

Delivering value by the barrel

Drilling down into PwC's Africa oil & gas capabilities



Delivering innovative solutions to outperform in the energy future of tomorrow



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Introduction: The Africa Energy Reality

Energy companies the world over have had to come to grips with the fact that they must reinvent themselves to succeed in the ever-changing world of supply, demand and cyclical commodity prices. The environment is quickly becoming more complex, more challenging and more competitive. Players must in turn become more agile. Africa is no exception; however, Africa, as a frontier hydrocarbon province, still has many challenges that need to be overcome in addition to the industry trends facing other markets. In addition, around 70% of households in sub-Saharan Africa still have no access to electricity. Now is the opportunity for energy companies to reinvent themselves to deliver this much-needed commodity within the context of the 'Africa Energy Reality'.

Making a difference

Despite struggles to reduce costs and carry on 'business as usual', energy companies in Africa have a chance to make a difference on the continent. The hydrocarbon commodity, whether oil or gas, still has the potential to develop economies and transform lives. The long-running producers Algeria, Angola, Egypt, Libya and Nigeria are joined by other steady producers like Ghana. While East African jurisdictions like Kenya, Mozambique and Tanzania work to ramp up their industry, additional reserves are still being discovered in brand new hydrocarbon territories like Mauritania and Senegal! All of this takes place against the backdrop of a dynamic and fluid geopolitical landscape meaning that companies need always be ready for a state of flux.

Skills and education continue to plague the African oil & gas industry as a key challenge to developing business. Globally, the oil & gas

workforce is ageing, and as many as 50% are expected to retire in the coming years. This makes way for the newly qualified African youth to enter the business, bringing new ways of thinking and innovation to the industry.

In addition, we are seeing a continued drive to contain costs and share risks. This translates to additional opportunity for foreign investment to flow into the continent. We continue to see investment coming from places like China, India and Russia, willing to take some risk to get in on part of the opportunity that is prevalent in the African energy business.

At the same time, some of the realities in Africa are being handled in new and innovative ways. We know that Africa lacks infrastructure, for example. Where there are no roads to transport equipment to remote work sites, why not create spare parts via 3D printing and then deliver them by utilising drones? Innovation will be key to the future of Africa. Think differently. Act differently. Get different results.

Challenges in developing an African oil & gas business

First and foremost, the biggest challenge is for oil-dependent countries to diversify their economies. Oil & gas will remain a commodity

game driven by peaks and troughs. If nations are to survive the ups and downs, they must expand into other industries.

Exploration and production has and always will be a high-stakes, high-rewards game, and oil & gas players will always be looking to minimise the risk and maximise value. For many, that means exploring proven hydrocarbon provinces with lower government take as a preference, but the fact of the matter is that those types of plays are few and far between. Various approaches are being taken to minimise risk, but the safest bet is to have a balanced portfolio. Just as governments should diversify their economies, oil & gas players must maintain diversified portfolios.

Persistent challenges experienced by industry players include poor physical infrastructure, local content requirements, skills shortages and regulatory uncertainty. There is a sense and evidence that some countries have taken steps to make the environment more attractive, but a question remains whether they can react fast enough for funds not to flow into safer havens that grant more predictable returns.

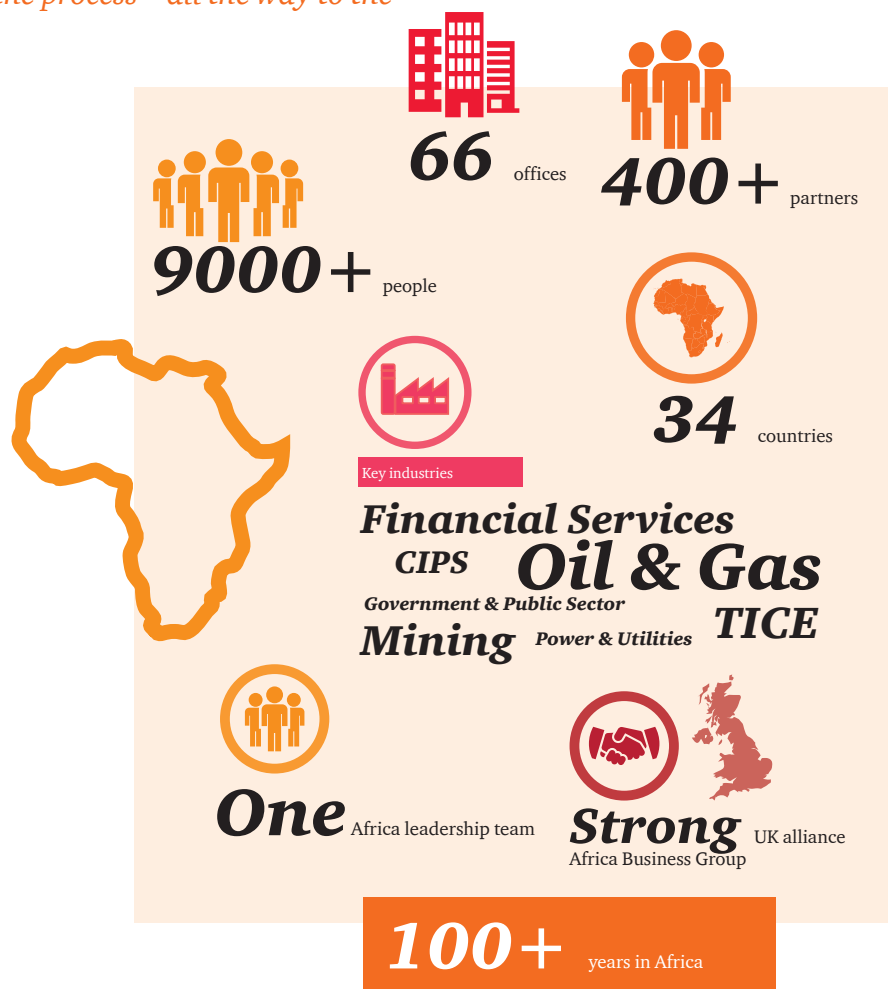


Our African Practice

For our clients, the greatest value is derived from the relationship that they build with a trusted advisor, no matter what the context. At PwC, we build long-lasting relationships with our clients from the start by ensuring that they are part of the process – all the way to the finish.

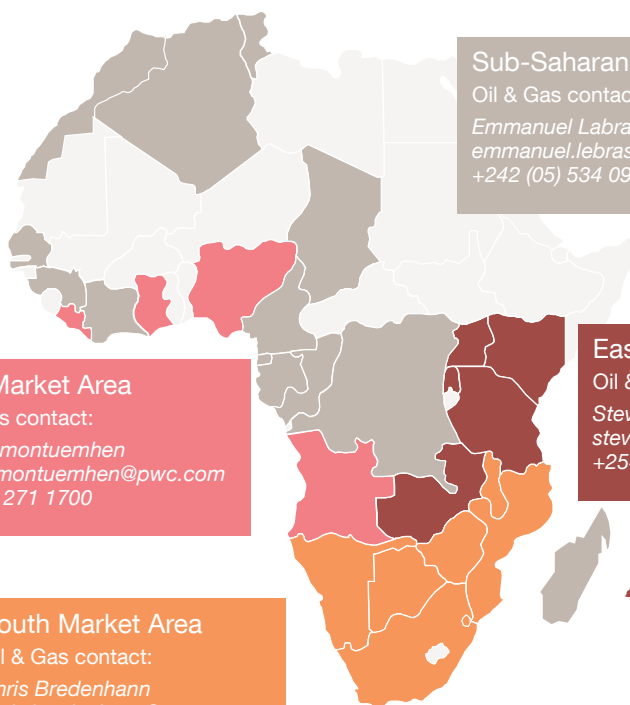
The PwC Africa network constitutes the largest professional services footprint on the continent. We have an integrated practice to ensure that the service delivery quality you experience and receive is unsurpassed – our people are with you, supporting you wherever you do business on the continent.

We have offices in 34 African countries with over 9,000 individuals supporting clients on the continent. This gives us the capability to deliver seamless and consistent service and quality across international borders.



Because we have people living and working in so many corners of Africa, we also maintain an in-depth knowledge and understanding of African operating environments across the continent. This allows us to put ourselves in our clients' shoes to offer them unique and customised services to meet their challenges with tailored solutions in Tax, Assurance and Advisory.

Since Africa is one of the 'final frontiers' for oil & gas exploration, we know that many organisations are looking to tap into this potentially lucrative market. As such, we have a dedicated Africa Desk as well as our Growth Markets Centre who can provide assistance to potential investors.



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Why PwC: Value and relationships

PwC is committed to delivering value through engagements that solve real problems facing oil & gas clients across the continent – including those wishing to enter the African market.

We realise that each market in Africa is unique in its own right. After all, doing business in Tanzania will be very different to doing business in South Africa. Not only does PwC employ individuals with intimate in-country knowledge, we also have industry know-how to help you address the complex realities and challenges of oil & gas on the continent.

That's why we have two Centres of Excellence for Energy on the continent – Cape Town and Lagos.

At a glance

PwC is at the forefront of industry change – on the ground with clients understanding industry dynamics as they unfold. We work with players throughout all aspects of the industry including International Oil Companies (IOCs), National Oil Companies (NOCs), Oilfield Service Companies, regulators, governments and more.

That's what makes our knowledge of the industry unique – we understand developments in Africa from a viewpoint on all sides. The way we work with you is described below:





Our core services

Our commitment to delivering high-quality services is at the heart of what we do. We provide comprehensive audit and assurance, consulting, deals and tax services designed to deliver real value. We invite you to explore the many ways that PwC professionals can help you.

There are a number of megatrends that are reshaping our world and creating new opportunities for our clients. Urbanisation, changing demographics, rapidly evolving technology, and other global trends are causing companies to rethink their strategy. We have translated these megatrends into eleven business imperatives which we can address for our clients, from strategy through execution. Using our breadth and depth of services, we can help you unleash greater value in your organisation, both today and in the future.



Our Tax services

PwC has the largest network of tax professionals in the world, with over 36,000 in our global practice. In Energy, we have over 1,300 dedicated oil & gas tax professionals who understand the nuances of tax regulations that impact the industry. Our tax professionals solve challenging issues, anticipate changes that can impact your tax situation and financial statements and keep you informed of tax issues relevant to your company's operations. We can deliver a variety of tax consulting solutions:

- Global tax services
- International tax structuring
- Global compliance services
- Transfer pricing
- Mergers and acquisitions
- Indirect taxes, including VAT, Customs and Excise
- Tax merger and acquisition services
- Tax controversy and dispute resolution
- Value chain transformation
- Tax function of the future
- Tax policy
- Human Resources services (including International Assignees Services)
- Tax management and accounting services (including corporate tax compliance, accounting, payroll and related services, as well as tax function effectiveness)

PwC has more than
1,300
oil & gas tax professionals
world wide



Case Study: West Market Area

International Oil Company

The company holds the licence for exploration and production activities in the Offshore Cape Three Points Block 4 in Ghana.

The company asked PwC to develop a bespoke tax computation model for their in-house use and management reporting purposes.

The PwC team tapped into this quality-driven culture to build from scratch a tax computation and reporting model tailored to the information requirements of the company Management. The model was based on the provisions of the Petroleum Income Tax Law, 1987 (PNDCL 188) as well as the Petroleum Agreement between the Client and the Government of Ghana, other relevant statutes, practice notes and private rulings.

Case Study: East Market Area

Africa Oil Corporation

Africa Oil Corp. is a Canadian oil & gas exploration company with interests in exploration licenses in Kenya, Ethiopia and Somalia.

For the company's Kenya operations, PwC provides tax compliance services and advisory services including preparation of tax computations and filing of tax returns. We have continually offered knowledge about the Kenyan tax environment and timely updates on the changes in tax legislation.

A large part of our engagement involved sharing insights on the new ring-fencing provisions and allocation of the tax losses to the individual blocks post the legislation and the allocation of losses in the event of a farm out. Our client communications approach ensured that we identified and resolved complex issues while recommending improvements, where necessary.





Case Study: South Market Area

Oil & Gas Exploration Specialist

Our client is an exploration specialist with upstream oil & gas assets in Africa. Our relationship allowed us to understand their business, goals and objectives and to provide timely tax consulting and compliance advice.

A large part of our work involved sharing knowledge and perspective on a variety of tax-related issues, providing tax compliance support and looking for pragmatic solutions. Our structured and efficient approach to communication meant that deadlines were adhered to and that important issues were brought to the attention of the Finance and Legal Teams on a timely basis. We also built a productive and friendly relationship with the staff, putting their needs first, looking at the situation from their perspective and sharing and collaborating with them at every opportunity.

Our Assurance services

We audit energy companies of all sizes throughout the value chain, including NOCs, IOCs, public and private oil companies. We realise that oil & gas companies need audit teams that understand their issues and business challenges when analysing their financial performance. That's why our professionals attend both internal and external industry events and training which provide them with deep knowledge of important issues impacting our clients. We can offer a number of assurance solutions including:

- Financial statement audits
- Regulatory compliance and reporting
- Sarbanes-Oxley compliance
- IFRS reporting
- Assistance on capital markets transactions
- Financial accounting
- Independent controls and systems process assurance
- Sustainability reporting
- Joint ventures audits
- Internal audit services
- Non-financial performance and reporting
- Risk assurance
- IT Risk assurance
- Third-party risk management
- Governance, risk and compliance

Case Study: West Market Area

Seplat Development and Production Company Plc

Seplat is an independent indigenous Nigerian upstream E&P company with a focus on Nigeria.

Seplat engaged PwC to provide internal audit services in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

PwC prepared an annual internal audit strategic plan based on the risk register developed by PwC in a previous engagement. An Internal Audit charter was also prepared and agreed with the Board. Our review covered: Treasury, Contracts and Procurement, IT, Materials Management / Warehousing, Finance & Accounts, Commercial, Tax & Budget, Human Resources, Administration and Legal.

PwC also provided recruitment support for key internal audit personnel, and then integrated them into the project.





Case Study: South Market Area

Sasol

Sasol is an international integrated chemicals and energy company operating in 33 countries. Sasol engaged PwC South Africa in 2013 to provide external audit services. This multi-location integrated audit engagement is challenging, and we manage the complexity by developing a detailed reporting project plan with management, building a professional relationship with the Sasol staff and follow a structured and efficient approach to communication with management and those charged with governance.

Our goal is to provide the highest level of service quality but also to assist the Sasol Audit Committee in performing its duty of monitoring the credibility of financial information being reported to stakeholders.

Our Advisory services

Our advisory services utilise our deep financial, analytical, industry and business process skills to provide oil & gas companies with advice and assistance to improve stakeholder value, build trust and boost performance. Across the continent, organisations engage us to help them seize opportunities, mitigate risk and deliver transformational change to their businesses.

Our consultants bring together a full range of functional and industry skills to help you in this environment. We take the time to listen and have the courage to debate differing points of view – based on independent and challenging insights, supported by facts and industry benchmarks.

Our solutions offerings are wide-ranging and include:

- Build effective organisations
- Innovate and grow profitably
- Enter new markets
- Reduce costs
- Streamline and improve operations
- Leverage talent
- Transform digitally
- Deliver and utilise insight
- Manage risks and regulation
- Have efficient and effective IT systems
- Execute better deals
- Restructure troubled businesses

Case Study: West Market Area

Nigerian Indigenous Independent

The client was a Nigerian oil & gas exploration and production company with a portfolio of assets across Africa spanning the full E&P value chain. They had undergone considerable growth, from an 'office-based' stakeholder to a 'field and office based' operator.

PwC undertook a Corporate Strategic and Operational Review meant to enable the company to: review its current state and develop a strategy for the future; develop a roadmap to manage the transition; and design processes and procedures to facilitate operational efficiency through established synergies and sustained value creation. This involved a diagnostic review or health check, strategy facilitation and overall organisational design for the business.



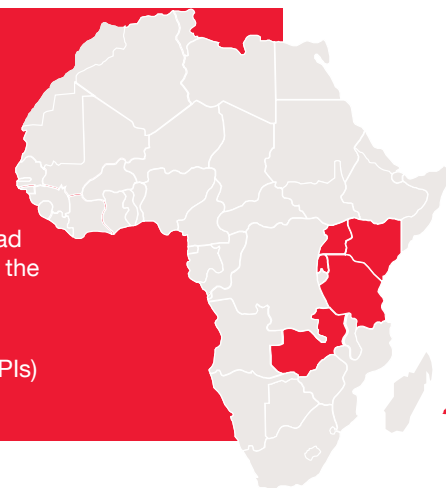
Case Study: East Market Area

Uganda National Oil Company

Our client was a newly-formed National Oil Company (NOC). PwC was previously engaged to assist the Ministry in the strategy to form the NOC.

In this instance, PwC was appointed to continue with the roll-out of the NOC after it had been formed. The engagement covered a review and refresh of the strategy as well as the development of a balanced scorecard with divisional KPIs.

PwC refined the strategy, mission and vision, developing a strategy map, strategic initiatives, corporate balanced scorecard and divisional key performance indicators (KPIs) for the business.

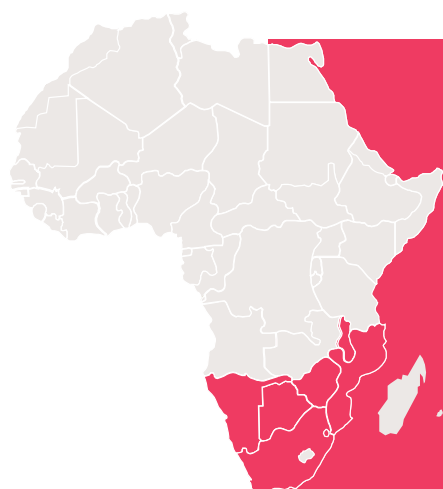


Case Study: South Market Area

African National Oil Company

Our client was a National Oil Company working primarily in the Downstream sector, focused on aggregating demand for automotive fuel and importing it into the country on behalf of industry.

PwC was contracted to devise a viable Strategic Business plan and options to implement the 50% import mandate for automotive fuels. The project covered the full value chain and included importation, storage, distribution and retail modelling. The analysis of the fuel price regime and its impact on the recommended solution was investigated and modelled in order to provide guidance to the client going forward.

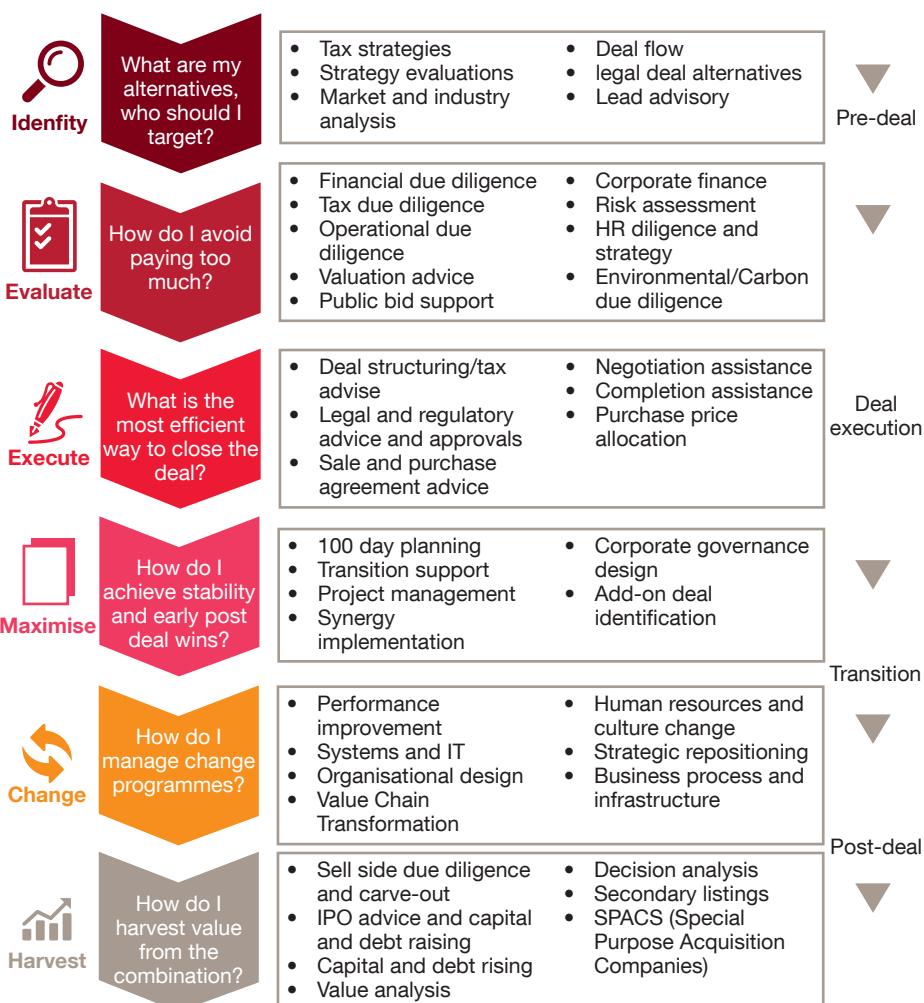


PwC capabilities

Deals

Mergers and acquisitions

Acquisitions or divestments are crucial to many oil & gas companies' strategy, driven by the need to secure supply, extend market footprint, or free up cash and capital. Whether it is a full-scale merger, or sale or purchase of producing properties, or evaluating options, PwC is well-known in the marketplace for our knowledge and experience in all types of financial transactions including mergers and acquisitions, valuation, growth or divestments, and exit strategies.



Our integrated M&A services are designed to minimise transaction risks and maximise returns on energy investments. We focus on the deal continuum from strategy through execution and post-deal integration, including financial and operational due diligence, accessing the capital markets and valuing, negotiating and structuring deals. We provide advice on the implications of financing projects, corporate debt, restructuring, divestitures, investments, mergers and joint ventures. We advise on ways to better manage assets and large capital investments amidst increased competition, or in times of uncertainty. Our advisors can evaluate technical, operational, market and financial risks.

Oil & gas companies continue to expand across the globe. Almost every company, regardless of size, industry or country of operation, is exposed to some degree of corruption risk. Particularly, when a company is moving into a new market, the risks can increase. In addition to working with companies on deals, we are a leader in providing anti-corruption solutions to our public and private sector clients around the globe. We

have professionals familiar with the domestic and international anti-corruption landscapes, customs, practices and languages in Africa.

Access to capital

For companies seeking to raise debt or equity in the capital markets, PwC can provide an independent view of the critical issues involved in accessing a particular capital market. Our advice is tailored for the oil & gas industry, the size and complexity of the business, and the scope of the transaction. For companies considering going public, or spinning off part of their business, we have the experience and expertise to position the entity to go public and then take an active part in making the event successful when it happens.

Restructuring troubled businesses

PwC is one of the world's largest providers of business recovery and insolvency services. Active in 144 countries, our global network of highly-skilled professionals can rapidly deploy cross-border services to stakeholders in troubled and seriously underperforming businesses. The firm's business recovery professionals are valued by clients for their ability

to quickly identify problems, gain cooperation, develop viable solutions, and implement them with sensitivity and precision. Our experienced oil & gas teams offer a full range of advisory and implementation services, from turnaround and restructuring plans to optimised exit strategies. Whether there is a single business segment that is underperforming, or a company-wide issue, our business recovery specialists can help.

Market Entry or Feasibility Studies

Are you considering entering a new market in Africa?

PwC can develop a market entry strategy with you. We believe that a structured approach to market entry is necessary to increase the quality of decision-making. This means we apply robust but efficient processes and develop a deep understanding of the client's business and the cultural landscape in new potential markets. A group or business unit strategy is developed in close collaboration with the executive management and the board.

PwC has access to a global network to get on-the-ground insights that



will be essential in developing a holistic view on opportunities and issues linked to identified potential markets. In addition, we have industry teams around the continent who can put an oil & gas perspective on the market insights. The strategic rationale for entry that serves to ensure strategic alignment by defining strategic ambition, identifying burning platforms, understanding your perspective on emerging market risk and your investment appetite is followed by a market prioritisation process. A high-level market overview and a market shortlist forms the basis of that. The entry strategy is consecutively developed defining optimal business models, short-listing options and building a business case that allows the company to start implementing their new market entry strategy.

People and Organisation (P&O)

We are living in a world of constant change. Organisations are experiencing these exponential changes in all aspects of their business, driven largely by technological and digital advancements, including in their people processes and functions. Getting the best from people at every level when there is constant and disruptive change is the key to sustainable competitive advantage. Solid strategies, processes and technology alone do not deliver results.

It takes people to accept, adopt, drive and sustain the change to realise tangible impact. We can help to build resilient leaders to lead through disruptive times, change behaviours of teams undergoing change, gain buy-in from individuals and team, manage transfers into and out of organisations and provide training at the right time to achieve desired outcomes.

We can help you through a variety of solutions:

Leadership development and coaching
Institutional development and capacity building
Organisational reviews and design, including restructuring
Skills assessments
Job profile development
Human resources due diligence
Change management (change readiness assessments, managing stakeholder expectations and engagement, communication and training on new ways of working)
Talent management and employee engagement
Engaging and motivating a diverse workforce
Performance management
People analytics (eg strategic workforce planning, predictive analytics through digital enablement)

Are you facing challenges around building a skilled workforce?

One of the highest priorities ensuring long-term strategic growth is attracting and retaining key talent, but this is not always reflected clearly in oil & gas companies' investment decisions. Attracting and retaining key skills is a strategic imperative, especially in competitive markets such as the oil & gas/energy sector.

There is the perception that talent is critical to long-term growth, but devoting resources to it is not a top priority for many companies in the sector.

Even so, many companies are shifting skilled technical jobs and senior and middle management positions to local citizens, perhaps partly in response to changing local content regulations.

The overall trend towards developing local skills is positive. Perhaps the greatest need exists in the area of geology for oil & gas companies, where developing the requisite skills and experience to interpret complex data remains a challenge.

Strategy

A company's right to win in any market depends not just on external market positioning and not just on internal capabilities, but on a coherent strategy that aligns these factors at every level.

Three interlocking elements make up a capabilities-driven strategy.

- **Way to Play:** How you choose to face the market and create value for your customers.
- **Capabilities System:** What causes you to choose your way to play, and what allows you to deliver on it? This system is made up of three to six distinctive capabilities, the key strengths that set your company apart from its rivals. Each capability is ensured through the right combination of processes, tools, knowledge, skills, and organisation, all focused on meeting the desired result.
- **Product and Service Fit:** Based on your chosen way to play and capabilities system, which elements in your portfolio will grow... and which should go?

Only a coherent company — one that pursues a clear strategic direction (way to play), builds a system of differentiating capabilities consistent

with that direction and sells products and services that thrive within that system — can reliably and sustainably outpace competitors.

For International and National Oil Companies, making investment choices has never been so challenging. In an industry facing increased volatility and intensifying skills shortages, oil & gas companies can no longer win across an ever-broadening spectrum of operating environments. Few companies have the technical, operational and commercial capabilities required for activities that can range from exploring onshore to ultra-deepwater, all the way through to development and/or production of both conventional and unconventional oil & gas resources.

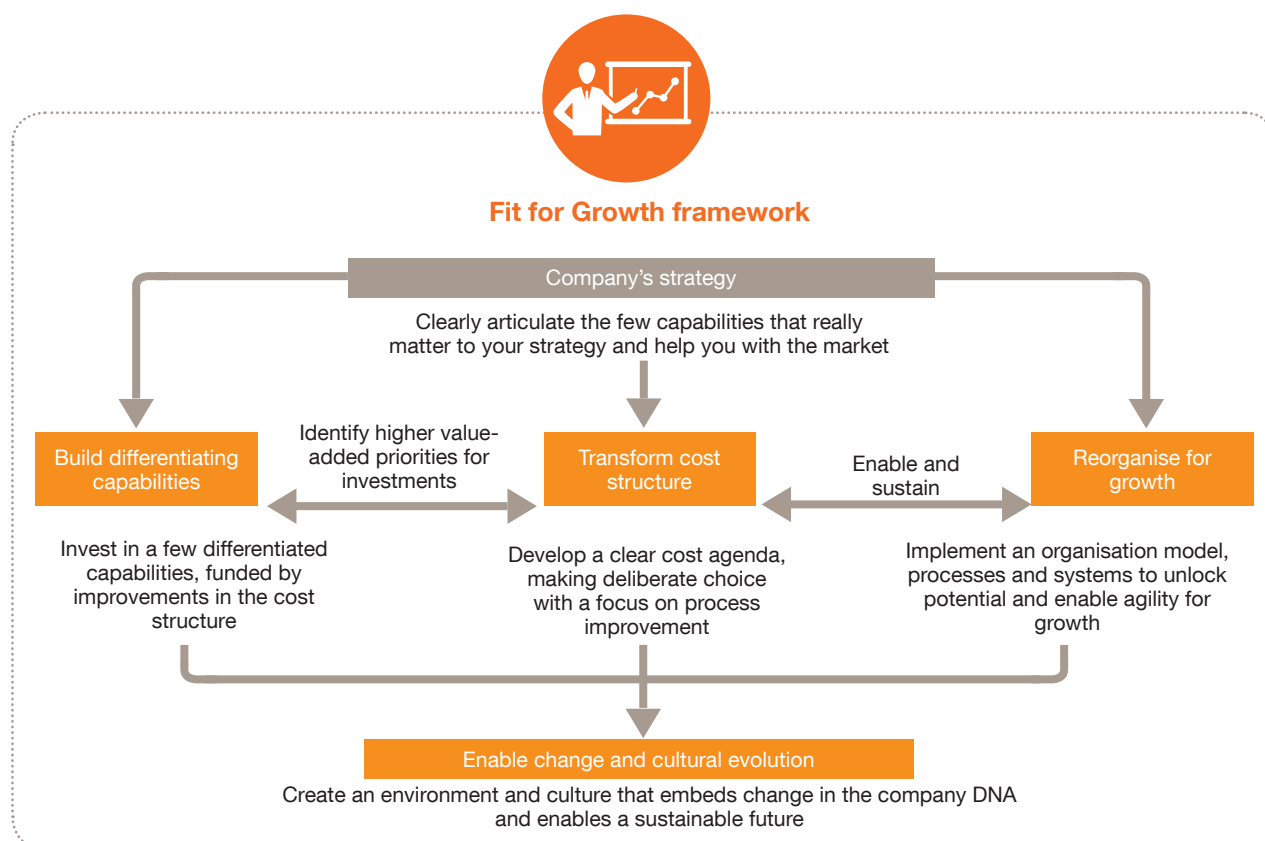
Therefore, oil & gas companies need to focus on a small number of differentiating capabilities — this is the combination of individual knowledge, skills and behaviours, processes, tools and systems — that allow them to outcompete their peers. Moreover, they need to reorient their portfolio and investment decisions around these differentiating capabilities.

Although the right combination of capabilities and assets will vary

from one company to another, there is a common thread. Critically, the strategy must be flexible enough to adapt to changes in the operating environment. In the past, oil & gas companies had the luxury of investing in attractive, long-term opportunities, and then focusing on execution. This was a linear and inflexible approach akin to how a railway determines where to “lay the rails” and then moves ahead with little scope for adjustment. Today, by contrast, success lies in flexibility, like sailing with the wind.

Fit for Growth*

Companies need a strategic approach to cost transformation in order to achieve lasting growth. Our Fit for Growth* programmes have helped the world's top companies gain a competitive advantage by refocusing their costs on the capabilities that are truly critical for their success and designing supportive organisations and cultures to make the improvements sustainable. By making deliberate, strategy-backed choices about costs and applying rigorous operational improvement, companies emerge from Fit for Growth* transformations leaner, stronger and more ready for growth.



Cyber security

Cyber security isn't just about technology. It also involves people, information, systems, processes, culture and physical surroundings. It aims to create a secure environment where businesses can remain resilient in the event of a cyber attack. Below are the six confidences that help to embed cyber security at the heart of your business – and the role PwC can play to help you achieve them.



Confidence in your people

People make critical security decisions every day.

Disappearing organisational boundaries mean that you can no longer rely on technology alone. You need to make sure your people understand security and act securely.

We can help you foster secure behaviours by shaping your culture and designing processes, systems and roles with humans vulnerability in mind.



Confidence in your technology

Technology underpins your business.

As your business changes so should your technology. While embracing the new, you will need to protect legacy technology and information against cyber threats.

We can help you understand the inherent risks of your technology and how to mitigate them.



Confidence in your priorities

Addressing cyber threats helps you prioritise what matters most.

Being prepared for changes in the digital era will help you get your priorities straight. A 'cyber savvy' governance and management structure means you can prioritise opportunities and know where you can afford to take risks.

We can help you to recognise your key tangible and intangible assets and align your security strategy to your priorities.



Confidence to take risks

Digital opportunities cannot be realised without managing the inherent risks.

Some risks are worth taking, but if you're struggling to manage the downside, you won't be able to take advantage of the upside.

We can help you consider your interactions within the digital world and assess where and how they impact your past, present and future.



Confidence during a crisis

Cyber attacks are now commonplace.

Resilience means being able to react quickly and effectively when compromised. Being aware of and prepared for threats will help you prevent incidents and react to them quickly enough to reduce their impact, and prevent them becoming a crisis.

We can help you protect what's important, detect intruders, deal with the regulators and minimise your exposure when you're compromised.



Confidence in your connections

Organisations exist in an increasingly complex digital ecosystem.

We share information and transact digitally more than ever before. Your digital relationships with customers, suppliers and others expose you to new areas of risk that need to be managed.

We can help you assess your connections, negotiate robust contracts and build an agile risk management framework, adept at keeping pace as your collaborative networks evolve.



We provide a comprehensive range of integrated cyber security services that help you assess and build your cyber security capabilities, and respond to incidents and crises.





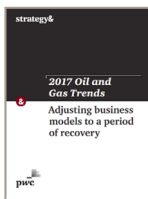
Recent Thought Leadership



Learning to leapfrog – Africa oil & gas review

The sustained lower price of oil has largely been accepted as the new normal, and companies are putting plans in place to enable a more dynamic and nimble response to commodity price fluctuations in the future. In addition to balancing portfolios, oil & gas companies are also reconsidering their overall strategies to ensure that they are aligned and poised to evolve in the future energy market. Key to this are the capabilities that can differentiate them in the market, cost structures that make them competitive in the industry and organisational designs that allow for resilience in a changing world.

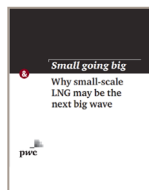
<http://www.pwc.co.za/oil-gas-review>



2017 Oil & Gas Trends

How energy companies can adjust their business models to a period of recovery.

www.strategyand.pwc.com/trend/2017-oil-and-gas-trends



Small going big: Why small-scale LNG may be the next big wave

PwC presents this niche but nascent industry segment, now profitable and scalable and boasts significant potential. Small-scale liquefied natural gas.

www.pwc.com/gx/en/industries/energy-utilities-resources/publications/small-going-big



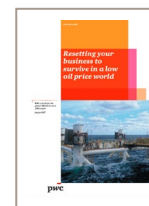
The New Nation Builders

In this paper, we look at the challenges of disruption facing African NOCs, what it means for them and how they should

position themselves for a sustainable future.

The sustainability of NOCs will depend on their ability to transform into national energy companies, responding to the demands placed on them by consumers, governments and NGOs to respond to climate change and a new energy future.

<https://www.pwc.co.za/en/publications/future-national-oil-company-of-africa.html>



Resetting your business to survive in a low oil price world: M&A outlook for the global Oilfield Services (OFS) sector

The world OFS companies now operate in has changed. Operators have shifted their focus, meaning OFS companies will need to tailor their service offering in response. Also a high oil price upturn (such as US\$70/bbl+) can no longer be an assumption underpinning business plans.

www.pwc.co.uk/services/deals/publications/resetting-your-business-to-survive-in-a-low-oil-price-world



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