

Petro Welt Technologies AG

FN 69011 m

**Resolutions proposed by the Management Board and the
Supervisory Board
for the 17th Annual General Meeting on 29 June 2022**



Agenda item 8:

Sale of the participations in Russia.

The Management Board and the Supervisory Board propose to the shareholders to postpone to another shareholders' meeting the resolution on the approval of the sale of the Company's participations in Russia.

Rationale

The Company currently considers selling its Russian business segment. The Management Board and the Supervisory Board believe that due to current EU and U.S. sanctions against Russia on the one hand and Russian counter-sanctions against the EU and the U.S.A. on the other hand the sale of the Russian subsidiaries is the only option available enabling the Company's Russian subsidiaries to continue their business activities.

1. Current situation

Petro Welt Technologies AG (the "Company") is primarily engaged in oil drilling, fracturing, side-tracking and related oil services for major Russian and Kazakhstan oil producing companies. During the last several years the Company started investigating the Romanian and Oman markets for similar services and entered into similar agreements and holds equipment for the provision of similar services in these countries.

In order to manage its Russian operations, the Company requires Russian managers having knowledge of the local market. Such people are usually Russian citizens or residents and are subject to Russian legislation.

The Company and its subsidiaries in Russia have close ties with the EU and the U.S.A.:

- Depending on the type of services, from 40% to 80% of the equipment used for oil services performed by the Company and its subsidiaries in Russia is imported from the EU and the U.S.A.
- 35% of all spare parts and consumables are imported from the EU.
- The Company's equipment requires regular technical servicing with the involvement of EU technical specialists.

In Russia, 70% of the Company's services are carried out on basis of contracts with Russian energy companies which are either directly or indirectly controlled by the Russian Federation or named in the EU sanctions lists.

EU Sanctions

Pursuant to Council Regulation (EU) No. 833/2014 (as amended, "**General Sanctions Regulation**"), and Council Regulation (EU) No. 269/2014 (as amended, the "Personal Sanctions Regulation") the EU introduced certain restrictions in respect of operations and transactions directly affecting the Company, its top managers and its Russian subsidiaries and their operations:

- ***A significant part of the clients of the Company's Russian subsidiaries are sanctioned persons. Thus, the Company and its Russian subsidiaries cannot continue rendering services to most of their clients.***

It is generally prohibited to directly or indirectly engage in any transaction with publicly controlled or publicly owned Russian entities listed in Annex XIX of the General Sanctions Regulation. The same prohibition applies to transactions with any legal person established outside the EU that is, directly or indirectly, owned for more than 50% by a listed entity and to any legal entity acting on behalf or at the direction of a listed publicly controlled or publicly owned Russian entity or of a non-EU legal person which is owned for more than 50% by a listed entity.

- ***Financing the Russian energy sector is prohibited. The Russian subsidiaries of the Company and their clients are companies "operating in the energy sector". Thus, the Company cannot grant loan or credits (or other similar financing or investments) to its Russian subsidiaries.***

EU Member States are prohibited from participating in providing financing, including loans or credit (also by equity capital) to, or creating new joint ventures with any entity or body incorporated or constituted under the laws of Russia, or any other third country and operating in the energy sector in Russia. EU Member States are also prohibited from providing investment services related to these activities. However, the competent authorities of the EU Member States may authorize specific investment activities under certain conditions.

The European Commission qualifies the Russian subsidiaries of the Company and their customers as companies "operating in the energy sector" in the meaning of the General Sanctions Regulation. Thus, the above-mentioned prohibitions apply with respect to financing activities regarding the Company's Russian subsidiaries.

It is uncertain whether Austria will approve any financing of the Company's Russian subsidiaries on an individual basis. From today's point of view the Company cannot grant new loans or credits (or other similar financing or investments) to its Russian subsidiaries.

- ***Providers of software and hardware like Microsoft, Siemens, VMWare, Cisco, TeamViewer, Hewlett Packard, Lenovo and others used by the Russian subsidiaries of the Company ceased supporting their software and refuse to extend licenses in the territory of Russia.***

This creates an additional significant risk for the operations of the Company's subsidiaries in Russia.

- ***The Company's investment program in respect of the purchase of new equipment for the operations of its Russian subsidiaries, its technical servicing, etc. cannot be performed any longer, which puts the operations performed by the Company's Russian subsidiaries at risk. Besides, normal operations of the Russian subsidiaries of the Company using their existing equipment become virtually impossible in the absence of technical support from the Company or EU contractors.***

Wide export related prohibitions are in place. It is prohibited to sell, supply, transfer or export, directly or indirectly, listed goods or technology, including certain types of oilfield equipment, whether or not originating in the European Union, to any individual or legal entity in Russia or for use in Russia. Furthermore, the financing or financial assistance and technical assistance related to such goods and technology to any individual or legal entity in Russia or for use in Russia is prohibited.

Furthermore, the same export related prohibitions apply in respect of certain listed goods and technology suited for use in oil refining (e.g. chemicals used for oil refining) and such listed goods and technology that could contribute to the enhancement of Russian industrial capacities (e.g. numerous industrial goods, such as propane as produced by Wellprop, one of the Company's Russian subsidiaries).

- ***As a result of the asset freeze sanctions on Russian banks the Company will need to reconsider any financing arrangements or even maintenance of bank accounts of Russian subsidiaries in long-term used Russian banks to prevent the violation of EU sanctions by the Company (e.g. through approval of financing transactions of Russian subsidiaries with blocked banks or through remittance of funds on bank accounts of Russian subsidiaries in blocked banks).***

The Company may be unable to provide or may risk violating broad representations and warranties in its financing agreements with foreign banks, if the PeWeTe Group maintains relations with blocked Russian banks.

Asset freezes and prohibitions from making funds and economic resources available to sanctions listed individuals and entities were imposed by the EU. Asset freeze sanctions were imposed on significant Russian banks, including VTB. The same sanctions may yet be extended to Sberbank due to the imposition of asset freeze sanctions on Mr. Herman Gref (President and Chairman of the Management Board of Sberbank).

Financing agreements of the Company with foreign banks may contain strict representations and warranties that trigger violations in case the PeWeTe Group interacts with entities that are subject to EU asset freeze sanctions. Even if not relevant for current financing arrangements, going forward, foreign banks may request such representations and warranties in new financing agreements given the increased sanctions pressure on Russia.

- ***The EU sanctions regime, including potential liability for its violation and potential criminal liability, applies to the Company, its management and other persons having the right to direct the Company's decisions in respect of matters affected by EU sanctions.***

The EU sanctions apply in the territory of the EU, to any legal person or entity in respect of any business done within the EU, and worldwide to any national of an EU Member State and to any legal entity which is incorporated or constituted under the laws of an EU Member State.

In addition to the general and direct applicability of the EU sanctions a legal transaction in breach of EU sanction measures is punishable under the Austrian Sanctions Act (*Sanktionengesetz 2010*) with administrative fines of up to EUR 50,000 or, in case the transaction relates to assets worth more than EUR 100,000, with criminal penalty (imprisonment of up to one year). Generally, both Austrian administrative penalty and criminal laws are applicable to all offences committed within Austria. In that regard, an offence will be deemed committed in Austria if (i) the offender has acted or should have acted in Austria or (ii) a result corresponding to the offence has occurred in whole or in part or should have occurred according to the offender's conception in Austria.

U.S. sanctions

Pursuant to Executive Orders 14024, 14066, 14071, Directive 2 to Executive Order 13662 and Directive 3 to Executive Order 14024 ("**Executive Orders**") and in the U.S. Export Administration Regulations ("**EAR**") the U.S. introduced certain restrictions in respect of operations and transactions directly affecting the Company, its top managers and its Russian subsidiaries and their operations:

- ***Due to the prohibitions on USD denominated transactions the Company will be unable to provide USD financing to its Russian subsidiaries operating in the energy sector in Russia or any other sector of the Russian economy. The Company will be significantly limited in its ability to receive payments in USD from and to make payments in USD to non-sanctioned Russian counterparties.***

Any non-U.S. person can be held liable for "causing" a U.S. person, including a U.S. financial institution processing US\$ payments, to violate the Executive Orders.

It is prohibited that such non-US person undertakes a new investment in the energy sector of Russia in USD cleared through or transferred with the involvement of a US correspondent bank. This includes in particular the commitment or contribution of funds or other assets for, or a loan or other extension of credit to, e.g. the exploration, extraction, drilling and mining of petroleum or other products capable of producing energy, such as coal or wood or agricultural products used to manufacture biofuels, in Russia.

Furthermore, any USD denominated transactions involving Russian banks under the U.S. blocking sanctions, which includes such major banks as Sberbank, VTB and Alfa-Bank, may violate U.S. sanctions. Apart from violation risks such transactions will be practically impossible, as U.S. correspondent banks will block any USD transfers.

Violations of these prohibitions may be subject to both criminal and administrative penalties. Criminal penalties can include up to 20 years of imprisonment and up to USD 1 million in fines per violation, or both. Administrative penalties can reach up to USD 330,947 per violation or twice the value of the transaction, whichever is greater.

- ***The Company and its Russian subsidiaries may need to cancel financing products from Russian banks that are subject to blocking sanctions (such as Sberbank) and may need to reconsider other dealings with them.***

The U.S. may block all property and interests in property, which is in the U.S. or within the possession of any U.S. person, of a non-U.S. person which "materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support

of" certain activities or certain sanctioned persons and such property and interests in property may not be transferred, paid, exported, withdrawn or otherwise dealt in.

Significant Russian banks, such as Sberbank, VTB and Alfa-Bank have been designated for the blocking sanctions list under Executive Order 14024.

Financing and other transactions with Russian banks that are subject to the U.S. blocking sanctions may, depending on their scope, volume and conditions, trigger sanctions risks for non-U.S. participants that are not blocked.

Financing agreements of the Company with foreign banks may contain strict representations and warranties that trigger violations in case the PeWeTe Group interacts with entities that are subject to U.S. blocking sanctions. Albeit not relevant for current financing arrangements, going forward foreign banks may request such representations and warranties in new financing agreements, given the increased sanctions pressure on Russia.

- ***The Company's investment program in respect of the purchase of new U.S. origin equipment for operations of its Russian subsidiaries cannot be performed any longer, which puts the Russian companies' operations at risk.***

The Russia Export Controls Rule under the EAR requires a license for export, re-export or transfer to or within Russia of all "items subject to the EAR" that are listed on the Commerce Control List ("CCL")) and sets forth a policy of denial for the required licenses.

The requirements and restrictions of the EAR apply to "items subject to the EAR", which includes (i) all items in the U.S.A., (ii) all U.S.-origin items, wherever located, (iii) foreign-made software that is commingled with controlled U.S.-origin software, and foreign-made technology that is commingled with controlled U.S.-origin technology, and (iv) certain "foreign direct products" (where a non-U.S. item is the "direct product" of U.S.-controlled software or technology or plants that use certain U.S. software or technology).

The CCL list includes oil exploration equipment and other items that may be relevant for oil extraction projects.

Violations of the EAR may be subject to both criminal and administrative penalties. Criminal penalties can include up to 20 years of imprisonment and up to USD 1 million in fines per violation, or both. Administrative penalties can reach up to USD 328,121 per violation or twice the value of the transaction, whichever is greater. Violating the regulations can also result in a temporary denial order with respect to the violator or inclusion of the violator on the Entities List which in both cases leads to the prohibition for any third party to carry out export operations subject to EAR with such person temporarily (e.g., for 180 days) or until delisting from the Entity List (the scope of EAR restrictions may vary).

Russian counter-sanctions

Russia introduced certain stringent counter-sanctions in respect of operations and transactions directly affecting the Company, its top managers, its Russian subsidiaries and their top managers:

- According to the Russian government Order No. 430-p of March 5, 2022 **Austria was included in the list of hostile states**. Legal entities registered as a hostile state such as the Company are subject to various restrictions and prohibitions set forth in Russian legislation.

- ***Receiving dividends from Russian subsidiaries is substantially complicated and is subject to permission by the Russian state authorities.***

According to the Russian President Decree No. 254 "On Temporary Procedure for Performance of Financial Undertakings in the Field of Corporate Relations Owed to Certain Foreign Creditors" any dividends payable by the Russian subsidiaries to the Company are subject to a special regime set forth in the Presidential Decree No. 95 "On Temporary Procedure for Performance of Undertakings Owed to Certain Foreign Creditors", i.e. payment of dividends is only possible in rubles and if the amount of such dividends exceeds RUB 10 million (equivalent to approx. EUR 150,000), such dividends are paid to a special type "C" account opened for the foreign shareholder from the hostile state (such as the Company) in a Russian banking institution. The funds from such "C" type account can only be withdrawn by such shareholder according to a special permission issued by the Ministry of Finance of Russia.

- ***The cash of the Company is currently factually frozen in Russia. It is impossible to continue normal commercial operations between the Company and its Russian subsidiaries.***

Presidential Decrees No. 79, 81 and 95 of February to March of 2022 introduced various prohibitions in respect of foreign (non-Russian) currency transfers by legal entities from hostile states (such as by the Company) to their accounts abroad. For example,

- (i) loans granted by Russian companies to companies from hostile states (such as the Company) are prohibited;
- (ii) direct repayment of loans by Russian companies to lenders from hostile states (such as the Company) in any amount in excess of RUB 10 million (equivalent to approx. EUR 150,000) payable in any given month to its creditors is generally prohibited; and
- (iii) legal entities from hostile states (such as the Company) generally cannot transfer any amounts from their bank accounts in Russia to their own bank accounts in other states (or in Russia).

Any exception from these prohibitions requires a special permit from the Russian Ministry of Finance. It cannot be assessed at the moment whether such special permits will be granted to the Company and its Russian subsidiaries.

- ***Russia is considering criminal sanctions for executives of companies that take actions to implement foreign sanctions. If the draft bill becomes law, it is likely that any decisions or actions taken by company executives based on sanctions against Russia may result in criminal liability and potentially in prosecution.***

The State Duma of the Russian Parliament is currently considering draft Bill No. 102053-8 on Amendments to Article 201 of the Russian Criminal Code imposing criminal liability for compliance with sanctions imposed against Russia. The Bill supplements part two of Article 201 of the Russian Criminal Code ("Abuse of Authority") by criminalizing the "performance of management functions in a commercial or other entity contrary to the lawful interests of such an entity and for the purposes of either own or other persons' profit and benefit or inflicting harm to other persons provided that such act entailed significant harm to the rights and lawful interests of citizens, entities, society or state committed with the aim of compliance with

restrictive measures imposed against Russia by a foreign state, union of foreign states or international organization, or provided that such act entailed grave consequences”.

Economic deadlock of the PeWeTe Group

The operations of the Company and its Russian subsidiaries are facing an economic deadlock under the current EU and U.S. sanctions on the one hand and the counter-sanctions imposed by Russia on the other hand.

The Management Board of the Company came to the conclusion that the continued operations of the Company and those of its Russian subsidiaries cannot be ensured in the current situation. After careful consideration of the political situation and its economic impact on the PeWeTe Group the Management Board decided that it is in the best interest of the Company and its Russian subsidiaries, its shareholders, their employees and their creditors to sell the Company's Russian subsidiaries to a group of Russian investors.

The negotiations and preparations of the sale of the Company's Russian subsidiaries require further time and are not yet in a stage that can be submitted to the shareholders for approval. It is not possible at this point of time to supply the shareholders with all necessary details of the transactions. Therefore, the Supervisory Board and the Management Board propose to postpone the shareholder resolution to a later point of time.

Vienna, 8 June 2022

The Management Board and the Supervisory Board