Petro Welt Technologies

MEETING CHALLENGES

Integrated Annual Report 2020

FINANCIAL KEY FIGURES

in EUR million	2020	2019	Change
Revenue	252.3	298.4	(15.4%)
Gross profit	34.9	38.3	(8.9%)
EBIT	11.4	7.6	50.0%
EBIT margin	4.5%	2.5%	
EBITDA	45.2	45.6	(0.9%)
EBITDA margin	17.9%	15.3%	
Group result	6.7	5.4	24.1%
Earnings per share (EUR)	0.14	0.11	27.3%
Balance sheet total*	364.3	452.7	(19.5%)
Equity*	183.0	254.3	(28.0%)
Equity ratio*	50.2%	56.2%	
Cash flow from operating activities	23.5	36.1	(34.9%)
Cash flow used in investing activities	(65.9)	(38.6)	70.7%
Cash flow used in financing activities	(0.2)	(0.2)	-
Cash and cash equivalents*	71.7	138.6	(48.3%)
RUB/EUR exchange rate at the end of the reporting period	RUB 90.68	RUB 69.34	(30.9%)
RUB/EUR average exchange rate for the reporting period	RUB 82.45	RUB 72.50	(13.7%)
Employees (average)	3,308	3,360	(1.5%)

* As of December 31

STOCK KEY FIGURES

German securities ID no. (WKN)	A00Y7
ISIN	AT0000A00Y78
Ticker symbol	O2C
Share class	No par value bearer shares
Authorized capital	EUR 48,850,000
Share capital	EUR 48,850,000
Free float	12.94%
Number of shares	48,850,000
Year's high (January 7, 2020)	EUR 5.48
Year's low (March 16, 2020)	EUR 3.30
Closing price (December 30, 2020)	EUR 3.40
Stock exchange listings	SDAX, Prime Standard

HIGHLIGHTS 2020

Moody's confirms PeWeTe's Ba3 rating
In its annual update published in May 2020, Moody's Investors Service once again confirmed its Ba3 corporate family rating for PeWeTe despite the challenges posed by the COVID-19 pandemic. The rating thus reflects the Group's strong market position in its niche segments, its well-invested modern asset base, and robust credit metrics, with a gross leverage ratio that is expected to remain below 3.0x and a net leverage ratio below 0.5x in 2020–21. Given PeWeTe's solid liquidity, which provides sufficient flexibility to absorb risks related to difficult market conditions, according to Moody's the outlook also remains stable.

KATKoneft uses "clean liquid based on synthetic gelling agent"
In 2020, KATKoneft switched to a new, synthetic gelling agent that the oil production operator developed itself together with Wellprop. The gelling agent, WPSG (Wellprop Synthetic Gel), belongs to the so-called "neat fluids" owing to its high residual conductivity of up to 98% and delivers many advantages. On the one hand, for example, it reduces the cost of preparatory work, logistics as well as delivery and storage. On the other hand, the gelling agent has a low sensitivity to water quality and can also be used with cold water. In general, the gelling agent's high residual conductivity simplifies the fracturing process, which is why the oil production indicators after integration show an overrun of the planned well flow rate by up to 70%.

KATKoneft launches new multi-stage hydraulic fracturing model
Together with Gazpromneft-Khantos, KATKoneft (the oilfield service company) launched a new pilot project in its capacity as a hydraulic fracturing contractor. Work began in November 2020, with 46 hydraulic fracturing jobs involving the injection of 90 tons of proppant per hydraulic fracturing and fracturing operation, and 8 to 15 hydraulic fracturing stages in each well. The total tonnage of proppant injected into the formation was about 4,140 tons, and the total volume of fluid used exceeded 18,000 cubic meters. Since multi-stage hydraulic fracturing boosts capacity utilization, KATKoneft can optimize both its technological operations and its manufacturing processes while maximizing economic efficiency without sacrificing safety and quality.

KAToil-Drilling is recognized as best drilling contractor by Orenburgneft
PeWeTe's wholly owned operating subsidiary, KAToil-Drilling, was recognized for its outstanding performance among drilling executors in the 2020 financial year. Orenburgneft, which is part of the Rosneft Group, rated KAToil-Drilling the best contractor in terms of measures to improve performance in quality, health, safety, and the environment (QHSE). In addition, PeWeTe was rated the second-best drilling contractor.

CONTENT

THE CRISIS AS AN OPPORTUNITY

Dear Shareholders,
The year 2020 was marked worldwide by the outbreak of the COVID-19 pandemic. Only a few sectors escaped its negative ramifications and the resulting economic crisis. The oil industry was also hit particularly hard, as curfews and lockdowns massively weakened international trade and subsequently global production and downstream activities. These trends were reflected in the OPEC+ agreement, which stipulates the decline in global oil production. Overall, this led to a drop in average annual crude oil prices by up to one third.

As a result, many customers of Petro Welt Technologies AG (PeWeTe) reduced their oil production levels, put planned projects on hold, or pushed the insourcing of oilfield services. In addition, the fracturing market experienced a dramatic slump that forced PeWeTe to completely realign itself in 2020.

All this inevitably had a negative impact on the revenue performance of our Group. Thanks to targeted restructuring measures and a rapid response to the changed market environment, we succeeded nevertheless in generating positive operating cash flow and maintaining our financial strength even in the crisis year 2020. The PeWeTe Group's revenue in rubles decreased by only 3.9% despite the global decline in oil production. In total, consolidated revenue came to EUR 252.3 million.

Yury Semenov __ CEO

Our customers will benefit from the measures we have taken in response to the pandemic.

In the 2020 financial year, our primary objective was to resist the tough macroeconomic conditions at the financial level and maintain the Group's economic and technological performance. Now, however, PeWeTe wants to emerge stronger from the crisis. The measures taken in response to the pandemic – such as reducing administrative costs and optimizing the Group's operational capabilities – should help us to achieve this goal. An equity ratio of more than 50%, the controlled development of net debt, and solid cash flows are further evidence that PeWeTe is in a strong position today.

The Group's customers above all should benefit from these efforts. Once the oil industry recovers, Petro Welt Technologies AG plans to offer them its usual high level of service at even more economical prices and thus turn the crisis into an opportunity.

Yury Semenov
__ Chief Executive Officer

Valeriy Inyushin
__ Chief Financial Officer

Valeriy Inyushin __ CFO

Even in the crisis year 2020, we succeeded in generating positive operating cash flow and maintaining our financial strength.

REACT WITH DETERMINATION

Dear Shareholders,
In addition to the daily challenges facing Petro Welt Technologies AG (PeWeTe) in its highly competitive market environment, the Group also had to contend with compounded effects of the COVID-19 pandemic last year. However, the crisis also showed that the Group is well positioned in the market thanks to its processes, technologies, and services. Despite the challenging environment, therefore, PeWeTe again achieved above-average performance in 2020 compared with its main competitors.

Furthermore, this confirmed the Group's strategic course, specifically, geographic and technological diversification and the expansion of its services and products. This strategy was continued in 2020. In Romania, PeWeTe EVO EUROPE started operations with five workover jobs in the Drilling, Sidetracking, and IPM segment; in Oman, the Group completed all necessary procedures in connection with the registration and certification of its equipment and office. The Company was qualified for local client tenders. Here, the first operations in the coiled tubing sector began in March 2021.

However, PeWeTe is meeting the challenges of the market not only through geographical and technological diversification, but also through operational and structural optimization – especially in the Well Services and Stimulation segment. As a result, the Group succeeded in increasing its EBIT from EUR 7.6 million to EUR 11.4 million despite a 15.4% decline in revenue thanks primarily to the reduction in administrative costs by EUR 1.8 million.

Even before the COVID-19 crisis and the dramatic cuts in production volumes, PeWeTe had begun to adapt organizationally to lower profitability and was thus prepared relatively well for the slumps of the past year.

The measures already taken and many others enabled the Group to maintain its financial stability in 2020, a year marked by the COVID-19 pandemic. And that puts PeWeTe in a position where it will be able to clearly differentiate itself from the competition in terms of both quality and profitability – also in the years to come.

Maurice Dijols __ Chairman of the Supervisory Board

Remi Paul __ Member of the Supervisory Board

Ralf Wojtek __ Member of the Supervisory Board

GROUP STRUCTURE

The Petro Welt Technologies Group comprises Petro Welt Technologies AG (PeWeTe) – the Austrian holding and parent Company of the three wholly-owned operating subsidiaries, KATKoneft, KATOBNEFT, and KAToil-Drilling – as well as the other wholly-owned subsidiaries, which are registered in Russia as limited liability companies (LLCs). PeWeTe also holds 100% of Cyprus-based PeWeTe Evolution LIMITED (formerly Sonamax LIMITED) and 99.99% of Wellprop Cyprus LIMITED, which, in turn, holds 100% of Wellprop LLC in Russia (formerly CARBO Ceramics Eurasia).

PeWeTe Evolution LIMITED serves as the central holding Company, which controls all of the Group's non-Russian business assets – PeWeTe Kazakhstan LLP, PeWeTe EVO EUROPE S.R.L. in Romania, and PeWeTe EVO SERVICES LLC in Oman.

Petro Welt Technologies LLC was founded in 2015 to serve as a central management Company for the three Russian LLCs, KATKoneft, KATOBNEFT, and KAToil-Drilling. Petro Welt Technologies LLC is responsible for allocating functions and responsibilities to the various operating companies. It is also tasked with ensuring that the Management Board as well as the organization as such, operating companies, and financial and industrial groups and holding companies have a clear and efficient structure. Petro Welt Technologies LLC is also responsible for strategic planning and accounting (i.e., budgeting and forecasting as well as reporting and consulting on financial and sales activities). From an operational perspective, moreover, the Company is responsible for technological and QHSE standards, commercial and marketing tasks, human resources, procurement, and legal.

On August 20, 2018, PeWeTe finalized the registration of its local subsidiary, PeWeTe EVO EUROPE S.R.L., Bucharest, in order to offer its services in Romania too. In 2019, PeWeTe obtained all necessary certifications for its Romanian subsidiary, with real operational activity starting in the first quarter of 2020. This Company provides drilling services with mobile rigs of various capabilities suitable for the European market.

On August 5, 2019, PeWeTe finalized the registration of its new business entity, PeWeTe EVO SERVICES LLC, in Muscat, which is to provide the Company's services in the Sultanate of Oman. Using the experience PeWeTe acquired over the past 20 years, the Company will provide coiled tubing, nitrogen, and fracturing equipment of various capabilities suitable for the Omani market.

The management holding Company headquartered in Vienna, Austria – PeWeTe – carries out general and administrative services for the Group, including monitoring and supervision, strategic planning, key corporate finance matters, overall marketing policy and risk management.

Please see the chart regarding the Group's structure on page 68.

THE PETRO WELT TECHNOLOGIES AG SHARE

The Petro Welt Technologies AG share is listed in the Prime Standard segment of the Frankfurt Stock Exchange. On January 2, 2020, it opened at EUR 3.34 and closed at EUR 3.41. With a closing price of EUR 3.43, the PeWeTe share reached its high for the year on January 7 and 8, 2020, while the low for the year was set on March 16, 2020, at EUR 1.51.

Several factors affected the price dynamics of PeWeTe AG's share in 2020. The first decline in March was triggered mainly by the imposition of a near global lockdown in response to the COVID-19 pandemic, the collapse of the oil market due to the failure of negotiations between Russia and Saudi Arabia, which brought down oil prices, and the devaluation of the ruble. Once the OPEC+ agreement had been reached, oil prices had been stabilized in April, and the COVID-19 situation had been alleviated somewhat, the price of PeWeTe's share rose sharply in mid-June to EUR 3.15. However, the actual implementation of the OPEC+ agreement, the resulting limits on oil production, and the cuts in Russian oil companies' production programs in June, combined with the subsequent depreciation of the ruble, returned the share price to a level between EUR 2.0 and EUR 2.2 by mid-July. After a brief interim high of EUR 2.42 toward the end of November, the share again lost some of its value by the end of the year, closing at EUR 2.10 on the last trading day (December 30, 2020). In total, the PeWeTe share price thus fell by 38.4% in the course of the year.

In 2020, a total of 1,987,613 PeWeTe shares were traded, with an average trading volume of 7,825 shares per day. Compared with the previous year, trading activity in PeWeTe shares has thus increased significantly and the trading volume has increased almost tenfold.

Given the aforementioned performance, PeWeTe, like almost all its peers, was unable to keep pace with the overall development of the stock market in 2020. The DAX, for example, gained 2.5% despite the economic turbulence resulting from the COVID-19 pandemic, while the TECDAX even rose by 4.9%. By contrast, the Calfrac share was hit particularly hard. Having already fallen by 53.2% in the previous year, it suffered a further loss of 92.3% in 2020 and thus performed significantly worse than PeWeTe. The same applies to the Nabors share, which lost 60.7% of its value. The Schlumberger share showed a similar development, falling by 51.1%. At losses of 30.5% and a more manageable 18.6%, respectively, Halliburton and Baker Hughes in turn held up fairly well. The share of Trican Well Service, which rose by 39.0% overall after a near-existential slump at the end of March, was the only one to deliver a clearly positive performance.

Sources: https://finance.yahoo.com; https://www.finanzen.net/

MISSION

Almost three decades on, the PeWeTe Group maintains its leading position as an independent service provider for oilfield services in Russia and Kazakhstan. Benefiting from its market advantages, the Group's performance is appreciated by both industrial players and renowned financial institutions. Listed on the Frankfurt Stock Exchange and headquartered in Vienna, Austria, in 2020 PeWeTe had 3,308 employees, most of them living and working in Russia and Kazakhstan.

The Company – one of the first oilfield services firms to be founded in Russia and the Commonwealth of Independent States (CIS) – is an industry leader. After the collapse of the Soviet Union in 1991, we were one of the first Western companies to support and service the oil and natural gas industry in Russia and Kazakhstan. Our hydraulic fracturing and sidetracking activities and services provide low-cost options for enhancing the productivity of existing wells or for reactivating idle and/or abandoned wells. In 2011, we expanded our portfolio to include high-quality drilling services.

PeWeTe's business model is based on state-of-the-art technologies and equipment, most of which are sourced from the European Union (EU) and the United States (US). Over many years, we have developed strong customer relationships with key oil and natural gas producers in the region, which gives us a unique competitive edge.

Since its founding in 1991, PeWeTe has built up a leading position in hydraulic fracturing in both Russia and Kazakhstan and has emerged as a reliable and recognized business partner. Following its initial public offering (IPO) in 2006, the Company established sidetrack drilling as a second mainstay of its range of services in just two years. Between 2014 and 2016, the Group substantially expanded its capacities in conventional drilling.

Given the dramatic changes in the global economy, in general, and in the oil sector, in particular, the Group pays close attention to the difficult market and industrial environment in which it operates and adjusts as necessary. Management's flexibility, its proactive decision-making processes, and prompt reactions to extraordinary obstacles enable us to protect our business and carry out our obligations toward clients and personnel alike.

PeWeTe strives to generate robust growth in shareholder value by profitably expanding fracturing, sidetracking, and drilling along with a series of additional services.

MISSION STATEMENT

Our aim is to make a sustainable contribution to the satisfaction of global energy needs by fulfilling companies' requirements in the production of hydrocarbons and making the most efficient use of oil wells. Rampant uncertainties and rising tensions in oil-producing countries, mostly in the world's emerging regions, have contributed to the shifting of oil and natural gas production to safer areas such as Russia and other CIS members. We strive to defend and maximize shareholder value on the basis of the farsighted, profitable expansion of our fracturing, sidetracking, and drilling activities as well as our complementary services.

GROUP STRATEGY FOR THE COMING YEARS

Ensuring the stable development of its international presence and the reasonable growth of its market share are PeWeTe's main goals for the next three to four years. Special attention will be paid to its business in Oman, Romania, Central Europe, and the Republic of Kazakhstan.

The Company wants to become the leading provider of oilfield services in Kazakhstan (mostly hydraulic and acid fracturing) and to diversify its proppant and frac chemicals supply business. Our success in Kazakhstan is critical to our ability to expand further into both Central Asia and the Middle East.

In Russia, PeWeTe plans to update its service assets and to innovate front and back-end support functions such as engineering, logistics as well as the procurement infrastructure for maintenance and repairs. The Company plans to leverage synergies based on closer cooperation between business units within drilling segments.

The people working at PeWeTe are our biggest asset and we place a lot of trust in them. PeWeTe has developed training programs for its staff in order to be able to achieve its targets in the most effective way possible. The key performance indicator (KPI) system implemented in 2018 continues to be the main tool for enhancing both motivation and guidance. This system continues to cascade through our core Russian entities and also covers Wellprop Russia, PeWeTe Kazakhstan, and PeWeTe EUROPE. In the future, we will consider a rollout to our Omani entity as well.

Our strategic priorities focus on ongoing improvements in quality and in the reduction of non-productive time (NPT); ensuring operational safety for people, equipment, and the environment alike as well as maintaining disciplined cost controls.

The Management Board of PeWeTe understands that international diversification and a multi-segment portfolio offer the best protection against the vicissitudes of today's market. Every step must be verified and should offer some benefit to the Company. To some extent, the Management Board will consider M&A deals as the shortest and most economically effective way to achieve its objectives, including resistance to negative trends in the OFS industry, but each case will be subjected to a comprehensive due diligence process.

PeWeTe has a successful track record of international expansion: In 2016 and 2017, respectively, it acquired Trican Kazakhstan and CARBO Ceramics in Russia. In 2018, the Company finalized the registration of its Romanian subsidiary, PeWeTe EVO EUROPE S.R.L., Bucharest. The most recent step in its expansion followed on August 5, 2019, when it finalized the registration of its new local business entity, PeWeTe EVO SERVICES LLC, in Muscat, Oman. With its international footprint, PeWeTe is well positioned in the highly competitive OFS market.

In addition to the price pressure on its services that continues unabated, PeWeTe faces increasingly difficult market conditions. The COVID-19 pandemic and the dramatic plunge in oil prices have become major threats to the global economy and the oil and gas industry. Currencies and financial markets are responding with extraordinary volatility. Given these global and industrial uncertainties, oil and natural gas majors are expected to pay greater attention to reliable partners that offer high-quality services.

After successfully reducing emissions of CO_2 and hydrocarbons, PeWeTe has set many new targets to remain the industry's technology leader and continue to offer its employees a safe and efficient work environment.

NON-FINANCIAL REPORT

BUSINESS MODEL

The activities of the PeWeTe Group are divided into three business lines:

- Well Services and Stimulation
- Drilling, Sidetracking, and Integrated Project Management (IPM)
- Proppant Manufacturing

WELL SERVICES AND STIMULATION SEGMENT

The Well Services and Stimulation segment comprises hydraulic fracturing, cementing, and coiled tubing, with a focus on hydraulic fracturing, a highly effective method of well stimulation. This method significantly boosts oil and gas recovery by fracturing the oil reservoir formation with the help of both a gel and a proppant that are pumped into the fracture at high pressure.

In Russia, PeWeTe is a segment leader that uses advanced pumping technologies including multi-stage fracturing. A longer, horizontal well design allows for higher oil production rates. Both exploration and field development are possible at a much lower cost when employing this technique. Offered as an added service during hydraulic fracturing, remedial or squeeze cementing is a sealing method that insulates the oil zone from the water zone inside a bond so that the water does not mix with the hydrocarbons and no other undesirable fluids come into contact with the well casing either. The Company has carried out over ten thousand well-cementing jobs since 1996, and it is the largest independent fracturing services provider in the Commonwealth of Independent States (CIS) by number of jobs.

DRILLING, SIDETRACKING, AND IPM SEGMENT

The Drilling, Sidetracking, and IPM segment encompasses conventional drilling, sidetrack drilling, and Integrated Project Management (IPM). In conventional drilling, an oil or gas well is created by drilling a vertical, horizontal hole using a drilling rig that contains all necessary equipment and generates the required onsite power for all operations.

Special procedures are applied during conventional drilling operations to reduce both the number and the potential environmental impact of liquid spills that occur during drilling operations. Only environmentally friendly drilling fluids are used. Upon completion of the drilling operations, the drilling site is cleaned up and recultivated.

In order to avoid environmental damage as well as work accidents, PeWeTe uses modern blowout prevention equipment from Shaffer Oil Tools, California, USA. No blowout was reported in 2020.

Sidetracking describes the drilling of a new wellbore from the upper section of an existing well, which has stopped producing hydrocarbons because of either reservoir problems or the irreparable failure of down-hole equipment. Sidetracking makes it possible to bypass a problematic well section or to reach an area of the reservoir that has not yet been exhausted and thus is a cost-effective way for producers to reactivate idle wells and rebuild production capacity.

Integrated Project Management enables PeWeTe to provide single-source solutions rather than individual services, primarily using its own drilling capacities and personnel that are complemented by third-party services as needed, i.e., high-class drilling or sidetracking services on a turnkey basis. This involves procurement, contracting, and management of all third-party drilling-related services, e.g., mud-drilling programs, drill bits, casings and liners, down-hole motors and turbines, measurement and logging while drilling as well as liner cementing.

PROPPANT MANUFACTURING SEGMENT

In 2017, PeWeTe acquired the production facility of CARBO Ceramics Eurasia and renamed it Wellprop. This subsidiary offers goods for the oil and natural gas industry and manufactures different kinds of proppant in Kopeysk, Russia. The plant was built using state-of-the-art, industry-specific technologies. It manufactures proppant that meets the highest international quality standards in compliance with Health, Safety, and Environment (HSE) regulations and thus is well known in the world market. The company's proppant product portfolio, which is engineered to maximize and sustain hydrocarbon flow rates, encompasses micro-proppant and ceramic proppant of different densities and strengths as well as resin-coated proppant. In 2020, Wellprop introduced a new product, ROSPROP HS RCP, which allowed it to occupy a new niche in the intensification market. The product is also of particular interest to the Middle East.

Wellprop's share of the Russian proppant market is around 5%. While PeWeTe uses a portion of the manufactured proppant for its own purposes, currently it sells most of it to third parties worldwide, including CIS countries, Europe, and Africa. Due to the general decline in oil-related activities in 2020, exports of proppant dropped to 12.4%. Despite a general slowdown in activities in this sector during the year, Wellprop also managed to expand its market and commenced shipments of proppant to Serbia and Vietnam. Two new proppant recipes were confirmed, and two patents were issued at the end of 2020. They make it possible to use alternative raw materials and – as a result – reduce manufacturing costs.

BUSINESS MODEL

Petro Welt Technologies

Well Services and Stimulation

- Hydraulic fracturing: aims to maximize the flow rate of oil production.
- Cementing and coiled tubing: insulation of the oil zone from the water zone

Drilling, Sidetracking, and Integrated Project Management

- Conventional drilling: exploration of new reservoirs
- Sidetracking: reactivation and optimization of existing wells
- Integrated project management: provision of all drilling and sidetracking services as turnkey solutions

Proppant Manufacturing

Ceramic solid material added to the fracturing fluid during well stimulation

Tender

Clients

Petroleum and natural gas companies in Russia, Kazakhstan, Romania, and Oman

General Market

ABOUT THIS NON-FINANCIAL REPORT

The Non-Financial Report of Petro Welt Technologies AG for the 2020 financial year has been prepared in accordance with the legal requirements governing publication of a consolidated non-financial report (section 267a of the Austrian Commercial Code (UGB)). The reference table on page 19 links material topics and non-financial matters pursuant to section 267a of the Austrian Commercial Code (UGB) to the respective chapters in this Report.

Compared with last year's Non-Financial Report, the current report for 2020 explains the methodology for calculating and disclosing key performance indicators (KPIs) in the environment chapter in greater detail.

SUSTAINABILITY STRATEGY

PeWeTe is well aware of the fact that it is a part of the societies in which it operates and thus must also take responsibility for its operations. It aims to have a positive impact and to avoid adverse effects to the greatest possible extent. The Company's agenda with respect to sustainability focuses on the four areas that are key to both its operations and its stakeholders' interests: Clean Money, Zero Harm to People, Zero Harm to the Environment, and Green Money.

__ Sustainability Strategy

Focus Area	Clean Money	Zero Harm to People	Zero Harm to the Environment	Green Money
Description	For PeWeTe, legal Compliance is the minimum standard applicable to its operations. The Company fosters transparency with its clients, contractors, and shareholders alike. Fair treatment of all parties and a professional attitude are an essential element of its daily business.	Both the health and the safety of people are a top priority for PeWeTe. As a result, the Company strives to sustain a high level of safety and security to avoid any negative impact on people's health. The equipment and new technological methods that are an integral part of its operational activities require highly qualified staff.	As regards sustainability, PeWeTe believes that ecological responsibility is of great importance to the Company's ability to secure its financial success through sustainable entrepreneurial practices. The continual improvement of environmental conditions both at its job sites and throughout its value chain is a main concern.	"Green Money" concerns PeWeTe's financial success, which is built on sustainable operations. The Company seeks to implement green operations throughout by optimizing its operational efficiency and providing competitive solutions while causing zero harm to the environment and/or its employees as well as by respecting business ethics.
Report Chapter	Compliance	Human Resources; Quality, Health, Safety, and Environment (QHSE)	Environment, QHSE	Products and Production

The Chief Executive Officer (CEO) of PeWeTe is responsible for the development of the Group's overall mid-term and long-term strategy. The Chief Financial Officer (CFO) is responsible for non-financial reporting and data collection and works closely with the CEO in the development of the Sustainability Strategy. In this, both are supported by management system officers and experts at the level of different Group entities.

PeWeTe aims to develop its Sustainability Strategy by further expanding Group approaches to its Romanian and Omani entities. PeWeTe's Chief of Global Business Development and Operations is in charge of this expansion. We are also monitoring the best practices of our oil and oilfield companies in connection with the implementation of principles for a "green economy."

MATERIALITY ANALYSIS

The main Corporate Social Responsibility (CSR) issues, which the Company is reporting on, were assessed based on the concept of materiality. This impact assessment was carried out internally with the support of external experts for the first Non-Financial Report in 2017. Involving diverse representatives of the Company ensured a balanced outcome. The assessment entails rating several potential sustainability topics as to their impact on the environment and society. External stakeholders' views and their requirements were addressed in the expert discussions that also flowed into the assessment.

PeWeTe constantly monitors the non-financial economic, ecological, and social impact of its activities. All of its operations are subject to local laws and supervision mainly in Russia, Kazakhstan and, more recently, Romania. Besides complying with these laws, the Company has issued groupwide rules concerning the safety and ecological impact of its operations as well as issues of health and sustainability. These rules are continually monitored by designated employees who report to the management of the operating companies. Furthermore, PeWeTe conducted a series of expert discussions and interviews with the CEO, CFO, Legal, QHSE, and Data Protection, among others to determine non-financial economic, environmental, and social impacts as well as materiality. Relevant topics in this context concern those non-financial areas where PeWeTe potentially has a material environmental, health, and/or social impact. The relevant key financial indicators and content presented in the Non-Financial Report are based on this process and have been approved by the Management Board.

The following table links the material topics and the non-financial matters pursuant to section 267a UGB with the respective chapters in this Report:

Focus Area	Material Topic	Non-Financial Matter	Page in Report
Compliance	Anti-Corruption and Anti-Bribery	Anti-corruption and anti-bribery	28
	Legal Compliance	Anti-corruption and anti-bribery, respect for human rights	29
	IT Strategy and Data Protection	Social matters	30
	Human Rights	Respect for human rights, employee-related matters	31
Human Resources	Employees	Employee-related matters, social matters	33
	Training and Education	Employee-related matters, social matters	34
	Occupational Health and Safety	Employee-related matters, social matters	34
Environment	Energy and Emissions	Environmental matters	37
	Effluents, Waste, and Soil Protection	Environmental matters	39
Products and Production	Technology	Environmental matters, social matters	42
	Supply Chain	Environmental matters, social matters	43

NON-FINANCIAL RISK MANAGE-MENT

Applying the double-materiality approach to non-financial reporting as recommended by the European Commission, PeWeTe systematically and regularly assesses, evaluates, and tackles the risks that its business activities pose for the environment and society at large as well as the risks to it of changes in the business climate and society's requirements. Both the potential impact and the likelihood of the risks are defined.

The Company's current risk management covers a broad range of risks, including finance, sales, and marketing risks; legal and supply chain risks; operational risks; quality, health, safety, and environmental (QHSE) risks; as well as management efficiency risks.

Key risks related to environmental impacts encompass potential dangers associated with onshore oil production, which include blowouts at oil wells, oil spills during exploration and production activities as well as spills involving production liquids and hazardous waste resulting from exploration and production. Such events might also impact workers on site in the form of accidents, injuries, and chronic diseases (exposure to hazardous substances).

In order to minimize and abate all of the potential QHSE impacts potentially associated with onshore oil exploration and production, PeWeTe works closely with its clients on issues such as avoidance, training, and ongoing improvements. It has also taken preventive measures.

The Company is actively combating both corruption and potential human rights violations, not just in the countries in which it operates but also in its procurement and supply chain. It has developed a set of procedures and safeguards to comply with all relevant requirements.

One rather new risk potential arises from issues of data security. PeWeTe has developed appropriate measures to mitigate this risk. It has reacted to the threats and challenges posed by computer viruses at the global level by enhancing its antivirus protections and ensuring a more sophisticated and regular approach to backups.

In addition, the Company may face risks when it enters new territories without any previous experience, local resources, or knowledge of local operations. Its approach in dealing with such risks in a targeted way includes direct reporting lines, staged expansion and resource utilization, closely monitored project and risk management processes as well as project-by-project approval of investments.

In order to maintain its competitive advantages, PeWeTe continues to enhance its risk management system. It aims to optimize non-financial aspects of its business activities. To this end, it has identified the following non-financial risks related to the material topics. While non-financial sales and marketing risks concern tenders, contracting, and market shares, non-financial legal and supply chain risks affect clients, governmental authorities, suppliers, and contractors. The Company's operational performance concerns subsurface, surface, and manufacturing activities as well as operating areas. Non-financial risks are associated with quality, health, safety, and the environment — all of which affect people, assets, and equipment as well as the Company's reputation. Management and efficiency risks concern the work and business environment, employee turnover, KPIs, and targets. We apply the most appropriate measures to mitigate each type of risk.

Material topics	Non-Financial Risk	Description of Non-Financial Risks	Mitigation Measures (or Reference to Chapter)
Anti-Corruption and Anti-Bribery	— Incidents of corruption and bribery	— Corruption can distort competition.	— Anti-bribery and anti-corruption training programs — Code of Conduct — Code of Suppliers — Contracts containing anti-bribery clauses — Responsibility matrix limiting the number of individuals authorized to execute contracts — Regular internal audits of the ISO system to ensure a sufficient number of internal auditors — Regular internal audits by economic safety departments — Mandatory due diligence of potential contractors — Random checks of the volume of work performed on services — Technical audits of oil-field service equipment manufacturers including physical inspections of production facilities — Confidential hotline (email, telephone) — Audits of potential contractors to identify politically exposed persons — Audits regarding potential conflicts of interest — Verification of job candidates — Annual attestation of managers as to the presence or absence of conflicts of interest See Compliance chapter.

Material topics	Non-Financial Risk	Description of Non-Financial Risks	Mitigation Measures (or Reference to Chapter)
Legal Compliance	— Non-compliance with legislation	— Non-compliance incidents potentially have negative impacts on economic, social, or environmental matters.	— Training; Compliance induction course, sanctions — Code of Conduct — Implementation of information security management system — Ongoing updates by legal advisers — Participation in external legal seminars — Practical law services (Thomson Reuters) See Compliance chapter.
IT Strategy and Data Protection	— Personal data leaks — Data losses	— Leaks of personal data or data losses in general can have negative impacts on individuals or partners and the Company's business.	— Completion of projects regarding the centralization of the IT infrastructure for all Group companies — Unification of IT business processes in several companies — Implementation of information security processes in accordance with the General Data Protection Regulation (GDPR) and requisite ISO 27001 certification See Compliance chapter.
Human Rights	— Failure to meet minimum labor requirements applicable to the Company's own employees — Violating or negatively affecting the rights and needs of local communities	— Non-compliance with international standards regarding human rights can have a negative impact on people.	— Code of Conduct — Human resources (HR) policies — Complaints management — Training on human rights policies and procedures See Compliance chapter.
Training and Education	— Lack of experienced personnel — High turnover — Opportunity to train and attract skilled workers	— Insufficiently trained personnel can lead to reductions in production rates, lack of motivation, and higher turnover. — Attractive training programs can lead to positive impacts for both employees and the Company.	— Internal and external trainings — Roll-out of training programs See Human Resources chapter.

Material topics	Non-Financial Risk	Description of Non-Financial Risks	Mitigation Measures (or Reference to Chapter)
Occupational Health and Safety	— Employee injuries (micro-trauma) — Employee injuries resulting in fatal outcomes — Occupational diseases of employees — Traffic accidents — Process safety events (e.g., open well fountain) — Damage to corporate assets (equipment, buildings)	— Risk drivers such as unsafe working conditions, integrity failures, external factors as well as incorrect operation or negligence can lead to accidents involving employees and damage to corporate assets. — Unprotected exposure to chemical substances can lead to chronic disease.	— Implemented operational, labor, and environmental safety control system — Policy regarding key safety requirements — Personal Protection Equipment (PPE) — Regular medical check-ups — Regulations regarding drivers' work and rest periods — Strict compliance with legal requirements for particular employee categories (e.g., pregnant employees, differently abled personnel) See Human Resources chapter.
Energy and Emissions	— Increased greenhouse gas (GHG) emissions — Increased emissions of pollutants into the atmospheric air — Increased consumption of fossil fuels	— Unplanned events can lead to increased or inefficient consumption of fossil fuels and higher air emissions. — Emergencies and equipment malfunctions can lead to increased flaring and venting of hydrocarbons. — Undiscovered leaks of hydrocarbons can negatively affect air quality and global warming.	— Implementation of energy efficiency measures — Monitoring of energy consumption and air emissions — Periodic identification of hazards and assessment of the risks of negative environmental impacts See Environment chapter.

Material topics	Non-Financial Risk	Description of Non-Financial Risks	Mitigation Measures (or Reference to Chapter)
Effluents, Waste, and Soil Protection	— Discharges of pollutants into water bodies (including those underground) — Unsafe disposal of production and consumption waste — Soil contamination	— Emergencies and equipment malfunctions can lead to oil spills, blowouts during production activities. — Unsafe handling of chemicals and hazardous waste can have negative effects on the soil and water bodies.	— Implemented monthly operational, labor, and environmental safety controls — Regular audits of technical equipment by Rostechnadzor pursuant to legal requirements — Implemented well isolation and integrity procedures to protect groundwater — Installed band walls and secondary containments to prevent oil spills — Blowout prevention measures See Environment chapter.
Technology	— Poor environmental technology standards — Opportunity to use environmentally friendly technologies and materials	— Old or inefficient equipment can lead to increased materials usage and greater impacts on the environment or corporate performance. — Materials that are more environmentally friendly can reduce potential impacts on the environment.	— Continual improvement of existing and implementation of new, best available, and economically viable technologies See Products and Production chapter.
Supply Chain	— Non-compliance with social and environmental standards along the supply chain	— Poor labor standards (e.g., insufficient safety requirements, absence of decent wages) can lead to negative impacts on people (also related to human rights). — Suppliers that do not engage in appropriate environmental management run the risk of negatively impacting natural surroundings.	— Introduction of a supply chain services (SCS) management system — Adherence to import substitution strategy See Products and Production chapter.

Material topics	Non-Financial Risk	Description of Non-Financial Risks	Mitigation Measures (or Reference to Chapter)
Security (Additional Topic)	— Fraudulent activities	— Fraudulent activities can lead to negative impacts on the safety of facilities or to damage to corporate assets.	— Key production facilities equipped with modern video systems — Depth of archive and coverage area enables effective controls of the movement of equipment and goods — Tracking of transport vehicles using satellite monitoring system; route confirmation — Implemented information security management system — Access to facilities via security — On-site inspections to ensure safety at work sites See Human Resources chapter.

DUE DILIGENCE PROCESSES AND QHSE MANAGEMENT

The PeWeTe Group has built a systematic approach to loss prevention by introducing management systems, for example, Quality, Health, Safety, and Environment (QHSE). The aim is to identify and report incidents and risks, conduct root cause analyses, and continually implement improvement measures to prevent losses. Ensuring safety and environmental protection and legal compliance at its sites is very important to the Company. All relevant operations have been issued quality, environmental, and work safety certificates. All employees are trained regularly on work safety and environmental protection. Clients' supervisors and experts are on site continuously to collaborate on maintaining safety standards and to guarantee swift communication.

Details on the due diligence processes related to material topics can be found in the Table below:

Due Diligence Process	Description	Material Topic
ISO 9001	Quality management system serving to standardize and improve all of the Company's processes.	All
ISO 14001	The environmental management system at its subsidiaries KAToil-Drilling and KATOBNEFT LLC and the integrated management system (including ISO 14001) at Wellprop enable PeWeTe to ensure continual reductions in environmental impacts at drilling rigs and the proppant production plant and to evaluate potential environmental risks. This covers 55.0% of PeWeTe Group's employees.	Energy and Emissions; Effluents, Waste, and Soil Protection
ISO 45001	Occupational health and safety management system serving to assess hazards and possible negative effects on workers and employees in a continual improvement process. In place at KAToil-Drilling, KATOBNEFT LLC, and KATKoneft LLC; integrated management system (including ISO 45001) in place at Wellprop. This covers 90.0% of PeWeTe Group's employees. Monitoring indicators such as the lost time injury frequency rate (LTIFR) or the lost time accident (LTA) rate and developing countermeasures serve to achieve continual improvements.	Occupational Health and Safety
Compliance Management System	Groupwide compliance management system headed by the Chief Compliance Office; serves to ensure fair, transparent, and sustainable business practices.	Anti-Corruption and Anti-Bribery; Legal Compliance Human Rights
Information Security Management System (ISMS) ISO 27701	Ensures unity of approaches used, a measurable level of information security, and guarantees the necessary level of trust. To protect personal data and safeguard confidential information, PeWeTe complies with the requirements of the GDPR. The data protection officer is responsible for putting data protection regulations into practice and dealing with questions and requests.	IT Strategy and Data Protection; Information Security
Code of Conduct and Code of Suppliers	Contains sets of rules and regulations relating to bribery and corruption that must be signed by suppliers, employees, contractors, and other collaborators.	Anti-Corruption and Anti-Bribery; Legal Compliance; Human Rights; Supply Chain
Hazard and Effect Management Process	Comprises regulations and training programs designed to ensure safe work processes on all drilling rigs and fracturing fleets.	Occupational Health and Safety; Effluents, Waste, and Soil Protection
Analysis of Non-Financial Risks	Pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG), PeWeTe regularly analyzes non-financial risks that spread from it to its subsidiaries. This analysis is supplemented by risk mitigation measures.	All

COMPLIANCE

MANAGEMENT APPROACH

PeWeTe's business model is built on engaging in fair, transparent, and sustainable business practices. As regards the CSR focus area, "Clean Money," the Company's main concerns are to ensure legal compliance in all operations and to foster transparency with clients, contractors, and shareholders alike. The fair treatment of all parties and a professional attitude are an essential part of its daily business. Because the industry is subject to numerous (sustainability-related) regulations and an often rapidly changing regulatory environment, changes may have a material impact on shareholder value. Being compliant with laws and regulations may affect PeWeTe's reputation with stakeholders and thus its license to operate.

The Company strives to avoid the risk of corruption and bribery in its relationships with business partners in order to maintain its ability to conduct business successfully. Violations of applicable laws may have negative effects on PeWeTe's social license to operate (SLO) and could lead to significant one-time costs or higher ongoing compliance costs. By contrast, compliance with such regulations could provide risk mitigation opportunities and aid in avoiding adverse outcomes.

Additionally, PeWeTe aims to fully comply with all labor and human rights laws that apply in the countries in which it does business. The Company faces risks when operating in conflict zones, areas comprising vulnerable communities, and areas where human rights legislation is weak. Given its values, avoidance of human rights violations in its value chain clearly is a top priority. Violating human rights could also lead to protests, riots, or suspension of permits as well as to substantial costs related to compensation.

A groupwide compliance management system was set up especially to comply with legal regulations applicable to the PeWeTe Group on the whole. This management system — which includes policies, audits, and trainings – is headed by the Compliance Unit and the Chief Compliance Officer. Compliance regulations were addressed in a targeted training program throughout the Group in order to strengthen all companies' ability to handle Compliance issues. Furthermore, PeWeTe periodically updates its Code of Conduct, which embodies its most important values and principles. In particular, the Code of Conduct is designed to provide guidance for employees in critical situations.

The Company also continues its work to improve both information security and data protection in order to minimize the risk of adverse economic consequences and the disruption of IT systems resulting in the irreparable loss of corporate data. Groupwide policies on information security and data protection ensure that all employees are aware of the approaches and procedures related to these topics. An Information Security Management System (ISMS) was introduced for a portion of PeWeTe's business processes.

COMPLIANCE STRATEGY

Preventive measures are at the forefront of PeWeTe's Compliance management system. In 2020, trainings and presentations, numerous individual consultations as well as information on specific issues were important focal points of the Company's Compliance work. To address Group concerns, the Chief Compliance Officer provided information in person and/or by telephone and email about what is and what is not appropriate conduct. In this connection, the most frequent topics included invitations, attending events, gifts, and other benefits as well as questions about conflicts of interest.

In order to further strengthen security in dealing with Compliance issues, the Compliance regulations were addressed in a targeted training program throughout the Group. In 2020, a total of 78 (2019: 121) employees were trained on these regulations. Of these, 67 employees took part in anti-bribery training sessions and 11 employees participated in a Compliance induction course.

__ Number of Employees Trained in Legal Compliance

	2020	2019	Δ in %
Employees trained on Compliance regulations	78	121	(35.5)
thereof participants in the anti-bribery training sessions	67	95	(29.5)
thereof participants in the Compliance induction course	11	26	(57.7)

In addition to the general Compliance training (especially for new managers and new employees as well as employees of subsidiaries), special workshops were conducted on issues such as introduction to Compliance, market behavior, conflicts of interest, and directors' dealings. Thomson Reuters' web-based e-learning program was a key pillar of this training. It includes three Compliance courses on anti-corruption and market behavior. All Group executives and administrative staff from particularly affected areas (e.g., people who are in charge of procurement or order placement, those who have signing authority as well as newcomers and newly promoted employees) are required to complete the respective online courses and to pass a final test each year.

ANTI-CORRUPTION AND ANTI-BRIBERY

The prevention of corruption plays an essential role in the Company's Compliance management. PeWeTe's goal is to have zero cases of corruption and bribery. Extensive internal communications and a whole range of training courses on corruption prevention took place in 2020. All Group administrative and managerial staff are trained at regular intervals on the issue of anti-corruption. Internal Control System (ICS) checks are carried out to verify whether the prescribed value limits and approval requirements have been met. In 2020, no cases of corruption or bribery were identified. Anti-bribery and anti-corruption are specifically addressed in the groupwide Code of Conduct and Code of Suppliers. These documents – which are binding on all employees, contractors, freelancers, and other collaborators – detail the rules and regulations that have been put in place to prevent bribery and corruption. The Compliance Officer supports the team and monitors implementation. PeWeTe offers online training to newcomers. In the reporting period, 78 new employees were trained with respect to anti-corruption and anti-bribery.

Integrity audits collect the relevant information systematically and effectively. The audit findings enable a broader assessment of business partners. The process of business partner integrity checks is constantly evolving. Having put in place further workflow efficiency improvements in 2019, PeWeTe introduced Refinitiv's "World Check" application, a screening platform designed to help meet regulatory obligations. This application helps the Company identify potential risks associated with the engagement of new suppliers, politically exposed persons (PEP), specially designated nationals and blocked persons (SDN List), as well as companies subject to sanctions. The Code of Suppliers was developed and introduced to all Group companies.

Additionally, PeWeTe consistently takes measures to counteract bribery and corruption:

- Verify job candidates on issues related to debts to tax authorities; affiliations with contractors and customers; potential conflicts of interest (use of SPARK-Interfax; COUNTER-FOCUS; bailiff/tax authority search engines; and other open sources of information)
- Verify contractors regarding affiliations with the Company's employees and customers as well as public authorities; tax claims; work experience
- Organize free and anonymous communications regarding bribery and corruption issues with Company employees, contractor representatives, and customers (via dedicated e-mail addresses for appeals and telephone communications using separate numbers capable of recording voice messages)
- Verify reliability of the volume of services rendered by means of objective checks to exclude collusion of the Company's employees with contractor representatives aimed at overstating the volume of services rendered
- Conduct technical audits of contractors to confirm production capacities and exclude unscrupulous contractors from the services supply chain
- Monitor regulations and procedures governing the process of managing tenders and selecting contractors; establisha permanent tender committee in the Company
- Monitor regulations and procedures governing all processes related to claims by customers and contractors as well as the Company's permanent commission for accounts receivable and claims work
- Delineate the scope of the financial accountability of the Executive Directors, the General Director, and the Management Board of PeWeTe AG

LEGAL COMPLIANCE

PeWeTe strives to maintain full compliance with all relevant rules and regulations in the countries where it operates. The Chief Compliance Officer tasked with the matter provides information on legal rules and training programs. Relevant legal information is updated and managed using both external support and internal legal expertise as well as legal databases at each operating site.

Employees participate in Compliance trainings on a regular basis, either in person or by electronic means. In 2020, 78 employees attended such trainings and took the relevant tests.

Additionally, PeWeTe continued to monitor the two indicators that were introduced in 2018:
For one, the reduction in the amount of fines from customers and regulatory bodies regarding service quality, labor protection, industrial safety, and environmental protection. Fines from customers decreased by 38.7% (labor protection, industrial safety, and environmental protection) and by 62.8% (service quality) compared with the previous year. The fines from regulatory authorities (labor protection, industrial safety, and environmental protection) increased by TRUB 300 (TEUR 3) compared with the previous year. Reductions in these fines are a target for 2021 (see the section on Human Resources).

For another, the number of repeat orders from state regulatory authorities resulting in sanctions against the Group was zero yet again.

__ Legal Compliance Data

		2020	2019	Δ in %
Number of legal disputes		48	46	4.4
Fines from customers of Labor Protection, Industrial Safety and Environmental Protection	TRUB	2,190	3,570	(38.7)
	TEUR	26.6	49.2	(45.9)
Fines from customers of Service Quality	TRUB	54,531	146,691	(62.8)
	TEUR	661.4	2,023.3	(67.3)
Fines from regulatory authorities of Labor Protection, Industrial Safety and Environmental Protection	TRUB	670	370	81.1
	TEUR	8.1	5.1	58.8
Number of repeat orders from state regulatory authorities, resulting in sanctions for the Group		0	0	0.0

IT STRATEGY AND DATA PROTECTION

Currently, the following three strategic issues – centralized IT infrastructure, information security, and business process automation – provide the platform for the Company's IT strategy roadmap. The IT infrastructure was newly created using hardware from global leaders in the field. This solution has made it possible to put in place the requisite infrastructure for safe storage, processing, and data exchanges and thus to achieve best practices with respect to the Company's IT Infrastructure Library (ITIL). The key principles of centralization are continuity, safety, and security as well as high capability.

To further support this development, groupwide policies on information security and data protection were implemented and approved by the Management Board in 2020. These policies govern the principles and approaches serving to ensure the security of PeWeTe's business processes and information assets and establish basic rules related to the processing of personal data as well as procedures to be adopted in the event of information security incidents involving personal data.

An information security management system (ISMS) – which ensures the unity of approaches used, a measurable level of information security, and guarantees the necessary level of trust on the part of government bodies, shareholders, customers, partners, and employees – supports the management of information security processes of a portion of the Company's business processes. As regards the protection of personal data and the confidentiality of information, PeWeTe complies with all applicable legislation, in particular, the requirements of GDPR Regulation 2016/679. Its Data Protection Officer is responsible for putting these regulations into practice and dealing with all related questions and requests. He is supported by the PeWeTe Data Protection Commission.

A modern, centralized virtualization system uses all available capacities to ensure fault tolerance and high availability of the information systems. The Group's key IT systems were migrated to these resources, making it possible not only to unify and delineate access rules but also to speed up the transition to a production management system and enterprise resource planning (ERP).

In 2020, PeWeTe addressed matters pertaining to the GDPR. Not only did it nominate both a Company Data Protection Officer (DPO) and Chief Information Security Officer (CISO); it also developed several policies to comply fully with the GDPR. The Company obtained both the ISO 27001 and the ISO 27701 certifications. The corresponding certificates were issued, respectively, on December 20, 2020, and February 08, 2021, and are valid for three years. The scope of the certification covers centralized IT services as well as technical support.

Thanks to the implementation of both the aforementioned information security measures and the consistent pursuit of PeWeTe's IT strategy, in 2020 the number of IT system downtimes declined yet further. There were zero information security breaches that would have triggered adverse economic consequences (losses) and the disruption of IT systems resulting in the irreparable loss of Company data; and there were zero complaints regarding information security and data protection.

__ IT Strategy and Data Protection Data

	2020	2019	Δ
Number of high consequence information security breaches	0	0	–
Number of complaints regarding information security and data protection	0	0	–

The Company also completed an important transition to new production software in order to achieve new levels of operational efficiency. All IT and information security projects implemented during 2020 clearly boosted the level of data protection in the Company.

HUMAN RIGHTS

PeWeTe fully complies with the labor laws of the countries in which it operates and respects human rights. To ensure respect for human rights along the supply chain as well, the Company has expanded its contracts by a human rights clause. Specifically, Russian legislation provides for strict labor law regulations including human rights protections.

To further sensitize all employees of PeWeTe to human rights issues, two mandatory trainings for new employees on human rights policies and procedures are in place. A total of 446 employees participated in such trainings in 2020.

__ Trainings on Human Rights Policies or Procedures

	2020	2019	Δ in %
Number of trainings on human rights policies or procedures	2	2	0.0
Number of employees trained on human rights policies or procedures	446	203	119.7

Potential conflicts with local communities or authorities are managed by PeWeTe's clients as they are fully responsible for all actions wherever they operate under license. Local communities can send complaints to the regional environmental prosecutor's office, which is then obliged to initiate an inspection of the organization in question. The Company strives to support its clients in managing such complaints in the best possible way.

PeWeTe takes this risk seriously and adopts preventive measures to mitigate it. Such measures include promoting tolerance, observing and analyzing behavior as well as giving feedback and complying with the Code of Conduct. Well-established HR policies are also in place.

All employees are verified as to their suitability (including their skills and competence) for their jobs, their health, and their ethical behavior. Numerous processes based on quality management (ISO) are also in place. When it works on a client's property, the Company must fully comply with that client's regulations, which often are stricter than applicable law.

The employees of PeWeTe have different options for filing complaints about workplace issues. They may do so by email, by secure telephone line, or by placing anonymous cards in so-called "green boxes." As shown in the table below, in 2020 the Company received no complaints by email or secure telephone line.

Number of Complaints About Workplace Issues

	2020	2019	Δ in %
Number of complaints about workplace issues	0	15	(100.0)
thereof by e-mail	0	5	(100.0)
thereof by telephone line	0	10	(100.0)

Moreover, a SPARK-Interfax system has been implemented to check subcontractors and suppliers. It provides access to information on legal disputes involving potential suppliers and contractors. PeWeTe takes appropriate action if there are any findings. Severe violations of human rights may also lead to the termination of contracts. The SPARK-Interfax information system is updated periodically and provides new information as soon as it becomes available in official sources.

WHAT'S NEXT

To be successful in the longer term, PeWeTe uses long-term targets and measures to support issues it has identified as material. The Company is committed to reducing Compliance breaches, if any, especially in connection with legal compliance, corruption and bribery, information and data security as well as human rights.

Description	Target 2020	Performance 2020	Status	Target 2021 in %
Number of corruption and bribery cases	0	0	✓	0.0
Reductions in the amount of fines from customers	(20.0%)	(63.0%)	✓	(10.0)
Number of violations by the information security group	0	0	✓	0.0

HUMAN RESOURCES

MANAGEMENT APPROACH

The oil and gas industry has a long history of addressing health, safety, and security risks. The work is usually conducted in harsh environments, exposing both people and the environment to the flammability and toxicity of hydrocarbons as well as to long-term health risks such as dust inhalation. Despite significant progress across the industry, accidents can still occur.

The health, safety, and security of its workers thus is of the utmost importance to PeWeTe. The "Zero Harm to People" focus area of our Sustainability Strategy reflects this fact. As a result, the Company strives to sustain a high level of safety and security measures to avoid any negative impact on people's health. The equipment and new technological methods that are an integral part of its operational activities require highly qualified staff.

To support its ambitious aims and ensure continuous improvements in this area, PeWeTe has adopted a systematic approach to the management of both HSE and social responsibility. Among others, relevant measures include an integrated management system as well as an HSE policy. The Company is committed to:

- Maintain and improve the effectiveness of its integrated management system (IMS) in accordance with the requirements of ISO 45001 (the international standard for occupational health and safety (OH&S) management);
- Prevent injuries and other health conditions by implementing further measures aimed at providing safe labor conditions for the Company's personnel; and
- Maintain our personnel's competence by organizing regular and continual trainings for managers, specialists, and workers involved in services.

Contractors and subcontractors are also required to manage HSE topics in line with PeWeTe's HSE policy.

To attract and retain the right people, the Company has introduced state-of-the-art HR development processes focused on developing specific training programs, strengthening employee relations, and defining a job grading system. HR priorities include fostering teamwork and entrepreneurship to make PeWeTe more agile in less predictable markets. Shared values aim to create a common identity and contribute to a "one company" culture. Conflict resolution processes and zero tolerance policies have improved management's decision-making for the Company's benefit.

EMPLOYEES

Most of PeWeTe's personnel work for the Group's three subsidiaries (KATKoneft, KATOBNEFT, and KAToil-Drilling) as well as the management company (PetroWelt Technologies LLC), for a total of 3,308 employees. This corresponds to a year-over-year decrease of 1.55%, down from 3,360 employees.

The breakdown by female and male employees remains almost unchanged due to the specifics of the industrial environment in which the Company operates. Women accounted for 9.9% of all employees at the end of 2020, up from 9.4% at the end of 2019, and the total number of female employees increased by 12 individuals.

It is also important to PeWeTe to provide equal opportunities for differently abled people. A total of 8 individuals in this category were employed in 2020 (2019: 7).

Our compensation policy – which includes setting ambitious performance targets in line with our overall strategy and offering variable incentives linked to their attainment – once again proved effective in reaching the goals we had set for ourselves in the 2020 financial year. The Company's terms and conditions of employment (including all incentives and benefits) are defined in collective compensation agreements between our operating subsidiaries and their employees. We strive to be an employer of choice in the long term.

TRAINING AND EDUCATION

Given the importance of employee training and education to the operations of PeWeTe, the Company places great emphasis on this issue. Its 2020 training budget was TEUR 181.2.

It is our goal to provide our employees with ongoing training opportunities in order to boost their skills and expertise. Most of our employees are of Russian nationality and work in teams of 18 on fracturing fleets, 30 on mobile sidetracking rigs, and 16 on drilling rigs, all of which are operated by the Company's subsidiaries for clients in Russia and Kazakhstan.

Special training programs are offered to the Company's internal auditors to ensure that the organization continues to improve. Operational personnel undergo special training on stuck prevention, well control and well integrity, drilling fluids, hydraulic fracturing technologies as well as the repair and maintenance of the equipment utilized.

In 2020, a total of 127 employees participated in technical training programs (2019: 609 employees) such as JOIFF "Stuck Pipe," IWCF "Well Control," and "Preventive Maintenance System (PMS)" – all of which were aimed at teaching them safe and efficient working methods.

The decrease in the number of external and internal training programs as well as the number of trained employees in 2020 is associated with the epidemiological situation in Russia and the world.

_ Training Data

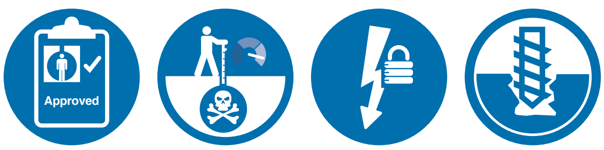
	2020	2019	Δ in %
Number of employees participating in external trainings	144	826	(82.6)
Number of employees participating in occupational health and safety, mandatory trainings	3,179	3,035	4.7
Training hours (external)	8,024	33,868	(76.3)
Training hours (occupational health and safety, mandatory trainings)	278,363	218,591	27.3
Training costs in RUB	181,226	156,600	15.7

OCCUPATIONAL HEALTH AND SAFETY

The Company follows a Zero Harm policy with respect to both personal safety and environmental issues and has developed a detailed program to prevent workplace accidents. Safety trainings are conducted on a monthly basis for both its employees and its subcontractors. The cost of workplace safety measures was EUR 1.64 million in 2020, down from EUR 2.0 million in 2019.

PeWeTe's "Key Safety Requirements" policy contains a list of 13 requirements and rules that are designed to mitigate risks of identified hazards, which are likely to result in injuries, accidents, or emissions of hazardous substances into the air. Among other standard safety rules such as usage of protective equipment, this list includes

- Requiring permits to perform hazardous operations;
- Performing gas-air environmental analyses;
- Checking the insulation of power sources; and
- Continually monitoring wells during drilling and other interventions.



To increase workplace safety, the Company also builds on employee awareness. All PeWeTe employees undergo a rigorous training program to learn about the hazards related to their work. Our "Hazard and Effects Management" process encompasses regulations and training programs for all operating entities as well as guidance on implementing the "Worksite Hazard Management" process for all rigs and fracturing fleets.

To prevent any kind of blowout, we utilize modern blowout prevention equipment, including NL Shaffer and integrated 13 ram-type preventers as well as control units and prevention packages. These blowout prevention systems are in place in all of our operations and are always in proper working order. No blowout occurred during the reporting period.

In order to monitor the number of accidents and incidents in the field, the LTIFR, which compares the number of injuries to the number of working hours, is determined on a regular basis. The 2020 rate for PeWeTe Group was 1.32 (up from 1.12 in 2019). In 2020, a total of seven work-related accidents occurred (up from six in 2019).

__ Occupational Health and Safety in Numbers

	2020	2019	Δ in %
Work-related accidents with lost workdays (LTA)	7	6	16.7
Total working hours	5,301,492	5,335,504	(0.6)
Lost time injury frequency rate (LTIFR), groupwide	1.32	1.12	17.9
Commuting accidents	0	2	(100.0)
Work-related accidents resulting in medical treatment (no lost workdays)	1	6	(83.4)
Work-related accidents resulting in work restrictions (no lost workdays)	0	0	0.0

Special attention is paid in oilfield service clusters to security rules related to fire, power supply, and fountain safety. These measures are monitored by a four-level security commission. In keeping with the principle of continual improvement, all operating companies offer regular training with respect to both service quality and work safety.

On December 21, 2020, Wellprop celebrated 12 years without a single lost time accident (LTA). The measures the company took in this connection include continuous monitoring of the use of protective equipment and gear, measuring emissions, checking water quality, and changing filtering devices regularly.

In order to keep employees safe during the global COVID-19 pandemic and reduce the risk of exposure to the disease in its workplaces, PeWeTe implemented preventive measures such as the mandatory use of sanitary protection equipment including face masks and gloves. These preventive measures are specified in a new groupwide standard.

WHAT'S NEXT

We have compiled a set of HSE targets to minimize the impact of PeWeTe's operations on its employees' health and safety. This includes:

- Zero injuries by working without harm to people, assets, reputation, and the environment;
- Ensuring proper implementation of all safety rules and procedures;
- Maintaining a state of complete legal compliance toward all HSE laws and rules; and
- Reducing the economic, social, and environmental damage from potential accidents at the Company's production facilities to the lowest reasonably practicable level of risk.

An overview of quantitative targets in this area is shown below.

Description	Target 2020	Performance 2020	Status	Target 2021
Number of lost time injuries per million person-hours (LTIFR)	2.0	1.32	✓	1.5
Reduction in penalties related to health and safety	N/A	RUB 670,000 (EUR 8,126)		10.0% less than 2020
Reduction in number of accidents caused by operating companies	6	7		5 cases or less
Number of learning programs implemented	New target			KATKoneft: 3 KATOBNEFT: 3 KAToil-Drilling: 7 PeWeTe: 2

ENVIRONMENT

MANAGEMENT APPROACH

Oil and gas production activities can affect the environment, and environmental risks have become increasingly important to a growing number of stakeholders. Therefore, PeWeTe believes that its responsibility toward the environment is key to securing both its social license to operate and the Group's financial success. This is achieved through practices aimed at reducing the impact of PeWeTe's operations. In line with its Zero Harm to the Environment focus as part of its Sustainability Strategy, the Company's main concern is to continually improve environmental conditions at its sites and throughout its value chain. In particular, it has identified issues related to energy, emissions, effluents, waste, and soil protection as material to its focus area.

Two of PeWeTe's subsidiaries (KAToil-Drilling and KATOBNEFT LLC) use environmental management systems to improve their environmental performance. Both entities have been certified according to the ISO 14001:2015 standard. Also, in 2019 Wellprop LLC passed an integrated management system certification, which includes environmental management systems that meet the requirements of ISO 14001:2015. PeWeTe's policy is based on a detailed assessment of various factors that affect the environment of production processes and timely corrective actions. Periodic identification of hazards and assessments of risks entailing negative impacts on the environment are carried out in connection with production activities. Both internal ecological audits and inspections are conducted in the field to ensure compliance with all rules and regulations, whether internal or external.

In order to minimize any adverse effects on the environment and ensure the rational use of natural resources, PeWeTe is committed to:

- Improve existing and implement new, best available, and economically viable technologies to prevent pollution;
- Comply with all laws and requirements applicable to environmental protection;
- Continuously monitor air emissions (with increased monitoring during adverse weather conditions);
- Use natural resources rationally;
- Ensure efficient waste management; and
- Make managerial decisions based on environmental considerations.

ENERGY AND EMISSIONS

All of PeWeTe's core business activities encompass energy-intensive processes. Oil and gas production activities generate significant direct greenhouse gas (GHG) emissions from a variety of sources. On the one hand, the main sources of air emissions in connection with our activities result from combustion sources related to the generation of power and heat as well as the use of compressors, pumps, and other engines. On the other hand, this includes emissions resulting from the flaring and venting of hydrocarbons and fugitive emissions. We strive to maximize energy efficiency and keep all emissions as low as possible.

The main sources of energy are electricity, natural gas, and diesel as well as heating energy at certain operating sites. In some cases, we generate the energy we need ourselves, in others it is supplied by clients using autonomous power sources.

In 2020, the Company's total energy consumption was 561.733 MWh compared with 559.398 MWh in 2019 and thus was stable. The total energy consumption is as follows:

Energy Consumption* (MWh)

	2020	2019	Δ in %
Natural gas	176,427	175,258	0.7
Diesel fuel	331,967	333,695	(0.5)
Electricity** (purchased)	37,919	35,210	7.7
Heating	15,420	15,234	1.2
Total	**561,733**	**559,398**	**0.4**

* The calculation methodology changed compared with last year's reporting; hence the figures are not comparable.

** In addition to purchasing electricity, PeWeTe also generated a total of 9,851 MWh (2019: 20,726 MWh) of electricity for its own consumption, primarily using diesel power generators.

As mentioned above, the exhaust gas emissions produced by the combustion of natural gas or diesel fuels in turbines, boilers, compressors, pumps, and other power generation engines as well as the injection of water or extraction of oil and natural gas are a significant source of air emissions. Apart from combustion, air emissions also stem from venting, flaring, and fugitive emissions.

Associated petroleum gas (APG) that is brought to the surface along with crude oil during oil production is sometimes disposed of by venting or flaring into the atmosphere. As this practice is not only a waste of a valuable resource, but also a significant source of GHG emissions, PeWeTe strives to reduce it as much as possible. However, flaring or venting are also important safety measures used in oil and gas facilities to ensure the safe disposal of gas and other hydrocarbons in the event of an emergency, a power or equipment failure, or any other substantial disruption of operations. Fugitive emissions can be associated with leaking pipes and tubing, valves, flanges as well as pump or compressor seals.

_ GHG Emissions (t)

	2020	2019	Δ in %
Direct GHG emissions (Scope 1)			
CO_2	226,524	244,689	(7.4)
Hydrocarbons	620	864	(28.2)
Indirect GHG emissions (Scope 2)			
from electricity purchased*	11,907	11,056	7.7
from heating purchased	2,554	2,523	1.2

* Location-based approach, source of emissions factor: Climate Transparency Report 2020, Russia

The slight decrease in direct emissions compared with 2019 is due to crew downtimes in the summer of 2020 owing to the COVID-19 pandemic.

Given its commitment to continuously monitor air emissions, PeWeTe not only monitors GHG emissions but also other air emissions that could impact air quality.

_ Other Air Emissions (t)

	2020	2019	Δ in %
Nitrogen oxides (NO_X)	257,086	260,040	(1.1)
Sulfur oxides (SO_X)	57,462	60,009	(4.2)
Solids (particulate matter)	62,008	98,952	(37.3)

EFFLUENTS, WASTE AND SOIL PROTECTION

Oil spills represent a major, potentially negative fallout from our activities and can occur due to leaks, equipment failure, accidents, and human error or as a result of third-party interference. PeWeTe has defined a range of precautionary measures to prevent oil spills. Among other things, it has also implemented all legally required, mandatory training programs for its employees in order to equip them with the necessary know-how on how to prevent oil spills. In addition, blowout preventers (BoPs), special adjustable plugs, and tanks are deployed in the field. At Wellprop's facility, all diesel oil lubricant storage tanks are equipped with protection plates to prevent spills, and all lubricant waste is collected in special tanks and delivered to licensed companies for further utilization.

Any oil spill that does occur is documented in accordance with our internal standards for investigating, classifying, and reporting incidents related to occupational safety, industrial and fire safety, and environmental protection. Also, client representatives are regularly on site to review ongoing processes. No oil spills affecting the local environment occurred in 2020, just as in 2019.

	2020	2019	Δ in %
Number of blowouts	0	0	0.0
Number of oil spills	0	0	0.0
Amount of oil spilled	0	0	0.0

Soil protection is usually the responsibility of PeWeTe's clients. They install the band walls around the well pad to ensure that the soil in the area where operations take place is not adversely affected. All measures aimed at preventing oil spills can thus also be classified as activities aimed at soil protection.

When it comes to drilling, including sidetracking and hydraulic fracturing, different kinds of fluids are used for extraction. PeWeTe is committed to using only environmentally friendly drilling fluids. For hydraulic fracturing, the fluids used for stimulating hydrocarbon-bearing formations consist primarily of water, but also include small quantities of a variety of additives such as dilute acids, friction reducers, viscosifiers, inhibitory chemicals, and proppant materials. These additives serve to help dissolve minerals and initiate cracks (fractures) in the rock and make it possible to pump fracturing fluids and proppant into the target zone at higher rates and lower pressure than would be possible using just water. The additives also prevent corrosion, scale formation, and microbial growth that lead to biofouling and make high-pressure pumping and the fracturing process more efficient.

As concerns about chemicals used in hydraulic fracturing fluids have led to increased awareness of environmental risks among stakeholders, PeWeTe decided in 2020 to expand its disclosures regarding the chemicals used in the production processes required for hydraulic fracturing, drilling, and sidetracking (IPM). Due to the fact that chemicals used in the IPM segment (mostly sidetracking) are almost fully extractable, the Company also discloses the quantities of chemicals recovered and safely disposed. The overwhelming number of solids is contained in drilling mud.

__ Chemicals Used in Production

		2020	2019	Δ in %
Hydraulic fracturing				
Liquid chemicals used	l	102,503,404	84,050,184	22.0
Solid chemicals	kg	64,636,094	53,674,483	20.4
IPM segment				
Liquid chemicals used	l	1,815,257	1,387,610	30.8
Solid chemicals	kg	6,647,662	4,904,011	35.6
Chemicals Disposed				
Liquid chemicals used	l	1,550,574	1,192,447	30.0
Solid chemicals	kg	5,257,271	3,895,877	34.9

To reduce negative impacts on the environment above and below the surface, PeWeTe sets up its operations according to the customer's work plan and in line with industry safety standards.

Established procedures to ensure well isolation and integrity with the aim of protecting groundwater and bores are put in place prior to every operation. Special ecological security trainings for managers and specialists, seminars, conferences as well as geological and technical briefings on the safe operation of subsurface resources are conducted regularly with customer representatives and research institutes to boost our employees' expertise and knowledge.

In addition, procedures to periodically identify hazards and assess the risks of adverse effects on the environment are carried out in connection with production activities. The relevant findings are documented by the departments of the operating entity responsible for service quality, labor protection, industrial safety and environmental protection.

The Company has implemented waste management policies to limit its negative impact on the environment. Our oilfield service companies implement measures to enable the additional utilization of waste. Our proppant production facility collects sewage water in designated tanks, which is then delivered to licensed cleaning facilities.

In 2020, PeWeTe's operations produced 16,276 tons of waste, with hazardous waste accounting for 86.6% thereof. All waste has been disposed of. This represents an increase of 39.0% of the total waste produced and is due mainly to a contract for drilling operations that assigned responsibility for the management of drilling waste (drill cuttings, drilling mud, and drilling waste water) to KAToil-Drilling LLC. As a result, there has been an increase in the overall waste volume and in the share of hazardous waste.

__ Waste

		2020	2019	Δ in %
Waste disposed	t	16,276	11,691	39.2
Share of hazardous waste	%	86.2	81.3	4.9

The Company has consistently stayed within legal requirements applicable to waste disposal and emissions.

Once field operations are completed, PeWeTe has contractual obligations to clean and recultivate the area of production activity. Decommissioning operating facilities usually encompasses well abandonment and the complete removal of permanent facilities including associated equipment, material, and waste. The wells are left in a stable and safe condition with a sealed well hole. No cleaning and recultivating activities took place in the 2020 financial year.

WHAT'S NEXT

Overall, the Company is committed to maintaining and improving the effectiveness of its internal management systems, which includes environmental management pursuant to ISO 14001 and to reducing any adverse effects on the environment.

Description	Target 2020	Performance 2020	Status	Target 2021
Number of oil spills with impact on the environment	0	0	✓	0

PRODUCTS AND PRODUCTION

MANAGEMENT APPROACH

PeWeTe aims to expand and diversify its business. The economic viability of companies in energy-intensive industries is strongly dependent on short and long-term trends related to measures aimed a climate change mitigation and relevant regulatory actions. The latter could impair the value of the Company's assets as well as its profitability and creditworthiness. In line with its focus on "Green Money" as part of its Sustainability Strategy, therefore, its goal is to optimize its operational efficiency, provide competitive solutions, and respect business ethics while causing zero harm to the environment and zero harm to its employees. By providing state-of-the-art technologies, PeWeTe helps to mitigate potentially negative impacts of its operations on the environment and on its employees. State-of-the-art and efficient management methods enable PeWeTe to maximize the benefits of each business action and management decision it takes. Its aim is to guarantee financial gains for both its shareholders and investors.

A successful supply chain services (SCS) management system that aims to meet the Company's operating requirements and provide better services to its external costumers is another important element of its strategic approach to products and production. All of PeWeTe's supply chain activities are synchronized with operations and are carried out in line with its QHSE management and finance functions.

Efficient supply chain management helps to reduce the potential environmental effects of sourcing, logistics, and storage. Given the rather complicated economic environment, significant increases in the costs of fuel, materials, equipment, and supplies, and, at the same time, an all-inclusive focus on lowering costs while maintaining quality at an appropriate level, nowadays supply chain services are a function that effectively leverages an entity's purchasing power and generates substantial and measurable savings for it.

TECHNOLOGY

PeWeTe is at the forefront of Russian multi-stage fracturing technology and strives to remain the industry's technology leader. This state-of-the-art fracturing method utilizes longer, horizontal well designs to maximize the oil production flow rate. Higher flow rates, in turn, reduce the number of wells required for field development as well as associated development costs.

Our core business in Well Services and Stimulation is hydraulic fracturing, a highly effective well stimulation method. It significantly boosts oil and gas recovery by fracturing the formation through both fluids and proppant that are pumped into the fracture at high pressure.

Besides the aforementioned production drilling, PeWeTe also engages in oil and gas drilling for purposes of regional research and exploration associated with the development of oil and gas fields in order to provide its clients with diversified integrated services.

Both the cementing of wells and remedial cementing are important elements of our well services and stimulation. The Company has completed more than 15,000 well-cementing jobs since 1996 and operates six mobile cementing fleets. Remedial/squeeze cementing includes the sealing of casing to prevent crossflows by insulating the oil zone from the water zone to restore production. The Company has completed more than 50,000 fracturing jobs since 1992 and operates 18 mobile fracturing fleets (these figures include Kazakhstan).

In 2020, the Group executed a total of 281 drilling and sidetracking jobs (2019: 266) and a total of 418 remedial operations (2019: 528). A total of 4,018 fracturing jobs including coiled tubing (2019: 3,958) were completed (these figures include Kazakhstan and Romania; our Omani operations did not start in 2020).

Drilling refers to the conventional technology of drilling vertical, inclined, and horizontal wells for extracting oil and gas at depths of up to 5,000 meters. An oil or gas well is created by drilling a hole into the earth. One new drilling rig, which replaced another one under the rigs fleet maintenance program, was put into operation in 2020.

__ Number of Operations

	2020	2019	2018	Δ in %
Number of drilling and sidetracking operations	281	266	218	5.6
Number of remedial operations	418	528	759	(20.8)
Number of fracturing jobs	4,018	3,958	4,214	1.5

WHAT'S NEXT

In accordance with its goal to remain the industry's technology leader, PeWeTe is pursuing the following quantitative targets:

Description	Target 2020	Target 2021
New contracts for sidetracking operations	New target	22
New contracts for drilling operations	New target	15
New contracts for the RI and TR service fleet (at Yuganskneftegaz LLC) by the end of 2021	New target	2
Provide loading services for idle hydraulic fracturing fleets	New target	3

SUPPLY CHAIN

The year 2020 saw further developments in the transformation of the Company's supply chain management, but the COVID-19 pandemic necessitated unforeseen adjustments. Supply Chain management faced new challenges such as the need to extend the time necessary to negotiate and sign contracts as well as extensions of delivery terms and increases in transportation rates, especially those for ocean freight. PeWeTe also intensified its monitoring of suppliers' financial position (which has high priority) in order to make sure that suppliers and subcontractors can fulfill their obligations.

PeWeTe continued to move to a new stage of its evolution, specifically, by transforming the procurement function into a veritable supply chain organization. In addition, improved planning and coordination with operations should help to dramatically reduce emergency orders, for one, and building better relationships with internal clients should improve both transparency and the quality of services (including delivery time reductions), for another.

Supply chain service (SCS) activities are primarily focused on sourcing, procurement, and logistics as well as on materials management. Splitting the procurement process into two parts – procurement and sourcing – has enabled PeWeTe to make the process more transparent and to achieve the desired cost optimization overall. Introducing this organizational change meant incorporating modern practices pursuant to which these two different spheres of activity can be optimized by segregating the respective responsibilities. Doing so also reduces potential conflicts of interest.

Setting up supply chain services entails centralizing all activities as well as both unifying and standardizing all systems and processes. Centralizing supply chain activities translates into clear cost and efficiency benefits because it enhances purchasing power, consolidates shipping, and minimizes storage locations.

Given the fallout from the pandemic, PeWeTe's key activities in 2020 regarding its supply chain and procurement included the following:
- Preventing increases in suppliers' prices due to unforeseen additional costs for all market participants associated with measures to limit the spread of COVID-19 and
- Preventing increases in delivery delays, mainly for import commodity groups.

Positive results were obtained in both areas: The Company succeeded in restraining suppliers' prices and preventing further delays in deliveries.

The implementation of these actions and plans, the synergies from growing volumes as well as the centralized procurement and partnerships with key suppliers made it possible to boost the efficiency of PeWeTe's supply chain and thereby reduce total costs by RUB 490 million (2019: RUB 360 million), or EUR 5.5 million, compared with the budget. In 2020, a total of 80.0% of the procurement budget was spent on local suppliers (2019: 83.0%).

The import substitution initiative, which PeWeTe launched several years ago and has consistently pursued since then, continues to yield positive results in terms of both expanding the range of imports being replaced and cutting costs. It also makes it possible to obtain the necessary goods with shorter delivery times, reduces the Company's dependence on imports, and mitigates the risks of increased costs due to the devaluation of the ruble and the ongoing sanctions. In 2020, savings from import substitution initiatives came to RUB 172 million (2019: RUB 128 million) or EUR 1.9 million (excluding VAT).

Supply Chain Data

		2020	2019	Δ in %
Overall procurement savings	RUB million	490	360	36.1
	EUR million	5.5	5.0	10.0
Savings from import substitution initiatives	RUB million	172	128	34.4
	EUR million	1.9	1.7	11.8
Percentage of procurement budget spent on local (national) suppliers	%	80.0	83.0	(3.0)
Number of violations by the Group of tender policies and procedures		0	0	0.0

The centralization of both transportation and logistics management is another aspect of the development of SCS activities. It entails unifying and standardizing all systems and processes which, in turn, requires proper vendor management, implementing effective contracting strategies, and establishing standard KPIs for both operational control purposes and suppliers. By screening suppliers, improving contracts, monitoring the market, and automating certain business processes, PeWeTe aims to improve transportation services and reduce logistics costs.

Both the changes that have already been introduced and those that will be implemented soon will usher in a new era for PeWeTe that will boost its market strength.

ACHIEVEMENTS IN 2020

MATERIALS MANAGEMENT

As part of setting up its supply chain services, at present PeWeTe is centralizing the materials management function in order to achieve both full transparency and full visibility of inventories in each warehouse in near real time to prevent overstocking and obsolescence. This allows restocking warehouses in other regions in an emergency or if it is economically beneficial to do so.

As expected, the implementation of sophisticated software, an address storage system based on the first in, first out (FIFO) method, and the automation of certain warehouse management processes is streamlining inventory, labor, and facilities management in the Company's warehouses.

In terms of further enhancing the efficiency of procurement activities in 2020, the internal automated system, PeWeTe 1C MTO, was integrated and launched commercially in cooperation with one of the leaders of the Russian electronic trading market, Gazprombank's electronic trading platform (ETP). This system makes it possible to attract new suppliers and thus boost competition and get the best prices.

Proper order management, timely minimum/maximum spare parts planning and storage as well as enhancement of the technological infrastructure of warehouses will cut down on production stoppages and reduce shortages of tangible assets. Several measures aimed at systematizing, managing, and accounting for slow-moving and obsolete inventories will reduce illiquid assets. In turn, this will enable the Company to realize additional economic benefits.

IMPORTS

The import substitution strategy of our Russian operating companies is designed for the long term and thus should make it possible to achieve PeWeTe's objectives with respect to both the capacity and structure of domestic production while at the same time reducing its reliance on imported goods. However, the modern global economy does not allow countries to develop effectively using solely their own resources and abandoning imports outright. In fact, because Russian production lags far behind that of other countries, it is still cheaper and more profitable to import goods from abroad.

PeWeTe is changing this approach to the procurement of foreign commodities by launching a pilot project that entails importing goods in its own name instead of buying high-value equipment on delivery duty paid (DDP) terms from foreign agents engaged in economic activities.

Successful implementation of the project would allow the Company to increase transparency and ensure that all processes from the supplier's point of origin to the final destination are carried out in a compliant manner, thus achieving efficiency in terms of both costs and timing.

The timeliness of deliveries and any deficiencies such as the lack of shipping documents, shortages, or excess quantities are further important criteria for evaluating our direct imports. Overall, this initiative could significantly improve our supplier management and give us better control over the timeliness and correctness of deliveries.

The PeWeTe Group is pursuing the very ambitious goal of becoming the recognized industry leader in supply chain services. This can only be achieved by developing a culture of continual improvement, proactively identifying and reporting all SCS-related events as well as investigating and taking corrective actions. We believe that all related non-compliance can be prevented through systematic loss minimization.

WHAT'S NEXT

As stated above, PeWeTe is engaged in a continual process of restructuring and improving its SCS activities.

The main objectives are:
- Identify and report all opportunities for SCS improvements;
- Identify and systematically analyze SCS risks;
- Determine root causes;
- Implement corrective actions to reduce SCS risks to an acceptable level;
- Terminate associated remedial work plans to prevent recurrence;
- Achieve SCS excellence through continual improvements;
- Establish responsibilities and accountability;
- Communicate the relationship between the delivery of services and products to internal customers and the delivery of services and products to external customers;
- Establish investigation and development targets/terminate action plans to prevent recurrence;
- Define requirements for management reviews;
- Determine how lessons learned will be communicated throughout the organization;
- Provide direction for continual improvements in the delivery of services and products to internal customers; and
- Promote quality management concepts.

One of the major objectives of PeWeTe's SCS management is to establish full visibility of and control over purchases. It is crucial for the Company to know how, where, and how much it spends on materials and services.

Subject to the quantitative targets stated below and together with the targets related to the focus on technology, these are our goals with respect to products and production.

Description	Target 2020	Target 2021
Reduction of illiquid stock	New target	(7.0) compared to 2020
Share of purchases signed and performed on time and according to procedure	New target	90.0
Reduction of the share of prepayments in hard currency for equipment and spare parts	New target	(12.0) compared to 2020
Share of existing counterparties using paperless document flow	New target	75.0
Share of new counterparties using paperless document flow	New target	85.0
Reduction of delivery times for inland produced goods	New target	(10.0) compared to 2020

CORPORATE GOVERNANCE REPORT

Corporate governance is of high importance to Petro Welt Technologies AG (PeWeTe) above and beyond its obligations to fulfill the requirements of applicable laws. It is the duty of the Company's Management Board, subject to supervision by the Supervisory Board, to manage PeWeTe in accordance with applicable national and international standards.

To ensure a high degree of transparency and clarity for all capital market players, the Company's corporate bodies decided in 2006 to apply the German Corporate Governance Code ("Code").

This Report is based on the Code as resolved on December 16, 2019, which may be downloaded from www.dcgk.de.

THE EXECUTIVE BODIES OF PEWETE

Upon submission of proof of shareholding (section 10a of the Austrian Stock Corporation Act (AktG) and section 16 of the Company's Articles of Association), the shareholders are entitled to exercise their rights, particularly their voting rights, at the Annual General Meeting (AGM). Each share in the Company entitles the owner to one vote. There are no multiple or preferential voting rights, and there is no cap on the number of voting rights. All information on the convening of the AGM, as well as all reports and information required for the resolutions to be voted upon, are published pursuant to the applicable provisions of the AktG and made available on the website of PeWeTe (www.PeWeTe.com).

FUNCTIONS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

Pursuant to the applicable legal requirements, the Company is managed on the basis of a dual board system that requires strictly separating the management and supervisory bodies. Under this system, a member of one corporate body may not simultaneously be a member of the other one.

MEMBERS OF THE SUPERVISORY BOARD

- Maurice Gregoire Dijols, Chairman of the Supervisory Board, born August 1, 1951
- Remi Paul, Member of the Supervisory Board, born February 16, 1966
- Ralf Wojtek, Member of the Supervisory Board, born May 29, 1945

The current members of the Supervisory Board, who were reappointed on June 16, 2017, were elected to the Supervisory Board up to the conclusion of the Annual General Meeting tasked with formally approving the actions of the Supervisory Board members regarding the 2021 financial year.

The members of the Company's Supervisory Board hold the following positions in domestic or foreign companies:
Ralf Wojtek
- GO! Holding AG, Berlin, Germany – member of the Supervisory Board

Remi Paul
- LLP "Granit Thales Electronics," Kazakhstan – member of the Supervisory Board

Maurice Gregoire Dijols
- Alussa Energy Acquisition Corp, Cayman Islands – Non-Executive Director

In its current composition, the Supervisory Board fulfills all impartiality requirements. The following Supervisory Board members are deemed independent:
- Remi Paul
- Ralf Wojtek

Maurice Gregoire Dijols is the sole owner of Joma Industrial Source Corp. He controls 87% of the shares of PeWeTe indirectly through this company.

The Supervisory Board supervises and advises the Management Board with respect to its management of PeWeTe. The Company's Articles of Association govern individual tasks and responsibilities as well as the convening, scheduling, and chairing of Supervisory Board meetings. The responsibilities of the Supervisory Board include appointing and dismissing members of the Management Board and setting the salaries of the members of the Management Board. The Supervisory Board has established an Audit Committee, which is responsible for fulfilling the auditing duties assigned to it at the Supervisory Board's behest, to the extent legally permitted. The formation of this committee is mandatory under Austrian law.

The Supervisory Board regularly reviews internally or with the involvement of external advisors, how effectively the Supervisory Board and the Audit Committee perform their duties. In 2020, the Supervisory Board carried out an internal effectiveness review, the results of which were discussed at the Supervisory Board meeting on 10 December 2020. The results confirm that the meetings were organized and conducted in an efficient way, and that information was provided appropriately. There was no fundamental need for change. Individual suggestions during a financial year are also taken up and implemented.

MEMBERS OF THE MANAGEMENT BOARD

The current members of the Management Board were re-appointed effective as of February 24, 2018. They are:
- Yury Semenov, Chairman of the Management Board, born October 1, 1977; responsible for key corporate functions such as business strategy, business development, and business policy
- Valeriy Inyushin, Deputy Chairman of the Management Board, born September 11, 1972; responsible for central planning, corporate finance and accounting, internal control system, investor relations

None of the current Management Board members listed above holds board positions outside of the Company.

All matters of fundamental or significant importance require the approval of all members of the Management Board. The Management Board abides by the Company's Articles of Association and the guidelines issued by the Supervisory Board that regulate the tasks and responsibilities of the Management Board members, in particular, procedures regarding the decision-making process and rules on the avoidance of conflicts of interest.

PeWeTe has purchased a D&O insurance policy for all members of its Supervisory Board and its Management Board. The insurance policy has no deductibles in the event of claims.

REMUNERATION OF SUPERVISORY BOARD AND MANAGEMENT BOARD

PeWeTe follows the recommendations of the Code, pursuant to which the remuneration of the Supervisory Board and the Management Board should be disclosed individually for each member. The specific remuneration paid is disclosed in the Remuneration Report in accordance with the Remuneration Policy.

The remuneration of the Management Board members comprises fixed and variable elements. The base salary and benefits form the fixed remuneration based on prevailing market practice. The variable remuneration drives and rewards best-in-class performance by setting ambitious and stretched targets.

RISK MANAGEMENT

The responsible handling of risk is one of the fundamental principles of good corporate governance. Both the Management Board of PeWeTe and the managerial employees of the PeWeTe Group have at their disposal comprehensive reporting and control systems specific to the Group and the Company for monitoring, assessing, and controlling risks. These systems are continually refined and adapted to changing parameters, and are regularly checked for efficiency and functionality as part of the annual audit. The Management Board briefs the Supervisory Board on a regular basis with respect to all existent risks and their development.

The Risk Report, which is a part of the annual report of PeWeTe, contains further details on risk management within the Group. It also includes the mandatory report on the internal control and risk management systems as they apply to accounting procedures.

TRANSPARENCY

PeWeTe informs capital market players, interested parties, and the general public immediately, regularly, and simultaneously of the Group's current financial position. The management report, semi-annual report, and quarterly reports are all published within the time periods specified by the Frankfurt Stock Exchange. In addition, PeWeTe also notifies interested parties of all events and new developments via press releases and, if necessary, ad hoc notices. Information is made available in German, Russian, and English. The Company's website, www.PeWeTe.com, also offers in-depth information on the PeWeTe Group and on the PeWeTe share. PeWeTe regularly runs Compliance training sessions for the PeWeTe Group.

FINANCIAL CALENDAR

The Company's financial calendar offers a transparent overview of all scheduled important events and publications. The calendar is published and made available on PeWeTe's website.

DIRECTORS' DEALINGS

Current directors

None of the directors listed below hold any shares of the Company:

- Yury Semenov – Chairman of Petro Welt Technologies AG (PeWeTe)
- Valery Inyushin – Deputy Chairman of Petro Welt Technologies AG (PeWeTe)
- Nikolay Mulko – General Manager of Petro Welt Technologies LLC (PeWeTe) until March 3, 2020 (Petro Welt Technologies LLC is a management company that serves as the sole executive body of KAToil-Drilling LLC, KATOBNEFT LLC, and KATKoneft LLC.)
- Olga Matsukevich – General Manager of Trading House KAToil LLC
- Irina Belyaeva – General Manager of KAT.oil Leasing LLC
- Anna Nikitina – General Manager of Wellprop LLC
- Androulla Papadopoulou and Eliana Giannakou Hadjisavva – Directors of PeWeTe Evolution LIMITED
- Eliana Giannakou Hadjisavva – General Manager of Wellprop Cyprus LIMITED
- Uzim Ilyasova – General Manager of PeWeTe Kazakhstan LLP
- Christian Jennevin – Administrator of PeWeTe EVO EUROPE LLC, Romania
- Christian Jennevin – General Director of PeWeTe EVO SERVICES LLC, Oman

Supervisory Board of Petro Welt Technologies AG (PeWeTe)

- Maurice Gregoire Dijols – Chairman of the Supervisory Board
- Remi Paul
- Ralf Wojtek

Shareholders

	Number of shares	Share
Petro Welt Holding Limited	23,300,000	47.70%
Joma Industrial Source Corp.	19,228,711	39.36%
Free float	6,321,289	12.94%
Total	**48,850,000**	**100.00%**

DIVERSITY MANAGEMENT

PeWeTe is committed to the equal treatment of all people – regardless of gender, age, different ability, religion, culture, color, education, social background, sexual orientation, or nationality. The Company resolutely opposes all forms of discrimination, bullying, and sexual harassment. In management development, special attention is paid to communicating these leadership values. The fact that it is active in an industry with a strong technical focus makes it particularly challenging for the Company to achieve a satisfactory gender balance in all areas of its activities. Given the sometimes adverse working conditions, the PeWeTe Group has adopted a policy of granting special leave above and beyond annual leave where applicable. Work is underway to develop and implement gender equality goals and measures. In 2020, no cases of discrimination were reported to the management.

The strategic objective is to achieve a better diversity mix among employees. We aim to raise the share of women in management processes, to provide greater access to educational and training programs in all regions in which we operate, and to promote young specialists and prospective students.

PeWeTe continually monitors gender, age, employee background, seniority, relevant knowledge and experience as well as pay equity to ensure fair treatment and equal opportunities at all career stages. The Company has installed an effective whistle-blowing system.

DIVERSITY STRATEGY FOR THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The main criteria for selecting the members of the Management and Supervisory Boards are relevant knowledge on a broad range of issues as well as personal integrity and experience in executive positions. Aspects related to the diversity of the Supervisory Board, specifically, the representation of both genders and the age structure, are taken into account as well.

The members of the Supervisory Board are (re-)elected by the Annual General Meeting. Female managers are evaluated on an equal footing with male managers, and female candidates for the Supervisory Board having the same professional qualifications as male candidates are recommended for election. PeWeTe is not required to institute a mandatory quota for women as per the Austrian Act on Equal Treatment of Women and Men on Supervisory Boards (GFMA-G). The law prescribes a minimum number of women (30%) only for companies with six or more Supervisory Board members.

The Supervisory Board must take diversity into account when considering the best candidates for the Management Board. In particular, diversity is understood to mean different yet complementary specialist profiles as well as professional and general experience, also in the international domain, with both genders being appropriately represented.

At present, the Company's Supervisory Board and Management Board do not have any female members. The promotion of women to management positions is not restricted. As of December 31, 2020, the percentage of women in management positions was 15% at the Group level. Four women hold general management positions within the Group as disclosed in the Director's Dealings above. As of December 31, 2020, the percentage of women among employees throughout the Group was 10%. The members of the Supervisory Board are between 55 and 75 years old, with an average age of 64 years, whereas the members of the Management Board are between 43 and 47 years old.

The current members of the Management Board were reappointed as of February 24, 2018, and the current members of the Supervisory Board were reelected on June 16, 2017. Upon completion of the current Supervisory Board members' terms of office and formal approval of their actions by the Annual General Meeting, all relevant aspects of diversity will be considered with respect to the composition of the next Supervisory Board as well as, subsequently, that of the Management Board.

DECLARATION OF COMPLIANCE

PeWeTe is committed to the recognized principles of corporate governance. As a foreign issuer on the Frankfurt Stock Exchange with headquarters in Austria, PeWeTe resolved, in accordance with the Austrian Corporate Governance Code, to apply the German Corporate Governance Code. The Annual Declaration of Compliance pursuant to the German Stock Corporation Act (dAktG) is a basic requirement thereof.

PeWeTe (hereinafter the "Company") is a company organized under Austrian law and is subject to Austrian laws, rules, and regulations. As such, the Company's compliance with the recommendations of the German Corporate Governance Code (the "Code") is contingent on the latter's compatibility with the Austrian laws, rules, and regulations that govern the Company. The Company's Management Board and Supervisory Board hereby declare, without being legally obliged to do so, that the recommendations of the German Corporate Governance Code Government Commission (Regierungskommission Deutscher Corporate Governance Kodex) – as resolved on December 16, 2019 – have been and are being complied with, save for the recommendations listed below.

1. Recommendations A.1, B.1, and C.1
The Code contains recommendations regarding the diversity of and age limits for both board members and executive employees. Nomination proposals of the Supervisory Board to the relevant bodies as well as nominations for the Management Board take these objectives into consideration (c.f. Diversity Strategy for the Supervisory Board and the Management Board). The Company's Corporate Governance Report reflects the aforementioned objectives, especially regarding a women's quota, and the state of their realization.

The Supervisory Board's composition ensures effective consulting and monitoring of the Management Board in accordance with Austrian law and in line with the Company's interests. In order to ensure the dutiful performance of its tasks as required by law, the Supervisory Board's nomination proposals to the AGM focus primarily on the knowledge, skills, and experience of the nominees. In addition, the Supervisory Board reasonably takes into account the Company's international operations as well as potential conflicts of interest and diversity.

2. Recommendation B.2
The Supervisory Board's composition ensures effective consulting and monitoring of the Management Board in accordance with Austrian law and in line with the Company's interests. In order to ensure the dutiful performance of its tasks as required by law, the Supervisory Board's nomination proposals to the Annual General Meeting focus primarily on the knowledge, skills, and experience of the nominees. In addition, the Supervisory Board reasonably takes into account the Company's international operations as well as potential conflicts of interest, age, and diversity.

3. Recommendation B.5
Due to the specifics of the oil service industry, there are only a limited number of senior-level experts with international experience.

4. Recommendation C.2
Due to the specifics of the oil service industry, there are only a limited number of senior-level experts with international experience.

5. Recommendations C.10 and D.4 (last sentence)
The Company does not comply with this recommendation because its Supervisory Board has only a limited number of members. Thus, the Chairman of the Supervisory Board also chairs the Audit Committee.

6. Recommendation D.1
The Supervisory Board has adopted its own rules of procedure. The rules of procedure of the Supervisory Board are unpublished. There is no obligation under Austrian law and the German Corporate Governance Code (GCGC) to publish the rules of procedure of the Supervisory Board on the Company's website.

7. Recommendations D.2 and D.5

Given that the Company's Supervisory Board has only a limited number of members, the Company and the Supervisory Board believe that establishing additional committees – aside from the mandatory Audit Committee – would not be appropriate and would not enhance the efficiency of the Supervisory Board's work. A nomination committee has not been established for the same reason.

8. Recommendation D.3 (last sentence)

As company with its registered office in Austria, the Company is not subject to the rules of the German Commercial Code.

9. Recommendation D.7

Due to the small size of the Supervisory Board, additional meetings of the Supervisory Board alone would not increase the efficiency of its work.

10. Recommendation F.2

The Company's consolidated financial statements are not publicly accessible within 90 days of the end of the financial year, nor are its interim reports publicly accessible within 45 days of the end of the reporting period. This is due to the complex reporting requirements in Russia, Kazakhstan, and other jurisdictions in which the Company does business.

11. Recommendations G.1 to G.16

The Remuneration Policy and Remuneration Report of the Company are drafted and implemented in accordance with section 78a et seq. of the AktG and with the involvement of the shareholders (based on DIRECTIVE (EU) 2017/828 – Shareholder Rights Directive).

Currently, the Company does not follow the Code's recommendation to include a compensation cap in the director's contracts of Management Board members in case they prematurely step down from their Management Board functions without good cause.

The respective German laws do not apply in Austria and the Company thus does not abide by this recommendation.

The monetary elements of the remuneration paid to the members of the Company's Management Board do not include stock options or comparable instruments, nor participation in any corporate pension schemes. Therefore, recommendations stock options or comparable instruments (e.g. requests for compliance with relevant benchmarks; no retroactive modification of performance targets or benchmarks; agreement on a cap for extraordinary, unforeseen developments) have not been implemented. Consequently, the Company's Remuneration Report does not contain any details regarding the value of stock option plans or similar long-term incentives and high-risk components of its directors' remuneration, or details of payments into pension schemes. In addition, the Company's Corporate Governance Report does not disclose any stock option programs and similar security-based incentive systems. If stock option plans or programs for the Management Board are implemented, the strict standards of the Code shall apply.

Vienna, April 27, 2021

Management Board   Supervisory Board

REPORT OF THE SUPERVISORY BOARD FOR 2020

Throughout the 2020 financial year, the Supervisory Board diligently monitored the Management Board’s stewardship of Petro Welt Technologies AG’s (PeWeTe’s) business and advised the Management Board in its decision-making process on the basis of detailed oral and written reports as well as constructive discussions between the Supervisory Board and the Management Board.

The Management Board regularly provided the Supervisory Board with timely and comprehensive information on business operations, the overall economic situation in the Company’s core markets, and operational environment as well as business opportunities and risks for PeWeTe and its Group. The Supervisory Board held eight meetings during 2020, all via video conferencing (Skype) or telephone conference due to the applicable COVID-19 restrictions on:

- March 20, 2020 (all members of the Supervisory Board and the Management Board);
- April 28, 2020 (all members of the Supervisory Board and the Audit Committee; auditors; the Management Board only participated in two agenda items);
- May 12, 2020 (all members of the Supervisory Board and the Management Board);
- June 3, 2020 (all members of the Supervisory Board and the Management Board);
- June 19, 2020 (all members of the Supervisory Board and the Management Board);
- July 2, 2020 (all members of the Supervisory Board, the Management Board and the Audit Committee);
- September 25, 2020 (all members of the Supervisory Board and the Management Board); and
- December 10, 2020 (all members of the Supervisory Board, the Management Board and the Audit Committee).

At all times, numerous open discussions in an atmosphere of trust form the foundation for our deliberations and our communication with the Management Board.

The Supervisory Board reviewed the Company’s financial statements prior to publication and was kept informed by the auditors of all audit activities and their results. The members of the Supervisory Board received comprehensive information about the Company’s current business and material business events from the Management Board.

PeWeTe's financial statements for the year ending on December 31, 2020 and the 2020 Management Report were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, Austria. The final findings of the audit did not give rise to any objections, thus allowing an unqualified auditor's opinion to be issued for the 2020 financial year for the statutory financial statements 2020 of PeWeTe AG. According to KPMG's conclusions, the consolidated Group financial statements are presented fairly in all material respects in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU with the exception of the aspects described in the section “Basis of qualified opinion” (subject of inventory of 2019) which means that a qualified audit opinion has been granted regarding the Group financial statements 2020.

The Supervisory Board has approved both the standalone and consolidated financial statements for the year ending on December 31, 2020, including the Management Report, Corporate Governance and Sustainability Reports and the Non-Financial Report for the 2020 financial year. The 2020 financial statements of PeWeTe are thus adopted pursuant to section 96 (4) of the Austrian Stock Corporation Act. Furthermore, the Supervisory Board has approved the consolidated financial statements and the Group Management Report for 2020.

The Supervisory Board has evaluated and approved the proposal of PeWeTe's Management Board to retain dividends for the 2020 financial year.

Additional information regarding the Supervisory Board's composition and work as well as its compensation can be found in the Notes, the Corporate Governance Report and the Remuneration Report.

Finally, we sincerely thank the Management Board and all of the Group's employees for their commitment and support in the 2020 financial year as well as all shareholders, customers, and partners for their trust.

Vienna, April 27, 2021

Maurice Gregoire Dijols
on behalf of the Supervisory Board

Even in the challenging year 2020, PeWeTe has managed to remain financially strong, and due to the Group's proven strategy of diver-sification, profit before tax shows one of the best performances in the oilfield services industry.

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

IN ACCORDANCE WITH SECTION 267 OF THE AUSTRIAN COMMERCIAL CODE

ECONOMIC ENVIRONMENT

The year 2020 was dominated by the COVID-19 pandemic, which led to a significant decline in global economic activity and world trade. Against the backdrop of massive disruptions in virtually all of the world's economies, the OECD estimates global GDP to have fallen by 3.4% in 2020. Steps taken to combat the spread of the virus, such as curfews and lockdowns, weakened trade in many countries and massively slowed global production and transport flows. The OECD projects that global trade declined by 7.5% in 2020.

The eurozone also faced losses, with GDP falling 6.8% according to the European statistics office Eurostat. This means that the economic setback in 2020 was more pronounced than during the severe financial and economic crisis of 2009, which caused the eurozone economy to shrink by 4.1% according to IMF. This led to an appreciation of the euro particularly against the US dollar. At the end of 2020, the euro increased to USD 1.23; in January 2021, the inflation rate for the eurozone rose to 0.9%.

The United States experienced its first decline since the 2007–2009 recession. Although the economy had started to catch up in the summer of 2020 following the pandemic-related economic slump, GDP contracted by 3.5% for the year as a whole. Compared with 2019, the country's financial deficit tripled to more than USD 3.1 trillion – mostly owing to governmental aid payments during the COVID-19 crisis. Around ten million more people were unemployed at the end of the year than before the pandemic. Overall, it was the weakest year for the American economy since 1946.

China, the country where the global pandemic originated, weathered the crisis fairly well due to consistently implemented measures. Although the country's GDP contracted in the first quarter of 2020 for the first time in 40 years by as much as 10.8%, it quickly recovered. Following a rebound in the second and third quarters, GDP grew by 2.3% overall in 2020 according to the National Bureau of Statistics.

India recorded an economic decline for the first time in decades – and on a serious scale. India's GDP fell by 10.29% in 2020, the second-lowest growth rate among the ten largest economies after Italy, according to the IMF World Economic Outlook.

In 2020, the decline in global economic growth led to a year-on-year drop in the average annual price of Brent crude oil by around one-third.

RUSSIA'S ECONOMY IN 2020

Russia's economy struggled with two major problems in 2020: the oil price war with Saudi Arabia and the challenges posed by the pandemic. The fact that the state took fewer severe steps against the spread of COVID-19 compared with Europe, however, helped to mitigate its negative impact on the country's economy. Nevertheless, some measures forced the closure of businesses, which led to a 2.9% contraction in industrial production and a plunge in prices in the industrial sector.

The decline in private consumption and the slowdown in inflation (3.4%) based on both the consumer price index and the producer price index had an additional negative impact on investment in Russia, which fell by 4% in the course of 2020. Demand for commodity industry products fell by 6.3% in the first half of 2020 compared with the same period last year.

Due to the limitations under the OPEC+ Agreement and dramatic reductions in the global demand for oil, oil production also decreased by 8.6%. From May 2020, demand for oilfield services fell significantly also and has barely recovered since then.

According to the Central Bank of the Russian Federation, exports of oil and gas declined by 37.7%. In 2019, Russia's trade surplus had been USD 165 billion; in 2020, it was only USD 92.7 billion, down 42.7% year-on-year, leading in turn to a significant devaluation of the ruble. Russia responded with government aid to businesses, interest-free loans, tax deferrals, and direct grants.

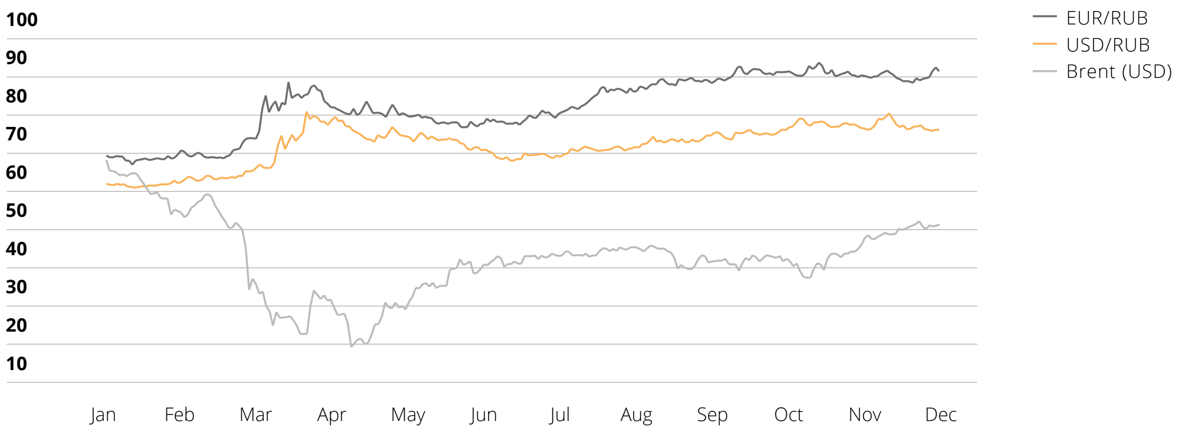
Despite these aid measures, Russia's GDP decreased by 3.1%, and the unemployment rate increased by 1.5 percentage points to 6.1%.

The Russian stock market was also hit hard by the outbreak of the COVID-19 pandemic. In 2020, the MSCI Russia Index dropped by 17.8%, largely as a result of the weakness of the ruble. The ruble depreciated by 29% over the course of the year against the US dollar and by more than 34% against the euro.

Together with the Brazilian real and the Turkish lira, the Russian ruble thus was one of the world's weakest currencies in 2020.

In terms of foreign debt, however, Russia compares very favorably with the rest of the world and was able to reduce its external debt in 2020 by a further 4.8% to USD 467.8 billion.

__ Exchange Rates and Oil Price Development



KAZAKHSTAN'S ECONOMY IN 2020

In 2020, Kazakhstan experienced its first recession since 2009. Both the COVID-19 crisis and price fluctuations on the crude oil market led to a 2.6% drop in GDP. The fact that the decline was not greater was due to strong growth of 12% in the construction sector and 5% in agriculture. Supported primarily by the country's manufacturing sector, Kazakhstan's industrial output grew by 3.9%.

In Kazakhstan, both imports and exports decreased in 2020. Exports of raw materials, in particular, recorded a sharp drop: crude oil –22.1%, zinc –20.8%, copper –9.4%, aluminum –9.7%, and lead –10.1%. The government's anti-COVID-19 measures had a stronger impact on the mining industry in Kazakhstan than in Russia. Demand for energy products also declined, which is why oil production was down 5.4% on average for the year.

On a macroeconomic level, however, Kazakhstan still compares favorably with other economies. Industrial output decreased by only 0.7%, while investments contracted by 3.4%, and the unemployment rate is estimated at 4.9%.

Just like the Russian ruble, Kazakhstan's currency (tenge) reacted to falling oil prices by depreciating, but with inflation accelerating significantly by 6.7%. The tenge depreciated by 10.4% against the US dollar and by 20.9% against the euro.

ROMANIA'S ECONOMY IN 2020

Romania's economy, which is strongly intertwined with the European single market, came under massive pressure in 2020. Although the country has recorded high economic growth in recent years, it still has a lot of catching up to do with other EU countries in many areas. The infrastructure is inadequately developed, the country still ranks at the bottom of the EU in terms of per capita income, and there is a shortage of skilled workers.

According to figures compiled by the Romanian Statistical Office, the country's GDP shrank by around 4.4% in 2020 due to the COVID-19 crisis. Through all of this, Romania has been working consistently and successfully to lower its inflation rate; the estimated figure for 2020 is 2.5%. Unemployment figures are also falling steadily: In 2020, the unemployment rate was 6.5%.

THE OMANI ECONOMY IN 2020

The Sultanate of Oman has been hit hard by both the pandemic and the sharp drop in oil prices. For 2020, the Economist Intelligence Unit and the Institute of International Finance project a decline of 6.2% in GDP, while the World Bank even expects a drop of 9.4%. A 12.4% decrease in state revenues led to a deficit of OMR 827 million in Oman's national budget for 2020.

Other challenges included rising unemployment, high interest and repayment obligations, scarce oil reserves, and high dependence on oil revenues. In addition, with tourists staying away during the pandemic, the hotel industry experienced a 56.6% drop in the number of guests during the last eight months of 2020 – cutting this important source of income in half.

The Sultanate responded with drastic austerity measures, which were most evident in the labor market. The Ministry of Finance decreed that foreign workers in both the public and state-related sectors must be replaced by Omani citizens in order to minimize unemployment among the local population. As a result, the percentage of foreign workers in the labor force declined by about 16.4%. However, the cuts also had consequences for Omani employees. For example, all employees over the age of 60 in state-owned enterprises were forced to retire. The cost-cutting program aims to save OMR 1 billion, or just under 8% of the state budget.

THE GLOBAL OIL MARKET

DEMAND

As recently as at the beginning of 2020, a positive trend could be seen for the global oil market. For instance, OPEC expected global oil demand to increase to an average of 101 million barrels per day (mb/d) – an increase of around 1.1% compared with 2019. However, energy demand plummeted following the outbreak of the COVID-19 pandemic, and forecasts had to be revised downward several times during the year.

Ultimately, the average daily demand for oil collapsed to around 92 mb/d in 2020. According to the Economist Intelligence Unit, this represented a year-on-year contraction by 8.8 mb/d. Already in February, production was more than 1.4 mb/d higher than expected demand, according to OPEC. As a result, more and more oil companies around the world had to cut or even temporarily halt production. In mid-April, the oil price fell more sharply than ever before, so that U.S. oil was even quoted at minus USD 40 per barrel for a short time. The task now was to reduce the oil supply on the world market in order to cushion the fall in prices.

As the world's largest crude oil importer, China benefited from the low oil prices. In May, the country imported 11.34 mb/d, and June even saw an increase by one-third year-on-year. Overall, China's oil imports increased by 7.3% in 2020, which is equivalent to an annual average of around 10 mb/d. As the growth driver, Asia thus already ensured the stabilization of global demand for crude oil in the summer months. In August, production in Saudi Arabia almost returned to the level prevailing before the crisis.

According to OPEC forecasts, the disrupted demand for crude oil will recover by 2022, when significant growth is expected again, and will continue to rise steadily thereafter. Kerosene and gasoline, in particular, will see an upswing as demand is expected to "catch up" especially in aviation and road transportation – the two sectors hardest hit by the pandemic. Consequently, global oil demand is expected to reach an annual level of 103.7 mb/d by 2025, according to OPEC, after which a moderate increase in annual demand of more than 1 mb/d should resume.

SUPPLY

While global oil demand plummeted in early 2020 due to the COVID-19 pandemic, the global oil supply had continued to grow in the first quarter of 2020. Saudi Arabia and Russia, exporters both, produced an average of 11.8 mb/d and 11.0 mb/d, respectively, in 2020, while Canada produced 5.5 mb/d, China 4.9 mb/d, and the United Arab Emirates 4.0 mb/d. However, as global production and transportation flows slowed, oil storage facilities rapidly filled up. Producing countries such as Saudi Arabia, where production soared to a record 12.3 mb/d in March 2020, had to store large volumes of crude oil in tankers.

After prices plunged in April, OPEC+ countries agreed to production cuts of 9.7 mb/d, which is equivalent to around 10% of pre-pandemic global oil consumption. Nevertheless, this was not enough to offset the surplus. The United States had built up substantial reserves of 19.5 mb/d and cut just under 3 mb/d of its production.

Historic production adjustments by OPEC+ gradually stabilized the oil markets, but supply dropped year-on-year for the first time since 2016. While global crude oil production still averaged 98.9 mb/d in 2019, the average daily volume fell to around 92.4 mb/d in 2020. Production by OPEC+ countries declined from around 33.8 mb/d to 30.7 mb/d in the process and is not expected to return to 2019 levels until 2022, according to the group's own expectations.

Excess supply and significantly weakened demand weighed heavily on oil price developments in 2020. After peaking at USD 67.3 in January and bottoming at USD 18.4 in April, the price per barrel of Brent crude oil ended the year at USD 51.0, bringing the annual average price per barrel to USD 41.7 in 2020 – down from USD 64.2 the year before.

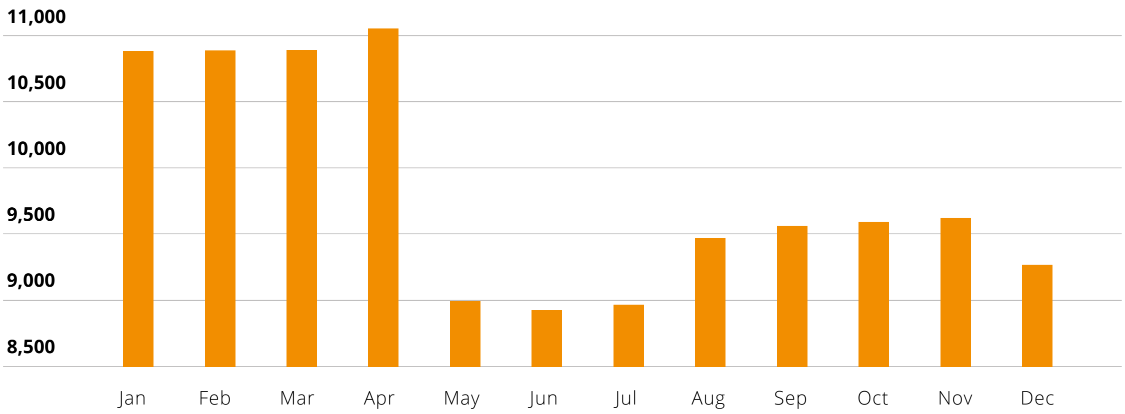
OIL AND GAS PRODUCTION IN RUSSIA, KAZAKHSTAN, ROMANIA, AND OMAN

In **Russia**, oil production continued to grow at its usual pace in the first quarter of 2020, peaking at 11,051 thousand barrels per day (kb/d) in April, according to Trading Economics. After demand declined rapidly and OPEC+ countries agreed on production cuts, Russia also put the brakes on its production, reducing it to 8,993 kb/d as early as in May and to the lowest annual level of 8,925 kb/d in June. In particular, this was necessary because demand from Europe – the most important sales market for Russian oil – had fallen sharply compared with China and the United States.

Russian oil production then stabilized at 9,562 kb/d by the end of the year. In total, oil production in Russia fell by 8.6% in 2020, with Rosneft and Novatek having to cut less compared with other oil companies.

Gas production also developed far below expectations in Russia in 2020. This was due not only to the problems with the Nord Stream 2 Baltic Sea pipeline, which is still not in operation, but also to problems with the Sila Sibiri pipeline that leads to China. According to the plans, Gazprom was to transport 38 billion cubic meters of gas per year to China via the approximately 2,000-kilometer-long pipeline, but demand dropped abruptly owing to the COVID-19 pandemic. Another challenge was that a massive outbreak of COVID-19 occurred among the workforce employed at the Siberian oil and gas field, Chayanda, which meant that the new pipeline had to be taken out of service for several weeks in March 2020.

__ Oil Production Russia 2020 (in kb/d)



Kazakhstan had continually increased its production volumes in recent years, but was unable to maintain this trend in 2020. Following the OPEC+ agreement, Kazakhstan also cut its production, but unlike the OPEC+ countries it did so only by 5.4% year-on-year. The biggest problems facing Kazakhstan's oil industry are limited export opportunities, ongoing depreciation of equipment, and lack of modern technologies. According to OPEC, Kazakh oil production companies produced an average of 1.7 mb/d in 2020.

While the EU imports more than one half of the energy it needs, at 83% Romania is largely self-sufficient with respect to its overall energy supply, ranking third in the EU behind Estonia and Denmark. In 2020, the country produced an average of 70 kb/d, about 10 kb/d less than the year before. Nevertheless, according to the U.S. Energy Information Administration (EIA), Romania maintained its position as the second-largest oil producer and the third-largest gas producer in the EU. In addition, Romania plans to liberalize the gas market in 2021. However, this will require investments in the expansion and modernization of supply networks, for which the EU plans to provide a total of EUR 1 billion in the next funding period.

While **Oman's** oil production volume was still around 1.0 mb/d in 2019, it shrank by 9.0% to just under 0.91 mb/d in 2020. The Sultanate also had to submit to the OPEC+ agreement but, at the same time, it expanded its capacity by completing and developing new gas fields. The upstream oil and gas market in Oman is expected to grow by more than 5% per year until 2026. However, the COVID-19 pandemic is expected to continue hampering the growth of the country's offshore sector in the coming years, although the government has worked to expand this segment. The onshore segment dominates the market and, with an increase in exploration activities, is unlikely to relinquish its leading role in the foreseeable future. Furthermore, it is supported by the concession contracts and licenses that the Omani government awarded in 2018 and 2019.

Unlike Russia, Kazakhstan, Romania, and Oman, **China** posted positive figures in 2020 and once again lived up to its role as the main driver of global economic growth. In this country, oil production did not decline, but actually gained slightly. Given growth of 2.7% in power generation, the increase in crude oil production came to 1.6% in 2020. China's gas production grew by an impressive 9.8%, and gas imports rose by 5.3% thanks to stable demand.

OILFIELD SERVICES (OFS)

THE RUSSIAN OFS MARKET

Deloitte estimates that the global market for oilfield services (OFS) declined by 19% to USD 335 billion in 2020. The Russian OFS market might have been hit even harder, falling by between 20% and 25% to around USD 20.5 billion to USD 22 billion. The decline in investments by major oil companies contributed between 5% and 10% to this downturn, and devaluation is estimated at around 10%. In addition to the sharp deterioration in market conditions during 2020, the decarbonization of the global economy is the long-term trend that will determine the extent to which the global oil industry and related sectors such as oilfield services will stagnate and/or undergo deep transformations.

During 2020, the following key trends shaped the Russian oil industry:

- Supply quotas under the OPEC+ agreement
- Trend towards insourcing of oilfield services at leading Russian oil companies
- Increase in customers' requirements as to the equipment used and the technologies applied
- Deterioration in the quality of oil reserves and decline in production in traditional oil regions
- Awards mainly based on price

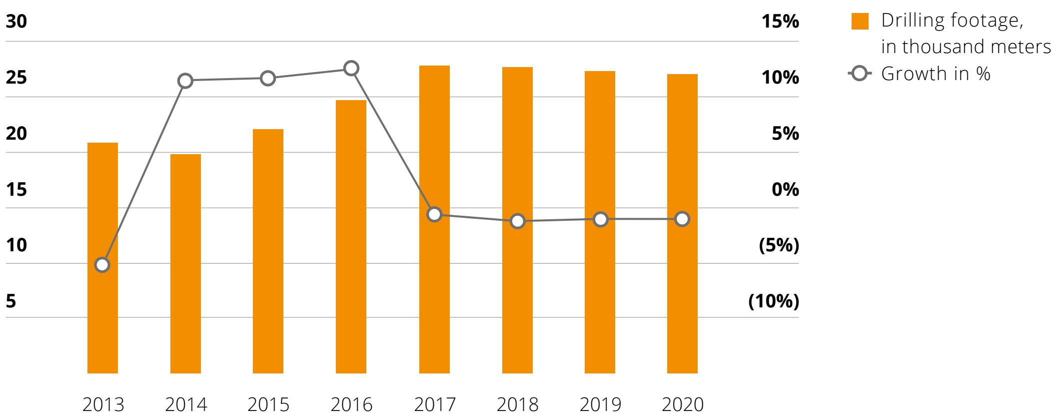
Production drilling

Since 2018, production drilling in Russia has followed a downward trend. In 2020, medium and small oil companies were the main contributors to this decline throughout the year. In contrast, three of Russia's leading oil companies – namely, Rosneft, LUKOIL, and Gazpromneft – boosted their production drilling; Surgutneftegaz was the only entity that did not. Rosneft's share increased from 36.7% in 2019 to 40.7% in 2020; Gazpromneft, too, improved from 9.1% in 2019 to 11.5% in 2020, while LUKOIL's share remained largely stable at 12.9%.

In recent years, oil production has depended heavily on production drilling, because there is a lag between drilling activities and the time at which the new well is ready for oil production. Drilling activity is also aimed at maintaining the level of oil reserves.

Being close to the intensification segment, sidetrack drilling suffers even more from any decline in oil production. As a result, according to estimates by PeWeTe's marketing and sales department, this sector shrank by 8.3% in 2020. Rosneft dominates this subsegment with a market share of about 64%. LUKOIL, which is in second place, only has a share of about 10%.

__ Russia Drilling Dynamics



Stimulation

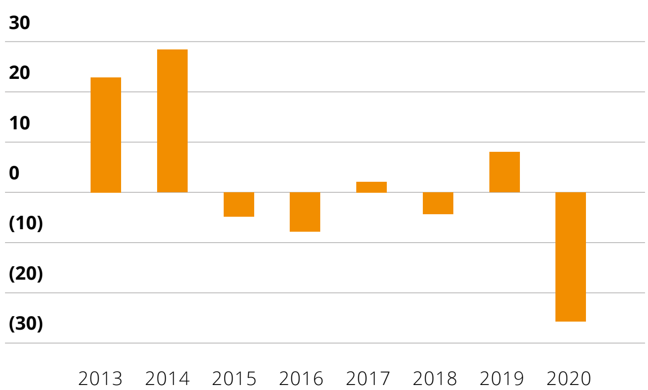
Fracturing is the main contributor to the stimulation market. As this segment is highly correlated with the oil production volume, it came under massive pressure due to considerably lower demand from all oil companies. Oil companies had started to curtail fracturing activities in January and February 2020, even before the limits under the OPEC+ agreement were applied in May 2020. As a result, the fracturing market already decreased by 5.3% in the first quarter of 2020.

The decline of the fracturing business accelerated sharply once the Russian Ministry of Energy introduced and applied the oil production country listing in May and June 2020. As a consequence, the segment lost 17% of its volume in the second quarter of 2020 year on year. The decline peaked in the third quarter with a spectacular 41% drop. The fourth quarter was slightly more relaxed, with the decline slowing to around 38%. On the whole, the Russian fracturing market shrank by about 26% in 2020.

This drastic decline affected Russian oil and oilfield service companies to varying degrees. For example, according to the Russian Federation's Central Dispatching Department for the Fuel Energy Complex (CDU TEK), Rosneft's fracturing activities fell by around 7%, while LUKOIL reduced its operations by around 33%. Thus, for the first time in history, Rosneft accounted for more than one half of activities in this segment. Surgutneftegaz secured second place with 22% of the market.

As a result, about 13% of the segment's production capacity went unused. Rosneft company RN-GRP, independent player Mekami, and the international OFS major, Schlumberger, are market leaders by number of fleets. In 2020, Mekami and Paker Services were the oilfield service companies that were affected the most. At KATKoneft, three out of a total of sixteen fleets were on standby at the end of the year. Price competition among pumping companies became increasingly fierce, with most of them operating close to break-even or even with a negative margin.

__ Fracs Rate of Growth in %



THE KAZAKH OFS MARKET

In Kazakhstan, too, the oilfield services business was strongly affected by the sharp decline in global energy demand in 2020. Just as in Russia, the fracturing market, as the main tool of oil production intensification, suffered more than other segments of the OFS industry. While the volume of fracturing business by job soared to more than 1,000 in both 2018 and 2019 thanks to the sustained development of the oil industry, this number dropped dramatically to between 600 and 650 in 2020.

Accounting for about two-thirds of the fracturing market, Munayfieldservice, PeWeTe Kazakhstan, and Schlumberger are the leading oilfield service companies in Kazakhstan, followed by Caspian Integrated Services, Equipment Services, and CNEC. The main customers in the Kazakh onshore stimulation segment are Ozenmunaygaz, Mangistaumunaygaz, Kensary, and Embamunaygaz.

THE ROMANIAN OFS MARKET

The Romanian government has launched a public tender for the exploration, development, and production of 22 onshore and six offshore blocks in Romania's territorial waters in the Black Sea. The onshore oil and gas market comprises about 600 fields, most of which are small and fragmented and require the use of specialized technologies. Romania owns the largest number of active wells in Europe.

Growing demand for natural gas is expected to drive the market – even 2020 saw 6% growth. However, national gas production was 10% lower year-on-year, and the country imported 20% of the gas needed for internal consumption.

The following operators are planning to drill wells in 2021: OMV Petrom SA, Romgaz, Blackstairs Energy Romania, Mazarine Energy Romania, Expert Petroleum S.R.L, and NIS Petrol S.R.L.

THE OMANI OFS MARKET

Although the government has worked to boost the offshore sector, the COVID-19 outbreak is expected to hamper the growth of this segment in the coming years. The onshore segment dominates the market and will do so for the foreseeable future, with an increase in exploration activity mainly due to concession contracts and licenses granted by the Government of Oman in 2018 and 2019. Corresponding activities could be observed in 2020 and will continue in 2021 as new tenders will be issued by recently established Omani companies that are owned by well-known operators but also smaller entities.

For years, the following companies have been the main players in the market: Petroleum Development Oman, Royal Dutch Shell Plc, Oman Oil Company SAOC, Petrogas E&P LLC, Occidental Petroleum Corporation (Oxy), and Daleel Petroleum LLC. However, new players are also entering the Omani E&P market, such as EOG, Total, Petrotel, and others. Most of them have issued various tenders for well services or plan to do so this year.

The stimulation market in Oman is expected to grow in 2021 through the addition of oil well fracturing. To date, fracturing stimulation has mainly been used to treat gas wells. Multi-stage fracturing is gaining traction, both in vertical and horizontal wells. Customers, including the majors, are shifting service operations to a package-based model that combines fracturing, workover, coiled tubing, sand cleaning, and well startup into a single package.

DEVELOPMENT OF THE PEWETE GROUP

HIGHLIGHTS 2020

- Drilling, Sidetracking, and Integrated Project Management (IPM) segment continues to make the largest contribution to gross profit and operating profit, with growth of 12.1% and 119.0%, respectively (without effect of impairment loss charged to cost of sales in 2020 for CGU PeWeTe EVO EUROPE)
- Impressive increase in the operating margin of the Drilling, Sidetracking, and IPM segment from 4.9 % in 2019 to 12.0% in 2020 (without effect of impairment loss charged to cost of sales in 2020 for CGU PeWeTe EVO EUROPE)
- The Group recognized an impairment loss for the Wellprop cash-generating unit (CGU). This CGU operates as a proppant manufacturer. Due to the 26% decrease in fracturing volumes in Russia in 2020, market prices for proppant followed the downward trend of fracturing operations. The related impairment loss was allocated to goodwill and recognized in other operating expenses in the amount of EUR 0.6 million.
- Due to the strict COVID-19 quarantine measures, the tendering process in Romania and neighboring countries was paused. This fact together with the increased oil reserves and the declining energy demand lead to the impairment of the PeWeTe EVO EUROPE CGU, which operates in the Drilling, Sidetracking and IPM segment. The impairment loss for 2020 in the amount of EUR 3.6 million has been charged to cost of sales.
- PeWeTe remains financially stable thanks to both its self-financing model and efficient cash generation even in the industry's deteriorating conditions
- Net debt is under control with the equity ratio at 50.2%
- Profit before tax highlights one of the best performances in the oilfield services (OFS) industry

2020 brought many unpredictable challenges to the OFS market. Due to the COVID-19 pandemic, OPEC+ members agreed to oil production cuts, which ultimately took a toll on the whole OFS industry. Despite the unexpected decline, the PeWeTe Group performed well – commercially, operationally, and financially — compared with its peers.

While revenue in RUB decreased by only 3.9% in the course of the year, in EUR it fell by 15.4% due to the ruble's devaluation. The cost of sales declined by 5.0% in RUB and by as much as 16.4% in EUR (or EUR 42.7 million) to EUR 217.4 million in 2020, down from EUR 260.1 million in the previous year. Expenses contingent on the number of operations – such as direct costs, wages, and salaries – fell by EUR 21.2 million in tandem with a decrease in the cost of sales in the Russian oilfield service sector by 16.8%. In RUB terms direct costs fell by 12.3% and costs of raw materials by 8.2%, which lead to a drop of the cost of sales in the Russian oilfield service sector by 5.4% in RUB. As a result, in 2020 the gross profit margin increased to 13.8% (2019: 12.8%) and the gross profit decreased to EUR 34.9 million, from EUR 38.3 million in 2019, only due to the effect of the impairment loss charged to cost of sales. Without this effect, gross profit would have reached EUR 38.5 million with a gross profit margin of 15.3%.

The overall performance generally reflected by revenue dynamics in all of the Company's segments followed main market trends, while the operating margins of both OFS segments on the contrary increased from 5.3% in 2019 to 8.3% in 2020 in the Well Services and Stimulation segment, and from 4.9% in 2019 to 12.0% in 2020 in the Drilling, Sidetracking, and IPM segment (without effect of impairment loss of CGU PeWeTe EVO EUROPE), with the sidetracking subsegment becoming the most important factor for further improvements in Drilling, Sidetracking, and IPM without taking in consideration of one-off impairment effect of CGU PeWeTe EVO EUROPE.

Due to the crisis in the oil industry and the global pandemic, the Company had to face new, previously unknown challenges, including profound changes related to management: for instance, remote work, reductions in personnel, rental and operating lease expenses (reduction by 41.5% in RUB), further localization of equipment maintenance as well as restrictions on business travel and hospitality (reduction by 61.1% in RUB).

All margins (i.e. gross profit, operating profit, and profit before tax margins) rose in the 2020 reporting period. The EBITDA margin increased to 17.9%, up from 15.3% in the previous year.

Despite the challenging year, the Group was able to maintain its stable and reliable financial profile. While the equity ratio declined from 56.2% at the end of 2019 to 50.2% at the end of 2020, the Group's economic model continued to be based on a self-financing model. The repayment of accounts payable was carried out in strict accordance with the terms of the relevant contracts.

__ Exchange Rates

	Closing Rate as of 12/31/2020	Closing rate as of 12/31/2019	Average rate 2020	Average rate 2019
1 Euro (EUR)				
= Russian ruble (RUB)	90.68	69.34	82.45	72.50
= Kazakh tenge (KZT)	516.13	426.85	471.81	428.63
1 US dollar (USD)				
= Russian ruble (RUB)	73.88	61.90	72.15	64.74
= Kazakh tenge (KZT)	420.71	381.18	413.36	382.87

GROUP STRUCTURE

__ Structure of the Group

Petro Welt Technologies AG Vienna, Austria		100% →	**Petro Welt Technologies LLC*** Moscow, Russia
		100% →	**KATKoneft LLC** Kogalym, Russia
		100% →	**KATOBNEFT LLC** Nizhnevartovsk, Russia
		100% →	**KAToil-Drilling LLC** Kogalym, Russia
		100% →	**KAT.oil Leasing LLC** Kogalym, Russia
	100% ↓	100% →	**Trading House KAToil LLC** Moscow, Russia
	PeWeTe Evolution LIMITED Limassol, Cyprus	100% →	**PeWeTe Kazakhstan LLP** Kyzylorda, Kazakhstan
		70% →	**PeWeTe EVO SERVICES LLC** Muscat, Oman
99.99% ↓	0.01% ↓	99.99% →	**PeWeTe EVO EUROPE S.R.L.** Bucharest, Romania
Wellprop Cyprus LIMITED Limassol, Cyprus		0.01% → 100% →	**Wellprop LLC** Kopeysk, Russia

* Management company

OPERATING PERFORMANCE OF THE GROUP

Despite the dramatic changes in market conditions in 2020, the performance of PeWeTe's operating subsidiaries in terms of the number of jobs and revenue in the Russian OFS market for major oil-producing customers remained relatively stable in the Drilling, Sidetracking, and IPM segment. The fracturing segment, by contrast, displayed strong monthly volatility; the number of operations fell by 1.1% from 4,486 jobs in 2019 to 4,436 in 2020. The largest oil companies cut oil production and continued to put pressure on OFS prices, focusing less on technological innovation and quality aspects. Some of them have redirected their focus to the insourcing of oilfield operations.

DEVELOPMENT OF OPERATING INDICATORS

The number of service jobs at PeWeTe in the Drilling, Sidetracking, and IPM segment increased by 5.6% to 281 jobs in 2020, compared with 266 jobs in 2019. KATOBNEFT, which specializes in sidetracking, was the largest contributor to this growth, as the number of jobs there increased from 136 in 2019 to 142 in 2020. Around 53% of the jobs were executed in the first half of 2020 when conditions in the industry prior to the implementation of the OPEC+ agreement in May and June 2020 were more favorable. Continuous improvements in operating activities in sidetracking as well as conventional drilling had a positive impact, including further reductions in non-productive time (NPT).

At KAToil-Drilling, which focuses on the conventional drilling subsegment, the number of jobs grew from 130 in 2019 to 134 in 2020, with an additional marginal contribution to the increase in the number of operations coming from its Romanian subsidiary, which started its first workover operations in 2020.

Following overall trends in the OFS market, the momentum in the number of drilling and sidetracking operations during the second half of the year was negative. In addition, the average segment revenue per job in 2020 fell by 15.7% to TEUR 467.0 (2019: TEUR 554.0) due to the acceleration of the drilling cycle at KAToil Drilling, the sensitive decline in mobilization and demobilization activities at KATOBneft, the ongoing price pressure from customers, and the depreciation of the ruble. Without devaluation effects, the average revenue per job would amount to RUB 38.5 million in 2020, thus 4.2% less than the RUB 40.2 million achieved in 2019.

Despite the significant downturn in the market, the total number of fracturing and remedial services jobs in the Well Services and Stimulation segment, which includes KATKoneft and PeWeTe Kazakhstan, decreased only slightly by 1.1% (or 50 jobs) from 4,486 in 2019 to 4,436 in 2020. In the first quarter of 2020, oil companies' ongoing demand prior to the OPEC+ restrictions supported the fracturing production program of both business entities. In the third and fourth quarter of 2020, however, the negative quarterly dynamics of fracturing jobs in Russia relative to 2019 exceeded 16% and 30%, respectively.

This was generally in line with the market trends described in the subsection dedicated to the Well Services and Stimulation segment of the "Economic Environment" chapter. In the context of this segment, the negative dynamics was partly offset by Kazakhstan's contribution. At the same time, however, the dramatic decrease in the number of remedial activities by 110 jobs had a substantial negative impact on the number of operations. The average revenue per job declined by 18.7% from TEUR 31.1 in 2019 to 25.3 in 2020. Without devaluation effects, the average revenue per job would amount to RUB 2.1 million in 2020, thus slightly less than the RUB 2.3 million achieved in 2019.

While the number of multi-stage fracturing jobs followed the same trend, their share in the number of jobs overall continued to grow and reached 70.0% in 2020 (2019: 60.0%).

PeWeTe Kazakhstan showed stable growth in terms of its operating performance, with a 2.7% increase in the number of fracturing jobs to a total of 266 in 2020. However, the revenue of PeWeTe Kazakhstan expressed in EUR fell by 27.0% owing to rising price pressure.

Overall, the operating performance largely defined the Group's total revenue, which declined by EUR 46.1 million to EUR 252.3 million in the 2020 financial year – despite the impressive increase in the operating margin of the Drilling, Sidetracking, and IPM segment.

The equipment operated by Petro Welt Technologies Group as of December 31, 2020, consisted of 16 drilling rigs (2019: 15), 30 sidetracking rigs (2019: 29), and 18 fracturing fleets (2019: 18).

REVENUE DEVELOPMENT

The PeWeTe Group generated revenue in three currencies: the Russian ruble, the Kazakh tenge, and the Romanian lei. Both the ruble and tenge were subject to volatility in the reporting period. In 2020, the average RUB/EUR exchange rate was 82.45 rubles per euro. This means that the RUB depreciated by 13.7% compared with 2019 on the annual average. As of December 31, 2020, the RUB/EUR exchange rate was 90.68 rubles per euro, i.e., down 30.9% relative to December 31, 2019. The Group generated 2.0% of its revenue in Kazakh tenge. The average exchange rate of the Kazakh tenge against the euro fell in 2020, exhibiting a negative trend of 10.1% compared with 2019.

Despite the extraordinary decline in the OFS market, the Group performed well from a commercial, operational, and financial perspective. As mentioned above, revenue in RUB decreased by only 3.9% in a year marked by both the COVID-19 pandemic and the decline in global oil production.

According to CDU TEK, oil companies in Russia reduced their oil production by 8.6% in 2020. Coupled with the ongoing price pressure on OFS providers, this initially set back the performance of the stimulation market. Some of PeWeTe's key customers in the fracturing segment, for instance LUKOIL and Rosneft, cut their volumes by 10.1% and 7.1%, respectively, as the COVID-19 pandemic became one of the most important factors negatively impacting the demand for oil. This led to a decrease in revenue by 19.6% from EUR 139.6 million in 2019 to EUR 112.2 million in 2020 in the Well Services and Stimulation segment. Furthermore, the subsidiary in Kazakhstan recorded a decline in revenue of 27.0% in EUR. Segment revenue in RUB for 2020 was 8.6% lower than in the previous year.

The Group's Drilling, Sidetracking, and IPM segment experienced reducing demand during the pandemic year, but not quite as severely as the Well Services and Stimulation segment. Further improvements in conventional drilling activities and sidetracking contract volumes helped to cushion the segment's plunge, which leveled off at a decline in revenue of 11.0%, from EUR 147.6 million in 2019 to EUR 131.3 million in 2020. In RUB terms, revenue of the Drilling, Sidetracking, and IPM segment increased by 1.2% year-on-year.

As proppant sales dropped from EUR 11.2 million in 2019 to EUR 8.8 million in 2020, their share in total revenue decreased from 3.8% to 3.5%. Proppant market prices in Russia decreased by 10.0% on average. The share of exports in overall revenue fell from 27.4% in 2019 to 12.4% (in RUB terms) in 2020 due to the dramatic decline in global demand.

COST OF SALES PERFORMANCE

Discounting the effect of the ruble's devaluation, the cost of sales declined by around 5.0%. Both OFS segments continued to optimize their operating efficiency, and their supply chain service succeeded in engaging contractors at more favorable conditions. Equipment idling time at KATOil Drilling fell to less than 2.0% by the end of the year. Unit costs expressed in RUB decreased by 6.5% in the Drilling, Sidetracking, and IPM segment (without the effect of impairment losses) and by 11.6% in the Well Services and Stimulation segment.

As a result, the cost of raw materials and direct costs expressed in RUB related to the number of operations declined by 8.2% and 12.3%, respectively.

Depreciation fell by 11.7% in RUB due to the ageing of equipment.

A larger production program required more staff, especially in the sidetracking subsegment. While the average number of employees thus decreased by 1.5 % to 3,308 in 2020, from 3,360 in the previous year, wages and salaries in RUB merely increased by 4.5%.

Other production costs were reduced by 17.6% in RUB.

Taking into account the devaluation effect, the total cost of sales dropped by 16.4% in EUR (or EUR 42.7 million) to EUR 217.4 million in 2020, down from EUR 260.1 million in the previous year.

As a result, the Group's gross profit decreased by EUR 3.4 million from EUR 38.3 million in 2019 to EUR 34.9 million in 2020 due to the effect of impairment loss. The gross profit margin increased to 13.8% (2019: 12.8%), and the EBIT margin shot up to 4.5% (2019: 2.5%); EBITDA was 17.9%, up from 15.3%. The gross profit margin would comprise 15.3% and the EBIT margin 6.2%, without the effect of impairment loss for goodwill charged to other operating expenses and the impairment loss for property, plant and equipment charged to cost of sales together totaling EUR 4.2 million.

DEVELOPMENT OF EARNINGS

The Group's administrative expenses overall decreased by 7.5% to EUR 22.1 million in 2020 (2019: EUR 23.9 million), mainly due to the 5.3% reduction in RUB in these costs in the Russian entities and the effect of the ruble's devaluation. At the Group level, social tax expense, for example, declined by 10.5% and bank fees by 10.4%, while travel and entertainment expenses dropped by 61.1% due to the restrictions imposed in connection with the COVID-19 pandemic. Consulting and audit fees, by contrast, rose by 31.6% and 22.1%, respectively.

Selling and other operating expenses fell by 33.3% and 46.3%, respectively. By contrast, other operating income grew by EUR 1.6 million. The overall positive effect of the changes in administrative, selling, and other operating expenses as well as other operating income came to EUR 7.3 million.

On the whole, this combination of factors pushed up earnings before interest and taxes (EBIT) by 50.0% from EUR 7.6 million in 2019 to EUR 11.4 million in 2020. The EBIT margin jumped from 2.5% in 2019 to 4.5% in 2020. The EBIT would comprise EUR 15.6 million with an EBIT margin of 6.2% in 2020, without the effect of impairment loss of EUR 4.2 million.

In 2020, EUR 1.0 million in provisions for doubtful debts were recognized, down from the previous year (EUR 4.1 million). A total of EUR 1.8 million in receivables that were written off in 2019 were reversed mainly on account of cash received.

The Group's EBITDA was EUR 45.2 million in the reporting period and thus almost the same as in the previous year (EUR 45.6 million).

In 2020 therefore all margins including the EBITDA margin recorded growth. The increase in the EBITDA margin from 15.3% in 2019 to 17.9% in 2020 was due to lower revenue in 2020.

Despite the reduction in the net financial result by EUR 2.8 million, the Group reported a 7.9% growth in profit before tax compared to 2019. As a result, profit before tax reached EUR 13.6 million in 2020. Profit before tax (PBT), without the effect of impairment loss of EUR 4.2 million, would reach EUR 17.8 million in 2020, with a profit PBT margin of 7.1%.

Net profit increased by 24.1% from EUR 5.4 million in 2019 to EUR 6.7 million in 2020. Income tax expense decreased by 4.1%, from EUR 7.3 million in 2019 to EUR 7.0 million in 2020 due to the release of a tax provision of EUR 1.5 million. Earnings per share for the reporting period are EUR 0.14, a slight increase compared to the previous year (2019: EUR 0.11).

__ Group Figures EBITDA and EBIT

Key positions		2020	2019	+/-	+/- %
Revenue	in EUR million	252.3	298.4	(46.1)	(15.4)
Gross Profit	in EUR million	34.9	38.3	(3.4)	(8.9)
EBITDA	in EUR million	45.2	45.6	(0.4)	(0.9)
EBIT	in EUR million	11.4	7.6	3.8	50.0
Gross Profit Margin	in %	13.8	12.9		
EBIT Margin	in %	4.5	2.5		
EBITDA Margin	in %	17.9	15.3		
Group Result	in EUR million	6.7	5.4	1.3	24.1
Earnings per Share	in EUR	0.14	0.11	0.03	27.3

SEGMENT REPORTING

While segment performance generally followed main market trends, the sidetracking subsegment nonetheless developed into the most important factor for further improvements in the Drilling, Sidetracking, and IPM segment. The operating margins of both OFS segments increased: in the Well Services and Stimulation segment, from 5.3% in 2019 to 8.3% in 2020, and in Drilling, Sidetracking, and IPM from 4.9% in 2019 to 12.0% in 2020 (without impairment loss of CGU PeWeTe EVO EUROPE charged to cost of sales).

Although the total number of fracturing jobs and remedial services decreased by only 1.1% in 2020 and the share of multi-stage fracturing jobs continued to increase, the Well Services and Stimulation segment suffered a 19.6% decline in revenue to EUR 112.2 million (2019: EUR 139.6 million). This was due chiefly to the decline in the average revenue per job by 18.7% to TEUR 25.3 (2019: TEUR 31.1) as a result of stiffer price competition and the increase in the number of small jobs related to customers' production programs. Gross profit in the Well Services and Stimulation segment remained stable at EUR 14.7 million in 2020 versus EUR 14.7 million in 2019. Yet EBIT for the segment as a whole increased from EUR 7.3 million in 2019 to EUR 9.3 million in 2020 thanks to the optimization of administrative expenses by EUR 0.8 million. The RUB dynamics which does not include the effect of devaluation is more favourable, but still follows the negative trend concerning revenue and revenue per job dynamics. The 8.7% decrease in average revenue per job to RUB 2.1 million in 2020 caused the segment revenue to fall by 8.6% to RUB 9.251 million in the reporting period (2019: RUB 10.121 million).

The Drilling, Sidetracking, and IPM segment's revenue also declined in 2020, specifically, by 11.0% to EUR 131.3 million (2019: EUR 147.6 million), because the average revenue per job in EUR dropped by 15.7% to TEUR 467.0 (2019: TEUR 554.0). However, due to the reduction in the cost of sales by EUR 15.2 million, the segment was able to boost its gross profit by EUR 2.3 million year on year from EUR 19.0 million in 2019 to EUR 21.3 million in 2020 owing to the decrease in unit costs. Coupled with the decline in administrative expenses by EUR 1.1 million, the segment posted impressive EBIT growth from a modest EUR 7.2 million in 2019 to EUR 15.7 million in 2020, thus making a significant contribution to the Group's key profit indicators. The aforementioned financial results of the Drilling, Sidetracking, and IPM segment are calculated without the one-off effect of the impairment loss for CGU PeWeTe EVO EUROPE that was charged to the cost of sales. The amount of impairment loss comprised EUR 3.6 million. In RUB terms the revenue of the Drilling, Sidetracking, and IPM segment increased by 1.2% year-on-year thanks to a bigger number of operations and decreasing non-production times. The average revenue per job in RUB in 2020 was 4.2% lower than in the previous year due to a growing number of jobs and price pressure from customers.

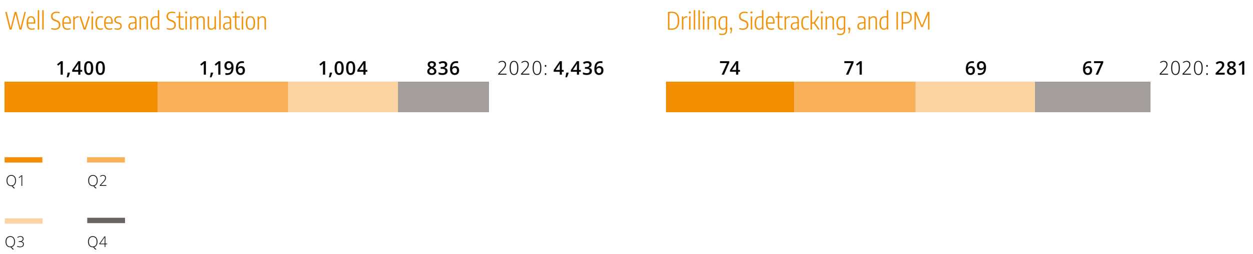
As a result of lower market demand in 2020, the quantity of proppant that Wellprop sold to external customers decreased by 9.0% to 38.2 thousand tons year on year, generating revenue of EUR 8.8 million for the segment in the reporting period.

The Proppant Manufacturing segment experienced a difficult year. Prices on the Russian and Kazakh markets continued to fall, and export opportunities in the stimulation segment were limited by both the global crisis and deteriorating international logistics due to the near-global lockdowns. Thus revenue declined by 21.4%, from EUR 11.2 million in 2019 to EUR 8.8 million in 2020. The operating loss of TEUR 573.0 stems mostly from the drop in gross profit and the expensing of costs related to the suspended second line construction project for proppant manufacturing in Russia.

_ Revenue Development 2020 by Quarter and Segment

in EUR million	Q1	Q2	Q3	Q4	2020
Petro Welt Technologies (consolidated)	84.8	69.2	53.0	45.3	252.3
Well Services and Stimulation	42.8	30.2	22.5	16.7	112.2
Drilling, Sidetracking, and IPM	38.9	36.9	29.1	26.4	131.3
Proppant Manufacturing	3.1	2.1	1.4	2.2	8.8

_ Quarterly Development of the Service Job Count



_ Major Products/Service Lines

in EUR million	2020		2019	
Hydraulic fracturing	109.6	43.4%	136.7	45.8%
Sidetrack drilling	68.5	27.2%	74.3	24.9%
Conventional drilling	62.1	24.6%	73.3	24.6%
Proppant	8.2	3.3%	11.2	3.8%
Cementing	2.4	1.0%	2.1	0.7%
Other services	1.6	0.6%	0.9	0.3%
Total revenue	**252.3**	**100.0%**	**298.4**	**100.0%**

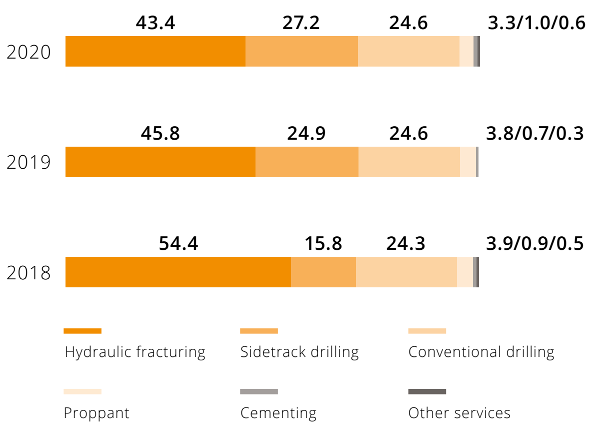
The breakdown of PeWeTe's revenue by service line in recent years shows a significant increase in drilling activities and a decline in fracturing activities. The Drilling, Sidetracking, and IPM segment overtook the Well Services and Stimulation segment for the first time in 2019 and maintained its lead in 2020, accounting for 51.8% of revenue compared with 49.5% in 2019. Proppant accounted for 3.3% of revenue (see table).

INTERNATIONALIZATION OF OFS ACTIVITY

The Group launched its operating activities in Romania in 2020 with five workover jobs in the Drilling, Sidetracking, and IPM segment. O&GD Central Ltd. and Expert Petroleum developed into key customers. PeWeTe EVO EUROPE (Romania) booked revenue of TEUR 654.0 in 2020 due generally to the extreme impact of the COVID-19 pandemic in Europe and in Romania and particularly the decline in both global and European oil demand. Many OFS tenders were cancelled and current activity was negatively affected by restrictions on transportation and logistics.

In Oman, our subsidiary PeWeTe EVO Services succeeded in obtaining and commissioning the equipment for one coiled tubing and one fracturing fleet. The company completed all necessary work related to the certification of the equipment and prepared for the 2021 tender campaign. The first operations in the coiled tubing segment started in March 2021.

_ Revenue from Customers by Service Line 2018-2020 (in %)



DEVELOPMENT OF BALANCE SHEET STRUCTURE AND EQUITY

The dynamics of PeWeTe's balance sheet were drastically affected by the devaluation of the Russian ruble by 30.9% during the reporting period. Total assets dropped by 19.5% to EUR 364.3 million as of December 31, 2020, compared with EUR 452.7 million as of the close of 2019. This was mostly due to the decline in inventories, the liquidity position, and the devaluation of both the Russian ruble and the Kazakh tenge as well as the impairment loss for goodwill charged to other operating expenses and impairment loss for property, plant and equipment charged to cost of sales, both totaling to EUR 4.2 million. The decrease in inventories from EUR 43.5 million in 2019 to EUR 35.7 million in 2020 mainly resulted from the devaluation of the Russian ruble. The actual level of inventory increased in RUB terms year-on-year. The lower production levels and therefore lower utilization of fleets led to cuts in the repair program. However, in spite of lower utilization, there was no opportunity to stop the purchases based on placed and confirmed orders (most items have a delivery time of more than 90 days).

The current liabilities of Petro Welt Technologies AG decreased by 27.3% as of December 31, 2020, because trade payables were reduced by 30.0% mostly due to the devaluation of the Russian ruble.

Equity decreased by 28.0%, from EUR 254.3 million in 2019 to EUR 183.0 million in 2020. This decline is mainly due to the sharp deterioration by 44.4% in the currency translation reserve, from minus EUR 175.5 million in 2019 to minus EUR 253.4 million in 2020 in connection with the continuing depreciation of the Group's operating currencies versus the euro. Compared with December 31, 2019, therefore, the equity ratio shrank to 50.2% as of December 31, 2020, but it stayed above the 50% mark, nevertheless.

The managerial cash position, calculated as the sum of cash and cash equivalents and bank deposits, dropped by 19.7% to EUR 115.6 million as of December 31, 2020, down from EUR 144.0 million as of December 31, 2019.

__ Group Balance Sheet Structure

Balance sheet positions	12/31/2020 in EUR million	12/31/2020 share in %	12/31/2019 in EUR million	12/31/2019 share in %
Current assets	236.6	64.9	285.8	63.1
Non-current assets	127.7	35.1	166.9	36.9
Assets	**364.3**	**100.0**	**452.7**	**100.0**
Current liabilities	53.3	14.6	73.2	16.2
Non-current liabilities	128.0	35.1	125.2	27.7
Equity	183.0	50.2	254.3	56.2
Liabilities and equity	**364.3**	**100.0**	**452.7**	**100.0**

__ Development of Debt and Debt-to-Equity Ratio

Key figures		12/31/2020	12/31/2019
Liabilities to C.A.T. Holding (Cyprus) Ltd.	in EUR million	122.9	119.3
Trade payables	in EUR million	31.0	44.3
Other liabilities with the exception of accrued liabilities	in EUR million	4.1	4.6
Less: cash and cash equivalents	in EUR million	(71.7)	(138.6)
Less: bank deposits	in EUR million	(43.9)	(5.4)
Net debt	**in EUR million**	**42.4**	**24.2**
Total equity	in EUR million	183.0	254.3
Net debt-to-equity ratio as of December 31		**23.2%**	**9.6%**

CASH FLOW

Operating cash flow was influenced by two contradictory factors. On the one hand, profit before tax grew by EUR 5.5 million without non-cash one-off impairment losses totaling EUR 4.2 million. On the other hand, the net change in working capital continued to deteriorate, down from minus EUR 1.6 million in 2019 to minus EUR 16.1 million in 2020. The cash flow from operating activities thus decreased by 34.9% to EUR 23.5 million in 2020, down from EUR 36.1 million in 2019.

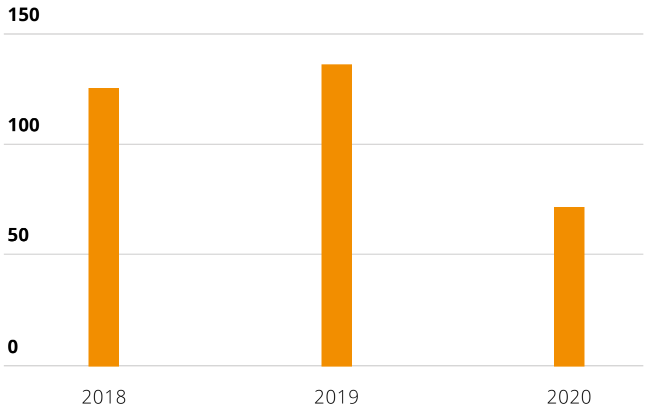
At EUR 29.0 million, purchases of property, plant, and equipment in 2020 were constrained relative to the expenditure of EUR 47.2 million in 2019. Additions to bank deposits increased from EUR 5.4 million in 2019 to minus EUR 48.2 million in the reporting period due to more favorable interest rates for long-term deposits and the expectation that they would not continue to drop dramatically. In general, interest rates on bank deposits decreased significantly yet again in the first quarter of 2020. As a result, the cash flow used in investing activities declined to minus EUR 65.9 million in 2020, down from minus EUR 38.6 million in 2019.

The net change in cash and cash equivalents thus went from positive EUR 13.0 million in 2019 to negative EUR 66.9 million, leading to a decrease in this key performance indicator to EUR 71.7 million as of December 31, 2020.

FINANCIAL PROFILE

The sharp decrease in cash and cash equivalents was the main factor in the sharp increase in net debt from EUR 24.2 million in 2019 to EUR 42.4 million; gross debt dropped by EUR 10.2 million in 2020 and came to EUR 158.0 million as of December 31, 2020. The company's liabilities to Petro Welt Holding Limited (Cyprus) are denominated in EUR whereas its liquid funds are denominated to a large extent in USD and RUB which both devalued against the EUR in 2020. The net debt-to-equity ratio thus deteriorated from 9.6% as of December 31, 2019, to 23.2% as of December 31, 2020, which corresponds to a net debt-to-EBITDA ratio of 93.7%, up from 53.1% in 2019. In any case, such a level can be considered safe since the tolerated threshold is three. At 50.2%, the equity ratio also remains at a fairly safe level. The Group has preserved its ability to self-finance; the Company's financial profile thus can be deemed reliable.

_ Cash and Cash Equivalents (in EUR million)



RISK MANAGEMENT REPORT

The Group's material non-financial risks are described in the chapter, Non-Financial Report.

Petro Welt Technologies AG (PeWeTe) maintains a group-wide Opportunities and Risk Management System, which it has documented in the Group's Risk Management Handbook since 2005. This system is an essential part of the Group's business planning and controlling processes.

Since February 25, 2015, the Company's Chief Financial Officer (CFO), Valeriy Inyushin, has been authorized by the Management Board to act as the Group's Chief Risk Manager (CRM) responsible for the Group's risk reporting on both a regular and an ad hoc basis. This appointment has enabled the Management Board to gain access to all risk-related information at any time so that it can identify and assess various risk events, take appropriate action, and respond to different developments and scenarios.

For further information, see note 27, "Financial risk management objectives and policies", in the Notes to the Consolidated Financial Statements for the year ended December 31, 2020.

RISK FACTORS AND RISK MEASUREMENT

Risks arise from the Group companies that PeWeTe operates in Russia and Kazakhstan, Romania and Oman. Material risks to the Group's net assets, financial position, and results of operations stem from the monetary policies and economic actions of the Russian and Kazakh governments. Measures undertaken by the Russian government in different spheres such as taxation, technology, and environmental policy to improve federal budget parameters and ensure safe and secure oil and natural gas production may indirectly affect the service providers in the region. In 2020, all states, including Russia, began to elaborate specific quarantine legislation and rules, which also determine logistics in the oil industry. Further risks to the business prospects, earnings, and financial performance of the PeWeTe Group might arise from the continuing deterioration of political relations between Russia and Western countries, especially the United States and the United Kingdom. The change of the US administration in January 2021 may generate a new wave of sanctions.

As before, the currency risk arising from the volatility of the Russian ruble and the Kazakh tenge is one of the key risks to the PeWeTe Group's financial stability. The group-wide Opportunities and Risk Management System addresses financial risks and helps to develop countermeasures aimed at mitigating these risks. Just-in-time planning in the supply chain, maintaining a balanced assets/liabilities structure, and efforts to generate revenue in hard currencies are the main ways to alleviate these risks. The development of commercial and operational activities in Romania and Oman is aiming to mitigate these risks by generating revenue in more stable currencies.

Certain assets may become fully or partly impaired in case of a deterioration in the industrial environment, which now includes not only the oilfield services segment but also the Russian proppant market. In turn, any such impairment could make it difficult or impossible to attain forecast business goals, significantly impacting the Group's financial results. The deceleration of or reduction in oil production in Russia and the related, potential limitation of oil majors' capital expenditure (CapEx) programs have become additional significant risk factors that define prospective demand for oilfield services.

A certain level of sales risk is integral to ordinary business activities and is likely to arise as a result of ongoing changes in the oilfield services segment. The Group depends on a limited number of key clients, most of them oil majors. The crisis in the global oil industry strengthened this trend. Any failure to achieve our operating objectives or to meet our targets could potentially result in the loss of key clients and thus in significantly lower revenue. To counteract these risks, PeWeTe focuses on innovative services, technologies, and processes that are tailored to clients' needs. Our strategically broad range of services as well as our excellent market and production know-how should help us to remain independent in our markets. We are also expanding the range of our services and our markets into attractive niches where innovative solutions and premium quality are a must.

The founding of the management company, Petro Welt Technologies LLC, in Russia serves to rigorously implement the Group's risk management policies in all Group subsidiaries.

LIQUIDITY AND CREDIT QUALITY RISKS

The management Company's approach to liquidity management, which serves to ensure the liquidity of all operating companies, has been reinforced. The main remaining risk is that of potential defaults on the part of clients and/or (sub)contractors.

In this context, PeWeTe provides clear guidance for use in its subsidiaries' credit policies. Both the financial statements and the legal status of each and every client and agent are checked by financial and security experts before any agreements are made. At the top Group level, the primary goal is to keep the key liquidity, credit, and capital indicators such as the liquidity position, the net debt-to-EBITDA ratio, and the equity ratio within defined ranges.

The PeWeTe Group has implemented basic rules for managing free cash and depositing it with the top 20 credit institutions. Wellprop is also integrated into the Group system of monitoring and managing liquidity risk.

The Group has successfully maintained its Moody's credit rating of Ba3 with stable outlook. Potential Group liquidity risks are associated with its ability to meet its financial obligations, for instance, those related to trade payables or interest-bearing liabilities. In order to assess the liquidity risks, the budgeted operating, financial, and investment cash inflows and outflows are analyzed on a monthly basis throughout the Group, and the budgeted net liquidity is compared with the actual net liquidity. The Group follows a zero-debt policy with respect to funding from purely external sources over the short and medium term.

Groupwide liquidity management is currently based on pooling financial resources for the timely fulfillment of obligations to contractors. Management monitors the predicted and actual cash flows and analyzes the repayment schedules related to financial obligations.

Another measure designed to improve the quality of the PeWeTe Group's liquidity management entails the ongoing automation of treasury processes which, in turn, helps to optimize repayment planning. A relevant automation project has been launched in Kazakhstan.

In the second half of 2020, the Group implemented stricter rules regarding the establishment of credit lines for clients and strengthened the requirements applicable to both its market position and its financial statements. Besides shortening the intervals at which the required financial information is reported, we also improved our ability to monitor our key debtors by introducing communication reports based on CRM approaches. In 2020, as a result of increased credit risk related to all kinds of counterparties, the Group increased the frequency of regular reviews of financial, legal, and tax characteristics of its customers and contractors. The above-mentioned revision mostly affectedthe Group's proppant customers. Among those customers there is a large number of medium-sized companies which may be less reliable compared to large majors serviced by PeWeTe's OFS segment. The Group is also strengthening monitoring of the financial statements of medium-sized oil production companies.

Collaborating with EY Austria, in 2018 the Group also developed and launched an intergroup funding policy that serves to provide a transparent and reliable method for defining intergroup interest rates based on the arm's-length principle. All intercompany financing agreements as well as all items stipulated under this policy must be considered and approved by the PeWeTe Group's Treasury and/or the CFO.

This approach helps to optimize the management of working capital and to mitigate tax risks in a given country where the Group maintains a presence.

Due to the radical increase in payment terms for trade receivables, which exerts pressure on the net operating cash flow, the financial team of the Group elaborated and launched a factoring program, which can be used by our contractors in order to extend the time for the payment of trade payables from the Company's side.

Against this backdrop, we restructured the loan from Petro Welt Holding Limited (Cyprus) as well as the portfolio of loans PeWeTe made to KAT.oil Leasing.

PeWeTe deposits free cash with the banks in both short-term and long-term financial instruments exceeding three months. Since the financial result is relatively material to the Company's earnings, the Group is paying more attention to the analysis of the financial stability of its partner banks.

MATERIAL GROUP RISKS

MARKET RISKS

The exit of some of the largest international companies from certain emerging markets and certain market niches, the bankruptcy of local players, and sustained M&A activities throughout the industry confirm the ongoing volatility of the international oilfield services market. The GE deal involving the acquisition of Baker Hughes is one example of these trends. Now, some oil companies even think about long-term limitation of oil production activity, keeping in mind not only the global lockdown of 2020, but also building a green economy based on the concept of sustainable development. The new strategy of Shell in this direction is one of the most representative examples.

The entire industry faces significant challenges that arise from the low oilfield services price environment. Exploration and production (E&P) companies have been pushing the supply chain to aggressively lower costs which, in turn, impacts margins. The resulting implications for the service sector include reductions in capacity utilization and lower rates, forcing service companies to respond by downsizing.

For these reasons, demand for the Group's services is closely linked, in particular, to the level of activities in exploration, development, and production and, in general, to the capital spending activities of oil and natural gas companies. Any reduction in Group clients' upstream activities may lead to a situation where the PeWeTe Group's operating subsidiaries are increasingly exposed to higher downstream risks regarding their service orders and prices. In consequence, both consolidated revenue and earnings may deteriorate.

Presently, the Group operates mainly in Russia and Kazakhstan, providing services to all major oil and natural gas companies in the region. Hydrocarbon production volumes are often defined by producers' long-term strategic plans and sometimes by international contracts. In the near term, the PeWeTe Group's significant exposure to national oil companies such as Rosneft, for example, whose upstream activities and budgets have demonstrated greater resilience to the decreases in energy prices, will be one important factor in the Group's ability to mitigate market risks. The Group has started to invest in Eastern Europe and the Middle East to benefit from market trends in these regions.

The future success of the PeWeTe Group depends, first and foremost, on its ability to create an efficient contract portfolio. Sometimes, it is difficult to predict when a contract will be awarded in response to a bid submitted by a subsidiary. Contract awards may be affected by events that are beyond the scope of the Group's influence, such as energy prices, the global political and general economic environment, clients' ability to obtain required permits and licenses, and the availability of funding at a reasonable cost. In such cases, contract awards may be delayed, and some of the Group's clients may even decide to cancel tenders.

Throughout 2020, Russia joined OPEC's decision to cut global oil production, which led to a drastic reduction of the OFS market during the year. Given the fluctuations in the global oil supply and demand, oilfield services are quite sensitive to possible changes in oil majors' CapEx programs. In the second quarter of 2020, the COVID-19 shock combined with the breakup of the OPEC+ deal created a perfect storm in the global oil industry. High levels of management and operational flexibility coupled with an ability to adapt one's business model to the new realities could be one way to approach these big challenges.

FOREIGN CURRENCY RISKS

The ruble and tenge zones are exposed to commodity price dynamics. The economic steps taken by both the US government and the Federal Reserve are likely to be out of alignment. The uncertainty as to whether the principles of free trade will survive these crises may foster the emergence of currency zones even in developed countries. The new tariff regimes that are being implemented by the US, the EU, and China make the world trade system more fragile, with the potential risk of triggering yet more volatility in foreign exchange markets.

The Group's diversification into Romania and Oman provide one option for it to mitigate these risks.

In addition, the PeWeTe Group will work toward improving the correlation between the currency of earnings and the currency of costs: In other words, revenue in the local currency should be used to cover costs in the local currency.

The Group's reporting currency is the euro. Almost all of the Group's revenue and expenses are generated in Russian rubles and partly in Kazakh tenge. Fluctuations in exchange rates between the euro, the ruble, and the tenge affect the translation of the Group's financial results into euros. Any further instability in exchange rates between the US dollar, the euro, and the ruble may impact the Group's supply costs, particularly with respect to operating equipment and machinery. The exchange rate volatility may also affect the Group's consolidated balance sheet.

Our Russian entities have used regular monitoring of foreign exchange markets and fresh forecasts to build up their hard currency reserves so that they can continue to purchase imported equipment and parts as well as boost their dividends to the level customary for the parent Company. Portions of these hard currency reserves are also earmarked for helping to fund the development of our international programs..

LEGAL RISKS

1. In the Company's lawsuit against its former Executive Board members Kastner, Harder, and Mirzoyan, the Court of Appeal upheld the trial court's judgment in the Company's favor. The Court will rule on the Company's claims after considering the defendants' counterclaims. In addition, in February 2020 the Company filed a claim for damages against the same former Executive Board members for non-payment of income taxes (docket no. 23 Cg 11/20y). This action is expected to be decided together with the determination of the amount of damages in the other -aforementioned case.

2. The action for damages pending before the Twentieth Judicial Circuit for Collier County in Florida (USA) against Edward Brinkmann and his company, Majab Development LLC, for fraud in connection with orders for equipment remains in the discovery phase. Due to the restrictions related to COVID-19, the original hearing date was cancelled and a new date has not yet been set.

3. The motion to continue the investigation against Anna and Edward Brinkmann, which was filed with the Regional Court for Criminal Matters in Vienna, Austria, is still pending. The competent chamber of the court has not yet issued its decision.

SHAREHOLDER STRUCTURE AND SHARE CAPITAL INFORMATION

IN ACCORDANCE WITH SECTION 243 A (1) OF THE AUSTRIAN COMMERCIAL CODE

As of December 31, 2020, the share capital of Petro Welt Technologies AG was EUR 48,850,00 (December 31, 2019: EUR 48,850,000) and divided into 48,850,000 issued and outstanding no-par-value shares. The shares are listed on the official market of the Prime Standard at the Frankfurt Stock Exchange. All of the shares are admitted for trading. No preferred shares have been issued. There are no restrictions regarding share voting or transfer rights. as of the December 31, 2020 balance sheet date, Petro Welt Technologies AG had not bought back any of its treasury shares.

Since its successful initial public offering in 2006, PeWeTe has voluntarily complied with the German Corporate Governance Code ("Code"). Apart from a few exceptions, which are disclosed in its Declaration of Compliance, the Company has fully complied with the recommendations of the Code.

Petro Welt Holding Limited (Cyprus) directly holds 47.7% (2019: 47.7%) of the shares of Petro Welt Technologies AG. The majority owner of Petro Welt Holding Limited (Cyprus) is Joma Industrial Source Corp.

Joma Industrial Source Corp., in turn, directly holds 39.36% of the shares of Petro Welt Technologies AG (2019: 39.36%). Maurice Gregoire Dijols directly holds 5,850 shares (2019: 5,850 shares) of Petro Welt Technologies AG.

As a result, Joma Industrial Source Corp. directly and indirectly controls a total of 42,528,711 voting rights in Petro Welt Technologies AG (corresponding to 87.06% of the shares).

INTERNAL CONTROL SYSTEM

IN ACCORDANCE WITH SECTION 243 A (2) OF THE AUSTRIAN COMMERCIAL CODE

The basic characteristics of the internal control system (ICS) and the risk management system (RMS) of Petro Welt Technologies AG are described on the basis of the five components of the Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework).

The ICS covers the organizational structures along with the management accounting principles, methods, and procedures that are crucial for policy implementation by the Group's Management Board, the Audit Committee, and the Moscow-based Executive Board of Directors as well as the management teams of the Company's subsidiaries and their audit committees, internal audit departments, and top executives.

The ICS and internal business processes are subject to increasing attention of the regulators (FMA, BAFIN etc.) regarding all issues of both management and financial accounting and reporting. Therefore, process manuals manuals have been created in the form of Group and individual Company guidelines to aid in implementation. These include the accounting manual that applies to subsidiaries in accordance with Russian GAAP, the IFRS accounting policy, the budgeting manual and schedule, inventory guidelines, a handbook on the circulation of documents, a health, safety, and environmental management (HSE) manual as well as other manuals and internal instructions.

The key components of the Group's internal control system are the management accounting environment, risk assessment and management, management accounting activities, data processing and the exchange of information as well as monitoring and supervision. The management accounting environment, for its part, encompasses business policies, employees' ethical values and authorizations, the assignment of responsibilities, the organizational structure as well as guidance.

The following bodies are involved in the management accounting process: the Management Board, the Audit Committee, along with the audit committees, internal audit departments, and authorized employees of the Company's subsidiaries.

The ICS concerns the budgets and financial results of subsidiaries as well as the consolidated budget and financial results of the Group. The departments in the subsidiaries responsible for accounting and reporting report directly and regularly to the Executive Board of Directors of the Moscow-based management Company which, in turn, regularly reports on business developments to the Management Board of the Petro Welt Technologies Group. The subsidiaries' appropriate departments monitor and report on planning, budgeting, reporting as well as on deviation analyses and target attainment. They prepare monthly, quarterly, and annual financial reports in line with the requirements of Russian GAAP and the IFRS.

Quarterly reporting to the Supervisory Board relates to the accounting process, which is the main feature of internal quarterly reporting. However, it also includes a general report on the economic environment in the oil and natural gas field services industry. Other reports to the Supervisory Board include the annual report and the report by the Management Board that focuses on the annual budget, including the finance, liquidity, and investment plans.

FINANCIAL ACCOUNTING

Financial accounting in Russia is carried out using the so-called "1C program." Inventory management and disposal of assets are the responsibility of the local inventory managers at the level of the individual subsidiary. Their roles are stipulated in the inventory guidelines that apply to Group subsidiaries. Additions to non-current assets are entered into 1C and are checked against the approved investment plans on a monthly basis. Depreciation, amortization, and impairment of non-current assets are automatically recorded in 1C.

Accounts payable uses the main document entry function of 1C for entering and reviewing creditor's invoices as well as preparing payment orders. Particular importance is attached to checking legal requirements, sales and corporation tax data as well as the Group's internal regulations such as instructions related to payments, signing authorizations, and value limits. The accounting for subsidiaries is carried out in line with Russian GAAP by the respective accounting department in close cooperation with Group accounting.

On a quarterly basis, the financial accounting departments of the subsidiaries implement the adjustment process regarding their Russian GAAP financial data and prepare the IFRS packages. Once these have been finalized, they are then passed on for evaluation by the Group's IFRS reporting department. Following the department's approval, the data is forwarded to Group accounting for consolidation.

In the third quarter of 2020, the Group launched the project of switching from 1C UPP to 1C ERP in our OFS cluster aiming to harmonize all bookkeeping rules among business entities as well as integrate accounting and supply chain into one IT system. For this purpose, the Group elaborated a new Corporate Accounting Policy for Russian local GAAP and introduced it in the first quarter of 2021.

IT SYSTEMS

As stated above, the 1C system is used for financial accounting. Furthermore, the Group uses the "Oracle Hyperion" planning system for budgeting, management accounting and management reporting.

SAFETY MEASURES AND OPERATIONAL QUALITY MONITORING FOR 2018 TO 2020

The quality of our services and our safety measures have also been core values of Petro Welt Technologies AG since 2017 and will remain a priority in the future too. To ensure the safety of PeWeTe workers in the field and maintain the high quality of our operations, we continue to take steps to protect our employees from various possible hazards and to control risks. These measures include the definition of the Company's corporate policies and standards.

A root cause analysis of several of the most serious incidents that occurred in 2016 indicated new threats and new risks. The analysis disclosed new weaknesses in some of the existing safety and quality assurance processes. To address these, the Group developed a strategic program aimed at minimizing risks and improving the quality of operating processes; it has defined four key phases.

Phase 1: Quality, Health, Safety, and Environment (QHSE). This phase addressed the improvement of standards and the corporate culture. In 2016, all operating segments implemented the OLIMP online training program.

Phase 2: Hazard and effects management process (HEMP). Line of fire and injury prevention training are a part of the HEMP process that has been implemented at KATOBNEFT and KAToil-Drilling.

Phase 3: Service quality process improvements. Monthly controls by operating companies and quarterly controls by the management teams have been implemented.

Phase 4: Road safety management. In-Vehicle Monitoring System (IVMS), i.e. tracking systems, have been installed in 50% of all heavy vehicles. All contractor cars used for passenger transportation are equipped with video monitoring systems.

RESEARCH AND DEVELOPMENT

IN ACCORDANCE WITH SECTION 243(3) OF THE AUSTRIAN COMMERCIAL CODE

The Company does not undertake own R&D activities in oilfield service clusters. Instead, it cooperates with global service providers to find the best "fit-for-purpose" technologies that address clients' needs and market trends.

In 2020, Petro Welt Technologies AG engaged in limited research and development (R&D) activities related only to the manufacturing of proppant. Wellprop introduced a new product to the Russian market (ROSPROP HS RCP), which serves a new niche in high-stress fracturing markets.

The Company also finalized work on the development of its own formulations for resin-coated products and signed a contract for the development of design documentation for its own toll coating line. This new technology will be manufactured and launched into production by October 2021.

In 2020, two new proppant recipes were confirmed and two patents were issued at the end of 2020. These new formulations allow the use of alternative raw materials and – as a result – reduce manufacturing costs.

Wellprop also commenced development of two new products from proppant and plans to finalize the patent applications during the first half of 2021.

NON-FINANCIAL REPORT

The Non-Financial Report for 2020 prepared in accordance with section 267a of the Austrian Commercial Code (UGB) starts on page 12 of this Report.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred after the balance sheet date.

OUTLOOK 2021

THE GLOBAL ECONOMY AND THE OIL INDUSTRY IN 2021

The U.S. Energy Information Administration anticipates growth in the global consumption of oil to average 1.4 million barrels per day (mb/d) in 2021. The International Energy Agency forecasts an increase in world oil consumption by 6.0% from 91 mb/d in 2020 to 96.5 mb/d in 2021. The global oil supply is expected to rise by 1.3%. Hence the increase in consumption might outperform the increase in the oil supply. In turn, this will exert pressure on global oil inventories, which may decline by around 200,000 barrels per day (kb/d) during 2021. These potential draws contribute to published forecasts that Brent crude prices will rise to between USD 60 and USD 70 per barrel in 2021.

The accelerating recovery of the global economy, especially in Asia, explains rising oil prices in the first quarter of 2021. Forecasts of world economic activity for all of 2021 are also quite optimistic. For example, the World Bank predicts that global GDP will expand by 4.0% in 2021, Morgan Stanley even forecasts growth of 6.4%.

While these trends supported the Russian ruble in the first few months of 2021, it is now exposed to the geopolitical risk of further sanctions against Russian authorities, which the new U.S. Administration is expected to impose. As a result, Russia's current account balances and cash flows may become very unstable. In turn, the ruble will be very volatile and subject to alternating periods of appreciation and devaluation. We forecast that the average exchange rate of the ruble will fluctuate between 88 and 92 rubles per euro.

GUIDANCE FOR REVENUES AND EARNINGS

In these extremely difficult conditions, the Group is working to maintain secure levels of contracting and capacity utilization. The expected growth in the global demand for oil during the second half of 2021 may support our customers' CapEx programs, especially those aimed at stimulating oil production. At the same time, the oversaturation of production capacities in oilfield services will continue to have a negative impact on contractors' prices. Group revenue in rubles is expected to be RUB 21.4 billion, which translates to between EUR 233.1 million and EUR 240.9 million, based on an average exchange rate of EUR 1 between RUB 89 and RUB 92. The EBITDA margin is projected to be in the range of 16.0% to 16.6%.

[1] https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020
[2] https://www.bloomberg.com/graphics/2020-coronavirus-pandemic-global-economic-risk/

CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR’S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED AUDIT OPINION

We have audited the consolidated financial statements of

Petro Welt Technologies AG,
Vienna, Austria,

and its subsidiaries ("the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2020, and the Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, except for the effects of the matters described in the “Basis for our Qualified Opinion“ section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

BASIS FOR OUR QUALIFIED OPINION

Our audit opinion on the consolidated financial statements as at 31 December 2019 has been qualified with respect to a portion of the inventory balance which has been included in the consolidated financial statements as at 31 December 2019 in the amount of TEUR 4,577 and related materials expenses included in cost of sales in the amount of TEUR 11,885. As the inventory balance as at the beginning of the period impacts the determination of the Company’s consolidated financial performance, we have not been able to determine whether any adjustments to the materials expenses included in cost of sales reported in the Consolidated Statement of Profit or Loss for the year 2020 in the amount of TEUR 10,478 would be necessary.

Except for the matter described in the preceding paragraph, we conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor’s Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor’s report is sufficient and appropriate to provide a basis for our qualified audit opinion on this date.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon. In addition to the matter described in the section of our report “Basis for our Qualified Opinion“, we have identified the key audit matter described below.

Impairment of property, plant and equipment

Refer to Note 4 and 6, to the consolidated financial statements.

Risk for the Consolidated Financial Statements

The recoverable amounts of the CGUs were determined based on the value in use, estimated by discounting future cash flows to be generated from the continuing use of the CGUs. The assessment, whether any impairment (or reversal of impairment) to the carrying value of property, plant and equipment should be recognized requires significant estimation by management. These mainly comprise estimates with regards to future hydraulic fracturing and drilling operations, development of raw materials and production services price, forecast of capital expenditures, estimate of the terminal growth rate including the underlying average producer price index, as well as the determination of the required discount rate.

This report is a translation of the original report in German, which is solely valid.

Due to the volatility of the business environment and the resulting inherent uncertainty involved in forecasting and discounting future cash flows, the valuation of property, plant and equipment represents a key audit matter.

Our Response

We have evaluated the impairment of property, plant and equipment as follows:

- Our audit procedures included the evaluation of the design and implementation of internal controls as well as the testing of the Group's budgeting process upon which the forecasts are based
- We have evaluated the group's discounted cash flow model including the underlying assumptions by reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.
- We used our own internal valuation specialists to assist us in evaluating the assumptions and methodology used by the Group, in particular those relating to the forecast revenue growth and profit margins.
- We compared the group's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, inflation and discount rates, as well as performing sensitivity analysis on these assumptions.
- We also assessed whether the Group's disclosures are complete, especially with regards to the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of property, plant and equipment.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report and the annual financial report, other than the consolidated financial statements, the group management report and the auditor’s report.

Our qualified opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group’s financial reporting process.

This report is a translation of the original report in German, which is solely valid.

AUDITOR'S RESPONSIBILITIES

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 to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We 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 our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. 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 continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

This report is a translation of the original report in German, which is solely valid.

REPORT ON OTHER LEGAL REQUIREMENTS

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements, on which we have issued a qualified audit opinion, and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements, on which we have issued a qualified audit opinion, and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 15 July 2020 and were appointed by the supervisory board on 12 August 2020 to audit the financial statements of Company for the financial year ending on that date.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31 December 2015.

We declare that our qualified opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr Mag. Yann Georg Hansa.

Vienna, 27 April 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed by
Mag. Yann Georg Hansa
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2020

in TEUR	Notes	12/31/2020	12/31/2019
Assets			
Non-current assets		**127,710**	**166,897**
Property, plant and equipment	6	123,626	161,107
Intangible assets	7	2,189	2,010
Right-of-use assets	8	822	360
Goodwill	6	-	611
Other assets		92	78
Deferred tax assets	21	981	2,731
Current assets		**236,577**	**285,844**
Inventories	9	35,653	43,530
Trade receivables	10	69,833	77,049
Contract assets	10	9,455	14,556
Bank deposits	12	43,944	5,350
Other current assets	11	4,517	5,752
Income tax receivable		1,488	997
Cash and cash equivalents	12	71,687	138,610
Total assets		**364,287**	**452,741**
Equity and liabilities			
Equity		**183,041**	**254,272**
Share capital	13	48,850	48,850
Capital reserve	13	111,987	111,987
Retained earnings		275,274	268,609
Remeasurement of defined benefit plans	22	351	321
Currency translation reserve	13	(253,421)	(175,495)
Non-current liabilities		**127,981**	**125,239**
Non-current financial liabilities to affiliated parties	14	122,905	119,298
Non-current lease liabilities		553	221
Deferred tax liabilities	21	4,209	5,339
Employee benefits	22	314	381
Current liabilities		**53,265**	**73,230**
Trade payables	14	31,028	44,344
Other current liabilities	14	21,933	27,216
Current lease liabilities		266	146
Advance payments received	14	36	827
Income tax payables	14	2	697
Total equity and liabilities		**364,287**	**452,741**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

in TEUR	Notes	2020	2019
Revenue	15	252,295	298,424
Cost of sales	16	(217,409)	(260,118)
Gross profit		**34,886**	**38,306**
Administrative expenses	17	(22,133)	(23,911)
Selling expenses		(1,593)	(2,353)
Other operating income	18	3,766	2,181
Other operating expenses	19	(3,558)	(6,673)
Operating result		**11,368**	**7,550**
Finance income	20	5,916	9,808
Finance costs	20	(3,654)	(4,695)
Net finance income		**2,262**	**5,113**
Profit before income tax		**13,630**	**12,663**
Income tax expense	21	(6,965)	(7,252)
Profit		**6,665**	**5,411**
Basic earnings per share in EUR	23	0.14	0.11
Diluted earnings per share in EUR	23	0.14	0.11

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

in TEUR	Notes	2020	2019
Profit		**6,665**	**5,411**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences from:			
Translation of a foreign operation	13	(53,328)	30,119
Net investments in foreign operations	21	(26,960)	14,968
Income tax effect related to currency translation differences	21	2,362	(2,037)
Items that will never be reclassified to profit or loss:			
Net gains/(losses) on remeasurement of defined benefit plans	22	37	(59)
Income tax effect related to remeasurement of defined benefit plans	21	(7)	12
Total other comprehensive (loss)/income		**(77,896)**	**43,003**
Total comprehensive (loss)/income		**(71,231)**	**48,414**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

					Currency translation reserve		
in TEUR	Share capital	Capital reserve	Retained earnings	Remea-surement of defined benefit plans	Translation of a foreign operation	Net investment in foreign operations	Total equity
As of January 1, 2019	48,850	111,987	263,198	368	(108,028)	(110,517)	205,858
Profit	-	-	5,411	-	-	-	5,411
Currency translation differences	-	-	-	-	30,119	12,931	43,050
Net gains on remeasurement of defined benefit plans	-	-	-	(47)	-	-	(47)
Total comprehensive income	**-**	**-**	**5,411**	**(47)**	**30,119**	**12,931**	**48,414**
As of December 31, 2019	**48,850**	**111,987**	**268,609**	**321**	**(77,909)**	**(97,586)**	**254,272**
As of January 1, 2020	48,850	111,987	268,609	321	(77,909)	(97,586)	254,272
Profit	-	-	6,665	-	-	-	6,665
Currency translation differences	-	-	-	-	(53,328)	(24,598)	(77,926)
Net gains on remeasurement of defined benefit plans	-	-	-	30	-	-	30
Total comprehensive income	**-**	**-**	**6,665**	**30**	**(53,328)**	**(24,598)**	**(71,231)**
As of December 31, 2020	**48,850**	**111,987**	**275,274**	**351**	**(131,237)**	**(122,184)**	**183,041**

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020

in TEUR	Notes	2020	2019
Profit before tax		**13,630**	**12,663**
Adjustments for:			
Depreciation and amortization	6, 7, 8	29,700	38,031
Impairment of goodwill and property, plant and equipment	6	4,161	-
Net (gain)/loss on the disposal of property, plant and equipment	18, 19	(165)	114
Foreign exchange (gain)/loss	20	(1,320)	970
Net finance income	20	(942)	(6,083)
Income taxes paid		(5,440)	(7,987)
Change in working capital		**(16,111)**	**(1,600)**
Change in inventories		(2,604)	(6,181)
Change in contract assets		1,843	(4,391)
Change in trade and other receivables		(11,023)	378
Change in trade and other liabilities		(4,327)	8,594
Cash flows from operating activities		**23,513**	**36,108**
Purchase of property, plant and equipment		(29,038)	(47,244)
Proceeds from sale of equipment		765	2,511
Addition to bank deposits		(48,235)	(5,443)
Withdrawal of bank deposits		5,323	1,020
Interest received		4,646	8,814
Refund of advance payment from supplier		645	1,764
Cash flows used in investing activities		**(65,894)**	**(38,578)**
Payment of lease liabilities		(228)	(166)
Cash flows used in financing activities		**(228)**	**(166)**
Effect of exchange rate changes on cash and cash equivalents		(24,314)	15,672
Net change in cash and cash equivalents		(66,923)	13,036
Cash and cash equivalents at January 1		138,610	125,574
Cash and cash equivalents at December 31		**71,687**	**138,610**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

Petro Welt Technologies AG ("the Company") is a company established under Austrian law (FN 69011 m). The Company's registered office is 1010 Vienna, Kärntner Ring 11–13. The shares of the Company are traded on the Prime Standard at the Frankfurt Stock Exchange.

The consolidated financial statements comprise the Company and its subsidiaries listed in Note 5 (together with the Company referred to as the "Group").

The Group is primarily engaged in supply of technology and integrated project management for the oil and gas production industry. The main activities of the Group include hydraulic fracturing, sidetrack drilling, drilling and remedial as well as auxiliary services.

The Group's operations are located in the Russian Federation and in Kazakhstan.

Average number of employees was 3,308 in 2020, including 366 employees of management and office staff (2019: 3,360, including 395 employees of management and office staff).

The ultimate beneficiary owner of the Group is Mr Maurice Dijols. The Company's immediate parent companies are Petro Welt Holding Limited (Cyprus) and Joma Industrial Source Corp.

These consolidated financial statements are published in German and English languages. The German version of the consolidated financial statements prevails.

2. OPERATING ENVIRONMENT OF THE GROUP

COVID-19

In December 2019, a new strain of coronavirus (COVID-19) was reported in China, which subsequently spread worldwide. On March 11, 2020 The World Health Organization has declared the coronavirus outbreak a pandemic. Travel restrictions, quarantine and other measures taken in various countries to combat the pandemic have had a significant negative impact on the global economy. The decline in global economic activity caused drastic decrease in demand for hydrocarbons, which led to a sharp drop in oil prices. On April 12, 2020, the OPEC+ member countries signed a new agreement to reduce oil production starting from May 1, 2020. This coordinated reduction, combined with the negative impact of low prices on the level of oil production in various countries, led to a decrease in supply, a reduction in the market surplus and a gradual recovery in oil prices.

The Group operates in the oilfield services sector that has been affected by the outbreak of COVID-19 and has led to a number of impacts for the Group's operating and financial performance. The reduction of oil production under OPEC+ agreement has led to revision of number of jobs for core Group's services. Since the outbreak of the COVID-19 new coronavirus pandemic, the Group has been taking the necessary measures to mitigate the direct impact of the pandemic on operations, prioritizing the proper protection of employees and customers, as well as the continuity of production processes. Current market conditions create additional uncertainty in the estimates and affect some of the valuation assumptions used in the impairment testing within these consolidated financial statements: discount rate; number of jobs, revenue per job.

For additional information on the impact refer to Note 6 Property, plant and equipment and Note 10 Trade receivables, contract assets and lease receivables.

RUSSIAN BUSINESS ENVIRONMENT

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine. The COVID-19 coronavirus pandemic has further increased uncertainty in the business environment.

KAZAKHSTAN BUSINESS ENVIRONMENT

The Group's operations are also located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakh tenge, volatility in the global price of oil and the COVID-19 coronavirus pandemic have also increased the level of uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of the impact of the Russian and Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

3. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as well as the additional requirements in accordance with § 245a UGB (Austrian Commercial Code). Petro Welt Technologies AG and its subsidiary companies maintain their accounting records according to the regulations applicable in their country of registration. These consolidated financial statements are based on such financial books and records adjusted in order to comply with IFRS as adopted by the EU.

A summary of principal accounting policies applied in the preparation of these consolidated financial statements is set out in Note 4. The policies have been consistently applied to all the periods presented, unless otherwise stated.

(B) GOING CONCERN

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The outbreak of the COVID-19 pandemic and the measures adopted by the government in countries of operation to mitigate its spread have not impacted the Group to an extent that it would not be able to continue as a going concern. These measures did not require the Group to suspend its operations during 2020 besides some fields located in Kazakhstan.

Also, to respond to a severe downside scenario, management implemented mitigating actions to reduce costs and preserve liquidity and financial results.

Taking into account these available measures, the existing financial resources, and the Group's ability to generate positive cash flows from operating activities, the management believes that the Group has sufficient financial stability to survive even in a significantly worsened economic environment. Accordingly, management has concluded that there is no significant uncertainty regarding the Group's ability to continue as a going concern.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro, which is the functional currency of the parent company. The functional currencies of the foreign subsidiaries are as follows:

- Russian foreign subsidiaries – Russian ruble ("RUB");
- Petro Welt Technologies Kazakhstan LLP – Kazakh tenge ("KZT");
- PeWeTe EVO EUROPE S.R.L. – Romanian leu ("RON");
- PeWeTe EVO SERVICES LLC – Omani rial ("OMR").

All financial information presented in euro has been rounded to the nearest thousand, except when otherwise indicated.

(D) USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRSs as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following Notes:

- Note 4 – useful lives of property, plant and equipment;
- Notes 6, 7 – impairment test: key assumptions underlying recoverable amounts;
- Note 13 – equity: intra-group loans, which are part of the net investments in foreign operations;
- Note 4, 15 – revenue;
- Note 21 – recognition of deferred tax assets: availability of future taxable profit against which tax loss carry-forwards can be used;
- Note 25 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

4. SIGNIFICANT ACCOUNTING POLICIES

REVENUE

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Incremental costs of obtaining a contract with a customer must be capitalized as an asset and amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

The Group provides oilfield services, which increase the productivity of new and existing oil wells. The main activities of the Group include hydraulic fracturing, sidetrack drilling, drilling, remedial as well as auxiliary services and manufacturing of proppant.

(i) Sale of proppant

The sale of proppant is generally a single performance obligation. Revenue is recognized at the point in time when control over the proppant is transferred to the customer, generally upon delivery of the goods (i.e. transfer of substantially all the risks and rewards associated with the goods to the customer).

(ii) Rendering of oilfield services

The Group's well services and stimulation segment provides hydraulic fracturing, sidetrack drilling, drilling, remedial as well as auxiliary services.

The Group concluded that sidetrack drilling and drilling services are satisfied over time, given that the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The performance obligation is the drilling services for an individual well. The Group recognizes sidetrack drilling and drilling revenue using the output method by reference to the stage of completion which is calculated on the basis of the physical volume of finished work.

The Group recognizes hydraulic fracturing and auxiliary services revenue when the service has been completed as the period of providing these services is short-term (usually one day or less).

In certain contracts, the Group purchases materials from the customer to facilitate the Group's fulfilment of its performance obligations under a separate contract with the same customer. In management's judgment the Group does not obtain control over such materials and consequently the related costs are excluded from revenue and costs of goods sold.

FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification – financial assets

The Group classifies financial assets into the following categories, as appropriate: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

A financial asset is measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Group does not have financial asset measured at fair value through profit or loss or other comprehensive income.

(iii) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iv) Impairment – financial assets, contract assets and lease receivables

The Group recognizes loss allowances for expected credit losses ("ECLs") on:

- Financial assets measured at amortized cost;
- Contract assets;
- Lease receivables, which are disclosed as part of trade receivables.

Loss allowances are measured on the basis of lifetime ECLs, except for bank balances for which credit risk has not increased significantly since initial recognition, and which are measured on the basis of 12-month ECLs or a shorter period if the expected life of the instrument is less than 12 months.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes, when available, credit ratings provided by international rating agencies (Moody's, S&P and Fitch).

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

ECL is determined based on the estimated exposure at default (EAD), which usually corresponds to the gross carrying amount as of the reporting date, the assessed probability of default (PD) and the estimated loss given default (LGD).

The probability of default is determined based on international rating agencies' data. The rating category for each borrower is determined on the basis of the lowest rating that the borrower has received out of three international rating agencies' ratings. In case of the absence of an external rating the pre-default category is used.

The Group considers a financial asset, contract asset or lease receivable to have low credit risk when the credit risk rating of the counterparty is equivalent to the globally understood definition of "investment grade". The Group considers this to be Baa3 or higher per Moody's.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due or when the credit risk rating of the counterparty has been downgraded below investment grade.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- A breach of contract such as a default;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

For details of the application of the accounting policy for accounts receivables, contract assets and lease receivables, refer to Note 10, and for cash and cash equivalents and bank deposits – Note 12.

(v) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

CASH AND CASH EQUIVALENT

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intragroup balances and transactions, including income, expenses, dividends and unrealized gains on transactions between Group members are eliminated in full. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of profit and loss. After initial recognition, goodwill is measured at cost less any accumulated impairment.

VALUE ADDED TAX

Output value added tax related to sales is payable to tax authorities on the earlier of collection of the receivables from customers, or delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprise material, direct labour and the appropriate indirect manufacturing costs (based on normal operating capacity). Obsolete and slow-moving inventories are written down, taking into account their expected use and their future realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within other income/other expenses in the consolidated statement of profit or loss.

Construction in progress is accounted for based on actual costs less provision for impairment. Upon completion, assets are transferred to corresponding category of property, plant and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred through consolidated statement of profit or loss. Costs of replacing of major parts or components are capitalized and the replaced part is retired.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over the estimated useful lives:

Useful life	Number of years
Buildings	5–33 years
Plant and machinery	2–15 years
Operational and office equipment, data processing equipment	2–15 years
Vehicles	2–7 years

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated cost of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its useful life. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses arising from the retirement or disposal of property, plant and equipment are included in profit or loss as incurred.

INTANGIBLE ASSETS

Intangible assets include computer software and rights to use this software. Acquired items of intangible assets are capitalized on the basis of the costs incurred to acquire and bring them to use. The items of intangible assets are amortized using straight-line method.

Patents that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is generally recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Patents 10–20 years;
- Software 3–10 years.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment test for an asset is required (goodwill), the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are collaborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses are recognized in the consolidated statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed.

PENSION AND POST-EMPLOYMENT BENEFITS

Defined benefit pension plans

Defined benefit pension plans estimate the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the end of the reporting period less fair value of plan assets.

The defined benefit obligations are calculated by an independent actuary. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operations of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from measurement of pension benefit obligations are recognized in other comprehensive income. Past service cost is immediately recognized in the consolidated statement of profit or loss within operating expenses.

Other liabilities to employees after the termination of their employment

The Group pays a one-time financial assistance in connection with the achievement of the employees' anniversary of age, lump benefits upon retirement or disability, reallocation from Far North territory compensation etc. The size of these payments is usually dependent on one or more factors such as age, years of service and minimum wage rates that are used in Group companies.

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions for the calculation of liabilities for these types of payments are recognized in profit or loss in the period in which they arise.

INCOME TAXES

Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation and legislation of other jurisdictions in which the Group operated during the reporting period. The income tax charge comprises current tax and deferred tax and is recognized in profit or loss except if it is recognized in other comprehensive income because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits and losses for the current or prior periods.

Deferred income tax is recognized for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recognized for temporary differences on initial recognition of goodwill or any asset or liability if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded in the statement of financial position only to the extent that it is probable that the sufficient taxable profit will be available against which the deductions can be utilized.

The future taxable profits and the amount of tax benefits that are probable in the future are based on management expectations that are believed to be reasonable under the circumstances.

FOREIGN CURRENCY TRANSACTIONS
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign currency differences arising in translation are recognized in profit or loss.

The relevant exchange rates used for foreign currency transactions in relation to the Russian ruble and Kazakh tenge are as follows:

Currency (1 USD =)	Closing rate as of 12/31/2020	Closing rate as of 12/31/2019	Average rate 2020	Average rate 2019
Russian ruble (RUB)	73.88	61.91	72.15	64.74
Kazakh tenge (KZT)	420.71	381.18	413.36	382.87

Currency (1 EUR =)	Closing rate as of 12/31/2020	Closing rate as of 12/31/2019	Average rate 2020	Average rate 2019
Russian ruble (RUB)	90.68	69.34	82.45	72.50
Kazakh tenge (KZT)	516.13	426.85	471.81	428.63

FOREIGN OPERATIONS

The results and financial position of all of the Company's subsidiaries that have a functional currency which is different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each reporting date presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of profit or loss and each statement of other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- All resulting exchange differences are recognized as a separate component of other comprehensive income; and
- In the consolidated statement of cash flow, cash balances at the beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the period presented, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Resulting exchange differences, if any, are presented as Effect of exchange rate fluctuations on cash and cash equivalents within the consolidated statement of cash flow.

The financial statements of the Russian companies are translated into the presentation currency (EUR) using the official exchange rates of the Russian Federation.

The relevant exchange rates used for foreign currency translation in relation to the euro are as follows:

Currency (1 EUR =)	Closing rate as of 12/31/2020	Closing rate as of 12/31/2019	Average rate 2020	Average rate 2019
Russian ruble (RUB)	90.68	69.34	82.45	72.50
Kazakh tenge (KZT)	516.13	426.85	471.81	428.63

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such an item form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

Exchange differences and related income tax effects resulting from intra-group loans issued by Petro Welt Technologies AG to OOO KAT.oil Leasing, which are part of the net investment, are recognized in other comprehensive income.

PROVISIONS
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

SEGMENT REPORTING
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Management board to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Management board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

DIVIDENDS
Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are authorized for issue are disclosed in the subsequent events note.

EARNINGS PER SHARE
Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

LEASES
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets (e.g., personal computers) and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term (i.e., leases with a lease term of 12 months or less).

(ii) As lessor

The Group leases out its drilling, sidetracking and some of its fracturing equipment.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Group has classified these leases as operating leases.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

NEW STANDARDS OR AMENDMENTS ADOPTED IN 2020

The Group adopted the following new standards or amendments to existing standards for the annual period 2020, which did not result in any material effect on these financial statements:
- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after January 1, 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)s

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at December 31, 2020 will be completed before the amendments become effective. The Group does not expect material effect from applying this standard on the financial statements.

Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- Changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- Hedge accounting.

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At December 31, 2020, the Group has an unsecured loan in the amount of TEUR 122,905, the interest rate of which is based on the EURIBOR and that might be subject to the IBOR reform. The Group currently analyses the potential effect of the IBOR reform on the financial statements.

The Group does not apply hedge accounting and, therefore, does not expect any related effect as a result of the IBOR transition.

Disclosure

The amendments will require the Group to disclose additional information about the entity’s exposure to risks arising from interest rate benchmark reform and related risk management activities.

Transition

The Group is in the process of analysing the potential effect of the IBOR reform on the financial statements.

Other standards

The following new and amended standards are not expected to have a significant impact on the Group’s consolidated financial statements.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

5. SUBSIDIARIES

The subsidiaries of the Group and the share held by the Group are as follows:

Entity	Country of incorporation/the principal place of business	12/31/2020 % share	12/31/2019 % share	Activity
OOO KATKoneft	Kogalym, Russia	100.0	100.0	Oilfield services
OOO KATOBNEFT	Nizhnevartovsk, Russia	100.0	100.0	Oilfield services
OOO Trading House KAToil	Moscow, Russia	100.0	100.0	No operations
OOO KAToil Leasing	Kogalym, Russia	100.0	100.0	Leasing of production equipment to operational Group companies
OOO KAToil-Drilling	Kogalym, Russia	100.0	100.0	Oilfield services
TOO Petro Welt Technologies Kazakhstan	Aktau, Kazakhstan	100.0	100.0	Oilfield services
OOO Petro Welt Technologies	Moscow, Russia	100.0	100.0	Consulting and management services to the Group companies
OOO Wellprop	Kopeysk, Russia	100.0	100.0	Manufacturing of proppant
PeWeTe EVO EUROPE S.R.L.	Bucharest, Romania	100.0	100.0	Oilfield services
PeWeTe EVO SERVICES LLC	Muscat, Oman	100.0	100.0	Oilfield services
PeWeTe Evolution LIMITED	Lymassol, Cyprus	100.0	100.0	Management services
Wellprop Cyprus LIMITED	Lymassol, Cyprus	100.0	100.0	Holding company

On August 5, 2019, Petro Welt Technologies AG finalized the registration of its new local business entity PeWeTe EVO SERVICES LLC in Muscat, which is to provide the company's services in the Sultanate of Oman.

6. PROPERTY, PLANT AND EQUIPMENT

Movements of the carrying amount of property, plant and equipment were as follows:

in TEUR	Land and buildings	Motor vehicles	Machinery, fittings and equipment	Electronic data processing equipment	Advance payments	Total
Cost or valuation						
At January 1, 2019	**18,309**	**16,526**	**330,933**	**1,700**	**10,600**	**378,068**
Additions	1,523	1,213	30,749	466	15,195	49,146
Transfer	(452)	-	7,220	-	(6,768)	-
Disposals	(24)	(335)	(9,795)	(24)	(3,092)	(13,270)
Exchange differences	2,567	1,404	47,038	255	1,045	52,309
At December 31, 2018	**21,923**	**18,808**	**406,145**	**2,397**	**16,980**	**466,253**
Additions	331	620	26,662	478	802	28,893
Transfer	-	-	14,626	-	(14,626)	-
Disposals	(517)	(852)	(10,586)	(43)	(848)	(12,846)
Exchange differences	(4,984)	(2,754)	(92,327)	(585)	(779)	(101,429)
At December 31, 2020	**16,753**	**15,822**	**344,520**	**2,247**	**1,529**	**380,871**
Depreciation and impairment						
At January 1, 2019	**8,549**	**13,070**	**220,219**	**700**	**-**	**242,538**
Depreciation	1,102	1,203	34,974	411	-	37,690
Disposals	(13)	(335)	(8,508)	(24)	-	(8,880)
Exchange differences	1,242	847	31,686	23	-	33,798
At December 31, 2019	**10,880**	**14,785**	**278,371**	**1,110**	**-**	**305,146**
Depreciation	903	1,000	26,867	410	-	29,180
Impairment	-	-	3,550	-	-	3,550
Disposals	(259)	(852)	(10,447)	(43)	-	(11,601)
Exchange differences	(2,468)	(1,883)	(64,401)	(278)	-	(69,030)
At December 31, 2020	**9,056**	**13,050**	**233,940**	**1,199**	**-**	**257,245**
Net book value						
As of January 1, 2019	**9,760**	**3,456**	**110,714**	**1,000**	**10,600**	**135,530**
As of December 31, 2019	**11,043**	**4,023**	**127,774**	**1,287**	**16,980**	**161,107**
As of December 31, 2020	**7,697**	**2,772**	**110,580**	**1,048**	**1,529**	**123,626**

Depreciation expense for 2020 of TEUR 28,892 (2019: TEUR 37,408) has been charged to cost of sales and TEUR 288 (2019: TEUR 282) to administrative expenses. The impairment loss for 2020 of TEUR 3,550 has been charged to cost of sales (2019: nil).

The net book value of property, plant and equipment for which operating rent income has been recognized amounts to TEUR 59,739 as at 31 December 2020, representing cost in the amount of TEUR 212,312 and accumulated depreciation of in the amount of TEUR 152,573 (31 December 2019: TEUR 86,555, representing cost in the amount of 275,477 and accumulated depreciation the amount of 188,922). This property, plant and equipment mainly relates to “Machinery, fittings and equipment“.

IMPAIRMENT OF NON-FINANCIAL ASSETS

As a result of a triggering event analysis as of December 31, 2020 certain indicators for impairment were identified (oil price decrease, covid-19 pandemic). The recoverable amounts of cash-generating units were calculated.

The Group's management believes that the following Group’s subsidiaries constitute separate cash generating units: OOO KATKoneft, OOO KATOBNEFT, OOO KAToil-Drilling, LLP Petro Welt Technologies Kazakhstan, OOO Wellprop, PeWeTe EVO EUROPE S.R.L., PeWeTe EVO SERVICES LLC.

The recoverable amounts of these CGUs were identified based on the value in use, determined by discounting future cash flows to be generated from the continuing use of the CGUs.

The cash flows are derived from the budget for the next year and forecast for the remaining four years. The budget and business plans are updated to reflect the most recent developments as at issuance date of these consolidated financial statements. Inspite of forecast by International Energy Agency for the world oil consumption to reach 96.5 mb/d in 2021 (growth by 6.0% from 91 mb/d in 2020) the Group takes into consideration the higher uncertainty and higher risk of future cash flows and examines the worse scenario for the purposes of impairment testing. For determining the value in use the management limited the increase of annual turnover for the CGUs OOO KATOBNEFT and OOO KAT-oil Drilling to 3.1% in the forecast for 2021 in comparison to the actual revenue in 2020. Together with the CGU KATKoneft, the Group has considered a decrease in total revenues of 7.0% in the forecasts for 2021 for its Russian business units engaged in oilfield services. The calculations do not include restructuring activities or significant future investments that will enhance the asset’s performance of the CGU being tested.

The following assumptions were used when the impairment test was performed:

Assumptions used in impairment test	12/31/2020	12/31/2019
Information used	Actual operating results for the year 2020 and business plans for 2021–2025	Actual operating results for the year 2019 and business plans for 2020–2024
Forecast period	5 years (2021–2025)	5 years (2020–2024)
Consolidated forecast of volume of hydraulic fracturing and drilling operations	Based on management forecast of future trends and developments of the business approved by senior management	
Raw materials and production services price	Estimates are obtained from published Producer Price Index by the Economist Intelligence Unit	
Forecast of capital expenditures	Based on the management forecasts of maintenance capital expenditures for modernization and reconstruction program	
Terminal growth rate	2.8%–5.3%	4.1%–5.3%
	Average producer price index in terminal period	
Weighted average cost of capital (discount rate)	13.3% – CGUs OOO KATKoneft, OOO KATOBNEFT, OOO KAToil-Drilling 14.5% – CGU OOO Wellprop 15.8% – CGU LLP Petro Welt Technologies Kazakhstan 13.8% – CGU PeWeTe EVO EUROPE	12.9% – CGUs OOO KATKoneft, OOO KATOBNEFT, OOO KAToil-Drilling 14.3% – CGU OOO Wellprop 15.2% – CGU LLP Petro Welt Technologies Kazakhstan
	Current market assessment of the risks specific to cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. Equity risk premium of 6.5% is an expert estimation that was raised from 6% used in the previous reporting period due to the higher uncertainty and higher risk of future cash flow especially regarding quick recovery of business in 2021 after 2020 drop. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. These factors are evaluated annually based on publicly available market data.	

As a result of the impairment testing as of December 31, 2020 the carrying amount of CGU Wellprop was determined to be higher than recoverable amount and an impairment loss was recognized in the amount of TEUR 611 (as of December 31, 2019: nil). The related impairment loss was allocated to goodwill and recognized through profit and loss.

For the CGU PeWeTe EVO EUROPE the recoverable amount has been determined to be below the carrying amount and an impairment loss of TEUR 3,550 has been recognized, which has been fully allocated to property, plant and equipment. The recoverable amount has been determined based on the value in use, as fair value less cost to sell cannot be estimated reliably. The value in use calculation for the CGU PeWeTe EVO EUROPE is based on a detailed planning period (2021–2025) as well of an additional planning period (2026–2030). The additional planning period was included in order to determine a sustainable long-term level considering the start-up phase of the CGU's operation and due to the COVID-19 pandemic effects. At the time of the preparation of the balance sheet as of December 31, 2020 PeWeTe EVO EUROPE was more affected by the COVID-19 crisis (restrictions including logistics in Romania and EU) than initially expected. Because of the second wave in Europe in November/December 2020 and the subsequent boarder closures, PeWeTe EVO EUROPE was not able to start its operations of the drilling rigs based in Romania in other European countries besides Romania (e.g. Ukraine and Turkey). Moreover, due to the low oil price level in 2020, the government in Romania announced a temporary reduction in minimum production commitments, which led to drilling projects being cancelled or postponed. As a result, the business plan and thus revenue forecast was revised downwards resulting in an impairment loss for the CGU.

SENSITIVITY TO CHANGES IN KEY ASSUMPTIONS

The calculation of value in use for cash-generating units is most sensitive to the following assumptions:

- Consolidated forecast of volume of hydraulic fracturing, drilling operations and sales of proppant;
- Discount rate.

12/31/2020	12/31/2019
Equality of value in use and carrying amount becomes possible in case of revenue decrease by 1.3% in each of the years of the forecast period for CGU KATOBNEFT, by 6.8% for CGU KAToil-Drilling, by 1.1% for KATKoneft and by 2.1% for PeWeTe Kazakhstan. Due to impairment loss charge as described above the carrying amount of CGUs Wellprop and PeWeTe EVO EUROPE was reduced and equalized to the value in use.	Equality of value in use and carrying amount becomes possible in case of revenue decrease by 0.3% in each of the years of the forecast period for CGU KATOBNEFT, by 8.1% for CGU KAToil-Drilling, by 2.9% for KATKoneft and by 11.9% and 5% for PeWeTe Kazakhstan and Wellprop respectively.

Discount rate – with all other assumptions held constant.

12/31/2020	12/31/2019
Increase of discount rate to 17.8%, 14.7% and 17.2% would result in equality of value in use and carrying amount of CGU KAToil-Drilling, CGU KATOBNEFT and CGU PeWeTe Kazakhstan respectively. The impairment of CGU KATKoneft is indicated in case of discount rate growth to 14.7%. Due to impairment loss charge as described above the carrying amount of CGUs Wellprop and PeWeTe EVO EUROPE was reduced and equalized to the value in use.	An increase of discount rate to 21.4%, 13.7% and 28.5% would result in equality of value in use and carrying amount of CGU KAToil-Drilling, CGU KATOBNEFT and CGU PeWeTe Kazakhstan respectively. The impairment of CGU KATKoneft is indicated in case of discount rate growth to 17.3%, CGU Wellprop – 16.6%

7. INTANGIBLE ASSETS

in TEUR	The right to use production technology	Software and other intangible assets	Total
Cost			
As of January 1, 2019	**2,264**	**544**	**2,808**
Additions	-	63	63
Exchange differences	-	56	56
As of December 31, 2019	**2,264**	**663**	**2,927**
Additions	-	493	493
Exchange differences	-	(109)	(109)
As of December 31, 2020	**2,264**	**1,047**	**3,311**
Depreciation and impairment			
As of January 1, 2019	**185**	**511**	**696**
Amortization	148	17	165
Exchange differences	-	56	56
As of December 31, 2019	**333**	**584**	**917**
Amortization	148	159	307
Exchange differences	-	(102)	(102)
As of December 31, 2020	**481**	**641**	**1,122**
Net book value			
As of January 1, 2019	**2,079**	**33**	**2,112**
As of December 31, 2019	**1,931**	**79**	**2,010**
As of December 31, 2020	**1,783**	**406**	**2,189**

8. LEASE

Changes in right-of-use assets between January 1 and December 31 are as follows:

in TEUR	Right-of-use land	Right-of-use buildings	Right-of-use transport vehicles	Total
Cost				
As of January 1, 2019	**4**	**480**	**-**	**484**
Additions	-	16	33	49
Disposals	-	-	-	-
Exchange differences	-	5	-	5
As of December 31, 2019	**4**	**501**	**33**	**538**
Additions	392	263	25	680
Disposals	(3)	(125)	-	(128)
Exchange differences	(1)	(13)	-	(14)
As of December 31, 2020	**392**	**626**	**58**	**1,076**
Accumulated depreciation				
As of January 1, 2019	**-**	**-**	**-**	**-**
Depreciation	(2)	(172)	(2)	(176)
Disposals	-	-	–	-
Exchange differences	-	(2)		(2)
As of December 31, 2019	**(2)**	**(174)**	**(2)**	**(178)**
Depreciation	(5)	(194)	(14)	(213)
Disposals	3	125	–	128
Exchange differences	1	8		9
As of December 31, 2020	**(3)**	**(235)**	**(16)**	**(254)**
Net book value				
As of January 1, 2019	**4**	**480**	**-**	**484**
As of December 31, 2019	**2**	**327**	**31**	**360**
As of December 31, 2020	**389**	**391**	**42**	**822**

9. INVENTORIES

in TEUR	12/31/2020	12/31/2019
Spare parts and other materials	24,624	28,491
Raw material	7,209	9,683
Fuel and lubricants	1,970	3,177
Finished goods and goods for resale	1,850	2,179
Total	**35,653**	**43,530**

As of December 31, 2020 no inventories have been pledged as collateral for borrowings (December 31, 2019: nil).

10. TRADE RECEIVABLES, CONTRACT ASSETS AND LEASE RECEIVABLES

Trade receivables comprise the receivables from contracts with customers with unconditional right to payment in the amount of TEUR 69,833 (December 31, 2019: TEUR 77,049). For further information see Note 15 Revenue.

Most part of the Group's trade receivables relates to the largest Russian and Kazakh oil companies – LUKOIL, Rosneft, Gazprom Neft, Tomskneft, Kazmunaygaz which are rated as Baa2 to Baa3 based on Moody's most recent available ratings.

Given the high level of uncertainty in the current COVID-19 situation, regulators emphasize the possible unreliability of short-term forecasts and the temporary nature of the shock. Therefore, when taking into account the forecast information, it is proposed to give more weight to the long-term, stable outlook. In determining ECL the most current available ratings are used, which present a long-term outlook of external rating agencies. Also there are no impairment indicators of the portfolio in terms of delays in payments or decrease in the counterparties ratings.

The estimated ECLs were calculated based on the lifetime expected loss basis and reflects the short maturities of the exposures.

Probability of default (PD) and loss given default (LGD) were used for the assessment of expected credit losses. Probability of default corresponds to the long-term average default rate for each rating category and was estimated according to a study "2019 Annual Global Default Study and Rating Transitions" by Standard and Poor's. The rating category was determined on the basis of the minimum rating of three international rating agencies (Moody's, S&P and Fitch). LGD parameters generally reflect an assumed recovery rate which is estimated at a constant level of 45% according to "Basel II: International Convergence of Capital Measurement and Capital Standards" for corporate borrowers (2019: 45%). PD lifetime is assessed based on one year PD interpolation for time to maturity. The Group does not have financial assets with a term in excess of one year. For further information on amounts recognized for ECLs refer to Note 27 Financial Risk Management Objectives and Policies.

CONTRACT ASSETS

Contract assets were as follows:

in TEUR	12/31/2020	12/31/2019
Contract assets	9,455	14,556
Total	**9,455**	**14,556**

The contract assets primarily relate to the Group's rights to consideration for work performed but not yet invoiceable at the reporting date on drilling and fracturing arrangements. The contract assets are transferred to receivables when the rights become unconditional. During the year the contract assets were transferred to receivables or paid by the customers. This usually occurs when the Group issues an invoice to the customer in accordance with the contract.

The amount of contract assets during the period ended December 31, 2020 was impacted by an impairment charge of TEUR 4 (2019: TEUR 29).

All remaining performance obligations relate to contracts with customers with a contractual term of less than twelve months.

11. OTHER CURRENT ASSETS

Other current assets comprise the following items:

in TEUR	12/31/2020	12/31/2019
Receivables from related parties	362	362
Value added tax	586	1,353
Advance payments	1,151	1,271
Deferred expenses	629	44
Other receivables	1,789	2,722
Total	**4,517**	**5,752**

Fair value of financial current assets approximate their carrying value.

12. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

Cash and cash equivalents consist of the following:

in TEUR	12/31/2020	12/31/2019
Bank balances	17,291	12,519
Short-term deposits	54,396	126,091
Total	**71,687**	**138,610**

As of December 31, 2020 cash in current bank accounts denominated was TEUR 5,323 in EUR, TEUR 4,955 in USD, TEUR 5,257 in RUB, TEUR 521 in KZT, TEUR 37 in OMR, and TEUR 1,198 in RON (December 31, 2019: TEUR –8,594 in EUR, TEUR –1,514 in USD, TEUR –1,495 in RUB, TEUR –598 in KZT, TEUR –227 in OMR, and TEUR –91 in RON).

As of December 31, 2020 deposits with maturities of three months or less denominated were TEUR 48,270 in RUB, TEUR 1,039 in KZT, TEUR 5,087 in USD, and nil in EUR (December 31, 2019: TEUR –122,558 in RUB, TEUR –691 in KZT, TEUR –2,840, in USD, TEUR –2 in EUR) and bear interest of 0.07%–7% (December 31, 2019: 0.8%–6.7%).

Bank deposits with maturities of more than three months denominated were TEUR 21,422 in USD, TEUR 22,522 in RUB, and nil in EUR (December 31, 2019: TEUR –4,551 in USD, TEUR –799 in EUR) and bear interest of 0.1%–4.52% (2019: 0.4%–1.49%). The Group does not hold any bank deposits with maturities of more than twelve months.

There was no significant cash restricted from use as of December 31, 2020 and December 31, 2019.

The cash, cash equivalents and bank deposits are held with bank and financial institutions, which are rated A2 to Caa1, based on Moody's most recent available ratings as of December 31, 2020 (December 31, 2019: Baa3 to B2). The Group monitors changes in credit risk by tracking published external credit ratings and licence status of the financial institutions.

The estimated impairment of cash, cash equivalents and bank deposits is calculated based on 12 month ECL or less if the term of the financial instrument is less than 12 months. The Group considers that its cash, cash equivalents and bank deposits have low credit risk based on the external credit ratings of the counterparties and the validity of a licence of each financial institution. Probability of default corresponds to the long-term average default rate for each rating category and was estimated according to a study "2019 Annual Global Default Study and Rating Transitions" by Standard and Poor's. The rating category was determined on the basis of the minimum rating of three international rating agencies (Moody's, S&P and Fitch). LGD parameter is estimated at a constant level of 80% based on Fitch's rating analysis.

The impairment losses for cash, cash equivalents and bank deposits accrued according to IFRS 9 comprised TEUR 63 (December 31, 2019: TEUR 158).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

13. EQUITY

The carrying value of share capital and the legal share capital value issued and fully paid up consist of the following:

12/31/2020		12/31/2019	
No. of shares	Carrying amount	No. of shares	Carrying amount
48,850,000	48,850	48,850,000	48,850

The Company's share capital amounts to TEUR 48,850 (December 31, 2019: TEUR 48,850) and consists of 48,850,000 issued and outstanding no-par-value shares. The shares are listed on the Prime Standard, Official Market, on the Frankfurt Stock Exchange. All shares are admitted for trading. No preferred shares have been issued. There are no restrictions regarding voting rights or transmission rights of the shares. The Company has not acquired any of its own shares to date.

The shareholders are entitled to exercise their rights, in particular their voting rights, at the Annual General Meeting. Each share in the Company entitles the holder to one vote. There are no multiple or preferential voting rights and there is no cap on the number of voting rights.

Since January 16, 2015 Mr. Maurice Gregoire Dijols directly and indirectly controls in total 42,528,711 voting rights in the Company (corresponding to approx. 87.06% of the issued shares).

CAPITAL RESERVE

The capital reserve comprises the share premium from the issue of shares and amounted to TEUR 111,987 (December 31, 2019: TEUR 111,987).

CURRENCY TRANSLATION RESERVE

Currency translation reserve comprises the following items:

in TEUR	2020	2019
Foreign currency reserves at January 1	**175,495**	**218,545**
Net investments	24,598	(12,931)
Currency translation differences	53,328	(30,119)
Foreign currency reserves at December 31	**253,421**	**175,495**

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Exchange differences and related income tax effects resulting from intra-group loans issued by the Company, which are part of a net investment in foreign operations, are recognized net of tax in other comprehensive income.

14. CURRENT AND NON-CURRENT LIABILITIES

On September 30, 2019, the Company signed an amendment agreement for a loan in the amount of TEUR 116,303 that set interest at 3.41% above 6m EURIBOR rate and prolonged the maturity of the loan and accrued interest until December 31, 2023, interest accruing during the remaining term of the loan are payable at loan maturity date.

As of December 31, 2020, the non-current financial liabilities against Petro Welt Holding (Cyprus) Ltd. amounted to TEUR 122,905, including accrued but unpaid interest of TEUR 6,602 (December 31, 2019: TEUR 119,298, including accrued but unpaid interest of TEUR 2,995).

Current liabilities comprise the following items:

in TEUR	12/31/2020	12/31/2019
Trade payables	31,028	44,344
Other current liabilities	21,933	27,216
Contract liabilities	302	973
Income tax payables	2	697
Total	**53,265**	**73,230**

Other current liabilities consist of the following items:

in TEUR	12/31/2020	12/31/2019
Value added tax liabilities	6,258	6,267
Wages and salary liabilities	3,777	2,473
Unused vacations liabilities	5,363	9,053
Social insurance liabilities	1,274	1,138
Other tax liabilities	545	2,358
Property tax liabilities	27	32
Provisions for future losses	590	1,278
Other liabilities	4,099	4,617
Total	**21,933**	**27,216**

PROVISION FOR ONEROUS CONTRACTS

Management analyses at each reporting date incomplete wells for the excess of total revenue over the costs incurred. When it is probable that total costs will exceed total revenue, the expected loss is recognized immediately as an expense. Costs comprise both incremental costs (such as labour and materials) and allocation of other direct costs (incl. depreciation). Loss for such unprofitable wells in progress as at the reporting date is charged to cost of sales (refer to the Note 16) in the period in which management became aware of it and is accumulated in the consolidated statement of financial position as provision for onerous contracts.

The provision for onerous contracts related to incomplete wells amounted to TEUR 590 (December 31, 2019: TEUR 1,278).

RECONCILIATION OF CHANGES IN FINANCIAL LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		
in TEUR	Lease liabilities	Financial liabilities to affiliated parties	Total
Balance at January 1, 2020	**367**	**119,298**	**119,665**
Changes from financing cash flows			
Payment of lease liabilities	(228)	-	(228)
Total changes from financing cash flows	**(228)**	**-**	**(228)**
Other changes			
New leases	680	-	680
Accrued interest expense	23	3,607	3,630
Interest paid	(23)	-	(23)
Total other changes	**680**	**3,607**	**4,287**
Balance at December 31, 2020	**819**	**122,905**	**123,724**

	Liabilities		
in TEUR	Lease liabilities	Financial liabilities to affiliated parties	Total
Balance at January 1, 2019	**484**	**116,303**	**116,787**
Changes from financing cash flows			
Payment of lease liabilities	(166)	-	(166)
Total changes from financing cash flows	**(166)**	**-**	**(166)**
Changes in fair value	**-**	**(680)**	**(680)**
Other changes			
New leases	49	-	49
Accrued interest expense	19	3,675	3,694
Interest paid	(19)	-	(19)
Total other changes	**49**	**3,675**	**3,724**
Balance at December 31, 2019	**367**	**119,298**	**119,665**

15. REVENUE

In the following table, revenue is disaggregated by primary geographical market, major products, service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (refer to the Note 24).

Lease payments are mostly variable. The contracts are concluded for 1 up to 3 years and the payments are mostly variable and do not depend on an index or rate.

Disaggregated revenue 2020:

in TEUR	Well Services and Stimulation	Drilling, Sidetracking, and IPM	Proppant Manufacturing	Total segments	Reconciliation	Group
External sales	112,198	131,298	8,799	252,295	-	252,295
Group sales	844	110	3,005	3,959	(3,959)	-
Total sales	**113,042**	**131,408**	**11,804**	**256,254**	**(3,959)**	**252,295**
Primary geographical markets						
Russia	108,036	130,762	10,392	249,190	(3,164)	246,026
Kazakhstan	5,006	-	795	5,801	(795)	5,006
CIS and Ukraine	-	-	193	193	-	193
European and Central African countries	-	646	424	1,070	-	1,070
Total sales	**113,042**	**131,408**	**11,804**	**256,254**	**(3,959)**	**252,295**
Major products/service lines						
Hydraulic fracturing	110,022	-	-	110,022	(844)	109,178
Sidetrack drilling	-	61,126	-	61,126	(48)	61,078
Conventional drilling	-	47,669	-	47,669	(62)	47,607
Cementing	2,398	-	-	2,398	-	2,398
Rent income (IFRS 16)	385	22,519	-	22,904	-	22,904
Sale of proppant	-	-	11,187	11,187	(3,005)	8,182
Other services	237	94	617	948	-	948
Total sales	**113,042**	**131,408**	**11,804**	**256,254**	**(3,959)**	**252,295**
Timing of revenue recognition						
Goods and services transferred at a point in time		-	11,804	11,804	(3,005)	8,799
Short-term services	112,657	-	-	112,657	(844)	111,813
Services transferred over time	-	108,889	-	108,889	(110)	108,779
Rent income (IFRS 16)	385	22,519	-	22,904	-	22,904
Total sales	**113,042**	**131,408**	**11,804**	**256,254**	**(3,959)**	**252,295**

Disaggregated revenue 2019:

in TEUR	Well Services and Stimulation	Drilling, Side-tracking, and IPM	Proppant Manufacturing	Total segments	Reconciliation	Group
External sales	139,586	147,652	11,186	298,424	-	298,424
Group sales	1,139	256	2,735	4,130	(4,130)	-
Total sales	**140,725**	**147,908**	**13,921**	**302,554**	**(4,130)**	**298,424**
Primary geographical markets						
Russia	133,859	147,908	10,244	292,011	(3,392)	288,619
Kazakhstan	6,866	-	738	7,604	(738)	6,866
CIS and Ukraine	-	-	913	913	-	913
Central African countries	-	-	2,026	2,026	-	2,026
Total sales	**140,725**	**147,908**	**13,921**	**302,554**	**(4,130)**	**298,424**
Major products/service lines						
Hydraulic fracturing	135,741	-	-	135,741	(1,139)	134,602
Sidetrack drilling	-	66,331	-	66,331	(54)	66,277
Conventional drilling	-	54,644	-	54,644	(202)	54,442
Cementing	3,193	-	-	3,193	-	3,193
Rent income (IFRS 16)	942	26,899	-	27,841	-	27,841
Sale of proppant	-	-	13,549	13,549	(2,735)	10,814
Other services	849	34	372	1,255	-	1,255
Total sales	**140,725**	**147,908**	**13,921**	**302,554**	**(4,130)**	**298,424**
Timing of revenue recognition						
Goods and services transferred at a point in time		-	13,921	13,921	(2,735)	11,186
Short-term services	140,725	-	-	140,725	(1,139)	139,586
Services transferred over time	-	121,009	-	121,009	(256)	120,753
Rent income (IFRS 16)	-	26,899	-	26,899	-	26,899
Total sales	**140,725**	**147,908**	**13,921**	**302,554**	**(4,130)**	**298,424**

Revenue from contracts with customers amounted to TEUR 229,391 (2019: TEUR 271,525).

The following key assumptions were used when determining the stage of completion of wells not completed at the reporting date for the years ended December 31, 2020 and December 31, 2019:

Business unit	Sidetrack drilling	Conventional drilling
Drilling, Sidetracking, and IPM	The stage of completion is determined based on the length actually drilled as of the reporting date or on the number of days actually worked on the well as of the reporting date.	The stage of completion is determined based on the number of days actually worked on the well as of the reporting date.

The Group's results are not subject to significant seasonal fluctuations.

16. COST OF SALES

in TEUR	2020	2019
Raw materials	65,231	79,008
Direct costs	59,444	75,675
Depreciation	29,262	37,688
Impairment loss	3,550	-
Wages and salaries	43,812	47,396
Social tax	12,607	14,191
Other costs	3,503	6,160
Total	**217,409**	**260,118**

Direct costs amounting to TEUR 59,444 (2019: TEUR 75,675) comprise production services, transportation, repair and maintenance expenses.

17. ADMINISTRATIVE EXPENSES

in TEUR	2020	2019
Wages and salaries (incl. remuneration for executive bodies)	12,220	13,389
Consulting fees	3,096	2,352
Tax expense	-	224
Social tax	2,331	2,605
Rent expense on an operating lease	542	927
Travel and entertainment expenses	297	763
Depreciation and amortization	436	325
Purchase of other materials	315	337
Services rendered	1,422	1,292
Bank fees	121	135
Training costs	19	51
Audit fees	910	745
Insurance	78	88
Maintenance costs	253	447
Other administrative expenses	93	231
Total	**22,133**	**23,911**

REMUNERATION OF THE GROUP AUDITOR

The Group auditor was entitled for the following remuneration based on services:

in TEUR	2020	2019
Audit fees	530	515
Audit fees relating to prior years	343	109
Total	**873**	**624**

18. OTHER OPERATING INCOME

in TEUR	2020	2019
Gain from disposal of property, plant and equipment	656	543
Income from reversals of written-down inventories	5	3
Income from prior periods	70	70
Income from reversals of written-down trade receivables	2,106	192
Income from penalties	216	526
Other income	713	847
Total	**3,766**	**2,181**

19. OTHER OPERATING EXPENSES

in TEUR	2020	2019
Loss from the disposal of property, plant and equipment	491	657
Write-down of trade receivables	820	3,418
Provision for doubtful debts, contract assets, cash and cash equivalents and bank deposits	174	699
Loss from inventory write-off and obsolesce provision	5	47
Impairment of goodwill	611	-
Other expenses	1,457	1,852
Total	**3,558**	**6,673**

20. NET FINANCE INCOME

in TEUR	2020	2019
Interest income	4,596	9,808
Gain from exchange rate differences	1,320	-
Total finance income	**5,916**	**9,808**
Interest expenses	(3,654)	(3,725)
Loss from exchange rate differences	-	(970)
Total finance costs	**(3,654)**	**(4,695)**
Total net finance income	**2,262**	**5,113**

The Group's interest income is mainly attributable to interest on cash and cash equivalents and bank deposits.

21. INCOME TAX

The tax rate for the Austrian companies in 2020 was 25% (2019: 25%), for the Russian subsidiaries – 20% (2019: 20%) and for income taxable under tax law in Kazakhstan – 20% (2019: 20%).

Income tax expenses recognized in profit or loss are:

in TEUR	2020	2019
Current tax expenses	4,200	5,498
Deferred tax expense (income) relating to the origination and reversal of temporary differences	3,517	354
Withholding tax	1,069	1,641
Income taxes from previous years	(1,821)	(241)
Current and deferred tax expenses	**(6,965)**	**7,252**

In 2020 the income tax contains withholding taxes of TEUR 1,069 (2019: TEUR 1,641) resulted from intra-group dividend. The rate for withholding tax on dividends in Russia was unchanged at 5%.

In 2020 the tax provision accrued for previous years was reversed due to reassessment of risk exposure.

Amounts recognized in other comprehensive income were as follows:

	2020			2019		
in TEUR	**Before tax**	**Related tax**	**Net of tax**	**Before tax**	**Related tax**	**Net of tax**
Net investments in foreign operations	(26,960)	2,362	(24,598)	14,968	(2,037)	12,931
Net gains/(losses) on remeasurement of defined benefit plans	37	(7)	30	(59)	12	(47)

Reconciliation of effective tax rate:

in TEUR	**2020**	**2019**
Result before income taxes	13,630	12,663
Tax using the Russian tax rate (20%)	2,726	2,608
Effect of tax rates in foreign jurisdictions	(431)	(186)
Tax-free income	(172)	(67)
Non-deductible expenses	2,718	2,631
Change in unrecognized deferred taxes	4,003	-
Withholding tax on dividends and interest	1,069	1,641
Deferred tax liabilities for withholding tax on intra-group dividend	(660)	660
Overprovided in previous years	(1,821)	(241)
Other effects	(467)	206
Current and deferred tax expenses	**6,965**	**7,252**
Current and deferred tax expenses according to the consolidated statement of profit or loss	**6,965**	**7,252**
Tax rate	**51.10%**	**57.27%**

Deferred taxes result from the individual statement of financial position items as follows:

in TEUR	12/31/2020		Change in deferred taxes			01/01/2020	
	Deferred tax assets	Deferred tax liabilities	Recognized in profit or loss	Recognized in other compre-hensive income	Effect of movement in exchange rates	Deferred tax assets	Deferred tax liabilities
Tax loss carry-forwards	2,468	-	(596)	-	(871)	3,935	-
Deferred expenses/liabilities	1,663	-	(626)	-	(446)	3,150	(415)
Fixed assets/depreciation	-	(7,162)	(226)	-	2,125	-	(9,061)
Other	473	(670)	(2,069)	2,355	(266)	1,155	(1,372)
Netting	(3,623)	3,623	-	-	-	(5,509)	5,509
Total	**981**	**(4,209)**	**(3,517)**	**2,355**	**542**	**2,731**	**(5,339)**

in TEUR	12/31/2019		Change in deferred taxes			01/01/2019	
	Deferred tax assets	Deferred tax liabilities	Recognized in profit or loss	Recognized in other compre-hensive income	Effect of movement in exchange rates	Deferred tax assets	Deferred tax liabilities
Tax loss carry-forwards	3,935	-	(1,158)	-	573	4,520	-
Deferred expenses/liabilities	3,150	(415)	(1,404)	-	514	3,625	-
Fixed assets/depreciation	-	(9,061)	1,756	-	(1,320)	-	(9,497)
Other	1,155	(1,372)	452	(688)	80	930	(991)
Netting	(5,509)	5,509	-	-	-	(6,784)	6,784
Total	**2,731**	**(5,339)**	**(354)**	**(688)**	**(153)**	**2,291**	**(3,704)**

Due to amendments to the Russian tax legislation, starting from January 1, 2017 tax losses do not expire, but may be set off only against 50% of taxable profits for a given tax year. The tax loss carryforward as of December 31, 2020 in the amount of TEUR 44,998 (December 31, 2019: TEUR 43,399) is not expected to be utilized in future. Deferred tax assets in the amount of TEUR 9,000 (December 31, 2019: TEUR 8,680) have not been recognized in respect of these losses because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

In Austria tax losses can be carried forward without any time limit (no expiration). However, tax loss carryforwards generally can be offset against taxable income only up to a maximum of 75% of the taxable income (offset limitation). The tax loss carryforward as of December 31, 2020 in the amount of TEUR 46,021 (December 31, 2019: TEUR 31,090) is not expected to be utilized in future. Deferred tax assets in the amount of TEUR 11,506 (December 31, 2019: TEUR 7,772) have not been recognized in respect of these losses because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

The amount of taxable temporary differences in connection with interests in subsidiaries for which no deferred tax liability was recognized is TEUR 43,466 (2019: TEUR 75,659), as the parent company is able to control when the temporary difference is reversed.

22. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The Group provides post-employment benefits (such as lump-sum payments upon retirement or disability, lump-sum payments due to the relocation of an employee from the Far North regions to a new place of residence after termination of employment, payments in case of employee's death and payments to former employees retired upon disability) and other long-term benefits (such as payments at employees' jubilees). Until May 1, 2019, OOO KATKoneft maintained a pension program for its employees. The employees became eligible for pension after having 7 years of service in the Company. All payments described above are provided to the full-time employees. The Group accounts for post-employment benefits and other long-term benefits in accordance with IAS19.57, IAS19.155.

The level of some benefits is fixed and does not depend on salary. Since the future payments will be indexed, the plan is subject to inflation and risks of increase in the cost of living. The plan is also exposed to the risk of changes in the life expectancy of the former employees. Therefore, the Group determines the conservative expected growth rate of fixed payments and uses mortality tables, which are adjusted to reflect expected increase in life expectancy in the future.

NON-GOVERNMENT PENSION BENEFITS

Provision of non-government pension to the employees of OOO KATKoneft (further referred as "Participants") was performed through the fund "NPF Otkrytiye JSC" ("the Fund") under the pension scheme №1 with a fixed amount of pension provided on a life-long basis.

OOO KATKoneft ("the Depositor") made pension contributions to the Fund in favor of the Participants. The Fund accumulated these pension contributions at the solidarity pension account. Upon retirement of a Participant, the pension liability of the Company was settled by transferring by the Fund of a lump sum payment equal to the present value of non-government pension from the solidarity pension account to the Participant's individual pension account. The payments of non-government pension to the Participant are made from the individual pension account.

Non-government pensions are the whole-life pensions, which are provided to the Participants on a monthly basis. The amount of a non-government pension to be provided to a particular Participant was determined by the Depositor. The Depositor informed the Fund about the amount of monthly non-government pension and the Fund calculated the amount of the present value of the non-government pension. The Fund used the mortality table of Russian Federation for the year 1998 and the discount rate 6% to calculate the present value of the non-government pension.

If the amount of accumulated liabilities on the solidarity pension account was insufficient to cover the present value of the Participant's non-government pension, the Fund did not award the pension but informed the Depositor about the need to transfer to the Fund the deficient amount of pension contributions.

In case of Participant's death during the period of pension payments, the Fund provides the benefit at the amount of twelve monthly non-government pensions determined at the time of Participant's death based on the written request of the declarant.

Non-government pension benefits program was cancelled on May 1, 2019. This cancellation was recognized as a plan amendment and reported as past service cost in year 2019.

MOVEMENT IN NET DEFINED BENEFIT (ASSET) LIABILITY

The following table presents roll from the opening balances to the closing balances for net defined benefit liability and its components:

	2020			2019		
in TEUR	**Post-employment benefits**	**Other long-term employee benefits**	**Total**	**Post-employment benefits**	**Other long-term employee benefits**	**Total**
Defined benefit obligation as of January 1	242	139	381	547	90	637
Included in profit or loss:						
Current service cost	24	18	42	23	15	38
Interest cost	17	7	24	24	8	32
Past service cost	6	-	6	(399)	-	(399)
Benefits paid	**(20)**	**(10)**	**(30)**	**(43)**	**(13)**	**(56)**
Included in other comprehensive income:						
Actuarial (gains)/losses, including:						
Financial assumptions	(24)	(13)	(37)	35	24	59
Experience adjustments	-	-	-	-	-	-
Effect of movements in exchange rates	(47)	(25)	(72)	55	15	70
Defined benefit obligation as of December 31	**198**	**116**	**314**	**242**	**139**	**381**

ACTUARIAL ASSUMPTIONS

The following were the principal actuarial assumptions at the reporting date:

Assumptions	2020	2019
Discount rate	6.17%	6.55%
The growth rate of fixed payments	4.04%	4.07%
Tax rate	Varies from 25% to 30% depending on the Company	Varies from 21% to 30% depending on the Company
Employee turnover rates	Declines from 35% to 0% per year depending on year of service and gender	Declines from 38% to 0% per year depending on year of service and gender
Mortality	Mortality table of the Russian Federation for the year 2018, adjusted by 77%	Mortality table of the Russian Federation for the year 2017, adjusted by 77%

The next table represents the duration of the liability of the defined benefit plan:

in TEUR	Post-employment benefits	Other long-term employee benefits	Total
Duration, years	17.63	13.72	16.21

The next table represents the defined benefit plan payments expected in the next reporting period (2021):

in TEUR	Post-employment benefits	Other long-term employee benefits	Total
Defined benefit plan payments expected in the next reporting period	43	12	55

SENSITIVITY ANALYSIS

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as shown below.

Assumption	Post-employment benefits	Other long-term employee benefits	Total
Increase in discount rate by 1%	(10.3%)	(8.2%)	(9.5%)
Decrease in discount rate by 1%	12.9%	9.5%	11.6%
Increase in growth rate of fixed benefits by 1%	13.0%	9.7%	11.7%
Decrease in growth rate of fixed benefits by 1%	(10.6%)	(8.4%)	(9.8%)
Increase in mortality by 10%	(0.5%)	(0.8%)	(0.6%)
Decrease in mortality by 10%	0.5%	0.8%	0.7%
Increase in rate of employee's turnover by 1%	(8.7%)	(9.0%)	(8.8%)
Decrease in rate of employee's turnover by 1%	3.4%	4.6%	3.9%

23. EARNINGS PER SHARE

The calculation of basic earnings per share at December 31, 2020 was based on the profit attributable to ordinary shareholders and a weighted-average number of ordinary shares.

in TEUR		2020	2019
Common stock	Thousand	48,850	48,850
Profit	TEUR	6,665	5,411
Earnings per share	EUR	0.14	0.11

The Company has no dilutive potential ordinary shares.

24. OPERATING SEGMENTS

For management purposes the Group is organized into business units based on their services, and has the following reportable operating segments:

- Well Services and Stimulation – services for hydraulic fracturing (operated by OOO KATKoneft, TOO PeWeTe Kazakhstan and PeWeTe EVO SERVICES LLC);
- Drilling, Sidetracking and Integrated Project Management (IPM) – services for conventional drilling, sidetrack drilling (operated by OOO KAToil-Drilling, OOO KATOBNEFT and PeWeTe EVO EUROPE S.R.L.).
- Proppant Manufacturing (operated by OOO Wellprop).

Management monitors operating results of its business units separately for the purpose of making decisions and performance assessment. Segment performance is evaluated based on financial information prepared in accordance to IFRS.

Transactions between the business segments are conducted on normal commercial terms and conditions. Reconciliation include amounts related to corporate activities which are not allocated to operating segments and the reconciliation of the total reportable segments amounts to the financial statements.

Segment information as at and for the years ended December 31, 2020 and December 31, 2019 is presented below.

REPORTING SEGMENTS RESULTS FOR 2020

in TEUR	Well Services and Stimulation	Drilling, Sidetracking, and IPM	Proppant Manufacturing	Total segments	Reconciliation	Group
External sales	112,198	131,298	8,799	252,295	-	252,295
Group sales	844	110	3,005	3,959	(3,959)	-
Total sales	**113,042**	**131,408**	**11,804**	**256,254**	**(3,959)**	**252,295**
Cost of sales	(98,357)	(113,676)	(8,589)	(220,622)	3,213	(217,409)
Administrative expenses	(5,082)	(8,384)	(1,255)	(14,721)	(7,412)	(22,133)
Selling expenses	-	-	(1,593)	(1,593)	-	(1,593)
Other operating income and expenses	(291)	2,792	(940)	1,561	(1,353)	208
Operating result	**9,312**	**12,140**	**(573)**	**20,879**	**(9,511)**	**11,368**
Finance income						5,916
Finance costs						(3,654)
Profit before tax						**13,630**
Income tax						(6,965)
Profit after tax						**6,665**
Segment depreciation and impairment losses	9,933	22,288	1,125	33,346	515	33,861
Segment assets	134,973	152,048	19,739	306,760	57,527	364,287
Segment liabilities	18,900	48,904	2,040	69,844	111,402	181,246
Capital expenditure	12,242	16,154	270	28,666	227	28,893

REPORTING SEGMENTS RESULTS FOR 2019

in TEUR	Well Services and Stimulation	Drilling, Sidetracking, and IPM	Proppant Manufacturing	Total segments	Reconciliation	Group
External sales	139,586	147,652	11,186	298,424	-	298,424
Group sales	1,139	256	2,735	4,130	(4,130)	-
Total sales	**140,725**	**147,908**	**13,921**	**302,554**	**(4,130)**	**298,424**
Cost of sales	(126,055)	(128,878)	(7,968)	(262,901)	2,783	(260,118)
Administrative expenses	(5,871)	(9,460)	(1,432)	(16,763)	(7,148)	(23,911)
Selling expenses	-	-	(2,353)	(2,353)	-	(2,353)
Other operating income and expenses	(1,452)	(2,384)	123	(3,713)	(779)	(4,492)
Operating result	**7,347**	**7,186**	**2,291**	**16,824**	**(9,274)**	**7,550**
Finance income						9,808
Finance costs						(4,695)
Profit before tax						**12,663**
Income tax						(7,252)
Profit after tax						**5,411**
Segment depreciation and impairment losses	13,690	22,891	1,272	37,853	178	38,031
Segment assets	160,576	179,520	26,204	366,300	86,441	452,741
Segment liabilities	27,191	61,626	4,286	93,103	105,366	198,469
Capital expenditure	25,094	22,688	1,089	48,871	275	49,146

Reconciliation of segment assets mainly include cash balances of other companies (corporate activities), reconciliation of segment liabilities include the loan from Petro Welt Holding Limited (Cyprus) and intercompany elimination between segments.

Inter-segment revenue is eliminated on consolidation.

Major part of non-current assets of the Group is located in the Russian Federation and about 13%, 7% and 1% are located in Oman, Romania and Kazakhstan respectively (December 31, 2019: 7%, 5%, 2%).

The breakdown of revenue by geographic area and major customers is presented below:

in TEUR	2020	%	2019	%
Russia				
Rosneft	72,059	28.56	84,855	28.43
LUKOIL	78,603	31.16	87,827	29.43
Slavneft	11,426	4.53	17,960	6.02
Gazprom Neft	49,232	19.51	31,075	10.41
Tomskneft	11,202	4.44	18,279	6.13
Russneft	7,266	2.88	15,556	5.21
Other customers	16,238	6.44	33,067	11.08
Total revenue within Russia	**246,026**	**97.52**	**288,619**	**96.71**
Kazakhstan				
Kazmunaygaz	4,068	1.61	5,150	1.72
Other customers	938	0.37	1,716	0.58
Total revenue within Kazakhstan	**5,006**	**1.98**	**6,866**	**2.30**
Other countries	**1,263**	**0.50**	**2,939**	**0.99**
Total revenue	**252,295**	**100.00**	**298 424**	**100.00**

25. CONTINGENCIES

(A) LITIGATION

In the Company's lawsuit against the former board members Manfred Kastner, Ronald Harder and Leonid Mirzoyan (Commercial Court of Vienna file no.: 43 Cg 40/17f-54) for repayment of a total EUR 1,589,603.50, an interim judgment has been issued by the court in favor of the Company, which finds that the distribution of this amount to the Respondents was unlawful. On January 3, 2020 the respondents lodged appeal against this interim judgment. The appeal filed by the respondents was dismissed by the appellate court and the first instance judgement was entirely confirmed. The first instance court will move forward and decide on the counterclaim asserted by the respondents, which the Company is disputing both with regard to its merits and the amount of claim.

In February 2020, the Company filed another lawsuit against the former board members Manfred Kastner, Ronald Harder and Leonid Mirzoyan (Commercial Court of Vienna file no.: 23 Cg 11/20y) for the compensation of tax damages in the amount of EUR 1,237,616.86 caused by the unlawful payment of their severance packages. These proceedings have been joined with the first proceedings against the former board members and will be decided upon jointly.

(B) TAXATION CONTINGENCIES

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation.

Current Russian transfer pricing legislation requires transfer pricing analysis for the majority of cross-border intercompany and major domestic intercompany transactions. Starting from 2019, transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. The impact of any transfer pricing assessment may be material to financial statements of the Group, however, the probability of such impact cannot be reliably assessed.

Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may assess additional taxes if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group’s tax position and create additional tax risks.

All these circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant, but in the opinion of the management will not be more than around up to 5.6% (December 31, 2019: 3.8%) of revenue to customers. The change is largely due to the reassessment of risk exposure. For the risks described above the Group did not accrue any provisions as at December 31, 2020 or December 31, 2019.

Taxation contingencies in Kazakhstan

The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

26. DETAILS AND INFORMATION ON FINANCIAL INSTRUMENTS

PRESENTATION OF FINANCIAL INSTRUMENTS

The table below contains an overview of carrying amounts of the individual financial instruments and reconciliations of the corresponding statement of financial position items:

FINANCIAL ASSETS MEASURED AT AMORTIZED COSTS

in TEUR	12/31/2020	12/31/2019
Cash and cash equivalents	71,687	138,610
Bank deposits	43,944	5,350
Trade receivables	69,833	77,049
Receivables from related parties	362	362
Other receivables	1,408	2,605
Total	**187,234**	**223,976**

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COSTS

in TEUR	12/31/2020	12/31/2019
Long term debts	122,905	119,298
Trade payables	31,028	44,344
Lease liabilities (short-term, long term)	819	367
Other liabilities	4,098	4,616
Total	**158,850**	**168,625**

The carrying amounts of trade receivables and current and non-current assets correspond to their fair values. For trade payables, current and non-current liabilities as well as other current liabilities the carrying amounts correspond to the fair values. Financial instruments were not assigned as security both in the reporting year and in the previous year.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's risk management policies are established to identify, analyze and monitor the risks faced by the Group, including market risk, currency risk, risk of interest rate change, credit risk, liquidity risk and the risk associated with capital management.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if the customer or the counterparty to the financial instrument fails to meet its contractual obligations and arises mainly from the following financial assets:

in TEUR	12/31/2020	12/31/2019
Cash and cash equivalents	71,687	138,610
Bank deposits	43,944	5,350
Trade receivables	69,833	77,049
Contract assets	9,455	14,556
Other receivables	1,316	2,527
Other long-term assets	92	78
Total	**196,327**	**238,170**

Management assesses the risks of non-repayment of receivables as the lowest in Russia and as medium in Kazakhstan. The revenue generated in Kazakhstan is approximately 2% of the total revenue of the Group. In accordance with the internal regulations on liquidity management, the Company weekly analyzes the register of past due but not doubtful receivables subject to late payment, and takes all measures to comply with contractual terms by clients.

Credit risk management activities in the Group are as follows:

(a) Credit policy under which the creditworthiness of each new customer is analyzed individually before it will be offered standard Company terms and conditions of payment. The Company review includes external ratings (if any) and, in some cases, recommendations of banks. In monitoring customer's credit risk, clients are grouped according to their credit characteristics, including their belonging to legal entity, their territorial location, ageing structure of receivables by number of days of payment delays, fiscal difficulty in the past.

(b) Regular monitoring of credit risk indicators. Credit risk indicators allow early detection of credit risk growth of an individual counterparty (group of counterparties). As a result, the Group may take the necessary steps to prevent financial losses in the event of default by the counterparty.

(c) Regular reporting on credit risk. Regular reporting is an essential component to enable stakeholders to monitor the effectiveness of risk reduction interventions and the dynamics of risk assessment. Reporting is provided to the management of the Group, as well as the Management Board.

TRADE AND OTHER RECEIVABLES

A significant portion of the Company's revenues relates to the following largest customers – LUKOIL, Rosneft, Gazprom Neft, Slavneft, Tomskneft (see Note 24).

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

in TEUR	12/31/2020	12/31/2019
Russia	70,439	77,650
Kazakhstan	342	1,307
Total	**70,781**	**78,957**

The Group does not possess collateral and other credit enhancements in respect to trade and other receivables.

The ageing of financial assets was as follows:

in TEUR	12/31/2020	12/31/2019
Neither past nor overdue	193,488	232,217
Past due 0–30 days	2,596	4,419
Past due 31–90 days	152	912
Past due 91–180 days	75	541
Past due over 180 days	16	81
Total	**196,327**	**238,170**

The management believes that the recognized amounts that are past due by more than 30 days are collectible in the recognized amount, based on historic payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

During 2020 the major customers of the Group revised the credit periods (deferred payment days), as a result of which it increased up to 180 days (2019: the longest period did not exceed 120 days). As a result, the Group revised the credit periods for its suppliers up to equal 180 days.

The following table provides information about the estimated exposure to credit risk for contract assets, trade receivables, bank deposits and cash and cash equivalents, as of December 31, 2020:

Equivalent to external credit rating by Moody's or Fitch	Carrying amount, in TEUR	Estimated weighted-average loss rate, in %	Impairment loss allowance, in TEUR
Contract assets			
Baa2	4,825	0.033	2
Baa3	4,448	0.03	1
No rating	182	0.58	1
Total contract assets	**9,455**	**0.04**	**4**
Trade and other receivables			
Baa1	352	-	-
Baa2	41,418	0.038	16
Baa3	19,929	0.046	9
BBB– (Fitch)	69	-	-
B2	72	-	-
Caa2	2,544	2.644	67
No rating	6,857	1.55	106
Total trade and other receivables	**71,241**	**0.278**	**198**
Bank deposits			
Baa2	6,531	0.067	4
Baa3	2,442	0.07	2
Ba3	34,971	0.12	42
Total bank deposit	**43,944**	**0.11**	**48**
Cash and cash equivalents			
A2	4,805	-	-
A3	1,130	-	-
BBB+ (Fitch)	1,011	-	-
BBB (Fitch)	2,719	-	-
Baa3	25,766	0.005	1
BBB– (Fitch)	885	-	-
Ba1	5,036	0.017	1
BB+ (Fitch)	125	-	-
Ba2	16,002	0.0284	5
Ba3	13,664	0.055	8
B3	506	-	-
Caa1	38	-	-
Total cash and cash equivalents	**71,687**	**0.021**	**15**
Total	**196,327**	**0.1361**	**265**

As of December 31, 2019:

Equivalent to external credit rating by Moody's or Fitch	Carrying amount, in TEUR	Estimated weighted-average loss rate, in %	Impairment loss allowance, in TEUR
Contract assets			
Baa2	8,391	0.01	1
Baa3	4,274	0.04	2
B (Fitch)	115	-	-
No rating	1,776	1.48	26
Total contract assets	**14,556**	**0.2**	**29**
Trade and other receivables			
Baa2	28,033	0.01	3
BBB (Fitch)	344	0.02	-
Baa3	30,979	0.04	12
BBB– (Fitch)	419	-	-
BB (Fitch)	5,796	0.76	44
No rating	14,083	4.22	594
Total trade and other receivables	**79,654**	**0.82**	**653**
Bank deposits			
Baa3	200	0.01	-
Ba3	5,150	0.21	11
Total bank deposits	**5,350**	**0.21**	**11**
Cash and cash equivalents			
A1	421	-	-
A3	114	-	-
BBB (Fitch)	8,685	-	-
Baa3	44,443	0.0113	5
Ba1	2,238	-	-
Ba2	19,167	0.04	8
Ba3	16,164	0.1064	17
B2	46,779	0.25	117
Caa1	525	-	-
Caa3	74	-	-
Total cash and cash equivalents	**138,610**	**0.106**	**147**
Total	**238,170**	**0.353**	**840**

The movement in the allowance for impairment of financial instruments for which credit risk has not increased significantly since initial recognition was as follows:

	Individual impairments	
in TEUR	2020	2019
Balance at the beginning of the year	**840**	**199**
Additions according to IFRS 9	174	699
Reversal/use	(579)	(82)
Foreign currency translation adjustments	(170)	24
Balance at the end of the year	**265**	**840**

The Group recognized individual provision for doubtful debts due to deterioration of the financial situation of a number of clients amounting to TEUR 820 (2019: TEUR 3,418).

Management believes that the credit quality of trade and other receivables is at a sufficient level as the majority of contractors have a long trading relationship with the Group.

The Group held cash and cash equivalents of TEUR 71,687 at December 31, 2020 (December 31, 2019: TEUR 138,610), which represents its maximum credit exposure on cash and cash equivalents assets.

As of December 31, 2020 and December 31, 2019, cash and cash equivalents as well as bank deposits are held with different banks to prevent concentration of credit risk for the Group. The largest partner banks include Moscow Credit Bank, Bank VTB, Bank Otkrytie (December 31, 2019: Absolut Bank, Bank VTB, Moscow Credit Bank). The placement of free cash in the above banks comprised 42% of cash, cash equivalents and bank deposits at Moscow Credit Bank, 21% at Bank VTB and 19% at Bank Otkrytie in 2020 (2019: Absolut Bank –33%, Bank VTB –28%, Moscow Credit Bank –15%).

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Company also monitors the level of expected cash flow from the repayment of trade and other receivables and the expected outflows in connection with the redemption of trade and other payables.

EXPOSURE TO LIQUIDITY RISK

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

2020			Contractual cash flows			
in TEUR	Carrying amount	Total cash flow	<6 months	6–12 months	1–2 years	2–5 years
Non-derivative financial liabilities:						
Liabilities to Petro Welt Holding Limited (Cyprus)	122,905	133,647	-	-	-	133,647
Trade payables	31,028	31,028	31,028	-	-	-
Other current liabilities	4,098	4,098	4,098	-	-	-

2019			Contractual cash flows			
in TEUR	Carrying amount	Total cash flow	<6 months	6–12 months	1–2 years	2–5 years
Non-derivative financial liabilities:						
Liabilities to Petro Welt Holding Limited (Cyprus)	119,298	134,334	-	-	-	134,334
Trade payables	44,344	44,344	44,344	-	-	-
Other current liabilities	4,616	4,616	4,616	-	-	-

It is not expected that the cash flows taken into consideration in the maturity analysis may occur significantly earlier or their fair value will differ considerably.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

CURRENCY RISK

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales and purchases are denominated and the respective functional currencies of Group entities. The functional currencies of Group companies are primarily the Russian ruble (RUB). No currency hedging transactions are carried out.

The Group is exposed to foreign currency risk as a result of purchases and borrowings made which are denominated in currencies other than Russian ruble. Basically, currency risk arises from transactions in euros and US dollars. The Group performs regular analysis of trends in currency exchange rates. The Group's exposure to foreign currency risk resulting from financial assets and liabilities, which are denominated in a currency different from the functional currency was as follows (excluding intra-group balances):

in TEUR	12/31/2020	12/31/2019
Euro		
Cash and cash equivalents and bank deposits	3,493	3,253
Trade receivables	4	37
Trade payables and other liabilities	(223)	(407)
US dollar		
Cash and cash equivalents and bank deposits	31,464	8,905
Trade receivables	29	1,350
Trade payables and other liabilities	(962)	(891)
Kazakh tenge		
Cash and cash equivalents and bank deposits	521	598
Russian ruble		
Cash and cash equivalents and bank deposits	48	17
Trade payables and other liabilities	(157)	(182)
Romanian leu		
Cash and cash equivalents and bank deposits	1,130	-

In addition the Group is exposed to foreign currency risk in relation to group internal financing through loans to subsidiaries denominated in EUR, USD and RUB (net investment in a foreign operation – see Note 4).

The following sensitivity analysis shows the effects of currency differences affecting profit before tax and pre-tax equity, in the event of an assumed change of the foreign currency of 10% against the respective functional currency:

in TEUR	Effect on profit before tax 2020	Effect on profit before tax 2019	Effect on pre-tax equity 2020	Effect on pre-tax equity 2019
Euro denominated	327	288	3,088	3,549
US dollar denominated	3,053	936	-	-
Kazakh tenge denominated	52	60	-	-
Russian ruble denominated	11	17	1,685	-
Romanian leu denominated	113	-	-	-

The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

INTEREST RISK

Interest rate changes have an impact mainly on the outstanding loan with a variable interest rate (see Note 14), changing the future cash flows on it. A reasonably possible change of 10 basis points in interest rates at the reporting date would have increased (+)/decreased (–) equity and profit or loss before taxes by the amounts shown below.

in TEUR	2020	2019
Long-term payables	+/– 335	+/– 359

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

No interest hedging transactions have been carried out during the reporting period.

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

MASTER NETTING OR SIMILAR AGREEMENTS

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amount receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognized amounts, because the right to offset may be enforceable only on the occurrence of future events. In particular, in accordance with the Russian civil law an obligation can be settled by offsetting against a similar claim if it is due, has no maturity or is payable on demand. As of December 31, 2020 and December 31, 2019 there were no significant recognized financial instruments that are subject to the above agreements.

OTHER MARKET RISKS

Russia and Kazakhstan

Business activities of the Group and focus of these activities on Russia and Kazakhstan imply significant financial risks, in particular during the crisis associated with the financial markets. These risks are primarily interest and liquidity risks, foreign currency risks and the risk of changes to the rating of the Group. There is a particular risk induced by changes in the political situation in Russia and Kazakhstan. The Group-wide risk management system is designed to identify, assess and analyze the risks and their respective probabilities for the Group, also in the area of financial risk, as well as to put into place measures that guarantee limitation of damages and safeguarding of profits in the event of the occurrence of such risk situations. The focus of business activities in Russia and Kazakhstan means that the Group is particularly dependent on specific situations and developments within these countries and the risks accompanying them. In particular the monetary and economic policies introduced by the Russian Government may have a significant effect on the risks to the assets, finances and earnings situation of the Group. Measures for stabilization and strengthening of the economic power of the commodities industry have indirect consequences for the service companies within this field. Possible trends to depreciation of the Russian ruble against the euro, the reporting currency of the Group, could also have direct consequences for the Group.

Industry profitability remains under pressure from the strict financial and investment behavior of oil companies and the volatility of oil rates, both of which continue unabated. The increased costs resulting from oil majors having to move to more challenging and politically riskier parts of the world is another challenge. Higher employment costs, the increasing complexity of projects, and expanding regulatory requirements are contributing significantly to the rise in overall costs. This could have a significant effect on the development of the Group's earnings.

CAPITAL MANAGEMENT

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profit growth.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder's value.

The Group manages its capital in order to enable it to operate in the foreseeable future while maximizing the return of its shareholders by optimizing the debt-to-equity ratio of the Group.

Capital management is carried out in comparison with competitors from the oilfield services sector on the basis of net debt to EBITDA indicator.

Net debt is calculated as the difference between the total amount of debt less cash and cash equivalents and short-term financial investments. Total debt includes short-term and long-term (including current portion) loans and borrowings, and obligation under the defined benefit pension plan. Total equity is the amount of capital owned by the shareholders of the Group. As of December 31, 2020 the net debt to equity ratio was 23,2% (December 31, 2019: 9,6%).

in TEUR	12/31/2020	12/31/2019
Liabilities to Petro Welt Holding Limited (Cyprus)	122,905	119,298
Trade payables	31,028	44,344
Other liabilities with the exception of accrued liabilities	4,098	4,616
Less: cash and cash equivalents	(71,687)	(138,610)
bank deposits	(43,944)	(5,350)
Net debt	**42,400**	**24,298**
Total equity	183,041	254,272
Net debt-to-equity ratio at December 31	**23.2%**	**9.6%**

The Group's rating by Moody's is Ba3 with a stable rating outlook (December 31, 2019: Ba3).

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during 2020 and 2019.

28. RELATED PARTY TRANSACTIONS

PARENT AND ULTIMATE CONTROLLING PARTY

The Company's immediate parent companies are Petro Welt Holding Limited (Cyprus) and Joma Industrial Source Corp. The ultimate beneficiary owner of the Group is Mr. Maurice Dijols. For further information about transactions with Petro Welt Holding Limited (Cyprus) refer to Note 14, Current and non-current liabilities, and Note 11, Other current assets.

KEY MANAGEMENT REMUNERATION

Key management received the following remuneration during the year, which is included in personnel costs (refer to Note 17 Administrative Expenses).

Summary of the remuneration of management members in key positions:

	2020		2019	
in TEUR	**Salary and compensation**	**Bonus**	**Salary and compensation**	**Bonus**
Yury Semenov, Management Board	1,155	690	885	690
Valeriy Inyushin, Management Board	514	302	346	302
Maurice Gregoire Dijols, Supervisory Board	35	-	35	-
Ralf Wojtek, Supervisory Board	35	-	35	-
Remi Paul, Supervisory Board	35	-	35	-

Members of Management and Supervisory Board have not received any loans or advance payment in 2020 (2019: nil).

The amount of bonus of Management Board members for 2019, paid in 2020 was as follows:

in TEUR	2020	2019
Yury Semenov, Management Board	546	297
Valeriy Inyushin, Management Board	168	82

The Management Board consists of the following members:
- Yury Semenov – Chairman of the Management Board;
- Valeriy Inyushin, Ph.D. – Deputy Chairman of the Management Board.

The Supervisory board consists of the following members:
- Maurice Gregoire Dijols – Chairman of the Supervisor Board;
- Remi Paul – Member of the Supervisor Board;
- Ralf Wojtek – Member of the Supervisor Board.

The remuneration to the members of the second level of management was as follows:

in TEUR	2020	2019
Second level management salaries	1,690	1,490

OTHER RELATED PARTY TRANSACTIONS

Business transactions with related parties are detailed in the following table:

	Transaction value		Outstanding balance		
in TEUR	2020	2019	12/31/2020	12/31/2019	Transaction description
Subsidiaries					
Fairtune East Ltd., Moscow	133	225	12	22	Rental fee

29. EVENTS AFTER THE REPORTING DATE

There are no events that occured after the reporting date and until April 27, 2021, which would require disclosure in these consolidated financial statements.

Vienna, April 27, 2021

Yury Semenov
Chief Executive Officer

Valeriy Inyushin
Chief Financial Officer

STATEMENT OF ALL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets , liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, April 27, 2021

Yury Semenov
Chief Executive Officer

Valeriy Inyushin
Chief Financial Officer

FINANCIAL CALENDAR 2021

— April 27, 2021
Publication of consolidated annual report 2020

— May 14, 2021
Analyst and investor conference

— May 25, 2021
Publication of first quarter interim report 2021

— June 28, 2021
16th Annual Shareholders' Meeting

— August 23, 2021
Publication of half-year report 2021

— November 22, 2021
Publication of third quarter interim report 2021

LEGAL NOTICE

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