**TULLOW OIL**

2018 ANNUAL REPORT AND ACCOUNTS

# AFRICA'S LEADING INDEPENDENT OIL COMPANY

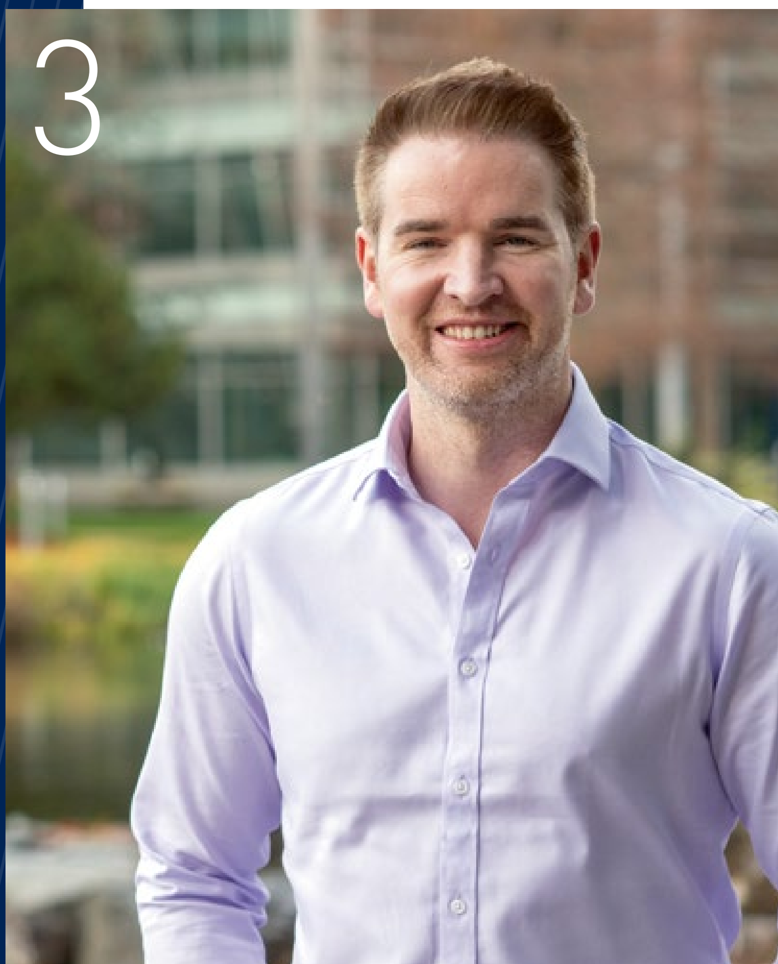

TULLOW OIL plc

# TULLOW IS A SELF-FUNDING OIL COMPANY, BALANCED ACROSS EXPLORATION, DEVELOPMENT AND PRODUCTION

**Our focus** is on finding and monetising oil in Africa and South America.

**Our key activities** include targeted Exploration and Appraisal, selective development projects and growing our high-margin production. We have a prudent financial strategy with diverse sources of funding.

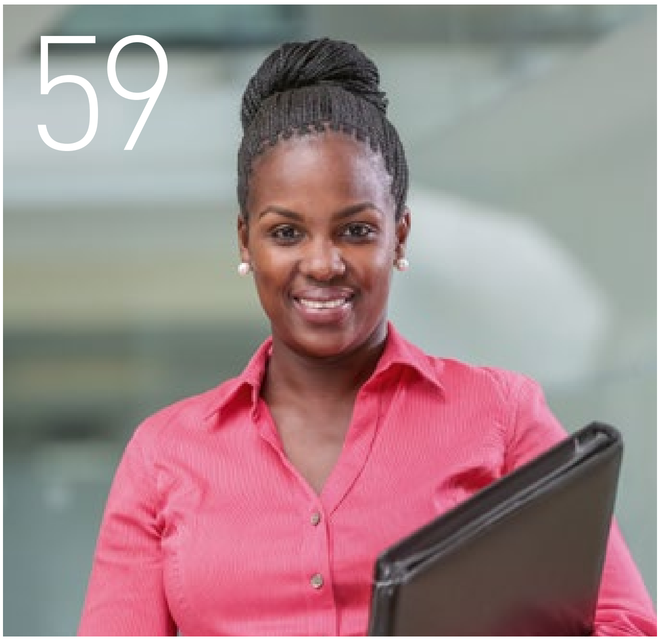
**Our portfolio** of 87 licences spans 17 countries and is organised into three businesses. We are headquartered in London and our shares are listed on the London, Irish and Ghana Stock Exchanges.



**Our front cover:** Ayishat Yahaya is a Ghanaian Trainee Wellsite Drilling Engineer working on the Stena Forth. In Q4 2018 the drillship was drilling development wells on the TEN and Jubilee fields. Ayishat was also part of the agile working team that drilled the Cormorant well offshore Namibia in September 2018.






The disclosure in this report is complemented by our online ESG disclosure, which can be found at **tullowoil.com/sustainability**

## STRATEGIC REPORT



## CORPORATE GOVERNANCE



## FINANCIAL STATEMENTS



**Supplementary information**

# SETTING THE FOUNDATIONS FOR GROWTH

Tullow's hard work over the last three years to strengthen all aspects of its business performance and management has laid a firm foundation for the Company's growth. Our diverse asset base, managed by our West Africa, East Africa and New Ventures teams, is generating value today and will support the delivery of our 2030 Vision in the coming decade.

### REVENUE
$1.9BN[1]

2017: $1.7BN

### CAPITAL INVESTMENT
$423M[2,3]

2017: $225M

>> Key performance indicators 21

### LICENCES
87

Across 17 countries

### UNDERLYING CASH OPERATING COSTS
$10.0/BOE[3]

2017: $11.1/BOE

>> Key performance indicators 20

### FREE CASH FLOW
$411M[3]

2017: $543M

### RESERVES ADDED
12.5MMBOE

Non-operated Central West Africa business added 2P reserves, representing 160 per cent reserves replacement

>> Key performance indicators 22

### ADJUSTED EBITDAX
$1.6BN[3]

2017: $1.3BN

### NET DEBT
$3.1BN[3]

2017: $3.5BN

### TOTAL WORKFORCE
990

Our talented colleagues and contractors work together across our corporate centre and three businesses

### PROFIT/(LOSS) AFTER TAX
$85M

2017: ($175M)

### GEARING[4]
1.9 TIMES[3]

2017: 2.6 TIMES

### LOST TIME INJURY FREQUENCY
0.28

Achieving base target of 0.15–0.30

1. Total revenue does not include other income from Tullow's Corporate Business Interruption insurance of $188 million.
2. Capital investment excludes Uganda capex covered by farm-down.
3. Non-IFRS measures are reconciled on pages 37 to 39.
4. Gearing ratio calculated as net debt/adjusted EBITDAX.

*"Tullow has increased the focus on personal and career development, which not only benefits us as professionals but also creates real value in our business."*

Conor Ryan, Lead Geoscientist

DRIVEN BY OUR PURPOSE

# WE AIM TO CREATE LONG-TERM VALUE FOR ALL OF OUR STAKEHOLDERS

## OUR 2030 VISION

To be sustainable, progressive and the leading oil company in Africa

**AFRICA**
We have a strong track record of successfully supporting African countries develop their oil resources.

**OIL**
We have the experience and core skills to find, develop and monetise high-value oil, to help meet future global demand.

**SUSTAINABLE**
We will create shared prosperity and mitigate our environmental impact as we deliver economic returns.

**PROGRESSIVE**
We will take a progressive and innovative approach to how we plan and deliver our business activities.

## OUR STRATEGIC PRIORITIES

### 1 FINANCING OUR BUSINESS

- Maintaining good financial discipline
- Providing liquidity and headroom to manage oil price volatility
- Managing financial risk through insurance and hedging
- Proactively managing the portfolio at all life cycle stages

### 2 DELIVERING OUR BUSINESS

- Generating free cash flow from low-cost oil production
- Progressing major development projects to grow our production profile

### 3 GROWING OUR BUSINESS

- Adding resources, replacing reserves and pursuing exploration and development opportunities around our asset base
- Targeting three to five high-impact exploration wells a year, to deliver commercial and material light oil discoveries

### 4 LEADERSHIP EFFECTIVENESS

- Maintaining a strong and cohesive leadership to progress our long-term 2030 Vision, deliver value for all our stakeholders and manage unforeseen and critical business activity

## MANAGING OUR RISKS

**OUR PRINCIPAL RISKS:**

| | |
|---|---|
| **Strategy** | >> See page 54 |
| **Stakeholder** | >> See page 55 |
| **EHS and security** | >> See page 55 |
| **Financial** | >> See page 56 |
| **Organisation** | >> See page 57 |
| **Conduct** | >> See page 57 |
| **Cyber security** | >> See page 56 |

## OUR STAKEHOLDERS

Our focus is to create sustainable long-term value for our stakeholders


**OUR INVESTORS:** DELIVERING DIVIDENDS AND CAPITAL GROWTH

**OUR HOST COUNTRIES:** CREATING SHARED PROSPERITY

**OUR PEOPLE:** PROVIDING A GREAT PLACE TO WORK AND DEVELOP CAREERS

## OUR THREE BUSINESSES

# WEST AFRICA

>> See page 24

The West Africa team focuses on Tullow's operated and non-operated producing assets in West Africa. Our European assets are also managed by this team.

- Côte d'Ivoire
- Equatorial Guinea
- Gabon
- Ghana
- United Kingdom*

* UK gas production ceased in 2018 with assets now in decommissioning.

# EAST AFRICA

>> See page 26

The East Africa team is focused on progressing the development of our discoveries in Uganda and Kenya.

- Kenya
- Uganda

# NEW VENTURES

>> See page 28

The New Ventures team is responsible for Tullow's frontier exploration activity across Africa and South America.

- The Comoros
- Côte d'Ivoire
- Guyana
- Jamaica
- Mauritania
- Namibia
- Pakistan
- Peru
- Suriname
- Uruguay*
- Zambia

* Exiting Block 15 exploration licence in March 2019.

## OUR OPERATIONS

### KEY COUNTRIES OF OPERATION

17

Tullow's key operations in Africa are complemented by frontier exploration acreage in South America. Our operations are split into three businesses, outlined to the left.

### LICENCES

87

Tullow's portfolio of licences is balanced between exploration, development and production activities.

### ACREAGE (SQ KM)

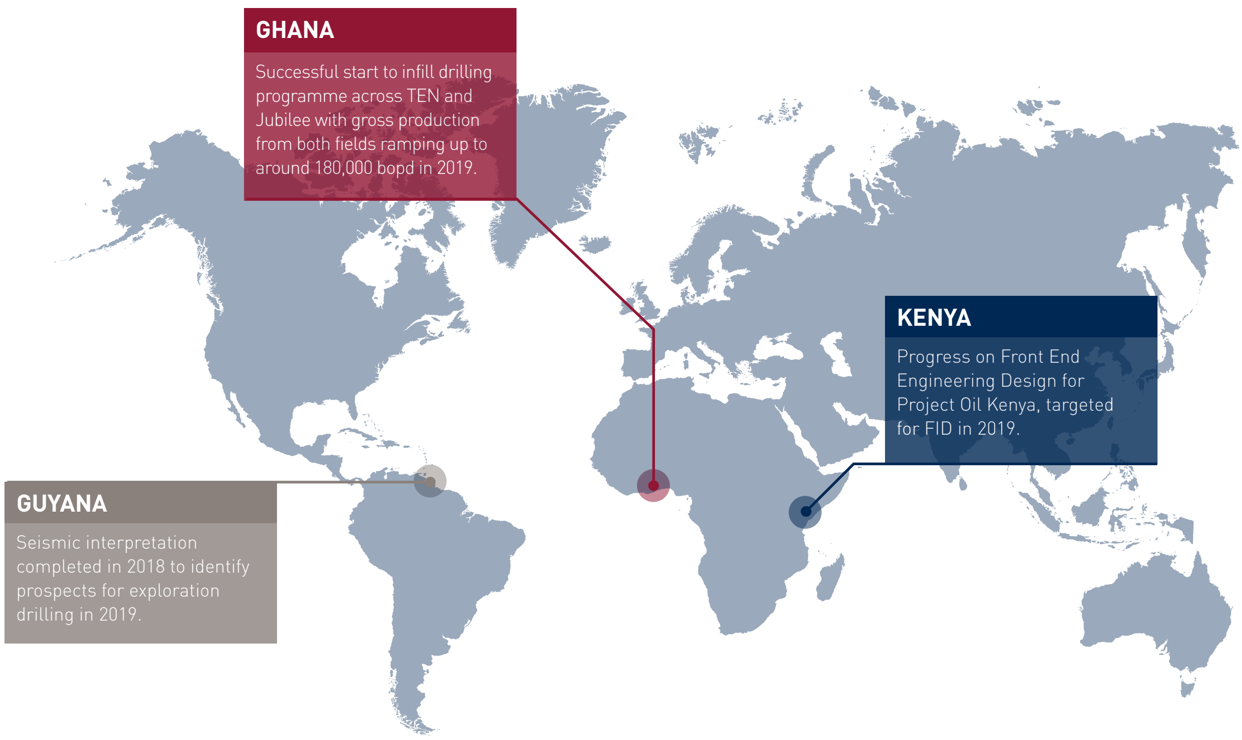
267,649

Our acreage onshore and offshore Africa, and South America, includes highly prospective acreage in Guyana, a key focus in 2019.

### GROUP NET OIL & GAS PRODUCTION

90,000 BOEPD

Tullow's West Africa producing assets performed well in 2018, delivering in line with expectations.



# DELIVERING VALUE FOR ALL STAKEHOLDERS

## A CLEAR CASE FOR INVESTMENT

- Free cash flow generation from producing assets, which through investment replaces, builds and develops reserves and resources.
- Free cash flow used to lower debt, invest in assets and pay no less than $100 million in dividends each year.
- A multi-year exploration programme in emerging basins in both Africa and South America, as well as near-field exploration alongside existing assets in Africa.
- Skilled and experienced people to help meet continued global demand for light oil.
- Established relationships helping to develop opportunities in Africa.
- An attractive partner for African governments and industry peers, due to our track record as an experienced low-cost upstream operator, with proven geological expertise.
- Aligned with our host countries' social and economic goals and growth ambitions.
- Committed to creating shared prosperity for our host countries and shareholders.
- Operational management that meets the highest safety, security and environmental standards.

*"Tullow has long recognised that to be a successful company, particularly in Africa, we need to be aligned to each of our host countries' social and economic growth ambitions."*

*Dorothy Thompson, Chair*

I am excited to be taking on the role of Tullow Board Chair at this time of transition both for Tullow and the sector. As the world makes the transition to a lower carbon future, the oil and gas industry faces unprecedented challenges and opportunities given the critical role that oil plays today in our energy supply. My role as Chair is to lead the Board to help navigate the Company through these transitions. In June the Board approved Tullow's new strategy which addresses some of these challenges and targets attractive opportunities whilst putting sustainability and progressive operations at the heart of how we work. There is strong support for Paul McDade's clear vision and growth agenda for the Company, including an unwavering commitment to creating sustainable value for our investors, our host governments and communities and opportunities for our talented people.

In July, I took over from Chair and Founder Aidan Heavey, who has been the heart and inspiration of Tullow's story since the very beginning. Aidan provided me with great support and advice during the transition of Chair responsibilities and I wish him the very best for the future.

While I am new to the oil industry, through my background in the power sector, including 12 years as Chief Executive of one of the UK's largest power companies, I understand the imperative of providing low-cost, reliable energy. In my first six months as Chair, I have developed my understanding of Tullow's role in contributing to that need, as well as working with the Board to hone Tullow's investment case and growth strategy.

### Values and culture

I was drawn to Tullow as a business because of the Company's strong culture. Tullow has long recognised that to be a successful company, particularly in Africa, we need to be aligned to each of our host countries' social and economic growth ambitions.

We recognise the importance of our people in the Company's success. Our desire to create a stimulating, forward-thinking environment where our people can grow their careers and develop new skills and expertise shows the high regard in which employees are held, which in turn feeds their motivation to drive the business' future success.

Tullow's zero tolerance of bribery and corruption is an area where the Company has built a firm and unwavering reputation locally and internationally. During the year, the Board approved an updated Code of Ethical Conduct which, alongside our Values, provides clear guidance on the expectations and behaviour that are at the heart of our Company's culture.

### Responsible operations

The Company's emphasis on high standards for health, safety and environmental performance has been evident in my visits to each of Tullow's key locations. Upholding these high standards is not only critical to our operational success, but to our reputation with investors and host countries and most importantly to ensuring our staff and contractors go home safely to their families at the end of each day. During an informative and successful Board visit to Ghana in October, I visited the Jubilee FPSO offshore and experienced first hand how Tullow meets the requirements of its policies and standards on safety, environment and social performance.

### Environmental stewardship

I believe that Tullow has an important part to play as an oil company even as the world moves to a low-carbon future. There is no question that the world needs to reduce greenhouse gas emissions. However, the decades of investment that will be required to replace the installed base of assets consuming fossil fuels, against a backdrop of growing energy demand, means there will be a continuing role for oil for some time to come.

Climate change legislation will become an increasingly important factor in determining the price of all fossil fuels and some of the industry's resources may not achieve the commercial thresholds required to be developed. We will ensure our cost of supply is low to accommodate climate taxes and we will work to minimise our own greenhouse gas emissions. The priority for both Tullow and our host governments into the next decade is to use the window of opportunity presented by the discovery of oil to convert natural resource wealth into shareholder value and sustainable and inclusive economic growth for Africa.

### Shared prosperity

Shared prosperity is not a marketing device for Tullow but something deeply embedded in our culture and that is put into operation across the business. We are known for our strong commitment to local participation in our supply chains, for supporting education and skills development in the countries in which we work and for making sure that the infrastructure we need for our operations can be shared by the communities where we work. Nevertheless, this is an area where we intend to be more ambitious going forward.

### Equality and transparency

Inclusion and diversity play a critical part in giving us access to the talent we need to succeed. We are convinced that building a pipeline of African talent will secure the necessary representation of Africans at senior leadership levels that is vital to Tullow's future success. On my appointment as Chair of the Nominations Committee, I began to work with the Directors to evaluate the skills and experience the Board needs to deliver our long-term strategy. We have set out more details of our approach to this area in the Nominations Committee Report. This will help us improve diversity further throughout the organisation in a sustainable and meaningful manner and meet our targets for at least 20 per cent African representation and 30 per cent female representation on the Board by 2020.

### Tullow's investment case

Tullow has made good progress through the recent challenging years and we are now looking forward and setting the framework for our future success.

Our focus is on using our skills and experience to meet ongoing demand for light oil and on drawing on our history and established relationships to develop further opportunities in Africa.

We generate significant free cash flow from our production. Our strategy is to sustainably grow this production through adding and replacing our reserves in existing assets, which have the potential to increase production by 60 per cent to 150,000 bopd, through infill drilling and new developments.

We have a multi-year exploration programme in attractive acreage in emerging basins in both Africa and South America as well as existing assets in Africa.

Our track record as a skilled and experienced low-cost upstream operator, as well as our deep and proven geological expertise, makes us an attractive partner for African governments and industry peers.

We run our business in a financially disciplined way, managing our portfolio and risk in a way that protects value, all backed by operational management that meets the highest safety, security and environmental standards.

The long-term Company strategy, which the Board approved in June, includes our 2030 Vision and comprises four core focus areas: Oil, Africa, Sustainable and Progressive. We have set new, ambitious targets for 2019 for all aspects of our business, but to accelerate momentum towards our vision, we have also set targets for considerable step changes in creating a progressive and sustainable business.

Paul explains our strategy in more detail in his statement. The Board also reaffirmed Tullow's commitment to being a balanced exploration, development and production company, driving growth through a combination of exploration and M&A.

My first few months as Tullow's Chair have confirmed the real strengths of the business and I look forward to leading the Board in implementing our strategy and vision into 2019.

Finally, and most importantly, I would like to thank all of Tullow's people, who work tirelessly and give their very best to help make Tullow a success.

**Dorothy Thompson**
Chair

12 February 2019

*"Making sure that people go home safe and well both physically and mentally every day is a business priority and something we always strive for."*

*Susan Musiime, EHS Adviser*

# A NEW CHAPTER IN TULLOW'S HISTORY

## 2018 HIGHLIGHTS

- Strong revenues of $1.9 billion and free cash flow of $411 million from a solid production base of 90,000 boepd.
- Good progress in East Africa with Final Investment Decisions on our Kenya and Uganda projects targeted in 2019.
- New exploration licences in Côte d'Ivoire and the Comoros; an exciting exploration programme in Guyana to be drilled mid-2019.
- Balance sheet transformed, with net debt reduced to $3.1 billion and 1.9x gearing, providing the financial strength and stability to balance further investment in our assets.
- Final 2018 dividend of $67 million; sustainable dividend policy announced to pay no less than $100 million per annum from 2019.
- New Vision focusing our business on the key pillars of Africa, Oil, Sustainable and Progressive marks us out as a distinctive E&P business and one that can and will deliver value to our host countries, our staff and our investors over the years to come.

*"The substantial efforts we have made to reset the Company, not just in 2018 but over the last three years, have now firmly established Tullow as a balanced, self-funding exploration, development and production company."*

*Paul McDade, Chief Executive Officer*

In 2018 we continued to build on the progress we made in 2017, further strengthening our balance sheet, maintaining cost and capital discipline, delivering our operational targets and continuing to build an exciting exploration portfolio. The substantial efforts we have made to reset the Company, not just in 2018 but over the last three years, has now firmly established Tullow as a self-funding oil company, balanced across exploration, development and production.

2018 was also a year where we defined our vision for the Company into the next decade, to deliver our ambitions for growth. For Tullow to be successful we must balance the broader interests of our three stakeholder groups: our investors, our host countries and their communities, and our people.

While the market in the majority of 2018 saw a stronger oil price, the year closed with a weakening oil price and greater volatility. This uncertainty highlights the critical need for our Company to remain focused on cost and capital discipline. This will allow us to remain competitive and to continue to thrive despite continued volatility.

After last year's changes in executive leadership, in 2018 we have seen changes at Board level with Aidan's retirement and the arrival of Dorothy Thompson as our new Chair. Dorothy brings a wealth of experience and expertise to Tullow and she is already making a real impact both at the Board and across the Company. I am greatly enjoying working with Dorothy as we build on Aidan's legacy and lead Tullow to even greater success.

### A year of delivery

The full-year results show continued strong free cash flow of $411 million, demonstrating our efficient and effective operational delivery, and cost discipline, principles which are now firmly embedded and generating a strong financial performance. We have met the expectations that we set, and I hope that meeting expectations will be a defining characteristic of my tenure as CEO.

In Ghana, following the resolution of the border dispute in late 2017, Tullow lost a case in mid-2018 against Seadrill, where the High Court disagreed with our claim of force majeure on a rig contract, following the drilling restrictions related to the border dispute. We paid Seadrill over $208 million in costs and damages which materially affected our cash flow.

We made significant operational progress with our assets in Ghana in 2018, with the completion of the Jubilee turret repairs and our return to drilling on both Jubilee and TEN, and exited the year at approximately 145,000 bopd (gross), not including production-equivalent insurance payments. The Jubilee Turret Remediation Project (TRP) concluded with the rotation of the FPSO to its permanent position in December 2018. This work avoided a costly multi-year shut-down at the field and the wider implications that this would have had on Ghana and the Jubilee Partners. The highly technically complex work that these teams have achieved has been outstanding and is an industry first. Elsewhere in West Africa we are returning our non-operated production assets to growth, demonstrated by the 160 per cent 2P reserves replacement across this portfolio.

## IAN SPRINGETT

Ian, former CFO and Board Director at Tullow, passed away in January 2019. Ian joined us in 2009 from BP, where he had worked for 23 years, and gave Tullow eight years of much valued service. Ian was a great friend and colleague to many at Tullow and he will be hugely missed.

Our projects in East Africa, which will form a new production hub of ~50,000 bopd, continue to progress towards Final Investment Decision (FID). In Kenya the Early Oil Pilot Scheme is trucking oil to Mombasa and this pilot is providing invaluable technical data. More importantly, the scheme is helping all stakeholders better understand the journey to FID and what it will take to become a major oil exporter in 2022. In Uganda, disappointingly, despite the Joint Venture Partners' best efforts, we did not complete our farm-down of our equity by the end of 2018; however, we continue to work towards this goal in the first half of 2019, and are also targeting FID around the middle of the year.

The focus of our exploration activity in recent years has been to high-grade our exploration portfolio, entering countries and licences where we see potential in the geology and exiting countries that are not aligned to our strategy. These efforts have resulted in an exciting portfolio of exploration assets which have the potential to deliver material growth to the Company. We expect to drill an average of three to five frontier wells in the coming years whilst remaining within a budget of $150 million.

My focus since becoming CEO has been to lay solid foundations for a successful future. We have met production targets; we have significantly reduced our debt; and we have delivered operationally, with drilling in Ghana, completion of the Turret project, progressing our East African projects towards FIDs and resetting our exploration portfolio.

With the balance sheet strengthened and with financial discipline embedded in the business, it is now time for us to focus on growth.

>>
Our business model 14
Our strategy 18

### 2030 Vision

2018 has been a time to reflect and refresh our priorities and vision for the Company to ensure we prosper in a world where priorities are evolving, and a major energy transition is under way. Oil and gas businesses today are under ever growing scrutiny, with expectations now that a company's purpose must be much greater than just delivering economic returns for its shareholders. We need to show how we can deliver sustainable value to our host countries and communities and meet the growing expectations of our people relating to Tullow's broader social purpose. We have developed our 2030 Vision, with its four pillars of Oil, Africa, Sustainable and Progressive, to help ensure that we successfully meet these challenges, whilst positively delivering and balancing the expectations of our investors, host countries and colleagues.

There is a clear need for global action to reduce greenhouse gas emissions but there will continue to be strong demand for low-cost oil as we progress to lower carbon energy supplies. I believe oil will remain a core component of global energy needs to 2030 and beyond, and we have the experience and core skills to meet that need. Our focus will be on finding, selectively developing, producing and selling oil, and commercialising this resource efficiently to maximise benefits for our host countries.

Much of that work will be in Africa, which remains at the heart of our business. We have 30 years of experience and knowledge of working in Africa, have opened three new basins, have deep geological and geographical insights and technical and operational expertise, and have long-standing relationships with governments and communities across Africa and our vision is to build on these significant foundations.

Although Africa is our focus, South America is clearly a very important part of Tullow's portfolio. We have spent years building up acreage positions in countries which are now industry hotspots. The current focus on Guyana provides Tullow with some of the most exciting exploration high-value prospects in our portfolio. South America provides an important 'hedge' to Africa, providing portfolio diversity and balance to our African exploration portfolio.

Sustainability will be a guiding principle in everything we do. Our shared prosperity agenda will continue to support education and skills development in our host countries. We have continued to work to increase local business participation in the supply chain and find ways to use our existing infrastructure plans and projects to benefit the communities where we operate, ensuring we truly share prosperity. Our work on environmental stewardship will seek to reduce, mitigate and offset our environmental impact, especially the carbon emissions generated by our operations. In addition, we will continue to uphold transparency and equality. Some important examples of how we will do this are by publishing Production Sharing Agreements where governments allow us to do so; by promoting equality of opportunity for all our colleagues; and by ensuring that the rights of communities where we operate, particularly marginalised communities, are protected.

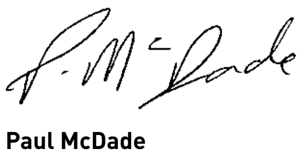
The Progressive pillar of our 2030 Vision reflects our recognition that, in a more challenging external environment, we need to create value by doing things differently. One way in which we are doing this is to make sure our organisation is agile, allowing diverse groups of people to work together dynamically to solve challenges and create new opportunities. We will embrace new and appropriate technology to improve our delivery in areas ranging from administrative tasks, to the management of our offshore facilities.

The success of our vision will depend on the commitment of our colleagues and we are working hard to make sure we use the skills, experience and energy of all our people effectively and offer them the opportunities they need to develop their careers.

### Our growth agenda

While we can look back on a successful 2018, I firmly feel that we have now set a good course for future years with a firm focus on growth. Over the next five years, our priority will be to maximise production and profitability in Ghana and build upon our broader West African producing portfolio. We will grow our production profile by delivering 50,000 bopd net production from our Uganda and Kenya assets. In addition, we will replace and increase resources in our portfolio for future production or monetisation by drilling three to five frontier wells in Africa and South America through a disciplined and carefully screened exploration programme. We will also add reserves and resources in our West and East African business through near-field and infrastructure-led drilling.

All the elements of this strategy will be focused on delivering sustainable value to those most closely interested in our Company: our shareholders, our host countries and our people.



**Paul McDade**
Chief Executive Officer

12 February 2019

*"The Turret Project team has been outstanding, they are pioneers within our industry and we are incredibly proud of their achievement."*

*Kweku Awotwi, Managing Director, Tullow Ghana*

# HOW WE RUN OUR BUSINESS

Tullow draws upon multiple resources and relationships to create value. Our business works across all stages of the oil life cycle from exploration to production. Our focus is on delivering value for all three stakeholder groups: our investors, our host countries and our people.

## OUR RESOURCES AND RELATIONSHIPS

### OUR INVESTORS

TOP 20 INVESTORS HOLDING SHARES IN CIRCULATION

64%

TOTAL DEBT CAPACITY PROVIDED BY PUBLIC DEBT INVESTORS AND A CONSORTIUM OF 19 BANKS

$4.2BN

### OUR HOST COUNTRIES

COUNTRIES OF OPERATION

17

PRODUCING FIELDS

28

BOEPD OF PRODUCTION*

90,000

* includes insurance barrels from lost production.

### OUR PEOPLE

PEOPLE WORKING FOR TULLOW

990

## OUR VALUE LIFE CYCLE

Our work across the life cycle delivers long-term sustainable growth

### FIND

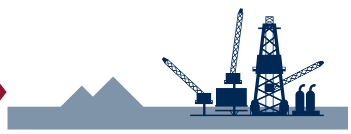
Through targeted exploration in Africa and South America we find oil, to build reserves and resources, to sell in the ground, or to develop for future production. We aim to build the best inventory of prospects for drilling, managing risk exposure and readiness to take advantage of New Venture opportunities.

**Link to KPIs**
- Growing our business: New Ventures

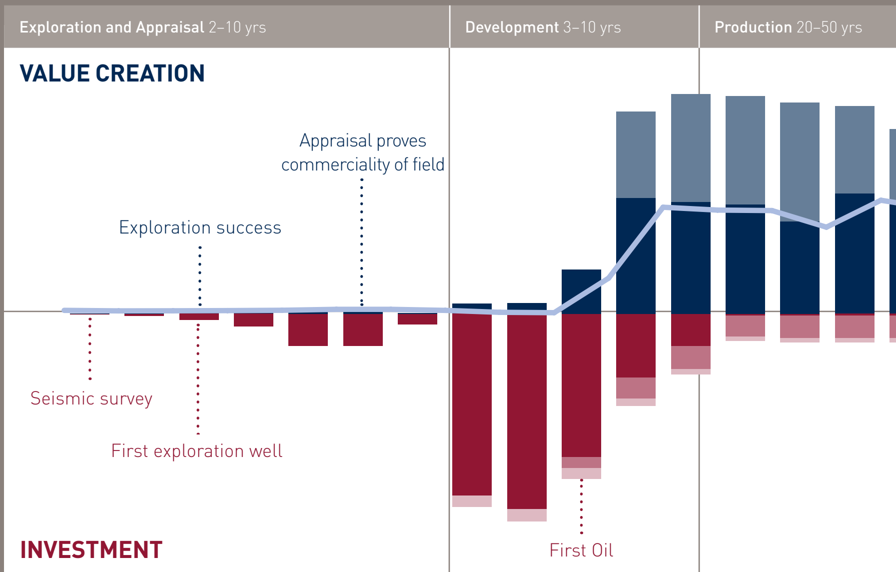
### DEVELOP

We are focused on appraisal and development with clear plans for monetisation. We invest in high-return, near-field wells, drilled adjacent to our producing assets. We are developing significant discoveries in Kenya and Uganda, which will add ~50,000 bopd to net production, targeting FID in 2019, and then moving promptly to First Oil.

**Link to KPIs**
- Growing our business: East Africa



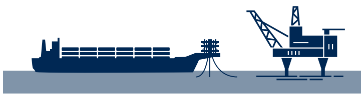
## CREATING SUSTAINABLE BENEFITS



## PRODUCE

We have focused production plans with clear routes to revenue-generating objectives and are investing in in-field drilling programmes to increase and extend production plateau across our producing assets in West Africa.

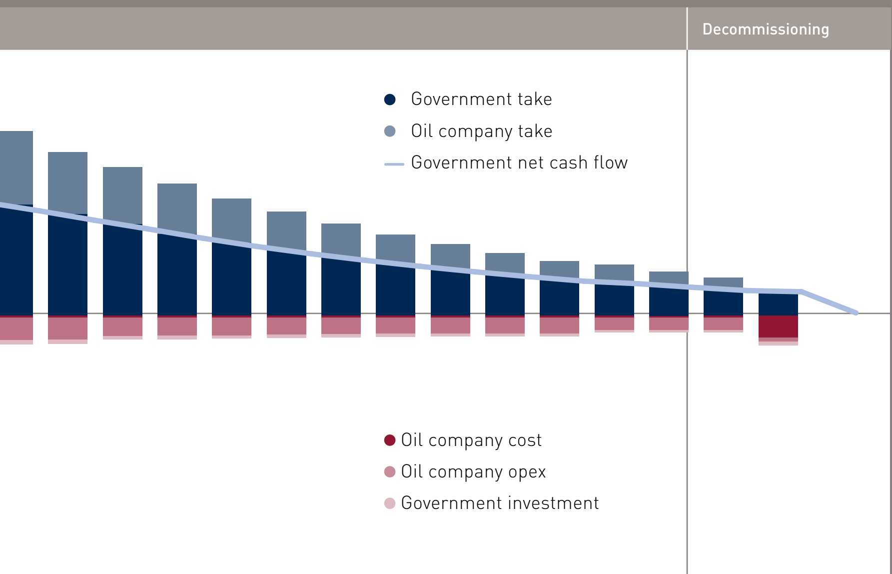
Link to KPIs
- Growing our business: West Africa



# OUR BUSINESS

As a self-funded E&P business, we allocate capital across our three priorities: continuing to pay down debt, investing in our business and creating returns for shareholders, including through a sustainable dividend policy. Our portfolio management activities also generate further sources of capital to deliver these three objectives.

Link to KPIs
- Strategic financing
- Organisational effectiveness
- Leadership effectiveness




# CREATING VALUE FOR STAKEHOLDERS

## OUR INVESTORS

FREE CASH FLOW

$411M

DIVIDEND POLICY OF NO LESS THAN

$100M PA

## OUR HOST COUNTRIES

PAYMENTS TO GOVERNMENTS

$432M

SPEND WITH LOCAL SUPPLIERS

$283M

## OUR PEOPLE

EMPLOYEES AWARDED SHARES

99%

RESPONSE RATE TO STAFF ENGAGEMENT SURVEY

90%

# REVIEWING EVOLVING MARKETS

## OIL PRICE

Global oil supply and demand are currently around 100 million bopd. Oil supply responds most quickly to price through modulation of production, when necessary, by key OPEC and other major producer countries, and through the US oil shale industry where, in the absence of continuous investment, production from fractured reservoir wells declines sharply within months. Supply from conventional production also declines without infill investment but much more gradually. Oil demand growth is generally driven by GDP but is concentrated regionally in emerging economies and in the petrochemical and transport fuel sectors.

In 2018, Brent prices approached and briefly exceeded $70/bbl in January. After a brief retracement, prices increased steadily until May when Brent reached $80/bbl on President Trump's decision to impose sanctions against Iran, as well as disruption to supply in Nigeria. By July, Brent was back at $70/bbl as oil demand fell and traders saw that Saudi Arabia and Russia were willing to increase output to cap price upside. Crude prices peaked in October at a two-year high of $86/bbl as the expected impact of sanctions on Iranian oil grew. The subsequent weakening of prices reflected OPEC's decision to increase output in September to offset the anticipated fall in Iranian production, as well as a weaker OPEC and IEA consumption outlook, and the US decision to continue allowing eight countries to import Iranian oil for six months. The fourth quarter was an oil bear market, with crude dropping over 30 per cent to a year-end low, marginally above $50/bbl. The declines, initially a response to the US reliefs from sanctions on Iranian oil, were compounded as demand growth estimates were reduced on economic uncertainty, especially around the US–China trade outlook. Traders are expecting continued price volatility over 2019, given limited spare production capacity, weighed against an uncertain economic growth outlook and potential for political interventions. Beyond that, the implementation of IMO 2020 regulations is expected to drive higher demand for diesel and low-sulphur heavy oil.

Tullow mitigates the risk of oil price volatility through a prudent hedging programme. Hedging delivered $850 million of revenue during the recent downturn (2015–2017), and in 2019, we have 60 per cent of our production protected at a floor price of ~$56/bbl, while 75 per cent remains exposed to higher oil prices (compared to around 60 per cent in 2018), and 25 per cent of production is capped at around $80/bbl. This, together with low operating costs per barrel, flexible capital expenditure and strong liquidity, ensures our business remains robust during unpredictable markets and is competitive as decarbonisation accelerates.

## TRANSITION TO THE LOW-CARBON ECONOMY

Governments and investors continue to be focused on providing affordable, low-carbon energy to a growing population, whilst limiting global warming to below 2 degrees. 2018 saw a successful COP24 in Poland agree the elements of the 'rulebook' for putting the 2015 Paris Agreement into practice, including how governments will measure, report on and verify their emissions-cutting efforts. By 2020, countries must show they have met targets set a decade ago for cutting their emissions, and affirm new, much tougher targets. The investment community's focus on climate continued to gain momentum, with experts citing 2018 as the year that climate disclosure entered the 'mainstream', with 500+ companies expressing support for the Task Force on Climate-related Financial Disclosures' recommendations.

In the period to 2035, oil and gas is likely to remain close to 60 per cent of the energy mix, with natural gas as a key bridge fuel. Renewable energy supply compound average growth rates of 8–10 per cent per year are forecast for the foreseeable future with the main renewable energy technologies being cost competitive with fossil fuel equivalents in many parts of the world (and sometimes cheaper). Finally, oil demand is forecast to peak around 2035, although if policies tighten, some believe this peak will be brought forward. This makes resetting costs and prices through modernisation and digitalisation key factors in retaining competitiveness throughout this transition.

Tullow recognises that evolving legislation aimed at reducing GHG emissions may, over time, have an impact on demand/prices. We are actively seeking to anticipate and respond to this change, for example by applying notional carbon pricing to test the viability of major capital projects for Full Field Developments.

The process for calculating the net present cost of GHG emissions over the lifetime of new projects is set out in our Integrated Management System Investment Appraisal Standard, making it an integral part of Tullow's financial appraisal process for new developments.

We are committed to adopting a business strategy that is responsive to applicable legal and regulatory changes designed to address climate. Tullow's IMS Non-Technical Risk Standard requires that for all new developments, greenhouse gas emissions are estimated over the lifetime of the project. We calculate the net present cost of these emissions using a shadow carbon price of $40/te of $CO_2$ equivalent emissions, in line with industry standards.

## AFRICAN ECONOMIC AND POLITICAL OUTLOOK

We set out below an overview of the economic and political outlook in our countries of operation.

### Ghana

The 2019 budget, presented in November, shows renewed government confidence after several difficult years following the balance of payments crisis in 2014–2015. The recent rebasing of the economy and stronger oil receipts in 2018 have created space for more expansive fiscal policy; government expenditure will rise in 2019 to support delivery of its ambitious social and economic development plans.

Higher aggregate oil prices, increasing liquids production and the launch of Ghana's first competitive exploration licensing round are also sparking renewed confidence in the oil sector. Petroleum revenues are playing a key role in servicing Ghana's external debt and in financing the country's flagship free Senior High School programme.

However, investor confidence remains fragile and market appetite for emerging market risk is more volatile. With the imminent end of the IMF emergency support programme (in March 2019), capital markets will insist that the Government continues to show probity in managing its accounts and delivering its public investment commitments while maintaining the country's attractiveness to foreign direct investors in dollar-generating sectors like oil and gas.

### Kenya

The March 2018 'handshake' between President Kenyatta and long-time opponent Raila Odinga drew a line under the disputed 2017 election. This allowed a shift in political focus to issues of governance and development. 2019 is likely to be dominated by the findings of Odinga's 'Building Bridges' initiative. This is intended, among other things, to reduce the probability of a disputed or violent electoral transition in 2022, when Kenyatta will stand down.

While political tensions have eased and growth is relatively robust, revenue generation will continue to lag ambitious spending plans into 2019. The Central Bank of Kenya has voiced concerns about the available headroom for public financing of Kenya's twin deficit and public investment programme.

This should translate into renewed government focus on the delivery of Project Oil Kenya, to secure future revenue streams without large-scale public financing. Rapid decision making will be key here, given the potential for the widely expected constitutional reform to require government attention and resources over the next year.

### Uganda

The Ugandan economy is expected to expand more strongly in 2019 after five years of sub-par growth. However, revenue generation to meet spending commitments remains challenging, especially in light of the Ugandan Government's policy of avoiding borrowing from international capital markets. Long-term oil production from the Lake Albert fields could underpin government revenue and development plans for the decade ahead creating a strong incentive for facilitating a 2019 FID.

The political landscape in 2019 may also ease somewhat after the youth protests in Kampala against perceived harassment of the opposition, the rising cost of living and security force misconduct. The Government has taken some important first steps to address these issues but perceived inequality of opportunity and new charismatic youth leadership are likely to reshape the political landscape into the 2020s.

### Gabon

Gabon saw an uncertain start to 2019, due to concerns about President Ali Bongo's health, raising questions about an earlier than expected political transition. The economic outlook seems more certain with economic growth expected to rise to 5.1 per cent in 2019. Although public finances are yet to be restored to full health, substantive reforms have been positively received by the IMF.

There has also been significant progress towards restoring the attractiveness of Gabon's mature oil industry. The finalisation of the new hydrocarbons code, now awaiting legislative approval, is a very positive step. The launch of a new licensing round in late 2018 should also encourage higher levels of IOC interest.

### Côte d'Ivoire

Over the past 18 months, the Ivorian Government has awarded more than a dozen open licences to IOCs and juniors. This is an important step in the revival of Côte d'Ivoire as a major West African exploration frontier. Leadership at the Ministry of Energy changed in December 2018, but the Government's commitment to finding the next generation of oil and gas fields is unlikely to change.

Politically, the country has remained among the most stable in the region, though a period of uncertainty is beginning, ahead of the 2020 election. President Ouattara is due to stand down and this has prompted a significant and ongoing realignment of parties and leaders that is likely to dominate political activity in 2019.

### Equatorial Guinea

The IMF estimated that Equatorial Guinea's economy contracted for the fifth successive year in 2018, due to falling hydrocarbon production, weak oil and gas prices and the resulting reduction in government capital investment. Its response to rapid decline in hydrocarbons output has been pragmatic and focused. New exploration licences have been awarded and the Government is seeking partners to invest in mature fields with a focus on boosting production and reducing costs. Politically, the country has remained largely stable during the downturn, but there is some uncertainty linked to the leadership transition expected in the years ahead.

# OUR CORE FOCUS ON VALUE CREATION

Tullow continues to reduce debt, whilst investing in high-return growth opportunities in its low-cost, long-life asset base. This, in combination with pursuing inorganic growth opportunities and delivering a sustainable dividend to shareholders, ensures value creation for all stakeholders.

| STRATEGIC PRIORITY | DESCRIPTION | PROGRESS MADE IN 2018 | |
|---|---|---|---|
| 1 FINANCING OUR BUSINESS | We run our business in a financially disciplined manner. Reducing the cost and size of our debt facilities, whilst maintaining liquidity to finance our business, was the core focus of 2018, the delivery of which was supported by an embedded cost-conscious culture. | Since 2015, we have reduced our cost base and absolute level of debt. Net debt reduced by 36 per cent over the last two years to $3.1 billion in 2018. Tullow cancelled the Revolving Credit Facility (RCF), before its maturity, saving costs from reduced fees. Overall, finance costs decreased by $23 million, from $352 million to $329 million in 2018. | **FINANCE COST SAVINGS** $23M<br>**2018 NET DEBT REDUCED BY** 12% |
| 2 DELIVERING OUR BUSINESS | Key to the delivery of safe and efficient operations is low-cost production; prudent capital expenditure to maintain production from our assets; keeping our people and contractors safe and well; delivery of key operational projects; and ensuring we run our organisation effectively. | Successful tie-in of four new wells in Ghana with producers meeting or exceeding expectations.<br>Also in Ghana, the rotation of turret on the Jubilee FPSO completed the critical, penultimate milestone on the TRP.<br>Kenya's Early Oil Pilot Scheme (EOPS), designed to truck up to 2,000 bopd to Mombasa, was successfully initiated. | **EOPS DELIVERING UP TO** 2,000BOPD<br>**WELLS DRILLED IN GHANA** 4 |
| 3 GROWING OUR BUSINESS | Our strategic priority in 2018 was to grow and sustain production from our Ghana business and access new exploration acreage; in Central & West Africa, to grow our reserves and resources profile; in East Africa to progress our major development projects, which will increase our low-cost production base by over 50 per cent; and to high-grade our exploration portfolio, adding new attractive acreage whilst managing our equity exposure. | In Ghana, Expressions of Interest were made for the new exploration acreage, marketed by the Government of Ghana. Our non-operated CWA business was successful in adding significant reserves and resources to the portfolio. In East Africa, we passed a major gate review for our Kenya project and in Uganda progressed the technical elements of the project. In New Ventures, we acquired 1,300 sq km in new licence acreage in onshore Côte d'Ivoire (CDI). | **CWA 2P RESERVES ADDED** 12.5MMBOE<br>**CDI ACREAGE ACQUIRED** 1,300SQ KM |
| 4 LEADERSHIP EFFECTIVENESS | The new Executive Team was established in April 2017. In 2018, leadership effectiveness was introduced to recognise the importance of strong leadership in managing unforeseen and critical business activity. | The team has conducted four offsites to review its own performance, including input from a 360-degree feedback, as well as to debate and align approach to strategic issues. In 2018, the Executive Team spent time developing the 2030 Vision for the Company. | **VISION DEVELOPED** 2030 |

# DELIVERING ON OUR COMMITMENTS

Our balanced scorecard is made up of key performance indicators (KPIs), measuring our performance across a range of operational, financial and non-financial measures.



Tullow's balanced scorecard is central to our approach to performance management and the 2018 indicators were agreed in advance with the Board. Each year, targets within the scorecard may change to reflect the most material strategic objectives and associated risks the Company faces, as well as measures to deliver on the longer-term strategy of the Company. Tullow's performance against the Group scorecard is tracked regularly and reviewed at monthly and quarterly performance management meetings, which are attended by the Executive Team members. The Group's ongoing performance is cascaded quarterly to staff through management briefings and internal communications.

The scorecard is used to determine Executive Directors' and employees' performance-related pay to ensure that all areas of the business are driving towards the same goals. Executive Directors' and Executive Vice Presidents' performance is judged solely on the delivery of the targets set in the Group scorecard, whereas all other permanent employees' bonuses are based on a combination of individual and Group performance.

For 2018 a decision was taken to amend the Group scorecard so that it focused on: financing our business, delivering our business, growing our business and leadership effectiveness.

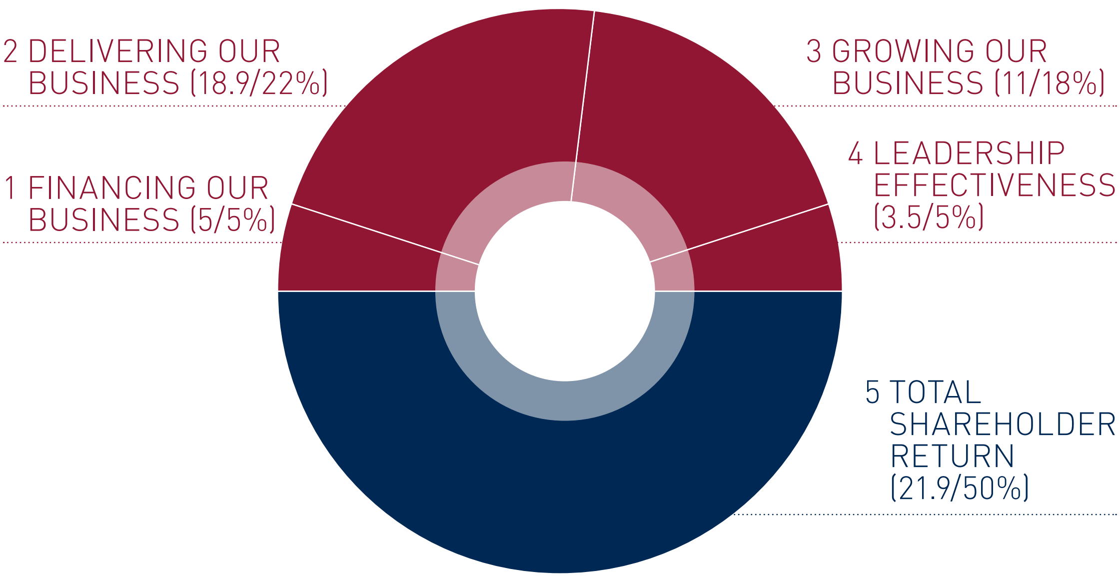
Each objective measured has trigger, base and stretch performance targets. In 2018, we had strong performance in the management of our business and delivery against the key targets of operating safely, producing effectively, pursuing growth whilst maintaining liquidity, sustaining free cash flow and retaining appropriate internal financial discipline. Tullow's performance from its business KPIs was 38.4 per cent, from an available 50 per cent.

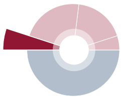
Total Shareholder Return tracks our performance against 17 comparator peers, over a three-year period. For 2018, our share price in the fourth quarter of 2015 was compared to the fourth quarter of 2018 and referenced against our comparator group. Over this period we ranked 8/18, which is above the median, and therefore scored 21.9 per cent out of the possible score of 50 per cent.

>>
Remuneration Report 83

KPIs linked to Executive remuneration

**2018 BALANCED SCORECARD**





## 1 FINANCING OUR BUSINESS

### STRATEGIC FINANCING
**SCORE** 5/5%

**FACILITY HEADROOM AND FREE CASH AT YEAR END**
KPI

$1BN

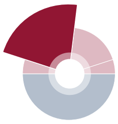
**Measure**
Maintaining sufficient liquidity to deliver our business plan and reducing our absolute levels of debt are critical measures of our financial health as a business.

**Performance**
We achieved our target by reducing net debt and gearing from $3.5 billion and 2.6x (net debt to adjusted EBITDAX) to $3.1 billion and 1.9x respectively. Debt maturities were extended with issue of $800 million of senior notes combined with the cancellation of the RCF, our Reserves Based Lending facility headroom and free cash available at $1 billion.

**LINK TO RISK**
Our ability to deliver our 'Financing our business' KPI is dependent on our ability to appropriately manage our strategy and financial risks.

**>> Link to principal risk**

| | |
|---|---|
| Strategy risks | 54 |
| Financial risks | 56 |

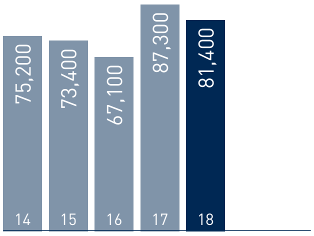



## 2 DELIVERING OUR BUSINESS

### PRODUCTION
**SCORE** 4.3/5%

**WORKING INTEREST PRODUCTION**
KPI

+81KBOEPD




**Measure**
Production from our Ghana and non-operated assets is the key revenue stream for the business.

We targeted a net production of 72–83,000 boepd in 2018.

**Performance**
Production performed well throughout 2018 at 81,400 boepd and is above base target of 77,500 boepd. Production across most of Tullow assets exceeded budget.

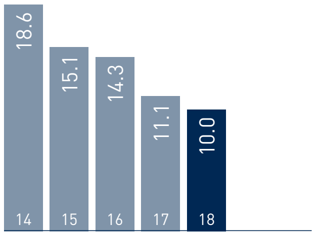
**>> Link to principal risk**

| | |
|---|---|
| EHS or security risks | 55 |
| Stakeholder risks | 55 |


### OPERATING EXPENDITURE PER BARREL
**SCORE** 1/1%

**CASH OPERATING COST**
KPI

$10.0/BOE




**Measure**
The operating cost associated with our producing assets is a measure of how efficient and ultimately profitable our producing assets are. We targeted our opex per barrel to between $10.3–$11.9 in 2018. We calculate our operating costs per barrel by dividing operating costs, including TRP related insurance receipts, by the Group's production.

**Performance**
Opex/boe for 2018 was $10.0/boe. This beat our stretch target for 2018.

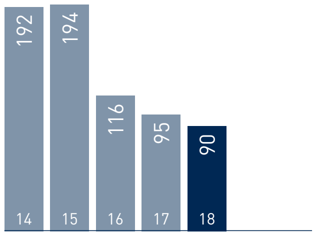
**>> Link to principal risk**

| | |
|---|---|
| Financial risks | 56 |
| Stakeholder risks | 55 |


### NET GENERAL & ADMINISTRATIVE COSTS
**SCORE** 1/1%

**NET G&A**
KPI

$90M




**Measure**
Maintaining lean running costs of the business, which include staff payroll and office lease costs, is critical to the profitability and efficiency of our business. Net G&A is the Company's corporate costs that are not offset against licence activity.

We targeted limiting our net G&A to between $95–$109 million in 2018.

**Performance**
Net G&A for 2018 was $90 million. This beat our stretch target for 2018.

**>> Link to principal risk**

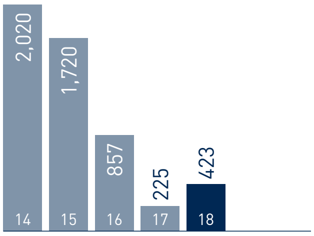
| | |
|---|---|
| Financial risks | 56 |
| Stakeholder risks | 55 |


**LINK TO RISK**
Our ability to achieve our 'Delivering our business' KPI is dependent on our ability to appropriately manage our strategy, financial, EHS or security, stakeholder and organisation risks.

# CAPITAL INVESTMENT
**SCORE** 1/1%

### CAPITAL INVESTMENT
KPI

$423M

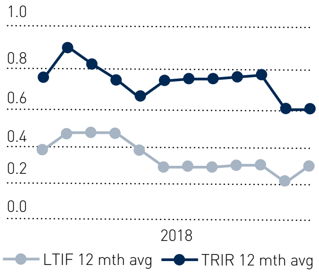



### Measure
Prudent capital expenditure is required to maintain and grow our business. Our capital investment was split across investing in our West African producing assets, progressing our development projects in East Africa and our exploration portfolio in our New Ventures business. We targeted limiting capex to a range of $426–$490 million in 2018.

### Performance
Capex (excluding Uganda costs covered by deferred considerations) was $423 million. This beat our stretch target for 2018.

# SAFETY, ENVIRONMENT & SUSTAINABILITY
**SCORE** 3.5/5%

### LOST TIME INJURY, TOTAL RECORDABLE INJURY
KPI




### Measure
Protecting our people, contractors, communities, facilities and the environment impacted by our activities ensures we work safely and sustainably and maintain our good reputation. We measure this KPI through process safety events, asset integrity, lost time injury frequency (LTIF), number of malaria cases, resolution of community grievances, appropriate spend levels of our goods and services budgets with local suppliers and fulfilling our ESIA mitigation obligations.

### Performance
Over the course of 2018, we had three lost time injuries. These were all finger injuries on the FPSO, some of which were as a result of dropped objects.

# DELIVERY OF OPERATIONAL PROJECTS
**SCORE** 5/5%

### OFFSHORE HOURS EXECUTED ON TRP
KPI

89,000

### Measure
This KPI is split between delivering the Turret Remediation Project (TRP) stabilisation programme, including FPSO rotation and final spread mooring; delivering the Ghana drilling and completions programme; progressing the Kenya Early Oil Pilot Scheme, with production and transportation of oil commencing from Ngamia; and New Ventures operational programmes, including drilling the Cormorant well offshore Namibia.

### Performance
In Ghana, the TRP neared completion with the Jubilee turret bearing successfully rotated 69 degrees, with no impact on production.
The permanent spread mooring installation began in December 2018 and will be implemented in Q1 2019.
Also in Ghana, on Drilling and Completion Programmes, a two-rig drilling programme safely conducted operations throughout 2018, successfully drilling a total of four wells across TEN and Jubilee.
In Kenya, the Early Oil Pilot Scheme is trucking 2,000 bopd per day.

# ORGANISATIONAL EFFECTIVENESS
**SCORE** 3.1/4%

### COMPLETION OF CODE OF ETHICS TRAINING
KPI

100%

### Measure
This KPI incorporates making progress against our Inclusion and Diversity programme, making continuous improvements in our engagement with staff; achieving a significant and sustainable change in our people development culture; and demonstrating an improvement in our Ethics and Compliance performance and in our information system compliance.

### Performance
Targets to improve the representation of women and Africans in our Senior Management were agreed by the Board. An improvement in staff engagement was recorded in our biennial staff survey. We drove a material and measurable change in how we approach people development. The revised Code of Ethical Conduct was launched, and the online certification achieved 100 per cent completion. Information System e-training has shaped or increased cyber-attack awareness and phishing reporting.

## LINK TO RISK
Our ability to achieve our 'Delivering our business' KPI is dependent on our ability to appropriately manage our strategy, financial, EHS or security, stakeholder and organisation risks.


>> Link to principal risk

| | |
|---|---|
| Strategy risks | 54 |
| Financial risks | 56 |

>> Link to principal risk

| | |
|---|---|
| EHS or security risks | 55 |
| Stakeholder risks | 55 |

>> Link to principal risk

| | |
|---|---|
| EHS or security risks | 55 |
| Stakeholder risks | 55 |

>> Link to principal risk

| | |
|---|---|
| Organisation risks | 57 |
| Stakeholder risks | 55 |

# 3 GROWING OUR BUSINESS

## WEST AFRICA
**SCORE 4/6%**

### RESERVES REPLACEMENT IN CENTRAL WEST AFRICA
KPI

+160%

#### Measure
We targeted increasing and sustaining increased production from our Ghana assets in 2018; we also targeted securing material value growth opportunities in West Africa, including growing production from our non-operated assets in Gabon and submitting applications to the exploration licensing bid rounds in Ghana.

#### Performance
Production from Ghana exceeded our target, with two rigs delivering four completed wells, including two production wells and a water injector at Jubilee and another production well at TEN. This performance facilitated growth in 2018 TEN oil production of c.8,500 bopd (net), and will deliver material additional production from 2019. Our non-operated portfolio is producing as expected, and has reversed years of decline in reserves and resources. 12.5 MMboe have been added to 2P reserves, representing 160 per cent reserves replacement.

## EAST AFRICA
**SCORE 3/6%**

### KENYA PHASE 1 COMPLETE
KPI

FEED

#### Measure
In Kenya our target was to work towards commercialising the Kenya investment, maximising the asset value and progressing the ESIAs and Front End Engineering and Design (FEED). In Uganda our target was to complete the Sales and Purchase Agreement for the farm-down of equity to Joint Venture Partners CNOOC and Total and to achieve FID.

#### Performance
In Kenya, successful completion of the 'Select to Define Gate' took place and the ESIAs for the upstream and midstream projects are ongoing, in parallel with the FEED. Both the upstream and midstream Phase 1 FEED is complete, with FEED Phase 2 due for completion by end Q1 2019. The Uganda farm-down did not complete as expected by the end of 2018.

## NEW VENTURES
**SCORE 4/6%**

### VALUE GENERATED FROM FARM-DOWNS
KPI

$45M*

* Includes transactions entered into in 2018 that are pending government approval and include expected savings from 2019 work programmes.

#### Measure
Our target was to access commercially attractive acreage whilst actively managing equities in our existing acreage. In addition, we have been maturing commercially attractive prospects to build future drilling campaigns for testing in 2019/20. Our objective for the wildcat Cormorant well offshore Namibia was to discover oil.

#### Performance
We secured new licences in Côte d'Ivoire and Suriname and increased equity in licences in Guyana and Suriname. Tullow has exited Greenland and Ethiopia and is progressing on the Pakistan exit plan. Over $45 million of value has been generated for the Group through farm-down deals entered into in 2018, attracting quality partners. Good progress was made in maturing prospects in Guyana. The Cormorant well (Namibia) was delivered safely and to budget, but did not encounter any hydrocarbons.

### LINK TO RISK
Our ability to deliver our 'Growing our business' KPI is dependent on our ability to appropriately manage our strategy, financial and stakeholder risks.

>> Link to principal risk

| | |
|---|---|
| Strategy risks | 54 |
| Financial risks | 56 |

>> Link to principal risk

| | |
|---|---|
| Strategy risks | 54 |
| Stakeholder risks | 55 |

>> Link to principal risk

| | |
|---|---|
| Strategy risks | 54 |
| Stakeholder risks | 55 |

# 4 LEADERSHIP EFFECTIVENESS

## LEADERSHIP
**SCORE 3.5/5%**

### EXECUTIVE FEEDBACK SOUGHT

360°

#### Measure
This KPI qualitatively assesses the effectiveness and cohesion of the Executive Team, and evaluates its demonstration of leadership and ability to manage unforeseen matters throughout the year.

#### Performance
The following was factored in the scoring:

- clarity of purpose, setting the right tone and staff engagement;
- legal dispute resolutions (Seadrill);
- business resolutions;
- Turret Remediation Project; and
- government/stakeholder relationships.

### LINK TO RISK
Our ability to deliver our 'Leadership effectiveness' KPI is dependent on our ability to appropriately manage our organisation and conduct risks.

>> Link to principal risk

| | |
|---|---|
| Organisation risks | 57 |
| Conduct risks | 57 |

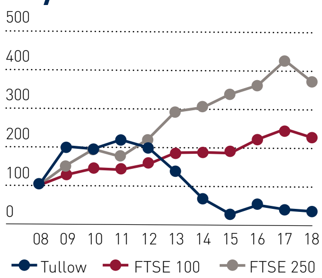
## 5 TOTAL SHAREHOLDER RETURN

TOTAL SHAREHOLDER RETURN

**SCORE** 21.9%/50%

**TULLOW SHARE PRICE PERFORMANCE**

8/18 PEER GROUP




### Measure

Our purpose is to build long-term sustainable value resulting in returns to our investors, as well as host countries and employees. Tullow measures TSR over a three-year period relative to 18 European and US E&P peers, and the measure of performance incorporates share price change and any relevant dividends paid by each company over a three-year performance period. TSR performance is calculated as the percentage change in the average daily Return Index (Thomson Reuters Datastream) from the final three months of 2015 to the final three months of 2018.

### Performance

Tullow ranked eighth in a peer group of 18 companies, which triggered a score of 21.9 per cent. This performance is ranked with the TSR performance of the peer group to determine relative TSR. The TSR performance factor is 0 per cent for below median performance and increases on a straight-line basis from 25 per cent at median to 100 per cent for top quartile performance.

### LINK TO RISK

Our ability to deliver our 'Total Shareholder Return' KPI is dependent on our ability to appropriately manage our strategy and financial risks.


**>> Link to principal risk**

| | |
|---|---|
| Strategy risks | 54 |
| Financial risks | 56 |


## 2019 BALANCED SCORECARD

Financial, operational and business development targets will again be included in the 2019 Scorecard. To support delivery of our longer-term 2030 Vision, new KPIs to deliver progress against 'Progressive' and 'Sustainable' have been included.

A summary of the 2019 Scorecard targets is listed below:

### DELIVERING OUR BUSINESS (15%)

Targets relating to EHS, production, financing, capex, opex, net G&A, projects and operational delivery.

### GROWING OUR BUSINESS (20%)

Deliver growth activities relating to West Africa, East Africa and New Ventures.

### PURSUING OUR VISION (15%)

- **Progressive:** Creating a plan to build a more progressive organisation, driving innovation and process improvement.
- **Sustainable:** Demonstrating a measurable improvement in our approach to shared prosperity, environmental stewardship, equality and transparency and responsible operations.
- **Leadership effectiveness:** Considering the effectiveness of leadership in managing critical business activity and unforeseen events throughout the year.

### TOTAL SHAREHOLDER RETURN (50%)

Generating share price growth and sustainable dividends for our shareholders.

# WEST AFRICA

Tullow's West Africa business continues to underpin the Group with strong production performance across all our assets. The TEN fields and the West African non-operated business outperformed substantially in 2018 and with further growth in production to come in 2019, this business is well-positioned to deliver on its full potential.

*"Tullow's West Africa business continues to underpin the Group with strong production performance across all our assets."*

*Gary Thompson, Executive Vice President, West Africa*

## PRODUCTION

Tullow's West Africa oil assets performed strongly in 2018 and delivered net production of 88,200 bopd. This includes production-equivalent insurance payments of 8,600 bopd received under Tullow's corporate business interruption insurance. Working interest gas production averaged 1,800 boepd giving overall Group net production of 90,000 boepd.

In 2019, overall working interest oil production, including production-equivalent insurance payments, is expected to increase and is forecast to average between 93,000 and 101,000 bopd. Working interest gas production from TEN is expected to average 1,000 boepd.

Overall Group net production is therefore expected to be in the range of 94,000 to 102,000 boepd.

## WEST AFRICA

### Ghana

#### Drilling programme

Tullow returned to drilling in Ghana in 2018 following the conclusion of proceedings at the ITLOS tribunal in Hamburg in September 2017 and after gaining Government approval of the Greater Jubilee Full Field Development Plan. Tullow began a new drilling programme in March with the Maersk Venturer and a second rig, the Stena Forth, was contracted during the year to work alongside the Maersk Venturer. The second rig was contracted for an initial three-well campaign with flexible extension options reflecting conditions in the rig market which continue today. The Stena Forth began drilling in October 2018 and the additional rig capacity enabled Tullow to carry out simultaneous drilling and completion activity, allowing the tie-in of new wells to be brought forward. The results from this programme, which was completed within budget, were in line with, or exceeded, pre-drill expectations.

In 2019, Tullow expects to drill and complete seven new wells across the TEN and Jubilee fields allowing gross oil production from Ghana to rise to around 180,000 bopd.

#### Jubilee

Gross production for 2018 averaged 78,000 bopd (net: 27,700 bopd) which increases to 36,300 bopd (net) after including 8,600 bopd of net production-equivalent insurance payments. Production from Jubilee was slightly lower than expected. This was due to downtime related to work on the gas compression system in the first half of 2018 and some minor facilities issues towards the end of the year, which have since been resolved. Over the year, two new Jubilee production wells, J51-P and J53-P, were drilled and successfully met all pre-drill expectations. The completion of a water injector, well drilled during the previous campaign, was also carried out. These wells were brought on stream in the second half and are accessing highly productive parts of the reservoir.

Tullow expects 2019 average gross oil production from the Jubilee field to increase to around 96,000 bopd (net: 34,000 bopd). Tullow's corporate business interruption insurance is expected to provide around 1,000 bopd of net production-equivalent insurance payments, resulting in expected total 2019 Jubilee full-year net production of around 35,000 bopd.

### Turret Remediation Project

The Turret Remediation Project is close to completion. This pioneering and unique project, which included the first ever remediation of this type at sea, required the FPSO Kwame Nkrumah to be shut down twice in the first half of 2018 for work to stabilise the turret bearing for periods of 19 days and 21 days respectively. In December 2018, the FPSO was successfully rotated to its new heading of 205 degrees and subsequently spread-moored.

The JV Partners have also agreed to install a Catenary Anchor Leg Mooring (CALM) buoy for offtake from the FPSO and a contract award has been made. The installation of the CALM buoy is likely to take place in 2020 and is not expected to affect production.

### TEN

The TEN fields performed well in 2018, with gross production averaging 64,500 bopd (net: 30,400 bopd) reflecting good results from the drilling programme. The first additional Ntomme well, NT05-P, was successfully drilled in the first half of the year and started producing in August 2018. A second new producer, EN10-P, is currently being completed and is expected to be online in February.

Tullow expects 2019 gross oil production from the TEN fields to average around 83,000 bopd (net: 39,000 bopd). Tullow is confident of this growth in production following strong performance in 2018, good results from recently drilled wells in both the Ntomme and Enyenra fields and production testing that has seen the TEN FPSO deliver in excess of its design capacity. The forecast includes a two-week shut-down of the TEN FPSO for routine maintenance which is currently scheduled for the second quarter of 2019. Gross gas production is expected to be around 2,100 boepd (net:1,000 boepd).

### Exploration

Tullow has successfully pre-qualified for Ghana's maiden licensing round with bids due by mid-May 2019. The licensing process is expected to conclude by the end of August 2019.

Kweku Awotwi, Managing Director Ghana, during visit to Jubilee FPSO.


Stena Forth drillship, offshore Ghana.

## WEST AFRICA CONTINUED

Following a trial in the English Commercial Court in May 2018, the court ruled on 3 July 2018 that Tullow was not entitled to terminate its West Leo rig contract with Seadrill on 4 December 2016 by invoking the contract's force majeure provisions. Following advice from counsel, Tullow decided not to appeal this ruling. Tullow paid Seadrill a termination fee, other standby fees that accrued in the 60 days prior to termination of the contract and interest amounting to $248 million in aggregate.

Although Tullow regards these as JV Partner costs, Kosmos disputed separately, through an International Chamber of Commerce arbitration against Tullow, its share of the liability (c.20 per cent) of any costs related to the use of the West Leo rig beyond 1 October 2016. On 17 July 2018, the arbitration tribunal delivered a final and binding award in favour of Kosmos which determined that Kosmos is not liable for its share of these costs. As a result of both litigation results, Tullow's net exposure in 2018 was a cash outflow of $208 million.

**Non-operated portfolio and gas production**
In 2018, production was strong across the West Africa non-operated portfolio and averaged 21,500 bopd, well ahead of the Group's initial 2018 forecast of 19,000 bopd. The Equatorial Guinea fields performed particularly well in the first half of the year following a change of operator. In Gabon, the Simba development in Gabon has been completed and came on stream in January. Production in 2019 from the West Africa non-operated portfolio is forecast to be between 22,000 and 24,000 bopd.

### Gas production
In 2018, full-year net gas production from the TEN fields and the UK averaged 1,700 boepd. In 2019, Tullow will solely produce gas in Ghana following the cessation of production in Tullow's UK assets in 2018.

### Decommissioning
The decommissioning programme for the remaining Tullow operated wells in the UK North Sea is expected to have been completed by the third quarter of 2019. Tullow will then undertake final removal and clearance activities to restore the seabed. Tullow ceased production from its non-operated UK North Sea assets during the third quarter of 2018. The decommissioning programme for these assets is expected to be completed by 2025.

In Mauritania, the Chinguetti FPSO (non-operated) was disconnected and demobilised in the first half of 2018. The permanent abandonment programme for the wells in the field will start in mid-2019.

# EAST AFRICA

This year the East Africa team will be driving hard towards two Final Investment Decisions on our East African projects which have the potential to deliver over 50,000 bopd of net production to Tullow by the early 2020s. We are making good progress in both Uganda and Kenya and are focused on delivering on the growth potential that these projects offer.

*"This year the East Africa team will be driving hard towards two Final Investment Decisions in East Africa."*

*Mark MacFarlane, Executive Vice President, East Africa*

## KENYA

### Development

The Kenya development plan is progressing well, and the project continues to target a Final Investment Decision (FID) in late 2019 and First Oil in 2022.

In February 2018, Tullow announced that following a full assessment of all the exploration and appraisal data, Tullow estimates that the South Lokichar Basin contains 240 – 560 – 1,230 million barrels (1C–2C–3C) of recoverable resources from overall discovered oil in place of up to 4 billion barrels. The additional remaining conventional undrilled prospect inventory of the basin is approximately 230 million barrels risked mean recoverable resources, not including further potential in underexplored plays.

Tullow and its JV Partners also proposed to the Government of Kenya that the Amosing, Ngamia and Twiga fields should be developed as the foundation stage of the South Lokichar development. This Foundation Stage includes a 60,000 to 80,000 bopd Central Processing Facility (CPF) and an export pipeline to Lamu. The installed infrastructure from this initial phase is expected to be utilised for the optimisation of the remaining South Lokichar oil fields and future oil discoveries, allowing the incremental development of these fields to be completed at a lower unit cost post First Oil.

Total gross capex associated with the foundation stage is expected to be c.$3 billion.

In 2018, the development project gained momentum. Key workstreams relating to Front End Engineering and Design (FEED) and the Environmental Social Impact Assessments (ESIAs) of the upstream and pipeline commenced in mid-2018. Extended injection and production testing also took place with results in line with expectations. Dynamic data from these tests has materially assisted with the development plan for the foundation stage. Key upstream components such as well count, well spacing and CPF design are now well defined.

In 2019, several critical tasks must be completed to reach a Final Investment Decision by year end. These tasks include completing commercial framework agreements with the Government of Kenya and finalising FEED studies in the first quarter of 2019 and concluding agreements over land title and water supply with the Government of Kenya and submitting both the upstream and the mid-stream ESIAs in the second quarter.

Madhan Srinivasan, Head of Development, Tullow Kenya, and Martin Mbogo, Managing Director, Tullow Kenya, at EOPS First Oil event, Turkana, Kenya.

### Early Oil Pilot Scheme (EOPS)

The transfer of stored crude oil from Turkana to Mombasa by road commenced on 3 June 2018. This milestone was marked by a ceremony attended by H.E. President Uhuru Kenyatta, H.E. Deputy President H.E. William Ruto, the Turkana County Governor and Turkana MPs as well as many other government ministers and officials. The first truck arrived at the refinery in Mombasa on 7 June 2018, where the oil is being stored for future export.

The trucks are currently transporting approximately 600 bopd and this is expected to increase to 2,000 bopd once the EOPS is fully operational in April 2019. So far, over 70,000 barrels of oil have been transported to Mombasa. A maiden lifting of Kenyan crude oil is expected in mid-2019. Tullow has begun to market Kenya's low sulphur oil ahead of this first lifting with initial market reactions being very positive.

## UGANDA

Following meetings in January 2019 between the CEOs of both Tullow and Total and H.E. President Museveni of Uganda, Tullow has agreed the principles for Capital Gains Tax on its $900 million Uganda farm-down to CNOOC and Total. The Government and the JV Partners are now engaged in discussions to finalise an agreement reflecting this tax treatment that will enable completion of the farm-down to take place. Any Capital Gains Tax is expected to be phased and partly linked to project progress. At completion of the farm-down, Tullow anticipates receiving a cash payment of $100 million and a payment of the working capital completion adjustment and deferred consideration for the pre-completion period of $108 million. A further $50 million of cash consideration is due to be received when FID is taken on the development project.

The JV Partners continue to work towards reaching FID for the development project around mid-2019. During 2018, the upstream and pipeline FEED were completed in preparation for the award of Engineering, Procurement and Construction (EPC) contracts in 2019. Drilling and well construction designs and contracting activities are complete and contracts are ready to be awarded. ESIAs for both Tilenga and Kingfisher were submitted to the National Environmental Management Authority for review with approval expected in the first half of 2019. Land access activities have progressed with the active support of the Government in line with project requirements. In addition, critical transport infrastructure, including roads and an airport within the development area is being improved by the Government in support of the development.

Project financing for the pipeline is progressing well with the development of the financial model ongoing. In the first half of 2019, the JV Partners anticipate completing key commercial, technical and land agreements with the governments of Uganda and Tanzania as well as the submission of an ESIA for the pipeline to both governments.

# NEW VENTURES

In 2019, Tullow will drill three wildcat wells in Guyana. These are high-potential, high-risk wells in the world's newest oil hot spot and we are excited about the opportunity that our licences in Guyana offer. In addition, we continue to work up other drilling prospects in highly prospective areas across Africa and South America for drilling in 2020 and beyond.

## AFRICA

### Côte d'Ivoire

In Côte d'Ivoire, Tullow began its work programme across its new onshore blocks in April 2018 with a full tensor gravity gradiometry (FTG) survey covering 8,600 sq km. This survey was completed in May 2018 and the data is being used to optimise the location of a 2D seismic survey planned to commence in the third quarter 2019. Tullow continues to reprocess 3D seismic data for the offshore Block CI-524, which sits alongside the maritime border with Ghana, next to Tullow's operated TEN fields.

Tullow signed a farm-out agreement for a 30 per cent interest in all seven onshore licences to Cairn Energy Plc. This farm-out is subject to obtaining Government approval and will leave Tullow with a 60 per cent operated interest in each licence with most of the pre-drilling exploration costs carried.

### Namibia

In September 2018, Tullow drilled the Cormorant-1 well offshore Namibia. The well encountered non-commercial hydrocarbons and was plugged and abandoned. Gas signatures, indicative of oil, were encountered in the overlying shale section, supporting the concept of a working oil system in the area. The combination of a simple well design, efficient operations and a farm-out in 2017 resulted in net expenditure on this well of less than $3 million. Data gained from the well, in combination with high-quality 3D seismic data, will be used to evaluate the next steps for the Group's Namibian acreage in PEL-37. Separately, Tullow has decided to exit block PEL-30 in Namibia.

### Mauritania

In 2018, a 9,300 sq km 3D seismic survey was completed over Block C18, in which Tullow holds a 15 per cent non-operated stake. Tullow's share of the cost was carried under previous farm-down agreements. The data is currently being interpreted ahead of a drill or drop decision in April. In Block C3, in which Tullow holds a 100 per cent operated stake, the Group has been interpreting the 3D seismic survey captured in 2017 to identify prospects for a potential 2020 well.

### Zambia

In 2018, interpretation of a FTG survey and modelling of passive seismic data recorded in 2017 has indicated that this rift basin may be higher risk than originally anticipated. Tullow is therefore evaluating its next steps in Zambia.

Oceanic Sirius seismic vessel, offshore Mauritania.


Ocean Rig Poseidon drillship, offshore Namibia.

### The Comoros

Tullow announced on 29 November 2018 that it had agreed with Discover Exploration Ltd to farm into Blocks 35, 36 and 37, offshore the Union of the Comoros in the Indian Ocean. Following the completion of this transaction, which requires government approval, Tullow will operate the three blocks and hold a working interest of 35 per cent. The blocks comprise an area of 16,063 sq km with a gross unrisked resource potential of up to 7 billion barrels of oil. A 3D seismic survey is planned for the third quarter of 2019.

Deck of offshore drillship.

## SOUTH AMERICA

### Guyana

Guyana will be the focus for Tullow's exploration drilling programme in 2019. Tullow plans to drill the Jethro prospect in the second quarter of 2019 as the first of two planned wells on the Orinduik block. Prospect selection amongst the JV Partners is ongoing for the second planned well on the Orinduik Block. The success of the neighbouring Hammerhead-1 well in August 2018, only 7 km from the Orinduik block boundary, has further de-risked this acreage. Tullow and its partners are in the final stages of contracting a Drillship for the Orinduik drilling programme.

The Carapa prospect will be tested on the Kanuku licence in the third quarter of 2019. In 2018, Tullow increased its equity share in the Kanuku licence, offshore Guyana, from 30 per cent to 37.5 per cent through a farm-in deal with Repsol.

### Jamaica

Interpretation of a 2,200 sq km 3D seismic survey recorded in 2018 continues as Tullow matures prospects that can compete for capital for drilling in 2020.

### Peru

In Peru, Tullow agreed the terms to acquire a 100 per cent stake in offshore Blocks Z-64, Z-65, Z-66, Z-67 and Z-68 in early 2018. However, in May 2018, the Supreme Decrees, authorising PeruPetro, the state regulator, to execute licence contracts for these blocks, were revoked by the Peruvian Government. Tullow was disappointed by this outcome as the Group complied with all the processes and procedures required under Peruvian law to agree new exploration licences.

Since the revocation, Tullow expressed its continued interest in the licences and has worked closely with PeruPetro towards execution of these licences. In January 2019, a new Supreme Decree was issued which detailed how oil exploration licences are to be awarded in Peru and included clear regulations around public consultation.

Separately, Tullow agreed to acquire a 35 per cent interest in Block Z-38 through a farm-down from Karoon Gas Australia. This agreement also remains subject to government approval. This acreage complements the Group's current position in South America and contains several attractive prospects and leads for potential drilling in 2020.

### Suriname

In October, Tullow was awarded Block 62 in which it has a 100 per cent operated interest. This block contains similar deep-water plays to Block 47. In addition, Tullow completed a farm-out of a 30 per cent interest in the Block 47 licence to Pluspetrol for a carry on a future well. Work has continued maturing prospects in Block 47 for potential drilling in 2020. In Block 54, Tullow has continued to examine results from the Araku well ahead of any potential drilling.

### Uruguay

Tullow has decided that it will not enter the next term of the Block 15 exploration licence with potential prospects being deemed too high-risk. Tullow will exit the licence in March 2019.

## ASIA

### Pakistan

In December 2018, Tullow agreed to sell its 30 per cent interest in the Kohlu licence, Pakistan to OPL. Government approval is anticipated in the first half of 2019. This is Tullow's last remaining licence in Pakistan.

"Project Oil Kenya has the potential to positively change Turkana and the country as a whole. Key to future success is engagement with the many people affected by this project."

Regina Ekai, Village Socialisation Officer

# A TRANSFORMED BALANCE SHEET


2018 was another year of good financial delivery from Tullow. We successfully delivered further efficiency improvements having now reset the cost base of the business for the long term. We grew our revenue and continue to generate significant free cash flow. The strong set of results builds on the good progress made in recent years, creating a solid financial platform for the business to grow from. We have achieved our target to become a balanced self-funding E&P business, where our strong cash flow generation provides us with the financial flexibility to appropriately allocate capital to optimise our balance sheet, invest in our business and make returns to shareholders.

### Delivering on our targets

During 2018, we invested $423 million in the business, of which approximately half was directed to our high-return, immediate cash flow West Africa production portfolio. This enabled us to grow production in Ghana and once again reverse the decline of our non-operated Central West Africa portfolio. This investment, combined with sustained cost discipline and a higher oil price, resulted in the Group generating $1.9 billion of revenue.

In parallel, our Group operating costs continued to track downwards with unit opex down by $1.1/boe year-on-year to $10.0/boe (2017: $11.1/boe). In other costs, our net G&A reduced to $90 million (2017: $95 million), and we saw a further reduction in our finance costs to $329 million (2017: $352 million) as we continued to reduce absolute debt level and further optimise our capital structure.

The culmination of these outcomes was full-year EBITDAX of $1.6 billion (2017: $1.3 billion) and free cash flow of $411 million (2017: $543 million) enabling net debt to reduce to $3.1 billion and a gearing level of 1.9x (2017: $3.5 billion; 2.6x respectively).

## 2018 HIGHLIGHTS

- The hard work to improve the balance sheet has resulted in the Board's decision to pay shareholders a dividend of no less than $100 million per year from 2019 and recommended a final 2018 dividend of US4.8c/share, payable in May 2019.
- Production performance was strong in 2018, at 90,000 boepd and production is forecast to grow in 2019 to 94,000–102,000 boepd.
- Full-year revenue of $1.9 billion and additional proceeds of $0.2 billion from lost production insurance proceeds.
- Strong free cash flow of $411 million, net debt at year end of $3.1 billion and gearing of 1.9x.

### One-off financial items

2018 was a year where we saw two significant outcomes adversely impacting our financial results. Firstly, we had a disappointing result from litigation action regarding our rig contract and force majeure claim of the Seadrill West Leo rig contracted back in 2015. This resulted in a net cash outflow from Tullow of $208 million in the second half of the year, impacting our free cash flow. In addition, the completion of the Uganda farm-down to Total and CNOOC was not completed by year end as forecast, delaying the cash consideration due on completion and reimbursement of capex spent in the pre-close period. While, of course, not what we had targeted, this is a timing effect and we continue to work hard towards delivering this transaction and supporting the Joint Venture to achieve FID mid-2019.

### Strengthening our capital structure

We continue to optimise our capital structure and a key activity in the first half of the year was the refinancing of one of our high-yield bonds. We successfully extended the maturity of our 2020 bond out to 2025, and were able to upsize from $650 to $800 million. The bond was significantly oversubscribed, reflecting the quality of our assets and our debt investors' confidence in our future delivery. In the second half of the year we also took the decision to cancel our $350 million undrawn residual Revolving Credit facility four months early, given our strong headroom position. The Group retains significant liquidity of over $1 billion, including free cash and headroom under the Reserves Based Lending (RBL) facility, and we have no near-term maturities. We are now in a strong financial position with a simple, balanced capital structure.

### Outlining our capital allocation framework

During the year we laid out our capital allocation framework. We have three priorities for the use of our capital: continued deleveraging, investing in our business and shareholder returns. While in recent years we have, rightly, focused primarily on deleveraging, the balance sheet is now in a much stronger place. The strong free cash flow we are generating allows us to invest in our business and continue to strengthen our balance sheet, and commit to shareholder returns. Our growth prospects are underpinned by the solid adjusted EBITDAX generated by the business. However, it is our intention to continue to drive down net debt to under $2 billion and maintain leverage of 1x–2x over time.

We continue to have a portfolio that can operate flexibly, being able to significantly reduce capex if oil prices fell back to sustained low levels, but with opportunities to attract investment at the higher end. In 2019, we expect to spend approximately $570 million that will see us invest in infill drilling in Ghana, increasing investment to sustain and grow our non-operated Central West Africa production, carefully control pre-FID spend in Kenya, and take a modest step-up in exploration to commence the high-impact drilling campaign in Guyana.

Finally, earlier this year we expressed our ambition to make returns to shareholders. The Company's robust financial and operational position, and our confidence in the sustainability of our business, led us to announce the Board's decision to reinstate the payment of a dividend from 2019. We plan to pay an ordinary dividend of no less than $100 million for the 2019 financial year and sustain this level or greater in future years. The confidence we have in the performance of the business and our strong financial results have also enabled us to recommend a final 2018 dividend of US4.8c/share ($67 million) that will be payable in May 2019.

### Continued prudent approach to cost discipline and risk management

Our capital allocation framework is supported by continued financial discipline. I am very proud of the results of the substantial cost savings we have made over the last three years. We set ourselves a target in mid-2015 to remove $500 million of cash costs from the business and we exceeded this in the middle of the year, achieving total savings of over $700 million. Another example is our continued hedging policy, protecting ourselves against the continued volatility of the oil price, but also maintaining access to upside. Our stronger balance sheet was recognised by Standard & Poor's, which raised our credit rating from B to B+ by the end of 2018 and Moody's Investors Service, which upgraded Tullow's corporate credit rating by one notch to B1. We are determined to make sure that the financial discipline that has been instilled into the business is retained.

### Future outlook

We have made very good progress in 2018 to move Tullow from recovery to growth. I believe that Tullow moves into 2019 in a very robust financial position, able to further reduce our debt, invest in growth opportunities and make returns to our shareholders.

**Les Wood**
Chief Financial Officer

12 February 2019

# STRONG FINANCIAL PERFORMANCE ROBUST TO OIL PRICE VOLATILITY

| Financial results summary | 2018 | 2017 |
|---|---|---|
| Working interest production volume (boepd)[1] | **81,400** | 87,300 |
| Sales volume (boepd) | **74,200** | 82,200 |
| Realised oil price ($/bbl) | **68.5** | 58.3 |
| Total revenue ($m)[2] | **1,859** | 1,723 |
| Gross profit ($m) | **1,082** | 815 |
| Underlying cash operating costs per boe ($/boe)[3] | **10.0** | 11.1 |
| Exploration costs written off ($m) | **295** | 143 |
| Impairment of property, plant and equipment, net ($m) | **18** | 539 |
| Operating profit ($m) | **528** | 22 |
| Profit/(loss) before tax ($m) | **261** | (286) |
| Profit/(loss) after tax ($m) | **85** | (175) |
| Basic profit/(loss) per share (cents) | **6.1** | (13.7) |
| Capital investment ($m)[3,4] | **423** | 225 |
| Adjusted EBITDAX ($m)[3] | **1,600** | 1,346 |
| Net debt ($m)[3] | **3,060** | 3,471 |
| Gearing (times)[3] | **1.9** | 2.6 |
| Free cash flow ($m)[3] | **411** | 543 |

1. Including the impact of production-equivalent insurance payment barrels from the Jubilee field, Group working interest production was 90,000 boepd.
2. Total revenue does not include receipts for Tullow's corporate Business Interruption insurance of $188 million. This is included in other operating income which is a component of gross profit.
3. Underlying cash operating costs per boe, capital investment, adjusted EBITDAX, net debt, gearing and free cash flow are non-IFRS measures and are explained later in this section.
4. Capital investment excludes Ugandan expenditure of $50 million in 2018 that will, subject to completion of the farm-down, be offset by either the working capital completion adjustment or deferred consideration.

*"Tullow has made excellent progress in 2018, significantly deleveraging the balance sheet and generating high levels of underlying free cash flow."*

*Les Wood, Chief Financial Officer*

**Production and commodity prices**

Working interest production averaged 81,400 boepd, a decrease of 7 per cent for the year (2017: 87,300 boepd). Including the impact of production-equivalent insurance payments from the Jubilee field, working interest production averaged 90,000 boepd (2017: 94,700 boepd), a decrease of 5 per cent. The decrease resulted from the impact of turret remediation work at Jubilee, and the cessation of production at higher cost non-operated assets. This was partially offset by strong production from the TEN fields and the remainder of the non-operated West Africa portfolio.

The Group's realised oil price after hedging was $68.5/bbl and $71.8/bbl before hedging (2017: $58.3/bbl and $54.2/bbl respectively). The increase in underlying oil prices reduced the net contribution of the realisation of hedges entered into by the Group to total revenue.

**Underlying cash operating costs, depreciation, impairments, write-offs and administrative expenses**

Underlying cash operating costs amounted to $327 million; $10.0/boe (2017: $386 million; $11.1/boe). Underlying cash operating costs were net of $46 million of insurance proceeds (2017: $51 million). The 10 per cent decrease in unit cash operating costs was principally due to the impact of ongoing cost-saving initiatives and the cessation of production from higher cost assets in the non-operated portfolio.

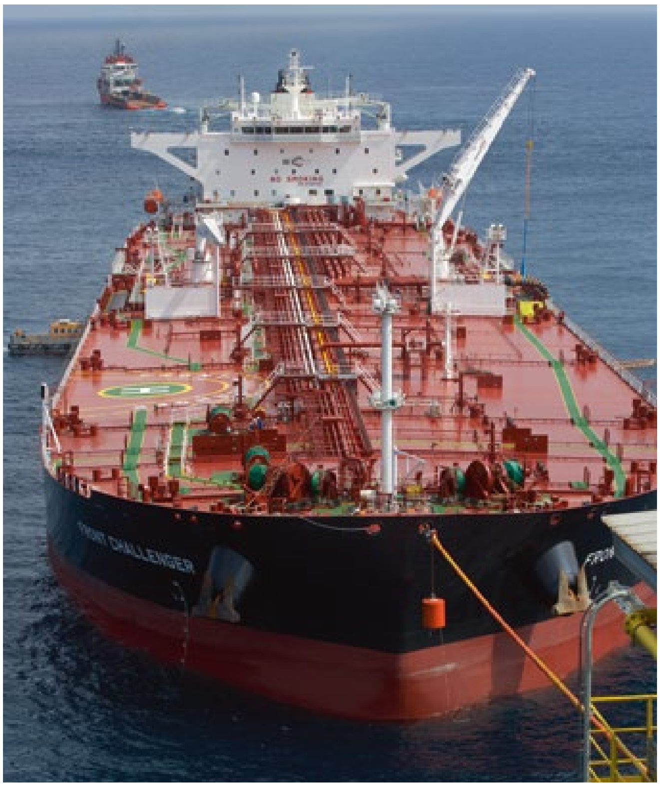
DD&A charges before impairment on production and development assets amounted to $568 million; $17.2/boe (2017: $574 million; $16.6/boe). A full year of amortisation of the TEN FPSO finance lease asset was recorded for the first time in 2018, as the asset was only recognised in the second half of 2017. This was offset by the impact of impairment recorded at the end of 2017.

The Group recognised a net impairment charge of $18 million in respect of 2018 (2017: $539 million). Impairments in Gabon were largely driven by the lower Dated Brent forward curve at 31 December 2018, whilst impairments in the UK related to increased decommissioning cost estimates. Impairment reversals were recorded in Côte d'Ivoire and Ghana as a result of reserves upgrades and improved cost forecasts, respectively.

During 2018, exploration costs write-offs were $295 million (2017: $143 million) and included $140 million for the Wawa and Akasa assets in Ghana, $75 million associated with capitalised interest on Uganda assets held for sale, and $25 million of New Ventures activity. The total exploration costs written off, net of tax, were $246 million (2017: $143 million).

Administrative expenses of $90 million (2017: $95 million) included an amount of $23 million (2017: $33 million) associated with share-based payment charges. In June 2015 the Group set a target to remove $500 million of cash costs from the business over a three-year period. During 2017 this target was increased to $650 million. The three-year period concluded on 30 June 2018, with the Group delivering $708 million of savings. The ongoing cost of running the business has reduced significantly and will continue to be a key area of focus.

Offloading tanker at TEN FPSO, offshore Ghana.



### Provision for onerous service contracts

Changes to provisions for onerous service contracts in 2018 resulted in an income statement charge in 2018 of $167 million (2017: credit of $1 million). This primarily resulted from the adverse litigation outcome related to the West Leo rig contract with Seadrill.

### Derivative financial instruments

Tullow undertakes hedging activities as part of the ongoing management of its business risk to protect against volatility and to ensure the availability of cash flow for re-investment in capital programmes that are driving business growth.

At 31 December 2018, the Group's derivative instruments had a net positive fair value of $128 million (2017: negative $76 million), net of deferred premium.

| 2019 hedge position at 31 December 2018 | Bopd | Bought put (floor) | Sold call | Bought call |
|---|---|---|---|---|
| **Hedge structure** | | | | |
| Collars | 22,244 | $56.80 | $81.68 | – |
| Three-way collars (call spread) | 29,488 | $54.06 | $74.60 | $79.81 |
| Straight puts | 4,000 | $69.24 | – | – |
| **Total/weighted average** | **55,732** | **$56.24** | **–** | **–** |

The 2020 hedging position at 31 December 2018 was 25,000 bopd hedged with an average floor price protected of $59.00/bbl.

### Net financing costs

Net financing costs for the year were $270 million (2017: $310 million). The decrease in financing costs is associated with the reduction in interest on borrowings due to a reduction in the average level of net debt in 2018 compared to 2017. Further, in 2017 a foreign exchange loss of $29 million was incurred in relation to the hedging of the proceeds from the Rights Issue. Net financing costs include interest incurred on the Group's debt facilities, foreign exchange gains/losses, the unwinding of discount on decommissioning provisions, and the net financing costs associated with finance lease assets, offset by interest earned on cash deposits and capitalised borrowing costs.

### Taxation

The net tax expense of $175 million (2017: credit of $111 million) primarily relates to tax charges in respect of the Group's production activities in West Africa, as well as UK decommissioning assets, reduced by deferred tax credits associated with exploration write-offs, impairments and provisions for onerous service contracts.

The Group's statutory effective tax rate for 2018 is 67.2 per cent (2017: 37.0 per cent). After adjusting for non-recurring amounts related to exploration write-offs, disposals, impairments and provisions for onerous service contracts and their associated deferred tax benefit, the Group's adjusted tax rate is 40.7 per cent (2017: 23.8 per cent). The adjusted tax rate has increased due to changes in the geographical mix of profits, particularly the impact of increased profits from West Africa production taxed at higher rates, and lower tax credits due to reduced Norwegian exploration activities and the disposal of the Netherlands business during 2017.

The Group's future statutory effective tax rate is sensitive to the geographic mix in which pre-tax profits and exploration costs written off arise. Unsuccessful exploration is often incurred in jurisdictions where the Group has no taxable profits such that no related tax benefit results. Consequently, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs write-offs occur.

### Profit/(loss) after tax from continuing activities and profit/(loss) per share

The profit after tax for the year from continuing activities amounted to $85 million (2017: $175 million loss). Basic earnings per share was 6.1 cents (2017: 13.7 cents loss).

| Reconciliation of net debt | $m |
|---|---|
| **Year end 2017 net debt** | **3,471** |
| Sales revenue | (1,859) |
| Other operating income – lost production insurance proceeds | (188) |
| Operating costs | 327 |
| Operating expenses | 432 |
| **Cash flow from operations** | **(1,288)** |
| Movement in working capital | (19) |
| Tax paid | 103 |
| Purchases of intangible exploration and evaluation assets and property, plant and equipment | 441 |
| Other investing activities | (13) |
| Other financing activities | 367 |
| Foreign exchange gain on cash | (2) |
| **Year end 2018 net debt** | **3,060** |

### Capital investment

2018 capital investment (net of Uganda expenditure which will be repaid from either the working capital completion adjustment or deferred consideration post the completion of the Uganda farm-down) amounted to $423 million (2017: $225 million) with $353 million invested in development activities and $70 million invested in Exploration and Appraisal activities. More than 60 per cent of the total was invested in Kenya and Ghana and over 95 per cent was invested in Africa.

Capital expenditure will continue to be carefully controlled during 2019. The Group's 2019 capital expenditure is expected to total approximately $570 million. This total excludes c.$170 million of forecast Uganda expenditure which will be repaid from either the working capital completion adjustment or deferred consideration post the completion of the Uganda farm-down, which is expected in the first half of 2019. The capital investment total comprises Ghana capex of c.$250 million, West Africa non-operated capex of c.$90 million, Kenya pre-development expenditure of c.$70 million, Uganda post-completion Tullow costs of c.$10 million, and Exploration and Appraisal expenditure of c.$140 million.

At completion of the Uganda farm-down, Tullow is also due to receive $100 million cash consideration along with re-imbursement of 2017 and 2018 capex of c.$108 million. A further $50 million cash consideration is due to be received when FID is taken on the development project.

### Borrowings

On 23 March 2018, Tullow completed its offering of $800 million of senior notes, due in 2025. The offering was significantly oversubscribed and increased from the initial offering of $650 million. Proceeds were used to redeem, in full, senior notes due in 2020 and repay drawings on the Reserves Based Lending facility. The senior notes offering further extended Tullow's debt maturities, with no scheduled debt repayments until 2021. On 4 April 2018, commitments under Tullow's Revolving Corporate Facility (RCF) amortised in line with the schedule to $500 million; on 18 April 2018, Tullow voluntarily cancelled a further $150 million of commitments under the facility; and in November 2018, given the strength of the balance sheet, the Board decided to cancel the Group's undrawn $350 million RCF, four months before maturity, to realise cost savings from reduced commitment fees. Following the cancellation of this facility, liquidity headroom of unutilised debt capacity and free cash were $1 billion at the end of 2018, maintaining flexibility for future opportunities.

As a result of the implementation of IFRS 9 Financial Instruments, the Group's opening non-current borrowings on 1 January 2018 increased by $111 million. Refer to the accounting policies section of the Financial Statements for further details.

### Credit ratings
Tullow maintains corporate credit ratings with Standard & Poor's and Moody's Investors Service. During the year, Standard & Poor's upgraded Tullow's corporate credit rating to B+ from B, and assigned a positive outlook; in addition, Standard & Poor's raised the rating of Tullow's corporate bonds to B+, in line with the corporate credit rating. Moody's Investors Service upgraded Tullow's Corporate Family Rating to B1 from B2, and consequently the rating of Tullow's corporate bonds was raised to B3 from Caa1.

### Liquidity risk management and going concern
The Group closely monitors and manages its liquidity headroom. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets. The Group had $1 billion liquidity headroom of unutilised debt capacity and free cash at the end of 2018. The Group's forecasts show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2018 Annual Report and Accounts.

Based on the analysis above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

### Brexit
It is the view of the Board that, given the Group's focus on Africa and South America, Tullow's business, assets and operations will not be materially affected by Brexit. Tullow also derives its income from crude oil, a globally traded commodity which is priced in US dollars.

Nevertheless, Tullow employs a number of EU nationals in the UK and the Board is concerned about the uncertainty that a no-deal Brexit would cause these much-valued members of staff. To help address this concern, Tullow has established a Brexit Focus Group to share information with affected employees and ensure they are up to date with the latest developments.

The Board also recognises that a no-deal Brexit could cause significant regulatory, legal and financial uncertainty with regard to our decommissioning programme in the UK North Sea. Operators would have to be carefully guided by the Department for Business, Energy and Industrial Strategy as to exactly how decommissioning programmes should be executed and what tariffs or fees, if any, should be applied to non-UK service providers.

### Dividends
Dividends per share recommended in the period of USD cents 4.8 per ordinary share which amounts to $67 million and will be paid on 10 May 2019 to shareholders on the share register at the close of business 5 April 2019.

The Board determines the appropriate dividend each year on consideration of the Group's free cash flow generation, while ensuring an appropriate balance with debt reduction and investment in the business and do so in the context of its ability to continue as a going concern to execute its long term strategy and to invest in opportunities to grow the business and enhance shareholder value. The Group is well positioned to continue to fund its dividend which is well covered by cash generated by the business. Details on the Group's viability and going concern can be found on page 58 and in the left-hand column.

Tullow Oil plc, the parent company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies. The Board reviews the level of distributable reserves in the parent company bi-annually, to align with the proposed interim and final dividend payment dates and aims to maintain distributable reserves that provide adequate cover for dividend payments.

The ability of the Board to maintain future dividend policy will be influenced by a number of the principal risks identified on pages 54 to 57 that could adversely impact the performance of the Group. The risks that could specifically have an adverse impact on the dividend policy are oil price volatility and production outages, although we believe we have the ability to mitigate those risks as outlined on pages 54 to 57.

### Events since 31 December 2018
There has not been any event since 31 December 2018 that has resulted in a material impact on the year-end results.

### Non-IFRS measures
The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include capital investment, net debt, gearing, adjusted EBITDAX, underlying cash operating costs and free cash flow.

### Capital investment

Capital investment is defined as additions to property, plant and equipment and intangible exploration and evaluation assets less decommissioning asset additions, capitalised share-based payment charge, capitalised finance costs, additions to administrative assets, Norwegian tax refund and certain other adjustments. The Directors believe that capital investment is a useful indicator of the Group's organic expenditure on Exploration and Appraisal assets and oil and gas assets incurred during a period because it eliminates certain accounting adjustments such as capitalised finance costs and decommissioning asset additions.

| | 2018 $m | 2017 $m |
|---|---|---|
| Additions to property, plant and equipment | **268.1** | 887.7 |
| Additions to intangible exploration and evaluation assets | **230.4** | 319.0 |
| Less: | | |
| Decommissioning asset additions | **(42.7)** | (33.6) |
| Finance lease asset additions | **(3.8)** | 837.6 |
| Capitalised share-based payment charge | **1.3** | 0.3 |
| Capitalised finance costs | **65.3** | 66.5 |
| Additions to administrative assets | **6.6** | 7.0 |
| Norwegian tax refund | **0.4** | 2.1 |
| Uganda capital investment | **50.5** | 57.5 |
| Other non-cash capital expenditure | **(2.3)** | 44.7 |
| **Capital investment** | **423.2** | 224.6 |
| Movement in working capital | **(40.2)** | 16.3 |
| Additions to administrative assets | **6.6** | 7.0 |
| Norwegian tax refund | **0.4** | 2.1 |
| Uganda capital investment | **50.5** | 57.5 |
| **Cash capital expenditure per the cash flow statement** | **440.5** | 307.5 |

### Net debt

Net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of cash borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding cash borrowings. Net debt is defined as current and non-current borrowings plus non-cash adjustments, less cash and cash equivalents. Non-cash adjustments include unamortised arrangement fees, adjustment to convertible bonds, and other adjustments. The Group's definition of net debt does not include the Group's finance leases as the Group's focus is the management of cash borrowings and a finance lease is viewed as deferred capital investment. The value of the Group's finance lease liabilities as at 31 December 2018 was $221.2 million current and $1,191.0 million non-current; it should be noted that these balances are recorded gross for operated assets and are therefore not representative of the Group's net exposure under these contracts.

| | 2018 $m | 2017 $m |
|---|---|---|
| Non-current borrowings | **3,219.1** | 3,606.4 |
| Non-cash adjustments | **20.9** | 148.6 |
| Less cash and cash equivalents | **(179.8)** | (284.0) |
| **Net debt** | **3,060.2** | 3,471.0 |

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### Gearing and adjusted EBITDAX

Gearing is a useful indicator of the Group's indebtedness, financial flexibility and capital structure and can assist securities analysts, investors and other parties to evaluate the Group. Gearing is defined as net debt divided by adjusted EBITDAX. Adjusted EBITDAX is defined as profit/(loss) from continuing activities adjusted for income tax (expense)/credit, finance costs, finance revenue, gain on hedging instruments, depreciation, depletion and amortisation, share-based payment charge, restructuring costs, gain/(loss) on disposal, exploration costs written off, impairment of property, plant and equipment net, and provision for onerous service contracts. Adjusted EBITDAX therefore excludes interest on obligations under finance leases of $101.5 million, and interest income on amounts due from Joint Venture Partners for finance leases of $52.7 million, as in assessing business performance, management considers lease payments in substance to represent deferred capital expenditure. Had these been included in the calculation of adjusted EBITDAX, calculated gearing would have been 2.0 times.

| | 2018 $m | 2017 $m |
|---|---|---|
| Profit/(loss) from continuing activities | **85.4** | (175.3) |
| Less: | | |
| Income tax expense/(credit) | **175.1** | (110.6) |
| Finance costs | **328.7** | 351.7 |
| Finance revenue | **(58.4)** | (42.0) |
| Gain on hedging instruments | **(2.4)** | (1.4) |
| Depreciation, depletion and amortisation | **584.1** | 592.2 |
| Share-based payment charge | **24.9** | 33.9 |
| Restructuring costs | **3.4** | 14.5 |
| (Gain)/loss on disposal | **(21.3)** | 1.6 |
| Exploration costs written off | **295.2** | 143.4 |
| Impairment of property, plant and equipment, net | **18.2** | 539.1 |
| Provision for onerous service contracts, net | **167.4** | (1.0) |
| **Adjusted EBITDAX** | **1,600.3** | 1,346.1 |
| **Net debt** | **3,060.2** | 3,471.0 |
| **Gearing (times)** | **1.9** | 2.6 |

### Underlying cash operating costs

Underlying cash operating costs is a useful indicator of the Group's costs incurred to produce oil and gas. Underlying cash operating costs eliminates certain non-cash accounting adjustments to the Group's cost of sales to produce oil and gas. Underlying cash operating costs is defined as cost of sales less operating lease expense, depletion and amortisation of oil and gas assets, underlift, overlift and oil stock movements, share-based payment charge included in cost of sales, and certain other cost of sales. Underlying cash operating costs are divided by production to determine underlying cash operating costs per boe.

| | 2018 $m | 2017 $m |
|---|---|---|
| Cost of sales | **966.0** | 1,069.3 |
| Less: | | |
| Operating lease expense for the TEN FPSO | **–** | 62.5 |
| Depletion and amortisation of oil and gas assets | **567.7** | 574.3 |
| Underlift, overlift and oil stock movements | **40.7** | (2.3) |
| Share-based payment charge included in cost of sales | **1.0** | 1.1 |
| Other cost of sales | **29.6** | 47.5 |
| **Underlying cash operating costs** | **327.0** | 386.2 |
| Production (MMboe) | **32.9** | 34.7 |
| **Underlying cash operating costs per boe ($/boe)** | **10.0** | 11.1 |

### Free cash flow

Free cash flow is a useful indicator of the Group's ability to generate cash flow to fund the business and strategic acquisitions, reduce borrowings and provide returns to shareholders through dividends. Free cash flow is defined as net cash from operating activities, and net cash used in investing activities, less debt arrangement fees, repayment of obligations under finance leases, finance costs paid, foreign exchange gain, and distribution to non-controlling interests.

| | 2018 $m | 2017 $m |
|---|---|---|
| Net cash from operating activities | **1,204.0** | 1,222.9 |
| Net cash used in investing activities | **(427.7)** | (296.4) |
| Debt arrangement fees | **(15.0)** | (56.4) |
| Repayment of obligations under finance leases | **(117.4)** | (62.6) |
| Finance costs paid | **(234.5)** | (265.4) |
| Foreign exchange gain | **1.5** | 3.5 |
| Distribution to non-controlling interests | **–** | (3.0) |
| **Free cash flow** | **410.9** | 542.6 |

# FURTHER INTEGRATING SUSTAINABILITY INTO OUR BUSINESS

Sustainability is one of the four pillars of our 2030 Vision and central to our new business strategy.

In 2018, as part of the development of our 2030 Vision, we renewed and expanded our sustainability strategy. We started by improving our understanding of the perspectives of our investors, host countries and communities, and colleagues on the sustainability agenda and their expectations of Tullow in this regard. Drawing on this work, our new sustainability strategy incorporates four core areas: shared prosperity, environmental stewardship, responsible operations and equality and transparency. Further detail about our activities in each of these four areas is set out in the following pages.


## SHARED PROSPERITY

Our approach to shared prosperity concentrates on three core areas: optimising local content and developing supplier capacity; building local skills and developing people; and making socio-economic investments that deliver shared infrastructure and support local communities. This is underpinned by stakeholder engagement to ensure that we are aligned with national and regional priorities and that we establish a two-way dialogue with our stakeholders. We also focus on building capacity through educating and training local employees and suppliers, and supporting local communities to make their own choices about development.

### Local content and capacity

We aim to create meaningful and enriching business opportunities in our countries of operation, improving livelihoods and community welfare by building the skills that will increase local business participation in the supply chain.

In Ghana, in 2018, Tullow's overall supplier spend was 14 per cent more than in 2017 due to increased capital expenditure related to Jubilee Full Field Development. Absolute spend with local suppliers in Ghana is 29 per cent of the total spend. Absolute spend as a proportion of total spend has continued to increase from 26 per cent in 2017 and 16 per cent in 2016. Meanwhile, our spend with international suppliers fell from 19 per cent in 2017 to 14 per cent in 2018. This partly reflects our continued efforts to direct spending towards local firms.

In Kenya, in 2018, 37 per cent of Tullow's overall supplier spend was with Kenyan businesses, up from 29 per cent in 2017, but with a lower absolute value due to reduced expenditure following the end of the drilling campaign in 2017 and the lull in activities ahead of the start of the Early Oil Pilot trucking activities.

As the Kenya project is in the development phase we have continued to focus on capacity building in local companies. A total of 300 contractor personnel have received training, including in defensive driving and transportation of dangerous goods by road as part of the Early Oil Pilot Scheme.

### Developing local skills

We support better education and skills development for our colleagues and communities, specifically in STEM to enhance employability. We also have programmes supporting women's development in education and vocational training. One such example is the LVTC Scholarships, outlined in the case study below.

### Social investment

We invest in shared infrastructure and logistics such as water, energy or waste, by adapting and leveraging existing infrastructure plans and projects to benefit local communities.

One example in Turkana, Kenya, is that Tullow, in collaboration with the National and County Government, has supported the setting up of local Water Resource Users Associations (WRUAs) around the Amosing and Ngamia fields in Turkana. We have also supported capacity building of the WRUAs to effectively manage sustainable community water projects. Our support in providing water in Turkana has increased access to water for over 67,000 people which has helped reduce the risk of waterborne diseases and supported increased economic activity as less time is spent looking for water.

**INVESTING IN QUALITY EDUCATION IN GHANA – SUPPORTING EDUCATIONAL INFRASTRUCTURE**

A key component of Tullow's investment strategy is to support the building of capacity through education and skills acquisition in STEM. In 2018, Tullow committed $10 million to building school infrastructure for Senior High Schools (SHS) in Ghana over a period of five years, making an annual contribution of $2 million over this period. This project demonstrates Tullow's shared prosperity philosophy and is aligned with the Government of Ghana's objective to support the Sustainable Development Goal by providing free Senior High School education.

The project aims to provide classrooms, dormitories and furniture in support of the Government of Ghana's free SHS policy. The project will be implemented in partnership with the Ministry of Education and Ghana Education Service. Over five years the project aims to deliver at least 10 two-storey classroom blocks and 10 two-storey dormitory blocks and associated furniture across the country.

School dropout rates across Ghana are ~30 per cent (from basic to senior school) and this project aims to reduce that dropout rate at the sponsored schools by 15 per cent. It is also expected to raise the number of rural Junior High School graduates enrolling in Senior High School by 10 per cent. Ultimately the project will support girls' education by benefiting almost 12,000 students in the first five years of the project.

**LVTC SCHOLARSHIPS: UPSKILLING IMPACTED COMMUNITIES**

In Kenya, there is a large and growing young Turkana population who want to play their part in the growth of the oil and gas sector, as well as in the more general development of their county following devolution. Tullow's support for the Lodwar Vocational Technical Centre (LVTC) in Turkana is helping them to do that by improving the availability and quality of technical and vocational education.

This practical partnership provides training in mechanics, plumbing, masonry and joinery, as well as vocational courses in catering and garment making. In 2018, 52 students graduated from the Tullow-funded scholarship scheme. Tullow has recently collaborated with the Kenya Commercial Bank Foundation to provide a further 120 scholarships at LVTC.

The LVTC partnership is aligned to the Government of Kenya's job creation priority in its 'Big Four' economic plan. In the medium to long term the programme will increase the number of skilled Turkana who can participate in the ongoing development of their communities. The initiative also supports livelihood diversification.

### DEVELOPING PRODUCTION OPERATORS IN TURKANA

Amailo Investments, a Tullow-supported outsourcing firm that carries out recruitment in Lokichar, has worked with AlMansoori, a Tullow contractor in Lokichar that is building the upstream Early Oil Pilot Scheme (EOPS) production facility. Following a recruitment process, eight out of 58 applicants from the local community were selected and placed with AlMansoori.

The employees were on a two-month contract to work on the construction phase of the EOPS project to install and commission the Degassing and Early Production Facilities in Lokichar Basin. After the initial two-month contract through Amailo, AlMansoori was pleased with the progress the trainees made and hired them as full-time employees. AlMansoori also went ahead and hired more Kenyans to join its team.

Since March 2017 the trainees have undergone on-the-job training as production operators as well as specialised training in the UAE at refineries and sites where AlMansoori operates. Further training including sampling, well testing oil and oil production operations is also planned for this year. Nassir Sulaiman, the AlMansoori project supervisor in Kenya, said, "I enjoy working in Turkana as the local team are hardworking, responsible and friendly. As production starts at the Ngamia 3 well we want to prepare the team with adequate training."

The production operator trainees are pleased that Tullow-contracted companies are being encouraged to partner, train and work with locals. Jairus Lobuin, production operator trainee, said "We will soon have the ability to operate the facility because of the excellent training and experience we are receiving."


## ENVIRONMENTAL STEWARDSHIP

### Climate resilience

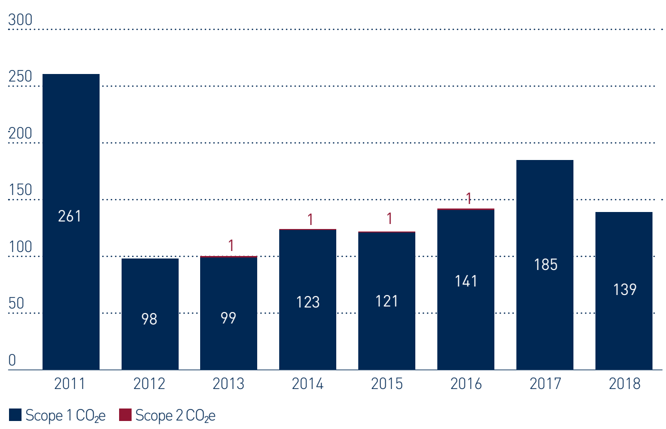
In 2018, Tullow undertook a series of benchmarking exercises to assess and review its position regarding climate change. The results of this analysis have been communicated and discussed with the Executive Team, and we are now working on a set of plans that will continually improve both our operational performance and transparency in this area. In 2019, this will include operational reviews of sources of emissions and opportunities for reduction in our Ghana operations. At a Group level, we are reviewing our current process for the analysis of climate risks and resilience of investment decisions with a goal of making it more robust.

Tullow's total Scope 1 emissions were 1.2 million tonnes of $CO_2e$ (2017: 1.6 million tonnes) and 139 tonnes (2017: 185 tonnes) of $CO_2e$ per 1,000 tonnes of hydrocarbon produced. The total air emissions decreased by 36 per cent from last year. This was mainly due to the TEN FPSO achieving steady-state operations post commissioning for a protracted period of time (second to third quarter). Emissions from Jubilee FPSO in 2018 compared to 2017 were not significantly different.

### Ecosystems

Tullow continues to review and improve its Environmental and Social Impact Assessment (ESIA) work and uphold its stated commitment to not undertake operations in World Heritage Sites, in addition to robust screening of potential new projects against Protected Area Guidelines. During 2018, our Kenya and Ghana operations continued to be assessed by independent monitoring groups and have again demonstrated adherence to the IFC Performance Standards and Tullow IMS Standards.

### $CO_2e$ EMISSIONS PER 1,000 TONNES OF HYDROCARBON PRODUCED



# RESPONSIBLE OPERATIONS

### Safety and wellness

We are committed to ensuring our colleagues and host communities are kept safe and well, and to raising awareness of potential dangers related to our operations and the locations where we operate. All of Tullow's colleagues have access to private healthcare and we aim to achieve top quartile industry performance on our occupational safety measures. We also protect our colleagues and assets with robust emergency plans.

Providing a safe working environment for our employees and contractors is a core value and business priority and our performance on safety and sustainability is incentivised through our annual corporate scorecard. Our goal is to achieve top industry quartile safety performance, and during 2018 we continued to improve our performance. We saw an overall decrease in the number of lost time injuries, total recordable injuries and high-potential incidents recorded across our operations. This performance improvement was achieved during a period of high activity, with the Turret Remediation Project, return to drilling in Ghana and the Early Oil Pilot Scheme in Kenya all increasing our potential exposure to accidents and incidents.

Our occupational health performance in the prevention of malaria cases for non-immune personnel continued to remain strong with zero malaria (serious) cases being recorded in 2018. The Company is committed to improving employee health, wellbeing and resilience in the workplace, and a new employee wellbeing and resilience programme was introduced in the latter part of 2018. This will be further rolled out globally in 2019 across the organisation.

### Responsible production

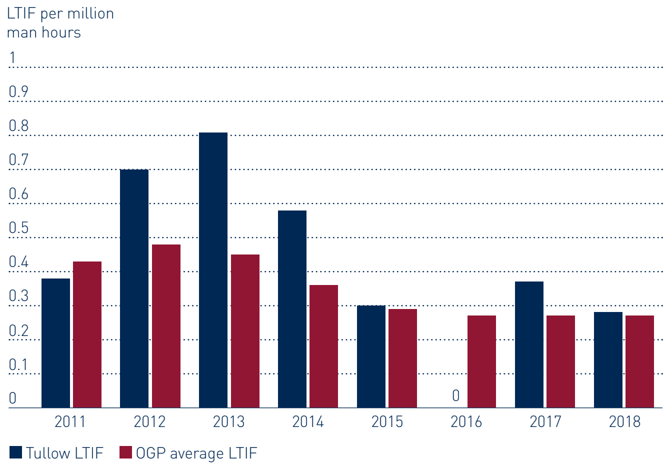
Major accident hazards represent a material risk to Tullow. To address this, process safety management policies, standards and plans are applied to all drilling and production activities. They are incorporated in planning and decision making throughout the project life cycle, from concept selection, design and construction through to commissioning, operations, modifications and decommissioning.

Following the 2017 audit of process safety management for the Jubilee and TEN facilities our approach to process safety was revised and updated in early 2018. A new Process Safety Management IMS Standard based on the Energy Institute's Process Safety Management framework has been introduced for all Tullow operations. An improvement plan was produced for the Tullow Ghana operations and all Business Units will work to ensure compliance with this standard throughout 2019.

In line with this standard, process safety management training has been carried out across most of the Company in 2018 including with the Executive Team, Group operations, wells and engineering personnel, and the Tullow Ghana leadership, operations and engineering personnel. The Kenya leadership and operations team will receive training in the first quarter of 2019.

Tullow recorded two International Association of Oil & Gas Producers (IOGP) Tier 2 events in the form of hydrocarbon liquid releases from the Jubilee facility. Both releases were contained and caused no secondary or escalation events and no injuries or environmental spills were recorded.

### LOST TIME INJURY FREQUENCY (LTIF) RATES




To continually improve our performance, Tullow also tracks Tier 3 IOGP events to raise awareness and address areas for improvement. These events are small releases from processes or identified challenges to safety systems. During the year, the number of events recorded was 58, an increase of 48 per cent on 2017.

This increase in process safety events, we believe, is due to a positive, more diligent reporting culture and correct classification and investigation of incidents. A plan has been put in place, which includes our major contractors to improve process safety performance in 2019 with nominal and stretch target KPIs being set to measure the planned improvements.

In 2018, Tullow created a Process Safety Management Steering Committee made up of senior leadership from Group Functions and Business Units, led by Gary Thompson, EVP for West Africa, and supported by the EHS Process Safety manager. The objective of the committee is to assure that risks associated with Process Safety are being adequately communicated, managed and mitigated across Tullow.

Tullow's approach to asset protection incorporates the traditional corporate security function, business continuity, and crisis and emergency management (CEM). Our policies, standards and plans in this area apply to all employees and contractors. They are designed to protect Tullow's assets (people, physical and intellectual) and reputation from sources of potential and actual harm. They also ensure that we can rapidly adapt and respond in a resilient way to unforeseen events that could impact normal business operations and mitigate the impact on people, the environment, assets and our reputation.

Agreed plans, procedures and resources are in place that cover all operational activities, ensuring that we are ready to respond to any major emergency. These plans are based on credible emergency scenarios identified during the ESIA process and/or the Business Unit/activity risk assessment, and follow the mandatory requirements of the Group Emergency Preparedness Standard.

In 2018, we undertook a number of CEM preparedness exercises across the business. This increased awareness among members of the Crisis Management Team and in-country Incident Management Teams, and which generated useful feedback for further improvements to the CEM process.

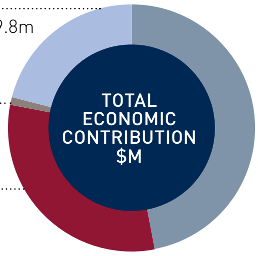
## EQUALITY & TRANSPARENCY

### Good governance

We will promote good governance through our commitment to the Voluntary Principles on Security and Human Rights, the Extractive Industries Transparency Initiative, and our zero tolerance of bribery and corruption.

Our payments to governments, including payments in kind, amounted to $432 million in 2018 (2017: $224 million). Total payments to all major stakeholder groups including employees, suppliers and communities, as well as governments, brought our total socio-economic contribution to $907.2 million (2017: $667 million). In addition to payments to governments, this included $283 million spent with local suppliers, $189.8 million in payroll globally and $4.4 million in discretionary spend on social projects. Our total payments made to the Ghanaian Government in 2018 amounted to $270 million (2017: $162 million).

### 2018 TOTAL SOCIO-ECONOMIC CONTRIBUTION




Tullow supports the public disclosure of Production Sharing Agreements (PSA), but will only publish these with the express support and agreement of its government partners. This year, in addition to the PSAs for Ghana, we have also published Tullow's Petroleum Agreements and other related agreements for the Orinduik and Kanuku licences at the request of the Government of the Cooperative Republic of Guyana.

### Promoting equality

Strong community relationships are central to our success and whether we are discussing land access in Kenya or maintaining safe access to offshore installations we engage in dialogue with those affected by our work. Our Social Performance teams, in conjunction with our Operations teams, continue to update host communities and engage with them on a regular basis. At a corporate level in 2018 we strengthened our Grievance Mechanism and the tools we use to support and record engagements with communities across our businesses.

In Kenya, the Tullow Social Performance and External Affairs functions and the Golder/EMC teams have been consulting with a range of stakeholders nationally and in Turkana since the start of the ESIA process.

These stakeholder groups include: government representatives, non-governmental organisations, civil society organisations, faith-based organisations, local communities, academia and media stakeholders.

## LOOKING AHEAD

For 2019, as part of our new sustainability strategy, Tullow is increasing its ambition on all aspects of this agenda and has introduced new KPIs to ensure momentum in the year ahead.

For local content, we intend to increase spend with local companies by more than 10 per cent proportionately from our base target, among other targets.

To strengthen our approach to stakeholder management, in Kenya we are targeting to negotiate an industry-leading Consent Agreement in Turkana by the end of 2019.

To progress our approach to environmental stewardship, we will implement a range of initiatives, from commissioning an independent verification of Tullow's carbon strategy through to improving the environmental impact of Tullow offices through energy efficiency and waste management. Finally, we will develop a Biodiversity Plan to measurably improve our approach, ready for execution in 2020. We will also ensure 2D seismic in Côte d'Ivoire is conducted with a minimal footprint, seamless land access and minimal impact on the environment.

For equality and transparency, we will launch a set of inclusion and diversity targets, with the support of Tullow leadership and the broader staff base. We intend to achieve positive progress by increasing both African and female representation at Senior Management levels.

For responsible operations, we intend to demonstrate improvement in monitored environmental metrics (including greenhouse gas emissions and flaring reduction) and increase the usage of less intrusive and more environmentally friendly technologies, such as drones, airborne surveys for integrity management and/or seismic surveying.


### SUSTAINABLE DEVELOPMENT GOALS

As part of the work to develop our sustainability strategy, we have chosen to align with the United Nations Sustainable Development Goals (SDGs). These contain 17 ambitious goals, agreed in 2015 by all 193 UN Member States, that aim to tackle the world's most pressing social, economic, and environmental challenges and provide a common vision for sustainable development for business, governments and civil society. Through our research and analysis, we have chosen to focus on ten SDGs. This will help to provide additional focus to our work, give us insights into best practice, help us communicate our ambitions and provide a clear structure for our action in this area.

# A PROGRESSIVE ORGANISATION

Our 2030 Vision outlines how we will take a progressive and innovative approach to planning for and delivering our business activities, which includes developing organisational agility; using smart technology; and streamlining and improving our processes.

## ORGANISATIONAL STRATEGY

**Efficient and effective organisation:** ensuring our operating model supports the delivery of our strategy and supports a motivated and engaged workforce

**Performance management:** driving a high-performing mindset, continuous improvement in how we work and linking performance to reward

**Inclusion and diversity:** being an inclusive company with a diverse workforce, with strong host country and gender representation at senior levels

**Leadership succession:** ensuring Tullow is led by strong, capable leadership teams with robust succession plans in place

**Localisation:** developing businesses with national leadership teams and globally developing national leadership capability

**People development:** developing our people and supporting their careers through business delivery

Tullow's thinking on what it means to be a progressive organisation is evolving. Our initial priorities focus on three components: organisational agility, technology innovation and process improvement. Organisational agility refers to how we will allocate skills and expertise more fluidly with a focus on value creation. We are introducing more flexible work patterns allowing our people to more freely work from different locations or geographies, and more flexible working hours, regardless of the projects they are assigned to. This will deliver greater diversity of thought and contribution within every team. Technology is all pervasive and has the potential to create huge efficiencies, performance improvements and insights on a vast range of our activities at Tullow. More information about our initial thinking on this can be found in the Technology Innovation section on page 49. Finally, process improvement is an area where we have made great strides in recent years, for example in improving our Integrated Management System and reporting at a company and individual level to ensure our focus is delivering on our strategy and on value. A key focus of our 2019 scorecard KPIs related to 'Progressive' organisation is to develop more detailed thinking and plans to build on our initial progressive strategy for execution in 2020 in Tullow.

This section highlights some areas of our organisational focus, such as our approach to inclusion and diversity, smart working and people development. We have more work to do to fully adopt a progressive approach in all aspects of our organisational strategy. Nevertheless, our organisational strategy outlined above has been delivering strong performance for the business over the last three years, and will continue to guide our strategic approach to Tullow's organisation.

### Employee engagement

During the year we carried out our biennial employee engagement survey, 'Tullow Pulse', and received a 90 per cent response rate from employees and contractors, the highest ever participation from an all-employee survey.

The survey showed that we are making good progress in the key areas of improvement that were raised in the 2016 survey. In particular, there was positive feedback on the work on career and personal development, effective communication and Senior Management set-up and engagement. This has helped increase the overall levels of positive sentiment and satisfaction within Tullow.

The key findings from this year's survey were:

- a clear recognition of the Company's focus and commitment to environmental, health and safety and the importance of environmental and social performance;
- strong, positive feedback about people development but questions about employees' potential to achieve longer-term career goals within Tullow;
- recognition of the embedded improvements in financial governance, cost consciousness and financial discipline;
- positive feedback about the changes in leadership, and a desire for more engagement with staff;

- consensus that communications and engagement had improved; and
- recognition of the refreshed Tullow Values but concerns around trust and fear of speaking up still prevalent in some parts of our organisation.

The responses to the survey have been developed into action plans, which shall will delivered during 2019.

We have continued to prioritise clear and effective communication across the Company. Regular news items are available to all employees through a relaunched intranet and regular town hall meetings led by Executives or Senior Managers. Over the past year we launched 'Tullow in Focus', a series of longer town hall sessions, that the Executive Team and Leaders led across all six of our key locations, providing Tullow people with an opportunity to review and debate our vision, strategy, performance and key activities. In addition to formal communications, the Executive and Senior leaders regularly meet a range of staff to communicate business news and to hear employees' views and opinions.

**OUR VALUES**
Having launched the refreshed Tullow Values in December 2017, we have made progress in 2018 in the engagement and reinforcement of these Values.

VALUE
**Focus on value creation through performance, delivery and accountability**

INTEGRITY
**Act with integrity and have respect for each other, and the communities and places where we work**


INITIATIVE
**Take initiative to find new and innovative ways to develop the business**

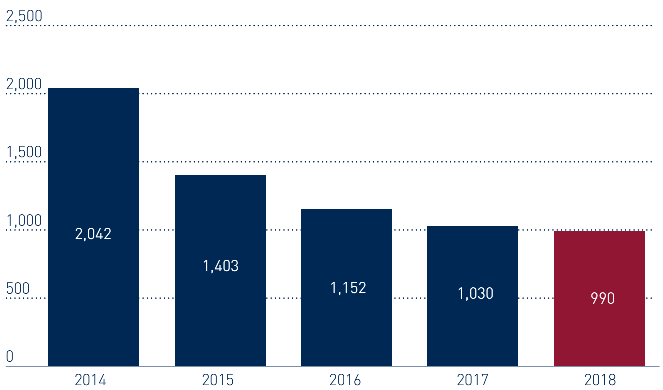
COLLABORATION
**Work collaboratively to leverage our collective talents and support the development of each other**

## People development

Tullow is committed to developing our people to ensure they have the right skills and experience to deliver our strategy and to ensure they have fulfilling roles and rewarding careers. Project LEAP, a dedicated project to improve our approach to career and personal development, continued into its second year in 2018. The project has helped: strengthen the link between development and business performance; encourage more agile ways of working; improve how development support is offered to staff; and supported the establishment of development communities. Tullow's people development agenda includes a range of programmes (e.g. Senior Leaders Programme and Ghana Risers Programme). In 2018, many of our development opportunities have come through our People Forum initiative, a twice-yearly review of open roles and opportunities across the business, with a view to creating cross-functional moves and job placements, expanding people's skills, experiences and career horizons. The 2018 People Forums led to 20 cross-functional moves, ten external development assignments and numerous volunteer roles being created. Additionally, a new development portal was launched, which receives over 1,000 hits per month.

We are now undertaking further work to better understand the needs of Tullow's business leaders and employees in order to support their ongoing career development and to deliver the Company's 2030 Vision. This will inform our future learning and development strategy.

**TOTAL WORKFORCE**



### Leadership and succession

The focus of 2018 was to review and refresh our succession plans for the Executive Team, which were reviewed by the Board's Nominations Committee in June 2018. As well as identifying potential successors, independent assessments are undertaken to establish strengths and development needs, from which individual development plans are developed.

### Inclusion and diversity

Tullow believes that an inclusive and diverse workforce is critical to maintaining a successful and sustainable business. The rich diversity, skills, abilities and creativity that people from differing backgrounds and experiences bring to the Company are highly-valued and we ensure that we provide a workplace where employees are treated fairly, equally and with respect. Our inclusion and diversity plan remains focused on increasing the diversity of nationalities and gender across the Company.

We aim to have a nationality mix that is representative of the countries where our assets are located. In particular, we want to improve the numbers of Africans and women in leadership roles. We monitor and track progress against our aspirations and our data and analytics ensure we can track and drive further improvement. This work is led by an Executive sub-group and during 2018 it focused on:

- raising awareness of Tullow's inclusion and diversity plans across the Company;
- improving the percentage of African nationalities in senior leadership;
- improving our gender diversity in senior leadership and to address the gender pay gap;
- considering Tullow's inclusion and diversity plans alongside our Employee Standards, HR procedures, employment legislation and industry best practice;
- reporting on inclusion and diversity performance; and
- initiating training for managers and holding internal workshops.

At the end of 2018 our workforce was made up of 893 employees and 97 contractors; 44 different nationalities work at Tullow, 52 per cent are African nationals and 31 per cent are women. Our Executive Team is made up of six men and two women and our Senior Managers were 13 per cent African and 21 per cent female.

Dorothy Thompson, who is one of just seven female Chairs in the FTSE 250, took up the position of Tullow Board Chair in July 2018 and governs an otherwise all male Board comprised of four non-executive Directors and three Executive Directors (13 per cent female). The current lack of diversity stems from recent changes in the Board that we are seeking to address. Our target is to achieve 30 per cent female representation and 20 per cent African representation on the Board by 2020.

### GENDER DIVERSITY


| | 2016 | 2017 | **2018** |
|---|---|---|---|
| Board diversity | 18% (2/11) | 11% (1/9) | **13% (1/8)** |
| Executive diversity | 0% (0/4) | 25% (2/8) | **25% (2/8)** |
| Senior Management diversity | 13% (9/68) | 15% (10/65) | **21% (14/68)** |
| Workforce diversity | 29% (336/1,152) | 30% (313/1,030) | **31% (303/990)** |

We have been actively working to attract more diverse candidates when we recruit new employees. This included changing the way we advertise, checking that the language used is gender neutral and developing more robust interview processes (e.g. diverse panel interviews). In addition, we have worked to ensure our interview processes avoid any potential bias.

### Gender pay gap reporting

In 2017 the UK Government introduced the requirement for companies with over 250 employees to calculate and report their gender pay gaps for salary and bonuses. The gender pay gap is the difference between the average earnings of men and women, expressed relative to men's earnings. Tullow is reporting this data for all our UK permanent employees to fulfil the requirements of the regulation.

### 2018 PAY AND BONUS GAPS

| | Women's hourly rate | | Women's bonus pay | |
|---|---|---|---|---|
| | 2017 | **2018** | 2017 | **2018** |
| Lower (mean) | 44% | **39%** | 53% | **48%** |
| Lower (median) | 49% | **46%** | 52% | **48%** |

Tullow's UK workforce is 31 per cent female and only 21 per cent of managerial positions are filled by women and this gender imbalance continues to be the principal reason for Tullow's gender pay gap. There is a national shortage of qualified and experienced women in technical roles in the oil and gas sector and this is reflected at Tullow with a higher proportion of men in the senior technical roles. Our gender pay gap has improved in the past year; however, we acknowledge there is more work to be done and we continue to focus on improving diversity, especially at senior levels.

### 2018 PAY QUARTILES

| | Men | | Women | |
|---|---|---|---|---|
| | 2017 | **2018** | 2017 | **2018** |
| Top quartile | 90% | **90%** | 10% | **10%** |
| Upper middle quartile | 91% | **88%** | 9% | **12%** |
| Lower middle quartile | 65% | **62%** | 35% | **38%** |
| Lower quartile | 51% | **51%** | 49% | **49%** |

### PERCENTAGE RECEIVED BONUS PAY

| | Men | | Women | |
|---|---|---|---|---|
| | 2017 | **2018** | 2017 | **2018** |
| | 95% | **94%** | 97% | **97%** |

### Reward

Tullow offers an attractive reward and benefits package to engage and motivate staff, drive the success of our business and attract new employees to the Company. Our reward package is performance-linked and consists of fixed and variable components including base salary, bonus, share awards, pension, life assurance and a range of other benefits. Through our bonus scheme, all employees have the opportunity to be shareholders in Tullow and all bonus structures include an element of corporate performance. This approach supports the engagement of the entire workforce with our Company vision and purpose.

Further information on our Executive remuneration can be found on page 93.

### Localisation

As Africa's leading independent oil company, localisation is fundamental to our strategy, commitment and brand. This is reinforced by the way we operate in Ghana and Kenya, where we look to develop and invest in local talent. This includes ensuring that if we employ an expatriate to cover a skills gap, that person then supports the business to develop transition plans to take on a local employee.

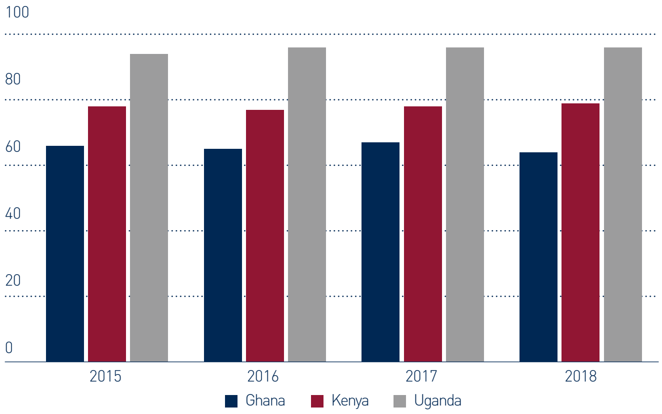
### LOCALISATION IN ACTION

Over the past three years, Tullow has seconded over 50 colleagues from its African offices to its corporate offices in London and Dublin, giving secondees an opportunity to gain valuable skills and experience through work on key projects, which will ultimately enable them to succeed expatriates or grow their careers in our African offices. In 2018 we seconded 27 African colleagues to corporate offices.

In our Ghana business, in 2018 we promoted and hired 16 Ghanaians into senior leadership positions and among our broader staff base, nine roles were localised. Notwithstanding this progress, we saw a 3 per cent decline in localisation over the year, from 67 per cent in 2017 to 64 per cent in 2018. This was driven by an operational and business excellence programme, which involved some redundancies in our Ghana business.

Looking ahead to 2019, we are targeting localisation rates of 71 per cent by the end of the year. In our Kenya business, which from a human resource perspective has remained static in advance of FID, one role was localised. Overall, there was a 1 per cent improvement in localisation in our Kenya business last year, from 78 per cent in 2017 to 79 per cent in 2018.

### LOCALISATION RATES BY COUNTRY (%)



## SMART AND FLEXIBLE WORKING

Tullow launched a new smart and flexible working policy towards the end of 2018, which links directly to our desire to be a progressive organisation. As a result of offering employees more flexibility in their working hours and locations, we believe Tullow will be a more attractive place to work, reducing the carbon footprint from employee travel, and creating a more inclusive working environment. Colleagues will benefit from a greater work/life balance and avoid some of the stresses associated with daily commuting. This policy will be implemented globally in the first quarter of 2019.

*Dee Murray, Group Head of HR*

## TECHNOLOGY INNOVATION

Tullow has a long track record of trialling and adopting the latest in IT capabilities. Over the years several teams within the Company have kept a careful eye on the evolving information technology horizon looking for opportunities to add additional value through the use of new tools and methods. Until recently, the proven use cases for tools such as artificial intelligence, machine learning and robotic process automation seemed relatively few and far between within our industry. But the relentless pace of evolution in cloud services, telecommunication speeds and raw computer power has created a step change in the speed of new, useful innovations being made available 'off the shelf'. Tullow has responded this year by formalising its approach through the creation of a corporate digital strategy team charged with developing and managing the realisation of a Company-wide digital roadmap.

The digital strategy team partners with business leads to look for scenarios where new digital tools have produced measurable value in situations directly analogous to Tullow's operations and objectives. This provides a higher degree of certainty that the tools and new processes adopted will provide the actual promised value. This pragmatic approach is the primary guiding principle as we think about how to streamline and improve efficiency across our back-office capabilities in light of the increasing variety of digital tools available off the shelf.

Tullow's approach to digital also recognises that its traditional commitment to innovate has repeatedly and successfully expressed itself through adoption of, and even the creation of, cutting-edge information management practices and tools. In areas of the business that directly create a competitive advantage for Tullow, the digital strategy team offers continued support for experimenting with digital solutions that have the potential to be transformative in our industry. Throughout 2018, Tullow Exploration and Subsurface as well as Production Operations teams have been evaluating specific use cases for digital twins, predictive analytics and robotics for adoption in 2019.

These activities are all directly supportive of our commitment to being progressive. Not only does digital have the capability to further improve Tullow's performance, but it also creates learning opportunities for staff in competencies that will be increasingly in demand both inside and outside our industry. This in turn allows Tullow to offer exciting opportunities to our JV Partners as they look to improve understanding and upskill their stakeholders in use of digital tools.

*Angus McCoss, Exploration Director*

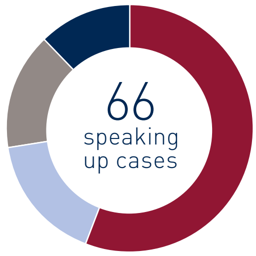
### Ethical behaviour

Our Code of Ethical Conduct ('the Code') is at the core of our Ethics and Compliance programme which is designed to ensure that we conduct our business ethically and legally. We have zero tolerance for bribery, corruption and other financial crime. This is fully supported by Tullow management and the Board. In 2018, we updated the Code as part of our three-year review cycle for Board-level policy documents. As part of this review, we strengthened our Code to specifically cover new areas of governance that expect a clear commitment or position from the Company, including on lobbying and advocacy, prevention of the facilitation of tax evasion, anti-slavery and GDPR.

We require those who deliver services to us, or who act on our behalf, to act in a manner consistent with our Code in addition to the specific business ethics and compliance clauses we have in place in our agreements as well as other clauses that cover anti-slavery and compliance with sanctions and trade restrictions. These contractual clauses are designed to ensure that third parties connected to Tullow will not cause us to breach our own Code. Prior to contract award, we also conduct risk-based third-party due diligence to assess risks related to ownership structure, anti-bribery and corruption, sanctions and trade restrictions and human rights and labour conditions. In 2018, we provided further due diligence training to our supply chain teams and continued monitoring the execution of this process.

As in past years, we relaunched the annual e-learning on the Code to all staff. This year, we redesigned the module to connect the learning on specific areas of the Code (e.g. anti-bribery and corruption) with the Tullow Values (Value, Integrity, Collaboration and Initiative). Our Values, as well as our Code, are instrumental to driving the way we work and further build a culture of ethics and compliance. We also merged the e-learning with our annual Code certification process whereby staff are required to disclose how they complied with the Code of Ethical Conduct and the related standards and procedures in a given period (e.g. whether they filed all gifts and hospitality received). In 2018, the Code e-learning and annual Code certification were completed by 100 per cent of our people as well as all non-executive Directors. Les Wood, CFO and Board member with executive responsibility for ethics and compliance, signed off on behalf of Tullow Oil plc to confirm this process.

### SPEAKING UP




| | |
|---|---|
| Workplace compliance | 37 |
| Fraud | 11 |
| Supply chain | 10 |
| Corruption | 8 |
| **Speaking up cases** | **66** |

We are committed to ensuring that the integrity of our Code of Ethical Conduct is not compromised, whether by staff or by those who work on our behalf. To this end, we have a speaking up process in place, comprised of internal channels to speak up to a manager or the Tullow Ethics and Compliance team, or via our external independent and confidential reporting process provided by Safecall. We prominently publish the speaking up details in our Code which is publicly available. In 2018, we recorded 66 reports, of which 10 were submitted via Safecall. We investigated all reported possible or actual breaches of our Code, following which two members of our workforce left the Group or had their contracts terminated. As in previous years, we provide a breakdown in the speaking up graph above of such cases by category.

This Strategic Report and the information referred to herein have been approved by the Board and signed on its behalf by:

**Dorothy Thompson**
Chair

**Adam Holland**
Company Secretary
12 February 2019

# WE PROACTIVELY MANAGE RISKS

At Tullow, risk management is an integral part of running the business and is fundamental to helping us achieve our strategic objectives. Our ability to identify, assess and successfully manage current and emerging risks is critical in securing the success of our business and protecting long-term shareholder value.

**Risk governance**

A culture of ethical behaviour aligned to our revised Values and a robust Integrated Management System (IMS) is core to how we run our business and how we approach corporate governance and risk management. Robust risk, assurance and performance management processes, incentivised by balanced key performance indicators (KPIs) in our Group scorecard, enable us to manage the opportunities and risks in all our activities and respond to the concerns of our stakeholders.

The tone for risk management at Tullow is set by the Board, which worked with the Executive Team a number of times during the year to identify and assess its principal and enterprise risks. The Board has also set risk appetites for the principal risk categories and reviewed the Executive Team's risk strategies to mitigate them. As part of that process, the Board identified which risks Tullow should not tolerate, which should be mitigated to an acceptable level and which should be accepted in order to deliver our business strategy. The risk appetites are in the process of being embedded into the Tullow IMS to ensure they are available to the whole organisation and can be used in development of all IMS policies and standards and in business decision making. Risks continue to be managed or monitored by Senior Management, with oversight by the Executive Team. The Board discusses selected principal risks and those risks that the Executive Team brings to its attention. The Board delegated the responsibility for oversight of the risk management process to the Audit Committee, which is supported by Group Internal Audit.

The Executive Team, Group Functional Heads and Business Delivery Teams are responsible and accountable for managing and monitoring the risks that fall under their remit. As illustrated overleaf, the organisation structure has a clear distinction between the corporate functions, which define risk management requirements in the IMS for their functional areas, and the business teams which are accountable for effective implementation of those requirements.

Detailed discussions take place between all levels of the organisation to agree the most effective ways to mitigate the risks and to ensure there is a clear understanding of any compound and cumulative risks and where risks are interdependent requiring cross-business or cross-functional collaboration.

**Risk management process**

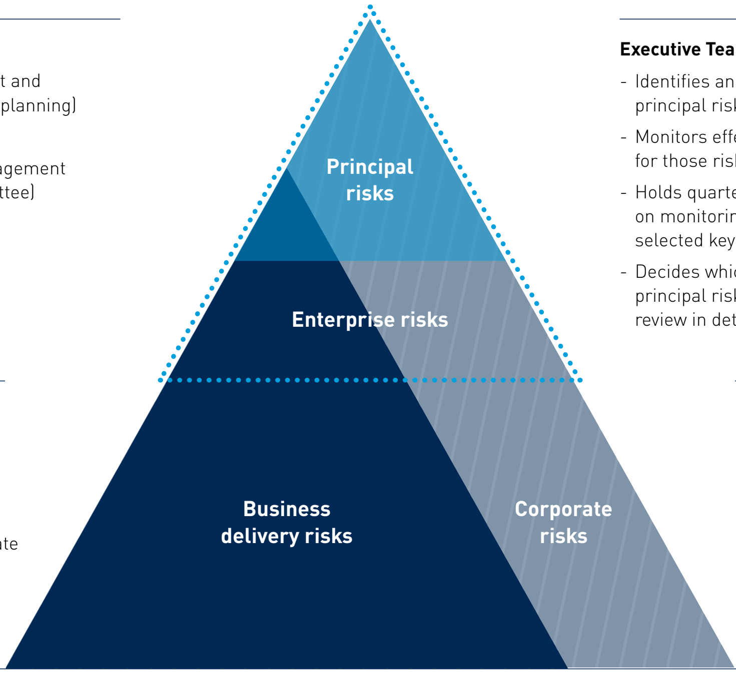
The Group works in collaboration with the business to undertake a bottom-up identification and assessment of the enterprise risks faced by Tullow. Enterprise risks can be a single risk, or a set of aggregated business risks which, taken together, are significant for the Group. This regular bottom-up process is supported by an annual top-down assessment that enables adequate risk information flow from the Business Units to Group Functions, Executives and the Board, and from the Board down to the Business Units.

**CATEGORIES OF PRINCIPAL RISKS**

## RISK HIERARCHY

**Board**
- Oversees identification, assessment and response to principal risks (annual planning)
- Determines risk appetite
- Monitors effectiveness of risk management process (delegated to Audit Committee)

**Executive Team**
- Identifies and assesses enterprise risks and principal risks
- Monitors effectiveness of risk reduction actions for those risks
- Holds quarterly dedicated meetings with focus on monitoring of all risks with a deep dive into selected key risks
- Decides which enterprise risks, in addition to principal risks, require the Board to periodically review in detail




**Leadership**
- BU managers identify and assess their respective business delivery risks (at least annually)
- Corporate Function Heads identify and assess their respective corporate risks (at least annually)
- Monitor effectiveness of risk response (quarterly)

**Heads of Group Functions**
- Set standards for managing risks in their respective functional areas
- Review business risks to seek assurance that key business risks have been identified and assessed
- Ensure effective risk mitigation actions are planned

### Risk management process continued

The Board now undertakes a semi-annual review and assessment of the enterprise risks facing the Company, including those principal risks that would threaten our business strategy, operating model, future performance, solvency and liquidity. These risks are grouped under the seven principal risk categories (see previous page) along with risk appetites by category, both determined by the Board. The Audit Committee provides oversight of the risk assurance process throughout the year.

Enterprise risks are managed by risk owners, who are members of the Executive Team, Heads of Group Functions or Heads of Business Units. For each of the categories of principal risks, a dedicated member of the Executive Team has ownership and accountability for ensuring the risk is managed to the risk appetite levels set by the Board.

The risk registers, which are maintained at each layer of the organisation, continue to be the core component of our risk management process. Each of the key risks in the risk registers has an assigned risk owner who reviews them, at least on a quarterly basis, as part of the performance review process. Additionally, the Executive Team reviews and discusses principal risks on a quarterly basis and assures that mitigations are being effectively executed by the accountable person within the time frames agreed.

The risk registers identify all key risks which are assessed at both an inherent and residual level, against two scales: a) their likelihood; and b) their potential consequence to the Group. The assessment of consequences includes safety, reputation, financial, legal and regulatory impacts.

These risk assessments are designed to ensure a thorough assessment of the risks as well as the associated controls and mitigants. They also help them to consider what additional risk reduction actions may be needed to reduce the residual risk level to the risk appetite level set by the Board. Tullow recognises that risk cannot be completely eliminated and that there are certain risks the Board and/or Executive Team will decide are acceptable to enable the pursuit of particular business opportunities. These decisions are informed by a risk assessment and are made at an appropriate authority level and reflect the Group's defined risk appetite.

### Integrated assurance process

Planned integrated assurance activities are determined on an annual basis, coordinated between the Business Units, Group Functions and Internal Audit to ensure that key risks facing the Company have an associated assurance activity. An annual integrated assurance planning workshop is run by Internal Audit and attended by members of the Executive Team and Heads of Group Functions and Business Units who collectively review and ensure the right level of assurance across the Group. Responsibility for assurance activities is clearly articulated at each of the four organisational tiers (see chart on page 53). Our risk management and assurance processes provide the Board with reasonable, but not absolute, assurance that the key risks we face as a Company are being effectively mitigated and that our assets and reputation are protected.

### Tullow risk profile

In 2018, we managed to significantly reduce our financial and operational risk profile. We have further strengthened our balance sheet, reducing the gearing ratio from 2.6x to 1.9x. To make that improvement sustainable, we have also maintained focus on our capital and operational cost discipline, which contributed to our improved cash flows, revenue, adjusted EBITDAX, asset value, debt capacity and liquidity. We have continued to receive insurance pay-outs from Business Interruption and Hull & Machinery insurance claims relating to the Jubilee turret failure. Having successfully delivered the Jubilee Turret Remediation Project, and having protected our balance sheet through systematic hedging and insurance programmes, we can now concentrate on financing our strategic growth objectives, reducing the risk of inadequate funding.

In managing operational risk we have focused on securing maximum value from current operations leading to a decision to exit from our mature assets that offer low returns and exploration assets with limited or no prospectivity. Regular assessments ensure that we have a portfolio that enables growth opportunities over the short to medium and long term. In Ghana, the Jubilee Turret Remediation Project has been successful despite unprecedented challenges. We have also redefined the operating model with MODEC, operator of our two FPSOs, to provide clearer accountabilities, and carried out an Operational and Business Excellence review to drive improved efficiency of our operations in Ghana. We also continued our strong focus on operational and asset integrity for our operated facilities.

As in previous years, the volatile oil price added to uncertainty and we maintain a systematic hedging programme to protect our Group revenue while retaining substantial access to the potential upside. We closely observe the emerging supply/demand shifts to alternative energy sources; we also monitor different opinions regarding the extent of the impact of that shift to the oil and gas industry. Oil price movements also affect the value that our large development projects in Kenya and Uganda are expected to deliver. We have progressed the farm-down of our Uganda assets; however, the transaction is still pending Government of Uganda approval. Once completed, the transaction will result in a reduction in exposure to major capex spend in Uganda. The Kenya South Lokichar project is also on target with FID planned for later in 2019, and we have a better understanding of the risks and opportunities that the project offers. While the start-up of the Early Oil Pilot Scheme created some tensions and community unrest as well as safety and security risks, we are working very closely with the government and local communities to minimise risks both to people and the project.

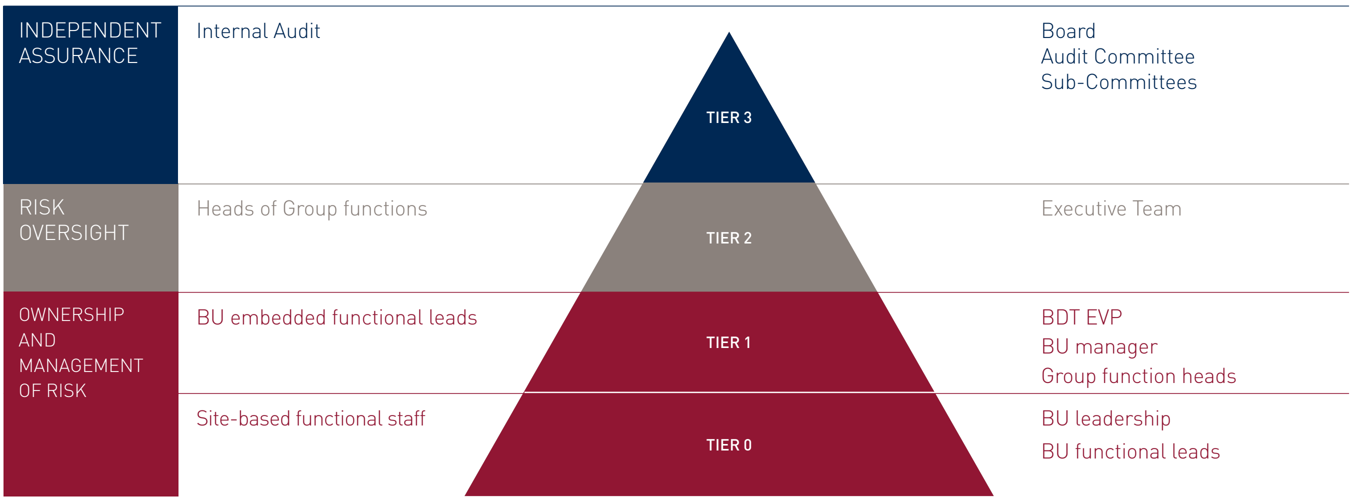
The relatively low and volatile oil price has also had a global impact on host countries' oil and related tax revenues and we observed emerging pressures on host governments to address their budget deficits with more aggressive and challenging tax assessments. However, our key production sharing contracts give us protection against additional claims as all of them contain stabilisation provisions, which we can invoke in order to protect the returns on our shareholders' investments.

The geographical spread of our operations and nature of the industry we work in expose us to a wide range of health, safety, security and environmental risks and we aim to reduce the risk of major incidents in those areas to as low as practically possible. Fast-evolving cyber risk also poses a significant threat to our operations and assets but we have a robust response system in place. This cannot prevent attacks on our systems and infrastructure entirely but can reduce the risk of a major cyber event and its impact to a minimum.

Other emerging risks such as the risk of the impact of climate change and related legislation and taxes on the oil and gas market, Brexit, GDPR or inclusion and diversity have also been considered and are being monitored; however, these have been assessed as being low in the short to medium term.

The enterprise risks that the Board considered to have a significant enough impact during our planning horizon have been identified and categorised under one of the seven principal risk categories. We provide a summary of those risks below, but we are aware that other risks could emerge in the future and if these risks are not successfully managed our cash flow, operating results, financial position, business strategy and reputation could be materially adversely affected. However, we do have a robust risk management process in place to ensure such risks are identified and dealt with effectively.

### TULLOW ASSURANCE MODEL



## STRATEGY RISK

Link to KPI/scorecard – business development and growth

Risk of lack of balance between short and long-term investments, insufficient diversification of assets, the inability to manage the portfolio or grow the business during significant changes to market and industry conditions including evolving regulation and taxes related to climate change or caused by shift in oil demand resulting from substitution of hydrocarbons with renewable energy sources.

### 1. Risk of inability to make new significant oil discoveries and replenish exploration and subsurface portfolio

**Executive owner: Ian Cloke**

Tullow has exciting high-impact exploration prospects and keeps refreshing and replenishing its exploration portfolio in Africa and South America. These opportunities may not be successful due to a lack of maturity of oil industries in new countries we enter or due to less well developed relationships with key stakeholders. Also, due to the nature of the exploration risk, Tullow's exploration programme may not make the next significant oil discovery, inhibiting its growth and resulting in exploration write-offs. By taking this risk Tullow expects that over time the exploration programme should result in a significant success, which would be rewarding to shareholders.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Exploration drilling is based on seismic data, which can only approximate geological structures and their characteristics.<br>- Oil industry may lack maturity in new countries where Tullow invests, or relationships with key stakeholders may be less well developed. | - Failure to access new acreage.<br>- Unsuccessful exploration.<br>- Inability to grow the business.<br>- Capital write-offs. | - High-grading of exploration portfolio.<br>- Disciplined capital allocation model.<br>- Risk-sharing with Joint Venture Partners. | - The Cormorant-1 wildcat in Namibia was unsuccessful. The cost was mitigated by a farmout and excellent execution.<br>- Geophysical Operations were conducted safely and to budget in Africa and South America.<br>- Risk sharing was actioned in Suriname, Côte d'Ivoire and Jamaica.<br>- New acreage was added in Côte d'Ivoire, Suriname and the Comoros. |

### 2. Risk of failure to deliver commercially attractive and timely Kenya development

**Executive owner: Mark MacFarlane**

Tullow has progressed the Project past the select/define stage that precedes the Final Investment Decision (FID). The Early Oil Pilot Scheme and the appraisal programme have significantly reduced the risk to the Project in subsurface and non-technical areas. However, several uncertainties still remain which, if not addressed, may result in the Project being less economically attractive in a sustained low oil price market.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Oil price may be lower than required for FID.<br>- Reservoir complexity may impact planned production volumes.<br>- Access to land and delivery of infrastructure may be delayed due to lack of national or community support.<br>- Changes to legislation and regulations leading to commercial uncertainties. | - Development of the Project may get delayed.<br>- Capex/Opex may be higher than anticipated.<br>- EHS/security risks.<br>- Unplanned shut-downs of operations.<br>- Erosion of value.<br>- National and international reputational harm. | - Fully operational Early Oil Pilot Scheme has sufficiently defined reservoir performance and effectiveness of operations.<br>- Stage gate reviews and capital discipline.<br>- Focused and significant community, National and County Government engagement.<br>- Environmental and Social Impact Assessments completed. | - Phase 1 of upstream and midstream FEEDs completed, with Phase 2 FEEDs due in 2019.<br>- ESIAs to be submitted to the Government.<br>- Plan agreed with Government of Kenya for their delivery of commercial framework agreements, upstream and midstream land titles and water supply. |

### 3. Risk of failure to deliver commercially attractive and timely Uganda Development

**Executive owner: Mark MacFarlane**

Tullow has reached an agreement with JV Partners to farm down its interest in Uganda and the transaction is pending Government of Uganda approval and agreement on tax treatment of the transaction. The Uganda Project provides an opportunity to contribute significant cash flow to Tullow; however, prolonged discussions between JV Partners, Government of Uganda and other key stakeholders may cause the transaction to be further delayed and the Project to stall reducing the anticipated value and cash contribution of the Project.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Misaligned expectations between Tullow, Government and key stakeholders.<br>- Lack of funding for infrastructure development.<br>- Community unrest and asset security. | - Completion of the farm-down transaction and development of the Project may get delayed.<br>- Capex may be higher than planned.<br>- National and international reputational harm.<br>- Loss of licence to operate. | - Ongoing engagements with the Government to reach alignment on Capital Gains Tax.<br>- Project being driven by a Supermajor, for which Uganda is a priority project.<br>- JV Partner collaboration to define appropriate upstream and midstream commercial structure.<br>- Regular joint project reviews to monitor project progress. | - Partner workshops to reach alignment on key FID milestones and prerequisites.<br>- Defined transition plan in place to re-align roles of JV Partners after farm-down.<br>- FID Management Committee to be established comprising Government of Uganda and Joint Venture personnel, to oversee pathway to FID. |

## STAKEHOLDER RISK

Link to KPI/scorecard – safe, sustainable and efficient operations, business development and growth

Risk of loss or damage to relationships with host governments, JV Partners, investors or other stakeholders, jeopardising our ability to conduct business.

### 4. Risk of disruption to business due to political/regulatory influence in Ghana

**Executive owner: Gary Thompson**

Tullow invested material amounts of capital in Jubilee and TEN assets in Ghana and continues to invest in the ongoing operations and new growth. The value of those investments may be eroded by the fiscal interventions by the Government or changes in regulatory environment.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Increase in fiscal asks by the Government amidst reduced contribution of oil revenue.<br>- Not meeting expectations of national content/localisation by the Government.<br>- Changes to Ghana's legislation and oil and gas regulation post award of Petroleum Agreements. | - Regulatory and tax change affect profitability and lead to value erosion.<br>- Significant fines and penalties leading to reputational harm.<br>- Disputes with Government of Ghana leading to civil or criminal prosecution. | - Stabilisation clauses in all Petroleum Agreements.<br>- Non-technical risk standard sets minimum stakeholder management requirements.<br>- Engagement with Petroleum Commission to align on localisation and local content expectations. | - Proactive stakeholder engagement and management.<br>- Joint working group established with key stakeholders.<br>- Regular engagement with Government on new oil industry legislation. |

### 5. Risk of disruption to business due to community and political influence in Kenya

**Executive owner: Mark MacFarlane**

Kenya development, as an onshore project, attracts greater economic and social interest from local communities and county governments. Expectations from stakeholders may continue to grow, which may lead to development delays or operational disruption if expectations are not met.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Increasing activism due to lack of community understanding of the project's social and economic impact.<br>- Misalignment between Government and counties.<br>- Legacy community marginalisation issues. | - Key development decisions delayed.<br>- Operational disruption and unplanned costs.<br>- Reputational harm.<br>- Loss of licence to operate. | - Community Outreach Programme in place.<br>- Local Content and Capacity Building Framework issued.<br>- Turkana Grievance Management Committee and Inter-Ministerial Management Committee established and operational.<br>- Focused communications strategy operational to ensure stakeholders are informed about the project and its benefits. | - Completion of IFC compliant ESIA(s) and implementation of Environmental and Social Management Systems controls.<br>- Lessons from Early Oil Pilot Scheme incorporated into full field development risk analysis.<br>- Agreement on strategic partnerships and shared infrastructure.<br>- Dedicated team to ensure the Tullow Value of Shared Prosperity is fully integrated across the business. |

## EHS OR SECURITY RISK

Link to KPI/scorecard – safe, sustainable and efficient operations

Risk of any incident resulting in fatalities and/or extensive damage to facilities, the environment, or communities in which Tullow operates.

### 6. Risk of major process safety or EHS failure in Ghana

**Executive owner: Gary Thompson**

Given Tullow's offshore Jubilee and TEN operatorship, this risk, due to its nature, cannot be entirely eliminated or transferred. However, its likelihood has been reduced to as low as reasonably possible (ALARP) and major steps are undertaken to ensure Tullow maintains an excellent EHS track record.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Inadequate maintenance of safety-critical equipment on board Jubilee/TEN FPSOs.<br>- Ineffective EHS procedures, competence of personnel or lack of training.<br>- Inadequate contractor selection and quality assurance. | - Fatalities, serious environmental or asset damage.<br>- Significant financial loss, operational disruption and reputational harm. | - Independently verified safety cases to demonstrate risks reduced to ALARP.<br>- Asset and well integrity maintenance with regular assurance over FPSO systems and asset integrity.<br>- Comprehensive all-risk insurance. | - Jubilee Safety Case reissued.<br>- Jubilee FPSO shut down for maintenance and inspections.<br>- Planning for TEN FPSO 2019 shut down for maintenance and inspections.<br>- Comprehensive assurance over Computerised Maintenance Management System.<br>- Jubilee commenced a 10-month Asset Integrity Programme.<br>- Re-aligned responsibilities and accountabilities over FPSO operatorship with MODEC. |

## CYBER RISK

Link to KPI/scorecard – safe, sustainable and efficient operations

Risk of a serious cyber-attack, which could involve the loss of confidentiality, integrity and/or availability of business information and/or disruption to our operations and industrial control systems.

### 7. Risk of major cyber or information security incident

**Executive owner: Angus McCoss**

External cyber-attacks resulting in network compromise, network or Industrial Control System disruption and/or internal theft/loss of confidential information is an ongoing risk and continuously evolving. Tullow takes a range of layered steps to keep ahead of the threat, centralising its security operations through an Advanced Security Operations Centre, delivery of an ongoing security programme and by working with specialist consultancies and government.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - External cyber-attack resulting in network compromise or disruptive impact to Industrial Control Systems.<br>- Deliberate or accidental theft or loss of confidential information. | - Disruption to business.<br>- Loss of intellectual property and competitiveness.<br>- Reputation damage to JV or Government relationship. | - Advanced Security Operations Centre in place and live threat monitoring.<br>- Advanced network security detection and data encryption.<br>- Security awareness programme.<br>- Assurance programme using specialist third-party providers. | - Joint Tullow/MODEC Offshore Control Systems Cyber Security Steerco established.<br>- Operational and offshore Cyber Security Standard approved by Tullow and MODEC.<br>- Tullow staff susceptibility to phishing regularly tested. |

## FINANCIAL RISK

Link to KPI/scorecard – strategic financing

Risk of erosion of financial strength and value, through revenue deterioration and inadequate liquidity/funding due to adverse oil price movements, poor capital and cost discipline and poor balance sheet management.

### 8. Insufficient liquidity and funding capacity

**Executive owner: Les Wood**

Tullow has reset its operations to be viable in a low oil price environment and currently operates at sufficient levels of liquidity and capital to fund its operations and budgeted growth plans. However, the Company is still exposed to erosion of its balance sheet and revenues due to the oil price volatility and may be exposed to unexpected costs resulting from operational incidents.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Oil price volatility due to global supply/demand imbalances reducing revenues and value of underlying assets.<br>- Unplanned outages in hydrocarbon production.<br>- Significant damage or loss of asset beyond ordinary wear and tear. | - Reduced revenue, cash flows, EBITDA, asset value and debt capacity.<br>- Insufficient funds to support investment programme. | - Multi-year oil hedge programme with access to upside, approved by the Board annually.<br>- Comprehensive insurance package including property damage, business interruption and well control incident risk. | - 2018 year-end facility headroom and free cash of \$1 billion; net debt of \$3.1 billion; net debt/ EBITDAX 1.9x.<br>- Approx. 60 per cent of 2019 oil entitlement hedged at an average floor price of \$56.24/bbl at YE2018. |

## ORGANISATION RISK

Link to KPI/scorecard – organisation

Risk of poor business performance or failing to deliver the Tullow long-term vision and strategy resulting in an unsustainable workforce lacking diversity and balance, ineffective operating structure, and/or fragmented organisational culture.

**9. Risk of failure to have a sustainable, balanced, diverse workforce and attractive employee proposition** **Executive owner: Claire Hawkings**

Tullow's success depends on the quality of talent it can attract and retain, a strong ethically minded and performance-focused culture and clear organisation model, which enables the delivery of Tullow's strategy. Tullow may be unable to maintain or improve operational performance and pursue growth if the Company is unable to maintain, evolve and sustain its organisational capabilities.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Tullow culture and Values not embedded in the organisation.<br>- Diversity and localisation plans not effectively implemented.<br>- Ineffective career development.<br>- Ineffective total reward. | - Increased staff turnover.<br>- Loss of core skills and capabilities.<br>- Failure to deliver localisation and succession plans.<br>- Reputational harm. | - Succession planning, localisation and diversity objectives set and monitored.<br>- Regular engagement surveys.<br>- Regular review of talent and people development opportunities. | - Enhanced career and personal development planning.<br>- Smart and flexible working arrangements.<br>- Diversity targets approved, to be introduced in 2019.<br>- Salary review considering gender and equal pay. |

## CONDUCT RISK

Link to KPI/scorecard – organisation

Risk of a major breach of Tullow Values, Tullow Code of Ethical Conduct, petroleum agreements or major laws and regulations with a potential to seriously damage Tullow's reputation or result in criminal prosecution, severe fines or material unexpected costs.

**10. Risk of major breach of business conduct standards or non-compliance with major contracts or legal/regulatory obligations** **Executive owner: Les Wood**

Tullow operates in high-risk geographies on the Transparency International Corruption Index map. Tullow maintains high ethical standards across our business, without which the Company could be exposed to increased risk of non-compliance with bribery and corruption legislation and associated prosecutions and fines. Tullow, due to the nature of its activities, is also exposed, albeit to a much lesser extent, to other compliance risks.

| Potential causes | Potential impact | Risk mitigation and assurance | 2018 outcomes and ongoing actions |
|---|---|---|---|
| - Poor leadership behaviour and lack of understanding of ethics and compliance risks in key business areas.<br>- Organisation culture may not support 'speaking up'.<br>- Failure to adequately respond to non-compliance allegations. | - Unethical behaviours or breach of anti-corruption laws leading to prosecutions and fines.<br>- Breach of a major contract with a host government and JV Partners leading to disputes, claims and unplanned costs.<br>- Reputational harm. | - Code of Ethical Conduct and adequate procedures in place.<br>- Third-party due diligence procedures.<br>- Annual certification by all staff of compliance with the Code of Ethical Conduct.<br>- Confidential speak up line available to all staff. | - Code of Ethical Conduct updated for anti-tax evasion.<br>- Tullow Values actively rolled out by the Executive Team.<br>- Recorded and investigated 66 speak up cases.<br>- Continued local fraud awareness training. |

## VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2016 revision of the UK Corporate Governance Code, the Board has assessed the prospects and the viability of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board assesses the business over a number of time horizons for different reasons, including the following:

i. Annual Corporate Budget (i.e. 2019).

ii. Two-year Forecast (i.e. 2019–2020).

iii. Five-year Corporate Business Plan (CBP) (i.e. 2019–2023).

iv. Life-of-field plan – a high-level view of each of the BDTs and produced to enable capital allocation to projects, to optimise the portfolio of assets held by Tullow and to produce an internal view of the value of the Company.

The Board conducted the review for the purposes of the Viability Statement over a five-year period in line with the Corporate Business Plan. This is greater than the three-year period previously reviewed. The five-year period was selected for the following reasons:

i. the Group considers the Group's facility and free cash headroom, debt to equity mix, and other financial ratios, over a five-year period in the CBP;

ii. the current contractual maturity of the Group's RBL facility would be fully amortised by 2024; as such the five-year plan is largely aligned with Tullow's funding cycle; and

iii. both East African projects will have achieved First Oil by 2022 which means the assessment period contains all material requiring capital investment which will in turn significantly enhance the Group's ability to generate free cash flow.

Based on these factors, the Board consider that a five-year assessment period appropriately reflects the underlying prospects and viability of the Group, and the period over which the principal risks are reviewed. Notwithstanding this fact the Group will continue to monitor the business over all time horizons noted above.

In order to make an assessment of the Group's viability, the Board has made a detailed assessment of the Group's principal risks, and the potential implications these risks would have on the Group's liquidity and its business model over the assessment period. This assessment included, where appropriate, detailed cash flow analysis, and the Board also considered a number of reasonably plausible downside scenarios, and combinations thereof, together with associated supporting analysis provided by the Group's finance team. A summary of the key assumptions, aligned to the Group's principal risks, and reasonably plausible downside scenarios can be found below. It should be noted that some assumptions cover multiple risks but have not been repeated to avoid unnecessary duplication.

| Principal risks* | Base assumption | Downside scenario |
|---|---|---|
| Strategy risks | - P50/mean production and capex profiles<br>- Kenya and Uganda First Oil 2022<br>- Completion of Uganda farm-down in the first half of 2019 | - 10 per cent reduction in production<br>- Non-completion of East Africa farm-down activity |
| Stakeholder risks | - Inclusion of financial exposure of all known risks assessed as 'probable' of occurrence | - Inclusion of financial exposure of all known risks assessed as 'possible' of occurrence |
| EHS or security risks | - n/a | - A loss of production event on Jubilee and timing impact of coverage by insurance |
| Financial risks | - Two-year forward curve, then $70/bbl oil price<br>- Contractual debt maturity profile of RBL and 2022 bonds (i.e. no refinancing)<br>- Conversion of convertible bonds<br>- Payment of $100 million dividend p.a. | - $50/bbl oil price<br>- Repayment of convertible bonds at maturity (2021) |

* For detailed information on risk mitigation, assurance and progress in 2018, refer to pages 56 and 57. For the organisational, conduct and cyber Group risks, no reasonably plausible financial exposure has been modelled.

Under such downside scenarios the Board has considered mitigating factors which the Group already has in place, such as hedging and insurance, and additional mitigating actions that are available to the Group, such as active debt financing management, additional funding options, further rationalisation of our cost base, including cuts to discretionary capital expenditure and dividends, and portfolio management. Based on the results of the analysis the Board of Directors has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

**Michelle Boit** is the Senior Project Engineer and technical lead on the Early Oil Pilot Scheme (EOPS) in Kenya. The project involves the transfer of stored crude oil from Turkana to Mombasa by road. Once EOPS is fully operational the trucks will be transporting up to 2,000 bopd.

## CORPORATE GOVERNANCE

# EFFECTIVE & ENTREPRENEURIAL LEADERSHIP

The Board provides strategic oversight and cultural stewardship of the Company to promote its long-term sustainable success, and has a particular responsibility for maintaining effective risk management and internal control systems.

## 1. DOROTHY THOMPSON
### CHAIR

N E

| | |
|---|---|
| Age: **58** | Appointment: **2018** |
| Tenure: **10 months** | Independent: **Yes** |

**Key strengths**
Corporate finance, accounting and audit, business development, risk management, executive leadership, public company governance and leadership, investor relations, technology and innovation.

**Experience**
Dorothy brings extensive leadership and governance experience to Tullow developed over a 35-year career in international business. Dorothy most recently spent 12 years as Chief Executive Officer for Drax Group plc, the international power and energy trading company. Before joining Drax, Dorothy was vice president of the global independent power generation company InterGen Services Inc, managing its European business. Dorothy previously worked for PowerGen plc as head of project finance having started her career in development banking with the Commonwealth Development Corporation and the National Development Bank of Botswana, roles that Dorothy gained significant experience in emerging markets in Africa. In addition, Dorothy spent nine years as a non-executive director of Johnson Matthey, a multinational specialist in the supply and innovation of sustainable technologies in the chemical industry, where she served on the Audit, Remuneration and Nominations Committees. Dorothy holds BSc (Hons) and MSc degrees in Economics from the London School of Economics and Political Science and was appointed a Commander of the Order of the British Empire in 2013 for services to the UK electricity industry.

**Current external roles**
Dorothy is currently a non-executive director of Eaton Corporation plc, an international power management company, where she serves on the Audit and Finance Committees. In addition, Dorothy is a director of the Court of the Bank of England, where she chairs the Audit & Risk Committee, is the Senior Independent Director and serves on the Nominations Committee.

## COMMITTEE MEMBERSHIP KEY

- Committee Chair
- A Audit Committee
- N Nominations Committee
- E EHS Committee
- R Remuneration Committee

## 2. PAUL McDADE
### CHIEF EXECUTIVE OFFICER

| | |
|---|---|
| Age: **55** | Appointment: **2006** |
| Tenure: **12 years** | Independent: **No** |

**Key strengths**
Upstream business, executive leadership, investor and government relations, environment, health, safety and sustainability.

**Experience**
Paul, a petroleum engineer, joined Tullow in 2001 having gained operational, commercial and management experience in the North Sea, Latin America, Africa and Southeast Asia with established exploration and production companies Conoco Inc. and LASMO. Paul has been instrumental in the growth of Tullow, participating in the transformational acquisitions of North Sea gas assets from BP in 2002 and the West Africa oil assets from Energy Africa in 2004. Paul was appointed Chief Operating Officer of Tullow in 2006, a position he held until 2017, when he was appointed Chief Executive Officer. Paul holds a BSc in Civil Engineering from Strathclyde University and an MSc in Petroleum Engineering from Imperial College, London.

**Current external roles**
None.

## 3. LES WOOD
### CHIEF FINANCIAL OFFICER

| | |
|---|---|
| Age: **56** | Appointment: **2017** |
| Tenure: **20 months** | Independent: **No** |

**Key strengths**
Upstream business, corporate finance, accounting and audit, business development, risk management, executive leadership, investor and government relations.

**Experience**
Les brings considerable financial and commercial expertise to Tullow, including major M&A delivery, joining in 2014 as Vice President Commercial & Finance after a 28-year career at BP plc. Les held a number of senior roles including Chief Financial Officer for BP Canada and BP Middle East as well as Global Head of Business Development. After joining Tullow, Les has been instrumental in driving a new performance culture and cost discipline as well as improving the balance sheet to position the business for growth. Les holds a BSc (Hons) in Chemistry from Herriot Watt University, Edinburgh, and an MSc in Inorganic Chemistry from Aberdeen University.

**Current external roles**
None.

## 4. ANGUS McCOSS
### EXPLORATION DIRECTOR

E

| | |
|---|---|
| Age: **57** | Appointment: **2006** |
| Tenure: **12 years** | Independent: **No** |

**Key strengths**
Upstream business, exploration and appraisal executive leadership, public company leadership, investor and government relations, environment, health, safety and sustainability, technology and innovation.

**Experience**
Angus brings substantial experience in the upstream oil and gas business to Tullow, gained through a 21-year career in exploration at Royal Dutch Shell. Angus held senior roles in exploration and subsurface covering a wide geography across Africa, South America, the Middle East and China including general manager exploration, Nigeria and regional vice president exploration for the Americas. After joining Tullow in 2006, Angus headed up the exploration leadership team that discovered significant resources for Tullow in Ghana, Uganda and Kenya. Angus holds a BSc (Hons) Geology from Dundee University and a PhD in Structural Geology from Queens University, Belfast.

**Current external roles**
Angus is currently senior independent non-executive director of Providence Resources plc, an Irish oil and gas exploration company. Angus also serves on the advisory board of the Energy and Geoscience Institute, University of Utah, which conducts scientific research projects for the global energy industry.

## 5. JEREMY WILSON
### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

A N R

| | |
|---|---|
| Age: **54** | Appointment: **2013** |
| Tenure: **5 years** | Independent: **Yes** |

**Key strengths**
Corporate finance, accounting and audit, business development, M&A, risk management, executive leadership, public company governance and leadership and investor relations.

**Experience**
Jeremy brings extensive strategic and corporate finance experience to Tullow developed over a 30-year business career. Most recently Jeremy spent 26 years at the investment bank JP Morgan where he held a number of senior executive roles including head of European mergers and acquisitions, co-head of global natural resources & diversified industrials and latterly vice chair of the bank's energy group. Jeremy holds an MSc in Engineering from Cambridge University.

**Current external roles**
Jeremy is currently a non-executive director of John Wood Group plc, an international engineering company providing project and technical services to the energy industry, where he serves on the Audit and Nominations Committees and chairs the Remuneration Committee. Jeremy is also a co-founder and chair of the Lakeland Climbing Centre.


## 6. TUTU AGYARE
### NON-EXECUTIVE DIRECTOR

A R

Age: **56** | Appointment: **2010**
Tenure: **8 years** | Independent: **Yes**

**Key strengths**
Corporate finance, audit and accounting, business development, risk management and investor and government relations.

**Experience**
Tutu brings a wealth of financial and investment experience to Tullow from a 30-year career in proprietary trading, investment banking, derivatives trading, business and asset management. After starting his career at O'Connor & Company Securities on the trading floor of the London Stock Exchange, Tutu spent 21 years at UBS, most recently as head of emerging markets in Europe, Africa and the Middle East. Tutu also served on the board of directors. In 2007, he founded Nubuke Investment LLP, an investment and advisory business focused solely on Africa. Tutu has also served as a senior adviser to Power Africa, a division of USAid, the United States Government's international development agency. He was co-chair of the African Acquisition Committee at the Tate Modern Museum, London, and is director and founder of the Nubuke Foundation, a Ghanaian cultural, arts and educational institution. Tutu holds a BSc in Mathematics and Computing from the University of Ghana (Legon), Accra.

**Current external roles**
Managing partner and chief investment officer of Nubuke Investment LLP and director and founder of the Nubuke Foundation.

## 7. STEVE LUCAS
### NON-EXECUTIVE DIRECTOR

A N

Age: **64** | Appointment: **2012**
Tenure: **6 years** | Independent: **Yes**

**Key strengths**
Upstream business, corporate finance, accounting and audit, risk management, executive and public company leadership and investor relations.

**Experience**
Steve brings significant financial and leadership experience in the energy and extractive industries to Tullow after a 40-year business career. Steve, a chartered accountant, most recently spent eight years as finance director of National Grid plc. Previously, he held senior financial positions during an 11-year career at Royal Dutch Shell and six years at BG Group plc, latterly as group treasurer. During this time Steve has also held non-executive directorships at the American oil and gas drilling company Transocean Ltd, the Compass Group plc and the Indian energy and power company Essar Energy. Steve holds a BA in Geology from Oxford University.

**Current external roles**
Steve is currently a non-executive director of Acacia Mining plc where he serves on the Audit, Remuneration and Nominations Committees. In addition, Steve is also chairman of mining company Ferrexpo plc where he chairs the Nominations Committee.

## 8. MIKE DALY
### NON-EXECUTIVE DIRECTOR

R E

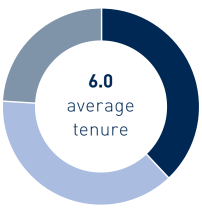
Age: **65** | Appointment: **2014**
Tenure: **4 years** | Independent: **Yes**

**Key strengths**
Upstream business, exploration, executive and public company leadership, technology and innovation, environment, health, safety and sustainability.

**Experience**
Mike brings significant upstream experience to Tullow from a 40-year career in the oil and gas business. Mike spent 28 years at BP plc where he held a number of senior executive and functional roles within the exploration and production division across Europe, South America, the Middle East and Asia, including eight years as head of exploration and new business development. He also served on BP's executive team as executive vice president exploration, accountable for the leadership of BP's access, exploration. Mike was a member of the World Economic Forum's Global Agenda Council on the Arctic and was on the board of the British Geological Survey. He remains a visiting Professor at the Department of Earth Sciences at Oxford University. He holds a BSc in Geology from Aberystwyth University and a PhD in Geology from Leeds University. Mike is also a graduate of the Program for Management Development, Harvard Business School, and in 2014 was awarded The Geological Society of London's Petroleum Group Medal.

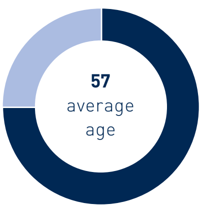
**Current external roles**
Non-executive director of Compagnie Générale de Géophysique, a global provider of geoscience and geophysical services to the oil and gas industry, where he is chair of the Health, Safety, Environment and Sustainable Development Committee.

### TENURE (YRS)



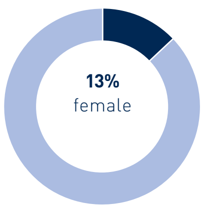

| | |
|---|---|
| 0–5 | 3 |
| 5–10 | 3 |
| 10–15 | 2 |

### AGE DISTRIBUTION (YRS)



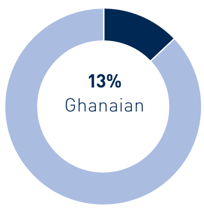

| | |
|---|---|
| 50s | 6 |
| 60s | 2 |

### GENDER DIVERSITY (%)



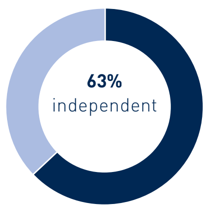

| | |
|---|---|
| Female | 13 |
| Male | 87 |

### NATIONALITY (%)




| | |
|---|---|
| Ghanaian | 13 |
| British | 87 |

### INDEPENDENCE (%)




| | |
|---|---|
| Independent | 63 |
| Non-independent | 37 |

# APPLYING THE UK CORPORATE GOVERNANCE CODE

## Introduction

As a UK listed company, Tullow Oil plc's governance policies and procedures are based on the principles and supporting provisions of the Financial Reporting Council's (FRC) UK Corporate Governance Code. This Directors' Report summarises how the Company has complied in full with the April 2016 version of the Code during the year ended 31 December 2018, namely: leadership, effectiveness, accountability, remuneration and shareholder relations. In July 2018 the FRC published a revision to the Code which will apply to reporting periods beginning on or after 1 January 2019. Copies of the 2016 and 2018 versions of the Code are available via the FRC's website: www.frc.org.uk

The Company remains compliant with the Financial Conduct Authority's Listing Rule 9.8.6 and Disclosure Guidance and Transparency Rule 7.2.1. Related information can be found in the Directors' Report on pages 62 to 67. The Group has complied with sections 414CA and 414CB as well as 414C of the Companies Act 2006 following the introduction of the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. Relevant information can be found throughout the Strategic Report and Governance section of this Annual Report.

## Leadership

### Role of the Board

The Board is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. It meets these aims through setting the Group's strategy and ensuring that the necessary resources are available to achieve the agreed strategic goals. The Board also sets the Company's key policies and reviews management and financial performance. The Board operates through a framework of controls, and these clear procedures, lines of responsibility and delegated authorities allow risk to be assessed and managed effectively. These are underpinned by the Board's work to set the Group's core Values and standards of business conduct and ensure that these, together with the Group's obligations to its stakeholders, are widely understood across all its activities.

The Board has delegated some of its responsibilities to four Committees, the Audit Committee, the EHS Committee, the Nominations Committee and the Remuneration Committee. The Board is satisfied that the Committees have sufficient resources to carry out their duties effectively. Their terms of reference are reviewed and approved annually by the Board and the respective Committee Chairs report on their activities at the next Board meeting. Details of Committee membership, roles and their work during 2018 are set out later in this report.

In addition to delegating certain matters to Board Committees, the Board has also delegated certain operational and management matters to the Executive Directors. In line with the guidance issued by the Institute of Chartered Secretaries and Administrators (ICSA), the Board approved formal terms of reference for the Executive Directors' Committee in December 2014 and most recently reviewed and reaffirmed these terms of reference in December 2018.

### Division of responsibilities

The Chair is primarily responsible for the effective working of the Board, whilst the Chief Executive Officer is responsible for the operational management of the business, for developing strategy in consultation with the Board and for implementation of the strategy. This separation of responsibilities is clearly defined and agreed by the Board. The Chair leads the Board, setting the agenda and ensuring that the meetings provide adequate time for discussion.

The non-executive Directors have a broad range of business and commercial experience. They provide independent and constructive challenge to the Executive Team and monitor the performance of the Executive Team in delivering the agreed objectives and targets. The Board considers each of the non-executive Directors to be independent in character and judgement. One of the non-executive Directors has been selected by the Board to be the Senior Independent Director. The Board is fully satisfied that Jeremy Wilson demonstrates complete independence and robustness of character and judgement in his capacity as Senior Independent Director. The Senior Independent Director is available to meet shareholders if they have concerns that cannot be resolved through discussion with the Chair, the Chief Executive Officer or the Chief Financial Officer or for matters where such contact would be inappropriate. During the year, the Senior Independent Director met with the other non-executive Directors without the Chair to discuss the Chair's performance.

The relationship between the Board, the Board Committees and the Executive Team and their delegated responsibilities are summarised in the following diagram:

## THE BOARD OF DIRECTORS

**Chair, Executive Directors, Senior Independent Director and non-executive Directors**
The Board operates under the leadership of the Chair and is collectively responsible for setting the Company's strategy to deliver long-term value to shareholders and other stakeholders. The Board ensures the appropriate resources, leadership and effective controls are in place to deliver the strategy. The Board also sets out the Company's culture and Values, monitors business performance and provides risk management. The Board delegates some of its responsibilities to Board Sub-Committees. The Board is accountable for the stewardship of the Company's business to the shareholders.

### AUDIT COMMITTEE
Responsible for financial reporting, audit, internal control and risk management.

### NOMINATIONS COMMITTEE
Responsible for Board composition, appointment of Directors and succession planning.

### REMUNERATION COMMITTEE*
Responsible for reward and compensation for Executive Directors and the Chair and reviewing the remuneration arrangements for the Executive Team and employees.

### EHS COMMITTEE
Responsible for health, occupational and process safety, environment and security management.

## EXECUTIVE TEAM

**Chief Executive Officer, Chief Financial Officer, Exploration Director and five Executive Vice Presidents**
The Executive Team operates under the leadership of the Chief Executive Officer and is responsible for delivery and execution of the Board's strategy as well as the day-to-day management of the Company's business and operational performance. The Executive Team is accountable to the Board.

* Since 1 January 2019, the Remuneration Committee is now responsible for setting the remuneration for the Executive Team.

### Board discussions

The Board and its Committees deal with its core activities in planned meetings throughout the year. Matters which require decisions outside the scheduled meetings are dealt with through additional ad hoc meetings and conference calls. The Chair, the Senior Independent Director and the Chief Executive Officer maintain frequent contact with the other Directors in addition to the regular Board meetings. This ensures that all members of the Board have an opportunity to discuss any issues of concern and to be fully briefed on the Group's operations. During 2018, the Board held six scheduled meetings with the following in attendance:

| Director | Attendance |
|---|---|
| Tutu Agyare | 5/6 |
| Mike Daly | 6/6 |
| Steve Lucas | 5/6 |
| Angus McCoss | 6/6 |
| Paul McDade | 6/6 |
| Dorothy Thompson | 4/4 |
| Jeremy Wilson | 6/6 |
| Les Wood | 6/6 |
| Anne Drinkwater* | 2/2 |
| Aidan Heavey* | 4/4 |

* Directors who were no longer Directors of the Company as at 31 December 2018.

**Leadership** continued

At the end of every scheduled Board meeting, the Chair holds a discussion with the non-executive Directors without the Executive Directors. These are supplemented by informal meetings between the Chair, the Chief Executive Officer and the non-executive Directors. The non-executive Directors receive regular briefings on the more technical and operational aspects of the Group's activities and matters of major strategic significance. These include major projects, for example the Jubilee Turret Remediation Project (TRP) and the Kenya Early Oil Pilot Scheme (EOPS) but also include matters such as material litigation. The Board is of the view that no individual or group of individuals dominates decision making.

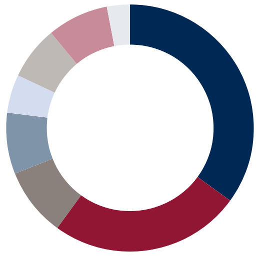
A programme of strategy presentations covering a wide number of operational and other issues is made to the Board in June each year and, in 2018, the Board discussed in depth the Company's capital allocation framework and long-term strategy for growth. During the year, the Board received presentations from each of the Business Delivery Team leaders and reviewed and approved the Company's strategy for each of its Business Delivery Teams. In conjunction with the Audit Committee, and with input from the Executive Team, the Board also reviewed in detail the risks facing the Company, the Company's appetite for those risks and the Enterprise Risk Management System (ERMS) to monitor and mitigate those risks.

The Board normally holds one Board meeting at a principal overseas office of the Group. These meetings ensure that the Board has a clear knowledge of the Company's overseas operations and engages with the Group's various stakeholders. During the visit, additional time is made for members of the Executive Team and Senior Management from across the Group to present to the Board on matters of particular strategic relevance, in-depth operational matters and matters relating to non-technical risks. In addition, opportunities are made for the Board to interact both formally and socially with a broad cross section of the workforce. In 2018 this overseas Board meeting was held in October, at the Group's regional office in Accra, Ghana.

The Board has a formal schedule of matters reserved that can only be decided by the Board. This schedule is reviewed and approved by the Board each year. In 2018 the Board approved a number of changes to simplify and clarify the schedule. The schedule is available on our website and the key matters reserved include the following:

- the Company's purpose, strategy and Values, and ensuring that each of these and the culture of the Company and its Group are aligned;
- key structure and capital considerations;
- Financial Statements and dividend policy;
- significant changes in accounting policies or practices (supported by the Audit Committee);
- approval of treasury strategy, including financing and hedging strategies;
- material contracts and commitments, including capital projects with a $100 million value or above and acquisitions and disposals with a $50 million value or above;
- entry into new countries;
- risk management, including emerging risks and internal controls (supported by the Audit Committee);
- succession planning and appointments (supported by the Nominations Committee);
- the Group's corporate governance and compliance arrangements; and
- key corporate policies.

**BOARD TIME (%)**



| | |
|---|---|
| Strategy | 35 |
| Financial management and capital allocation | 25 |
| Safety, Sustainability & External Affairs (SSEA) | 9 |
| Development & Operations (D&O) | 8 |
| Exploration & Appraisal (E&A) | 5 |
| Governance | 7 |
| Risk management | 8 |
| Succession planning | 3 |

During 2018 the Board considered all relevant matters within its remit aligned with the schedule of matters reserved for the Board. Particular additional matters considered were:

- long-term sustainable strategy and capital allocation including capital structure and capital management;
- finance and treasury, including hedging strategy and gearing;
- risk assessment and mitigation and non-technical risks in major areas of operation;
- options for growth, including exploration;
- stakeholder identification and engagement;
- portfolio management;

- governance and compliance, including the new Corporate Governance Code;
- assurance, risk and internal audit;
- diversity and inclusion at Board level and throughout the Group;
- process for evaluation entry into new countries; and
- succession planning for Board members and Senior Management.

## Board effectiveness

### Composition

At the year end on 31 December 2018, the Board consisted of five independent non-executive Directors and three Executive Directors comprising: the independent non-executive Chair, four independent non-executive Directors, the Chief-Executive Officer, the Chief Financial Officer and the Exploration Director. During the year, there were a number of Board changes. In April, Anne Drinkwater stepped down from the Board with effect from the conclusion of the AGM, whereupon Dorothy Thompson was appointed as Chair-Designate. In July, Aidan Heavey then stepped down as Chair and retired from the Board and Dorothy Thompson was appointed as Chair. The Directors believe that the Board and its Committees currently consist of Directors with an appropriate balance of skills, experience, independence and diversity of background to enable them to discharge their duties and responsibilities effectively.

### Appointments to the Board

The Nominations Committee reviews the structure, size and composition of the Board and makes recommendations to the Board about any changes required. During 2018, Dorothy Thompson was appointed to the Chair of the Board with the departure of Aidan Heavey. As part of the appointments process, candidates disclose any other significant time commitments they may have and are required to inform the Board of any subsequent changes to such commitments.

### Commitment

All Directors have disclosed their other significant commitments and confirmed that they have sufficient time to discharge their duties effectively.

### Development and training

All new Directors receive an induction programme when they join the Board. This reflects their background, experience and knowledge and their understanding of the upstream oil industry and Tullow in particular. The programme includes one-to-one meetings with Senior Management. Functional and Business Unit heads and, where appropriate, visits to the Group's principal offices and operations. New Directors also receive an overview of their duties, corporate governance policies and Board processes. Dorothy Thompson received a comprehensive introduction to Tullow after she joined in April 2018, which included an introductory field course in petroleum geology, an offshore safety induction course, visits to our overseas offices in Ghana (including a visit to the Jubilee FPSO), Kenya, Ireland and South Africa, as well as meetings with government officials and major shareholders.

All members of the Board have access to appropriate professional development courses to support them in meeting their obligations and duties. During the year, Directors attended external seminars on relevant topics relating to the business. They also receive ongoing briefings on current developments, including updates on governance and regulatory issues. In April 2018, the Company Secretary arranged a Directors' training day which covered a variety of different topics including culture, diversity and inclusion, mergers and acquisitions, developments in corporate governance and accounting policies.

### Information and support

Directors have access to independent professional advice at the Company's expense, on any matter relating to their responsibilities. The Company Secretary is Adam Holland. He is responsible for ensuring compliance with all Board procedures and for providing advice to Directors when required. The Company Secretary provides company secretarial services to the Board and the Group. He acts as secretary to the Audit, Nominations, EHS and Remuneration Committees and has direct access to the Chairs of these Committees.

### Evaluation

Tullow conducted an extensive Board evaluation in 2017, the results of which were detailed in the 2017 Annual Report and Accounts and which informed the development of the Board's objectives for 2018. The appointment of Dorothy Thompson as Chair addressed a significant finding of the 2017 evaluation. As part of her induction and familiarisation with the Board, Dorothy Thompson undertook an out-of-cycle evaluation focused on future Board structure, taking into account the long-term strategy of the Company and the risks to it. This addressed the majority of the succession-related issues identified in the 2017 performance evaluation, culminating in the search for further non-executive Directors. Further details can be found in the report of the Nominations Committee on page 77 to 79 later in this report.

## Board effectiveness continued

### Evaluation continued

In addition, in 2018 the Board undertook an internal evaluation of its own performance and effectiveness and also that of its Committees. The evaluation was planned with Lintstock Ltd, which has no other connection with the Company, and was coordinated by the Chair of the Nominations Committee and the Company Secretary. Each of the Directors was required to submit responses to a series of questionnaires to reflect on themes identified from the previous year's exercise including:

- the Board's composition;
- diversity and skills;
- board dynamics;
- management of meetings;
- Board support and Committees;
- focus of meetings;
- strategic and operational oversight;
- risk management and internal control;
- human resource management; and
- priorities for change.

The anonymity of all respondents was ensured throughout the process in order to promote the open and frank exchange of views. The Company Secretary subsequently produced a report which concluded that the Board was satisfied with its own collective performance and effectiveness, the performance and effectiveness of each individual Director, and also that of its Committees. The evaluation noted particular improvements to the Board's focus on and testing of Company strategy, governance within the Group and meeting processes.

The Company remains confident that the Board has the experience and track record to meet the Company's aims of delivering both its immediate and long-term strategic objectives. The Board sets its specific future objectives at its offsite strategy session in June each year and they reflect the focus of the Company in the year ahead. Progress against each objective is tracked by the Company Secretary and reviewed with the Chair and the Board periodically.

### Re-election

Executive and non-executive Directors are initially appointed for a term of three years. All Directors seek re-election every year. The Board will set out in the Notice of Annual General Meeting its reasons for supporting the re-election or election of each of the Directors at the forthcoming Annual General Meeting.

## Accountability

### Financial and business reporting

This report provides shareholders with a clear assessment of the Group's financial position and prospects supplemented, as required, by other periodic financial and trading statements. The Board's arrangements for the application of risk management and internal control principles are detailed below.

### Risk management and internal control

The Directors acknowledge their responsibility for the Group's systems of internal control which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication and to comply with the requirements of the UK Corporate Governance Code. Overall control is ensured by a regular detailed reporting system covering both technical progress of projects and the state of the Group's financial affairs.

The Board has put in place procedures for identifying, evaluating and managing principal risks that face the Group. Principal risks are regularly reported to the Board. Tullow recognises that any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. However, the Board's objective is to ensure that Tullow has appropriate systems in place for the identification and management of risks, including emerging risks. In accordance with the requirements of the UK Corporate Governance Code, the Board is required to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the Annual Report. At Tullow, the Board has delegated responsibility for this assessment to the Audit Committee and results of the assessment are described in the Audit Committee's report later in this document.

### Audit Committee and auditor

The Board has delegated oversight of the relationship with the Group's external auditor to the Audit Committee and is outlined in the Audit Committee Report later in this report.

## Remuneration

The Board has delegated responsibility for agreeing the remuneration policy for the Chair and the Executive Directors to the Remuneration Committee. The level and components of the Directors' remuneration, and the procedures by which it is established, are outlined in the Remuneration Committee's Report later in this report.

## Shareholder relations

### Engagement and dialogue

Tullow is committed to regular dialogue with its shareholders and the wider investment community. During 2018 the Investor Relations team and Executive Team have maintained open and transparent dialogue with the Company's shareholders. Ongoing communication has been through regulatory announcements, regular meetings, presentations, investor conferences and ad hoc events. Over the year, the Investor Relations team and Executive Team met with approximately 300 institutions comprising 70 per cent of the share register and a large number of potential new investors. Targeted roadshows, conferences and investor meetings were conducted in England, Scotland, Ireland, East and West Coast USA, Switzerland, Scandinavia, Ghana, the Middle East and South Africa.

In November 2018, the Company hosted a Capital Markets Day in London at which presentations were given by the Executive Team to provide detail into the Group's strategy and key areas of operations. A webcast of the event and the materials presented are available to view on our website. Engagement with our debt investors is now well integrated into our annual investor relations programme and the Executive, Group Finance and Investor Relations teams have regular dialogue with bond investors through a number of high-yield conferences and one-on-one meetings throughout the year.

In 2018 the Investor Relations team commissioned a follow-up investor perception study to track progress against areas that were identified as requiring improvement in the results of an original survey commissioned in 2017. Interviews were conducted with 18 buy-side investors and the results showed an overall improvement in sentiment and recognition of the progress management had made in the period. The results were presented and discussed in detail with the Board at its strategy offsite in June and the feedback continues to inform the content and style of our messaging to the market.

In addition, upon her appointment as Chair-Designate, Dorothy Thompson wrote to the Company's major shareholders and offered them the opportunity to meet in person and discuss any matters relating to the Company. She subsequently met a number of portfolio managers and governance teams from our institutional investors and was joined in those meetings by the Company Secretary. Throughout the year, institutional shareholders are offered the opportunity to meet the Chair or the Senior Independent Director to discuss any issues and concerns in relation to the Group's governance and strategy. Non-executive Directors are also available to attend such meetings with major shareholders if requested to do so.

Tullow conducted a series of meetings with socially responsible investors when requested, to discuss topics including health and safety, the environment, country and political risk and other operational matters. These meetings are generally hosted by our Executive Vice President of Safety, Operations, Engineering & External Affairs and the Investor Relations team. During 2018, Tullow also hosted meetings with institutional investors to discuss its plans for improving diversity and inclusion at Board level and throughout the organisation. These meetings were hosted by our Chair, our Executive Vice President for Organisation Strategy & Company Performance and the Company Secretary.

Tullow's seventh Ghana Investor Forum took place in Accra in May 2018. The event gave key institutional and retail shareholders the chance to hear presentations and question the Executive Directors and Senior Managers from the Ghana Business Unit. In addition to that event, Tullow also hosted specific meetings at its offices in Accra with some of Ghana's major institutional investors to provide them the opportunity to further engage with members of the Tullow team.

We ensure shareholders can access details of the Group's results, and other news releases, through the London Stock Exchange's Regulatory News Service and on releases made to the Irish and Ghana stock exchanges. In addition, these news releases are published on the media section of the Group's website: www.tullowoil.com. Shareholders and other interested parties can subscribe to email news updates by registering on the website. The Group continually looks for ways to improve how we use online channels to communicate with our stakeholders through our corporate website, webcasting and social media. Another important way we keep shareholders informed is through regular formal reporting and Tullow's Annual Reports are available on the corporate website.

### Constructive use of general meetings

At the Annual General Meeting, held on 25 April 2018, shareholders received presentations setting out the key developments in the business and put questions to the former Chair, the Chair of the Nominations and Remuneration Committees and other members of the Board. A poll was used to vote for all resolutions at the 2018 Annual General Meeting, and the final results, which included all votes cast for and against and those withheld, were announced via the London Stock Exchange and on the Company's corporate website. Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the meeting.

On behalf of the Board

**Dorothy Thompson**
Chair

12 February 2019

# ENGAGING WITH OUR STAKEHOLDERS

To deliver the Company's long-term strategy, the Board understands the need to build and maintain successful relationships with the Company's stakeholders. This is achieved through accurately identifying the Company's stakeholders and ensuring effective engagement with them. A key role of the Board is to directly engage with our stakeholders and understand their views, so they can be considered during the Board's decision making.

The Company has multiple stakeholders across its operations but has identified its current key stakeholders into three groups: our investors; our host countries; and our people. Below are examples of how the members of the Board have directly engaged with these stakeholders during 2018. Engagements are undertaken by individual Directors, including non-executive Directors, and also by the Board as a whole. Feedback from these engagements is regularly communicated to the Board and taken into account during Board discussions.

**OUR KEY STAKEHOLDERS** | **HOW THE BOARD ENGAGED**

## OUR INVESTORS

- Senior Independent Director sought input from major investors during Chair succession process
- Chair-Designate wrote to and met with major investors following her appointment
- Annual General Meeting in London offices
- Ghana shareholder meeting in Accra
- Ghana institutional investor meeting in Accra
- Board received results of independent investor feedback survey at its annual strategy session
- Executive Directors met with equity investors and debt investors throughout the year
- Chair met with major investors to discuss plans for diversity and inclusion
- Chair of Audit Committee sought input from major shareholders on external audit tender process
- Capital Markets Day in London

## OUR HOST COUNTRIES

- Board hosted a Ghana stakeholder event in Accra
- Chair met with Presidents, Ambassadors and key officials of certain host countries during her induction
- Directors met with ministers and key government officials during the year
- Directors visited community events and projects in areas of operations
- Directors attended Africa Oil Week in South Africa and hosted a stakeholder event

## OUR PEOPLE

- Chair arranged multiple one-to-one meetings across the employee group during the year
- Directors travelled to our office locations to present and engage in 'Tullow in Focus' events
- CEO presented town hall events which include open Q&A throughout the year at different locations
- Board hosted informal evening event for all staff when visiting Accra office in Ghana
- Executive Directors host 'Meet the Exec' breakfasts with staff
- Chair visited our offices and engaged with staff in Nairobi, Accra, Dublin, Cape Town and London and at our operational sites in Turkana and Takoradi
- Board hosted dinners for Functional Heads
- Board attended deep-dive sessions with employees working on matters of strategic significance, for example the TRP
- EHS Committee members visited both the TEN and Jubilee FPSOs and met with staff and key contractors

### OUR INVESTORS

## 2018 GHANA INVESTOR FORUM

In May 2018, the CEO and Chair-Designate joined the Ghana senior leadership team at the Ghana Investor Forum held at the Holiday Inn in Accra. The Company is listed on the Ghana Stock Exchange and understands that many of its Ghanaian shareholders are not able to travel to London for the Company's formal Annual General Meeting in April. Therefore we hold the Ghana Investor Forum in May to engage with our Ghanaian shareholders and answer questions they may have. The feedback received by the Board at the event was considered during subsequent decisions, such as the plan to start paying dividends from the 2019 financial year.


### OUR PEOPLE

## 2018 TULLOW IN FOCUS EVENTS

Tullow held two 'Tullow in Focus' events in 2018, which are opportunities to bring colleagues together and reflect on Company performance and share the wider strategic direction of the business. These two-hour events are led by the Executive Team, including the Executive Directors, which travels to each of our six key locations, giving a formal presentation and then socialising and networking with colleagues. At the mid-year event, the Executive Team and leaders presented the 2030 Vision and at the year end, they reflected on 2018 performance, celebrated our first CEO Awards and looked ahead to key milestones for 2019.

### OUR HOST COUNTRIES

## 2018 BOARD STAKEHOLDER EVENING

In October 2018, the Board held one of its meetings at Tullow's offices in Accra. During the visit, which included travel to our operations in Takoradi and the FPSOs, the Board hosted an evening for our stakeholders in Ghana. Guests were invited from the various ministries of the Government of Ghana, our regulators, the Ghana Stock Exchange, our contractors and suppliers, institutional investors and traditional leaders and Chiefs. The event provided an opportunity for the Board to directly engage with and receive the views of our host communities in Ghana. Events such as these provide the Board with the opportunity to learn about the priorities of our host communities.

Angus McCoss, Dorothy Thompson and Mike Daly onboard the Jubilee FPSO.

### OUR MAIN SHAREHOLDER ENGAGEMENTS DURING 2018

| | |
|---|---|
| **January** | – Trading Statement and Operational Update |
| **February** | – 2017 Full-Year Results |
| **April** | – Annual General Meeting and Trading Update |
| **May** | – Ghana Investor Forum |
| **June** | – Trading Statement and Operational Update |
| **July** | – 2018 Half-Year Results |
| **November** | – November Trading Update<br>– Capital Markets Day |

GOVERNANCE

# AUDIT COMMITTEE REPORT

*"The Audit Committee is confident in the Company's commitment to a strong control environment and risk management strategy which supports our business model."*

*Steve Lucas, Chairman of the Audit Committee*

### COMMITTEE MEMBERS

| | Meetings attended |
|---|---|
| Steve Lucas | 5/5 |
| Tutu Agyare | 2/4 |
| Jeremy Wilson | 5/5 |
| Anne Drinkwater* | 1/1 |

* Denotes Directors who were no longer members of the Committee as at 31 December 2018.

### 2018 HIGHLIGHTS

- Completion of the external audit tender.
- Review and approval of key financial reporting issues, assumptions, judgements and accounting changes particularly around valuation of assets and provisions.
- Review of the outcomes of the PricewaterhouseCoopers review of Internal Audit's scope and resources.
- Review of financial controls enhancement initiatives.
- Continued oversight over the supplier due diligence.
- Review of the work of Ethics and Compliance, including whistleblowing arrangements and the Company's response to allegations of misconduct.
- Review of the tax strategy and monitor progress made over the arrangements for tax compliance procedures.
- Review of the use of SAP and future plans for automation of financial processes.
- Review of the Committee's terms of reference to reflect changes to the UK Corporate Governance Code in 2018.

## DEAR SHAREHOLDER

On the following pages I provide an overview of Audit Committee activities in 2018 in its key areas of responsibility. In particular, this covered oversight of Tullow's financial reports as well as assessing the effectiveness of the company's risk management and internal control processes. I also outline key areas of financial judgement and estimation, which were considered in Tullow's accounts and the action taken by the Committee to ensure they fairly reflect Tullow's financial position.

In 2018 there have been further changes to the Audit Committee composition. Anne Drinkwater left the Tullow Board and the Audit Committee and I would like to thank her for the great contribution and insight which she provided to the work of the Committee. Tutu Agyare was appointed to the Audit Committee at the conclusion of the AGM. As a result, the Committee now consists of three members and I am confident that the Committee continues to have a required competence and experience relevant to Tullow's business and oil and gas industry.

This year the Committee's focus also included accounting, reporting and disclosure implications of new accounting standards, especially IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Lease Accounting, which resulted in material adjustments to Tullow's balance sheet.

We have also initiated, overseen and completed a competitive bid process for external audit services, which resulted in a recommendation to the Board to replace Deloitte LLP with Ernst and Young LLP with effect from the 2020 financial year. I describe the process in more detail in the report and I am glad that this significant change will allow Tullow to stop applying transition rules regarding auditor rotation.

The Audit Committee continued also to oversee the risk management and internal control systems and we saw further improvement both to financial as well as compliance and operational controls and we are looking forward to further enhancements to our financial and other systems and processes in 2019.

I am also happy to report that the Committee has undergone an annual assessment of its effectiveness and it was found to be functioning effectively throughout 2018.

**Steve Lucas**
Chairman of the Audit Committee

12 February 2019

### Governance

Steve Lucas has been Audit Committee Chairman since May 2012. Steve is a Chartered Accountant. He was finance director at National Grid plc from 2002 to 2010 thus meeting the requirement of the UK Corporate Governance Code for the Audit Committee to have at least one member who has recent and relevant financial experience. The other members of the Audit Committee are Tutu Agyare and Jeremy Wilson. Biographies of the Committee members are given on pages 60 and 61. Together, the members of the Committee demonstrate competence in the oil and gas industry, with Steve Lucas having significant prior experience in oil and gas companies, while other Committee members also bringing a wider range of industry, commercial and financial experience, which is vital in supporting effective governance. The Company Secretary serves as the secretary to the Committee.

The Chief Financial Officer, the Group Head of Finance, the Group Head of Internal Audit and representatives of the external auditor are invited to attend each meeting of the Committee and participated in all of the meetings during 2018. The Chair of the Board and the CEO also attend meetings of the Committee by invitation and were present at most of the meetings in 2018. The external auditor and the Group Head of Internal Audit have unrestricted access to the Committee Chairman.

In 2018, the Audit Committee met on five occasions. Meetings are scheduled to allow sufficient time for full discussion of key topics and to enable early identification and resolution of risks and issues. Meetings are aligned with the Group's financial reporting calendar.

The Committee reviewed and updated its terms of reference during the year to reflect the changes introduced by the revised UK Governance Code 2018. These are in line with best practice and also reflect the requirements of the Companies Act, the FRC's 2016 Guidance on Audit Committees, the FRC's 2014 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the FRC's 2016 Ethical Standards. The Audit Committee's terms of reference can be accessed via the corporate website. The Board approved the terms of reference on 6 December 2018.

### Summary of responsibilities

The Committee's detailed responsibilities are described in its terms of reference and include:

- monitor the integrity of the Financial Statements of the Group, reviewing and reporting to the Board on significant financial reporting issues and judgements including going concern and viability assessments;
- review and, where necessary, challenge the consistency of significant accounting policies, and whether appropriate accounting standards have been used;
- review the content of the Annual Report and Accounts and advise the Board on whether it is fair, balanced and understandable and if it provides the information necessary for shareholders to assess Tullow's position, performance, business model and strategy;
- monitor and review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- consider the level of assurance being provided on the risk management and internal controls systems and whether it is sufficient for the Board to satisfy itself that they are operating effectively;
- review the adequacy of the whistleblowing system, and the Company's procedures for detecting and preventing fraud;
- review and assess the annual Internal Audit plan, its alignment with key risks of the business and coordination with other assurance providers and receive a report on the results of the Internal Audit function's work on a periodic basis;
- oversee its relationship with the external auditor including assessing its independence and objectivity, review the annual audit plan to ensure it is consistent with the scope of the audit engagement, and review the findings of the audit;
- assess the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process; and
- oversee the system of Ethics and Compliance, including its procedures to prevent bribery and corruption, and response to any significant instances of non-compliance.

## Key areas reviewed in 2018

The Committee fully discharged its responsibilities during the year and the following describes the work completed by the Audit Committee in 2018:

### Annual Report

For the Audit Committee and the Board to be satisfied with the overall fairness, balance and clarity of the final report, the following steps are taken:

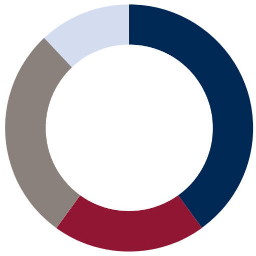
- collaborative approach taken by the Group, with support from the Executives and Group functions and direct input from the Board;
- a central dedicated project team working closely with our external auditor;
- early engagement and planning, taking into consideration investors' feedback, regulatory changes and leading practice;
- comprehensive guidance issued to key report contributors across the Group;
- validation of data and information included in the report both internally and by the external auditor;
- a series of key proof dates for comprehensive review across different levels in the Group that aim to ensure consistency and overall balance; and
- Senior Management and Board review and sign-off.

### Financial reporting

The Committee monitors the integrity of the Financial Statements and formal announcements relating to the Group's financial performances.

As part of the financial reporting process the Committee kept under review ongoing and emerging financial reporting risks and judgements. The Committee met in July 2018 to review half-year financial statements and in November 2018 at the financial reporting audit and planning phase to discuss an initial view of key financial reporting risks and judgements before the year-end process. Finally, the Committee met for the full-year accounts approval in February 2019. At each stage of the process the Committee considered the key risks identified as being significant to the 2018 Annual Report and Accounts as well as accounting policy changes and their most appropriate treatment and disclosure. The primary areas of judgement considered by the Committee in relation to the 2018 accounts and how these were addressed are detailed overleaf. Details on management's view of the overleaf key estimates and judgements can be found in the Group Accounting Policies on pages 126 and 127.

## ALLOCATION OF AUDIT COMMITTEE TIME (%)



| | |
|---|---|
| Financial results | 40 |
| Internal audit | 20 |
| Risk and controls | 28 |
| Governance | 12 |

| Significant financial judgements and areas of estimation | How the Committee addressed these judgements and areas of estimation |
|---|---|
| Carrying value of intangible exploration and evaluation assets | A detailed accounting paper was received by the Committee from management on the Group's exploration and evaluation assets, with a separate paper for Kenya given its materiality. The papers documented the management's assessment of indicators for impairment and, if required, showed calculations for the impairments. The Committee reviewed these papers and challenged management's position, with particular focus on Kenya, at both the November and February Audit Committee meetings.<br>Furthermore, Committee members met and discussed the Group's reserves and resources with the Group's external reserves auditor, ERCE, at the December Board meeting to ascertain the hydrocarbon volumes audited by ERCE support the impairment assessment.<br>The Committee supported management's view that no impairment was required in respect of Kenya while the Committee concurred that exploration assets in Ghana, Mauritania, Namibia, Uganda and Zambia should be written off as proposed by management and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts. |
| Carrying value of property, plant and equipment | The Committee received and reviewed the papers prepared by management on the Group's oil price and discount rate assumptions, which are used in the assessment of the carrying value of PP&E. At the November and February Audit Committee meetings these assumptions were challenged by the Committee compared to independent oil price forecasts. The Committee also challenged the Company's calculation of impairment discount rates, with particular focus on the asset and exploration risk adjustments made by management to a peer group WACC.<br>At the November and February Audit Committee meetings the Audit Committee reviewed and challenged detailed papers on management's assessment of impairment triggers and resulting impairment tests for PP&E. The Committee gave particular focus to TEN, given the materiality of historical impairments made to that asset. The Committee also discussed the Group's reserves and resources with the Group's external reserves auditor, ERCE, at the December Board meeting to get comfort over management's view of the carrying value of PP&E. The Committee concurred with the impairment and impairment reversals proposed by management and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts. |
| Recognition of assets held for sale | The Committee received and reviewed a detailed accounting paper from management on assessment of the farm-down of Uganda assets and their classification as held for sale. The assumption that the transaction would be completed within 12 months was then challenged by the Committee at the November and February Audit Committee meetings giving consideration to the fact that assets have been held for sale for in excess of 12 months. The Committee ensured that management's judgement aligned with the assumption used in the annual budget approved at the December Board meeting and verified there was an adequate disclosure of this judgement in the Annual Report and Accounts. |
| Going concern and viability | A detailed accounting paper and cash flow analysis was prepared by management and provided to the Committee, which then reviewed and challenged the assumptions and judgements in the underlying going concern and Viability Statement forecast cash flows. The Committee discussed with management the risks, sensitivities and mitigations identified by management to ensure the Company has sufficient headroom to continue as a going concern. The Committee also discussed the five-year time horizon used by management for the Viability Statement. The Committee concurred with management's assessment and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts. |
| Decommissioning costs | A detailed paper was prepared by management detailing the Group's decommissioning provision assumptions making reference, where appropriate, to relevant operator estimates and market data. At the February Audit Committee meeting the Committee challenged reasonableness of and got comfort around management's assessment of the changes to estimated decommissioning costs made during 2018. The Committee concurred with management's assessment and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts. |
| Provisions for onerous service contracts | A detailed accounting paper was prepared by management on provisions for onerous contracts and reviewed by the Committee. This included a summary of independent legal advice on such contracts where appropriate. The Committee regularly monitors the risk by receiving regular summaries of all open litigations and disputes as part of the Group's Quarterly Performance reporting. The Committee then challenged management's position at the November and December Audit Committee meetings and also met with the Group's General Counsel during the July meeting and again in February at the full Board meeting. The Committee concurred with management's assessment and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts. |
| Uncertain tax and regulatory positions | Detailed accounting papers on all tax and regulatory exposures were prepared by management for the Committee's review. Where relevant, the papers included summaries of external legal or tax advice on particular tax claims and assessments received. The Committee challenged management on the key judgements and estimates made including the likelihood of success and the value of the exposure which had been provided for. The Committee concurred with management's assessment and ensured there was an adequate disclosure of this judgement in the Annual Report and Accounts. |

### External auditor

Making recommendations to the Board on the appointment or re-appointment of the Group's external auditor, overseeing the Board's relationship with the external auditor and, where appropriate, the selection of a new external auditor, and assessing the effectiveness of the external audit process is a key responsibility of the Audit Committee.

- The UK Corporate Governance Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, re-appointment or removal of the external auditor. On the basis of the review of external audit effectiveness described below, the Committee recommended to the Board that it recommends to shareholders the re-appointment of Deloitte as Tullow's statutory auditor at the 2019 AGM.
- The external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current Deloitte lead audit partner, Mr Dean Cook, started his tenure in 2015 and his current rotation has ended with the audit of our 2018 accounts. For the year 2019, Mr Dean Cook will be succeeded by Mr Anthony Matthews.
- The Group's external auditor is Deloitte LLP. The Audit Committee assessed the qualifications, expertise and resources, and independence of the external auditor as well as the effectiveness of the audit process. This review covered all aspects of the audit service provided by Deloitte LLP, including obtaining a report on the audit firm's own internal quality control procedures and consideration of the audit firm's annual transparency reports in line with the UK Corporate Governance Code. The Audit Committee also approved the external audit terms of engagement and remuneration. During 2018 the Committee held private meetings with the external auditor. The Audit Committee Chairman also maintained regular contact with the audit partner throughout the year. These meetings provide an opportunity for open dialogue with the external auditor without management being present. Matters discussed included the auditor's assessment of significant financial risks and the performance of management in addressing these risks, the auditor's opinion of management's role in fulfilling obligations for the maintenance of internal controls, the transparency and responsiveness of interactions with management, confirmation that no restrictions have been placed on it by management, maintaining the independence of the audit, and how it has exercised professional challenge.
- In order to ensure the effectiveness of the external audit process, Deloitte LLP conducts an audit risk identification process at the start of the audit cycle. This plan is presented to the Audit Committee for its review and approval and, for the 2018 audit, the key audit risks identified included carrying value of intangible exploration and evaluation assets, carrying value of property, plant and equipment, recognition of assets held for sale, going concern and viability, decommissioning costs and provisions for onerous service contracts. These and other identified risks are reviewed through the year and reported at Audit Committee meetings where the Committee challenges the work completed by the auditor and tests management's assumptions and estimates in relation to these risks. The Committee also seeks an assessment from management of the effectiveness of the audit process. In addition, a separate questionnaire addressed to all attendees of the Audit Committee and Senior Finance Managers is used to assess external audit effectiveness. As a result of these reviews, the Audit Committee considered the external audit process to be operating effectively.
- The Committee closely monitors the level of audit and non-audit services provided by the external auditor to the Group. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary. An internal Tullow standard for the engagement of the external auditor to supply non-audit services is in place to formalise these arrangements. It is reviewed biannually and has been revised in 2018. Among others, it requires Audit Committee approval for all non-trivial categories of non-audit work. A breakdown of the fees paid in 2018 to the external auditor in respect of audit and non-audit work is included in note 4 to the Financial Statements.
- In addition to processes put in place to ensure segregation of audit and non-audit roles, Deloitte LLP is required, as part of the assurance process in relation to the audit, to confirm to the Committee that it has both the appropriate independence and the objectivity to allow it to continue to serve the members of the Company. This confirmation is received every six months and no matters of concern were identified by the Committee.

### External auditor rotation

The audit contract was last tendered in 2004. Under the EU Audit Regulation and the Companies Act, Tullow elected to apply the transitional rules with an annual review of this approach. According to those rules, the Company was required to run a competitive tender process in respect of auditor appointment no later than 31 December 2024.

However, in 2018 the Audit Committee initiated a formal tender process for the 2020 audit. The Audit Committee's decision to tender the audit contract ahead of the mandatory rotation in 2024 was largely driven by Tullow's financial and operational stability, the length of Deloitte's tenure and the expectation that the audit tender market would be crowded for 2024 given the number of companies applying transitional rules on audit tendering.

In line with the Group's procurement policy a Tender Strategy Document was drafted, which included criteria on which the tenderers would be assessed. The focus of the assessment criteria, and overall weighting, was on audit quality but industry knowledge and experience, team and cultural alignment and fees were also assessed. A number of stakeholders were notified of Tullow's intention to tender the audit contract and invited to provide input or feedback into the process. A group of five audit firms was formally invited to tender, including two non 'big four' firms, but excluding Tullow's current auditor, Deloitte LLP. A subset of the five firms accepted Tullow's invitation to tender and submitted written proposals. Oral presentations took place in November 2018 and were assessed alongside written submissions against the set of predetermined criteria resulting in the Audit Committee recommending the preference of Ernst & Young LLP to the Board for its consideration. In December 2018 the Board endorsed the Audit Committee's preference and appointed Ernst & Young LLP to become the Group's statutory auditor for the financial year commencing 1 January 2020. The appointment remains subject to approval by shareholders at the 2020 Annual General Meeting.

### Internal controls and risk management

The Audit Committee has delegated responsibility on behalf of the Tullow Board for reviewing the effectiveness of the Group's risk management and internal control systems. In 2018, in concert with the whole Board, the Audit Committee completed a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. This assessment included emerging risks, such as the impact of Brexit, GDPR and diversity and inclusion; however, these have been assessed as being low in the short to medium term. The assessment included several engagements with the Executive Team and this approach has resulted in better ownership and accountability of enterprise-wide risks amongst the Executive Team. For each of the principal risk categories, the Board developed a set of risk appetites and reviewed Executive Team's risk strategies to mitigate them. As part of that process, the Board identified which risks Tullow should not tolerate, which should be mitigated to an acceptable level and which could be accepted in order to deliver our business strategy. The risk appetites are to be embedded in the Tullow IMS to ensure they are visible to the whole organisation and can be used to develop risk targets and tolerance levels for each key risk.

In 2018, the Audit Committee reviewed, discussed and briefed the Board on the regular reports on risks, controls and assurance, including the annual assessment of the system of risk management and internal control, in order to monitor the effectiveness of the procedures for internal control over financial reporting, compliance and operational matters. Comfort was obtained through the coordinated activities of Internal Audit, which comprised:

- audits undertaken by the Internal Audit function;
- assurance activities undertaken by the Group functions;
- enhancement of the enterprise risk management and assurance processes;
- the external auditor's observations on internal financial controls identified as part of its audit; and
- regular performance, risk and assurance reporting by the Business Unit and corporate teams to the Board.

During the year, Internal Audit presented its findings to the Audit Committee, which monitored the progress of issues raised and their resolution on a regular basis. On occasions, Senior Management representatives from the business were also invited to the Audit Committee meetings to provide updates on key matters such as the Group Finance Controls Project, progress over the Ghana Finance Enhancement Project, tax strategy and proposed disclosure, as well as further improvements required in the supplier due diligence process.

In addition, during the year, the Audit Committee, as part of full Board meetings, received reports from the independent reserves auditor, ERCE, and reviewed the arrangements in place for managing information technology risk relating to the Group's critical information systems. As part of that review the Committee reviewed the level of use of SAP in Tullow and plans for future automation and enhancements to financial systems. The Committee also reviewed the arrangements for Company employees and contractors to raise concerns through the 'speaking up' programme.

Based on the results of the annual effectiveness review of risk management and internal control systems that was coordinated by Group Internal Audit, the Audit Committee concluded that the system of internal controls operated effectively throughout the financial year and up to the date on which the Financial Statements were signed.

### Internal audit requirements

The Audit Committee's role is to consider how the Group's internal audit requirements are satisfied and make relevant recommendations to the Board.

- The Group Head of Internal Audit has direct access and responsibility to the Audit Committee Chairman and Committee. His main responsibilities include: evaluating the Group's assessment of the overall control environment as well as the assessment of effectiveness of risk identification and management at business and corporate levels. During 2018, the Group Head of Internal Audit met twice with the Audit Committee without the presence of management.
- The Committee reviewed and challenged the programme of 2018 internal Audit work developed to address both financial and overall risk management objectives identified within the Group. The plan was subsequently adopted with progress reported at the Audit Committee meetings. 42 internal audits were undertaken during the year, covering a range of financial and business processes in the Group's London office and the main operational locations in Ghana and Kenya. Detailed results from these reviews were reported to management and in summary to the Audit Committee during the year. Where required, the Audit Committee receives full details on any key findings. The Audit Committee receives regular reports on the status of the implementation of Internal Audit recommendations.
- Internal Audit undertook regular audits of non-operated Joint Ventures at the request of respective Business Unit management. Internal Audit also runs a systematic programme of audits of suppliers' compliance with commercial and business ethics clauses, including bribery and corruption, on significant and high-risk contracts.
- The Audit Committee assessed the effectiveness of Internal Audit through its review of progress versus plan and the results of audits reported. In 2018, PwC was selected by the Company to carry out an assessment of Internal Audit's size and scope and the function was deemed adequately resourced to coordinate Internal Audit activities and to provide assurance services to the management around non-operated Joint Ventures and suppliers' compliance audits as well as to coordinate risk management activities across the Group. In line with the requirements of the Institute of Internal Auditors, the Committee requested a full external assessment of the internal audit process in 2019.

### Whistleblowing procedure

We ensure that an effective whistleblowing procedure is in place.

- In line with best practice and to ensure Tullow works to the highest ethical standards, an independent whistleblowing procedure was established in 2011 and operated throughout 2018 to allow staff to confidentially raise any concerns about business practices. This procedure complements established internal reporting processes. The whistleblowing policy is included in the Code of Ethical Conduct which is available to all staff in printed form and on the corporate website. Each member of staff needs to complete an online awareness course to refresh their knowledge of key provisions of Tullow's Code of Ethical Conduct. The Committee considers the whistleblowing procedures to be appropriate for the size and scale of the Group.
- The Committee receives from the Group Ethics and Compliance Manager summaries of investigations of significant known or suspected misconduct by third parties and employees including ongoing monitoring and following up of internal investigations.

### Review of effectiveness of the Audit Committee

- During the year, the Audit Committee has undergone an independent review of its own effectiveness with the results reported to the Board. The Committee was considered to be operating effectively and in accordance with the UK Corporate Governance Code and the relevant guidance.

### Looking forward to 2019

- The Committee will oversee and ensure smooth transition from the current external auditor to the incoming firm.
- The Committee will continue to oversee implementation of systems, including upgrade of SAP and other systems, which may have an impact on financial reporting.
- The Committee will review externally the effectiveness of the Internal Audit function.
- The Committee will review preparedness of the Company for HMRC's Making Tax Digital for VAT obligations.
- The Committee will continue to review the effectiveness of risk management process, integrated assurance, effectiveness of material controls and management's control improvement activities.

*"As part of the Committee's strategy to equip the Board with the skills and attributes it will require, the Board approved two diversity targets: at least 20 per cent African membership and at least 30 per cent female membership on the Board by 2020."*

*Dorothy Thompson, Chair of the Nominations Committee*

### COMMITTEE MEMBERS

| | Meetings attended |
|---|---|
| Dorothy Thompson | 1/1 |
| Jeremy Wilson | 3/3 |
| Steve Lucas | 3/3 |
| Aidan Heavey* | 2/2 |
| Paul McDade† | 2/2 |
| Anne Drinkwater* | 1/1 |

* Denotes Directors who were no longer Directors of the Company as at 31 December 2018.

† Denotes Director who was no longer a member of the Committee as at 31 December 2018.

### 2018 HIGHLIGHTS

- Appointment of new independent non-executive Chair of the Board.
- In-depth review of the skills matrix, structure, size and composition required of the Board to deliver the long-term strategic aims of the Company.
- Commencement of independent non-executive Director searches and review of candidate longlist.
- Approval of target to deliver at least 20 per cent Africans and at least 30 per cent women on the Board by 2020.
- Review of terms of reference in light of the 2018 UK Corporate Governance Code.

## DEAR SHAREHOLDER

The main function of the Nominations Committee is to ensure that the Board and its Committees are appropriately constituted and have the necessary skills and expertise to support the Company's current and future activities and deliver its strategy for sustainable long-term success. The Committee also continues to focus on succession and the recruitment, development and retention of a diverse pipeline of managers who will occupy the most senior positions in the Company in the future.

Early in 2018, the Committee completed its work on Chair succession when it was announced that I would be appointed as an independent non-executive Director and Chair-Designate with effect from the conclusion of the AGM. This concluded a long and successful effort by the Committee to manage one of the most significant leadership transitions in Tullow's history. In July 2018 Aidan Heavey retired from Tullow and I was appointed Chair of the Board and Chair of the Nominations Committee.

Upon my appointment as Chair of the Committee, the Committee began an evaluation of the current attributes of the Board and an in-depth review of the skills, experience and personal characteristics that will be required of the Board now and in the future to deliver the long-term strategy of the Company. This review also took into account the principal and emerging risks that face the Company and its strategy. As a result, the Committee approved a proposal to increase the size of the Board and begin a search for at least two new non-executive Directors with the specific skills, experience and personal characteristics identified as required by the future Board. At the time of this Report, those searches are under way and the Committee is making strong progress towards achieving its aims. We have reviewed a longlist of candidates and seek to make new appointments to the Board during the course of 2019.

The diversity of a board contributes to its success and the Committee recognises the importance of establishing a board that is more reflective of the value that Tullow places on diversity and inclusion within our business. As part of the Committee's strategy to equip the Board with the skills and attributes it will require, it proposed to the Board and the Board approved two diversity targets: at least 20 per cent African membership and at least 30 per cent female membership on the Board by 2020. Appointments to the Board will always be based upon individual merit and objective criteria and the Committee was pleased to receive the unanimous support of all the Board members in setting this target.

In 2018, the Committee implemented the annual evaluation of the performance of the Board and its Committees. This was an internal evaluation arranged by the Chair of the Committee and the Company Secretary. The results were presented to the Board and will be used by the Committee in 2019 to commission a full evaluation by an external facilitator of the Board, its Committees and each of the Directors.

The Committee is also responsible for ensuring there are plans in place for the orderly succession of Senior Manager positions within the business. During the course of 2018, the Committee and the Board reviewed the succession arrangements in place for the recruitment, development and retention of managers who will occupy the most senior positions in the Company in the future. In 2019, the Committee will continue in this work and support the Board in its focus on achieving a diverse and inclusive workforce population with a nationality mix which is representative of our assets' geographic footprint and improves our gender diversity.

**Dorothy Thompson**
Chair of the Nominations Committee

12 February 2019

### Committee's role

The Committee reviews the composition and balance of the Board and senior executives on a regular basis and also ensures robust succession plans are in place for all Directors and senior executives. When recruiting new Executive or non-executive Directors, the Committee appoints external search consultants to provide a list of possible candidates, from which a shortlist is produced. External consultants are instructed that diversity is one of the criteria that the Committee will take into consideration in its selection of the shortlist. The Committee's terms of reference are reviewed annually and are set out on the Group's website.

### Committee's main responsibilities

The Committee's main duties are:

- reviewing the structure, size and composition of the Board (including the skills, knowledge, experience and diversity of its members) and making recommendations to the Board with regard to any changes required;
- identifying and nominating, for Board approval, candidates to fill Board vacancies as and when they arise;
- succession planning for Directors and other senior executives;
- reviewing annually the time commitment required of non-executive Directors; and
- making recommendations to the Board regarding membership of the Audit, Remuneration and other Committees in consultation with the Chair of each Committee.

### Committee membership and meetings

The composition of the Committee changed during 2018. Dorothy Thompson joined the Committee in April on her appointment as a non-executive Director and Chair-Designate. Following the successful appointment of Dorothy as the new Chair of the Board, she was appointed Chair of the Committee and Paul McDade stepped down as a member of the Committee. The membership and attendance of members at Committee meetings held in 2018 are shown in the adjacent table.

In addition to three formal meetings, the Committee held a number of informal discussions, telephone conference calls and interviews during the year.

### Committee activities

- Implementation of succession for Chair of the Board. Detailed planning for the identification of a successor to founder Aidan Heavey as Chair of the Board. In April 2018, the Committee proposed and the Board approved the appointment of Dorothy Thompson as non-executive Director and Chair-Designate with effect from the conclusion of the AGM. The services of executive search consultants Spencer Stuart were employed in this search. There is no other connection between Spencer Stuart and Tullow.
- In-depth review of the skills, experience and personal characteristics required of the current and future Board and the creation and approval of a succession plan to meet those requirements.
- Implementation of succession plan to appoint at least two non-executive Directors to the Board and the review of candidate longlists. The services of executive search consultants Odgers Berndtson have been employed in this search. There is no connection between Odgers Berndtson and Tullow other than using it as a search firm for directors and senior executives.
- Annual evaluation of the performance of the Board and its Committees, including a review of the membership and chairmanship of each of the Board Committees.
- As a result of the changes to the Board during the year, the Committee proposed and the Board approved the appointment of Mike Daly as Chair of the EHS Committee and the appointment of Dorothy Thompson as a member of the EHS Committee and Nominations Committee. Tutu Agyare was appointed a member of the Audit Committee. Upon her appointment as Chair of the Board, Dorothy was also appointed Chair of the Nomination Committee.
- Supporting the Board in improving the diversity of the talent pipeline for the Board and Senior Managers. As part of a continuing effort to increase gender and national diversity in the senior levels of the business, diversity and inclusion was again included in the 2018 corporate scorecard. Progress against the Company's diversity plan was reviewed and further developments were made. The Committee is confident that if the implementation of this plan continues with the same level of commitment observed in 2018, diversity, particularly at senior levels, will materially improve over the coming years.

### Looking forward to 2019

- The Committee will implement its plan to appoint new non-executives to the Board.
- The Committee will commission a full external evaluation of the Board and its Committees.
- The Committee will continue to review and monitor succession planning of Senior Management.
- The Committee will oversee the progress of the Company's policy on diversity and inclusion and how it is being implemented.

# EHS COMMITTEE REPORT

*"The Committee monitors the performance and key risks that the Company faces in relation to process safety, occupational safety, security, health and environmental management."*

*Mike Daly, Chair of the EHS Committee*

## COMMITTEE MEMBERS

| | Meetings attended |
|---|---|
| Mike Daly | 3/3 |
| Angus McCoss | 2/2 |
| Dorothy Thompson | 2/2 |
| Anne Drinkwater* | 1/1 |

* Denotes Directors who were no longer members of the Committee as at 31 December 2018.

## 2018 HIGHLIGHTS

- Deep dives into process safety management on Jubilee and TEN assets.
- Site visit to Ghana operations including key contractor discussions.
- Review of the Sustainability Pillar within the 2030 Vision.

## DEAR SHAREHOLDER

The Committee works to enhance the Board's support and challenge with EHS through appropriate in-depth reviews of strategically important EHS issues for the Group. The Committee has a forward-looking agenda and considers emerging risks that the business might face in its operations.

Process safety continues to be a key focus area for the Committee. In addition to monitoring process safety risk management across the Group, the Committee reviewed the Asset Integrity Strategy for the Jubilee and TEN facilities including key EHS contractual arrangements with Tullow as the duty holder.

As the Jubilee Turret Remediation Project progressed towards a permanent solution in 2018, the Committee had an in-depth review of the assurance processes used to support safe execution.

The Committee's environmental review in 2018 focused on the water delivery model for the Kenya development; the New Ventures business' EHS readiness for new country entry; as well as operational readiness for both seismic and exploration activities.

The Committee in 2019 will expand its remit to include an overview of the broader strategic implementation of Tullow's sustainability goals, including environmental stewardship and carbon emissions.

**Mike Daly**
Chair of the EHS Committee

12 February 2019

### Committee's role

The Committee has been established by the Board to monitor the performance and key risks that the Company faces in relation to occupational and process safety, security, health and environmental management, with a particular ongoing focus on process safety. The Committee oversees the processes and systems put in place by the Company to meet our stated objectives of protecting employees, the communities in which we operate and the natural environment. Additionally, it monitors the effectiveness of operational organisations across the Company in delivering continuous improvement in EHS through reviewing a wide range of EHS leading and lagging indicators to gain an insight into how EHS policies, standards and practices are being implemented. In particular, the Committee reviews high-potential incidents, especially where they have occurred repeatedly in one location or activity (also see Responsible Operations, page 43). It also scrutinises the outcome of audits and investigations.

### Committee's main responsibilities

The Committee's main responsibilities are:

- to review and provide advice regarding the environmental, health, security and asset protection, and safety policies of the Company;
- to monitor the performance, including regulatory compliance, of the Company in the progressive implementation of its environmental, health, security and asset protection, and safety policies, including process safety management;
- to receive reports covering matters relating to material environmental, health, security and asset protection, and safety risks; and
- to consider material regulatory and technical developments in the fields of environmental, health, security and asset protection, and safety management.

The Committee's terms of reference are reviewed annually and are available on the corporate website. The Committee's membership changed during the year with Mike Daly replacing Anne Drinkwater as Chair of the Committee, and Dorothy Thompson joining the Committee. The Committee currently comprises two non-executive Directors and one Executive Director. Sandy Stash, EVP Safety & Sustainability, Operations & Engineering and External Affairs (SOEEA), also attends the Committee meetings. Collectively, the Committee members have considerable operational EHS experience gained from diverse operating environments across the extractive industries.

### Meetings

In addition to the core Committee members, Functional Heads and Senior Managers from across the Group were invited to meetings to provide additional details and insights on specific agenda items. They also provide guidance on EHS issues and support discussions about how EHS can be embedded across their parts of the business. In 2018 those attending the meetings included Senior Management from Tullow's operations and Group management team members from the Safety and Sustainability, External Affairs and Operations and Engineering functions.

### Committee activities in 2018

- In 2018, the Committee reviewed the EHS elements of the Safety and Sustainability Plan. The plan sets out milestones that need to be reached to meet Safety and Sustainability's multi-year objectives and covers all aspects of EHS. Examples of these milestones include:
  - assuring that Company and Business Unit plans are in alignment with the EHS and non-technical risk standards incorporated in Tullow's Integrated Management System (IMS);
  - supporting Business Delivery Teams in the implementation of the Human Rights Policy including compliance with the Modern Slavery Act (both available on our website); and
  - conducting process safety and asset integrity audits of the Jubilee and TEN FPSOs.
- At each meeting the Committee tracked performance against EHS key performance indicators (KPIs), which include both leading and lagging indicators. In addition to providing a snapshot of Tullow's progress, EHS KPIs were used to identify areas where more focus may be required, such as asset integrity, occupational safety and land transport safety. A number of the EHS KPIs are part of the corporate scorecard and are linked to remuneration; these are overseen by the Committee.
- Assurance activity on key EHS risk areas was reviewed during 2018. Such assurance included the review of results from audits of malaria management processes across our Ghana, Kenya and Uganda operations. Committee assurance also included review of the process safety and asset integrity audits of Ghana production operations, including an assessment of the delivery of the Jubilee Asset Integrity Management Plan.

## Committee activities in 2018 continued

- The Committee reviewed process safety risk management including plant, process, people and performance management to assess priorities, progress and challenges in 2018 and looked ahead to 2019 work plans. The Committee also reviewed risk management in drilling and completion operations including processes, tools and performance.
- Tullow's environmental performance and key environmental risks were reviewed together with the mitigation and management techniques employed to minimise their impact.

## Looking forward to 2019

- The Committee will focus on the strategic work plan under development for the Sustainability pillar of the 2030 Vision.
- The Committee will have a continuing emphasis on process safety, including Ghana and Kenya ongoing operations.
- The Committee will provide ongoing oversight of appropriate EHS risk management at all operational sites.
- The Committee will review assurance work focused on land transport safety and the application of business continuity plans implemented by the business.
- The Committee will continue to review the EHS elements of the East Africa development project plans and sustainability aspects of all new country entries.

# ANNUAL STATEMENT ON REMUNERATION

The Remuneration Committee is focused on ensuring Executive Directors are rewarded for promoting the long-term sustainable success of the Company and delivering on its strategy rather than short-term returns.

"The Remuneration Committee aligns reward with the Company's Values and long-term strategy."

Tutu Agyare, Chair of the Remuneration Committee

## DEAR SHAREHOLDER

On behalf of the Board, I am presenting the Remuneration Committee's report for 2018 on Directors' remuneration. The report is divided into three main sections:

- our Annual Statement, which provides a summary of the year under review and the Committee's intentions going forward;
- the Directors' Remuneration Policy Report, which was formally approved by shareholders at the 2017 Annual General Meeting (AGM) on 26 April 2017 and sets out the forward-looking three-year Directors' Remuneration Policy for the Company which commenced 1 January 2017; and
- the 2018 Annual Report on Remuneration, which provides details of the remuneration earned by Directors in the year ended 31 December 2018.

### 2018 Board changes

During 2018, Tullow announced a number of changes to its Board, notably:

- the appointment of Dorothy Thompson as independent non-executive Director and Chair-Designate of Tullow with effect from the conclusion of the Company's AGM on 25 April 2018, and her appointment as Chair at the conclusion of the Board meeting on 20 July 2018. On her appointment as a non-executive Director, Dorothy joined Tullow's Environment, Health and Safety (EHS) Committee and the Nominations Committee, becoming Chair of the Nominations Committee at the conclusion of the Board meeting on 20 July 2018;
- Aidan Heavey, former Chairman of Tullow Oil plc, retired from the Board following the conclusion of the Board meeting on 20 July 2018; and
- Anne Drinkwater also stepped down from the Board following the conclusion of the AGM on 25 April 2018 when Mike Daly became Chair of the EHS Committee and Tutu Agyare was appointed as a member of the Audit Committee.

### 2017 Remuneration Policy

The Policy is based on a structure linking the Group's ongoing strategy and business goals to performance. Set out below are the main features of the 2017 Policy (which are explained in greater detail in the Remuneration Policy Report).

### Tullow Incentive Plan (TIP)

- The maximum annual award opportunity is 400 per cent of base salary.
- Full vesting of the TSR performance condition to be triggered at upper quartile (75th percentile) performance.
- Discretion to settle any portion of the annual cash bonus component of a TIP award in deferred shares.

The Committee believes that the Policy at these levels aligns interests of management and shareholders and incentivises, motivates and retains our valued Executive Directors. Further details are shown in the Directors' Remuneration Policy Report.

### Performance and reward for 2018

The Committee continues to monitor Executive base salaries in an effort to remain competitive and appropriately placed in the international oil and gas industry.

As part of the annual salary review process for 2018, the Committee used the approved 2017 Policy and salaries for the Executive Directors were adjusted to take into account Tullow's market position and benchmark data for the international oil and gas sector.

The overall impact of this change was an increase of 3 per cent in CEO, CFO and Exploration Director salaries, which was consistent with the wider decisions made regarding employee pay: Paul McDade's salary was increased to £746,750; Les Wood's salary was increased to £448,050; and Angus McCoss' salary was increased to £422,300.

For 2019, in view of UK inflation, salary inflation and benchmarking data, the Committee has decided to increase the salaries of the Executive Directors by 3 per cent and, again, this decision took into account and is consistent with the wider decisions made regarding workforce pay and arrangements.

In addition, with effect from 1 January 2019, the Chair's fee is £300,000 and the base non-executive Directors' fee is set at £65,000. This is following a recent review of benchmark data and in the context of a previous reduction of non-executive Director fees. No Director was involved in deciding their own remuneration outcome.

The performance targets set for 2018 in respect of the TIP awards to be granted in 2019 were challenging. However, the Group performed well on its strategic, financial and operational targets, which resulted in a final score of 38.4 per cent (out of 50 per cent). Strategic finance achievements continued to focus on the deleveraging of the balance sheet and the generation of free cash flow. The Jubilee Turret Remediation Project was successfully completed. 2018 also saw an improvement in Total Shareholder Return with performance against our peer group contributing to the corporate scorecard achievement of 21.9 per cent (out of 50 per cent). Full details of performance against the KPIs is shown on pages 94 to 96.

### Shareholder dialogue and stakeholder engagement

Your views of remuneration are important to the Board and for that reason the Committee consulted with shareholders on the 2017 Policy in late 2016 and early 2017 and regularly offers to meet and discuss policy with shareholders. The Committee will do the same in 2019 as the Committee prepares to review the Directors' Remuneration Policy ahead of the AGM in 2020.

During 2018, I and fellow members of the Committee engaged with staff during visits to the Group's offices and operations, including in Ghana, Kenya and South Africa, such visits help the Board to gain insight into the culture of the organisation and hear the employees views firsthand. In 2019, we will continue to do this but the Committee will also benefit from receiving the views of the workforce on remuneration arrangements via the Group's workforce advisory panels.

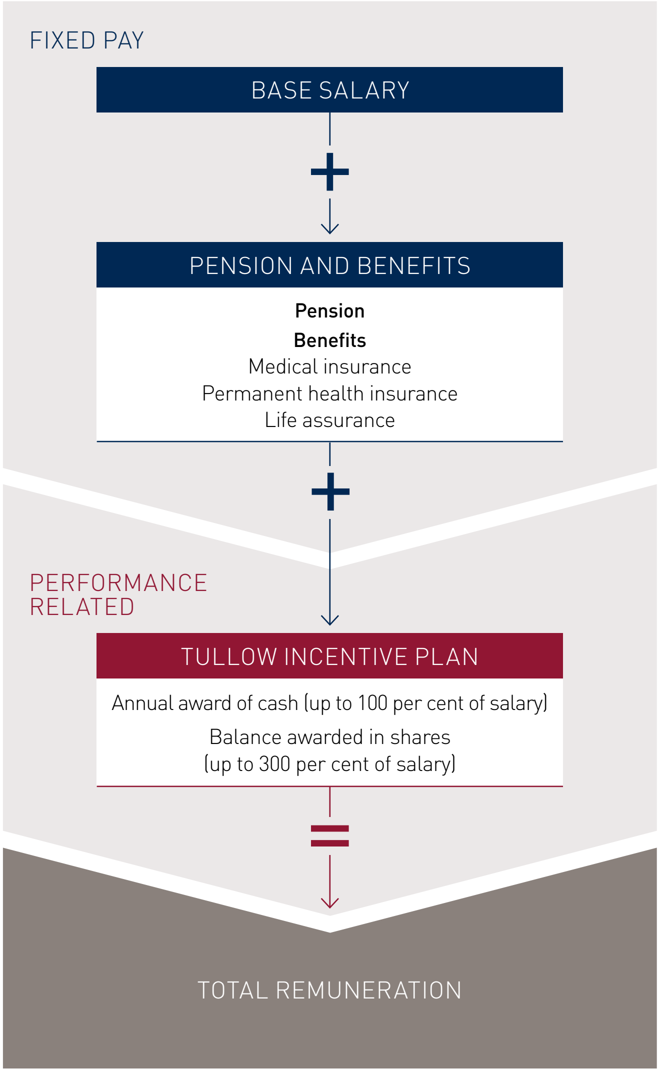
Finally, on behalf of the Committee, I would like to thank shareholders for their vote approving the 2018 Annual Statement and Annual Report on Remuneration at the last AGM and look forward to your continued support over the coming year.

If you have any comments or questions on any element of the report, please email me at remunerationchair@tullowoil.com.

**Tutu Agyare**
Chair of the Remuneration Committee

12 February 2019

## COMPONENTS OF REMUNERATION




### Glossary

| | |
|---|---|
| **AGM** | Annual General Meeting |
| **Capex** | Capital expenditure |
| **DSBP** | Deferred Share Bonus Plan |
| **EHS** | Environment, health and safety |
| **ESOS** | 2000 Executive Share Option Scheme |
| **HMRC** | Her Majesty's Revenue and Customs |
| **Opex** | Operating expenses |
| **PSP** | Performance Share Plan |
| **SIP** | UK Share Incentive Plan |
| **TIP** | Tullow Incentive Plan |
| **TSR** | Total Shareholder Return |

### Preparation of this report

This report has been prepared in accordance with the requirements of the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013, which came into force on 1 October 2013 and which set out the reporting requirements in respect of Directors' remuneration, and the Listing Rules. The legislation requires the external auditor to state whether, in its opinion, the parts of the report that are subject to audit have been properly prepared in accordance with the relevant legislation and these parts have been highlighted.

## DIRECTORS' REMUNERATION POLICY REPORT (VOLUNTARY DISCLOSURE)

Although Tullow is not required to present the current Remuneration Policy Report this year, nor to submit the Remuneration Policy to a binding vote, in line with best practice on corporate reporting, we have included for reference on the following pages the Remuneration Policy for the Company which commenced 1 January 2017 and became formally effective following approval from shareholders through a binding vote at the 2017 AGM. This section also explains how the Remuneration Policy will be operated during 2019.

### Policy overview

The principles of the Remuneration Committee are to ensure that remuneration is linked to Tullow's strategy and promote the attraction, motivation and retention of the highest quality executives who are key to delivering sustainable long-term value growth and substantial returns to shareholders.

### Consideration of shareholders' views

The Committee considers shareholder feedback received at the AGM each year and, more generally, guidance from shareholder representative bodies. This feedback, plus any additional feedback received during any meetings from time to time, is considered as part of the Company's annual review of the continuing appropriateness of the Remuneration Policy.

### Employment conditions elsewhere in the Group

In setting the Remuneration Policy and remuneration levels for Executive Directors, the Committee is cognisant of the approach to rewarding employees in the Group and levels of pay increases generally. The Committee does not currently formally consult directly with employees on the Executive pay policy, but it does receive regular updates from Claire Hawkings, Executive Vice President, Organisational Strategy & Company Performance (EVP – OS&CP).

The following differences exist between the Company's policy for the remuneration of Executive Directors, as detailed in the summary table overleaf, and its approach to the payment of employees generally:

- benefits offered to other employees generally include a performance bonus award of up to 35 per cent of salary;

### Employment conditions elsewhere in the Group continued

- pension provision of a payment of 10 per cent of salary into our Company defined contribution plan, increasing to 15 per cent of salary for employees over 50; and
- participation in the TIP is limited to the Executive Directors and Senior Management according to their role and responsibility. All other employees are eligible to participate in the Company's below Board-level share-based plans.

In general, these differences exist to ensure that remuneration arrangements are market competitive for all levels of role in the Company. Whilst there is a performance link to remuneration for all employees, in the case of the Executive Directors and Senior Management, a greater emphasis tends to be placed on variable pay given their opportunity to impact directly upon Company performance.

### Summary of Directors' Remuneration Policy

The table on pages 87 to 89 sets out a summary of each element of the Directors' remuneration packages, their link to the Company's strategy, the policy for how these are operated, the maximum opportunity and the performance framework. Although not part of the Remuneration Policy Report, the column to the right of the table also sets out how the Committee intends to apply the Policy for 2019.

### Operation of share plans

The Committee will operate the TIP (and legacy plans) according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant.

The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans in relation to Senior Management, including Executive Directors. These include (but are not limited to) the following (albeit with the level of award restricted as set out in the Directors' Remuneration Policy):

- who participates;
- the timing of grant of awards and/or payment;
- the size of awards and/or payment;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes and a good leaver's treatment;
- adjustments to awards required in certain circumstances (e.g. Rights Issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

The choice of the performance metrics applicable to the TIP, which are set by the Committee at the start of the relevant financial year, reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of stretching financial, operational and TSR-related objectives, explicitly linked to the achievement of Tullow's long-term strategy.

In addition to the TIP, Executive Directors are also eligible to participate in the UK SIP on the same terms as other employees. All-employee share plans do not operate performance conditions.

### Calculation of TIP awards

In addition to base salary and other benefits described in the Remuneration Policy, each Executive Director shall be eligible to receive an award issued under the rules of the TIP ('a TIP award'). The TIP combines short- and long-term incentive-based pay and includes a cash bonus component and a deferred share award component.

At the beginning of each financial year, the Committee will determine a multiple of base salary, subject to the limits established under this Policy, to apply to a TIP award. At the same time the Committee will also determine a balanced corporate scorecard of performance metrics applicable to any TIP award. The choice of the performance metrics and the weightings given to them, which are set by the Committee at the start of the relevant financial year, reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of stretching financial, operational and Total Shareholder Return (TSR) related objectives, explicitly linked to the achievement of Tullow's long-term strategy.

Following completion of the financial year, the Committee will review the Company's performance against the corporate scorecard resulting in a percentage score. The multiple set by the Committee is then applied to the percentage score to determine the total TIP award amount. A TIP award is divided equally between cash bonus and deferred shares up to the first 200 per cent of base salary. Any portion of a TIP award above 200 per cent of base salary shall be satisfied in deferred shares only. Deferred shares forming part of a TIP award are normally deferred for five years and are subject to malus and clawback. In its discretion, the Committee may elect to satisfy any portion of the cash bonus element of a TIP award in deferred shares which will be deferred for a period determined by the Committee, being not less than one year from the date of grant. Deferred shares issued in lieu of any portion of the cash bonus component of a TIP award shall be subject to malus, clawback and the minimum shareholding requirements set out on page 89 of this report.

### Legacy remuneration

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority was given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

## Summary Directors' Remuneration Policy

### BASE SALARY

| Purpose and link to strategy | Operation | Maximum opportunity |
|---|---|---|
| To provide an appropriate level of fixed cash income.<br>To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy. | Generally reviewed annually with increases normally effective from 1 January. Base salaries will be set by the Committee taking into account:<br>- the scale, scope and responsibility of the role;<br>- the skills and experience of the individual;<br>- the base salary of other employees, including increases awarded to the wider population; and<br>- the base salary of individuals undertaking similar roles in companies of comparable size and complexity. This may include international oil and gas sector companies or a broader group of FTSE-listed organisations. | Any increases to current Executive Director salaries, presented in the 'Application of Policy in 2019' column below this Policy table, will not normally exceed the average increase awarded to other UK-based employees. Increases may be above this level in certain circumstances, for instance if there is an increase in the scale, scope or responsibility of the role or to allow the base salary of newly appointed Executives to move towards market norms as their experience and contribution increase. |

| Framework used to assess performance and provisions for the recovery of sums paid/payable | Application of Policy in 2019 (this forms part of the Annual Report on Remuneration and not part of the Policy Report) |
|---|---|
| A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply. | Current Executive Director base salaries: |

| | 2019 |
|---|---|
| Paul McDade | £769,155 |
| Angus McCoss | £434,970 |
| Les Wood | £461,495 |

### PENSION AND BENEFITS

| Purpose and link to strategy | Operation | Maximum opportunity |
|---|---|---|
| To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy. | Defined contribution pension scheme or salary supplement in lieu of pension. The Company does not operate or have any legacy defined benefit pension schemes.<br>Medical insurance, income protection and life assurance. Additional benefits may be provided as appropriate.<br>Executive Directors may participate in the Tullow UK Share Incentive Plan (SIP). | Pension: 25 per cent of base salary.<br>Benefits: The range of benefits that may be provided is set by the Committee after taking into account local market practice in the country where the Executive is based. No monetary maximum is given for benefits provided to the Executive Directors as the cost will depend on individual circumstances.<br>Benefit values vary year-on-year depending on premiums and the maximum potential value is the cost of the provision of these benefits.<br>Tullow UK SIP: Up to HM Revenue & Customs (HMRC) limits, currently £150 per month. Maximum participation levels and matching levels for all staff, including Executive Directors, are set by reference to the rules of the plan and relevant legislation. |

| Framework used to assess performance and provisions for the recovery of sums paid/payable | Application of Policy in 2019 (this forms part of the Annual Report on Remuneration and not part of the Policy Report) |
|---|---|
| Not applicable. | No change. |

## Summary Directors' Remuneration Policy continued

### TULLOW INCENTIVE PLAN (TIP)

| Purpose and link to strategy | Operation | Maximum opportunity |
|---|---|---|
| To provide a simple, competitive, performance-linked incentive plan that:<br>- aligns the interests of management and shareholders;<br>- promotes the long-term success of the Company;<br>- provides a real incentive to achieve our strategic objectives and deliver superior shareholder returns; and<br>- will attract, retain and motivate individuals with the required personal attributes, skills and experience. | An annual TIP award consisting of up to 400 per cent of base salary which is divided evenly between cash and deferred shares up to the first 200 per cent of base salary. Any amount above 200 per cent of base salary is awarded entirely in deferred shares[1].<br>Deferred shares are normally subject for deferral until the fifth anniversary of grant, normally subject to continued service.<br>TIP awards are non-pensionable and will be made in line with the Committee's assessment of performance targets.<br>At the discretion of the Committee, any portion of the cash component of a TIP award can be satisfied by granting deferred shares with a vesting date set by the Committee being not earlier than the first anniversary of grant. | The maximum amount of any award shall be established by the Committee at the beginning of each year of this Policy, provided it shall not exceed 400 per cent of salary for Executive Directors.<br>Dividend equivalents will accrue on TIP deferred shares over the vesting period.<br>In the event that Tullow is a member of the FTSE 100 index for a full financial year during the term of this Remuneration Policy, the Committee reserves the discretion to increase the maximum TIP award opportunity from 400 per cent of base salary to 500 per cent of base salary should the Committee determine it appropriate to do so in the circumstances. |

| Framework used to assess performance and provisions for the recovery of sums paid/payable | Application of Policy in 2019 (this forms part of the Annual Report on Remuneration and not part of the Policy Report) |
|---|---|
| A balanced scorecard of stretching financial and operational objectives, linked to the achievement of Tullow's long-term strategy will be used to assess TIP outcomes.<br>Specific targets and their weighting will vary from year to year in accordance with strategic priorities but may include targets relating to: relative or absolute Total Shareholder Return (TSR); earnings per share (EPS); environmental, health and safety (EHS); financial; production; operations; project; exploration; or specific strategic and personal objectives. At the end of each year the Committee will determine a performance score against each of the components of the corporate scorecard which will result in an aggregate performance score out of 100 per cent (KPI score). At least 50 per cent of any TIP award will be based on financial measures including TSR.<br>Performance will typically be measured over one year for all measures apart from TSR and EPS, which, if adopted, will normally be measured over the three financial years prior to grant.<br>For relative TSR, no more than 25 per cent of the maximum TIP opportunity will be payable for threshold performance with 100 per cent payable on delivering upper quartile performance.<br>Non-TSR targets will normally be based on a challenging sliding scale with 20 per cent of the maximum opportunity payable for threshold performance through to a maximum of 100 per cent payable for delivering stretch performance.<br>The Committee reserves the right to exercise its discretion in the event of exceptional and unforeseen positive or negative developments during the performance period. In addition, the Committee reserves the right to reduce the TIP payment where the Committee considers that the level of payment is not commensurate with overall corporate performance and returns delivered to shareholders over the performance period.<br>The Committee will review performance measures annually, in terms of the range of targets, the measures themselves and weightings applied to each element of the TIP. Any revisions to the measures and/or weightings will only take place if it is necessary because of developments in the Group's strategy and, where these are material, following appropriate consultation with shareholders.<br>TIP awards are subject to malus and clawback. The Committee retains discretion to apply malus and clawback to both the cash and deferred share elements of the TIP during the five-year vesting period in the event of a material adverse restatement of the financial accounts or reserves or a catastrophic failure of operational, EHS and risk management. | The corporate scorecard for 2019 will consist of:<br>- 50 per cent based on relative TSR, over the three-year period prior to grant, against a comparator group of oil and gas exploration companies with a threshold (25 per cent of the award) vesting at median performance and a maximum (100 per cent) vesting at upper quartile performance;<br>- 15 per cent based on quantitative business delivery measures including EHS, Production, financing and operational measures;<br>- 20 per cent based on key growth measures defined for each BDT; and<br>- 15 per cent based on measures related to pursuing our vision, under the categories of: Progressive; Sustainable; and leadership effectiveness.<br>The Committee has set specific targets for the above KPIs that are stretching and that are explicitly linked to the achievement of Tullow's long-term strategy.<br>The Committee is of the opinion that, given the commercial sensitivity of Tullow's non-TSR-related KPIs, disclosing in advance precise targets for the TIP would not be in shareholders' interests. Except in circumstances where elements remain commercially sensitive, actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs.<br>Details of actual performance against KPIs will be given retrospectively in the 2019 Annual Report. |

1. Under the rules of the TIP, deferred shares may be awarded in the form of conditional shares, forfeitable shares or nil-cost options.

## MINIMUM SHAREHOLDING REQUIREMENT

| Purpose and link to strategy | Operation | Maximum opportunity |
|---|---|---|
| To align the interests of management and shareholders and promote a long-term approach to performance and risk management. | Executive Directors are required to retain at least 50 per cent of post-tax share awards until a minimum shareholding equivalent to 300 per cent of base salary is achieved in owned shares. Unvested TIP shares will not count towards the minimum shareholding requirement.<br>Shares included in this calculation are those held beneficially by the Executive Director and his or her spouse/civil partner. | Not applicable. |

| Framework used to assess performance and provisions for the recovery of sums paid/payable | Application of Policy in 2019 (this forms part of the Annual Report on Remuneration and not part of the Policy Report) |
|---|---|
| Not applicable. | No change. |

## NON-EXECUTIVE DIRECTORS

| Purpose and link to strategy | Operation | Maximum opportunity |
|---|---|---|
| To provide an appropriate fee level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities while also reflecting the time commitment and responsibility of the role. | The Chairman is paid an annual fee and the non-executive Directors are paid a base fee and additional responsibility fees for the role of Senior Independent Director or for chairing a Board Committee.<br>Fees are normally reviewed annually.<br>Each non-executive Director is also entitled to a reimbursement of necessary travel and other expenses.<br>Non-executive Directors do not participate in any share scheme or annual bonus scheme and are not eligible to join the Group's pension schemes. | Non-executive Director remuneration is determined within the limits set by the Articles of Association.<br>There is no maximum prescribed fee increase although fee increases for non-executive Directors will not normally exceed the average increase awarded to Executive Directors. Increases may be above this level if there is an increase in the scale, scope or responsibility of the role. |

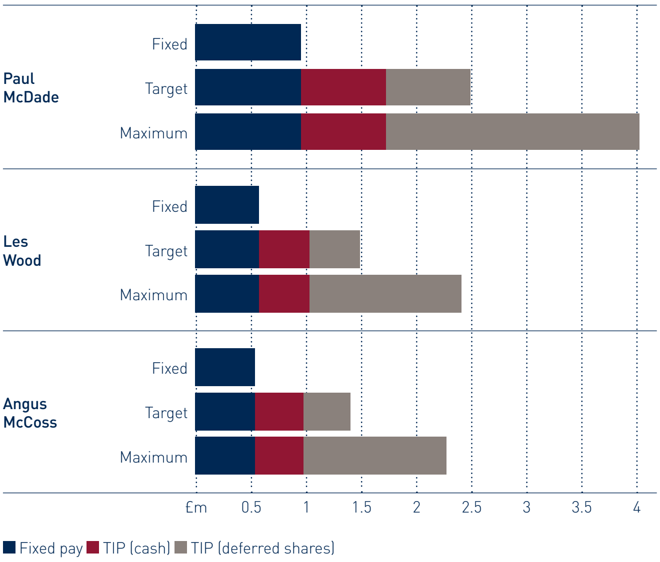
| Framework used to assess performance and provisions for the recovery of sums paid/payable | Application of Policy in 2019 (this forms part of the Annual Report on Remuneration and not part of the Policy Report) |
|---|---|
| Not applicable. | Current non-executive Director fees: |

| | 2019[3] | 2018 |
|---|---|---|
| Chairman | £300,000 | £280,000 |
| Non-executive base fee | £65,000 | £60,000 |
| Senior Independent Director[2] | £15,000 | £10,000 |
| Audit Committee Chair | £20,000 | £20,000 |
| Remuneration Committee Chair | £15,000 | £20,000 |
| EHS Committee Chair | £15,000 | £15,000 |

2. Senior Independent Director's base fee was reduced from £40,000 to £10,000 effective from the conclusion of the Board meeting on 20 July 2018.
3. All changes to fees effective 1 January 2019 were made following required approval and in consultation with relevant NED fee benchmark data.

### Remuneration scenarios for Executive Directors

The charts below show how the composition of the Executive Directors' remuneration packages varies at different levels of performance under the Remuneration Policy, as a percentage of total remuneration opportunity and as a total value:




1. Base salaries are those effective as at 1 January 2019.
2. Fixed pay includes pensions which are based on a 25 per cent employer contribution.
3. The target TIP award is taken to be 50 per cent of the maximum annual opportunity for 2019 (200 per cent of salary) for all Executive Directors.
4. The maximum value of the TIP is taken to be 400 per cent of salary (i.e. the maximum annual opportunity) for 2019.
5. No share price appreciation has been assumed.
6. The Committee is aware of the new regulations requiring an indication of the impact of 50 per cent share price appreciation on the maximum scenario in the chart above. Given that TSR performance is measured over three years prior to grant of award, share price appreciation over the performance period would not impact on the value of the maximum award.

### Service agreements

Each Executive Director entered into a new service agreement with Tullow Group Services Limited in 2017. Each service agreement sets out restrictions on the ability of the Director to participate in businesses competing with those of the Group or to entice or solicit away from the Group any senior employees in the six months after ceasing employment. The above reflects the Committee's policy that service contracts should be structured to reflect the interests of the Group and the individuals concerned, while also taking due account of market and best practice.

The term of each service contract is not fixed. Each agreement is terminable by the Director on six months' notice and by the employing company on 12 months' notice.

The Executive Directors' service agreements and the appointment letters of the non-executive Directors are available for inspection by shareholders at the Company's registered office.

### External appointments

In 2018 the Board introduced a formal policy in relation to the external directorships that an Executive Director may hold. Whilst the policy does not prescribe a maximum number of external appointments, it sets out guidance that an Executive Director should not hold more than one non-executive director position in a FTSE 350 company. During 2018, Angus McCoss sought the Board's permission, which was agreed, to take up the role as senior independent director at Providence Resources plc where he was already in a non-executive director role. In this, and other requests from Executive Directors to take up external appointments, the Board considers the individual's aggregate time commitment anticipated by the new role against their current commitments to Tullow. In respect of Angus' appointment, the Board agreed that he would retain his fee of €45,000 per annum.

### Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

Individuals will participate in the TIP up to the normal annual limit subject to: (i) award levels in the year of appointment being pro-rated to reflect the proportion of the financial year worked; and (ii) where a performance metric is measured over more than one year, the proportion of awards based on that metric will normally be reduced to reflect the proportion of the performance period worked. The Committee may consider buying out incentive awards which an individual would forfeit upon leaving their current employer although any compensation would be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and the use of performance targets.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take account of the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Fee levels for non-executive Director appointments will take into account the expected time commitment of the role and the current fee structure in place at that time.

### Policy for loss of office

Executive Directors' service contracts are terminable by the Director on six months' notice and by the relevant employing company on 12 months' notice. There are no specific provisions under which Executive Directors are entitled to receive compensation upon early termination, other than in accordance with the notice period.

On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate his loss when determining the amount of any compensation. Disbursements such as legal and outplacement costs and incidental expenses may be payable where appropriate.

Any unvested awards held under the Tullow Oil 2005 DSBP (the last awards were granted to Executive Directors in 2013) will lapse at cessation of employment unless the individual is a good leaver (defined under the plan as death, injury or disability, redundancy, retirement, his office or employment being either a company which ceases to be a Group member or relating to a business or part of a business which is transferred to a person who is not a Group member or any other reason the Committee so decides). For a good leaver, unvested awards will normally vest at cessation of employment (unless the Committee decides they should vest at the normal vesting date).

Any unvested awards held under the Tullow Oil 2005 PSP (the last awards were granted to Executive Directors in 2013) will lapse at cessation of employment unless the individual is a good leaver (defined as per the DSBP). For a good leaver, unvested awards will normally vest at the normal vesting date (unless the Committee decides they should vest at cessation of employment) subject to performance conditions and time pro-rating (unless the Committee decides that the application of time pro-rating is inappropriate).

The Committee's policy in respect of the treatment of Executive Directors leaving Tullow following the introduction of the TIP is described below:

| | Cessation of employment due to death, injury, disability, retirement, redundancy, the participant's employing company or business for which they work being sold out of the Company's Group or in other circumstances at the discretion of the Committee | Cessation of employment due to other reasons (e.g. termination for cause) |
|---|---|---|
| TIP (cash) | Cessation during a financial year, or after the year but prior to the normal TIP award date, may, at the discretion of the Committee, result in the cash part of the TIP being paid following the date of cessation (pro-rated for the proportion of the year worked). | No entitlement to the cash part of the TIP following the date notice is served. |
| TIP (deferred shares) | Cessation during a financial year, or after the year but prior to the normal TIP award date, may, at the discretion of the Committee, result in an award of deferred shares being made (pro-rated for the proportion of the year worked).<br>Unvested TIP shares generally vest at the normal vesting date (except on death or retirement – see below) unless the Committee determines they should vest at cessation.<br>On death, TIP shares generally vest immediately unless the Committee determines that they should vest at the normal vesting date.<br>On retirement (as evidenced to the satisfaction of the Committee), TIP shares will vest at the earlier of the normal vesting date and three years from retirement unless the Committee determines they should vest at cessation. | Unvested TIP shares lapse.<br>No entitlement to the deferred share element of the TIP following the date notice is served. |

### Non-executive Director terms of appointment

| Non-executive Director | Year appointed | Number of complete years on the Board | Date of current engagement commenced | Expiry of current term |
|---|---|---|---|---|
| Dorothy Thompson | 2018 | 0 | 25.04.18 | 24.04.21 |
| Tutu Agyare | 2010 | 8 | 24.08.16 | 23.08.19 |
| Mike Daly | 2014 | 4 | 31.05.17 | 30.05.20 |
| Steve Lucas | 2012 | 6 | 13.03.18 | 13.03.21 |
| Jeremy Wilson | 2013 | 5 | 21.10.16 | 20.10.19 |

In each case, the appointment is renewable thereafter if agreed by the Director and the Board. The appointment of any non-executive Director may be terminated by either party on three months' notice. There are no arrangements under which any non-executive Director is entitled to receive compensation upon the early termination of his or her appointment.

## ANNUAL REPORT ON REMUNERATION

This part of the report provides details of the operation of the Remuneration Committee, how the Remuneration Policy was implemented in 2018 (including payment and awards in respect of incentive arrangements) and how shareholders voted at the 2018 AGM.

### Remuneration Committee membership and meetings

The Committee currently comprises three non-executive Directors and is chaired by Tutu Agyare. The membership and attendance of members at Committee meetings held in 2018 are shown below.

| Committee member | Meetings attended |
|---|---|
| Tutu Agyare (Chair) | 4/4 |
| Mike Daly | 4/4 |
| Jeremy Wilson | 4/4 |

### Committee's main responsibilities

- Determining and agreeing with the Board the remuneration policy for the Chief Executive Officer, the Chairman, Executive Directors and Senior Executives.
- Reviewing progress made against performance targets and agreeing incentive awards.
- Reviewing the design of share incentive plans for approval by the Board and shareholders and determining the policy on annual awards to Executive Directors and Senior Executives under existing plans.
- Within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director and Senior Executive.
- Monitoring the level and structure of remuneration for Senior Management.
- Reviewing and noting the remuneration trends across the Group.

The Committee's terms of reference are reviewed annually and can be viewed on the Company's website.

### Committee's advisers

The Committee invites individuals to attend meetings to provide advice so as to ensure that the Committee's decisions are informed and take account of pay and conditions in the Group as a whole. Sources of advice include:

- Dorothy Thompson, Chair;
- Paul McDade, Chief Executive Officer;
- Claire Hawkings, EVP – OS&CP; and
- further to a formal tender process, including consideration of its independence and objectivity, PwC LLP was appointed as adviser to the Remuneration Committee in June 2016 for the purpose of advising on the Company's 2017 Directors' Remuneration Policy.

The total fees paid to PwC in respect of the advice provided for 2018 totalled £25,000 (excluding VAT) and related to the review of the 2017 Directors' Remuneration Report, benchmarking and related issues. PwC LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. PwC LLP also provided tax and consulting services to Tullow during the year.

The Committee has access to the Company Secretary at all times, who advises as necessary and, where appropriate, makes arrangements for the Committee to receive independent legal advice at the request of the Committee Chair.

The Committee also consults with the Company's major investors and investor representative groups as appropriate. No Director takes part in any decision directly affecting his or her own remuneration. The Company Chair also absents herself during discussion relating to her own fees.

### Looking forward to 2019

- The Committee will review the suitability of the Directors' Remuneration Policy ahead of the shareholders vote at the AGM in 2020.
- The Committee will consult with major shareholders on the suitability of the current Directors' Remuneration Policy and any proposed changes to it ahead of the AGM in 2020.
- The Committee will continue to review the remuneration arrangements of the wider workforce when considering arrangements for Executives and Senior Management.

## Directors' remuneration (audited)

The remuneration of the Directors for the year ended 31 December 2018 payable by Group companies and comparative figures for 2017 are shown in the table below:

| | | Fixed pay | | | Tullow Incentive Plan | | |
|---|---|---|---|---|---|---|---|
| | | Salary/fees[1] £ | Pensions[2] £ | Taxable benefits[3] £ | TIP cash[4] £ | Deferred TIP shares[5] £ | Total £ |
| **Executive Directors** | | | | | | | |
| Paul McDade | **2018** | **746,750** | **186,687** | **25,086** | **746,750** | **1,054,411** | **2,759,684** |
| | 2017 | 654,460 | 163,615 | 10,500 | 519,641 | 519,641 | 1,867,857 |
| Angus McCoss | **2018** | **422,300** | **105,575** | **12,661** | **422,300** | **596,288** | **1,559,124** |
| | 2017 | 462,920 | 115,730 | 12,270 | 367,557 | 367,557 | 1,326,034 |
| Les Wood | **2018** | **448,050** | **112,012** | **1,304** | **448,050** | **632,647** | **1,642,063** |
| | 2017 | 431,945 | 78,890 | 1,310 | 277,516 | 277,516 | 1,067,177 |
| **Subtotal 2018** | **2018** | **1,617,100** | **404,274** | **39,051** | **1,617,100** | **2,283,346** | **5,960,871** |
| Subtotal 2017 includes former Executive Directors | 2017 | 2,096,970 | 620,095 | 97,940 | 1,996,063 | 1,996,063 | 6,863,886 |
| **Non-executive Directors** | | | | | | | |
| Aidan Heavey[6] | **2018** | **155,342** | **–** | **11,375** | **–** | **–** | **166,717** |
| | 2017 | 489,710 | – | – | – | – | 489,710 |
| Dorothy Thompson[6] | **2018** | **139,945** | **–** | **–** | **–** | **–** | **139,945** |
| | 2017 | n/a | n/a | n/a | n/a | n/a | n/a |
| Tutu Agyare | **2018** | **80,000** | **–** | **36,540** | **–** | **–** | **116,540** |
| | 2017 | 73,570 | – | 22,192 | – | – | 95,762 |
| Mike Daly[7] | **2018** | **70,247** | **–** | **–** | **–** | **–** | **70,247** |
| | 2017 | 60,000 | – | – | – | – | 60,000 |
| Anne Drinkwater[8] | **2018** | **23,887** | **–** | **22,684** | **–** | **–** | **46,571** |
| | 2017 | 75,000 | – | 10,240 | – | – | 85,240 |
| Steve Lucas | **2018** | **80,000** | **–** | **991** | **–** | **–** | **80,991** |
| | 2017 | 80,000 | – | – | – | – | 80,000 |
| Jeremy Wilson[9] | **2018** | **86,520** | **–** | **6,011** | **–** | **–** | **92,531** |
| | 2017 | 100,000 | – | 5,630 | – | – | 105,630 |
| **Subtotal 2018** | **2018** | **635,941** | **–** | **77,601** | **–** | **–** | **713,542** |
| Subtotal 2017 includes former non-executive Directors | 2017 | 1,004,960 | – | 38,062 | – | – | 1,043,022 |
| **Total** | **2018** | **2,253,041** | **404,274** | **116,652** | **1,617,100** | **2,283,346** | **6,674,413** |
| | 2017 | 3,101,930 | 620,095 | 136,002 | 1,996,063 | 1,996,063 | 7,906,908 |

1. Base salaries of the Executive Directors have been rounded up to the nearest £10 for payment purposes, in line with established policy.
2. None of the Executive Directors have a prospective entitlement to a defined benefit pension by reference to qualifying services.
3. Taxable benefits comprise private medical insurance for all Executive Directors and any other taxable expenses. Travel and subsistence benefits provided to Executive Directors and NEDs have also been included on a grossed-up basis as Tullow meets the UK tax liability on their behalf.
4. TIP cash figures have been calculated based on total base salary receivable in FY18 taking into account all pay changes agreed and implemented for Executive Directors in 2018.
5. These figures represent that part of the TIP award required to be deferred into shares. The Committee is aware of the new regulations requiring disclosure of the impact of the share price appreciation on the value of vesting of multiple year incentives. Given that the TSR performance for the TIP is measured prior to grant of awards, the value disclosed in the single figure table (2013 onwards) is the value on grant. For this reason it is not applicable to show the impact of share price appreciation on vesting and no discretion was applied as a result of the share price.
6. Aidan Heavey stepped down from the Board as Chairman following the Board meeting on 20 July 2018. Dorothy Thompson was appointed Chair following this meeting effective 21 July 2018.
7. Mike Daly was appointed as Chair of the EHS Committee following the AGM on 25 April 2018.
8. Anne Drinkwater stepped down from the Board following the AGM on 25 April 2018.
9. Effective 21 July 2018, the SID fee paid to Jeremy was reduced to £10,000 per annum; previously the SID fee was £40,000.

### Material contracts

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

### Payments to past Directors

As previously reported, the Remuneration Committee awarded Ian Springett a TIP award over £245,381 in cash and a deferred share award to the same cash value for his service to the Company in 2017. The cash bonus payment and grant of deferred share award were made in February 2018.

A cash bonus of £585,968 and a share award to the same cash value was also awarded to Aidan Heavey in February 2018, as previously reported.

### Payments for loss of office

No payments for loss of office where made to Executive Directors in 2018.

### Details of variable pay earned in the year

#### Determination of 2019 TIP award based on performance to 31 December 2018 (audited)

The Group's progress against its corporate scorecard is tracked during the year to assess its performance against its strategy. The corporate scorecard is made up of a collection of key performance indicators (KPIs) which indicate the Company's overall health and performance across a range of operational, financial and non-financial measures. The corporate scorecard is central to Tullow's approach to performance management and the 2018 indicators were agreed with the Board and focus on targets that were deemed important for the year. Each KPI measured has a percentage weighting and financial indicators have trigger, base and stretch performance targets. Following the end of the 2018 financial year, the corporate scorecard KPI performance was 60.3 per cent of the maximum and the Committee awarded Executive Directors a total TIP award equating to 241.2 per cent of base salary. An amount equal to 100 per cent of base salary will be payable as a cash bonus and the remainder in shares deferred for five years (i.e. vesting in 2024). Details of the performance targets which operated and performance against those targets are as follows:

<table>
<tr><th>Performance metric</th><th>Performance</th><th>% of award (% of salary maximum)</th><th>Actual</th></tr>
<tr><td>Financing our business<br>Key targets relating to ensuring sufficient liquidity and executing a long-term strategic solution to deleverage and rebase the balance sheet</td><td>Ensuring sufficient liquidity to deliver the business plan was achieved by having a debt facilities headroom and free cash in excess of $1 billion.<br>An $800 million seven-year high-yield bond was successfully issued with a 7 per cent coupon. The proceeds were used to refinance the existing $650 million 2020 Bond and repay $150 million of drawings under the Reserves Based Lending facility. The gearing target was ahead of target at 1.9x debt:EBITDAX.<br>As part of the review of our strategic financing targets, the Board considered our capital structure, scale of funding, timing and related costs before arriving at a score of 5 per cent.</td><td>5% (20%)</td><td>5% (20%)</td></tr>
<tr><td>Safe and efficient business operations<br>Targets relating to production, opex, net G&A and capex, operational projects, organisation effectiveness and SSEA. These targets focused on delivering business activities and projects safely whilst minimising environmental impacts and delivering sustainable benefits</td><td>Production
<table>
<tr><th>Production</th><th>Trigger target</th><th>Base target</th><th>Stretch target</th><th>2018 performance</th></tr>
<tr><td>mboepd</td><td>72.1</td><td>77.5</td><td>82.9</td><td>81.4</td></tr>
<tr><td>Payout</td><td>0%</td><td>50%</td><td>100%</td><td>86%</td></tr>
</table>
The above production numbers exclude the lost production covered by business interruption insurance. Including the impact of insured barrels from the Jubilee field, Group working interest production is 90,000 boepd.<br>
Opex/boe
<table>
<tr><th>Opex/boe</th><th>Trigger target</th><th>Base target</th><th>Stretch target</th><th>2018 performance</th></tr>
<tr><td>$/boe</td><td>11.9</td><td>11.1</td><td>10.3</td><td>10</td></tr>
<tr><td>Payout</td><td>0%</td><td>50%</td><td>100%</td><td>100%</td></tr>
</table>
The operating costs are net of insurance proceeds.<br>
Net G&A
<table>
<tr><th>Net G&A</th><th>Trigger target</th><th>Base target</th><th>Stretch target</th><th>2018 performance</th></tr>
<tr><td>Net G&A ($)</td><td>109</td><td>100</td><td>95</td><td>90</td></tr>
<tr><td>Payout</td><td>0%</td><td>50%</td><td>100%</td><td>100%</td></tr>
</table>
Capex
<table>
<tr><th>Capex</th><th>Trigger target</th><th>Base target</th><th>Stretch target</th><th>2018 performance</th></tr>
<tr><td>Capex</td><td>490</td><td>458</td><td>426</td><td>423</td></tr>
<tr><td>Payout</td><td>0%</td><td>50%</td><td>100%</td><td>100%</td></tr>
</table>
The capex numbers have been adjusted to remove Uganda. Decommissioning capex is not included above and is $99 million (budget: $101 million).</td><td>22% (88%)</td><td>18.9% (75.6%)</td></tr>
</table>

| Performance metric | Performance | % of award (% of salary maximum) | Actual |
|---|---|---|---|
| | **SSEA**<br>Tullow's SSEA targets are focused on reducing process safety events, making improvements to our occupational health and safety and ensuring sustainability.<br>In 2018 there were no Tier 1 process safety incidents. Tullow's LTIF rate dropped to 0.28 due to reporting three lost time injuries compared to four in 2017. There were no serious malaria cases reported. Tullow's ESIA obligations were met and there were no significant environment regulatory non-compliances. We met our local content expenditure targets in Ghana, Kenya and Uganda.<br>In view of the above performance the Committee determined a 3.5 per cent achievement out of a maximum 5 per cent allocation.<br>**Delivery of operational projects**<br>The Jubilee turret was successfully stabilised in July 2018. The final rotation was achieved in December and the final spreads mooring solution is on schedule for completion in Q1 2019.<br>New Ventures wildcat drilling programme in Namibia (Cormorant) was delivered safely and to budget but unfortunately did not encounter oil. Ghana delivered a second rig and the Ghana drilling programme successfully drilled five wells.<br>Kenya First Oil was trucked out of Turkana on 3 June 2018. After shut-down for a few weeks due to community grievances, the trucking has continued after the Government of Kenya gazetted the Turkana Grievance Management Committee and Inter-Ministerial Committee, operations have been stable and 58,000 bbls were trucked in December 2018. In view of the performance the Committee determined an allocation of 5 per cent out of a maximum allocation of 5 per cent.<br>**Organisation effectiveness**<br>An inclusion and diversity workshop was held with the new Executive Team to endorse the forward plan of management and a new Executive sub-group was established to promote the inclusion and diversity aims. Some positive progress has been made on improving workforce diversity.<br>The biennial employee survey had a 90 per cent participation rate and showed improvement in the target areas of Talent and Development, Communication and Engagement and Policies and Procedures. Senior Management showed improvement, but still needs further addressing. Trust continues to be an area of concern.<br>100 per cent compliance was achieved when all employees completed the Code of Ethical Conduct online course and our Code Certification process was achieved. There were four breaches of compliance regarding the Company's ExPo Standard.<br>Information security has shown an improvement in awareness through intensive training and testing. In view of this the Committee determined an allocation of 3.1 per cent out of a maximum allocation of 4 per cent. | | |
| **Growing our business** | The business development and growth targets reflect the portfolio and long-term growth strategy of the Company. They focus on value creation and seeking opportunities. | 18.0% (72.0%) | 11.0% (44.0%) |

| | KPI | Outcome | Target | 2018 |
|---|---|---|---|---|
| West Africa growth | West Africa<br>- Accelerate Ghana production ramp-up<br>- Secure material value growth opportunities in West Africa core area | Drilling operations resumed in Ghana in March 2018. A second rig was added later in October 2018 to further accelerate production growth.<br>At Jubilee, these operations brought online two production wells and an additional water injector in 2018. A production well was also brought online at TEN, with another due online early in the new year. These activities contributed to a growth in 2018 TEN gross production of c.8,500Kbopd, and will deliver material additional production from both fields from 2019.<br>Across the non-operated portfolio, 12.5 MMboe were added to 2P reserves, representing 160 per cent reserves replacement. 2C resources also grew by c.25 MMboe in 2018. | 6.0% | 4.0% |

GOVERNANCE

### **Details of variable pay earned in the year** continued

Determination of 2019 TIP award based on performance to 31 December 2018 (audited) continued

| Performance metric | Performance: KPI | Outcome | Target | 2018 | % of award (% of salary maximum) | Actual |
|---|---|---|---|---|---|---|
| **Growing our business** continued | | | | | | |
| East Africa growth | East Africa<br>- Commercialise Kenya investment<br>- Complete SPA and FID Uganda development | In Kenya, successful completion of the 'Select to Define Gate' took place and the ESIAs for the upstream and midstream projects are ongoing, in parallel with the FEEDs. Both the upstream and midstream Phase 1 FEEDs are complete, with FEED Phase 2 due for completion by the end of Q1 2019.<br>In Uganda, we continue to work with our Joint Venture Partners to facilitate the closure of the Sales and Purchase Agreement. FID is targeted for the first half of 2019. | 6.0% | 3.0% | | |
| New Ventures growth | New Ventures<br>- Access and portfolio management and effective proceeds<br>- Inventory progress and planning for 2019<br>- Exploration outcome | New licences in Côte d'Ivoire and Suriname. Increase equity in licences in Guyana and Suriname.<br>Tullow has exited Greenland and Ethiopia and is progressing the Pakistan exit.<br>Over $45 million of value has been generated for the Group through farm-down deals entered into in 2018, attracting quality partners.<br>Excellent progress was made in prospects in Guyana.<br>The Cormorant well (Namibia) was delivered safety and to budget, but did not encounter any hydrocarbons. | 6.0% | 4.0% | | |
| **Discretionary based on leadership effectiveness including management of unforeseen events** | - The purpose of this performance element is to consider the effectiveness of the Executive Leadership of Tullow which shall include: effectiveness of Executive Team; Executive Team cohesion; demonstration of leadership; and management of unforeseen matters throughout the year. The below were taken into consideration in the scoring of the discretionary element.<br>- The continued focus of the Executive Team on aligning our workforce on clarity of purpose; setting the right tone; reinforcing the importance of Tullow Values; and prioritising employee engagement.<br>- The role of the Executive in ensuring appropriate preparation (e.g. stakeholder management plan, resource allocation and messaging) for the Seadrill case. Tullow lost, with the ICC ruling in favour of Kosmos which was subsequently not liable for its share of disputed costs.<br>- Stakeholder relationships in Ghana and Kenya. | | | | 5.0% (20.0%) | 3.5% (14%) |
| **Relative TSR (Total Shareholder Return)**[1] | Performance against a bespoke group of listed exploration and production companies measured over three years to 31 December 2018 – 25 per cent is payable at median, increasing to 100 per cent payable at upper quartile. | | | | 50.0% (200.0%) | 21.9% (87.6%) |
| **Total** | | | | | 100.0% (400.0%) | 60.3% (241.2%) |

1. The TSR comparator group for the 2018 TIP award was as follows: Apache, Anadarko Petroleum, Cairn Energy, Canadian Natural Resources, Cobalt Energy, Conoco Phillips, Hess, Kosmos Energy, Lundin Petroleum, Marathon Oil, Noble Energy, Oil Search, Ophir Energy, Premier Oil, Santos, SOCO International and Woodside Petroleum.

Further information on Tullow Group's performance against the corporate scorecard is shown on pages 19 to 23 of the Annual Report and Accounts.

### **TIP awards granted in 2018 (audited)**

The fifth set of TIP awards were granted to Executive Directors on 8 February 2018, based on the performance period ended 31 December 2017, as follows:

| Executive | Number of TIP shares awarded[1] | Face value of awards at grant date | Normal vesting dates (end of exercise window) | Pre-grant performance period |
|---|---|---|---|---|
| Paul McDade | 278,628 | £519,641 | 08.02.2023 | 01.01.2017 to 31.12.2017 (TSR 01.01.2015 to 31.12.2017) |
| Angus McCoss | 197,082 | £367,557 | | |
| Les Wood | 148,802 | £277,516 | | |

1. Awards are made in the form of nil-cost options, the face value of the awards is equal to the TIP cash bonus awarded for the year ended 31 December 2017 and the number of shares awarded is calculated using the price on the day preceding the grant date which on 7 February 2018 was 186.5p.

## UK SIP shares awarded in 2018 (audited)

The UK SIP is a tax-favoured all-employee plan that enables UK employees to save out of pre-tax salary. Quarterly contributions are used by the plan trustee to buy Tullow Oil plc shares (partnership shares). The Group funds an award of an equal number of shares (matching shares). The current maximum contribution is £150 per month. Details of shares purchased and awarded to Executive Directors under the UK SIP are as follows:

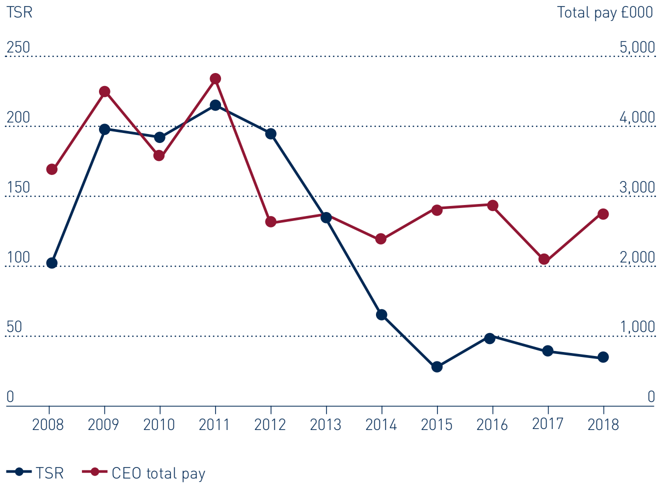
| Director | Shares held 01.01.18 | Partnership shares acquired in year | Matching shares awarded in year | Total shares held 31.12.18 | SIP shares that became unrestricted in year | Total unrestricted shares held at 31.12.18[1] |
|---|---|---|---|---|---|---|
| Paul McDade | 15,691 | 881 | 881 | 17,453 | 314 | 9,305 |
| Angus McCoss | 9,752 | 881 | 881 | 11,514 | 314 | 3,366 |
| Les Wood | 1,659 | 881 | 881 | 3,421 | – | – |

1. Unrestricted shares (which are included in the total shares held at 31 December 2018) are those which no longer attract a tax liability if they are withdrawn from the plan.

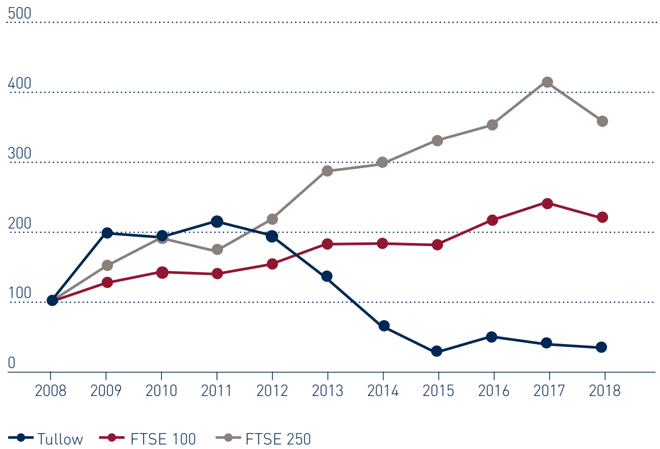
## CEO – total pay versus TSR

For 2018 the CEO total pay is based on an annualised summation of base pay, pension, benefits and TIP cash bonus and share award equivalent value for Paul McDade.

### CEO – TOTAL PAY VERSUS TSR




### TOTAL SHAREHOLDER RETURN




## Comparison of overall performance and pay

As a member of both indices in recent times, the Remuneration Committee has chosen to compare the TSR of the Company's ordinary shares against both the FTSE 100 and FTSE 250 indices.

The values indicated in the graph above show the share price growth plus re-invested dividends for the period 2008 to 2018 from a £100 hypothetical holding of ordinary shares in Tullow Oil plc and in the two indices.

The total remuneration figures for the Chief Executive during each of the last nine financial years are shown in the tables overleaf. For 2017, total remuneration figures are shown for Aidan Heavey based on the period he held the office of Chief Executive Officer and for the transition period up to 31 October 2017 and for Paul McDade from 27 April 2017 when he commenced in his office of Chief Executive. The total remuneration figure includes the annual bonus based on that year's performance (2010 to 2018), PSP awards based on three-year performance periods ending in the relevant year (2010 to 2012) and the value of TIP awards based on the performance period ending in the relevant year (2013 to 2018). The annual bonus pay-out, PSP vesting level and TIP award, as a percentage of the maximum opportunity, are also shown for each of these years.

### Comparison of overall performance and pay continued

| Aidan Heavey | Year ending in 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | **2018** |
|---|---|---|---|---|---|---|---|---|---|
| Total remuneration | £3,558,698 | £4,688,541 | £2,623,116 | £2,750,273 | £2,378,316 | £2,835,709 | £2,893,232 | £1,717,276 | **–** |
| Annual bonus | 58% | 80% | 70% | – | – | – | – | – | **–** |
| PSP vesting | 100% | 100% | 23% | – | – | – | – | – | **–** |
| TIP | – | – | – | 30% | 23% | 38% | 39% | 40% | **–** |

| Paul McDade | Year ending in 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | **2018** |
|---|---|---|---|---|---|---|---|---|---|
| Total remuneration | n/a | n/a | n/a | n/a | n/a | n/a | n/a | £1,416,281 | **£2,759,684** |
| Annual bonus | n/a | n/a | n/a | n/a | n/a | n/a | n/a | – | **–** |
| PSP vesting | n/a | n/a | n/a | – | – | – | – | – | **–** |
| TIP | – | – | – | n/a | n/a | n/a | n/a | 40% | **60.3%** |

### Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any pension benefits receivable in the year) between the financial year ended 31 December 2017 and 31 December 2018, compared to that of the average for all employees of the Group. Base pay and bonus for Paul McDade for 2017 have been annualised for calculation purposes.

| | % change from 2017 to 2018 Salary | Benefits | Bonus |
|---|---|---|---|
| Chief Executive | 3% | 138.9%* | 30% |
| Average employees | 6.2% | 0% | 20.7% |

* This significant increase was driven by the addition of a taxable travel expense incurred in FY18.

### CEO pay ratio 2018

| Year | Method | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2018 | A | 23:1 | 15:1 | 10:1 |

In response to the CEO pay ratio requirements established by the Companies (Miscellaneous Reporting) Regulations 2018, Tullow has undertaken to adopt the calculation of a CEO pay ratio to compare the single total figure of remuneration (STFR) for the CEO to the STFR of all UK employees. This has been calculated using the methodology described as 'Option A' in the Regulations, as Tullow recognises that this is the most statistically accurate form of calculation.

For the CEO and each UK employee* the STFR has been calculated as a summation of base pay, benefits, employer pension contributions receivable during the year ended 31 December 2018 and cash bonus payable and value of share awards to be granted for the performance year ending 31 December 2018.

* All STFRs have been based on a full-time equivalent and annualised to provide a dataset for the full year ending 31 December 2018. Tullow would like to build on this reporting in future years by looking at the same datasets for employees globally to determine a global CEO pay ratio.

The STFR at 25th percentile is £119,642, £186,222 at median and £278,605 at 75th percentile.

The wages component at 25th percentile is £76,390, £120,230 at median and £161,900 at 75th percentile.

In setting both our CEO remuneration and the remuneration structures for the wider UK workforce, Tullow has adopted a remuneration structure which includes the same core components for employees at all levels (base pay, benefits, pension, cash bonus and share awards). Whilst all employees receive a base salary commensurate to our position in the market, the differences exist in the quantum of variable pay achievable by our Executives and Senior Management; at these levels there is a greater emphasis placed on variable pay given their opportunity to impact directly on Company performance. Based on this distinction, the Company believes that the median pay ratio is consistent with our wider pay, reward and progression policies impacting our UK employees.

### Relative importance of spend on pay

The following table shows the Group's actual spend on pay for all employees relative to tax and retained profits.

Staff costs have been compared to tax expense, and retained profits in order to provide a measure of their scale compared to other key elements of the Group's financial metrics.

| | 2017 | 2018 | % change |
|---|---|---|---|
| Staff costs (£m) | 159.4 | 142.4 | (10.7) |
| Tax (credit)/expense (£m)* | (85.9) | 131.3 | (252.9) |
| Retained profits (£m)* | 504.9 | 497.7 | (1.4) |

* Voluntary disclosure.

### Shareholder voting at the AGM

At last year's AGM on 25 April 2018 the remuneration-related resolution received the following votes from shareholders:

| | 2017 Annual Statement and Annual Report on Remuneration | |
|---|---|---|
| | Total number of votes | % of votes cast |
| For | 839,529,339 | 93.56 |
| Against | 57,745,658 | 6.44 |
| Total votes cast (for and against) | **897,274,997** | **100** |
| Votes withheld | 40,262,649 | |

### Summary of past TIP awards

Details of nil-cost options granted to Executive Directors under the TIP:

| Director | Award grant date | Share price on grant date | As at 01.01.18 | Granted during year | Exercised during the year | As at 31.12.18 | Earliest date shares can be acquired[1] | Latest date shares can be acquired |
|---|---|---|---|---|---|---|---|---|
| Paul McDade | 19.02.14 | 774p | 68,334 | – | – | 68,334 | 19.02.17 | 19.02.24 |
| | 18.02.15 | 400p | 101,364 | – | – | 101,364 | 18.02.19 | 18.02.25 |
| | 11.02.16 | 148p | 375,157 | – | – | 375,157 | 11.02.21 | 11.02.26 |
| | 27.04.17 | 214p | 226,927 | – | – | 226,927 | 27.04.22 | 27.04.27 |
| | 08.02.18 | 187p | – | 278,628 | – | 278,628 | 08.02.23 | 08.02.28 |
| | | | 771,782 | 278,628 | – | **1,050,410** | | |
| Angus McCoss | 19.02.14 | 774p | 68,334 | – | 68,334 | – | 19.02.17 | 19.02.24 |
| | 18.02.15 | 400p | 101,364 | – | – | 101,364 | 18.02.19 | 18.02.25 |
| | 11.02.16 | 148p | 375,157 | – | – | 375,157 | 11.02.21 | 11.02.26 |
| | 27.04.17 | 214p | 226,927 | – | – | 226,927 | 27.04.22 | 27.04.27 |
| | 08.02.18 | 187p | – | 197,082 | – | 197,082 | 08.02.23 | 08.02.28 |
| | | | 771,782 | 197,082 | 68,334 | **900,530** | | |
| Les Wood[2] | 18.02.15 | 400p | 31,390 | – | 31,390 | – | 18.02.18 | 18.02.25 |
| | 11.02.16 | 148p | 160,053 | – | – | 160,053 | 11.02.19 | 11.02.26 |
| | 27.04.17 | 214p | 101,249 | – | – | 101,249 | 27.04.20 | 27.07.27 |
| | 08.02.18 | 187p | – | 148,802 | – | 148,802 | 08.02.23 | 08.02.28 |
| | | | 292,692 | 148,802 | 31,390 | **410,104** | | |

1. 50 per cent of the 2014 award vests on 19 February 2017 and 50 per cent vests on 19 February 2018; 50 per cent of the 2015 award vests on 18 February 2019 and 50 per cent vests on 18 February 2020.
2. Les Wood – TIP awards granted prior to appointment as an Executive Director have a three-year vesting period. In addition to the TIP awards, at 1 January 2018 Les Wood had outstanding Employee Share Award Plan (ESAP) awards totalling 82,601; these were exercised on 30 August 2018.

### Summary of past 2005 Performance Share Plan (PSP)

Details of shares granted to Executive Directors for nil consideration under the PSP:

| Director | Award grant date | Share price on grant date | As at 01.01.18 | Exercised during year | As at 31.12.18 | Earliest date shares can be acquired | Latest date shares can be acquired |
|---|---|---|---|---|---|---|---|
| Paul McDade | 18.03.09 | 778p | 115,392 | – | 115,392 | 18.03.12 | 18.03.19 |
| | 17.03.10 | 1,281p | 16,392 | – | 16,392 | 17.03.13 | 17.03.20 |
| | | | 131,784 | – | **131,784** | | |

All of the PSP awards listed are based on relative three-year TSR performance and the Committee considering that both the Group's underlying financial performance and its performance against other key factors (e.g. health and safety) over the relevant period are satisfactory. 50 per cent of awards are/were measured against an international oil sector comparator group (see past Remuneration Reports for details of specific companies) and 50 per cent of awards are/were measured against the FTSE 100. All outstanding awards under PSP have been granted as, or converted into, nil exercise price options. To the extent that they vest, they are normally exercisable from three to 10 years from grant.

### Summary of past Deferred Share Bonus Plan (DSBP) awards

Details of nil exercise cost options granted to Executive Directors for nil consideration under the DSBP:

| Director | Award grant date | As at 01.01.18 | Exercised during year | As at 31.12.18 | Earliest date shares can be acquired | Latest date shares can be acquired |
|---|---|---|---|---|---|---|
| Paul McDade | 18.03.09 | 33,289 | – | 33,289 | 01.01.12 | 18.03.19 |
| | 17.03.10 | 18,702 | – | 18,702 | 01.01.13 | 17.03.20 |
| | 18.03.11 | 13,266 | – | 13,266 | 01.01.14 | 18.03.21 |
| | 21.03.12 | 30,291 | – | 30,291 | 01.01.15 | 21.03.22 |
| | 22.02.13 | 30,287 | – | 30,287 | 01.01.16 | 22.02.23 |
| | | 125,835 | – | **125,835** | | |

All outstanding awards under the DSBP were granted as, or have been converted into, nil exercise price options. To the extent that they vest, they are exercisable from three to 10 years from grant.

### Share price range

During 2018, the highest mid-market price of the Company's shares was 276p and the lowest was 165.15p. The year-end price was 179.01p.

## Directors' interests in the share capital of the Company (audited)

The interests of the Directors (all of which were beneficial), who held office at 31 December 2018 or during FY 2018, are set out in the table below:

| | Ordinary shares held | | % of salary under 2018 Remuneration Policy shareholding guidelines[1] | TIP awards | | PSP awards | | DSBP awards | | SIP | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01.01.18 | 31.12.18 | | Unvested | Vested | Unvested | Vested | Unvested | Vested | Restricted | Unrestricted | 31.12.18 |
| Paul McDade | 520,738 | 520,738 | 125 | 982,076 | 68,334 | – | 131,784 | – | 125,835 | 8,148 | 9,305 | 1,846,220 |
| Angus McCoss | 324,703 | 360,839 | 153 | 900,530 | – | – | – | – | – | 8,148 | 3,366 | 1,272,883 |
| Les Wood | – | 60,280 | 24 | 410,104 | – | – | – | – | – | 3,421 | – | 473,805 |
| **Non-executive Directors** | | | | | | | | | | | | |
| Tutu Agyare | 2,930 | 2,930 | – | – | – | – | – | – | – | – | – | 2,930 |
| Mike Daly | 4,795 | 4,795 | – | – | – | – | – | – | – | – | – | 4,795 |
| Anne Drinkwater[2] | 7,000 | 7,000 | – | – | – | – | – | – | – | – | – | 7,000 |
| Aidan Heavey[3] | 7,000,000 | 7,000,000 | n/a | 1,363,750 | 120,832 | – | – | – | – | – | – | 8,484,582 |
| Steve Lucas | 720 | 720 | – | – | – | – | – | – | – | – | – | 720 |
| Dorothy Thompson | – | 68,148 | – | – | – | – | – | – | – | – | – | 68,148 |
| Jeremy Wilson | 67,959 | 67,959 | – | – | – | – | – | – | – | – | – | 67,959 |

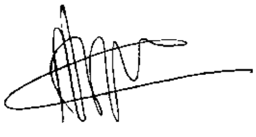
1. Calculated using share price of 179.01p at year end. Under the Company's shareholding guidelines, each Executive Director is required to build up their shareholdings in the Company's shares to at least 300 per cent of their salary. Further details of the minimum shareholding requirement are set out in the Remuneration Policy Report.
2. Holdings for Anne Drinkwater as at date of cessation as a non-executive Director of the Company following the AGM on 25 April 2018.
3. Holdings for Aidan Heavey as at date of cessation as Chairman of the Company following the conclusion of the Board meeting on 20 July 2018.

On 7 January 2019 Angus McCoss, Paul McDade and Les Wood were each awarded 452 SIP shares, all of which are restricted. Accounting for certain restricted SIP shares becoming unrestricted SIP shares in the period between 1 January 2019 and the date of this report, Angus McCoss holds 8,496 restricted SIP shares and 3,470 unrestricted SIP shares (total 11,966), Paul McDade holds 8,496 restricted SIP shares and 9,409 unrestricted SIP shares (total 17,905) and Les Wood holds 3,873 restricted SIP shares and 0 unrestricted SIP shares (total 3,873).

There have been no other changes in the interests of any Director between 1 January 2019 and the date of this report.

## Approval

This report was approved by the Board of Directors on 12 February 2019 and signed on its behalf by:



**Tutu Agyare**
Chairman of the Remuneration Committee

# OTHER STATUTORY INFORMATION

The Directors present their Annual Report and audited financial statements for the Group for the year ended 31 December 2018.

## Principal activities

Tullow is a leading independent oil and gas, exploration and production group, quoted on the London, Irish and Ghanaian stock exchanges. The Group has interests in over 87 exploration and production licences across 17 countries which are managed as three Business Delivery Teams: West Africa, East Africa and New Ventures.

## Strategic Report

The Group is required by section 414A of the Companies Act 2006 to present a Strategic Report in the Annual Report. This can be found on pages 2 to 58. The Strategic Report contains an indication of the directors' view on likely future developments in the business of the Group. In addition, following the introduction of the EU Non-Financial Reporting Directive, the Strategic Report also provides direction on where information on the impact of activities on employees, social and environmental matters, human rights and anti-corruption and anti-bribery matters can be found within the Annual Report and financial statements, as well as a description of the Group's policies and where these are located. The Corporate Governance Report on pages 60 to 106 is the corporate governance statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1. The Annual Report and Financial Statements use financial and non-financial KPIs wherever possible and appropriate.

## Results and dividends

The profits on ordinary activities after taxation of the Group for the year ended 31 December 2018 was $85.4 million (2017: loss of $175.3 million).

A final 2018 dividend of US4.8c/share ($67 million) payable in May 2019 has been recommended by the Board.

## Subsequent events

There has not been any event since 31 December 2018 that has resulted in a material impact on the year-end results.

## Share capital

As at 12 February 2019, the Company had an allotted and fully paid up share capital of 1,393,724,251 ordinary shares each with a nominal value of £0.10.

## Substantial shareholdings

As at 12 February 2019, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

| Shareholder | Number of shares | % of issued capital (as at date of notification) |
|---|---|---|
| Standard Life Aberdeen plc | 98,717,668 | 7.09 |
| Prudential plc group of companies | 72,886,807 | 5.23 |
| RWC Asset Management LLP | 71,022,015 | 5.09 |
| Majedie Asset Management Limited | 29,209,276 | 3.20 |
| IFG International Trust Company Ltd[1] | 38,960,366 | 5.98 |

1. Based on notification received 14 November 2006. IFG is now known as First Names Trust Company.

## Shareholders' rights

The rights and obligations of shareholders are set out in the Company's Articles of Association (which can be amended by special resolution). The rights and obligations attaching to the Company's shares are as follows:

- dividend rights – holders of the Company's shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Subject to shareholder approval, payment or satisfaction of a dividend may be made wholly or partly by distribution of specific assets;
- voting rights – voting at any general meeting may be conducted by a show of hands unless a poll is duly demanded. On a show of hands every shareholder who is present in person at a general meeting (and every proxy or corporate representative appointed by a shareholder and present at a general meeting) has one vote regardless of the number of shares held by the shareholder (or represented by the proxy or corporate representative). If a proxy has been appointed by more than one shareholder and has been instructed by one or more of those shareholders to vote 'for' the resolution and by one or more of those shareholders to vote 'against' a particular resolution, the proxy shall have one vote for and one vote against that resolution. On a poll, every shareholder who is present in person has one vote for every share held by that shareholder and a proxy has one vote for every share in respect of which he has been appointed as proxy (the deadline for exercising voting rights by proxy is set out in the form of proxy). On a poll, a corporate representative may exercise all the powers of the company that has authorised him.

A poll may be demanded by any of the following: (a) the Chairman of the meeting; (b) at least five shareholders entitled to vote and present in person or by proxy or represented by a duly authorised corporate representative at the meeting; (c) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to attend and vote at the meeting; or (d) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all the shares conferring that right;

- return of capital – in the event of the liquidation of the Company, after payment of all liabilities and deductions taking priority, the balance of assets available for distribution will be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. A liquidator may, with the authority of a special resolution, divide among the shareholders the whole or any part of the Company's assets, or vest the Company's assets in whole or in part in trustees upon such trusts for the benefit of shareholders, but no shareholder is compelled to accept any property in respect of which there is a liability;
- control rights under employee share schemes – the Company operates a number of employee share schemes. Under some of these arrangements, shares are held by trustees on behalf of employees. The employees are not entitled to exercise directly any voting or other control rights. The trustees will generally vote in accordance with employees' instructions and abstain where no instructions are received. Unallocated shares are generally voted at the discretion of the trustees; and
- restrictions on holding securities – there are no restrictions under the Company's Articles of Association or under UK law that either restrict the rights of UK resident shareholders to hold shares or limit the rights of non-resident or foreign shareholders to hold or vote the Company's ordinary shares.

There are no UK foreign exchange control restrictions on the payment of dividends to US persons on the Company's ordinary shares.

**Material agreements containing 'change of control' provisions**

The following significant agreements will, in the event of a 'change of control' of the Company, be affected as follows:

- to the extent that a 'change of control' occurs as a result of any person, or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers), gaining control of the Company:
  - under the $2.4 billion (or up to $2.9 billion in the event that the Company exercises its option to increase the commitments by up to an additional $500 million and the lenders provide such additional commitments) senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Lloyds Bank plc, ING Bank N.V., DNB Bank ASA and The Standard Bank of South Africa Limited and the lenders specified therein:
    - the Company is obliged to notify the agent (who notifies the lenders) upon the occurrence of a change of control; and
    - if any lender so requires, it may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document. So long as such lender states its requirement to be repaid within 20 business days of being notified by the agent (such period being the 'notice period'), the repayment amount will become due and payable by no later than 10 business days after the end of such notice period and, in respect of each letter of credit issued under the agreement, full cash cover will be required by no later than 10 business days after the end of such notice period;
  - under the $63.6 million senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company and International Finance Corporation and the lenders specified therein:
    - the Company is obliged to notify the agent (who notifies the lenders) upon the occurrence of a change of control; and
    - if any lender so requires, it may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document. So long as such lender states its requirement to be repaid within 20 business days of being notified by the agent (such period being the 'notice period'), the repayment amount will become due and payable by no later than 10 business days after the end of such notice period;

**Material agreements containing 'change of control' provisions** continued

- to the extent that a 'change of control' occurs, in general terms, as a result of (i) a disposal of all or substantially all the properties or assets of the Company and all its restricted subsidiaries (other than through a merger or consolidation) in one or a series of related transactions; (ii) a plan being adopted relating to the liquidation or dissolution of the Company; or (iii) any person becomes the beneficial owner, directly or indirectly, of shares of the Company which grant that person more than 50 per cent of the voting rights of the Company:
  - under an indenture relating to $650 million of 6.25 per cent Senior Notes due in 2022 between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the Company must make an offer to noteholders to repurchase all the notes at 101 per cent of the aggregate principal amount of the notes, plus accrued and unpaid interest in the event that a change of control of the Company occurs. The repurchase offer must be made by the Company to all noteholders within 30 days following the change of control and the repurchase must take place no earlier than 10 days and no later than 60 days from the date the repurchase offer is made. Each noteholder may take up the offer in respect of all or part of its notes; and under an indenture relating to $800 million of 7 per cent Senior Notes due in 2025 between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the Company must make an offer to noteholders to repurchase all the notes at 101 per cent of the aggregate principal amount of the notes, plus accrued and unpaid interest in the event that a change of control of the Company occurs. The repurchase offer must be made by the Company to all noteholders within 30 days following the change of control and the repurchase must take place no earlier than 10 days and no later than 60 days from the date the repurchase offer is made. Each noteholder may take up the offer in respect of all or part of its notes;
- to the extent that a 'change of control' occurs, in general terms, as a result of: (i) any person or persons, acting together, acquiring or becoming entitled to more than 50 per cent of the voting rights of the Company; or (ii) an offer being made to all of the Company's shareholders to acquire all or a majority of the issued ordinary share capital of the Company (or such offeror proposing a scheme of arrangement with regard to such acquisition, and thereby becoming entitled to exercise more than 50 per cent of the voting rights of the Company):
  - under a trust deed constituting $300 million of 6.625 per cent guaranteed convertible bonds due in 2021 ('the Convertible Bonds') between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the bondholders shall have the right to require the Company to: (i) convert, in accordance with a formula specified in the trust deed, the Convertible Bonds into preference shares in the Company, which in turn will be exchanged by the Company for ordinary shares; or (ii) redeem the Convertible Bonds at their principal amount, together with accrued and unpaid interest at the date of the change of control event. The Company is required to give the Trustee notice of the occurrence of an event constituting a change of control within five calendar days of the occurrence of such event, and the bondholders shall thereafter have 60 calendar days in which to exercise the election referred to above. If the bondholders elect to redeem the Convertible Bonds, the Company is required to make payment of this amount 14 business days after receiving notification of such election.

**Directors**

The biographical details of the Directors of the Company at the date of this report are given on pages 60 and 61.

Details of Directors' service agreements and letters of appointment can be found on pages 90 and 91. Details of the Directors' interests in the ordinary shares of the Company and in the Group's long-term incentive and other share option schemes are set out on pages 96 to 101 in the Directors' Remuneration Report.

**Directors' indemnities and insurance cover**

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries. The Directors are also indemnified against the cost of defending a criminal prosecution or a claim by the Company, its subsidiaries or a regulator provided that where the defence is unsuccessful the Director must repay those defence costs. The Company also maintains directors' and officers' liability insurance cover, the level of which is reviewed annually.

**Conflicts of interest**

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group. The Board requires Directors to declare all appointments and other situations that could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts. The Board is satisfied that there is no compromise to the independence of those Directors who have appointments on the boards of, or relationships with, companies outside the Group.

### Powers of Directors

The general powers of the Directors are set out in Article 104 of the Articles of Association of the Company. It provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by applicable legislation. It is also limited by the provisions of the Articles of Association of the Company and any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

Please note the following specific provisions relevant to the exercise of power by the Directors:

- Pre-emptive rights and new issues of shares – the holders of ordinary shares have no pre-emptive rights under the Articles of Association of the Company. However, the ability of the Directors to cause the Company to issue shares, securities convertible into shares or rights to shares, otherwise than pursuant to an employee share scheme, is restricted under the Companies Act 2006 which provides that the directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's articles of association or given by its shareholders in general meeting, but which in either event cannot last for more than five years. Under the Companies Act 2006, the Company may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer on a pre-emptive basis to existing shareholders, unless this requirement is waived by a special resolution of the shareholders.
- Repurchase of shares – subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares that have been bought back may be held as treasury shares or must be cancelled immediately upon completion of the purchase. The Company received authority at the last Annual General Meeting to purchase up to a maximum of 138,913,807 ordinary shares. The authority lasts until the earlier of the conclusion of the Annual General Meeting of the Company in 2019 or 30 June 2018.
- Borrowing powers – the net external borrowings of the Group outstanding at any time shall not exceed an amount equal to four times the aggregate of the Group's adjusted capital and reserves calculated in the manner prescribed in Article 105 of the Company's Articles of Association, unless sanctioned by an ordinary resolution of the Company's shareholders.

### Appointment and replacement of Directors

The Company shall appoint (disregarding Alternate Directors) no fewer than two and no more than 15 Directors. The appointment and replacement of Directors may be made as follows:

- the shareholders may by ordinary resolution elect any person who is willing to act to be a Director;
- the Board may elect any person who is willing to act to be a Director. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for election;
- each Director is required in terms of the Articles of Association to retire from office at the third Annual General Meeting after the Annual General Meeting at which he or she was last elected or re-elected, although he or she may be re-elected by ordinary resolution if eligible and willing. However, to comply with the principles of best corporate governance, the Board intends that each Director will submit him or herself for re-election on an annual basis;
- the Company may by special resolution remove any Director before the expiration of his or her period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with; and
- there are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his or her resignation, where he or she suffers physical or mental incapacity, where he or she is absent from meetings of the Board without permission of the Board for six consecutive months, becomes bankrupt or compounds with his or her creditors or where he or she is prohibited by law from being a Director.

### Encouraging diversity in our workforce

Tullow is committed to eliminating discrimination and encouraging diversity amongst its workforce. Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job, and are not influenced by factors such as gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age or disability.

We want our workforce to be truly representative of all sections of society and for all our employees to feel respected and able to reach their potential. Our commitment to these aims and detailed approach are set out in Tullow's Code of Ethical Conduct and Equal Opportunities Policy.

We aim to provide an optimal working environment to suit the needs of all employees, including those of employees with disabilities. For employees who become disabled during their time with the Group, Tullow will provide support to help them remain safely in continuous employment.

### Employee involvement and engagement

We use a range of methods to inform and consult with employees about significant business issues and our performance. These include webcasts, the Group's intranet and town hall meetings. In 2019, we are implementing workforce advisory panels in conjunction with existing means to continue engaging with our workforce.

We have an employee share plan for all permanent employees, which gives employees a direct interest in the business' success.

### Political donations

In line with Group policy, no donations were made for political purposes.

### Corporate responsibility

The Group works to achieve high standards of environmental, health and safety management. Our performance in these areas can be found on pages 42 and 43 of this report. Further information is available on the Group website: www.tullowoil.com, including archived copies of separate Corporate Responsibility Reports which were published in previous years.

### Auditor and disclosure of relevant audit information

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each Director has taken all steps that ought to have been taken to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the AGM. More information can be found in the Audit Committee Report on pages 70 to 76.

### Annual General Meeting

The Notice of Annual General Meeting will set out the resolutions to be proposed at the forthcoming AGM. The meeting will be held on 25 April 2019 at Tullow Oil plc's Head Office, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, from 12 noon.

This Corporate Governance Report (which includes the Directors' Remuneration Report) and the information referred to herein have been approved by the Board and signed on its behalf by:

**Adam Holland**
**Company Secretary**
12 February 2019

Registered office:
9 Chiswick Park
566 Chiswick High Road
London W4 5XT

Company registered in England and Wales No. 3919249


**Richard Mends** is a Certified Equipment Operator working with Consolidated Shipping Agencies Ltd (Conship) in Takoradi, Ghana. Conship is a Ghanaian company in the logistics and freight forwarding business. Tullow is committed to supporting local businesses as part of our shared prosperity agenda.

## FINANCIAL STATEMENTS



**Supplementary information**

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

**Paul McDade**
Chief Executive Officer

12 February 2019

**Les Wood**
Chief Financial Officer

12 February 2019

# INDEPENDENT AUDITOR'S REPORT
# FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS

**Opinion**

In our opinion:

- the Financial Statements of Tullow Oil plc ('the Parent Company') and its subsidiaries ('the Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements which comprise:

- the Group income statement;
- the Group statement of comprehensive income and expense;
- the Group and Parent Company balance sheets;
- the Group and Parent Company statements of changes in equity;
- the Group cash flow statement;
- the Group and Parent Company statements of accounting policies;
- the related notes 1 to 32 to the Group Financial Statements; and
- the related notes 1 to 8 to the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>- the carrying value of exploration and evaluation (E&E) assets; and<br>- the carrying value of property, plant and equipment (PP&E).<br>- Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with . |
| **Materiality** | The materiality that we used for the Group Financial Statements was $50 million which represents approximately 2 per cent of net assets and approximately 3 per cent of Adjusted EBITDAX. |
| **Scoping** | The Group comprises three reporting units and the corporate business unit, all of which were included in our assessment of the risks of material misstatement. Full scope audits were performed on those operations audited by the Group team and by the component teams in Ghana and Gabon. Specified audit procedures were performed in all of the Group's other locations. |
| **Significant changes in our approach** | There have been no significant changes to our approach to the audit, aside from our conclusion that the provision for onerous service contracts was not a key audit matter for this year's audit. Following the settlement of the Seadrill case in the current year and following reduced levels of uncertainty with regards to the onerous service contracts during 2018 we concluded that the provision for onerous contracts was not a key audit matter for the year ended 31 December 2018. |

## Conclusions relating to going concern, principal risks and viability statement

### Going concern

We have reviewed the Directors' statement on page 37 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the Financial Statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

### Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 54 to 57 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 75 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 58 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Carrying value of exploration and evaluation (E&E) assets

#### Key audit matter description

The carrying value of E&E assets as at 31 December 2018 is $1,898.6 million (2017: $1,933.4 million) and the Group has written off E&E expenditure totalling $295.2 million (2017: $143.4 million) in the year then ended.

The assessment of the carrying value of E&E assets requires management to exercise judgement as described in the 'critical accounting judgements' section of the Annual Report and Accounts on page 126. Management's assessment requires consideration of a number of factors, including, but not limited to, the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal and the success of drilling and geological analysis to date.

We have pinpointed the key audit matter in this area to those E&E assets in the Group's portfolio which are at higher risk of impairment, specifically those in Kenya. Following $140 million of exploration write off in respect of Wawa and Akasa in Ghana in 2018, we no longer considered the Ghana E&E assets to be at higher risk of future impairment.

The costs capitalised in respect of Kenya constitute $1,098 million of the Group's E&E assets. Please refer to note 10 on pages 134 and 135 of the Annual Report and Accounts and the Audit Committee Report on pages 70 to 76 for further information.

#### How the scope of our audit responded to the key audit matter

We evaluated management's assessment of E&E assets held on the balance sheet at 31 December 2018 with reference to the criteria of IFRS 6 Exploration for and Evaluation of Mineral Resources and the Group's accounting policy (see page 123).

Our work to assess the assets at higher risk of impairment included, but was not limited to, the following audit procedures:

- participating in meetings with operational and finance staff in Kenya and London to discuss Exploration and Appraisal activities;
- obtaining confirmations of budget allocations, confirmations of the licence phase and ongoing appraisal activity; and
- obtaining evidence in respect of the continuance or otherwise of appraisal activity, licence validity, the status of applications for licence extensions and management's expectations of approval, its consideration of the likelihood of recovery of the balance sheet value and its conclusion on commerciality where relevant.

#### Key observations

We are satisfied that the assets have been treated in accordance with the criteria of IFRS 6 and Tullow's E&E accounting policy.

In some circumstances the costs of wells from exploration continue to be held on the balance sheet for a significant period of time while development plans are finalised and government consent is obtained, for example in Kenya.

Based on the audit evidence gathered, we are satisfied that the judgements made by management are reasonable.

## Carrying value of Property, Plant and Equipment (PP&E)

### Key audit matter description

In 2018 Tullow recognised a net impairment charge of $18.2 million (2017: $539.1 million impairment) against the value of its PP&E assets, of which $13.3 million (2017: $535.5 million impairment) relates to the impairment reversal in the TEN asset. Please refer to note 11 and the Audit Committee Report on pages 70 to 76 for further details.

As described in the 'key sources of estimation uncertainty' section of the Annual Report and Accounts on page 127, the assessment of the carrying value of PP&E assets requires management to compare it against the recoverable amount of the asset. The calculation of the recoverable amount requires judgement in estimating future oil and gas prices, the applicable asset discount rate and the cost and production profiles of reserves estimates.

We have identified the TEN asset in Ghana as the Group's only field whose impairment assessment represents a key audit matter as a result of its material size and sensitivity to changes in underlying assumptions. Given the asset's importance to the Group in terms of future production and the estimation uncertainty in the determination of its recoverable amount, we also considered there to be a fraud risk that the assumptions applied to the valuation are inappropriate.

Management has disclosed the impact of sensitivities of both the discount rate and commodity prices in the PP&E note on pages 135 and 136.

### How the scope of our audit responded to the key audit matter

We examined management's assessment of impairment and impairment reversal indicators, which concluded that an increase in the forecast oil price assumption and the positive revisions to the production profiles during the year represented an indicator of impairment reversals for the Group's oil and gas assets.

The assumptions that underpin management's calculation of the recoverable amounts of the TEN asset are inherently judgemental. Our audit work therefore assessed the reasonableness of management's key assumptions when calculating its recoverable amount.

Specifically our work included, but was not limited to, the following procedures:

- benchmarking and analysis of oil price assumptions against forward curves and other market data;
- agreement of hydrocarbon production profiles and proven and probable reserves to third-party reserve reports and evaluated the competence, capabilities and objectivity of the third-party reserve auditors;
- verification of estimated future costs by agreement to approved budgets and assessment of their appropriateness with reference to field production profiles, with involvement from Deloitte petroleum engineering experts;
- recalculation and benchmarking of discount rates applied, with involvement from Deloitte industry valuation specialists; and
- consideration of evidence of management bias in the assumptions selected and the application of professional scepticism to address the risk of fraud.

### Key observations

The assumptions made by management when determining the TEN asset's recoverable amount fall within a reasonable range.

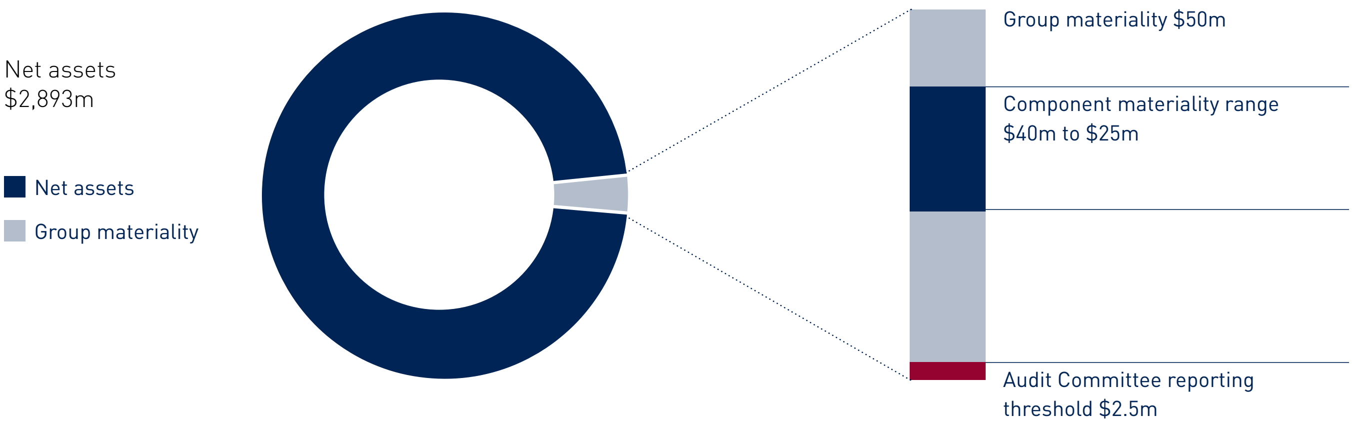
Overall, we are satisfied that the recoverable amount of the assets have been determined and impairment charges and reversals have been recognised in accordance with the requirements of IAS 36 Impairment of Assets.

### Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

| | Group Financial Statements |
|---|---|
| **Materiality** | Group: $50 million (2017: $50 million).<br>Parent Company: $40 million (2017: $40 million). |
| **Basis for determining materiality** | Group: Approximately 2 per cent of Group net assets, consistent with the prior year approach (2017: approximately 2 per cent of Group net assets, consistent with the prior year approach).<br>Parent Company: Approximately 1 per cent of the Parent Company's net assets (2017: approximately 1 per cent of the Parent Company's net assets). |
| **Rationale for the benchmark applied** | Group: We have determined materiality based on the net asset position of the Group, reflecting the long-term value of the Group in its portfolio of exploration and development assets and their associated reserves and resources. We have determined that using a balance sheet metric, rather than profit-based metric, will provide a more stable base for materiality. However, for reference we note that materiality equates to approximately 3 per cent of the alternative performance measure Adjusted EBITDAX. Management has presented a reconciliation of Adjusted EBITDAX to profit from continuing activities on page 39 of the Annual Report and Accounts.<br>Parent Company: We have determined materiality based on the net asset position of the Company as its principal activity is to hold investments in subsidiaries and external debt. |




We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $2.5 million (2017: $2.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

### An overview of the scope of our audit

The Group comprises three reporting units and the corporate business unit, all of which were included in our assessment of the risks of material misstatement. Full scope audits were performed on those operations audited by the Group team and by the component teams in Ghana and Gabon. Specified audit procedures were performed at the Group's other locations. The materialities applied to components ranged from $25 million to $40 million (2017: $25 million to $40 million).

The Group team took direct responsibility for the audit work in certain locations including the UK, Kenya and Uganda as well as the consolidation process. The Group team planned and oversaw the work performed by component auditors; the level of direct involvement varied by location and included, at a minimum, a review of the reports provided on the results of the work undertaken by the component audit teams.

In addition, the senior statutory auditor and senior members of his Group audit team visited Ghana and Kenya to direct and review the audit work performed by the component auditors.

# INDEPENDENT AUDITOR'S REPORT FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS CONTINUED

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

**We have nothing to report in respect of these matters.**

### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit, the Group Ethics and Compliance Manager and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
  - discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, IT and industry specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: Carrying value of exploration and evaluation (E&E) assets and Carrying value of Property, Plant and Equipment ('PP&E'); and
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act 2006, the UK Corporate Governance Code, the Listing Rules of the UK Listing Authority and the relevant tax compliance regulations in the jurisdictions in which Tullow operates.

### Audit response to risks identified

As a result of performing the above, we identified carrying value of exploration and evaluation assets and carrying value of property, plant and equipment as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and local tax and regulatory authorities in the countries in which Tullow operates; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# INDEPENDENT AUDITOR'S REPORT FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS CONTINUED

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

## Matters on which we are required to report by exception

### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

## Other matters

### Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Directors on 1 August 2002 to audit the Financial Statements for the year ended 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is 16 years, covering the years ended 31 December 2002 to 31 December 2018.

### Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Dean Cook

**Dean Cook MA FCA (Senior Statutory Auditor)**
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

12 February 2019

# GROUP INCOME STATEMENT
## YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 $m | 2017 Restated[1] $m |
|---|---|---|---|
| Continuing activities | | | |
| **Sales revenue** | 2 | **1,859.2** | 1,722.5 |
| Other operating income – lost production insurance proceeds | 6 | **188.4** | 162.1 |
| Cost of sales | 4 | **(966.0)** | (1,069.3) |
| **Gross profit** | | **1,081.6** | 815.3 |
| Administrative expenses | 4 | **(90.3)** | (95.3) |
| Restructuring costs | 4 | **(3.4)** | (14.5) |
| Gain/(loss) on disposal | 9 | **21.3** | (1.6) |
| Exploration costs written off | 10 | **(295.2)** | (143.4) |
| Impairment of property, plant and equipment, net | 11 | **(18.2)** | (539.1) |
| Provision for onerous service contracts, net | 22 | **(167.4)** | 1.0 |
| **Operating profit** | | **528.4** | 22.4 |
| Gain on hedging instruments | | **2.4** | 1.4 |
| Finance revenue | 5 | **58.4** | 42.0 |
| Finance costs | 5 | **(328.7)** | (351.7) |
| **Profit/(loss) from continuing activities before tax** | | **260.5** | (285.9) |
| Income tax (expense)/credit | 7 | **(175.1)** | 110.6 |
| **Profit/(loss) for the year from continuing activities** | | **85.4** | (175.3) |
| Attributable to: | | | |
| Owners of the Company | | **84.8** | (176.3) |
| Non-controlling interest | 25 | **0.6** | 1.0 |
| | | **85.4** | (175.3) |
| **Profit/(loss) per ordinary share from continuing activities** | 8 | **¢** | ¢ |
| Basic | | **6.1** | (13.7) |
| Diluted | | **5.9** | (13.7) |

# GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
## YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 $m | 2017 Restated[1] $m |
|---|---|---|---|
| **Profit/(loss) for the year** | | **85.4** | (175.3) |
| **Items that may be reclassified to the income statement in subsequent periods** | | | |
| Cash flow hedges | | | |
| Gain arising in the year | 20 | **100.7** | 6.7 |
| Gain/(loss) arising in the year – time value | 20 | **16.2** | (64.7) |
| Reclassification adjustments for items included in loss on realisation | 20 | **32.7** | (137.5) |
| Reclassification adjustments for items included in loss on realisation – time value | 20 | **52.7** | 51.5 |
| Exchange differences on translation of foreign operations | | **(15.4)** | 9.0 |
| **Other comprehensive profit/(loss)** | | **186.9** | (135.0) |
| Tax relating to components of other comprehensive loss | 20 | **–** | 24.3 |
| **Net other comprehensive profit/(loss) for the year** | | **186.9** | (110.7) |
| **Total comprehensive income/(expense) for the year** | | **272.3** | (286.0) |
| Attributable to: | | | |
| Owners of the Company | | **271.7** | (287.0) |
| Non-controlling interest | | **0.6** | 1.0 |
| | | **272.3** | (286.0) |

1. 2017 figures restated in relation to the implementation of IFRS 9 Financial Instruments. Refer to the accounting policies section.

# GROUP BALANCE SHEET
## AS AT 31 DECEMBER 2018

| | Notes | **2018 $m** | 2017 Restated[1] $m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible exploration and evaluation assets | 10 | **1,898.6** | 1,933.4 |
| Property, plant and equipment | 11 | **4,916.4** | 5,254.7 |
| Investments | 12 | **–** | 1.0 |
| Other non-current assets | 13 | **696.4** | 789.8 |
| Derivative financial instruments | 20 | **51.2** | 0.8 |
| Deferred tax assets | 23 | **649.4** | 724.5 |
| | | **8,212.0** | 8,704.2 |
| **Current assets** | | | |
| Inventories | 14 | **134.8** | 168.0 |
| Trade receivables | 15 | **159.4** | 171.4 |
| Other current assets | 13 | **969.0** | 768.3 |
| Current tax assets | 7 | **60.5** | 57.7 |
| Derivative financial instruments | 20 | **79.7** | 1.8 |
| Cash and cash equivalents | 16 | **179.8** | 284.0 |
| Assets classified as held for sale | 17 | **840.2** | 873.1 |
| | | **2,423.4** | 2,324.3 |
| **Total assets** | | **10,635.4** | 11,028.5 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(1,204.3)** | (1,025.6) |
| Provisions | 22 | **(198.5)** | (230.8) |
| Current tax liabilities | | **(83.0)** | (45.0) |
| Derivative financial instruments | 20 | **(2.7)** | (53.1) |
| | | **(1,488.5)** | (1,354.5) |
| **Non-current liabilities** | | | |
| Trade and other payables | 18 | **(1,282.3)** | (1,422.6) |
| Borrowings | 19 | **(3,219.1)** | (3,606.4) |
| Provisions | 22 | **(677.0)** | (801.6) |
| Deferred tax liabilities | 23 | **(1,075.3)** | (1,101.2) |
| Derivative financial instruments | 20 | **–** | (25.8) |
| | | **(6,253.7)** | (6,957.6) |
| **Total liabilities** | | **(7,742.2)** | (8,312.1) |
| **Net assets** | | **2,893.2** | 2,716.4 |
| **EQUITY** | | | |
| Called-up share capital | 24 | **209.1** | 208.2 |
| Share premium | 24 | **1,344.2** | 1,326.8 |
| Equity component of convertible bonds | | **48.4** | 48.4 |
| Foreign currency translation reserve | | **(238.6)** | (223.2) |
| Hedge reserve | 20 | **130.8** | (2.6) |
| Hedge reserve – time value | | **(4.9)** | (73.8) |
| Other reserves | | **755.2** | 740.9 |
| Retained earnings | | **649.0** | 681.3 |
| **Equity attributable to equity holders of the Company** | | **2,893.2** | 2,706.0 |
| Non-controlling interest | 25 | **–** | 10.4 |
| **Total equity** | | **2,893.2** | 2,716.4 |

1. 2017 figures restated in relation to the implementation of IFRS 9 Financial Instruments. Refer to the accounting policies section.

Approved by the Board and authorised for issue on 12 February 2019.

**Paul McDade**
Chief Executive Officer

**Les Wood**
Chief Financial Officer

# GROUP STATEMENT OF CHANGES IN EQUITY
## YEAR ENDED 31 DECEMBER 2018

| | Notes | Share capital $m | Share premium $m | Equity component of convertible bonds $m | Foreign currency translation reserve[1] $m | Hedge reserve[4] $m | Hedge reserve – time value[4] $m | Other reserves[3] $m | Retained earnings[4] $m | Total $m | Non-controlling interest $m | Total equity[4] $m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2017 | | 147.5 | 619.3 | 48.4 | (232.2) | 128.2 | – | 740.9 | 778.0 | 2,230.1 | 12.4 | 2,242.5 |
| Adjustment on adoption of IFRS 9, net of tax | 30 | – | – | – | – | – | (60.6) | – | 60.6 | – | – | – |
| Loss for the year | | – | – | – | – | – | – | – | (176.3) | (176.3) | 1.0 | (175.3) |
| Hedges, net of tax | 20 | – | – | – | – | (130.8) | (13.2) | – | – | (144.0) | – | (144.0) |
| Currency translation adjustments | | – | – | – | 9.0 | – | – | – | – | 9.0 | – | 9.0 |
| Issue of shares – Rights Issue | 24 | 60.0 | 693.8 | – | – | – | – | – | – | 753.8 | – | 753.8 |
| Issue of employee share options | 24 | 0.7 | 13.7 | – | – | – | – | – | – | 14.4 | – | 14.4 |
| Vesting of PSP shares | | – | – | – | – | – | – | – | (15.2) | (15.2) | – | (15.2) |
| Share-based payment charges | 26 | – | – | – | – | – | – | – | 34.2 | 34.2 | – | 34.2 |
| Distribution to non-controlling interests | 25 | – | – | – | – | – | – | – | – | – | (3.0) | (3.0) |
| At 1 January 2018 | | **208.2** | **1,326.8** | **48.4** | **(223.2)** | **(2.6)** | **(73.8)** | **740.9** | **681.3** | **2,706.0** | **10.4** | **2,716.4** |
| Adjustment on adoption of IFRS 9, net of tax | 30 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(110.8)** | **(110.8)** | **–** | **(110.8)** |
| Profit for the year | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **84.8** | **84.8** | **0.6** | **85.4** |
| Hedges, net of tax | 20 | **–** | **–** | **–** | **–** | **133.4** | **68.9** | **–** | **–** | **202.3** | **–** | **202.3** |
| Currency translation adjustments | | **–** | **–** | **–** | **(15.4)** | **–** | **–** | **–** | **–** | **(15.4)** | **–** | **(15.4)** |
| Issue of shares | 24 | **0.9** | **17.4** | **–** | **–** | **–** | **–** | **–** | **–** | **18.3** | **–** | **18.3** |
| Vesting of employee share options | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(18.2)** | **(18.2)** | **–** | **(18.2)** |
| Transfers | | **–** | **–** | **–** | **–** | **–** | **–** | **14.3** | **(14.3)** | **–** | **–** | **–** |
| Share-based payment charges | 26 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **26.2** | **26.2** | **–** | **26.2** |
| Acquisition of non-controlling interests | 25 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(11.0)** | **(11.0)** |
| **At 31 December 2018** | | **209.1** | **1,344.2** | **48.4** | **(238.6)** | **130.8** | **(4.9)** | **755.2** | **649.0** | **2,893.2** | **–** | **2,893.2** |

1. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments.
2. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.
3. Other reserves include the merger reserve. The value associated with the treasury shares reserve, disclosed in the previous year, has been represented as part of retained earnings, consistent with share-based payment reserve movements. At 31 December 2018 the Group did not hold any shares in a Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (note 26).
4. For further details of the adjustment on adoption of IFRS 9, refer to the accounting policies section. Note that the figures for 1 January 2017 to 1 January 2018 have been restated in relation to the adoption of IFRS 9.

# GROUP CASH FLOW STATEMENT
## YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 $m | 2017 Restated[1] $m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) before taxation | | **260.5** | (285.9) |
| Adjustments for: | | | |
| Depreciation, depletion and amortisation | 11 | **584.1** | 592.2 |
| (Gain)/loss on disposal | 9 | **(21.3)** | 1.6 |
| Exploration costs written off | 10 | **295.2** | 143.4 |
| Impairment of property, plant and equipment, net | 11 | **18.2** | 541.1 |
| Provision for onerous service contracts, net | 22 | **167.4** | (1.0) |
| Payment under onerous service contracts | 22 | **(208.6)** | – |
| Decommissioning expenditure | 22 | **(99.1)** | (25.7) |
| Share-based payment charge | 26 | **23.8** | 33.9 |
| Gain on hedging instruments | 20 | **(2.4)** | (1.4) |
| Finance revenue | 5 | **(58.4)** | (42.0) |
| Finance costs | 5 | **328.7** | 351.7 |
| Operating cash flow before working capital movements | | **1,288.1** | 1,307.9 |
| (Increase)/decrease in trade and other receivables | | **(100.2)** | 122.0 |
| Decrease/(increase) in inventories | | **32.5** | (20.8) |
| Increase/(decrease) in trade payables | | **86.9** | (251.4) |
| Cash generated from operating activities | | **1,307.3** | 1,157.7 |
| Income taxes (paid)/received | | **(103.3)** | 65.2 |
| Net cash from operating activities | | **1,204.0** | 1,222.9 |
| **Cash flows from investing activities** | | | |
| Proceeds from disposals | 9 | **9.9** | 8.0 |
| Purchase of intangible exploration and evaluation assets | 31 | **(202.1)** | (189.7) |
| Purchase of property, plant and equipment | 31 | **(238.4)** | (117.8) |
| Interest received | | **2.9** | 3.1 |
| Net cash used in investing activities | | **(427.7)** | (296.4) |
| **Cash flows from financing activities** | | | |
| Net proceeds from issue of share capital | | **–** | 768.1 |
| Debt arrangement fees | 31 | **(15.0)** | (56.4) |
| Repayment of borrowings | 31 | **(1,755.1)** | (1,613.6) |
| Drawdown of borrowings | 31 | **1,240.0** | 305.0 |
| Repayment of obligations under finance leases | | **(117.4)** | (62.6) |
| Finance costs paid | | **(234.5)** | (265.4) |
| Distribution to non-controlling interests | 25 | **–** | (3.0) |
| Net cash used in financing activities | | **(882.0)** | (927.9) |
| **Net decrease in cash and cash equivalents** | | **(105.7)** | (1.4) |
| **Cash and cash equivalents at beginning of year** | 16 | **284.0** | 281.9 |
| Foreign exchange gain | | **1.5** | 3.5 |
| **Cash and cash equivalents at end of year** | 16 | **179.8** | 284.0 |

1. 2017 figures restated in relation to the implementation of IFRS 9 Financial Instruments. Refer to the accounting policies section.

### (a) General information
Tullow Oil plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT. The primary activity of the Group is the discovery and production of oil and gas.

### (b) Adoption of new and revised standards
New International Financial Reporting Standards adopted

New and revised standards and interpretations adopted in the current year did not have any significant impact on the amounts reported in these Financial Statements, except for IFRS 9. This is discussed below, along with analysis regarding IFRS 15.

IFRS 9 Financial Instruments

The implementation of IFRS 9 had two key impacts on the Group's Financial Statements. These related to the treatment of modification or exchange of financial liabilities and the treatment of the 'cost of hedging' of options.

1) The classification and measurement of financial liabilities is materially consistent with that required by IAS 39 with the exception of the treatment of modification or exchange of financial liabilities which do not result in derecognition. The Group has identified that retrospective application of IFRS 9 has increased the carrying value of the Reserves Based Lending credit facility by $110.8 million and resulted in the need to record a modification loss due to the refinancing of the facility in November 2017. The implementation reduced retained earnings on 1 January 2018. This will lower the finance costs recognised over the remaining life of the facility compared to the treatment under IAS 39. No other material impact as a result of IFRS 9's classification and measurement requirements has been identified.
2) The Group adopted the hedge accounting requirements of IFRS 9 effective 1 January 2018. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The new hedge accounting rules align the hedge accounting treatments more closely with the Group risk management strategy, and address previous inconsistencies and weakness in the hedge accounting model in IAS 39. The Group has identified a change in the treatment of the 'cost of hedging' of options on adoption of IFRS 9, specifically with respect to the fair value movement of time value. The fair value movement of time value, to the extent which it relates to the hedged item, has been presented as a separate component in the statement of comprehensive income and expenses. The 'gain/loss on hedging instruments' line in the Group's income statement now solely captures ineffectiveness in the underlying hedges. This requirement has been applied retrospectively, as required, on adoption of IFRS 9.

A summary of the impact of the implementation of IFRS 9 is shown in note 30.

IFRS 15 Revenue from Contracts with Customers

The implementation of IFRS 15 has not impacted the presentation of the Group's sales revenue.

Disclosure of disaggregated revenue information consistent with the requirement included in IFRS 15 has not had an impact on the information presented in note 1. The Group's accounting policy under IFRS 15 is that revenue is recognised when the Group satisfies a performance obligation by transferring oil or gas to a customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Group's previous accounting policy for recognising revenue from sales to customers.

Upcoming International Financial Reporting Standards not yet adopted

At the date of authorisation of these Financial Statements, the following standards and interpretations which have not been applied in these Financial Statements, but will have an impact on future Financial Statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 16 Leases

The adoption of IFRS 16 Leases, which the Group will adopt for the year commencing 1 January 2019, will impact both the measurement and disclosures of leases over a low-value threshold and with terms longer than one year. The lease expense recognition pattern for lessees will generally be accelerated. Additional lease liabilities and right-of-use assets are expected to be recorded. Where leases are contracted by Tullow as operator of a Joint Venture these lease liabilities are expected to be recorded on a gross basis, along with additional Joint Venture receivables to represent Joint Venture Partner contributions expected to meet the lease obligations. The cash flow statement will be affected as payments for the principal portion of the lease liability will be presented within financing activities. A summary of the impact of the implementation of IFRS 16 is shown in note 30.

### (c) Changes in accounting policy
The Group's accounting policies are consistent with the prior year.

### (d) Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value and assets classified as held for sale which are carried at fair value less cost to sell. The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The Financial Statements have been prepared on a going concern basis (refer to the Finance Review section of the Director's report).

The principal accounting policies adopted by the Group are set out below.

### (e) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over an investee entity, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The Group does not have any material non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control, and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

#### Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where Tullow acts as operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

### (f) Assets classified as held for sale

Non-current assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. A loss for any initial or subsequent write-down of the asset or disposal group to a revised fair value less costs to sell is recognised at each reporting date. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition; management views this trigger as signature of a Sales and Purchase Agreement or Board approval. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale and the corresponding liabilities are classified with current assets and liabilities on a separate line in the balance sheet.

### (g) Revenue

Sales revenue from contracts with customers represents the sales value, net of VAT, of the Group's share of liftings in the year together with the gain/loss on realisation of cash flow hedges and tariff income. Revenue is recognised when performance obligations have been met, which is typically when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### (h) Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

In respect of redeterminations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

### (i) Inventory

Inventories, other than oil products, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, costs of production and transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

### (j) Foreign currencies

The US dollar is the presentation currency of the Group. For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's non-US dollar-denominated functional entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non-US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are recognised in the statement of comprehensive income and expense and transferred to the foreign currency translation reserve. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into functional currency at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

### (k) Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

### (l) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

### (m) Depletion and amortisation

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

### (n) Impairment of property, plant and equipment

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post-tax weighted average cost of capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within a peer group's WACC and subsequently applies additional country risk premium for CGUs in Gabon, an element of which is determined by whether the assets are onshore or offshore.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

### (o) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value at a risk-free discount rate, and is re-assessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

### (p) Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less the estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and ten years.

### (q) Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

### (r) Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

### (s) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

Petroleum revenue tax (PRT) is treated as an income tax and deferred PRT is accounted for under the temporary difference method. Current UK PRT is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax.

### (t) Pensions

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

### (u) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement.

A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

### (v) Convertible bonds

Where bonds issued with certain conversion rights are identified as compound instruments, the liability and equity components are separately recognised.

The fair value of the liability component on initial recognition is calculated by discounting the contractual stream of future cash flows using the prevailing market interest rate for similar non-convertible debt.

The difference between the fair value of the liability component and the fair value of the whole instrument is recorded as equity.

Transaction costs are apportioned between the liability and the equity components of the instrument based on the amounts initially recognised.

The liability component is subsequently measured at amortised cost using the effective interest rate method, in line with our other financial liabilities.

The equity component is not remeasured.

On conversion of the instrument, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

### (w) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. A finance lease is recognised when the Group enters the uncancellable lease period and obtains the right to use the asset as intended. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

From the commencement of the lease assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

### (x) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group has share-based awards that are equity settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model is supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk-free rate of interest; and patterns of exercise of the plan participants.

For cash-settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

### (y) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### (z) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**(aa) Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**(ab) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

**(ac) Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

**(ad) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**(ae) Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**(af) Insurance proceeds**

Insurance proceeds related to lost production under the Business Interruption insurance policy are recorded as other operating income in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies are recorded within the operating costs line of cost of sales. Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy where no asset is disposed are recorded within additions to property, plant and equipment.

**(ag) Critical accounting judgements**

The Group assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations which are dealt with in policy (ah), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Recognition of assets held for sale (note 17):

The Group signed a Sales and Purchase Agreement for farm-down of a portion of its interest in Uganda on 9 January 2017. Management has exercised judgement in determining the present value of the consideration expected from the sale, and that this disposal met the requirements of IFRS 5 and that the associated assets and liabilities should be retained as held for sale.

The critical judgement in determining that the assets were held for sale was the probability of completion within 12 months. Management continues to conclude that the sale is highly probable within 12 months. If management had concluded differently and the transaction were not to complete in 2019 $840.2 million would transfer from assets held for sale to intangible exploration and evaluation assets.

Carrying value of intangible exploration and evaluation assets (note 10):

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management has applied judgement and estimation are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and the success of a well result or geological or geophysical survey.

The most material area in where this judgement was applied during 2018 was in the assessment of impairment triggers, in accordance with IFRS 6, related to the Group's Kenyan CGU where the book value is $1.1 billion. Management concluded that an impairment trigger related to the Kenyan CGU did not exist.

### (ah) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Carrying value of property, plant and equipment (note 11):
Management performs impairment reviews on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators of impairments or impairment reversals are present and an impairment or impairment reversal test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to: commodity prices assumptions, pre-tax discount rates and commercial reserves and the related cost profiles. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least twice annually by management and is regularly reviewed by independent consultants. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms of the Production Sharing Contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

The estimation applied by management to the exploration risk premium adjustment to its impairment discount rates, estimated future commodity prices and the forecast cash flows on the TEN asset would have the most material impact on the 2018 Financial Statements should management had concluded differently. Details on impact of these key estimates and judgements using sensitivities applied to impairment models can be found in note 11.

Decommissioning costs (note 22):
There is uncertainty around the cost of decommissioning as cost estimates can vary in response to many factors, including from changes to market rates for goods and services, to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by an internal expert and the results of this review are then assessed alongside estimates from operators. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

Provisions for onerous service contracts (note 22):
Due to the historical reduction in work programmes the Group identified a number of onerous service contracts in prior years. Management has estimated the value of any future economic outflows associated with these contracts.

If management had concluded differently regarding the estimated value of any future economic outflows associated with these contracts the provision and income statement expense recorded would increase/decrease, respectively. Details on the magnitude of the potential increase can be found within the contingent liability disclosure in note 27.

Uncertain tax and regulatory positions (note 7)
The Group is subject to various claims which arise in the ordinary course of its business, including tax claims, cost recovery claims and claims from other regulatory bodies in a number of the jurisdictions in which the Group operates. In order to assess whether these claims should be provided for in the Financial Statements management has assessed all claims in the context of the laws and operating agreements of the countries in which it operates. Management has applied judgement in assessing the likely outcome of the claims and has estimated the financial impact based on external tax and legal advice and prior experience of such claims.

**Note 1. Segmental reporting**

The information reported to the Group's Chief Executive Officer for the purposes of capital allocation and assessment of segment performance is focused on three Business Delivery Teams, West Africa including European decommissioning assets, East Africa and New Ventures. Therefore the Group's reportable segments under IFRS 8 are West Africa; East Africa; and New Ventures. The following tables present revenue, loss and certain asset and liability information regarding the Group's reportable business segments for the years ended 31 December 2018 and 31 December 2017.

| | Notes | West Africa $m | East Africa $m | New Ventures $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| **Sales revenue by origin** | | 1,859.2 | – | – | – | 1,859.2 |
| Other operating income – lost production insurance proceeds | | – | – | – | 188.4 | 188.4 |
| **Segment result** | | 528.0 | (74.5) | (100.7) | 248.0 | 600.8 |
| Gain on disposal | | | | | | 21.3 |
| Unallocated corporate expenses | | | | | | (93.7) |
| **Operating profit** | | | | | | 528.4 |
| Gain on hedging instruments | | | | | | 2.4 |
| Finance revenue | | | | | | 58.4 |
| Finance costs | | | | | | (328.7) |
| **Profit before tax** | | | | | | 260.5 |
| Income tax expense | | | | | | (175.1) |
| **Profit after tax** | | | | | | 85.4 |
| **Total assets** | | 7,618.9 | 2,662.0 | 280.8 | 73.7 | 10,635.4 |
| **Total liabilities** | | (4,252.7) | (141.8) | (96.9) | (3,250.8) | (7,742.2) |
| **Other segment information** | | | | | | |
| Capital expenditure: | | | | | | |
| Property, plant and equipment | 11 | 257.1 | 1.4 | 4.3 | 5.3 | 268.1 |
| Intangible exploration and evaluation assets | 10 | 2.1 | 168.3 | 60.0 | – | 230.4 |
| Depreciation, depletion and amortisation | 11 | (569.2) | (0.2) | – | (14.7) | (584.1) |
| Impairment of property, plant and equipment, net | 11 | (18.2) | – | – | – | (18.2) |
| Exploration costs written off | 10 | (139.9) | (74.5) | (80.8) | – | (295.2) |

All sales are to external customers. Included in revenue arising from West Africa are revenues of approximately $429.8 million, $280.9 million, $222.8 million, $203.6 million and $189.4 million relating to the Group's customers who each contribute more than 10 per cent of total sales revenue (2017: $357.9 million, $316.3 million and $287.7 million) relating to the Group's largest customers. As the sales of oil and gas are made on global markets and are highly liquid, the Group does not place reliance on the largest customers mentioned above.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a reportable segment. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprises the acquisition of non-attributable corporate assets.

## Note 1. Segmental reporting continued

| | Notes | West Africa $m | East Africa $m | New Ventures $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|---|
| **2017 (restated)** | | | | | | |
| **Sales revenue by origin** | | 1,722.5 | – | – | – | 1,722.5 |
| Other operating income – lost production insurance proceeds | | – | – | – | 162.1 | 162.1 |
| **Segment result** | | 86.9 | (2.2) | (133.9) | 183.0 | 133.8 |
| Loss on disposal | | | | | | (1.6) |
| Unallocated corporate expenses | | | | | | (109.8) |
| **Operating profit** | | | | | | 22.4 |
| Gain on hedging instruments | | | | | | 1.4 |
| Finance revenue | | | | | | 42.0 |
| Finance costs | | | | | | (351.7) |
| **Loss before tax** | | | | | | (285.9) |
| Income tax credit | | | | | | 110.6 |
| **Loss after tax** | | | | | | (175.3) |
| **Total assets** | | 7,857.2 | 2,585.2 | 306.0 | 280.1 | 11,028.5 |
| **Total liabilities** | | (4,295.6) | (169.2) | (97.1) | (3,750.2) | (8,312.1) |
| **Other segment information** | | | | | | |
| Capital expenditure: | | | | | | |
| Property, plant and equipment | 11 | 43.1 | 1.1 | 0.3 | 5.6 | 50.1 |
| Intangible exploration and evaluation assets | 10 | 5.5 | 257.5 | 56.0 | – | 319.0 |
| Depreciation, depletion and amortisation | 11 | (577.1) | (0.5) | – | (14.6) | (592.2) |
| Impairment of property, plant and equipment | 11 | (539.1) | – | – | – | (539.1) |
| Exploration costs written off | 10 | (6.9) | (2.3) | (134.2) | – | (143.4) |

| **Sales revenue and non-current assets by origin** | **Sales revenue 2018 $m** | Sales revenue 2017 $m | **Non-current assets 2018 $m** | Non-current assets 2017 $m |
|---|---|---|---|---|
| Congo | **1.1** | 8.8 | **–** | – |
| Côte d'Ivoire | **44.9** | 42.3 | **86.7** | 74.5 |
| Equatorial Guinea | **146.6** | 92.2 | **72.2** | 134.7 |
| Gabon | **213.6** | 251.8 | **171.1** | 161.9 |
| Ghana | **1,404.1** | 1,196.1 | **5,171.5** | 5,675.1 |
| Mauritania | **2.1** | 13.8 | **–** | – |
| Netherlands | **–** | 29.4 | **–** | – |
| UK | **46.8** | 88.1 | **–** | – |
| Other | **–** | – | **–** | – |
| **Total West Africa** | **1,859.2** | 1,722.5 | **5,501.5** | 6,046.2 |
| Kenya | **–** | – | **1,131.2** | 1,064.8 |
| Uganda | **–** | – | **631.9** | 574.4 |
| **Total East Africa** | **–** | – | **1,763.1** | 1,639.2 |
| Norway | **–** | – | **12.3** | 13.5 |
| Other | **–** | – | **169.7** | 194.6 |
| **Total New Ventures** | **–** | – | **182.0** | 208.1 |
| Unallocated | **–** | – | **63.8** | 85.4 |
| **Total revenue/non-current assets** | **1,859.2** | 1,722.5 | **7,511.4** | 7,978.9 |

Non-current assets excludes derivative financial instruments and deferred tax assets.

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### Note 2. Total revenue

| | Notes | 2018 $m | 2017 $m |
|---|---|---|---|
| Sales revenue (excluding tariff income) | | | |
| Oil and gas revenue from the sale of goods | | **1,943.0** | 1,592.6 |
| (Loss)/gain on realisation of cash flow hedges | 20 | **(86.8)** | 110.0 |
| | | **1,856.2** | 1,702.6 |
| Tariff income | | **3.0** | 19.9 |
| **Total sales revenue** | | **1,859.2** | 1,722.5 |
| Other operating income – lost production insurance proceeds | 6 | **188.4** | 162.1 |
| **Total revenue** | | **2,047.6** | 1,884.6 |

Finance revenue has been presented as part of net financing costs (refer to note 5).

### Note 3. Staff costs

The average monthly number of employees and contractors (including Executive Directors) employed by the Group worldwide was:

| | 2018 Number | 2017 Number |
|---|---|---|
| Administration | **501** | 563 |
| Technical | **530** | 609 |
| **Total** | **1,031** | 1,172 |

Staff costs in respect of those employees were as follows:

| | 2018 $m | 2017 $m |
|---|---|---|
| Salaries | **167.5** | 183.5 |
| Social security costs | **13.3** | 6.9 |
| Pension costs | **9.0** | 14.8 |
| | **189.8** | 205.2 |

The decrease in staff costs is due to decreased employee numbers as a result of continued cost reduction initiatives. A proportion of the Group's staff costs shown above is recharged to the Group's Joint Venture Partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets with the remainder classified as an administrative overhead cost in the income statement. The net staff cost recognised in the income statement was $43.5 million (2017: $48.0 million).

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to $9.0 million (2017: $14.8 million). As at 31 December 2018, there was a liability of $nil (2017: $nil) for contributions payable included in other payables.

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited, which forms part of these Financial Statements.

## Note 4. Other costs

| | Notes | 2018 $m | 2017 $m |
|---|---|---|---|
| Operating loss is stated after charging/(deducting): | | | |
| Operating costs | | **327.0** | 386.2 |
| Operating lease expense for the TEN FPSO | | **–** | 62.5 |
| Depletion and amortisation of oil and gas assets | 11 | **567.7** | 574.3 |
| Underlift, overlift and oil stock movements | | **40.7** | (2.3) |
| Share-based payment charge included in cost of sales | 26 | **1.0** | 1.1 |
| Other cost of sales | | **29.6** | 47.5 |
| **Total cost of sales** | | **966.0** | 1,069.3 |
| Share-based payment charge included in administrative expenses | 26 | **22.8** | 32.8 |
| Depreciation of other fixed assets | 11 | **16.4** | 17.9 |
| Relocation costs associated with restructuring | | **(1.3)** | 1.6 |
| Other administrative costs | | **52.4** | 43.0 |
| **Total administrative expenses** | | **90.3** | 95.3 |
| **Total restructuring costs** | | **3.4** | 14.5 |
| Fees payable to the Company's auditor for: | | | |
| The audit of the Company's annual accounts | | **0.4** | 0.3 |
| The audit of the Company's subsidiaries pursuant to legislation | | **1.8** | 1.6 |
| Total audit services | | **2.2** | 1.9 |
| Non-audit services: | | | |
| Audit-related assurance services – half-year review | | **0.4** | 0.3 |
| Corporate finance services | | **0.1** | 1.1 |
| Other services | | **0.1** | 0.1 |
| Total non-audit services | | **0.6** | 1.5 |
| **Total** | | **2.8** | 3.4 |

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Corporate finance services included services in relation to the issue of the 7.0 per cent Senior Notes due 2025 during 2018 and the issue of the Rights Issue during 2017. Other services include ad hoc assurance services in relation to the Group's JV agreements. The ratio of audit services to non-audit services is 3.5:1.

Details of the Company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee Report on pages 70 to 76. No services were provided pursuant to contingent fee arrangements.

### Note 5. Net financing costs

| | Notes | 2018 $m | 2017 $m |
|---|---|---|---|
| Interest on bank overdrafts and borrowings | | **276.0** | 290.7 |
| Interest on obligations under finance leases | | **101.5** | 46.1 |
| Total borrowing costs | | **377.5** | 336.8 |
| Less amounts included in the cost of qualifying assets | 10 | **(65.3)** | (66.5) |
| | | **312.2** | 270.3 |
| Finance and arrangement fees | | **(0.6)** | 2.8 |
| Other interest expense | | **2.7** | 1.8 |
| Foreign exchange losses | | **–** | 57.1 |
| Unwinding of discount on decommissioning provisions | 22 | **14.4** | 19.7 |
| **Total finance costs** | | **328.7** | 351.7 |
| Interest income on amounts due from Joint Venture Partners for finance leases | | **(52.7)** | (21.0) |
| Other finance revenue | | **(5.7)** | (21.0) |
| **Total finance revenue** | | **(58.4)** | (42.0) |
| **Net financing costs** | | **270.3** | 309.7 |

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.9 per cent (2017: 7.5 per cent) to cumulative expenditure on such assets.

### Note 6. Insurance proceeds

During 2018 the Group continued to issue insurance claims in respect of the Jubilee Turret Remediation Project. Insurance proceeds of $310.8 million were recorded in the year ended 31 December 2018 (2017: $220.9 million). Proceeds related to lost production under the Business Interruption insurance policy of $188.4 million (2017: $162.1 million) were recorded as other operating income – lost production insurance proceeds in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies of $45.6 million (2017: $50.9 million) were recorded within the operating costs line of cost of sales (see note 4). Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of $76.9 million (2017: $7.9 million) were recorded within additions to property, plant and equipment (see note 11).

### Note 7. Taxation on profit/(loss) on ordinary activities

Analysis of expense/(credit) for the year

| | Notes | 2018 $m | 2017 $m |
|---|---|---|---|
| **Current tax** | | | |
| UK corporation tax | | **(37.3)** | 30.1 |
| Foreign tax | | **171.7** | 6.2 |
| **Total corporate tax** | | **134.4** | 36.3 |
| UK petroleum revenue tax | | **–** | (2.1) |
| **Total current tax** | | **134.4** | 34.2 |
| **Deferred tax** | | | |
| UK corporation tax | | **33.9** | (8.7) |
| Foreign tax | | **(11.3)** | (114.6) |
| **Total deferred corporate tax** | | **22.6** | (123.3) |
| Deferred UK petroleum revenue tax | | **18.1** | (21.5) |
| **Total deferred tax** | 23 | **40.7** | (144.8) |
| **Total tax expense/(credit)** | | **175.1** | (110.6) |

## Note 7. Taxation on profit/(loss) on ordinary activities continued

### Factors affecting tax credit for the year

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits. The difference between the total tax expense/(credit) shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 19 per cent (2017: 19 per cent) to the profit/(loss) before tax is as follows:

| | 2018 $m | 2017 $m |
|---|---|---|
| **Group profit/(loss) on ordinary activities before tax** | **260.5** | (285.9) |
| Tax on Group profit/(loss) on ordinary activities at the standard UK corporation tax rate of 19% (2017: 19%) | **49.5** | (54.3) |
| Effects of: | | |
| Non-deductible exploration expenditure | **20.8** | 21.6 |
| Fair value movements on derivatives | **32.0** | – |
| Other non-deductible expenses | **12.8** | 10.1 |
| Derecognition of deferred tax previously recognised | **37.3** | – |
| Recognition of deferred tax previously unrecognised | **–** | (21.5) |
| Utilisation of tax losses not previously recognised | **(10.6)** | (0.3) |
| Net losses not recognised | **7.7** | 18.4 |
| Adjustment relating to prior years | **1.0** | 1.9 |
| Adjustments to deferred tax relating to change in tax rates | **(2.1)** | 12.6 |
| Higher rate of taxation on Norway losses | **(10.0)** | 13.1 |
| Other tax rates applicable outside the UK and Norway | **52.4** | (88.0) |
| PSC income not subject to corporation tax | **(8.8)** | (15.4) |
| Tax incentives for investment | **–** | (2.8) |
| Other income not subject to corporation tax | **(6.9)** | (6.0) |
| **Group total tax expense/(credit) for the year** | **175.1** | (110.6) |

The Finance Act 2016 further reduced the main rate of UK corporation tax applicable to all companies subject to corporation tax, except for those within the oil and gas ring fence, to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020. These changes were substantively enacted on 6 September 2016 and hence the effect of the change on the deferred tax balances has been included, depending upon when deferred tax is expected to reverse.

The Group's profit before taxation will continue to arise in jurisdictions where the effective rate of taxation differs from that in the UK, such as Ghana (35 per cent), Gabon (50 per cent), and Equatorial Guinea (35 per cent). Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of $3,581.3 million (2017: $3,642.0 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group due to uncertainty of recovery.

The Group has recognised deferred tax assets of $527.5 million (2017: $530.0 million) in relation to tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions.

No deferred tax liability is recognised on temporary differences of $7.8 million (2017: $7.9 million) relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

### Tax relating to components of other comprehensive income

During 2018 $nil (2017: $24.3 million) of tax has been recognised through other comprehensive income of which $nil (2017: $24.9 million) is current and $nil (2017: $0.6 million) is deferred tax relating to all debit (2017: debit) on cash flow hedges arising in the year.

### Current tax assets

As at 31 December 2018, current tax assets were $60.5 million (2017: $57.7 million) of which $58.7 million relates to the UK (2017: $44.6 million).

### Note 8. Earnings/(loss) per ordinary share

Basic earnings/(loss) per ordinary share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per ordinary share amounts are calculated by dividing net earnings/(loss) for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive ordinary shares that would be issued if employee and other share options or the convertible bonds were converted into ordinary shares.

| | 2018 $m | 2017 $m |
|---|---|---|
| **Profit/(loss)** | | |
| Net profit/(loss) attributable to equity shareholders | **84.8** | (176.3) |
| Effect of dilutive potential ordinary shares | **–** | – |
| **Diluted net profit/(loss) attributable to equity shareholders** | **84.8** | (176.3) |

| | 2018 Number | 2017 Number |
|---|---|---|
| **Number of shares** | | |
| Basic weighted average number of shares | **1,391,103,880** | 1,286,235,130 |
| Dilutive potential ordinary shares | **47,493,251** | 44,294,728 |
| **Diluted weighted average number of shares** | **1,438,597,131** | 1,330,529,858 |

### Note 9. Disposals

During October 2018 Tullow disposed of its 9.9 per cent ownership of Ikon Science for $6.2 million, resulting in a gain on disposal of $5.2 million.

During December 2018 Tullow recorded a gain of $11.0 million in relation to amounts refunded to Tullow in relation to the disposal of the Orwell field in the UK in a prior year.

The divestment of the Norway business completed during 2017 with two sales that were executed in December 2016 completing during 2017 with two separate parties. The Group no longer holds any licences on the Norwegian Continental Shelf.

On 10 November 2017 Tullow completed the sale of its remaining Dutch assets to Hague and London Oil plc (HALO). This resulted in a loss on disposal of $1.6 million in 2017. During 2018, a gain on disposal was recorded as a result of the recognition of $5.1 million of contingent deferred consideration. The Group no longer holds any licences in the Netherlands.

### Note 10. Intangible exploration and evaluation assets

| | Notes | 2018 $m | 2017 $m |
|---|---|---|---|
| At 1 January | | **1,933.4** | 2,025.8 |
| Additions | 1 | **230.4** | 319.0 |
| Disposals | 9 | **(4.0)** | (40.0) |
| Amounts written off | | **(295.2)** | (143.4) |
| Transfer to property, plant and equipment | 11 | **–** | (188.7) |
| Net transfer to assets held for sale | 17 | **32.2** | (43.4) |
| Currency translation adjustments | | **1.8** | 4.1 |
| **At 31 December** | | **1,898.6** | 1,933.4 |

Included within 2018 additions is $65.3 million (note 5) of capitalised interest (2017: $66.5 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is ongoing.

Transfers to property, plant and equipment in 2017 related to the Greater Jubilee Full Field Development Plan approval and the cost associated with the Mahogany and Teak discovery.

## Note 10. Intangible exploration and evaluation assets continued

The below table provides a summary of the exploration costs written off on a pre- and post-tax basis by country.

| Country | CGU | Rationale for 2018 write-off | 2018 Pre-tax write-off $m | 2018 Post-tax write-off $m | 2018 Remaining recoverable amount $m |
|---|---|---|---|---|---|
| Ghana | Wawa | g | **42.7** | **27.8** | **–** |
| Ghana | Akasa | g | **97.1** | **63.1** | **–** |
| Mauritania | Block C18 | b,c | **8.5** | **8.5** | **–** |
| Namibia | PEL 37 | a | **13.0** | **13.0** | **25.9** |
| Namibia | PEL 30 | a | **9.0** | **9.0** | **–** |
| Pakistan | Various | b | **1.1** | **1.1** | **–** |
| Suriname | Block 54 | b,c | **3.6** | **3.6** | **–** |
| Uganda | Assets held for sale | e | **74.5** | **74.5** | **n/a** |
| Uruguay | Country | d | **16.3** | **16.3** | **–** |
| Zambia | Country | d | **4.5** | **4.5** | **–** |
| Other | Various | b | **0.3** | **0.3** | **–** |
| New Ventures | Various | f | **24.6** | **24.6** | **–** |
| **Total write-off** | | | **295.2** | **246.3** | **–** |

a. Current year unsuccessful exploration results.
b. Current year expenditure and actualisation of accruals associated with CGUs previously written off.
c. Licence relinquishments or expiry.
d. Country exit.
e. Revision of value based on fair value calculation.
f. New Ventures expenditure is written off as incurred.
g. Exploration and evaluation assets associated with Wawa and Akasa in Ghana were written off during 2018 as substantive expenditure on further exploration work on these licences is not planned in the near-term.

## Note 11. Property, plant and equipment

| | Notes | 2018 Oil and gas assets $m | 2018 Other fixed assets $m | 2018 Total $m | 2017 Oil and gas assets $m | 2017 Other fixed assets $m | 2017 Total $m |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January | | **11,592.6** | **279.7** | **11,872.3** | 10,772.5 | 251.9 | 11,024.4 |
| Additions | 1,6 | **261.5** | **6.6** | **268.1** | 880.7 | 7.0 | 887.7 |
| Disposals | | **–** | **(0.7)** | **(0.7)** | (362.6) | (1.6) | (364.2) |
| Transfer from intangible assets | 10 | **–** | **–** | **–** | 188.7 | – | 188.7 |
| Currency translation adjustments | | **(60.1)** | **(14.6)** | **(74.7)** | 113.3 | 22.4 | 135.7 |
| **At 31 December** | | **11,794.0** | **271.0** | **12,065.0** | 11,592.6 | 279.7 | 11,872.3 |
| **Depreciation, depletion and amortisation** | | | | | | | |
| At 1 January | | **(6,425.3)** | **(192.3)** | **(6,617.6)** | (5,500.8) | (160.7) | (5,661.5) |
| Charge for the year | 4 | **(567.7)** | **(16.4)** | **(584.1)** | (574.3) | (17.9) | (592.2) |
| Impairment loss | | **(55.8)** | **–** | **(55.8)** | (584.5) | – | (584.5) |
| Reversal of impairment loss | | **37.6** | **–** | **37.6** | 43.4 | – | 43.4 |
| Disposal | | **–** | **0.7** | **0.7** | 300.0 | 1.7 | 301.7 |
| Currency translation adjustments | | **60.1** | **10.5** | **70.6** | (109.1) | (15.4) | (124.5) |
| **At 31 December** | | **(6,951.1)** | **(197.5)** | **(7,148.6)** | (6,425.3) | (192.3) | (6,617.6) |
| **Net book value at 31 December** | | **4,842.9** | **73.5** | **4,916.4** | 5,167.3 | 87.4 | 5,254.7 |

The carrying amount of the Group's oil and gas assets includes an amount of $685.2 million (2017: $816.7 million) in respect of assets held under finance leases and $44.3 million in relation to capitalised interest. The currency translation adjustments arose due to the movement against the Group's presentation currency, USD, of the Group's UK assets which have a functional currency of GBP. The 2018 income statement impairment charge is net of $nil insurance proceeds (2017: $2.0 million).

### Note 11. Property, plant and equipment continued

| | Trigger for 2018 impairment/ (reversal) | 2018 Impairment/ (reversal) $m | Pre-tax discount rate assumption |
|---|---|---|---|
| Limande and Turnix CGU (Gabon) | a | **14.2** | 13% |
| Echira, Niungo, and Igongo CGU (Gabon) | a | **2.9** | 15% |
| Tchatamba (Gabon) | a | **(1.4)** | 13% |
| Oba and Middle Oba CGU (Gabon) | a | **2.8** | 13% |
| Espoir (Côte d'Ivoire) | c | **(22.9)** | 10% |
| TEN (Ghana) | e | **(13.3)** | 10% |
| UK 'CGU'[d] | b | **35.9** | n/a |
| **Impairment** | | **18.2** | |

a. Decrease to short-term price assumptions (Dated Brent forward curve).
b. Change to decommissioning estimate.
c. Revision of value based on revisions to reserves.
d. The fields in the UK are grouped into one CGU as all fields within those countries share critical gas infrastructure.
e. Revision to cost profiles.

During 2018 and 2017 the Group applied the following nominal oil price assumptions for impairment assessments:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 onwards |
|---|---|---|---|---|---|---|
| **2018** | **Forward curve** | **Forward curve** | **$66/bbl** | **$68/bbl** | **$75/bbl** | **$75/bbl inflated at 2%** |
| 2017 | Forward curve | Forward curve | $59/bbl | $66/bbl | $68/bbl | $75/bbl inflated at 2% |

Oil prices stated above are benchmark prices to which an individual field price differential is applied. All impairment assessments are prepared on a value-in-use basis using discounted future cash flows based on 2P reserves profiles. A reduction or increase in the two-year forward curve of $15/bbl, based on the approximate volatility of the oil price over the previous two years, and a reduction or increase in the medium and long-term price assumptions of $15/bbl, based on the range seen in external oil price market forecasts, are considered to be reasonably possible changes for the purposes of sensitivity analysis. Decreases to oil prices specified above would increase the impairment charge by $934.2 million, whilst increases to oil prices specified above would result in a credit to the impairment charge of $850.7 million. A 1 per cent increase in the pre-tax discount rate would increase the impairment by $115.6 million. A 1 per cent decrease in the pre-tax discount rate would decrease the impairment by $115.6 million. The Group believes a 1 per cent change in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' impairment discount rates.

### Note 12. Investments

| | 2018 $m | 2017 $m |
|---|---|---|
| Unlisted investments | **–** | 1.0 |

During October 2018 Tullow disposed of its 9.9 per cent ownership of Ikon Science.

### Note 13. Other assets

| | 2018 $m | 2017 $m |
|---|---|---|
| **Non-current** | | |
| Amounts due from Joint Venture Partners | **614.9** | 731.7 |
| Uganda VAT recoverable | **33.1** | 34.9 |
| Other non-current assets | **48.4** | 23.2 |
| | **696.4** | 789.8 |
| **Current** | | |
| Amounts due from Joint Venture Partners | **670.8** | 567.8 |
| Underlifts | **22.9** | 37.1 |
| Prepayments | **73.4** | 38.2 |
| VAT and WHT recoverable | **3.8** | 5.4 |
| Other current assets | **198.1** | 119.8 |
| | **969.0** | 768.3 |

Other current assets have increased due to the increase in the amount of funds due from insurers.

### Note 14. Inventories

| | 2018 $m | 2017 $m |
|---|---|---|
| Warehouse stocks and materials | **54.6** | 46.5 |
| Oil stocks | **80.2** | 121.5 |
| | **134.8** | 168.0 |

Inventories include a provision of $20.9 million (2017: $20.7 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost.

### Note 15. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No current receivables are overdue; therefore none have been impaired and no allowance for doubtful debt has been recognised (2017: $nil).

### Note 16. Cash and cash equivalents

| | Notes | 2018 $m | 2017 $m |
|---|---|---|---|
| Cash at bank | 20 | **175.5** | 228.8 |
| Short-term deposits | | **4.3** | 55.2 |
| | | **179.8** | 284.0 |

Cash and cash equivalents includes an amount of $78.0 million (2017: $146.0 million) which the Group holds as operator in Joint Venture bank accounts. In addition to the cash held in Joint Venture bank accounts the Group had $14.1 million (2017: $16.1 million) held in restricted bank accounts.

### Note 17. Assets classified as held for sale

In 2017, Tullow announced that it had agreed a substantial farm-down of its assets in Uganda. Under the Sale and Purchase Agreement, Tullow has agreed to transfer 21.57 per cent of its 33.33 per cent Uganda interests for a total consideration of $900 million. Upon completion, the farm-down will leave Tullow with an 11.76 per cent interest in the upstream and pipeline projects. This is expected to reduce to a 10 per cent interest in the upstream project when the Government of Uganda formally exercises its back-in right. Although it has not yet been determined what interests the Governments of Uganda and Tanzania will take in the pipeline project, Tullow expects its interests in the upstream and pipeline projects to be aligned.

The consideration is split into $200 million in cash, consisting of $100 million payable on completion of the transaction, $50 million payable at FID and $50 million payable at First Oil. The remaining $700 million is in deferred consideration and represents reimbursement in cash of a proportion of Tullow's past exploration and development costs. The deferred consideration is payable to Tullow as the upstream and pipeline projects progress and these payments will be used by Tullow to fund its share of the development costs. Tullow expects the deferred consideration to cover its share of upstream and pipeline development capex to First Oil and beyond. Following meetings in January 2019 between the CEOs of both Tullow and Total and H.E. President Museveni of Uganda, Tullow has agreed the basis for Capital Gains Tax on its $900 million Uganda farm-down to CNOOC and Total. The Government and the JV Partners are now engaged in discussions to finalise an agreement reflecting this tax treatment that will enable completion of the farm-down to take place. Any Capital Gains Tax is expected to be phased and partly linked to project progress. At completion of the farm-down, Tullow anticipates receiving a cash payment of $100 million and a payment of the working capital completion adjustment and deferred consideration for the pre-completion period of $108 million. A further $50 million cash consideration is due to be received when FID is taken on the development project.

The estimated fair value of the consideration was $829.7 million on recognition. The fair value of the deferred consideration was calculated using expected timing of receipts based on management's best estimate of the expected capital profile of the project discounted at the relevant counterparty's cost of borrowing. Additions to the value initially recognised related to capitalised interest transferred from intangible exploration and evaluation assets, which were $41.6 million in 2018 (2017: $43.4 million). The present value of the consideration was re-assessed as $840.2 million as at 31 December 2018. The difference to the carrying value of the net assets of the disposal group has been recognised as an exploration write-off (refer to note 10). Assets classified as held for sale represent a level 3 financial asset.

The major classes of assets and liabilities comprising the assets classified as held for sale as at 31 December 2018 were as follows:

| | **Uganda 2018 $m** | **Total 2018 $m** | Uganda 2017 $m | Total 2017 $m |
|---|---|---|---|---|
| Intangible exploration and evaluation assets | **840.2** | **840.2** | 873.1 | 873.1 |
| Total assets classified as held for sale | **840.2** | **840.2** | 873.1 | 873.1 |
| **Net assets of disposal groups** | **840.2** | **840.2** | 873.1 | 873.1 |

### Note 18. Trade and other payables

Current liabilities

| | Notes | **2018 $m** | 2017 $m |
|---|---|---|---|
| Trade payables | | **97.1** | 83.3 |
| Other payables | | **105.1** | 114.5 |
| Overlifts | | **16.6** | 30.4 |
| Accruals | | **747.8** | 552.0 |
| VAT and other similar taxes | | **16.5** | 17.3 |
| Current portion of finance lease | 21 | **221.2** | 228.1 |
| | | **1,204.3** | 1,025.6 |

Payables related to operated Joint Ventures (primarily in Ghana and Kenya) are recorded gross with the amount representing the partners' share recognised in amounts due from Joint Venture Partners (note 13). The change in trade payables and in other payables predominantly represents timing differences and levels of work activity.

Non-current liabilities

| | Notes | **2018 $m** | 2017 $m |
|---|---|---|---|
| Other non-current liabilities | | **91.3** | 105.1 |
| Non-current portion of finance lease | 21 | **1,191.0** | 1,317.5 |
| | | **1,282.3** | 1,422.6 |

Trade and other payables are non-interest bearing except for finance leases (note 21).

### Note 19. Borrowings

| | 2018 $m | 2017 $m |
|---|---|---|
| **Non-current** | | |
| Bank borrowings – after two years but within five years | | |
| Reserves Based Lending credit facility | **568.0** | 811.0 |
| 6.0% Senior Notes due 2020 ($650 million) | **–** | 642.5 |
| 6.25% Senior Notes due 2022 ($650 million) | **644.4** | 643.5 |
| 6.625% Convertible Bonds due 2021 ($300 million) | **267.0** | 256.9 |
| Bank borrowings – more than five years | | |
| Reserves Based Lending credit facility | **950.0** | 1,252.5 |
| 7.0% Senior Notes due 2025 ($800 million) | **789.7** | – |
| | **3,219.1** | 3,606.4 |
| Carrying value of total borrowings | **3,219.1** | 3,606.4 |

The Group has provided security in respect of certain borrowings in the form of share pledges, as well as fixed and floating charges over certain assets of the Group.

On 23 March 2018, the Group completed its offering of $800 million of Senior Notes due 2025. The offering was significantly oversubscribed and increased from the initial offering of $650 million. Proceeds have been used to redeem, in full, Senior Notes due in 2020 and repay drawings on the RBL facility.

In April 2018, commitments under the Corporate Revolving Credit Facility (RCF) reduced from $600 million to $500 million in line with the amortisation schedule; in addition, the Group voluntarily cancelled a further $150 million of commitments, reducing financing costs of undrawn committed facilities. In November 2018, the Group voluntarily cancelled the remaining facility, which was undrawn, in full to realise further cost savings from reduced commitment fees.

The Group has a Reserves Based Lending (RBL) facility which is split between a commercial bank facility and an International Finance Corporation (IFC) facility. During the year, commitments under the commercial bank facility remained at $2,400 million, and commitments under the IFC facility reduced from $100 million to $64 million in line with the amortisation schedule. The RBL facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of aggregate commitments over the period to the final maturity date of 21 November 2024, with an initial three-year grace period relating to the $2,400 million commercial bank facility, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

The Group has identified that retrospective application of IFRS 9 has increased the carrying value of the Reserves Based Lending credit facility by $110.8 million and resulted in the need to record a modification loss due to the refinancing of the facility in November 2017. Given the refinancing occurred in November 2017, implementation of IFRS 9 has reduced retained earnings on 1 January 2018. This will lower the finance costs recognised over the remaining life of the facility compared to the treatment under IAS 39.

At 31 December 2018, available headroom under the RBL amounted to $974 million. At 31 December 2017, the available headroom under the facilities amounted to $945 million: $345 million under the RBL and $600 million under the RCF.

#### Capital management

The Group defines capital as the total equity and net debt of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate. No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2018. The Group monitors capital on the basis of the gearing, being net debt divided by adjusted EBITDAX, and maintains a policy target of between 1x and 2x. A summary of the gearing calculation and a reconciliation of the metric to IFRS measures can be found in the Finance Review on page 39.

## Note 20. Financial instruments

### Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group holds a portfolio of commodity derivative contracts, with various counterparties. The Group holds a mix of fixed and floating rate debt to manage its interest rate risk. A portfolio of interest rate derivatives was held and matured during the year. The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits are monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

### Fair values of financial assets and liabilities

With the exception of the Senior Notes and the convertible bonds, the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the Senior Notes, as determined using market values at 31 December 2018, was $1,373.0 million (2017: $1,310.7 million) compared to the carrying value of $1,434.2 million (2017: $1,286.0 million).

The fair value of the convertible bonds, as determined using market values as at 31 December 2018, was $326.9 million (2017: $374.0 million) compared to the carrying value of $267.0 million (2017: $256.9 million).

The Group has no material financial assets that are past due. No material financial assets are impaired at the balance sheet date. All financial assets and liabilities with the exception of derivatives are measured at amortised cost.

### Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Group's derivative carrying and fair values were as follows:

| Assets/liabilities | **2018 Less than 1 year $m** | **2018 1–3 years $m** | **2018 Total $m** | 2017 Less than 1 year $m | 2017 1–3 years $m | 2017 Total $m |
|---|---|---|---|---|---|---|
| Cash flow hedges | | | | | | |
| Oil derivatives | **137.9** | **78.6** | **216.5** | (3.7) | 4.4 | 0.7 |
| Interest rate derivatives | **–** | **–** | **–** | 0.8 | – | 0.8 |
| | **137.9** | **78.6** | **216.5** | (2.9) | 4.4 | 1.5 |
| Deferred premium | | | | | | |
| Oil derivatives | **(61.0)** | **(27.4)** | **(88.4)** | (49.4) | (28.4) | (77.8) |
| | **(61.0)** | **(27.4)** | **(88.4)** | (49.4) | (28.4) | (77.8) |
| **Total assets** | **79.7** | **51.2** | **130.9** | 1.8 | 0.8 | 2.6 |
| **Total liabilities** | **(2.7)** | **–** | **(2.7)** | (53.1) | (25.8) | (78.9) |

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2017: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by re-assessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

## Note 20. Financial instruments continued

### Offset of financial assets and financial liabilities

Deferred premiums on derivatives are settled at maturity of the derivative contracts, with the cash flows settled on a net basis. Netting agreements are also in place to enable the Group and its counterparties to set off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations. The following tables provide the offsetting relationship within assets and liabilities in the balance sheet.

| 31 December 2018 | Gross amounts recognised $m | Gross amounts offset in Group balance sheet $m | Net amounts presented in Group balance sheet $m |
|---|---|---|---|
| Derivative assets | **209.6** | **(78.6)** | **130.9** |
| Derivative liabilities | **7.0** | **(9.9)** | **(2.7)** |
| Deferred premiums | **(88.5)** | **88.5** | **–** |

| 31 December 2017 | Gross amounts recognised $m | Gross amounts offset in Group balance sheet $m | Net amounts presented in Group balance sheet $m |
|---|---|---|---|
| Derivative assets | 5.6 | (3.0) | 2.6 |
| Derivative liabilities | (4.1) | (74.8) | (78.9) |
| Deferred premiums | (77.8) | 77.8 | – |

### Commodity price risk

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil revenue. Such commodity derivatives tend to be priced using benchmarks, such as Dated Brent, which correlate as far as possible to the underlying oil revenue. There is an economic relationship between the hedged items and the hedging instruments as the terms of the derivative contracts are closely aligned to the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity derivatives are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The Group hedges its estimated oil revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests.

As at 31 December 2018 and 31 December 2017, all of the Group's oil derivatives have been designated as cash flow hedges. The Group's oil hedges have been assessed to be highly effective. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the differential on the Group's underlying African crude relative to Dated Brent and the timing of oil liftings relative to the hedges. The ineffectiveness recognised in the group income statement was a gain of $2.4 million (2017: $1.4 million gain).

The following table demonstrates the timing, volumes and average floor price protected for the Group's commodity hedges:

| Hedging position as at 31 December 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|
| Oil volume (bopd) | **55,732** | **24,997** | **–** |
| Average floor price protected ($/bbl) | **56.25** | **59.31** | **–** |

| Hedging position as at 31 December 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|
| Oil volume (bopd) | 45,000 | 22,232 | 997 |
| Average floor price protected ($/bbl) | 52.23 | 48.87 | 50.00 |

The following table demonstrates the sensitivity of the Group's derivative financial instruments to reasonably possible movements in Dated Brent oil prices:

| | | Effect on equity | |
|---|---|---|---|
| | Market movement | **2018 $m** | 2017 $m |
| Brent oil price | 25% | **14.2** | (139.0) |
| Brent oil price | (25%) | **486.9** | 115.5 |

The following assumptions have been used in calculating the sensitivity in movement of oil price: the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the price sensitivities assume there is no ineffectiveness related to the oil hedges and the sensitivities have been run only on the intrinsic element of the hedge as management considers this to be the material component of oil hedge valuations.

**Note 20. Financial instruments** continued

### Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

The following table summarises the hedge reserve by type of derivative, net of tax effects:

| Hedge reserve by derivative type | 2018 $m | 2017 Restated $m |
|---|---|---|
| **Cash flow hedges** | | |
| Oil derivatives | 130.8 | (3.5) |
| Interest rate derivatives | – | 0.9 |
| | 130.8 | (2.6) |

| Hedge reserve – time value | 2018 $m | 2017 Restated $m |
|---|---|---|
| **Cash flow hedges** | | |
| Oil derivatives | 4.9 | (73.8) |
| | 4.9 | (73.8) |

The deferred gains and losses in the hedge reserve are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. The tables below show the impact on the hedge reserve and on sales revenue during the year:

| Deferred amounts in the hedge reserve | 2018 $m | 2017 Restated $m |
|---|---|---|
| At 1 January | (2.6) | 128.2 |
| Reclassification adjustments for items included in the income statement on realisation: | | |
| Gas derivatives – transferred to sales revenue | – | 0.2 |
| Oil derivatives – transferred to sales revenue | 34.4 | (161.1) |
| Interest rate derivatives – transferred to finance costs | (1.7) | (0.9) |
| **Subtotal** | 32.7 | (161.8) |
| Revaluation gains arising in the year | 100.7 | 6.7 |
| Movement in current and deferred tax | – | 24.3 |
| | 133.4 | (130.8) |
| **At 31 December** | 130.8 | (2.6) |

| Deferred amounts in the hedge reserve – time value | 2018 $m | 2017 Restated $m |
|---|---|---|
| At 1 January | (73.8) | (60.6) |
| Reclassification adjustments for items included in the income statement on realisation: | | |
| Oil derivatives – transferred to sales revenue | 52.7 | 51.5 |
| Revaluation gains/(losses) arising in the year | 16.2 | (64.7) |
| **At 31 December** | (4.9) | (73.8) |

| Reconciliation to sales revenue | 2018 $m | 2017 $m |
|---|---|---|
| Gas derivatives – transferred to sales revenue | – | 0.2 |
| Oil derivatives – transferred to sales revenue | 34.4 | (159.8) |
| Deferred premium paid | 52.4 | 49.6 |
| **Net losses/(gains) from commodity derivatives in sales revenue (note 2)** | 86.8 | (110.0) |

## Note 20. Financial instruments continued

### Cash flow and interest rate risk

Subject to parameters set by management, the Group seeks to minimise interest costs by using a mixture of fixed and floating debt. Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR. Fixed rate debt comprises Senior Notes and convertible bonds, bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging. Following maturity of the Group's interest rate hedges in November 2018, the mark-to-market position of the Group's interest rate hedge portfolio as at 31 December 2018 is nil (2017: $0.8 million asset).

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2018 and 2017, was as follows:

| | **2018 Cash at bank $m** | **2018 Fixed rate debt $m** | **2018 Floating rate debt $m** | **2018 Total $m** | 2017 Cash at bank $m | 2017 Fixed rate debt $m | 2017 Floating rate debt $m | 2017 Total $m |
|---|---|---|---|---|---|---|---|---|
| US$ | **149.7** | **(1,750.0)** | **(1,490.0)** | **(3,090.3)** | 219.4 | (1,900.0) | (1,855.0) | (3,535.6) |
| Euro | **0.4** | **–** | **–** | **0.4** | 3.1 | – | – | 3.1 |
| Sterling | **10.9** | **–** | **–** | **10.9** | 21.4 | – | – | 21.4 |
| Other | **18.8** | **–** | **–** | **18.8** | 40.1 | – | – | 40.1 |
| | **179.8** | **(1,750.0)** | **(1,490.0)** | **(3,060.2)** | 284.0 | (1,900.0) | (1,855.0) | (3,471.0) |

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in interest rates:

| | | Effect on finance costs | | Effect on equity | |
|---|---|---|---|---|---|
| | Market movement | **2018 $m** | 2017 $m | **2018 $m** | 2017 $m |
| Interest rate | 100 basis points | **(14.9)** | (21.6) | **(14.9)** | (18.3) |
| Interest rate | (25) basis points | **3.7** | 5.4 | **3.7** | 5.8 |

### Credit risk

The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The primary credit exposures for the Group are its receivables generated by the marketing of crude oil and amounts due from JV Partners (including in relation to their share of the TEN FPSO finance lease). These exposures are managed at the corporate level. The Group's crude sales are predominantly made to international oil market participants including the oil majors, trading houses and refineries. JV Partners are predominantly international major oil and gas market participants. Counterparty evaluations are conducted utilising international credit rating agency and financial assessments. Where considered appropriate, security in the form of trade finance instruments from financial institutions with an appropriate credit rating, such as letters of credit, guarantees and credit insurance, are obtained to mitigate the risks.

The Group generally enters into derivative agreements with banks which are Lenders under the Reserves Based Lending facility. Security is provided under the facility agreement which mitigates non-performance risk. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, current tax assets and other current assets, as at 31 December 2018 was $1,569.6 million (2017: $2,217.7 million).

### Foreign currency risk

The Group conducts and manages its business predominantly in US dollars, the operating currency of the industry in which it operates. The Group also purchases the operating currencies of the countries in which it operates routinely on the spot market. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material foreign currency financial derivatives in place as at 31 December 2018 (2017: nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

## Note 20. Financial instruments continued

### Foreign currency risk continued

As at 31 December 2018, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were $29.1 million in non-US-dollar denominated cash and cash equivalents (2017: $45.1 million).

The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in US dollar exchange rates:

| | | Effect on profit before tax | | Effect on equity | |
|---|---|---|---|---|---|
| | Market movement | **2018 $m** | 2017 $m | **2018 $m** | 2017 $m |
| US$/foreign currency exchange rates | 20% | **(4.8)** | (7.5) | **(4.8)** | (7.5) |
| US$/foreign currency exchange rates | (20%) | **7.3** | 11.3 | **7.3** | 11.3 |

### Liquidity risk

The Group manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. The Group had $1.0 billion (2017: $1.1 billion) of total facility headroom and free cash as at 31 December 2018.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

| | **Weighted average effective interest rate** | **Less than 1 month $m** | **1–3 months $m** | **3 months to 1 year $m** | **1–5 years $m** | **5+ years $m** | **Total $m** |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | |
| Non-interest bearing | **n/a** | **96.2** | **136.9** | **2.2** | **–** | **91.3** | **326.6** |
| Finance lease liabilities | **7.1%** | **18.3** | **41.6** | **162.6** | **861.3** | **714.9** | **1,798.7** |
| Fixed interest rate instruments | **7.8%** | | | | | | |
| Principal repayments | | **–** | **–** | **–** | **950.0** | **800.0** | **1,750.0** |
| Interest charge | | **9.9** | **28.0** | **78.6** | **385.4** | **84.0** | **585.9** |
| Variable interest rate instruments | **5.5%** | | | | | | |
| Principal repayments | | **–** | **–** | **–** | **568.0** | **922.0** | **1,490.0** |
| Interest charge | | **7.8** | **15.5** | **69.9** | **357.8** | **40.0** | **491.0** |
| | | **132.1** | **222.0** | **313.3** | **3,122.5** | **2,652.2** | **6,442.2** |

| | Weighted average effective interest rate | Less than 1 month $m | 1–3 months $m | 3 months to 1 year $m | 1–5 years $m | 5+ years $m | Total $m |
|---|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | | |
| Non-interest bearing | n/a | 50.9 | 194.6 | – | – | 105.1 | 350.6 |
| Finance lease liabilities | 7.1% | 18.3 | 39.3 | 172.1 | 866.1 | 930.2 | 2,026.0 |
| Fixed interest rate instruments | 7.5% | | | | | | |
| Principal repayments | | – | – | – | 1,600.0 | – | 1,600.0 |
| Interest charge | | 9.9 | – | 89.6 | 279.8 | – | 379.3 |
| Variable interest rate instruments | 7.2% | | | | | | |
| Principal repayments | | – | – | – | 811.0 | 1,344.0 | 2,155.0 |
| Interest charge | | 10.4 | 20.9 | 85.9 | 420.4 | 95.9 | 633.5 |
| | | 89.5 | 245.8 | 347.6 | 3,977.3 | 2,475.2 | 7,144.4 |

In November 2018, a portfolio of interest rate swaps that fixed $300.0 million of variable interest rate risk matured. The impact of these derivatives on the classification of fixed and variable rate instruments has been excluded from the above tables.

### Note 21. Obligations under finance leases

| | Notes | 2018 $m | 2017 $m |
|---|---|---|---|
| Amounts payable under finance leases: | | | |
| – Within one year | | **222.5** | 229.6 |
| – Within two to five years | | **861.3** | 866.1 |
| – After five years | | **714.9** | 930.3 |
| | | **1,798.7** | 2,026.0 |
| Less future finance charges | | **(386.5)** | (480.4) |
| Present value of lease obligations | | **1,412.2** | 1,545.6 |
| **Amount due for settlement within 12 months** | 18 | **221.2** | 228.1 |
| **Amount due for settlement after 12 months** | 18 | **1,191.0** | 1,317.5 |

The Group's finance leases are the TEN FPSO and the Espoir FPSO (2017: TEN FPSO and Espoir FPSO). The finance lease for the TEN FPSO met the criteria for recognition on 1 August 2017. The present value of the lease liabilities unwinds over the expected life of the lease and is reported within finance costs as interest on obligations under finance leases. The present value of the TEN FPSO lease obligations at 31 December 2018 was $1,389.6 million (2017: $1,521.0 million). A receivable from Joint Venture Partners of $656.9 million (2017: $719.0 million) was recognised in other assets to reflect the value of future payments that will be met by cash calls from partners. The present value of the receivable from Joint Venture Partners unwinds over the expected life of the lease and is reported within finance revenue. The net cash outflows of $117.4 million (2017: $62.6 million) related to the lease agreement since its recognition as a finance lease have been reported in the repayment of obligations under finance leases line in the cash flow statements. Prior to recognition as a finance lease, it was accounted for as an operating lease, and included as operating lease payments within cost of sales (note 4).

The fair value of the Group's lease obligations approximates the carrying amount. The average expected remaining lease term as at 31 December 2018 was six years (2017: seven years). For the year ended 31 December 2018, the effective borrowing rate was 7.1 per cent (2017: 7.1 per cent).

### Note 22. Provisions

| | Notes | Decommissioning 2018 $m | Other provisions 2018 $m | Total 2018 $m | Decommissioning 2017 $m | Other provisions 2017 $m | Total 2017 $m |
|---|---|---|---|---|---|---|---|
| At 1 January | | **897.4** | **135.0** | **1,032.4** | 1,014.4 | 144.2 | 1,158.6 |
| New provisions and changes in estimates | | **(5.8)** | **155.1** | **149.3** | (33.6) | (9.2) | (42.8) |
| Disposals | | **–** | **–** | **–** | (100.7) | – | (100.7) |
| Payments | | **(99.1)** | **(208.6)** | **(307.7)** | (33.7) | – | (33.7) |
| Unwinding of discount | 5 | **14.4** | **–** | **14.4** | 19.7 | – | 19.7 |
| Currency translation adjustment | | **(12.9)** | **–** | **(12.9)** | 31.3 | – | 31.3 |
| **At 31 December** | | **794.0** | **81.5** | **875.5** | 897.4 | 135.0 | 1,032.4 |
| **Current provisions** | | **121.6** | **76.9** | **198.5** | 103.2 | 127.6 | 230.8 |
| **Non-current provisions** | | **672.4** | **4.6** | **677.0** | 794.2 | 7.4 | 801.6 |

Included within other provisions is provision for onerous service contracts and provision for restructuring costs. Following a trial in the English Commercial Court in May 2018, the court ruled on 3 July that Tullow was not entitled to terminate its West Leo rig contract with Seadrill on 4 December 2016 by invoking the contract's force majeure provisions. Following advice from counsel, Tullow will not be appealing this ruling. Tullow has now paid Seadrill a contractual termination fee, other standby fees that accrued in the 60 days prior to termination of the contract and interest amounting to $248 million in aggregate and a further $11 million of Ghana withholding tax. Although Tullow regards these as Joint Venture costs, Kosmos disputed separately, through an International Chamber of Commerce arbitration against Tullow, its share of the liability (c. 20 per cent) of any costs related to the use of the West Leo rig beyond 1 October 2016. On 17 July 2018, the arbitration tribunal delivered a final and binding award in favour of Kosmos which determined that Kosmos is not liable for its share of the Seadrill costs. The arbitration award also provided that Tullow reimburses Kosmos $8.4 million for rig demobilisation costs and certain of its legal costs.
In relation to this matter, and several smaller provisions, the Group recorded an additional pre-tax income statement charge of $167.4 million (2017: credit of $1.0 million).

**Note 22. Provisions** continued

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests.

| | Inflation assumption | Discount rate assumption | Cessation of production assumption | 2018 $m | 2017 $m |
|---|---|---|---|---|---|
| Côte d'Ivoire | 2% | 3% | 2026 | **47.1** | 49.7 |
| Equatorial Guinea | 2% | 3% | 2028–2029 | **100.8** | 133.9 |
| Gabon | 2% | 3% | 2021–2034 | **50.1** | 55.8 |
| Ghana | 2% | 3% | 2035–2036 | **292.1** | 278.0 |
| Mauritania | n/a | 3% | 2018 | **94.8** | 120.7 |
| UK | n/a | 3% | 2018 | **209.1** | 259.3 |
| | | | | **794.0** | 897.4 |

**Note 23. Deferred taxation**

| | Accelerated tax depreciation $m | Decommissioning $m | Revaluation of financial assets $m | Tax losses $m | Other timing differences $m | Provision for onerous service contracts $m | Deferred PRT $m | Total $m |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2017 | (1,217.3) | 110.8 | 0.5 | 535.3 | (14.8) | 44.7 | 7.3 | (533.5) |
| Credit/(debit) to income statement | 79.8 | 59.8 | – | (8.1) | (8.2) | – | 21.5 | 144.8 |
| Debit to other comprehensive income | – | – | (0.6) | – | – | – | – | (0.6) |
| Exchange differences | (0.8) | 10.0 | – | 2.8 | (1.1) | – | 1.7 | 12.6 |
| At 1 January 2018 | **(1,138.3)** | **180.6** | **(0.1)** | **530.0** | **(24.1)** | **44.7** | **30.5** | **(376.7)** |
| Credit/(debit) to income statement | **37.3** | **(47.7)** | **0.1** | **(0.8)** | **(1.0)** | **(10.5)** | **(18.1)** | **(40.7)** |
| Exchange differences | **(0.2)** | **(5.2)** | **–** | **(1.7)** | **0.2** | **(0.8)** | **(0.8)** | **(8.5)** |
| **At 31 December 2018** | **(1,101.2)** | **127.7** | **–** | **527.5** | **(24.9)** | **33.4** | **11.6** | **(425.9)** |

| | 2018 $m | 2017 $m |
|---|---|---|
| Deferred tax liabilities | **(1,075.3)** | (1,101.2) |
| Deferred tax assets | **649.4** | 724.5 |
| | **(425.9)** | (376.7) |

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

### Note 24. Called-up equity share capital and share premium account

Allotted equity share capital and share premium

| | Equity share capital allotted and fully paid Number | Equity share capital allotted and fully paid $m | Share premium $m |
|---|---|---|---|
| Ordinary shares of 10p each | | | |
| At 1 January 2017 | 914,481,960 | 147.5 | 619.3 |
| Issued during the year | | | |
| Rights Issue | 466,925,724 | 60.0 | 693.8 |
| Exercise of share options | 5,159,652 | 0.7 | 13.7 |
| At 1 January 2018 | **1,386,567,336** | **208.2** | **1,326.8** |
| Issued during the year | | | |
| Exercise of share options | **6,872,380** | **0.9** | **17.4** |
| **At 31 December 2018** | **1,393,439,716** | **209.1** | **1,344.2** |

The Company does not have a maximum authorised share capital.

### Note 25. Non-controlling interest

During July 2018 Tullow acquired the remaining 50 per cent interest in Tulipe Gabon S.A. 'Tulipe', which holds the Oba licence, for $11.3 million. This resulted in a reduction of the Group's reported non-controlling interest balance to $nil at 31 December 2018.

Distributions to non-controlling interests were $nil (2017: $3.0 million).

### Note 26. Share-based payments

Analysis of share-based payment charge

| | Notes | **2018 $m** | 2017 $m |
|---|---|---|---|
| Tullow Incentive Plan | | **11.8** | 11.1 |
| 2005 Performance Share Plan | | **–** | 0.4 |
| 2005 Deferred Share Bonus Plan | | **–** | 1.7 |
| Employee Share Award Plan | | **14.3** | 20.4 |
| 2010 Share Option Plan and 2000 Executive Share Option Scheme | | **0.1** | – |
| UK and Irish Share Incentive | | **–** | 0.6 |
| **Total share-based payment charge** | | **26.2** | 34.2 |
| Capitalised to intangible and tangible assets | | **1.3** | 0.3 |
| Expensed to operating costs | 4 | **1.0** | 1.1 |
| Expensed as exploration costs written off | | **1.1** | – |
| Expensed as administrative cost | 4 | **22.8** | 32.8 |
| **Total share-based payment charge** | | **26.2** | 34.2 |

#### Tullow Incentive Plan (TIP)

Under the TIP, Senior Management can be granted nil exercise price options, normally exercisable from three years (five years in the case of the Company's Directors) to ten years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and Total Shareholder Return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period; however, it has been agreed for the 2018 TIP awards that an amount equivalent to the dividends that would have been paid on the TIP shares during the vesting period if they were 'real' shares, will also be payable on exercise of the award. There are further details of the TIP in the Remuneration Report on pages 83 to 101.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2018 was 6.9 years.

#### 2005 Performance Share Plan (PSP)

Under the PSP, Senior Management could be granted nil exercise price options, normally exercisable between three and ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards were converted into nil exercise price options. All PSP awards are fully vested.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2018 was 0.4 years.

### Note 26. Share-based payments continued

#### 2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75 per cent of the base salary of a Senior Executive nominated by the Remuneration Committee was deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they were granted. They were granted as nil exercise price options, normally exercisable from when they vest until ten years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares were converted into nil exercise price options to provide flexibility to participants. A dividend equivalent is paid over the period from grant to vesting. From 2014, Senior Executives participate in the TIP instead of the DSBP.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2018 was 2.6 years.

#### Employee Share Award Plan (ESAP)

Most Group employees are eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to ten years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions. No dividends are paid over the vesting period; however, it has been agreed for the 2018 ESAP awards that an amount equivalent to the dividends that would have been paid on the ESAP shares during the vesting period if they were 'real' shares, will also be payable on exercise of the award.

Phantom options that provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares) have also been granted under the ESAP in situations where the grant of share options was not practicable.

The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2018 was 7.3 years.

#### 2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

Participation in the 2010 SOP and 2000 ESOS was available to most of the Group's employees. Options have an exercise price equal to market value shortly before grant and are normally exercisable between three and ten years from the date of the grant subject to continuing employment.

Options granted prior to 2011 were granted under the 2000 ESOS where exercise was subject to a performance condition. Performance was measured against constituents of the FTSE 100 index (excluding investment trusts). 100 per cent of awards vested if the Company's TSR was above the median of the index companies over three years from grant. The 2010 SOP was replaced by the ESAP for grants from 2014. During 2013 phantom options were granted under the 2010 SOP to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

Options outstanding at 31 December 2018 had exercise prices of 601p to 1,294p (2017: 468p to 1,305p) and remaining contractual lives between 5 days and 4.6 years. The weighted average remaining contractual life is 2.8 years

#### UK and Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the SIP trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Under the UK SIP, Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold. The fair value of a Matching Share is its market value when it is awarded.

Under the UK SIP: (i) Partnership Shares are purchased at the lower of their market values at the start of the accumulation period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes and therefore results in an accounting charge), and (ii) Matching Shares vest over the three years after being awarded (resulting in their accounting charge being spread over that period).

Under the Irish SIP: (i) Partnership Shares are bought at the market value at the purchase date (which does not result in any accounting charge), and (ii) Matching Shares vest over the two years after being awarded (resulting in their accounting charge being spread over that period).

**Note 26. Share-based payments** continued

UK and Irish Share Incentive Plans (SIPs) continued

The following table illustrates the number and average weighted share price at grant or weighted average exercise price (WAEP) of, and movements in, share options under the TIP, PSP, DSBP, ESAP and 2010 SOP/2000 ESOS.

| | | Outstanding as at 1 January | Adjustment for the Rights Issue during the year | Granted during the year | Exercised during the year | Forfeited/ expired during the year | Outstanding at 31 December | Exercisable at 31 December |
|---|---|---|---|---|---|---|---|---|
| 2018 TIP – | number of shares | 16,753,447 | – | 5,453,170 | (1,539,418) | (371,397) | 20,295,802 | 1,616,059 |
| 2018 TIP – | average weighted share price at grant | 249.2 | – | 181.1 | 524.3 | 356.4 | 208.1 | 530.1 |
| 2017 TIP – | number of shares | 10,926,267 | 1,831,317 | 4,830,968 | (484,603) | (350,502) | 16,753,447 | 925,639 |
| 2017 TIP – | average weighted share price at grant | 287.1 | 275.6 | 206.6 | 782.0 | 242.8 | 249.2 | 782.0 |
| 2018 PSP – | number of shares | 571,911 | – | – | (163,306) | – | 408,605 | 408,605 |
| 2018 PSP – | average weighted share price at grant | 868.9 | – | – | 870.8 | – | 868.2 | 868.2 |
| 2017 PSP – | number of shares | 910,004 | 120,362 | – | (495,163) | 36,708 | 571,911 | 571,911 |
| 2017 PSP – | average weighted share price at grant | 882.0 | 870.9 | – | 888.2 | 797.6 | 868.9 | 868.9 |
| 2018 DSBP – | number of shares | 224,102 | – | – | – | – | 224,102 | 224,102 |
| 2018 DSBP – | average weighted share price at grant | 1,260.5 | – | – | – | – | 1,260.5 | 1,260.5 |
| 2017 DSBP – | number of shares | 205,704 | 35,627 | – | (140,508) | 123,279 | 224,102 | 224,102 |
| 2017 DSBP – | average weighted share price at grant | 1,215.5 | 1,215.5 | – | 1,209.4 | 1,121.4 | 1,260.5 | 1,260.5 |
| 2018 ESAP – | number of shares | 26,689,114 | – | 5,907,717 | (4,848,390) | (1,235,130) | 26,513,311 | 7,027,121 |
| 2018 ESAP – | average weighted share price at grant | 252.2 | – | 181.1 | 348.9 | 192.0 | 221.5 | 362.3 |
| 2017 ESAP – | number of shares | 23,760,819 | 3,856,502 | 5,346,309 | (4,459,032) | (1,815,484) | 26,689,114 | 7,623,417 |
| 2017 ESAP – | average weighted share price at grant | 280.8 | 271.2 | 206.6 | 382.1 | 213.3 | 252.2 | 346.8 |
| 2018 SOP/ESOS – | number of shares | 9,876,367 | – | – | – | (1,753,995) | 8,122,372 | 8,122,372 |
| 2018 SOP/ESOS – | WAEP | 1,047.6 | – | – | – | 901.9 | 1,079.1 | 1,079.1 |
| 2017 SOP/ESOS – | number of shares | 10,006,370 | 1,596,194 | – | – | (1,726,197) | 9,876,367 | 9,876,367 |
| 2017 SOP/ESOS – | WAEP | 1,192.9 | 1,041.2 | – | – | 863.8 | 1,047.6 | 1,047.6 |
| 2018 phantoms – | number of phantom shares | 1,429,868 | – | – | – | (149,638) | 1,280,230 | 1,280,230 |
| 2018 phantoms – | WAEP | 1,086.5 | – | – | – | 1,085.0 | 1,086.7 | 1,086.7 |
| 2017 phantoms – | number of phantom shares | 1,252,745 | 215,079 | – | – | (37,956) | 1,429,868 | 1,429,868 |
| 2017 phantoms – | WAEP | 1,274.4 | 1,086.5 | – | – | 1,084.7 | 1,086.5 | 1,086.5 |

In March 2017 the Company carried out a Rights Issue with each holder of 49 shares receiving 25 rights to subscribe for new shares at a price of 130p per share. In accordance with the Plan rules, the number of outstanding awards as at 17 March 2017 was multiplied by 1.1732 and the option exercise prices and previously calculated fair values for these awards were divided by 1.1732 to allow for the rights issue.

The options granted during the year were valued using a proprietary binomial valuation.

### Note 26. Share-based payments continued

UK and Irish Share Incentive Plans (SIPs) continued

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

| | **2018 TIP** | **2018 ESAP** | 2017 TIP | 2017 ESAP |
|---|---|---|---|---|
| Weighted average fair value of awards granted | **181.1p** | **181.1p** | 206.6p | 206.6p |
| Weighted average share price at exercise for awards exercised | **213.0p** | **212.9p** | 210.0p | 195.5p |
| Principal inputs to options valuations model: | | | | |
| Weighted average share price at grant | **181.1p** | **181.1p** | 206.6p | 206.6p |
| Weighted average exercise price | **0.0p** | **0.0p** | 0.0p | 0.0p |
| Risk-free interest rate per annum[1] | **0.9%/1.2%** | **0.9%** | 0.1% | 0.1% |
| Expected volatility per annum[1, 2] | **62%/52%** | **62%** | 60% | 60% |
| Expected award life (years)[1, 3] | **3.0/5.0** | **3.0** | 3.0 | 3.0 |
| Dividend yield per annum [4] | **n/a** | **n/a** | n/a | 0.0% |
| Employee turnover before vesting per annum[1] | **5%/0%** | **5%** | 5%/0% | 5% |

1. Shows the assumption for TIP awards made to Senior Management/Executives and Directors respectively.
2. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards.
3. The expected life is the average expected period from date of grant to exercise allowing for the Company's best estimate of participants' expected exercise behaviour.
4. No dividend yield assumption is needed for the fair value calculations for the 2018 TIP and 2018 ESAP awards as a dividend equivalent will be payable on the exercise of these awards.

| | **2018 PSP** | 2017 PSP | **2018 DSBP** | 2017 DSBP | **2018 SOP/ESOS** | 2017 SOP/ESOS |
|---|---|---|---|---|---|---|
| Weighted average share price at exercise for awards exercised | **234.8p** | 198.9p | **204.1** | 204.1p | **n/a** | n/a |

### Note 27. Commitments and contingencies

| | **2018 $m** | 2017 $m |
|---|---|---|
| **Capital commitments** | **233.9** | 185.0 |
| **Operating lease commitments** | | |
| Due within one year | **34.6** | 9.2 |
| After one year but within two years | **26.2** | 9.5 |
| After two years but within five years | **32.3** | 28.2 |
| Due after five years | **27.3** | 47.7 |
| | **120.2** | 94.6 |
| **Contingent liabilities** | | |
| Performance guarantees | **60.8** | 115.6 |
| Other contingent liabilities | **66.0** | 185.3 |
| | **126.8** | 300.9 |

Where Tullow acts as operator of a Joint Venture the capital commitments reported represent Tullow's net share of these commitments.

Where Tullow is non-operator the value of capital commitments is based on committed future work programmes.

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years.

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

Other contingent liabilities include amounts for ongoing legal disputes with third parties where we consider the likelihood of a cash outflow to be higher than remote but not probable. The timing of any economic outflow if it were to occur would likely range between one year and five years.

### Note 28. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24 Related Party Disclosures.

| | 2018 $m | 2017 $m |
|---|---|---|
| Short-term employee benefits | **5.7** | 6.7 |
| Post-employment benefits | **0.5** | 0.8 |
| Amounts awarded under long-term incentive schemes | **3.0** | 2.6 |
| Share-based payments | **2.2** | 2.5 |
| | **11.4** | 12.6 |

#### Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

#### Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

#### Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that are deferred for three years under the Deferred Share Bonus Plan (DSBP) and Tullow Incentive Plan (TIP).

#### Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2 Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 83 to 101.

### Note 29. Events since 31 December 2018

There has not been any event since 31 December 2018 that has resulted in a material impact on the year-end results.

### Note 30. New International Financial Reporting Standards adopted and yet to be adopted

#### IFRS 9 Financial Instruments

*Income statement*

| | Year ended 31 December 2017 | | Transition adjustment on implementation of IFRS 9[1] | |
|---|---|---|---|---|
| | Previously reported $m | Adjusted $m | (1) $m | (2) $m |
| (Loss)/gain on hedged instruments | (11.8) | 1.4 | – | 13.2 |
| Loss from continuing activities before tax | (299.1) | (285.9) | – | 13.2 |
| Loss for the year from continuing activities | (188.5) | (175.3) | – | 13.2 |

*Balance sheet*

| | 31 December 2016 $m | 1 January 2017 $m | Transition adjustment on implementation of IFRS 9[1] (1) $m | (2) $m |
|---|---|---|---|---|
| Hedge reserve – time value | – | (60.6) | – | (60.6) |
| Retained earnings | 778.0 | 838.6 | – | 60.6 |
| Total equity | 2,242.5 | 2,242.5 | – | – |

| | 31 December 2017 $m | 1 January 2018 $m | Transition adjustment on implementation of IFRS 9[1] (1) $m | (2) $m |
|---|---|---|---|---|
| Non-current liabilities | | | | |
| Borrowings | (3,606.4) | (3,717.2) | (110.8) | – |
| Net assets | 2,716.4 | 2,605.6 | (110.8) | – |
| Hedge reserve – time value | – | (73.8) | – | (73.8) |
| Retained earnings | 607.5 | 570.5 | (110.8) | 73.8 |
| Total equity | 2,716.4 | 2,605.6 | (110.8) | – |

1 For definition of adjustment 1 and 2, refer to the accounting policies section.

## Note 30. New International Financial Reporting Standards adopted and yet to be adopted continued

### IFRS 9 Financial Instruments continued

The classification and measurement of financial assets have changed with the implementation of IFRS 9. However, this has not materially changed the measurement of financial assets of the Group. The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39, has not had a material impact on the Group's Financial Statements. Trade receivables are generally settled on a short time frame and the Group's other financial assets are due from counterparties without material credit risk concerns at the time of transition.

### IFRS 16 Leases

IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The adoption of IFRS 16 Leases, which the Group will adopt for the year commencing 1 January 2019, will impact both the measurement and disclosures of leases over a low-value threshold, with terms longer than one year, but exclude any leases to explore for oil and gas (i.e. mineral rights). The Group has completed an assessment of lease agreements. On adoption of IFRS 16, the Group will recognise lease liabilities in relation to leases which are currently classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities will be measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease (if available), or the Group's incremental borrowing rate as of 1 January 2019, which was 6.9 per cent. The determination of whether there is an interest rate implicit in the rate, the calculation of the Group's incremental borrowing rate, and whether any adjustments to this rate are required for certain portfolios of leases involve some judgement and are subject to change over time. Adjustments to the Group's incremental borrowing rate for individual leases have not been made as the Group does not enter in to financing arrangements at the subsidiary level, leases are largely denominated in US Dollars, and the impact of any other adjustments have been calculated to be immaterial. A 1 per cent change in the Group's incremental borrowing rate would increase/decrease the value of lease liabilities on transition by around $8 million.

In accordance with the transition provisions in IFRS 16 the modified retrospective approach has been adopted, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year will not be restated. The expected financial impact of transition to IFRS 16 has been summarised within this note.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard on transition:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- to not separate non-lease components from all leases with a right-of-use asset less than $2 million.

The Group has identified lease portfolios for property, oil and gas production and support equipment, transportation equipment, and other equipment.

| Lease portfolio | Gross value on transition $m |
|---|---|
| Property leases | 77.4 |
| Oil and gas production and support equipment leases | 345.2 |
| Transportation equipment leases | 31.7 |
| Other equipment | 0.1 |
| **Total** | **454.4** |

### Financial impact of the transition

*Income statement*

Property leases: These leases are currently included as administrative expenses. On transition to IFRS 16 the expense will decrease, offset by an increase in finance costs and depreciation of other fixed assets.

Oil and gas production and support equipment leases: These leases are currently either treated as operating costs or capitalised as property, plant and equipment or intangible assets. On transition to IFRS 16 operating costs will decrease, offset by an increase in finance costs and depletion and amortisation of oil and gas assets.

Transportation equipment leases: These leases are currently included as administrative expenses or operating costs. On transition to IFRS 16 these expenses will decrease, offset by an increase in finance costs, depreciation of other fixed assets and depletion and amortisation of oil and gas assets.

Other equipment: These leases are currently included as administrative expenses or operating costs. On transition to IFRS 16 these expenses will decrease, offset by an increase in finance costs and depreciation of other fixed assets and depletion and amortisation of oil and gas assets.

## Note 30. New International Financial Reporting Standards adopted and yet to be adopted continued

### Financial impact of the transition continued

*Balance sheet*

The Group expects the impact of the transition to result in higher property, plant and equipment, current and non-current other assets and current and non-current lease liabilities. The amounts on transition stated below are in addition to contracts accounted for as finance leases at 31 December 2018 (refer to note 21).

| Property, plant and equipment | Value on transition $m |
|---|---|
| Non–current | 260.8 |
| **Total IFRS 16 transition** | **260.8** |

| Other assets | Value on transition $m |
|---|---|
| Current | 53.6 |
| Non–current | 140.0 |
| **Total IFRS 16 transition** | **193.6** |

| Lease liabilities | Value on transition $m |
|---|---|
| Current | 121.6 |
| Non–current | 332.8 |
| **Total IFRS 16 transition** | **454.4** |

Currently, lease liabilities related to operated Joint Ventures are disclosed gross with the debit representing the partner's share disclosed in amounts due from Joint Venture Partners. The assessment of whether a lease liability incurred by an operator should be recorded net or gross, in accordance with IFRS 16, IFRS 11 and IFRS 15, is currently under a review and comment letter process with IFRIC. Tullow will continue to monitor the outcome of this process in 2019.

*Non-IFRS measures*

Gearing and adjusted EBITDAX are expected to be impacted by the transition to IFRS 16. As discussed above, the reductions to operating costs and administrative expenses will increase adjusted EBITDAX. Increases in finance costs, depreciation of other fixed assets and depletion and amortisation of oil and gas assets will not decrease adjusted EBITDAX as they are items that are adjusted for in Tullow's calculation. This expected increase to adjusted EBITDAX will decrease gearing.

The changes are not expected to impact capital investment or net debt, as lease additions and lease liabilities, respectively, will be excluded from the calculation of these metrics. Similarly, adjustments will be made to present underlying cash operating costs excluding the impact of the change to leases, as this is how management will monitor operating costs. Detailed reconciliations showing the impact of leases will be disclosed in future periods.

The Group's leasing activities and how these are accounted for:

- Lease contracts are typically made for fixed periods of two to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.
- Leases are recognised as a right-of-use asset, plus Joint Venture receivable (where applicable), and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, and the Joint Venture receivable is allocated against the monthly Joint Venture billing cycle.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable (for example rent-free periods);
- variable lease payments that are based on an index or rate; and
- amounts expected to be payable by the lessee under residual value guarantees.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

### Note 30. New International Financial Reporting Standards adopted and yet to be adopted continued

#### Financial impact of the transition continued

*Non-IFRS measures continued*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, less any amount receivable from Joint Venture Partners;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration or dilapidation costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are leases with an annual cost of $5,000 or less. Over the course of a lease contract, there will be taxable timing differences that could give rise to deferred tax, subject to local tax laws and regulations.

### Note 31. Cash flow statement reconciliations

| Purchases of intangible exploration and evaluation assets | 2018 $m |
|---|---|
| Additions to intangible exploration and evaluation assets | **230.4** |
| **Associated cash flows** | |
| Purchases of intangible exploration and evaluation assets | **(202.1)** |
| **Non-cash movements/presented in other cash flow lines** | |
| Capitalised interest | **(65.3)** |
| Movement in working capital | **37.0** |

| Purchases of property, plant and equipment | 2018 $m |
|---|---|
| Additions to property, plant and equipment | **268.1** |
| **Associated cash flows** | |
| Purchases of property, plant and equipment | **(238.4)** |
| **Non-cash movements/presented in other cash flow lines** | |
| Decommissioning asset revisions | **(5.8)** |
| Finance lease additions | **(3.8)** |
| Movement in working capital | **(20.1)** |

| Movement in borrowings | 2018 $m | 2017 $m | Movement |
|---|---|---|---|
| Current borrowings | – | – | – |
| Non-current borrowings | 3,219.1 | (3,606.4) | **(387.3)** |
| Total borrowings | 3,219.1 | (3,606.4) | **(387.3)** |
| **Associated cash flows** | | | |
| Debt arrangement fees | | | **(15.0)** |
| Repayment of borrowings | | | **(1,755.1)** |
| Drawdown of borrowings | | | **1,240.0** |
| **Non-cash movements/presented in other cash flow lines** | | | |
| IFRS 9 transition adjustment | | | **110.8** |
| Amortisation of arrangement fees and accrued interest | | | **8.2** |

### Note 32. Dividends

The proposed final dividend for the year, which is subject to approval by shareholders at the Annual General Meeting, and has not been included as a liability in these financial statements is as follows:

| | 2018 $m |
|---|---|
| Final dividend proposed in relation to the year | |
| Ordinary | **67.0** |

Tullow ordinary shareholders will receive the dividend in either sterling, cedi or euros and the amount they receive each half may vary as a result of changing foreign exchange rates. The exchange rate used to determine the cash dividends is the World Market Reuters rate on the day before the dividend announcement date. LSE holders will receive their dividend in sterling, GSE holders will receive their dividend in Ghanaian cedi and ISE holders will receive their dividend in Euros.

# COMPANY BALANCE SHEET
## AS AT 31 DECEMBER 2018

| | Notes | 2018 $m | 2017 $m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments | 1 | **5,567.1** | 5,415.3 |
| | | **5,567.1** | 5,415.3 |
| **Current assets** | | | |
| Other current assets | 3 | **1,164.6** | 2,136.3 |
| Cash at bank | | **5.6** | 6.3 |
| | | **1,170.2** | 2,142.6 |
| **Total assets** | | **6,737.3** | 7,557.9 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other creditors | 4 | **(353.8)** | (465.9) |
| Borrowings | 5 | **–** | – |
| Intercompany derivative liability | 6 | **(11.2)** | (35.6) |
| | | **(365.0)** | (501.5) |
| **Non-current liabilities** | | | |
| Borrowings | 5 | **(2,952.1)** | (3,349.5) |
| Intercompany derivative liability | 6 | **(0.8)** | (13.4) |
| | | **(2,952.9)** | (3,362.9) |
| **Total liabilities** | | **(3,317.9)** | (3,864.4) |
| **Net assets** | | **3,419.4** | 3,693.5 |
| **Capital and reserves** | | | |
| Called-up share capital | 7 | **209.1** | 208.2 |
| Share premium | 7 | **1,344.2** | 1,326.8 |
| Other reserves | | **866.1** | 851.9 |
| Retained earnings | | **1,000.0** | 1,306.6 |
| **Total equity** | | **3,419.4** | 3,693.5 |

During the year the Company made a profit of $145.9 million (2017: $880.9 million loss).

Approved by the Board and authorised for issue on 12 February 2019.

**Paul McDade**
Chief Executive Officer

**Les Wood**
Chief Financial Officer

# COMPANY STATEMENT OF CHANGES IN EQUITY
## YEAR ENDED 31 DECEMBER 2018

| | Notes | Share capital $m | Share premium $m | Other reserves $m | Retained earnings $m | Total equity $m |
|---|---|---|---|---|---|---|
| At 1 January 2017 | | 147.5 | 619.3 | 850.8 | 2,168.5 | 3,786.1 |
| Loss for the year | | – | – | – | (880.9) | (880.9) |
| Issue of shares – Rights Issue | | 60.0 | 693.8 | – | – | 753.8 |
| Issue of employee share options | | 0.7 | 13.7 | – | – | 14.4 |
| Vesting of employee share options | | – | – | – | (15.2) | (15.2) |
| Capital contribution | | – | – | 1.1 | – | 1.1 |
| Share-based payment charges | | – | – | – | 34.2 | 34.2 |
| At 1 January 2018 | | **208.2** | **1,326.8** | **851.9** | **1,306.6** | **3,693.5** |
| Adjustment on adoption of IFRS 9, net of tax | 8 | **–** | **–** | **–** | **(446.3)** | **(446.3)** |
| Profit for the year | | **–** | **–** | **–** | **145.9** | **145.9** |
| Issue of employee share options | | **0.9** | **17.4** | **–** | **–** | **18.3** |
| Vesting of employee share options | | **–** | **–** | **–** | **(18.2)** | **(18.2)** |
| Transfers | | **–** | **–** | **14.2** | **(14.2)** | **–** |
| Share-based payment charges | | **–** | **–** | **–** | **26.2** | **26.2** |
| **At 31 December 2018** | | **209.1** | **1,344.2** | **866.1** | **1,000.0** | **3,419.4** |

Other reserves include the merger reserve. The value associated with the treasury shares reserve, disclosed in the previous year, has been represented as part of retained earnings, consistent with share-based payment reserve movements. At 31 December 2018 the Group did not hold any shares in a Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans.

During 2018, $14.2 million of PSP awards were transferred to retained earnings from other reserves.

# COMPANY ACCOUNTING POLICIES
AS AT 31 DECEMBER 2018

### (a) General information
Tullow Oil plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT. The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. Tullow Oil plc is the ultimate Parent of the Tullow Oil Group.

### (b) Basis of accounting
The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. The Financial Statements have therefore been prepared in accordance with Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of an income statement, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value.

The Company has applied the exemption from the requirement to publish a separate profit and loss account for the Parent Company set out in section 408 of the Companies Act 2006.

During the year the Company made a profit of $145.9 million (2017: $880.9 million loss).

### (c) Going concern
Refer to the Finance Review section of the Director's Report.

### (d) Foreign currencies
The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

### (e) Investments
Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

### (f) Derivative financial instruments
The Company uses derivative financial instruments to manage the Group's exposure to fluctuations in movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the derivative and the hedged item at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

### (g) Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### (h) Share issue expenses
Costs of share issues are written off against the premium arising on the issues of share capital.

### (i) Finance costs of debt
Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### (j) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

### (k) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

### (l) Critical accounting judgements and key sources of estimation uncertainty

Financial instruments (note 6):

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Directors of the Company have determined appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

Investments (note 1):

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) and property, plant and equipment assets.

Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain and the assessment of impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

For property, plant and equipment, the value of assets/fields supporting the investment value is assessed by estimating the discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post-tax weighted average cost of capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within a peer group's WACC.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.

Amounts due from subsidiary undertakings (note 3):

The Company is required to assess the carrying values of each of the amounts due from subsidiary undertakings, considering the requirements established by IFRS 9 Financial Instruments.

The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39. Where conditions exist for impairment on amounts due from subsidiary undertakings expected credit losses assume that repayment of a loan is demanded at the reporting date. If the subsidiary has sufficient liquid assets to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. However, if the subsidiary could not demonstrate the ability to repay the loan, if demanded at the reporting date, the Company calculated an expected credit loss. This calculation considers the percentage of loss of the amount due from subsidiary undertakings, which involves judgement around how amounts would likely be recovered, and over what time they would be recovered. Despite this requirement, the Company does not intend to demand repayment of any amounts due from subsidiary undertakings in the near future.

Refer to note 8 for further details of the financial impact of the implementation of this requirement.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

## Note 1. Investments

| | 2018 $m | 2017 $m |
|---|---|---|
| Shares at cost in subsidiary undertakings | **5,567.1** | 5,414.3 |
| Unlisted investments | **–** | 1.0 |
| | **5,567.1** | 5,415.3 |

During 2018, the Company increased its investments in subsidiaries undertakings by $152.8 million (2017: $429.0 million decrease); additional impairment of $202.9 million (2017: $1,553.8 million) was recognised against the Company's investments in subsidiaries to fund losses incurred by Group service companies and exploration companies. During October 2018 Tullow disposed of its 9.9 per cent ownership of Ikon Science, an unlisted investment, for $6.2 million.

The Company's subsidiary undertakings as at 31 December 2018 are listed on pages 171 to 173. The principal activity of all companies relates to oil and gas exploration, development and production.

## Note 2. Deferred tax

The Company has tax losses of $526.7 million (2017: $513.3 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of $nil (2017: $nil) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

## Note 3. Other current assets

Amounts falling due within one year

| | 2018 $m | 2017 $m |
|---|---|---|
| Other debtors | **28.9** | 12.3 |
| Due from subsidiary undertakings | **1,135.7** | 2,124.0 |
| | **1,164.6** | 2,136.3 |

The amounts due from subsidiary undertakings include $1,067.2 million (2017: $1,373.3 million) that incurs interest at LIBOR plus 4.5 per cent (2017: LIBOR plus 0.5 per cent–4.5 per cent). The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. At 31 December 2018 a provision of $291.7 million (2017: $124.0 million) was held in respect of the recoverability of amounts due from subsidiary undertakings.

## Note 4. Trade and other creditors

Amounts falling due within one year

| | 2018 $m | 2017 $m |
|---|---|---|
| Accrued interest | **30.9** | 22.7 |
| Corporation tax payable | **9.3** | – |
| Due to subsidiary undertakings | **313.6** | 443.2 |
| | **353.8** | 465.9 |

## Note 5. Borrowings

| | 2018 $m | 2017 $m |
|---|---|---|
| **Non-current** | | |
| Bank borrowings – after two years but within five years | | |
| Reserves Based Lending credit facility | **568.0** | 811.0 |
| 6.0% Senior Notes due 2020 | **–** | 642.5 |
| 6.25% Senior Notes due 2022 | **644.4** | 643.5 |
| Bank borrowings – more than five years | | |
| Reserves Based Lending credit facility | **950.0** | 1,252.5 |
| 7.00% Senior Notes due 2025 | **789.7** | – |
| | **2,952.1** | 3,349.5 |

Term loans are secured by fixed and floating charges over the oil and gas assets of the Group.

## Note 6. Financial instruments

### Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2018 Annual Report and Accounts of Tullow Oil plc, the Company has adopted the disclosure exemptions available to the Company's accounts.

### Financial risk management objectives

The Company follows the Group's policies for managing all its financial risks.

### Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Company has an intercompany oil derivative trade with a wholly owned subsidiary to purchase downside oil price protection up to 31 December 2020, for a deferred consideration of $69.1 million.

The Company's derivative carrying and fair values were as follows:

| Assets/liabilities | 2018 Less than 1 year $m | 2018 1–3 years $m | 2018 Total $m | 2017 Less than 1 year $m | 2017 1–3 years $m | 2017 Total $m |
|---|---|---|---|---|---|---|
| Intercompany oil derivatives | **(11.2)** | **(0.8)** | **(12.0)** | (35.6) | (13.4) | (49.0) |
| **Total assets** | **–** | **–** | **–** | – | – | – |
| **Total liabilities** | **(11.2)** | **(0.8)** | **(12.0)** | (35.6) | (13.4) | (49.0) |

The following provides an analysis of the Company's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All of the Company's derivatives are Level 2 (2017: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Company determines whether transfers have occurred between levels by re-assessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

### Income statement summary

Derivative fair value movements during the year which have been recognised in the income statement were as follows:

| Loss on derivative instruments | 2018 $m | 2017 $m |
|---|---|---|
| Intercompany oil derivatives | **(1.0)** | (58.3) |

### Cash flow and interest rate risk

The interest rate profile of the Company's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2018 and 31 December 2017 was as follows:

| | 2018 Cash at bank $m | 2018 Fixed rate debt $m | 2018 Floating rate debt $m | 2018 Total $m | 2017 Cash at bank $m | 2017 Fixed rate debt $m | 2017 Floating rate debt $m | 2017 Total $m |
|---|---|---|---|---|---|---|---|---|
| US$ | **5.5** | **(1,450.0)** | **(1,490.0)** | **(2,934.5)** | 6.2 | (1,300.0) | (1,855.0) | (3,148.8) |
| Euro | **0.1** | **–** | **–** | **0.1** | 0.1 | – | – | 0.1 |
| | **5.6** | **(1,450.0)** | **(1,490.0)** | **(2,934.4)** | 6.3 | (1,300.0) | (1,855.0) | (3,148.7) |

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

### Note 6. Financial instruments continued

#### Liquidity risk

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

| | Weighted average effective interest rate | Less than 1 month $m | 1–3 months $m | 3 months to 1 year $m | 1–5 years $m | 5+ years $m | Total $m |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | |
| Non-interest bearing | **n/a** | **353.8** | **–** | **–** | **–** | **–** | **353.8** |
| Fixed interest rate instruments | **7.8%** | | | | | | |
| Principal repayments | | **–** | **–** | **–** | **650.0** | **800.0** | **1,450.0** |
| Interest charge | | **–** | **28.0** | **68.6** | **325.8** | **84.0** | **506.4** |
| Variable interest rate instruments | **5.5%** | | | | | | |
| Principal repayments | | **–** | **–** | **–** | **568.0** | **922.0** | **1,490.0** |
| Interest charge | | **7.8** | **15.5** | **69.9** | **357.8** | **40.0** | **491.0** |
| | | **361.6** | **43.5** | **138.5** | **1,901.6** | **1,846.0** | **4,291.2** |

| | Weighted average effective interest rate | Less than 1 month $m | 1–3 months $m | 3 months to 1 year $m | 1–5 years $m | 5+ years $m | Total $m |
|---|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | | |
| Non-interest bearing | n/a | 465.9 | – | – | – | – | 465.9 |
| Fixed interest rate instruments | 7.5% | | | | | | |
| Principal repayments | | – | – | – | 1,300.0 | – | 1,300.0 |
| Interest charge | | – | – | 79.6 | 220.2 | – | 299.8 |
| Variable interest rate instruments | 7.2% | | | | | | |
| Principal repayments | | – | – | – | 811.0 | 1,344.0 | 2,155.0 |
| Interest charge | | 10.4 | 20.9 | 85.9 | 420.4 | 95.9 | 633.5 |
| | | 476.3 | 20.9 | 165.5 | 2,751.6 | 1,439.9 | 4,854.2 |

#### Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being Dated Brent oil prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

| | | Impact on profit before tax | |
|---|---|---|---|
| | Market movement | **2018 $m** | 2017 $m |
| Brent oil price | 25% | **–** | – |
| Brent oil price | (25%) | **(17.5)** | 0.4 |

The following assumptions have been used in calculating the sensitivity in movement of oil prices: the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations and the sensitivities have been run only on the intrinsic element of the derivatives as management considers this to be the material component of oil derivative valuations.

## Note 7. Called-up equity share capital and share premium account

### Allotted equity share capital and share premium

| | Equity share capital allotted and fully paid Number | Share capital $m | Share premium $m |
|---|---|---|---|
| **At 1 January 2017** | 914,481,960 | 147.5 | 619.3 |
| Issued during the year | | | |
| Rights Issue | 466,925,724 | 60.0 | 693.8 |
| Exercise of share options | 5,159,652 | 0.7 | 13.7 |
| **At 1 January 2018** | **1,386,567,336** | **208.2** | **1,326.8** |
| Issued during the year | | | |
| Exercise of share options | **6,872,380** | **0.9** | **17.4** |
| **At 31 December 2018** | **1,393,439,16** | **209.1** | **1,344.2** |

The Company does not have an authorised share capital. The par value of the Company's shares is 10p.

## Note 8. New accounting standards

### IFRS 9 Financial Instruments

The implementation of IFRS 9 had two key impacts on the Company's financial statements. These both related to the treatment of modification or exchange of financial liabilities.

1) The classification and measurement of financial liabilities held with third parties is materially consistent with that required by IAS 39 with the exception of the treatment of modification or exchange of financial liabilities which do not result in de-recognition. The Group has identified that retrospective application of IFRS 9 has increased the carrying value of the Reserves Based Lending credit facility by $110.8 million and resulted in the need to record a modification loss due to the refinancing of the facility in November 2017. Implementation therefore reduced retained earnings on 1 January 2018. This will lower the finance costs recognised over the remaining life of the facility compared to the treatment under IAS 39. No other material impact as a result of IFRS 9's classification and measurement requirements has been identified.

2) The classification and measurement of financial liabilities held with Group companies is materially different to that required by IAS 39. The Company has identified that retrospective application of IFRS 9 has resulted in a higher provision being made in respect of the recoverability of amounts due from subsidiary undertakings.

A summary of the impact of the implementation of IFRS 9 is shown below:

*Balance sheet*

| | 31 December 2017 $m | 1 January 2018 $m | Transition adjustment on implementation of IFRS 9 (1) $m | (2) $m |
|---|---|---|---|---|
| **Current assets** | | | | |
| Other current assets | 2,136.3 | 1,800.7 | – | (335.6) |
| **Non-current liabilities** | | | | |
| Borrowings | (3,349.5) | (3,460.3) | (110.8) | – |
| Net assets | (3,693.5) | (3,247.1) | (110.8) | (335.6) |
| Retained earnings | 1,306.6 | 860.2 | (110.8) | (335.6) |
| Total equity | 3,693.5 | 3,247.1 | (110.8) | (335.6) |

### IFRS 16 Leases

The implementation of IFRS 16 is not expected to have a material impact on the Company's financial statements as it does not presently hold any qualifying leases.

# FIVE-YEAR FINANCIAL SUMMARY

| | 2018 $m | 2017 Restated $m | 2016 $m | 2015 $m | 2014 $m |
|---|---|---|---|---|---|
| **Group income statement** | | | | | |
| **Sales revenue** | **1,859.2** | 1,722.5 | 1,269.9 | 1,606.6 | 2,212.9 |
| Other operating income – lost production insurance proceeds | **188.4** | 162.1 | 90.1 | – | – |
| Cost of sales | **(966.0)** | (1,069.3) | (813.1) | (1,015.3) | (1,116.7) |
| **Gross profit** | **1,081.6** | 815.3 | 546.9 | 591.3 | 1,096.2 |
| Administrative expenses | **(90.3)** | (95.3) | (116.4) | (193.6) | (192.4) |
| Restructuring costs | **(3.4)** | (14.5) | (12.3) | (40.8) | – |
| Gain/(loss) on disposal | **21.3** | (1.6) | (3.4) | (56.5) | (482.4) |
| Goodwill impairment | **–** | – | (164.0) | (53.7) | (132.8) |
| Exploration costs written off | **(295.2)** | (143.4) | (723.0) | (748.9) | (1,657.3) |
| Impairment of property, plant and equipment, net | **(18.2)** | (539.1) | (167.6) | (406.0) | (595.9) |
| Provision for onerous service contracts, net | **(167.4)** | 1.0 | (114.9) | (185.5) | – |
| **Operating profit** | **528.4** | 22.4 | (754.7) | (1,093.7) | (1,964.6) |
| Gain on hedging instruments | **2.4** | 1.4 | 18.2 | (58.8) | 50.8 |
| Finance revenue | **58.4** | 42.0 | 26.4 | 4.2 | 9.6 |
| Finance costs | **(328.7)** | (351.7) | (198.2) | (149.0) | (143.2) |
| **Profit/(loss) from continuing activities before tax** | **260.5** | (285.9) | (908.3) | (1,297.3) | (2,047.4) |
| Income tax (expense)/credit | **(175.1)** | 110.6 | 311.0 | 260.4 | 407.5 |
| **Profit/(loss) for the year from continuing activities** | **85.4** | (175.3) | (597.3) | (1,036.9) | (1,639.9) |
| Profit/(loss) per ordinary share from continuing activities | | | | | |
| Basic – ¢ | **6.1** | (13.7) | (55.8) | (97.0) | (153.6) |
| Diluted – ¢ | **5.9** | (13.7) | (55.8) | (97.0) | (153.6) |
| Dividends paid | **–** | – | – | – | 182.3 |
| **Group balance sheet** | | | | | |
| Non-current assets | **8,212.0** | 8,704.2 | 8,340.1 | 9,506.8 | 9,335.1 |
| Net current assets | **934.9** | 969.8 | 813.1 | 259.2 | 747.4 |
| Total assets less current liabilities | **9,146.9** | 9,674.0 | 9,153.2 | 9,766.0 | 10,082.5 |
| Long-term liabilities | **(6,253.7)** | (6,957.6) | (6,910.7) | (6,591.3) | (6,062.2) |
| **Net assets** | **2,893.2** | 2,716.4 | 2,242.5 | 3,174.7 | 4,020.3 |
| Called-up equity share capital | **209.1** | 208.2 | 147.5 | 147.2 | 147.0 |
| Share premium | **1,344.2** | 1,326.8 | 619.3 | 609.8 | 606.4 |
| Equity component of convertible bonds | **48.4** | 48.4 | 48.4 | – | – |
| Foreign currency translation reserve | **(238.6)** | (223.2) | (232.2) | (249.3) | (205.7) |
| Hedge reserve | **130.8** | (2.6) | 128.2 | 569.9 | 401.6 |
| Hedge reserve – time value | **(4.9)** | (73.8) | – | – | – |
| Other reserves | **755.2** | 740.9 | 740.9 | 740.9 | 740.9 |
| Retained earnings | **649.0** | 681.3 | 778.0 | 1,336.4 | 2,305.8 |
| Equity attributable to equity holders of the Parent | **2,893.2** | 2,706.0 | 2,230.1 | 3,154.9 | 3,996.0 |
| Non-controlling interest | **–** | 10.4 | 12.4 | 19.8 | 24.3 |
| **Total equity** | **2,893.2** | 2,716.4 | 2,242.5 | 3,174.7 | 4,020.3 |

* All comparative figures have been represented to align disclosure of impairments of property, plant and equipment on the face of the income statement with 2014.

# SHAREHOLDER INFORMATION

### Financial calendar

| | |
|---|---|
| 2018 full-year results announced | 13 February 2019 |
| Annual General Meeting | 25 April 2019 |
| AGM trading update | 25 April 2019 |
| Trading statement and operational update | 26 June 2019 |
| 2018 half-year results announced | 24 July 2019 |
| November trading update | 13 November 2019 |

### Shareholder enquiries

All enquiries concerning shareholdings, including notification of change of address, loss of a share certificate or dividend payments, should be made to the Company's registrars.

For shareholders on the UK register, Computershare provides a range of services through its online portal, Investor Centre, which can be accessed free of charge at www.investorcentre.co.uk. Once registered, this service, accessible from anywhere in the world, enables shareholders to check details of their shareholdings or dividends, download forms to notify changes in personal details and access other relevant information.

### United Kingdom registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

**Tel – UK shareholders:** 0870 703 6242
**Tel – Irish shareholders:** + 353 1 247 5413
**Tel – overseas shareholders:** + 44 870 703 6242

**Contact:** www.investorcentre.co.uk/contactus

### Ghana registrar

The Central Securities Depository (Ghana) Limited
4th Floor, Cedi House, P.M.B CT 465 Cantonments, Accra, Ghana

**Tel – Ghana shareholders:** + 233 303 972 254/302 689 313

**Contact:** info@csd.com.gh

### Share dealing service

A telephone share dealing service has been established for shareholders with Computershare for the sale and purchase of Tullow Oil shares. Shareholders who are interested in using this service can obtain further details by calling the appropriate telephone number below:

**UK shareholders:** 0870 703 0084
**Irish shareholders:** +353 1 447 5435

If you live outside the UK or Ireland and wish to trade you can do so through the Computershare Trading Account. To find out more or to open an account, please visit www.computershare-sharedealing.co.uk or phone Computershare on +44 870 707 1606.

### ShareGift

If you have a small number of shares whose value makes it uneconomical to sell, you may wish to consider donating them to ShareGift which is a UK registered charity specialising in realising the value locked up in small shareholdings for charitable purposes. The resulting proceeds are donated to a range of charities, reflecting suggestions received from donors. Should you wish to donate your Tullow Oil plc shares in this way, please download and complete a transfer form from www.sharegift.org/forms, sign it and send it together with the share certificate to ShareGift, PO Box 72253, London SW1P 9LQ. For more information regarding this charity, visit www.sharegift.org.

### Electronic communication

To reduce impact on the environment, the Company encourages all shareholders to receive their shareholder communications, including annual reports and notices of meetings, electronically. Once registered for electronic communications, shareholders will be sent an email each time the Company publishes statutory documents, providing a link to the information.

Tullow actively supports Woodland Trust, the UK's leading woodland conservation charity. Computershare, together with Woodland Trust, has established eTree, an environmental programme designed to promote electronic shareholder communications. Under this programme, the Company makes a donation to eTree for every shareholder who registers for electronic communication. To register for this service, simply visit http://www.investorcentre.co.uk/etreeuk/tullowoilplc with your shareholder number and email address to hand.

### Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, offers to buy shares at a discount or offers of free company reports. More detailed information can be found at http://scamsmart.fca.org.uk/ and in the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

### Corporate brokers

Barclays
5 North Colonnade Canary Wharf London E14 4BB

J. P. Morgan Cazenove
25 Bank Street Canary Wharf London E14 5JP

Davy
Davy House 49 Dawson Street Dublin 2 Ireland

## WEST AFRICA

| Licence/Unit area | Fields | Area sq km | Tullow interest | Operator | Other partners |
|---|---|---|---|---|---|
| **Côte d'Ivoire[1]** | | | | | |
| CI-26 Special Area "E" | Espoir | 235 | 21.33% | CNR | Petroci |
| **Equatorial Guinea** | | | | | |
| Ceiba | Ceiba | 70 | 14.25% | Trident Energy | Kosmos, GEPetrol |
| Okume Complex | Okume, Oveng, Ebano, Elon, Akom North | 192 | 14.25% | Trident Energy | Kosmos, GEPetrol |
| **Gabon** | | | | | |
| Avouma | Avouma, South Tchibala | 52 | 7.50% | Vaalco | Addax (Sinopec), Sasol, PetroEnergy |
| Ebouri | Ebouri | 15 | 7.50% | Vaalco | Addax (Sinopec), Sasol, PetroEnergy |
| Echira | Echira | 76 | 40.00% | Perenco | |
| Etame | Etame, North Tchibala | 49 | 7.50% | Vaalco | Addax (Sinopec), Sasol, PetroEnergy |
| Ezanga | | 5,626 | 7.50% | Maurel & Prom | |
| Gwedidi | Gwedidi | 5 | 7.50% | Maurel & Prom | Gov of Gabon |
| Igongo | Igongo | 117 | 36.00% | Perenco | Total, Gov of Gabon |
| Limande | Limande | 54 | 40.00% | Perenco | |
| Mabounda | Mabounda | 6 | 7.50% | Maurel & Prom | Gov of Gabon |
| Maroc | Maroc | 17 | 7.50% | Maurel & Prom | Gov of Gabon |
| Maroc Nord | Maroc Nord | 17 | 7.50% | Maurel & Prom | Gov of Gabon |
| Mbigou | Mbigou | 5 | 7.50% | Maurel & Prom | Gov of Gabon |
| M'Oba | M'Oba | 57 | 24.31% | Perenco | |
| Niembi | Niembi | 4 | 7.50% | Maurel & Prom | Gov of Gabon |
| Niungo | Niungo | 96 | 40.00% | Perenco | |
| Oba | Oba | 44 | 10.00% | Perenco | |
| Omko | Omko | 16 | 7.50% | Maurel & Prom | Gov of Gabon |
| Onal | Onal | 46 | 7.50% | Maurel & Prom | Gov of Gabon |
| Ruche | Tortue | 850 | 10.00% | BW Energy | Panoro, Gov of Gabon |
| Simba[2] | Simba | 315 | 50.00% | Perenco | |
| Tchatamba Marin | Tchatamba Marin | 30 | 25.00% | Perenco | Oranje Nassau |
| Tchatamba South | Tchatamba South | 40 | 25.00% | Perenco | Oranje Nassau |
| Tchatamba West | Tchatamba West | 25 | 25.00% | Perenco | Oranje Nassau |
| Turnix | Turnix | 18 | 27.50% | Perenco | |
| **Ghana** | | | | | |
| Deepwater Tano<br>*Ten Development Area[3]* | Jubilee, Wawa<br>Tweneboa, Enyenra, Ntomme | 619 | 49.95%<br>47.18%[3] | Tullow | Kosmos, Anadarko, GNPC, Petro SA |
| West Cape Three Points | Jubilee | 150 | 25.66% | Tullow | Kosmos, Anadarko, GNPC, Petro SA |
| *Jubilee Field Unit Area [4,5]* | Jubilee, Mahogany, Teak | | 35.48% | Tullow | Kosmos, Anadarko, GNPC, Petro SA |

Notes:

1. Exploration licences in Côte d'Ivoire are managed by the New Ventures BDT – refer to this section for details.
2. Tullow has 'Back-In Rights' on this licence as well as a working interest.
3. GNPC has exercised its right to acquire an additional 5 per cent in the TEN Field. Tullow's interest is 47.175 per cent.
4. A unitisation agreement covering the Jubilee Field was agreed by the partners of the West Cape Three Points and the Deepwater Tano licences.
5. The Jubilee Unit Area was expanded in 2017 to include the Mahogany and Teak fields. It now includes all of the remaining part of the West Cape Three Points licence and a small part of the Deepwater Tano licence.

## EUROPE[6]

| Licence/Unit area | Blocks | Fields | Area sq km | Tullow interest | Operator | Other partners |
|---|---|---|---|---|---|---|
| **United Kingdom[6]** | | | | | | |
| ***CMS Area*** | | | | | | |
| P450 | 44/21a | Boulton B & F[7] | 77 | 9.50% | ConocoPhillips | Neptune Energy |
| P451 | 44/22a<br>44/22b | Murdoch[7]<br>Boulton H[7,8] | 89 | 34.00% | ConocoPhillips | Neptune Energy |
| P452 | 44/23a (part) | Murdoch K[7,8] | 48 | 6.91% | ConocoPhillips | Neptune Energy |
| P453 | 44/28b | Ketch[7] | 49 | 40.00% | Faroe | |
| P516 | 44/26a | Schooner[7,9] | 49 | 42.96% | Faroe | |
| P1006 | 44/17b | Munro[7,10] | 48 | 20.00% | ConocoPhillips | Neptune Energy |
| P1058 | 44/18b<br>44/23b | Kelvin[7] | 46 | 22.50% | ConocoPhillips | Neptune Energy |
| CMS III Unit[11] | 44/17a (part)<br>44/17c (part)<br>44/21a (part)<br>44/22a (part)<br>44/22b (part)<br>44/22c (part)<br>44/23a (part) | Boulton H[7], Hawksley[7], McAdam[7], Murdoch K[7] | | 14.10% | ConocoPhillips | Neptune Energy |
| Munro Unit[11] | 44/17b<br>44/17a | Munro[7] | | 15.00% | ConocoPhillips | Neptune Energy |
| Schooner Unit[11] | 44/26a<br>43/30a | Schooner[7] | | 40.00% | Faroe | |
| ***Thames Area*** | | | | | | |
| P007 | 49/24aF1 (Gawain) | Gawain[7,12] | 69 | 50.00% | Perenco | |
| P037 | 49/28a<br>49/28b | Thames[7], Yare[7], Bure[7] Wensum[7] | 90 | 66.67% | Perenco | Spirit Energy |
| | 49/28a (part) | Thurne[7], Deben[7] | | 86.96% | Tullow | Perenco & Spirit Energy |
| P039 | 53/04d | Wissey[7] | 29 | 76.90% | Tullow | Faroe |
| P786 | 53/03c | Horne[7] | 8 | 50.00% | Tullow | Centrica |
| P852 | 53/04b | Horne & Wren[7] | 17 | 50.00% | Tullow | Centrica |
| Gawain Unit[11] | 49/24F1 (Gawain)<br>49/29a (part) | Gawain[7] | | 50.00% | Perenco | |

Notes:

6. Operations in the UK are dealt with by the West African BDT despite falling outside this geographic region.
7. These fields are no longer producing. Decommissioning works are ongoing.
8. Refer to CMS III Unit for field interest.
9. Refer to Schooner Unit for field interest.
10. Refer to Munro Unit for field interest.
11. For the UK offshore area, fields that extend across more than one licence area with differing partner interests become part of a unitised area. The interest held in the Unitised Field Area is split amongst the holders of the relevant licences according to their proportional ownership of the field. The unitised areas in which Tullow is involved are listed in addition to the nominal licence holdings.
12. Refer to Gawain Unit for field interest.

## EAST AFRICA

| Licence | Fields | Area sq km | Tullow interest | Operator | Other partners |
|---|---|---|---|---|---|
| **Kenya** | | | | | |
| Block 10BA | | 15,811 | 50.00% | Tullow | Africa Oil, Total |
| Block 10BB | Amosing, Ngamia | 6,172 | 50.00% | Tullow | Africa Oil, Total |
| Block 12A | | 15,390 | 40.00% | Delonex | |
| Block 12B | | 6,200 | 100.00% | Tullow | |
| Block 13T | Twiga | 4,719 | 50.00% | Tullow | Africa Oil, Total |
| **Uganda** | | | | | |
| Exploration Area 1 | Jobi East, Mpyo | 372 | 33.33%[13] | Total | CNOOC |
| Exploration Area 1A | Lyec | 85 | 33.33%[13] | Total | CNOOC |
| Production Licence 1/12 | Kingfisher | 344 | 33.33%[13] | CNOOC | Total |
| ***Tilenga Project***[14] | | | | | |
| Production Licence 01/16 | Kasamene, Wahrindi | 20 | 33.33%[13] | Tullow[13] | CNOOC, Total |
| Production Licence 02/16 | Kigogole, Ngara | 92 | 33.33%[13] | Tullow[13] | CNOOC, Total |
| Production Licence 03/16 | Nsoga | 60 | 33.33%[13] | Tullow[13] | CNOOC, Total |
| Production Licence 04/16 | Ngege | 57 | 33.33%[13] | Tullow[13] | CNOOC, Total |
| Production Licence 05/16 | Mputa, Nzizi, Waraga | 86 | 33.33%[13] | Tullow[13] | CNOOC, Total |
| Production Licence 06/16 | Ngiri | 50 | 33.33%[13] | Total | CNOOC |
| Production Licence 07/16 | Jobi, Rii | 121 | 33.33%[13] | Total | CNOOC |
| Production Licence 08/16 | Gunya | 55 | 33.33%[13] | Total | CNOOC |

Note:

13. Tullow has signed Sale and Purchase Agreements with Total and CNOOC, which will reduce its holding to 11.76 per cent, and see transfer of operatorship in PL 01/16, PL 02/16, PL 03/16, PL 04/16 and PL 05/16 to Total. Completion of the deal is subject to government approval. Tullow's interest will further reduce to 10 per cent once the Uganda National Oil Company's entry into the licences is completed.

14. The Tilenga Project involves the development of fields located in Production Licences 01, 02, 03, 04, 05, 06, 07 & 08/16.

## NEW VENTURES

| Licence | Blocks | Fields | Area sq km | Tullow interest | Operator | Other partners |
|---|---|---|---|---|---|---|
| **The Comoros** | | | | | | |
| Block 35[15] | | | 5,368 | 35.00% | Tullow | Bahari, Discovery Expl |
| Block 36[15] | | | 5,952 | 35.00% | Tullow | Bahari, Discovery Expl |
| Block 37[15] | | | 4,743 | 35.00% | Tullow | Bahari, Discovery Expl |
| **Côte d'Ivoire[16]** | | | | | | |
| CI-301 | | | 1,495 | 60.00%[17] | Tullow | Cairn Energy, Petroci |
| CI-302 | | | 1,412 | 60.00%[17] | Tullow | Cairn Energy, Petroci |
| CI-518 | | | 1,250 | 60.00%[17] | Tullow | Cairn Energy, Petroci |
| CI-519 | | | 887 | 60.00%[17] | Tullow | Cairn Energy, Petroci |
| CI-520 | | | 1,059 | 60.00%[17] | Tullow | Cairn Energy, Petroci |
| CI-521 | | | 1,280 | 60.00%[17] | Tullow | Cairn Energy, Petroci |
| CI-522 | | | 1,229 | 60.00%[17] | Tullow | Cairn Energy, Petroci |
| CI-524 | | | 551 | 90.00% | Tullow | Petroci |
| **Guyana** | | | | | | |
| Kanuku | | | 5,165 | 37.50% | Repsol | Total |
| Orinduik | | | 1,776 | 60.00% | Tullow | Total, Eco O&G |
| **Jamaica** | | | | | | |
| Walton Morant | | | 32,065 | 80.00% | Tullow | United Oil & Gas |
| **Mauritania** | | | | | | |
| Block C-3 | | | 7,350 | 90.00% | Tullow | SMHPM |
| Block C-18 | | | 13,225 | 15.00% | Total | Kosmos, BP, SMHPM |
| PSC B (Chinguetti EEA)[18] | | Chinguetti[19] | 31 | 22.26% | Petronas | SMHPM, Premier, Kufpec |
| **Namibia** | | | | | | |
| PEL 0037 | 2012B, 2112A, 2113B | | 17,295 | 35.00% | Tullow | Pancontinental, ONGC Videsh, Paragon |
| **Pakistan** | | | | | | |
| Kohlu | | | 2,459 | 30.00% | OGDCL | MPCL |
| **Peru** | | | | | | |
| Block Z-38[20] | | | 4,875 | 35.00% | Karoon | Pitkin |
| Block Z-64[21] | | | 542 | 100.00% | Tullow | |
| Block Z-65[21] | | | 5,162 | 100.00% | Tullow | |
| Block Z-66[21] | | | 5,616 | 100.00% | Tullow | |
| Block Z-67[21] | | | 5,884 | 100.00% | Tullow | |
| Block Z-68[21] | | | 6,002 | 100.00% | Tullow | |
| **Suriname** | | | | | | |
| Block 47 | | | 2,369 | 50.00% | Tullow | Pluspetrol, Ratio Exploration |
| Block 54 | | | 8,480 | 50.00% | Tullow | Equinor |
| Block 62 | | | 4,061 | 100.00% | Tullow | Equinor, Noble Energy |
| **Uruguay** | | | | | | |
| Block 15[22] | | | 8,030 | 35.00% | Tullow | Equinor, Inpex |
| **Zambia** | | | | | | |
| PEL 28 | Block 31 | | 52,937 | 97.50% | Tullow | Geo-Petroleum |

Notes:

15. Tullow's farm-in to this licence is subject to government approval.
16. Production operations in Côte d'Ivoire are managed by the West African BDT – refer to this section for details.
17. Tullow has agreed a farm-down of this licence to Cairn Energy; percentage shown is on completion of deal which is subject to government approval.
18. PSC B (Chinguetti EEA) is dealt with by the West Africa BDT.
19. This field is no longer in production.
20. Tullow's farm-in to this licence is subject to government approval.
21. Tullow's acquisition of this licence is subject to negotiation and government approval.
22. Tullow has decided not to enter the next term of this licence. It will withdraw from the licence in Q1 2019.

# COMMERCIAL RESERVES AND CONTINGENT RESOURCES SUMMARY (UNAUDITED) WORKING INTEREST BASIS

| | West Africa | | East Africa | | New Ventures | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| | Oil mmbbl | Gas bcf | Oil mmbbl | Gas bcf | Oil mmbbl | Gas bcf | Oil mmbbl | Gas bcf | Petroleum mmboe |
| **Commercial reserves** | | | | | | | | | |
| 1 January 2018 | **245.7** | **268.9** | **–** | **–** | **–** | **–** | **245.7** | **268.9** | **290.5** |
| Revisions | **16.6** | **8.1** | **–** | **–** | **–** | **–** | **16.6** | **8.1** | **18.0** |
| Disposals | **–** | **(10.6)** | **–** | **–** | **–** | **–** | **–** | **(10.6)** | **(1.8)** |
| Transfer from contingent resources | **2.5** | **–** | **–** | **–** | **–** | **–** | **2.5** | **–** | **2.5** |
| Production | **(28.6)** | **(6.5)** | **–** | **–** | **–** | **–** | **(28.6)** | **(6.5)** | **(29.7)** |
| **31 December 2018** | **236.2** | **259.9** | **–** | **–** | **–** | **–** | **236.2** | **259.9** | **279.5** |
| **Contingent resources** | | | | | | | | | |
| 1 January 2018 | **121.4** | **465.1** | **637.8** | **42.7** | **–** | **4.2** | **759.2** | **507.8** | **844.4** |
| Additions | **17.6** | **80.1** | **–** | **–** | **–** | **–** | **17.6** | **80.1** | **30.9** |
| Revisions | **0.9** | **16.7** | **18.9** | **–** | **–** | **–** | **19.8** | **16.7** | **22.6** |
| Disposals and relinquishments | **(0.1)** | **(125.9)** | **–** | **–** | **–** | **(4.2)** | **(0.1)** | **(130.2)** | **(21.8)** |
| Transfers to commercial reserves | **(2.5)** | **–** | **–** | **–** | **–** | **–** | **(2.5)** | **–** | **(2.5)** |
| **31 December 2018** | **137.3** | **436.0** | **656.7** | **42.7** | **–** | **–** | **794.0** | **478.7** | **873.6** |
| **Total** | | | | | | | | | |
| **31 December 2018** | **373.5** | **695.9** | **656.7** | **42.7** | **–** | **–** | **1,030.2** | **738.6** | **1,153.1** |

1. Proven and Probable Commercial Reserves are as audited and reported by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years, with the exception of minor assets contributing less than 5 per cent of the Group's reserves.
2. Proven and Probable Contingent Resources are as audited and reported by an independent engineer. Resources estimates are reviewed by the independent engineer based on significant new data received following exploration or appraisal drilling.
3. The West Africa revisions to reserves (+18 mmboe) relate mainly to audits of Espoir, Okume, Ezanga and Tchatamba.
4. The West Africa disposals to gas reserves and resources relates to disposal of the Netherlands assets and cessation production in the UK and Mauritania.
5. The West Africa additions to contingent resources relates to Espoir, Okume, Igongo, Ezanga and Tchatamba as a result of the recognition of potential from additional evaluations
6. The East Africa addition to oil contingent resources relates mainly to the audit of Etom discovery in Kenya.

The Group provides for depletion and amortisation of tangible fixed assets on a net entitlements basis, which reflects the terms of the Production Sharing Contracts related to each field. Total net entitlement reserves were 264.9 mmboe at 31 December 2018 (31 December 2017: 284.1 mmboe).

Contingent Resources relate to resources in respect of which development plans are in the course of preparation or further evaluation is under way with a view to future development.

## Transparency disclosure

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/EU).

The UK Regulations came into effect on 1 January 2015, but Tullow was an early adopter of the EU Directive and has published its tax payments to governments in full, in its Annual Report and Accounts since 2013. The 2017 disclosure remains in line with the EU Directive and UK Regulations and we have provided additional voluntary disclosure on VAT, stamp duty, withholding tax, PAYE and other taxes.

The payments disclosed are based on where the obligation for the payment arose; payments raised at a project level have been disclosed at project level and payments raised at a corporate level have been disclosed on that basis. However, where a payment or a series of related payments does not exceed £86,000, it is disclosed at a corporate level, in accordance with the UK Regulations. The voluntary disclosure has been prepared on a corporate level.

All of the payments disclosed in accordance with the Directive have been made to national governments, either directly or through a ministry or department of the national government, with the exception of Ghana payments in respect of production entitlements and licence fees, which are paid to the Ghana national oil company. Our total economic contribution to all stakeholders and our 2018 tax payments can be found on page 177.

**Production entitlements in barrels** – includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of Tullow's working interest share of production in a licence. The figures disclosed are produced on an entitlement basis rather than a liftings basis. It does not include the government's or NOC's working interest share of production in a licence. Production entitlements have been multiplied by the Group's 2018 average realised oil price $68.5/bbl.

**Income taxes** – represent cash tax calculated on the basis of profits including income or capital gains. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebates received from the government or revenue authority during the year. Income taxes do not include fines and penalties.

**Royalties** – represent cash royalties paid to governments during the year for the extraction of oil or gas. The terms of the royalties are described within our PSCs and can vary from project to project within one country. Royalties paid in kind have been recognised within the production entitlements category. The cash payment of royalties occurs in the year in which the tax has arisen.

**Bonus payments** – represent any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature bonus, POD bonus or a production bonus.

**Licence fees** – represent licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

**Infrastructure improvement payments** – represent payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a PSC or a discretionary payment for building/improving local infrastructure such as roads, bridges, ports, schools and hospitals.

**VAT** – represents net cash VAT received from/paid to governments during the year. The amount disclosed is equal to the VAT return submitted by Tullow to governments with the cash payment made in the year the charge is borne. It should be noted the operator of a Joint Venture typically makes VAT payments in respect of the Joint Venture as a whole and, as such, where Tullow has a non-operated presence in a country, limited VAT will be paid.

**Stamp duty** – includes taxes that are placed on legal documents usually in the transfer of assets or capital. Usually these taxes are reflected in stamp duty returns made to governments and are paid shortly after capital or assets are transferred.

**Withholding tax (WHT)** – represents tax charged on services, interest, dividends or other distributions of profits. The amount disclosed is equal to the WHT return submitted by Tullow to governments with the cash payment made in the year the charge is borne. It should be noted the operator of a Joint Venture typically makes WHT payments in respect of the Joint Venture as a whole and, as such, where Tullow has a non-operated presence in a country, limited WHT will be paid.

**PAYE and national insurance** – represent payroll and employer taxes paid (such as PAYE and national insurance) by Tullow as a direct employer. The amount disclosed is equal to the return submitted by Tullow to governments with the cash payment made in the year the charge is borne.

**Carried interests** – comprise payments made under a carrying agreement or PSC/PSA by Tullow for the cash settlement of costs owed by a government or national oil company for their equity interest in a licence.

**Customs duties** – represent cash payments made in respect of customs/excise/import and export duties made during the year including items such as railway levies. These payments typically arise through the import/transportation of goods into a country with the cash payment made in the year the charge is borne.

**Training allowances** – comprise payments made in respect of training government or national oil company staff. This can be in the form of mandatory contractual requirements or discretionary training provided by a company.

| | European transparency directive disclosure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2018 | Production entitlements | Production entitlements | Income taxes | Royalties (cash only) | Dividends | Bonus payments | Licence fees | Infrastructure improvement payments |
| Licence/Company level | BBL '000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| CI-301 | – | – | – | – | – | – | – | – |
| CI-302 | – | – | – | – | – | – | – | – |
| CI-518 | – | – | – | – | – | – | – | – |
| CI-519 | – | – | – | – | – | – | – | – |
| CI-520 | – | – | – | – | – | – | 375 | – |
| CI-521 | – | – | – | – | – | – | 375 | – |
| CI-522 | – | – | – | – | – | – | 375 | – |
| C1-524 | – | – | – | – | – | – | 1000 | – |
| CI-26 Special Area "E" | – | 3,514 | – | – | – | – | – | – |
| Tullow Cote d'Ivoire Exploration Ltd. | – | – | – | – | – | – | – | – |
| Total Côte d'Ivoire | – | 3,514 | – | – | – | – | 2,125 | – |
| Ceiba | 137 | – | – | – | – | – | – | – |
| Okume Complex | 351 | – | – | – | – | – | – | – |
| Tullow Equatorial Guinea Ltd. | – | – | 12,976 | – | – | – | – | – |
| Total Equatorial Guinea | 488 | – | 12,976 | – | – | – | – | – |
| Echira | – | – | – | 2,963 | – | – | – | – |
| Ezanga | – | – | – | 2,770 | – | – | – | – |
| Ingongo | – | – | – | 26 | – | – | – | – |
| Limande | – | – | – | 4,719 | – | – | – | – |
| M'Oba | – | – | – | 109 | – | – | – | – |
| Niungo | – | – | – | 4,715 | – | – | – | – |
| Tchatamba | – | – | – | 10,807 | – | – | – | – |
| Turnix | – | – | – | 2,459 | – | – | – | – |
| Tullow Oil Gabon SA | – | – | 7,186 | – | – | 7,000 | – | – |
| Oba | – | – | – | 1,631 | – | – | – | – |
| Tulipe Oil SA | – | – | 754 | – | – | 1,000 | – | – |
| Total Gabon | – | – | 7,940 | 30,199 | – | 8,000 | – | – |
| Jubilee | 550 | – | – | – | – | – | – | – |
| TEN | 556 | – | – | – | – | – | – | – |
| Tullow Ghana Ltd. | – | – | 52,000 | – | – | – | 59 | 2,175 |
| Total Ghana | 1,105 | – | 52,000 | – | – | – | 59 | 2,175 |
| Block C-3 | – | – | – | – | – | – | 22 | – |
| Tullow Mauritania Ltd. | – | – | – | – | – | – | – | – |
| PSC B (Chinguetti EEA) | – | – | – | – | – | – | 35 | – |
| Total Mauritania | – | – | – | – | – | – | 57 | – |

| Voluntary disclosure | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| VAT | Stamp duty | Withholding tax | PAYE and national insurance | Carried interests | Customs duties | MGO taxes | R&D credit | Training allowances | Total | Total |
| $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | BBL '000 |
| – | – | – | – | – | – | – | – | 367 | 367 | – |
| – | – | – | – | – | – | – | – | 367 | 367 | – |
| – | – | – | – | – | – | – | – | 367 | 367 | – |
| – | – | – | – | – | – | – | – | 367 | 367 | – |
| – | – | – | – | – | – | – | – | 250 | 625 | – |
| – | – | – | – | – | – | – | – | 308 | 683 | – |
| – | – | – | – | – | – | – | – | 308 | 683 | – |
| – | – | – | – | – | – | – | – | 313 | 1,313 | – |
| – | – | – | – | – | – | – | – | – | 3,514 | – |
| – | – | – | 22 | – | – | – | – | – | 22 | – |
| – | – | – | 22 | – | – | – | – | 2,645 | 8,305 | – |
| – | – | – | – | – | – | – | – | – | – | 137 |
| – | – | – | – | – | – | – | – | – | – | 351 |
| – | – | – | – | – | – | – | – | – | 12,976 | – |
| – | – | – | – | – | – | – | – | – | 12,976 | 488 |
| – | – | – | – | – | – | – | – | – | 2,963 | – |
| – | – | – | – | – | – | – | – | – | 2,770 | – |
| – | – | – | – | – | – | – | – | – | 26 | – |
| – | – | – | – | – | – | – | – | – | 4,719 | – |
| – | – | – | – | – | – | – | – | – | 109 | – |
| – | – | – | – | – | – | – | – | – | 4,715 | – |
| – | – | – | – | – | – | – | – | – | 10,807 | – |
| – | – | – | – | – | – | – | – | – | 2,459 | – |
| – | – | 42 | 55 | – | – | – | – | – | 14,284 | – |
| – | – | – | – | – | – | – | – | – | 1,631 | – |
| – | – | – | 6 | – | – | – | – | – | 1,760 | – |
| – | – | 42 | 61 | – | – | – | – | – | 46,243 | – |
| – | – | – | – | – | – | 6,774 | – | – | 6,774 | 550 |
| – | – | – | – | – | – | 8,449 | – | – | 8,449 | 556 |
| 2,898 | – | 78,484 | 17,842 | 20,222 | 5,399 | – | – | 250 | 179,330 | – |
| 2,898 | – | 78,484 | 17,842 | 20,222 | 5,399 | 15,223 | – | 250 | 194,553 | 1,105 |
| – | – | 6 | – | – | – | – | – | 350 | 378 | – |
| – | – | 6 | 46 | – | – | – | – | – | 52 | – |
| – | – | – | – | – | – | – | – | – | 35 | – |
| – | – | 12 | 46 | – | – | – | – | 350 | 465 | – |

| | European transparency directive disclosure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2018 | Production entitlements | Production entitlements | Income taxes | Royalties (cash only) | Dividends | Bonus payments | Licence fees | Infrastructure improvement payments |
| Licence/Company level | BBL '000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| Block 10BA | – | – | – | – | – | – | 231 | – |
| Block 10BB | – | – | – | – | – | – | 93 | – |
| Block 12A | – | – | – | – | – | – | – | – |
| Block 12B | – | – | – | – | – | – | 93 | – |
| Block 13T | – | – | – | – | – | – | 19 | – |
| Pipeline | – | – | – | – | – | – | – | – |
| Tullow Kenya B.V. | – | – | 1 | – | – | – | – | 51 |
| Total Kenya | – | – | 1 | – | – | – | 436 | 51 |
| Tullow South Africa Pty Ltd. | – | – | – | – | – | – | – | – |
| Total South Africa | – | – | – | – | – | – | – | – |
| PEL 37 | – | – | – | – | – | – | 175 | – |
| Tullow Namibia Ltd. | – | – | – | – | – | – | – | – |
| Total Namibia | – | – | – | – | – | – | 175 | – |
| PEL 28 | – | – | – | – | – | – | 71 | – |
| Tullow Zambia B.V. | – | – | – | – | – | – | – | – |
| Total Zambia | – | – | – | – | – | – | 71 | – |
| Tullow Uganda Operations Pty | – | – | – | – | – | – | 158 | – |
| Tullow Uganda Ltd. | – | – | – | – | – | – | – | – |
| Total Uganda | – | – | – | – | – | – | 158 | – |
| Tullow Tanzania | – | – | – | – | – | – | – | – |
| Total Tanzania | – | – | – | – | – | – | – | – |
| Tullow Mozambique | – | – | 1 | – | – | – | – | – |
| Total Mozambique | – | – | 1 | – | – | – | – | – |
| Orinduik | – | – | – | – | – | – | 40 | – |
| Tullow Guyana B.V. | – | – | – | – | – | – | – | – |
| Total Guyana | – | – | – | – | – | – | 40 | – |
| Walton Morant | – | – | – | – | – | – | 128 | – |
| Tullow Jamaica | – | – | – | – | – | – | – | – |
| Total for Jamaica | – | – | – | – | – | – | 128 | – |
| Kohlu | – | – | – | – | – | – | 4 | 9 |
| Kohat | – | – | – | – | – | – | – | 2 |
| Tullow Pakistan Developments Ltd. | – | – | 1,103 | – | – | – | – | – |
| Total Pakistan | – | – | 1,103 | – | – | – | 4 | 11 |
| Tullow Suriname B.V. | – | – | – | – | – | – | – | – |
| Total Suriname | – | – | – | – | – | – | – | – |
| Tullow Group Services | – | – | – | – | – | – | – | – |
| Tullow Overseas Holdings | – | – | – | – | – | – | – | – |
| Tullow Oil Plc Group | – | – | – | – | – | – | – | – |
| Tullow Oil SK Ltd | – | – | – | – | – | – | 1,221 | – |
| Total UK | – | – | – | – | – | – | 1,221 | – |

| Voluntary disclosure | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| VAT | Stamp duty | Withholding tax | PAYE and national insurance | Carried interests | Customs duties | MGO taxes | R&D credit | Training allowances | Total | Total |
| $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | BBL '000 |
| – | – | 9 | – | – | – | – | – | – | 240 | – |
| – | – | 583 | – | – | – | – | – | – | 676 | – |
| – | – | 7 | – | – | – | – | – | – | 7 | – |
| – | – | – | – | – | – | – | – | – | 93 | – |
| – | – | 315 | – | – | – | – | – | – | 334 | – |
| – | – | 18 | – | – | – | – | – | – | 18 | – |
| 5 | – | 408 | 6,095 | – | 76 | – | – | 790 | 7,427 | – |
| 5 | – | 1,342 | 6,095 | – | 76 | – | – | 790 | 8,795 | – |
| (316) | – | – | 2,446 | – | – | – | – | – | 2,130 | – |
| (316) | – | – | 2,446 | – | – | – | – | – | 2,130 | – |
| – | – | – | – | – | – | – | – | – | 175 | – |
| 113 | – | 546 | 4 | – | – | – | – | 54 | 717 | – |
| 113 | – | 546 | 4 | – | – | – | – | 54 | 892 | – |
| – | – | – | – | – | – | – | – | – | 71 | – |
| (158) | – | 17 | – | – | – | – | – | – | (141) | – |
| (158) | – | 17 | – | – | – | – | – | – | (70) | – |
| – | – | 686 | 3,168 | – | 14 | – | – | 50 | 4,075 | – |
| – | – | 2 | – | – | – | – | – | – | 2 | – |
| – | – | 688 | 3,168 | – | 14 | – | – | 50 | 4,077 | – |
| – | – | 321 | – | – | – | – | – | – | 321 | – |
| – | – | 321 | – | – | – | – | – | – | 321 | – |
| – | – | – | – | – | – | – | – | – | 1 | – |
| – | – | – | – | – | – | – | – | – | 1 | – |
| – | – | – | – | – | – | – | – | – | 40 | – |
| – | – | 123 | – | – | – | – | – | 25 | 148 | – |
| – | – | 123 | – | – | – | – | – | 25 | 188 | – |
| – | – | – | – | – | – | – | – | – | 128 | – |
| – | – | – | – | – | – | – | – | 107 | 107 | – |
| – | – | – | – | – | – | – | – | 107 | 235 | – |
| – | – | – | – | – | – | – | – | 3 | 17 | – |
| – | – | – | – | – | – | – | – | 1 | 2 | – |
| – | – | 18 | 89 | – | – | – | – | – | 1,209 | – |
| – | – | 18 | 89 | – | – | – | – | 4 | 1,229 | – |
| – | – | – | 338 | – | – | – | – | 210 | 548 | – |
| – | – | – | 338 | – | – | – | – | 210 | 548 | – |
| (21,063) | – | – | 53,373 | – | – | – | – | – | 32,309 | – |
| – | – | – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – | 1,221 | – |
| (21,063) | – | – | 53,373 | – | – | – | – | – | 33,530 | |

| 2018 | European transparency directive disclosure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Production entitlements | Production entitlements | Income taxes | Royalties (cash only) | Dividends | Bonus payments | Licence fees | Infrastructure improvement payments |
| Licence/Company level | BBL '000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| Tullow Oil Limited | – | – | – | – | – | – | – | – |
| Total Ireland | – | – | – | – | – | – | – | – |
| Tullow Oil Norge AS | – | – | (1,364) | – | – | – | – | – |
| Total Norway | – | – | (1,364) | – | – | – | – | – |
| Tullow Netherlands Holding Coop BA | - | – | 5,485 | – | – | – | – | – |
| Total Netherlands | – | – | 5,485 | – | – | – | – | – |
| Tullow Uruguay Ltd. | – | – | – | – | – | – | – | – |
| Total Uruguay | – | – | – | – | – | – | – | – |
| TOTAL | 1,593 | 3,514 | 78,141 | 30,199 | – | 8,000 | 4,474 | 2,236 |

1 Production entitlements disclosed for Ghana excludes 4,467,372 bbls and 3,067,887 bbls taken by GNPC in respect of its equity interest in the Jubilee and TEN respectively.

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Voluntary disclosure | | | | | | | | | | |
| VAT | Stamp duty | Withholding tax | PAYE and national insurance | Carried interests | Customs duties | MGO taxes | R&D credit | Training allowances | Total | Total |
| $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | BBL '000 |
| (850) | – | – | 5,296 | – | | – | (1,790) | – | 2,656 | – |
| (850) | – | – | 5,296 | – | | – | (1,790) | – | 2,656 | – |
| (95) | – | – | 1,465 | – | | – | – | – | 5 | – |
| (95) | – | – | 1,465 | – | | – | – | – | 5 | – |
| (151) | – | – | – | – | | – | – | – | 5,334 | – |
| (151) | – | – | – | – | | – | – | – | 5,334 | – |
| – | – | – | – | – | | – | – | 100 | 100 | – |
| – | – | – | – | – | | – | – | 100 | 100 | 1,593 |
| (19,618) | – | 81,593 | 90,244 | 20,222 | 5,489 | 15,223 | (1,790) | 4,585 | 322,511 | 1,593 |

| | |
|---|---|
| Payments in kind in $000 | 109,143 |
| **Total** | **431,654** |

## ENVIRONMENT

| | 2014 | 2015 | 2016 | 2017 | **2018** |
|---|---|---|---|---|---|
| **Atmospherics** | | | | | |
| Total air emissions (tonnes of $CO_2e$) | 803,724 | 758,790 | 772,110 | 1,619,055 | **1,235,349** |
| Scope 1 total air emissions (tonnes of $CO_2e$) | 799,551 | 752,539 | 754,338 | 1,603,384 | **1,218,010** |
| Scope 2 total air emissions (tonnes of $CO_2e$) | 4,173 | 4,631 | 4,763 | 2,928 | **2,996** |
| Scope 3 total air emissions (tonnes of $CO_2e$) | | 1,620 | 13,010 | 12,743 | **14,343** |
| Total air emissions by production (tonnes of $CO_2e$) per thousand tonnes hydrocarbon produced | 123.84 | 122.07 | 142.11 | 185 | **139** |
| Scope 2 total air emissions by production (tonnes of $CO_2e$) per thousand tonnes hydrocarbon produced | 0.64 | 0.75 | 0.88 | 0.34 | **0.34** |
| $CO_2$ emissions (tonnes) | 685,204 | 656,932 | 653,813 | 1,306,254 | **998,141** |
| $CH_4$ emissions (tonnes) | 2,191 | 2,073 | 2,741.00 | 13,315 | **9,686** |
| $N_2O$ emissions (tonnes) | 41.84 | 29.85 | 21.98 | 63.45 | **60.54** |
| $CO_2$ emissions (tonnes) per thousand tonnes of HC produced | 106 | 106 | 122 | 150 | **112** |
| $CH_4$ emissions (tonnes) per 1,000 tonnes of HC produced | 0.34 | 0.33 | 0.51 | 1.52 | **1.09** |
| $N_2O$ emissions (tonnes) per 1,000 tonnes of HC produced | 0.01 | 0.00 | 0.00 | 0.01 | **0.01** |
| **Flaring** | | | | | |
| Total hydrocarbon flared (tonnes) | 117,516 | 110,638 | 149,217 | 290,797 | **142,259** |
| Total hydrocarbon flared by production (tonnes per thousand tonnes hydrocarbon produced) | 18.11 | 17.84 | 27.93 | 33.29 | **16.03** |
| **Water usage** | | | | | |
| Metered water ($m^3$) | 59,220 | 70,466 | 56,728 | 89,366 | **96,215** |
| Seawater ($m^3$) | 9,885,133 | 8,004,940 | 9,080,888 | 12,567,127 | **13,412,811** |
| Ground water ($m^3$) | 129,956 | 113,847 | 46,322 | 60,998 | **58,401** |
| Fresh water ($m^3$) | 11,695 | – | – | – | **–** |
| Other water ($m^3$) | 3,643 | 10 | – | 1,537 | **3,622** |
| Total water usage ($m^3$) – all operational sites | 10,089,647 | 8,189,263 | 9,183,938 | 12,719,028 | **13,571,049** |
| Recycled water ($m^3$) | 11,250 | 5,451 | 4,722 | 2,308 | **554** |
| Total water from sustainable sources ($m^3$) | 11,250 | 5,451 | 4,722 | 2,308 | **554** |
| **Waste** | | | | | |
| Total waste disposed (tonnes) | 75,799 | 72,380 | 58,554 | 39,407 | **64,026** |
| Waste recycled/re-used/treated (%) | 63.82 | 70.93 | 27.95 | 5.00 | **18.00** |
| Waste recycled/re-used/treated (tonnes) | 45,924 | 50,487 | 8,903 | 1,129 | **10,983** |
| Hazardous waste disposed (tonnes) | 45,882 | 50,487 | 8,903 | 1,137 | **11,165** |
| Hazardous waste recycled/re-used/treated (%) | 97.85 | 99.49 | 74.36 | 31 | **97** |
| Non-hazardous waste recycled/re-used/treated (%) | 29,917 | 21,893 | 49,651 | 38,270 | **52,861** |
| Non-hazardous waste recycled/re-used/treated (%) | 3.68 | 3.44 | 15.01 | 2 | **0** |
| **Uncontrolled releases** | | | | | |
| Oil and chemical spills (#) | 15 | 7 | 2 | 3 | **–** |
| Oil and chemical spills (tonnes) | 715.85 | 24.71 | 4.85 | 6.44 | **–** |
| **Energy use** | | | | | |
| Total operations indirect and direct energy use (GJ) | 5,345,475 | 5,104,423 | 7,272,710 | 8,007,696 | **9,709,223** |
| Total indirect and direct energy use (GJ) | 5,375,436 | 5,158,200 | 7,318,373 | 8,036,831 | **9,744,373** |
| Total indirect and direct energy use by production (GL per thousand tonnes hydrocarbon produced) | 828 | 832 | 1,370 | 920 | **1,098** |
| **Fines and sanctions** | 80,000 | – | – | – | **–** |

## HEALTH AND SAFETY

| | 2014 | 2015 | 2016 | 2017 | **2018** |
|---|---|---|---|---|---|
| Hours worked (million) | 22.43 | 13.29 | 9.20 | 10.89 | **10.53** |
| Number of employee fatalities | – | – | – | – | **–** |
| Number of contractor fatalities | – | – | – | – | **–** |
| Number of third-party fatalities involving members of the public | 1 | – | – | 1 | **1** |
| Lost time injuries (LTIs) | 13 | 4 | – | 4 | **3** |
| Lost time injuries frequency rate (LTIF) | 0.58 | 0.30 | – | 0.37 | **0.28** |
| OGP LTIF | 0.36 | 0.29 | 0.27 | 0.27 | **n/a** |
| Total recordable injuries (TRI) | 41 | 12 | 9 | 8 | **6** |
| Total recordable injuries frequency rate (TRIF) | 1.83 | 0.90 | 0.98 | 0.73 | **0.57** |
| OGP TRIF | 1.54 | 1.21 | 1.03 | 0.96 | **n/a** |
| High-potential incidents (HiPos) | 25 | 15 | 8 | 7 | **6** |
| High-potential incident frequency rate (HiPoF) | 1.11 | 1.13 | 0.87 | 0.64 | **0.57** |
| Malaria frequency rate | 0.03 | 0.3 | – | – | **–** |
| Kilometres driven ('000,000) | 15.54 | 6.45 | 5.44 | 5.19 | **5.4** |
| Vehicle accident frequency rate (VAFR) | 0.77 | 0.47 | 0.55 | 0.77 | **0.18** |

## LOCAL CONTENT

| | 2014 | 2015 | 2016 | 2017 | **2018** |
|---|---|---|---|---|---|
| Local supplier spend ($ million) | 225.4 | 308.9 | 336.6 | 234.6 | **283.4** |

| By country | 2014 | 2015 | 2016 | 2017 | **2018** |
|---|---|---|---|---|---|
| Ethiopia | – | – | – | – | **–** |
| Ghana | 123.6 | 226.0 | 297.0 | 194.2 | **251.3** |
| Kenya | 81.5 | 75.0 | 28.0 | 37.0 | **30.5** |
| Mauritania | – | – | – | – | **–** |
| Uganda | 20.3 | 7.9 | 11.6 | 3.4 | **1.6** |
| **Total** | **225.4** | **308.9** | **336.6** | **234.6** | **283.4** |

## COMPLIANCE

| | 2014 | 2015 | 2016 | 2017 | **2018** |
|---|---|---|---|---|---|
| Corruption | 14 | 17 | 5 | 2 | **8** |
| Fraud | 10 | 22 | 19 | 8 | **11** |
| Workplace compliance | 35 | 47 | 46 | 38 | **37** |
| Supply chain | 9 | 17 | 21 | 12 | **10** |
| Total speaking up cases | 68 | 103 | 91 | 60 | **66** |

## OUR PEOPLE

| | 2014 | 2015 | 2016 | 2017 | **2018** |
|---|---|---|---|---|---|
| Number of employees | 1,595 | 1,156 | 1,023 | 922 | **893** |
| Number of contractors | 447 | 247 | 129 | 108 | **97** |
| Number of expatriates in the workforce | 448 | 268 | 173 | 144 | **144** |
| Number of people on local contract terms | 1,594 | 1,135 | 979 | 886 | **846** |
| Number of females in the workforce | 583 | 396 | 336 | 313 | **303** |
| Total workforce | 2,042 | 1,403 | 1,152 | 1,030 | **990** |
| Number of female managers | 90 | 76 | 66 | 59 | **65** |
| Total number of managers | 442 | 338 | 297 | 274 | **271** |
| Number of female Senior Managers | 4 | 14 | 9 | 10 | **14** |
| Total number of Senior Managers | 53 | 115 | 68 | 65 | **68** |
| Number of female Board members | 2 | 2 | 2 | 1 | **1** |
| Total number of Board members | 12 | 12 | 11 | 9 | **8** |

# TULLOW OIL PLC SUBSIDIARIES
## AS AT 12 FEBRUARY 2019

Each undertaking listed below is a subsidiary by virtue of Tullow Oil plc holding, directly or indirectly, a majority of voting rights in the undertaking. The ownership percentages are equal to the effective equity owned by the Group. Unless otherwise noted, the share capital of each undertaking comprises ordinary shares or the local equivalent thereof.

The percentage of equity owned by the group is 100 per cent unless otherwise noted. The results of all undertakings listed below are fully consolidated in the group's financial statements.

| Company name | Country of incorporation | Direct or indirect | Address of registered office |
|---|---|---|---|
| Hardman Oil and Gas Pty Ltd | Australia | Indirect | Level 9, 1 William Street, Perth WA 6000, Australia |
| Hardman Resources Pty Ltd | Australia | Indirect | Level 9, 1 William Street, Perth WA 6000, Australia |
| Tullow Chinguetti Production Pty Ltd | Australia | Indirect | Level 9, 1 William Street, Perth WA 6000, Australia |
| Tullow Petroleum (Mauritania) Pty Ltd | Australia | Indirect | Level 9, 1 William Street, Perth WA 6000, Australia |
| Tullow Uganda Holdings Pty Ltd | Australia | Indirect | Level 9, 1 William Street, Perth WA 6000, Australia |
| Tullow Uganda Operations Pty Ltd | Australia | Indirect | Level 9, 1 William Street, Perth WA 6000, Australia |
| Tullow Do Brasil Petroleo E Gas Ltda[1] | Brazil | Indirect | Avenida Rio Branco 311, suite 509 – part, Centro, CEP: 20040-903, Rio de Janeiro, Brazil |
| Tullow (EA) Holdings Limited | British Virgin Islands | Indirect | Nemours Chambers, Road Town, Tortola, VG1110, British Virgin Islands |
| Tullow Oil Canada Ltd | Canada | Indirect | 855 – 2 Street SW, Suite 3500, Calgary AB T2P 4J8, Canada |
| Planet Oil International Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow New Ventures Limited (name change in 2018) | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Comoros Limited (new 2018) | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Côte D'Ivoire Onshore Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow EG Exploration Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Gambia Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Greenland Exploration Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Group Services Limited | England and Wales | Direct | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Guinea Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Jamaica Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Mozambique Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Oil 100 Limited | England and Wales | Direct | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Oil 101 Limited | England and Wales | Direct | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Oil Finance Limited | England and Wales | Direct | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Oil SK Limited | England and Wales | Direct | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Oil SNS Limited | England and Wales | Direct | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Oil SPE Limited | England and Wales | Direct | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Peru Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Senegal Exploration Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Technologies Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |

| Company name | Country of incorporation | Direct or indirect | Address of registered office |
|---|---|---|---|
| Tullow Uganda Midstream Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Uruguay Limited | England and Wales | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Hardman Petroleum France SAS | France | Indirect | Parc d'Activite – c o Soprim Degrad des Cannes 97354 Remire Montjoly, French Guiana |
| Tulipe Oil SA | Gabon | Indirect | Rue Louise Charon B.P. 9773, Libreville |
| Tullow Oil Gabon SA | Gabon | Indirect | Rue Louise Charon B.P. 9773, Libreville |
| Tullow Oil (Mauritania) Ltd | Guernsey | Indirect | P.O. Box 119, Martello Court, Admiral Park, St. Peter Port, GY1 3HB, Guernsey |
| Tullow Oil Holdings (Guernsey) Ltd | Guernsey | Indirect | P.O. Box 119, Martello Court, Admiral Park, St. Peter Port, GY1 3HB, Guernsey |
| Tullow Oil Limited | Ireland | Direct | Number 1, Central Park, Leopardstown, Dublin 18, Ireland |
| Tullow Congo Limited | Isle of Man | Indirect | First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man |
| Tullow Equatorial Guinea Limited | Isle of Man | Indirect | First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man |
| Tullow Gabon Holdings Limited[2] | Isle of Man | Indirect | First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man |
| Tullow Gabon Limited | Isle of Man | Indirect | First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man |
| Tullow Mauritania Limited | Isle of Man | Indirect | First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man |
| Tullow Namibia Limited | Isle of Man | Indirect | First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man |
| Tullow Uganda Limited | Isle of Man | Indirect | First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man |
| Tullow Côte D'Ivoire Exploration Limited | Jersey | Indirect | 44 Esplanade St Helier, JE4 9WG Jersey |
| Tullow Côte D'Ivoire Limited | Jersey | Indirect | 44 Esplanade St Helier, JE4 9WG Jersey |
| Tullow Ghana Limited | Jersey | Indirect | 44 Esplanade St Helier, JE4 9WG Jersey |
| Tullow India Operations Limited | Jersey | Indirect | 44 Esplanade St Helier, JE4 9WG Jersey |
| Tullow Madagascar Limited | Jersey | Indirect | 44 Esplanade St Helier, JE4 9WG Jersey |
| Tullow Oil (Jersey) Limited | Jersey | Direct | 44 Esplanade St Helier, JE4 9WG Jersey |
| Tullow Oil International Limited | Jersey | Indirect | 44 Esplanade St Helier, JE4 9WG Jersey |
| Tullow Pakistan (Developments) Limited | Jersey | Indirect | 44 Esplanade St Helier, JE4 9WG Jersey |
| Tullow Ethiopia BV | Netherlands | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Global Compliance BV | Netherlands | Indirect | Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands |
| Tullow Guyana BV | Netherlands | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Hardman Holdings BV | Netherlands | Indirect | Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands |
| Tullow Kenya BV | Netherlands | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Mexico BV | Netherlands | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Netherlands Holding Cooperatief BA | Netherlands | Indirect | Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands |
| Tullow Overseas Holdings BV | Netherlands | Direct | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Suriname BV | Netherlands | Indirect | Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands |
| Tullow Tanzania BV | Netherlands | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Uganda Holdings BV | Netherlands | Indirect | Prinses Margrietplantsoen 33, 2595AM 's-Gravenhage, The Netherlands |

| Company name | Country of incorporation | Direct or indirect | Address of registered office |
|---|---|---|---|
| Tullow Zambia BV | Netherlands | Indirect | 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom |
| Tullow Oil (Bream) Norge AS | Norway | Indirect | Tordenskioldsgate 6B, 0160 Oslo, Norway |
| Tullow Oil Norge AS | Norway | Indirect | Tordenskioldsgate 6B, 0160 Oslo, Norway |
| Energy Africa Bredasdorp Pty Ltd | South Africa | Indirect | 12th floor, Convention Tower, Heerengracht Street, Foreshore, Cape Town 8001, South Africa |
| Tullow South Africa (Pty) Limited | South Africa | Indirect | 12th floor, Convention Tower, Heerengracht Street, Foreshore, Cape Town 8001, South Africa |
| T.U. S.A. | Uruguay | Indirect | Colonia 810, Of. 403, Montevideo, Uruguay |

Notes:

1. 1 per cent held directly by Tullow Oil plc.
2. 50 per cent held directly by Tullow Oil plc.

# GLOSSARY

| | |
|---|---|
| **£m** | Pound sterling million |
| | |
| **AGM** | Annual General Meeting |
| **AFS** | Available for sale |
| **APP** | African partner pool |
| **ASOC** | Advanced security operations centre |
| | |
| **bbl** | Barrel |
| **bcf** | Billion cubic feet |
| **BDT** | Business Delivery Team |
| **boe** | Barrels of oil equivalent |
| **boepd** | Barrels of oil equivalent per day |
| **bopd** | Barrels of oil per day |
| | |
| **¢** | Cent |
| **Capex** | Capital expenditure |
| **CISP** | Cyber Information Sharing Partnership |
| **CMS** | Caister Murdoch System |
| **CMS III** | A group development of five satellite fields linked to CMS |
| **CNOOC** | China National Offshore Oil Corporation |
| **CSA** | Control self-assessment |
| **CSO** | Civil Society Organisations |
| **CtO** | Case to operate |
| | |
| **D&O** | Development and operations |
| **DD&A** | Depreciation, depletion and amortisation |
| **DoA** | Delegation of authority |
| **DSBP** | Deferred Share Bonus Plan |
| | |
| **E&A** | Exploration and Appraisal |
| **E&P** | Exploration and production |
| **EBITDA** | Earnings before interest, tax, depreciation and amortisation |
| **EBITDAX** | Earnings before interest, tax, depreciation, amortisation and exploration |
| **EHS** | Environment, health and safety |
| **EITI** | Extractive Industries Transparency Initiative |
| **EOPS** | Early Oil Pilot Scheme |
| **EPS** | Earnings per share |
| **EuroStoxx** | A European market index |
| **ESIA** | Environmental Social Impact Assessment |
| **ESOS** | Executive Share Option Scheme |
| **EWT** | Extended well test |

| | |
|---|---|
| **FEED** | Front end engineering and design |
| **FID** | Final Investment Decision |
| **FFD** | Full field development |
| **FPSO** | Floating production storage and offloading vessel |
| **FRC** | Financial Reporting Council |
| **FRS** | Financial Reporting Standard |
| **FTSE 250** | Equity index consisting of the 101st to 350th largest UK listed companies by market capitalisation |
| **FVTPL** | Fair value through profit or loss |
| | |
| **G&A** | General and administrative |
| **G&H** | Gifts and hospitality |
| **GHG** | Greenhouse gas |
| **GJFFD** | Greater Jubilee Full Field Development |
| **GNPC** | Ghana National Petroleum Corporation group company and its subsidiary undertakings |
| | |
| **HIPO** | High-potential incident |
| **HMRC** | HM Revenue & Customs |
| | |
| **IAS** | International Accounting Standard |
| **IASB** | International Accounting Standards Board |
| **IFC** | International Finance Corporation |
| **IFRS** | International Financial Reporting Standards |
| **IIA** | Invest in Africa |
| **IMF** | International Monetary Fund |
| **IMS** | Integrated Management System |
| **IOC** | International oil company |
| **IR** | Investor relations |
| **ITLOS** | International Tribunal for the Law of the Sea |
| | |
| **JDA** | Joint Development Agreement |
| **JV** | Joint Venture |
| | |
| **km** | Kilometres |
| **KPI** | Key performance indicator |
| | |
| **LIBOR** | London Interbank Offered Rate |
| **LTI** | Lost time injury |
| **LTIF** | Frequency rate measured in LTIs per million hours worked |
| | |
| **mmbo** | Million barrels of oil |
| **mmboe** | Million barrels of oil equivalent |
| **mmscfd** | Million standard cubic feet per day |
| **MoU** | Memorandum of Understanding |
| **MTM** | Mark-to-market |
| **MVC** | Motor vehicle collision |
| **MVCF** | Motor vehicle collision frequency |

| | |
|---|---|
| **NGO** | Non-governmental organisation |
| **OPEC** | Organisation of Petroleum Exporting Countries |
| **Opex** | Operating expenses |
| **OSE** | Organisation, strategy and effectiveness |
| **p** | Pence |
| **PAYE** | Pay As You Earn |
| **PEP** | Politically exposed persons |
| **PoD** | Plan of development |
| **PP&E** | Property, plant and equipment |
| **PRT** | Petroleum revenue tax |
| **PSA** | Production Sharing Agreement |
| **PSC** | Production Sharing Contract |
| **PSP** | Performance Share Plan |
| **S&P 500** | Standard & Poor's 500, US stock market index based on market capitalisation |
| **SC** | Supply chain |
| **SCT** | Supplementary corporation tax |
| **SEENT** | South East Etame North Tchibala |
| **SID** | Senior Independent Director |
| **SIP** | Share Incentive Plan |
| **SOGA** | Skills for oil and gas in Africa |
| **SOP** | Share Option Plan |
| **Sq km** | Square kilometres |
| **SRI** | Socially responsible investment |
| **SSEA** | Safety, sustainability and external affairs |
| **TEN** | Tweneboa – Enyenra – Ntomme |
| **TIP** | Tullow Incentive Plan |
| **TGSS** | Tullow Group Scholarship Scheme |
| **TRP** | Turret Remediation Project |
| **TSR** | Total Shareholder Return |
| **TRI** | Total recordable injuries |
| **UK GAAP** | UK Generally Accepted Accounting Practice |
| **VAT** | Value added tax |
| **VP** | Vice President |
| **VPSHR** | Voluntary Principles on Security and Human Rights |
| **WAEP** | Weighted average exercise price |
| **WACC** | Weighted Average of Cost of Capital |
| **WHO** | World Health Organization |
| **Wildcat** | Exploratory well drilled in land not known to be an oil field |

# STAY UP TO DATE
# WWW.TULLOWOIL.COM

Our main corporate website has key information about our business, operations, investors, media, sustainability, careers and suppliers.


### RESULTS, REPORTS AND PRESENTATIONS

Financial results, corporate annual reports, webcasts and fact books are all stored in the Investor Relations section of our website: **www.tullowoil.com/reports**

### E-COMMUNICATIONS

All documents on the website are available to view without any particular software requirement other than the software which is available on the Group's website.

For every shareholder who signs up for electronic communications, a donation is made to the eTree initiative run by Woodland Trust. You can register for email communication at: **www.etree.com/tullowoilplc**

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