

Corporate Governance Report

Corporate governance is of high importance to Petro Welt Technologies AG beyond its obligations to fulfil the requirements of the applicable legal regulations. It is the duty of the Company's Management Board, supervised by the Supervisory Board to manage the Company in accordance with applicable national and international standards.

In order to ensure a high degree of transparency and clarity for all persons participating in the capital markets, the Company's bodies decided in 2006 to apply the German Corporate Governance Code.

The basis for this report is the German Corporate Governance Code in the version of 5 May 2015 and 7 February 2017, since the entry of force of the version of 7 February 2017. The German Corporate Governance Code in the version of 5 May 2015 and 7 February 2017 can be downloaded at www.dcgk.de.

The executive bodies of Petro Welt Technologies AG

Upon submission of proof of shareholding (sec. 10a of Stock Corporation Act [AktG] and sec. 16 of the Articles of Association), 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. All information on the convening of the Annual General Meeting and all reports and information required for the resolutions to be voted upon are published pursuant to the applicable regulations of the law on stock companies and made available on the website of Petro Welt Technologies AG (www.pewete.com).

Functions of the Supervisory Board and the Management Board

Pursuant to the applicable legal provisions, the Company is managed on the basis of a dual board system characterized by a strict separation of management and supervisory bodies. It is not permissible to simultaneously be a member of both bodies.

Members of the Supervisory Board

Re-appointed on 16 June 2017:

- Maurice Gregoire Dijols, Chairman of the Supervisory Board, born 01 August 1951
- Remi Paul, Member of the Supervisory Board, born 16 February 1966
- Ralf Wojtek, Member of the Supervisory Board, born 29 May 1945

The current members of the Supervisory Board reappointed on 16 June 2017 were elected to the Supervisory Board until the end of the Annual General Meeting resolving on the discharge of their liability for the financial year 2021.

Other Supervisory Board functions in domestic or foreign companies are held by:

Ralf Wojtek

- GO! Holding AG, Berlin/Germany – member of the Supervisory Board

Remi Paul

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

In its current composition, the Supervisory Board fulfils all requirements for impartiality. The following Supervisory Board members are deemed independent:

- Remi Paul
- Ralf Wojtek

Mr. Maurice Gregoire Dijols is the sole owner of Joma Industrial Source Corp.; in total he controls 87.06% of the shares of Petro Welt Technologies AG indirectly through his company.

The Supervisory Board supervises and advises the Management Board during the course of the management of the Company. The Bylaws of the Company regulate the individual tasks and responsibilities and the convening, scheduling and chairing of the meetings of the Supervisory Board. The tasks of the Supervisory Board include the appointment and dismissal of members of the Management Board and the awarding of the salaries of the Management Board.

The Supervisory Board has formed an Audit Committee, which is responsible on behalf of the Supervisory Board for fulfilling the auditing duties assigned to it, insofar as this is legally permissible. The formation of this committee is obligatory under Austrian law.

Members of the Management Board

Current members of Management Board were re-appointed with effect as of on 24 February 2018.

- Yury Semenov, Chairman of the Management Board, born 01 October 1977, responsible for key company functions such as business strategy, business development, and business policy
- Valeriy Inyushin, Deputy Chairman of the Management Board, born 11 September 1972, responsible for central planning, corporate finance and accounting, internal control system, investor relations

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

All matters of fundamental or significant importance require the approval of all members of the Management Board. The Management Board follows all Company bylaws and guidelines issued by the Supervisory Board, regulating the tasks and responsibilities of the Board members, in particular procedures of the decision-making process, as well as provisions on the avoidance of conflicts of interest.

Petro Welt Technologies AG has taken out a D&O insurance policy for all members of the Supervisory Board and Management Board. The insurance policy has no deductibles in the event of claims.

Remuneration of Supervisory Board and Management Board

Petro Welt Technologies AG follows the recommendations of the German Corporate Governance Code, stating that the remuneration of the Supervisory Board and the Management Board should be disclosed individually for each member. The amounts of remuneration awarded are disclosed in the remuneration report, which is part of the notes to the consolidated financial statements.

The remuneration of Management Board members consists of fixed and variable elements. The base salary and benefits form the fixed remuneration and are based on prevalent market practice. The variable remuneration drives and rewards best-in-class performance by way of continuously setting ambitious and stretched targets. The variable remuneration consists of short-term and long-term elements, such as: contract portfolio expressed in revenue, benchmarks versus peers, profit.

Risk management

The responsible treatment of risk is one of the fundamental principles of good corporate governance. The Management Board of Petro Welt Technologies AG and the managerial employees within the entire PeWeTe Group have at their disposal comprehensive group and company-specific reporting and control systems for the monitoring, assessment and control of risks. These systems are being constantly developed and adapted to changing framework conditions. Furthermore, these systems are regularly checked for efficiency and functionality by the annual audit. The Management Board updates the Supervisory Board on a regular basis with information on all existing risks and their development.

The risk report as a part of the annual report of Petro Welt Technologies AG contains further details on risk management within the Group. The risk report also includes the obligatory report on the internal control and risk management systems for the accounting procedures.

Transparency

Petro Welt Technologies AG informs the participants in the capital markets, interested parties and the general public immediately, regularly and simultaneously of the current economic situation of the Group. The management report, half-year financial report and interim quarterly reports are all published within the time periods specified by the Frankfurt Stock Exchange. In addition, Petro Welt Technologies AG also informs interested parties of all events and new developments via press releases and, if necessary, ad hoc notifications. Information is made available in the German, Russian and English languages. The Company website www.pewete.com also offers in-depth information on the PeWeTe Group and Petro Welt Technologies AG share prices. Petro Welt Technologies AG regularly runs training on compliance for the PeWeTe Group.

Financial calendar

Our financial calendar offers a transparent overview of all scheduled dates of the important events and publications. The calendar is published and made available on the Petro Welt Technologies AG website.

Directors' Dealings

Current directors

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

- Yury Semenov – Chairman of Petro Welt Technologies AG
- Valery Inyushin – Deputy Chairman of Petro Welt Technologies AG
- Vladimir Kalinin – GM of LLC Petro Welt Technologies; LLC “Petro Welt Technologies” is a management company. The Company executes function of sole executive body for “KAToil-Drilling” LLC; for “KATOBNEFT” LLC; for “KATKoneft” LLC
- Olga Matsukevich – GM of Limited Liability Company “Trading House KAToil “
- Irina Belyaeva – GM Limited Liability Company “KAT.oil Leasing”
- Bernd Albrecht – GM Limited Liability Company “Wellprop”
- Androulla Papadopoulou and Eliana Giannakou Hadjisavva – Directors of PEWETE EVOLUTION Limited
- Eliana Giannakou Hadjisavva – GM of WELLPROP CYPRUS
- Stanislav Zagranichnyy – GM of “PeWeTe Kazakhstan” LLP

Supervisory Board of Petro Welt Technologies AG

- Maurice Gregoire Dijols – Chairman of the Supervisory Board
- Remi Paul – 0 shares
- Ralf Wojtek – 0 shares

Table 1: Shareholders

	Number of Shares	Share
Petro Welt Holding Limited	23,300,000	47.70%
Joma Industrial Source Corp.	19,228,711	39.36%
Free float	6,321,289	12.94%
Total	48,850,000	100%

Diversity Management

Petro Welt Technologies AG is committed to the equal treatment of all people – regardless of gender, age, disability, religion, culture, skin 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, 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 2017, no cases of discrimination were reported to management.

The strategic objective is to achieve a better diversity mix amongst employees. We aim to increase 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 specialist and prospective students.

Petro Welt Technologies AG continually monitors gender, age, employee background, seniority, relevant knowledge and experience as well as salary equality to ensure fair treatment and equal opportunities at all career stages.

Diversity strategy for the Supervisory Board and for 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. Petro Welt Technologies AG does not need to have a mandatory quota for women as per the Austrian Equal Treatment Act (GFMA-G). The law prescribes a minimum share of women of 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 at 31 December 2017, the percentage of women in management positions was 15% at the Group level, four women hold General Management positions within the group as disclosed in the Director's dealings above. The percentage of women among employees throughout the Group was 10%. The members of the Supervisory Board are between 52 and 72 years old, with an average age of 63 years, whereas the members of the Management Board are between 40 and 45 years old.

Both the Management Board and the Supervisory Board, respectively, were recently re-appointed and re-elected. The current members of the Management Board were re-appointed effective as at 24 February 2018, and the current members of the Supervisory Board were re-elected in June 2017. Upon completion of the current Supervisory Board members' term of office and approval of their actions by the Annual General Meeting, all relevant aspects of diversity will be considered with respect to the composition of the next Supervisory Board as well as, subsequently, that of the Management Board.

Declaration of compliance

Petro Welt Technologies AG is committed to the recognized principles of corporate governance. As a foreign issuer on the Frankfurt Stock Exchange with headquarters in Austria, Petro Welt Technologies AG 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 (AktG) is an essential part of the German Corporate Governance Code.

Petro Welt Technologies AG (hereinafter the "Company") is a company organized under Austrian law and subject to laws, rules and regulations in Austria. As such, the Company's compliance with the recommendations of the German Corporate Governance Code ("Code") is dependent on the Code's compatibility with the Austrian laws, rules and regulations, which the Company is subjected to. The Management Board and the Supervisory Board of the Company 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) published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette in the versions of 5 May 2015 and 7 February 2017 have been and are being met, save for the recommendations listed below. For the period as of 20 May 2017, the following Declaration refers to the recommendations of the Code as amended on 7 February 2017, which was published in the Federal Gazette on 24 April 2017 and 19 May 2017 (corrected version).

1. Recommendation 3.8

The Company does not follow the Code's recommendation on the introduction of a deductible in a reasonable amount in its D&O-insurance policy, as the Company does not expect any positive impact on the Management Board's and the Supervisory Board's performance of their duty of care and loyalty by introducing such deductible. In addition, the Company notes that deductibles in D&O-insurance policies are not widely used outside Germany and might hinder the recruiting of key personnel by the Company.

The corresponding German laws are not applicable in Austria and thus the Company does not abide by this recommendation.

2. Recommendations 4.2.3, 4.2.4 and 7.1.3

Currently the Company does not follow the Code's recommendation to include a compensation cap in the employment contracts of Management Board members in case they prematurely terminate their Management Board function without good reason.

The corresponding German laws are not applicable in Austria and thus the Company does not abide by this recommendation.

The monetary compensation elements granted to the Company's Management Board members do not include stock options or comparable instruments nor the participation in any corporate pension schemes. Therefore, recommendations as to stock options or comparable

instruments (e.g. demanding or relevant comparison parameters, no retroactive changing of performance targets or comparison parameters, agreement on a cap for extraordinary, unforeseen developments) were not implemented. Consequently, the Company's Compensation Report does not contain details about the value of stock option plans or similar long-term incentive and high-risk components of remuneration and details about payments into pension schemes. In addition the Company's Corporate Governance Report does not disclose any stock option programmes and similar security based incentive systems. In the event that stock option plans or programmes for the Management Board should be implemented, the strict standards of the Corporate Governance Code shall be applied.

3. Recommendation 5.3.1 and 5.3.3

Due to the limited number of members, the Supervisory Board and the Company are in the opinion, that – beside the mandatory Audit Committee – the constitution of further committees would not be appropriate and would not increase the efficiency of the Supervisory Board's work. For the same reason a Nomination Committee was not founded.

Recommendation 5.3.2, last paragraph

The Company does not comply to the recommendation due to the limited number of members of the Supervisory Board. Therefore the Chairman of the Supervisory Board also chairs the audit committee.

4. Recommendations 4.1.5, 5.1.2 section 1 and 5.4.1

The German Corporate Governance Code contains recommendations in respect of diversity and age limits for board members as well as executive employees.

Nomination proposals of the Supervisory Board to the relevant nomination boards, as well as nominations for the Management Board shall consider these objectives. The Company's Corporate Governance Report shall reflect the aforementioned objectives, especially regarding a women's quota and the state of their realization.

The Company does follow the recommendation to draw up, consider and publish specific objectives pursuant to the applicable Austrian law. The constitution of the Supervisory Board ensures effective consulting and monitoring of the Management Board corresponding to the Company's interests. In order to ensure the dutiful performance of the tasks required by law, the Supervisory Board will also in future nomination proposals primarily focus on the knowledge, skills and experience of the nominees. In addition, the Supervisory Board will take into account in an appropriate manner the Company's international operations, potential conflicts of interest, age and diversity.

5. Recommendation 7.1.2

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

Vienna, 20 April 2018

Management Board

Supervisory Board