

# Deutsche Rohstoff



3<sup>RD</sup> QUARTER 2019





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# Ladies & Gentlemen,

Production in the 3rd quarter amounted to 296.142 BOE, of which 116.946 barrels was oil. As we already explained in the half-year report, production at Elster fell significantly in the third quarter, due to problems in gas processing in the region. Since October, production has been running normally and without restrictions again and was around 40% above the average of the 3rd quarter.

**Cub Creek Energy** produced 4,059 (net 2,327) barrels of oil equivalent (BOE) per day in the first nine months. The Management continued to work on the optimization of the existing production. Since August, the wells at the Haley pad have been producing with so-called gas lifts, and since the end of October the wells at Litzenberger well pad have also been producing with gas lifts. The Haley wells produced an average of 402 barrels of oil per day in October. In comparison, the production from January to the end of July was only 234 barrels per day. For the fourth quarter, Cub Creek continues to expect production to be above the average to before the gas lifts were installed. The same applies to the Litzenberger wells.

The new wells from the Olander well pad were completed on time in September. The wells are currently being completed. Cub Creek expects to start production in the course of December. Due to the current market situation in the US, Cub Creek expects to complete these wells approximately USD 10 million below the planned investment costs. This is very positive and significantly improves the economics of the wells.

**Elster Oil & Gas** produced 8,026 (net 2,068) BOE per day in the first nine months. In particular, and as already mentioned in the half-year report, the restrictions in the offtake of natural gas that existed for most of the quarter, led to a significant reduction in production. Maintenance work at Anadarko Midstream was completed in October and production is back to normal. Accordingly, Elster is once again receiving volumes that are in line with planning and about twice as high as in the third quarter.

**Salt Creek Oil & Gas** and **Bright Rock Energy** produced 281 barrels net oil equivalent (206 barrels oil) per day in the first nine months. For the fourth quarter, we expect a significant increase as some wells in which Bright Rock has a minority interest will begin production.

As part of the latest discovery, Steig-1, north of Karlsruhe, **Rhein Petroleum** drilled a 150 meter thick layer of oil-bearing sands. The well has not encountered any oil-water contact. Rhein Petroleum carried out a production test that confirmed the economic viability of the Steig-1 discovery. Rhein Petroleum is currently preparing a development plan for the field and began preparations for applying for the necessary permits. To finance further development, Rhein Petroleum carried out a capital increase of EUR 20 million, in which Deutsche Rohstoff AG participated according to its 10% stake.

The US oil price WTI fluctuated between USD 52 and 61 per barrel in the third quarter. On average, we achieved a selling price after transport costs of approxima-

tely USD 51.6 per barrel. For the remainder of the year, we expect the oil price to continue to develop moderately positively. The industrial metals continued to suffer from the trade conflict between the USA and China. The price of tungsten APT, which is important for our investment Almonty Industries, lost around 9% in the first half of the year, but rose from a low of USD 200/mtu at the end of the quarter to USD 210/mtu in the third quarter.

### SHARES AND BONDS

Our share fell significantly in the third quarter, but then stabilized at a lower level again in September. We assume that the share should have significant upward potential, especially as it continues to trade below the value of equity.

In contrast to the share, the bonds have remained very stable. The bond 16/21 remained between 100 and 105% and the convertible bond just below 100%.

### PLACEMENT OF A NEW BOND

In October, we announced our intention to take advantage of the favorable capital market environment and place a new bond. The share prospectus was approved on 7 November. Between 11 November and 4 December, it will be possible to subscribe to the new bond 2019/2024 with an attractive interest rate of 5.25%. The placement volume amounts to a maximum of EUR 100 million. Holders of the bond 2016/2021 can exchange it for the new bond until 29 November. In addition to the accrued interest, they will receive a cash



payment of EUR 20 per EUR 1,000 nominal bond value.

We will use the net proceeds from the placement to further expand our US business. We see good acquisition opportunities in the current market. Last but not least, at Cub Creek we have the Knight pad, another location which we will be able to drill next year and which will give our production an additional boost.

Management expects that the financial re-

sult for 2019 will be in line with the forecasted range. Due to the production constraints and very low realized gas and natural gas liquid prices, revenues and EBITDA are expected to be at the low end of the range. The expected cost of the placement of the today announced EUR 100 million 5.25% coupon bond, which until now have not been part of the forecast may lead to the EBITDA being slightly below the lower range of the guidance. The net result for 2019 is still expected to be positive. The forecast for 2020 remains un-

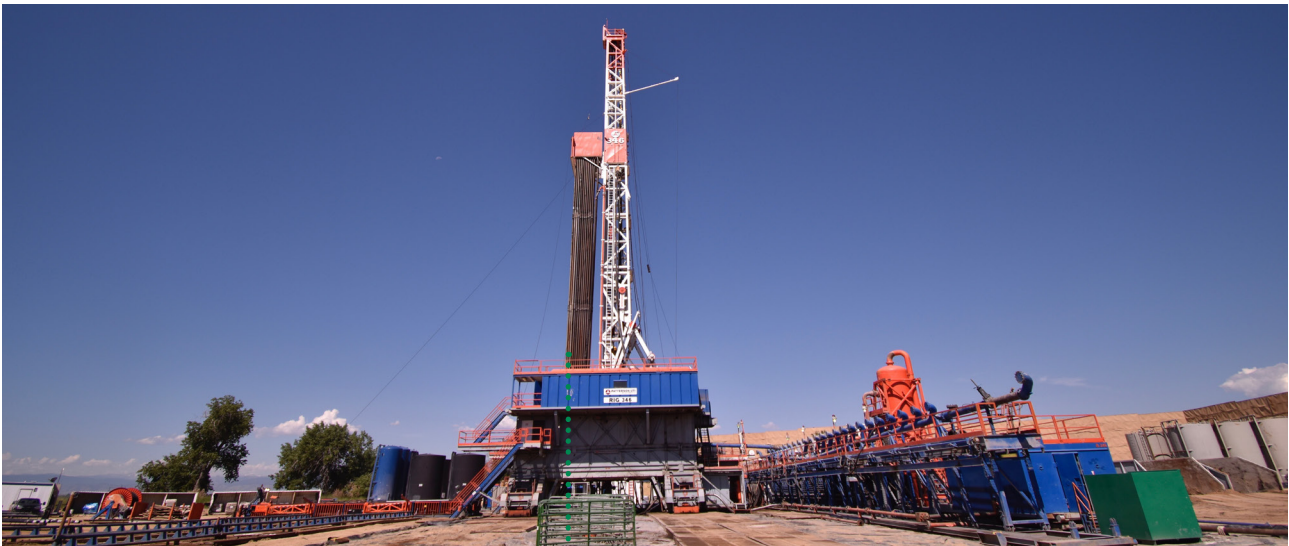
changed as well.

With best regards from Mannheim



Thomas Gutschlag  
Vorstand, CEO

Jan-Philipp Weitz  
Vorstand, CFO



••• OIL RIG AT THE OLANDER PAD

## CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2019 (UNAUDITED)

ASSETS	30.09.2019	30.09.2018	31.12.2018
	EUR	EUR	EUR
<b>A. FIXED ASSETS</b>	<b>179,892,966</b>	<b>145,782,484</b>	<b>148,985,917</b>
I. Intangible assets			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	20,751,928	15,293,619	15,229,295
2. Goodwill	1,668,603	1,771,117	1,702,959
	22,420,531	17,064,736	16,932,254
II. Property, plant and equipment			
1. Petroleum extraction equipment	105,944,888	100,929,922	107,877,586
2. Exploration and evaluation	15,210,036	3,706,201	2,048,170
3. Plant and machinery	20,125	98,335	36,014
4. Other equipment, furniture and fixtures	359,298	92,957	91,266
	121,534,347	104,827,415	110,053,036
III. Financial assets			
1. Equity investments	16,621,495	15,620,829	14,385,151
2. Loans to other investees and investors	1,902,145	1,724,138	1,724,138
3. Securities classified as fixed assets	17,414,448	6,545,366	5,891,338
	35,938,088	23,890,333	22,000,627
<b>B. CURRENT ASSETS</b>	<b>32,856,288</b>	<b>85,419,304</b>	<b>73,924,618</b>
I. Inventories	175,079	154,237	155,519
Finished goods and merchandise	175,079	154,237	155,519
II. Receivables and other assets			
1. Trade receivables	4,249,511	23,797,477	11,646,063
2. Receivables from other investees and investors	2,272,856	457,660	1,796,881
3. Other assets	1,384,183	301,707	336,929
	7,906,550	24,556,844	13,779,873
III. Securities classified as current assets	5,695,216	15,163,472	14,343,704
IV. Bank balances	19,079,443	45,544,751	45,645,522
<b>C. PREPAID EXPENSES</b>	<b>525,512</b>	<b>710,209</b>	<b>710,549</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>1,324,482</b>	<b>1,105,065</b>	<b>1,223,470</b>
<b>TOTAL ASSETS</b>	<b>214,599,248</b>	<b>233,017,062</b>	<b>224,844,554</b>

LIABILITIES	30.09.2019	30.09.2018	31.12.2018
	EUR	EUR	
<b>A. EQUITY</b>	<b>76,648,034</b>	<b>71,354,002</b>	<b>73,837,164</b>
I. Subscribed capital	5,081,747	5,063,072	5,063,072
./. less nominal value of treasury shares	-127,810	-127,810	-127,810
Conditional capital: EUR 2,200,000 (prior year: EUR 2,200,000)			
II. Capital reserves	30,019,333	29,827,395	29,741,076
III. Equity differences from currency translation	6,717,287	2,295,203	2,417,573
IV. Consolidated net retained profit	27,294,407	26,928,782	28,656,568
V. Non-controlling interests	7,663,070	7,367,360	8,086,685
<b>B. PROVISIONS</b>	<b>22,776,074</b>	<b>22,055,534</b>	<b>19,311,678</b>
1. Tax provisions	52,046	285,498	0
2. Other provisions	22,724,028	21,770,036	19,311,678
<b>C. LIABILITIES</b>	<b>97,680,882</b>	<b>127,846,379</b>	<b>116,210,744</b>
1. Bonds, thereof convertible: EUR 10,700,000 (prior year : EUR 10,700,000)	77,299,000	77,299,000	77,299,000
2. Liabilities to banks	11,668,829	22,022,499	16,085,646
3. Trade payables	758,668	26,288,848	6,839,639
4. Other liabilities	7,954,385	2,236,032	15,986,459
<b>D. DEFERRED TAX LIABILITIES</b>	<b>17,494,258</b>	<b>11,761,147</b>	<b>15,484,968</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>214,599,248</b>	<b>233,017,062</b>	<b>224,844,554</b>

## CONSOLIDATED INCOME STATEMENT FROM 1 JANUARY TO 30 SEPTEMBER 2019 (UNAUDITED)

	01.01.–30.09.2019	01.01.–30.09.2018	01.01.–31.12.2018
	EUR	EUR	EUR
1. REVENUE	31,154,968	88,435,954	109,052,362
2. INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	19,560	-15,905	-14,623
3. OTHER OWN WORK CAPITALIZED	53,660	1,097,958	1,231,237
4. OTHER OPERATING INCOME	3,253,459	13,863,188	19,060,335
5. COST OF MATERIALS	8,309,386	14,477,732	19,019,289
Cost of purchased services	8,309,386	14,477,732	19,019,289
6. PERSONNEL EXPENSES	3,005,581	2,657,390	3,918,520
a) Wages and salaries	2,896,412	2,545,263	3,569,660
b) Social security, pensions and other benefit costs	109,169	112,127	348,860
7. OTHER OPERATING EXPENSES	3,969,538	6,761,825	8,458,536
<b>EBITDA</b>	<b>19,197,142</b>	<b>79,484,248</b>	<b>97,932,966</b>
8. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	11,073,761	54,806,940	
a) of intangible assets and property, plant and equipment	11,073,761	54,806,940	58,036,928
b) of current assets	0	0	0
9. AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	861,597	87,396	7,205,167
<b>EBIT</b>	<b>7,261,784</b>	<b>24,589,912</b>	<b>32,690,871</b>
10. OTHER INTEREST AND SIMILAR INCOME	400,430	683,760	458,300
11. INTEREST AND SIMILAR EXPENSES	4,079,026	4,980,305	6,685,233
12. INCOME TAXES	-1,164,208	-5,112,302	8,519,169
– thereof expenses (prior year: expenses) from changes in recognized deferred taxes EUR 1,149,849 (prior year: EUR 5,057,204)			
13. EARNINGS AFTER TAXES	2,418,980	15,181,065	17,944,769
14. OTHER TAXES	-188	-540	761
<b>15. NET INCOME FOR THE GROUP</b>	<b>2,418,792</b>	<b>15,180,525</b>	<b>17,944,009</b>
16. PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-)	-326,270	-3,036,346	-4,072,044
17. PROFIT CARRYFORWARD (+)	25,201,885	14,784,603	14,784,603
18. CONSOLIDATED NET RETAINED PROFIT	27,294,407	26,928,782	28,656,568





**NOTES TO THE CONSOLIDATED BALANCE SHEET  
AND THE CONSOLIDATED INCOME STATEMENT**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following document only lists items that have undergone significant changes in the current period. Otherwise, reference is made to the information provided in the 2018 Annual Report and the 2019 Half-Year Report.

## 1. RESULT OF OPERATIONS

### REVENUE

Sales revenue relates primarily to the US subsidiaries Cub Creek Energy and Elster Oil & Gas and their interests in producing oil and gas wells. EUR 22.3 million of the sales revenue resulted from oil and EUR 8.9 million from natural gas and natural gas liquids. Production in the first nine months amounted to 1,271,813 barrels of oil equivalent (BOE) and 4,676 BOE per day.

Sales are reported in euros and after deduction of production tax (EUR 2.1 million) and realised income and losses from hedging (EUR 0.6 million).

### OTHER OPERATING INCOME

Other operating income mainly consists of income from the sale of securities and income from currency gains of EUR 1.3 million, offset by currency losses and losses from currency hedging transactions of EUR 1.9 million.

### COST OF MATERIALS

As of September 30, 2019, expenses for purchased services amounting to EUR 8.3 million were reported, which relate to current production costs, fees for the processing of gas and condensates, maintenance and work on the producing and new oil wells in the USA. The operating costs for the full year thus amounted to around USD 7.35 per BOE.

### OTHER OPERATING EXPENSES

Other operating expenses amounted to EUR 4.0 million. The largest item is currency losses of EUR 1.9 million. In the first nine months, there was a net currency loss of EUR 0.6 million. The other other operating expenses consist of other general administrative expenses including room costs, attorney and consulting fees, as well as other administrative expenses in the Group.

Personnel expenses of all Group companies amounted to EUR 3.0 million.

## DEPRECIATION & DEPLETION

Depreciation of EUR 11.1 million mainly relates to depletion on oil production equipment in the property, plant and equipment of the subsidiaries Cub Creek Energy, Elster Oil & Gas, Bright Rock Energy and Salt Creek Oil & Gas, which are depreciated in accordance with the volume of oil equivalent (BOE) produced. For the period January 1 to September 30, 2019, the Group's scheduled depletion rate was EUR 14.30 per barrel of oil equivalent produced.

No impairment losses were recognized in the third quarter of 2019.

## 2. FINANCIAL POSITION AND ASSETS

### FIXED ASSETS

Property, plant and equipment increased by EUR 14.2 million in the third quarter of 2019. This increase is based on the investments for the preparation of the new wells of Cub Creek Energy. Financial assets amounted to EUR 36.0 million.

### CURRENT ASSETS

Receivables of around EUR 7.9 million mainly consist of trade receivables of EUR 4.2 million resulting from outstanding revenues from oil & gas production. At the end of the third quarter, cash and cash equivalents and marketable securities totalled EUR 24.7 million.

### LIABILITIES & EQUITY

The increase in subscribed capital is due to the issue of shares in connection with the dividend distribution from the balance sheet profit for the 2018 financial year.

In total, equity amounted to EUR 76.6 million as of September 30, 2019. The equity ratio again increased slightly to 35.7% compared to December 31, 2018.

Liabilities to banks decreased from EUR 16.1 million to EUR 11.7 million. The reason for this was the proportional repayment of bank liabilities at Cub Creek Energy in the amount of EUR 7.6 million in the first half of 2019, offset by new borrowings in the third quarter of 2019 of EUR 3.2 million. These additional funds will be required for investments in the new wells at Cub Creek Energy. Other liabilities amount to EUR 8.0

million. They relate to outstanding royalty payments to landowners and the distribution of revenue to smaller partners. The provisions amount to approximately EUR 22.7 million. They were formed for production taxes and investments by US subsidiaries.

### 3. SUBSEQUENT EVENTS

After the balance sheet date, the following events had a significant impact on the further course of business until the beginning of November:

On 16 October 2019, Deutsche Rohstoff AG announced that the cost of Cub Creek Energy's drilling program is expected to be approximately USD 10 million below budget and that production is expected to start in December.

Also on 16 October, Deutsche Rohstoff AG announced that Rhein Petroleum's test production had been successful and that a total of 4,000 barrels of oil had been produced. A development of the field is therefore currently being planned. Deutsche Rohstoff AG participated in a capital increase of EUR 20 million as part of its 10% stake in the company.

On 7 November 2019, Deutsche Rohstoff AG announced that it would place a new bond. The bond volume amounts to up to EUR 100 million. The bond bears interest at 5.25% p.a. and has a term of 5 years. The subscription period runs from 11 November 2019 to 4 December 2019.

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## DISCLAIMER

### FORWARD-LOOKING STATEMENTS

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This English version of the report is a translation of the original German version; in the event of any deviation, the German version of the report shall take precedence over the English version.

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