

# Anadarko Petroleum Corporation

## Corporate Tax Rates

April 30, 2012



# Cautionary Language and Forward-Looking Statements

- *This Algerian guidance model contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Anadarko believes that its expectations are based on reasonable assumptions. No assurance, however, can be given that such expectations will prove to have been correct. A number of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this guidance model, including Anadarko's ability to achieve its production targets, successfully manage its capital expenditures, timely complete and commercially operate its drilling prospects. See "Risk Factors" in the company's 2011 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other public filings and press releases. Anadarko undertakes no obligation to publicly update or revise any forward-looking statements.*
- *The NYMEX price used in these calculations is the marker price applicable to the 2nd quarter of 2012 and is intended for use as an example only.*



**Anadarko's corporate tax rate could fluctuate in any given period and differ from the statutory rate. The accrual of the Algerian exceptional profits tax (TPE) associated with Anadarko's Algerian operations could contribute significantly to the rate variance.**

- **In July 2006, the Algerian government approved legislation establishing a TPE on foreign companies' Algerian oil production. Since 2007, Sonatrach has been collecting the TPE from Anadarko's share of production.**
- **In March 2012, Anadarko announced an agreement with Sonatrach that resolved the TPE dispute. The agreement included an amendment to the production sharing agreement, the effects of which are more fully described on page 4.**
- **Anadarko records TPE in other production taxes and it is not deductible for Algerian income tax purposes, which in turn, leads to variability in Anadarko's overall corporate tax rate.**



# Algerian Tax Resolution Impact on Go-Forward Guidance

- Higher volume of profit barrels (incremental ~1.6 MMBO in 2012 and ~5 MMBO in 2013).
- Lower implied TPE rate for production subsequent to April 1, 2012. The TPE rate for the 2<sup>nd</sup> quarter is estimated to remain at ~30% because sales volumes in the 2<sup>nd</sup> quarter are related to production prior to April 1, while the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2012 TPE rate is expected to be ~20%.
- The implied effective Algerian income tax rate is also expected to decrease to 45 - 50% in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2012 versus the 2<sup>nd</sup> quarter of 2012 estimated rate of 55 – 60%.



**To more effectively model the corporate income tax rate for Anadarko Petroleum Corporation, please apply the following procedure:**

- 1) Calculate APC pre-tax income ("A") based on guidance provided on 4/30/12;**
- 2) Calculate Algerian pre-tax income ("B") as shown in Table 2 in the following example;**
- 3) Subtract A-B to arrive at Rest of Company pre-tax income ("C");**
- 4) Apply the effective tax rate for Algeria of ~57.5% to B and the Rest of Company tax rate of ~42.5% to C in order to calculate income taxes for B and C;**
- 5) Sum the income taxes for B and C to compute total corporate income taxes ("D") and**
- 6) Divide D into A to arrive at the corporate income tax rate.**



# Calculation of Algerian Income & Taxes

Items	Definitions
Revenues	Daily Production Guidance * [NYMEX WTI + Differential Guidance] * # of Days
Cash Costs	Daily Production Guidance * \$5/BOE Assumption * # of Days
DD&A	Daily Production Guidance * \$4/BOE Assumption * # of Days
Algeria TPE	30% of Revenues
Pre-Tax Income	Revenues - Cash Costs - DD&A - Algeria TPE
Income Taxes	55 - 60% of Pre-Tax Income
Effective Tax Rate	Income Taxes / Pre-Tax Income

Table 2: Estimated Algerian Income Taxes for Second Quarter 2012\*

Items	\$ in millions	Calculations
Revenues	\$636	57.5 MBbl/d Guidance * (\$105 NYMEX + \$16.5 Differential to WTI) * 91 Days
Cash Costs	26	57.5 MBbl/d Guidance * \$5/BOE Assumption * 91 Days
DD&A	21	57.5MBbl/d Guidance * \$4/BOE Assumption * 91 Days
Algeria TPE	191	30% * \$636 MM
Pre-Tax Income	\$398	\$636 - 26 - 21 - 191 MM
Income Taxes	\$229	57.5% * \$398 MM
Effective Tax Rate	57.5%	\$229 / \$398 MM

\* Based on 2Q12 Guidance and 2Q12 Consensus NYMEX of \$105 as of April 30, 2012

