PRESS RELEASE

H1 2018 results: Petro Welt Technologies AG maintains gross profit margin despite substantial decrease in revenue – cash flow from operating activities almost doubled

- Sales revenues in euros fell by 12.1% to EUR 154.4 million compared to the same period of the past year due to unexpected call-offs of previously contracted volumes
- Equity ratio remains stable at 55.9%
- Cash flow from operating activities almost doubled (97.8%) due to systematic optimization measures
- The company extended the due date of the EUR 100 million loan from Petro Welt Holding Ltd. from 31 December 2018 to 31 December 2022 and improved the debt service conditions

Vienna, 21 August 2018

Economic environment

With the Russian Ministry of Economy announcing that Russia's GDP rose by 1.7% in the first half of 2018, the expectations that the country would be on a path of economic growth in 2018 have been fulfilled so far. However, oil production in Russia declined by 0.4% between January and June 2018 compared to the same period of the previous year. Oil prices have remained relatively high. The price of Brent crude oil as at 1 January 2018 was USD 67.94 per barrel and had reached USD 76.37 per barrel at the end of June. The average nominal EUR/RUB exchange rate amounted 71.82 rubles per euro for the first six months of 2018 soared by 14.5% compared to the prior-year period.

Sales revenues

Unexpected call-offs of previously contracted volumes by a number of key customers in the Sidetracking segment in May and June 2018 caused sales revenues to drop. Accordingly, consolidated sales revenues in the first half of 2018 were reduced by 12.1% to EUR 154.4 million compared to the prior-year period (EUR 175.7 million).

The Well Services segment recorded a 1.5% increase in sales revenues to EUR 89.6 million in the first six months of 2018. The number of jobs declined by 8.7%, boosting the average revenue per job by 11.1% to EUR 36.7 thousand. Revenue per operation grew thanks to the continuing increase in the share of multistage frackings.

Sales revenues generated in the Drilling, Sidetracking, and IPM segment dropped by 31.4% to EUR 60.0 million in the first six months of 2018 due to the aforementioned reason. The average revenue per job in euros went down by 0.9%.

Proppant sales revenues were EUR 4.8 million in the first six months of 2018.

Earnings and cash flow

At EUR 13.9 million, profit before tax was 27.2% lower than in the prior-year period (EUR 19.1 million). Net profit of EUR 9.7 million decreased by 41.9% compared to the first six months of 2017 (EUR 16.7 million).

The EBITDA margin declined to 21.6% during the reporting period compared to 23.5% in the prior-year period. The gross profit margin remained almost unchanged (16.6% in the first six months of 2018 compared to 16.4% in the first six months of 2017) as the cost of sales dropped in line with the aforementioned decrease in sales revenues. Cash flow from operating activities doubled (plus 97.8% compared to the prior-year period) to EUR 27.5 million in the reporting period thanks to measures taken to improve working capital and savings reached due to optimization potentials of procurement process.

Balance sheet

As at 30 June 2018, total assets decreased by 5.2% to EUR 415.2 million compared to the end of 2017. This is due to reductions in both non-current (namely, property, plant and equipment) and current assets (namely, trade receivables as well as bank deposits). The equity ratio increased by 0.6% compared to 31 December 2017, reaching 55.9% as at the 30 June 2018 reporting date.

Outlook

Due to the cancellation of contracted volumes by key clients in May and June 2018, the company's management revised its revenue expectations for 2018 from between EUR 335 million and EUR 345 million to between EUR 310 million and EUR 315 million. The Group's EBITDA margin is expected to decline slightly to a level of between 21% and 22%. This forecast does not take into account any potential unexpected external economic developments, such as further sanctions or any further devaluation of the ruble.

The H1 2018 Report of Petro Welt Technologies AG is available for download on our website at www.pewete.com

Key figures		H1 2018	H1 2017	Change
Sales revenues	in EUR million	154.4	175.7	-12.1%
EBITDA	in EUR million	33.3	41.3	-19.4%
EBIT	in EUR million	12.1	16.7	-27.5%
EBITDA margin		21.6%	23.5%	-
EBIT margin		7.8%	9.5%	-
Group result	in EUR million	9.7	16.7	-41.9%
Earnings per share	in EUR	0.20	0.34	
Equity	in EUR million	232.3	242.0	-4.0%
Operating cash flow	in EUR million	27.5	13.9	97.8%
Employees (average)		3,222	3,392	-5.0%

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