



Q1 2022

MANAGEMENT REPORT Q1 2022

The figures for the comparative period January to March 2021 were adjusted following the classification of PEWETE EVO EUROPE S.R.L. as a discontinued operation as of December 31, 2021. As a result, the operating expenses, gross profit, administrative expenses and other income, which are presented in this report, were adjusted. Refer to Note 5 of the consolidated financial statements for the twelve months ended December 31, 2021.

PERFORMANCE OF THE PEWETE GROUP

In 2022, the ongoing political tensions in the Eastern European region intensified as a result of the situation in Ukraine, which negatively affected the commodity and financial markets and increased volatility, especially in the case of exchange rates.

As a result, the RUB/EUR exchange rate as of the reporting date March 31, 2022, jumped by 11.4% to RUB 93.7 per euro, compared to December 31, 2021. Likewise, compared to Q1 2021, the average exchange rate for Q1 2022 increased by 7.5%.

Revenue increased by 37.9% to EUR 62.4 million in the reporting period from EUR 45.2 million in the first three months of 2021. This was made possible by the recovery of the global economy and the Russian economy following the COVID-19 related recession, the gradual lifting of the OPEC+ restrictions and more successful contracting by the Group itself. Other factors include an increase in contracted volumes and a significant indexation of prices agreed with key customers in all segments of the Group. Converted into RUB, the Group's main operating currency, revenue grew by 48.4%.

The Well Services and Stimulation segment showed a particularly positive development in the reporting period. The number of jobs performed in Q1 2022 increased by 54.8% to 1,187 (Q1 2021: 767 jobs). Average revenue per job rose by 4.2% in EUR and even by 12.0% in RUB. As a result, overall revenue for the Well Services and Stimulation segment went up by 61.3% to EUR 29.2 million (Q1 2021: EUR 18.1 million). Expressed in RUB, revenue actually grew by 73.4% to RUB 2,815.4 million. Thus, the segment increased its share in total Group revenue to 46.8%, up from 40.0% in Q1 2021.

Due to the positive market environment, the management was also able to improve performance in the Drilling, Sidetracking, and Integrated Project Management (IPM) segment. Revenue in this segment increased by 22.9% to EUR 31.1 million, driven by a 75.0% growth in the number of jobs to 84 (Q1 2021: 48 jobs). However, average revenue per job decreased by 29.7% in the reporting period compared to Q1 2021, due to a higher share of contracts on an hourly basis.

Growth in operating expenses was slower than revenue growth due to factors such as economies of scale and ongoing cost control. Operating expenses thus only increased by 25.8% to EUR 55.0 million (Q1 2021: EUR 43.7 million). This led to a multiple growth in gross profit, which reached EUR 7.4 million in the reporting period (Q1 2021: EUR 1.5 million). Accordingly, the gross profit margin rose to 11.9% (Q1 2021: 3.3%).

Due to higher consulting fees related to the ongoing political and economic tensions, the Group recorded a 25.7% increase in administrative expenses.

On balance, the Group closed Q1 2022 with a positive EBIT of EUR 1.1 million (Q1 2021: EUR -3.3 million).

Given the high degree of uncertainty regarding the development of macroeconomic factors and political risks as well as their potential impact on the Russian economy and the Group's performance, the management has identified indications of impairment related to the Group's operating companies in Russia. Therefore, the Group performed a preliminary calculation of a potential impairment loss based on the following assumptions available at the time of publication of this report:

- a rise in inflation, but a weakening from the highs registered in March 2022. The current forecast of the Central Bank of Russia assumes inflation at the level of 18 to 23%, implying a drop in GDP of 8 to 10%. At the same time, inflation is projected to hit 5 to 7% by the end of 2023, and by 2024, it is expected to reach 4%, the target set by the Central Bank of Russia;
- a sharp increase of the key interest rate by the Central Bank of Russia and its subsequent reduction;
- uncertainty regarding the development of the Russian national currency;
- a continuation of import substitution.

As of March 31, 2022, no impairment loss was charged.

Taking into account available measures, existing financial resources, and the Group's ability to generate positive cash flows from operating activities, the management considers that the Company has sufficient financial stability to continue its operational activity for at least the next twelve months from the reporting date, even if the economic environment were to deteriorate significantly. Accordingly, the management has concluded that there is no material uncertainty regarding the Group's ability to continue as a going concern.

EXCERPTS OF THE CONSOLIDATED INCOME STATEMENT AS OF MARCH 31, 2022

TEUR	Q1 2022	Q1 2021	Q1 2022 vs. Q1 2021
Revenue	62,380	45,223	37.9%
Operational expenses	(54,986)	(43,725)	25.8%
Gross profit	7,394	1,498	393.6%
Gross profit margin in %	11.9%	3.3%	
Administrative expenses	(5,809)	(4,621)	25.7%
Selling expenses	(618)	(263)	135.0%
Other operating income	556	297	87.2%
Other operating expenses	(394)	(246)	60.2%
Operating result (EBIT)	1,129	(3,335)	133.9%
EBIT margin in %	1.8%	(7.4%)	
Operating result from discontinued operations	(59)	(266)	(77.8%)
EBITDA	7,939	3,376	135.1%
EBITDA margin in %	12.7%	7.5%	

EXCERPTS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2022

TEUR	03/31/2022	12/31/2021
Assets		
Non-current assets, including	120,659	130,623
Property, plant and equipment	116,907	125,941
Current assets, including	255,568	273,024
Trade receivables	62,863	69,971
Total assets	376,227	403,647
Equity and liabilities		
Equity	182,048	206,002
Non-current liabilities, including	131,460	132,118
Non-current financial liabilities to affiliated parties	126,888	126,310
Current liabilities, including	62,719	65,527
Trade payables	37,582	35,581
Total equity and liabilities	376,227	403,647

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