

# MOL GROUP REPORT ON PAYMENTS TO GOVERNMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

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## 1. Introduction

MOL Group is operating in a highly scrutinized industry, where transparency is a primary expectation of our main stakeholders. In general, our company has responded to such requests in many different forms to gain the trust of stakeholders:

- We are using the most reputed non-financial reporting standard published by GRI<sup>1</sup> since 2002, we report on aggregated amount of payments to governments as part of our sustainability disclosure
- We became a signatory of the UN Global Compact in 2006
- We published our first integrated financial and non-financial report in 2009
- We have been selected as a component of the Dow Jones Sustainability World Index in 2010-2011 and 2016-2018
- We became an EIT<sup>2</sup> supporting company in 2013

The present report on payments to governments is one element in our journey towards better transparency, and it is published in compliance with Chapter 10 of DIRECTIVE 2013/34/EU (29 June 2013) and Chapter VI/A of Act C of 2000 on Accounting ("Hungarian Accounting Act") on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. The Directive requires extractive sector companies listed on a stock exchange to publicly disclose payments made to the governments of those countries where they carry out extractive operations (involving the exploration, prospection, discovery, development and extraction of minerals, oil and natural gas deposits or other materials).

## 2. Reporting principles

MOL GROUP's consolidated Report on payments to governments (the Report) is presented below pursuant to DIRECTIVE 2013/34/EU and Chapter VI/A of Act C of 2000 on Accounting ("Hungarian Accounting Act"). It includes Payments made by the MOL GROUP's Extractive Companies as defined below, for the benefit of each government in the countries in which these companies carry out their activities. The Report also provides details on the total amount of such payments by type, specific project and government paid. In light of these requirements MOL Group has assessed its reporting obligations to be as follows:

- Where MOL Group has made a payment to a government, such payment is reported in full, whether made in MOL Group's sole capacity or in MOL Group's capacity as the operator of a joint-arrangement in accordance with the regulations of International Financial Reporting Standards.
- When a national oil company is the operator of a project to whom MOL Group makes a reportable payment which is distinguishable in the cash-calls, it is included in this Report.

<sup>1</sup> GRI = Global Reporting Initiative

<sup>2</sup> Extractive Industries Transparency Initiative

- Payments made by an incorporated joint arrangement where MOL Group is not the operator are not included within this Report.
- For some payments it may not be possible to attribute a payment to a single project and therefore such payments may be reported at the country level. Corporate income taxes, which are typically not levied at a project level, are an example of this.
- According to DIRECTIVE 2013/34/EU, any payment to governments not exceeding 30 million Hungarian forints within a fiscal year shall not be taken into account when preparing the report. MOL Group presents all payments to governments without concerning this materiality limit.

### In-kind payments

Production entitlement and Royalties paid in kind owed to Governments pursuant to legal or contractual provisions (not booked in the Extractive Companies' accounts pursuant to the accounting standards) are reported in proportion to the interest held in the Project. Payments in kind are estimated at fair value which corresponds to the contractual price of oil and gas, market price (if available) or an appropriate benchmark price. These prices may be calculated on an averaged basis over a given period.

## 3. Definitions

### Payment

A single payment or multiple interconnected payments, whether in cash or in kind, for extractives activities.

#### The payment types included in this Report

**Production entitlement:** host Government's share of production in the reporting period derived from projects operated by MOL Group. This payment is generally paid in kind. The value of these payments is calculated based on the market price at the time of the in-kind payment.

**Taxes:** taxes and levies paid on income, production or profits, excluding taxes levied on consumption such as value added tax, personal income taxes, sales taxes and property and environmental taxes.

**Royalties:** payments for the rights to extract oil and gas resources, typically at set percentage of revenue less any deductions that may be taken

**Dividends:** dividends, other than dividends paid to a government as an ordinary shareholder unless they are paid in lieu of a production entitlement or royalty.

**Bonuses:** bonuses paid for and in consideration of signature, discovery, production, awards, grants and transfers of extraction rights; bonuses related to achievement or failure to achieve certain production levels or targets, and the discovery of additional mineral reserves or deposits.

**License and other fees:** license fees, rental fees, entry fees and other considerations for licenses and/or concessions that are paid for access to the area where the extractive activities will be conducted. Administrative government fees that are not specifically related to the extractive sector, or to access to extractive resources, are excluded. Also excluded are payments made in return for services provided by a government.

**Infrastructure improvements:** payments for local infrastructure development, including the improvement of infrastructure, except where the infrastructure is exclusively used for operational purposes. Payments which are of a social investment in nature, for example building of a school or hospital, are excluded.

### Government

Any national, regional or local authority of a country or territory, or any department, agency or undertaking (i.e. corporation) controlled by that authority.

### Project

Operational activities governed by a single contract, license, lease, concession or similar legal agreement that form the basis for payment liabilities with a Government. If multiple such agreements are substantially interconnected (meaning that the agreements are governed by a single overarching agreement, that the agreements have more or less identical terms, and that the agreements are geographically and operationally interconnected), they are considered as a single Project.

### Reporting currency

All amounts presented in the Report are stated in million Hungarian forint. Payments made to Governments in foreign currencies (currencies other than the Hungarian forint) were translated into the equivalent forint amount using an average of the relevant exchange rates during the reporting period.

#### 4. Summary report

In the summary report all amounts are stated in million HUF.

##### Summary by countries

Payments by countries	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Hungary	0	2,888	29,912	0	1,383	337	0	34,520
Croatia	0	0	18,743	0	28	1,174	0	19,945
Russia	0	681	15,919	0	0	0	0	16,600
Norway	0	0	0	0	0	752	0	752
UK	0	0	0	0	0	4	0	4
Pakistan	0	5,297	3,157	0	0	56	0	8,510
Oman	0	0	0	0	0	68	0	68
Egypt	532	0	0	0	348	0	0	880
Angola	0	467	0	0	0	0	0	467
<b>TOTAL</b>	<b>532</b>	<b>9,333</b>	<b>67,731</b>	<b>0</b>	<b>1,759</b>	<b>2,391</b>	<b>0</b>	<b>81,746</b>

**Hungary**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Ministry of National Development	0	0	0	0	1,251	9	0	1,260
Mining and Geology Authority	0	0	29,912	0	128	0	0	30,040
Local Governments	0	2,888	0	0	0	1	0	2,889
Hungarian State Railways	0	0	0	0	0	72	0	72
Government Office	0	0	0	0	4	191	0	195
Disaster Management Directorate	0	0	0	0	0	24	0	24
National Tax Authority	0	0	0	0	0	2	0	2
Organisation for National Land Fund	0	0	0	0	0	21	0	21
National Pension Insurance Directorate	0	0	0	0	0	8	0	8
Ministry of Human Capacities	0	0	0	0	0	1	0	1
Ministry of Finance	0	0	0	0	0	8	0	8
<b>TOTAL</b>	<b>0</b>	<b>2,888</b>	<b>29,912</b>	<b>0</b>	<b>1,383</b>	<b>337</b>	<b>0</b>	<b>34,520</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Hungarian Concession	0	186	1,864	0	1,383	0	0	3,433
Hungarian Exploration	0	0	0	0	0	243	0	243
Hungarian Production	0	2,702	28,048	0	0	94	0	30,844
<b>TOTAL</b>	<b>0</b>	<b>2,888</b>	<b>29,912</b>	<b>0</b>	<b>1,383</b>	<b>337</b>	<b>0</b>	<b>34,520</b>

**Croatia**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Local municipalities	0	0	14,069	0	0	748	0	14,817
Croatian Ministry of finance	0	0	4,674	0	0	382	0	5,056
Hydrocarbon Agency	0	0	0	0	28	44	0	72
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>18,743</b>	<b>0</b>	<b>28</b>	<b>1,174</b>	<b>0</b>	<b>19,945</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Croatia on shore	0	0	14,069	0	0	748	0	14,817
Croatia off shore	0	0	4,674	0	0	382	0	5,056
Drava PSA	0	0	0	0	28	44	0	72
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>18,743</b>	<b>0</b>	<b>28</b>	<b>1,174</b>	<b>0</b>	<b>19,945</b>

**Russia**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Federal Tax Authority	0	681	0	0	0	0	0	681
Central energy customs	0	0	15,919	0	0	0	0	15,919
<b>TOTAL</b>	<b>0</b>	<b>681</b>	<b>15,919</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,600</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Baitugan	0	681	15,919	0	0	0	0	16,600
<b>TOTAL</b>	<b>0</b>	<b>681</b>	<b>15,919</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,600</b>

**Norway**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Norwegian Petroleum Directorate	0	0	0	0	0	738	0	738
Petroleum Safety Authority Norway	0	0	0	0	0	11	0	11
Norwegian Environment Agency	0	0	0	0	0	3	0	3
County Governor Rogaland	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>752</b>	<b>0</b>	<b>752</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Whole operation	0	0	0	0	0	752	0	752
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>752</b>	<b>0</b>	<b>752</b>

**United Kingdom**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Oil and Gas Authority	0	0	0	0	0	4	0	4
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Hinson	0	0	0	0	0	4	0	4
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>

**Pakistan**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Directorate General of Petroleum Concession	0	0	3,157	0	0	56	0	3,213
Federal Board of Revenue	0	5,297	0	0	0	0	0	5,297
<b>TOTAL</b>	<b>0</b>	<b>5,297</b>	<b>3,157</b>	<b>0</b>	<b>0</b>	<b>56</b>	<b>0</b>	<b>8,510</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Tal	0	3	2,598	0	0	48	0	2,649
Karak	0	0	537	0	0	0	0	537
Ghuri	0	0	22	0	0	0	0	22
Margala	0	0	0	0	0	8	0	8
Whole Operation	0	5,294	0	0	0	0	0	5,294
<b>TOTAL</b>	<b>0</b>	<b>5,297</b>	<b>3,157</b>	<b>0</b>	<b>0</b>	<b>56</b>	<b>0</b>	<b>8,510</b>

**Oman**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Ministry of Oil and Gas	0	0	0	0	0	27	0	27
Ministry of Finance	0	0	0	0	0	41	0	41
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68</b>	<b>0</b>	<b>68</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Block 66	0	0	0	0	0	68	0	68
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68</b>	<b>0</b>	<b>68</b>

**Egypt**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Egyptian Government (EGPC)	532	0	0	0	348	0	0	880
<b>TOTAL</b>	<b>532</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>348</b>	<b>0</b>	<b>0</b>	<b>880</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
EGYPT operation - EAST YIDMA	532	0	0	0	0	0	0	532
EGYPT operations - RAS QUATARA	0	0	0	0	348	0	0	348
<b>TOTAL</b>	<b>532</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>348</b>	<b>0</b>	<b>0</b>	<b>880</b>

**Angola**

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Angolan Tax Authority	0	467	0	0	0	0	0	467
<b>TOTAL</b>	<b>0</b>	<b>467</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>467</b>

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Block 3/05	0	467	0	0	0	0	0	467
<b>TOTAL</b>	<b>0</b>	<b>467</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>467</b>



**Notes**

MOL Group also carries out extractive activities in Kurdistan Region of Iraq, Romania, and Kazakhstan, however no payments to the governments made in 2018 within the scope of this Report.

**5. Contact information**

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