

Consolidated Report on the Payments Made to Governments

Section 267b of the Austrian Commercial Code

Section 267b of the Austrian Commercial Code (UGB) requires that large undertakings and public interest entities that are active in the extractive industry or logging of primary forests prepare the following consolidated report on payments to governments. This section implements Chapter 10 of EU Accounting Directive (2013/34/EU). The “Basis of preparation” paragraph provides information to the reader about the contents of the report. This also includes information on the type of payment for which disclosure is required and how OMV has implemented the regulations in the preparation of the report.

Basis of preparation

Reporting entities

Under the requirements of the regulation, OMV Aktiengesellschaft is required to prepare a consolidated report covering payments made to governments for each financial year in relation to extractive activities by itself and any subsidiary undertakings included in the consolidated Group financial statements.

Activities within the scope of the report

Payments made by the OMV Group (hereafter OMV) to governments that arose from exploration, prospecting, discovery, development and extraction of minerals, oils and natural gas deposits or other materials within 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 and includes national oil companies.

In cases where a state-owned entity engages in activities outside of its designated home jurisdiction, then it is not deemed to be a reportable governmental body for these purposes and thus payments made to such an entity in these circumstances are not reportable.

Project definition

The regulation also requires payments to be reported on a “project” basis as well as on a government and governmental body basis. A project is defined as the operational activities that are governed by a single contract, license, 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, these agreements are treated for the purpose of these regulations as a single project.

“Substantially interconnected” is defined as a set of operationally and geographically integrated contracts, licenses, 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 agreement, 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 these payments are shown at the country level.

Cash and payments in kind

In accordance with the regulation, payments have to be reported on a cash basis. This means that they are reported in the period in which they are paid and not in 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. Where applicable, the related volumes are also included in the report.

Payment reporting methodology

The regulations require that payments are to be reported where they are made to governments by OMV. It is required that the report reflect the substance of each transaction and activity. Based on these requirements, OMV has considered its reporting obligation as:

- ▶ Where OMV makes a payment directly to the government, these payments will be reported in full, irrespective of whether this is made in the sole capacity of OMV or in OMV’s capacity as the operator of a joint operation

- ▶ In cases where OMV is a member of a joint operation for which the operator is a state-owned entity (i.e. a government), payments made to that state-owned entity will be disclosed where it is possible to identify the reportable payment from other cost recovery items
- ▶ For host government production entitlements, the terms of the agreement have to be considered; for the purpose of reporting in this report, OMV will disclose host government entitlements in their entirety where it is the operator; where OMV is not the operator, only OMV's proportional contribution to the host government's production entitlement will be disclosed as a footnote to the relevant country

Materiality

Payments made as a single payment or a series of related payments that are below EUR 100,000 within a financial year are excluded from this report.

Reporting currency

Payments made in currencies other than euros are translated for the purposes of this report at the average rate of the reporting period.

Payment types disclosed

Production entitlements

Under production sharing agreements (PSAs), the host government is entitled to a share of the oil and gas produced, and these entitlements are often paid in kind. The report will show both the value and volume of the government's production entitlement for the relevant period in barrels of oil equivalent (boe).

The government share of any production entitlement will also include any entitlements arising from an interest held by a state-owned entity as an investor in projects within its sovereign jurisdiction. Production entitlements arising from activities or interests outside of a state-owned entity's sovereign jurisdiction are excluded.

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, sales taxes, property taxes and environmental taxes are not reported under the regulations. Although there is a tax group in place, the reported corporate income

taxes for Austria relate entirely to the extractive activities in Austria of OMV's subsidiaries, with no amounts being reported relating to OMV's non extractive activities in Austria.

Royalties

Royalties relating to the extraction of oil, gas and minerals paid to a government are to be disclosed. Where royalties are paid in kind, the value and volume are reported.

Dividends

In accordance with the regulations, 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 on the same terms as that of other shareholders.

For the year that ended December 31, 2016, OMV 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.

Fees

These include license fees, rental fees, entry fees and all other payments that are paid in consideration for access to the area where extractive activities are performed.

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

Infrastructure improvements

The report includes payments made by OMV for infrastructural improvements, such as the building of a road or bridge that serves the community, irrespective of whether OMV pays the amounts to non-government entities. These are reported in the period during which the infrastructure is made available for use by the local community.

Payments overview

The overview table below shows the relevant payments to governments that were made by OMV in the year that ended December 31, 2016.

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

Payments overview

In EUR 1,000

	Taxes	Royalties	Fees	Total
Country				
Austria	37,811	55,264		93,075
Kazakhstan	8,318		743	9,061
Norway	(60,253)		9,665	(50,588)
New Zealand	22,719	32,354		55,073
Pakistan	10,146	5,485	1,068	16,699
Romania	97,603	129,081	12,675	239,359
Tunisia	7,415	5,926	112	13,453
United Kingdom	(10,592)		2,186	(8,406)
Total	113,167	228,110	26,449	367,726

No payments have been reported for Libya for the year 2016 as OMV was not the operator. OMV's proportional contribution to the host governments production entitlement for 2016 would have been EUR 111.5 mn for 2.57 mn bbl of crude oil valued using the average monthly price per boe.

Payments by country

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
Austria				
Governments				
Federal Ministry of Science, Research and Economy		55,264		55,264
Federal Ministry of Finance	37,811			37,811
Total	37,811	55,264		93,075
Projects				
Lower Austria	37,811	55,264		93,075
Total	37,811	55,264		93,075

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
Kazakhstan				
Governments				
State Revenue Committee	8,318			8,318
Akimat of Mangistau Region			146 ¹	146
Training centers universities			597 ²	597
Total	8,318		743	9,061
Projects				
Tasbulat	4,447		609	5,056
Komsomolskoe	3,871		134	4,005
Total	8,318		743	9,061

¹ Financing of various projects under the joint control of the Akimat of Mangistau Region and OMV within the concession agreement and spent as per the agreed projects

² Financing of various expenses with regard to university training centers as agreed within the concession agreement

Norway

Governments				
Oljedirektoratet			9,665	9,665
Skatteetaten	(60,253)			(60,253)
Total	(60,253)		9,665	(50,588)
Projects				
Norway exploration projects			9,665	9,665
Payments not attributable to projects	(60,253) ³			(60,253)
Total	(60,253)		9,665	(50,588)

³ Refund is the result of tax losses due to exploration activities

New Zealand

Governments				
Crown Minerals		32,354		32,354
Inland Revenue	22,566			22,566
Ministry of Business and Innovation	153			153
Total	22,719	32,354		55,073
Projects				
Maari	5	6,378		6,383
Maui		162		162
Pohokura		25,814		25,814
New Zealand exploration projects	148			148
Payments not attributable to projects	22,566			22,566
Total	22,719	32,354		55,073

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
Pakistan				
Governments				
Federal Board of Revenue Government of Pakistan	10,146			10,146
Director General of Petroleum Concessions		5,485	751	6,236
Local Government, District Khairpur			125	125
Local Government, District Sukker			192	192
Total	10,146	5,485	1,068	16,699
Projects				
Mehar		121	276	397
Miano		1,296	360	1,656
Sawan		4,068	182	4,250
Pakistan exploration projects			250	250
Payments not attributable to projects	10,146			10,146
Total	10,146	5,485	1,068	16,699
Romania				
Governments				
State budget	97,603	129,081		226,684
Local councils			3,163	3,163
National Agency for Mineral Resources (ANRM)			716	716
National Company of Forests			8,696	8,696
CONPET SA			100	100
Total	97,603	129,081	12,675	239,359
Projects				
Onshore production zones		98,340	12,651	110,991
Offshore Black Sea		30,741	24	30,765
Payments not attributable to projects	97,603			97,603
Total	97,603	129,081	12,675	239,359
Tunisia				
Governments				
Receveur des Finances	6,169		112	6,281
Receveur des Douanes	1,246			1,246
Entreprise Tunisienne d'Activites Petrolieres		4,817 ⁴		4,817
Tresorerie Generale de Tunisie		1,109		1,109
Total	7,415	5,926	112	13,453
Projects				
Ashtart	434			434
TPS	2,091			2,091
South Tunisia	4,890	5,926 ⁴	112	10,928
Total	7,415	5,926	112	13,453

⁴ Includes payments in kind for 122,000 bbl of crude oil valued using the average monthly price per boe.

In Tunisia where, OMV is not the operator; its proportional contribution to the host government's royalties for 2016 would have been EUR 10.4 mn for 281,000 bbl of crude oil valued using the average monthly price per boe.

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
United Kingdom				
Governments				
Department of Energy and Climate Change			2,186	2,186
HM Revenue and Customs	(10,592) ⁵			(10,592)
Total	(10,592)		2,186	(8,406)
Projects				
United Kingdom exploration and development projects	(10,592)		2,186	(8,406)
Total	(10,592)		2,186	(8,406)

⁵ Refund is the result from the carry-back of tax losses, resulting in a refund of taxes paid in prior years

Vienna, March 22, 2017

The Executive Board



Rainer Seele



Reinhard Florey



Johann Pleininger



Manfred Leitner