11,793	1,548	86	13,587
Changes in scope of consolidation	-38	4,360	-1,098	10	3,234
Additions	50	1,512	2	7	1,571
Disposals	-13	-149	-447	-6	-615
Transfers	18	-112	19	5	-70
Currency translation effect	-2	-161	4	0	-159
As at 31 Dec 2019	175	17,243	28	102	17,548
Accumulated amortisation					
As at 1 May 2019	56	6,703	448	69	7,276
Changes in scope of consolidation	-14	0	-376	-2	-392
Amortisation/depreciation	10	854	38	6	908
Impairment	1	42	–	–	43
Disposals	-10	-56	-93	-4	-163
Transfers	0	-51	0	0	-51
Currency translation effect	0	-5	0	0	-5
As at 31 Dec 2019	43	7,487	17	69	7,616
Net carrying amount as at 31 Dec 2019	**132**	**9,756**	**11**	**33**	**9,932**

[1] Land and buildings include investment property.
[2] Gas and oil assets include assets under construction in the amount of €3,194 million as at 31 Dec 2019.

Capitalised borrowing costs

In connection with the acquisition and production of qualified assets, borrowing costs amounting to €41 million (prior year: €24 million) were capitalised as part of acquisition and production costs in the reporting period. The financing cost rate applied in this context was between 1.1 % and 1.3 % (prior year: 1.3 % and 1.5 %).

Impairment testing

Impairment tests of individual cash-generating units are performed when triggering events point to a potential impairment. External triggering events include, for example, changes in oil and gas prices and in the estimated reserves. Changes in production processes or physical damage to assets constitute internal indicators of impairment. Goodwill is subject to an annual impairment test, which was carried out in the fourth quarter of 2020 at the level of the business units.

An impairment is recognised when the carrying amount of an asset or a cash-generating unit, including goodwill, exceeds the recoverable amount. The recoverable amount corresponds to the fair value less cost of disposal (level 3 in the fair value hierarchy). For producing licences and licences in the development phase, the recoverable amount is estimated based on discounted future cash flows after tax.

NET IMPAIRMENT ON ASSETS

€ million	Jan–Dec 2020
Goodwill	53
Acquisition cost of concessions (incl. exploration licences)	412
Exploration wells	3
Producing and development assets[1]	644
Investments valued at equity (Note 11)	40
Total	**1,152**

[1] Thereof right-of-use assets €1 million

For the reporting period net impairment losses amount to €1,152 million. The net impairments on property, plant and equipment, other intangible assets and exploration assets relate to producing and development assets and acquisition costs of concessions in Middle East/North Africa (€564 million), to producing and development assets, acquisition costs of concessions and exploration wells in Northern Europe (€337 million) as well as to acquisition costs of concessions in Latin America (€158 million). The recoverable amounts for those assets that have been impaired in the reporting period amount to €741 million for Middle East/North Africa, to €253 million for Northern Europe and to €861 million for Latin America. The goodwill allocated to the cash-generating units Egypt and Denmark was fully impaired (€27 million and €26 million). Moreover, the net impairment on assets include impairments on investments valued at equity in the Netherlands (€23 million) and Russia (€17 million).

The impairments recognised in June were mainly triggered by revised commodity price assumptions as well as reduced reserve expectations for the West Nile Delta development in Egypt. The net impairments recognised in December were the result of updated operational assumptions from the latest business plan.

The following key assumptions have been used for the impairment test as at 31 December 2020.

Oil and gas prices

Oil and gas price forecasts are based on the Group's current oil and gas price scenario taking into account management's estimates and the available market data. The oil and gas price scenario includes an oil price of 43 USD/bbl and a gas price of 3.8 USD/mmbtu for the year 2021.

Discount rates

The discount rates applied are based on the weighted average cost of capital, taking into consideration the individual functional currency and specific country risks. The beta factor is based on publicly available market data about the identified peer group. For the impairment test in 2020, the discount rates applied per functional currency ranged between 6.0 % and 19.3 %.

Discount rates of 6.2 % and 6.6 % were used for the goodwill impairment test for the business units Germany and Norway to which a significant portion of the goodwill was allocated.

Allocation of goodwill

Goodwill is allocated to the following groups of cash-generating units:

€ million	31 Dec 2020	31 Dec 2019
Germany[1]	312	312
Denmark[1]	–	26
Argentina	120	120
Middle East	6	6
The Netherlands	9	10
Norway	1,519	1,658
Achimgaz	187	237
YRGM Trading	145	184
Egypt	–	27
Total	**2,298**	**2,580**

[1] For the purpose of goodwill allocation, the business units Germany and Denmark are no longer considered on a combined basis. As from the reporting period, the goodwill in each case is allocated to the business unit Germany and the business unit Denmark.

Sensitivities

Oil and gas prices, production volumes and discount rates (WACC) are considered to be the most critical input parameters and assumptions for goodwill impairment testing. A sensitivity analysis was carried out for these items. In accordance with IAS 36.134 f, the analysis focused solely on the business unit Norway and business unit Germany.

After determining the corresponding recoverable amounts of the business units by assessing reasonable deviations (-20 % on prices, -20 % on production and +1 % on WACC) for the stated input parameters, there was no indication that the carrying amount would exceed the recoverable amount and trigger goodwill impairment for the business unit Germany. The same is also valid with regards to the discount rates in Norway.

In the case of production volumes or oil and gas prices, a considerable decrease for one of these parameters may be associated with a potential risk of impairment of the allocated goodwill. The recoverable amount of the business unit Norway exceeds its carrying amount by €611 million in the reporting period. The recoverable amount would correspond to the carrying amount of the business unit if the oil and gas price forecasts or production volumes were approximately 11 % lower.

Cashflows for validation purposes are derived from life-of-field sheets, which reflect production volumes and cost elements for the remaining expected economic lifetime of a gas or oil field and end with the year of the field’s abandonment or upon the expiration of the production licence.

Note 11 – Equity-accounted investments

€ million	Jan–Dec 2020	May–Dec 2019
Net carrying amount at the beginning of the period	2,685	2,191
Additions	124	1,195
Disposals	–	-675
Dividends	-192	-129
Proportional net income of the period	182	82
Proportional other comprehensive income	-2	6
Impairments	-40	–
Currency translation effect	-86	15
Net carrying amount at the end of the period	**2,671**	**2,685**

Note 12 – Inventories

€ million	31 Dec 2020	31 Dec 2019
Raw materials, consumables and supplies	188	207
Work in process and finished goods	13	20
Total	**201**	**227**

Note 13 – Financial receivables

	31 Dec 2020		31 Dec 2019	
€ million	Non-current	Current	Non-current	Current
Loans and financial receivables to related parties and other participations	212	90	212	165
Loans and financial receivables to other parties	915	39	852	0
Financial receivables from cash pooling	–	12	–	16
Total	**1,127**	**141**	**1,064**	**181**

Note 14 – Trade and other receivables

€ million	31 Dec 2020		31 Dec 2019	
	Non-current	Current	Non-current	Current
Trade accounts receivables				
Trade accounts receivable from revenues	–	557	–	629
Other trade accounts receivable	–	62	–	89
	–	**619**	**–**	**718**
Other receivables				
Receivables from other taxes	–	69	–	81
Prepayments and prepaid expenses	1	52	2	151
Underlift receivables	–	25	–	30
Miscellaneous other receivables and assets	37	143	133	247
	38	**289**	**135**	**509**
Total	**38**	**908**	**135**	**1,227**

Note 15 – Equity of the parent

Subscribed capital and capital reserves

As at 31 December 2020, the subscribed capital of Wintershall Dea GmbH amounted to €189 million and was divided into 156,716,500 ordinary shares with full voting rights and a nominal value of €1.00 each and 32,721,027 preference shares with a nominal value of €1.00 each. The ordinary shares in the company are held by BASF Handels-und Exportgesellschaft mbH (67 %) and L1 Energy Capital Management Services S.à r.l. (33 %). The former shareholder L1E Funding GmbH was merged into L1 Energy Capital Management Services S.à r.l. in the reporting period.

The preference shares are held by BASF and result from an equity contribution in the course of the merger with DEA. They are scheduled to convert into ordinary shares upon the initial public offering or on 1 May 2022, whichever comes first. The preference shares lead to a total holding in the company's share capital of 72.7 % for BASF and 27.3 % for L1 Energy Capital Management Services S.à r.l. (LetterOne).

Wintershall Dea Group is jointly controlled by BASF and LetterOne as set out in the corporate governance.

Changes in the company's capital reserve resulted from a reclassification of €5 billion from capital reserve to retained earnings as well as a contribution to capital reserve by LetterOne (€9 million).

Retained earnings

The Group's retained earnings include the net income and losses of consolidated subsidiaries and equity-accounted investments, as adjusted for the purposes of consolidation.

Other comprehensive income

Other comprehensive income comprises gains/losses from currency translation adjustments, gains/losses from changes in the fair value of derivatives as well as actuarial gains and losses from defined benefit plans.

Note 16 – Provisions for pensions and similar obligations

In addition to state pension plans, most employees are granted company pension benefits from either defined contribution or defined benefit plans. Benefits generally depend on the length of service, compensation and contributions and take into consideration the legal framework of labour, tax and social security laws of the countries where the companies are located. To limit the risks of changes in financial market conditions as well as demographic developments, for a number of years now, employees have been offered, almost exclusively, defined contribution plans for future years of service.

Description of the defined benefit plans

GERMANY

Some Wintershall Dea Group companies in Germany participate in the BASF group's pension plans. BASF Pensionskasse VVaG provides a basic level of benefits, a legally independent plan which is financed by employer and employee contributions and the return on plan assets. Some of the benefits financed via BASF Pensionskasse VVaG are subject to adjustments that must be borne by its member companies to the extent that these cannot be borne by BASF Pensionskasse VVaG due to the regulations imposed by the German supervisory authority. In 2004, the basic defined benefit plan was closed for newly hired employees at German Wintershall Dea companies and replaced by a defined contribution plan. Occupational pension commitments that exceed the basic level of benefits are financed via pension provisions at the German Group companies. The benefits are largely based on modular plans. Furthermore, employees are given the option of participating in various deferred compensation schemes.

BASF SE is no longer providing the required plan information from BASF Pensionskasse regarding the allocation of assets to the Wintershall Dea Group for year-end closing. As a result, the participation in BASF Pensionskasse is accounted for as a multi-employer defined benefit plan with no access to asset allocation and, therefore, as a defined contribution plan in accordance with IAS 19.36.

In addition, the Wintershall Dea Group has self-managed pension plans in place in Germany. In relation to these pension plans, assets have been transferred to Willis Towers Watson Treuhand GmbH within the framework of Contractual Trust Arrangements (CTAs) and to Willis Towers Watson Pensionsfonds AG as insolvency insurance. Willis Towers Watson Pensionsfonds AG falls within the scope of the Act on Supervision of Insurance Undertakings and Oversight by the German Federal Financial Supervisory Authority (BaFin). Insofar as a regulatory deficit occurs in the pension fund, supplementary payments are requested from the employer. Irrespective of the aforementioned rules, the liability of the employer shall remain in place. The bodies of Willis Towers Watson Treuhand GmbH and Willis Towers Watson Pensionsfonds AG are responsible for ensuring that the funds under management are used in compliance with the contract and thus fulfil the requirements for their recognition as plan assets. The defined benefit plans that are recognised as pension provisions mainly include a pension promise and are hence subject to longevity risk. All mentioned pension plans are closed for new employees since 31 March 2020. Newly hired employees after that date have generally got a blanket commitment.

NORWAY

For Norwegian employees whose remaining length of service until retirement on 1 January 2016 was 15 years or less, a final salary commitment continues to apply after the closure of the plan. The plans are partly funded via Nordea Liv AS. Employees whose remaining length of service as of this date was more than 15 years and employees who joined the company after this date are entitled to benefits under a defined contribution pension plan. Defined contribution plans are either secured with Nordea Liv AS or unfunded and administered by Storebrand Pensjonstjenester on behalf of Wintershall Dea Norge AS.

Moreover, closed defined benefit plans are in place for former DEA Norge employees. These are secured with DNB Livsforsikring AS. Employees who on 1 January 2021 still have 15 years or less until retirement remain in the existing plans. All others have been transferred to existing defined contribution plans.

Actuarial assumptions

The amount of the provision for defined benefit pension schemes was determined by actuarial methods on the basis of the following key assumptions.

	31 Dec 2020		31 Dec 2019		
KEY ASSUMPTIONS (%)	Germany	Norway	Germany	Norway	Switzerland
Discount rate	0.70 %	1.50 %	1.05 %	1.80 %	0.90 %
Pension growth	1.50 %	0.00 %	1.50 %	0.70 %	–

In the reporting period, the determination procedure of the discount rate for Germany has changed. In comparison with the determination procedure applied in the prior year, the change results in a decrease in the pension obligation amounting to €58 million.

The assumptions used to determine the present value of the entitlements as at 31 December 2019 are used in the following fiscal year to determine the expenses for pension plans.

The valuation of the defined benefit obligation is generally performed using the most recent actuarial mortality tables as at 31 December 2020.

ACTUARIAL MORTALITY TABLES AS AT 31 DEC 2020

Germany	Heubeck Richttafeln 2018 G
Norway	K2013

Sensitivity of pension obligations

An increase or decrease in the discount rate and pension growth would have the following impact on the defined benefit obligations:

CHANGE IN ACTUARIAL ASSUMPTIONS	Impact on defined benefit obligations	
€ million	31 Dec 2020	31 Dec 2019
Discount rate		
Increase by 0.5 percentage points	-85	-83
Reduction by 0.5 percentage points	96	94
Pension growth		
Increase by 0.5 percentage points	66	66
Reduction by 0.5 percentage points	-57	-60

An alternative valuation of the pension obligations was performed to determine how changes in the underlying assumptions influence the amount of the pension obligations. A linear extrapolation of these amounts based on alternative changes in the assumptions, as well as an addition of combined changes in the individual assumptions, is not possible.

COMPOSITION OF EXPENSES FOR PENSION BENEFITS

€ million	Jan–Dec 2020	May–Dec 2019
Expenses for defined benefit plans	28	36
Expenses for defined contribution plans	8	6
Expenses for pension benefits (recognised in the operating functions)	**36**	**42**
Net interest expense	7	10
Expenses for pension benefits (recognised in the financial result)	**7**	**10**

The interest for the net balance sheet amount at the beginning of the year is offset within the financial result. This corresponds to the difference between the interest cost on the present value of the entitlements and the standardised return on the pension assets. The expected contribution payments and benefits paid in the course of the fiscal year are taken into account when determining interest. The net interest expense for the fiscal year is based on the actuarial interest rate and the present value of the entitlements at the beginning of the year.

€ million	Defined benefit obligations	Plan assets	Total
As at 1 Jan 2020	**1,049**	**-470**	**579**
Current service cost	28	–	28
Interest expense/(income)	12	-5	7
	40	-5	35
Remeasurements			
Return on plan assets, excluding amounts already recognised in interest income	–	-5	-5
Actuarial gains/losses			
of which effect of changes in financial assumptions	59	–	59
of which effect of experience adjustments	-23	–	-23
	36	-5	31
Currency effect	-7	4	-3
Contribution to the funded plans:			
Employer	–	-3	-3
Employee	0	0	0
Benefit payments	-44	25	-19
Gains on settlement	-16	7	-9
Transfer	20	–	20
As at 31 Dec 2020	**1,078**	**-447**	**631**

€ million	Defined benefit obligations	Plan assets	Total
As at 1 May 2019	**523**	**-179**	**344**
Current service cost	36	–	36
Interest expense/(income)	10	-5	5
	46	-5	41
Remeasurements			
Return on plan assets, excluding amounts already recognised in interest income	–	-14	-14
Actuarial gains/losses			
of which effect of changes in financial assumptions	88	–	88
of which effect of changes in demographic assumptions	-1	–	-1
of which effect of experience adjustments	3	–	3
	90	-14	76
Currency effect	-1	0	-1
Contribution to the funded plans:			
Employer	0	-17	-17
Employee	1	1	2
Benefit payments	-27	19	-8
Changes in scope of consolidation	610	-426	184
Change in estimate[1]	-193	151	-42
As at 31 Dec 2019	**1,049**	**-470**	**579**

[1] Change from defined benefit plan to multi-employer plan accounted for as defined contribution plan

The present value of the defined benefit obligations less plan assets measured at fair value results in the net defined benefit obligation arising from funded and unfunded plans and is recognised as provisions for pensions and similar obligations on the balance sheet. Of the present value of defined benefit obligations, €1,005 million (31 December 2019: €935 million) related to benefit obligations in Germany and €73 million (31 December 2019: €112 million) to benefit obligations in Norway.

The funding of the plans was as follows:

PENSION PLAN ASSET COVERAGE

	31 Dec 2020		31 Dec 2019	
€ million	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Unfunded pension plans	358	–	339	–
Funded pension plans	720	-447	710	-470
Total	**1,078**	**-447**	**1,049**	**-470**

Domestic company pensions are subject to an obligation to review for adjustment every three years pursuant to Section 16 of the German Occupational Pension Act (BetrAVG). Additionally, some commitments grant annual pension adjustments, which may exceed the legally mandated adjustment obligation.

The weighted average duration of the pension obligations is 17 years in Germany (prior year: 18 years) and 18 years in Norway (prior year: 16 or 28 years).

Explanation regarding plan assets

The target asset allocation is based on detailed asset-liability management (ALM) studies. Portfolios are being identified that can achieve the best target return within a given risk budget. Pension assets are monitored and reviewed continuously on a risk-return basis. The focus of the strategic investment policy is on bonds with strong creditworthiness (investment-grade ratings). Compared to bonds, global equities have a lower portfolio weight. The portfolio also includes higher yielding investments that are more likely to offer an additional return over the medium term. The asset allocation was further refined by the addition of new asset classes in 2020.

COMPOSITION OF PLAN ASSETS (FAIR VALUE)

	31 Dec 2020			
€ million	Germany	of which active market	Norway	of which active market
Assets held by insurance company	2	0 %	31	0 %
Special fonds	414	100 %	–	–
Total	**416**	**–**	**31**	**–**

Contributions into the CTA in 2021 will be likely processed to an extent that achieves a constant funding level. The amount to be contributed will depend amongst other things on the performance of plan assets and interest rate developments.

Defined contribution plans

For defined contribution plans, expenses of €8 million (prior period: €6 million) were incurred in the reporting period.

As Wintershall Dea GmbH does not have the required information on asset allocation, it accounts for the multi-employer defined benefit plan of BASF Pensionskasse as a defined contribution plan. Consequently, the existing pension provisions were largely realised in prior reporting period with an impact on profit or loss. The remaining provision of €43 million covers the obligation for future pension adjustments. Other future supplementary payment obligations may occur due to unexpected funding requirements. Since these obligations are neither predictable nor probable, they are not included in the company's pension provisions.

The company contribution to the multi-employer plan represents a certain percentage of the employee contribution. This percentage is the same for all participating employers, including those outside the BASF Group. It takes into account the differences between the actuarial estimates and the actual values for the factors used to determine liabilities and contributions. For the next annual reporting period the company expects to make contributions of €4 million to the plan.

Note 17 – Decommissioning and other provisions

	31 Dec 2020		31 Dec 2019	
€ million	Non-current	Current	Non-current	Current
Decommissioning provisions	**2,607**	**167**	**2,815**	**58**
Other provisions				
Employee obligations	64	95	169	167
Litigation risks, damage claims	–	5	0	0
Other	25	170	61	150
	89	**270**	**230**	**317**
Total	**2,696**	**437**	**3,045**	**375**

€ million	As at 1 Jan 2020	Additions	Utilisation	Reversal	Other changes	As at 31 Dec 2020
Decommissioning provisions	**2,872**	**114**	**-22**	**-48**	**-142**	**2,774**
Other provisions						
Employee obligations	336	56	-111	-99	-23	159
Litigation risks, damage claims	0	5	–	–	–	5
Other	212	61	-59	-11	-8	195
Total	**3,420**	**236**	**-192**	**-158**	**-173**	**3,133**

Decommissioning obligations pertain mainly to anticipated costs for filling wells and removing production equipment after production activities have come to an end. In order to determine the present value, discount rates of between 0.0 % and 6.25 % were applied in the reporting period. The determination of the discount rates is country-/currency-specific based on the terms of the respective fields. In previous year discount rates of between 0.0 % to 6.56 % were applied. The expected settlement of the provisions depends on the ratio of produced reserves to expected reserves and generally varies within a range of less than one year up to approximately 30 years.

Provisions for employee obligations include, in particular, obligations to pay long-service bonuses, anniversary bonuses, and variable remuneration, including the associated social security contributions and provisions due to restructuring measures or early retirement as well as phased-in early retirement models.

Note 18 – Financial Debt

	31 Dec 2020		31 Dec 2019	
€ million	Non-current	Current	Non-current	Current
Bonds	4,000	12	4,000	12
less transaction cost	-15	–	-16	–
	3,985	12	3,984	12
Debt to banks	1,819	3	1,879	2
less/plus transaction cost and embedded derivatives	6	–	8	–
	1,825	3	1,887	2
Financial liabilities to related parties	–	399	0	496
Lease liabilities	76	57	157	66
Total	**5,886**	**471**	**6,028**	**576**

Bonds

On 25 September 2019, Wintershall Dea Finance B.V. (a wholly owned subsidiary of Wintershall Dea GmbH) issued bonds in the amount of €4,000 million. The transaction comprised four tranches.

The transaction cost was capitalised as a reduction in the bond amount and is being amortised over the expected life applying the effective interest method.

BONDS	%	Maturity	Currency	Nominal value (€ million)	Fair value 31 Dec 2020 (€ million)	Carrying amount 31 Dec 2020 (€ million)
Bond ISIN XS2054209320	0.452	2023	EUR	1,000	1,011	997
Bond ISIN XS2054209833	0.840	2025	EUR	1,000	1,024	996
Bond ISIN XS2054210252	1.332	2028	EUR	1,000	1,041	996
Bond ISIN XS2055079904	1.823	2031	EUR	1,000	1,059	996
Total				**4,000**	**4,135**	**3,985**

The fair value was determined using quoted prices on an active market. The Group's repayment obligation remains unchanged at €4,000 million.

Debt to banks

Following the merger with DEA Group, the previous financing (BASF Group financing) was replaced by an external financing arrangement via a consortium of banks (Syndicated Credit Facilities Agreement). The first tranche was drawn down on 30 April 2019 and the second tranche on 2 May 2019. As at 31 December 2020, a nominal amount of €1,819 million was utilised (Facility B and C). Facility A was fully repaid in September 2019.

For the remaining Facilities B and C of the Syndicated Credit Facilities Agreement, margins over the applicable EURIBOR and LIBOR rates apply.

Transaction costs were capitalised as a reduction of the loan amount in April 2019. In addition, the financing facility comprises embedded derivatives which are required to be separated. The positive fair value of the embedded derivatives was initially recognised as an increase in the loan amount. Both amounts are being amortised over the term of the loans with a corresponding impact on the financial result. For more information on the embedded derivatives, please see Note 22 – Financial instruments.

BREAKDOWN OF DEBT TO BANKS (incl. accrued interest)	Maturity	Interest rate	Currency	Nominal value (contract currency million)	31 Dec 2020 (€ million)	31 Dec 2019 (€ million)
Facility B	04/2022	0.6 %	EUR	584	586	586
	04/2022	0.85–2.61 %	USD	400	328	358
Facility C	04/2024	0.75 %	EUR	584	586	587
	04/2024	1.01–2.76 %	USD	400	328	358
Total					**1,828**	**1,889**

Credit facilities

A revolving credit facility (RCF) in the total amount of €900 million, with a tenor of five-years and additional extension options of up to two years was agreed with the bank consortium and can be utilised if necessary. The first one-year extension has already been requested, and the company has received confirmation that the majority of the existing revolving credit facility lenders have consented to the first one-year extension (total extension amount of €872 million). This facility is currently undrawn.

In April 2020, additional working capital lines totalling €450 million have been secured with banks and are currently undrawn. These committed lines have a term of 364 days.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES UNDER IAS 7

€ million	1 Jan 2020	Cash flows from repayments/ proceeds	Currency effect	Other changes	31 Dec 2020
Bonds	3,996	–	–	1	3,997
Debt to banks	1,889	–	-60	-1	1,828
Financial liabilities to related parties	496	-91	0	-6	399
Lease liabilities	223	-67	-12	-11	133
Total	**6,604**	**-158**	**-72**	**-17**	**6,357**

The reconciliation breaks down the changes in financial liabilities into cash-effective and non-cash-effective changes.

The cash flows from repayments/proceeds presented above correspond to the figures in cash flows from financing activities.

Note 19 – Trade accounts payable and other liabilities

	31 Dec 2020		31 Dec 2019	
€ million	Non-current	Current	Non-current	Current
Trade accounts payable	**–**	**354**	**–**	**451**
Other liabilities				
Liabilities from other taxes	4	71	3	72
Prepayments – contract liabilities	6	46	6	149
Other prepayments and deferred income	12	8	6	1
Liabilities related to social security	–	4	–	2
Overlift liabilities	–	32	–	38
Other miscellaneous liabilities	9	251	20	383
	31	**412**	**35**	**645**
Total	**31**	**766**	**35**	**1,096**

Note 20 – Leases

The lease agreements of the Group are essentially related to transport and production vessels, office buildings, drilling rigs and other assets used in operations. The capitalised right-of-use-assets are allocated to the following asset classes:

RIGHT-OF-USE ASSETS

€ million	Additions Jan–Dec 2020	31 Dec 2020	31 Dec 2019
Exploration assets	–	8	19
Land and buildings	1	52	63
Gas and oil assets	15	56	129
Other technical equipment and machinery	0	0	0
Other equipment, operating and office equipment	0	1	1
Total	**16**	**117**	**212**

The following amounts are recognised in the consolidated statement of income:

LEASE EXPENSE

€ million	Jan–Dec 2020	May–Dec 2019
Amortisation and depreciation right-of-use assets	54	37
Interest expenses on lease liabilities	5	4
Expense relating to short-term leases	6	3
Expense relating to leases of low-value assets (not including short-term leases)	0	0
Expense from variable lease payments (not included in lease liability)	1	1
Total	**66**	**45**

The amortisation and depreciation of right-of-use assets are allocated to the following asset classes for the reporting periods:

AMORTISATION AND DEPRECIATION RIGHT-OF-USE ASSETS

€ million	Jan–Dec 2020	May–Dec 2019
Exploration assets	10	2
Land and buildings	7	5
Gas and oil assets	36	30
Other technical equipment and machinery	0	0
Other equipment, operating and office equipment	1	0
Total	**54**	**37**

Some of the lease contracts contain price-adjustment clauses as well as extension and termination options. Such options are taken into account in the determination of the lease term only if extension or non-termination options can be assumed with reasonable certainty.

The statement of cash flows comprises cash outflows for leases amounting to €79 million (previous year: €49 million). In addition to the cash payments for the interest and principal portions of recognised lease liabilities, the amounts reported include payments for unrecognised short-term leases and leases for low-value assets. Cash payments for the principal portion are reported within cash flow from financing activities. Cash payments for the interest portion are included in the cash flow from operating activities.

Note 21 – Other financial obligations

Contingent liabilities

The Wintershall Dea Group is subject to statutory liability with regard to participations in various joint ownerships. If the amount of the obligation is unlimited, the amount of the principal liability as at the balance sheet date is decisive. In cases of joint and several liability, the full amount must be stated; in the case of proportional liability, the corresponding proportion must be stated. Other contingent liabilities relate to legal disputes and potential tax risks. Wintershall Dea GmbH and its participating interests are regularly involved as defendants or other parties in judicial and arbitration proceedings, as well as in official proceedings. Based on the present knowledge, these proceedings have no significant impact on Wintershall Dea Group's economic situation.

Provisions for litigation risks and damage claims are included in other provisions (see Note 17) and amount to €5 million (prior year: €0 million). Further provisions for legal risks were not required.

Obligations from purchase contracts

As at 31 December 2020, the Group had obligations based on firm orders for property, plant and equipment, as well as from field development projects, in the amount of €373 million (prior year: €489 million).

Furthermore, the Wintershall Dea Group is committed to a certain number of exploration wells and seismic surveys within the context of exploration licences. The estimated expenditures amount to €110 million (previous year: €188 million).

The obligations from purchase contracts resulted primarily from long-term purchase commitments for natural gas ('own use contracts'). The firm purchase commitment amounted to €150 million as at 31 December 2020 (31 December 2019: €53 million). Regarding cash outflows from purchase commitments within the scope of IFSR 9 refer to Note 22. In the prior year, these commitments were shown as other financial obligations in this note.

OBLIGATIONS ARISING FROM COMMODITY PURCHASE CONTRACTS

€ million	31 Dec 2020	31 Dec 2019
2020	–	45
2021	51	1
2022	39	1
2023	30	1
2024	18	1
2025	9	4
2026 and maturities extending beyond this	3	–
Total	**150**	**53**

Note 22 – Reporting on financial instruments

FINANCIAL RISKS AND HEDGING INSTRUMENTS

By operating in an international environment, the Wintershall Dea Group is exposed to market (price and foreign currency risks) and interest rate risks as well as to credit and liquidity risks in the ordinary course of its business. Subsidiaries are subject to a strict risk management regime. The operational framework and the responsibility and control are regulated by binding, internal corporate guidelines. Financial derivatives are used exclusively to hedge the risk related to underlying transactions, and not for speculative purposes.

Foreign currency, interest rate and commodity price risks

Foreign currency risks

Changes in exchange rates could lead to losses in the value of financial instruments and adverse changes in future cash flows. Foreign currency risks from financial instruments arise from the translation of financial receivables, loans, cash and financial liabilities into the functional currency of the respective Group company at the closing rates. The Group monitors and manages foreign currency exposure on a daily basis with the aim to eliminate the effect of currency fluctuations on the statement of income. Currency risks are monitored at a Group level and an individual entity level, and the Group’s net foreign currency exposure (after natural hedges) is actively hedged where feasible with linear contracts.

A sensitivity analysis is conducted by simulating a 10 % appreciation and a 10 % depreciation in the functional currency against the other currencies. The impact on the Wintershall Dea Group’s income/loss before taxes would have been €-45 million and €45 million, respectively.

EXPOSURE AND SENSITIVITY BY CURRENCY

	31 Dec 2020/Jan–Dec 2020			31 Dec 2019/May–Dec 2019		
€ million	Exposure	Sensitivity (+10 %)	Sensitivity (-10 %)	Exposure	Sensitivity (+10 %)	Sensitivity (-10 %)
RUB	263	-24	24	411	-37	37
ARS	59	-5	5	44	-4	4
USD	250	-23	23	753	-69	69
EUR	874	-79	79	1,289	-117	117
GBP	-56	5	-5	-44	3	-3
NOK	-858	78	-78	-1,647	141	-141
MXN	-33	3	-3	5	-1	1
Total	**499**	**-45**	**45**	**811**	**-84**	**84**

In order to hedge against currency risks, linear products with symmetrical sensitivity were used in particular.

Interest rate risks

Interest rate risks arise due to potential changes in prevailing market interest rates, which can lead to changes in the fair value of fixed-rate instruments and interest payment fluctuations for variable-rate instruments. These risks are relevant to the Wintershall Dea Group's financing activities but are not of material significance for the Wintershall Dea Group's operating activities.

The variable interest rate risk position related to the term loans (Facility B and C) amounted to €-1,819 million as at 31 December 2020. An increase in the relevant interest rates of one percentage point would have lowered the income/loss before taxes by €-14 million.

EXPOSURE AND INTEREST RATE SENSITIVITY

	31 Dec 2020/Jan–Dec 2020		31 Dec 2019/May–Dec 2019	
€ million	Exposure	Sensitivity	Exposure	Sensitivity
Loans	-1,819	-14	-1,874	-12
Total	**-1,819**	**-14**	**-1,874**	**-12**

Commodity price risks

The Group's revenue, cash flows and profitability depend to a large extent on prevailing international and local commodity prices. Any resulting adverse changes in market prices could have a negative impact on Wintershall Dea Group's earnings and equity.

Commodity price risks related to production are assessed and mitigated regularly using systematic risk management. The principles of this approach are defined in the commodity hedging policy.

All hedging transactions are entered into for the sole purpose of reducing risks from planned transactions exposed to commodity prices that have a high probability of occurrence. The Group hedges part of its oil and gas price risks to protect its investment-grade rating and improve dividend plannability. This serves to ensure sufficient debt capacity and thus to provide the management with the flexibility necessary to adapt its strategy should commodity prices fall to a critically low level. The volumes to be hedged depend on the economic exposure and the current level of oil and gas prices. The maximum hedge volumes are 75 %, 50 %, and 25 % of effectively hedgeable production for a one, two, or three-year horizon, respectively.

Existing hedges as at 31 December 2020, include forward gas sales to stabilise portions of gas revenues until 2023, as well as Dated Brent crude oil swaps to stabilise portions of the Group's oil sales until 2022. For the latter, German and Norwegian oil production currently serves as a hedged item. The contracted price is defined via a price formula. Regression analyses show a high correlation between Dated Brent oil prices and contracted prices and provide the basis for determining optimal hedge ratios.

Commodity price risks also arise in the ordinary course of business for contracted gas purchase and supply agreements. The specific price risk associated with these trading transactions, which result from the valuation of the gas agreements concluded in the event of an adverse change in market prices, is mitigated by Wintershall Dea Group by imposing and constantly monitoring the limits on the type and scope of the transactions concluded.

Wintershall Dea Group carries out value-at-risk analyses for the existing commodity derivatives. Value-at-risk is used to quantify the market risk on an ongoing basis and forecast the maximum possible loss within the given confidence interval over a certain period. The value-at-risk calculation is based on a confidence interval of 95 % and a holding period of one day. Wintershall Dea Group applies the exponentially weighted variance-covariance approach. Wintershall Dea Group uses value-at-risk in conjunction with other risk management tools and additional sets limits based on volume and exposure as well as stop-loss limits. The value-at-risk amounts to €1 million as at 31 December 2020.

Derivative financial instruments and hedge accounting

Commodity price, foreign currency and interest rate risks are hedged using derivative instruments as necessary in accordance with a centrally defined strategy. Hedging is only employed for underlying items in the operating business, cash investments, financing, or for planned capital measures. The risks associated with the hedged items and the derivatives are constantly monitored. Where derivatives have a positive market value, the Group is exposed to credit risks from derivative transactions in the event of the non-performance of the other party.

To minimise the default risk of derivatives with positive market values, transactions are exclusively conducted with creditworthy banks and partners and are subject to predefined credit limits.

The contracting and execution of derivative financial instruments for hedging purposes are conducted according to internal guidelines and are subject to strict control mechanisms.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

€ million	31 Dec 2020	31 Dec 2019
Commodity derivatives	-190	20
of which designated hedging instruments as defined by IFRS 9 (hedge accounting)	-184	20
Foreign currency derivatives	69	5
of which designated hedging instruments as defined by IFRS 9 (hedge accounting)	74	-4
Interest derivatives (embedded derivatives)	14	31
Total	**-107**	**56**

Derivative financial instruments are measured at fair value. When interpreting positive or negative fair values, account must be taken of the fact that underlying transactions with compensating risks have an offsetting effect. All derivative financial instruments are reported as assets or liabilities.

Fair values of derivative financial instruments are determined using customary market valuation methods taking into account public market data available on the measurement date. Credit value adjustments (CVAs) and debit value adjustments (DVAs) for the company's own credit risk are applied to all derivatives. CVAs and DVAs are calculated using the standardised approach for measuring counterparty credit risk (SA-CCR).

Commodity derivatives

The Group has designated oil sales derivatives and started designating certain fixed-price gas sales agreements as hedging instruments within the scope of cash flow hedges. Cash flow hedges are used to hedge the risk of variability in cash flows related to highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised as other comprehensive income within equity. The gains or losses relating to the ineffective portion are recognised immediately in profit or loss. Regarding oil sales derivatives, the price of the hedged item is defined via a price formula in the sales contract. The instruments used are Dated Brent oil swaps for which a liquid market exists. Furthermore, regression analysis shows a high correlation between Dated Brent oil and the price formula. This is also the basis for determining the hedge ratio in order to achieve the highest level of hedge effectiveness. For the fixed-price gas sales agreements the critical terms match method is applied for assessing hedge effectiveness.

Fixed-price contracts with physical delivery at liquid locations are used as hedging instruments for gas sales. Published market prices for respective periods and locations are used for determination of fair values of such sales contracts.

Derivatives related to the gas trading business are recognised at fair value through profit or loss and disclosed based on net risk exposure in accordance with IFRS 13.48.

Foreign currency derivatives

In the context of the Group's ordinary net foreign currency exposure derivatives are recognised at fair value through profit or loss.

In order to hedge the foreign currency risk from future US dollar repayments of intercompany loans, the Group entered into cross-currency swaps. The future cash flows resulting from the repayment of the intercompany loans have been designated as hedged items. The spot elements and the forward elements of the cross-currency swaps have been separated, whereas only the value changes of the spot elements have been designated as hedging instruments. The forward elements are recognised as 'cost of hedging' in other comprehensive income and reclassified to profit or loss on a systematic (linear) basis. Hedge ineffectiveness is immediately recognised in profit or loss.

Interest derivatives

In the context of financing activities, embedded derivatives have been identified, which are required to be separated. The contractual terms of the credit facilities entered into by the Group include early termination and extension options as well as zero floors for EURIBOR and LIBOR. Early termination and extension options as well as zero floors represent embedded derivatives that must be separated and measured at fair value through profit or loss. Changes in fair value are based on changes in interest rates and the Group's own credit risk. To determine the fair value, an option pricing model is used that takes into account simulations of interest rates and the Group's own credit risk is used.

EFFECTS OF HEDGE ACCOUNTING ON THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF INCOME:

	31 Dec 2020/Jan–Dec 2020		
€ million	Commodity derivatives (fixed-price gas sales)	Commodity derivatives (oil swaps)	Foreign currency derivatives
Carrying amount			
Derivative assets	–	61	73
Derivative liabilities	220	25	–
Nominal amount	920	476	1,284
Maturity date	01/2021–03/2023	01/2021–12/2022	09/2023–09/2028
Quantity	226,675 mmscf	10,616 mbbl	
Average price or rate	13.85 EUR/MWh	55.1 USD/bbl	1.10 USD/€
Amounts recognised in profit or loss or other comprehensive income			
Change in fair value of hedging instrument recognised in OCI	-252	70	29
Reclassified from OCI to profit or loss	32	-82	-90

The changes in the fair values of the foreign currency derivatives recognised in other comprehensive income relate exclusively to cost of hedging.

Gains and losses on commodity derivatives are reclassified from other comprehensive income to revenues, while gains and losses on foreign currency derivatives are reclassified to financial income/financial expenses.

The effectiveness of hedge relationships is determined at the inception of the relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument. With regard to commodity derivatives, sources of ineffectiveness result from CVA/DVA adjustments and a change in the correlation of the hedged item and the hedging instrument. For foreign currency derivatives (cross-currency swaps), ineffectiveness relates to the exclusion of intercompany interests from the hedging relationship.

Hedge ineffectiveness as at 31 December 2020 is calculated as follows:

	Jan–Dec 2020	
€ million	Commodity derivatives	Foreign currency derivatives
Change in fair value of the hedging instrument	15	78
Change in fair value of the hedged item	-11	-118
Hedge ineffectiveness	**4**	**49**

Ineffectiveness is reported in revenue for commodity derivatives and in financial income/expenses for foreign currency derivatives.

Default and credit risks

Default and credit risks arise when contractual partners do not fulfil their obligations. The Group is exposed to credit risks from its operating activities (primarily trade accounts receivable) and its financing activities, including deposits with banks and financial institutions, favourable derivative financial instruments (positive fair value) and other financial receivables. Credit risk is managed on a Group basis. To manage credit risk, the Wintershall Dea Group has Group-wide procedures in place that address credit approval applications, the granting and renewing of counterparty limits, the proactive monitoring of exposures against these limits and requirements for triggering secured payment terms. As part of these processes, counterparty credit exposure is regularly monitored and assessed on a timely basis.

If customers are independently rated, these ratings are used for assessment. If there is no independent rating, the risk management function assesses customers' credit quality based on their financial position or bases the assessment on past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with set limits. There are no significant concentrations of credit risk, whether through exposure to individual customers or regions. Country-specific payment risks are within limits stipulated by the management and closely monitored.

A default event occurs if management has good reason to believe that a customer will not repay its liability towards the Wintershall Dea Group, usually due to financial difficulty of the customer. A payment delay in the course of regular business practice does not alone indicate a customer default. An assessment of the overall situation is required on a case-by-case basis.

The maximum risk of default corresponds to the carrying amounts (less loss allowance) of the financial assets.

Financial assets are written off when there is no reasonable expectation of recovery of the contractual cash flows. The losses from financial assets that have been written off were not material in the reporting period or in the prior year.

Impairment on financial assets

In order to determine the impairment of financial assets, the Wintershall Dea Group uses either a general three-stage approach or the simplified approach, according to IFRS 9, as applicable. In the case of financial assets for which the simplified approach does not apply, their assessment takes place as at each reporting date to determine whether the credit risk on a financial instrument has increased significantly since its initial recognition.

Trade accounts receivable, other receivables and financial receivables and deposits with banks are subject to the expected credit loss model.

To measure the expected credit losses on trade accounts receivable, the Wintershall Dea Group applies the simplified approach according to IFRS 9. Accordingly, the loss allowance is measured at an amount equal to the lifetime expected credit losses. For trade accounts receivable, the contractual payment term is usually 30 days. Deviating from this general rule, terms of up to one year are considered for the calculation of expected credit losses due to different regional payment practices.

The loss allowance for other receivables, financial receivables and deposits with banks is measured at an amount equal to the twelve-month expected credit loss. If the term of the financial instrument is shorter than 12 months, the lifetime expected credit loss is applied.

The valuation loss allowance was determined as follows:

€ million		As at 1 Jan 2020	Addition	Reversal	Reclassi-fication between stages	Transfer	Currency translation effect	As at 31 Dec 2020
Trade accounts receivable		**13**	**16**	**-3**	**0**	**–**	**0**	**26**
of which	Stage 2	3	3	-3	0	–	0	3
	Stage 3	10	13	0	0	–	–	23
Other receivables		**0**	**0**	**0**	**–**	**–**	**–**	**0**
of which	Stage 1	–	–	–	–	–	–	–
	Stage 2	0	0	0	–	–	–	0
	Stage 3	–	–	–	–	–	–	–
Financial receivables		**63**	**92**	**0**	**0**	**-91**	**0**	**64**
of which	Stage 1	1	1	–	–	–	–	2
	Stage 2	–	–	–	–	–	–	–
	Stage 3	62	91	0		-91	0	62
Total		**76**	**108**	**-3**	**0**	**-91**	**0**	**90**

€ million		As at 1 May 2019	Addition	Reversal	Reclassi-fication between stages	Currency translation effect	As at 31 Dec 2019
Trade accounts receivable		**19**	**23**	**-29**	**0**	**0**	**13**
of which	Stage 2	3	22	-28	6	0	3
	Stage 3	16	1	-1	-6	0	10
Other receivables		**–**	**0**	**0**	**–**	**–**	**0**
of which	Stage 1	–	–	–	–	–	–
	Stage 2	–	0	0	–	–	0
	Stage 3	–	–	–	–	–	–
Financial receivables		**63**	**1**	**-1**	**–**	**–**	**63**
of which	Stage 1	2	–	-1	–	–	1
	Stage 2	–	–	–	–	–	–
	Stage 3	61	1	–	–	–	62
Total		**82**	**24**	**-30**	**0**	**0**	**76**

The impairment loss identified on deposits with banks was immaterial and therefore not recognised.

In the reporting period, valuation allowances of €16 million were recognised on trade accounts receivable, and valuation allowances of €3 million were reversed. In addition, valuation allowances of €92 million were recognised on financial receivables.

Liquidity risks

The Group's liquidity risk management ensures that the required liquidity to meet financial obligations is available at all times and that the liquidity position of the Wintershall Dea Group is optimised. Centralised financial planning for the Wintershall Dea Group is the basis of the liquidity risk management. Financial planning is performed for the following twelve months on a monthly basis and for the following two months on a daily basis.

The Group monitors its liquidity risk by reviewing the cash flow requirements on a regular basis taking into consideration the funding sources, existing bank facilities and cash flow generation from the producing asset base. Specifically, it is ensured that there is sufficient liquidity to meet operational funding requirements and debt servicing.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows. Derivatives are included when they have a negative fair value and therefore represent a liability. Commodity derivatives that are settled in cash are included with their net cash flows, whereas physically settled trading contracts which are within the scope of IFRS 9 are included with their cash outflows for the purchase of the commodity. Foreign currency derivatives are shown with their gross cash outflows. Derivatives with positive fair values are assets and are therefore not taken into account.

Other financial liabilities include trade and other liabilities within the scope of IFRS 7. They are essentially non-interest-bearing and due within one year. As a result, their carrying amount corresponds to the sum of future cash flows.

MATURITY PROFILE 31 DEC 2020

€ million	≤ 1 year	1–5 years	> 5 years	Total
Bonds	12	2,000	2,000	4,012
Debt to banks	3	1,819	–	1,822
Financial liabilities to related parties	399	–	–	399
Lease liabilities	60	44	45	149
Commodity derivative liabilities (settled in cash)	25	–	–	25
Trading contracts within scope of IFRS 9 (settled physically)[1]	1,060	1,548	–	2,608
Foreign currency derivative liabilities[2]	422	–	–	422
Trade and other payables in the scope of IFRS 7	594	–	–	594
Total	**2,575**	**5,411**	**2,045**	**10,031**

[1] Cash outflows were used to purchase a commodity.
[2] The gross cash outflows shown were offset by a comparable amount of cash inflows.

MATURITY PROFILE 31 DEC 2019

€ million	≤ 1 year	1–5 years	> 5 years	Total
Bonds	12	1,000	3,000	4,012
Debt to banks	2	1,879	–	1,881
Financial liabilities to related parties	496	–	–	496
Lease liabilities	69	122	41	232
Commodity derivative liabilities (settled in cash)	9	–	–	9
Trading contracts within scope of IFRS 9 (settled physically)[1]	730	2,776	–	3,506
Foreign currency derivative liabilities[2]	987	–	1,046	2,033
Trade and other payables in the scope of IFRS 7	818	–	–	818
Total	**3,123**	**5,777**	**4,087**	**12,987**

[1] Cash outflows were used to purchase a commodity.
[2] The gross cash outflows shown were offset by a comparable amount of cash inflows.

Classes and categories of financial instruments

For financial receivables, trade and other receivables and cash and cash equivalents that are measured at cost, the carrying amounts approximate the fair values. The balance sheet item ‘other financial assets’ relates primarily to affiliated companies and equity investments that are not fully consolidated or recognised as equity-accounted investments for materiality reasons. Other investments shown under this position are not material and are therefore also recognised at cost. For financial debt other than bonds, trade and other payables, the carrying amount approximates the fair value.

Financial assets and liabilities have been assigned to the following valuation categories according to IFRS 9:

	Carrying amount				
€ million	Amortised costs	FVPL[1]	Fair value (in hedge relationship)	Beyond the scope of IFRS 9/IFRS 7	Total 31 Dec 2020
Financial receivables	1,268	–	–	–	1,268
Trade and other receivables	761	20	–	165	946
Derivative financial assets	–	78	135	–	213
Cash and cash equivalents	821	–	–	–	821
Bonds	3,997	–	–	–	3,997
Debt to banks	1,828	–	–	–	1,828
Financial liabilities to related parties	399	–	–	–	399
Lease liabilities	133	–	–	–	133
Trade and other payables	602	–	–	195	797
Derivative financial liabilities	–	75	245	–	320

[1] Fair value through profit or loss

FAIR VALUE HIERARCHY

€ million	Total 31 Dec 2020	Level 1[1]	Level 2[2]	Level 3[3]
Other receivables	20	–	–	20
Derivative financial assets	213	–	213	–
of which commodity derivatives	108	–	108	–
of which currency derivatives	91	–	91	–
of which embedded derivatives	14	–	14	–
Derivative financial liabilities	320	–	320	–
of which commodity derivatives	297	–	297	–
of which currency derivatives	23	–	23	–

[1] The fair value was determined on the basis of listed (unadjusted) prices for identical assets and liabilities on active markets.
[2] The fair value was determined based on parameters for which directly or indirectly quoted prices on active markets were available.
[3] The fair value was determined based on parameters for which there was no observable market data.

€ million	Carrying amount				
	Amortised costs	FVPL[1]	Fair value (in hedge relationship)	Beyond the scope of IFRS 9/IFRS 7	Total 31 Dec 2019
Financial receivables	1,245	–	–	–	1,245
Trade and other receivables	1,064	23	–	275	1,362
Derivative financial assets	–	99	30	–	129
Cash and cash equivalents	814	–	–	–	814
Bonds	3,996	–	–	–	3,996
Debt to banks	1,889	–	–	–	1,889
Financial liabilities to related parties	496	–	–	–	496
Lease liabilities	223	–	–	–	223
Trade and other payables	838	–	–	293	1,131
Derivative financial liabilities	–	59	14	–	73

[1] Fair value through profit or loss

FAIR VALUE HIERARCHY

€ million	Total 31 Dec 2019	Level 1[1]	Level 2[2]	Level 3[3]
Other receivables	23	–	–	23
Derivative financial assets	129	–	129	–
of which commodity derivatives	72	–	72	–
of which currency derivatives	26	–	26	–
of which embedded derivatives	31	–	31	–
Derivative financial liabilities	73	–	73	–
of which commodity derivatives	52	–	52	–
of which currency derivatives	21	–	21	–

[1] The fair value was determined on the basis of listed (unadjusted) prices for identical assets and liabilities on active markets.
[2] The fair value was determined based on parameters for which directly or indirectly quoted prices on active markets were available.
[3] The fair value was determined based on parameters for which there was no observable market data.

Fair values of derivative financial assets and liabilities are determined using customary market valuation methods taking into account the market data available on the measurement date as well as the default risk.

No transfers between the levels occurred during the current or prior year.

The other receivables of €20 million (prior year: €23 million) comprise the fair value of a contingent consideration resulting from a purchase agreement. The receivable was recognised without impacting profit or loss in the course of the merger with DEA. As at 31 December 2020, the underlying assumptions were unchanged. The decrease of €3 million was recognised in profit or loss and is related to foreign currency translation only.

Offsetting financial assets and financial liabilities

31 Dec 2020	Offset amounts			Amounts that cannot be offset		
€ million	Gross amount	Amount offset	Net amount	Due to global netting agreements	Relating to financial collateral	Potential net amount
Derivatives with a positive fair value	190	-143	47	–	–	47
Derivatives with a negative fair value	415	-143	272	–	–	272

31 Dec 2019	Offset amounts			Amounts that cannot be offset		
€ million	Gross amount	Amount offset	Net amount	Due to global netting agreements	Relating to financial collateral	Potential net amount
Derivatives with a positive fair value	199	-100	99	–	–	99
Derivatives with a negative fair value	159	-100	59	–	–	59

The table 'offsetting of financial assets and financial liabilities' shows the extent to which financial assets and financial liabilities were offset on the balance sheet. It also shows the potential effects from the offsetting of instruments subject to a legally enforceable global netting agreement (primarily in the form of European Federation of Energy Traders [EFET] agreements for gas purchase and supply agreements that have been concluded) or a similar agreement.

Only financial assets and liabilities that are covered by such agreements are included in this table.

Note 23 – Capital structure management

The objective of capital structure management is to maintain the financial flexibility needed to further develop the business portfolio and take advantage of strategic opportunities. The objectives of the Group's financial policy are to ensure solvency, limit financial risks and optimise the cost of capital.

The Group aims to ensure financial stability through its long-term commitment to an investment-grade credit rating.

The Group is focused on maintaining cash flow discipline and active cash management is a priority. The Group manages capital commitments to generate positive cash flows from operations in order to sustain its investments, pay dividends and create financial flexibility through the economic cycle.

NET DEBT

€ million	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	-821	-814
Financial receivables from cash pooling	-12	-16
Bonds	3,997	3,995
Debt to banks	1,828	1,889
Financial liabilities from cash pooling	394	485
Lease liabilities	133	223
Total	**5,519**	**5,762**

Note 24 – Related-party disclosures

A related party is a natural person or legal entity that can exert influence on the Wintershall Dea Group or over which the Wintershall Dea Group exercises control, joint control or a significant influence.

Wintershall Dea Group is jointly controlled by BASF and LetterOne. Therefore, BASF and LetterOne and their subsidiaries are considered to be related parties. In addition, related parties include non-consolidated subsidiaries, joint ventures and associated companies.

The following tables show the volume of business with related parties that are included in the consolidated financial statements at amortised cost or accounted for using the equity method.

REVENUES WITH RELATED PARTIES

€ million	Jan–Dec 2020	May–Dec 2019
Non-consolidated subsidiaries	0	2
Joint ventures/associated companies	294	124
Shareholders and their affiliates	261	240
Total	**555**	**366**

TRADE ACCOUNTS RECEIVABLE FROM/TRADE ACCOUNTS PAYABLE TO RELATED PARTIES

	Trade accounts receivable		Trade accounts payable	
€ million	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-consolidated subsidiaries	9	1	3	1
Joint ventures/associated companies	32	52	8	4
Shareholders and their affiliates	36	42	6	4
Total	**77**	**95**	**17**	**9**

FINANCIAL AND OTHER RECEIVABLES FROM/LIABILITIES TO RELATED PARTIES

	Financial and other receivables		Financial and other liabilities	
€ million	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-consolidated subsidiaries	26	31	12	2
Joint ventures/associated companies	288	362	387	484
Shareholders and their affiliates	–	1	–	9
Total	**314**	**394**	**399**	**495**

Revenues, trade accounts receivable and trade accounts payable from related parties comprised mainly transactions in the Group's own products, as well as other typical business transactions.

Financial and other receivables and liabilities resulted mainly from financing transactions, outstanding dividend payments and profit and loss transfer agreements, as well as other financing-related and operating transactions.

Cash-effective changes in financial liabilities to related parties (see 'Consolidated Statement of Cash Flows') relate mainly to liabilities from cash pooling.

Related persons are the members of the Management Board and Supervisory Board of the Wintershall Dea GmbH and the shareholders. No business relationships exist with members of the Management Board or the Supervisory Board or individuals close to them. The remuneration paid to the Management Board and Supervisory Board can be found in Note 25.

Note 25 – Compensation received by the Management Board and Supervisory Board

€ thousand	Jan–Dec 2020	May–Dec 2019
Total compensation paid to the Management Board	5,175	3,413
Provisions for long-term/short-term incentive plans (LTIs/STIs)	1,940	2,702
Total remuneration of the Management Board	**7,115**	**6,115**
Compensation paid to the Supervisory Board	60	61
Pension expenses for members of the Management Board	–	1,322
Total compensation paid to former members of the Management Board	1,101	631
Pension provisions for former members of the Management Board and their surviving dependents	35,548	26,949

Note 26 – Services provided by the external auditor

The Wintershall Dea Group recognised the following fees as expenses for services rendered by the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (KPMG AG), and companies belonging to KPMG's international network.

SERVICES PROVIDED BY THE AUDITOR

€ thousand	Jan–Dec 2020	May–Dec 2019
Audit services	2,211	1,726
of which KPMG AG	1,140	922
Other services	849	1,219
of which KPMG AG	425	1,028
Total	**3,060**	**2,945**

The auditor's services included primarily the services for the annual audit of the financial statements and other services.

The audit services expenses related to the audit of the consolidated financial statements of the Wintershall Dea Group, as well as to the legally required financial statements of Wintershall Dea GmbH and the subsidiaries and joint operations included in the consolidated financial statements. Fees for other services include mainly other attestation services by the auditor that are permissible under applicable independence rules.

Note 27 – Impact of the COVID-19 pandemic

Since the beginning of this year, the spread of COVID-19 has resulted in a global health pandemic, which has in turn led to a significant global decline in economic activity and a corresponding steep decline in commodity prices. The duration and extent of the COVID-19 pandemic and the resulting impact on the Wintershall Dea Group cannot be ascertained at this time. However, following the decline in commodity prices, the Wintershall Dea Group has revised its commodity price assumptions triggering the necessity for an impairment test on its major assets, which led to asset impairments in the second quarter. In the fourth quarter, additional impairments were recognised (see Note 10).

In June 2020, the Norwegian government enacted temporary changes to the petroleum tax system in effort to maintain oil and gas investments during a period of falling oil prices and reduced activity due to the COVID-19 situation. The changes include an increase of the uplift allowance to 24 % for investments and the direct tax expense of both uplift allowances and capital expenditures in the special petroleum tax regime in 2020 and 2021. These changes results in a positive tax effect of €83 million in the tax result. In addition, cash refunds for the tax value of losses from Norwegian tax authorities received in August, September and December totalled NOK 4,503 million (€431 million). An additional negative tax instalment with an amount of approx. NOK 2,929 million is expected in the 2021 fiscal year for tax losses in 2020.

Note 28 – Events after the balance sheet date

In January 2021, Wintershall Dea Group issued, via Wintershall Dea Finance 2 B.V., two series of subordinated resettable fixed-rate notes for a total amount of €1.5 billion. The notes have a perpetual term with no-call periods of 5.5 years and 8 years and nominal amounts of €650 million and €850 million, respectively. The net proceeds have been used for the repayment of banking facilities.

Note 29 – The Wintershall Dea Group list of shares held pursuant to Section 313 (2) of the German Commercial Code (HGB)

The list of consolidated companies and the complete list of all companies in which the Wintershall Dea Group holds shares, as required by Section 313 (2) HGB, as well as the information on the exemption of subsidiaries from accounting and disclosure obligations, are an integral component of the audited consolidated financial statements submitted to the electronic German Federal Gazette (Bundesanzeiger).

I. Companies included the consolidated financial statements on a full or proportional basis or accounted for using the equity method

FULLY CONSOLIDATED SUBSIDIARIES

Company	Registered office	Share of capital (%)
Europe		
Wintershall Dea GmbH	Celle	100.00
E & A Internationale Explorations- und Produktions GmbH[4]	Kassel	100.00
Wintershall Dea Vermögensverwaltungsgesellschaft mbH[4]	Kassel	100.00
Wintershall Dea Middle East GmbH[4]	Kassel	100.00
Wintershall Dea TSC GmbH & Co. KG	Kassel	100.00
Wintershall Dea Deutschland GmbH	Hamburg	100.00
Wintershall Dea International GmbH[4]	Hamburg	100.00
DEA E&P GmbH[4]	Hamburg	100.00
DEA Cyrenaica GmbH[4]	Hamburg	100.00
DEA North Africa/Middle East GmbH[4]	Hamburg	100.00
Wintershall Dea Suez GmbH[4]	Hamburg	100.00
Wintershall Dea Nile GmbH[4]	Hamburg	100.00
Wintershall Dea WND GmbH[4]	Hamburg	100.00
DEA Trinidad & Tobago GmbH	Hamburg	100.00
Wintershall Dea Algeria GmbH[4]	Hamburg	100.00
Wintershall Dea Immobilien GmbH & Co. KG	Hamburg	100.00
Wintershall Dea Schweiz AG	Zug, Switzerland	100.00
DEA Global Limited	London, Great Britain	100.00
Wintershall Dea Norge AS	Stavanger, Norway	100.00
DEA Nederland B.V.	Amsterdam, The Netherlands	100.00
DEA Nederland Erdoel B.V.	Amsterdam, The Netherlands	100.00
DEA Nederland Upstream B.V.	Amsterdam, The Netherlands	100.00
Sierra Oil & Gas Management Holdings B.V.	Amsterdam, The Netherlands	100.00

Wintershall Dea Nederland B.V.	Rijswijk, The Netherlands	100.00
Wintershall Dea Nederland Transport and Trading B.V.	Rijswijk, The Netherlands	100.00
Wintershall Petroleum (E&P) B.V.	Rijswijk, The Netherlands	100.00
Wintershall Dea Finance B.V.	Rijswijk, The Netherlands	100.00
Wintershall Dea Finance 2 B.V.	Rijswijk, The Netherlands	100.00
Russia		
AO Gazprom YRGM Trading	Saint Petersburg, Russia	25.00[1]
Latin America		
Wintershall Dea Argentina S.A.	Buenos Aires, Argentina	100.00
Wintershall Dea México S. de R.L. de C.V.	Mexico City, Mexico	100.00
WD México-Alemania S. de R.L. de C.V.	Mexico City, Mexico	100.00
DEM México Upstream, S.A.P.I. de C.V.	Mexico City, Mexico	100.00
DEM México Erdoel, S.A.P.I. de C.V.	Mexico City, Mexico	100.00
Sierra Oil & Gas S. de R.L. de C.V.	Mexico City, Mexico	100.00
Sierra O&G Exploracíon y Produccíon S. de R.L. de C.V.	Mexico City, Mexico	100.00
Xitle Energia, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Sierra Offshore Exploracíon S. de R.L. de C.V.	Mexico City, Mexico	100.00
Perote Energia, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Sierra Perote E&P, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Coronado Energia, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Sierra Coronado E&P, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Nevada Energia, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Sierra Nevada E&P, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Sierra Blanca Energia, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Sierra Blanca P&D, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Itza Energia, S. de R.L. de C.V.	Mexico City, Mexico	100.00
Wintershall Dea do Brasil Exploração e Produção Ltda.	Rio de Janeiro, Brazil	100.00
North America		
Sierra Oil & Gas Holdings, L.P.	Ontario, Canada	100.00

PROPORTIONALLY CONSOLIDATED JOINT OPERATIONS

Company	Registered office	Share of capital (%)
Russia		
AO Achimgaz	Novy Urengoy, Russia	50.00

JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

Company	Registered office	Share of capital (%)
Europe		
WIGA Transport Beteiligungs-GmbH & Co. KG	Kassel	50.02
Wintershall Noordzee B.V.	Rijswijk, The Netherlands	50.00

ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Company	Registered office	Share of capital (%)
Europe		
Wintershall Dea Wolga Petroleum GmbH	Kassel	100.00
Wintershall AG	Celle	51.00
Nord Stream AG	Zug, Switzerland	15.50[2]
Russia		
Joint Stock Company Achim Trading	Moscow, Russia	18.01[2]
Limited Liability Company Achim Development	Novy Urengoy, Russia	25.01
OAO Severneftegazprom	Krasnoselkup, Russia	25.00[3]

II. Associated companies not consolidated due to immateriality

SUBSIDIARIES NOT CONSOLIDATED DUE TO IMMATERIALITY

Company	Registered office	Share of capital (%)
Europe		
Wintershall Libyen Oil & Gas GmbH	Kassel	100.00
Wintershall Dea Russia GmbH	Kassel	100.00
Wintershall Dea Technology Ventures GmbH	Kassel	100.00
Nordkaspische Explorations- und Produktions GmbH	Kassel	100.00
WIGA Verwaltungs GmbH	Kassel	50.02
Wintershall Dea Global Support B.V.	Rijswijk, The Netherlands	100.00
Wintershall Dea Exploration and Production International C.V.	Rijswijk, The Netherlands	100.00
AWIAG Limited	Birkirkara, Malta	100.00
DEA Ukraine LLC (in liquidation)	Kiev, Ukraine	100.00
Wintershall Dea TSC Management GmbH	Kassel	100.00
Wintershall Dea Immobilien Management GmbH	Hamburg	100.00
Latin America		
Wintershall Dea do Brasil Servicos Ltda.	Rio de Janeiro, Brazil	27.82
Wintershall Dea BM-C-19 Ltda.	Rio de Janeiro, Brazil	100.00
Wintershall Dea BM-ES-1 Ltda.	Rio de Janeiro, Brazil	100.00
DEA Petróleo E GÁS DO BRASIL LTDA	Rio de Janeiro, Brazil	100.00
Wintershall Chile Ltda.	Santiago de Chile, Chile	100.00
North America		
DEA México Holdings GP Ltd.	N. Brunswick, Canada	100.00

JOINT VENTURES NOT ACCOUNTED FOR USING THE EQUITY METHOD DUE TO IMMATERIALITY

Company	Registered office	Share of capital (%)
Europe		
Erdgas Münster GmbH	Münster, Germany	33.66

[1] Fully consolidated pursuant to IFRS 10
[2] Wintershall Dea exerts a significant influence over financial and corporate policy.
[3] Share of result totals 35 % via an additional preference share
[4] Application of Section 264 (3) of the German Commercial Code (HGB)

Note 30 – Members of the Supervisory Board and Management Board

SUPERVISORY BOARD

Lord Edmund John Philip Browne of Madingley
(Chairman since 1 August 2020, First Deputy Chairman until 31 July 2020),
Executive Chairman L1 Energy (UK) LLP, London, United Kingdom

Dr Hans-Ulrich Engel
(Chairman until 31 July 2020, First Deputy Chairman since 1 August 2020)
Deputy Executive Chairman of BASF SE, Ludwigshafen am Rhein

Michael Winkler
(Second Deputy Chairman)
Trade Union Secretary of IG BCE, Hannover

Birgit Böl
Chair of the Joint Works Council of Wintershall Dea GmbH, Kassel

Sabine Brandt
Consultant for HSE, Member of the Central Works Council of Wintershall Dea Deutschland GmbH, Barnstorf

Michael Heinz
Member of the Board of of Executive Directors of BASF SE, Ludwigshafen am Rhein

Saori Dubourg
Member of the Board of Executive Directors of BASF SE, Ludwigshafen am Rhein

Dr Wolfgang Haas
General Counsel and Chief Compliance Officer, President Legal, Compliance, Tax and Insurance, BASF SE, Ludwigshafen am Rhein

German Khan
Director LetterOne Holdings S.A., London, United Kingdom

MANAGEMENT BOARD

Mario Mehren, Kassel
CEO

Paul Smith, Hamburg
CFO

Hugo Dijkgraaf, Hamburg
CTO

Dawn Summers, Hamburg (since 1 June 2020)
COO

Thilo Wieland, Kassel
Region Russia, Latin America and Midstream

Kassel/Hamburg, 22 February 2021
The Management Board

Mehren Smith Dijkgraaf Summers Wieland

Declaration by the Board of Directors and statement of responsibility pursuant to sections 297 (2) and 315 (1) of the German Commercial Code (HGB)

The Management Board of Wintershall Dea GmbH is responsible for preparing the annual consolidated financial statements and the group management report of the Wintershall Dea Group.

The consolidated financial statements of Wintershall Dea Group for the fiscal year ending 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards (IASB), London, and adopted by the European Union.

We have established effective internal control and management systems to ensure that the group management report and the consolidated financial statements of the Wintershall Dea Group comply with the applicable accounting standards and to ensure due and proper corporate reporting.

The risk management system that we have established is designed to allow the Management Board to identify material risks at an early stage so that it can take appropriate measures to counteract them if necessary. The reliability and functionality of the internal control and risk management system are reviewed by the Internal Audit department throughout the Group on an ongoing basis.

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements of the Wintershall Dea Group give a true and fair view of the net assets, financial position and results of operations of the Wintershall Dea Group. Furthermore, the group management report of the Wintershall Dea Group provides a true and fair view of the Group's business development, including the business results and situation of the Wintershall Dea Group, together with a description of the principal opportunities and risks associated with the expected development of the Wintershall Dea Group.

Kassel/Hamburg, 22 February 2021

Mehren Smith Dijkgraaf Summers Wieland

INDEPENDENT AUDITOR'S REPORT

To Wintershall Dea GmbH, Celle

Opinions

We have audited the consolidated financial statements of Wintershall Dea GmbH, Celle and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2020, and notes to the consolidated financial statements including a segment reporting as well as a summary of significant accounting policies. In addition, we have audited the group management report of Wintershall Dea GmbH for the fiscal year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the 'Other Information' section of our auditor's report.

The group management report contains cross-references to a separate sustainability report marked as unaudited and not required by law. In accordance with German legal requirements, we have not audited the content of these cross-references or the information to which they refer.

In our opinion, on the basis of the knowledge obtained in the audit,

› the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the fiscal year from 1 January to 31 December 2020, and

› the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the 'Other Information' section of the auditor´s report. The group management report contains cross-references to a separate sustainability report marked as unaudited and not required by law. Our audit opinion does not cover these cross-references or the information to which they refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report' section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other Information

Management and supervisory board are responsible for the other information. The other information comprises the information in the annual report.

The other information also comprises the following components of the group management report, whose content was not audited.

- information extraneous to group management reports and marked as unaudited.

The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

› Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

› Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

› Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

› Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

› Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 22 February 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Wetzel	Strzalkowski
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Glossary

1, 2, 3

1P Reserves or proved reserves
those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations

2C resources or contingent resources
those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable owing to one or more contingencies

2P reserves or proved plus probable reserves
1P reserves plus those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than 1P reserves

A

Achimov 4 & 5
Block 4A and 5A Achimov formation of the Urengoy oil, gas and condensate field

ADNOC
Abu Dhabi National Oil Company

AG
Aktiengesellschaft – German Stock Corporation

ANP
Agencia Nacional de Petroleo, Gas Natural and Biofuels

B

BaFin
German Federal Financial Supervisory Authority

BOE
Barrel Oil Equivalents

C

CAPEX
Capital Expenditures

CCS
Carbon Capture & Storage

CDP
Carbon Disclosure Project

COP 21
21st Conference of the Parties

COSO
Committee of Sponsoring Organizations of the Treadway Commission

CSR
Corporate Social Responsibility

CTA
Contractual Trust Arrangement

CVA
Credit valuation adjustment

D

DVA
Debit valuation adjustment

E

EBITDAX
Earnings before interest, taxes, depreciation, amortisation and exploration expenses is a measure of a company's operating performance in the oil and gas industry

ECB
European Central Bank

EEA
European Economic Area

EGAS
Egyptian Natural Gas Holding Company

EGPC
Egyptian General Petroleum Corporation

EOR
Enhanced Oil Recovery

EPSA
Exploration and Production Sharing Agreements

ESP
Electric submersible pumps

ETP
Energy Transition Pathway

EuG
General Court of the European Union

EURIBOR
European Interbank Offered Rate

F

F&D
Finding and Development

FCF
Free Cash Flow

FEED
Front End Engineering Design

FID
Final Investment Decision

FLAGS pipeline
Far North Liquids and Associated Gas System

FPSO
Floating Production Storage and Offloading unit

FTE
Full-Time Equivalents

FVPL
Fair Value through Profit or Loss

G

GHG
Greenhouse Gas

GRI
Global Reporting Initiative

H

HGB
Handelsgesetzbuch (German Commercial Law)

HSEQ
Health, Safety, Environment & Quality

I

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IEA
International Energy Agency

IFRIC
International Financial Reporting Interpretation Committee

IFRS
International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Union

IG BCE
Industriegewerkschaft Bergbau, Chemie, Energie

ILO
International Labour Organization

IOGP
International Association of Oil and Gas Producers

ITO
Independent Transmission Operator

J

JOA
Joint Operating Agreement

JOC
Joint operating company

L

LATAM
Latin America

LIBOR
The London Interbank Offered Rate

LNG
Liquefied natural gas

LTI
Long-Term Incentive

LTIF
Lost Time Incident Frequency Rate

M

MEG
Monoethylene glycol, a widely used hydrate inhibitor to reduce the risk of hydrate formation in pipelines

MENA
Middle East/North Africa

mscf
thousand standard cubic feet

MTP
Medium Term Planning

N

NBP
National Balancing Point (UK), virtual trading point for natural gas

NGL
Natural Gas Liquids

Net RAB
Net Regulated Asset Base

NOC
Libya`s National Oil Corporation

No-Flare
No Flaring of Gas

O

OCI
Other Comprehensive Income

OE
Oil equivalents

OGCI
Oil and Gas Climate Initiative

OPEX
Operating Expenditures

P

PRMS
Petroleum Resource Management System

R

RAB
Regulated Asset Base

RCF
Revolving Credit Facility

S

SA-CCR
Standardised Approach to Counterparty Credit Risk

SCF
Standard Cubic Feet

Scope 1 emissions
Direct GHG emissions

Scope 2 emissions
Indirect GHG emissions from the generation of purchased electricity, steam or heat consumed by the company

Scope 3 emissions
Other indirect GHG emissions, that are a consequence of the activities and products of the company but occur from sources not owned or controlled by the company

SDG
United Nations Sustainable Development Goals

Shareholders
BASF and LetterOne

SOO
Sarir Oil Operations

SPE
Society of Petroleum Engineers

STI
Short-Term Incentive

T

TCFD
Task Force on Climate-related Financial Disclosures

toe
Tons oil equivalents

TRIR
Total Recordable Injury Rate per million hours worked

TSO
Transmission System Operator

TTF
Title Transfer Facility (The Netherlands), virtual trading point for natural gas

U

Upstream (business)
Exploration and production of crude oil and natural gas

W

WACC
Weighted average cost of capital

WDO
Joint Venture Wolgodeminoil

WI
Working interest

WIAG
Wintershall Aktiengesellschaft

WIGA
WIGA Transport Beteiligungs-GmbH & Co. KG

WPC
World Petroleum Council

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The annual report 2020 is available as pdf on the internet:
https://wintershalldea.com/en/investor-relations

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