



Petro Welt
Technologies

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2017



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Consolidated Balance Sheet as at 31 March 2017

in EUR thousand	Notes	03/31/2017	12/31/2016
Assets			
Non-current assets		169,811	170,124
Intangible assets	2	-	35
Property, plant and equipment	2	167,685	167,656
Other assets		566	540
Deferred tax assets	6	1,560	1,893
Current assets		268,795	250,651
Inventories	3	38,623	36,015
Trade receivables	4	92,016	83,707
Bank deposits		17,763	10,695
Other current assets	4	5,435	15,901
Tax assets	4	1,564	1,369
Cash and cash equivalents		113,394	102,964
Balance sheet total		438,606	420,775
Equity and liabilities			
Equity		253,985	233,333
Share capital	5	48,850	48,850
Capital reserve		111,987	111,987
Retained earnings		225,080	220,874
Remeasurement of defined benefit plans		215	215
Currency translation reserve		(132,147)	(148,593)
Non-current liabilities		108,445	109,297
Non-current financial liabilities to related parties	7, 12	100,000	100,000
Deferred tax liabilities	6	7,392	8,244
Employee benefits		1,053	1,053
Current liabilities		76,176	78,145
Current financial liabilities to related parties	8	9,589	8,709
Trade payables	8	39,537	37,764
Other liabilities	8	21,366	26,792
Advance payments received	8	30	93
Income tax payables	8	5,654	4,787
Balance sheet total		438,606	420,775

Condensed Consolidated Income Statement for the three months ended 31 March 2017

in EUR thousand	Notes	Q1 2017	Q1 2016
Sales revenues		79,786	61,052
Cost of sales	9	(70,418)	(51,952)
Gross profit		9,368	9,100
Administrative expenses		(5,074)	(3,792)
Other operating income		277	365
Other operating expenses		(257)	(228)
Operating result		4,314	5,445
Finance income		2,266	1,078
Finance costs		(999)	(1,211)
Financial result		1,267	(133)
Profit before income tax		5,581	5,312
Income tax expense	6	(1,288)	(997)
Profit after tax from continuing operations		4,293	4,315
Loss before tax from discontinued operation (net of income tax)		(87)	(43)
Profit		4,206	4,272
Basic earnings per share in EUR	10	0.09	0.09
Diluted earnings per share in EUR	10	0.09	0.09

Consolidated Statement of Comprehensive income for the three months ended 31 March 2017

in EUR thousand	Notes	Q1 2017	Q1 2016
Profit		4,206	4,272
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations:			
Currency translation differences	1	9,297	3,266
Net investments	1	7,903	7,061
Income tax effect related to net investments		(754)	(582)
Total other comprehensive income		16,446	9,745
Total comprehensive income		20,652	14,017

Consolidated Statement of Changes in Equity for the three months ended 31 March 2017

in EUR thousand	Share capital	Capital reserve	Retained earnings	Remeasurement of defined benefit plans	Currency translation reserve		Total equity
					Functional currency	Net investment	
As at 1 January 2016	48,850	111,987	195,375	153	(89,084)	(121,806)	145,475
Profit	-	-	4,272	-	-	-	4,272
Currency translation differences:							
Currency translation differences	-	-	-	-	3,266	-	3,266
Net investments, net of related tax	-	-	-	-	-	6,479	6,479
Total comprehensive income			4,272		3,266	6,479	14,017
As at 31 March 2016	48,850	111,987	199,647	153	(85,818)	(115,327)	159,492
Balance at 1 January 2017	48,850	111,987	220,874	215	(63,365)	(85,228)	233,333
Profit	-	-	4,206	-	-	-	4,206
Currency translation differences:							
Currency translation differences	-	-	-	-	9,297	-	9,297
Net investments, net of related tax	-	-	-	-	-	7,149	7,149
Total comprehensive income			4,206		9,297	7,149	20,652
Balance at 31 March 2017	48,850	111,987	225,080	215	(54,068)	(78,079)	253,985

Consolidated Cash Flow Statement for the three months ended 31 March 2017

in EUR thousand	Notes	Q1 2017	Q1 2016
Profit before tax		5,494	5,269
Depreciation and amortization	2	12,771	9,975
Gain on the disposal of fixed assets		(89)	(96)
Non-cash changes from profit tax / other positions		-	(60)
Foreign exchange loss		132	272
Net finance income		(1,398)	(139)
Income taxes paid		(1,574)	(1,261)
Change in Working Capital		(820)	5,322
Change in inventories		(674)	(969)
Change in trade and other receivables		8,243	7,557
Change in trade and other liabilities		(8,389)	(1,266)
Cash flows from operating activities		14,516	19,282
Purchase of property, plant and equipment		(2,937)	(2,293)
Proceeds from sale of equipment		90	153
Addition to the cash deposits		(8,483)	(15,774)
Withdrawal of cash deposits		1,383	15,222
Interest received		922	834
Cash flows used in investing activities		(9,025)	(1,858)
Cash proceeds from receiving of loans		-	-
Finance interest		-	-
Cash flows used in financing activities		-	-
Effect of exchange rate changes on cash and cash equivalents		4,939	1,975
Net change in cash and cash equivalents		10,430	19,399
Cash and cash equivalents at 01 January		102,964	28,465
Cash and cash equivalents at 31 March		113,394	47,864
Of which: cash flows from discontinued operation			
Cash flows from operating activities		-	(20)

Notes to the condensed consolidated interim financial statements

Accounting in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

The condensed consolidated interim financial statements, which comprise Petro Welt Technologies AG (the "Company") and its subsidiaries (together with the Company referred to as the "Group") as at and for the three months ended 31 March 2017 were prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union (EU) and as applicable for interim financial reporting.

In accordance with IAS 34 the condensed consolidated interim financial statements have been prepared on a condensed scope and, therefore, should be read in connection with the most recent consolidated financial statements prepared as at 31 December 2016.

Accounting policies

The accounting pronouncements required to be applied for the first time in financial year 2017 have no impact on the presentation of Group's assets, finances and earnings situation. A breakdown of these accounting pronouncements is provided in the notes to the consolidated financial statements for the year ended 31 December 2016.

The accounting principles and practices as applied in the Group condensed consolidated interim financial statements correspond to those pertaining to the annual consolidated financial statements for the year ended 31 December 2016.

The Group's condensed consolidated interim financial statements have been prepared in EUR. All figures are indicated in TEUR, except as stated otherwise. When indicating amounts in TEUR, rounding differences may arise.

The Group condensed consolidated interim financial statements are published in German and English language. The German version of the condensed consolidated interim financial statements prevails.

Scope of consolidation

The scope of consolidation is unchanged in comparison to the balance sheet date 31 December 2016.

1. Currency translation

In the interim financial statements of the consolidated companies, transactions in foreign currency are translated into the functional currency (which is usually the local currency of the country of domicile) at the respective rates valid during the performance months on the basis of the official exchange rates of the Russian and European Central banks. The interim financial statements of the Russian companies are translated into the presentation currency (EUR) using the official exchange rates of the Russian Federation.

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

Currency (1 EUR=)	Closing rate as at 03/31/2017	Closing rate as at 12/31/2016	Average rate Q1 2017	Average rate Q1 2016
Russian Ruble (RUB)	60.5950	63.8111	62.6474	82.3373
Kazakhstan tenge (KZT)	337.96	352.42	343.47	391.52
US-Dollar (USD)	1.0748	1.0520	1.0648	1.1033

The relevant exchange rates used for foreign currency translation in relation to the U.S. dollar are as follows:

Currency (1 USD=)	Closing rate as at 03/31/2017	Closing rate as at 12/31/2016	Average rate Q1 2017	Average rate Q1 2016
Russian Ruble (RUB)	56.3779	60.6569	58.8366	74.6283
Kazakhstan tenge (KZT)	314.79	333.29	322.53	355.15

2. Non-current assets

Changes in selected non-current assets between 1 January and 31 March are as follows:

in EUR thousand	Carrying amount 01/01/2017	Additions	Disposals	Currency translation	Depre- ciation and amor- tization	Carrying amount 03/31/2017
Intangible assets	35	-	-	(27)	(8)	-
Property, plant and equipment	167,656	4,076	-	8,716	(12,763)	167,685

in EUR thousand	Carrying amount 01/01/2016	Additions	Disposals	Currency translation	Depre- ciation and amor- tization	Carrying amount 03/31/2016
Intangible assets	97	-	-	(12)	(30)	55
Property, plant and equipment	154,469	1,396	(57)	5,818	(9,945)	151,681

As at 31 March 2017 Property, plant and equipment includes advances given for property, plant and

equipment in the amount of TEUR 3,889 (31 December 2016: TEUR 3,196).

3. Inventories

in EUR thousand	03/31/2017	12/31/2016
Spare parts and other materials	32,548	29,682
Raw material	3,858	4,188
Fuel and lubricants	2,217	2,145
	38,623	36,015

In the period 1 January to 31 March 2017, write-down of inventory decreased operating profit by TEUR 22

(in the period 1 January to 31 March 2016: TEUR 4 increase in operating profit).

4. Current receivables

in EUR thousand	03/31/2017	12/31/2016
Trade receivables	92,016	83,707
Other current assets	5,435	15,901
Tax assets	1,564	1,369
	99,015	100,977

In the period 1 January to 31 March 2017, write-down of trade receivables reduced operating profit by TEUR 47 (in the period 1 January to 31 March 2016: TEUR 81).

5. Equity

Share capital as at 31 March 2017 amounted to TEUR 48,850 (31 December 2016: TEUR 48,850).

6. Deferred tax

in EUR thousand	Q1 2017	Q1 2016
Current tax expenses	2,560	777
Deferred tax expense (income) relating to the origination and reversal of temporary differences	(1,376)	101
Withholding tax	-	48
Income taxes from previous years	104	71
Current and deferred tax expenses	1,288	997

Deferred taxes relate to the following items:

in EUR thousand	03/31/2017		12/31/2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax loss carryforwards	8,068		7,869	-
Deferred expenses/liabilities	1,875	(1,265)	431	(1,781)
Fixed assets/depreciation		(11,105)	-	(10,005)
Other	1,067	(4,472)	2,012	(4,877)
Netting	(9,450)	9,450	(8,419)	8,419
	1,560	(7,392)	1,893	(8,244)

7. Non-current liabilities

As at 31 March 2017 non-current liabilities include financial liabilities against Petro Welt Holding (Cyprus)

Ltd. amounted to TEUR 100,000 (31 December 2016: TEUR 100,000).

8. Current liabilities

in EUR thousand	03/31/2016	12/31/2016
Financial liabilities to related parties	9,589	8,709
Trade payables	39,537	37,746
Other liabilities	21,366	26,792
Advance payments received	30	93
Income tax payables	5,654	4,787
	76,176	78,145

The financial liabilities against related parties comprise interest expenses accrued on the loans (see notes 7 and 12).

9. Cost of sales

in EUR thousand	Q1 2017	Q1 2016
Raw materials	24,496	19,749
Direct costs	16,907	10,727
Depreciation	12,711	9,873
Wages and salaries	11,077	8,159
Social tax	4,075	2,620
Other costs	1,152	824
	70,418	51,952

10. Earnings per share

Earnings per share are calculated in accordance with

IAS 33 by dividing the net profit for the Group by the average number of shares. There is no dilutive effect.

in EUR thousand		Q1 2017	Q1 2016
Common stock	thousand	48,850	48,850
Profit	in EUR thousand	4,293	4,315
Earnings by share	EUR	0.09	0.09

The financial performance of the discontinued operation affects the earnings per share insignificantly.

11. Segment Reporting

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

- well services - services for hydraulic fracturing (operated by OOO KATKoneft);
- drilling, sidetracking, integrated project management (IPM) – services for conventional drilling, sidetrack drilling (operated by OOO KAToil-Drilling and OOO KATOBNEFT).

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

Transactions between the business segments are conducted on normal commercial terms and conditions. Reconciliation includes 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 three months ended 31 March 2017 and 31 March 2016 is presented below.

Reporting segments Q1 2017

in EUR thousand	Well Services	Drilling Sidetracking IPM	Total segments	Reconciliation	Group
External sales	38,807	40,979	79,786	-	79,786
Group sales	456	30	486	(486)	-
Total sales	39,263	41,009	80,272	(486)	79,786
Operating result	4,770	392	5,162	(848)	4,314
Interest income and expenses					1,398
Other financial result					(131)
Profit before tax					5,581
Income tax					(1,288)
Profit after tax					4,293

Reporting segments Q1 2016

in EUR thousand	Well Services	Drilling Sidetracking IPM	Total segments	Reconciliation	Group
External sales	35,079	25,968	61,047	5	61,052
Group sales	191	144	335	(335)	-
Total sales	35,270	26,112	61,382	(330)	61,052
Operating result	5,033	1,496	6,529	(1,084)	5,445
Interest income and expenses					139
Other financial result					(272)
Profit before tax					5,312
Income tax					(997)
Profit after tax					4,315

12. Related parties

As at 31 March 2017 the non-current financial liabilities against Petro Welt Holding (Cyprus) Ltd. amounted to TEUR 100,000 (31 December 2016: TEUR 100,000). In the period 1 January to 31 March 2017, the interest expenses resulting from these financial liabilities amounted to

TEUR 880 (in the period 1 January to 31 March 2016: TEUR 1,009). This corresponds to an average interest rate of 4.4% (in the period 1 January to 31 March 2016: 3.5 %).

The Group has conducted the following transactions with related parties:

in EUR thousand	Transaction value		Outstanding balance		Transaction description
	Q1 2017	Q1 2016	03/31/2017	12/31/2016	
Parent company:					
Fairtune East Ltd., Nicosia	-	2	-	-	Rental fee
Subsidiaries:					
C.A.T. GmbH Consulting Agency Trade (Cyprus) Ltd., Nicosia	230	247	206	177	Consulting
Fairtune East Ltd., Moscow	105	80	43	41	Rental fee

Remuneration of key management personnel was as follows:

in EUR thousand	Q1 2017	Q1 2016
Management Board remuneration	161	68

Second level management remuneration

in EUR thousand	Q1 2017	Q1 2016
Second level management salaries	291	224

Additional information on transactions and balances with related parties is disclosed in notes 7 and 8.

13. Financial Instruments

Carrying amounts of Financial Instruments were as follows:

Financial assets measured at amortised costs

in EUR thousand	03/31/2017	12/31/2016
Cash and cash equivalents	113,394	102,964
Bank deposits	17,763	10,695
Trade receivables	92,016	83,707
Receivables from related parties	362	362
Other receivables	1,819	2,046
	225,354	199,774

Financial liabilities measured at amortised costs

in EUR thousand	03/31/2017	12/31/2016
Long term debts	100,000	100,000
Short term debts	9,589	8,709
Trade payables	39,537	37,764
Other liabilities	2,997	3,142
	152.123	149.615

Group's financial instruments carrying amounts correspond to the fair value. There were no financial instruments measured at fair value as at the reporting date.

14. Litigations and claims

On 10 April 2015 the Company filed a statement of facts at the Central Public Prosecutor's Office for the Prosecution of Economic Crimes and Corruption in Vienna. The statement of facts refers to circumstances, which set out reasons substantiating reasonable suspicion of breach of trust that came to the attention of the new Management Board. With filing dated 9 September 2015 the Company extended its private claim to TEUR 27,500. Since the investigations are still at an early stage, further developments and outcome, including the actual loss of the Company in this regard, are not yet possible to determine reliably.

The criminal complaint relates to transactions in connection with a procurement system, which was established at the Group in recent years. In purchasing fixed assets for business operations of subsidiaries of the Company,

companies not belonging to the Group were used as intermediaries. Since the investigations are still at an early stage, further developments and outcome, including the actual loss of the Company in this regard, are not yet possible to determine reliably.

The Company filed against former members of Management Board claim amounting to TEUR 1,540 due to the unlawful and premature payment of compensation. The Company is currently assessing potential claims regarding the activities of its subsidiary Petro Welt GEODATA GmbH, which generated significant operational losses in the past. For that reason, the Company filed a criminal complaint to the Public Prosecutor's Office in Vienna on 17 November 2015 within the pending criminal proceedings. It is uncertain at this stage if at all and in which amount these losses are in connection with potential criminal activities. These questions will be subject to the investigations of the Public Prosecutor.

15. Events after the reporting date

No material events occurred after the balance sheet date.

Vienna, 22 May 2017, Board of Management

Yury Semenov

Chief Executive Officer, CEO

Valeriy Inyushin

Chief Financial Officer, CFO

Legal notice

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