

**STANDALONE REPORT
ON PAYMENTS TO GOVERNMENTS
FOR THE YEAR 2017**

INFORMATION ABOUT THIS REPORT

Introduction 3

Basis of preparation 3

Payment types 4

Payments overview 5

Payments by project, government and type of payment 5

Introduction

Chapter 8 of the Annex 1 of Ministry of Finance Order 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards (hereinafter the “**Regulation**”), transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council, requires that large undertakings and public interest entities that are active in the extractive industry or logging of primary forests prepare and publish a report on payments to governments on an annual basis.

OMV Petrom S.A. (hereinafter “**OMV Petrom**”, “**Company**”) is, on one side, operating in the extractive industry and, on the other side, admitted for trading on Bucharest Stock Exchange (with shares) and London Stock Exchange (with global depositary receipts). Therefore, in accordance with the above mentioned Regulation, OMV Petrom has prepared the following report (hereinafter the “**Report**”) on payments to governments. The Report covers the extractive activities in Romania (Upstream business segment) of OMV Petrom S.A..

The ‘Basis of Preparation’ section provides information to the reader about the contents of the Report. This section also includes information on the type of payment for which disclosure is required and on the manner in which OMV Petrom has interpreted the Regulation for the purpose of the preparation of the Report.

From a socio-economic perspective, our Company has a larger contribution at national level than the reportable payments under the Regulation. OMV Petrom makes payments to governments also in connection with other segments of activity, not only Upstream, i.e. Downstream Oil, Downstream Gas, Corporate & Other. Besides government payments, OMV Petrom contributes to the national economy by providing jobs for employees and contractors, purchasing goods and materials from local suppliers and undertaking social investment activities.

Basis of preparation

Reporting entities

Under the requirements of the Regulation, OMV Petrom is required to prepare a report covering payments made to Governments for its extractive activities (Upstream business segment).

Activities within the scope of the Report

Payments made by OMV Petrom to governments in connection with any of the following activities: exploration, prospection, discovery, development and extraction of minerals, oils and natural gas deposits or other materials (“extractive activities”) are presented in this report.

Government

A ‘**government**’ is defined as any national, regional or local authority of a country and includes a department, agency or entity undertaking that is controlled by the government authority.

Project

According to the Regulation, the payments are reported:

- a) on government and governmental body basis;
- b) by type of payment;
- c) on ‘project’ basis, where possible.

For the purpose of this report ‘**project**’ is defined as the operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities to the government. Where these agreements as per the aforementioned definition are substantially interconnected, they are treated for the purpose of this Report as a single project.

‘Substantially interconnected’ is defined as a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement or other overarching legal agreement.

There may be instances- for example, corporate income taxes- where it is not possible to attribute the payment to a single project and therefore OMV Petrom discloses these payments at the country level in the current Report.

Cash and Payments in Kind

In accordance with the Regulation, amounts have to be reported on a cash basis, meaning that they are reported in the period in which they are paid, regardless of the period in which they are accounted for on an accruals basis.

Refunds are also reported in the period in which they are received and will either be offset against payments made in the period or be shown as negative amounts in the Report.

Payments in kind made to a government are converted to an equivalent cash value based on the most appropriate and relevant valuation method for each payment type. This can be at cost or market value and an explanation is provided in the Report to help explain the valuation method. If applicable, the related volumes would be also included in the Report.

Materiality

Payments made as a single payment or a series of related payments that fall below EUR 100,000 (RON 443,400) within a financial year are excluded from this Report.

Reporting currency

Reporting currency is Romanian Leu (RON). Payments made in currencies other than RON are translated for the purposes of this Report at the average exchange rate of the reporting period.

Payment types

Production Entitlements

Under production sharing agreements (PSA's) the host government is entitled to a share of the oil and gas produced and these entitlements are often paid in kind. OMV Petrom has not made such payments in the year.

Taxes

Taxes levied on income, production or profits of companies are reported. Refunds will be netted against payments and shown accordingly. Consumption taxes, personal income taxes, social security contributions, sales taxes are not reported under the Regulation. Also, other taxes such as property and environmental taxes are not reported.

Royalties

Royalties are payments for the rights to extract oil and gas resources, typically at set percentage of production value.

Dividends

In accordance with the Regulation, dividends are reported when paid to a government in lieu of production entitlements or royalties. Dividends that are paid to a government as an ordinary shareholder are not reported, as long as the dividends are paid in the same terms and conditions as to other shareholders.

For the year ended 31 December 2017, OMV Petrom had no such reportable dividend payments to a government.

Bonuses

Bonuses include signature, discovery and production bonuses in each case to the extent paid in relation to the relevant activities. OMV Petrom has not made any payments in the category in the year.

Fees

These include licence fees, rental fees, entry fees and other considerations for licences and/or concessions, respectively for access to the area where extractive activities will be performed.

The Report excludes fees paid to a government for administrative services that are not specifically related to extractive activities or access to extractive resources. In addition, payments made in return for services provided by a government are also excluded.

Infrastructure Improvements

The Report should include payments made by OMV Petrom for infrastructure improvements such as a building of a road or bridge that serve the community, irrespective if OMV Petrom pays the amounts to non-government entities.

These are reported either when the cash contribution was paid to the government or when the relevant assets are handed over to the government or made available for use by the local community. Payments that have a social investment nature, donations or sponsorships are excluded from the Report.

Payments overview

The overview table below shows the relevant payments to governments that were made by OMV Petrom in the year that ended December 31, 2017.

Of the seven payment types that are required by the Regulation to be reported upon, OMV Petrom did not pay any dividends, production entitlements, bonuses or infrastructure improvements that met the Regulation definition and therefore these categories are not shown.

<i>(in thousands of RON)</i>	Taxes (on income, production or profit)	Royalties	Fees (license, rental, entry and other)	Total of Payments
Romania	667,601	565,782	61,324	1,294,706

Payments by project, government and type of payment

<i>(in thousands of RON)</i>	Taxes (on income, production or profit)	Royalties	Fees (license, rental, entry and other)	Total of Payments
Romania				
Payments per project				
Onshore production zones	-	430,380	61,186	491,566
Onshore joint ventures	-	3,198	29	3,226
Offshore Black Sea	-	132,204	109	132,313
Payments not attributable to projects	667,601	-	-	667,601
Total	667,601	565,782	61,324	1,294,706
Payments per Government				
State Budget	667,601	565,782	-	1,233,383
National Company of Forests	-	-	43,407	43,407
Local City Councils	-	-	14,409	14,409
National Agency for Mineral Resources	-	-	3,062	3,062
Conpet SA	-	-	446	446
Total	667,601	565,782	61,324	1,294,706



Mariana Gheorghe
Chief Executive Officer



Stefan Waldner
Chief Financial Officer



Peter Zeilinger
Executive Board Member,
Upstream



Lăcrămioara Diaconu-Piñtea
Executive Board Member,
Downstream Gas



Neil Morgan
Executive Board Member,
Downstream Oil

