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Global Tax Rate Benchmarking for the Oil & Gas sector

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Effective tax rate (ETR) benchmarking for the Oil & Gas sector

Introduction

This study is based on a review of 2013 annual reports. The comments below reflect a summary of some of the statements made therein, before the recent dramatic decline in prices.

2013 saw a year of record sales and production volumes for companies in the Global Oil & Gas sector, despite the effects of the Global economic crisis still being felt, particularly with continued slow growth in the Eurozone. Companies have evolved their operations significantly with resulting profitable long term growth and efficiency. North American regions provided visible, predictable growth potential for many companies. Conventional and unconventional development opportunities emerged across the North American acreages. This was driven by the continued growth in the liquids-rich onshore North American assets.

On a global scale, the Middle East and Asia Pacific were the fastest growing segments with a growing appetite for new technology from customers. As such, many companies were operating at full capacity in the Middle East.

Facing increased scrutiny, Oil & Gas sector companies are working to retain people's trust and respect by maintaining safe and reliable operations, especially on the back of a number of large, publicized operational accidents over recent years. Some companies emphasised prudent care of the environment – in particular large Exploration & Production companies who are vowing to 'give back' to the environment through reforestation schemes and by supplying more clean products to the market. There is also emphasis for companies to show their contribution to the local economies of countries that they operate in.

In terms of the future, more and more companies in this sector are continuously expanding and looking for new methods and technologies. With many continental shelves already explored, there has been a shift towards unconventional drilling sites (deep and ultra-deep waters, arctic) meaning companies in the Equipment & Services sector who provide support services for drilling activities will have to invest in new technology to accommodate these operations. We have seen a large number of companies invest heavily in research and development, with the most successful ones having achieved patents across a number of areas. A number of them are aggressively pursuing new LNG growth options, for example one or two are exploiting the increasing growth of shale gas in the US.

On a whole, the international crude oil and natural gas prices have been volatile, with both increasing in 2013. This has helped achieve record revenues for the year. Although performance has been very strong, natural disasters and political instability has also hindered progress in some areas. Companies in the sector have reported decreases in their revenues and margins due to geo-political unrest in Egypt, Libya, South Sudan and Syria, with security risks in some countries of operation including Nigeria. In particular, the situation in Syria in late August last year resulted in an annual oil price peak.

How to use this report

This study shows the picture for the Global Oil & Gas sector drawn from publicly available information. A customized report based on the data in this study can be prepared for any company to allow it to compare its performance in a particular year and over a period of time. This kind of information can be useful in preparing and reviewing tax strategy and communicating that strategy to a company's board.

About the study

- In this study, we report on the findings from our analysis of key tax ratios of 62 large companies in the Global Oil & Gas sector, that breakdown into the following subsectors:
  - Integrated Oil & Gas (20 companies)
  - Exploration & Production (20 companies)
  - Oil & Gas Equipment & Services (22 companies)
- The analysis provides insight into the ETR reported by these companies, the trend over the last 3 years and drivers of the ETR.
- The study uses publicly available data for the three years up to December 2013, sourced from data providers and individual company accounts.
- By using publicly available information, we can include any listed company, which gives us good coverage of the sector from which to identify trends.
- This study contains a high-level analysis of key tax ratios, with no adjustment for one-time distorting items or losses but on a "trimmed" basis as explained in slide 4 . While losses, tax refunds, and exceptional items can serve as drivers of an individual company's tax ratios, the use of a statistically trimmed sample serves to minimize the impact of these drivers.
- The study contains an analysis of 62 companies, which were selected based on high market cap and industry leader input.
- Geographically, the companies span the globe with many based in the US (24 companies), but also including Canada (5), China (4), UK (4), Russia (3), Bermuda (2), France (2), Italy (2), Switzerland (2), Thailand (2) and one each from Australia, Brazil, Colombia, India, Japan, Jersey, Malaysia, Netherlands, Norway, Singapore, South Africa and Spain.

Methodology

Source of information

Our financial analysis was based on a number of ratios derived from publicly available information. This allowed for a large sample size of 62 companies without the need to contact each company, giving us a dependable overview from which to draw our conclusions.

We calculated the ETR which is the tax provision as a percentage of income before corporate income tax, as taken from the face of the income statement. It provides a basic indicator of the impact of tax on results.

We also calculated the cash tax rate (CTR) which is the income tax paid (taken from the cash flow statement) as a percentage of income before corporate income tax.

Companies in a pre-tax loss or tax benefit position often have distorted ETRs. In a large data set, we trim the ratios as described under ‘statistical analysis’.

In a small data set, to provide additional insight, we calculate ETRs for ‘profitable’ companies. Any reference to ‘profitable ‘companies represents companies who have made a pre-tax profit and had an income tax provision (ETR) or have paid cash tax (CTR) in all of the three years.

Statistical analysis

- *Trimmed average*

Our conclusions are based on a statistical analysis of the ratios. In a tax benchmarking exercise of this nature, particular ratios may be distorted because of one-off, nonrecurring items. Exceptional items, for example, often attract associated tax at rates far from the statutory rate.

It was necessary to exclude these extreme values, and this was done consistently by taking a trimmed average of a particular sample. The trimmed average is the average result of the data, derived by excluding 15% of the data points from both the top and bottom of the data set. It is a robust estimate of the location of a sample, excluding outlying data points.

- *Quartiles*

These record the ratio where 75 percent (upper quartile) and 25 percent (lower quartile) of the sample companies lie below these points. By displaying results in this manner, it is possible to identify the range in which the results of the majority of companies fall.

List of companies included in the study

Integrated Oil & Gas

- BG Group Plc
- BP Plc
- Chevron Corp.
- China Petroleum & Chemical Corp.
- Ecopetrol S.A.
- Eni SpA
- Exxon Mobil Corp.
- Gazprom OAO
- Hess Corp.
- Husky Energy Inc.
- Imperial Oil Limited
- Lukoil OAO
- PetroChina Company Limited
- Petróleo Brasileiro S.A. – Petrobras
- Repsol S.A.
- Royal Dutch Shell Plc
- Sasol Limited
- Statoil ASA
- Suncor Energy Inc.
- Total S.A.

Exploration & Production

- Anadarko Petroleum Corp.
- Apache Corp.
- Canadian Natural Resources Limited
- Chesapeake Energy Corp.
- China National Offshore Oil Corp.
- ConocoPhillips
- Continental Resources, Inc.
- Crescent Point Energy Corp.
- Devon Energy Corp.
- EOG Resources Inc.
- Inpex Corp.
- Marathon Oil Corp.
- Noble Energy , Inc.
- Novatek OAO
- Occidental Petroleum Corp.
- Oil & Natural Gas Corporation Limited
- Pioneer Natural Resources
- PTT Exploration and Production Public Company Limited
- PTT Public Company Limited
- Woodside Petroleum Limited

Oil & Gas Equipment & Services

- Baker Hughes Inc.
- Cameron International Corp.
- China Oilfield Services Limited
- Diamond Offshore Drilling Inc.
- Ensco Plc
- FMC Technologies, Inc.
- Halliburton Co.
- Helmerich & Payne, Inc.
- Nabors Industries Limited
- National Oilwell Varco Inc.
- Noble Corporation Plc
- Oceaneering International
- Odfjell Drilling Limited
- Petrofac Limited
- Saipem SpA
- Sapurakencana Petroleum Bhd
- Schlumberger N.V.
- SembCorp Industries Limited
- Superior Energy Services, Inc.
- Technip
- Transocean Limited
- Weatherford International Plc

Section 1
Global Oil & Gas sector

This section includes analysis of the following:

- ETRs in the Global Oil & Gas sector for all companies
- ETRs in the Global Oil & Gas sector for ‘profitable’ companies (see slide 4 for explanation)
- ETRs of the Global Oil & Gas sector compared to other sectors
- Statutory corporate income tax rate and ETR by country
- Drivers of the ETR in 2013
- CTR in the Global Oil & Gas sector for all and ‘profitable’ companies

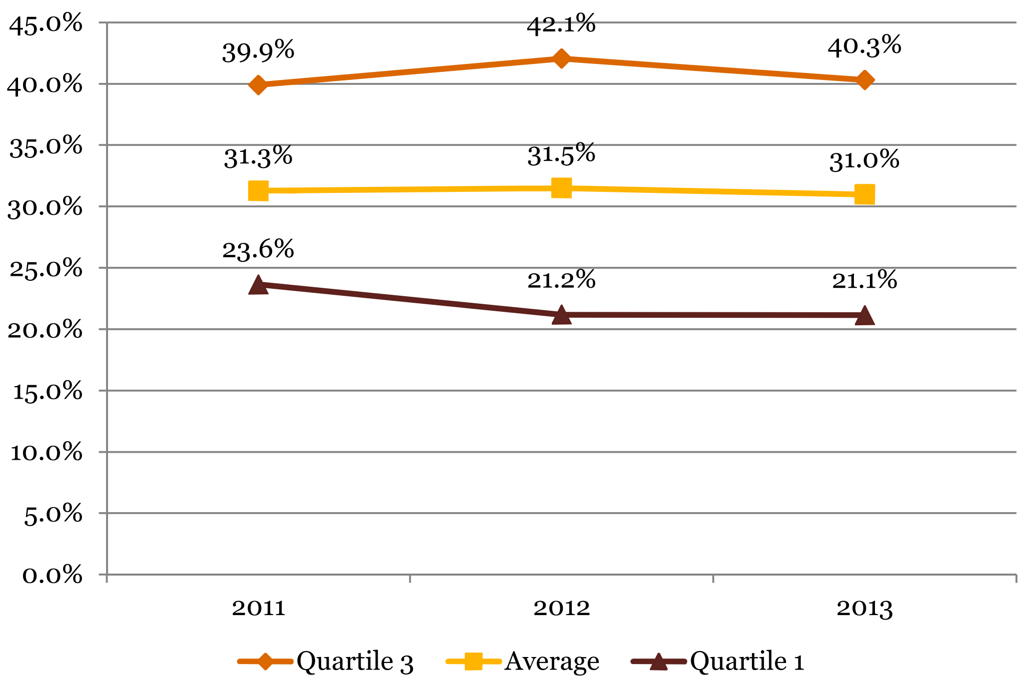
The 3-year average ETR in the Global Oil & Gas sector was 31.3%

The ETR is the tax provision as a percentage of income before corporate income tax, as taken from the face of the income statement. It provides a basic indicator of the impact of tax on results.

We calculated a trimmed average ETR, excluding extreme values from both the top and bottom of the data set. Quartiles 3 and 1 represent the resulting ratios for which 75 percent and 25 percent of companies fall below that point, respectively .

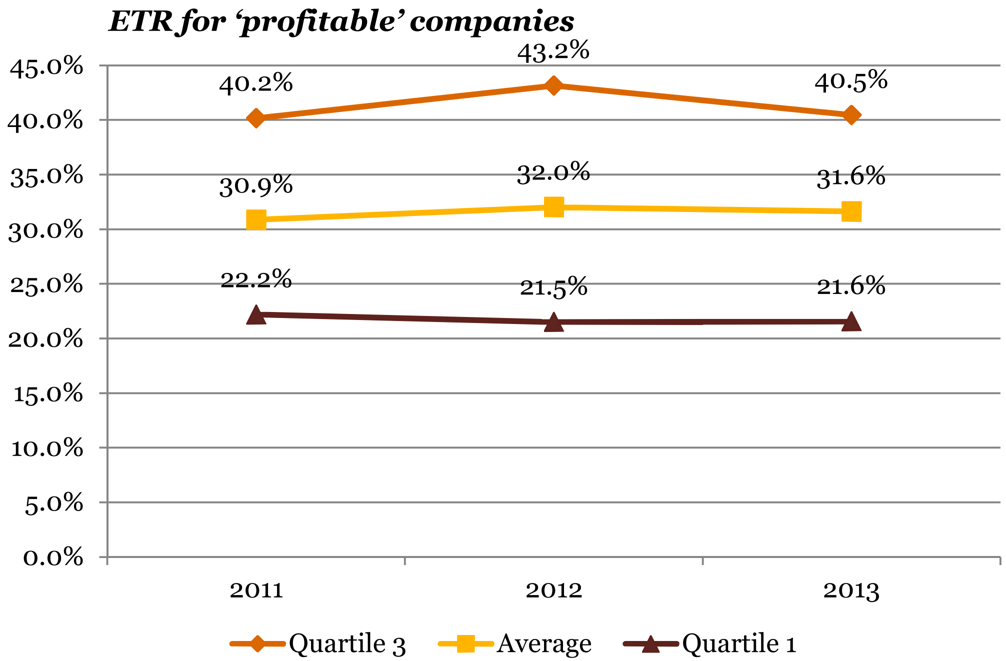
- The 3-year average ETR for the Oil & Gas companies was 31.3%
- The sector as a whole showed a fairly stable ETR trend over the three years.
- The range in quartiles was larger in 2013 (19.2%) than in 2011 (16.3%) due to the larger number of 'profitable' companies in 2011 than in 2013.
- Four companies in 2013 (three in 2012, two in 2011) incurred losses and two companies in 2013 (two in 2012, one in 2011) recorded a tax benefit.
- Seven companies in the study saw a reduction in ETR of more than 10 percentage points from 2012 to 2013, and five companies saw an increase of more than 10 percentage points.
- There was a peak in 2012 in quartile 3 and this increase can be attributed to the companies operating in the Integrated Oil & Gas and Exploration &Production sectors.
- The peak in 2012 can be related to adjustments associated with Canadian valuation allowances and changes in the geographical mix of profits, with a few companies reporting increased, or new operations in countries with statutory tax rates in excess of 90% in 2012.

ETR for all companies



The 3-year average ETR in the Global Oil & Gas sector for 'profitable' companies was 31.5%

- The chart shows analysis of 'profitable' companies .
- Fifty-three companies remain in the analysis.
- The 3-year average ETR for 'profitable' companies was 31.5%.
- For these companies, the maximum ETR in 2013 was 73.7% and the minimum was 9.7%.
- The average ETR and quartile 1 are constant and the peak in quartile 3 in 2012 was discussed on the previous page.

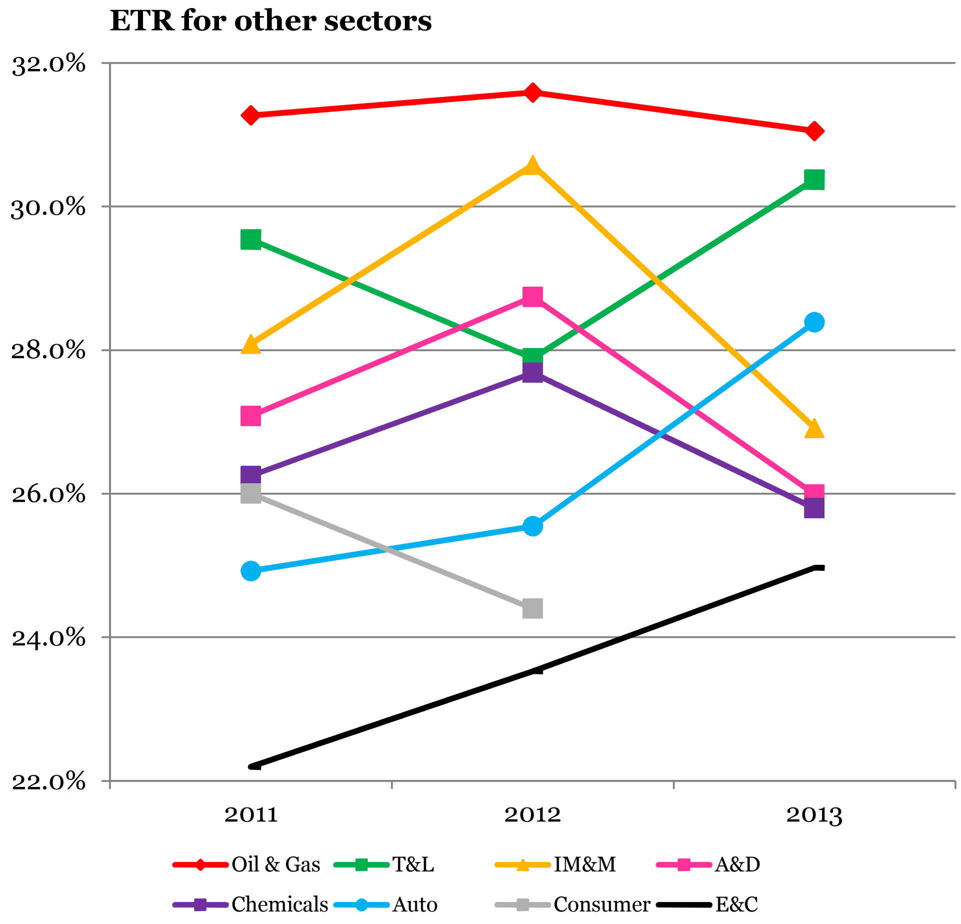


The average ETR of the Global Oil & Gas sector is higher compared to other sectors

We have carried out tax rate benchmarking studies[1] covering accounting periods up to and including December 2013 for the following global sectors:

- Consumer Products [data up to June 2013]
- Automotive (Auto)
- Engineering & Construction (E&C)
- Aerospace & Defense (A&D)
- Industrial manufacturing & metals (IM&M)
- Transportation & logistics (T&L)
- Chemicals

- The chart shows that the Global Oil & Gas sector had the highest ETR compared to these seven sectors over the period of the studies, a reflection of the higher rates and additional taxes paid by this sector.
- E&C experienced a low ETR compared to the other sectors due to losses – only 53% of companies were 'profitable' in all three years.
- By contrast, loss-making companies had limited impact on the ETRs for A&D, Chemicals and IM&M.
- Consumer Products gained significant benefit from operating cross border which lowered the ETR.
- T&L had the highest ETR in 2013 after Oil & Gas, reflecting the limited benefit obtained by this sector from international operations.

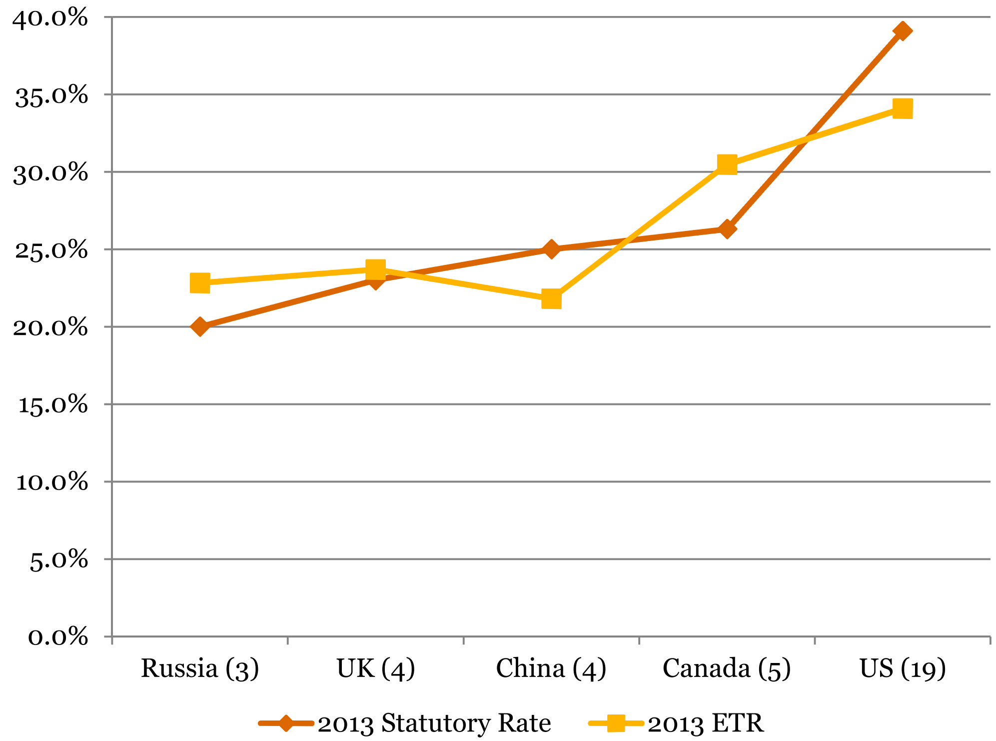


[1] Tax Rate Benchmarking Publications - http://www.pwc.co.uk/tax/publications/tax-rate-benchmarking-for-sectors.jhtml

Statutory tax rates compared to ETRs

- We compared the statutory corporate income tax rates by country with ETRs for companies headquartered in that country.
- The chart includes analysis of 'profitable' companies which removes the impact of distorting ETRs arising a small data set. The data was averaged for countries with sufficient numbers of companies, which is shown in brackets next to the country.
- In 2013, the average ETR and statutory tax rate was similar for the companies in the UK. While the average ETR was higher than the statutory tax rate for the companies in Russia and Canada and was lower in China and the US.
- The statutory rates ranged from 20.0% to 39.1%, a difference of 19.1 percentage points; but the ETR range was smaller, from 21.8% to 34.1%, a difference of just 12.3 percentage points.
- Statutory tax rate by country was taken from the table released by OECD for combined corporate income tax rates[2].

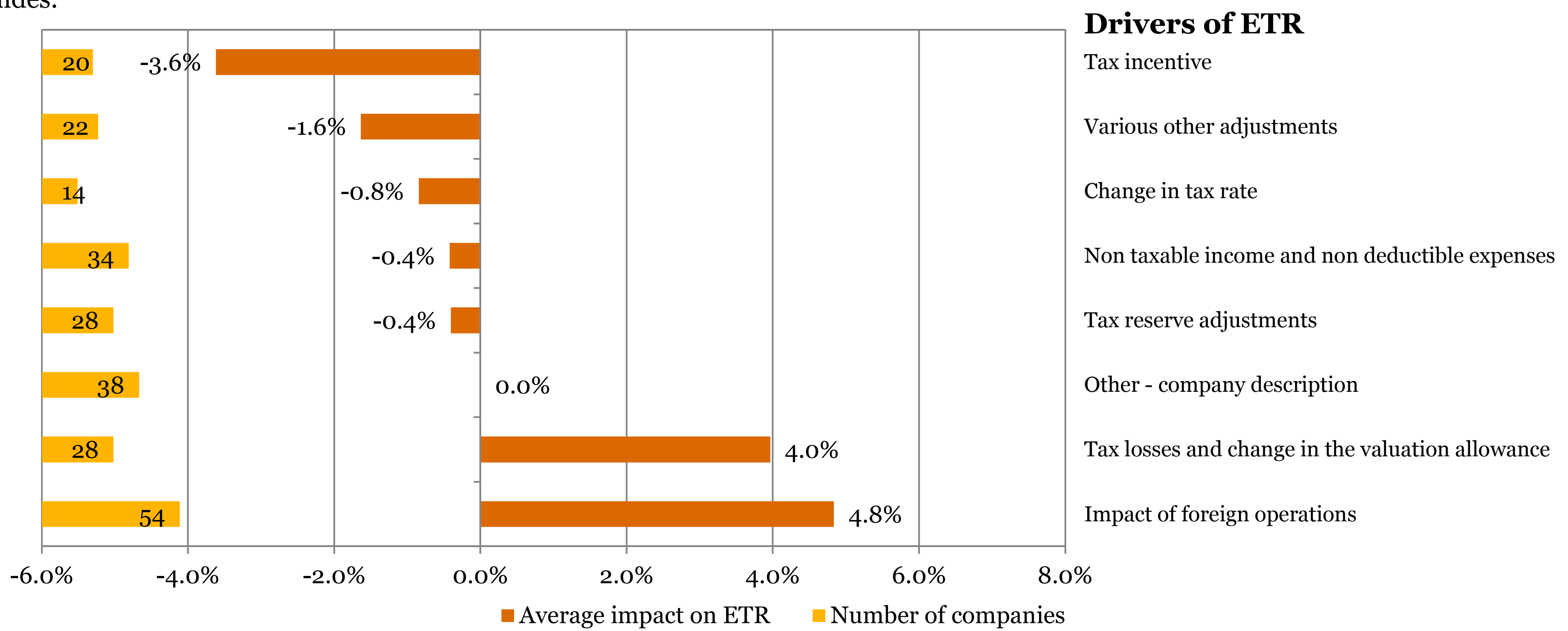
Statutory tax rates & ETR, 2013



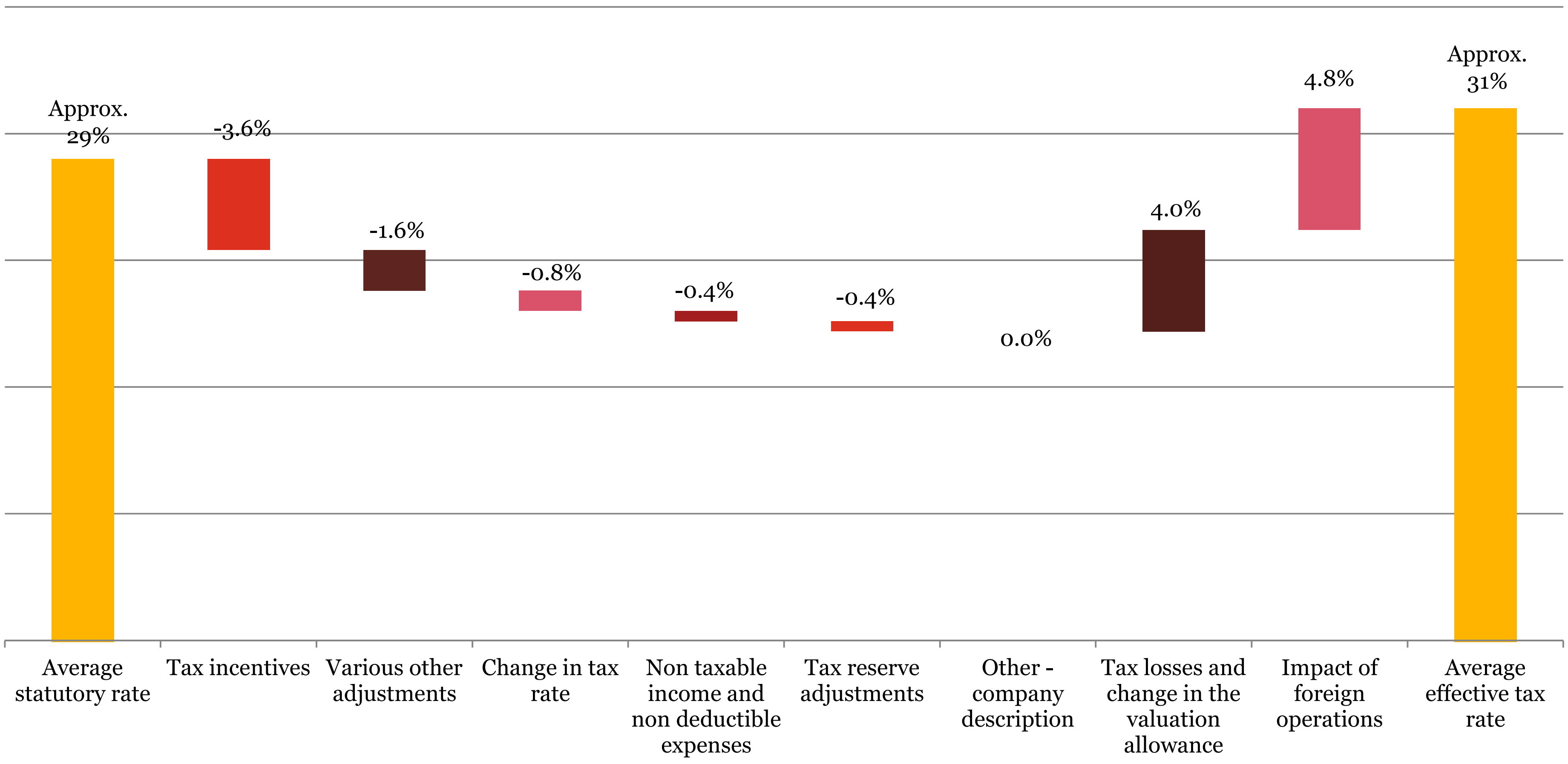
[2] OECD Table II.1 - Corporate income tax rates

Drivers of ETR in 2013

- Companies disclosed the reasons behind the difference between the expected statutory rate and the ETR in their annual reports (data was not available for two companies in the study).
- We collected the reasons under 8 main drivers to see which are favorable (brings ETR down lower than statutory rate) and unfavorable (pushes ETR up higher than the statutory rate) for the sector.
- Yellow bars show how many companies reported the driver, the 0% line represents the statutory rate and orange bars show the impact of the driver.
- The largest favorable driver was tax incentives, which reduced average ETR by 3.6%.
- The most common driver, reported by 54 companies, was the impact of foreign operations which increased average ETR by 4.8% including sector specific taxes.
- The average statutory rate for the sample was approximately 29%.
- The data is shown below as a simple bar chart, and on the next slide in "waterfall" format. Narrative detail is included on the following slides.



Drivers of ETR in 2013 – "Waterfall" format



Narrative for drivers of ETR (1)

-3.6 ***Tax incentives***

This was the most favorable driver for the sector, and decreased average ETR by 3.6 percentage points.

General descriptions such as tax/business credits were given, as well as domestic manufacturing deductions. Some companies experienced ‘preferential rates’ and sector specific benefits.

-1.6 ***Various other adjustments***

This category is made up of mostly non-recurring items, collected under one heading in order to avoid excessive detail. Descriptions included the tax effects of items such as equity earnings and net tax benefit on non-controlling interests' share of income. The overall effect on average ETR was a reduction of 1.6 percentage points for 22 companies.

-0.8 ***Change in tax rate***

A change in the statutory rate of corporate income tax requires a revaluation of a company’s deferred taxes. 7 of the companies reporting this driver saw an increase in their ETR as a result, and the other 7 experienced a reduction in their ETR. The net impact was a decrease in average ETR of 0.8%.

-0.4 ***Non taxable income and non deductible expenses***

This item had descriptions such as non taxable income, and effect of other permanent differences. Although this reconciling item can be both favorable and unfavorable on an individual basis, the average impact was favorable, reducing ETR by 0.4 percentage points.

Narrative for drivers of ETR (2)

-0.4 ***Tax reserve adjustments***

Under this category are items such as net adjustments for prior year tax accruals, audit settlements and change in prior year estimates. Although items in this category can drive ETR either way, the overall effect was favorable, reducing ETR by an average of 0.4%. There were 14 companies reporting this reconciling item as favorable while the ETR for 14 companies increased due to the unfavorable impact.

0.0 ***Other – company description***

This category is for the line described as “other” in a company’s reconciliation. No further detail was available.

4.0 ***Tax losses and change in the valuation allowance***

Descriptions included losses not available to carry forward, effect of non-recognition of deferred tax assets, change in valuation allowance, recognition of previously unrecognised deferred tax assets and utilisation of tax losses. This driver was unfavorable, increasing ETR on average by 4.0 percentage points.

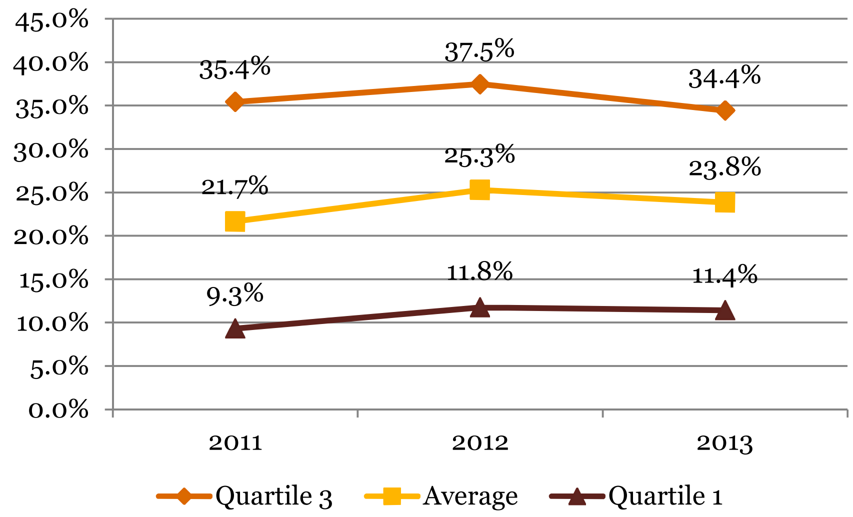
4.8 ***Impact of foreign operations***

This item is the largest and most reported driver. It’s unfavorable mostly due to the nature of the Oil & Gas and Exploration & Production sectors, with companies being unable to benefit from cross-boarder operations. This item also includes sector-specific taxes, such as Petroleum Revenue Tax. The impact of this driver on average ETR was an increase of 4.8 percentage points.

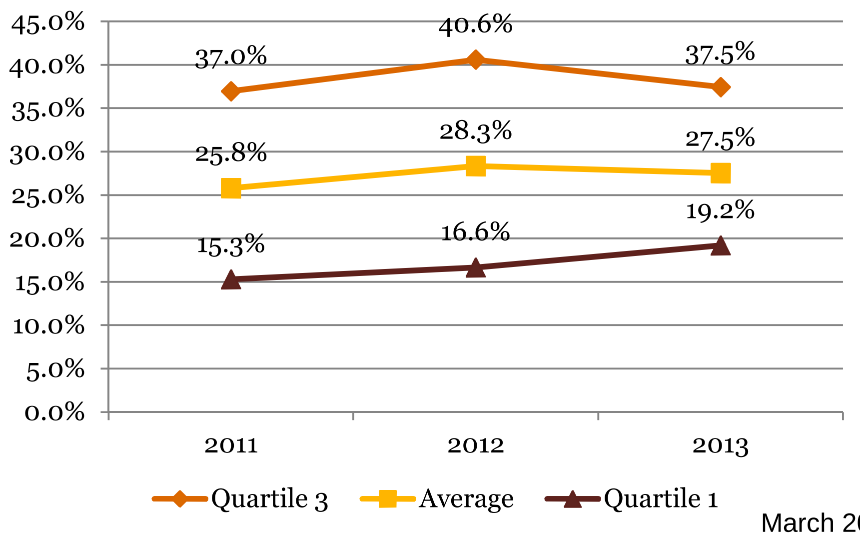
The 3-year average CTR in the Global Oil & Gas sector was 23.6%

- The CTR is the income tax paid (taken from the cash flow statement) as a percentage of income before corporate income tax.
- The 3-year average CTR in the Global Oil & Gas sector was 23.6%.
- For 'profitable' companies the 3-year CTR 27.2%.
- In 2011 there were two pre-tax loss making companies and five with a tax refund, compared to four and two respectively in 2013.
- It can be said that the CTR is a good measure of the true cost of tax to a company, excluding provisions and accruals. A company with a low CTR but higher ETR may be benefiting from a deferral of tax on current profits (the timing of which may be specific or indefinite), or it may be undertaking tax planning and recording reserves in its tax provision over and above the tax paid to tax authorities.
- There is an element of timing mismatch; for example, in some territories 50% of tax due on profits is not paid until after the year end. The impact of this mismatch year on year can generally be expected to be limited.
- However, the 3-year ETR of 31.3% is 7.7 percentage points higher than the average CTR for this sector of 23.6%. This reflects the capital investment nature of the business and tax incentives given to encourage that investment.

CTR for all companies



CTR for 'profitable' companies



Section 2
Oil & Gas Subsectors

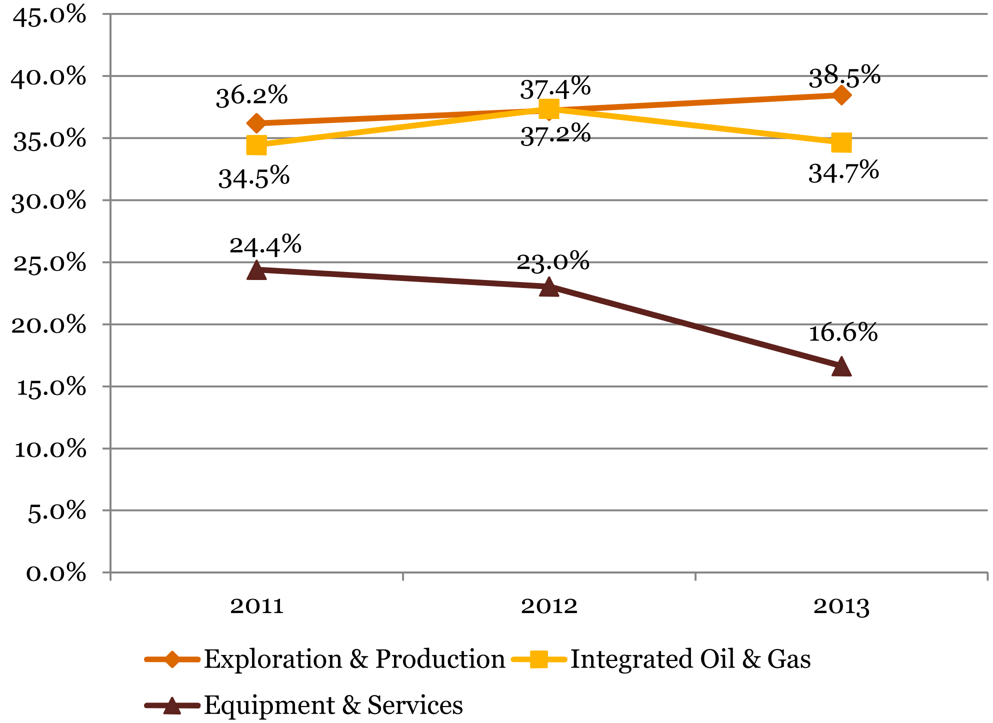
This section includes analysis of the following:

- Average ETR by Oil & Gas subsector
- ETRs in the Oil & Gas subsectors
- ETRs of the Oil & Gas subsectors compared to other sectors
- Drivers of the ETR in 2013 for Oil & Gas subsectors
- CTRs in the Oil & Gas subsectors

The 3-year average ETR was above 35% for Integrated Oil & Gas and Exploration & Production companies while Equipment & Services showed a low 3-year average ETR of 21.4%

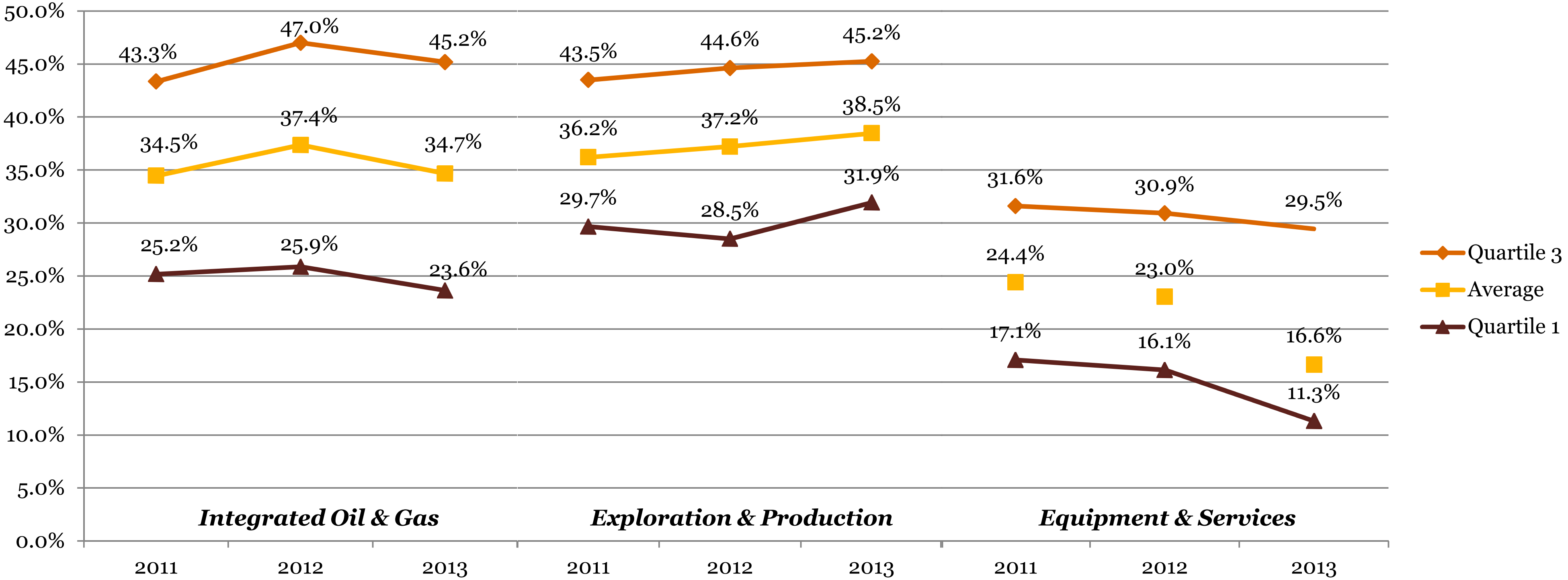
- Equipment & Services has the lowest 3-year average ETR at 21.4% where the ratio is 35.5% for Integrated Oil & Gas and 37.3% for Exploration & Production. These rates are high due to the impact of sector specific taxes.
- The ETR for the Equipment and Services sector decreased by 6.4 percentage points from 2012-2013 due to the reduction in 'profitable' companies in the relevant period. The 3-year average ETR for 'profitable' companies was 23.6%, with a 2013 ETR of 24.4%.
- There was a small drop in the ETR for the Integrated Oil & Gas sector between 2012 and 2013 which could be explained by the lower ETRs due to the impact of equity earnings and non-taxable gain on disposals.

ETRs of the Oil & Gas subsectors



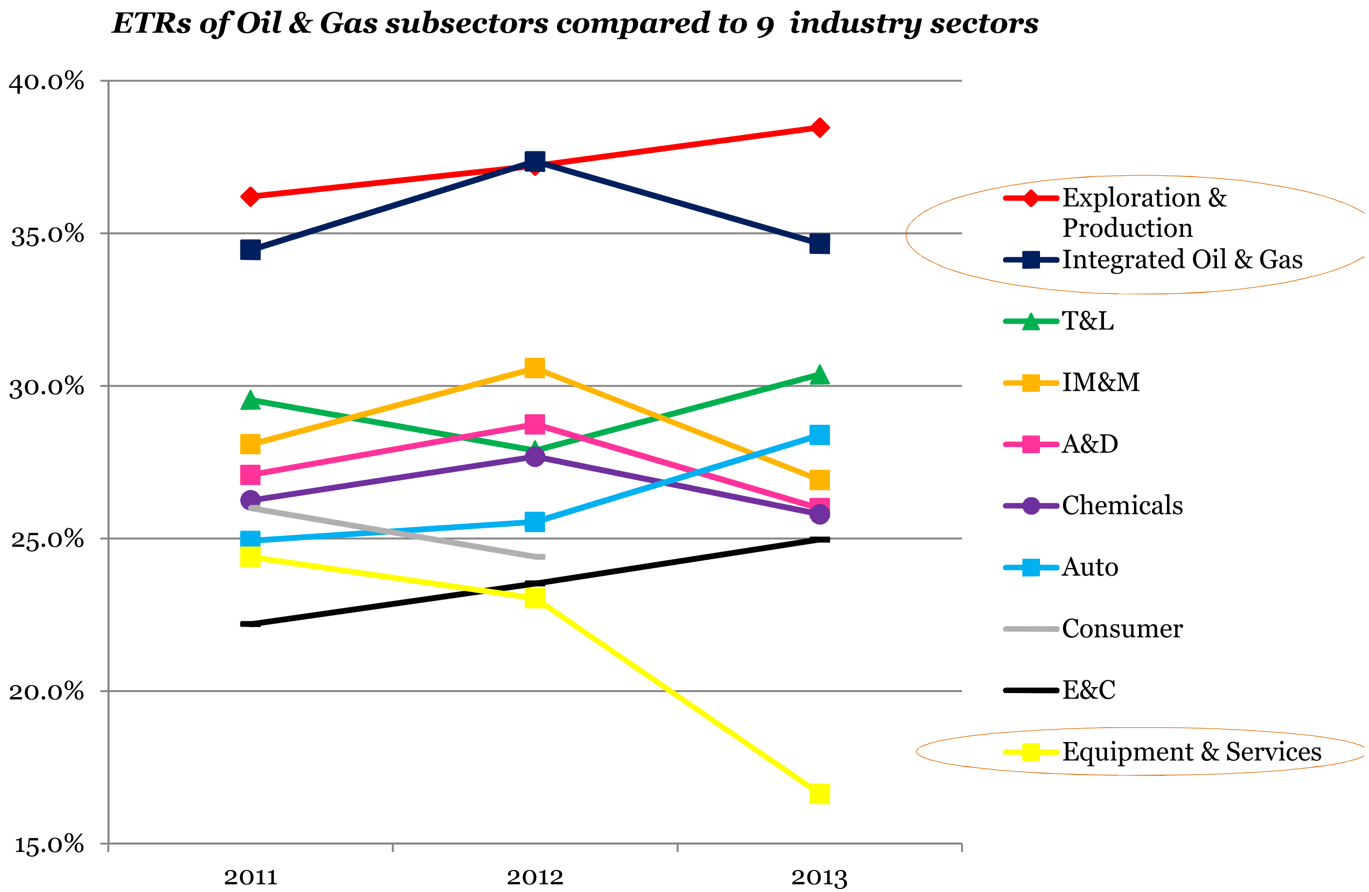
The ETRs in the Oil & Gas subsectors are varied

- The Integrated Oil & Gas sector shows the widest range, with a difference of 20.3 percentage points between the three year average ETRs of quartile 1 and quartile 3, and also reflects a peak in ETR in 2012 (discussed on the previous slide).
- The Exploration & Production sector shows a steady increase in ETR over the three years for the average and quartile 3.
- The Equipment & Services sector shows a decrease in ETR over the three years, with a sharp decrease from 2012-2013 shown in the average and quartile 1 (discussed on the previous slide).
- Please see further analysis for the subsectors in sections 3, 4 & 5.



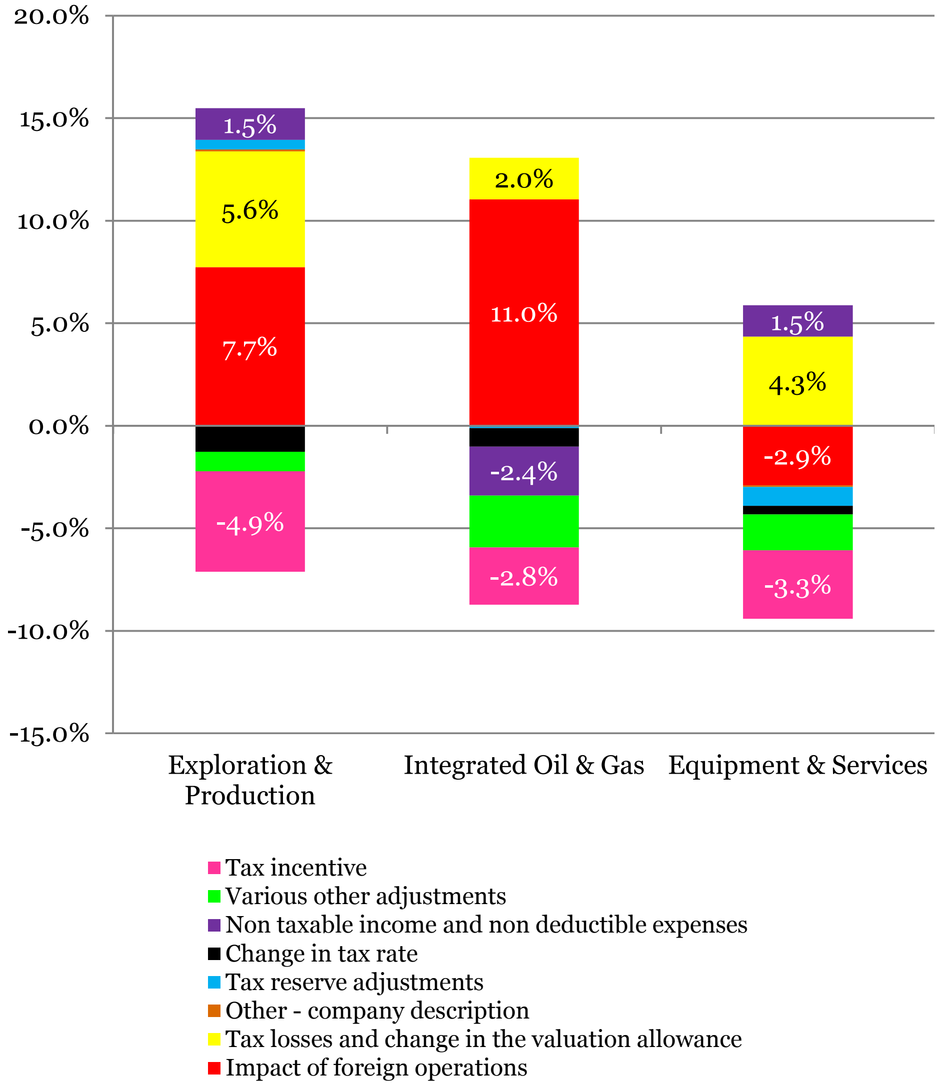
ETRs of Oil & Gas subsectors compared to other sectors

- The 3-year average ETRs for Exploration & Production companies and Integrated Oil & Gas are at the top of the sectors studied to date.
- The 3-year average ETR for Equipment & Services companies is the second lowest of the sectors studied to date.
- With the introduction of Base Erosion Profit Shifting (BEPS), companies will be required to disclose details of tax charge, tax paid and profit to tax authorities. Given the low ETRs of the Equipment & Services sector compared to other sectors (see yellow line on the chart) it is helpful to understand how a company's ETR compares to the global average.
- See slide 8 for further analysis of other sectors.



Drivers of ETR in 2013 for Oil & Gas subsectors

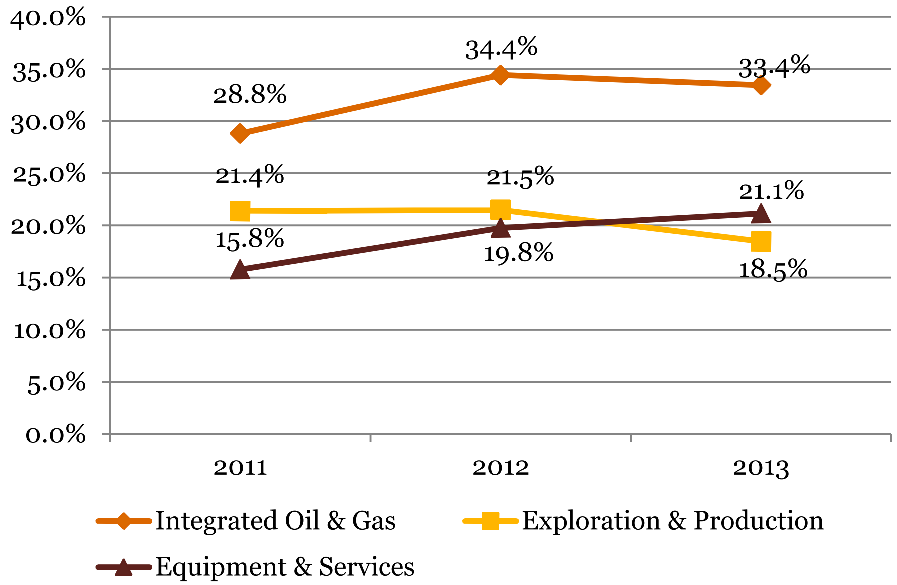
- The 0% line represents the average statutory rate; negative bars are favorable drivers, positive bars are unfavorable drivers.
- All subsectors show a favorable impact of the utilisation of tax incentives, and a favorable impact from changes in tax rates.
- All subsectors realise an unfavorable impact of tax losses and change in the valuation allowance.
- Exploration & Production and Integrated Oil & Gas companies show an unfavorable impact of foreign operations due to operations in high tax jurisdictions and sector specific taxes.
- The Energy Services segment provides services in the same countries that the Exploration & Production and Integrated Oil & Gas companies operate in, but their ETRs are lower as a segment. This is driven by several factors. Services companies are, in many countries, subject to simpler withholding income tax regimes, gross receipts income tax or a deemed profit regime at rates lower than those imposed on the Integrated and Exploration & Production companies. The incremental income taxes often imposed on exploration and production activities are generally not imposed on the activities of Energy Services companies. Further, many Services companies have many of their activities located in lower income tax jurisdictions.



The average CTR was the highest for Integrated Oil & Gas compared to other subsectors

- The 3-year average CTR for Integrated Oil & Gas companies was 32.2% which is also close to the 3-year average ETR (35.5%).
- Equipment & Services sector showed a low 3-year average CTR with the rate of 20.4%. The 3-year average CTR for 'profitable' companies was 33.8%.
- The trend in CTR for Equipment & Services sector increased from 15.8% to 21.1% between 2011 and 2013, while the ETR decreased from 24.4% to 16.6%.
- The drop in CTR for Exploration & Production in 2013 could be due to higher investment due to accelerated allowances.

CTRs of the Oil & Gas subsectors



Section 3
Integrated Oil & Gas companies

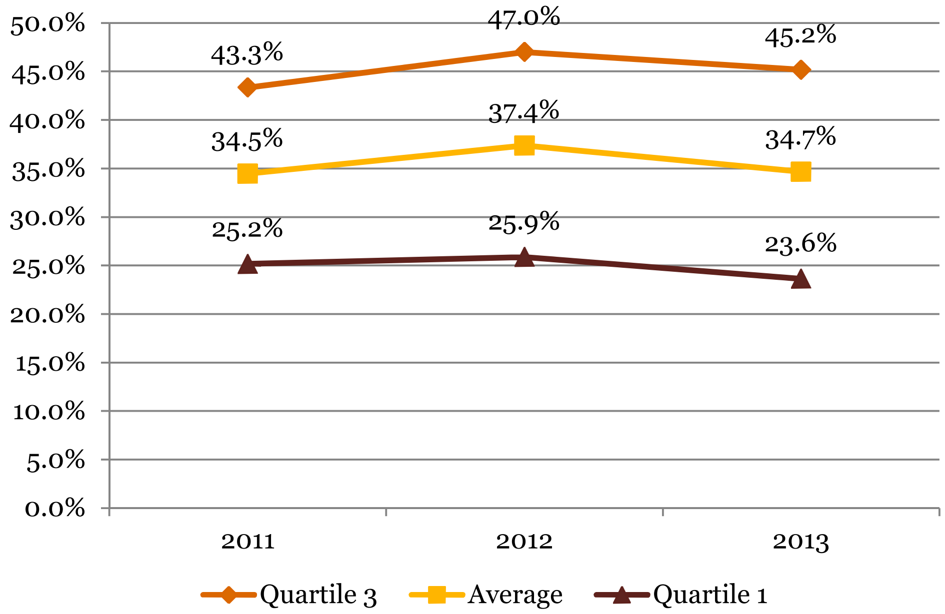
This section includes analysis of the following:

- ETR for all companies in the Integrated Oil & Gas sector
- Drivers of ETR in 2013 for the Integrated Oil & Gas sector
- ETRs in the Integrated Oil & Gas sector by region
- CTR for all companies in the Integrated Oil & Gas sector

The 3-year average ETR was 35.5% for the Integrated Oil & Gas companies

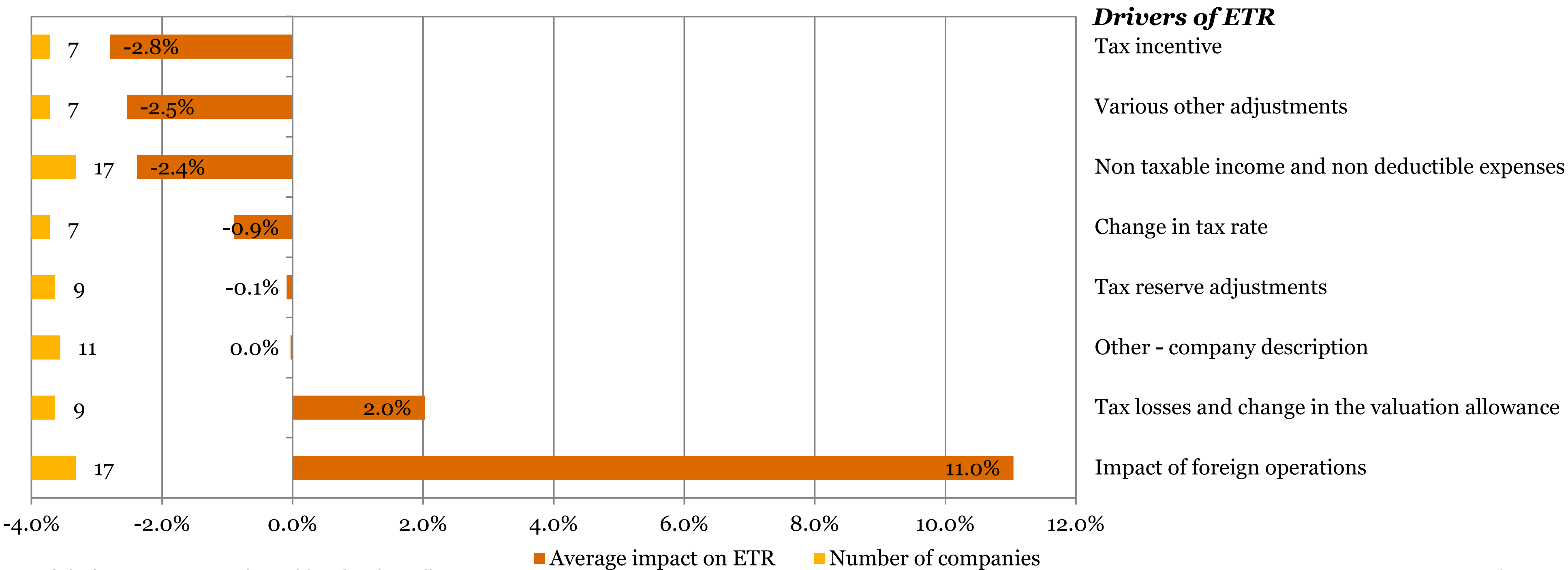
- The 3-year average ETR was 35.5%, which is 4.2 percentage points above the 3-year average for the whole Oil & Gas sector.
- All companies in the Integrated Oil & Gas sector were ‘profitable’ .
- In 2013, there were 10 companies where their ETRs were higher than the average ETR (34.7%) and 10 companies’ ETR were below this rate.
- There was no company which saw an increase in the ETR of more than 10 percentage points between 2012 and 2013 , however, two companies saw a reduction of more than 10 percentage points. It was noted that the reduction was explained by gain on disposal which wasn’t subject to tax, and production shut-ins.

ETR for the Integrated Oil & Gas sector



Drivers of ETR in 2013 for the Integrated Oil & Gas companies

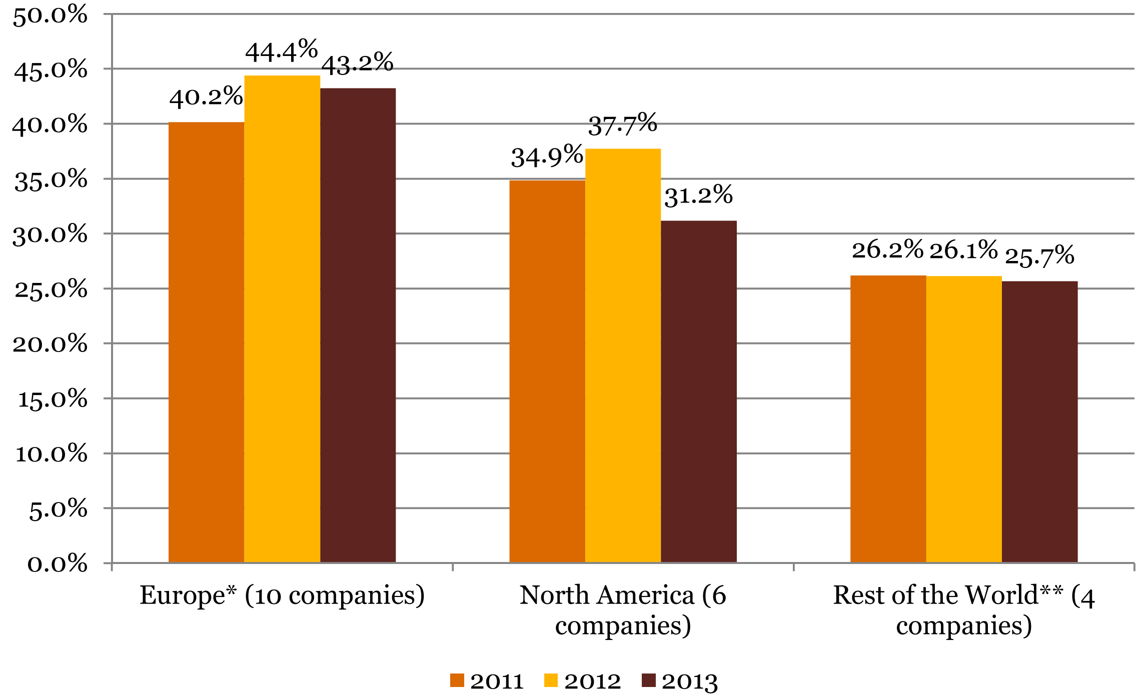
- Yellow bars show how many companies reported the driver, the 0% line represents the statutory rate and orange bars show the impact of the driver.
- The largest favorable driver was tax incentives, which reduced average ETR by 2.8%.
- The most common drivers for this sector was impact of foreign operations (which includes sector specific taxes) and non taxable income and non deductible expenses, both reported by 17 companies.
- The driver with the largest unfavorable effect was the impact of foreign operations, which increased average ETR by 11.0%. There were 7 companies where the impact was higher than 10 percentage points. It was noted that European companies experienced high sector specific taxes in the study.
- Tax incentives had a favorable impact on the ETR for 7 companies and descriptions include 'tax benefit' and 'additional tax deductions".



ETRs of the Integrated Oil & Gas sector by region

- The number of companies is indicated in brackets next to each region.
- The 3-year average ETRs were 42.6% for Europe, 34.6% for North America and 26.0% for the Rest of the World.
- European companies experienced high ETR in this sector compared to other regions. The impact of foreign operations increased the ETR by 18% in 2013 which reflects the high sector specific taxes in European countries.
- The decrease in ETR for North American companies between 2012-2013 is mainly due to changes in profit mixes, with one company affected by production shut-ins in 2013.
- ETRs for companies operating In the rest of the world were stable, with a change of only 0.5 percentage points over the three years. All of the companies in this group are National Oil Companies (NOCs).

ETRs by region for the Integrated Oil & Gas sector

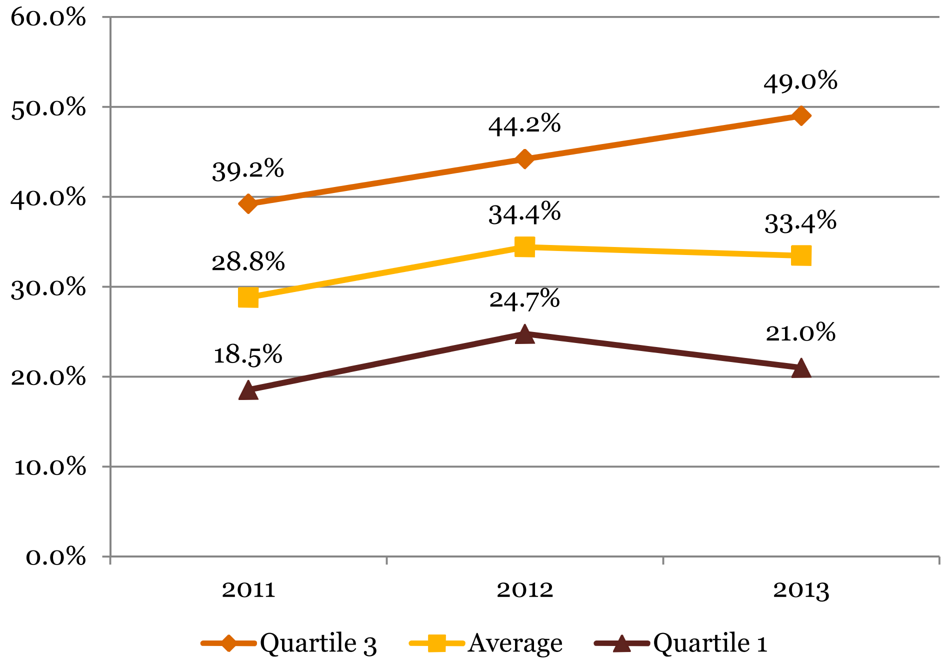


**Europe – includes 1 South African company*
*** Rest of the World – companies headquartered in Asia & South America*

The 3-year average CTR was 32.2% for the Integrated Oil & Gas companies

- The 3-year average CTR was 32.2%, which is 8.6 percentage points above the 3-year average for the whole Oil & Gas sector.
- All companies in the Integrated Oil & Gas sector were 'profitable' .
- The upper quartile shows an upward trend over the 3-years, with an increase in CTR of 9.8 percentage points from 2011 to 2013.
- Both the average and the lower quartile show a peak in CTR in 2012.
- The 3-year CTR is 3.3 percentage points lower than the 3-year ETR of 35.5%.

CTR for the Integrated Oil & Gas sector



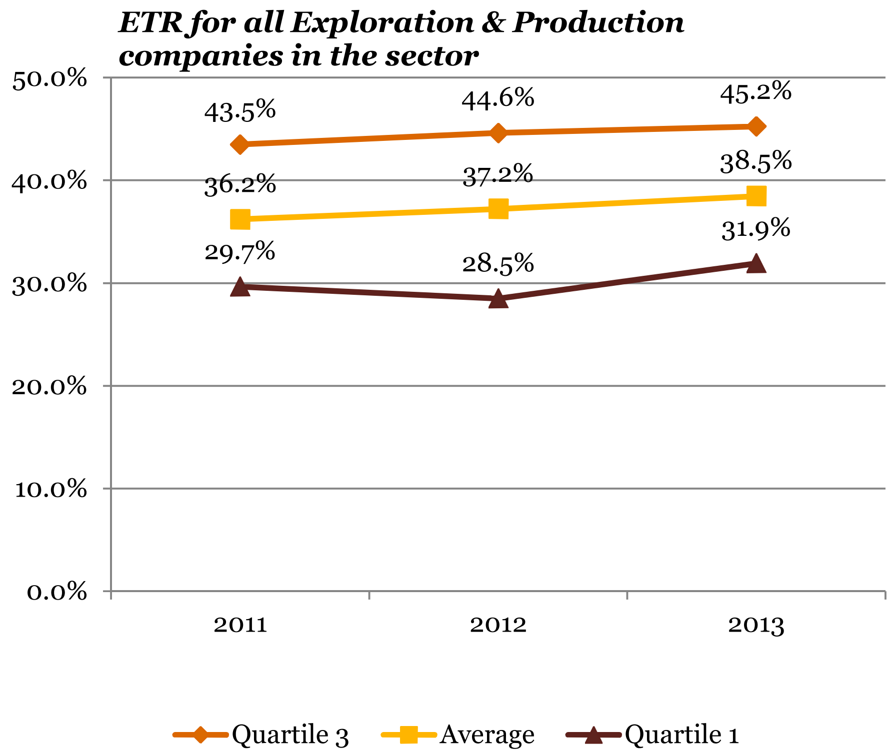
Section 4
Exploration & Production companies

This section includes analysis of the following:

- ETR for all companies in the Exploration & Production sector
- Drivers of ETR in 2013 for the Exploration & Production sector
- ETRs in the Exploration & Production sector by region
- CTR for all and 'profitable' companies in the Exploration & Production sector

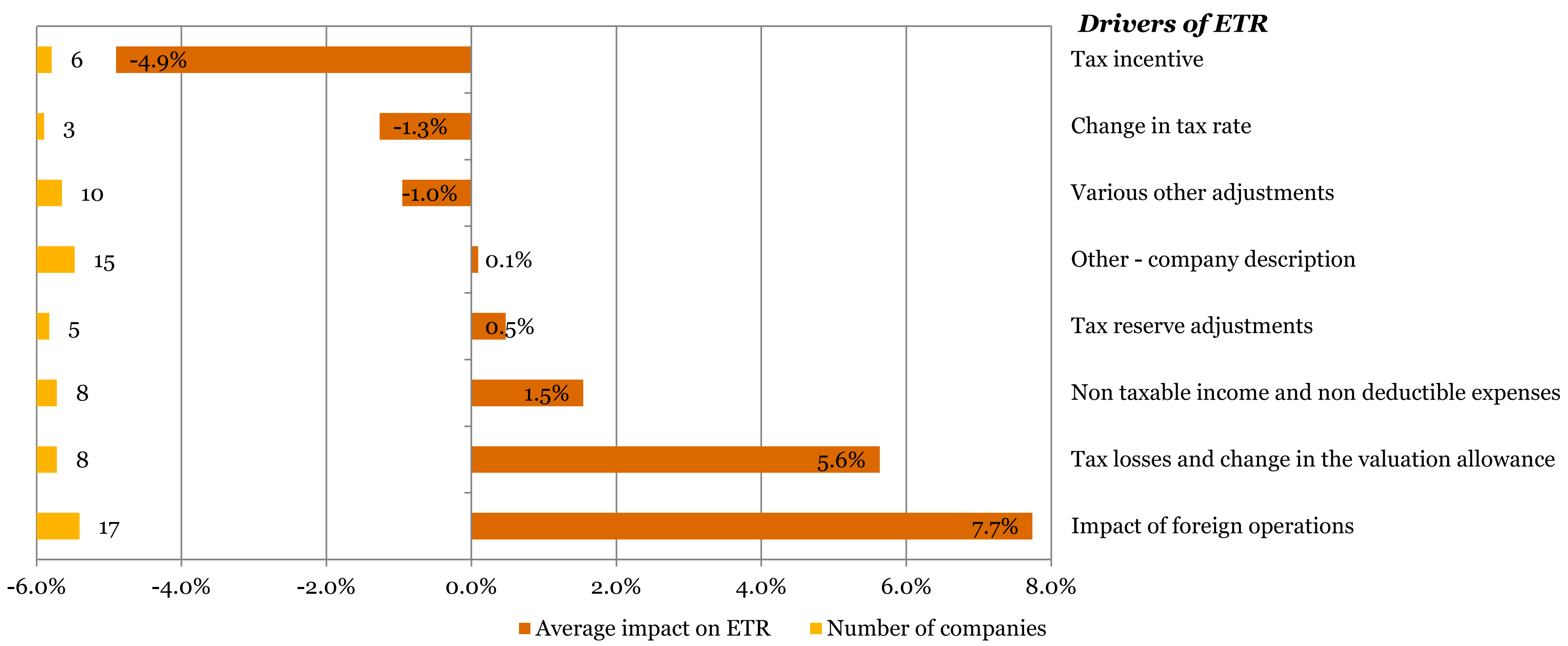
The 3-year average ETR was 37.3% for the Exploration & Production companies

- The 3-year average ETR was 37.3% for all companies in the Exploration & Production sector, which is 6.0 percentage points above the 3-year average for the whole Oil & Gas sector.
- The 3-year average was 36.7% for the 16 'profitable' companies in the Exploration & Production sector. This is lower than the 3-year average for all companies due to the distorting ETRs seen in the remaining four companies in years when they were 'profitable'.



Drivers of ETR in 2013 for Exploration & Production companies

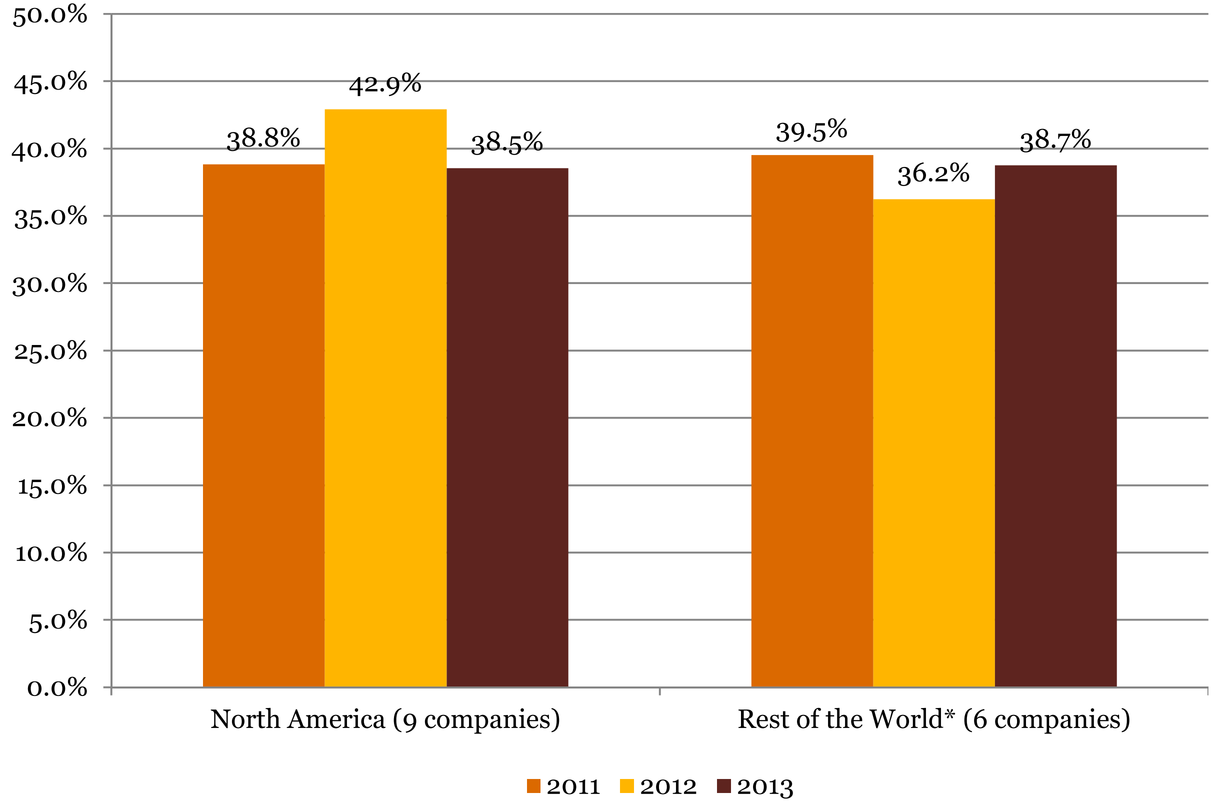
- Yellow bars show how many companies reported the driver, the 0% line represents the statutory rate and orange bars show the impact of the driver.
- The largest favorable driver was tax incentives, which reduced average ETR by 4.9%.
- The most common driver, and the driver with the largest unfavorable effect, was the impact of foreign operations, which increased average ETR by 7.7% due to operations in emerging market economies which have higher rates of tax on productions.



ETRs of the Exploration & Production sector by region

- The number of companies is indicated in brackets next to each region and includes only 'profitable' companies to remove the impact of distorting ETRs arising in a small data set .
- The 3-year average ETRs were 40.1% for North America and 38.2% for the Rest of the World. There is no analysis for Europe as there is only one European company in the sector.
- Companies in North America show a peak in ETR in 2012. The majority of companies cited varying levels of foreign income as the reason for the change. Two companies saw an impact of Canadian valuation allowances in 2012 and one company experienced a number of one-off adjustments including a Canadian non-cash write-down and a charge relating to a decommissioning tax rate change.
- The drop in ETR in 2012 for the rest of the world can be linked to non-taxable sale of assets for one company. With this ratio omitted, the 2012 figure is 40.5%.

ETRs by region for the Exploration & Production sector

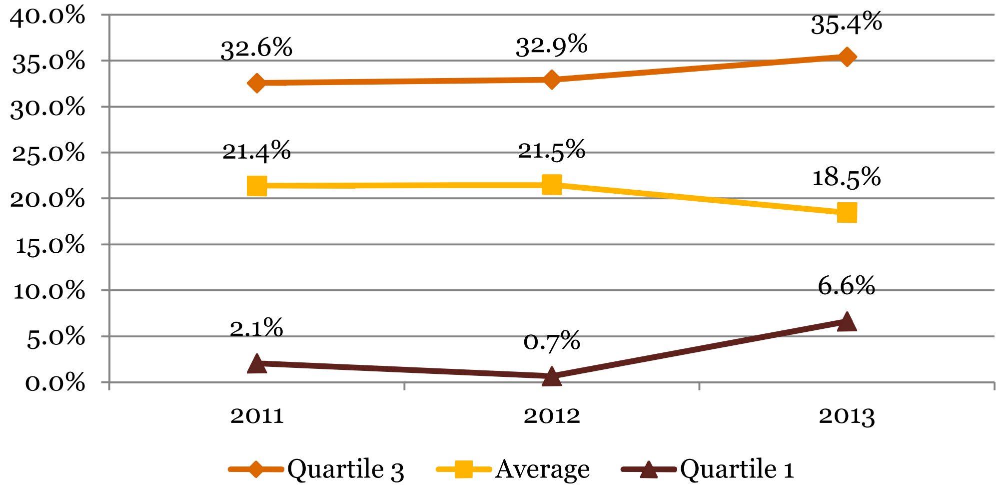


**Rest of the world – companies headquartered in Asia and Australia*

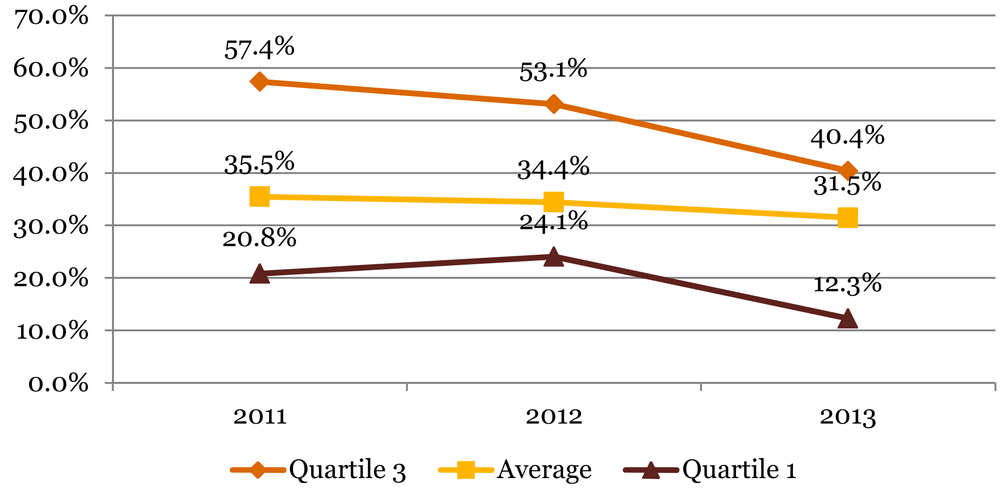
The 3-year average CTR was 20.4% for the Exploration & Production companies

- The 3-year average CTR was 20.4%, which is 3.2 percentage points below the 3-year average for the whole Oil & Gas sector.
- The 3-year average was 33.8% for the 13 'profitable' companies in the Exploration & Production sector.
- The 3-year CTR is 16.9 percentage points below the 3-year ETR, reflecting the heavy capital investment and deferred tax liabilities, together with losses in this sector.

CTR for all companies in the Exploration & Production sector



CTR for 'profitable' companies in the Exploration & Production sector



Section 5
Oil & Gas Equipment & Services companies

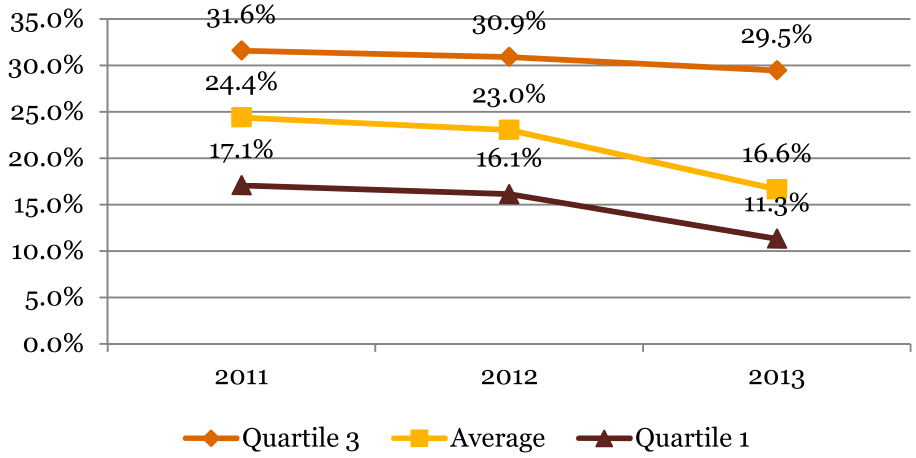
This section includes analysis of the following:

- ETR for all and 'profitable' companies in the Equipment & Services sector
- Drivers of ETR in 2013 for the Equipment & Services sector
- ETRs in the Integrated Equipment & Services sector by region
- CTR for all and 'profitable' companies in the Integrated Equipment & Services sector

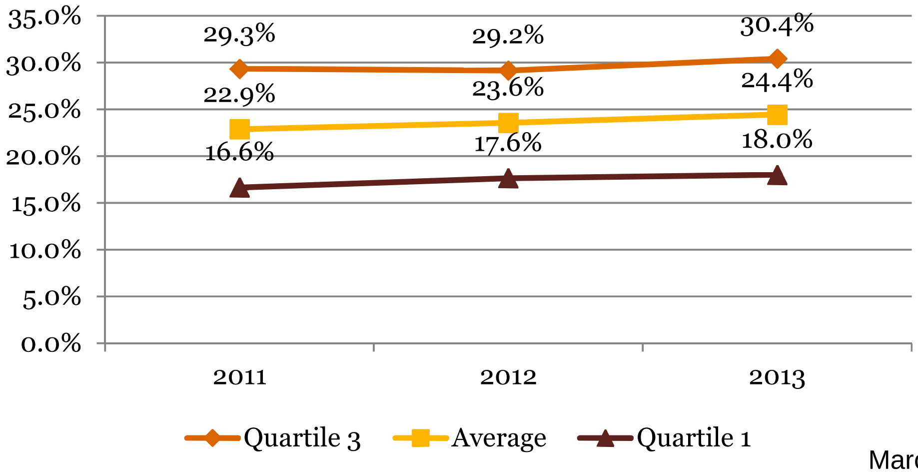
The 3-year average ETR was 21.4% for the Equipment & Services companies

- The 3-year average ETR was 21.4% for all companies in the Equipment & Services sector, which is 9.9 percentage points below the 3-year average for the whole Oil & Gas sector.
- The 3-year average was 23.6% for the 17 'profitable' companies in the Equipment & Services sector.
- The decrease in ETRs in 2012-2013 for all companies in the sector can be attributed to the reduction in 'profitable' companies.

ETR for all companies in the Equipment & Services sector

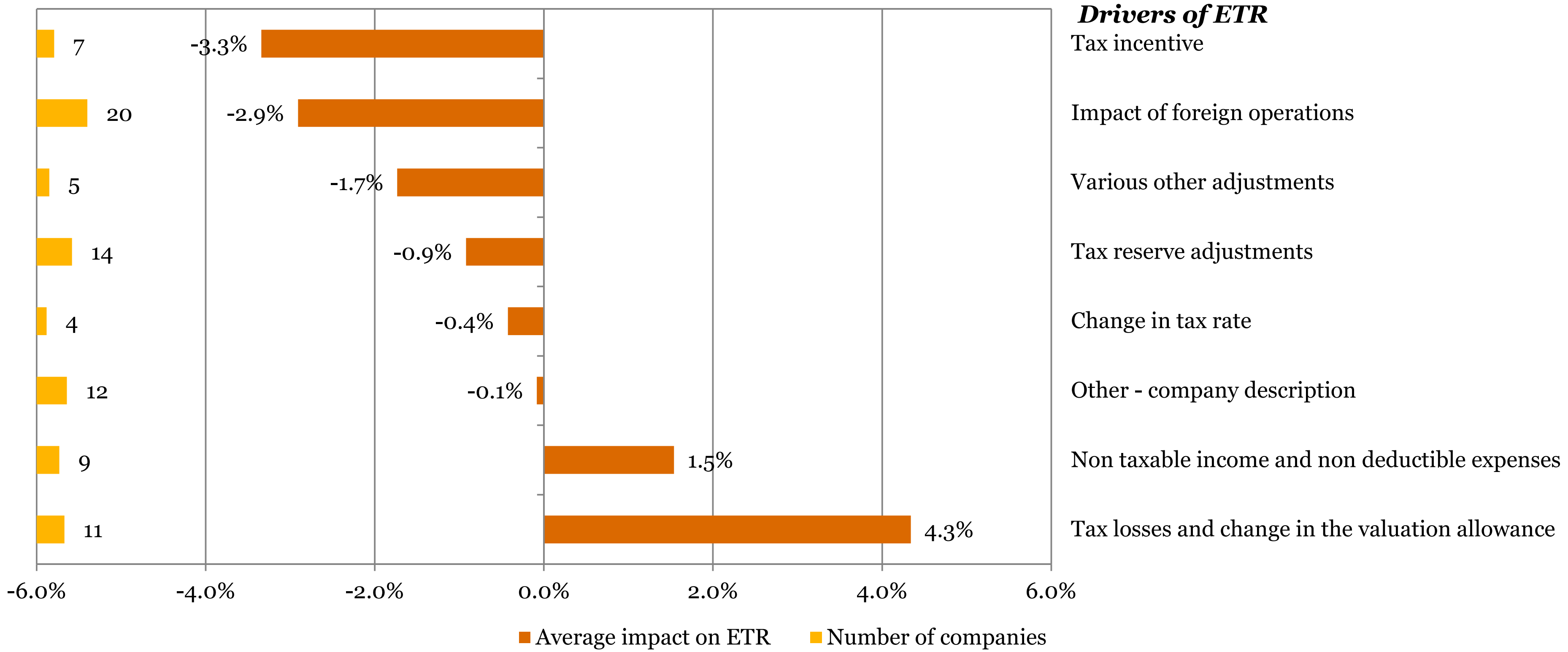


ETR for 'profitable' companies in the Equipment & Services sector



Drivers of ETR in 2013 for Equipment & Services companies

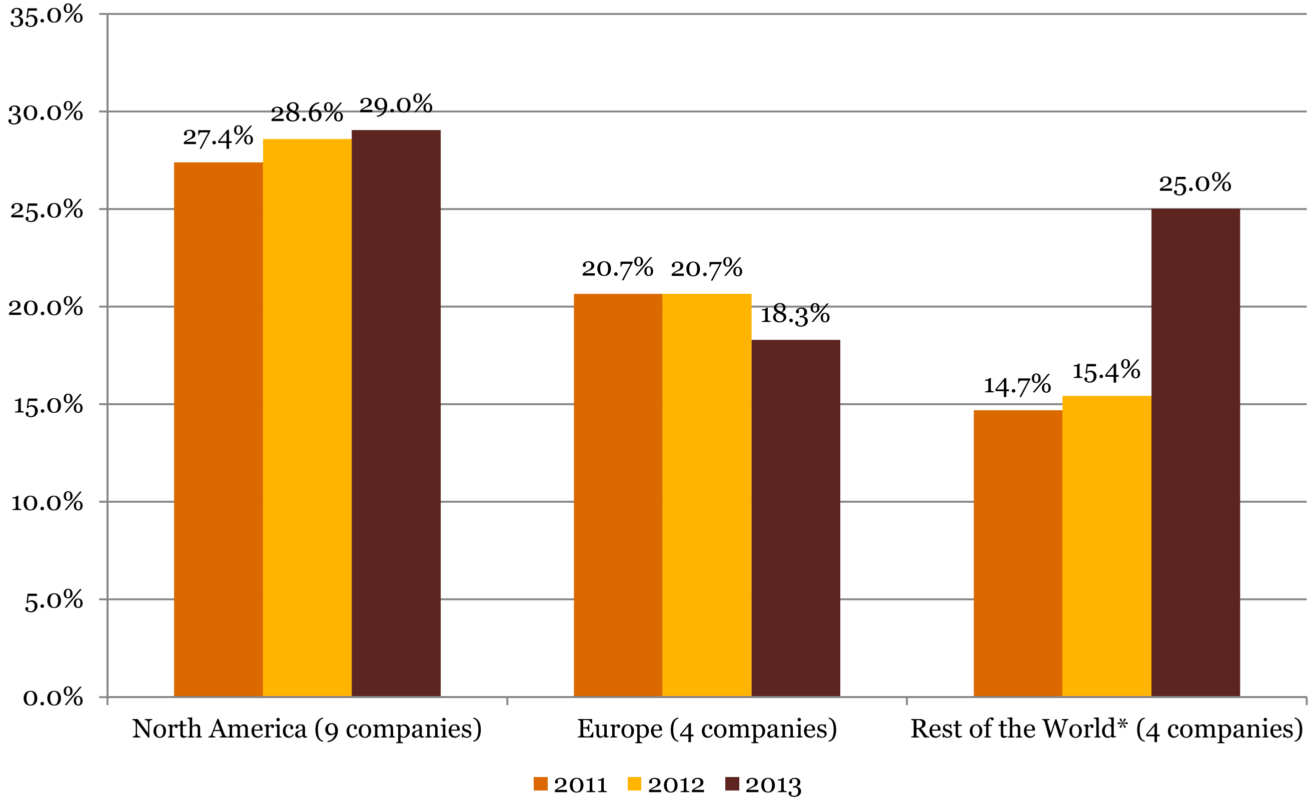
- Yellow bars show how many companies reported the driver, the 0% line represents the statutory rate and orange bars show the impact of the driver.
- The largest favorable driver was tax incentives, which reduced average ETR by 3.3%.
- The driver with the largest unfavorable effect was tax losses and change in the valuation allowance which increased average ETR by 4.3%.
- Equipment & Services is the only of the three sectors to show a favorable impact of foreign operations, reducing average ETR by 2.9%.



ETRs of the Equipment & Services sector by region

- The number of companies is indicated in brackets next to each region and includes only 'profitable' companies to remove the impact of distorting ETRs arising in a small data set .
- The 3-year average ETRs were 28.3% for North America, 19.9% for Europe and 18.4% for the Rest of the World.
- There is a steady 3-year increase in ETR for North American companies.
- The drop in ETR from 2012-2013 for the European region can be attributed to a one-off reimbursement for a resolution of a tax dispute for one company. The 2013 ETR with this ratio omitted is 19.9%.
- The 2013 ETR for the rest of the world is distorted by a high ETR from one company due to a one-off estimate of the outcome of a court case. The 2013 ETR with this ratio omitted is 13.4%.

ETRs by region for the Equipment & Services sector

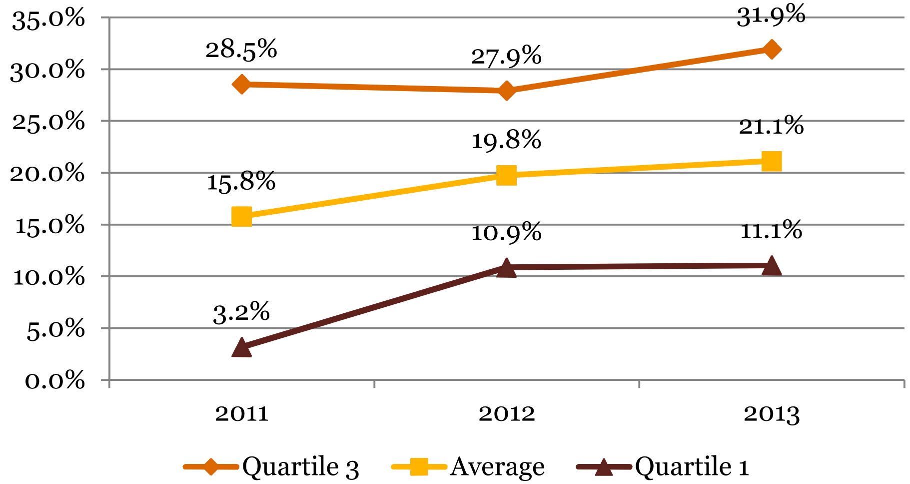


**Rest of the World – companies headquartered in Asia & Bermuda*

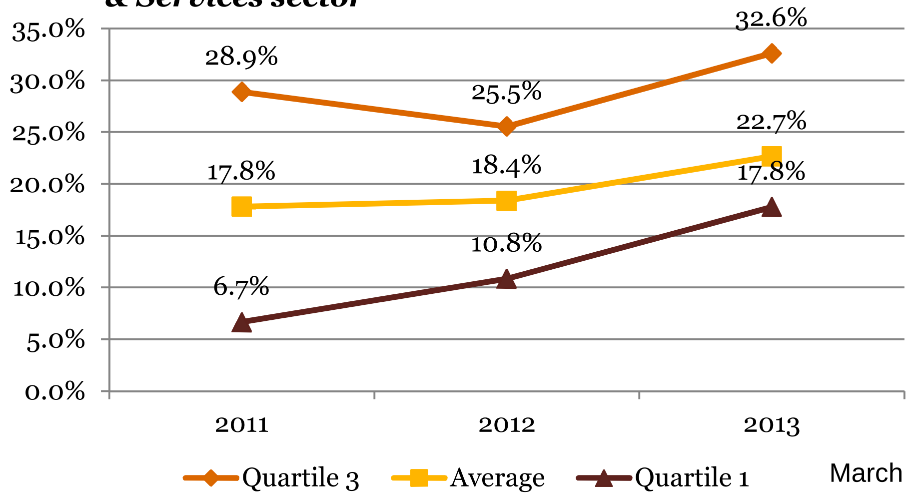
The 3-year average CTR was 18.9% for the Equipment & Services companies

- The 3-year average CTR was 18.9%, which is 4.7 percentage points below the 3-year average for the whole Oil & Gas sector.
- The 3-year average was 19.6% for the 17 ‘profitable’ companies in the Equipment & Services sector.
- The 3-year average CTR is 1.5 percentage points below the 3-year average ETR (21.4%).

CTR for all companies in the Equipment & Services sector



CTR for ‘profitable’ companies in the Equipment & Services sector



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