Petro Welt
Technologies

SHAPING THE FUTURE

Integrated Annual Report 2021

FINANCIAL KEY FIGURES

in EUR million	2021	2020	Δ in %
Revenue	237.0	251.6	(5.8)
Gross profit	35.0	39.6	(11.6)
EBIT	7.3	16.7	(56.3)
EBIT margin	3.1%	6.6%	
EBITDA	33.5	46.5	(28.0)
EBITDA margin	14.1%	18.5%	
Group result	2.9	6.7	(56.7)
Earnings per share (EUR)	0.06	0.14	(56.7)
Balance sheet total	403.6	364.3	10.8
Equity[1]	206.0	183.0	12.6
Equity ratio[1]	51.0%	50.2%	
Cash flow from operating activities	34.5	23.5	46.8
Cash flow used in investing activities	29.6	(65.9)	
Cash and cash equivalents[1]	142.6	71.7	98.9
Managerial liquidity position	143.5	115.6	24.1
RUB/EUR exchange rate at the end of the reporting period	RUB 84.07	RUB 90.68	(7.3)
RUB/EUR average exchange rate for the reporting period	RUB 87.19	RUB 82.45	5.7
Employees (average)	3,131	3,308	(5.4)

[1] 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 (October 21, 2021)	EUR 2.87
Year's low (August 17, 2021)	EUR 2.01
Closing price (December 30, 2021)	EUR 2.30
Stock exchange listings	Prime Standard

SHAPING THE FUTURE

HIGHLIGHTS 2021

KAToil-Drilling awarded as contractor with the best production indicators by Orenburgneft
KAToil-Drilling, PeWeTe's wholly owned operating subsidiary, was again recognized for its outstanding performance among drilling contractors in the 2021 financial year. Orenburgneft awarded KAToil-Drilling as the best contractor in terms of production indicators. In addition, KAToil-Drilling was rated best contractor in terms of measures to improve performance in the areas of quality, health, safety and environment (QHSE).

KATKoneft and WellProp continue cooperation after development of synthetic gelling agent
Following the successful use of the synthetic gelling agent WPSG (WellProp Synthetic Gel) at KATKoneft, which the oil production operator developed itself together with WellProp, the two business units are working on a range of new products and technologies to simplify fracturing processes. Thanks to its high residual conductivity of up to 98%, WPSG not only helps to save costs – such as for delivery, transport, and storage – but also significantly increases oil production figures. After incorporating the gelling agent WPSG, the planned well production rate was exceeded by up to 70%. In addition, the gelling agent from KATKoneft and WellProp is insensitive to water quality and can also be used in cold water.

KATOBNEFT is appointed as contractor with the best production indicators by Lukoil West Siberian
The fully owned PeWeTe operating subsidiary KATOBNEFT was appointed by Lukoil West Siberian as the contractor with the best production indicators. In the ranking of Samotlorneftegaz, KATOBNEFT took second place in terms of production indicators. The PeWeTe subsidiary, which specializes in sidetracking, was also recognized by both groups in terms of occupational safety, labor and environmental protection: according to Lukoil West Siberian, KATOBNEFT ranked first among the best contractors in the first half of 2021, and second for Samotlorneftegaz.

PeWeTe Kazakhstan reports particularly successful financial year
In Kazakhstan, PeWeTe was able to further expand its strong market position. Accordingly, PeWeTe Kazakhstan, the Kazakh subsidiary of the PeWeTe Group, achieved the highest margin among the operating subsidiaries. In addition, the managing director of PeWeTe Kazakhstan, Uzim Ilyasova, was included in the top 30 women in the Kazakh oil industry in 2021.

CONTENT

Denis Stankevich
— Chief Executive Officer

We focus on our market shares in Russia and Kazakhstan, replacing worn-out equipment, and improving operational efficiency.

Kirill Bakhmetyev
— Chief Financial Officer

Despite the pandemic, inflation and rising material costs, we succeeded in achieving a positive financial result for the 2021 financial year.

OVERCOMING THE CRISIS

Dear Shareholders,
The year 2021 was again marked by the COVID-19 pandemic and the resulting economic upheavals. Like many other sectors, the oil industry was also subject to strong fluctuations in demand. However, as vaccination coverage expanded, the global economy recovered and demand for oil and gas increased as well, but production had decreased during the crisis and thus could not keep pace with the rebound. The resumption of activities, which had been reduced or even shut down during the COVID-19 crisis, was also hampered by global supply shortages, political tensions, and personnel losses due to the outbreaks of new COVID-19 mutations. In total, fossil fuel prices almost doubled in the past year.

Following the collapse of the fracturing market in 2020, Petro Welt Technologies AG (PeWeTe) successfully undertook restructuring measures. Thus, despite the challenges posed by the pandemic – the decline in hydraulic fracturing jobs, growing inflation as well as rising material and equipment costs – the Company managed to achieve a positive financial result for the full 2021 financial year. The PeWeTe Group's consolidated revenue in EUR fell by 5.8% to EUR 237.0 million, and earnings declined to EUR 2.9 million. Nevertheless, at an equity ratio of 51.0%, further reductions in its net debt, and solid cash flows, PeWeTe mastered the difficult macroeconomic conditions and maintained stable performance.

Our primary goal in the 2021 financial year was to improve our operational efficiency and to boost the profitability of both existing and future projects. In order to push the Group's development, we focused on profitable markets, especially Russia and Kazakhstan. In October 2021, therefore, we discontinued all of our operations in Romania and transferred the majority of our assets in that country to our operations in Russia.

This formed the basis for preparing a new development strategy for the Group with the aim of modernizing our fleet and expanding our market share in Russia. Key areas of the strategy include the creation of an investment program for 2022 to 2030 as well as the development and implementation of a program to further enhance the Company's operational efficiency. In this way, and through the use of modern equipment, PeWeTe aims to improve its positioning in the market and to offer its customers the best possible service. We will do everything in our power to pursue these goals to the best of our ability, even in the very challenging current situation.

Denis Stankevich — Chief Executive Officer

Kirill Bakhmetyev — Chief Financial Officer

Stephan Theusinger, Maurice Dijols, Remi Paul (l. to r.)

SUCCESS THROUGH FINANCIAL STABILITY

Dear Shareholders,
The COVID-19 crisis has shown that Petro Welt Technologies AG (PeWeTe) has the ability to consistently perform and outperform its main competitors even in challenging times. Thanks to its self-financing model and efficient cash generation, the PeWeTe Group remained financially stable even in a tougher environment.

In 2021, Russia and Kazakhstan – the countries where the Company holds the largest market shares – saw a notable increase in economic output despite the COVID-19 pandemic and global supply shortages. Oil and gas production also gradually picked up thanks to the easing of OPEC+ restrictions. In this strengthened market environment, the PeWeTe Group managed to maintain the good positioning of its subsidiaries in the market and to continue along its strategic path. The Proppant Manufacturing segment succeeded in boosting its revenue yet again on the back of growing demand for horizontal drilling and multi-stage fracturing.

Supported by favorable economic prospects and rising oil and gas production, the outlook for the PeWeTe Group was quite positive at the beginning of the 2022 financial year. However, the picture has changed fundamentally since then: Russia is facing extensive sanctions, which are likely to have severe ramifications for the trajectory of both the national and the international economy in the coming years and thus could also adversely affect PeWeTe's business activities. The PeWeTe Group will proactively face this challenge – just as it did the COVID-19 crisis and its consequences – and therefore looks forward to the future with confidence.

The Company's goal remains to clearly differentiate itself from the competition in terms of quality and profitability, while at the same time reducing its operational and financial risks. In this way, the PeWeTe Group aims to maintain its financial stability despite the difficult geopolitical environment.

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 the Group's non-Russian business assets PeWeTe Kazakhstan LLP 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 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.

In October 2021, the Group closed its operations in Romania due to unforeseen delays and obstacles caused by COVID-19 restrictions. Instead of pursuing its expansion plans in Romania, the Company decided to focus on business opportunities in other markets. The majority of the equipment from Romania was relocated to the Company's operations in Russia.

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 78.

THE PETRO WELT TECHNOLOGIES AG SHARE

The Petro Welt Technologies AG (PeWeTe) share is listed in the Prime Standard segment of the Frankfurt Stock Exchange. On January 4, 2021, it began the 2021 trading year with a starting and closing price, respectively, of EUR 2.09. It reached its high for the year on October 21 with a closing price of EUR 2.87 and its low for the year on August 17 with a price of EUR 2.01.

In 2021, the COVID-19 pandemic once again had a decisive impact on the global financial markets and thus also on the share price dynamics of PeWeTe. The global economy recovered starting in the spring 2021, which also caused the value of the PeWeTe share to rise from March. During the summer, it struggled with a slowdown, as reflected in the low of EUR 2.01 in August. In addition to veritably soaring inflation, the imbalance between the significant increase in demand for raw materials and the significant supply chain bottlenecks also impacted the share price. Raw material markets saw substantial price increases; the PeWeTe share price rose sharply in mid-October as a result. After peaking at EUR 2.87 on October 21, it consistently remained above EUR 2.50 throughout November. In December, the share again shed some of its value, closing at EUR 2.30 on December 30, 2021 (the year's last trading day). Overall, therefore, the PeWeTe share rose by one tenth in the course of the year.

In 2021, a total of 1,896,190 PeWeTe shares were traded, equating to an average trading volume of 7,407 shares per day. Trading activity in PeWeTe shares thus was almost as high as in the previous year (2020: 1,987,613).

The performance described above shows that PeWeTe has not yet returned to its pre-crisis level, but against the backdrop of the general stock market development, some of its peers recorded enormous gains. The DAX rose by 15.7% during 2021, and the TecDAX by as much as 20.8%. At the same time, the Schlumberger share has already risen by 47.5%, the Halliburton share by 30.2%, and the Baker Hughes share by 25.4%. Even the Calfrac Well Services share, which had plummeted in the 2020 crisis year by 92.3% climbed 18.5% the following year owing to the improved market environment. The Nabors share rose by 46.4% in the same period, following a decline of 60.7% in 2020. As in the previous year, the Trican Well Service share soared by just under 76%, thus achieving the largest increase among the oilfield service providers.

Due to the escalation in the political tensions between Russia and Ukraine, share prices are subject to strong fluctuations at the time of reporting. In view of the general uncertainty, many investors have switched from equities to government bonds and investments in gold, causing a decline in all major stock indices. The DAX, for example, fell by around 8% at the end of February 2022 when military action began in eastern Ukraine. The Moscow Stock Exchange suspended all trading, and the Russian ruble dropped 42% to a record low of 119 RUB per USD on February 28, 2022, following the exclusion of Russian banks from the SWIFT payment system. Further developments on the global stock markets will in all likelihood be significantly affected by the situation in Ukraine as well.

Sources: https://finance.yahoo.com/, https://www.handelsblatt.com/

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 2021 PeWeTe had 3,131 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.

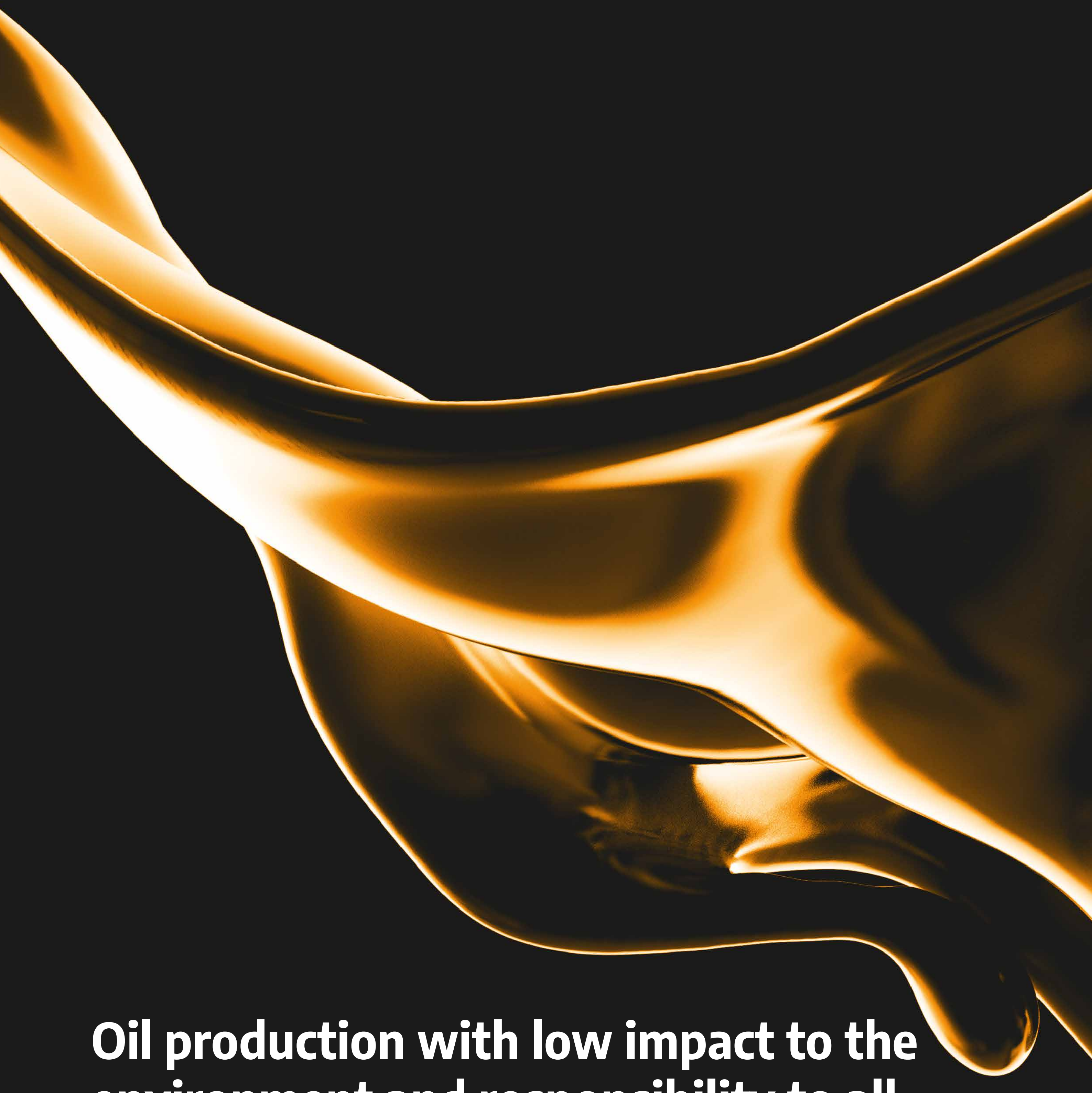
Since its founding in 1991, PeWeTe has built up a leading position in hydraulic fracturing in both Russia and Kazakhstan and has emerged as a reliable and recognized business partner. Following its initial public offering (IPO) in 2006, the Company established sidetrack drilling as a second mainstay 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.

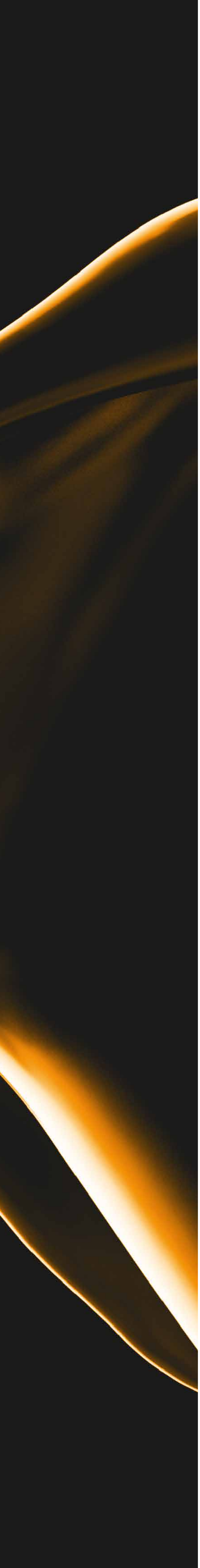
PeWeTe strives to generate robust growth in shareholder value by profitably expanding fracturing, sidetracking, and drilling along with a series of additional services.

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.



Oil production with low impact to the environment and responsibility to all stakeholders: PeWeTe meets these challenges with a strong commitment to sustainability.



NON-FINANCIAL REPORT

BUSINESS MODEL

The activities of the PeWeTe Group, headquartered in Vienna, Austria, 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, the PeWeTe Group is a segment leader that uses advanced pumping technologies, including multistage fracturing. A longer, horizontal well design allows for a greater rate of oil production. 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 practice that serves to prevent the migration of water inside a bond by insulating the oil zone from the water zone so that it does not mix with hydrocarbons; it also serves to avoid any direct contact of other undesirable fluids with the well casing. The Company has carried out over 10,000 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 2021.

Sidetracking describes the drilling of a new wellbore from the upper section of an existing well, which has stopped producing hydrocarbon because of either reservoir problems or the irreparable failure of downhole equipment. Sidetracking makes it possible to bypass a problematic well section or to reach a not yet exhausted area of the reservoir 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, downhole 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. The plant offers goods for the oil and natural gas industry and manufactures different kinds of proppant in Kopeysk, Russia. It was built using state-of-the-art industry 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 strength as well as resin-coated proppant.

WellProp holds around 5% of the Russian proppant market. 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. In 2021, Wellprop developed and certified new types of proppants (self-gelling proppant and water-proof proppant). Applications for relevant patents were filed. Both products possess great potential, and it is hoped that oil field trials can take place in 2022.

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

Customers

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

General Market

ABOUT THIS NON-FINANCIAL REPORT

The Non-Financial Report of Petro Welt Technologies AG (PeWeTe) for the 2021 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 23 links material topics and non-financial matters pursuant to Section 267a of the Austrian Commercial Code to the respective chapters in this Report.

Compared to last year's non-financial report, the methodology for calculating and disclosing key performance indicators (KPI) in the environment chapter is now disclosed in a more detailed way.

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 in terms of sustainability focuses on the four areas that are key to both its operations and stakeholders' interests: Clean Money, Zero Harm to People, Zero Harm to the Environment, Green Money.

__ Sustainability Strategy

Focus Area	Clean Money	Zero Harm to People	Zero Harm to the Environment	Green Money
Description	In PeWeTe's view, Legal Compliance is the minimum standard applicable to its operations. The Company fosters transparency with its customers , contractors, and shareholders alike. Fair treatment of all parties and a professional attitude are an essential part of its daily business.	Both the health and the safety of people are a top priority for PeWeTe. As a result, the Company seeks 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.	As regards sustainability, PeWeTe believes that environmental 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 the value chain is a main concern.	"Green Money" concerns the Company's financial success, which is built on sustainable operations. PeWeTe seeks to implement green operations throughout by optimizing operational efficiency and providing competitive solutions while causing zero harm to the environment and/or to 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 Company's Chief Executive Officer (CEO) is responsible for the development of the PeWeTe 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. Both are supported by management system officers and experts at the level of different Group entities regarding the topics addressed in the present Non-Financial Report.

We also monitor the best practices of oil and oilfield companies with respect to the implementation of principles for the "green economy."

EU TAXONOMY

The EU Taxonomy Regulation (EU) 2020/852 requires the PeWeTe Group to disclose three key performance indicators (Revenue, CapEx, and OpEx) in connection with those of its economic activities that are eligible thereunder. The EU Taxonomy is an integral part of the EU's efforts to achieve the goals of the European "Green Deal" and to turn Europe climate neutral by 2050. More precisely, it is a classification tool that is intended to help companies and investors make sustainable investment decisions.

According to the EU Taxonomy and the associated Delegated Act (EU) 2021/2139, an investment is sustainable if it makes a significant contribution to the achievement of at least one of the EU's environmental goals. The specifications for the first two environmental goals – climate mitigation and adaptation to climate change – applicable in 2021 are in effect. The mandatory information to be disclosed under the EU Taxonomy for the 2021 financial year includes the proportion of identified Taxonomy-eligible and non-Taxonomy-eligible economic activities measured in terms of revenue, CapEx, and OpEx. Taxonomy-aligned economic activities must be reported from 2022 onward. This year, the EU Commission also plans to define the criteria applicable to the remaining four environmental goals that will be subject to reporting in subsequent years as well.

Reporting in accordance with the EU Taxonomy covers the PeWeTe Group along with all of its subsidiaries.

OUR ROLE UNDER THE EU TAXONOMY

The Delegated Regulation on climate mitigation and adaptation essentially focuses on the following sectors: energy, select manufacturing industries, water supply, sanitation, waste disposal and transportation, and buildings. All relevant economic activities are listed in the Delegated Act (EU) 2021/2139, including Annexes I and II thereof. We concluded after reviewing this Regulation that it does not cover our core business, which entails working as a service provider in relation to natural gas and oil production transactions. Our assessment of taxonomy eligibility thus focused on those of our economic activities that are not directly related to the Company's core business but rather constitute ancillary activities in regards to which investments are made and operating costs are incurred.

PROCESS FOR IDENTIFYING ECONOMIC ACTIVITIES

In order to compile a list of all of our economic activities that we plan to present under the EU Taxonomy, we screened all activities in accordance with the catalog of the Complementary Climate Delegated Act, which amends Delegated Regulation 2021/2139. This was followed by an assessment of the activities relevant to the PeWeTe Group. Finally, we carried out an impact analysis in coordination with appropriate experts from both the Company's subsidiaries and external consulting services. The relevant key figures were collected based on the main economic activities.

A project team was set up in order to identify the economic activities as described above. An introductory workshop serving to address both legal issues and requirements was followed by a three-step process:

- Step 1: Screen all economic activities according to the catalog set forth in the Delegated Act and assess the activities relevant to PeWeTe.
- Step 2: Collect detailed information from individual departments and subsidiaries in order to validate the economic activities identified in the first screening.
- Step 3: Map the economic activities, including key performance indicators (KPIs), and have Controlling verify whether relevant and/or significant investments were made and/or costs were incurred for a given activity during the 2021 financial year.

The Delegated Act's reporting format is identical to that used in the separate financial statements of the PeWeTe Group. Several quality assurance steps were implemented as part of the data collection process to ensure its validity and consistency.

__ EU Taxonomy-Eligible Economic Activities of the PeWeTe Group

No. of Activity	Economic Activity	Description
5.5.	Collection and transportation of non-hazardous waste in source-segregated fractions	WellProp collects non-hazardous waste for recycling
6.5.	Transportation by motorbike, passenger car, and commercial vehicle	Purchase, lease, and use of M, N1, or N2 class vehicles

KEY PERFORMANCE INDICATORS 2021

The KPIs as well as their presentation are based on the requirements of Annex I ("KPIs of non-financial companies" and Annex II ("Report form for the KPIs of non-financial companies") of the Disclosure Delegated Act on the EU Taxonomy.

Taxonomy-eligible turnover (i.e., revenue) is the total net revenue from sales of goods and services associated with economic activities defined in the Regulation. The PeWeTe Group does not have significant Taxonomy-eligible revenue. The Company's total revenue corresponds to the revenue from contracts with customers that is reported in its separate financial statements in accordance with IAS 1.82 (a). See the information in the Consolidated Statement of Profit or Loss as well as in the Notes (15).

__ KPI: Revenue

	in TEUR	in %
Revenue from Taxonomy-eligible economic activities	-	0
Revenue from non-Taxonomy-eligible economic investments	237,579	100
Total	**237,579**	**100**

An investment may be reported as a Taxonomy-eligible CapEx if it relates to assets or processes associated with Taxonomy-eligible economic activities. Total CapEx equates to the total additions to intangible assets and property, plant and equipment as well as leases, as shown in Notes 6, 7, and 8 to the Statement of Financial Position.

The CapEx KPI for the 2021 financial year is as follows:

__ KPI: CapEx

	in TEUR	in %
Investments in Taxonomy-eligible economic activities	192.44	0.8
Investments in non-Taxonomy-eligible economic investments	24,511.56	99.2
Total	**24,704.00**	**100**

Taxonomy-eligible OpEx are operating expenses related to assets or processes associated with Taxonomy-eligible economic activities. Under the EU Taxonomy, the sum of operating costs is only one element of operating expenses. It includes direct, uncapitalized costs related to research and development, building renovations, leasing and maintenance as well as repairs of assets classified as property, plant and equipment. The majority of the reported OpEx relates to expenses for maintenance and repairs, which are included in the expenses shown in the Consolidated Statement of Profit or Loss.

The OpEx KPI for the 2021 financial year is as follows:

__ KPI: OpEx

	in TEUR	in %
Operating expenses for Taxonomy-eligible economic activities	153.51	1.5
Operating expenses for non-Taxonomy-eligible economic activities	10,362.64	98.5
Total	**10,516.15**	**100**

OUTLOOK

The Taxonomy alignment of the aforementioned eligible activities is subject to strict criteria. This may lead to the classification of particular activities as being non-Taxonomy aligned.

Future developments in legislation may change the scope of activities eligible under the Taxonomy. Once the additional criteria for the EU's remaining environmental goals have been adopted, yet other portions of our business activities may be considered Taxonomy eligible.

MATERIALITY ANALYSIS

The main environmental, social, and governance (ESG) issues that the Company is reporting were assessed based on the concept of double materiality. The initial materiality assessment was carried out with the support of external experts for the first Non-Financial Report 2017; since then all findings have been updated accordingly. Involving a diverse range of representatives from the Company as well as external stakeholder groups made sure that the assessment would be balanced.

The process of identifying material topics in the context of sustainability for the Non-Financial Report was divided into four steps:

- **Topic identification**
  We identified a list of potentially relevant topics based on a review of the existing non-financial reporting, the topics reported by peers in the oil & natural gas sector, a review of relevant sector reporting standards as well as existing and expected legislative topics. We involved external sustainability experts to support us in this task. A workshop with internal experts was conducted as part of a second-stage evaluation to discuss both the relevance of the given topics and the attendant level of clustering. This resulted in a shortlist of 17 topics.
- **Stakeholder survey**
  In January and February 2022, external stakeholder groups were consulted using an online survey. The stakeholders were asked to assess the 17 selected topics based on their importance.
- **Impact assessment**
  In a separate survey, internal experts simultaneously assessed the potential impact of select topics (on a scale of 1 to 5, depending on the significance of the impact). These experts were advised to consider the double materiality of the impacts because the term, "impact", in this context refers to the effects of PeWeTe's own business activities, business relationships, or products and services on the economy, the environment, people, and society. These effects may be positive or negative, intended, or unintended, actual or potential, and directly or indirectly related to a given business activity.
- **Consolidation and approval**
  In the last stage of the process, the results of both the stakeholder survey and the impact assessment were consolidated, evaluated, and classified as per a materiality threshold. The final material topics were approved following additional expert inputs and a review by the Company's management.

In addition to the materiality analysis conducted for the 2021 Non-Financial Report, PeWeTe continually monitors the economic, environmental, and social impact of its activities. All of the Company's operations are subject to local laws and regulatory supervision in Russia and Kazakhstan. In addition to complying with local laws, PeWeTe has also issued its own rules concerning the safety of its operations as well as their impact in terms of health, sustainability, and the environment. These rules are continually monitored by designated employees who report to the management of the respective operating companies. The KPIs and content related to the material topics presented in this Non-Financial Report are based on these processes and have been approved by the Management Board.

The following table links the material topics and the non-financial matters pursuant to Section 267a of the Austrian Commercial Code with the respective chapters in this Report:

Chapters	Material Topic	Non-Financial Matter	Page in Report
Compliance	Anti-Corruption & Anti-Bribery	Anti-corruption and bribery	34
	Legal Compliance	Anti-corruption and bribery, respect for human rights	35
	IT Security and Data Privacy	Social matters	36
	Human Rights	Respect for human rights, employee-related matters	37
Human Resources	Employment	Employee-related matters	39
	Training & Education	Employee-related matters, social matters	40
	Occupational Health & Safety	Employee-related matters, social matters	41
Environment	Energy & Emissions	Environmental matters	44
	Oil Spills & Soil Protection	Environmental matters	46
Products and Production	Supply Chain	Environmental matters, social matters	49

STAKEHOLDER ENGAGEMENT

PeWeTe is committed to cultivating stakeholder engagement and convinced that mutual respect, transparent behavior, and open dialogue are the best foundations for good relationships with the variety of stakeholders with whom we interact. We identify and manage relationships with individuals, groups, or organizations who may be affected by our activities or who may have an impact on our business.

We identified the following stakeholder groups – Employees, Customers, Shareholders & Investors, and Suppliers & Business Partners – as those that either have the most influence on the Company's business or are affected the most by its business decisions. Three groups (Employees, Customers, and Suppliers & Business Partners) are those we contacted in connection with our stakeholder survey.

Additionally, we recognize stakeholder groups that have less influence on our business, relatively speaking, or with whom interaction is limited or even only occasional. These stakeholder groups are: Government Authorities, Local Communities, Industry Peers & Associations, NGOs, Media, and Academia & Scientific Institutions.

NON-FINANCIAL RISK MANAGE-MENT

Following the double-materiality approach for non-financial reporting recommended by the European Commission, PeWeTe systematically and regularly assesses, evaluates, and tackles the risks that the Company's business activities pose for its environment and society at large as well as the risks to the Company that arise from 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. These include finance, sales & marketing risks; legal & supply chain risks; operational risks; quality, health, safety & environmental (QHSE) risks as well as management efficiency risks.

Key risks related to environmental impacts comprise the potential danger associated with onshore oil production, including blowouts at oil wells, oil spills during exploration and production activities as well as spills involving production liquids and hazardous waste during exploration and production. Such events and accidents may also impact workers on site, causing injuries and chronic diseases from exposure to hazardous substances.
In order to minimize and abate all of these potential QHSE impacts potentially associated with onshore oil exploration and production, PeWeTe works closely with its customers on issues such as avoidance, training, and ongoing improvements, also taking preventive measures in the process.

The Company proactively combats 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.
PeWeTe has developed appropriate measures to mitigate the risk potential from data security issues. It has reacted to the threats and challenges posed by computer viruses at the global level by continually 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 to 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, the Company continues to enhance its risk management system. Aiming to optimize non-financial aspects of its business activities, the PeWeTe Group has identified the following non-financial risks to both the environment and society. While non-financial risks in sales and marketing refer to tenders, contracting, and market share, non-financial legal and supply chain risks affect customers, government agencies, suppliers, and contractors. The Company's operational performance concerns subsurface, surface, and manufacturing activities as well as operating areas. Non-financial QHSE risks affect people, assets, and equipment as well as PeWeTe'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 — Code of Conduct — Code of Conduct for 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 the production facilities — Confidential hotline (email, telephone) — Audits of potential contractors to identify Politically Exposed Persons (PEPs) — Audits regarding potential conflicts of interest — Verification of job candidates — Annual attestation of managers as to the presence/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 serving to centralize 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, ISO 27701) and certification to ISO 27001 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)
Oil Spills & 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 lead to negative effects on the soil and water bodies — Violations of environmental regulations — Impairment of health and safety in the event of major spills — Direct financial costs	— Implemented system of monthly operational, labor, and environmental safety controls — Regular audits of technical equipment by Rostechnadzor pursuant to legal requirements — Well isolation and integrity procedures to protect groundwater — Band walls and secondary containments to prevent oil spills — Blowout prevention measures See Environment 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

PeWeTe has built a systematic approach to loss prevention by introducing management systems, e.g., QHSE. The aim is to identify and report incidents and risks, conduct root cause analyses, and continually implement improvement measures to prevent losses. The Company places great importance on ensuring safety and environmental protection as well as legal compliance at its sites. Quality, environmental, and work safety certificates have been issued to all relevant operations. All employees are trained regularly on work safety and environmental protection. Customers' 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 are set forth in the table below:

Due Diligence Process	Description	Material Topic
ISO 9001	The quality management system aims to standardize and improve the Company's processes.	All
ISO 14001	Besides evaluating potential environmental risks, PeWeTe ensures – through the environmental management system at its subsidiaries, KAToil-Drilling and KATOBNEFT LLC, as well as through the integrated management system including ISO 14001 at WellProp – continual reductions in environmental impacts at both drilling rigs and the proppant manufacturing plant. This covers 56% of PeWeTe Group employees.	Energy & Emissions; Oil spills and soil protection
ISO 45001	Occupational health and safety management system that assesses hazards and possible adverse effects on workers and employees in a continual improvement process. In place at KAToil-Drilling, KATOBNEFT LLC, KATKoneft LLC, and at WellProp via the integrated management system including ISO 45001. This covers 90% of PeWeTe Group employees. By monitoring indicators such as the lost time injury frequency rate (LTIFR)or the lost time accident (LTA)and developing countermeasures based thereon, the aim is to achieve continual improvements.	Occupational Health & Safety
Compliance Management System	The Group-wide Compliance management system, headed by the Chief Compliance Office, is tasked with ensuring fair, transparent, and sustainable business practices.	Anti-Corruption & Anti-Bribery; Legal Compliance; Human Rights
Information Security Management System (ISMS) ISO 27701	The ISMS ensures the unity of approaches used, a measurable level of information security; it also guarantees the necessary level of trust. To protect personal data and the confidentiality of 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 & Data Protection Information Security
Code of Conduct and Code of Conduct for Suppliers	Contains a set of rules and regulations relating to bribery and corruption that must be signed by suppliers, employees, contractors, and other collaborators.	Anti-Corruption & Anti-Bribery; Legal Compliance; Human Rights; Employment; Supply Chain
Hazard and Effect Management Process	The hazard and impacts management process comprises regulations and training programs designed to ensure safe work processes on all drilling rigs and fracking fleets.	Occupational Health & Safety; Oil spills and soil protection
Analysis of Non-Financial Risks	As required under the Austrian Sustainability and Diversity Improvement Act (NaDiVeG), PeWeTe regularly analyzes non-financial risks emanating from the Company to its subsidiaries. These analyses are supplemented by risk mitigation measures.	All

COMPLIANCE

MANAGEMENT APPROACH

The business model of the PeWeTe Group is built on engaging in fair, transparent, and sustainable business practices. As regards the "Clean Money" focus area associated with corporate social responsibility (CSR), the Company's main concerns are to ensure legal compliance in all operations and to foster transparency with customers, 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 material impacts on shareholder value. Being compliant with laws and regulations may positively affect PeWeTe's reputation with stakeholders and affect its social license to operate (SLO).

The Company strives to avoid the risk of corruption and bribery when working with business partners so that it can retain its ability to conduct business successfully at all times. Violations of applicable laws may negatively affect the Company's SLO and could lead to significant one-time costs or higher ongoing compliance costs. By contrast, compliance with such regulations provides risk mitigation opportunities and may help to avoid adverse outcomes. Additionally, PeWeTe aims to fully comply with all labor and human rights laws that apply in the countries in which it operates. The Company faces risks when operating in conflict zones, in areas comprising vulnerable communities, and in areas where human rights legislation is weak. PeWeTe's values clearly give top priority to the avoidance of human rights violations in its value chain. Violating human rights could also lead to protests, riots, or the suspension of permits as well as to substantial costs related to compensation.

A Group-wide Compliance management system was set up especially to comply with legal regulations applicable to the whole PeWeTe Group. This management system comprises policies, audits, and training programs and 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 further strengthen security in dealing with Compliance issues. Furthermore, PeWeTe periodically updates its Code of Conduct, which embodies the Company's guiding principles. In particular, the Code of Conduct is designed to provide guidance for employees in critical situations.

In addition, PeWeTe continues its work to improve 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 Company data. Group-wide 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 some of the Company's business processes.

COMPLIANCE STRATEGY

Preventive measures are at the forefront of PeWeTe's Compliance management system. In 2021, training programs 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 2021, a total of 69 (2020: 107) employees were trained on these regulations. Thereof, 34 employees took part in anti-bribery training sessions and 35 participated in a Compliance induction course.

__ Number of Employees Trained in Legal Compliance

	2021	2020	Δ in %
Employees trained on Compliance regulations	69	107	(36)
thereof participants in the anti-bribery training sessions	34	29	(17)
thereof participants in the Compliance induction course	35	54	(35)

In addition to the general Compliance training (especially for new executive and non-executive employees at all Group companies), 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., personnel in charge of procurement or order placement, those who have signing authority as well as newcomers and recently promoted personnel) 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 range of training courses on corruption prevention took place in 2021. 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 2021, no cases of corruption or bribery were identified.

Anti-bribery and anti-corruption are specifically addressed in the Group-wide Code of Conduct and Code of Conduct for 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, 67 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 the "World Check" application by Refinitiv, 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 List (SDN) as well as companies subject to sanctions. The Code of Conduct for Suppliers applies to all Group companies.

Additionally, PeWeTe consistently counteracts bribery and corruption by:

- Verifying job candidates on the subject of debts to tax authorities, affiliations with contractors and customers, and potential conflicts of interest (use of SPARK-Interfax, COUNTER-FOCUS, bailiff/tax authority search engines, and other open sources of information)
- Verifying contractors as to affiliations with the Company's employees and customers as well as public authorities; existence of tax claims; work experience
- Organizing free and anonymous communications as to bribery and corruption issues with Company employees as well as contractor and customer representatives (via dedicated email addresses for appeals and telephone communications using separate numbers capable of recording voice messages).
- Controlling the reliability of the volume of services rendered by means of objective checks to preclude collusion of the Company's employees with contractor representatives aimed at overstating the volume of services rendered.
- Conducting technical audits of contractors to confirm production capacities and exclude unscrupulous contractors from the services supply chain.
- Monitoring regulations and procedures related to tenders and contractor selection; establishing a permanent Tender Committee in the Company.
- Monitoring regulations and procedures that govern all processes related to claims by customers and contractors as well as the Company's permanent commission for accounts receivable and claims work.
- Delineating the respective scope of 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. Information on legal rules and training is provided by the Chief Compliance Officer tasked with supervising the matter. 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 training sessions on a regular basis, either face to face or by electronic means. In 2021, 69 employees participated in such training 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 that oversee issues of service quality, labor protection, industrial safety, and environmental protection. The fines from customers related to labor protection, industrial safety, and environmental protection decreased by 98.2%) and those related to service quality by 3.7% compared with the previous year. The fines from regulatory authorities related to labor protection, industrial safety, and environmental protection decreased by TEUR 3.89 compared with the previous year. It is our goal to reduce these fines yet further.

For another, the number of repeat orders from state regulatory authorities resulting in sanctions against the Group was again zero in 2021.

__ Legal Compliance Data

		2021	2020	Δ in %
Number of legal disputes		59	48	23
Fines from customers related to labor protection, industrial safety, and environmental protection	TEUR	0.46	26.56	(98)
Fines from customers related to service quality	TEUR	602.41	661.38	(9)
Fines from regulatory authorities related to labor protection, industrial safety, and environmental protection	TEUR	4.24	8.13	(48)
Number of repeat orders from state regulatory authorities, resulting in sanctions against the Group		0	0	-

IT SECURITY AND DATA PRIVACY

The PeWeTe Group 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. The IT infrastructure was created in 2020 using hardware from global leaders in the field. This solution has made it possible to establish 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.

Group-wide policies on information security and data protection ensure that all employees are aware of the approaches and procedures related to these issues. They ensure the security of the Company's business processes and information assets and establish basic rules for the processing of personal data as well as the approaches and procedures to be adopted in the event of an information security incident involving personal data.

Furthermore, an information security management system (ISMS) serves to manage information security processes related to some of the Company's business. It ensures the unity of approaches used, provides a measurable level of security, and fosters trust among government bodies, shareholders, customers, partners, and employees vis-à-vis the Company. As for the protection of personal data and the confidentiality of information, PeWeTe complies with all applicable legislation, in particular, the requirements of the General Data Protection Regulation 2016/679 (GDPR). The Data Protection Officer is responsible for putting these regulations into practice and for dealing with all related questions and requests. He or she is supported by PeWeTe's 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 delimit access rules but also to speed up the transition to a production management system and enterprise resource planning (ERP).

The Company obtained the ISO 27001 and ISO 27701 certifications on, respectively, December 20, 2020, and February 08, 2021; they are valid for three years. These certifications cover 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 2021 the number of IT system downtimes declined yet further. There were zero information security breaches that would have triggered adverse economic consequences (losses) and/or disruptions of IT systems resulting in the irreparable loss of Company data; there were no complaints regarding information security and data protection either.

The Company also completed an important transition to new production software in order to achieve new levels of operational efficiency. Increasing both the security of the Company's assets and the maturity of the ISMS in 2021 made it possible to further boost data protection in the Company.

__ IT Strategy and Data Protection Data

	2021	2020	Δ
Number of high-consequence information security breaches	0	0	-
Number of complaints regarding information security and data protection	0	0	-

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 includes strict labor law regulations that provide human rights protections.

To further sensitize all employees of PeWeTe to human rights issues, new employees must attend two mandatory training sessions on human rights policies and procedures. Overall, 446 employees participated in such training in 2021.

__ Trainings on Human Rights Policies or Procedures

	2021	2020	Δ in %
Number of training sessions on human rights policies or procedures	2	2	-
Number of employees trained on human rights policies or procedures	446	446	-

Potential conflicts with local communities or authorities are managed by PeWeTe's customers as they are fully responsible for all actions in their licensed areas. Local communities can send complaints to the regional prosecutor's office, which is then obliged to initiate an inspection of the accused organization. PeWeTe strives to help its customers manage such complaints in the best possible way.

The Company takes this risk seriously and adopts preventive measures to mitigate it. Such steps 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 checked as to their suitability for particular jobs, their health, and their ethical behavior. Their skills and competence are also verified early on. Numerous processes based on quality management (ISO) are also in place. When it works on a customer's property, the Company must fully comply with that customer's regulations, which often are stricter than applicable law.

PeWeTe's employees 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 2021, the Company received no complaints either by email or via secure telephone line.

_ Number of Complaints About Workplace Issues

	2021	2020	Δ in %
Number of complaints about workplace issues	0	0	-
thereof by e-mail	0	0	-
thereof by telephone line	0	0	-

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

WHAT'S NEXT

To be successful in the long run, PeWeTe relies on longer-term targets and measures to support its activities in connection with the material topics. We are committed to reducing compliance breaches especially of requirements related to anti-corruption and anti-bribery, information and data security, and human rights.

Description	Target 2021	Performance 2021	Status	Target 2022 in %
Number of corruption and bribery cases	0	0	✓	0.0
Reductions in the amount of fines from customers	(10.0%)	(12.0%)	✓	(10.0)
Number of violations by the information security group	0	0	✓	0.0

HUMAN RESOURCES

MANAGEMENT APPROACH

The Oil & Gas industry has a long history of addressing health, safety, and security risks. As the work is usually conducted in harsh environments, employees are exposed to the flammability and toxicity of hydrocarbons as well as to long term health risks such as dust inhalation. Despite the industry's significant progress in this matter, accidents can still occur.

Hence the health, safety, and security of its workers is of utmost importance to PeWeTe's operations. The top priority accorded to these issues is reflected in the "Zero Harm to People" focus area of our Sustainability Strategy. As a result, the Company strives to sustain a high level of safety and security in order to avoid adversely affecting people's health. The equipment and new technological methods that are an integral part of PeWeTe's operational activities require highly qualified staff.

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

- Maintaining and improving 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
- Preventing injuries and any other deterioration in employees' health by implementing further measures aimed at providing safe labor conditions for the Company's personnel
- Maintaining the competence of our personnel by organizing regular and continual training for managers, specialists, and workers involved in rendering services.

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

EMPLOYMENT

Building and retaining a talented and skilled team is key to the success of our business. We are committed to creating an environment in which every employee can learn, connect, and collaborate as well as live a safe and healthy life.

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 the Company 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.

In the reporting period, most of PeWeTe's personnel worked for the Group's three subsidiaries (KATKoneft, KATOBNEFT, and KAToil-Drilling) as well as the management company, for a total of 3,131 employees. This corresponds to a decrease of 5.4% from the previous year (2020: 3,308 employees).

__ Employee Data

	12/31/2021	12/31/2020	Δ in %
Number of employees	3,131	3,308	(5.4)
thereof under the age of 30	645	n.r.	-
thereof aged 30 to 50	2,160	n.r.	-
thereof aged 50 and over	514	n.r.	-

n.r. = not reported in 2020

In 2021, PeWeTe hired 1,172 new employees, and 845 employees left the Company. This equates to a fluctuation rate of 25%. In 2022, we will make an effort to reduce this rate.

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 11% of all employees at the end of 2021 (up from 9.9% at the end of 2020), and the total number of female employees increased by 36 individuals.

It is also important to PeWeTe to provide equal opportunities for differently-abled people. In 2021, a total of 10 individuals in this category were employed (2020: 11).

Our compensation policy – which includes setting ambitious performance targets in keeping with the Company's 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 2021 financial year. The terms and conditions of employment, including all incentives and benefits, are defined in the collective compensation agreements between the Company's operating subsidiaries and their employees. PeWeTe strives to be an employer of choice in the long term.

EDUCATION & CONTINUING PROFESSIONAL DEVELOPMENT

Given the importance of employee education and continuing professional development (CPD) to the operations of Petro Welt Technologies AG, the Company places great emphasis on this issue. Its 2021 training budget was TEUR 40.06.

It is our goal to offer our employees 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, which are operated by the Company's subsidiaries for customers 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, and hydraulic fracturing technologies as well as on the repair and maintenance of the utilized equipment.

In 2021, a total of 265 employees (2020: 127 employees) participated in external technical training programs such as JOIFF's "stuck pipe", IWCF's "well control" as well as "preventive maintenance system (PMS)" – all of which are aimed at teaching safe and efficient working methods.

__ Training Data

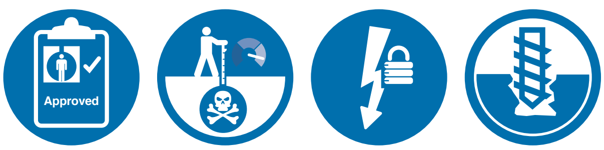
	2021	2020	Δ in %
Number of employees participating in external training programs	390	144	108.7
Number of employees participating in occupational health and safety as well as mandatory training	1,111	3,179	(65.1)
Training hours (external)	60,376	8,024	652.4
Training hours (occupational health and safety, mandatory training)	47,990	278,363	(82.8)
Training costs (in TEUR)	40,058	181,226	(77.9)

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 training is conducted on a monthly basis for both the employees and the subcontractors of Petro Welt Technologies AG. The cost of workplace safety measures was EUR 1.50 million in 2021, down from EUR 1.64 million in 2020.

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 atmosphere. Besides other standard safety rules such as the use of protective equipment, this list includes the following requirements among others:

- Obtain permits before performing hazardous operations
- Carry out gas-air environmental analyses
- Check the insulation of power sources
- Continuously monitor 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 segments 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 blowout preventers (BOPs) 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 lost time injury frequency rate (LTIFR), which compares the number of injuries to the number of working hours, is determined on a regular basis. The rate for the PeWeTe Group was 1.06 in 2021 (down from 1.32 in 2020). A total of five work-related accidents occurred in the reporting period (down from seven in 2020).

Occupational Health and Safety in Numbers

	2021	2020	Δ in %
Work-related accidents with lost workdays (lost time accident, LTA)	5	7	(28.6)
Total working hours	5,085,686	5,301,492	(4.1)
Lost time injury frequency rate (LTIFR), Group-wide	1.06	1.32	(19.7)
Commuting accidents	13	0	-
Work-related accidents requiring medical treatment (no lost workdays)	0	1	(100.0)
Work-related accidents resulting in limited work (no lost workdays)	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 service quality and work safety.

In December 2021, WellProp celebrated 13 years without a single LTA. The measures taken include continuous monitoring of the use of protective equipment and gear, such as measuring emissions, checking water quality, or regularly changing filtering devices.

In order to keep employees safe during the global COVID-19 pandemic and to reduce the risk of exposure to the virus at the workplace, PeWeTe implemented preventive measures such as the use of sanitary protection equipment, face masks, and gloves. These preventive measures are specified in a new Group-wide standard.

WHAT'S NEXT

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

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

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

Description	Target 2021	Performance 2021	Status	Target 2022
Number of lost time injuries per million person hours (LTIFR)	1.5	1.06	✓	Keep LTIFR below 1.5
Reduction in the number of accidents caused by operating companies	5 cases or fewer	5	✓	5 cases or fewer
Number of training programs implemented	KATKoneft: 3 KATOBNEFT: 3 KAToil-Drilling: 7 PeWeTe (RUS): 2	KATKoneft: 27 KATOBNEFT: 23 KAToil-Drilling: 40 PeWeTe (RUS): 7	✓	

ENVIRONMENT

MANAGEMENT APPROACH

Oil and gas production activities can adversely affect the environment – and environmental risks are of increasing importance to a growing number of stakeholders. Therefore, PeWeTe believes that its responsibility toward the environment is key to both its operating license and the Group's financial success. This is achieved through practices that are aimed at reducing the impact of PeWeTe's operations. In line with the "Zero Harm to the Environment" focus area of its Sustainability Strategy, the Group's main concern is to continually improve the environmental situation on its worksites and throughout the value chain. In particular, the Company has identified issues related to energy, emissions, effluents, waste, and soil protection as being materially important.

PeWeTe's subsidiaries, KAToil-Drilling and KATOBNEFT LLC, use environmental management systems to improve their environmental performance. Both companies have been certified under ISO 14001:2015. Also, in 2019 WELL-PROP LLC obtained 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 production processes in their entirety and timely corrective actions. Periodic identification of hazards and assessments of adverse risks to the environment are carried out in connection with production activities. Internal environmental audits and inspections are conducted in the field to ensure compliance with all rules and regulations – whether internal or external.

In order to minimize negative impacts on the environment and maximize rational uses of natural resources, PeWeTe is committed to:

- Improving existing technologies and implementing new, best available, and economically viable technologies to prevent pollution
- Complying with all applicable laws and requirements associated with environmental protection
- Continuously monitoring air emissions (subject to intensified monitoring during inclement weather)
- Using natural resources rationally
- Managing waste efficiently
- Making managerial decisions with environmental aspects in mind

ENERGY AND EMISSIONS

All of PeWeTe's core business activities encompass energy-intensive processes. Oil and gas production generate significant direct greenhouse gas (GHG) emissions from a variety of sources. The main sources of air emissions resulting from our activities include combustion processes associated with the generation of power and heat as well as the use of compressors, pumps, and other engines. The flaring and venting of hydrocarbons is another source of atmospheric pollution, as are fugitive emissions. We strive to maximize energy efficiency and keep all emissions as low as possible.

Our main sources of energy are electricity, natural gas, and diesel as well as heating at certain locations. In some cases, we generate the required energy ourselves, in others it is supplied by customers using autonomous power sources.

The Company's total energy consumption in 2021 was 578,960 MWh and thus stable compared with 573,631 MWh in 2020. Energy consumption breaks down as follows:

_ Energy Consumption (MWh)

	2021	2020	Δ in %
Natural gas	170,867	176,427	(3.2)
Diesel fuel	336,960	343,864	(2.0)
Electricity (purchased)	52,135	37,919	37.5
Heating	18,804	15,420	21.9
Total	**578,766**	**573,631**	**0.9**

As mentioned before, a significant source of air emissions are the exhaust gas emissions produced by the combustion of natural gas or diesel fuels in turbines, boilers, compressors, pumps and other engines for power generation, water injection or oil and gas extraction. The flaring and venting of hydrocarbons is another source of atmospheric pollution, as are fugitive emissions.

Associated gas brought to the surface 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 natural gas facilities to ensure that gas and other hydrocarbons are safely disposed of in the event of an emergency, a power or equipment failure, or any other plant upset condition. Fugitive emissions may be associated with leaking pipes and tubing, valves, flanges, pump seals, or compressor seals.

GHG Emissions (t)

	2021	2020	Δ in %
Direct GHG emissions (Scope 1)			
CO_2	203,190	226,524	(10.3)
Hydrocarbons	614	620	(1.0)
Indirect GHG emissions (Scope 2)			
from electricity purchased[1]	16,370	11,907	37.5
from heating purchased	3,114	2,554	21.9

[1] Location-based approach, source of emission factor data: Climate Transparency Report 2021

Thanks to 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)

	2021	2020	Δ in %
Nitrogen oxides (NO_x)	255,003	257,086	(0.8)
Sulfur oxides (SO_x)	55,150	57,462	(4.0)
Solids (particulate matter)	62,008	62,008	0

OIL SPILLS AND SOIL PROTECTION

Oil spills represent a major, potential negative impact of our activities and can occur due to leaks, equipment failure, accidents, and human error or third-party interference. PeWeTe has defined a range of precautionary measures to prevent oil spills. Among other things, it has also implemented the legally required, mandatory training programs for its employees so that they know how to prevent oil spills. In addition, blowout preventers (BOPs), special adjustable plugs, and tanks are deployed in the field. At the WellProp 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.

If there is an oil spill, it is documented according to our internal standards for investigating, classifying, and reporting incidents related to occupational safety, industrial and fire safety as well as environmental protection. Also, customer representatives are regularly on site to review our processes. There were no oil spills to the local environment in 2021, just as in 2020.

	2021	2020	Δ in %
Number of blowouts	0	0	-
Number of oil spills	0	0	-
Amount of oil spilled	0	0	-

Soil protection is usually the responsibility of PeWeTe's customers. They install the band walls around the well pad, which ensure that there are no adverse effects on the soil surrounding operations. All measures that aim to prevent 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. The Company is committed to using only environmentally friendly drilling fluids. In hydraulic fracturing, the fluids used for stimulating hydrocarbon-bearing formations consist primarily of water, but they also include small quantities of a variety of additives such as dilute acids, friction reducers, viscosifiers, inhibitory chemicals, and proppant materials. For example, these additives serve to help dissolve minerals and create cracks (fractures) in the rock, making it possible to pump fracturing fluids and proppant to the target zone at higher rates and at lower pressure than would be required using just water alone. The additives also prevent corrosion, scale formation, and microbial growth leading 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 among stakeholders of their risks, PeWeTe decided back in 2020 to expand its disclosures of chemicals used in hydraulic fracturing, drilling, and sidetracking (IPM) processes. Due to the fact that chemicals utilized in the IPM segment (mostly sidetracking) are almost fully extractable, the Company also discloses the extent to which chemicals are recovered and safely disposed of. The overwhelming number of solids are contained in drilling mud.

Chemicals Used in Production

		2021	2020	Δ in %
Hydraulic fracturing				
Liquid chemicals	l	101,400,120	102,503,404	(1.1)
Solid chemicals	kg	63,200,136	64,636,094	(2.2)
IPM segment				
Liquid chemicals	l	1,615,120	1,815,257	(11.0)
Solid chemicals	kg	5,587,575	6,647,662	(66.4)
Disposal of chemicals				
Liquid chemicals	l	1,430,246	1,550,574	(7.8)
Solid chemicals	kg	4,989,988	5,257,271	(5.1)

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

Prior to every operation, established well isolation and integrity procedures are put in place to protect both the groundwater and bores. Special environmental security training is conducted for managers and specialists to improve their expertise and skills, while seminars, conferences as well as geological and technical meetings on the safe operation of subsurface resources are held on a regular basis with representatives of customers and research institutes.

In addition, periodic identification of hazards and assessments of adverse risks to the environment are carried out in connection with production activities. The results of the hazard identification and the risk assessment are documented by the respective operating company's department of Service Quality, Labor Protection, Industrial Safety, and Environmental Protection.

The Company has also implemented waste management policies to limit its negative impact on the environment. Our oilfield service companies take steps to find additional uses for waste. Our proppant production facility has implemented measures to collect sewage water in designated tanks, which is then delivered to licensed cleaning facilities.

In 2021, our operations produced 16,203 tons of waste, and hazardous waste accounted for 99.9% thereof. All the waste has been disposed of. This represents a decrease of 0.4% in the total waste generated.

__ Waste

		2021	2020	Δ in %
Waste disposed	t	16,203	16,276	(0.4)
Share of hazardous waste	%	99.9	86.2	15.9

The Company consistently stays within the legal limits applicable to waste disposal and emissions.

Once field operations are completed, PeWeTe has contractual obligations to clean up and recultivate the given area. The decommissioning of operating facilities usually involves the complete removal of permanent facilities and well abandonment, including the removal or disposal of associated equipment, material, and waste. The wells are abandoned in a stable and safe condition subject to borehole sealing. No cleaning and recultivating activities took place in the 2021 financial year.

WHAT'S NEXT

Overall, we are committed to maintaining and improving the effectiveness of our internal management systems (including environmental management, ISO 14001), and to reducing our negative impact on the environment.

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

PRODUCTS AND PRODUCTION

MANAGEMENT APPROACH

PeWeTe is committed to the growth and diversification of its business. For instance, the economic viability of companies in energy-intensive industries is highly contingent on short and long-term trends arising from both mitigation and regulatory actions pertaining to climate change. Regulatory actions may impair PeWeTe's asset values, profitability, and creditworthiness. In keeping with the "Green Money" focus area of its Sustainability Strategy, therefore, the Company aims to optimize its operational efficiency and provide competitive solutions while causing zero harm to the environment and its employees as well as respecting business ethics. By using state-of-the-art technologies, PeWeTe helps to mitigate the adverse effects of its operations on the environment and on its employees. By using state-of-the-art and efficient management methods, PeWeTe maximizes the benefits of each business action and management decision it takes. Its aim is to guarantee financial gains for its shareholders and investors. The Company is at the forefront of Russian multi-stage fracturing technology and strives to remain the industry's technology leader. This modern form of fracturing utilizes longer, horizontal well designs to maximize the oil production flow rate. The increased flow rate reduces both the number of wells required for field development and associated development costs.

Importantly, Products & Production also require a successful supply chain services (SCS) management system that aims to meet the Company's operational requirements and provide better services to its external customers. At PeWeTe, all supply chain activities are synchronized with operations and are carried out in collaboration with the Company's QHSE management and finance functions.

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

SUPPLY CHAIN

The transformation of the Company's supply chain management continued in 2021, after the onset of the COVID-19 pandemic in 2020 upended many assumptions and practices. Supply chain management faced new challenges such as the need to extend the time necessary to negotiate and sign contracts, the need to lengthen delivery times, and the need to raise transportation rates, especially for sea freight. We also intensified our monitoring of suppliers' financial position, because the Company must ensure that suppliers and subcontractors can perform their contractual obligations. Particularly in times of the COVID-19 pandemic, the supply chain plays an important role, as it has a direct influence on the financial and production figures of the companies in the PeWeTe Group.

PeWeTe continued the move to a new stage of its development, specifically, the transformation of its procurement function into a veritable supply chain organization. In addition, improved planning and coordination with Operations should help to radically reduce emergency orders, and building better relationships with internal customers should improve transparency and service quality, including delivery time reductions.

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 – enables PeWeTe to make the process more transparent and to achieve the desired cost optimization overall. Introducing this organizational change allowed the Company to incorporate modern practices pursuant to which these are two different spheres of activity that can be optimized by segregating the respective responsibilities. Doing so also reduces potential conflicts of interest. Furthermore, the Company operates a proprietary electronic trading platform through which counterparties can contact the Economic Security Hotline in connection with complaints and appeals.

Setting up supply chain services entails centralizing all activities and 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. Furthermore, it is important to continually optimize business processes in order to boost efficiency.

During the 2021 pandemic year, the key activities of the supply chain and procurement department included the following:

- Search for, purchase, and supply high-quality and necessary goods and services; establish logistics channels for receiving them
- Prevent supplier price increases due to unforeseen additional costs to all market participants on account of measures serving to restrict the spread of COVID-19
- Prevent increases in delivery delays, mainly in connection with imported commodity groups

Positive results were obtained in two areas: PeWeTe succeeded in restraining increases in supplier prices and preventing increases in delivery delays.

The implementation of these actions and plans, increased volume synergies, centralized procurement, and new partnerships with key suppliers made it possible to enhance the efficiency of the Company's supply chain. Overall, TEUR 79 of the procurement budget were spent on local suppliers in 2021.

The import substitution initiative, which PeWeTe launched and developed several years ago, continues to yield positive results, in terms of both expanding the types of imported goods being replaced and cutting costs. It also makes it possible to obtain the necessary goods more quickly, reduces our dependence on imports, and minimizes the risks of incurring higher costs due to the devaluation of the ruble and the intensified sanctions regime.

_ Supply Chain Data

		2021	2020	Δ in %
Overall savings in procurement	TEUR	2,523	5,943	(58.0)
Savings from import substitution initiatives	TEUR	791	2,086	(62.0)
Percentage of procurement budget spent on local (national) suppliers	%	79.0	80.0	
Number of violations of the Group's tender policies and procedures		0	0	-

Another item in the development of SCS is the centralization of both transportation and logistics management. 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.

MATERIALS MANAGEMENT

As part of setting up supply chain services, at present PeWeTe is also working on centralizing the materials management function with the aim of achieving full transparency and full visibility of inventories in each warehouse in near real time to prevent overstocking and obsolescence. This allows restocking 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 will streamline inventory, labor, and facilities management in the Company's warehouses.

The respective KPIs are calculated on the basis of the reporting from the automated 1C MTO system. This system makes it possible to attract new suppliers, thereby boosting competition and getting the best price offers.

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, regulating, and accounting for slow-moving and obsolete inventories will reduce the percentage of illiquid asset inventories. 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.

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 SCS-related non-compliance can be prevented through systematic loss minimization.

Description	Target 2021	Performance 2021	Status	Target 2022
Share of existing counterparties using paperless document flow	75.0%	28.0%		75.0%

WHAT'S NEXT

As stated above, PeWeTe is continually in the 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
- Close 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 targets for investigation and development, terminate action plans to prevent recurrence
- Define requirements for management review
- 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
- Promote quality management concepts

One of the major targets 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.

Along with the quantitative targets stated below and the targets related to the material topic, Technology, these are our ambitions in the SCS focus area:

Vienna, April 27, 2022

Denis Stankevich
Chief Executive Officer

Kirill Bakhmetyev
Chief Financial Officer

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 (GCGC).

This Report is based on the GCGC 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 (pursuant to 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 shareholders 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**, born August 1, 1951, Chairman of the Supervisory Board
- **Remi Paul**, born February 16, 1966, Member of the Supervisory Board
- **Stephan Theusinge**r, born September 6, 1977, Member of the Supervisory Board (from January 25, 2022)
- **Ralf Wojtek**, born May 29, 1945, Member of the Supervisory Board (until January 25, 2022)

All current members of the Supervisory Board 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 (until September 2021)

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

Stephan Theusinger
- C. + A. Board Management AG, Andermatt, Switzerland
- C. + A. Management Services AG, Schattdorf, Switzerland
- Secunda Corporate Finance AG, Zug, Switzerland

In its current composition, the Supervisory Board fulfills all impartiality requirements. The following Supervisory Board members are deemed independent:
- Remi Paul
- Ralf Wojtek (until January 25, 2022)
- Stephan Theusinger (elected January 25, 2022)

Maurice Gregoire Dijols is the sole owner of Joma Industrial Source Corp. (Joma). As of December 31, 2021, he controls 87% of the shares of PeWeTe indirectly through this company. Joma acquired additional shares, with the result that, as of February 23, 2022, whereby Maurice Gregoire Dijols controls 90.23% of the total shares of PeWeTe as of February 23, 2022.

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.

MEMBERS OF THE MANAGEMENT BOARD

The members of the Management Board were:
- Yury Semenov (until July 19, 2021)
- Valeriy Inyushin (until September 27, 2021)
- Denis Stankevich (appointed July 19, 2021)
- Kirill Bakhmetyev (appointed October 4, 2021)

- **Denis Stankevich**,
  born December 10, 1974, Chairman of the Management Board; responsible for key corporate functions such as business strategy, business development, and business policy.

- **Kirill Bakhmetyev**,
  born March 13, 1969, Chief Financial Officer; responsible for central planning, corporate finance, accounting and investment policy, 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. These targets encompass both short and long-term objectives such as contract portfolio expressed in revenue, benchmarks versus peers, profit, etc.

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:

- Denis Stankevich – Chairman of Petro Welt Technologies AG (PeWeTe) from July 19, 2021
- Yury Semenov – Chairman of Petro Welt Technologies AG (PeWeTe) until July 19, 2021
- Kirill Bakhmetyev – Chief Financial Officer from October 4, 2021
- Valery Inyushin – Deputy Chairman of Petro Welt Technologies AG (PeWeTe) until September 27, 2021
- Nikolay Mulko – General Manager of Petro Welt Technologies LLC from 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 – 0 shares
- Ralf Wojtek – 0 shares (until January 25, 2022)
- Stephan Theusinger – 0 shares (from January 25, 2022)

Shareholders

	Number of Shares	Share
Petro Welt Holding Limited	23,300,000	47.70%
Joma Industrial Source Corp.	19,228,711 (20,778,088 as of February 23, 2022)	39.36% (42.53% as of February 23, 2022)
Free float	6,321,289 (4,771,912 as of February 23, 2022)	12.94% (9.77% as of February 23, 2022)
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 2021, 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, 2021, the percentage of women in management positions was 14% 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, 2021, the percentage of women among employees throughout the Group was 11%. The members of the Supervisory Board are between 45 and 70 years old, with an average age of 57 years, whereas the members of the Management Board are between 47 and 52 years old.

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, 2022

Denis Stankevich
Chief Executive Officer

Kirill Bakhmetyev
Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD FOR 2021

Throughout the 2021 financial year, the Supervisory Board diligently monitored the Management Board's stewardship of the business of Petro Welt Technologies AG (PeWeTe) 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, the operational environment as well as business opportunities and risks for PeWeTe and the Group on the whole. The Supervisory Board held five meetings and the Audit Committee held two meetings during 2021, all via video conferencing (Microsoft Teams/ Zoom) or telephone conference due to the applicable COVID-19 restrictions on:

- March 26, 2021 (all members of the Supervisory Board and the Management Board);
- April 23, 2021 (all members of the Supervisory Board and the Audit Committee; auditors);
- June 28, 2021 (all members of the Supervisory Board and the Management Board);
- September 27, 2021 (all members of the Supervisory Board and the Management Board, as well as directors of PeWeTe Group companies);
- November 26, 2021 (all members of the Audit Committee); and
- December 23, 2021 (all members of the Supervisory Board and the Management Board as well as directors of PeWeTe Group companies).

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 December 31, 2021, and the 2021 Management Report including the non-financial portions were audited by Mazars Austria GmbH. The audit's final findings did not give rise to any objections, thus allowing an unqualified auditor's opinion to be issued for the 2021 financial year. The same applies to the 2021 consolidated financial statements.

The Supervisory Board has approved both the standalone and the consolidated financial statements for the year ending December 31, 2021, including the Management Report, the Corporate Governance and Sustainability Reports, and the Non-Financial Report for 2021. The 2021 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 2021.

The Supervisory Board has evaluated and approved the proposal of PeWeTe's Management Board to not pay dividends for the 2021 financial year.

Additional information regarding the Supervisory Board's composition and work as well as its remuneration 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 2021 financial year as well as all shareholders, customers, and partners for their trust.

Vienna, April 27, 2022

Maurice Gregoire Dijols
on behalf of the Supervisory Board

In 2021, the global economic situation put the entire OFS industry under pressure. PeWeTe still compares favorably with its peers. With its strong fundamentals, the Company finds itself in a good starting position for the post-crisis era.

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

IN ACCORDANCE WITH SECTION 267 OF THE AUSTRIAN COMMERCIAL CODE

ECONOMIC ENVIRONMENT

As in the previous year, 2021 was dominated by the impact of the COVID-19 pandemic and the emergence of new variants of the virus. In addition, global supply shortages and political tensions brought further challenges. All of these factors are not only making it difficult to resume oil production, which was curtailed during the crisis, but have also led to a sharp rise in oil and natural gas prices. But demand is also on the rise, as increasing vaccination coverage and the associated easing of trade restrictions are leading to a significant recovery in the global economy.

The International Monetary Fund (IMF) estimates that global GDP rose by 5.9% last year. Following a significant upturn in the first and second quarters, however, the global economic rebound slowed again in the third and fourth quarters, mainly due to a marked increase in new COVID-19 infections, supply bottlenecks, rising raw material prices, and a shortage of labor. In China, for example, local outbreaks of Omicron, the new COVID-19 mutation, were met with extensive quarantine measures, resulting in significant disruptions to global seaborne trade. In the fall of 2021, global GDP returned to pre-COVID-19 levels even though economic output remained 3.5% below the level projected before the outbreak of the pandemic. For 2022, the IMF has so far forecast global GDP growth of 4.4%.

According to IMF estimates, global trade increased by 9.3% simultaneously with the general recovery in economic output throughout 2021 (the Company's reporting period) despite temporary interruptions due to output restrictions and lockdowns. Global trade volumes are expected to increase by about 6.0% in 2022 and by a further 4.9% in 2023. While trade is recovering in general, the outlook for tourism-dependent economies is dampened. Countries where tourism and travel account for a large share of GDP experienced a particularly sharp decline in economic activity, as did industrialized countries focused on the automotive industry. For example, in 2021 GDP in Japan and Germany grew by only 1.6% and 2.7%, respectively, whereas the United Kingdom saw economic growth of 7.2% due to the early easing of COVID-19 restrictions.

Industrial production suffered heavily from global supply bottlenecks, which were intensified by both pandemic-related disruptions in logistics and growing demand triggered by the easing of COVID-19 measures. At the end of 2021, in particular, shortages of precursors led to the longest delays reported since record-keeping started in 1998. Continued high demand for industrial products in tandem with disrupted supply chains sent prices skyrocketing, especially for preliminary products.

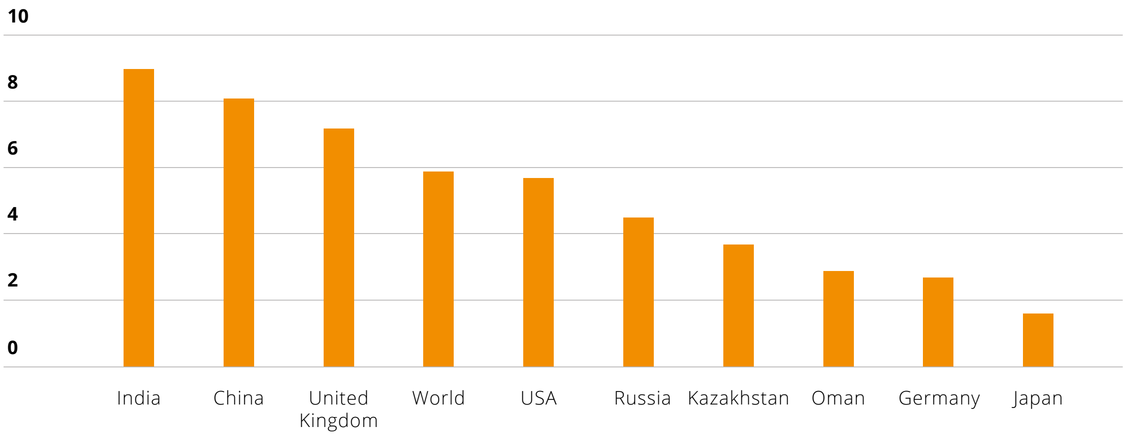
Fossil fuel prices, for example, almost doubled last year. While soaring energy prices coupled with supply chain bottlenecks led to unexpectedly high and widespread inflation in many emerging and developing countries, they hit Europe and the United States particularly hard. According to the IMF, global GDP growth in 2021 fell between 0.5 and 1.0 percentage points, and core inflation rose by 1.0 percentage points as a result of disrupted supply chains.

The **eurozone** recovered fairly quickly from the COVID-19-induced recession in 2020 and returned to its expansionary course in 2021. The area's economic upturn set in as early as in the spring of 2021 as soon as COVID-19 restrictions were lifted incrementally and the vaccination campaigns showed initial successes. Thanks to low infection figures, growth continued into the summer months, allowing the eurozone to move from a recovery phase to an expansion phase in the third quarter. Provisional figures for 2021 show that the eurozone registered GDP growth of about 5.2%; for 2022, the European Commission is now forecasting GDP growth of 4.3%. Due to the sharp increases in energy prices, however, the inflation rate of 4.1% that the eurozone saw in October 2021 was the highest in ten years. Inflation is estimated to have been 2.4% on average in the reporting period and to fall to 2.2% in 2022 unless energy prices stabilize.

In 2021, the **United States** recorded its strongest economic growth since 1984. After falling 3.5% during the crisis year 2020 – the first decline in the United States since the recession of 2007 to 2009 – GDP rose by 5.7% in the reporting period, according to the U.S. Department of Commerce. In the final quarter of 2021, growth was particularly strong at 6.9%, reaching the highest level since the fourth quarter of 1972. This was partly due to increased investment in inventories and extensive consumer spending. At the end of 2021, the unemployment rate was 3.9%. In December 2021, however, consumer prices jumped by about 7% year on year. Following the easing of COVID-19 measures, demand rose rapidly, but supply was very slow to respond.

To curb inflation, the U.S. Federal Reserve (Fed) intends to raise the key interest rate multiple times in 2022 – a step that is also likely to have an inhibiting effect on growth. Due to the Fed's tighter monetary policy and continuing disruptions of global supply chains, economic growth in the United States is forecast to weaken to about 3% in 2022. Uncertainty factors also include the country's economic conflict with China and the developments surrounding Ukraine.

__ GDP Growth of Major Economies in 2021



In **China**, economic growth remained subdued, in contrast to the pre-pandemic period. Particularly in the second half of 2021, COVID-19 outbreaks, power outages, and a significant decline in public investment curbed economic activity. Yet GDP rose 8.1% overall in the reporting period, according to China's National Bureau of Statistics. Following growth of 10.8% in 2020, this means that China's rebound was the world's fastest. At the same time, however, the country's energy crisis put its economy to the test: Existing coal reserves were no longer sufficient to meet soaring demand for electricity. As about 70% of China's electricity is supplied by coal-fired power plants, many industries were forced to temporarily halt production to conserve power. This subsequently led to bottlenecks in industrial production and a severe shortage of microchips, which paralyzed portions of global automotive production.

Further strains were caused by weakened private consumption resulting from local COVID-19 outbreaks, the emergence of the Omicron variant, and the Chinese authorities' consistently enforced zero-COVID policy. For example, the entire metropolis of Xi'an, home to the world-famous Terracotta Army, was quarantined for about four weeks from December 2021. In addition, interest in e-commerce as a substitute solution also faded noticeably. The country's consumer price index increased by 0.9% year on year, and the unemployment rate was 5.1% – 0.5 percentage points lower than in 2020. For 2022, GDP growth in China is expected to be only 5.3%. The drama surrounding the Chinese real estate group Evergrande continues unabated. Even if the financial sector remains unaffected by the company's eventual bankruptcy, it is likely to have a negative impact on the construction sector and real estate prices.

After declining by about 10.3% in 2020, as per **India's** National Statistical Office, the country's economy subsequently returned to growth in the reporting period. Thanks to the continued recovery in private consumption and the increase in corporate investment, the International Monetary Fund expects GDP to rise by 9.0% in 2021 and by a further 9.0% in the following year. This would take Indian economic output back to pre-crisis levels as early as 2022. According to the Indian central bank, inflation was 4.5% at the end of October and thus still within the tolerance range. Unemployment was 7.8%, similar to the level in 2019.

Over the past year, global **crude oil prices** developed in line with the pandemic. Prices fell sharply at first as COVID-19 spread and lockdown measures were imposed accordingly. The easing of the situation and the significant recovery of the global economy caused a jump in oil prices. The price of Brent crude was USD 51.09 per barrel at the beginning of January 2021, it peaked at USD 86.40 per barrel in October, and closed at USD 77.78 per barrel in December. On average, the oil price in 2021 was USD 69.72 per barrel, 68.1% higher than the previous year's average of USD 41.47 per barrel. In 2020, the oil price hit record lows due to a lack of demand: At the height of the COVID-19 crisis, the price of Brent crude temporarily plummeted to as low as USD 16.0 per barrel.

RUSSIA'S ECONOMY IN 2021

The Russian economy recovered faster than many others from the strains of the COVID-19 pandemic. According to the Russian Central Bank, GDP rose by 4.5% in 2021. The decline during the crisis year 2020, which was only 2.7% according to new calculations by the Federal State Statistics Service (Rosstat), thus was quickly erased. This was due to the fact that the Kremlin took only mild countermeasures and imposed partial lockdowns, at most, despite high infection rates during the fourth wave and a stagnating vaccination rate.

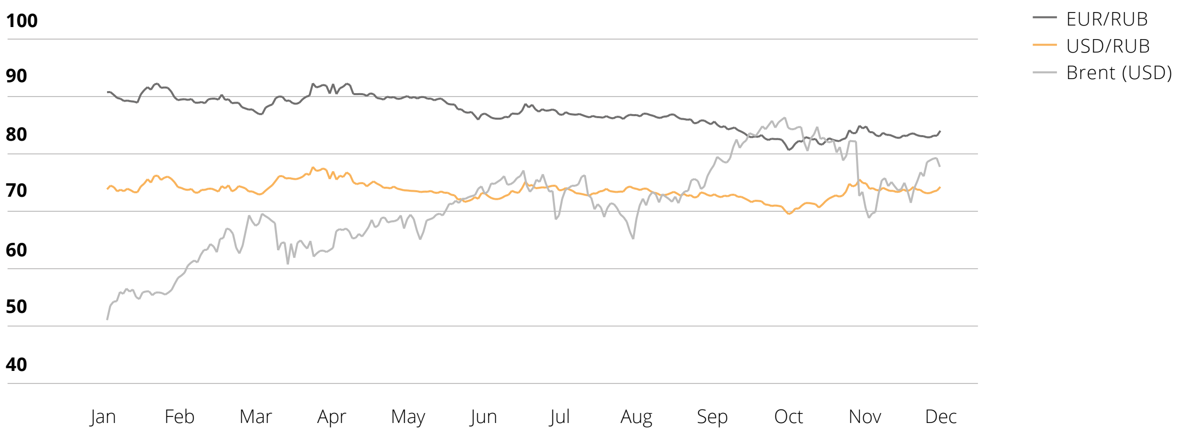
However, economic growth was held back by strong price increases. In the reporting period, producer prices increased sharply year on year by 23.2%, while the consumer price index rose by 6.1%, with food prices rising the most. The inflation rate jumped to 8.4%.

Due to high oil prices, Russian foreign trade remained on an upward trend. In the first nine months of 2021, trade revenue expanded significantly by 36.3% to USD 557.3 billion. Rising global oil and gas prices pushed up export revenue by 41.4%. By contrast, imports grew at a slower pace, increasing by 28.9% to USD 213.5 billion.

On the whole, however, the recovery potential of the Russian economy has largely been exhausted. According to central bank forecasts, GDP is expected to grow by only about 2.5% in 2022, which would return Russia to its average growth level before the onset of the COVID-19 pandemic. In addition, Russia is facing sanctions due to the ongoing Ukraine conflict, which has caused uncertainty on the markets. The Russian ruble came under further pressure in 2021 and depreciated by about 2.3%. While the strengthened US dollar was quoted at RUB 73.88 on January 1, 2021, and RUB 74.29 on December 31, 2021, the euro increasingly lost ground against the ruble, reaching RUB 90.79 on January 1, 2021, and RUB 84.07, on December 31, 2021.

As a result of Russia's military actions in Ukraine, the West has imposed numerous sanctions against the country. For example, numerous Russian banks have been excluded from SWIFT (the global payment system). As a result, the ruble depreciated by 42% to RUB 119 per USD at the end of February 2022. In addition, a growing number of companies have joined the international sanctions against Russia: Some restricted their business in the country, others stopped their exports to it, yet others withdrew completely from the Russian market. Canada stopped importing crude oil from Russia, and the United States initiated corresponding legislation at the time this report was prepared. As a result, the rating agencies, Standard & Poor's, Fitch, and Moody's have repeatedly downgraded their ratings of Russia's economy.

_ Exchange Rates and Oil Price Development



KAZAKHSTAN'S ECONOMY IN 2021

Kazakhstan's economy weathered 2020, which was dominated by COVID-19, fairly well and managed to record appreciable growth yet again in 2021. Thanks to billions of euros in state aid consisting of temporary tax breaks and low-interest loans, the agricultural, construction, and manufacturing sectors were spared major downturns. According to the Economist Intelligence Unit (EIU), Kazakhstan's GDP grew by about 3.7% in 2021. Kazakhstan has thus already regained, and even slightly surpassed, its pre-crisis level. Given higher oil prices and the ongoing economic recovery of neighboring China – Kazakhstan's second-most important trading partner – GDP is expected to increase by up to 4.2% in 2022.

In response to the COVID-19 pandemic, Kazakhstan implemented strict containment measures and a vaccination campaign, while minimizing restrictions on the economy. Improved conditions for raising capital on the international financial markets prevented the country from having to finance its aid packages entirely on its own while simultaneously coping with the fallout from the pandemic.

Despite enormous gross external debt, the risk of Kazakhstan experiencing a debt crisis is low. After all, as of July 2021 the country had just under USD 92.0 million in foreign exchange reserves and USD 57.0 billion in reserves from the National Fund, which is largely fed by the state's oil revenue. In 2021, Kazakhstan's unemployment rate was about 4.8%, and the inflation rate about 7.5%. The Kazakhstani tenge was quoted at KZT 420.91 per US dollar on January 1, 2021, and at KZT 431.67 per US dollar on December 31, 2021, thus remaining largely stable. Compared with the euro, the tenge even appreciated to KZT 516.79 per euro on January 1, 2021, and KZT 487.79 per euro on December 31, 2021.

THE OMANI ECONOMY IN 2021

The economy of the Sultanate of Oman weathered the COVID-19 pandemic much better than had previously been expected. According to the IMF's October 2021 forecast, Oman's real GDP grew by 2.9% in 2021; the accounting firm, PricewaterhouseCoopers (PWC), calculated GDP growth of about 2.5% in January 2022. The Sultanate's GDP was originally predicted to decline by 6.3% in the crisis year 2020. In the fall of 2021, however, the World Bank revised this figure downward to –2.8% thanks to only a modest decline in oil and gas production.

Along with the significant rebound of the general economic situation, Oman also benefited from the positive development of the oil and natural gas sector. Between 2016 and 2020, investments dropped by a total of 17%; in 2021, by contrast, the industry once again saw an increase in investments. Additionally, the country introduced a program in September 2021 that guarantees renewable residency visas to investors who contribute substantial amounts to the Omani economy, with terms of five or ten years, depending on the amount invested. In doing so, the Omani government not only improved the investment climate, but also counteracted the shrinking of its population. Due to the economic crisis, the number of expatriates had decreased, leaving the total population at only 4.42 million in September 2021 (2.78 million Omanis, 1.63 million foreigners). This shrinkage had already been preceded by a 4.2% decline in the total population to 4.47 million in 2020, including an 11.8% decline in the Sultanate's foreign population.

Like most countries, Oman tried to contain the spread of COVID-19 by imposing gradual lockdowns, travel restrictions, and temporary business closures. To lessen the impact of these restrictions on economic development, the Omani government simultaneously implemented several measures to improve the business environment in 2021, including new tariffs on work permits and value-added taxes (VAT). The 5% VAT took effect on April 16, 2021. These positive changes represent a continuation of the steps the country had initiated in previous years to achieve financial sustainability and a diversified economy, among other things.

THE GLOBAL OIL MARKET

DEMAND

Despite the ongoing pandemic and uncertainties regarding new COVID-19 mutations, global demand for oil followed an upward trend in 2021. Driven by sustained growth in the global economy and OPEC+ measures to boost production volumes, however, supply and demand are increasingly beginning to converge. They are not expected to balance out until later in 2022, at the earliest.

The price of Brent crude was USD 51.09 per barrel at the beginning of January 2021 and rose to USD 77.78 per barrel by the end of December. At the beginning of 2022, prices were still significantly impacted by measures to fight the pandemic. Contrary to initial expectations, however, the Omicron COVID-19 mutation turned out to be less severe than the preceding Delta variant, allowing the upswing in the global economy to continue almost unabated. As a result, demand for crude oil and other raw materials rose steadily, especially in Asian countries. China, the world's largest importer of crude oil, recorded growth of 20% in oil imports in December 2021 compared with a year earlier. The trend points upward: According to S&P Global, demand from Asia will surge by an average of 1.7 million barrels per day (mb/d) in 2022. This represents a 42% increase over the previous year and a 3% increase over pre-pandemic levels.

According to the International Energy Agency (IEA), overall demand for crude oil in 2021 was about 97 mb/d, hence some 5 mb/d higher than in 2020. By the end of the year, demand reached 99.5 mb/d, which equates to pre-pandemic levels, following the decline of 8.4 mb/d in 2020. For 2022, the IEA thus expects global growth of 3.3 mb/d; OPEC even expects 4.2 mb/d, which would exceed 100 mb/d. China and India, in particular, will continue to boost demand mainly due to greater demand for fuel and kerosene as a result of relaxed travel restrictions, increased mobility, and thus the gradual recovery in global air traffic. Although experts are forecasting an upturn in aviation in both 2022 and 2023, the sector is unlikely to return to pre-pandemic demand levels. At the end of 2021, aviation kerosene demand was only 60% of pre-crisis levels. Significant risks are still seen for the oil market in the long term. Experts and investors alike expect the energy transition to accelerate amid high oil prices, falling demand, and the success of United States' shale producers.

SUPPLY

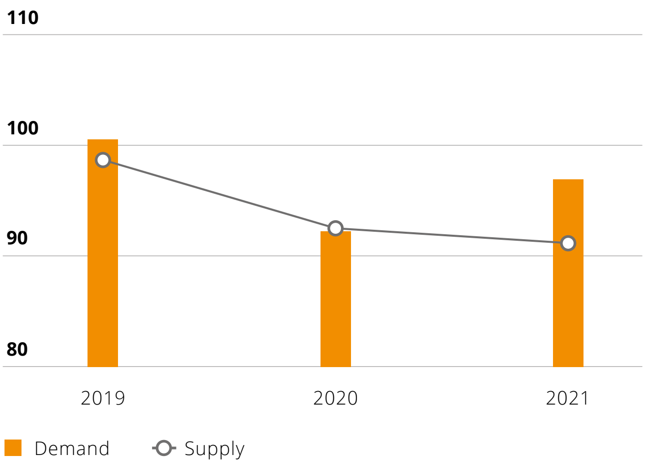
During the reporting period, demand for oil consistently outstripped supply. This led to a persistent decline in global inventories and, at the same time, to a significant increase in oil prices. According to the December 2021 estimate of the U.S. Energy Information Administration (EIA), global oil inventories fell by 469 million barrels in 2021 – the largest single-year inventory drawdown since 2007. Supply chain disruptions and OPEC+ production curbs kept oil inventories low.

In 2022, supply is expected to exceed demand for the first time since the onset of the pandemic. However, this also depends on whether the OPEC+ countries decide to continue increasing their production quotas. While OPEC+ decided in early January 2022 to raise daily production by 400,000 barrels from February instead of May, not even this increase would be sufficient to meet rising demand from Asia. In addition, it is questionable whether OPEC+ will even be able to achieve the production targets it has set itself. This is so partly because it is difficult to bring idled capacity back on stream, and partly because of the political tensions in major oil-producing countries, the Ukraine conflict, and uncertainties in the Middle East and Libya. In Saudi Arabia, for example, airports, oil facilities, and pipelines have been attacked by Iranian fighters, causing the oil price to soar yet again. Drone attacks on oil fields and bad weather adversely affected the country's oil industry as well.

According to the EIA, global oil inventories have already fallen for six consecutive quarters since the third quarter of 2020. While a decline of 2.1 mb/d on average was recorded in the second half of 2020, inventories fell by a total of 1.4 mb/d in 2021. In the United States, oil inventories dropped to their lowest level in almost seven years. OPEC's average production, however, rose by 0.7 mb/d compared with 2020 levels thanks to the lifting of restrictions, reaching a total of 26.3 mb/d in 2021.

In 2022 and 2023, global oil production is expected to exceed demand by an average of 0.5 mb/d and 0.6 mb/d, respectively. This will make it possible to replenish global oil inventories and put downward pressure on crude oil prices. As a result, oil prices are expected to be about USD 75 per barrel in 2022 and about USD 68 per barrel in 2023.

_ Development of Global Oil Demand/Supply (2019–2021)



Source: OPEC

OIL AND GAS PRODUCTION IN RUSSIA, KAZAKHSTAN AND OMAN

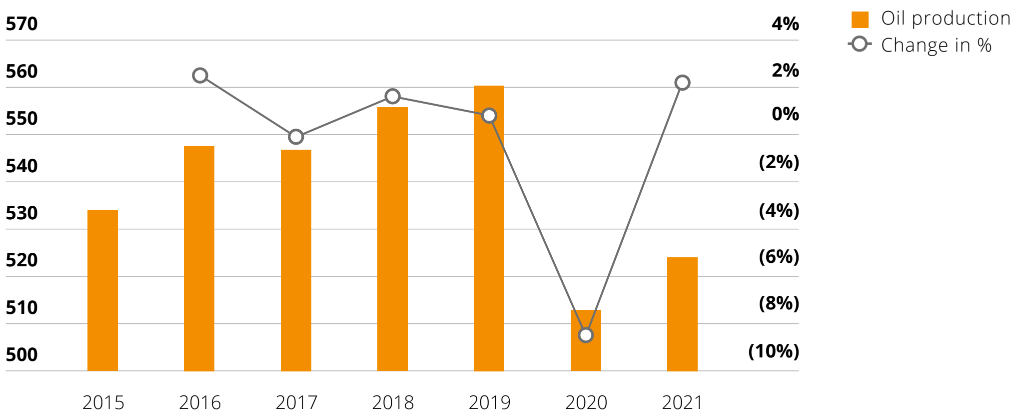
RUSSIA

In **Russia**, the average daily production of oil and natural gas condensate increased by 2.5% to 10.52 mb/d in 2021 (adjusted for an additional day in leap year 2020). Restrictions under the OPEC+ agreement, which had taken effect in May 2020, were eased during 2021.

The daily production rate for Russia continued to expand, rising from 9.809 mb/d in October 2021, to 9.914 mb/d in November, and to 10.018 mb/d in December. However, the country was only able to use 96% of its established quota in the year's last month, partly due to the impact of the pandemic, which adversely affected consumer demand for Russian oil, and partly due to New Year's Eve closures in a number of European countries. On the whole, therefore, the oil and natural gas condensate market in Russia recorded marginal, yet still relevant growth of 2.2% in 2021.

Russia's new general development plan for its oil industry up to 2035, which was adopted in May 2021, calls for increasing the production of oil and natural gas condensate to 554 million tons by 2029.

_ Oil Production Russia 2021 (in million tons)



KAZAKHSTAN

In 2021, **Kazakhstan's** oil industry again recorded slight losses. Despite the significant recovery in the world market price for crude oil, local oil production companies were unable to fully utilize their capacities due to internationally coordinated production restrictions. Limited export opportunities, the ongoing devaluation of assets, and the lack of modern technologies continued to pose the greatest challenges to the Kazakhstani oil industry.

However, the country's government expects the industry to quickly become a growth driver yet again once the current production restrictions expire. As a result, the Kazakhstani economy on the whole should see a rebound. Production volumes are expected to expand by an average of 2.2% in 2022 and by as much as 4.6% per year up to 2026. The government also expects natural gas production volumes to rise in the coming years by an average of 2.9% per year between 2022 and 2026.

OMAN

In **Oman**, average daily oil production stood at 0.96 mb/d in January 2021, rising by more than 5% to 1.01 mb/d by December. This increase is mainly due to OPEC+ decisions, to which Oman is a party. The production restrictions agreed in May 2020 were increasingly being eased in 2021 to support oil prices, which were slumping internationally. As a result, the Sultanate's crude oil production should continue to expand in 2022, probably by 9.8% to 1.1 mb/d.

The onshore segment dominated the market in 2021, as in previous years, and it is highly unlikely to relinquish its leading role in the future because the number of exploration activities offshore is small.

As Oman used its untapped capacity during the COVID-19 pandemic to develop new natural gas fields, the industry is expected to see a strong rebound in the coming years. Supported by new quantities from the BP Oman Block 61 gas fields and the Mabrouk projects in central Oman, the production of natural gas is expected to grow by 4% to 39.7 billion cubic meters in 2022.

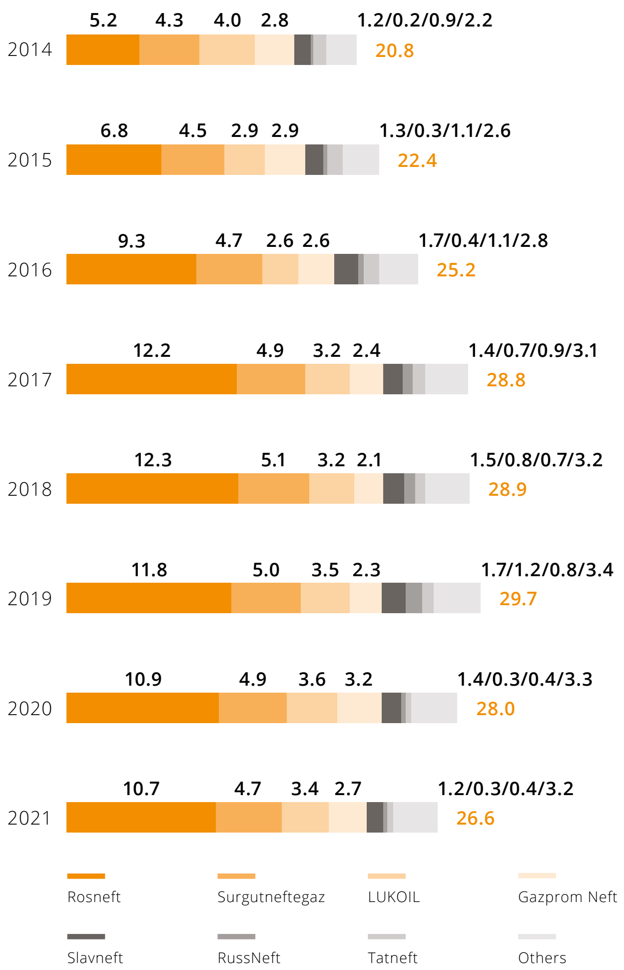
OILFIELD SERVICES (OFS)

THE RUSSIAN OFS MARKET

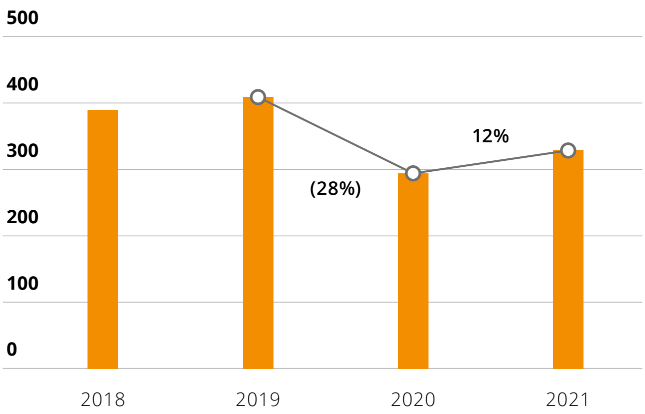
As a "customer market," oilfield services in Russia depend completely on external factors and customer interventions. The consolidation of the oil industry primarily affects independent oilfield services companies, which were already under pressure in 2020 due to external factors (such as the OPEC+ agreement and the COVID-19 pandemic) and specific customer requirements (revision of costs for services and equipment, payment deferrals, etc.).

In 2021, Russia produced an average of 10.5 mb/d, 2.5% more than in 2020. According to the IEA, Russian oil production will continue to increase in 2022 and 2023, albeit at a slow pace. In January 2022, the IEA expected Russian oil production to grow by an average of 0.8 mb/d in 2022 and 0.3 mb/d in 2023.

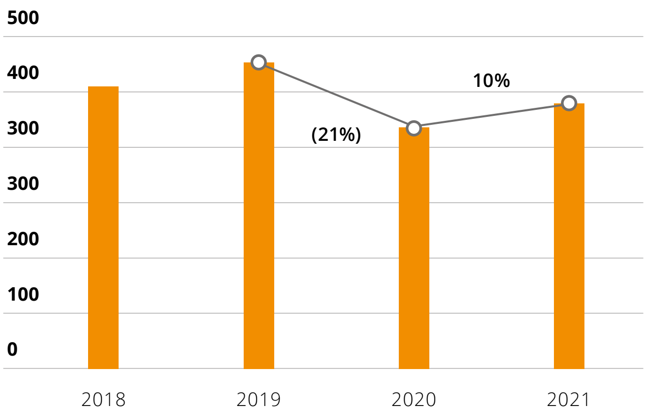
_ Drilling Footage by Customers (in million meters)



__ Development of the Global OFS Market (in USD billion)



__ Development of the Russian OFS Market (in USD billion)

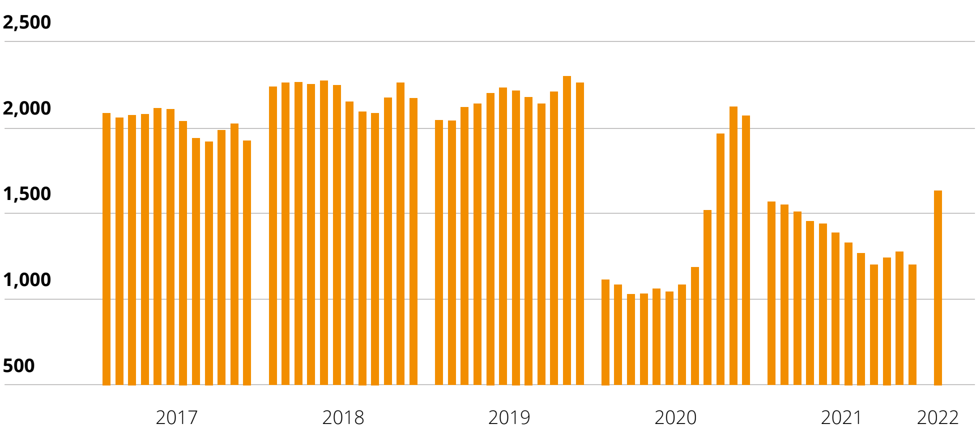


Production drilling
Given improved market conditions and eased production restrictions under the OPEC+ agreement, global drilling activity continued to recover in 2021, particularly in the fourth quarter. At the end of December, the number of active units was 115 units higher than in September and 380 units higher than at the beginning of the year, reaching 1,563 units, the highest level since April 2020.

Development drilling is the largest segment of the Russian OFS market. The drilling volume affects a wide range of related services: geophysical surveys during drilling, drilling fluids and tools, cementing, well completion, etc.

The easing of OPEC+ production restrictions in 2021 was not sufficient on its own to help drilling investments rebound, as production growth is mainly achieved by reactivating existing production wells. Production companies' drilling activity did not pick up until the fourth quarter of 2021 and is expected to increase in 2022 – provided OPEC+ does not impose new restrictions and the demand for oil continues to grow.

__ Number of Drilling Units Worldwide



Stimulation

Special methods are used to increase the efficiency of injection and production wells for oil and natural gas. The most effective of these is hydraulic fracturing (HF): It can boost the production rate by more than 40%.

The hydraulic fracturing market in the Russian Federation developed along a positive trajectory in the first and second quarters of 2021, achieving the same number of operations as in 2020. The surplus of hydraulic fracturing fleets in the Russian market accounted for about 11% of the total volume. In the first half of 2021, intense competition for market share among hydraulic fracturing companies put downward pressure on the average cost per job. In part, this was due to the low profitability of oilfield service providers, which operated at zero profitability – and in some cases even less than that – in order to retain market share and personnel.

The rapid rebound of the global economy raised demand for fuel during the summer months, leading to a gradual increase in production under the OPEC+ agreement. As a result, global oil consumption rose to 99 mb/d in the third quarter of 2021. Oil companies then increased their investments in both exploration and production, in turn boosting the hydraulic fracturing market.

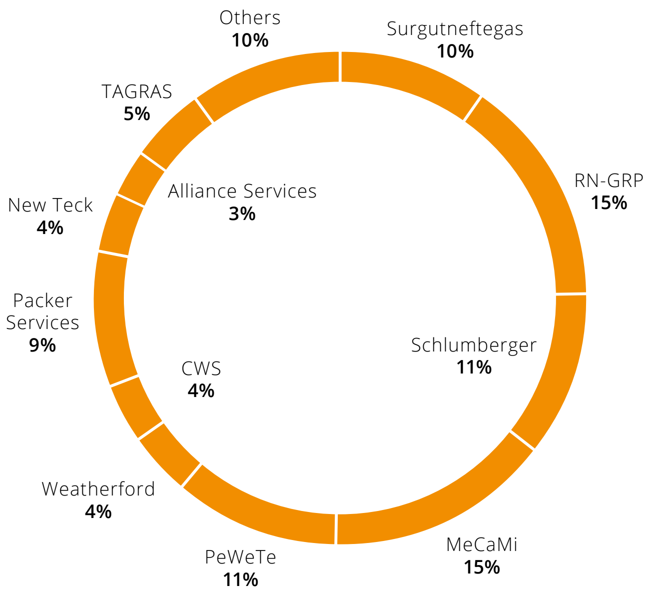
While the Russian market saw a significant increase in demand for hydraulic fracturing fleets by the end of the fourth quarter of 2021, oilfield service providers had difficulties deploying fleets due to the shortage of field personnel. The decline in demand for hydraulic fracturing since 2019 and the resulting increase in standing times had led to an exodus of personnel.

The market shares of hydraulic fracturing providers in the Russian market remained almost unchanged even though their activities decreased. As per the number of fleets, the following five companies continued to lead the market: RN-GRP, MeCaMi, KATKoneft, Schlumberger, and Surgutneftegas.

Companies providing hydraulic fracturing services work mainly with imported equipment, but some types of equipment – e.g., control stations, hydration equipment, and equipment for transporting manifold blocks – are gradually being replaced by domestically manufactured equipment. In particular, work is underway to develop Russian software and hydraulic fracturing simulators.

At the end of 2021, the first Russian mobile hydraulic fracturing plant for the development of hard-to-reach oil reserves was approved, designed, and built as part of the program aimed at import substitution and diversification of the defense industry in the interest of national oil and gas entities. Industrial testing is scheduled for 2022.

__ Russia Fracturing Market Shares



THE KAZAKHSTANI OFS MARKET

Kazakhstan's oilfield services business suffered heavily from the structural problems that accumulated over the years and the resulting strikes by many workers in 2021. According to Deloitte, the oilfield services market in Kazakhstan had slumped by 25% to EUR 5.8 billion in 2020. Companies complained about the lack of state support and the dwindling number of contracts with oil companies. Several thousand oilfield services employees lost their jobs during the crisis. Today, oilfield services companies employ about 150,000 people in Kazakhstan.

With a share of about two-thirds of the fracturing market, Munayfieldservice, PeWeTe Kazakhstan, and Schlumberger are the leading OFS companies in the country, followed by Caspian Integrated Services, Equipment Services, and CNEC. The main customers in Kazakhstan's onshore stimulation segment are Ozenmunaygaz, Mangistaumunaygaz, Kensary, and Embamunaygaz.

THE OMANI OFS MARKET

As the Omani government awarded licenses and approved concession contracts in 2018 and 2019, the already dominant onshore segment will further expand in the coming years, with associated exploration activities already being launched in both 2020 and 2021. Oman is seeing an increase in the number of newly published tenders by recently established companies owned by well-known corporations as well as smaller operators. Petrotel, EOG, and Al Maha are among the new players entering the Omani E&P market. Most of them have already submitted various bids for drilling services or plan to do so later in 2022.

In 2021, the main long-term fracturing contracts for the two or three major fracturing fleets were publicly tendered by the state-owned exploration and production company, Petroleum Development Oman (PDO). However, smaller operators, including OXY and Petrotel, are also expected to award additional fracturing contracts.

In the coming years, the spot market will play an increasingly important role in Oman. Multi-stage fracturing is becoming more widely accepted as an extraction method thanks to the growth in unconventional oil field development. There is a shift from classic fracturing fluids to slickwater/polyacrylamide fluids in this connection. Numerous exploration and production companies (including PDO, OXY, Daleel, ARA, CCED, and others) will award new coiled tubing contracts in 2022 for at least 17 coiled tubing facilities.

DEVELOPMENT OF THE PEWETE GROUP

HIGHLIGHTS 2021

- Revenue in EUR decreased by 5.8%.
- At a decline of only 0.4%, revenue expressed in RUB remained at the 2020 level.
- Thanks to an equity ratio of 51.0%, net debt stayed within acceptable limits.
- Proppant manufacturing revenue rose by 56.2% in RUB terms during the reporting period; revenue in EUR thus increased 47.7% to EUR 13.0 million.
- Thanks to its self-financing model and efficient cash generation, the PeWeTe Group remained financially stable despite deteriorating industry conditions.
- The Drilling, Sidetracking, and Integrated Project Management (IPM) segment continued to be the largest contributor to both revenue and operating profit.
- Due to unforeseen delays and obstacles caused by restrictions related to COVID-19, the Company decided to discontinue its operations in Romania and to focus instead on business opportunities in its two main markets, Russia and Kazakhstan.

In 2021, the COVID-19 pandemic continued to have a severe impact on the oil field services (OFS) market. Restricted production volumes under the OPEC+ agreement burdened the entire industry, and global oil production was very slow to regain momentum because restrictions were eased but gradually. While this impacted the PeWeTe Group accordingly, there are positive signs.

Expressed in RUB, revenue in 2021 decreased by only 0.4%, remaining at the 2020 level. Revenue in EUR fell by 5.8% year on year owing to the devaluation of the ruble against the euro. The cost of sales declined in 2021 by 1.0% in RUB and by 4.8% in EUR to EUR 201.9 million (2020: EUR 212.1 million). The decrease by EUR 5.2 million in expenses that depend on the number of operations (e.g., direct costs, wages, and salaries) was accompanied by a 6.2% decrease in the cost of sales in the Russian OFS sector. Expressed in RUB, direct costs declined by 3.6% and raw material expenses by 6.0%, resulting in an 0.8% decline in the cost of sales associated with the Russian OFS sector. At EUR 35.0 million, the gross profit in 2021 was lower year on year (2020: EUR 39.6 million); consequently, the gross profit margin fell to 14.8% (2020: 15.7%).

Both the pandemic and the crisis in the oil industry posed unprecedented challenges for the PeWeTe Group. Due to delays and obstacles caused by the COVID-19 restrictions, the Company decided to shut down its activities in Romania. Instead, the PeWeTe Group is now focusing on more profitable business areas and its two core markets, Russia and Kazakhstan. The revenue and expenses of the Romanian business unit are presented as discontinued operations in the Consolidated Statement of Profit or Loss for the 2021 and 2020 financial years. All comparisons are based on the analysis of continued operations, unless otherwise stated.

Following the previous year's positive performance, all margins (i.e., gross profit, operating profit, and profit before tax) declined in 2021. The EBITDA margin fell to 14.1% in the reporting period, down from 18.5% in the previous year, and the EBIT margin to 3.1%, down from 6.6% year on year.

Despite the challenging year, the PeWeTe Group managed to maintain its stable and reliable financial profile. Its equity ratio increased to 51.0% (2020: 50.2%). The self-financing principle thus remains the Group's economic model, with the result that net debt remained within acceptable limits in 2021. Thanks to its self-financing model and efficient cash generation, the PeWeTe Group remained financially stable despite the deteriorating conditions in the industry.

__ Exchange Rates

	Closing Rate as of 12/31/2021	Closing rate as of 12/31/2020	Average rate 2021	Average rate 2020
1 Euro (EUR)				
= Russian ruble (RUB)	84.07	90.68	87.19	82.45
= Kazakh tenge (KZT)	487.79	516.13	504.04	471.81
1 US dollar (USD)				
= Russian ruble (RUB)	74.29	73.88	73.65	72.15
= Kazakh tenge (KZT)	431.67	420.71	426.03	413.36

GROUP STRUCTURE

__ Structure of the Group

Petro Welt Technologies AG Vienna, Austria		100% →	**Petro Welt Technologies LLC**[1] 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		100% →	
Limassol, Cyprus		100% →	**WELLPROP LLC** Kopeysk, Russia

[1] Management company

OPERATING PERFORMANCE OF THE GROUP

Many oilfield service providers were under pressure due to persistently poor market conditions in 2021 and reduced orders from oil companies. Nevertheless, the performance of the PeWeTe Group's operating subsidiaries in terms of both the number of jobs and revenue in the Russian OFS market for major oil-producing customers was relatively stable in the Drilling, Sidetracking, and Integrated Project Management (IPM) segment.

DEVELOPMENT OF OPERATING INDICATORS

Although the average revenue per job in the Drilling, Sidetracking, and IPM segment decreased in 2021 by 5.7% to TEUR 437.9 (2020: TEUR 464.4), the segment continued to be the largest contributor to both revenue and operating profit. In the reporting period, the number of jobs rose to 285, up from 281 in the previous year. A large portion of the jobs was handled by KAToil-Drilling (a wholly-owned subsidiary), which focuses on the conventional drilling sub-segment. The drilling services of the Company's Romanian subsidiary, which had launched its workover activities in 2020 and had made only a minimal contribution to revenue, were discontinued.

The fracturing segment showed strong monthly volatility in 2021, declining overall by 4.3% (187 jobs) to 4,249 jobs, down from 4,436 jobs in 2020. The average revenue per job was down by 7.8% in the Well Services and Stimulation segment, falling from TEUR 25.3 in 2020 to TEUR 23.3 in the reporting period. While the number of multi-stage fracturing jobs followed the same trend, their share in the total number of jobs continued to decline in 2021 to 60.7% (2020: 63.5%).

Only the Proppant Manufacturing segment boosted its revenue in the reporting period. Expressed in RUB, revenue rose by 56.2%; expressed in EUR, it rose by 47.7% to EUR 13.0 million. As a result, this has increased the importance of the proppant production business segment to the PeWeTe Group: It now accounts for 5.5% of Group revenue, up from 3.5% in 2020.

The operating performance of PeWeTe Kazakhstan was stable thanks to an 11.3% increase in the number of fracturing jobs to 296 in 2021. This entity's revenue expressed in EUR thus even grew in 2021 by 56.0% to EUR 7.8 million (2020: EUR 5.0 million).

As of December 31, 2021, the equipment operated by the Petro Welt Technologies Group consisted of 17 drilling rigs (2020: 16), 30 sidetracking rigs (2020: 30), and 18 fracturing fleets (2020: 18).

REVENUE DEVELOPMENT

Overall, the operating performance largely determined the Group's total revenue. Despite the remarkable 2021 decline in the OFS market, at RUB 20.698 billion (2020: RUB 20.744 billion), Group revenue in RUB decreased by a mere 0.4% year on year. Due to the continued devaluation of the ruble in the reporting period, however, revenue converted into the reporting currency (EUR) fell by 5.8% to EUR 237.0 million (2020: EUR 251.6 million).

In 2021, the PeWeTe Group generated its revenue in three currencies: Russian rubles, Kazakhstani tenge, and Romanian lei. The ruble and tenge experienced high volatility in the reporting period. As the average RUB/EUR exchange rate was RUB 87.19 per EUR in 2021, the ruble depreciated by 5.7% on average year on year. As of December 31, 2021, the RUB/EUR exchange rate was RUB 84.07 per EUR, down 7.3% from December 31, 2020. The Group generated 3.3% of its revenue in Kazakhstani tenge. On average, the exchange rate of the tenge against the euro decreased in 2021, following a negative year-on-year trend of 6.8%.

According to the Central Dispatching Department of Fuel Energy Complex (CDU TEK), oil companies in Russia raised their oil production in 2021 by 2.2% year on year. Almost all major oil producers increased their production volumes: Surgutneftegaz and Slavneft lifted theirs by 1.3% and 1.4%, respectively; LUKOIL and RussNeft by 3.1% and 4.4%, respectively; and LUKOIL West Siberian and Bashneft by as much as 5.9% and 6.4%, respectively. Rosneft, however, one of PeWeTe's most important customers in the fracturing segment, had to contend with yet another decrease (5.1%) in 2021. Gazpromneft also reported a slight decrease of 0.9%.

In 2021, the revenue of PeWeTe's Well Services and Stimulation segment fell by 11.7% to EUR 99.1 million (2020: EUR 112.2 million).

Although the Drilling, Sidetracking, and IPM segment did not suffer from a lack of demand and orders compared with the fracturing segment, it did face revenue losses due to the reduced average revenue per job. Thanks to improvements in both conventional drilling activities and sidetracking contract volumes, however, at 4.3% the decline was relatively small, on account of which the segment's revenue for 2021 decreased only to EUR 124.9 million, from EUR 130.6 million in 2020.

COST OF SALES PERFORMANCE

By optimizing its operating efficiency, the PeWeTe Group succeeded in reducing its cost of sales for yet another year. Taking into account the devaluation effect, the total cost of sales fell by 4.8% in EUR (or EUR 10.2 million) to EUR 201.9 million in 2021, compared with EUR 212.1 million in 2020. But this was also due to downtimes which, at KAToil-Drilling, were stable at 0.7% by the end of the year.

Excluding the impact of the ruble devaluation, the cost of sales declined by 0.4% in line with revenue. Both OFS segments further optimized their operating efficiency, and the supply chain service succeeded in engaging contractors on more favorable terms. As a result, raw material costs and direct costs in RUB fell by 3.9% and 1.8%, respectively.

While the average number of employees decreased to 3,131 in 2021, down 5.4% from 3,308 in 2020, wages and salaries in RUB increased by 3.6%.

The Group's gross profit for the reporting period fell by 11.6% to EUR 35.0 million (2020: EUR 39.6 million). The gross profit margin also declined, from 15.7% in 2020 to 14.8% in 2021. Simultaneously, the EBIT and EBITDA margins also developed negatively. While the EBIT margin decreased from 6.6% in 2020 to 3.1% in the reporting period, the EBITDA margin fell from 18.5% in the previous year to 14.1% in 2021.

DEVELOPMENT OF EARNINGS

In 2021, the PeWeTe Group's administrative expenses shot up by a total of 24.2% to EUR 26.7 million (2020: 21.5 million), mainly due to consulting expenses. Social tax expenses rose by 6.6%, while travel and entertainment expenses soared by 96.6% to TEUR 584 due to the partial lifting of pandemic restrictions. While audit costs dropped by 39.5% year on year, consulting costs rose more than threefold in the reporting period.

Selling expenses (including transportation costs) increased by 12.5% year on year in line with the increase in Proppant's sales volumes. By contrast, other operating expenses dropped by almost one half (–52.8%) and other operating income by 36.8%.

Foreign exchange rate gains plummeted by 69.2% due to the continuing devaluation of the ruble. Hence the financial result decreased to EUR 1.9 million, down slightly from EUR 2.3 million in the previous year.

All these factors led to a 51.6% slump in earnings before interest and taxes (EBIT), from EUR 19.0 million in 2020 to EUR 9.2 million in 2021. As a result, the EBIT margin fell to 3.9% in the reporting period, down from 7.5% in the previous year.

In 2021, EBITDA declined by 28.0% to only EUR 33.5 million (2020: EUR 46.5 million), while the EBITDA margin fell to 14.1% (2020: 18.5%) due mainly to both the reduction in depreciation and the partial reversal of impairment losses taken in 2020.

In line with these developments during the reporting period, the gross profit margin decreased as well, to 14.8% (2020: 15.7%).

Despite an 8.7% increase in financial income, the PeWeTe Group was unable to protect its profit before tax (PBT). This key indicator fell in the reporting period by almost one half (–51.6%) to EUR 9.2 million (2020: EUR 19.0 million), mostly due to higher administrative costs. The PBT margin declined to 3.9% (2020: 7.5%).

Net profit saw a particularly drastic decline in the reporting period, plummeting by 60.8% to EUR 4.7 million (2020: EUR 12.0 million). At the same time, income tax expense fell by 35.7% to EUR 4.5 million (2020: EUR 7.0 million). Total Group profit (including the result from discontinued operations) for 2021 stands at EUR 2.9 million, down 56.7% from the previous year's EUR 6.7 million. Earnings per share for the reporting period are only EUR 0.06, down from EUR 0.14 year on year.

_ Group Figures EBITDA and EBIT

Key positions		**2021**	**2020**	**+/-**	**+/- %**
Revenue	in EUR million	237.0	251.6	(14.6)	(5.8)
Gross profit	in EUR million	35.0	39.6	(4.6)	(11.6)
EBITDA	in EUR million	33.5	46.5	(13.0)	(28.0)
EBIT	in EUR million	7.3	16.7	(9.4)	(56.3)
Gross profit margin	in %	14.8%	15.8%		
EBIT margin	in %	3.1%	6.6%		
EBITDA margin	in %	14.1%	18.5%		
Group result	in EUR million	2.9	6.7	(3.8)	(56.7)
Earnings per share	in EUR	0.06	0.14	(0.08)	(56.7)

SEGMENT REPORTING

Segment performance generally followed the main market trends. The operating margins of both OFS segments declined, from 8.3% in 2020 to 4.5% in 2021 for Well Services and Stimulation and from 13.0% in 2020 to 10.1% in 2021 for Drilling, Sidetracking, and IPM.

WELL SERVICES AND STIMULATION

While the total number of fracturing jobs and remediation services decreased by 4.2% to 4,249 in 2021 (2020: 4,436 jobs) and the share of multi-stage fracturing jobs continued to increase, the Well Services and Stimulation segment experienced a decline in revenue of 11.7% to EUR 99.1 million (2020: EUR 112.2 million). This was driven chiefly by intense competition among hydraulic fracturing companies, which reduced the average cost per hydraulic fracturing operation, as OFS companies operated at zero and lower profitability in an effort to maintain market share and personnel. However, the decline was also related to the fact that the average revenue per job fell by 7.8% to TEUR 23.3 (2020: TEUR 25.3).

As for the number of operations carried out in the Russian Federation, the hydraulic fracturing market remained at 2020 levels in the first and second quarters of 2021, and the number of hydraulic fracturing fleets exceeded the total number actually deployed in the Russian market by 11%. The first half of 2021 also saw intense competition among hydraulic fracturing companies for market share, which depressed the average cost per hydraulic fracturing job for the aforementioned reasons.

While all of these factors drove the continuing decline in the Well Services' share of total Group revenue in 2021, it still contributed 41.8% to Group revenue (2020: 44.6%).

In RUB terms, total segment revenue decreased by 6.6% year on year, and per job revenue by 2.5%. Gross profit in the Well Services and Stimulation segment fell to EUR 9.5 million in 2021, compared with EUR 14.7 million in 2020.

The segment's decline in the cost of sales by 8.6% was smaller than the decline in revenue but resulted nonetheless in lower earnings. This cost dynamic stemmed mainly from the increases in the price of materials and other purchases due to the disruption of global supply chains following the outbreak of the COVID-19 pandemic.

In the fourth quarter of 2021, the segment faced significant price increases for spare parts (+13%), chemical reagents (+47%), pipes (+57%) as well as fuels and lubricants (+9.5%) in both the Russian and international markets.

The segment's earnings also continued to deteriorate in line with general market trends. EBIT for 2021 plummeted by 51.8% to EUR 4.5 million (2020: EUR 9.3 million). The EBIT margin is 4.5% (2020: 8.3%).

DRILLING, SIDETRACKING, AND INTEGRATED PROJECT MANAGEMENT (IPM)

In 2021, this segment recorded slight revenue growth in RUB of 0.9%, driven by a 1.4% increase in the number of orders to 285 (2020: 281). Revenue per order, translated into RUB, remained stable at RUB 38.3 million per order thanks to strong market contractions, greater utilization of drilling crews as well as the termination of low-yield projects, in turn decreasing downtimes.

The segment remained the main contributor to Group performance in 2021, accounting for 52.7% of revenue (2020: 51.9%).

Expressed in EUR, the segment's revenue fell in the reporting period by 4.3% to EUR 124.9 million (2020: EUR 130.6 million).

Reducing the cost of sales by EUR 4.3 million based on the decrease in unit costs enabled the Drilling, Sidetracking, and IPM segment to post gross profit of EUR 20.5 million despite the difficult market environment (2020: EUR 22.0 million). Strict cost controls – such as finding new suppliers, shortening non-productive times, substituting imports, and diversifying the product range – thus were successful.

Due to a EUR 0.8 million increase in administrative expenses, the segment posted EBIT of EUR 12.6 million, compared with EUR 17.0 million in 2020.

PROPPANT MANUFACTURING

The Proppant Manufacturing segment recorded the largest revenue growth. It doubled its revenue in both EUR and RUB. Revenue in EUR was EUR 13 million (an increase of 47.7% in 2021 compared with EUR 8.8 million in 2020); in RUB, it grew by 57.1% to RUB 1.1 billion. Rising sales of chemicals and resin-coated proppants mainly contributed to this growth.

Despite the significant increase in transportation tariffs and ongoing export difficulties, the segment managed in 2021 to post a positive operating result of EUR 1 million (2020: EUR –0.6 million). Gross profit rose by 19.5%, from EUR 3.2 million to EUR 3.8 million.

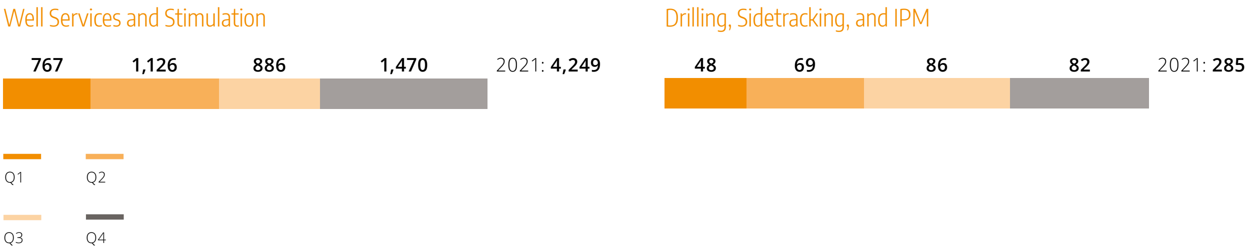
_ External Revenue

Key positions		2021	2020	+/-	+/- %
Well Services and Stimulation	in EUR million	99.1	112.2	–13.1	–11.7
Jobs	Number	4,249.0	4,436.0	–187	–4.2
Average revenue per job	in TEUR	23.3	25.3	–2.0	–7.8
Share of revenue	in %	41.8	44.5		
Drilling, Sidetracking, and IPM	in EUR million	124.9	131.3	–5.7	–4.3
Jobs	Number	285	281	4	1.4
Average revenue per job	in TEUR	437.9	467.0	–26.4	–5.7
Share of revenue	in %	52.7	52.0		
Total	in EUR million	224.0	243.5	–18.5	–7.7
Proppant production	in EUR million	13.0	8.8	4.2	47.7
Share of revenue	in EUR million	5.5	3.5		
	in EUR million	237.0	252.3	–14.6	–5.8

_ Revenue Development 2021 by Quarter and Segment

in EUR million	Q1	Q2	Q3	Q4	2021
Petro Welt Technologies (consolidated)	45.2	60.6	62.7	68.5	237.0
Well Services and Stimulation	18.1	24.9	25.8	30.3	99.1
Drilling, Sidetracking, and IPM	25.4	31.5	33.5	34.5	124.9
Proppant Manufacturing	1.7	4.2	3.4	3.7	13.0

_ Quarterly Development of the Service Job Count



_ Major Products and Service Lines

EUR million	2021		2020	
Hydraulic fracturing	97.0	40.9%	109.6	43.6%
Sidetrack drilling	61.3	25.9%	67.9	27.0%
Conventional drilling	63.6	26.8%	62.1	24.7%
Proppant	9.7	4.1%	8.2	3.3%
Cementing	2.1	0.9%	2.4	1.0%
Other services	3.3	1.4%	1.5	0.6%
Total revenue	**237.0**	**100%**	**251.6**	**100.0%**

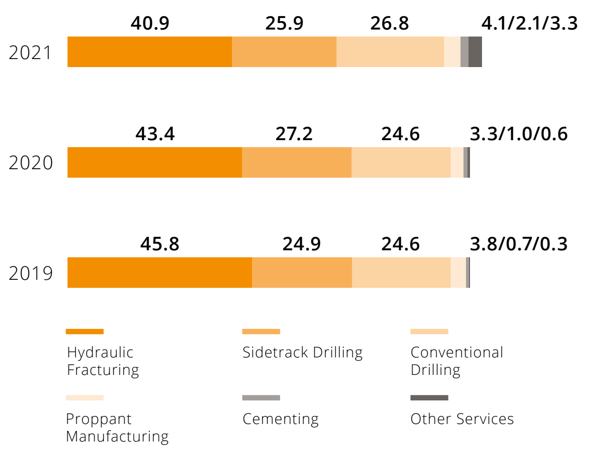
The breakdown of revenue by service area shows that, in the past few years, the PeWeTe Group saw a clear increase in drilling activities and a clear decrease in fracturing activities. The Drilling, Sidetracking, and IPM segment succeeded in further extending its lead over the other service segments and, at 52.7% (2020: 51.7%), thus accounted for the largest share by far of the Company's revenue. Fracturing revenue declined slightly in 2021 to 40.9% of the total (2020: 43.6%).

Although proppant prices have been falling relentlessly over the past five years, due to the abrupt and significant growth in transportation costs in the third quarter of 2021 all suppliers raised their prices to offset the cost increases. While this trend will continue in 2022, it will affect the Company's revenue to a greater degree than its profitability.

FOCUS ON MARKETS IN RUSSIA AND KAZAKHSTAN DUE TO COVID-19

After the PeWeTe Group started in 2020 to carry out drilling, sidetracking, and IPM jobs in Romania, the Company was forced to shift its focus yet again the very next year. Many OFS tenders were cancelled in the wake of the COVID-19 pandemic, and ongoing activities were affected by restrictions on both transportation and logistics. The decline in global and European demand for oil as well as the harsh COVID-19 measures in Europe (including Romania) also significantly slowed down PeWeTe's expansion. The Company thus decided to shut down its Romanian operations and to shift its focus to more profitable areas. Subsequently, most of the plant and equipment were relocated from Europe to Russia in order to meet local demand. Similarly, PeWeTe halted its expansion plans in Oman until further notice to focus instead on business opportunities in its two main markets, Russia and Kazakhstan.

__ Revenue from Customers by Service Line 2019–2021 (in %)



DEVELOPMENT OF BALANCE SHEET STRUCTURE AND EQUITY

Relative to the close of 2020 (EUR 364.3 million), as of December 31, 2021, the PeWeTe Group's total assets increased by 10.8% to EUR 403.6 million. This is mainly attributable to the managerial cash position (which includes cash, cash equivalents, and bank deposits), that shot up in 2021 by 24.1% to EUR 143.5 million as well as contract assets (+49.5%) and inventories that inched up from just under EUR 35.7 million to EUR 36.6 million.

Petro Welt Technologies AG's current liabilities jumped by about 23.0% to EUR 65.5 million as of December 31, 2021. Equity increased by 12.5% to EUR 206.0 million in 2021, up from EUR 183.0 million in 2020. As a result, the equity ratio was 51.0% as of December 31, 2021, thus remaining above the 50.2% mark.

The managerial cash position (calculated as the sum of cash and cash equivalents and bank deposits) at the end of the reporting period was EUR 143.5 million and thus 24.1% higher year on year (2020: EUR 115.6 million). By contrast, the net debt ratio dropped from 23.2% to 11.7%.

Group Balance Sheet Structure

Balance sheet positions	12/31/2021 in EUR million	12/31/2021 share in %	12/31/2020 in EUR million	12/31/2020 share in %
Current assets	273.0	67.6	236.6	64.9
Non-current assets	130.6	32.4	127.7	35.1
Assets	**403.6**	**100.0**	**364.3**	**100.0**
Current liabilities	65.5	16.2	53.3	14.9
Non-current liabilities	132.1	32.7	128.0	35.1
Equity	206.0	51.0	183.0	50.2
Liabilities and equity	**403.6**	**100.0**	**364.3**	**100.0**

Development of Debt and Debt-to-Equity Ratio

Key Figures		12/31/2021	12/31/2020
Liabilities to C.A.T. Holding (Cyprus) Ltd.	in EUR million	126.3	122.9
Trade payables	in EUR million	35.6	31.0
Other liabilities with the exception of accrued liabilities	in EUR million	5.6	4.1
Less cash and cash equivalents	in EUR million	(142.6)	(71.7)
Less bank deposits	in EUR million	(0.9)	(43.9)
Net debt	**in EUR million**	**24.0**	**42.4**
Total equity	in EUR million	206.0	183.0
Net debt-to-equity ratio as of December 31		**11.7%**	**23.2%**

CASH FLOW

Cash flow from operating activities was strongly affected by the profit before tax (including discontinued operations), which dropped by 45.8% to EUR 7.4 million in 2021. Conversely, working capital saw a significant increase from EUR –16.1 million in 2020 to EUR 6.9 million in 2021. In the reporting period, these factors caused the cash flow from operating activities to rise by 46.8% to EUR 34.5 million (2020: EUR 23.5 million).

Investments in property, plant and equipment declined yet again in the reporting period, this time to EUR 20.6 million, after PeWeTe had already invested only EUR 29.0 million in the previous year. By comparison, EUR 47.2 million were spent on property, plant and equipment in 2019, i.e., before the COVID-19 crisis. Additions to bank deposits dropped from EUR 48.2 million in 2020 to EUR 9.9 million in 2021. Overall, the cash flow from investing activities thus jumped to about EUR 29.6 million (2020: EUR –65.9 million).

Cash and cash equivalents almost doubled in the reporting period to EUR 142.6 million (2020: EUR 71.7 million), mainly due to the repayment of short-term bank deposits. The net change in this position thus represents a leap from negative EUR 66.9 million in 2020 to positive EUR 70.9 million in 2021 due to positive effects of exchange rate changes on cash and cash equivalents (+EUR 7.1 million) and withdrawal of deposits (+EUR 55.0 million).

FINANCIAL PROFILE

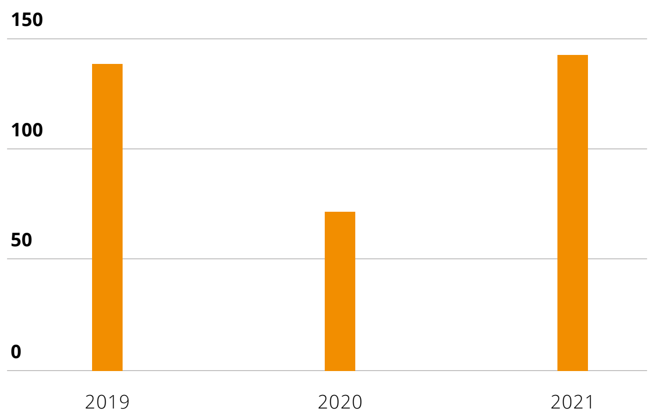
Due to the development of cash and cash equivalents, the PeWeTe Group succeeded in significantly lowering its net debt over the past year. While this key figure still was EUR 42.4 million in 2020, the Company reduced it to EUR 24.0 million in 2021.

The Company's cash and cash equivalents are largely denominated in US dollars and Russian rubles, but it reports its payables to Petro Welt Holding Limited (Cyprus) in euros. After both the US dollar and the ruble depreciated against the euro in 2020, the currencies converged again in 2021. The euro weakened, the US dollar strengthened, and the ruble was less volatile than in the previous year.

The net debt-to-equity ratio improved from 23.2% as of December 31, 2020, to 11.7% as of December 31, 2021, which corresponds to a net debt-to-EBITDA ratio of 71.6%, compared with 91.3% in 2020. This level can be considered safe because the tolerated threshold is three times this value.

At an equity ratio in 2021 of 51.0% (2020: 50.2%), the PeWeTe Group still has the ability to finance itself. The Company's financial profile can thus be deemed reliable.

__ Cash and Cash Equivalents (in EUR million)



RISK MANAGEMENT REPORT

The Group's material non-financial risks are described in the 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.

The Management Board authorized the Company's Chief Financial Officer (CFO), Kirill Bakhmetiev, from October 04, 2021, 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 as necessary 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, 2021.

RISK FACTORS AND RISK MEASUREMENT

The Company's risk management and internal control system is an integral part of its corporate governance system.

The purpose of the system's organization and functions is to ensure, in conditions of uncertainty, reasonable confidence in achieving the following:
- The Company's strategic and operational objectives;
- Objectives aiming to ensure the safety of assets;
- Goals to ensure compliance of all forms of reporting with established requirements;
- Objectives regarding compliance with applicable legal requirements as well as the regulatory documents of the Group's entities.

Risks arise from the Group companies that PeWeTe operates in Russia, Kazakhstan, 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, Kazakhstani, and Omani governments. In 2021, all countries (including Russia) began to develop specific quarantine legislation and rules that also affected oil industry logistics. Further risks to the PeWeTe Group's business prospects, earnings, and financial performance may arise on account of the ongoing political tensions between Russia and the European Union, The United States of America and the United Kingdom.

The currency risk associated with the volatility of the Russian ruble and the Kazakhstani tenge is one of the key risks to the financial stability of the PeWeTe Group. The latter's risk management system aims to eliminate financial risks and helps to develop countermeasures that mitigate these risks. Timely planning in the supply chain and maintaining a balanced structure of assets and liabilities are the main ways to lower these risks.

A certain level of sales risk is an integral part of ordinary business activities and is likely to arise from current changes in the OFS segment. The Group depends on a limited number of key customers, most of which are large oil and/or state-controlled companies. Any failure to achieve our operational goals could potentially lead to the loss of key customers and, consequently, to a significant decrease in revenue. To counteract these risks, the PeWeTe Group focuses on innovative services, technologies, and processes that are tailored to customers' needs. Our strategically broad range of services as well as our excellent knowledge of both the market and production should help us to remain independent in our markets. We are also expanding our range of services and our markets into attractive niches where innovative solutions and high quality are required.

The Group is constantly improving its risk management system, which makes it possible to respond to emerging changes in a timely manner (both externally and internally) to maintain the effectiveness of its actions and increase its efficiency in conditions of risk and uncertainty.

In 2021, the following work was carried out:
- Review and prepare materials for large and priority projects as well as develop recommendations and proposals to increase profitability and mitigate risks;
- Update and develop local regulations.

The following tasks are being implemented with respect to the priorities regarding the development and improvement of the risk management system:
- Improve the regulatory and methodological framework, taking into account changes in legislative requirements and trends in best practices worldwide;
- Integrate the risk management process into key areas: establish a development strategy, investment planning, budgeting as well as risk management at the level of both operational and financial activities;
- Improve the quality of risk information by unifying typification and the development of recommendations for the description of typical risks;
- Improve the efficiency of information exchanges.

The Management Board pays considerable attention to risk management issues in order to ensure with a reasonable degree of confidence that the Company will achieve the goals it has set for itself, given the uncertainties and negative impact factors. Risk identification, description, assessment, and monitoring are carried out on an ongoing basis, and measures are being developed to reduce their adverse impact on the Company's activities.

The Management Board has overall responsibility for establishing and overseeing the Group's risk management framework. The founding of the management company, Petro Welt Technologies LLC, in Russia served to rigorously implement and regularly monitor the Group's risk management policies in all Group subsidiaries.

The Group's risk management policies are established to identify and analyze the risks the Group faces, to set appropriate risk limits and controls, and to monitor both risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Internal Control department oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures and reports the results of these reviews to the Audit Committee.

LIQUIDITY AND CREDIT QUALITY RISKS

In 2021, the PeWeTe Group further improved its liquidity management policy to ensure stable and smooth operation of all of the Group's operating companies.

To optimize the Group's working capital management, the Company developed and implemented an intra-Group financing policy. All internal funding arrangements must be reviewed and approved by the Executive Board.

Furthermore, the Group's treasury management, together with a partner bank, developed a factoring program for suppliers and contractors in 2021 in order to extend the payment terms of Group companies' trade payables and to lower liquidity risks.

To mitigate credit risks, PeWeTe continued its credit policy and, among other things, strengthened its position with regard to its ability to obtain guarantees from business partners for loans granted.

Qualitative and timely analyses of the Group companies' planned cash flows continue to form the basis for managing PeWeTe's liquidity risks. When preparing the cash flow budget and payment schedule, data on the timing and amount of cash inflows and outflows are adjusted to take the identified risks into account. Continual improvements of PeWeTe's treasury automation and related business processes play an important role in this connection.

In 2021, the PeWeTe Group introduced a regulation regarding bank deposits that further describes the Company's approach to depositing available funds with banks, tightens the requirements applicable to those credit institutions where PeWeTe Group companies may deposit funds, and describes the Group's approach to risk diversification. The new approach made it possible to reduce credit risks while ensuring that bank deposits remain highly profitable.

MATERIAL GROUP RISKS

MARKET RISKS

The development of oilfield services is directly dependent on the oil market. The reduction in oil industry capital spending caused by the collapse in global oil demand in the wake of the COVID-19 pandemic and the measures taken by OPEC+ members to reduce oil production accounted for fully 15% of the 25% decline overall in the past year. The remaining portion of the decline – i.e., 10% of the OFS volume – stemmed from the weakening of the ruble. Price competition among contractors has intensified against this backdrop, and requirements regarding both the quality of work and operational efficiency have increased.

The recovery of the OFS market is not proceeding as quickly as hoped. The OPEC+ agreement, which was made in the spring of 2020, originally called for a 19% production cut from May through July 2020. Oil-exporting countries gradually started to increase production as of August 1, 2021, but are still holding back growth.

According to CDU TEK, the production volume of oil and natural gas condensate in Russia between January and November 2021 rose by 1.6% to 477.86 million tons year on year. While Deloitte estimates that the OFS market grew by 9% in 2021, it will not rebound as quickly in the coming years. Despite the sharp rise in crude oil prices due to the Ukraine crisis and calls from the United States and other consumers to boost output, OPEC+ is likely to stick to its plans for a moderate increase in oil production. From May 1, 2022, the monthly target increase of OPEC+ will rise slightly to 432,000 barrels per day (kb/d).

The withdrawal of some of the largest international companies from certain emerging markets and market niches, the bankruptcy of local companies, and ongoing merger and acquisition activity across the industry confirm the continued volatility of the international OFS market. The GE deal to acquire Baker Hughes was an example of these developments. Meanwhile, some oil companies are even considering a long-term cap on oil production, taking into account not only the 2020 global lockdown but also efforts to build a green economy based on the concept of sustainable development. Shell's new strategy is one of the most representative examples of this approach.

The entire industry faces major challenges resulting from low prices for oilfield services. Exploration and production (E&P) companies have pushed the supply chain to aggressively cut costs which, in turn, affects profit margins. The resulting impact on the service sector includes lower capacity utilization and lower rates, forcing service companies to reduce staff.

For these reasons, demand for the Group's services is closely linked, in particular, to the level of activity in the exploration, development, and production sectors and, in general, to the investment activity of oil and natural gas companies. A decline in upstream activity among the PeWeTe Group's customers may expose its operating subsidiaries to increasingly higher downstream risks regarding their service contracts and prices. As a further consequence, both Group revenue and earnings may deteriorate.

Currently, the Group operates mainly in Russia and Kazakhstan and provides services to all major oil and gas companies in this region. Hydrocarbon production volumes are often determined by producers' long-term strategic plans and sometimes by international contracts. In the near future, the PeWeTe Group's significant equity interests in national oil companies such as Rosneft, whose upstream operations and budgets are more resilient when facing declines in energy prices, will be an important factor in the Group's ability to mitigate market risks. The Group has begun investing in the Middle East to take advantage of market trends in this region.

The future success of the PeWeTe Group depends primarily 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 beyond the Group's control – such as energy prices, the global political and economic environment, the ability of customers to obtain the necessary permits and licenses, and the availability of financing at a reasonable cost. In such cases, contract awards may be delayed, and some of the Group's customers may even decide to cancel tenders.

These major challenges can be mastered through a high degree of entrepreneurial competence and operational flexibility combined with the ability to adapt one's own business model to new circumstances.

FOREIGN CURRENCY RISKS

The Group is exposed to currency risks, to the extent that there is a mismatch between the currencies in which sales, purchases, and borrowings are denominated, for one, and the respective functional currencies of Group entities, for another. The functional currencies of the Group companies are primarily the Russian ruble (RUB) and the Kazakhstani tenge (KZT). The currency in which the respective transactions are primarily denominated is the euro (EUR).

The Group's reporting currency is the euro. Almost all of the Group's revenue and expenses are generated in rubles and partly in 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. Exchange rate volatility may also affect the Group's consolidated balance sheet.

The Company's risk management activities focus primarily on reducing the impact of currency risk factors on the PeWeTe Group. The latter pursues a policy of balancing revenues and liabilities in each currency.

Our Russian entities have regularly monitored 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 Company. Switching supplies to local suppliers is one of the most reliable ways to manage exchange rate risks. Doing so can mitigate the direct risk of instability arising from foreign exchange rates. Thanks to its import substitution strategy, the Group ensures that up to 80% of its procurement budget is spent on local (i.e., national) suppliers.

As for other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

LEGAL RISKS

In the Company's lawsuit against its former Board members, Manfred Kastner, Ronald Harder, and Leonid Mirzoyan (Commercial Court of Vienna, docket no. 43 Cg 40/17f), for repayment of a total of EUR 1,589,603.50, a final and binding interim judgment was obtained in favor of the Company; it holds that the disbursement of the aforementioned funds to the respondents was unlawful. In February 2020, the Company filed another lawsuit against its former Board members, Manfred Kastner, Ronald Harder, and Leonid Mirzoyan (Commercial Court of Vienna, docket no. 43 Cg 7/21h), for payment of tax damages in the amount of EUR 1,237,616.86 resulting from the unlawful disbursement of their severance packages.

These lawsuits have been combined with the first proceedings against the former Board members and will be decided upon jointly. In February 2021, the former Supervisory Board members, Gerhard Strate, Mirco Schroeter, and Walter Höft, joined both proceedings as intervening parties on respondents' side. Following the interim verdict, the joined proceedings will deal with respondents' counterclaims, which the Company disputes both on the merits and in terms of the amount, as well as with the Company's claim to payment of tax damages. The evidentiary proceedings might be concluded in the third quarter of 2022.

SHAREHOLDER STRUCTURE AND SHARE CAPITAL INFORMATION

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

As of December 31, 2021, the share capital of Petro Welt Technologies AG was EUR 48,850,00 (December 31, 2020: EUR 48,850,000). It is divided into 48,850,000 outstanding no-par value shares. The shares are listed on the official market of the Prime Standard of the Frankfurt Stock Exchange. All shares are admitted to official trading. No preferred shares have been issued. There are no restrictions on voting or transfer rights. As of the December 31, 2021, balance sheet date, Petro Welt Technologies AG has not bought back any of its treasury shares.

Since its successful initial public offering (IPO) in 2006, Petro Welt Technologies AG has committed itself to voluntary compliance with the German Corporate Governance Code (Code). Apart from a few exceptions, which are disclosed in the Company's Declaration of Conformity, the Company has fully complied with the Code's recommendations.

As of December 31, 2021, Petro Welt Holding Limited (Cyprus) directly holds 47.7% (December 31, 2020: 47.7%) of the shares of Petro Welt Technologies AG. Joma Industrial Source Corp. is the majority owner of Petro Welt Holding Limited (Cyprus).

As of December 31, 2021, Joma Industrial Source Corp. directly holds 39.36% of the shares of Petro Welt Technologies AG (December 31, 2020: 39.36%). As of February 23, 2022, Joma Industrial Source Corp. holds 42.53% of the shares in Petro Welt Technologies AG. Joma Industrial Source Corp. thus directly and indirectly controls a total of 44,078,088 voting rights in Petro Welt Technologies AG (this corresponds to 90.23% 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 by the management teams of the Company's subsidiaries and their audit committees, internal audit departments, and top executives.

Both the ICS and internal business processes are increasingly drawing the attention of regulators (the Austrian FMA, the German BaFin, etc.) regarding all issues associated with management as well as financial accounting and reporting. The Company has thus prepared Group and individual Company guidelines that take the form of process manuals to facilitate implementation. These include the accounting manual that applies to subsidiaries in accordance with Russian GAAP and IFRS accounting policies; 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 ICS comprise 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 corporate 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 subsidiaries' departments 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. These 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.

While quarterly reporting to the Supervisory Board mainly concerns the internal, quarterly accounting process, 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 Management Board report that focuses on the annual budget, including the Company's financial, liquidity, and investment planning.

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 to enter and review creditor’s invoices as well as prepare 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.

The subsidiaries’ financial accounting departments adjust their Russian GAAP financial data on a quarterly basis and then prepare the IFRS packages. Once these have been finalized, they are submitted for evaluation to the Group’s IFRS reporting department. Following this department’s approval, all 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 in order to harmonize all entities’ bookkeeping rules as well as integrate accounting and supply chain into a single IT system. The Group established a new Corporate Accounting Policy for Russian local GAAP to this end and introduced it in the first quarter of 2021.

IT SYSTEMS

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

SAFETY MEASURES AND OPERATIONAL QUALITY MONITORING IN 2021

Quality of service and safety measures have been core values of Petro Welt Technologies AG since 2017 and will remain a priority in the future. In order to ensure the safety of PeWeTe’s employees in the field and to maintain the high quality of our work, we will continue to take all steps necessary to protect our employees from a wide variety of potential hazards and to control risks.

A root cause analysis of some of the most serious incidents that occurred in 2021 revealed new hazards and risks in connection with existing safety and quality assurance processes. To address these, the Group developed a strategic program aimed at minimizing risks and improving the quality of operational processes. Four key phases were defined for this purpose, as follows.

Phase 1: Quality, Health, Safety, and Environment (QHSE). This phase focused on improving safety standards. In 2021, all operating segments introduced the OLIMP online training program. A total of 97 safety training sessions were conducted in the reporting period.

Phase 2: Hazard and Effects Management Process (HEMP). The standard for job safety analyses (JSA) was introduced at KATOBNEFT and KAToil-Drilling. In 2022, the JSA standard will also be introduced at the operating company, KATKoneft.

Phase 3: The HSE culture standard was introduced at KATOBNEFT and KAToil-Drilling in 2021.

Phase 4: Road safety management. Vehicle-based monitoring systems (IVMS), i.e., tracking systems, were installed in all heavy vehicles. All vehicles used to transport passengers are equipped with a video surveillance system.

RESEARCH AND DEVELOPMENT

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

In 2021, Petro Welt Technologies AG carried out research and development (R&D) activities focused on new types of proppant and new fracturing technologies.

WellProp and KATKoneft jointly developed and promoted a technology for using a synthetic gelling agent. The synthetic gelling agent (WPSG) that we produce under the WellProp brand is classified as one of the so-called “neat fluids“ due to its high residual conductivity (up to 98%), which leads to a significant reduction in the colmatization of the proppant and the pore volume of the reservoir.

In 2021, KATKoneft LLC, with the technical support of WellProp LLC, successfully carried out 20 hydraulic fracturing operations in the fields of Russia’s largest oil companies. Upon completion of the work, oil production indicators showed overruns of up to 70% of the planned production rate.

In 2021, WellProp developed and certified new types of proppant for which corresponding patents were filed. These are self-gelling and waterproof proppants. The two products have great potential, and we plan to conduct appropriate oilfield tests in 2022.

The Company also completed work on new formulations for resin-coated proppants. The investment project to build production facilities was launched, and the facilities are slated to be commissioned by the end of 2022.

NON-FINANCIAL REPORT

The Non-Financial Report for 2021 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

In 2022, geopolitical tensions arose as a result of the developments of the conflict with Ukraine, which adversely affected the commodity and financial markets and increased volatility, especially with respect to exchange rates. The United States has imposed additional sanctions against the Russian government as well as against Russian legal entities and individuals, including sanctions that completely block several Russian state-owned financial institutions. Restrictions have been imposed on opening, maintaining, or performing operations involving certain correspondent and payment accounts with foreign financial institutions. In addition, new restrictions have been introduced with respect to borrowings and investments related to the capital of large public and private companies as well as to portions of Russia's sovereign debt. Both the UK and the EU have announced additional sanctions. The UK has imposed sanctions to block and freeze the assets of some Russian banks, legal entities, and individuals working in Russia's financial and defense sectors. The EU has imposed sanctions on certain Russian officials, legal entities (including Russian banks) as well as a number of individuals and has imposed restrictions on capital markets, loans, and loans that service Russian sovereign debt. Moreover, there is the risk of additional sanctions. These events may have a significant negative impact on the Russian economy. They have already led to a decrease in the exchange rate of the Russian ruble and have intensified both volatility and uncertainty in the Russian economy. At the same time, the stated goal is to minimize the impact of these sanctions on energy companies and their consumers. Specifically, the United States has allowed certain transactions associated with the energy sector, emphasizing the need to continue legitimate energy-related trade. The Company's consolidated financial statements do not reflect management's assessment of the impact of the aforementioned developments and business conditions on the PeWeTe Group's operations and financial position. The future economic environment may differ substantially from management's estimates.

The following is a detailed description of current events that affect the Group's activities.

Key issues related to operating performance:
- Reduction in the volume of the capital investments of the Russian Federation's main oil companies in drilling and well intensification programs;
- High inflation in the Russian Federation as well as expected high inflation in other countries coupled with long payment terms for work performed;
- Embargoes on and long delivery times for spare parts and components related to imported equipment used in production activities now require revisions of our procurement programs, taking into account extended delivery times (up to 1.5 years for individual items and large investments). In this regard, there is the risk that bans on the supply of ordered and paid-for items may be imposed by the countries of origin;
- Increased costs related to purchases of spare parts and components for imported production equipment due to the depreciation of exchange rates;
- Disruption of transport routes.

The Group is conducting preliminary analyses of the potential effects of the aforementioned events on its key performance indicators (KPIs).

Key issue related to investment strategy:
The ban on the supply of both equipment and technologies for the oil industry and the energy sector as a whole has already led the PeWeTe Group to suspend its re-equipment and development programs for 2022–2025. The Group is currently evaluating the preliminary effects from potential changes to its investment program.

The actual impact of events that have already occurred as well as of possible future events cannot be evaluated as of the present Report's publication date. Therefore, management will continue to monitor the situation closely to ensure prompt responses to rapidly changing conditions.

On March 31, 2022, the credit rating agency, Moody's, withdrew the credit rating of Petro Welt Technologies AG (December 31, 2021: Ba3 with a stable rating outlook).

OUTLOOK 2021

THE GLOBAL ECONOMY AND THE OIL INDUSTRY IN 2021

At the beginning of 2022, the International Energy Agency (IEA) expected global oil demand to increase by an average of 3.3 mb/d, while OPEC even forecast an increase of 4.2 mb/d. The global demand for oil thus is likely to exceed 100 mb/d in 2022. When the forecasts were prepared at the beginning of the year, the global supply was expected to exceed demand for the first time in a while, but only by an average of 0.5 mb/d. This would replenish global oil stocks and put downward pressure on crude oil prices. An oil price of about USD 75 per barrel was thus expected for 2022.

Rising demand for gasoline and kerosene as a result of relaxed travel restrictions, increased mobility, and the gradual recovery in global air traffic caused oil prices to rise in the first quarter of 2022. The initial forecasts regarding the global economy's development this year were very optimistic as well.

In 2022, geopolitical tensions arose as a result of the developments of the conflict with Ukraine, which adversely affected the commodity and financial markets and increased volatility, especially with respect to foreign exchange rates. The United States has imposed additional sanctions against the Russian government as well as against Russian legal entities and individuals, including sanctions that completely block several Russian state-owned financial institutions. Restrictions have been imposed on opening, maintaining, or performing operations involving certain correspondent and payment accounts with foreign financial institutions. In addition, new restrictions have been introduced with respect to borrowings and investments related to the capital of large public and private companies as well as to portions of Russia's sovereign debt. Both the UK and the EU have announced additional sanctions. The UK has imposed sanctions to block and freeze the assets of some Russian banks, legal entities, and individuals working in Russia's financial and defense sectors. The EU has imposed sanctions on certain Russian officials, legal entities (including Russian banks) as well as a number of individuals and has imposed restrictions on capital markets, loans, and loans that service Russian sovereign debt. Moreover, there is the risk of additional sanctions. These events may have a significant negative impact on the Russian economy. They have already led to a decrease in the exchange rate of the Russian ruble and have intensified both volatility and uncertainty in the Russian economy. At the same time, the stated goal is to minimize the impact of these sanctions on energy companies and their consumers. Specifically, the United States has allowed certain transactions associated with the energy sector, emphasizing the need to continue legitimate energy-related trade. The Company's consolidated financial statements do not reflect management's assessment of the impact of the aforementioned developments and business conditions on the PeWeTe Group's operations and financial position. The future economic environment may differ substantially from management's estimates.

GUIDANCE FOR REVENUES AND EARNINGS

Management expects revenue of about RUB 28.8 billion in 2022. When converted to the Company's reporting currency (the euro), this revenue may translate into amounts between EUR 230.7 million and EUR 310.1 million based on EUR/RUB exchange rates between RUB 125 and RUB 92 per EUR. Management currently forecasts EBITDA of RUB 3.5 billion which equates to between EUR 28.0 million and EUR 38.0 million based on exchange rates between RUB 125 and RUB 92 per EUR, respectively. These forecasts are based on the situation as of the publication date of the present Report and do not take any further escalation into account.

Vienna, April 27, 2022

Denis Stankevich
Chief Executive Officer

Kirill Bakhmetyev
Chief Financial Officer

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,

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2021, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial 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 accompanying consolidated financial statements comply with the legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2021, and of its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of Section 245a UGB (Austrian Company Code).

BASIS FOR OUR QUALIFIED OPINION

The audit opinion on the consolidated financial statements for the years ended December 31, 2019 and December 31, 2020 related to a portion of the inventories and related materials expenses included in cost of sales was qualified. As opening balances of inventories are included in the determination of financial performance, it was not possible to determine during the audit of the financial statements whether adjustments to financial performance and opening balances of retained earnings might be necessary for 2020. The audit opinion on the consolidated financial statements for the period ended December 31, 2019 and December 31, 2020 has been modified accordingly. Our audit opinion on the financial statements for the reporting period has also been modified due to the potential impact of this matter on the comparability of the reporting period information with the comparative information.

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISAs). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

OTHER MATTER

The consolidated financial statements of Petro Welt Technologies AG for the year ended December 31, 2020, were audited by another auditor who expressed a modified opinion on those statements on April 27, 2021.

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

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 of the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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

We have structured the key audit matters as follows:
- Description and Issue
- Audit approach and key observations

VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Description and Issue

In the consolidated financial statements an amount of EUR 125,941k (31.2% of total assets) is presented under "property, plant and equipment".

At each reporting date, Management assesses whether there is any indication that an asset may be impaired or an impairment loss recognized in prior periods may no longer exist or may have decreased. In case of such triggering events, Management assesses property, plant and equipment by comparing the carrying amount of the respective cash generating unit (CGU) to its recoverable amount. For this purpose, Petro Welt Technologies AG, Vienna, estimates the recoverable amount using the discounted cash flow method. As far as the recoverable amount is lower than the carrying amount, an impairment is recognized. Based on the impairment tests performed, an reversal of impairment in the amount of EUR 1,794 k was recognized in the financial year 2021.

Management has made disclosures on the key audit matter under "6. Property, Plant and Equipment" in the consolidated financial statements.

Determination whether impairment tests have to be performed is based on estimates and judgement. Valuation depends substantially on Management's estimate of future cashflows for purposes of the discounted cash flow calculation, the underlying discount rates, growth rates as well as the underlying planning periods. Small changes in the assumptions used in determining the value in use can result in materially different outcomes of the impairment test.

As such, the valuation is subject to significant estimation uncertainties. There is a risk that property, plant and equipment is overstated in the consolidated financial statements. We identified the impairment assessment as a key audit matter due to significant estimates and assumptions about the discount rates, profitability as well as growth rates.

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Audit approach and key observations

We assessed the valuation of property, plant and equipment as follows:

- We analyzed the documentation provided to us and compared the underlying estimates and assumptions with our understanding gained in the course of the audit of the consolidated financial statements, in particular with the analyses of actual results.
- We tested the Group's budgeting processes upon which the forecasts are based and the principles and integrity of the Group's discounted cash flow model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.
- In consultation with our own valuation specialists, we evaluated the assumptions and methodologies used by the Group, in particular those related to discount and terminal growth rates, 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, cost inflation and discount rates, as well as performing sensitivity analysis on the assumptions.
- We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of property, plant and equipment.

Based on the audit procedures performed, we found the assumptions to be reasonable and supported by the available evidence.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and the annual financial report, but does not include the consolidated financial statements, the Group's management report and the auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additonal regulations of Section 245a UGB (Austrian Company 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.

In preparing the consolidated financial statements, management is 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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our 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.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Group's management report.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a UGB (Austrian Company Code), and is consistent with the consolidated financial statements, on which we have issued a qualified opinion.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Group's management report came to our attention.

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting at June 28, 2021. We were appointed by the Supervisory Board on September 6, 2021.

We are auditors since the consolidated financial statements as of December 31, 2021

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in Article 11 of the EU regulation.

We declare that no prohibited non-audit services were provided by us and that we remained independent of the Group companies in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mr. Peter Wundsam, Certified Public Accountant.

Vienna, April 29, 2022

Mazars Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Peter Wundsam m. p.
Certified Public Accountant

Günther Mayrleitner m. p.
Certified Public Accountant

Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021

in TEUR	Notes	12/31/2021	12/31/2020
Assets			
Non-current assets		**130,623**	**127,710**
Property, plant and equipment	6	125,941	123,626
Intangible assets	7	2,122	2,189
Right-of-use assets	8	719	822
Other assets		107	92
Deferred tax assets	22	1,734	981
Current assets		**273,024**	**236,577**
Inventories	9	36,570	35,653
Trade receivables	10	69,971	69,833
Contract assets	10	13,755	9,455
Assets classified as held for sale	5, 6	2,919	-
Bank deposits	12	926	43,944
Other current assets	11	5,415	4,517
Income tax receivable		871	1,488
Cash and cash equivalents	12	142,597	71,687
Total assets		**403,647**	**364,287**
Equity and liabilities			
Equity		**206,002**	**183,041**
Share capital	13	48,850	48,850
Capital reserve	13	111,987	111,987
Retained earnings	13	278,199	275,274
Remeasurement of defined benefit plans	23	444	351
Currency translation reserve	13	(233,478)	(253,421)
Non-current liabilities		**132,118**	**127,981**
Non-current financial liabilities to affiliated parties	14	126,310	122,905
Non-current lease liabilities		639	553
Deferred tax liabilities	22	4,973	4,209
Employee benefits	23	196	314
Current liabilities		**65,527**	**53,265**
Trade payables	14	35,581	31,028
Other current liabilities	14	28,347	21,933
Current lease liabilities		110	266
Advance payments received	14	330	36
Income tax payables	14	1,159	2
Total equity and liabilities		**403,647**	**364,287**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2021

in TEUR	Notes	2021	2020[1]
Revenue	15	236,973	251,649
Cost of sales	16	(201,938)	(212,054)
Gross profit		**35,035**	**39,595**
Administrative expenses	17	(26,691)	(21,492)
Selling expenses	18	(1,840)	(1,593)
Other operating income	19	2,447	3,766
Other operating expenses	20	(1,656)	(3,558)
Operating result		**7,295**	**16,718**
Finance income	21	5,375	5,916
Finance costs	21	(3,470)	(3,654)
Net finance income		**1,905**	**2,262**
Profit before income tax		**9,200**	**18,980**
Income tax expense	22	(4,465)	(6,965)
Profit from continuing operations		**4,735**	**12,015**
Loss from discontinued operations (net of income tax)	5	(1,810)	(5,350)
Profit		**2,925**	**6,665**
Basic earnings per share in EUR	24	0.06	0.14
Diluted earnings per share in EUR	24	0.06	0.14

[1] Adjusted following a classification of PEWETE EVO EUROPE S.R.L.as a discontinued operation. As a result, revenue, cost of sales, gross profit, administrative expenses, profit before income tax and profit for the year line items were adjusted. Refer to Note 5.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

in TEUR	Notes	2021	2020
Profit		**2,925**	**6,665**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences from:			
Translation of a foreign operation	13	13,995	(53,328)
Net investments in foreign operations	13	7,677	(26,960)
Income tax effect related to currency translation differences	22	(1,729)	2,362
Items that will never be reclassified to profit or loss			
Net gains/(losses) on remeasurement of defined benefit plans	23	116	37
Income tax effect related to remeasurement of defined benefit plans	22	(23)	(7)
Total other comprehensive income/(loss)		**20,036**	**(77,896)**
Total comprehensive income/(loss)		**22,961**	**(71,231)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

in TEUR	Share capital	Capital reserve	Retained earnings	Remeasurement of defined benefit plans	Currency translation reserve: Translation of a foreign operation	Currency translation reserve: Net investment in foreign operations	Total equity
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**
As of January 1, 2021	48,850	111,987	275,274	351	(131,237)	(122,184)	183,041
Profit	-	-	2,925	-	-	-	2,925
Currency translation differences	-	-	-	-	13,995	5,948	19,943
Net gains on remeasurement of defined benefit plans	-	-	-	93	-	-	93
Total comprehensive income	**-**	**-**	**2,925**	**93**	**13,995**	**5,948**	**22,961**
As of December 31, 2021	**48,850**	**111,987**	**278,199**	**444**	**(117,242)**	**(116,236)**	**206,002**

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2021

in TEUR	Notes	2021	2020
Profit before tax		**7,390**	**13,630**
Adjustments for			
Depreciation and amortization	6, 7, 8	28,699	29,700
(Reversal of impairment)/impairment of goodwill and property, plant and equipment	6	(1,794)	4,161
Net gain on the disposal of property, plant and equipment	19, 20	(351)	(165)
Foreign exchange gain	21	(396)	(1,320)
Net finance income	21	(1,509)	(942)
Income taxes paid		(4,523)	(5,440)
Change in working capital		**6,944**	**(16,111)**
Change in inventories		1,815	(2,604)
Change in contract assets		(3,429)	1,843
Change in trade and other receivables		5,018	(11,023)
Change in trade and other liabilities		3,540	(4,327)
Cash flows from operating activities		**34,460**	**23,513**
Purchase of property, plant and equipment		(20,551)	(29,038)
Proceeds from sale of equipment		716	765
Addition to bank deposits		(9,936)	(48,235)
Withdrawal of bank deposits		54,956	5,323
Interest received		4,368	4,646
Refund of advance payment from supplier		-	645
Cash flows from/(used in) investing activities		**29,553**	**(65,894)**
Payment of lease liabilities		(200)	(228)
Cash flows used in financing activities		**(200)**	**(228)**
Effect of exchange rate changes on cash and cash equivalents		7,097	(24,314)
Net change in cash and cash equivalents		70,910	(66,923)
Cash and cash equivalents at January 1		71,687	138,610
Cash and cash equivalents at December 31		**142,597**	**71,687**
thereof cash flows from discontinued operation			
Cash flows used in operating activities		(870)	(1,495)
Cash flows used in investing activities		(413)	(1,049)
Cash flows (used in)/from financing activities		(5)	3

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 3,131 in 2021, including 374 employees of management and office staff (2020: 3,308, including 366 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

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.

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

KAZAKHSTAN BUSINESS ENVIRONMENT

The Group's operations located in Kazakhstan are 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. The 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 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

The recent situation in Ukraine has negative impact on economics of the Russian Federation and led to additional sanctions being imposed on certain individuals, legal entities and financial institutions by the EU, the US, other countries and counter-sanctions subsequent to December 31, 2021.

In assessing going concern of the Group, management considers major risks and uncertainties in light of the sanctions imposed and their impact on financial position and cash flows of the Group, its capital expenditure plans and future performance. The Group has prepared several scenarios that deemed to be plausible over the next twelve months from the date of the consolidated financial statements approval. In addition to the scenario which includes the impacts from the sanctions imposed as of the end of March, the management prepared an alternative downside scenario to assess the Group resilience to the potential for further sanctions and Russian countersanctions that could impact the Group further. As such, the downside scenario does not represent „best estimate" forecast of the Group, but was considered for the purpose of going concern assessment, reflecting changing circumstances and consequent uncertainty for future projections.

Scenario one: The Group's income and profits are affected by increase of EUR/RUB exchange rates, logistics issues and prohibition of purchases of certain spare parts and materials from the EU. The Group has major spare parts and materials in stock, which will allow to operate for a number of months without downtime and would replace suppliers with those from other countries. Capital expenditure plans are frozen and to be reassessed in the third quarter of 2022.

Scenario two: in addition to the scenario one above, sanctions on energy sector blocking oil trading with the EU are imposed. Demand for oil produced in the Russian Federation reduced, which results in decrease of services for the oil production industry. The Group would reevaluate production plans, perform conservation of equipment, if needed and seek to further reduction or deferral of non-committed or non-essential capital expenditures.

The Group holds EUR 131 million of cash, cash equivalents and short term bank deposits as of early April 2022. Cash balance of USD 21,0 million was frozen on bank account in Sberbank (Switzerland) AG in March 2022. The balance is currently blocked till May 2022. Management reasonably expects that the balance of cash currently available combined with the forecast net cashflows under each of the considered scenarios would be adequate to meet Group's financial obligations as they fall due over the next twelve months. The Group's financial position is quite strong since the non-current financial liability to Petro Welt Holding (Cyprus) Ltd. is long term with maturity on December 31, 2029. The borrowing being provided by the related party are not subject to covenant requirements.

Management foresees that current restriction on moving funds from Russia in the form of dividend, royalty or interest payment to other jurisdictions in which the Group operates will not impact the operating activities of the Group and its subsidiaries.

The Group has internally performed legal analysis on the implications of the sanctions as of the end of March, 2022. None of the Group's entities, nor its significant shareholders are currently subject to any specific sanctions.

Taking into account 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 continue its operational activity for at least the next twelve months from the date of the consolidated financial statement approval even in a significantly worsened economic environment. Accordingly, management has concluded that there is no material 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 recognised 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 recognised in the consolidated financial statements is included in the following notes:
- Note 4 – useful lives of property, plant and equipment;
- Note 6 – 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 22 – recognition of deferred tax assets: availability of future taxable profit against which tax loss carry-forwards can be used;
- Note 26 – 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 oil field 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 recognised when they are originated. All other financial assets and financial liabilities are initially recognised 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 amortised cost, fair value through other comprehensive income and fair value through profit or loss.

A financial asset is measured at amortised 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 amortised 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.

The amortized cost is reduced by impairment losses. The interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss.

(iii) Non-derivative financial liabilities

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

Subsequent to initial recognition, these financial liabilities are measured at amortised 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 amortised 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 twelve-month ECLs or a shorter period if the expected life of the instrument is less than twelve months.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument. twelve-month ECLs are the portion of ECLs that result from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve 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 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 amortised 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 realising security (if any is held).

Loss allowances for financial assets measured at amortised 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 derecognises 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 derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises 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 recognised at fair value.

On derecognition of a financial instrument, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised 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 realise the asset and settle the liability simultaneously.

CASH AND CASH EQUIVALENTS

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 intra-Group 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 recognised 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 recognised 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 realisable 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 realisable value. Net realisable 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 capitalised 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 recognised 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 recognised 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 recognised 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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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 recognised 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 12/31/2021	Closing rate as of 12/31/2020	Average rate 2021	Average rate 2020
Russian ruble (RUB)	74.29	73.88	73.65	72.15
Kazakh tenge (KZT)	431.67	420.71	426.03	413.36

Currency (1 EUR =)	Closing rate as of 12/31/2021	Closing rate as of 12/31/2020	Average rate 2021	Average rate 2020
Russian ruble (RUB)	84.07	90.68	87.19	82.45
Kazakh tenge (KZT)	487.79	516.13	504.04	471.81

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 Central Bank of 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 12/31/2021	Closing rate as of 12/31/2020	Average rate 2021	Average rate 2020
Russian ruble (RUB)	84.07	90.68	87.19	82.45
Kazakh tenge (KZT)	487.79	516.13	504.04	471.81
Omani rial (OMR)	0.44	0.47	0.46	0.44
Romanian leu (RON)	4.95	4.87	4.92	4.84

Foreign currency differences are recognised 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 recognised 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 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 recognises 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 amortised 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 recognise right-of-use assets and lease liabilities for leases of low-value assets (e.g., personal computers) and short-term leases. The Group recognises 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 recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

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 recognised 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, 2021 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.

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, 2021, the Group has an unsecured loan in the amount of TEUR 126,310, the interest rate of which is based on the EURIBOR and that might be subject to the IBOR reform. At the current time is a continued existence of the reformed EURIBOR until the end of 2025. Therefore, based on the current status of knowledge, no material risks were identified.

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

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.

EURIBOR has been reformed already in 2019 but only with a provisional validity until December 31, 2025. Therefore its continued sustainability is currently uncertain which means that in the future reform to an alternative benchmark rate might become necessary. The Group monitors developments in this regard and in case of probable changes the Group is to determine actual approach on transition and potential effect on consolidated 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 beyond June 30, 2021 (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
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8).

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	12/31/2021 % share	12/31/2020 % 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 KAT.oil 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

Due to unforeseen delays and obstacles caused by COVID-19 restrictions the Company decided to halt its business expansion plans into Romania and instead focus on business opportunities in other markets. Therefore, PEWETE EVO EUROPE S.R.L. is disclosed as “discontinued operations”.

The Group distributed more than half of assets which were previously purchased and which were operated by PEWETE EVO EUROPE S.R.L. to the subsidiary OOO KATOBNEFT. The remaining part of those assets was reclassified in the balance sheet as at December 31, 2021 as assets, held for sale amounting to EUR 2,919 million including the impairment loss allocated to this part of assets comprising EUR 1,342 million. This impairment loss was charged in 2020. For further information on impairment loss charged in 2020 please refer to Note 6 Property, plant and equipment.

The revenue and expenses from discontinued operations, which were disclosed separately, are as follows

CONSOLIDATED STATEMENT OF LOSS FOR THE DISCONTINUED OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

in TEUR	Notes	2021	2020
Revenue	15	606	646
Cost of sales	16	(1,644)	(5,355)
Gross loss		**(1,038)**	**(4,709)**
Administrative expenses	17	(577)	(641)
Other operating expenses	20	(195)	-
Operating result		**(1,810)**	**(5,350)**
Loss from discontinued operations (net of income tax)		(1,810)	(5,350)
Basic earnings per share in EUR	24	-	-
Diluted earnings per share in EUR		-	-

The Group adjusted accordingly Consolidated statement of profit and loss for the year ended December 31, 2020 due to separate presentation of the revenues and expenses from discontinued operations.

Unilateral entries affecting profit or loss are derecognized with an effect on profit or loss and the deferred taxes attributable to them are recognized.

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, 2020	**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**
Additions	1,134	841	18,120	370	3,631	24,096
Transfer	63	-	1,493	-	(1,556)	-
Disposals	(308)	(251)	(7,295)	(433)	-	(8,287)
Assets classified as held for sale	-	-	(4,323)	-	-	(4,323)
Exchange differences	1,279	715	24,727	166	162	27,049
At December 31, 2021	**18,921**	**17,127**	**377,242**	**2,350**	**3,766**	**419,406**
Depreciation and impairment						
At January 1, 2020	**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**
Depreciation	725	867	26,120	388	-	28,100
Reversal of impairment	-	-	(1,794)	-	-	(1,794)
Disposals	(293)	(245)	(6,973)	(411)	-	(7,922)
Assets classified as held for sale	-	-	(1,404)	-	-	(1,404)
Exchange differences	674	507	17,972	87	-	19,240
At December 31, 2021	**10,162**	**14,179**	**267,861**	**1,263**	**-**	**293,465**
Net book value						
As of January 1, 2020	**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**
As of December 31, 2021	**8,759**	**2,948**	**109,381**	**1,087**	**3,766**	**125,941**

Depreciation expense for 2021 of TEUR 27,676 (2020: TEUR 28,892) has been charged to cost of sales and TEUR 424 (2020: TEUR 288) to administrative expenses. The reversal of impairment loss for 2021 of TEUR 1,794 has been charged to cost of sales (2020: charge of impairment loss 3,550). This reversal relates to the part of equipment which was previously operated by PEWETE EVO EUROPE S.R.L. and was distributed to other Group subsidiary which can provide more intensive utilization of the assets.

The net book value of property, plant and equipment for which operating rent income has been recognized amounts to TEUR 61,346 as at December 31, 2021, representing cost in the amount of TEUR 239,135 and accumulated depreciation of in the amount of TEUR 177,789 (December 31, 2020: TEUR 59,739, representing cost in the amount of TEUR 212,312 and accumulated depreciation the amount of TEUR 152,573). This property, plant and equipment mainly relates to machinery, fittings and equipment.

Depreciation methods, residual values and economic lifetime are reviewed at each balance sheet date and adjusted if necessary.

IMPAIRMENT OF NON-FINANCIAL ASSETS

As a result of a triggering event analysis as at December 31, 2021 certain indicators for impairment were identified (increased geopolitical tense, financial markets volatility, unstable economic performance throughout the year, 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.

CGU PEWETE EVO EUROPE S.R.L. representing the Company’s Romanian subsidiary PEWETE EVO EUROPE S.R.L. stopped its operating activities by reporting date December 31, 2021. More than half of the equipment operated by this entity was sold to OOO KATOBNEFT and was included in CGU KATOBNEFT as at the reporting date. Please refer to Note 5 of these financial statements. The part remaining in Romania is placed for sale. Cost approach was used in the evaluation of this equipment which indicated the exceeding of market price over the carrying amount of identified assets.

After the reporting date but before the publication of these financial statements the Group decided to cease the operations in Oman. Part of equipment is to be transferred to Kazakhstan subsidiary TOO PWT Kazakhstan. Since this equipment is planned to be used by CGU TOO PWT Kazakhstan the valuation of this equipment was arranged within CGU TOO PWT Kazakhstan. The part remaining in Oman is planned to be placed for sale. Cost approach was used in the evaluation of this equipment which indicated the exceeding of market price over the carrying amount of identified assets.

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. 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	12/31/2021	12/31/2020
Information used	Actual operating results for the year 2021 and business plans for 2022–2026	Actual operating results for the year 2020 and business plans for 2021–2025
Forecast period	5 years (2022–2026)	5 years (2021–2025)
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	4.0%–5.2% Average producer price index in terminal period	2.8%–5.3%
Weighted average cost of capital (discount rate)	15.0% – CGUs OOO KATKoneft, OOO KATOBNEFT, OOO KAToil-Drilling 15.2% – CGU OOO WellProp 15.7% – CGU TOO 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), which is based on risk free interest rate, risk premium, size premium and equity beta. 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 6.0% is an expert estimation that was decreased from 6.5% used in the previous reporting period due to the expectation of recovery of business in 2021 after 2020 drop. The cost of debt is based on the market rates of interest-bearing long-term borrowings. CGU-specific risk is incorporated by applying individual beta factors. These factors are evaluated annually based on publicly available market data.	13.3% – CGUs OOO KATKoneft, OOO KATOBNEFT, OOO KAToil-Drilling 14.5% – CGU OOO WellProp 15.8% – CGU TOO Petro Welt Technologies Kazakhstan 13.8% – CGU PEWETE EVO EUROPE

As a result of the impairment testing as at December 31, 2021 there were no cases when carrying amount exceeded the value in use of the CGU tested. In addition to that, the part of the impairment previously recognized in respect of CGU PEWETE EVO EUROPE SRL was reversed in the amount of EUR 1,794 million due to respective equipment was distributed to and tested within CGU KATOBNEFT.

As a result of the impairment testing as at December 31, 2020 the carrying amount of CGU WellProp was determined to be higher than recoverable amount and an impairment loss was recognised in the amount of TEUR 611. The related impairment loss was allocated to goodwill and recognised through profit and loss.

For the CGU PEWETE EVO EUROPE the recoverable amount has been determined to be below the carrying amount as at December 31, 2020, and an impairment loss of TEUR 3,550 has been recognized, which has been fully allocated to property, plant and equipment.

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 sales price and volume of hydraulic fracturing, drilling operations and sales of proppant;
- Discount rate;

12/31/2021	12/31/2020
Equality of value in use and carrying amount becomes possible in case of revenue decrease by 3.1% in each of the years of the forecast period for CGU KATOBNEFT, by 6.0% for CGU KAToil-Drilling, by 4.7% for CGU KATKoneft, by 14.4% for CGU PWT Kazakhstan and by 2.2% for CGU WellProp.	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 CGU KATKoneft and by 2.1% for CGU PWT 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.

Discount rate – with all other assumptions held constant.

12/31/2021	12/31/2020
Increase of discount rate to 20.5%, 19.6% and 24.8% would result in equality of value in use and carrying amount of CGU KAToil-Drilling, CGU KATOBNEFT and CGU PWT Kazakhstan respectively. The impairment of CGU KATKoneft is indicated in case of discount rate growth to 22.4% and to 16.4% for CGU WellProp.	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 PWT 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.

7. INTANGIBLE ASSETS

in TEUR	The right to use production technology	Software and other intangible assets	Total
Cost			
As of January 1, 2020	**2,264**	**663**	**2,927**
Additions	-	493	493
Exchange differences	-	(109)	(109)
As of December 31, 2020	**2,264**	**1,047**	**3,311**
Additions	3	313	316
Exchange differences	-	37	37
As of December 31, 2021	**2,267**	**1,397**	**3,664**
Depreciation and impairment			
As of January 1, 2020	**333**	**584**	**917**
Amortization	148	159	307
Exchange differences	-	(102)	(102)
As of December 31, 2020	**481**	**641**	**1,122**
Amortization	149	234	383
Exchange differences	-	37	37
As of December 31, 2021	**630**	**912**	**1,542**
Net book value			
As of January 1, 2020	**1,931**	**79**	**2,010**
As of December 31, 2020	**1,783**	**406**	**2,189**
As of December 31, 2021	**1,637**	**485**	**2,122**

No internally generated intangible assets are capitalized.

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, 2020	**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**
Additions	-	276	16	292
Disposals	-	(402)	(74)	(476)
Exchange differences	30	12	-	42
As of December 31, 2021	**422**	**512**	**-**	**934**
Accumulated depreciation				
As of January 1, 2020	**(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)**
Depreciation	(14)	(187)	(15)	(216)
Disposals	-	227	31	258
Exchange differences	-	(3)		(3)
As of December 31, 2021	**(17)**	**(198)**	**-**	**(215)**
Net book value				
As of January 1, 2020	**2**	**327**	**31**	**360**
As of December 31, 2020	**389**	**391**	**42**	**822**
As of December 31, 2021	**405**	**314**	**-**	**719**

9. INVENTORIES

in TEUR	12/31/2021	12/31/2020
Spare parts and other materials	25,028	24,624
Raw material	7,150	7,209
Fuel and lubricants	2,375	1,970
Finished goods and goods for resale	2,017	1,850
Total	**36,570**	**35,653**

As at December 31, 2021 no inventories have been pledged as collateral for borrowings (December 31, 2020: 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 69,971 (December 31, 2020: TEUR 69,833). 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, Kazmunaygaz which are rated as Baa1 to Caa2 based on Moody's most recent available ratings.

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 «2020 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 (2020: 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 28 Financial risk management objectives and policies.

CONTRACT ASSETS

Contract assets were as follows:

in TEUR	12/31/2021	12/31/2020
Contract assets	13,755	9,455
Total	**13,755**	**9,455**

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, 2021 was impacted by an impairment charge of TEUR 3 (2020: TEUR 4).

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	12/31/2021	12/31/2020
Receivables from related parties	362	362
Value added tax	468	586
Advance payments	1,522	1,151
Deferred expenses	22	629
Other receivables	3,041	1,789
Total	**5,415**	**4,517**

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	12/31/2021	12/31/2020
Bank balances	15,322	17,291
Short-term deposits	127,275	54,396
Total	**142,597**	**71,687**

As at December 31, 2021 cash in current bank accounts denominated in euro was TEUR 6,815, in US dollars was TEUR 1,160, in Russian rubles was TEUR 6,610, in Kazakh tenge was TEUR 499, in Omani rial was TEUR 61, in Romanian leu was TEUR 177 (December 31, 2020: in euro TEUR 5,323, in US dollar TEUR 4,955 in Russian rubles TEUR 5,257, in Kazakhstan tenge TEUR 521, in Omani rial TEUR 37, in Romania leu TEUR 1,198).

As at December 31, 2021 deposits with maturities of three months or less denominated in Russian rubles were TEUR 102,206, in Kazakh tenge were TEUR 1,396, in US dollars were 23,673, and in euro were nil (December 31, 2020: in Russian Rubles TEUR 48,270, in Kazakh tenge TEUR 1,039, in US dollars 5,087, in euro nil) and bear interest of 0.1% to 9.15% (December 31, 2020: 0.07% to 7%).

Bank deposits with maturities of more than three months denominated in US dollars were TEUR 406, in Russian rubles were TEUR 520, in euro were nil (December 31, 2020: in US dollars TEUR 21,422, in Russian rubles TEUR 22,522, in Euro nil) and bear interest of 0.3% to 6.96% (December 31, 2020: 0.1% to 4.52%). The Group does not hold any bank deposits with maturities of more than twelve months.

There was no significant cash restricted from use as at December 31, 2021 and December 31, 2020.

The cash, cash equivalents and bank deposits are held with bank and financial institutions, which are rated A1 to B3, based on Moody's most recent available ratings as at December 31, 2021 (December 31, 2020: A2 to Caa1). 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 twelve 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 «2020 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 53 (December 31, 2020: TEUR 63).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

13. EQUITY

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

12/31/2021		12/31/2020	
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, 2020: 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). Since February 23, 2022 Mr. Maurice Gregoire Dijols directly and indirectly controls 90.23% 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 2020: TEUR 111,987).

CURRENCY TRANSLATION RESERVE

Currency translation reserve comprises the following items:

in TEUR	2021	2020
Foreign currency reserves at January 1	**253,421**	**175,495**
Net investments	(5,948)	24,598
Currency translation differences	(13,995)	53,328
Foreign currency reserves at December 31	**233,478**	**253,421**

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.

RETAINED EARNINGS

Retained earnings include the net income and losses of consolidated subsidiaries, as adjusted for the purpose of consolidation and amounted to TEUR 278,199 (December 31, 2020: TEUR 275,274).

14. CURRENT AND NON-CURRENT LIABILITIES

On December 3, 2021, The Company signed an amendment agreement for a loan in the amount of TEUR 116,303 that set interest at 2.5% above 6 month EURIBOR rate and prolonged the maturity of the loan and accrued interest until December 31, 2029, interest accruing during the remaining term of the loan are payable at loan maturity date.

As at December 31, 2021 the non-current financial liabilities against Petro Welt Holding (Cyprus) Ltd. amounted to TEUR 126,310, including accrued but unpaid interest of TEUR 10,007 (December 31, 2020: TEUR 122,905, including accrued but unpaid interest of TEUR 6,602).

Current liabilities comprise the following items:

in TEUR	12/31/2021	12/31/2020
Trade payables	35,581	31,028
Other current liabilities	28,347	21,933
Contract liabilities	440	302
Income tax payables	1,159	2
Total	**65,527**	**53,265**

Other current liabilities consist of the following items:

in TEUR	12/31/2021	12/31/2020
Value added tax liabilities	8,748	6,258
Wages and salary liabilities	2,342	3,777
Unused vacations liabilities	9,047	5,363
Social insurance liabilities	1,141	1,274
Other tax liabilities	560	545
Property tax liabilities	25	27
Provisions for future losses	841	590
Other liabilities	5,643	4,099
Total	**28,347**	**21,933**

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 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 841 (December 31, 2020: TEUR 590).

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, 2021	**819**	**122,905**	**123,724**
Changes from financing cash flows			
Payment of lease liabilities	(200)	-	(200)
Total changes from financing cash flows	**(200)**	**-**	**(200)**
Other changes			
New leases	292	-	292
Accrued interest expense	42	3,405	3,447
Interest paid	(25)	-	(25)
Disposal	(222)	-	(222)
Exchange differences	43	-	43
Total other changes	130	**3,405**	**3,535**
Balance at December 31, 2021	749	**126,310**	**127,059**

	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**

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 Note 25).

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 2021:

in TEUR	Well Services and Stimulation	Drilling, Sidetracking, and IPM	Proppant Manufacturing	Total segments	Discontinued operations	Reconciliation	Group
External sales	99,147	124,866	12,960	236,973	606	-	237,579
Group sales	482	111	1,662	2,255	-	(2,255)	-
Total sales	**99,629**	**124,977**	**14,622**	**239,228**	**606**	**(2,255)**	**237,579**
Primary geographical markets							
Russia	91,627	124,977	13,044	229,648	-	(1,409)	228,239
Kazakhstan	7,680	-	846	8,526	-	(846)	7,680
CIS and Ukraine	-	-	270	270	-	-	270
European and Central African countries and Middle East	322	-	462	784	606	-	1,390
Total sales	**99,629**	**124,977**	**14,622**	**239,228**	**606**	**(2,255)**	**237,579**
Major products/service lines							
Hydraulic fracturing	97,516	-	-	97,516	-	(482)	97,034
Sidetrack drilling	-	53,760	-	53,760	606	(66)	54,300
Conventional drilling	-	49,695	-	49,695	-	(45)	49,650
Cementing	2,077	-	-	2,077	-	-	2,077
Rent income (IFRS 16)	-	21,497	-	21,497	-	-	21,497
Sale of proppant	-	-	11,348	11,348	-	(1,662)	9,686
Other services	36	25	3,274	3,335	-	-	3,335
Total sales	**99,629**	**124,977**	**14,622**	**239,228**	**606**	**(2,255)**	**237,579**
Timing of revenue recognition							
Goods and services transferred at a point in time		-	14,622	14,622	-	(1,662)	12,960
Short-term services	99,629	-	-	99,629	-	(482)	99,147
Services transferred over time	-	103,480	-	103,480	606	(111)	103,975
Rent income (IFRS 16)	-	21,497	-	21,497	-	-	21,497
Total sales	**99,629**	**124,977**	**14,622**	**239,228**	**606**	**(2,255)**	**237,579**

Disaggregated revenue 2020:

in TEUR	Well Services and Stimulation	Drilling, Sidetracking, and IPM	Proppant Manufacturing	Total segments	Discontinued operations	Reconciliation	Group
External sales	112,198	130,652	8,799	251,649	646	-	252,295
Group sales	844	110	3,005	3,959	-	(3,959)	-
Total sales	**113,042**	**130,762**	**11,804**	**255,608**	**646**	**(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	-	-	424	424	646	-	1,070
Total sales	**113,042**	**130,762**	**11,804**	**255,608**	**646**	**(3,959)**	**252,295**
Major products/service lines							
Hydraulic fracturing	110,022	-	-	110,022		(844)	109,178
Sidetrack drilling	-	60,480	-	60,480	646	(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**	**130,762**	**11,804**	**255,608**	**646**	**(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	-	108,243	-	108,243	646	(110)	108,779
Rent income (IFRS 16)	385	22,519	-	22,904	-	-	22,904
Total sales	**113,042**	**130,762**	**11,804**	**255,608**	**646**	**(3,959)**	**252,295**

Revenue from contracts with customers amounted to TEUR 216,082 (2020: TEUR 229,391).

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, 2021 and December 31, 2020:

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

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

16. COST OF SALES

in TEUR	2021		2020 adjusted	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Raw materials	57,920	142	65,187	44
Direct costs	53,583	460	58,801	643
Depreciation	27,329	618	28,697	565
Impairment loss	-	-	-	3,550
Reversal of impairment loss	(1,794)	-	-	-
Wages and salaries	42,546	392	43,411	401
Social tax	12,675	-	12,607	-
Other costs	9,679	32	3,351	152
Total	**201,938**	**1,644**	**212,054**	**5,355**

Direct costs amounting to TEUR 53,583 (2020: TEUR 58,801) comprise production services, transportation, repair and maintenance expenses.

17. ADMINISTRATIVE EXPENSES

in TEUR	2021		2020 adjusted	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Wages and salaries (incl. remuneration for executive bodies)	11,092	373	12,220	-
Consulting fees	8,360	85	2,493	603
Tax expense	81	3	-	-
Social tax	2,485	-	2,331	-
Rent expense on an operating lease	348	22	542	-
Travel and entertainment expenses	584	15	297	-
Depreciation and amortization	697	55	436	-
Purchase of other materials	331	-	315	-
Services rendered	1,551	16	1,422	-
Bank fees	109	-	121	-
Training costs	48	1	19	-
Audit fees	551	-	910	-
Insurance	87	-	78	-
Maintenance costs	272	7	253	-
Other administrative expenses	95	-	55	38
Total	**26,691**	**577**	**21,492**	**641**

REMUNERATION OF THE GROUP AUDITOR

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

in TEUR	2021	2020
Audit fees	446	530
Audit fees relating to prior years	74	343
Total	**520**	**873**

18. SELLING EXPENSES

in TEUR	2021	2020
Transportation costs	1,338	1,221
Wages and salaries	270	182
Social tax	58	28
Other selling expenses	174	162
Total	**1,840**	**1,593**

19. OTHER OPERATING INCOME

in TEUR	2021	2020
Gain from disposal of property, plant and equipment	649	656
Income from reversals of written-down inventories	152	5
Income from prior periods	7	70
Income from reversals of written-down trade receivables	269	2,106
Income from penalties	387	216
Other income	983	713
Total	**2,447**	**3,766**

20. OTHER OPERATING EXPENSES

	2021		2020 adjusted	
in TEUR	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Loss from the disposal of property, plant and equipment	298	-	491	-
Write-down of trade receivables	13	-	820	-
Provision for doubtful debts, contract assets, cash and cash equivalents and bank deposits	330	-	174	-
Loss from inventory write-off and obsolesce provision	25	-	5	-
Impairment of goodwill	-	-	611	-
Other expenses	990	195	1,457	-
Total	**1,656**	**195**	**3,558**	**-**

21. NET FINANCE INCOME

in TEUR	2021	2020
Interest income	4,979	4,596
Gain from exchange rate differences	396	1,320
Total finance income	**5,375**	**5,916**
Interest expenses	(3,470)	(3,654)
Total finance costs	**(3,470)**	**(3,654)**
Total net finance income	**1,905**	**2,262**

The Group's interest income is mainly attributable to interest on cash and cash equivalents and bank deposits. Interest expenses relate mostly to non-current financial liabilities against Petro Welt Holding (Cyprus) Ltd. For further details please refer to Note 14 Current and non-current liabilities.

22. INCOME TAX

The tax rate for the Austrian company in 2021 was 25% (2020: 25%), for the Russian subsidiaries 20% (2020: 20%) and for income taxable under tax law in Kazakhstan 20% (2020: 20%).

Income tax expenses recognized in profit or loss are:

in TEUR	2021	2020
Current tax expenses	4,939	4,200
Deferred tax expense (income) relating to the origination and reversal of temporary differences	(1,754)	3,517
Withholding tax	335	1,069
Income taxes from previous years	945	(1,821)
Current and deferred tax expenses	**4,465**	**6,965**

In 2021 the income tax contains withholding taxes of TEUR 335 (2020: TEUR 1,069) resulted from intra-Group dividend. The rate for withholding tax on dividends in Russia was unchanged at 5%.

Amounts recognized in other comprehensive income were as follows:

	2021			2020		
in TEUR	**Before tax**	**Related tax**	**Net of tax**	**Before tax**	**Related tax**	**Net of tax**
Net investments in foreign operations	7,677	(1,729)	5,948	(26,960)	2,362	(24,598)
Net gains/(losses) on remeasurement of defined benefit plans	116	(23)	93	37	(7)	30

The tax effect related to the net investment in foreign operation consists of deferred income tax gain amounting to EUR 1,528 million (2020: expense 2,362) as well as current income tax gain TEUR 201 (2020: nil).

Reconciliation of effective tax rate:

in TEUR	**2021**	**2020**
Result before income taxes	7,390	13,630
Tax using the Russian tax rate (20%)	1,478	2,726
Effect of tax rates in foreign jurisdictions	(211)	(431)
Tax-free income and non-deductible expenses, net	2,705	2,546
Change in unrecognized deferred taxes	(217)	4,003
Withholding tax on dividends and interest	335	1,069
Deferred tax liabilities for withholding tax on intra-Group dividend	-	(660)
Tax income/(expense), prior periods	942	(1,821)
Other effects	(567)	(467)
Current and deferred tax expenses	**4,465**	**6,965**
Current and deferred tax expenses according to the consolidated statement of profit or loss	**4,465**	**6,965**
Tax rate	**60.42%**	**51.10%**

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

in TEUR	12/31/2021		Change in deferred taxes			01/01/2021	
	Deferred tax assets	Deferred tax liabilities	Recognized in profit or loss	Recognized in other comprehensive income	Effect of movement in exchange rates	Deferred tax assets	Deferred tax liabilities
Tax loss carry-forwards	2,067	-	(574)	-	173	2,468	-
Deferred expenses/liabilities	2,455	(5)	637	-	150	1,663	-
Fixed assets/depreciation	-	(8,144)	(413)	-	(569)	-	(7,162)
Other	1,345	(957)	2,104	(1,528)	9	473	(670)
Netting	(4,133)	4,133	-	-	-	(3,623)	3,623
Total	**1,734**	**(4,973)**	**(1,754)**	**(1,528)**	**(237)**	**981**	**(4,209)**

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 comprehensive 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)**

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 at December 31, 2021 in the amount of TEUR 47,546 (December 31, 2020: TEUR 44,998) is not expected to be utilized in future. Deferred tax assets in the amount of TEUR 9,509 (December 31, 2020: TEUR 9,000) 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 for any given year (offset limitation). The tax loss carryforward as at December 31, 2021 in the amount of TEUR 31,665 (December 31, 2020: TEUR 46,021) is not expected to be utilized in future. Deferred tax assets in the amount of TEUR 6,015 (December 31, 2020: TEUR 11,506) 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 67,610 (2020: TEUR 43,466), as the parent company is able to control when the temporary difference is reversed.

23. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The Group provides the 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 the former employees retired upon disability) and other long-term benefits (such as payments to employees' jubilees).

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

The next table represents net benefit expenses recognized at 2020 and 2021 years.

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:

	2021			2020		
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	198	116	314	242	139	381
Included in profit or loss						
Current service cost	23	18	41	24	18	42
Interest cost	13	10	23	17	7	24
Past service cost	-	-	-	6	-	6
Benefits paid	**(15)**	**(9)**	**(24)**	**(20)**	**(10)**	**(30)**
Included in other comprehensive income						
Actuarial (gains)/losses, including:						
Financial assumptions	(73)	(43)	(116)	(24)	(13)	(37)
Effect of movements in exchange rates	(31)	(11)	(42)	(47)	(25)	(72)
Defined benefit obligation as of December 31	**115**	**81**	**196**	**198**	**116**	**314**

ACTUARIAL ASSUMPTIONS

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

Assumptions	2021	2020
Discount rate	8.40%	6.17%
The growth rate of fixed payments	4.47%	4.04%
Tax rate	Varies from 21% to 26% depending on the company	Varies from 25% to 30% depending on the company
Employee turnover rates	Declines from 36% to 0% per year depending on year of service and gender	Declines from 35% to 0% per year depending on year of service and gender
Mortality	Mortality table of the Russian Federation for the year 2019, adjusted by 77%	Mortality table of the Russian Federation for the year 2018, adjusted by 77%

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

Years	Post-employment benefits	Other long-term employee benefits	Total
Duration	15.58	12.34	14.31

The next table represents the defined benefit plan payments expected in the next reporting period (2022):

in TEUR	Post-employment benefits	Other long-term employee benefits	Total
Defined benefit plan payments expected in the next reporting period	33	10	43

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%	(10.1%)	(7.5%)	(9.1%)
Decrease in discount rate by 1%	12.3%	9.9%	11.3%
Increase in growth rate of fixed benefits by 1%	10.8%	8.8%	10.0%
Decrease in growth rate of fixed benefits by 1%	(9.8%)	(7.3%)	(8.8%)
Increase in mortality by 10%	0.6%	(0.2%)	0.3%
Decrease in mortality by 10%	1.0%	1.3%	1.1%
Increase in rate of employee's turnover by 1%	(8.1%)	(7.8%)	(8.0%)
Decrease in rate of employee's turnover by 1%	2.5%	4.5%	3.3%

24. EARNINGS PER SHARE

The calculation of basic earnings per share at December 31, 2021 was based on the profit attributable to ordinary shareholders and a weighted-average number of ordinary shares.

in TEUR		2021	2020
Common stock	Thousand	48,850	48,850
Profit	TEUR	2,925	6,665
Earnings per share	EUR	0.06	0.14

The Company has no dilutive potential ordinary shares.

25. 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 PWT Kazakhstan and PEWETE EVO SERVICES LLC);
- Drilling, Sidetracking and Integrated Project Management (IPM) – services for conventional drilling, sidetrack drilling (operated by OOO KAToil-Drilling and OOO KATOBNEFT). PEWETE EVO EUROPE S.R.L. is disclosed as discontinued operations.
- 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 management accounting, which approximates 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, 2021 and December 31, 2020 is presented below.

REPORTING SEGMENT RESULTS FOR 2021

in TEUR	Well Services and Stimulation	Drilling, Sidetracking, and IPM	Proppant Manufacturing	Total segments	Discontinued operations	Reconciliation	Group
External sales	99,147	124,866	12,960	236,973	606	-	237,579
Group sales	482	111	1,662	2,255	-	(2,255)	-
Total sales	**99,629**	**124,977**	**14,622**	**239,228**	**606**	**(2,255)**	**237,579**
Cost of sales	(89,875)	(104,516)	(10,590)	(204,981)	(1,644)	3,043	(203,582)
Administrative expenses	(5,804)	(8,560)	(1,112)	(15,476)	(577)	(11,215)	(27,268)
Selling expenses	-	-	(1,840)	(1,840)	-	-	(1,840)
Other operating income and expenses	534	726	60	1,320	(195)	(529)	596
Operating result	**4,484**	**12,627**	**1,140**	**18,251**	**(1,810)**	**(10,956)**	**5,485**
Finance income							5,375
Finance costs							(3,470)
Profit before tax							**7,390**
Income tax							(4,465)
Profit after tax							**2,925**
Segment depreciation and impairment losses	9,118	16,038	523	25,679	673	553	26,905
Segment assets	159,183	169,857	22,371	351,411	3,435	48,801	403,647
Segment liabilities	29,299	47,674	2,912	79,885	4,539	113,220	197,645
Capital expenditure	4,914	18,057	451	23,422	413	261	24,096

REPORTING SEGMENT RESULTS FOR 2020

in TEUR	Well Services and Stimulation	Drilling, Sidetracking, and IPM	Proppant Manufacturing	Total segments	Discontinued operations	Reconciliation	Group
External sales	112,198	130,652	8,799	251,649	646	-	252,295
Group sales	844	110	3,005	3,959	-	(3,959)	-
Total sales	**113,042**	**130,762**	**11,804**	**255,608**	**646**	**(3,959)**	**252,295**
Cost of sales	(98,357)	(108,779)	(8,589)	(215,725)	(5,355)	3,671	(217,409)
Administrative expenses	(5,082)	(7,743)	(1,255)	(14,080)	(641)	(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**	**17,032**	**(573)**	**25,771**	**(5,350)**	**(9,053)**	**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	18,173	1,125	29,231	4,115	515	33,861
Segment assets	134,973	145,703	19,739	300,415	6,345	57,527	364,287
Segment liabilities	18,900	45,425	2,040	66,365	3,479	111,402	181,246
Capital expenditure	12,242	15,105	270	27,617	1,049	227	28,893

The reconciliation of segment assets mainly includes cash balances of other companies (corporate activities), the reconciliation of segment liabilities includes the loan from Petro Welt Holding Limited (Cyprus) and inter-Company elimination between segments. Inter-segment revenue is eliminated during consolidation.

The major part of non-current assets of the Group is located in the Russian Federation and about 21%, nil and 3% are located in Oman, Romania and Kazakhstan respectively (December 31, 2020: 13%, 7%, 1%).

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

in TEUR	2021	%	2020	%
Russia				
Rosneft	87,928	37.01	72,059	28.56
LUKOIL	67,057	28.22	78,603	31.16
Slavneft	6,078	2.56	11,426	4.53
Gazprom Neft	32,160	13.54	49,232	19.51
Tomskneft	383	0.16	11,202	4.44
Russneft	12,391	5.22	7,266	2.88
Other customers	22,242	9.36	16,238	6.44
Total revenue within Russia	**228,239**	**96.07**	**246,026**	**97.52**
Kazakhstan				
Kazmunaygaz	6,199	2.61	4,068	1.61
Other customers	1,481	0.62	938	0.37
Total revenue within Kazakhstan	**7,680**	**3.23**	**5,006**	**1.98**
Other countries	**1,054**	**0.44**	**617**	**0.24**
Revenue from discontinued operations	**606**	**0.26**	**646**	**0.26**
Total revenue	**237,579**	**100**	**252,295**	**100**

26. 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) for repayment of a total EUR 1,589,603.50, a final and binding interim judgment in favor of the Company was obtained, which finds that the distribution of this amount to the Respondents was unlawful. 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.: 43 Cg 7/21h) 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. In February 2021, the former supervisory board members Gerhard Strate, Mirco Schroeter and Walter Höft joined both proceedings as intervening parties on the side of the Respondents. Following the interim judgement, the joined proceedings will deal with the counterclaims asserted by the Respondents, which the Company is disputing both with regard to its merits and the amount of claim, and the compensation of the tax damages. The evidence proceedings may be finished in the third quarter of the year 2022.

(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 inter-company and major domestic inter-company 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 5.2% (December 31, 2020: 5.6%) 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 of December 31, 2021 or December 31, 2020.

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.

27. 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	12/31/2021	12/31/2020
Cash and cash equivalents	142,597	71,687
Bank deposits	926	43,944
Trade receivables	69,971	69,833
Receivables from related parties	362	362
Other receivables	2,795	1,408
Total	**216,651**	**187,234**

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COSTS

in TEUR	12/31/2021	12/31/2020
Long term debts	126,310	122,905
Trade payables	35,581	31,028
Lease liabilities (short-term, long term)	749	819
Other liabilities	5,642	4,098
Total	**168,282**	**158,850**

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.

28. 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	12/31/2021	12/31/2020
Cash and cash equivalents	142,597	71,687
Bank deposits	926	43,944
Trade receivables	69,971	69,833
Contract assets	13,755	9,455
Other receivables	2,688	1,316
Other long-term assets	107	92
Total	**230,044**	**196,327**

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 3% 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 – Rosneft, LUKOIL, Gazprom Neft, Russneft (see Note 25).

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

in TEUR	12/31/2021	12/31/2020
Russia	70,567	70,439
Kazakhstan	790	342
Total	**71,357**	**70,781**

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	12/31/2021	12/31/2020
Neither past nor overdue	229,896	193,488
Past due 0–30 days	89	2,596
Past due 31–90 days	10	152
Past due 91–180 days	3	75
Past due over 180 days	46	16
Total	**230,044**	**196,327**

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.

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 at December 31, 2021:

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	6,088	0.02	1
Baa3	7,667	0.03	2
Total contract assets	**13,755**	**0.02**	**3**
Trade and other receivables			
Baa1	618	-	-
Baa2	28,289	0.036	10
Baa3	24,189	0.024	6
B3	402	1.742	7
Caa2	9,054	3.41	309
No rating	10,214	1.147	117
Total trade and other receivables	**72,766**	**0.617**	**449**
Bank deposits			
Baa1	23	-	-
Baa3	383	0.2	1
Ba1	520	-	-
Total bank deposit	**926**	**0.1**	**1**
Cash and cash equivalents			
A1	153	-	-
A3	4	-	-
Baa1	6,296	-	-
Baa2	1,396	-	-
Baa3	9,207	-	-
Ba1	75,825	0.037	28
Ba2	12,827	0.015	2
Ba3	36,377	0.06	22
B3	512	-	-
Total cash and cash equivalents	**142,597**	**0.0367**	**52**
Total	**230,044**	**0.219**	**505**

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 deposits	**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**

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	**2021**	**2020**
Balance at the beginning of the year	**265**	**840**
Additions according to IFRS 9	330	174
Reversal/use	(117)	(579)
Foreign currency translation adjustments	27	(170)
Balance at the end of the year	**505**	**265**

The Group recognized individual provision for doubtful debts due to deterioration of the financial situation of a number of clients amounting to TEUR 13 (2020: TEUR 820).

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 142,597 at December 31, 2021 (December 31, 2020: TEUR 71,687), which represents its maximum credit exposure on cash and cash equivalents assets.

As at December 31, 2021 and December 31, 2020, cash and cash equivalents and bank deposits are held with different banks to prevent concentration of credit risk for the Group. The largest partner banks include Gazprombank, Moscow Credit Bank, Sovcombank (December 31, 2020: Moscow Credit Bank, Bank VTB, Bank Otkrytie). The placement of free cash in the above banks comprised 34% of cash, cash equivalents and bank deposits at Gazprombank, 25% at Moscow Credit Bank and 12% at Sovcombank in 2021 (2020: 42% at Moscow Credit Bank, 21% at Bank VTB and 19% at Bank Otrkrytie).

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.

2021			Contractual cash flows			
in TEUR	Carrying amount	Total cash flow	<6 months	6–12 months	1–5 years	>5 years
Non-derivative financial liabilities						
Liabilities to Petro Welt Holding Limited (Cyprus)	126,310	145,236	-	-	-	145,236
Trade payables	35,581	35,581	35,581	-	-	-
Lease liabilities (short-term, long term)	749	1,299	74	74	330	821
Other current liabilities	5,642	5,642	5,642	-	-	-

2020			Contractual cash flows			
in TEUR	Carrying amount	Total cash flow	<6 months	6–12 months	1–5 years	>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	-	-	-
Lease liabilities (short-term, long term)	819	1,333	114	98	334	787
Other current liabilities	4,098	4,098	4,098	-	-	-

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	12/31/2021	12/31/2020
Euro		
Cash and cash equivalents and bank deposits	2,683	3,493
Trade receivables	-	4
Trade payables and other liabilities	(613)	(223)
US dollar		
Cash and cash equivalents and bank deposits	25,238	31,464
Trade receivables	583	29
Trade payables and other liabilities	(1,059)	(962)
Kazakh tenge		
Cash and cash equivalents and bank deposits	499	521
Russian ruble		
Cash and cash equivalents and bank deposits	239	48
Trade payables and other liabilities	(544)	(157)
Romanian leu		
Cash and cash equivalents and bank deposits	4	1,130

In addition the Group is exposed to foreign currency risk in relation to intra-Group 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:

	Effect on profit before tax		Effect on pre-tax equity	
in TEUR	2021	2020	2021	2020
Euro denominated	207	327	3,088	3,088
US dollar denominated	2,476	3,053	-	-
Kazakh tenge denominated	50	52	-	-
Russian ruble denominated	31	11	1,818	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	2021	2020
Long-term payables	+/- 116	+/- 116

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 recognised 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 at December 31, 2021 and December 31, 2020 there were no significant recognised 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 at December 31, 2021 the net debt to equity ratio was 11,7% (December 31, 2020: 23,2%).

in TEUR	**12/31/2021**	**12/31/2020**
Liabilities to Petro Welt Holding Limited (Cyprus)	126,310	122,905
Trade payables	35,581	31,028
Other liabilities with the exception of accrued liabilities	5,642	4,098
Less: cash and cash equivalents	(142,597)	(71,687)
Less: bank deposits	(926)	(43,944)
Net debt	**24,010**	**42,400**
Total equity	206,002	183,041
Net debt-to-equity ratio at December 31	**11.7%**	**23.2%**

The Group's rating by Moody's is Ba3 with a stable rating outlook (December 31, 2020: 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 2021 and 2020.

29. 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:

	2021		2020	
in TEUR	**Salary and compensation**	**Bonus**	**Salary and compensation**	**Bonus**
Denis Stankevich, Management Board	248	203	-	-
Kirill Bakhmetyev, Management Board	80	63	-	-
Yury Semenov, Management Board	811	156	1,155	690
Valeriy Inyushin, Management Board	462	-	514	302
Maurice Gregoire Dijols, Supervisory Board	35	-	35	-
Ralf Wojtek, Supervisory Board	35	-	35	-
Remi Paul, Supervisory Board	50	-	50	-

Members of Management and Supervisory Board have not received any loans or advance payment in 2021 (2020: nil).

The amount of bonus of Management Board members for 2020, paid in 2021 was as follows:

in TEUR	2021	2020
Yury Semenov, Management Board	480	546
Valeriy Inyushin, Management Board	146	168

The Management board consists of the following members:
- Denis Stankevich – Chairman of the Management Board since July 19, 2021;
- Yury Semenov – Chairman of the Management Board until July 19, 2021
- Kirill Bakhmetyev – Deputy Chairman of the Management Board since October 4, 2021;
- Valeriy Inyushin, Ph.D. – Deputy Chairman of the Management Board until September 27, 2021.

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	2021	2020
Second level management salaries	1,600	1,690

OTHER RELATED PARTY TRANSACTIONS

Business transactions with related parties are detailed in the following table:

in TEUR	Transaction value 2021	Transaction value 2020	Outstanding balance 12/31/2021	Outstanding balance 12/31/2020	Transaction description
Fairtune East Ltd., Moscow	122	133	13	12	Rental fee

30. EVENTS AFTER THE REPORTING DATE

In 2022, geopolitical tensions arose as a result of the developments of the conflict with Ukraine, which adversely affected the commodity and financial markets and increased volatility, especially with respect to exchange rates. The United States has imposed additional sanctions against the Russian government as well as against Russian legal entities and individuals, including sanctions that completely block several Russian state-owned financial institutions. Restrictions have been imposed on opening, maintaining, or performing operations involving certain correspondent and payment accounts with foreign financial institutions. In addition, new restrictions have been introduced with respect to borrowings and investments related to the capital of large public and private companies as well as to portions of Russia's sovereign debt. Both the UK and the EU have announced additional sanctions. The UK has imposed sanctions to block and freeze the assets of some Russian banks, legal entities, and individuals working in Russia's financial and defense sectors. The EU has imposed sanctions on certain Russian officials, legal entities (including Russian banks) as well as a number of individuals and imposed restrictions on capital markets, loans, and loans that service Russian sovereign debt. Moreover, there is the risk of additional sanctions. These events may have a significant negative impact on the Russian economy. They have already led to a decrease in the exchange rate of the Russian ruble and have intensified both volatility and uncertainty in the Russian economy. At the same time, the stated goal is to minimize the impact of these sanctions on energy companies and their consumers. Specifically, the United States has allowed certain transactions associated with the energy sector, emphasizing the need to continue legitimate energy-related trade. The Company's consolidated financial statements do not reflect management's assessment of the impact of the aforementioned developments and business conditions on the PeWeTe Group's operations and financial position. The future economic environment may differ substantially from management's estimates.

The following is a detailed description of current events that affect the Group's activities.

Key issues related to operating performance:

- Reduction in the volume of the capital investments of the Russian Federation's main oil companies in drilling programs and programs for the advancement of wells;
- High inflation in the Russian Federation as well as expected high inflation in other countries coupled with long payment terms for work performed;
- Embargoes on and long delivery times for spare parts and components related to imported equipment used in production activities now require revisions of our procurement programs, taking into account extended delivery times (up to 1.5 years for individual items and large investments). In this regard, there is the risk that bans on the supply of ordered and paid-for items may be imposed by the countries of origin;
- Increased costs related to purchases of spare parts and components for imported production equipment due to the depreciation of exchange rates;
- Disruption of transport routes.

The Group is conducting preliminary analyses of the potential effects of the aforementioned events on its performance indicators.

Management expects revenue of about RUB 28.8 billion in 2022. When converted to the Company's reporting currency (the euro), this revenue may translate into amounts between EUR 230.7 million and EUR 310.1 million based on EUR/RUB exchange rates between RUB 125 and RUB 92 per EUR. Management currently forecasts EBITDA of RUB 3.5 billion which equates to between EUR 28.0 million and EUR 38.0 million based on exchange rates between RUB 125 and RUB 92 per EUR, respectively. These forecasts are based on the situation as of the publication date of the present Report and do not take any further escalation into account.

Key issue related to investment strategy:
The ban on the supply of both equipment and technologies for the oil industry and the energy sector as a whole has already led the PeWeTe Group to suspend its re-equipment and development programs for 2022–2025. The Group is currently evaluating the preliminary effects from potential changes to its investment program.

The actual impact of events that have already occurred as well as of possible future events cannot be evaluated as of the present Report's publication date. Therefore, management will continue to monitor the situation closely to ensure prompt responses to rapidly changing conditions.

The management of Petro Welt Technologies AG decided to reconsider the activities of the Omani subsidiary (PEWETE EVO SERVICES LLC) and to evaluate measures to terminate the business activities. In the future, the Group intends to primarily focus on business in its core markets.

On March 31, 2022, the credit rating agency, Moody's, withdrew the credit rating of Petro Welt Technologies AG (December 31, 2021: Ba3 with a stable rating outlook).

Vienna, April 27, 2022

Denis Stankevich
Chief Executive Officer

Kirill Bakhmetyev
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, 2022

Denis Stankevich
Chief Executive Officer

Kirill Bakhmetyev
Chief Financial Officer

FINANCIAL CALENDAR 2022

— April 27, 2022
Publication of consolidated annual report 2021

— May 16, 2022
Analyst and investor conference

— May 27, 2022
Publication of Q1 interim report 2022

— June 29, 2022
17th Annual Shareholders' Meeting

— August 24, 2022
Publication of half-year report 2022

— November 22, 2022
Publication of Q3 interim report 2022

LEGAL NOTICE

MEDIA OWNER AND PUBLISHER

Petro Welt Technologies AG
Kärntner Ring 11–13
1010 Vienna
Phone: +43 1 535 23 20-0
Fax: +43 1 535 23 20-20
E-Mail: ir@pewete.com
Internet: www.pewete.com

CONSULTING, CONCEPT AND DESIGN

Male Huber Friends GmbH

PHOTOS

Karin Gartner (Supervisory Board), Adobe Stock
(Alswart, Andrii Zastrozhnov, Pierell)

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