PremierOil

Unlocking greater value

2019 Annual Report and Financial Statements
Year to 31 December

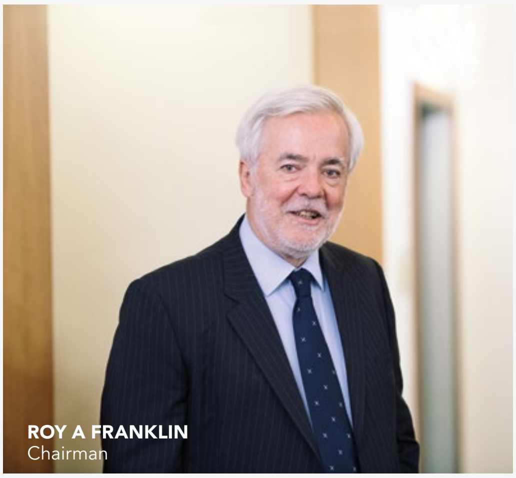
Our purpose

To play our role in meeting the world's energy needs through the safe, reliable and sustainable development of hydrocarbons whilst meeting the needs of society for effective governance and delivering value for our shareholders.

Our strategy and business model P12

Stakeholder engagement P16

Sustainability review P24
A commitment to responsible and sustainable business



ROY A FRANKLIN
Chairman

"I would like to thank all of our stakeholders for their work and commitment to the Company, and our shareholders for their continued support."

Chairman's foreword

Premier is an independent upstream oil and gas company with a long history of operating and executing production and development projects. We maintain exposure to upside value from successful exploration and accretive acquisitions.

Our strategy comprises four pillars all of which enable us to deliver our purpose:

- To operate in a safe and responsible manner.
- To focus on high quality assets with commercially advantaged positions.
- To secure access to capital and financial liquidity.
- To maintain an effective organisation sustained by the right people.

Premier again delivered a strong operational and financial performance in 2019, resulting in record free cash flows for the Group. We took material steps to commercialise our reserve and resource base and added to our exploration acreage position. We have also strengthened our commitment to minimising our carbon footprint to ensure the future success of the business.

Production
78.4kboepd
(2018: 80.5kboepd)

Operating cash flow
US$1,080m
(2018: US$976m)

Net debt
US$1.99bn
(2018: US$2.33bn)

Reserves & resources
847mmboe
(2018: 867mmboe)

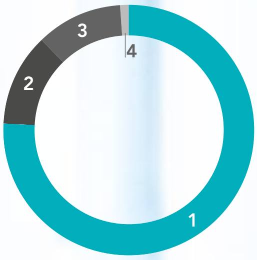
Exceeding our targets

"We are reducing our debt faster than anticipated and, at the same time, continue to invest selectively at the right level of participation in new projects and exploration for future growth."

TONY DURRANT
Chief Executive Officer

Revenue by region

US$1,597m



1. United Kingdom	76%
2. Vietnam	12%
3. Indonesia	11%
4. Pakistan	1%

Activities during 2019

- Full-year production of 78.4 kboepd, underpinned by Catcher outperformance and high operating efficiency
- BIG-P first gas achieved on schedule and below budget
- Tolmount project on schedule; Tolmount East appraisal success
- Heads of Terms agreed for Sea Lion and Tuna farm out
- Attractive acreage captured: Andaman Sea position increased; entry into Alaska
- Net debt reduced by over US$300 million to less than US$2 billion
- Strengthened commitment to minimising the Group's carbon footprint

US$327m

Record free cash flow generation

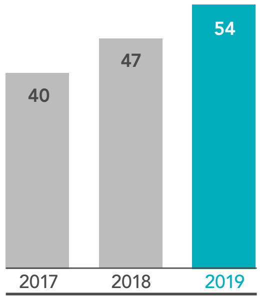
US$164m

Increased profitability

0

Recordable injuries at all Premier-operated offshore facilities

UK production (kboepd)



Introduction

2019 was another year of strong operational and financial delivery by Premier with significant progress made against the Company's strategic objectives.

Commodity prices were slightly weaker during 2019 driven by global trade tensions and ongoing concerns about the balance of supply and demand. Despite this, the Group reported record free cash flows and increased net profits.

Production

Group production averaged 78.4 kboepd (2018: 80.5 kboepd), at the upper end of market guidance. This was driven by exceptionally high uptime across the portfolio and outperformance from Premier's operated flagship Catcher Area in the UK, which reached cash payback in October.

Production by business unit (kboepd)	2019	2018
Indonesia	11.5	13.2
Pakistan[1]	1.3	5.3
United Kingdom	54.2	46.8
Vietnam	11.4	15.2
Total	78.4	80.5

Increased tax-advantaged production from the UK offset lower output from the Group's Asian assets. This change in production mix, together with higher price realisations, continued tight cost control and prudent management of capital investment, resulted in increased cash margins year on year. →

[1] Sold on 26 March 2019.

In South East Asia and the UK, Premier's two core producing areas, the teams have continued to mature and execute incremental investment opportunities to increase the reserves and field life of the Group's assets. In December, Premier achieved first gas from its operated Bison, Iguana and Gajah Puteri ('BIG-P') fields, increasing deliverability from the Natuna Sea Block A Production sharing contract ('PSC') and enabling the Group to meet increased Singapore demand for its Indonesian gas. The safe and successful execution of BIG-P on schedule and below budget builds on Premier's track record of project delivery.

In the UK, a significant amount of activity is planned for 2020. This includes the drilling of a third producer on the Solan field West of Shetland, the development of two Catcher Area satellites in the Central North Sea together with a Varadero infill well, and infill drilling at Ravenspurn North in the Southern Gas Basin. These investments have high returns and quick payback periods and will help boost production in the second half of 2020 and early 2021.

Growth projects

The Premier-operated Tolmount development is on track for first gas by the end of 2020 and underpins the Group's medium-term production profile. As a conventional platform serving four wells tied back to an established onshore terminal, Tolmount requires modest capital expenditure and will have low production costs, ensuring the project's robust economics. Premier has also partnered with infrastructure group Kellas Midstream, who will partially fund and own the infrastructure element of the development.

Delivering in the right way

GHG intensity of the Group's operated assets materially reduced

This was driven by increased production from Catcher, which has a very low annual GHG intensity, and a strengthened commitment to minimising the Group's carbon footprint. In 2019, the Group successfully trialled the OPT PB3 PowerBuoy® ('PB3'), a wave-powered intelligent monitoring system on the Huntington field. The PB3 has demonstrated its ability to harness wave energy to power site-monitoring systems, designed for the protection of subsea infrastructure following FPSO sailaway.

19.5kgCO_2e/boe

Record low Group GHG intensity

Improving our HSES performance

Premier is committed to continually seeking ways to improve its HSES performance.

In 2019, the Group conducted its first Company-wide HSES survey to gather feedback from its workforce and to help shape the Group's strategy. Premier also held its second Global HSE Day, with coordinated visits by senior management to every Premier location worldwide with the whole Company taking time out to focus on HSES.

READ MORE P31

Achieving industry-leading levels of operational efficiency, whilst adhering to the highest health, safety and environmental standards.

Tolmount project on schedule

Tolmount, with its platform to be powered by a gas micro-turbine rather than a diesel generator, will have a low GHG intensity and, once on-stream, will improve the Group's carbon footprint. Premier is also considering using wind power to power the facilities in the future.

50kboepd

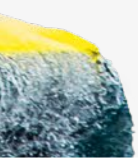
Tolmount gross plateau rates

Improved operating efficiency

Premier will always prioritise spend on asset integrity and safe operations. Together with a continued focus on optimising well delivery and facilities uptime, this resulted in record operating efficiency for the Group.

93%

Record Group operating efficiency



The Group's positive view of the upside within the Greater Tolmount Area was confirmed with the successful Tolmount East appraisal well in October which, as well as extending plateau production from the Tolmount Area, unlocks the potential development of the Mongour discovery to the north. Further potential exists at the nearby prospect, Tolmount Far East and to the south and west of the Tolmount field.

Premier has continued to optimise its level of participation in its future development projects. In the Falkland Islands, Premier has signed a Heads of Terms with Navitas Petroleum to farm in for a 30 per cent interest in the Group's fully appraised 250 mmbbls (gross) Sea Lion project. This marks a significant step forward for the Sea Lion development with Navitas Petroleum sharing the pre-first oil funding and bringing additional sources of senior debt financing to the project. In Indonesia, Premier has signed a Heads of Terms with Zarubezhneft to farm in for a 50 per cent interest in its operated Tuna PSC. The new investor will carry Premier for its share of a two-well appraisal campaign targeted to commence in 2020.

Exploration within a disciplined capital framework remains a key part of Premier's business model and 2019 saw the Group continue to capture highly-prospective international acreage in proven basins. Premier deepened its position in the emerging Andaman Sea gas play, an area which has significant long-term potential, and also entered the Alaska North Slope. Premier's first well in Alaska, which spudded post period-end, is targeting an accumulation of over 1 billion barrels of oil-in-place (gross).

Free cash flow through the cycle remains a prerequisite for the Group and Premier will remain disciplined and selective in the projects it progresses, realising value from part or full disposal of development assets where appropriate. In August, Premier initiated a sales process for its stake in the Zama field offshore Mexico, following the successful appraisal of the field earlier in the year. Premier expects those discussions to reach conclusion later in 2020 once the unitisation process with the neighbouring block is further advanced. →

Optimising assets to realise additional value

BIG-P first gas

Safe delivery of first gas from BIG-P on time and significantly below budget is further evidence of Premier's ability to execute full cycle projects from exploration through to production. BIG-P increases Natuna Sea Block A's deliverability, enabling Premier to meet increased Singapore demand for its gas.

52%
2019 GSA1 market share

Chim Sáo continues to outperform expectations

During 2019, Premier undertook four well intervention campaigns to maximise recovery from the Chim Sáo field.

Further well intervention work is planned for 2020 and preparations are also underway for a two-well infill programme.

READ MORE P21

Catcher reserves upgrade

Premier has upgraded its Catcher Area reserves for the second consecutive year following excellent reservoir performance and the maturation of additional production infill well targets. Estimated total recoverable reserves from the Catcher Area are now 15% higher than at sanction.

10mmboe

Gross Catcher reserve upgrade

Significant opportunities exist within the Group's producing portfolio to increase reserves and extend field life.

Tolmount East successful drill

The commercial discovery at Tolmount East in October adds significant value to our UK portfolio. The success at Tolmount East unlocks the potential development of the Mongour discovery to the north which is expected to be developed with Tolmount East.

160-300Bcf

Gross Tolmount East resource including Mongour (P50-P10)

Reserves and resources

As at 31 December 2019, the Group's proved and probable ('2P') reserves, on a working interest basis, were 175 mmboe (2018: 194 mmboe) and total 2P and 2C resources were 847 mmboe (2018: 867 mmboe).

	2P reserves (mmboe)	2P reserves and 2C resources (mmboe)
1 January 2019	194	867
Production	(28)	(28)
Net additions, revisions, discoveries	15	16
Disposals, relinquishments	(5)	(8)
31 December 2019	175[1]	847

[1] Due to rounding, total 2P reserves does not correspond to the sum of the individual line items.

The reduction in 2P reserves is driven by the impact of 2019 production and the sale of the Pakistan business, partially offset by a 15 mmboe upward revision in the Group's 2P reserves, principally related to the Catcher Area and Natuna Sea Block A. Premier now anticipates a higher overall recovery from the Catcher Area, following excellent reservoir performance and maturation of production infill well targets. In Indonesia, strong performance from the Gajah Baru Upper Arang reservoir and maturation of incremental projects in the Anoa field resulted in increased Natuna Sea Block A's 2P reserves. The Group's 2C resources were broadly flat year on year.

Premier also seeks to increase its reserve and resource base through acquisitions. Post period-end, the Group announced the proposed acquisitions of the Andrew Area and Shearwater assets from BP and an additional 25 per cent interest in its operated Tolmount Area from Dana Petroleum.

These acquisitions, once completed, will materially increase the Group's UK reserves and resources. They are materially value accretive and in line with the Group's stated strategy of acquiring cash-generative assets in the UK North Sea, where Premier has strong operating capability and considerable tax assets. It is expected that the final consideration will be fully funded from the proceeds of the new equity issuance.

Finance

During 2019, the Group generated US$327.4 million of positive free cash flow which was directed towards debt reduction and further strengthening the balance sheet. At year-end 2019, net debt was US$1.99 billion bringing total debt reduction since October 2017 to over US$900 million, significantly ahead of the Group's forecasts. This is primarily due to operational outperformance, supplemented by non-core asset disposals.

The Group has also announced the proposed extension of the maturities of its credit facilities to 2023. By the end of 2021, the Group will have benefitted from more than 12 months of production from Tolmount and the acquired UK assets will have been fully integrated into the business. Premier believes that this, together with its balance sheet benefitting from two further years of debt reduction, will put the Company in a strong position to refinance the business with a more conventional, and lower cost, debt structure. →

Priorities for 2020

- Deliver 2020 production guidance of 70-75 kboepd and maintain high Group operating efficiency
- Deliver first gas from Tolmount on schedule and below budget; sanction Tolmount East
- Complete Zama disposal and Sea Lion and Tuna farm downs; secure senior financing structure for Sea Lion
- Successfully appraise the Malguk-1 discovery in Alaska and drill first exploration well in Brazil
- Execute UK acquisitions and related funding
- Deliver debt reduction and position for future refinancing

The Court Schemes of Arrangement (the 'Schemes') required to implement the announced acquisitions, related funding arrangements and extension of the Group's credit facilities commenced post year-end. The requisite majority of Premier's creditors approved the Schemes in February and the court sanction hearing is scheduled to commence on 17 March 2020.

Environmental, Social and Governance ('ESG')
A company's success is not only measured in terms of financial performance, but also in terms of environmental and social performance. It is the Group's highest priority to continue to operate all of its assets in a safe and responsible manner, to ensure the safety of its workforce and to minimise the potential risk to the environment. In 2019, Premier recorded no serious injuries, no spills and reduced its carbon footprint, achieving a historic low greenhouse gas ('GHG') intensity at its operated assets.

Premier recognises the urgent need to respond to climate change and the key role the energy industry needs to play in addressing the environmental challenges faced by society today. As such, Premier has committed to ensuring that all of its operated projects will be developed on a carbon neutral basis in respect of Scope 1 and Scope 2 emissions. We can therefore commit, based on expected future profiles, that Premier will be more than 65 per cent carbon neutral by 2025 and 100 per cent by 2030.

Investing selectively for future growth

Sea Lion equity interest optimised

Premier is committed to optimising its equity interest in its projects. In 2019, Premier launched a formal farm down process of its Sea Lion project which resulted in Navitas signing a Heads of Terms to farm in for a 30 per cent equity interest in the project.

250mmbbls
Gross Sea Lion Phase 1 resource

Investing in our staff forum initiative

In 2019 we launched our new staff forum initiative to support effective two-way communication between employees and management. Local staff forums have been established at each of our business units, and we held our first Annual Group Staff Forum in November 2019. This event was attended by representatives from across the business and provided an opportunity for our Executive and Non-Executive Directors to engage with the workforce.

READ MORE P68

A well balanced portfolio of projects at various stages of maturity underpinning the Group's future growth profile.

Andaman Sea position enhanced

In 2019, Premier expanded its position in the Andaman Sea, farming into two new licences, which offer significant organic growth opportunities for the Group's existing Indonesian business in the longer term.

2

New blocks in the Andaman Sea

Low Carbon by Design, Carbon Neutral by Commitment

Premier has committed that all operated projects will be developed on a net zero emissions basis, in respect of Scope 1 and Scope 2 emissions. This will be achieved by minimising emissions at source, supplemented by nature-based carbon offsets.

100%

2030 Group production will be carbon neutral

Outlook

In the first quarter of 2020, oil prices have fallen significantly due to fears over the spread of COVID-19 and the impact this may have on global demand for oil. The current volatile macro environment serves to highlight the importance of the business being sustainably free cash flow positive and ensuring that future growth can be funded through the commodity price cycle without compromising the balance sheet. The Group's immediate priority remains to reduce its debt levels and covenant leverage ratio towards 1x, a process which will be accelerated by the acquisition of the UK assets announced post period-end. At the same time, Premier will continue to maintain its capital discipline, investing selectively in new international projects and exploration to create material value for all of its stakeholders over the longer term.

Board changes

As announced separately, Premier is pleased to announce that Elisabeth Proust will join the Company's Board as an independent Non-Executive Director and member of the Health, Safety, Environment and Security Committee and Nomination Committee with effect from 1 April 2020.

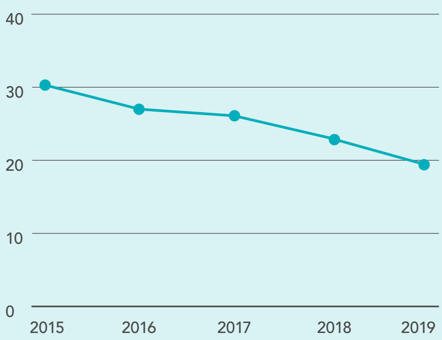
Elisabeth has a strong technical and operational background and joins the Board after a distinguished career within Total's upstream business.

Robin Allan, Director, North Sea and Exploration, will be leaving the Board at the close of the Group's Annual General Meeting in May. Robin will continue to work for Premier on a part-time consultancy basis, with a particular focus on ESG matters and Premier's response to the climate change agenda.

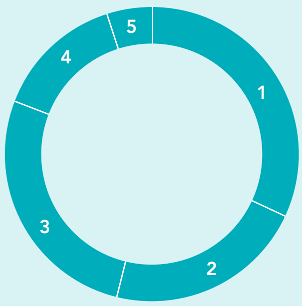
Tony Durrant
Chief Executive Officer

The external environment in which we operate

Premier GHG intensity kgCO_2e/boe

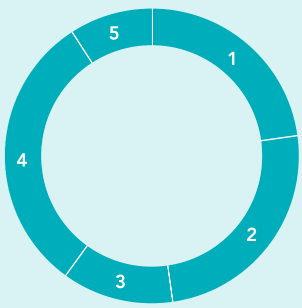


IEA 2019 Energy Outlook
2017 actual



1. Oil	32%
2. Gas	22%
3. Coal	27%
4. Renewables	14%
5. Nuclear	5%

2040 sustainable development scenario
(in a Paris-compliant world)



1. Oil	23%
2. Gas	25%
3. Coal	12%
4. Renewables	31%
5. Nuclear	9%

THE IMPORTANCE OF CLIMATE CHANGE

Climate change is a concern to all of us and we recognise the need to meet ever-increasing demand for affordable, reliable and safe energy, whilst at the same time reducing emissions of carbon dioxide.

Countries are under increased pressure to take action to deliver their emission targets and, in June 2019, the UK became the first major economy to pass net zero emission targets into law. All businesses are under increased pressure from their stakeholders to take action to manage their carbon footprint and some investors are divesting from companies that are not making sufficient progress in this regard.

It is clear that the oil and gas industry has a key role to play in meeting the world's energy needs for the foreseeable future; it is equally clear that gas is needed as a transition fuel. Perhaps less well understood is the fact that the oil and gas industry has the skills and assets to permit the reinjection of carbon dioxide into the earth's strata, removing it permanently from the atmosphere. This is known as carbon capture and storage and is an aspect that will enable energy to be provided in a clean net zero manner in the future.

At Premier we have been working diligently to reduce our emissions and we are committed to the UK Government's target of net zero by 2050. We have worked hard to improve operational efficiencies in all of our facilities and to cease flaring and stop methane emissions wherever possible.

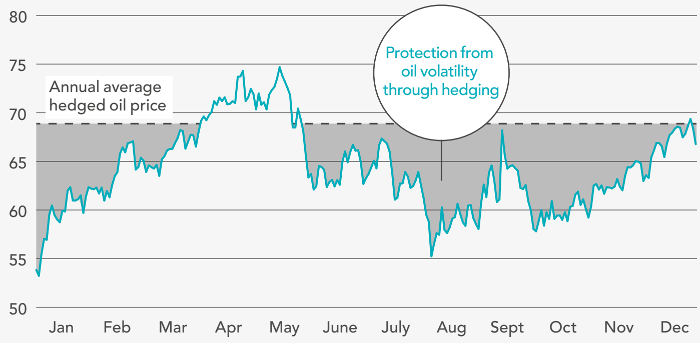
We recognise the urgent need for companies to respond to climate change and we are committed to playing our part in addressing the environmental challenges we all face today:

- In June 2019, Premier established a Climate Change Committee and aligned its Climate Change Policy with the recommendations from the Task Force on Climate-related Financial Disclosures ('TCFD').
- Premier has formalised a comprehensive asset-by-asset review to identify projects to reduce carbon emissions.
- Premier has made a commitment that all operated projects will be developed on a net zero emissions basis.
- Premier has focused its targets on reducing GHG emissions and is pleased to be able to report that the GHG intensity of the Group's operated assets was at a record low of 19.5kgCO_2e/boe in 2019, down from 31.2kgCO_2e/boe in 2014.

COMMODITY PRICES

In 2019, Brent averaged US$63.1/bbl compared to Premier's average realised price of US$68.1/bbl post hedging.

Crude oil prices 2019 (US$/bbl)



Summary

2019 saw Brent range-bound between US$60-70/bbl, despite some short-term volatility driven by supply disruption events. Despite the COVID-19 outbreak in early 2020, the IEA continues to forecast an increase in global oil demand in 2020.

UK gas prices weakened in 2019 and are expected to remain low in 2020 driven by high LNG imports and a warmer than expected winter before recovering in 2021 and beyond, consistent with stronger future prices.

Our response

Premier looks to reduce the volatility in its revenues and protect against any adverse commodity price movements through a rolling hedging programme, whilst retaining some upside to any potential medium-term rally in prices.

Opportunity

For 2020, the Company has hedged approximately 26 per cent of its oil production at an average price of US$64/bbl, and 37 per cent of its UK gas production at an average price of 54p/therm. In addition, the Company has hedged a substantial proportion of its 2020 Indonesian gas production.

FOREIGN EXCHANGE RATES

Summary

The US$/£ exchange rate was volatile throughout 2019, primarily driven by Brexit developments.

Despite reaching a ten-year low in August, sterling ultimately ended 2019 four per cent higher at US$1.33/£.

Our response

The Company has sterling exposure through its UK operations which it actively manages through forward hedging, helping to protect against market volatility.

Premier also has £250 million of sterling debt which was hedged by cross-currency swaps at the time the arrangements were put in place.

Opportunity

Premier actively manages its foreign exchange exposure, capitalising on any short-term fluctuations.

EQUITY MARKETS

Summary

Despite macro headwinds (Brexit, trade tensions and recessionary fears), global equity markets performed well over 2019.

The FTSE All-World Index gained 24 per cent with notable performances by the US (+29 per cent) and China (+36 per cent).

Our response

Further progress was made reinstitutionalising Premier's shareholder register. As at year-end 2019, Premier was the largest FTSE 250 E&P with an equity value in excess of £816 million.

Opportunity

Post year-end, the Company took advantage of the positive backdrop, announcing its intention to equity fund three proposed acquisitions.

CORPORATE ACTIVITY

Summary

The number of global M&A transactions in the sector reduced significantly in 2019 due to lower activity in North America.

However, the North Sea M&A market remained buoyant as majors continued to divest assets.

Our response

Premier continues to seek to monetise its non-core assets, while selectively reviewing new opportunities for growth.

In March 2019, the Company completed the disposal of its Pakistan business and launched the sale process for its 25 per cent interest in Block 7 which contains the Zama field (Mexico).

Premier also enhanced its exploration portfolio, adding new acreage in Indonesia and Alaska, and post period-end, announced its intention to acquire cash-generative UK assets.

Opportunity

The current environment provides the opportunity to acquire cash-generative assets in the UK and to access acreage internationally.

INVESTMENT AND COSTS

Summary

2019 saw a modest pick-up in activity in the sector with a number of high-profile field start-ups, but investment activity still remains muted compared to 2010-2014 levels. Premier has yet to see significant inflation in industry costs.

Our response

Premier closely controls its costs and aims to enter into long-term leases and turnkey development contracts and infrastructure partnerships to ensure the Company is protected against any potential future cost inflation and cost over-runs.

Opportunity

Premier is the operator of the majority of its assets which provides the Group with strong control over future expenditure programmes and the ability to flex its discretionary spend in the event of another downturn in the commodity price.

Our purpose

To play our role in meeting the world's energy needs through the safe, reliable and sustainable development of hydrocarbons whilst meeting the needs of society for effective governance and delivering value for our shareholders.

DELIVERY OF OUR PURPOSE

Our strategy comprises four pillars all of which contribute towards delivering our purpose and set us apart as a world-class independent.

OUR FOUR STRATEGIC PILLARS

1

To operate in a safe and responsible manner

Premier will never knowingly compromise its health, safety or environmental standards in pursuit of its operational objectives. The Group will seek to ensure the safety of everyone in its operations and to minimise its environmental impact. Premier will act with integrity and honesty, striving for continuous improvement across all aspects of its business, assured by rigorous risk management processes.

2

To focus on high quality assets with commercially advantaged positions

Premier is a full cycle E&P company maintaining a robust and diverse portfolio of material operated assets across multiple geographies, and hydrocarbon types, to provide scale and to diversify risk. The Group seeks to grow our portfolio both through impactful E&A in proven hydrocarbon basins and selective M&A.

3

To secure access to capital and financial liquidity

Premier seeks to balance the use of available cash between debt reduction, investment in existing assets and growth. The Group seeks to deliver returns for shareholders through share price appreciation. Premier will actively manage its investment programmes, employ hedging and use lease and infrastructure models to free up capital in order to maintain acceptable financial ratios and liquidity.

4

To maintain an effective organisation sustained by the right people

Premier will seek to attract and retain high quality employees through challenging and satisfying employment, and through effective reward, retention, and development policies. Each business unit will have the necessary skills and competencies to stand alone but with functional support provided by corporate specialists.

ROY A FRANKLIN
Chairman

"Premier has established a clear purpose, vision and core values that complement and support the Board's strategy. These values are at the heart of all of Premier's activities, with good corporate governance providing a sound framework to embed them throughout the organisation."

READ MORE
Chairman's introduction P58

BARBARA JEREMIAH
Chairman of the Remuneration Committee

"Our new Remuneration Policy links performance measures to Premier's strategic pillars and business goals, within a simplified and transparent framework."

READ MORE
Directors' remuneration report P79

How we create value

Our business model is to license or acquire high quality assets according to prevailing market conditions. Premier targets its exploration activity in under-explored emerging plays in proven hydrocarbon provinces. The Group then develops its discovered resources, right-sizing its investment in assets to suit its risk appetite and its financial circumstances.

INPUTS | **CORE ACTIVITIES** | **OUTPUTS**

Operational

Premier seeks to maximise the value of its high quality portfolio, safely managed by its operating teams and functional experts, through high operating efficiency, effective cost management and pursuit of investment opportunities in and around its existing assets.

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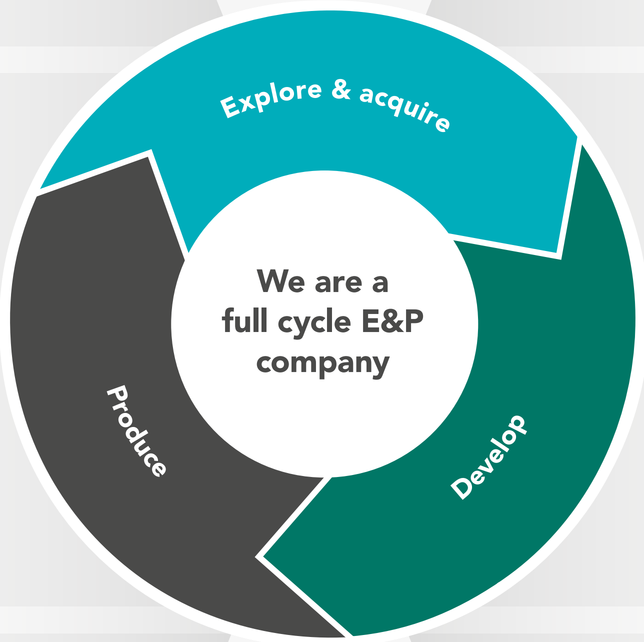
Business units review P18

Growth of production portfolio, and an increase in reserves and resources.

- Increased production and reserves
- Portfolio growth
- Safe operations

78.4kboepd
Group production



Financial

Managing the Group's risks, access to capital and strict financial discipline are critical to the business. All of its operations are carried out against a background of rigorous corporate governance.

READ MORE
Financial review P46

Growth of net asset value via increased income and cash flow.

- Increased operating cash flow
- Debt reduction
- Selective reinvestment

US$1,080m
Operating cash flow

Societal

Premier's focus on the relationships with its partners, employees and the communities in which it operates enables the Group to maintain its social and legal licence to operate.

READ MORE
Sustainability review P24

Opportunities for Premier's people, partners and the communities in which the Group operates.

- Motivated employees
- Improved relationships
- Enhanced reputation

US$1,049m
Total economic distribution

Measuring our performance

Operational

Ahead of expectations, strong production performance was supported by record high operating efficiency.

Working interest production kboepd

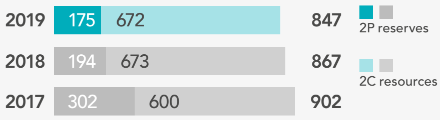
Objective

Premier aims to maximise production from its existing asset base and, over time, to deliver production growth.

2019 progress

- Group production of 78.4 kboepd
- Group operating efficiency >90%
- First gas from BIG-P
- Formal government approval of Catcher North and Laverda developments

Reserves and resources mmboe



Objective

Premier aims to grow its reserve and resource base through a combination of successful exploration and selective acquisitions.

2019 progress

- Upward revision in 2P reserve estimates at the Catcher Area and Natuna Sea Block A
- Premier upgraded its Zama resource estimates following the successful 2019 appraisal campaign

Financial

Strong cash flow generation has enabled the Group to materially reduce its debt while continuing to invest for long-term growth.

Covenant leverage ratio

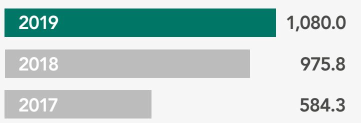
Objective

Premier aims to have sufficient headroom against its covenant leverage ratio to ensure continued covenant compliance and access to liquidity throughout the commodity price cycle.

2019 progress

- Covenant leverage ratio (covenant net debt/EBITDAX) reduced to 2.3x (2018: 3.1x)
- Increased EBITDAX of US$1,230 million, up c.13%

Operating cash flow[1] US$ million



Objective

Premier aims to maximise cash flow from operations to maintain financial strength, meet its debt obligations, invest in the future of the business and deliver long-term returns to shareholders.

2019 progress

- Improved cash margins due to increased UK oil production
- Catcher reached cash payback in October
- Strong operating cash flow generated by the Group's Asian assets driven by high uptime and tight cost control

Societal

Premier remains committed to behaving responsibly and conducting its business with integrity in everything it does.

Total recordable injury rate ('TRIR')

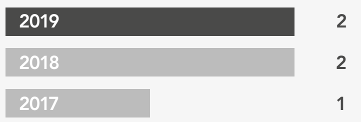
Objective

Premier is committed to managing its operations in a safe and reliable manner to prevent major accidents and to provide a high level of protection to its employees and contractors.

2019 progress

- No recordable injuries at any of Premier's offshore operated facilities, supply bases and offices worldwide

Process safety events – IOGP Tier 1 and Tier 2



Objective

Premier aims to maintain the highest standards of operational integrity to prevent any release of hazardous material from primary containment.

2019 progress

- In 2019, there was one Tier 1 Process Safety Event relating to an oil release at Catcher and one Tier 2 Process Safety Event relating to a gas release at Catcher

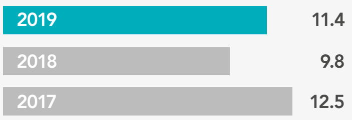
[1] 2018 and 2017 restated for the impact of IFRS 16.

Strategic pillars

1. To operate in a safe and responsible manner
2. To focus on high quality assets with commercially advantaged positions
3. To secure access to capital and financial liquidity
4. To maintain an effective organisation sustained by the right people

READ MORE
Risk management P50
Principal risks P54
Directors' remuneration report P79

Operating costs US$/boe



Objective

Premier aims to minimise costs from operations without compromising on health, safety and integrity.

2019 progress

– Operating costs of US$18/boe, of which US$11/boe related to field opex and US$7/boe to FPSO lease costs
– Low cost base supported by high operating efficiency

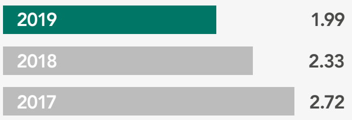
Relevant strategic pillars

1 2 4

Associated risks

– Production and development delivery and decommissioning execution
– Exploration success and reserves addition

Net debt US$ billion



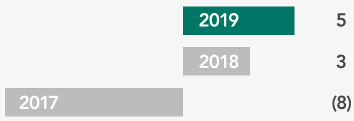
Objective

Premier aims to reduce the absolute level of its net debt to address the imbalance in its capital structure, to ensure compliance with its financial covenants and to provide the Company with future financial flexibility.

2019 progress

– Net debt reduced from US$2.3 billion to less than US$2 billion
– Record free cash flow generation of over US$320 million
– Net debt reduced by over US$900 million since October 2017

ROCE %



Objective

Premier is focused on effective capital and balance sheet management, and quality of earnings through driving operational and technical efficiencies.

2019 progress

– Increased operating cash flows from high operating efficiency, higher realised sales prices and tight cost control
– Record free cash flow utilised to repay debt, with capex focused on highest return projects

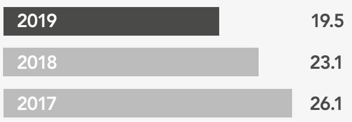
Relevant strategic pillars

2 3

Associated risks

– Commodity price volatility
– Access to capital

GHG intensity – operated assets $kgCO_2e$/boe



Objective

Premier is committed to proactively taking steps to address the Group's impact on society and in particular to minimise the climate impact of its activities.

2019 progress

– Greenhouse gas intensity of the Group's operating assets at a record low
– Commitment to ensuring that all operated projects will be developed on a net zero emissions basis (Scope 1 and Scope 2)

Relevant strategic pillars

1 4

Associated risks

– Health, safety, environment and security
– Climate change

Growing our stakeholder value

Engagement with all of our stakeholders remains a priority for the Board. By maintaining good dialogue, we ensure that our objectives are understood and that we receive regular feedback on our strategy, performance and governance which can then be factored in to the Board decision-making process.

The disclosure on the following two pages, together with the table on pages 70 and 71, describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006. Information regarding our assessment of environmental and community issues associated with our operations, including how we maximise our positive impacts and minimise the negative impacts, can be found in the Sustainability Review on page 24.

Shareholders

Why is it important to engage?
Premier seeks to develop an investor base of long-term holders. By ensuring that our strategy and objectives are well understood by shareholders, we maintain continued access to long-term capital providers who are supportive of the sustainable success of the business.

What issues are important to them?
- Sustainable financial and operational performance
- Capital allocation
- Remuneration structure
- ESG performance

How do we engage?
There is regular dialogue between both institutional and retail investors through meetings, presentations and conferences. Over 200 meetings were held with current and prospective investors during 2019 with the Chief Executive Officer and Finance Director primarily responsible for engagement. For more information, please see page 73.

2019 highlights
- Continued growth in long-term institutional shareholder base
- Over 200 meetings held during 2019
- Shareholder consultation on a new Remuneration Policy

Lenders

Why is it important to engage?
The upstream oil and gas industry is a capital intensive business. By maintaining supportive relationships with our lending group, we can ensure access to long-term debt finance that enables us to invest in high quality projects that generate sustainable long-term cash flows.

What issues are important to them?
- Sustainable financial and operational performance
- Capital allocation
- Covenant compliance
- Refinancing plan

How do we engage?
Following the restructuring of our main credit facilities in 2017, Premier has a number of well-established channels for engagement with lenders, including: monthly reporting, quarterly covenant compliance updates and in-depth technical presentations for key projects or investments that require lender approval.

2019 highlights
- US$399m of debt repayment during 2019 with net debt of US$1.99bn at 31 December 2019
- Covenant compliance throughout 2019 and a year-end leverage ratio of 2.3x
- Ongoing engagement regarding an 'amend and extend' of existing facilities

Governments & regulators

Why is it important to engage?
With a diverse global portfolio, forging strong and positive relationships with our host governments and local regulatory authorities is vital to maintaining our licence to operate. We believe that the strength of these relationships allows us to make a sustainable and beneficial contribution to the countries in which we have operations.

What issues are important to them?
- Work programmes and budgets
- ESG performance
- Decommissioning arrangements

How do we engage?
In our South East Asia Business Units the production sharing contracts ('PSCs'), to which Premier is a party, set out formal arrangements for engaging with host governments on a variety of issues. This is supplemented by more regular contact with appropriate departments at a working level for day-to-day operational activities. In the UK, Premier engages regularly with the Oil & Gas Authority and the Health and Safety Executive.

2019 highlights
- Approval of Catcher North and Laverda field development plans

Joint venture partners

Why is it important to engage?
Sharing of risk is a fundamental component of our industry and by maintaining good relationships with our joint venture partners, we can ensure that maximum value can be extracted from our operations in a safe and sustainable manner.

What issues are important to them?
- Operational performance
- Work programmes and budgets
- ESG performance

How do we engage?
A regular programme of operating and technical committee meetings ('OCMs' and 'TCMs') ensures that there is an open dialogue with our partners that allows for ideas to be exchanged and collaboration to be fostered. Where we are operator, we seek to ensure that all partners are aligned around common objectives for a particular asset to ensure that we can maintain safe and reliable operations.

2019 highlights
- Approval of Catcher North and Laverda field development plans
- Life of field plan agreed for Balmoral

Workforce

Why is it important to engage?
Our current and future success is underpinned by our ability to engage, motivate and retain our workforce. Creating the right environment for employees wherein their contribution is valued and listened to helps to ensure that we can deliver on a shared set of objectives.

What issues are important to them?
- Group strategy
- Development and progression
- Corporate culture
- Reward

How do we engage?
During 2019, the Group Staff Forum was constituted in order to provide a vehicle for the workforce to raise key issues with the Board. This Forum is made up of representatives from across the Group who – via local staff forums – are responsible for gathering the views of employees to be raised at the Group Staff Forum.

2019 highlights
- First Group Staff Forum held with Board members and local representatives
- Town hall meetings held to provide updates on operational performance and strategy
- Further progress on implementing actions from 2018 employee engagement survey

Suppliers

Why is it important to engage?
Our supply chain is a key component of our day-to-day operations. We are dependent on our suppliers delivering on time and on budget to ensure that our projects generate maximum value. Through collaborative working relationships, we aim to deliver mutual value and a sustained commitment from our suppliers.

What issues are important to them?
- Contractual terms
- Pipeline of future projects
- Contract management strategy

How do we engage?
Supplier relationship management is ultimately the responsibility of each individual contract owner to ensure that value over and above the scope of the contract is realised. Engagement takes place at a working level with suppliers, with regular meetings at a more senior level for our tier 1 contractors.

2019 highlights
- Contracts tiered across the Group based on risk and spend
- Roll out of a contract management tool to support active engagement with suppliers
- Agreed contract management deliverables for tier 1 and 2 contracts

Customers

Why is it important to engage?
Premier sold to in excess of 30 global customers during 2019. Our diverse grades are sold via a mixture of spot market sales and term sale agreements, with long-term gas sales agreements in place in Indonesia to deliver gas into Singapore. Through regular and open dialogue with our customers, we are able to achieve competitive prices for our oil and gas whilst ensuring our operations continue to run smoothly.

What issues are important to them?
- Robust and safe lifting operations
- Crude oil and gas quality
- Reliability of supply and timing of delivery
- Financial capability

How do we engage?
Premier has an in-house marketing department responsible for all of the Company's global crude oil, NGL and North Sea gas sales. The marketing team manages the entire sales process from the negotiation of lifting and shipping agreements through to pricing negotiation and offtake logistics.

2019 highlights
- Strong differentials achieved
- Average premium to Brent of US$ 1.84/bbl across global crude sales
- 126 liftings during 2019 (2018: 120)

UK

Premier achieved record production from its UK assets of 54.2 kboepd in 2019. This 16 per cent increase on the prior year was driven by a full-year contribution from the Catcher Area at increased rates. First gas from Premier's operated Tolmount project, which is scheduled to come on-stream by year-end 2020, will help sustain the Group's UK production at over 50 kboepd, before any contribution from the proposed UK acquisitions.

Catcher Area

Production from the Catcher Area exceeded expectations during 2019 averaging 33.6 kboepd (net, Premier 50 per cent operated interest), underpinned by exceptionally high operating efficiency and reservoir outperformance.

The Catcher Area FPSO continues to produce beyond sanctioned plateau rates supported by excess well deliverability. This resulted in the Group again increasing its Catcher Area recoverable reserves. Premier is also working with the FPSO provider and its joint venture partners to increase oil rates on a short-term trial basis. The Catcher Area achieved a low GHG intensity during 2019, benefitting from the high plant uptime and the new build FPSO with modern gas recovery and treatment systems.

Premier received formal approval of the development of the Catcher North and Laverda fields in August. The requisite contracts have been placed and fabrication of the flexibles and umbilicals is underway. Catcher North and Laverda, together with the Varadero infill well, which will also be drilled during 2020, will help offset natural decline as the existing Catcher Area production wells come off plateau. Development drilling is scheduled to start in May 2020 with first oil scheduled for the first quarter of 2021.

The Group continues to work up additional well targets within and around the Catcher Area to maximise economic recovery. Two Burgman infill production wells are under evaluation for 2021 with long lead items ordered and the rig contracting process underway. The 4D seismic to be acquired during 2020 will further calibrate Premier's existing reservoir models, help high grade future opportunities and provide better imaging of the potential oil-bearing reservoirs beyond the existing discoveries to evaluate near-field tie-back opportunities.

Other UK producing assets

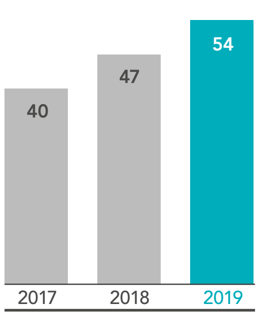
2019 production from the Elgin-Franklin Area, which is the UK's largest producing field, averaged 6.0 kboepd (net, Premier 5.2 per cent interest), ahead of expectations. Production was supported by well intervention campaigns and infill drilling, including the F12 well, which was placed on-stream in December. Further infill drilling is planned for 2020, including the F5 well, which is expected to be drilled in the second quarter and tied into production before year-end. In addition, post period-end the joint venture partners approved a four-well stimulation campaign to take place in 2020 to help improve production performance from the existing wells.

54.2kboepd
Record net production

>90%
Operating efficiency

US$13/boe
Operating cost

Growing production (kboepd)



Production from Premier's operated Solan field averaged 3.5 kboepd (Premier 100 per cent interest), slightly ahead of forecast and driven by excellent plant operating efficiency. Preparations continued throughout 2019 for the drilling of a new Solan production well (P3) which will boost production from the central part of the reservoir and extend field life. The well is expected to spud in March 2020 with first oil anticipated in the third quarter of 2020. Premier has reached agreement with Baker Hughes to align payment with milestone dates, reducing Premier's cash outlay prior to the completion of the well. On the successful completion of the P3 well, excess gas will be used to replace diesel as a fuel for power generation on the facility.

Active well management at the Premier-operated Huntington field underpinned high uptime from the facility with production averaging 5.8 kboepd (Premier 100 per cent interest). Post period-end, water cut in the highest producing well increased. This prompted Premier to submit a draft decommissioning programme for the removal of the leased Huntington FPSO from the field to the Secretary of State for Business, Energy and Industrial Strategy in February 2020. Premier expects that the last Huntington cargo will be lifted from the field in April 2020. Since 2016, when Premier became operator, the field has outperformed expectations, with proactive reservoir management resulting in the deferral of cessation of production and reserve upgrades over the last few years.

During 2019, Premier installed the Ocean Power Technologies ('OPT') PowerBuoy® ('PB3') for trial on the Huntington field.

The PB3 has demonstrated its ability to harness wave energy to power site-monitoring systems designed for the protection of subsea infrastructure following FPSO sailaway. Premier intends to work with the Oil and Gas Technology Centre and OPT to further develop the system for future use during the decommissioning phases of the Group's assets.

Premier's operated Balmoral Area delivered 1.3 kboepd (net, Premier 79.2 per cent interest) during the period. Production was impacted by the failure of the Brenda multi-phase-pump, partially offset by the restart of the B29 well in April.

In 2019, production from Ravenspurn North averaged 1.2 kboepd (net, Premier 28.7 per cent interest). Uptime from the field improved significantly following the summer shut down, averaging in excess of 95 per cent. The Borr Prospector-5 jack up rig has been contracted to drill two horizontal wells on Ravenspurn North, commencing in March 2020. The wells will access gas in undrained areas of the field with the aim of extending field life and derisking further infill opportunities.

Production from the Kyle field, which is exported via the Petrojarl Banff FPSO, averaged 1.4 kboepd (net, Premier 40 per cent interest). The Kyle joint venture partners are working closely with the Banff owners towards the safe and cost efficient decommissioning of the Kyle facilities, with sailaway of the Petrojarl Banff FPSO anticipated in the summer of 2020.

UK unit field operating costs were stable at US$13/boe (2018: US$13/boe) while lease costs reduced to US$8/boe (2018: US$10/boe). This reflects a full year of production at increased rates from the Catcher FPSO offsetting natural decline on more mature, fixed cost assets such as Huntington and Kyle.

The Greater Tolmount Area

The Premier-operated Tolmount development is on schedule for first gas before year-end 2020 and is tracking below budget. Construction and fit-out of the platform in Rosetti's yard continued during 2019. Jacket roll up was achieved in December and final welding and riser installation is nearing completion. The fit out of all major topsides equipment packages has been substantially completed and final piping, electrical installation and pre-commissioning continues ahead of platform sailaway, which is scheduled for late-April 2020.

Saipem continue to progress the offshore pipeline work scope on behalf of the joint venture partners. The offshore pre-anchor route survey was concluded in November and coating of the linepipe was completed post period-end. Onshore, the shaft from cliff top to beach level has been constructed and preparations are underway for the beach crossing. Laying of the 20 inch gas export pipeline is planned for the summer of 2020. The Easington terminal works are also progressing and the installation of the pre-assembled units commenced post period-end.

Preparations for the 2020 development drilling campaign are well underway. All long lead items have been ordered and contracts placed. The first of the four development wells is expected to spud in the second quarter of 2020 after the jacket is installed. There is also a plan to drill a fifth well at the end of the programme to improve overall recovery from the field. Premier continues to expect first gas before year-end, with Tolmount adding 20-25 kboepd (net, Premier 50 per cent interest) to Group production once on plateau.

In October 2019, Premier announced the success of the Tolmount East well in an undrilled area four kilometres east of the Tolmount gas field. Premier is undertaking FEED studies for both platform and subsea concepts to develop the Tolmount East gas field via the Tolmount infrastructure. Premier plans to select the optimal field development concept during the second quarter of 2020. Final product from the 3D seismic acquired across the Greater Tolmount Area in 2019 is expected in April 2020 and will further inform the concept select decision. Project sanction of Tolmount East is targeted for the second half of the year and will be brought on-stream to ensure Tolmount infrastructure is kept at full utilisation.

The success at Tolmount East unlocks the potential development of the Mongour discovery to the north which is expected to be developed with Tolmount East. Total resource at Tolmount East, including Mongour, is 160-300 Bcf (P50 to P10). These estimates will be further refined as FEED progresses and the processing of the 3D seismic data is completed and integrated into the evaluation.

There is considerable upside within the Greater Tolmount Area. The success at Tolmount East with the new 3D seismic survey reduces the uncertainty of the Tolmount Far East prospect which Premier is currently maturing ahead of drilling in 2022. Further potential also exists to the south and west of the Tolmount field.

Proposed UK acquisitions

Post period-end, Premier announced the proposed acquisitions of the Andrew Area and Shearwater assets from BP and an additional 25 per cent interest in its operated Tolmount Area from Dana Petroleum.

The acquisitions provide Premier with material operated interests in the Andrew Area and a non-operated interest in Shearwater, a significant production and infrastructure hub in the Central North Sea. Both the Andrew Area and the Shearwater field add mid-life production with material upside potential through production optimisation, incremental developments and field life extension projects. The Tolmount acquisition enables Premier to deepen its position in one of its core UK development assets which has significant upside and, as outlined above, is on track for first gas by the end of 2020.

Combined with existing assets, the proposed acquisitions add cash-generative, rising production out to 2024 with pro forma 2019 UK production in excess of 75 kboepd and no decommissioning security burden. All of the proposed acquisitions are expected to have completed by the end of the third quarter of 2020.

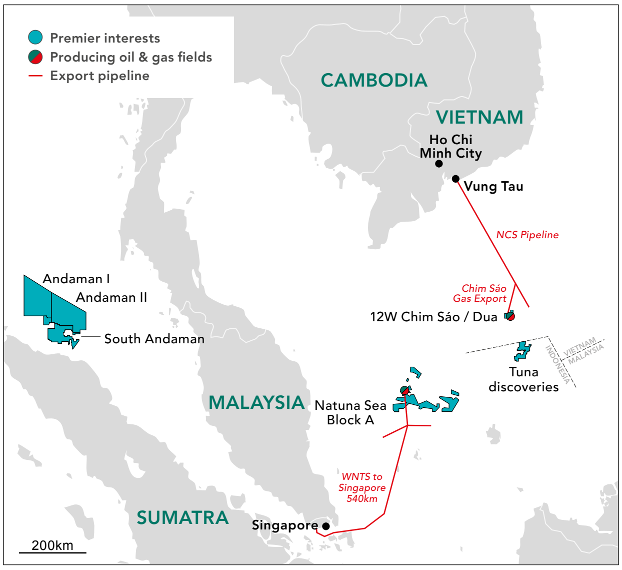
Indonesia

Premier's Indonesian Business Unit generated material positive net cash flows, after ongoing capital expenditures on the BIG-P development. Safe delivery of BIG-P first gas on schedule and below budget is testament to the team's strong project execution skills and supports the Company's long-term gas sales contracts into Singapore.

11.5kboepd
Net production

99%
Operating efficiency

US$8/boe
Operating cost



Production and development

Production from the Premier-operated Natuna Sea Block A averaged 11.5 kboepd (net, Premier 28.7 per cent interest) (2018: 12.9 kboepd). The slight reduction on 2018 reflects weaker Singapore demand during the second and third quarters of 2019 with Singapore customers substituting cheaper spot LNG for Natuna Sea pipeline gas.

Singapore demand for Premier's Indonesian gas strengthened into year-end with production from Natuna Sea Block A averaging 16.1 kboepd (net to Premier) in December, as the price of Natuna Sea Block A pipeline gas and spot LNG converged. This strong production has continued into 2020 with Natuna Sea Block A production averaging 15.6 kboepd (net to Premier) to the end of February with Singapore demand significantly above take or pay levels.

Premier's Indonesian gas pricing is driven by HSFO prices. In light of the impending implementation of IMO 2020 legislation, Premier hedged a significant proportion of its 2020 Indonesian gas entitlement production at c.US$9/mmscf, significantly above current spot prices.

Gross gas deliveries under GSA1 and GSA2 (BBtud)	GSA1		GSA2	
	2019	2018	2019	2018
Anoa, Pelikan, Bison, Gajah Puteri	147	153	–	–
Gajah Baru, Naga, Iguana	–	–	55	80
Kakap	–	4	–	–
Total	147	157	55	80

Premier sold an average of 202 BBtud (gross) (2018: 233 BBtud) from its Natuna Sea Block A fields to Singapore under its two Gas Sales Agreements (GSA1 and GSA2) during 2019. Gross liquids production from the Natuna Sea Block A averaged 1.4 kbopd in 2019.

Singapore demand for Indonesian gas under GSA1 averaged 285 BBtud (2018: 292 BBtud), slightly ahead of take or pay levels.

Premier's Natuna Sea Block A fields dedicated to GSA 1 – Anoa, Pelikan, Bison and Gajah Puteri – delivered 147 BBtud (gross) (2018: 153 BBtud), capturing 52 per cent (2018: 52 per cent) of GSA1 deliveries, above Natuna Sea Block A's contractual share of 51 per cent.

Premier's Natuna Sea Block A fields dedicated to GSA2 – Gajah Baru, Naga and Iguana – delivered 55 BBtud (2018: 80 BBtud), in line with take or pay levels.

During 2019, Premier successfully executed a series of high value investments aimed at boosting deliverability from Natuna Sea Block A. Premier achieved first gas from its operated BIG-P project in December, on schedule and significantly below budget. With further production history, Premier expects BIG-P recoverable reserves to increase to in excess of the 93 Bcf (gross) estimated at sanction. This is as a result of the successful three-well drilling campaign in 2019 which encountered additional productive sands. Natuna Sea Block A deliverability was also boosted by a successful perforation of an Anoa West Lobe well in May and the tie-in of a Gajah Baru infill well in December.

Further intervention activities are planned for 2020 to maximise gas delivery from the Natuna Sea Block A fields and preparations are underway for a 2021 rig campaign which will include Anoa well workovers and side-tracks, infill drilling on the Pelikan field and an appraisal well to test the northern flank of the producing Anoa field.

Exploration and appraisal

During 2019, Premier continued to progress its operated Tuna discoveries, which are estimated to contain 100 mmboe (gross) and are located in the Natuna Sea close to the Indonesian and Vietnamese maritime boundary.

In December, Premier signed a Heads of Terms with Zarubezhneft, a Russian company with upstream interests primarily in Vietnam, to farm in for a 50 per cent non-operated interest in the Tuna PSC. A farm down agreement is expected to be signed by the end of the first quarter of 2020. Under the farm down agreement, Zarubezhneft will carry Premier for its share of a two-well appraisal campaign which is planned for 2020. It is anticipated that, post completion and receipt of government approval, Premier will retain operatorship and a 50 per cent interest in the Tuna PSC.

In January 2020, Premier was awarded a one-year extension to the exploration period of the Tuna PSC to allow for appraisal drilling to take place and the subsequent submission of a Plan of Development to the Indonesian Government by March 2021.

Elsewhere in Indonesia, Premier expanded its acreage position in the South Andaman Sea during 2019, farming in for a 20 per cent interest in South Andaman and Andaman I PSCs. A 3D seismic acquisition programme across parts of the Andaman Sea blocks was completed during the first half of 2019. The fast track data was received in September and confirmed the prospective nature of the acreage with the fully-processed seismic data across all three blocks to be delivered in the first quarter of 2020. Premier plans to drill its first well in the Andaman Sea on its operated Andaman II licence in the first half of 2021. Premier's Andaman Sea position has the potential to deliver multi-TCF of gas and adds a potentially material gas play to the Group's Indonesia portfolio.

Vietnam

Premier's operated Chim Sáo field delivered a robust production performance in 2019. Together with continued low operating costs, this resulted in the asset generating over US$80 million of free cash flow. A two-well infill programme is being planned for 2021 to help offset natural decline from the existing production wells with regulatory approvals in progress.

11.4kboepd
Net production

95%
Operating efficiency

US$9/boe
Operating cost

Production from the Premier-operated Block 12W, which contains the Chim Sáo and Dua fields, averaged 11.4 kboepd (net, Premier-operated 53.1 per cent interest) (2018: 15.2 kboepd) and was ahead of expectations. The reduction on the prior year reflects natural decline from the existing wells partially offset by active reservoir management and ongoing well intervention activities.

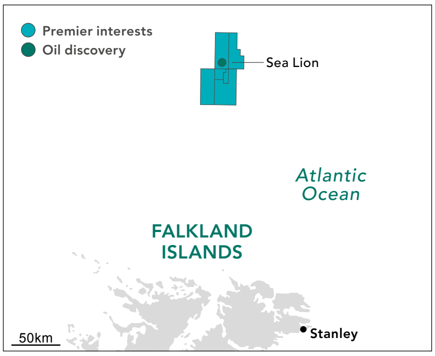
2019 saw four well intervention campaigns aimed at maximising the ultimate recovery from the Chim Sáo field. This included improved utilisation of gas lift across the Chim Sáo well stock and the perforation of new zones within existing wells. Further well intervention work is planned for 2020 to help slow natural decline and optimise offtake from the Chim Sáo field. Preparations are also underway for a two-well infill programme scheduled for 2021. Premier is currently seeking regulatory approvals for the programme ahead of going out for tender for a rig.

Chim Sáo cargoes were well bid, especially in the second half of the year, with an average premium to Brent of more than US$4.70/bbl realised for cargoes lifted during 2019. Demand for Chim Sáo crude continued to strengthen post period-end with January to April 2020 loading cargoes sold at an average premium to Brent of US$7.20/bbl.

Field operating costs were US$9/boe (2018: US$5/boe), significantly below budget driven by production outperformance.

Falkland Islands

The Premier-operated Sea Lion Phase 1 project has been substantially derisked from a technical and cost perspective and, post period-end, Navitas Petroleum agreed to farm in for a 30 per cent interest in the project. The Group's focus is now on securing senior debt support for the project.



The 530 mmbbls (gross) Sea Lion project, which will be developed over two phases, represents a material opportunity for the Group.

Sea Lion Phase 1 will develop 250 mmbbls (gross) using a conventional FPSO and subsea well development scheme, similar to Premier's operated Catcher development. FEED has been completed and the development concept further optimised with the addition of a drill centre to the south and the well count increased to 29 wells (20 producers, eight water injectors and one gas injector). 12 wells will be drilled pre-first oil supporting ramp up to plateau production rates of 85 kboepd (gross).

Premier continues to benefit from a collaborative relationship with its Tier 1 supply chain companies. All of the key service and supply contracts, including for the provision of the FPSO, drilling rig, well services, flexible flowlines and risers, subsea production systems and SURF installation, are being finalised in preparation for their execution as the project approaches sanction decision.

The Environmental Impact Statement was updated in 2019 to reflect further project optimisation and was issued for public consultation in the Falkland Islands, which concluded post period-end. The Environmental Impact Statement will be submitted along with the Field Development Plan ('FDP') for government approval as part of the project sanction process.

Premier has made a public commitment that all operated projects will be developed on the basis that they will be net zero in respect of Scope 1 and Scope 2 emissions. A number of engineering features have been designed into the Sea Lion project using best-available technology to minimise emissions at source. It is anticipated that these will be supplemented by carbon offsets to ensure net zero emissions from Sea Lion is achieved.

During 2019, Premier launched a farm down process to bring in an additional equity partner into the Sea Lion project to optimise the Group's level of participation in the development. In January 2020, Premier and Rockhopper agreed a detailed Heads of Terms with Navitas Petroleum to farm in for a 30 per cent interest in Sea Lion. Finalisation of a farm out agreement is expected during the first half of 2020 with completion subject to regulatory and lender approval. Together with the vendor funding for the project by the contractors and the senior debt financing component, this reduces Premier's share of pre-first oil capex from c.US$500 million to below US$300 million spread over the project investment period.

The critical path item to sanction remains securing senior debt support for the project. In 2019, Premier completed a Preliminary Information Memorandum supported by a comprehensive set of independent expert reports on the project. These formed the basis for the financing guarantee application process for the senior debt component of the project financing. While engagement with senior debt providers is constructive, feedback received highlights the need for Premier to complete its announced corporate actions and extension of its credit facilities to provide certainty over its medium- to long-term funding position before financial guarantees for the project can be provided.

Exploration activities

During 2019, Premier's exploration teams continued to invest selectively in its international exploration portfolio within strict budgetary constraints. The Group's focus remains on underexplored but proven provinces which have the potential to develop into new business units over the medium term.

ALASKA

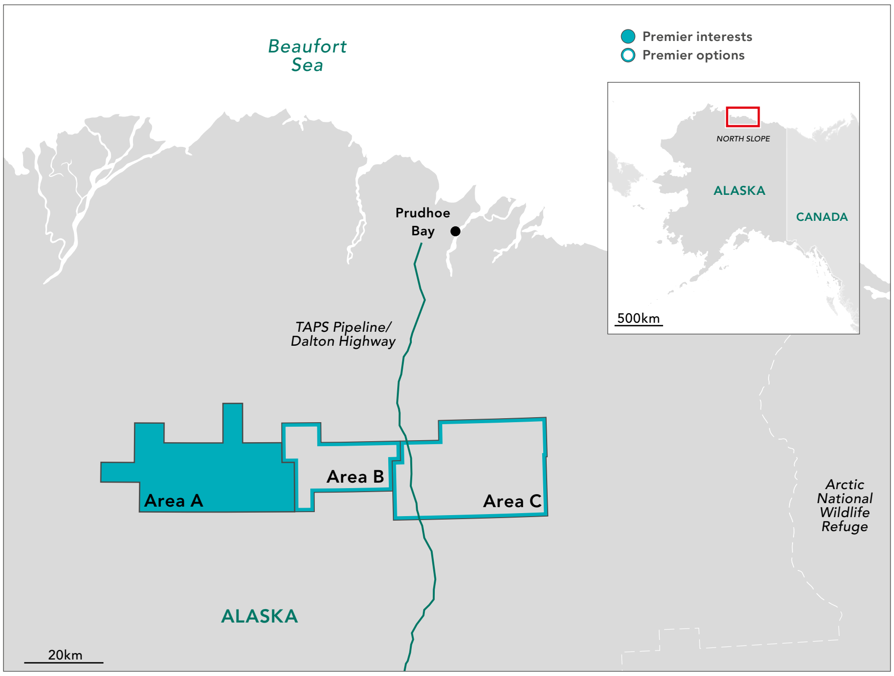
2019 saw a new country entry for Premier, with the Group farming in for a 60 per cent interest in the conventional Area A Icewine project in the Alaska North Slope. Area A contains the Malguk-1 discovery drilled by BP in 1991. This well discovered but never tested 251 feet of light oil pay in turbidite sands in the Torok formation, within the emerging Brookian play where a number of developments are currently underway. Premier estimates an accumulation of more than 1 billion barrels (gross) of oil-in-place. The Charlie-1 (Malguk-1 appraisal) well spudded post period-end on 2 March and is currently drilling ahead. Premier plans to flow test the well with the results expected in April. On successful completion of the work programme, Premier will have the option to assume operatorship and to opt-in to Icewine Area B or C.

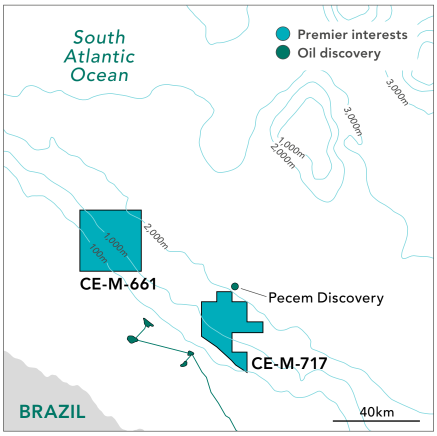
>4bn

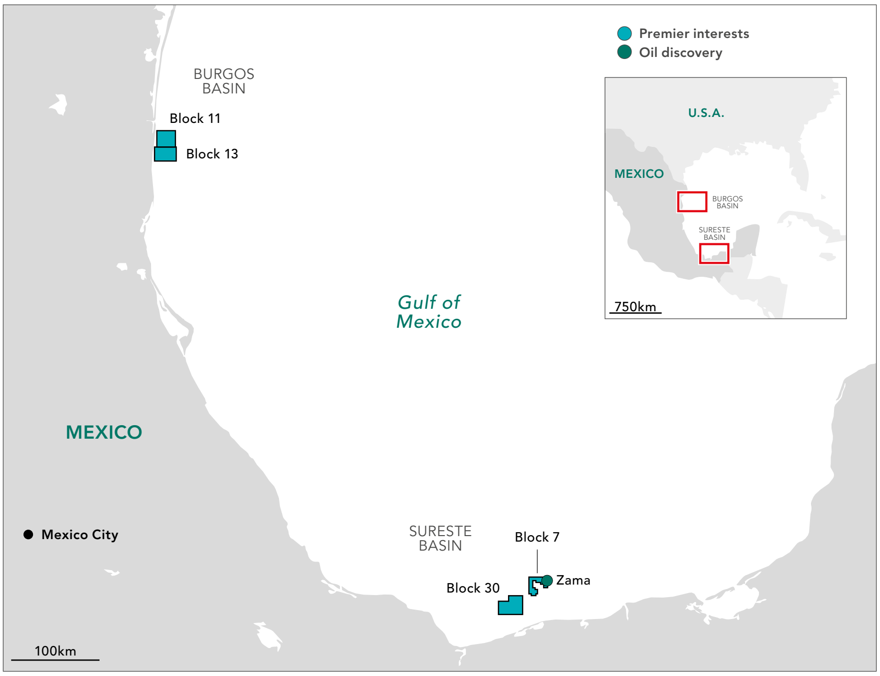
Barrels discovered in Brookian play (Alaska) since 2013

60%

Premier interest in Area A, Alaska







BRAZIL

In Brazil, much of 2019 was spent preparing for Premier's first in-country exploration well on its operated Block 717 (Premier 50 per cent interest) in the offshore Ceará basin. Premier has contracted the Valaris DS-9 drillship to drill a well targeting the stacked Berimbau/Maraca prospect. Berimbau is the higher risk, high value prospect with a Pmean to P10 gross unrisked resource estimate of 230-450 mmbbls. Maraca is a lower risk prospect and is estimated to contain 85-165 mmbbls (Pmean-P10) of gross unrisked resource. The well is expected to spud in the third quarter of 2020.

Elsewhere in the Ceará basin, on Block 661 (Premier 30 per cent non-operated interest), the joint venture successfully obtained an initial term licence extension through to November 2021.

Having fully evaluated the prospectivity on Block 665 (Premier 50 per cent operated interest), Premier and its joint venture partner unanimously decided to relinquish the licence in April 2019.

100-600mmbbls

P90-P10 gross resource targeted at Berimbau/Maraca

MEXICO

The Talos-operated Block 7 Zama appraisal campaign successfully completed in July, on schedule and below budget, and comprised two appraisal wells and a vertical side-track, which was flow tested. A comprehensive set of data was acquired and demonstrated reservoir properties at the upper end of expectation. This resulted in Premier increasing its gross resource estimate of the Zama structure to 670-810-970 mmboe (P90-P50-P10).

In June, the Block 7 joint venture partnership agreed the main elements of a full field development plan to maximise overall recovery from the Zama field. The Zama field will be developed using two offshore processing, drilling and accommodation platforms, together with a floating, storage and offloading vessel and oil export by tankers. FEED is now underway with submission of the FDP for government approval expected in the third quarter of 2020. FDP approval is subject to conclusion of the unitisation of the field between Block 7 and the neighbouring block (Pemex 100 per cent interest).

Unitisation discussions are progressing as per the Mexican regulatory process, which is in line with international best practice. If the Block 7 partners and Pemex cannot reach agreement, then an independent expert will be appointed in the second quarter of 2020 to determine the initial tract participation of the Zama field as per the process detailed in the Government-approved Pre-unitisation Agreement.

Following the successful appraisal of the Zama field, Premier initiated a sales process for its interest in Block 7. Discussions with interested parties are ongoing and are expected to conclude once the unitisation process is further advanced.

Premier retains exposure to exploration upside in Mexico through its other offshore licence interests, each of which has the potential to deliver material future value for Premier. A 3D seismic survey acquisition across Block 30 (Premier 30 per cent interest) was completed in July. The data is now being processed to delineate the full extent of the Wahoo and Cabrilla prospects, as well as to mature other prospectivity on the Block. Drilling is targeted for 2021.

Premier's exploration plan for its 100 per cent operated Burgos Blocks 11 and 13 was approved by CNH in July, triggering the start of the four-year initial term for these licences. Reprocessing of the existing 3D seismic across Premier's Burgos blocks is ongoing and regional play fairway analysis has identified a deeper play in the Cretaceous and Jurassic carbonates that provides additional upside to that previously identified in the Oligocene-Miocene clastic play.

810-970mmboe

P50-P10 Zama resource (gross)

A commitment to responsible and sustainable business

Premier is committed to behaving responsibly and conducting our business with honesty and integrity in everything we do.

Beyond this, we recognise that sustainability is also about maintaining the profitable growth of our business to deliver ongoing benefits to our stakeholders – including our employees, shareholders, customers, business partners, local communities and host countries.

2
Process safety LOPC
Tier 1 & Tier 2 events

US$1,049m
Total economic distribution

149
Greenhouse gas emission intensity
Tonnes CO_2e per thousand tonnes of production

1.04
Total recordable injury rate ('TRIR')
Per million man hours

1.92
Energy intensity
GJ per tonne of production

Employment of nationals

94%
Of employees

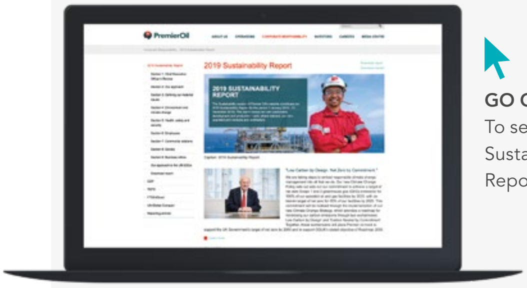
89%
Of senior management

Our approach to the following key areas of sustainability is explained throughout this chapter:

A. Principles, frameworks and standards: **page 26**

B. Materiality: **page 28**

C. Material issues: **page 29**



GO ONLINE
To see our online Sustainability Report 2019.

Third-party assurance

As part of the third-party assurance process undertaken for our online Sustainability Report 2019, ERM Certification and Verification Services ('CVS') has confirmed:

- The integrity of selected indicators used throughout this chapter.
- The alignment of the materiality process described on page 28 with the requirements of the Global Reporting Initiative Sustainability Reporting Standards.
- With the exception of Mexico, all our operations have established community engagement and investment programmes.

GO ONLINE
The ERM CVS assurance statement can be viewed on our website.

ERMCVS

A.
Principles, frameworks and standards

Our strong track record of responsible behaviour and effective sustainability performance is underpinned by our values, Group policies and management systems – as well as relevant external principles and standards.

OUR APPROACH
Our approach is guided by our overarching Sustainability Policy, which, amongst other commitments, requires Premier to act with respect for people, communities and the environment. We are also guided by a range of supporting policies, as summarised in our Non-Financial Information Statement below.

In addition, our Risk Management Policy and Risk Management Standard help us to avoid and/or mitigate the risks that might otherwise prevent us from achieving our sustainability objectives.

HOW SUSTAINABILITY IS GOVERNED
Our Sustainability Policy is owned and approved by our Board. Its supporting management systems are owned and implemented by our Executive Committee and relevant Group functional managers.

In 2019, the principal topics arising from Premier's activities that have economic, social and environmental impacts on stakeholders, and the Premier managers and executives responsible for overseeing them on a day-to-day basis, were:

- HSES, overseen by the Chief Executive Officer ('CEO').
- Climate change strategy, overseen by the CEO and guided by the newly established Climate Change Committee.
- Risk management, overseen by the Group Audit and Risk Manager.
- Human resources, overseen by the Group Human Resources Director.
- Legal and regulatory compliance, ethical behaviour and human rights, overseen by the Group General Counsel.
- Financial reporting and tax, overseen by the Finance Director.

NON-FINANCIAL INFORMATION STATEMENT

We aim to comply with sections 414CA and 414CB of the Companies Act. The table and cross-references below aim to help stakeholders better understand our approach to key non-financial matters. This builds on our existing non-financial reporting under a range of external frameworks – including the Global Reporting Initiative ('GRI'), CDP and the UN Sustainable Development Goals ('SDGs') – as well as our longstanding participation in both the FTSE4Good Index and the UN Global Compact ('UNGC').

REPORTING REQUIREMENT	INTERNAL POLICIES AND STANDARDS	EXTERNAL FRAMEWORKS AND STANDARDS	INFORMATION ON OUR BUSINESS IMPACTS AND OUTCOMES
Environmental matters	– Health, Safety, Environment and Security ('HSES') Policy. – Climate Change Policy.	– ISO 14001 (environmental) and OHSAS 18001 (occupational health and safety) management system standards.[1] – International Association of Oil & Gas Producers (member). – Global Reporting Initiative ('GRI') Standards.	– Environment: p34-39.
Employees	– People Policy. – Sustainability Policy. – Business Ethics Policy. – Human Rights Statement. – Global Code of Conduct.	– N/A.	– Employees: p40-42.
Human rights	– Human Rights Statement.	– Voluntary Principles on Security and Human Rights. – United Nations Guiding Principles on Business and Human Rights.	– Society: p43-45.
Social matters	– Community Investment Statement. – Tax Policy.	– N/A.	– Community relations: p43. – Society: p43-45.
Anti-corruption and anti-bribery	– The Code. – Business Ethics Policy. – Group-wide Dealing Policy. – Whistleblowing Procedure.	– N/A.	– Governance and business ethics: p30.
Our business model	– N/A.	– N/A.	– Our strategy and business model: p12-13.
Our principal risks and uncertainties	– Risk Management Policy.	– ISO 31000 risk management system standard.[2]	– Risk management: p50-53. – Principal risks: p54-57.
Non-financial key performance indicators	– N/A.	– N/A.	– Throughout.

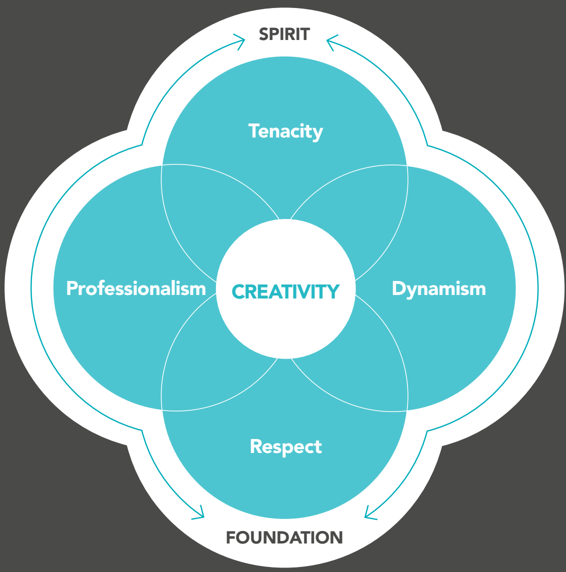
[1] Both standards are applied to all Premier-operated production assets and our drilling operations. Premier is in the process of transitioning our OHSAS 18001 certification to the ISO 45001 by 2021, under our three-year Group HSES Strategy.
[2] Premier's Risk Management Policy and Risk Management Standard apply the principles set out in the ISO 31000 risk management system standard.

Living our values

Our values underpin our behaviours and activities, complement and support our strategy, and are also reflected in our policies and procedures.

At the centre of these values is creativity which sits at the heart of everything we do.

With the foundations of the Company built on professionalism and respect, our spirit comes from our tenacity and dynamism.



Strategic response to our organisational review

Relevant strategic pillars:

2 4

During the year, we took steps to address the outcomes of an independent organisational review that was undertaken in the second half of 2018. The review was commissioned by Premier's Board of Directors in 2018 to assess and strengthen our governance and organisational structures, core business processes and corporate culture.

Key actions to address the outcomes of the review included (among other measures):

- The initial rollout of our updated Strategy, in combination with the development of new strategic priorities for each of our business units.
- A project to improve the effectiveness of our Business Management System ('BMS'), with a focus on simplifying the content and reducing the volume of the documentation controlled on the system.

GO ONLINE
To find out more, see 'Section 2: Our approach' in our online Sustainability Report 2019.

B.
Materiality

Our annual materiality assessment helps us to identify and prioritise our most significant sustainability issues.

MATERIALITY ASSESSMENT

In line with the Global Reporting Initiative ('GRI') Standards, our sustainability reporting is structured around our most material sustainability issues. This assessment process draws on our existing risk assessment process and stakeholder engagement activity – as well as specific research, analysis and stakeholder interviews.

To find out more about our structured materiality assessment process, see 'Section 3: Defining our material issues' in our online Sustainability Report 2019.

MATERIAL ISSUES

The outcomes of this assessment are displayed on the sustainability materiality matrix below. Presentation of an issue as 'non-material' on this matrix does not mean it is not important or that it is not being managed, but only that its impact is not of sufficient significance for it to be addressed in detail in this report or in our online Sustainability Report 2019.

PRINCIPAL CHANGES

The principal changes in material and non-material issues resulting from our 2019 assessment include the following:

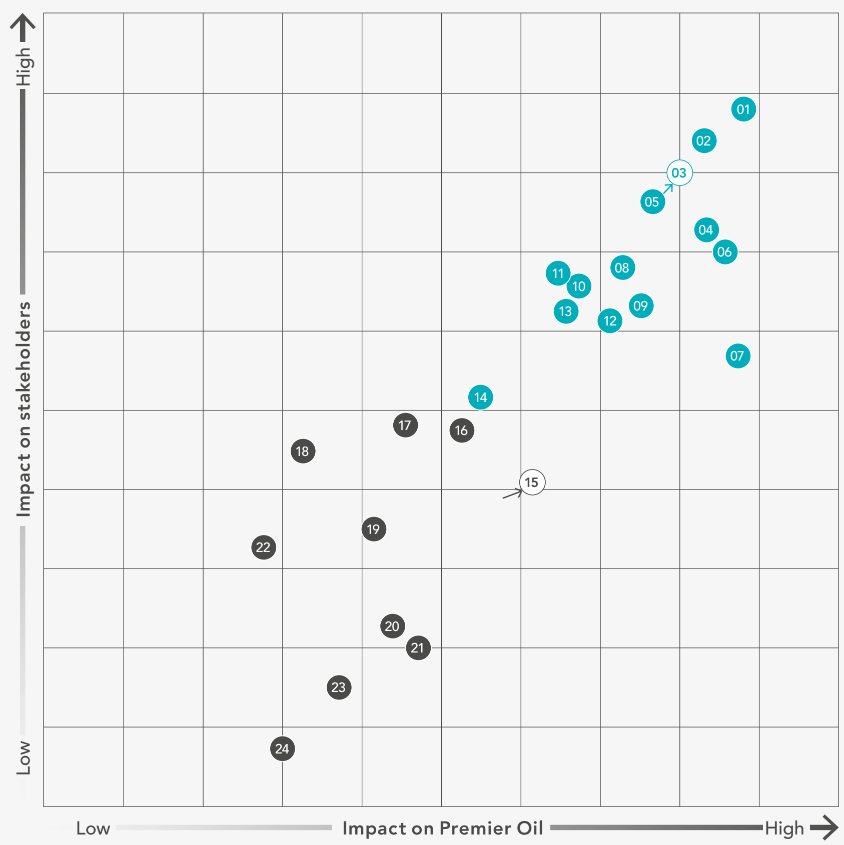
- Increased impact of 'Energy transition and climate change' reflecting growing investor and other stakeholder focus on the issue as well as Premier's enhanced energy and carbon management efforts in 2019 (see 'Section 4: Environment and climate change' in our online Sustainability Report 2019).
- Increased impact of 'Cyber security', which remains a non-material issue – reflecting ongoing instances of cyber-attack against multinational companies, including within the oil and gas industry. In 2019, we continued to strengthen our cyber security stance – including the ongoing enhancement of our policies, standards and procedures; systems, access controls and safeguards; culture and awareness; and our response and recovery measures.

In addition, the previous issues of 'Resource use' and 'Climate change and GHGs' were redefined as 'Water use' and 'Energy transition and climate change', respectively.

The redefined issue of 'Energy transition and climate change' includes Premier's own energy use (previously bundled under 'Resource use') which is closely linked to the ongoing management of our climate change impacts.

In addition, this new issue more accurately reflects the strategic, long-term nature of the climate change challenge facing the industry and society more broadly.

SUSTAINABILITY MATERIALITY MATRIX



Material issues

- 01 Process safety and asset integrity
- 02 Emergency preparedness
- 03 Energy transition and climate change
- 04 Occupational health and safety
- 05 Value generation and distribution
- 06 Effluents and waste
- 07 Public policy and government relations
- 08 Responsible supply chain management
- 09 Decommissioning
- 10 Workforce
- 11 Employee engagement
- 12 Governance and ethics
- 13 Environmental management
- 14 Human rights

Non-material issues

- 15 Cyber security
- 16 Learning and development
- 17 Biodiversity
- 18 General grievance mechanisms
- 19 Community impacts
- 20 Customer impacts
- 21 Water use
- 22 Product responsibility
- 23 Child/forced labour
- 24 Market behaviour

Arrows indicate key shifts in our material issues in 2019.

C.
Material issues

The following section provides an overview of our most significant (or 'material') sustainability issues. It sets out why these issues are material to Premier, how they are managed and the outcomes of our management efforts.

OUR APPROACH TO THE UN SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals ('SDGs') offer businesses and governments a comprehensive, internationally-agreed framework to pursue and support meaningful development. In 2019, we reviewed our approach to the SDGs to identify – and focus our efforts on – those Goals where we can make the most meaningful contribution. This includes both maximising our positive impacts on the achievement of the SDGs, as well as minimising any of our negative impacts. The figure below sets out the three SDGs identified by this review, as well as our related material issues and key performance indicators ('KPIs').

7 AFFORDABLE AND CLEAN ENERGY

Target 7.3

By 2030, double the global rate of improvement in energy efficiency

Related material issues

– Energy transition and climate change.

– Environmental management.

KPI & performance

Energy efficiency

1.92

GJ per thousand tonnes of production

Focus areas

– Improving energy efficiency at our North Sea assets.

READ MORE
Environment P34-39

8 DECENT WORK AND ECONOMIC GROWTH

Target 8.8

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

Related material issues

– Occupational health and safety.

– Process safety and asset integrity.

– Emergency preparedness and response.

– Human rights.

– Diversity and inclusion.

KPIs & performance

Non-compliance with Global Code of Conduct

0

Cases recorded

Lost time injury frequency

1.04

Injuries per million man hours

Focus areas

– Our new diversity and inclusion road map.

– Global CEO HSES awards.

– Global HSE day.

READ MORE
Health, safety and security P31-33
Employees P40-42

13 CLIMATE ACTION

Target 13.1

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Related material issues

– Energy transition and climate change.

KPI & performance

GHG intensity

149

tonnes CO_2e per thousand tonnes of production

Focus areas

– Our new Climate Change Policy and Strategy.

– Integrating climate change into our governance and investment practices.

READ MORE
Environment P34-39

Governance and business ethics

Why this issue is material

Premier is committed to conducting its activities to the highest ethical standards, and in compliance with all applicable laws and regulations. This is vital to maintaining the trust of our stakeholders – including host governments and societies, current and potential investors, and our business partners. It also helps protect our reputation and supports our current and future success. We therefore uphold and, where feasible, strengthen ethical standards wherever we do business.

Potential areas of risk in this regard include procurement activities and interactions with government officials.

Premier has recognised business ethics as a key element of the following principal risks: 'financial discipline and governance', 'joint venture partner alignment and supply chain delivery', and 'host government: political and fiscal risks'.

POLICIES

Our Business Ethics Standard supports our overall Sustainability Policy. It requires Premier's employees and contractor personnel to behave ethically and with personal integrity. Our approach to business ethics is developed further in our Global Code of Conduct, which establishes specific standards (including in relation to anti-corruption and preventing the facilitation of tax evasion). The Code covers:

- Legal compliance.
- Anti-bribery.
- Facilitation payments.
- Gifts and hospitality.
- The appointment of intermediaries.
- Charitable and political donations.
- Whistleblowing.
- Prevention of the facilitation of tax evasion.
- The proper recording of transactions and the application of relevant accounting and reporting standards.

HOW WE IMPLEMENT OUR POLICIES

We require all employees, contractor personnel and those associated with Premier, such as consultants, to adhere to the Code. Business partners, including joint venture partners, contractors and customers, must also apply the principles of the Code – or equivalent standards. This is achieved by the inclusion of business ethics provisions in our contracts.

We aim to train all employees and contractor personnel on the Code within one month of their induction. All employees and contractor personnel (including all of our Executive and Non-Executive Directors) are required to undertake additional training on the Code on an annual basis thereafter.

The Audit and Risk Committee monitors the effectiveness of the Code and its supporting policies. To support this, we:

- Undertake an ongoing corporate-wide review process to assess internal compliance with the Code, led by our Legal Function.
- Use our Business Ethics Screening Tool to assess the exposure of Premier's operated and non-operated exploration, development and production operations to external business ethics risks.
- Have established a Company-wide leadership group comprised of business ethics champions from each business unit, which meets at least twice annually to discuss where performance can be further improved.

In addition, all new material contracts which fall within the stated threshold are subject to our Supply Chain Contractor Due Diligence Process. This involves an online business ethics questionnaire, which identifies potential issues of concern, triggering (where relevant) a bespoke full due diligence process. The process enables us to effectively manage identified risks, which may include appropriate mitigations, before contracts are executed.

Employees, contractor personnel and agency workers who believe that Premier, or anyone working for or on behalf of the Company, has violated the Code are encouraged to report their concerns to their line managers. They can do so on a confidential basis and without fear of recrimination. All reports are properly investigated and the results reported to the Board.

Allegations of malpractice can also be raised via Premier's well-publicised, confidential and independently managed reporting hotline, which is available 24 hours a day.

Employees found to have breached the requirements of the Code will be subject to a disciplinary procedure and, in extreme cases, instant dismissal and referral to the relevant law enforcement authorities. Contractor personnel found to have breached the Code may have their contracts terminated. Any breach of the Code by our business partners will result in either an agreed corrective action plan and measures to avoid a recurrence, or potential termination (where contractually permissible).

For more information on how we implement the Code, see 'Section 9: Business ethics' in our online Sustainability Report 2019.

OUTCOMES

Key indicators – Governance and business ethics

MATERIAL ISSUE	PREMIER OIL METRIC	2019	2018	2017	OUR PERFORMANCE IN 2019
Governance and ethics	Significant legal sanctions in relation to business ethics.	0	0	0	During 2019, no significant legal sanctions were imposed on Premier.
	Disciplinary actions or dismissals for breaches of the Code.	0	2	0	There were no confirmed cases of non-compliance with the Code in 2019.
	New members of our workforce[3] receiving induction training on the Code.	100%	100%	100%	All new members of our workforce received induction training, which addresses all aspects of the Code, including anti-bribery.
	Existing members of our workforce[3]:				As of March 2020, 93% of our workforce had completed the training assigned to them in 2019. We will closely monitor completion of this training throughout 2020.
	– Assigned refresher training on the Code.	100%	100%	100%	
	– Completed training[4].	93%	99%	95%	

[3] 'Workforce' includes both employees and contractor personnel.

[4] As of March 2020.

Health, safety and security

Why this issue is material

There are a range of potential hazards involved in offshore oil and gas operations. Therefore, it is vital that we continuously apply rigorous health, safety and security practices. Not only does this help to avoid negative impacts upon the health, wellbeing and security of our employees, contractors and joint venture partners, it also supports the maintenance of our:

- Operational continuity.
- Regulatory compliance.
- Corporate reputation.

Our most significant health, safety and security issues are:

- Process safety and asset integrity.
- Occupational health and safety.
- Emergency preparedness.
- Workforce and asset security.

Premier has identified 'health, safety, environment and security' as a principal risk.

POLICY

Our Health, Safety, Environment and Security ('HSES') Policy sets out the Company's overarching commitments to:

- Never knowingly compromise our HSES standards.
- Do all that is reasonably practicable to reduce HSES risks.
- Ensure the safety and security of everyone affected by our operations.

For more information on our HSES Policy, see 'Section 5: Health, safety and security' in our online Sustainability Report 2019.

HOW WE IMPLEMENT OUR POLICY

Process safety and asset integrity

Our HSES Management System defines our objectives and minimum requirements for process safety and asset integrity across all operations. In addition, it sets out the responsibilities, verification and validation required to provide assurance that these have been met.

We apply a system of Process Safety and Asset Integrity Performance Reporting at all of our operated assets. In addition, each of our business units track a suite of leading and lagging process safety and asset integrity key performance indicators ('KPIs') to drive continuous improvement. In 2019, we revised our Process Safety and Asset Integrity Performance Reporting Standard to enhance the effectiveness of the process safety KPIs that help support major accident hazard management. We also introduced an additional leading KPI to the suite of KPIs that are linked to Board remuneration to improve Board visibility over process safety.

Global CEO HSES awards

Relevant strategic pillars:

1

In 2019, we continued to run our annual Global CEO HSES awards programme. This recognises outstanding safe behaviours, environmental leadership and innovation across the organisation.

The Offshore Installation Manager at our Balmoral asset received the 'Best Individual' award for demonstrating leadership in putting employee safety and asset integrity above operational and financial considerations. The 'Best Team' award went to the operations team at our Gajah Baru asset in Indonesia. This was in recognition of the asset recording over two million hours without any loss of primary containment events, lost time injuries or high potential incidents.

GO ONLINE

To find out more, see 'Section 5: Health, safety and security' in our online Sustainability Report 2019.

Global HSE Day

Relevant strategic pillars:

1

In June 2019, we ran our second Global HSE Day, following the success of our first Group-wide event in 2017. During the day, Premier's CEO launched our new 'Life Saving Rules' via video link across all our business units. The nine Life Saving Rules are designed to help address the most critical hazards across our operations. They replace our previous 17 Golden Rules of Safety and were selected following a consultation with our global workforce.

GO ONLINE
To find out more, see 'Section 5: Health, safety and security' in our online Sustainability Report 2019.

Occupational health and safety

Our HSES Policy is implemented through our HSES Management System. The system is comprised of a comprehensive set of standards and procedures, which form part of Premier's Business Management System ('BMS').

We apply the HSES Management System across our global operational activities and use it to define how HSES issues should be managed throughout the lifecycles of our projects. The management system is externally certified to the OHSAS 18001 health and safety management system standard for our production facilities and drilling operations. We plan to transition our OHSAS 18001 certification to the ISO 45001 by 2021, as part of the implementation of our three-year Group HSES Strategy.

To drive continual improvement, we regularly review and update our HSES Management System in line with our operational requirements and the findings from our major accident risk assessments and internal audits. This enables us to establish the necessary control measures to reduce risk exposure to a level that is 'as low as reasonably practicable' ('ALARP'). In addition, we implement a workforce health surveillance programme to identify potential early indications of work-related health issues and the follow-up actions required to diagnose, treat or prevent their progression.

We monitor our HSES performance closely and report this information on an ongoing basis to the Executive Committee and to the Board.

Emergency preparedness

Our HSES Management System also helps minimise the risk of catastrophic safety incidents and other major events occurring at our facilities. The complex nature of our assets, their offshore location and the combustibility of hydrocarbons and other materials used on our facilities means that we go to significant lengths to prevent the occurrence of major accidents.

All of our business units and operated facilities have emergency response plans, which are regularly reviewed. We also conduct regular offshore drills for all personnel, as well as periodic integrated emergency exercises involving our onshore and offshore emergency response teams. Finally, we retain the services of industry leading oil spill recovery companies to support our response plans and on-site response capabilities in the event of a major incident.

In 2019, we established a new dedicated position for a Group Crisis and Emergency Response Lead to oversee the emergency response capabilities and competencies across our business units. We also revised our Crisis and Emergency Response Standard, introducing a range of new expectations on emergency drills and exercises.

Workforce and asset security[5]

We undertake security assessments for our employees and assets. These assess the latent risks posed by their location, as well as analysing recent incidents. We apply a formal travel risk management process when any employee travels abroad. As such, visitors to higher risk locations (e.g. Brazil and Mexico) are supported by in-depth travel risk assessments and guidance, as well as enhanced physical security and evacuation precautions where appropriate.

For more information on our approach to health, safety and security, see 'Section 5: Health, safety and security' in our online Sustainability Report 2019.

[5] No significant security incidents directly affected our personnel in 2019.

OUTCOMES
Key indicators – Health and safety

MATERIAL ISSUE	PREMIER OIL METRIC	2019	2018	2017	OUR PERFORMANCE IN 2019
Occupational health and safety	Fatalities*	0	0	0	We reduced our Total Recordable Injury Rate ('TRIR') to 1.04 (from 2.65 in 2018) as well as reducing our High Potential Incident Rate ('HiPoR') to 1.04 (from 1.40 in 2018). No recordable injuries were recorded at Premier operated sites during the year. This decrease reflects strong safety performance improvements across our operated sites in South East Asia and at the Solan asset in the UK and a significantly improved performance at the Balmoral asset, following extensive work by onshore and offshore teams in the UK Business Unit to enhance our safety culture. These efforts were supported by our second Global HSE Day, which took place in June 2019 (see 'Focus area: Global HSE Day').
	Lost work day cases ('LWDC')*	2	9	3	
	Restricted work day cases ('RWDC')*	3	1	0	
	Medical treatment cases ('MTC')*	3	7	6	
	Total recordable injury rate ('TRIR')[6]*	1.04	2.65	1.47	
	High Potential Incidents ('HiPo')	8	9	4	
	High Potential Incident Rate ('HiPoR')[7]*	1.04	1.40	0.65	
	Man hours worked (million)	7.7	6.4	6.1	
Process safety and asset integrity	Process safety events (IOGP Tier 1)*	1	0	0	During 2019, we reported one Tier 1 LOPC process safety event and one Tier 2 LOPC process safety event. Both events occurred on the Catcher Floating Production Storage and Offloading ('FPSO').
	Process safety events (IOGP Tier 2)*	1	2	1	
HSES management	HSES Audit Actions Close Out Rate	89%	92%	–	We initiated the reporting on HSES Audit Actions Close Out Rate in 2018. Our 2019 target was 90%.
	HSES Leadership Site Visits	51	35	18	We conduct routine leadership site visits across our business units. We exceeded our 2019 target of 35 visits.

* Data for 2019 assured by ERM CVS
[6] Per million man hours.
[7] Per million man hours.

Global workforce engagement in HSES survey

Relevant strategic pillars:

1 4

In 2019, we launched our first global workforce engagement in HSES survey to identify and address gaps in HSES engagement and culture across the organisation. The survey methodology adopts a 'Step Change in Safety' maturity model.

This will enable Premier to identify the steps needed to achieve a level of HSES engagement maturity whereby our employees are not just routinely engaged on HSES, but actively lead engagement efforts.

GO ONLINE
To find out more, see 'Section 5: Health, safety and security' in our online Sustainability Report 2019.

Environment

Why this issue is material

All of Premier's operated activities are conducted offshore. We drill for and extract both oil and gas from sub-surface reservoirs (in cooperation with our operational contractors) for transport to markets (by pipeline and/or third-party shipping partners). Without effective management, these activities have the potential to negatively impact water quality, air quality and the health of local ecosystems. Any failure to avoid and/or mitigate these impacts would have material reputational and regulatory consequences for our business.

Our most significant environmental issues relate to:

- Energy transition and climate change. This includes the management of greenhouse gas ('GHG') emissions associated with energy consumption and flaring at our facilities as well as our broader management of physical and transitional climate change risks.
- Effluents and waste, including the prevention of spills and the responsible management of hazardous materials.

Premier has identified 'health, safety, environment and security' and (with regards to climate change regulation) 'host government: political and fiscal risks' and 'commodity price volatility' as principal risks.

POLICY

As set out in our HSES Policy, we are committed to minimising our environmental impacts to a level that is 'as low as reasonably practicable' ('ALARP'). We will never compromise our environmental standards to meet our operational objectives.

In 2019, we launched our revised Climate Change Policy, which builds on our previous Carbon Policy and continues to support the ambitions of the Paris Agreement. The Policy commits us to taking a proactive approach to climate change. This includes setting climate change objectives as well as demonstrating how we meet these objectives over time. See pages 34 to 38 as well as our Climate Change Policy for more information.

HOW WE IMPLEMENT OUR POLICY

Our HSES Management System helps us manage our environmental impacts across the lifecycles of our operations and projects. All of our operated production and drilling activities are certified to the ISO 14001 environmental management standard.

As required by our HSES Management System, we perform baseline surveys and prepare environmental and social impact assessments ('ESIAs') for all of our operated activities. The assessments address our:

- Physical impacts.
- Ecosystem impacts.
- Socio-economic impacts.

During this systematic process, we assess the impacts of our proposed activities, and consider how each can be reduced to a level that aligns with the ALARP principle. Potential impact controls are then considered and implemented according to their efficacy, practicality and cost.

Our business units record key environmental metrics on an ongoing basis. These metrics are analysed on a monthly basis and relevant performance indicators are reported to the Board. We distribute an HSES scorecard to all personnel to keep them informed of Company HSES performance.

In line with our HSES Management System requirements, we also undertake ongoing

Our new Climate Change Policy and Strategy

Relevant strategic pillars:

1 2 3

In our new Climate Change Policy, Premier commits to ensuring all of our operated projects will be developed on a carbon neutral basis in respect of Scope 1 and Scope 2 GHG emissions. We can therefore commit, based on expected future profiles, that Premier will be more than 65 per cent carbon neutral by 2025 and 100 per cent by 2030. This commitment will be delivered through the implementation of our new Climate Change Strategy, which provides a roadmap for minimising our GHG emissions through two workstreams: 'Low Carbon by Design' and 'Carbon Neutral by Commitment'.

Our new Climate Change Strategy also incorporates the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD').

The implementation of both the policy and strategy will be overseen by our dedicated Climate Change Committee, which was established in 2019.

GO ONLINE

To find out more, see 'Section 4: Environment and climate change' in our online Sustainability Report 2019.

Integrating climate change into our governance and investment practices

Relevant strategic pillars:

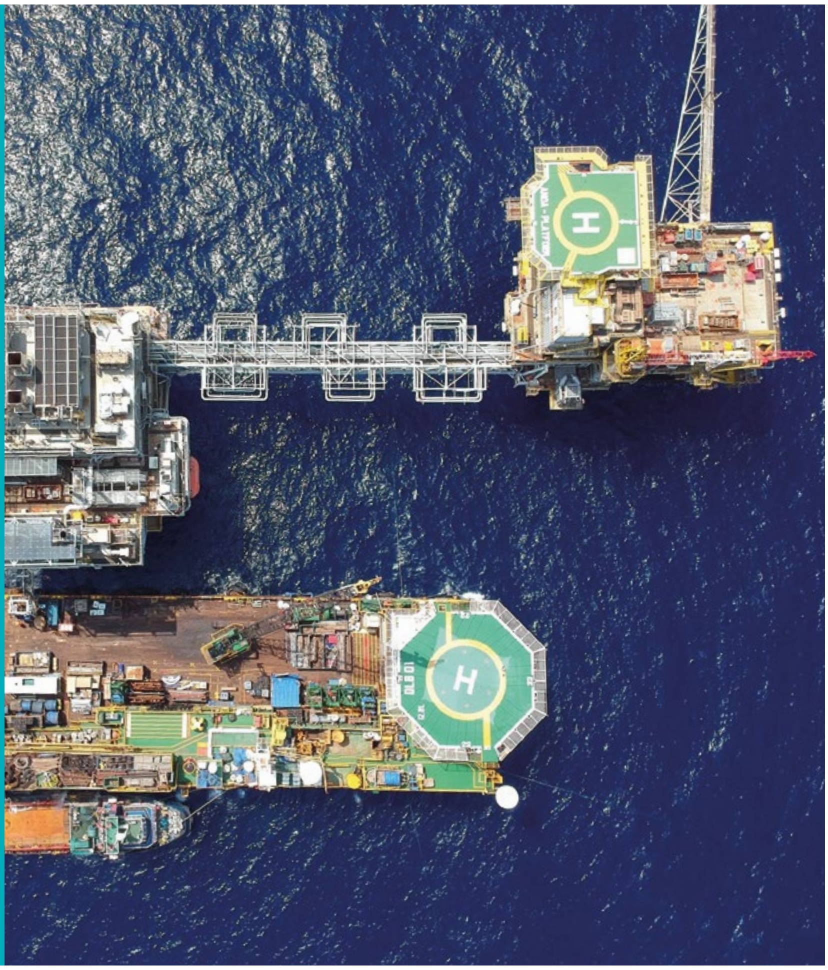
1 3

We integrated climate change into our Executive Directors' Annual Bonus Framework (effective from 2020). We also updated our corporate investment guidelines to help integrate climate change analysis into our investment decision-making processes. More specifically, this included:

- **Climate scenario analysis:** Stress testing our portfolio under a 2 degree global temperature rise scenario to support our ongoing efforts to align with the TCFD recommendations.
- **Carbon emissions pricing:** Integrating a single flat base case for carbon pricing to capture carbon costs in the economics of all future investment decisions, irrespective of whether carbon tax legislation applies to the jurisdiction.

These measures form part of our broader efforts to deliver our new Climate Change Policy and Strategy.

GO ONLINE
To find out more, see 'Section 4: Environment and climate change' in our online Sustainability Report 2019.



monitoring to assess the environmental impact of our activities throughout the lifecycle of our projects.

For more information on how we manage our environmental impacts see 'Section 4: Environment and climate change' in our online Sustainability Report 2019.

Energy transition and climate change
Premier Oil is committed to carrying out all that we do efficiently and responsibly, and we understand the need to limit GHGs. As global energy demand grows, the world must support the twin objectives of limiting climate change and the associated effects of global warming, while providing affordable energy to a growing global population. In this context, Premier will continue to play a role in helping to meet global energy demand through the efficient and responsible extraction of oil and gas. At the same time, we are implementing a range of measures to manage the GHG emissions as well as the physical and transitional climate change risks associated with our activities.

Our approach to managing our GHG emissions involves:

- The efficient operation of our existing equipment and infrastructure. This includes minimising flaring and venting, where possible.
- The reduction of fugitive gas emissions through, for example, leak detection and repair ('LDAR') programmes.
- The installation of best available technology into all new projects to minimise their GHG intensity.
- The application of carbon pricing throughout the lifecycles of all new and existing projects.

To this end, we:

- Conduct environmental ALARP studies during the design phase of all new projects.
- Set specific, measurable, attainable, relevant and time-bound ('SMART') annual GHG intensity targets to drive operational efficiency at our operated production assets.
- Aspire (through target setting and the measures explained above) to achieve a carbon intensity for steady-state operated production that is in line with the overall industry intensity figure published by the International Association of Oil & Gas Producers ('IOGP').
- Integrate carbon pricing and scenario analysis into decision-making across our asset portfolio.
- Collaborate with industry and other associations on climate change adaptation and mitigation strategies, including the development of a framework to support the oil and gas industry in working towards a target of net zero GHG emissions.

Where possible, we also seek to reduce our indirect emissions, for example, through the reduction of unnecessary air travel by using video conferencing.

Our approach to the energy transition and climate change

Governance

We established a comprehensive climate-related risk governance framework that extends from the Board of Directors, through executive and senior management to the working levels in each of our business units.

Activities and achievements in 2019

- Revised and reissued our Climate Change Policy.
- Established a Climate Change Committee that reports to the Executive Committee on emerging climate change policies, risks, technologies, emerging best practices and stakeholder expectations.

Plans for 2020

- Link climate change to executive pay (effective from 2020).
- Strengthen climate change oversight and dialogue across the Board, Premier's business leaders and staff with a Board HSES Committee and new ESG advisory workstreams.
- Monitor existing and emerging carbon markets and drive new-technology initiatives and projects that can reduce carbon emissions.

Metrics and targets

We use key metrics and targets to measure and monitor our performance and progress in managing climate-related risks and opportunities in line with our strategy and risk management process.

Activities and achievements in 2019

- Achieved a continual improvement in our GHG intensity target: 9% reduction from 2018.
- Achieved an improved CDP score: from D (2018) to B (2019).

Plans for 2020

- Establish individual GHG emission reduction plans and targets for all assets across Premier's portfolio, including carbon minimisation and nature-based offsetting initiatives, to support the target of net zero Scope 1 and 2 emissions by 2030, based on expected future profiles.
- Assess costing options associated with GHG reduction pathways and initiatives that support Premier's target of net zero by 2030.

Our new Climate Change Policy sets out our commitment to ensure all of our operated projects will be delivered on a carbon neutral basis in respect of Scope 1 and Scope 2 GHG emissions.

To achieve this, we will:

- Identify and pursue opportunities to minimise our carbon footprint and GHG emissions within our operations.
- Invest, to the extent that we cannot reduce all of our Scope 1 and 2 GHG emissions, in nature-based carbon-offset projects, principally forestry, within our operating geographies.
- Establish time-bound targets that support the ambitions of the Paris Agreement.

As the world transitions to a low carbon future, fossil fuels will continue to hold a significant share of the global energy mix – accounting for nearly half of primary energy demand in 2050[8]. As an independent exploration and production company, we will continue taking steps to manage our greenhouse gas emissions and to operate our assets more efficiently – while turning hydrocarbon resources into energy to drive economic transformation. In support of this, we have aligned our efforts with the four pillars of the TCFD[9], as set out below.

Strategy

Our objectives are to manage climate-related risk, optimise opportunities and equip the Company to respond to changes in key regulatory and technological uncertainties.

Activities and achievements in 2019

– Revised and reissued our Climate Change Strategy, to align with the TCFD recommendations.

– Incorporated carbon pricing into our corporate investment guidelines.

Plans for 2020

– Collaborate with industry partners (e.g. OGUK, BRINDEX, Indonesian Petroleum Association) to define climate change strategies for the oil and gas industry.

– Establish a framework for investing in nature-based offsetting in our geographies, and create mechanisms for the governance, audit and reporting of offsetting programmes.

– Maintain dialogue with the TCFD and other relevant regulatory and advisory institutions, such as the Committee for Climate Change, DBEIS, the OGA, and OGUK.

Risk management

We utilise an integrated management system approach to identify, assess, characterise and manage climate-related risks. This system links directly to the enterprise risk management ('ERM') process.

Activities and achievements in 2019

– Revised our ERM Risk Register to further integrate physical and transitional climate change risks into the ERM process.

Plans for 2020

– Continue to monitor emerging climate change risks and develop related risk management practices.

– Strengthen existing climate change risk assessment and management processes for new and existing facilities, to include a review by type of risk (e.g. sea level, storms, temperature, permafrost) and take into account the lifespan of the projects and their capacity to adapt.

– Communicate with internal and external stakeholders in a transparent manner all of our climate change-related performance and our associated governance, risk management and target-setting.

– Integrate carbon pricing and scenario analysis into decision-making across our asset portfolio, to test the robustness of our strategy.

– Identify, manage and mitigate the physical and transitional climate change risks associated with our activities.

– Collaborate with industry and other associations on climate change adaptation and mitigation.

[8] IEA World Energy Outlook 2019.
[9] Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report, 2017).

Assessing our environmental and social impacts at the Sea Lion project

Relevant strategic pillars:

1

Sea Lion has the potential to be a transformational project for Premier Oil, our partners and the Falkland Islands more broadly.

In 2019, we undertook a series of revisions to our initial Environmental Impact Assessment ('EIA'), which collectively help improve the project's environmental profile. These include the implementation of direct offloading for crude from the FPSO vessel and the integration of a flare recovery mechanism. In addition, we completed a Social Impact Assessment ('SIA') and developed strategies to ensure the non-competing use of natural resources (such as water and electricity) as well as to support the availability of housing and access to local healthcare and education for our employees.

GO ONLINE
To find out more, see 'Section 4: Environment and climate change' in our online Sustainability Report 2019.

We define and integrate carbon- and climate change-related risks into our overall enterprise risk management framework, where relevant. We recognise the potential physical risks that climate change poses to our operations. These might include heightened storm risks and long-term sea level rises. In 2019, we undertook a revision of our climate change risk classification and management processes to support their alignment with the TCFD recommendations and other international best practice frameworks.

As part of our management of these risks, we undertake detailed meteorological and oceanographic impact assessments for all new projects during the design phase. These incorporate projections of rising sea levels and more frequent unpredictable weather events.

We also monitor the evolving fiscal and legislative response to climate change in our host countries. The 2015 Paris Agreement reflects the commitment of the international community in this respect. Premier will continue to monitor the developing policy environment and will adapt our future carbon emissions strategy accordingly.

For more information about how related physical risks are managed, please see pages 31 to 33 ('Health, safety and security'), and, for related regulatory risks, please see page 56 ('Host government: political and fiscal risks' and 'Commodity price volatility').[10]

Effluents and waste

All Premier's operated offshore assets extract oil, gas and formation water from offshore reservoirs. Each of these elements is separated using our on-site processing plant. The water is then either re-injected into the reservoir to maintain underground pressure or it is cleaned, filtered and then discharged into the sea. All planned discharges are cleaned to meet or exceed national standards, using conventional separation techniques.

Our offshore production operations, which discharge water to the sea, are not located in any protected areas.

In addition, we collect hazardous and non-hazardous waste materials from our global drilling and production operations. We dispose of these materials onshore. They include drill cuttings, used oil and scrap metal, wood, plastic and other materials. We segregate and recycle as much non-hazardous waste as possible and encourage the use of recycled input materials, where feasible.

[10] During 2019, no post-control physical impacts associated with climate change affected our operations. Furthermore, no negative impacts upon our business associated with climate change regulation were experienced.

OUTCOMES

Key indicators – Environment[11]

MATERIAL ISSUE	PREMIER OIL METRIC	2019	2018	2017	OUR PERFORMANCE IN 2019
Climate change and GHGs	Total Scope 1 GHG emissions (thousand te CO_2e)[12]*	976	1,193	946	The decrease in 2019 Scope 1 GHG emissions from our operated and drilling operations is predominantly due to improved plant stability and reduction in flaring at the Huntington asset; reduction in flaring at the Chim Sáo asset; lower diesel usage at our Catcher asset and fuel gas demand across our Indonesia assets; and the sale of our Babbage asset in late 2018.
	Total Scope 2 GHG emissions (te CO_2e)[13]*	983	773	877	The increase in 2019 Scope 2 emissions is largely accounted for by extending the scope of reporting to include all our supply bases in South East Asia.
	GHG intensity (tonnes CO_2e per thousand tonnes of production)*	149	164	183	
	Energy consumption (GJ/te of production)	1.92	2.03	2.3	
Effluents and waste	Unplanned hydrocarbon released to the sea (te)*	0.02	0.4	1.9	In 2019 we recorded seven hydrocarbon spills releasing a combined total of 0.02 tonnes that reached the environment. None of these hydrocarbon spills are considered significant.
	Hydrocarbon in produced water (ppm-wt)*	15.1	12.2	10.6	The increase in 2019 was caused by an increase in oil in produced water at our Indonesia asset due to well workover campaigns and periodic flushing of produced water treatment equipment across all our assets.
	Waste materials produced (te)*	7,314	5,982	5,810	This included 6,549 tonnes of hazardous waste and 765 tonnes of non-hazardous waste.
	Spending on environmental protection measures (US$m)	5.8	7.1	7.1	This included US$1.4m on waste disposal, emissions treatment and remediation and US$4.4m on prevention and environmental management.

* Data for 2019 assured by ERM CVS.

11 Our environmental performance reporting is aligned with IPIECA reporting guidance and the GRI Sustainability Reporting Standards.

12 Calculations of Scope 1 emissions are based on equations and emission factors provided in the 2009 API GHG Compendium. Global warming potential rates are taken from the IPCC (2013) Assessment Report as well as IOGP guidance.

13 Scope 2 calculations are based on emission factors supplied by the UK Department for Business, Energy and Industrial Strategy ('BEIS') (2019 values). These are lower than the emission factors used for Scope 2 calculations in 2018, which were based on BEIS (2015 values). For operations outside the UK, country-specific data published by the International Energy Agency ('IEA') were used.

Improving energy efficiency at our North Sea assets

Relevant strategic pillars:

1

Premier has identified and implemented a series of energy efficiency and energy saving initiatives across our North Sea assets. In 2019, this included installing a wave-powered device, the Ocean Power Technologies PB3 PowerBuoy®, to monitor and guard subsea equipment prior to decommissioning and well abandonment activities at our Huntington field. This provides an alternative to conventional diesel-powered guard vessels and delivers significant reductions in primary energy consumption at the field.

GO ONLINE

To find out more, see 'Section 4: Environment and climate change' in our online Sustainability Report 2019.

Employees

Why this issue is material

Our current and future success is underpinned by our ability to recruit, retain and motivate high quality, skilled employees and contractor personnel. Any failure in this regard has the potential to undermine our operational capabilities, management effectiveness and, ultimately, our long-term profitability. In this context, Premier provides a working environment that offers equal opportunities, safe working conditions, competitive terms of employment and quality learning and development experiences.

Key issues in this regard include:

- Workforce profile.
- Employee engagement.

Premier has identified employee attraction, retention and succession as principal risks under the principal risk 'organisational capability'.

POLICIES

Our overall management of employee issues is guided by our Sustainability Policy, Business Ethics Policy, Human Rights Statement and the Code.

In 2019, we also implemented a new Flexible Working Policy for our UK workforce. This provides increased flexibility in relation to core working hours, occasional remote working and time off in lieu. The new policy was implemented in response to feedback gathered via our 2018 Employee Engagement Survey as well as our new staff forum initiative as detailed in the following case studies.

For more information on our human resource policies see 'Section 6: Employees' in our online Sustainability Report 2019.

HOW WE IMPLEMENT OUR POLICIES

Our day-to-day management of human resource ('HR') matters is supported by our Human Resources Management System, which forms part of our Group-wide Business Management System ('BMS'). It includes a range of Human Resources Standards (i.e. high-level guidance documents) to help us achieve an appropriate balance between consistent corporate policy and flexible, local-level requirements.[14]

In 2019, we simplified these Standards as part of a Group-wide effort to improve the BMS. This resulted in the development of new HR Standards relating to:

- HR Emergency Response.
- Employee Engagement.
- HR Information Systems and Management.
- Learning and Development.
- Organisational Design and Workforce Planning.
- Performance Management.
- Resourcing.
- Reward.
- Talent Management.[15]
- Global Mobility.

For more information on how we manage our employees see 'Section 6: Employees' in our online Sustainability Report 2019.

Our new Diversity and Inclusion roadmap

Relevant strategic pillars:

4

In 2019, Premier Oil rolled out the first phase of a new Diversity and Inclusion ('D&I') roadmap. This included a range of measures to strengthen our D&I management practices across the following areas:

– Policy and procedure.
– Training.
– Supply chain.
– Recruitment.

In November 2019, our ongoing progress in this area was recognised when we were named as one of the three finalists in the Diversity and Inclusion category of the 2019 OGUK Awards. We plan to evolve our D&I roadmap further in 2020.

GO ONLINE
To find out more, see 'Section 6: Employees' in our online Sustainability Report 2019.

[14] Premier complies with all local labour laws, including those related to working hours and overtime.

[15] We encourage all staff to develop their professional skills, to the benefit of both the individual and the Company. We are committed to supporting our staff in this regard, through the provision of experiential learning opportunities, coaching and training. We do not currently employ any disabled people. Our commitment to supporting staff with the development of their professional skills will fully apply to those disabled staff members that we employ in the future. We will also strive to provide continued employment for members of our workforce who become disabled whilst employed by us.

Workforce profile

We prioritise the employment of suitably qualified nationals whenever possible, and support this aim by investing in their skills, knowledge and experience. We also aim to ensure that the nationals we employ can access opportunities across our organisation, helping support their professional development as well as the success of our business.

We treat people fairly, equally and without prejudice, irrespective of gender, race, nationality, age, disability, sexual orientation or any other discriminatory attributes. This is reflected in our Equal Opportunities and Diversity Policy, which we revised and updated in 2019. The Policy applies to all permanent and temporary staff, contractors and job applicants. Employee obligations in this respect are set out in our Employee Handbook which prohibits discrimination (whether direct or indirect), harassment and victimisation.

For more information on our workforce profile see 'Section 6: Employees' in our online Sustainability Report 2019.

Employee engagement

Premier encourages open communication between employees and managers on an ongoing basis. We keep employees informed about wider Company issues[16] via a number of communication channels, including:

- Our new staff forum initiative (see Focus area: Our new staff forums).
- Regular team meetings.
- Larger-scale town hall staff meetings at each business unit, attended by visiting members of the Executive Committee and senior management.
- Messages from our Chief Executive Officer and business unit managers.
- The Company intranet and regular email communications.
- The release of the Company's half-year and annual operational and financial results, as well as trading and operations updates.

We conduct structured employee surveys at Group and business unit level. The results of these surveys help us to understand and respond effectively to employee attitudes towards commitment, rewards, retention, working conditions and related issues.[17]

In 2019, we also took steps to respond to the outcomes of our 2018 Group-wide employee engagement survey as detailed in the opposite case study.

Addressing the outcomes of our employee engagement survey

Relevant strategic pillars:

4

During the year, Premier took steps to analyse and address the outcomes of our Group-wide employee engagement survey. The survey was carried out in 2018 to further develop our understanding of employee views and levels of satisfaction across the business.

In 2019, we conducted several follow-up employee workshops to help contextualise the survey findings and inform appropriate management actions. This resulted in the development and rollout of targeted management action plans across several corporate functions and business units. We plan to undertake a further employee engagement survey in 2020 to continue building our understanding of employee views across the organisation, and to monitor the progress of related management responses.

GO ONLINE
To find out more, see 'Section 6: Employees' in our online Sustainability Report 2019.

[16] Where relevant, this includes information about economic and financial factors affecting the Company's performance.
[17] We also gather feedback through, for example, regular performance reviews; our formal non-recriminatory human resources grievances procedure (should employees feel uncomfortable raising issues through normal management channels); and our confidential, independently managed whistleblower hotline.

We respect the right of all employees to join a legitimate trade union and bargain collectively. We support organised labour through, amongst other things, carrying out official collective consultations in Indonesia, Vietnam and the UK.

We have collective bargaining agreements in place in our Indonesia and Vietnam Business Units. Collectively, these agreements cover 66.8 per cent of Premier's total employee workforce.

At our UK and Falkland Islands Business Units, as well as our corporate office, we undertake collective consultations with employee representatives only if 20 or more UK-based employees are made redundant within a 90-day period.

Typically, Premier will provide employees and, where relevant, their elected representatives with at least one month's notice of any significant operational changes that might affect them.

Our new staff forums

Relevant strategic pillars:

4

In 2019, we launched our new staff forum initiative across our business units. This forms part of our broader efforts to meet the employee engagement provisions of the updated UK Corporate Governance Code[18]. It also aims to support effective two-way communication, feedback and idea sharing between our employees and management.

Under the initiative, each of our business units host local staff forums which meet throughout the year to share feedback and ideas, while a Group Staff Forum is held on an annual basis. This provides a structured mechanism for employees to share their views with the Board of Directors.

GO ONLINE
To find out more, see 'Section 6: Employees' in our online Sustainability Report 2019.

OUTCOMES

Key indicators – Employees

MATERIAL ISSUE	PREMIER OIL METRIC	2019	2018	2017	OUR PERFORMANCE IN 2019
Workforce profile	Number of employees: – At end of year – Turnover during the year	 770[19] 37	 767 43	 783 51	The size of our workforce was predominantly stable in 2019, reflecting our continued efforts to protect jobs where possible, our low turnover rate and our focus on recruiting only for roles of high importance.
	Gender balance of total employee workforce: – Male – Female	 572 198	 577 190	 595 188	We aim to ensure that our own management systems, practices and working culture do not discourage or restrict female access to – and success within – our workforce. In 2019, we implemented several initiatives to support diversity and inclusion across the Company, with a particular focus on enhancing gender diversity.
	Gender balance at senior management level:[20] – Male – Female	 102 12	 102 13	 99 12	
	Gender balance at Board level:[21] – Male – Female	 7 3	 7 2	 7 2	
Employee engagement	Number of Group-wide employee engagement surveys	None	2	2	In 2019, we conducted several employee workshops to help contextualise the findings of the 2018 Group-wide employee engagement survey. This resulted in the development and rollout of management action plans across several corporate functions and business units.
	Percentage of employees receiving performance reviews	99	99	98	In 2019, 99% of employees received performance reviews against their Individual Performance Contracts ('IPCs'), and were assigned performance ratings by their managers. This rating was used to guide salary adjustments and bonus recommendations.

[18] Effective from 1 January 2019.
[19] This represents the actual employee count on 31 December 2019.
[20] Senior management is defined as Grade 5 and above.
[21] Some members of our Board are also part of senior management and are therefore not included in these figures.

Community relations

Why this issue is material

As an offshore operator, we have relatively limited direct interaction with local communities compared to most companies with onshore operations. Nonetheless, our relations with communities are very important, due to:

- The potential and actual impacts of our activities (and those of our partners) on local fishing communities.
- The role of certain onshore communities as transit and logistics points for our offshore operations.
- The positive impact our community investment has on local communities, as well as on our reputation and social licence to operate.
- The potential for new onshore operations in the future.

We are careful to minimise our negative impacts on local communities, if they do occur[22]. We also seek to maximise our positive community impacts – including through the delivery of our community investment activities.

POLICY

Premier's Community Investment Policy governs our approach to building and maintaining robust relations with local communities. Among other commitments, it requires Premier to:

- Invest in well-planned social projects that support the development priorities of host communities and governments.
- Work to achieve a net positive socio-economic impact on local communities.
- Treat our neighbours with respect and understanding, acknowledging community governance and seeking free and informed consent prior to initiating operations that have a potentially significant social impact on the community.

HOW WE IMPLEMENT OUR POLICY

We implement our policy through our Community Investment Management System, which is aligned with IPIECA standards. This helps us to systematically identify, manage, evaluate and budget our engagements in host countries.

Furthermore, our HSES Policy requires us to prepare ESIAs for each of our operated activities. As part of this process, we engage with local communities, where relevant. None of our operations have been identified as having any material negative impacts on local communities, again reflecting their remote, offshore locations.

With the exception of Mexico, all our operations have established community engagement and investment programmes. Under these programmes, we invest in a range of community projects to help deliver sustainable social, economic and environmental benefits for local communities and their host governments.

We also invest in community projects to help deliver sustainable social, economic and environmental benefits for local communities and their host governments.

To find out more about our community investment activities, including details on projects implemented in 2019, see 'Section 8: Community relations' in our online Sustainability Report 2019.

OUTCOMES

Key indicators – Community relations

MATERIAL ISSUE	PREMIER OIL METRIC	2019	2018	2017	OUR PERFORMANCE IN 2019
Value generation and distribution	Community investment spend (US$m)	0.68	0.74	0.74	With the exception of Mexico, all our operations have established community engagement and investment programmes.

[22] No material impacts of this nature took place in 2019. Where relevant, Premier is committed to providing fair and adequate compensation for any losses for which we are liable. This commitment is implemented through our management systems.

Society

Why this issue is material

Premier does not operate in isolation. Our activities can potentially affect national and local-level stakeholders. In turn, these stakeholders can potentially affect the achievement of our business objectives in our countries of operation. In this context, we strive to avoid and/or minimise our potential negative impacts and to maximise our positive impacts across a range of issues. This includes our commitment to delivering economic value to society; cooperating transparently and constructively with host governments; decommissioning our late-life assets in a responsible manner; and respecting the human rights of stakeholders across society, including our employees, contractors, suppliers and local communities.

Key issues in this regard are:

- Value generation and distribution.
- Public policy and government relations.
- Decommissioning.
- Human rights.
- Responsible supply chain management.

Premier has identified 'host government: political and fiscal risks' as a principal risk.

POLICIES

Premier's interactions with stakeholders across society are governed by several policies. Most notably, this includes our Sustainability Policy, Risk Management Policy, Tax Policy, Human Rights Statement and the Code. We implement these policies through our associated management systems.

Our policies require us to (among other commitments):

- Engage with stakeholders in our efforts to respect and promote the fundamental rights set out in the Universal Declaration of Human Rights.[23]
- Act transparently with all stakeholders in full respect of the rule of law.
- Contribute to the development goals of host countries.
- Support the socio-economic sustainability and well-being of communities through local procurement and other engagement with local business.
- Not engage in artificial tax avoidance arrangements.

[23] Our Human Rights Policy is guided by those rights enshrined in the core labour conventions of the International Labour Organization and by the United Nations Global Compact.

HOW WE IMPLEMENT OUR POLICIES

Value generation and distribution

We believe that we can most effectively generate longer-term value by operating in a way that delivers lasting benefits to all our other stakeholders. Much of the value we create is distributed throughout our host societies, and directly supports long-term socio-economic development.

In this context (and in line with relevant local content requirements), Premier seeks to:

- Employ nationals where they are appropriately qualified.
- Use contractors based in our host countries, where they can meet our HSES, operational and performance requirements.

To help nationals and host country contractors access these opportunities, we support local capacity building where economically feasible.

We are committed to prompt disclosure and transparency in all tax matters and have met all applicable statutory requirements in this respect. This includes the disclosures and submissions that we make to comply with the requirements of the European Union Accounting Directive ('EUAD'), the Extractives Industries Transparency Initiative ('EITI') and the Country-by-Country Reporting ('CBCR') template developed by the Organisation for Economic Co-operation and Development ('OECD').

Premier's Tax Policy is implemented by its internal Tax Management Standard, which defines the framework for the management of tax.

The standard establishes the minimum performance requirements that are applied throughout the Group, including actively monitoring tax legislation in all operating environments to ensure compliance with tax law and compliance with Premier's Tax Policy.

To find out more about our generation and distribution of value – including our tax management – see 'Section 8: Society' in our online Sustainability Report 2019.

Public policy and government relations

Each of our business units engages directly with their host governments and regulators. Furthermore, our Exploration team has significant interaction with government entities in the process of acquiring acreage, including the preparation of bids in licensing rounds or through direct negotiations. All engagement is carried out in line with the Code and Premier's other applicable policies.

Employees, contractor personnel or agency workers who believe Premier may have failed to engage with host governments and regulators in the manner required by the Code (and other applicable policies) can report concerns to their line manager or via our confidential, independently managed reporting hotline. Government officials can also raise concerns with Premier directly. All reports are properly investigated and the results reported to the Board.

Premier is a member of a number of bodies that use their legitimate influence to lobby governments on issues affecting the oil and gas sector[24].

To find out more about our approach to public policy and government relations – including details on key public policy issues – see 'Section 8: Society' in our online Sustainability Report 2019.

Decommissioning

We have developed a clear strategy to decommission our operated assets in a sequential, safe and efficient manner. This includes the application of learnings and progressive improvements as we move through the decommissioning portfolio. Our activities in this respect are managed by our experienced in-house team, and guided by our HSES Policy and standards. Wherever possible, and commercially feasible, we continually strive to delay the cessation of production at our assets.

At present, the Caledonia Field is Premier's only operated production field that has been declared inactive.[25] However, we have 17 open-water subsea wells that have been declared inactive and will be plugged and abandoned in a safe and efficient manner, as part of our other Decommissioning Programmes.

We are in the process of developing full Decommissioning Programmes for the Greater Balmoral Area, Caledonia and Huntington Fields, some of which were submitted for public consultation and regulatory approval during the course of the year. Decommissioning work at our Hunter and Rita Fields commenced in April 2019 and is being undertaken by our joint venture partners. Cessation of Production dates for all of these production assets (except Caledonia, which was suspended in 2010) remain under review.

To find out more about our decommissioning activities see 'Section 8: Society' in our online Sustainability Report 2019.

Human rights

Premier's Human Rights Policy – which is based on international human rights norms – is implemented through our Human Rights Management System. It sets out how to:

- Embed human rights.[26]
- Conduct risk assessments.
- Develop action plans.
- Carry out implementation and monitoring.
- Audit and review compliance and performance.

We use our Human Rights Risk Screening Tool to screen our own operations, our non-operated joint venture partners and countries identified for possible exploration or joint venture activities for high-level human rights and labour rights risks. The issues assessed include child labour, forced and involuntary labour, and the protection of indigenous peoples' rights. This enables us to prioritise current and future assets for targeted management.

Where appropriate, we carry out third-party due diligence investigations and ad hoc risk assessments for new partnerships and operating locations (which include consideration of human rights issues, if relevant).

Premier's human rights grievance procedure also enables us to better identify and address actual or potential human rights impacts, whether they are directly or indirectly associated with our activities.

We do not typically employ or contract security personnel, although landlords at Premier's office locations do provide their own security personnel. Accordingly, we do not typically conduct human rights training for internal or external security personnel. Where we require additional security support outside of our office locations, our providers are required to apply human rights standards that are aligned with our Human Rights Policy.

[24] These include, for example, the Association of British Independent Oil Exploration Companies ('BRINDEX'), the Falkland Islands Petroleum Licensees Association ('FIPLA') and the Indonesian Petroleum Association ('IPA').

[25] We define 'inactive sites' as production fields that are no longer producing, but have not yet been decommissioned, as well as subsea infrastructure that is no longer economically viable for production (this includes: subsea wells, templates, manifolds and flow lines, and umbilicals that have been flushed of hydrocarbon as well as other chemicals and disconnected from production assets, prior to decommissioning).

[26] Including the core Conventions of the International Labour Organization.

Responsible supply chain management

We also seek to monitor the human rights performance of our business partners, including our non-operated joint venture partners and contractors, in line with the requirements of the UN Guiding Principles on Business and Human Rights.

All new contractors undergo an initial risk-based HSES assessment via pre-qualification, bidding and/or negotiation. Any that we assess to be 'high risk' are subject to more detailed HSES screening. We also carry out performance reviews of some of our most significant contracts following their award, which includes assessment of the HSES performance of the contractor. Furthermore, all material new contracts are assessed for human rights and labour rights risks using our Supply Chain Contractor Due Diligence Process.

Finally, all major commitments include relevant HSES, human rights and prevention of forced/involuntary labour and human trafficking obligations. Premier also maintains a presence at major construction and fabrication yards undertaking work for the Company. This helps us to ensure their adherence to relevant human rights, labour rights and HSES obligations within their contracts.

To find out more about our approach to human rights see 'Section 8: Society' in our online Sustainability Report 2019.

SCIMITAR supply chain management system

Relevant strategic pillars:

4

In 2019, Premier developed and launched a new data-driven contract management system called SCIMITAR ('Supply Chain Management Interactive Technology for Analytics & Reporting').

Among other features, SCIMITAR enables contract teams in different business units to more efficiently network with each other. This includes HSES contracting teams who can use the enhanced networking platform to identify the HSES criticality related to the scope of work and review the HSES requirements within the overall contracting process. Similarly, it helps legal contracting teams to establish whether a contract should be subject to relevant human rights due diligence reviews.

Finally, the new system will help drive the speed, efficiency and cost-effectiveness of the contract management process within Premier Oil and also help to embed networked contracting across the organisation.

GO ONLINE
To find out more, see 'Section 8: Society' in our online Sustainability Report 2019.

OUTCOMES

Key indicators – Society

MATERIAL ISSUE	PREMIER OIL METRIC	2019	2018	2017	OUR PERFORMANCE IN 2019
Value generation and distribution	Economic value distributed (US$m)[27, 28]	1,049	1,026	923	Throughout 2019 we continued to generate significant levels of economic value, much of which was distributed to stakeholders throughout our host societies.
Public policy and government relations	Value of political donations and contributions (US$)	0	0	0	We made no political donations or contributions in 2019. All of our interactions with host governments and regulators were conducted in line with our Global Code of Conduct.
Human rights	Identified violations of our Human Rights Policy (by Premier and its employees)	0	0	0	No violations were identified in 2019. This reflects our ongoing human rights due diligence efforts, as well as the offshore and relatively remote nature of our operated activities.
	Significant negative human rights or labour rights impacts identified by our supply chain	0	0	0	No significant negative human rights or labour rights impacts were identified in our supply chain during 2019. All new material contracts are now subject to our Supply Chain Contractor Due Diligence Process.

[27] i.e. operating costs, royalties, staff costs, dividends, finance costs, corporate income tax payments and community investments.

[28] In 2019, Premier paid US$61.2 million in the form of corporate income tax payments to our host governments. We did not engage in artificial tax avoidance arrangements and met all statutory and transparency requirements with respect to tax matters.

A step up in cash flow and profit after tax

RICHARD ROSE
Finance Director

"Improved realised oil prices, combined with high operational efficiency, resulted in record revenue and net profit, allowing the Group to significantly reduce net debt."

Increased profit

US$164m
Net profit

Increased operating cash flow

US$1,080m
Operating cash flow

Low and stable cost base

US$11.4/boe
Operating cost

Increased free cash flow

US$327m
Free cash flow

Strengthening balance sheet

US$341m
Reduction in net debt

2.3x
Covenant leverage ratio
(Net debt/EBITDA)

Revenue from all operations

US$1,597m
2018: US$1,438 million

EBITDAX

US$1,230m
2018: US$1,091 million[1]

[1] Restated for the impact of IFRS 16.

BUSINESS PERFORMANCE

Production averaged 78.4 kboepd in 2019 (2018: 80.5 kboepd), which, coupled with improved crude differentials, higher post hedged realisations and a higher oil vs gas mix, resulted in total revenue from all operations of US$1,597 million compared with US$1,438 million in 2018.

EBITDAX for the period from continuing operations was US$1,230 million, an increase of US$139 million compared to the prior period EBITDAX of US$1,091 million, once lease expenses have been added back following the implementation of IFRS 16. The increased EBITDAX, on a like-for-like basis, is due primarily to improved realised oil prices post hedging and a higher oil vs gas production mix with underlying costs remaining broadly stable due to tight cost control.

Business performance (continuing operations)	2019 US$ million	2018 US$ million
Operating profit	455.0	531.0
Add: DD&A	757.9	358.4
Add: Exploration and new venture costs	21.3	35.2
Less: Profit on disposal of non-current assets	(4.2)	(42.3)
EBITDAX as reported	1,230.0	882.3
Add: lease expenses	–	208.7
EBITDAX adjusted for lease expenses[1]	1,230.0	1,091.0

In addition, we have reduced net debt to US$1,989.8 million, following strong cash flow generation in the year.

INCOME STATEMENT

Production and commodity prices

Group production on a working interest basis averaged 78.4 kboepd compared to 80.5 kboepd in 2018. Production is at the upper end of guidance previously given but is slightly lower than prior year due to the disposal of the Pakistan Business Unit, which completed in March 2019, and natural decline in other fields. This was partially offset by high operational efficiency across the asset portfolio and the increased contribution from Catcher. Average entitlement production for the period was 73.9 kboepd (2018: 73.8 kboepd).

Premier realised an average oil price for the year of US$66.3/bbl (2018: US$67.9/bbl). Including the effect of oil swaps which settled during 2019, the realised oil price was US$68.1/bbl (2018: US$63.5/bbl). Premier benefitted from improving differentials for its crude oil sales relative to the underlying Brent oil price.

In the UK, average natural gas prices achieved were 42 pence/therm (2018: 57 pence/therm), which included 24.5 million therms which were sold under fixed price master sales agreements. Gas prices in Singapore, linked to high sulphur fuel oil

('HSFO') pricing and in turn, therefore, linked to crude oil pricing, averaged US$10.2/mscf (2018: US$11.2/mscf).

Realised prices	2019	2018
Oil price (US$/bbl) post hedging	68.1	63.5
UK natural gas (pence/therm)	42	57
Singapore HSFO (US$/mscf)	10.2	11.2

Total revenue from all operations (including Pakistan) increased to US$1,596.5 million (2018: US$1,438.3 million). From continuing operations (excluding Pakistan), sales revenue increased to US$1,584.7 million from US$1,397.5 million for the prior year.

COST OF OPERATIONS

Cost of operations comprise operating costs, changes in lifting positions, inventory movement and royalties. Cost of operations, which now exclude lease expenses following the adoption of IFRS 16, for the Group was US$342.8 million for 2019, compared to US$291.3 million for 2018, once lease costs of US$208.7 million are removed from the prior period.

	2019 US$ million	2018 US$ million
Operating costs		
Continuing operations	322.6	487.5
Less: lease expenses	–	(208.7)
Discontinued operations (Pakistan)	2.4	9.5
Operating costs	325.0	288.3
Operating cost per barrel (US$ per barrel)	11.4	9.8

Lease expenses in 2019 were US$196.4 million, giving a lease cost per barrel of US$6.9, which is broadly consistent year on year.

The increase in absolute operating costs reflects additional payments made to reflect high uptime from the Catcher field. Ongoing cost reduction initiatives, successful contract renegotiations and strict management of discretionary spend continue to deliver low and stable operating costs. Operating costs per barrel, excluding lease costs, are expected to be c.US$15/bbl in 2020 reflecting lower year-on-year production rather than any increase in underlying operating costs.

	2019 US$ million	2018 US$ million
Amortisation and depreciation		
Total DD&A	742.9	386.5
DD&A per barrel (US$ per barrel)	26.4	13.2

Total depreciation has increased year-on-year due to DD&A charges of US$223.0 million recognised on right-of-use assets now recorded on the balance sheet as property, plant and equipment following the adoption of IFRS 16 on 1 January 2019. The DD&A charge reflects the positive impact of the revised Catcher reserves estimates. Included within the depreciation charge for the year are charges of US$30.5 million related to an increase in the Group's UK decommissioning provisions for assets which are carried at nil book value. The increase is driven by a reduction in the discount rate used to determine the net present value of the decommissioning provision following the reduction in US treasury rates observed in 2019 and not by any material change in the underlying decommissioning cost estimates.

EXPLORATION EXPENDITURE AND NEW VENTURES

Exploration expense and new venture costs amounted to US$21.3 million (2018: US$35.2 million), primarily related to work performed on potential new licences and acquisitions. After recognition of these expenditures, the exploration and evaluation assets remaining on the balance sheet at 31 December 2019 amount to US$934.0 million, principally for the Sea Lion asset, our share of the Zama prospect and Block 30 in Mexico and the Tuna PSC in Indonesia.

GENERAL AND ADMINISTRATIVE EXPENSES

Net G&A costs fell to US$9.0 million from US$14.0 million in 2018.

FINANCE GAINS AND CHARGES

Net finance gains and charges of US$352.5 million have reduced compared to the prior year (US$372.8 million). An increase in finance costs due to lease liabilities recognised on adoption of IFRS 16 has been broadly offset by a reduction in the unwinding of the decommissioning provision due to the change in discount rate and mark-to-market gains on open hedging instruments. Cash interest expense in the period was US$251.9 million (2018: US$228.7 million), reflecting the timing of Revolving Credit Facility ('RCF') rollovers. Cash interest expense is expected to fall in 2020 on an underlying basis reflecting reduced net debt, excluding the impact of any amendment fees relating to the proposed amendment and of our existing facilities.

TAXATION

The Group's total tax credit for 2019 from continuing operations is US$52.5 million (2018: charge of US$53.1 million) which comprises a current tax charge for the period of US$51.1 million and a non-cash deferred tax credit for the period of US$103.6 million.

The total tax credit represents an effective tax rate credit of 51.2 per cent (2018: charge of 33.5 per cent). The effective tax rate for the year is primarily impacted by ring fence expenditure supplement claims in the UK during the year (US$88.1 million credit). For the Group's principal UK North Sea operating subsidiary, 2019 represented the final ring fence expenditure supplement claim. After adjusting for this the underlying Group tax charge for the period is US$35.6 million and an effective tax rate of 34.7 per cent.

The Group has a net deferred tax asset of US$1,426.2 million at 31 December 2019 (2018: US$1,294.6 million).

PROFIT AFTER TAX

Profit after tax is US$164.3 million (2018: US$133.4 million) resulting in a basic earnings per share of 19.9 cents from continuing and discontinued operations (2018: 17.3 cents). The profit after tax in the year is driven principally by the increased sales revenue and the Group's tax loss position in the UK, partially offset by the increase in lease related costs in the income statement following implementation of IFRS 16 on 1 January 2019.

CASH FLOWS

Cash flow from operating activities was US$1,080.0 million (2018: US$777.2 million) after accounting for tax payments of US$61.2 million (2018: US$128.8 million) and before the movement in joint venture cash balances in the period of US$28.7 million. The increase is driven by increased production and revenue in the period and due to US$204.5 million of lease cash costs (net) in 2019 recorded as financing and not operating cash flows.

Capital expenditure in 2019 totalled US$241.4 million (2018: US$279.8 million).

Capital expenditure	2019 US$ million	2018 US$ million
Fields/development projects	101.7	234.3
Exploration and evaluation	136.9	43.6
Other	2.8	1.9
Total	**241.4**	**279.8**

The development expenditure mainly relates to the BIG-P development in Indonesia and the Tolmount project in the UK. The largest part of the E&E capital expenditure in the period was the appraisal drilling for the Zama project in Mexico. In addition, cash expenditure for decommissioning activity in the period was US$35.3 million (2018: US$72.7 million). Further to this, US$9.9 million of cash was funded into long-term abandonment accounts for future decommissioning activities (2018: US$17.8 million).

Total development and E&E expenditure in 2020 is estimated at US$410 million principally related to development drilling on Tolmount, Catcher and Solan and exploration and appraisal activities in Alaska, Brazil, Mexico and Indonesia. Decommissioning spend is estimated at US$60 million reflecting the recent decision to cease production at Huntington, although the impact on full-year cash flow generation is offset by the assumption that Huntington would have generated negative operating cash flow in 2H 2020.

DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS HELD FOR SALE

The Group completed the sale of its Pakistan business to the Al-Haj Group in March 2019. In total Premier received the full consideration of US$65.6 million for the sale including deposits and completion payments paid by the buyer and net cash flows collected by Premier since the economic date of the transaction. The Pakistan Business Unit results for the current and prior periods are presented as a discontinued operation.

BALANCE SHEET POSITION

Net debt

Net debt at 31 December 2019 amounted to US$1,989.8 million (31 December 2018: US$2,330.7 million), with cash resources of US$198,1 million (31 December 2018: US$244.6 million). The maturity of all of Premier's facilities is May 2021. During the year, Premier made debt repayments of US$399.7 million. Further, the Group cancelled US$333.8 million of its RCF debt facility.

Premier retains significant cash at 31 December 2019 of US$151.0 million and undrawn facilities of US$398.2 million, giving liquidity of US$549.2 million (31 December 2018: US$569.6 million) when excluding cash of US$47.1 million held on behalf of joint venture partners or as security for letters of credit.

Subsequent to the year-end, in January 2020, a further US$129.5 million of the Group's RCF debt facility was cancelled by Premier, which will result in reduced commitment fee costs for the Group in 2020.

PROVISIONS

The Group's decommissioning provision increased to US$1,303.4 million at 31 December 2019, up from US$1,214.5 million at the end of 2018. The increase is driven by a reduction in the discount rate used to determine the net present value of the decommissioning provision, following the reduction in US treasury rates observed in 2019 and not by any material change in the underlying decommissioning costs estimates.

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 used within this Financial Review are EBITDAX, Cash margin, Free cash flow, Operating cost per barrel, DD&A per barrel, Net debt and Liquidity, and are defined in the glossary.

IMPACT ON KEY FINANCIAL METRICS ON ADOPTION OF IFRS 16 LEASES

A new IFRS standard on leases came into effect on 1 January 2019. The impact on key financial metrics for the period is shown below.

US$ million	Impact of IFRS 16
Balance sheet at 31 December 2019[1]	
Fixed assets	588.0
Net investment in sublease	75.7
Lease liabilities	(732.5)

US$ million	Impact of IFRS 16	
Income statement for 2019[2]		
Costs of production	196.4	Decrease
DD&A	223.0	Increase
Net finance costs	44.7	Increase
Net impact on profit after tax	71.3	Decrease
Cash flow for 2019[3]		
Operating cash flow	204.5	Increase
Net lease payments (within financing and investing)	204.5	Increase
Free cash flow	Nil	

1. Balance sheet

Following the adoption of IFRS 16, US$588.0 million of right-of-use assets, US$75.7 million of net investment in sublease and US$732.5 million of lease liabilities have been included in the Group balance sheet as at 31 December 2019. All of these were previously classified as operating leases as the Group did not have any finance leases under IAS 17. Lease liabilities are now presented separately on the Group balance sheet, as both current and non-current liabilities, do not form part of finance debt and are not included in net debt under the terms of the Group's financing facilities.

2. Income statement

Charges to the income statement due to the adoption of IFRS 16 have increased by US$71.3 million. This represents an increase in depreciation and finance costs recognised on right-of-use assets and lease liabilities, which are partially offset by the absence of operating lease expenses within costs of production. EBITDAX, as previously defined, has increased due to the absence of operating lease expenses within costs of production. For the purposes of covenant calculations, lease expenses continue to be included within costs of production.

3. Cash flow

In prior years, operating lease payments were presented as operating cash flows. Lease payments are now classified as financing cash flows which has caused operating cash flows to increase. There were US$204.5 million of lease payments (net) included within financing and investing cash flows for 2019, that would previously have been reported within operating cash flows before the adoption of IFRS 16.

FINANCIAL RISK MANAGEMENT

Commodity prices

Premier continued to take advantage of the improved oil price environment observed at times in 2019 to increase its hedging position to protect free cash flows and covenant compliance.

The Group's current hedge position is as follows:

Oil

Swaps / forwards	2020 1H	2020 2H
Volume (mmbbls)	3.4	1.3
Average price (US$/bbl)	64	63

UK gas

Swaps / forwards / options	2020 1H	2020 2H	2021	2022
Volume (million therms)	35	28	89	64
Average price (p/therm)	55	52	42[1]	42[1]

[1] 2021 average price is a mixture of swap and option floor pricing; whilst 2022 is average option floor pricing only. Excludes impact of deferred option premiums.

Indonesia gas

Swaps / forwards	2020 1H	2020 2H
Volume (HSFO kte)	126	126
Average price (US$/te)	382	340

At 31 December 2019, the fair value of the open oil and gas instruments above was an asset of US$29.2 million (31 December 2018: asset of US$119.3 million), which is expected to be released to the income statement during 2020 and 2021 as the related barrels are lifted or therms delivered.

During 2019, expiration of forward oil swaps resulted in a net credit of US$35.9 million (2018: charge of US$71.2 million) which has been included in sales revenue for the year.

FOREIGN EXCHANGE

Premier's functional and reporting currency is US dollars. Exchange rate exposures relate only to local currency receipts, and expenditures within individual business units. Local currency needs are acquired on a short-term basis. At the year-end, the Group recorded a mark-to-market gain of US$6.2 million on its outstanding foreign exchange contracts (2018: loss of US$17.2 million). The Group currently has £150.0 million of retail bonds, €63.0 million long-term senior loan notes and a £100.0 million term loan in issuance which have been hedged under cross currency swaps in US dollars at average fixed rates of US$1.64:£ and US$1.37:€. The fair value of the cross currency swap liability at 31 December 2019 is US$123.6 million, which is split between current and long-term liabilities (2018: liability of US$125.6 million).

INTEREST RATES

The Group has various financing instruments including senior loan notes, UK retail bonds, term loans and revolving credit facilities. Currently, approximately 73 per cent of total borrowings is fixed or capped using interest rate options. On average, the effective interest rate on drawn funds for the period, recognised in the income statement, was 8.2 per cent.

INSURANCE

The Group undertakes a significant insurance programme to reduce the potential impact of physical risks associated with its exploration, development and production activities. Business interruption cover is purchased for a proportion of the cash flow from producing fields for a maximum period of 18 months. During 2019, US$2.3 million of cash proceeds were received (net to Premier) in relation to settled insurance claims (2018: US$1.4 million).

GOING CONCERN

The Group monitors its funding position and its liquidity risk throughout the year to ensure it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced based on, inter alia, the Group's latest life of field production and expenditure forecasts, management's best estimate of future commodity prices (based on recent forward curves, adjusted for the Group's hedging programme) and the Group's borrowing facilities. Sensitivities are run to reflect different scenarios including, but not limited to, changes in oil and gas production rates, possible reductions in commodity prices and delays or cost overruns on major development projects. This is done to identify risks to liquidity and covenant compliance and enable management to formulate appropriate and timely mitigation strategies.

Management's base case forecast assumed an oil price of US$65/bbl in 2020 and 2021 respectively and production in line with prevailing rates. In January 2020, the Group publicly announced the agreement it had reached to undertake the following corporate actions (together the 'Corporate Actions'):

- an amend and extend ('A&E') of all of the Group's financing facilities, including extension of maturity from May 2021 to November 2023;
- the proposed acquisition of a 25 per cent working interest in Tolmount from Dana and interests in Andrew and Shearwater from BP (together the 'Acquisitions' or the 'Acquired Assets');
- entering into a US$300 million bridge facility to partly finance the Acquisitions (the 'Bridge Facility'). Based on current forecasts we do not expect to utilise the Bridge Facility; and,
- raising equity from shareholders via a combination of a placing and a rights issue (the 'Equity Raise'), which is fully underwritten.

The above actions are expected to be approved via a court scheme of arrangement in March 2020. Assuming approval is obtained, the Group will request that shareholders approve the Equity Raise and Acquisitions in Q2 2020. In February 2020, more than 75 per cent of the Group's creditors voted to support the Group's scheme of arrangement. Accordingly, management expect the above Corporate Actions to be approved and completed in Q3 2020. The expected completion of the Corporate Actions is reflected in the base case forecast. However, as sanction of the scheme of arrangement is subject to court approval, and particularly given the scheme is currently being opposed by one creditor, approval is not yet certain.

At 31 December 2019, the Group continued to have significant headroom on its financing facilities and cash on hand. The Group has run downside scenarios, where oil and gas prices are reduced by a flat US$10/bbl throughout the going concern period and where total Group production is forecast to reduce by 10 per cent. In the downside scenarios applied to the base case forecast, individually and in combination, there would be no forecast covenant breach during the 12 month going concern assessment period.

In addition, the Group has run downside scenarios where the Corporate Actions do not complete either because of a rejection of the scheme by the court or due to rejection by shareholders. In the event that the Corporate Actions do not complete, and applying the base case assumptions to Premier's existing assets, the forecasts show that the Group will have sufficient financial headroom for the 12 months from the date of approval of the 2019 Annual Report and Accounts, even if the Corporate Actions do not complete. However, if the Corporate Actions do not complete and downside price and/or production scenarios materialise, in the absence of any mitigating actions, a breach of one or more of the financial covenants during the 12 month going concern assessment period would arise and the Group's financing facilities would be classified as current liabilities in subsequent reporting periods. This potential breach could be mitigated by asset disposals, such as the Group's interest in the Zama prospect, as well as further hedging activity or deferral of expenditure.

Currently, due to fears over the spread of COVID-19 and the impact this may have on global demand for oil, oil prices have fallen to levels not seen since early 2016 and below the sensitised case above. If oil prices were to remain at these levels, and the Corporate Actions described above did not complete, the Directors believe that the mitigating actions identified above would prevent a breach from occurring.

Based on management's expectation that completion of the Corporate Actions is probable, and considering the downside scenarios run, including the Corporate Actions not completing, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

In the remote scenario whereby the Corporate Actions do not complete, there is a sustained fall in the oil price, and management is unable to deliver any mitigating actions, in the event of a forecast covenant breach, management have every expectation that either a covenant waiver or forbearance from the required number of lenders would be received, which would avoid an acceleration of repayment of the Group's financing facilities during the going concern period.

BUSINESS RISKS

Premier's business may be impacted by various risks leading to failure to achieve strategic targets for growth, loss of financial standing, cash flow and earnings, and reputation. Not all of these risks are wholly within the Company's control and the Company may be affected by risks which are not yet manifest or reasonably foreseeable.

Effective risk management is critical to achieving our strategic objectives and protecting our personnel, assets, the communities where we operate and with whom we interact, and our reputation. Premier therefore has a comprehensive approach to risk management.

A critical part of the risk management process is to assess the impact and likelihood of risks occurring so that appropriate mitigation plans can be developed and implemented. Risk severity matrices are developed across Premier's business to facilitate assessment of risk. The specific risks identified by project and asset teams, business units and corporate functions are consolidated and amalgamated to provide an oversight of key risk factors at each level, from operations through business unit management to the Executive Committee and the Board.

For all the known risks facing the business, Premier attempts to minimise the likelihood and mitigate the impact. According to the nature of the risk, Premier may elect to take or tolerate risk, treat risk with controls and mitigating actions, transfer risk to third parties, or terminate risk by ceasing particular activities or operations. Premier has a zero tolerance to financial fraud or ethics non-compliance, and ensures that HSES risks are managed to levels that are as low as reasonably practicable, whilst managing exploration and development risks on a portfolio basis.

The Group has identified its principal risks for the next 12 months as being:

- Commodity price volatility.
- Access to capital.
- Production and development delivery, and decommissioning execution.
- Joint venture partner alignment and supply chain delivery.
- Climate change.
- Organisational capability.
- Exploration success and reserves addition.
- Health, safety, environment and security.
- Host government: political and fiscal risks.

Further information detailing the way in which these risks are mitigated can be found on pages 54 to 57 and is also provided on the Company's website **www.premier-oil.com**.

Richard Rose
Finance Director

Identifying and evaluating our risks

IAIN MACDONALD
Chairman of the Audit and Risk Committee

"The Company reviews the risks facing the business on a regular basis."

Effective risk management is central to increasing the likelihood of achieving our business objectives and protecting our personnel, assets, the communities where we operate and with whom we interact, and our reputation. Premier therefore has a comprehensive approach to risk management.

The Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of the principal risks, together with an overview of how such risks are being managed or mitigated, is set out on pages 54 to 57. In addition, the procedures to identify emerging risks are set out below.

RISK MANAGEMENT AND INTERNAL CONTROL IN PREMIER

The corporate governance process in Premier is designed to determine the nature and level of risk that the Company is willing to take in pursuit of its strategic objectives and to provide an appropriate level of assurance that any risks taken are appropriately managed and that the system of internal controls is effective.

The risk management framework and the systems of internal control are designed to manage and communicate, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance that material financial irregularities and control weaknesses will be detected.

RISK MANAGEMENT

Premier believes that risk management leads to better quality decision-making and increases the likelihood of the Company achieving its business objectives.

Premier follows a comprehensive framework for risk management based on ISO 31000 guidelines. The Company's Audit and Risk function is responsible for administering the risk management framework and its continued improvement. The framework is illustrated here.

Scope and context

The Company's business objectives and the risk appetite set by the Board together set the overall context for the management of risk in the Company.

Risk assessment

To facilitate assessment of the main risks facing the business, specific risks are identified by each business unit and corporate function in the Company. These risks are recorded in the Company risk register. Each risk is then analysed and evaluated based on the likelihood of the risk manifesting and the impact of the risk if it was to manifest.

A matrix of risk likelihood versus impact is used to help, analyse and communicate risks throughout the Company. The risk matrix facilitates the consideration of risk inter-dependency and the amalgamation of similar specific risks across the organisation. Risks are categorised according to level and escalated up the organisation as appropriate.

READ MORE
Principal risks P54
Governance P58

SIGNIFICANT RISKS DURING 2019

- Oil price weakness and volatility.
- Potential underperformance of new Catcher asset.
- Failure to maintain schedule of Tolmount project.
- Inability to fund existing and planned growth projects.
- Breach of banking covenants if oil prices fall or assets underperform.
- Negative drilling results from key appraisal assets.
- Timing and uncertainty of decommissioning liabilities.
- Continued ability to maintain core competencies.
- Political and security instability in countries of current and planned activity.
- Rising costs if oil prices recover could limit access to service providers.

SIGNIFICANT RISKS IN 2020

- Further oil and gas price weakness and volatility.
- Failure to complete acquisitions and refinancing.
- Failure of Catcher asset to deliver over the medium term.
- Failure to realise full value from Tolmount project and Greater Tolmount Area.
- Inability to fund existing and planned growth projects.
- Failure to realise full value from corporate actions.
- Impact of climate change.
- Timing and uncertainty of decommissioning liabilities.
- Continued ability to maintain core competencies.
- Political and security instability in countries of current and planned activity.
- Rising costs if oil prices recover could limit access to service providers.

GROUP RISK MANAGEMENT FRAMEWORK

Premier has a comprehensive approach to risk management. A systematic process to identify, assess, treat, monitor and communicate the risks facing the business is undertaken across the Company.

The process itself is periodically reviewed to continue to improve the effectiveness of risk management in Premier.

Top-down
Oversight and overall responsibility from the Board at a Group level

Establish context
Establish Company's business objectives and risk appetite

Monitor & review
Regularly review risk status and treatment effectiveness

Record & report
Report assessed risks, treatment measures and actions arising

Communicate & consult
Communicate with stakeholders to ensure awareness and understanding

Bottom-up
Ongoing identification, assessment and treatment of risk across our business

Risk treatment

Premier attempts to reduce the likelihood and potential impact of the identified risks facing its business. According to the nature of the risk and the Board approved risk appetite, Premier may elect to accept or tolerate the risk as is, treat the risk with controls and mitigating measures, transfer the risk to third parties or terminate the risk by ceasing the underlying activity or operation. In particular, Premier has a zero tolerance approach to fraud and ethics non-compliance, and also ensures that safety and environmental risks are managed to levels that are as low as reasonably practicable. In addition, exploration and asset development risks are managed on a portfolio basis.

Risk visualisation models are widely used to facilitate the identification of appropriate risk reduction measures.

Of course, there are certain risks to which Premier is exposed that it has very limited ability to control or mitigate, such as oil price or extended adverse weather conditions in the UK North Sea.

Risk monitoring and review

The status of risks and risk treatment measures are monitored through regular business performance reviews, risk workshops, control audits and activity reviews. These reviews in their totality are designed to identify changes in the level of the identified risks, to identify emerging risks, and to assess the suitability and effectiveness of control measures. As part of these reviews, Premier seeks to learn from incidents and materialised risks. On a regular basis, the Executive Committee monitors the most important risks facing the Company. In addition during 2019, the Board met twice to review the risks to the Company, including emerging risks, and the procedures in place to identify them.

INTERNAL CONTROLS

Business Management System

Internal controls within Premier are set out in the Business Management System ('BMS'). The BMS is composed of the policies set by the Board, together with a nested set of standards and procedures for each function and business unit involved in carrying out the Company's business.

Regular review

The adequacy of the BMS is a function of its design and operating effectiveness.

The effectiveness is assessed through an annual programme of control audits, activity reviews, exercises and drills agreed between functional and business unit management, the most significant of which are approved by the Audit and Risk Committee.

The programme is designed to provide assurance to the Board that Premier is embedding effective risk management across its operations. Significant findings from the most significant audits and reviews are reported to the Audit and Risk Committee. The Committee monitors the implementation of recommendations arising.

During 2019, Premier launched a Company-wide project to improve and simplify the design and content in the BMS.

The annual cycle of monitoring in Premier culminates in the completion of a Corporate Governance Return. The return is a declaration by the head of each business unit and corporate function that confirms compliance with the BMS and identifies measures to continue to improve the effectiveness of the management systems.

Reasonable assurance

The BMS, the risk management framework and the programme of audits and reviews together form the ongoing process for identifying, evaluating and managing the principal business risks faced by the Company. This process has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. It is regularly reviewed by the Audit and Risk Committee and provides the Board with reasonable assurance that appropriate controls are in place to provide effective management of business risks and to safeguard the Group's assets against inappropriate use or loss and fraud.

Board responsibility

Overall responsibility for the systems of internal control and risk management and for reviewing the effectiveness of such systems rests with the Board. This includes an annual review to ensure that there is an effective process to identify, assess and reduce the level of any significant risks that may affect the achievement of the Group's business objectives. The Board also periodically reviews the major risks facing the business.

READ MORE
Principal risks P54
Governance P58

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code (2018), the Directors have assessed the prospects of the Company over a longer period than the 12 months required for the 'Going Concern' statement. In preparing this assessment of viability the Board has considered the principal risks faced by the Group, relevant financial forecasts and sensitivities and the availability of adequate funding.

Assessment period

The Board conducted this review for a period of three years to 31 March 2023, which was selected for the following reasons:

- at least annually, the Board considers the Group's projections (the 'Projections') over a three-year period;
- within the three-year period, liquid commodity price curves are able to be used in the forecast. Given the lack of forward liquidity in oil and gas markets after this initial three-year period, we are reliant on our own internal estimates of oil and gas prices without reference to liquid forward curves;
- the Group is not currently committed to any major capital expenditure beyond the three-year period; and
- all of the Group's current borrowing facilities are available until May 2021. However, as announced in January 2020, the Group has reached agreement with a majority of its creditors to amend the terms of its financing facilities and extend their maturity until November 2023. The Board expects the amended terms to be approved through a scheme of arrangement.

Review of financial forecasts

The Projections are based on:

- the Group's latest life of field production and expenditure forecasts on an asset by asset basis, together with a variety of portfolio management opportunities which management could undertake if required;
- assumed oil prices of US$65 in 2020 and 2021, US$70 in 2022, and US$70 (in real terms) thereafter (adjusted for the Group's hedging programme);
- the extension of the maturity of the Group's financing facilities until November 2023 in line with the terms agreed with a majority of the Group's lenders and announced in January 2020;
- the Group's existing financial covenants have been used to assess covenant compliance throughout the period, which is consistent with the terms agreed under the proposed extension of the Group's facilities to November 2023;
- completion in Q3 2020 of the acquisition of an additional 25 per cent working interest in the Tolmount asset and the acquisition of working interests in the Shearwater and Andrew assets from BP, announced in January 2020; and
- the completion of the previously announced equity raise in Q2 2020.

Sensitivities have been run to reflect different scenarios including, but not limited to, changes in oil and gas production rates, possible reductions in commodity prices and delays or cost overruns on major development projects. In addition, the Board has assessed a scenario whereby the proposed acquisitions, equity raise and debt maturity extension (together referred to below as the 'Corporate Actions') do not complete.

Review of principal risks

The Group's principal risks and uncertainties, set out in detail on pages 54 to 57, have been considered over the period.

Under the Projections, the Group is expected to have sufficient liquidity over the three-year period and is forecasting to be able to operate within the requirements of its financial covenants.

The Group's key financial covenants are a Net Debt/EBITDA ratio and EBITDA/Interest ratio and are both set at 3.0x. The Group has run downside scenarios, where oil and gas prices are reduced by a flat US$10/bbl throughout the Forecast Period, and where total production volumes are forecast to reduce by 10 per cent. In the individual and combined downside scenarios, the Group has sufficient headroom within its financial covenants.

In the event that the scheme of arrangement to authorise the Corporate Actions is not approved, and the Corporate Actions therefore do not complete, if there was a sustained reduction in either the assumed oil and gas prices realised or the levels of production achieved, it is possible that, in the absence of any mitigating actions by management (which are not entirely within management's control), a forecast covenant breach may arise towards the end of 2020. Currently due to fears over the spread of COVID-19 and the impact this may have on global demand for oil, oil prices have fallen to levels not seen since early 2016. If oil prices were to remain at these levels, and the Corporate Actions above did not complete, there is a heightened risk of a breach in the Group's leverage ratio. Potential mitigating actions could include further non-core asset disposals, additional hedging activity or deferral of expenditure.

In addition, the Group would have to attempt to renegotiate the A&E agreement to extend the maturity of debt facilities beyond May 2021, and would in all likelihood have to propose another scheme of arrangement to give effect to such an agreement. The success of achieving an agreed extension is not within the Group's control.

The potential impact of each of the Group's other principal risks on the viability of the Group during the Forecast Period, should that risk arise in its unmitigated form, has been assessed. The Board has considered the risk mitigation strategy as set out for each of those risks and believes that the mitigation strategies are sufficient to reduce the impact of each risk such that it would be unlikely to jeopardise the Group's viability during the three-year period.

Conclusion

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy and availability of funding, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Strategic Report. The Directors have also considered the availability of actions within their control in the event of plausible negative scenarios occurring and the expectation that the announced Corporate Actions will complete. Therefore, on the basis that the Corporate Actions do complete, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years.

Managing our principal risks

Operational risks

Production and development delivery and decommissioning execution

Risk detail

- Uncertain geology, reservoir and well performance.
- Availability of oilfield services including FPSOs and drilling rigs, technology and engineering capacity, and skilled resources.
- Adverse fiscal, regulatory, political, economic, social, security (including cyber) and weather conditions.
- Immaturity of decommissioning in the UK resulting in uncertain cost and timing estimates for decommissioning of assets.
- Potential consequences include reduced or deferred production, loss of reserves, cost overruns and failure to fulfil contractual commitments.

How is it managed?

- Effective management systems in place governing geoscience, reservoir and well engineering, and production operations activities. These include rigorous production forecasting and reporting, field and well performance monitoring and independent reserves auditing.
- Effective management systems in place governing project execution, including contracting strategy, cost controls, project team competency and functional oversight.
- Long-term development planning to ensure timely and cost-effective access to FPSOs, rigs and other essential services.
- Preference for operatorship.
- Specialist decommissioning team in place coupled with continued focus on delivering asset value to defer abandonment liabilities.

Joint venture partner alignment and supply chain delivery

Risk detail

- Major operations and projects in the oil and gas industry are conducted as joint ventures. The joint venture partners may not be aligned in their objectives and this may lead to operational inefficiencies and/or project delays. Several of our major operations are operated by our joint venture partners and our ability to influence is sometimes limited due to our small interest in such ventures.
- Premier is heavily dependent on supply chain providers to deliver products and services to time, cost and quality criteria and to conduct its business in a safe and ethical manner.

How is it managed?

- Due diligence and regular engagement with partners in joint ventures in both operated and non-operated operations and projects.
- Defined management system for management of non-operated ventures.
- Assure contracted dutyholders comply with local statutory requirements (e.g. UK Safety Case Regulations 2015).
- Pursue strategic acquisition opportunities, where appropriate to gain a greater degree of influence and control.
- Due diligence of supply chain providers, including diligence of financial solvency, anti-bribery and corruption controls, and controls to prevent facilitation of tax evasion.
- Contractor performance management programme being implemented for major contracts to manage contractual performance and delivery, including periodic audit of the effectiveness of their management systems.
- Long-term development planning to ensure timely and cost-effective access to key oilfield services.

READ MORE
Risk management P50
Governance P58

Organisational capability

Risk detail

- The capability of the organisation may be inadequate for Premier to deliver its strategic objectives.
- The capability of the organisation is a function of its structure and the deployment and strength of its personnel.
- Premier may be unable to attract, engage or retain personnel with the right skills and competencies or to deliver suitable succession plans for senior roles.
- The Business Management System may not be fit for purpose or sufficiently complied with to be effective.

How is it managed?

- Premier has created a competitive reward package including bonus and long-term incentive plans to incentivise loyalty and performance from the existing skilled workforce.
- Continue to strengthen organisational capability to achieve strategic objectives. This includes resource and succession planning, competency and leadership development.
- Continuous improvement and simplification of the Business Management System and related controls appropriate to the size and market position of the Company.
- Continued deployment of contingent labour through a mature cost-effective Managed Service Provider ('MSP') model to rapidly respond to the peaks and troughs of labour demand in a volatile environment.
- Staff forums providing a mutual communication forum between staff, management and the Board to address employee matters.
- Continued focus on Diversity & Inclusion across the Group.
- Embedded Talent Management and Succession Planning process.
- Complete implementation of recommendations emerging from externally facilitated organisation health check conducted end 2018.
- Organisational capability and risk oversight further enhanced by global functional review under new operating charter.

Exploration success and reserves addition

Risk detail

- Premier may fail to identify and capture new acreage and resource opportunities to provide a portfolio of drillable exploration prospects and future development projects.
- Specific exploration programmes may fail to add expected resource and hence value.
- Lender controls may reduce ability to capture and execute the exploration programme.

How is it managed?

- Focus on proven petroleum systems underpinned by world-class source rocks and identify technical or political discontinuities that we can exploit using our preferred evaluation workflows to create a competitive advantage.
- Continuous improvement in exploration management system with strong functional oversight.
- Manage exploration portfolio to maintain alignment with strategic growth and spend targets.
- Maintain new ventures activity and appropriate resourcing.

Financial risks

Commodity price volatility

Risk detail

- Oil and gas prices are affected by global supply and demand and can be subject to significant fluctuations.
- Supply factors that influence these include the pace of new oil and gas developments, operational issues, natural disasters, adverse weather, political and security instability, conflicts and actions by major oil-exporting countries.
- Demand factors that influence these include economic conditions, climate change regulations and the pace of transition to a low carbon economy.
- Price fluctuations can affect our business assumptions, our ability to deliver on our strategy and our access to capital.

How is it managed?

- Oil and gas price hedging programmes to underpin our financial strength and protect our capacity to fund future developments and operations.
- Company investment guidelines that ensure our investment opportunities are robust to downside price scenarios.

Sustainability risks

Health, safety, environment and security

Risk detail

- Significant asset integrity, process safety or wells incident on operated asset.
- Significant incident arising from natural disaster, pandemic, social unrest or other external cause.
- Consequences may include injury, loss of life, environmental damage and disruption to business activities.

How is it managed?

- Comprehensive HSES management systems in place including:
  - HSES auditing and reporting with a focus on the identification and management of major accident hazards.
  - Valid Safety Cases on all operated assets.
  - Robust crisis management and emergency response processes in place and tested against.
  - Senior management visits to operated facilities to demonstrate commitment to HSES values.
  - Learning from internal and third-party incidents.
  - Insurance against business interruption.

Host government: political and fiscal risks

Risk detail

- Premier operates or maintains interests in some countries where political, economic and social transition is taking place or there are current sovereignty disputes. Developments in politics, security, laws and regulations can affect our operations and earnings.
- Consequences may include expropriation of property; cancellation of contract rights; limits on production or cost recovery; import and export restrictions; price controls, tax increases and other retroactive tax claims; and increases in regulatory burden or changes in local laws and regulations.
- Consequences may also include threats to the safe operation of Company facilities.

How is it managed?

- Premier strives to be a good corporate citizen globally, and seeks to forge strong and positive relationships with governments, regulatory authorities and the communities where we do business. Premier engages in respectful industry-wide lobbying and sustainable corporate responsibility and community investment programmes.
- Premier maintains a portfolio of interests which includes operations in both lower and higher risk environments.
- Rigorous adherence to Premier's Sustainability Policy and Global Code of Conduct.
- Monitoring and adherence to local laws and regulations.
- Active monitoring of the political, economic and social situation in areas where we do business, including business continuity plans tailored to pre-defined levels of alert.

Access to capital

Risk detail

- Sufficient funds may not be available to finance the business and fund existing operations and planned growth projects.
- Current Amend and Extend to debt facilities not agreed by the courts leading to renegotiations with lenders which may have adverse consequences on the Group's ability to refinance.
- Volatile credit markets, lender appetite and investor sentiment may impact ability to either refinance debt at maturity and/or raise equity on attractive terms.
- Breach of delegated authority.
- Financial fraud.

How is it managed?

- Strong financial discipline through an established finance management system that ensures the Company is able to maintain an appropriate level of liquidity and financial capacity and to manage the level of assessed risk associated with the financial instruments. The management system includes a defined delegation of authority to reasonably protect against risk of financial fraud in the Group.
- Proactive engagement with equity markets, banks and lenders to maintain access to capital markets through the cycle.
- An insurance programme to reduce the potential impact of the physical risks associated with exploration and production activities. This includes business interruption cover for a proportion of the cash flow from producing fields.
- Cash balances are invested in short-term deposits with minimum A credit rating banks, AAA managed liquidity funds and A1/P1 commercial paper, subject to Board approved limits.
- Economics of investment decisions are tested against downside project scenarios.
- Discretionary spend is actively managed.

Climate change

Risk detail

- Adverse investor and stakeholder sentiment towards oil and gas sector impacting investability.
- Cost to comply with climate change related operational regulations and disclosure requirements.
- Longer-term disruption to Premier's projects and operations as a result of changing weather patterns and more frequent extreme weather events.
- Longer-term reduction in demand for oil and gas products due to the pace of commercial deployment of alternative energy technologies and shifts in consumer preference for lower greenhouse gas emission products.

How is it managed?

- Premier is proactively taking steps to address the impact on society of its operations. We set time-bound climate change objectives consistent with Paris Agreement targets and also demonstrate how we meet those objectives over time, specifically:
  - Board-owned Climate Change Policy with strategy implementation monitored by an Executive Climate Change Committee.
  - Setting of corporate goals and annual targets within Group corporate scorecard and business unit KPIs.
  - Physical and transitional climate change risks associated with our activities are identified and actively managed.
  - We are committed to ensuring that all new projects sanctioned by us will deliver net zero emissions, through our Low Carbon Projects by Design initiative, supplemented where necessary by investments to offset emissions using carbon credits.
  - We are undertaking a comprehensive asset-by-asset review during 2020 identifying projects to reduce carbon emissions within our operations and throughout our supply chain.
  - Carbon pricing and scenario analysis is integrated into investment decision-making.
  - Climate change performance and supporting processes with stakeholders are communicated in a transparent manner.
  - Dialogue with shareholders and lenders on climate change actions.
  - Collaboration with industry and other associations on climate change adaptation and mitigation, including a framework by which the industry works towards a target of net zero greenhouse gas emissions.
  - Promote investability though positive recognition in the annual FTSE4Good and CDP climate change reporting submissions.

The Strategic Report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved and signed on behalf of the Board.

Tony Durrant
Chief Executive Officer
4 March 2020

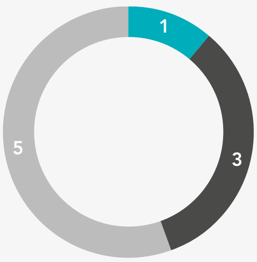
Successfully delivering our strategy

ROY A FRANKLIN
Chairman

"Premier has established a clear purpose, vision and core values that complement and support the Board's strategy. These values are at the heart of all of Premier's activities, with good corporate governance providing a sound framework to embed them throughout the organisation."

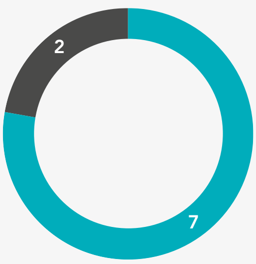
How we stand today...

Board composition
number of Directors
as at 4 March 2020



Chairman	1
Executive Directors	3
Non-Executive Directors	5

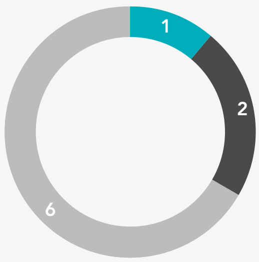
Gender diversity
number of Directors
as at 4 March 2020



Male	7
Female	2

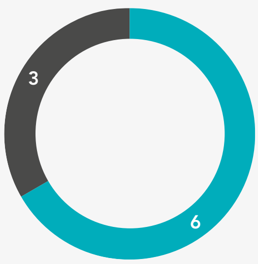
Where we are heading...

Board composition
number of Directors anticipated
as at 13 May 2020



Chairman	1
Executive Directors	2
Non-Executive Directors	6

Gender diversity
number of Directors anticipated
as at 13 May 2020



Male	6
Female	3

Dear shareholder,

I am pleased to report that 2019 was a year of strong operational and financial performance for your Company, with debt levels materially reduced. Our operational and financial rigour has enabled us to invest selectively in our portfolio for future growth and we look forward to Tolmount coming on-stream later this year as well as drilling our first well in Alaska, a potentially transformational well for Premier. On 7 January we announced the proposed acquisitions of the Andrew Area and Shearwater assets from BP and the acquisition of an additional 25 per cent interest in the Premier-operated Tolmount Area from Dana; all this alongside the proposed extension of our existing credit facilities out to November 2023. We also announced the proposed farm-out of part of our Sea Lion project and Tuna assets. Your Chief Executive Officer sets out further information regarding these exciting projects, which are set to further strengthen the financial position of your Company and position us well for the future, on pages 2 to 9.

Having completed my second full year as Chairman, I remain impressed by the level of hard work and dedication shown by the Group's management and employees. Our new Group Staff Forum has enriched Board level engagement with the workforce and I look forward to further developing these relationships in the year ahead. I firmly believe that we are now in a much improved position from which to create value for all of our stakeholders over the medium and longer term.

Our governance framework

Premier has established a clear purpose, vision and core values that complement and support the Board's strategy. These values are at the heart of all of Premier's activities, with good corporate governance providing a sound framework to embed them throughout the organisation.

Our governance framework not only ensures that the right decisions are taken at the right time; it supports and informs all that we do. This report describes that framework and will help you to understand how the Company has been run, risks are managed, controls are monitored and key decisions taken during the year.

Board focus during 2019

During 2019, our focus on debt reduction has continued, enabled by strong oil and gas production of 78.4 kboepd, disciplined cost control, and resultant free cash flow generation; our net debt reduced by over US$340m during the year to US$1.99bn. Strong performance from our Catcher Area has delivered production rates of 67.2 kboepd (gross) and almost 100 per cent operating efficiency, with project cash payback reached just 22 months after first oil. First gas was achieved from BIG-P (Indonesia), delivered on schedule and significantly below budget, and formal approval of Catcher Area satellites has been received with first oil targeted for early 2021. The Tolmount development is on schedule for first gas by the end of 2020, forecast to add net 20-25 kboepd to Group production. We have had a significant commercial discovery at Tolmount East and development planning is already well advanced with project sanction targeted for 2020 2H. A rig has been contracted to appraise the Malguk-1 discovery (Alaska North Slope) targeting more than 250 mmbbls (gross) of recoverable resources, with results expected in the second quarter of 2020. I would like to pay tribute to all those involved in the successes outlined above and you will see how these underpin our Remuneration Policy implementation on pages 97 to 112.

As outlined above, we have also continued to examine growth opportunities both from within our own portfolio and by acquisition. Our announcement in January 2020 regarding proposed acquisitions, deals relating to our Sea Lion and Tuna projects and the extension of existing credit facilities, reflect the early stage output of these work streams. As we move forward on these projects we are well positioned to create further value for all of our stakeholders over the medium and longer term.

Notwithstanding the successes outlined above, in today's world, the way in which we deliver our projects is of the utmost importance both in terms of the health, safety and security of our staff and stakeholders, and the impact of our operations on the environment. Social and environmental values, such as climate change, equality, diversity and inclusion,

OUR GOVERNANCE FRAMEWORK: COMPLIANCE OVERVIEW

Leadership

The Company is led by a Board with significant collective experience across the oil and gas industry. Non-Executive Board members challenge the Executives on all aspects of the Company's business to ensure high quality decisions are taken at the right time and in the best interests of our stakeholders.

The roles of Chairman and Chief Executive Officer remain separate, with a clear division of responsibilities between them.

READ MORE P62

Effectiveness

The Board has a diverse range of skills, knowledge and experience. Barbara Jeremiah was appointed during the year and Elisabeth Proust was appointed following the year-end with effect from 1 April 2020. The ongoing process of succession planning, overseen by the Nomination Committee, aims to ensure that the Board continues to be properly balanced, with the necessary skills, knowledge and experience to successfully deliver the Company's strategy. The Board comprises a majority of Non-Executive Directors, all of whom are independent.

A detailed induction programme was undertaken by Barbara Jeremiah during 2019 and will be undertaken by Elisabeth Proust during 2020.

An internal Board evaluation was undertaken during 2019 to review Board and Committee performance in a structured manner. Outcomes and actions were agreed for onward focus during 2020.

READ MORE P72

Accountability

The Board monitors risks and controls on an ongoing basis and conducts annual assessments of the effectiveness of its systems of risk management and internal control. The Board also ensures that the Company's risk management procedures enable effective identification and management of emerging risks.

READ MORE P50

Shareholder engagement

Regular dialogue takes place with institutional investors, retail investors and analysts at meetings, presentations and conferences.

Consultation on a new Remuneration Policy commenced in autumn 2019 and concluded during the first quarter of 2020.

READ MORE P73

Remuneration

A new Remuneration Policy has been designed to ensure alignment with our immediate and long-term strategic objectives and will be put to shareholders for approval at the 2020 Annual General Meeting. Details of how the current Policy has been implemented during the year are included in the Directors' Remuneration Report.

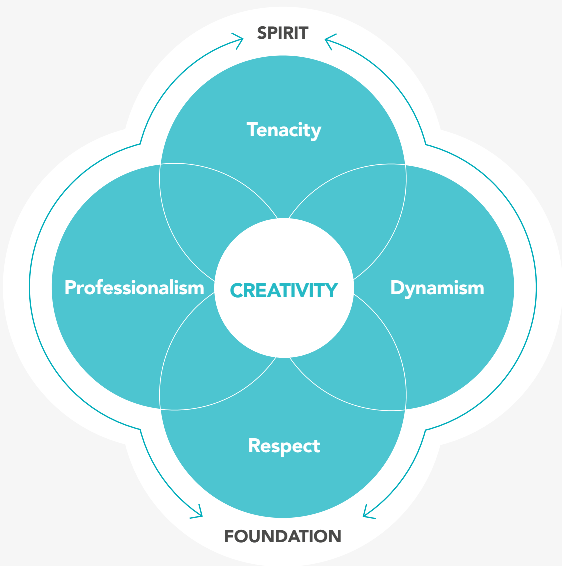
READ MORE P79

LIVING OUR VALUES

Our values underpin our behaviours and activities, complement and support our strategy, and are also reflected in our policies and procedures.

At the centre of these values is creativity which sits at the heart of everything we do.

With the foundations of the Company built on professionalism and respect, our spirit comes from our tenacity and dynamism.



Tenacity
Premier has the courage and determination to succeed where others may falter or lose their nerve.

Respect
We believe that our ability to succeed depends on the quality and resilience of our relationships.

Creativity
Premier is a creative business, with a pioneering spirit that thrives on fresh challenges and ideas.

Dynamism
Premier is a can do, fast forward company that seeks to outpace its rivals in turning opportunities to its advantage.

Professionalism
Commercial acumen, technical expertise, business integrity and pride in 'getting it right' represent the cornerstones of our business.

ethics and privacy are now at the forefront of great minds running successful companies. For Premier, the need to respond to the climate change agenda, whilst also addressing other governance issues, has now become urgent. Your Board has established a new Health, Safety, Environment and Security Committee to ensure regular focus on these issues at the highest level. The Committee will be chaired by Dave Blackwood and I look forward to reporting to you on the activities of the Committee in next year's report. For now, I will focus on the environmental issues and how we intend to respond from where we stand today.

We strive to describe the environmental impact of our business as clearly as possible in our online Sustainability Report 2019. However, transparent disclosure is just the beginning. As an oil and gas producer, it is imperative that we minimise the climate impact of our activities. During 2020, Premier will seek to do so, by a comprehensive asset-by-asset review identifying projects to reduce our carbon emissions. Further, we have committed to ensuring that all new projects sanctioned by us will deliver net zero emissions, through direct design features supplemented where necessary by investments to offset emissions using carbon credits. The oil and gas industry has been at the forefront of energy supply and economic development and now must play its part in addressing the environmental challenges which society faces. With this in mind, I am pleased to report that, although Robin Allan will be standing down from the Board at the 2020 AGM, he will then work for Premier on a part-time consultancy basis, primarily to focus on ESG initiatives working with both our Climate Change Committee and the Health, Safety, Environment and Security Committee.

One of our most important stakeholders is our workforce. During 2019, a new Group Staff Forum met for the first time, with representatives from each of our business units, providing direct access to, and discussion with, members of our Board. The Forum will meet each year, with less formal visits from Board members to business units in between times, to ensure first hand understanding of our workforce, the issues they face and to allow our Board members to gain a real sense of the culture of the Company. Further details regarding the Forum's activities can be found on pages 42 and 68.

Last year I explained that an externally facilitated 'health check' of the business had been commissioned to get an objective view on the Company's governance, organisation, processes and culture, with the overall objective of preparing the Company for its next stage of growth. The Nomination Committee has been pivotal in overseeing the outcomes and implementation of recommendations arising from that review. Work will continue into 2020 as we refresh our corporate culture and values, enhance communication of strategy with our workforce and simplify our Business Management System and procedures.

2018 UK Corporate Governance Code
This year we report on our compliance with the UK Corporate Governance Code (the 'Code'), published in July 2018. Much work has been undertaken since the Code was published to ensure that Premier has an appropriate governance framework in place to reflect the updated Code. The Board and its Committees have focused on workforce and stakeholder engagement, culture, succession, diversity and remuneration.

Further details about some of the actions and initiatives that have been taken and are ongoing to ensure compliance with the Code can be found in the Nomination, Remuneration and Audit and Risk Committee Reports.

Board and Committee effectiveness
The Board and its Committees conducted an internal review of effectiveness during 2019. The review continued to look at themes emerging from the external evaluation carried out in 2018 by Lintstock Limited. One-to-one interviews were held between the Chairman and each Board member and between the Senior Independent Director and each Director in order to review the Chairman's performance.

Further details about the evaluation process and the actions arising can be found on page 72.

Board changes
Jane Hinkley, the Company's former Senior Independent Director and Remuneration Committee Chair, stood down from the Board on 31 December 2019, having served on the Board since 2010. Anne Marie Cannon took on the role of Senior Independent Director with effect from 1 January 2020. Further details regarding the Nomination Committee's process for the appointment of Anne Marie to this role can be found on page 78. Barbara Jeremiah joined the Board as an independent Non-Executive Director and successor to Jane as Remuneration Committee Chair during 2019.

On 4 March 2020, the Board approved the appointment of Elisabeth Proust to the Board with effect from 1 April 2020. Elisabeth will stand for election at the Annual General Meeting on 12 May 2020. Elisabeth brings with her a wealth of technical and operational experience, particularly in the North Sea, which will enable her to make a valuable contribution to our Board and Committees.

Further details regarding the appointment process for Elisabeth can be found in the Nomination Committee Report on page 78.

Robin Allan has also confirmed his intention not to stand for re-election at the AGM in May 2020. I would like to express my sincere thanks to Robin for his significant contribution to the Board since his appointment in 2003. I am pleased that he will continue working for Premier on a part-time consultancy basis to provide significant strength in our ongoing work on climate change.

Diversity and inclusion
Your Board recognises the benefits of diversity in enhancing the quality of its performance. Therefore, all Board appointments are made on merit, against objective criteria and with due regard to the benefits of diversity in its widest sense, including gender diversity.

Further details on our Board Diversity Policy and our wider approach to diversity and inclusion throughout Premier can be found on page 78.

Engagement with our shareholders
During 2019 and the first quarter of 2020, both Barbara Jeremiah and I engaged with shareholders representing over 50 per cent of shares in issue, along with voting advisory bodies, to listen to feedback regarding the current Remuneration Policy and its implementation, and to formulate our new Remuneration Policy. Much engagement has taken place, internally and externally, to arrive at a new Policy which we believe aligns the interests of management with stakeholders' interests. Shareholders will be asked to approve the new Remuneration Policy at the AGM on 12 May 2020.

Board focus during 2020
Debt reduction continues to be a priority for the Board as we look to strengthen the balance sheet to ensure we have the flexibility to pursue growth opportunities, both in the existing portfolio and through acquisitions.

We will continue to ensure that our governance framework supports the achievement of our strategy, and HSES remains central to our decision-making.

On behalf of the Board, I would like to express my thanks to our employees and to all other stakeholders for their continued support.

Roy A Franklin
Chairman

Compliance statement
This Governance section, together with sections of the Strategic Report incorporated by reference, describes the manner in which the Company has applied the main principles of governance set out in the UK Corporate Governance Code published in July 2018 (the 'Code') and complied with the individual Code provisions. The Code can be found on the Financial Reporting Council's website at **www.frc.org.uk**.

It is the Board's view that the Company has fully complied with the Code throughout the financial year ended 31 December 2019.

ROY A FRANKLIN
Chairman

Board tenure
2 years 6 months

Current external roles
- Chairman of Wood plc
- Member of the Advisory Board of Kerogen Capital LLC
- Chairman of privately held Cuadrilla Resources Ltd
- Chairman of privately held Energean Israel Ltd

Past roles
- Non-Executive Director and Deputy Chairman of Equinor
- Non-Executive Director of Santos Ltd
- Chairman of Keller Group PLC
- Non-Executive Director of OMV AG
- Non-Executive Director of Boart Longyear Ltd
- Chairman of Novera Energy PLC
- Chief Executive Officer of Paladin Resources PLC
- Group Managing Director of Clyde Petroleum plc

Board contribution
Roy has more than 46 years' experience as an executive in the oil and gas industry. He spent 18 years at BP and has served on a number of international energy boards in non-executive roles. He has extensive experience in chairing boards of listed companies, and his expertise in the energy sector, in particular, enables him to ensure that the Board focuses on the right issues and discusses them productively.

Committee membership
Chair of Nomination Committee

Independent
Yes[1]

[1] Chairman was independent on appointment.

TONY DURRANT
Chief Executive Officer

Board tenure
14 years 8 months

Current external roles
Not applicable

Past roles
- Non-Executive Director and Chairman of the Audit & Risk and Remuneration Committees of Greenergy Fuels
- Managing Director and Head of the European Natural Resources Group at Lehman Brothers
- Member of the Advisory Committee of Flowstream Commodities

Board contribution
Tony has been involved in numerous financing transactions in the upstream sector and, since joining Premier as Finance Director in 2005, has been instrumental in transforming Premier's portfolio from producing 33.3 kboepd to one that is currently producing circa 78.4 kboepd. Now with nearly 15 years' experience at Premier, including over five years as CEO, Tony has a deep understanding of the Company and the economic, financial and political environment in which it operates. This, together with his long experience as Premier's Finance Director, is invaluable as he leads Premier in identifying and progressing growth opportunities and restoring the strength of the balance sheet.

Committee membership
Nomination Committee

Independent
Not applicable

RICHARD ROSE
Finance Director

Board tenure
5 years 6 months

Current external roles
Not applicable

Past roles
Chartered accountant with Ernst & Young LLP

Partner in Equity Research at Oriel Securities

Managing Director at RBC Capital Markets

Strategy and Head of Corporate Communications at Ophir Energy

Board contribution
Richard brings a wealth of knowledge and experience to Premier, including his time as an adviser to the Company in his previous corporate broking roles. He has extensive knowledge of debt and equity markets which were invaluable for Premier in completing the comprehensive refinancing of the Group's debt facilities in 2017, and his experience in this area continues to be of vital importance as the Company looks to ensure appropriate financing for its growth activities.

Committee membership
None

Independent
Not applicable

ROBIN ALLAN
Director, North Sea and Exploration

Board tenure
16 years 3 months

Current external roles
Chairman of The Association of British Independent Oil Exploration Companies ('BRINDEX')

Board member of Oil & Gas UK

Past roles
Within Premier, Robin has previously served in a variety of roles including: Director: Asia, Director of Business Development and Country Manager in Indonesia

Robin joined Premier in 1986 from Burmah Oil

Board contribution
With a background as a geologist, Robin has 30 years' experience in senior positions at Premier and has a particularly thorough understanding of the Company's operations having worked both in South East Asia and the UK. He now plays a leading role within the UK oil industry, representing North Sea operators through his additional roles as Chairman of BRINDEX and as a Board member of Oil & Gas UK. With the increase in size of Premier's UK operations over recent years, Robin's understanding of the operational and regulatory environment in the North Sea has been and continues to be integral to the success of this major part of the Group's operations; while his experience in Asia helps him to direct Premier's worldwide exploration programme.

Committee membership
None

Independent
Not applicable

BOARD TENURE AS AT 4 MARCH 2020

ANNE MARIE CANNON
Senior Independent
Non-Executive Director

Board tenure
6 years 1 month

Current external roles
- Deputy Chair of Aker BP ASA
- Non-Executive Director of Aker Energy AS
- Non-Executive Director and Chairman of the Remuneration Committee of STV Group plc
- Senior Advisor at PJT Partners

Past roles
- Non-Executive Director of Aker ASA
- Various roles at J Henry Schroder Wagg, Shell UK E&P and Thomson North Sea
- Executive Director at Hardy Oil and Gas and British Borneo
- Senior Adviser to the natural resources group at Morgan Stanley

Board contribution
Anne Marie has over 37 years' experience in the oil and gas sector through senior roles within both investment banking and quoted companies. Having spent much of her career in the energy teams at Morgan Stanley and J Henry Schroder Wagg, Anne Marie has significant experience advising on mergers and acquisitions within the upstream sector, and is thus well equipped to engage with management and provide appropriate independent challenge in relation to commercial transactions.

Committee membership
- Audit and Risk Committee (3 March 2020 onwards)
- Nomination Committee
- Remuneration Committee

Independent
Yes

DAVE BLACKWOOD
Non-Executive Director

Board tenure
2 years 7 months

Current external roles
- Senior Adviser to Evercore Partners Ltd
- Director of Aberdeen Science Centre

Past roles
- Non-Executive Director of Expro International Group Holding Ltd
- Senior Independent Director of Valiant Petroleum plc
- Managing Director of BP North Sea
- Joint Chairman of Oil & Gas UK
- Director of Aberdeen City and Shire Economic Future ('ACSEF')

Board contribution
Dave has over 44 years' experience in the oil and gas sector, including seven years in the service sector with Schlumberger in the North Sea and the Middle East, and 27 years in various global roles within BP, including heading up BP's upstream business in the UK and Norway. He has a strong understanding of the technical and commercial issues at play in an exploration and production company and has broad experience in developing and managing large-scale, complex energy assets throughout the world, from exploration through to decommissioning. Dave's oil and gas experience and technical expertise are invaluable to the Board as it monitors current projects and assesses potential ones.

Committee membership
- Chair of Health, Safety, Environment & Security Committee (3 March 2020 onwards)
- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee (until 3 March 2020)

Independent
Yes

BARBARA JEREMIAH
Non-Executive Director

Board tenure
10 months

Current external roles
- Senior Independent Director of The Weir Group plc
- Non-Executive Director of Aggregko plc
- Non-Executive Director of Russel Metals Inc.

Past roles
- Non-Executive Director of Allegheny Technologies Inc.
- Chairman of Boart Longyear Limited
- Executive Vice President of Alcoa Inc
- Non-Executive Director of EQT Corporation

Board contribution
Barbara has a wealth of strategic and commercial experience obtained in the strongly cyclical environment of the resources sector, which in addition to her experience chairing the Aggreko plc remuneration committee and being a member of the Weir and Russel Metal remuneration committees, enable her to make a valuable contribution to the Board and as Chair of the Remuneration Committee.

Committee membership
- Chair of Remuneration Committee
- Health, Safety, Environment & Security Committee (3 March 2020 onwards)
- Nomination Committee

Independent
Yes

Board tenure
3 years 10 months

Current external roles
- Non-Executive Director and Chairman of the Audit Committee at SUEK JSC
- Non-Executive Director of The Workforce Development Trust
- Non-Executive Director of Well North Enterprises CIC

Past roles
- Various roles at BP in engineering, licensing, business management and finance including three years as Deputy Group CFO for BP plc
- Served as a Non-Executive Director of TNK-BP Ltd from 2009 to 2011

Board contribution
With his extensive experience in senior financial and operational roles at BP, Iain brings a wealth of experience to his role as Chairman of the Audit and Risk Committee, which he assumed in May 2017 following a year-long transition period. Since taking the Chairmanship, Iain has developed the rolling programme of Audit and Risk Committee presentations to ensure that the Committee's oversight of the business is appropriate to enable it to effectively monitor the Group's internal control and risk management processes.

Committee membership
Chair of Audit and Risk Committee
Nomination Committee

Independent
Yes

Rachel joined Premier in January 2014 and was appointed Company Secretary in May 2015.

She is a Fellow of the Chartered Governance Institute with more than 16 years' experience gained across a variety of industries and sectors in FTSE 100 and FTSE 250 listed companies, including three years within the financial services sector.

As Company Secretary, Rachel is responsible for advising the Board, through the Chairman, on all governance matters.

Board tenure
2 years 7 months

Current external roles
- Chairman of Glitnir
- Non-Executive Director and Chairman of the Audit Committee of Sunseeker International
- Director of Manufacturing Capital Limited

Past roles
- Chairman of Citadel Securities Europe and Chairman of its Audit Committee
- Non-Executive Director and Chairman of the Audit & Risk Committee of the UK Department of Health
- Chairman of the Audit & Risk Committee of Dubai Holding
- Senior Adviser/Non-Executive Chairman of Close Brothers Corporate Finance
- Senior Adviser to BDO
- Non-Executive Chairman of Vantis plc
- Non-Executive member of the Audit Committee of the Institute of Financial Services

Board contribution
Mike has held senior roles in businesses across a variety of sectors, bringing a diverse outlook and a broad range of experience to the Board. His career at KPMG spanned 30 years, including serving as Global Chairman, Restructuring. Through his role at KPMG and experience serving on audit and risk committees, he has built up significant expertise in the areas of restructuring and corporate finance, which is an important element of the Board's ability to deliver its strategy.

Committee membership
Audit and Risk Committee
Nomination Committee
Remuneration Committee

Independent
Yes

Introduction
This Corporate Governance Report, together with sections of the Strategic Report, sets out how the Company has applied the main Principles of the 2018 UK Corporate Governance Code (the 'Code'). It is the Board's view that the Company has complied in full with all of the Provisions of the Code during 2019. Our approach to applying the key principles of the Code is summarised below together with cross references to other sections of the 2019 Annual Report and Financial Statements (the 'Annual Report') where appropriate.

Risk management and internal control
The Board sets the Company's strategic objectives and ensures that they are properly pursued within a sound framework of internal controls and risk management. As part of this process, the Board determines the nature and extent of the principal risks it is willing to take in achieving the Company's strategic objectives and ensures that major risks and emerging risks are actively monitored, with health, safety, environment and security ('HSES') borne in mind at all times. To this end, the Board constituted a new HSES Committee in early 2020 and will report on its activities in next year's Annual Report.

The Board is responsible for maintaining sound risk management and internal control systems. In meeting this responsibility, the Board monitors the Company's risk management and internal control systems throughout the year and, on an annual basis, carries out a review of their effectiveness. Further details about the systems used for ongoing monitoring and annual review of the Company's risk management and internal control systems are set out on pages 50 to 52 of the Risk Management section of the Strategic Report and on pages 74 to 76 of the Audit and Risk Committee Report.

How the Board operates
The Board has a structured agenda for the year ensuring all relevant matters are considered, with sufficient time allowed for discussion. The programme is structured to include: strategic issues (both setting the strategy and reviewing its execution); corporate targets and budget approval; HSES and risk; internal controls and risk management; corporate responsibility; financing; investor relations; corporate reporting; Board Committee related activity, including matters requiring Board sanction; and other corporate governance matters. The Board meets at least six times each year and, in addition, an update conference call generally takes place in the months when no formal meeting is scheduled. Ad hoc Board meetings are held if necessary to deal with specific matters requiring Board consideration. The agenda for each Board meeting is set by the Chairman in consultation with the Chief Executive Officer and the Company Secretary based on an annual programme, with any additional matters included as and when they arise.

Board members receive a monthly report on the Company's activities which incorporates an update on progress against corporate objectives, financial performance and the management of business risks, including HSES matters.

A formal schedule of matters reserved for the Board can be found on the Company's website: **www.premier-oil.com**. The schedule is regularly reviewed by the Board. Key matters reserved for the Board are set out in the panel opposite.

The Board has the opportunity to meet with management and discuss key projects through Board presentations and more detailed management presentation sessions.

The role of the Board

The Board is collectively responsible for the governance of the Company on behalf of Premier's shareholders and is accountable to them for the long-term success of the Group.

The Board governs the Group in accordance with the authority set out in the Company's Articles of Association and in compliance with the Code. A copy of the Articles of Association is available on Premier's website: www.premier-oil.com. A copy of the Code can be accessed at www.frc.org.uk.

Our governance goes beyond regulatory compliance and puts the interests of all our stakeholders at the heart of the Board's decision-making.

Roy A Franklin
Chairman

Tony Durrant
Chief Executive Officer

Richard Rose
Finance Director

Robin Allan
Director, North Sea and Exploration

Dave Blackwood
Independent Non-Executive Director

Anne Marie Cannon
Senior Independent Non-Executive Director

Barbara Jeremiah
Independent Non-Executive Director

Iain Macdonald
Independent Non-Executive Director

Mike Wheeler
Independent Non-Executive Director

Rachel Rickard
Company Secretary

As at 4 March 2020.

Board Committees

The Board has established Audit and Risk, Remuneration and Nomination Committees. Following the year-end, a new HSES Committee was constituted. Each Committee has formal terms of reference approved by the Board, copies of which can be found on the Company's website.

The Company Secretary provides advice and support to the Board and all Board Committees.

Board Committees are authorised to engage the services of external advisers as they deem necessary.

Details of the work of our Audit and Risk, Remuneration and Nomination Committees are set out in the Committee sections of this report.

Executive Committee and management structure

The Board delegates the day-to-day running of the Group to the Chief Executive Officer who is assisted by the Executive Committee.

The Executive Committee ('ExCo') meets formally once a month and its membership comprises: each of the Executive Directors; Nic Braley, Chief Commercial and Technical Officer; Mike Fleming, Group HR Director; Andy Gibb, Group General Counsel; Dean Griffin, Head of Exploration; Stuart Wheaton, Chief Operating Officer; Bassem Zaki, Business Development Manager; and Rachel Rickard, Company Secretary. In addition to formal monthly ExCo meetings, the ExCo holds fortnightly meetings with Premier's Country Managers and, in the alternate weeks, there is a fortnightly meeting with functional heads which includes, in addition to ExCo members, the Group HSE Manager, Group Financial Controller and additional members of the exploration team.

Performance review meetings are also held throughout the year between ExCo members and the senior management team from within each of the business units and include risk management and HSES reviews as part of the overall review of each quarter.

MATTERS RESERVED FOR THE BOARD

Corporate strategy

- Overall direction and strategy of the business.
- Oversight of the Group's operations and review of performance.
- Purpose and values.
- Major changes in organisation structure.
- New country and/or business entry.
- Acquisition and/or disposal of interests.

Shareholder communication

- Approval of half-year and full-year results announcements and trading updates.
- Management of relationships and dialogue with shareholders.
- Approval of the Company's Annual Report and Financial Statements.

Risk management and internal control

- Determination of the appropriate level of risk exposure for the Company.
- Recognising high impact business risks and approving risk mitigating strategies.
- Monitoring effectiveness of internal control systems including finance, operations, HSES and asset integrity and undertaking an annual assessment thereof.

Corporate governance

- The Group's corporate governance and compliance arrangements.
- Undertaking an annual evaluation of Board and Committee performance.
- Workforce engagement.
- Assessing and maintaining Premier's culture and alignment with its purpose, values and strategy.

Finance

- Group debt and equity structure.
- Significant changes in accounting policies.
- Controls related to covenant compliance.

Expenditure

- Group budget.
- Major capital expenditure.
- Development plans and projects.

Succession planning and appointments

- Appointment and removal of Directors and the Company Secretary.
- Appointment and removal of the Company's brokers and advisers.

Audit and Risk Committee

Iain Macdonald (Committee Chairman)
Dave Blackwood
Anne Marie Cannon
Mike Wheeler

Responsibilities

Keeps under review the effectiveness of the Group's risk management and internal control systems and the programme of reviews coordinated by Group Audit and Risk; monitors the integrity of the Company's financial statements and the overall fairness of the Annual Report and Financial Statements.

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Nomination Committee

Roy A Franklin (Committee Chairman)
Dave Blackwood
Anne Marie Cannon
Tony Durrant
Barbara Jeremiah
Iain Macdonald
Mike Wheeler

Responsibilities

Considers Board and Committee structure, composition and succession planning and oversees succession planning and development of senior management. It also leads Board-level engagement with the Company's workforce and assesses and monitors the Company's culture in order to ensure its alignment with the Company's purpose, values and strategy.

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Remuneration Committee

Barbara Jeremiah (Committee Chairman)
Anne Marie Cannon
Mike Wheeler

Responsibilities

Ensures that there is an appropriate reward strategy in place for Executive Directors with the intention of aligning their interests with those of shareholders. This Committee also oversees reward strategy for senior management.

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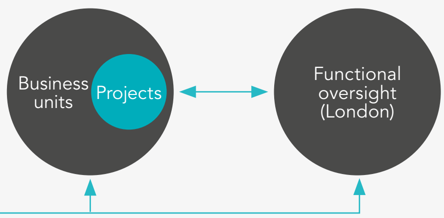
Executive Committee

The Executive Committee supports the Chief Executive Officer with the development and implementation of Group strategy, management of the operations of the Group including succession planning, financial planning, risk management, internal control, HSES and corporate responsibility.



Group Staff Forum

Relevant strategic pillars:

1 2 4

In 2019, the Group launched a new staff forum initiative across each business unit and in the Corporate Head Office. This initiative forms part of the Company's broader effort to meet the employee engagement provisions of the 2018 UK Corporate Governance Code. The initiative also aims to support effective two-way communication, feedback and idea sharing between our employees, management and the Board.

Local staff forums were established in each of the business units comprising employee and Company representatives who meet throughout the year to share feedback and ideas. The local forums help ensure that all employees have a voice in enhancing the Premier working experience and addressing issues that have implications for the Company's ability to attract, engage, develop and retain talent within the organisation. In addition, they support the development of shared understanding between staff and the Board of Directors to promote closer alignment between corporate strategy and staff engagement.

To enable meaningful and regular dialogue between the workforce and the Board, a Group Staff Forum has been established. This Forum enables representatives from the local forums to engage with Executive and Non-Executive Directors and to enable Board members to develop a deeper understanding of key workforce challenges and opportunities. At the same time, it also provides the opportunity for the Board to share its strategic direction, ideas and relevant experience directly with staff (as appropriate).

The inaugural Group Staff Forum was held in November 2019 at our corporate office in London. Prior to the event, each local forum representative was offered presentation skills training to support them in delivering their feedback to Board members. In addition to the local representatives, the event was attended by the Chairman, two Non-Executive Directors, the Chief Executive Officer, representatives from HR and an external facilitator.

The Forum discussed a number of topics including:

- communication of strategy;
- information flows and knowledge sharing;
- standards and procedures;
- succession planning;
- staff development and training;
- performance management;
- corporate culture; and
- flexible working.

The staff forum initiative will continue throughout 2020 and beyond to help maintain a consistent channel of communication for responding to the feedback and ideas of Premier's employees.

POSITION	ROLE AND RESPONSIBILITIES
Chairman of the Board	– The Chairman's role is part-time and he is a Non-Executive Director. The Chairman's primary responsibility is the leadership of the Board, showing objective judgement and promoting a culture of openness and debate, and ensuring its effectiveness in all aspects of its role including maintaining effective communication with Premier's shareholders and other stakeholders. The Chairman is also responsible for ensuring the integrity, openness and effectiveness of the Board/Executive relationship. This is effected through meetings, as well as contact with other Board members, the workforce, shareholders, joint venture partners, host governments and other stakeholders. – The Chairman also has responsibility, in conjunction with the Company Secretary, for ensuring that all Directors are aware of their duties and able to perform them, and for addressing any weaknesses revealed by the annual performance evaluation. – The Chairman ensures, through the Nomination Committee which he chairs, that the Board Committees are appropriately structured and that their membership is periodically reviewed so as not to over-burden individual Directors. – There is a clear division of responsibilities between the roles of the Chairman and Chief Executive Officer, which has been agreed by the Board and is set out in writing.
Chief Executive Officer	– The Chief Executive Officer is responsible for the day-to-day running of the Group's operations, for applying Group policies, including HSES, and for implementing the strategy agreed by the Board. The Chief Executive Officer plays a pivotal role in developing and reviewing the strategy in consultation with the Board and in executing it with the support of the Executive Committee.
Senior Independent Director	– The Company's Senior Independent Director is available to shareholders who have concerns that cannot be resolved through discussion with the Chairman, Chief Executive Officer or other Executive Directors. The Senior Independent Director is responsible for leading the annual appraisal of the Chairman's performance.
Non-Executive Directors	– The Non-Executive Directors bring independent judgement to bear on issues of strategy and resource, including senior appointments and standards of conduct. The Non-Executive Directors have a particular responsibility to challenge independently and constructively the performance of executive management and to monitor the performance of the management team in the delivery of the agreed objectives and targets. In meeting this responsibility, the Chairman and the Non-Executive Directors meet periodically without the Executive Directors present, and the Non-Executive Directors meet once a year without the Chairman present. The Non-Executive Directors must also be satisfied with the integrity of the Group's financial information and with the robustness of Premier's internal control and risk management systems. The Non-Executive Directors are responsible for determining, upon the recommendation of the Remuneration Committee, appropriate levels of remuneration for the Executive Directors and have a key role in succession planning and the appointment of and, where necessary, removal of Directors. The remuneration of the Non-Executive Directors and the Chairman is the responsibility of the Board and the Remuneration Committee respectively. – Non-Executive Directors are required to be free from any relationships or circumstances which are likely to affect the independence of their judgement. The Nomination Committee regularly reviews the independence of Non-Executive Directors. – Non-Executive Directors are appointed for a specified term of three years subject to annual re-election and to Companies Act provisions relating to the removal of a director. The terms and conditions of their appointment are made available for inspection. Letters of appointment set out an expected time commitment, and all Non-Executive Directors undertake that they will have sufficient time to discharge their responsibilities effectively. Any significant other business commitments are disclosed to the Board prior to appointment. Changes to such commitments are disclosed to the Board on an ongoing basis. Where necessary to discharge their responsibilities as directors, the Directors have access to independent professional advice at the Company's expense.
Company Secretary	– The Company Secretary is responsible for advising the Board and the Committees, through their chairmen, on all governance matters. The Company Secretary, under the direction of the Chairman, is responsible for ensuring good information flows between the Board and its Committees and between senior management and the Non-Executive Directors. The Company Secretary also plays a pivotal role in facilitating the induction of new Directors and assisting with the ongoing training and development needs of Board members as required. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole.

Disclosure Committee
The Company is required to make timely and accurate disclosure of all information that is required to be so disclosed to meet the legal and regulatory requirements arising from its listing on the London Stock Exchange.

The Disclosure Committee assists the Company in meeting the above requirements and has responsibility for, among other things, determining on a timely basis the disclosure treatment of material information.

The Committee also has responsibility for the identification of inside information for the purpose of maintaining the Company's insider list.

Delegation of authority
Responsibility levels are communicated throughout the Group as part of the Business Management System ('BMS') and through an authorisation manual which sets out delegated authority levels, segregation of duties and other control procedures.

The BMS provides access to policies, standards and procedures across the Group and facilitates their regular review and update, thus ensuring that our internal control framework remains robust and is effectively communicated across the Group.

As indicated in last year's report, during 2019, the development of the BMS focused on simplification and the creation of a consistent and distinctive 'Premier way of doing things'.

Board activity during the year
In 2019, the Board continued to concentrate on reducing indebtedness through high operating efficiency from Premier's producing portfolio, assisted by the completion of the sale of the Pakistan business at the beginning of the year. The Board continues to monitor the delivery of the Tolmount gas project, sanctioned in 2018 and due on-stream in 2020, and was encouraged by the significant commercial discovery at Tolmount East.

One of the action points arising from the 2018 Board evaluation exercise was to spend more time on exploring strategic options. In early 2019, the Board held a Strategy Day to consider financial, organisational and sustainability issues and how Premier should position itself in relation to each. The feedback from this was considered in detail by management during the first half of 2019 while reviewing Premier's asset portfolio and allocation of capital. Against a backdrop of ever-increasing focus on ESG issues such as carbon intensity, the Board approved a Climate Change Policy which was published during the summer, and also resolved to include climate change among the Group's principal risks (see pages 50 to 57).

The Board has constituted an HSES Committee which will regularly consider these subjects in more detail and will report back to the Board, which retains overall responsibility for these matters. The Committee will be chaired by Dave Blackwood and will include two additional Non-Executive Directors as members. Regular attendees will include the Chief Executive Officer, Chief Technical Officer and Group HSES Manager.

Following the externally facilitated organisational 'health check' carried out in 2018, the Board and the Nomination Committee regularly reviewed the progress of the action plan to address the points raised (see also the Nomination Committee Report on page 77).

The following table shows some of the areas reviewed by the Board during the year

SUBJECT

Shareholder and lender engagement
– Considered feedback from lenders regarding the Group's proposed acquisitions in the UK North Sea, announced in January 2020.
– Received and discussed feedback from roadshows/presentations to investors by the Chief Executive Officer and Finance Director.
– The Remuneration Committee Chairman met major institutional shareholders and shareholder representative bodies to discuss the votes at the 2019 AGM and obtain feedback for consideration in the preparation of the 2020 Remuneration Policy.

Corporate strategy
– Reviewed the Company's strategic options.
– Reviewed and discussed monthly reports from the Company's business units on the status of agreed objectives to deliver corporate strategy.
– Reviewed potential acquisition opportunities and subsequently approved the proposed UK North Sea acquisitions referred to above.
– Approved the commencement of a process to market the Group's interest in the Zama field for sale.
– Approved the entry into exploration acreage in the Andaman Sea and a farm-in to exploration blocks on the Alaskan North Slope.

Finance and expenditure
– Regularly reviewed the status of the Group's banking covenants and hedging arrangements.
– Considered proposals for a future refinancing of the Group's debt facilities.
– Reviewed and approved the 2020 annual budget.
– Reviewed and approved the Company's Annual Report and Financial Statements for the year ended 31 December 2018.
– Reviewed and approved the Group's insurance arrangements.
– Reviewed and approved the Group's Tax Policy.

HSES and risk management
– Annual review and discussion, with the Group Audit and Risk Manager, of the Group's risk profile and, in particular, the Group's principal and emerging risks.
– Reviewed 2019 corporate HSES KPIs and HSES plan.
– Reviewed and discussed HSES performance.
– Received reports from the Audit and Risk Committee on the effectiveness of the Group's risk management and internal control systems.
– Reviewed the Group's risk management and internal control framework.

Corporate governance
– Reviewed compliance against the 2018 Code.
– Reviewed the schedule of matters reserved for the Board.
– Conducted an internal evaluation of the Board and its Committees.
– In consultation with the Nomination Committee, reviewed the independence of Non-Executive Directors.

Sustainability
– Reviewed ethical performance and control systems.
– Reviewed the Group's Code of Conduct and Business Ethics Policy.
– Considered bi-monthly updates in respect of environmental KPIs.
– Reviewed and approved the Company's Sustainability review.
– Approved the Group's Climate Change Policy and Strategy.

Succession planning and appointments
– Monitored progress against the Company's succession plan for Non-Executive Directors.
– Reviewed proposals from management on the Group's leadership and organisational structure.

Employees
– Reviewed and approved proposals for awards to the wider employee population under the Company's share award schemes.
– Engaged with the workforce (via the Group Staff Forum – see pages 42 and 68 for more information) in accordance with the 2018 UK Corporate Governance Code.

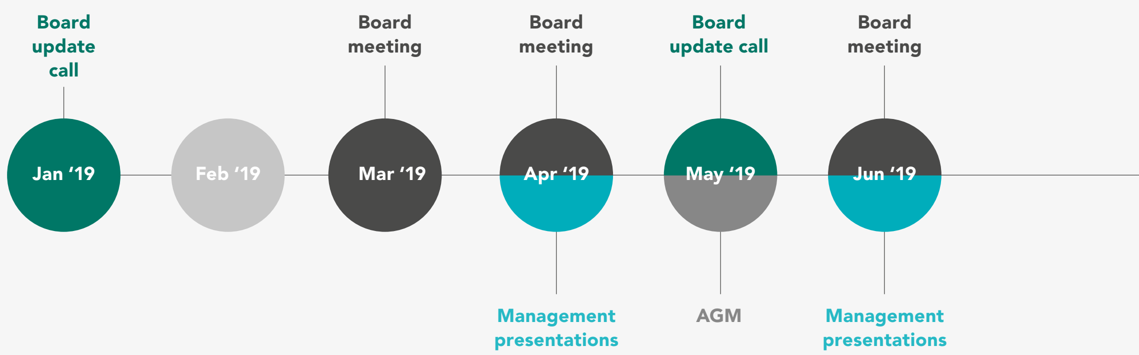
BOARD ACTIVITY DURING THE YEAR

The Board held six scheduled meetings during the year and update conference calls were held between the scheduled meetings. Details of the number of Board meetings held and individual attendance by Directors are shown below:

6 Board meetings

5 Board update calls

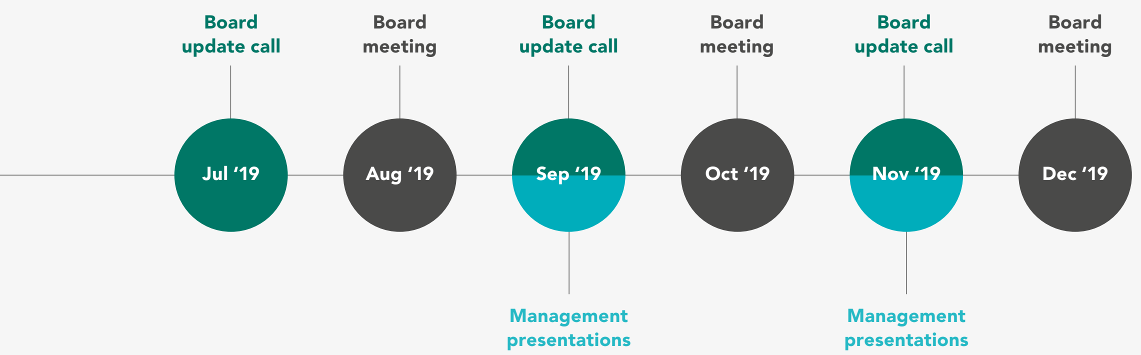
4 Management presentations



Strategic pillars

1. To operate in a safe and responsible manner
2. To focus on high quality assets with commercially advantaged positions
3. To secure access to capital and financial liquidity
4. To maintain an effective organisation sustained by the right people

CROSS REFERENCE	RELEVANT STRATEGIC PILLARS	STAKEHOLDER CONSIDERATIONS
– Lender engagement activity (see page 16) – Shareholder engagement activity (see page 73) – Directors' Remuneration Report (see pages 79 to 112)	3	**Shareholders and Lenders** – Capital allocation – Financial performance **Shareholders** – Remuneration structure
– The Company's strategy and business model (see pages 12 and 13) – CEO's year in review (see pages 2 to 9)	1 2 3 4	**Shareholders and Lenders** – Capital allocation – Financial performance **Governments & regulators and Joint venture partners** – Mexico FDP approval and unitisation process
– Financial review (see pages 46 to 49) – Financial statements (see pages 117 to 174)	3	**Shareholders and Lenders** – Financial performance **Customers** – Financial capability
– Risk management (see pages 50 to 53) – Principal risks (see pages 54 to 57) – Sustainability review (see pages 24 to 45)	1	**Shareholders, Governments & regulators and Joint venture partners** – Risk management and internal control – ESG performance **Workforce** – Health and safety of workforce
– The Governance section (see pages 58 to 116)	1 2 3 4	**Shareholders and Governments & regulators** – Risk management and internal control – Board effectiveness
– Sustainability review (see pages 24 to 45)	1 2 3 4	**Shareholders, Governments & regulators and Joint venture partners** – ESG performance – Risk management and internal control **Workforce** – ESG performance
– Nomination Committee Report (see pages 77 and 78)	4	**Shareholders and Workforce** – Board effectiveness – Development and progression
– Directors' Remuneration Report (see pages 79 to 112) – The Governance section (see pages 58 to 116)	1 4	**Workforce** – Development and progression – Reward – Corporate culture



[1] Dave Blackwood was unable to attend one meeting because he was undergoing a course of medical treatment.
[2] Barbara Jeremiah was unable to attend one meeting soon after she joined the Board because it coincided with a meeting of another board of which she was a member. She had previously notified Premier of this, but it was not possible at that late stage to change the date of either meeting.
[3] Jane Hinkley stepped down from the Board on 31 December 2019.

Attendance at 2019 Board meetings by individual Directors

Current Directors	Meetings attended
Robin Allan	6/6 – 100%
Dave Blackwood[1]	5/6 – 83%
Anne Marie Cannon	6/6 – 100%
Tony Durrant	6/6 – 100%
Roy A Franklin	6/6 – 100%
Barbara Jeremiah[2]	3/4 – 75%
Jane Hinkley[3]	6/6 – 100%
Iain Macdonald	6/6 – 100%
Richard Rose	6/6 – 100%
Mike Wheeler	6/6 – 100%

Board and Committees performance evaluation

An externally facilitated performance evaluation was last undertaken in 2018. The 2019 performance evaluation was undertaken internally and facilitated by the Company Secretary. The evaluation was conducted by the use of questionnaires completed by Board Committee members and those regularly in attendance at their meetings. The questionnaires addressed:

- Board and Committee size and composition, skills and experience, and dynamics;
- the Board's oversight of strategy, risk and internal control;
- the performance of the chairmen and individual members;
- the frequency, length, management and focus of meetings; and
- the quality of the papers considered at the meetings and the support given by staff.

The completed questionnaires were collated and anonymised by the Company Secretary and submitted to the chairman of each body, who discussed the findings with the individual members before preparing a summary report for discussion by the Board. In the case of the performance of the Chairman of the Board, the discussions with Board members were held by the Senior Independent Director.

An action plan was then drawn up for the Board by the Chairman and Company Secretary and actions were agreed for each body with the relevant chairmen. Key actions identified included the recruitment of an additional Non-Executive Director with strong technical and operational expertise; the Company's response to the climate change agenda; and ongoing work on defining and communicating culture and strategy within the organisation.

2018 performance evaluation

Actions identified for 2019 from the 2018 Board performance evaluation included devoting more time to exploring strategic options, focusing more closely on management succession planning and talent management (see Nomination Committee Report on page 77) and addressing any weaknesses in the Remuneration Policy before submitting a revised Policy to a shareholder vote in 2020 (see Remuneration Committee Report on page 79).

Board appointments

Premier is an international business and has to manage a variety of political, technical and commercial risks. It is crucial therefore that the Board has the appropriate mix of skills, knowledge and experience as well as independence to enable it to meet these challenges.

To this end, the Nomination Committee reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes that are deemed necessary with due regard for the benefits of diversity on the Board, in its broadest sense and including gender diversity.

When recruiting new Directors, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment in the context of the existing skills, experience, independence and knowledge on the Board and the time commitment expected.

Further details regarding succession planning can be found in the Nomination Committee Report on pages 77 and 78.

Induction of new Directors

New Directors receive a full, formal and tailored induction to the Company. The induction programme consists of:

- a comprehensive briefing session with the Company Secretary to discuss the proposed induction programme and to provide details of Board and governance procedures;
- an introduction to the Company's online resource centre for Directors, through which they can access key corporate governance documents, including details of the policies and procedures forming part of the Group's governance framework; a dedicated resource library containing comprehensive information on key projects; copies of past Board presentations; and copies of external communications such as investor presentations, annual reports and sustainability reports;
- one-to-one meetings with each of the Executive Directors, members of senior management and external advisers; and
- meetings with other functional representatives as requested by Directors.

Shareholders are given the opportunity to meet with new Directors upon request or at the next Annual General Meeting following their appointment and, in the case of the Chairman, meetings are offered to the Company's major shareholders.

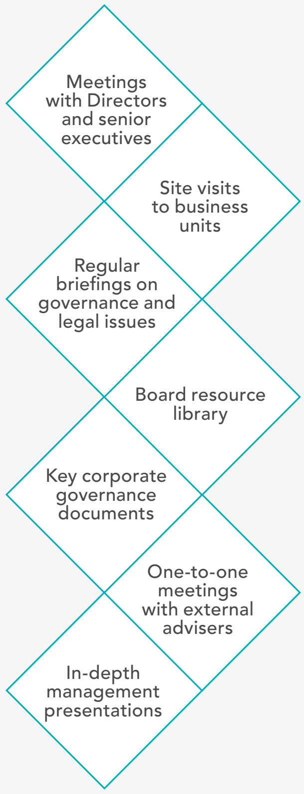
Board development

As part of the Board's annual rolling agenda, in-depth management presentations are planned throughout the year. These sessions are held outside main Board meetings and are designed to give the Board insight into key aspects of the Company's operations, its development projects and strategy. The presentations provide Directors with the opportunity to discuss matters with members of senior management in an informal setting.

During 2019, management presentations were given on strategic options for Premier; the Sea Lion project; and risk management.

Regular updates are provided to all Directors on governance and legal matters. Information is also provided on relevant external training courses available to further complement Directors' skills and knowledge.

DIRECTORS' INDUCTION AND DEVELOPMENT



Information and support

All Non-Executive Directors have access to the Company's senior management between Board meetings and the Board aims to hold at least one meeting each year in one of the business units to allow Non-Executive Directors to meet and engage with local staff. Non-Executive Directors also engage with staff via the Group Staff Forum. The continuing development of Board members is supported through in-depth management presentations into specific business areas as well as presentations by management and regular updates on changes to the legal and regulatory landscape.

All Directors have access to the Company Secretary and, if required, can take legal advice at the Company's expense. Directors also have access to an online Board resource library.

Election and re-election of Directors

In accordance with the Code, Directors are submitted for re-election annually subject to continued satisfactory performance.

In addition, Directors appointed since the last Annual General Meeting are required to step down at the next Annual General Meeting following their appointment and stand for election by shareholders.

For any term beyond six years for a Non-Executive Director, performance is subject to a particularly rigorous review.

It was agreed that Anne Marie Cannon, who has served as a Director for over six years and will be standing for re-election, continues to provide sound, independent judgement and to make a significant contribution to the Board and its Committees. All Non-Executive Directors standing for election or re-election are considered to be independent.

Following satisfactory performance effectiveness reviews, the Nomination Committee recommended and the Board approved that each of the Directors be put forward for election or re-election at the 2020 AGM.

Details of the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are set out in the Directors' Remuneration Report on pages 94 and 95 respectively.

The main responsibilities of each Board role are set out on page 69 of this report. Full biographies can be found on pages 62 to 65. These set out the skills, knowledge and experience of each Director, as well as current and previous appointments.

Conflicts of interest

Under statute, a Director has a duty to avoid a situation in which he or she has, or may have, a direct or indirect interest that conflicts, or potentially may conflict, with the interests of the Company.

Formal procedures are in place to ensure that the Board's power to authorise conflicts or potential conflicts of interest of Directors is operated effectively. The Board is satisfied that during 2019 these procedures were enforced and adhered to appropriately.

Power of Directors and process for amending Articles of Association

Details regarding the Company's Articles of Association and any amendment thereto, including the powers of Directors under the Articles, are included in the Directors' Report on page 113.

Communications with shareholders

There is regular dialogue with institutional investors through meetings, presentations and conferences. Scheduled presentations are given to analysts and investors following the full-year and half-year results (which are broadcast live via the Company's website: **www.premier-oil.com**) and at other ad hoc events.

Over 200 meetings were held with investors and prospective investors during 2019. The Chairman, Chief Executive Officer and Finance Director are the Directors primarily responsible for engaging with shareholders. They ensure that other members of the Board receive full reports of these discussions. The Board also receives copies of analyst and broker briefings and shareholder sentiment reports prepared by the Investor Relations team. The Senior Independent Director is available to shareholders in the event that they have concerns that contact with the Chairman, Chief Executive Officer or Finance Director has failed to resolve, or where such contact would be inappropriate. Non-Executive Directors are expected to attend meetings with major shareholders, if requested. Extensive information about the Group's activities is provided in this Report, the half-year results and other trading statements and press releases, all of which are available on our website.

The Company's website also provides detailed information on the Group's activities. Information regarding the Company's share capital, including details of significant shareholders, is included in the Directors' Report on pages 113 to 115.

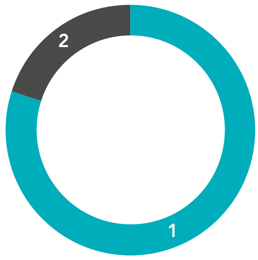
At the 2019 AGM, the Annual Report on Remuneration received a 41.86 per cent vote against. In order to understand better the reasons for this outcome and to help to shape the new Remuneration Policy being put to shareholders at the 2020 AGM, during autumn 2019, the Chairman of the Remuneration Committee and the Chairman of the Board met or spoke to many of Premier's largest institutional shareholders and also to key representative investor bodies (the Investment Association, ISS and Glass Lewis). The outcome of this consultation is summarised in the Remuneration Committee Report on page 79.

The primary method of ongoing communication with shareholders is the Investors section of the Company's website. This contains key information such as reports and financial results, investor presentations, share price information, regulatory news announcements and information on Premier's AGM.

In accordance with current regulations, the Company uses its website as its default method of publication for statutory documents in order to reduce printing costs and help reduce our impact on the environment. All shareholders are offered the choice of receiving shareholder documentation, including the Annual Report, electronically or in paper format, as well as the choice of submitting proxy votes either electronically or by post.

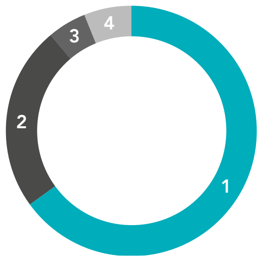
Premier promotes the use of online shareholder services via the Company's online share portal: **www.premier-oil-shares.com**.

Investor contact by type (%)



1. One-to-one meetings	80
2. Group meetings	20

Investor contact by location of investor (%)



1. UK	65
2. USA	24
3. Europe	5
4. Other	6

Using this service, shareholders are able to access information about their shareholding, update their address or submit queries on their account directly to the Company's Registrar. Shareholders also have the ability to vote online prior to general meetings. The share portal encourages shareholders to register to receive communications by email, rather than by post, thus further reducing the number of documents printed and distributed. Shareholders who have actively registered receive an email notifying them when the Company has added a statutory document to its website.

The Company has posted guidelines on its website, advising shareholders of how to recognise and deal with potential share scams. Shareholders are advised to be extremely wary of any unsolicited advice or offers and only to deal with financial services firms that are authorised by the Financial Conduct Authority. More information can be found in the Investors section of the Company's website.

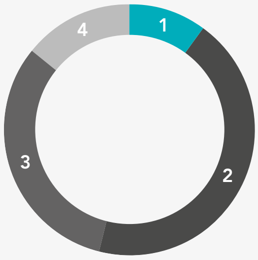
Enquiries from individuals on matters relating to their shareholding and the business of the Group are welcomed and shareholders are encouraged to attend the AGM to discuss the progress of the Group.

"I ensure that the Committee is rigorous and effective in carrying out its role."

IAIN MACDONALD
Chairman of the Audit and Risk Committee

Members	Meetings attended (eligible to attend)
Iain Macdonald (Committee Chairman)	4(4)
Dave Blackwood	4(4)
Mike Wheeler	4(4)

How the Committee spent its time during the year (%)



1. Governance	10
2. Risk management and internal control	44
3. Financial reporting	32
4. Audit	14

Role of the Committee

- Monitors and reviews the effectiveness of the Company's risk management and internal control systems.
- Monitors and reviews the effectiveness and objectivity of the Company's Group Audit and Risk Function, the appropriateness of its work plan, the results of audits and reviews undertaken, and the adequacy of management's response to matters raised.
- Monitors the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance and the significant financial reporting judgements they contain.
- Reviews the external auditors' independence and objectivity and the effectiveness of the audit process.
- Develops and implements policy on the engagement of the external auditors to supply non-audit services.
- Monitors the enforcement of the Company's Global Code of Conduct and the adequacy and security of its whistleblowing procedure.

Dear shareholder,

I am pleased to present the Audit and Risk Committee's report to you for 2019. The objective of this report is to provide a summary of the Committee's work in ensuring that the interests of all of the Company's stakeholders are protected through a robust system of risk management and transparent financial reporting.

Key activities during the year
The Committee held four scheduled meetings during 2019. In addition to the members of the Committee listed on this page, meetings of the Committee are normally also attended by the Chairman, the Finance Director, the Group Financial Controller, the Group Audit and Risk Manager and representatives of the external auditors. Other members of the Executive Committee or senior managers are required to attend when significant risk management matters relating to their area of responsibility are considered by the Committee. During the year, the Committee meets privately with the Group Audit and Risk Manager and with the Company's auditors.

The Committee spent considerable time during the year reviewing the significant financial reporting judgements associated with the Group's full and half-year results. In particular, the Committee considered the Company's long-term oil price assumptions in the context of continued oil price volatility during the year. With the introduction of the IFRS 16 provisions on lease accounting, the Committee developed a detailed understanding of the proposed adjustments to the Group's accounting policies and reviewed management's proposed disclosure for the half-year results regarding the adoption of IFRS 16, which was subsequently cited as an example of good disclosure by the Financial Reporting Council in its Thematic Review. More detail about the work of the Committee in relation to financial reporting judgements can be found in the diagram opposite.

The Committee reviewed and endorsed the schedule of reportable audits and reviews of the internal controls planned for the year, including the plan to address recommendations emerging from the organisation health check conducted at the end of 2018. The Committee also reviewed the status of the ongoing project to improve the Company's Business Management System. In discharging its duty to monitor and review the effectiveness of the Company's risk management and internal control systems, the Committee received presentations from various business functions. These included: operations management systems within the UK Business Unit, financial forecasting, the management of major projects, cyber-security, tax and supply chain management. These presentations included a detailed review by the Committee of the key risks facing each function and the controls in place to manage them.

Each meeting of the Committee includes a discussion on the current major business risks, including learnings from recent incidents and materialised risks, and a review of the emerging risks facing the business and the systems in place to identify them.

The Committee also noted significant findings from the reported audits and reviews conducted over the period, considered the closeout of actions arising from these audits including the status of overdue actions, and reviewed the audit priorities for 2020. In these meetings the Committee also completed its annual review of the effectiveness of the Group's risk management and internal control systems so as to be able to approve the statements on risk management and internal control in the 'Risk Management' section of the Strategic Report on pages 50 to 53, and to report to the Board that, in the Committee's view, 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.

Risk management and internal control
The Committee continues to be responsible for reviewing the design and operating effectiveness of the Group's risk management system. This system is designed to assess, reduce, monitor and communicate the principal risks facing the Group and to identify emerging risks.

FINANCIAL JUDGEMENTS AND INTERNAL CONTROL MATTERS

The Committee considered the following significant judgements and internal control matters in preparing the 2019 Annual Report and Financial Statements, coming to the following conclusions:

Going concern
The Directors are required to consider the appropriateness of adopting the going concern basis of accounting

The Committee reviewed in detail management's projections of the Group's position in respect of its main financial covenants. Key assumptions in the projections included those related to oil and gas prices during the period, portfolio management options available during the Forecast Period and the inclusion of the proposed acquisitions announced on 7 January 2020. The key assumptions were assessed and challenged by the Committee.

The Committee concluded that:

- the Group had availability of financing and the Group's base case projections indicated that the Group will be able to operate under the requirements of its borrowing facilities and will have sufficient financial headroom throughout the going concern period;
- it is satisfied that the judgements applied in making the assumptions and estimates that underpin the forecasts and projections have been exercised in an appropriate manner; and
- the going concern statement included on page 49 is fair and balanced.

Exploration and evaluation ('E&E') assets
Assessment of the carrying values of E&E assets and whether any indicators of impairment exist in relation to these assets

The Committee satisfied itself that, in respect of all E&E assets, either commercially viable resources have been discovered or substantive expenditure on further exploration and evaluation activities in the specific area is budgeted or planned and an unexpired licence period remains. Details of the Group's E&E assets are provided in note 9 to the financial statements on page 145.

Taxation
Assessment of deferred tax asset recoverability

The Committee discussed with management their projections of probable UK taxable profits and noted that these projections include existing producing assets, certain currently unsanctioned UK development projects and assets for which the acquisition is expected to complete by the end of Q3 2020. The projections use underlying assumptions which are consistent with those used in the asset impairment review and support the recognition of a net deferred tax asset. Further details of the deferred tax asset and the assumptions used to estimate the amount of tax recoverable in respect of tax losses and allowances are provided in notes 6 and 19 to the financial statements on pages 142 and 157, respectively.

Oil and gas reserves and resources
Estimation of oil and gas reserves and resources

The Committee considered reports from management on the process applied to calculate the reserves estimates, addressing in particular the extent to which the methodology and techniques applied by the Company were generally accepted industry practice, whether the methodology and techniques applied were consistent with those applied in prior years, and the experience and expertise of the managers who prepared and reviewed the estimates.

The Committee noted that estimates of the Group's oil and gas proved and probable reserves prepared by independent reservoir engineers for producing and development fields were marginally lower than management's estimates. The Committee discussed with management the main reasons for the difference between the two estimates and was satisfied that it was appropriate to apply management's estimates for the purpose of preparing the financial statements.

Impairment of oil and gas properties
Assessment of indicators of impairment or reversals of previous impairments

In assessing indicators of impairment or reversals of previous impairments, the Committee:

- reviewed and challenged management's key assumptions for each oil and gas property, including the long-term planning assumptions and future oil and gas prices;
- taking account of available market data, approved management's long-term planning assumptions, including oil prices of: US$65/bbl in 2020 and 2021, US$70/bbl in 2022 followed by an oil price of US$70/bbl in real terms thereafter (2018: long-term oil price assumption of US$75/bbl in real terms); and
- considered the reduction in the long-term oil price assumption to be an indicator of impairment and assessed management's impairment calculations of all of the Group's oil and gas properties at this revised oil price.

The Committee was satisfied that the most significant assumptions on which the amount of the impairment charge are based are future oil and gas prices, the discount rate applied to the forecast future cash flows and the decommissioning discount rate. The Committee considered the disclosure of the sensitivity of the impairment charge to changes in the oil price, as set out in note 10 on page 146 to the financial statements, to be appropriate.

Provisions for decommissioning
Assessment of the estimate of costs to be incurred on decommissioning activities

The Committee discussed with management the estimation process and the basis for the principal assumptions underlying the cost estimates, noting in particular, the reasons for any major changes in estimates as compared with the previous year. The Committee was satisfied that the approach applied was fair and reasonable. The Committee was also satisfied that the combination of discount and rig rates used to calculate the provision was appropriate. Further information on decommissioning provisions is provided in note 17 on page 150.

Risk management and internal control in the Group is discussed more fully in the 'Risk Management' section of the Strategic Report on pages 50 to 53.

The Group-wide governance, risk management and internal control systems include specific internal controls governing the financial reporting process and preparation of financial statements. These systems include clear policies, standards and procedures for ensuring that the Group's financial reporting processes and the preparation of its consolidated accounts comply with relevant regulatory reporting requirements. These policies are applied consistently by the finance reporting teams at head office and in each business unit in the preparation of the financial results.

Management representations covering compliance with relevant policies and the accuracy of financial information are collated on a biannual basis. Detailed management accounts for each reporting business unit are prepared monthly, comprising an income statement and a cash flow statement in a manner very similar to the year-end and half-yearly reporting processes. These are subject to management review and analysis in the monthly consolidated management accounts.

Internal assurance

The Company does not maintain a standalone internal audit function. Instead, internal assurance is achieved through the oversight of the Group Audit and Risk Manager in conjunction with the Group Financial Controller, the support of the Group Function Managers and the targeted use of third-party audit and review.

The Company assures the effectiveness of its internal controls through an annual risk-based programme of management system audits and reviews.

The Company conducts three levels of review:

1. Business unit management review

Business unit management reviews are designed to assure the effectiveness of the management system of the business area.

2. Group function review of a business area

The Group functions are independent of the business area and their reviews are designed to assure the effectiveness of a Group management system as applied to the business area.

3. External third-party review

Third-party reviews are commissioned on a targeted risk basis to provide independent assurance of the effectiveness of a Group or business area management system. For certain risk-critical management systems, the Company assures the effectiveness of the management system to a recognised industry certification (e.g. ISO 14001, OHSAS 18001).

On an annual basis, the Committee agrees with management a risk-based programme of the most significant audits and reviews. In agreeing the programme, the Committee takes into account the significant and emerging risks facing the business which it reviews at each meeting.

The Committee and the external auditors then receive reports at each meeting from the Group Audit and Risk Manager covering progress against the audit programme, findings and actions. While the external auditors are made aware of the outcomes of the internal assurance programme, their remit is not impacted.

External audit effectiveness

The Committee reviewed the auditors' work plan at the start of the audit cycle, considering in particular the auditors' assessment of the significant areas of risk in the Group's financial statements. For 2019, the significant areas of risk corresponded with the major areas of judgement identified by the Committee, and the scope of their work. At the conclusion of the audit, the Committee discussed with the auditors the findings of the audit, including key accounting and audit judgements, the level of errors identified during the audit, the recommendations made to management by the auditors and management's response. The Committee met privately with the auditors in March and August of 2019 and in March 2020 at the conclusion of the 2019 audit.

The Committee also assessed the effectiveness of the audit process, based on its own experience and on feedback from the corporate and business unit finance teams, and considered in particular:

- the experience and expertise of the audit team;
- the auditors' fulfilment of the agreed audit plan and any variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the quality of the auditors' recommendations for financial reporting process and control improvements.

FRC Audit Quality Review of the Company's 2017 external audit

During 2019, the Audit Quality Review Team from the FRC undertook a review of Ernst and Young LLP's ('EY') audit of the Group's 2017 financial statements. The team made recommendations for improvement, including in EY's assessment of whether forecast profits from certain future unsanctioned projects, which supported a proportion of the deferred tax assets, were probable. The Audit and Risk Committee discussed the review findings with EY, reviewed EY's proposed actions to address these findings and is satisfied that these changes were implemented for the 2018 and 2019 audits.

Auditors' independence and objectivity

EY were appointed as the Company's auditor for the financial year commencing 1 January 2017 following a formal competitive tender process conducted in 2016.

The Committee regularly reviews the independence and objectivity of the auditors. This review considers the overall relationship between the auditors and the Company, based on feedback from the Company's finance function and from the auditors, and the nature and extent of non-audit services provided by the auditors, and takes account of the safeguards established by the auditors against loss of audit independence, including rotation of the audit engagement partner.

The Committee believes that certain non-audit work may be carried out by the auditors without compromising their independence and objectivity. The allocation of non-audit work is considered by reference to the Company's policy on the provision of non-audit services by the auditors, which can be found on the Company's website.

The use of the auditors for services relating to accounting systems or the preparation of financial statements is not permitted, and neither are various other services, such as valuation work, which could give rise to conflicts of interest or other threats to the auditors' objectivity that cannot be reduced to an acceptable level by applying safeguards. The Committee believes that certain non-audit assurance and advisory services may be best performed by the auditors as a result of their unique knowledge of the Company. This includes reporting accountant services to support a prospectus and investment circulars in relation to future acquisitions. Any non-audit work of this nature requires approval by the Committee.

The Committee approves the fees for the audit and half-yearly review after reviewing the scope of work to be performed, and reviews the scope and fees for non-audit assignments awarded to the auditors to satisfy itself that the assignments concerned do not give rise to threats to the auditors' independence and objectivity.

EY were required to confirm to the Committee that they have both the appropriate independence and objectivity to allow them to continue to serve the members of the Company. The Committee also requires the auditors to confirm that in providing non-audit services, they comply with the Ethical Standards for Auditors issued by the UK Auditing Practices Board. This confirmation was received for 2019.

Based on its review of the effectiveness of the 2019 audit and the independence and objectivity of the auditors, the Committee concluded that the auditors' effectiveness and independence has not been impaired in any way. The Committee has reported accordingly to the Board and a resolution to re-appoint Ernst & Young LLP as the Group's external auditors will be proposed at the Group's 2020 Annual General Meeting.

On behalf of the Audit and Risk Committee.

Iain Macdonald
Chairman of the Audit and Risk Committee

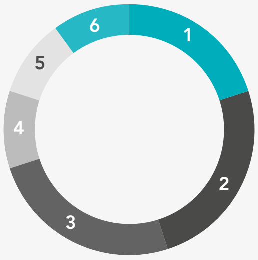
NOMINATION COMMITTEE REPORT

ROY A FRANKLIN
Committee Chairman

Members	Meetings attended (eligible to attend)
Roy A Franklin (Committee Chairman)	4(4)
Dave Blackwood	3(4)
Anne Marie Cannon	4(4)
Tony Durrant	4(4)
Jane Hinkley	4(4)
Barbara Jeremiah[1]	3(3)
Iain Macdonald	4(4)
Mike Wheeler	4(4)

[1] Barbara Jeremiah joined the Committee in May 2019.

How the Committee spent its time during the year (%)



1. Governance and organisation structure	20
2. Executive Director and senior management succession	25
3. Workforce engagement including staff forums	25
4. Talent management and development	10
5. Non-Executive Director succession	10
6. Diversity and Inclusion	10

Role of the Committee

– To plan Board member succession and oversee plans for senior management succession, taking into account the strategy of the Company and the skills, knowledge, diversity and experience required to deliver the strategy; and to oversee the development of a diverse pipeline for succession to Board and senior management positions.

– To keep under review the structure, size and composition of the Board and Committees.

– To lead the process for Board appointments, ensuring that the procedure is formal, rigorous and transparent, and identifying and nominating candidates for the Board's approval.

– To lead Board-level engagement with the Company's workforce, enabling the workforce to raise matters of concern.

– To assess and monitor the Company's culture in order to ensure that it is aligned with the Company's purpose, values and strategy.

Dear shareholder,

During 2019, the Nomination Committee focused its attention on workforce engagement, talent management and succession planning for the Board and senior management, diversity and inclusion initiatives and monitoring actions taken in response to the 2018 'health check' of Premier's organisational structure.

Workforce engagement

In 2018, in line with the provisions of the revised UK Corporate Governance Code, the Board opted to constitute a workforce advisory panel as its chosen method of formal workforce engagement. Since then much work has been ongoing to bring this decision to life. In early 2019, staff in Premier's operating regions elected representatives to local staff forums. These local forums are facilitated by Human Resources but owned by the staff representatives themselves, under a Forum Charter communicated throughout the Group. A Group Staff Forum, which includes the staff members who chair the Aberdeen, Indonesia, London and Vietnam Forums, has also been established.

The first meeting between members of the Group Staff Forum and members of the Committee was held in November 2019. An agenda was prepared by the staff which included future Company strategy, internal communications, Company procedures, and Company culture; an informal dinner was held afterwards to allow the discussion to continue. The outcome of the meeting was reviewed by the Board and the Executive Committee, and feedback from this review was in turn given to the Group Staff Forum. For example, Group Staff Forum members' comments on Premier's corporate culture are being taken into account as part of the culture 'refresh' that is underway, following the 2018 organisational structure 'health check' (see below).

Talent and succession – review and planning

The Committee receives a report from the Executive annually on senior management leadership capability and succession planning. The three elements of this assessment are performance and potential, succession planning, and risk assessment (individual, organisational, and marketplace). The 2019 assessment also looked at the quality and diversity of the succession pipeline of senior management taking into consideration any skills shortages and contingency plans. Forward-looking diversity and inclusion initiatives were also considered alongside these workstreams with a view to increasing diversity, reducing bias and broadening Premier's range of talent.

The Committee also reviews potential changes to management requirements (the number, expertise and location of staff members) in the light of changing operational needs.

Progress following the 2018 organisational structure review
The Committee received regular reports on the implementation of the recommendations of the organisational health check during 2019. Ongoing workstreams include a refresh of corporate culture and values, communication of strategy, simplification of Group policies and a simplification of the Business Management System.

Board and Committee composition and Board changes
The Committee works to ensure that the Board continues to have the appropriate balance of skills, knowledge, experience, independence and diversity to lead Premier effectively. The Committee also keeps under review the composition of the Committees to ensure that they retain the appropriate combination of skills, experience, independence, knowledge and diversity, and that their non-executive members remain independent and are not so heavily committed elsewhere that they risk being unable to attend properly to Premier's affairs. Further, the Committee takes into account the findings of the annual Board and Committees evaluation in exercising its duties (conducted internally in 2019 – see Corporate Governance Report on page 66).

At the 2019 Annual General Meeting Barbara Jeremiah was elected as a Non-Executive Director. Barbara succeeded Jane Hinkley as Chairman of the Remuneration Committee in August 2019.

Towards the end of the year it was agreed to recommend to the Board that an additional Non-Executive Director should be recruited, with strong experience in upstream oil and gas operations and, if possible, with ESG experience. In the light of the Board's gender diversity balance with Jane Hinkley due to step down, and in view of the Hampton-Alexander Review recommended diversity target, it was agreed that the focus for this search should be placed on female candidates. The Committee appointed Spencer Stuart to conduct the search. A longlist of candidates was then prepared and circulated to Committee members for comment. A shortlist was then drawn up, from which the preferred candidates were interviewed by members of the Committee, and finally Elisabeth Proust was recommended to the Board for appointment.

Jane Hinkley retired from the Board at the end of 2019 and has been succeeded as the Senior Independent Director by Anne Marie Cannon. In appointing Anne Marie to this role the Board took account of her strong skills in relationship management, her sector experience, length of tenure on the Board and Committee membership at Premier, as well as her other external roles and time commitments.

Diversity and Inclusion
The Board recognises that diversity and inclusion are essential both for the Board and throughout Premier. All appointments are made based on merit, experience and performance and whilst actively seeking diversity of skills, gender, social and ethnic backgrounds, cognitive and personal strengths. During the year the Committee reviewed ongoing workstreams to ensure that diversity and inclusion are integrated into our Business Management System, HR standards and recruitment processes, and are front of mind as we continue to work on a refresh of Premier's corporate culture and with the Group Staff Forum.

The objective of our Board Diversity Policy, which the Committee reviews annually, is to ensure the optimal composition of the Board for successfully delivering the Company's strategy. The Committee maintains its current policy of embracing diversity in its broadest sense, including gender, ethnic and social diversity but without setting formal, measurable objectives. Notwithstanding the above, the Committee is mindful of the Hampton-Alexander target on gender diversity, that women should constitute at least one-third of the membership of FTSE 350 company boards by 2020. Following Jane Hinkley's retirement at the end of December 2019, the proportion of female Directors fell from 30 per cent to 22 per cent whilst the search for an additional Non-Executive Director continued. Elisabeth Proust will join the Board with effect from 1 April 2020 at which point the proportion of female Directors will return to 30 per cent.

Further, Robin Allan intends to stand down from the Board at the forthcoming AGM on 12 May. At that point, the proportion of female Directors will then be one-third female to two-thirds male, and the Hampton-Alexander target will be met.

Further details of the Board's composition are outlined on pages 62 to 65.

With regard to senior management gender diversity, women represent 20 per cent of the Executive Committee and their direct reports. As stated above we have worked to ensure that diversity and inclusion are, and remain, integrated into our Business Management System and HR standards and, alongside improvements to flexible working policies, we hope to see the above ratios improve with time.

Roy A Franklin
Chairman of the Nomination Committee

2020 focus areas
The Committee will continue to focus on the following areas during the remainder of 2020 and beyond:

- culture and behaviour;
- workforce engagement;
- diversity and inclusion; and
- talent management and succession.

DIRECTORS' REMUNERATION REPORT

BARBARA JEREMIAH
Chairman of the Remuneration Committee

"My primary objective has been to engage with our shareholders to understand their views on our past performance, former remuneration practices and changes we contemplated in a new policy."

Members	Meetings attended (eligible to attend)
Barbara Jeremiah[1] (Committee Chairman)	3(3)
Jane Hinkley	5(5)
Dave Blackwood	5(5)
Anne Marie Cannon	5(5)
Mike Wheeler	5(5)

1 Barbara Jeremiah was appointed as a member of the Committee on 16 May 2019 and replaced Jane Hinkley as Chair of the Committee on 20 August 2019.

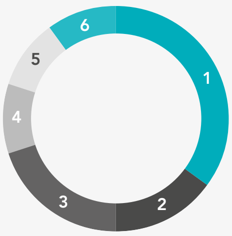
Role of the Committee

– Develop and maintain a Remuneration Policy to attract, retain and motivate employees to enable the Company to meet its objectives, taking into account the long-term interests of employees, shareholders and other long-term stakeholders.

– Consider and approve the remuneration arrangements for the Chairman, the Executive Directors and other senior executives as determined by the Committee.

– Exercise oversight of the pay and performance conditions across the Group.

How the Committee spent its time during the year (%)



1. Executive Director Policy review	35
2. Senior executive remuneration	15
3. Wider workforce pay and conditions	20
4. Employee engagement	10
5. Shareholder consultation	10
6. Remuneration reporting and governance	10

Dear shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2019. This is my first statement as Chair of the Remuneration Committee, having succeeded Jane Hinkley as Chair on 20 August 2019. As the current Policy is due to expire at the 2020 Annual General Meeting ('AGM'), my primary objective in my first year in the role has been to understand the reasons behind the last three successive years of declining support for the executive remuneration arrangements at Premier Oil, and undertake a comprehensive review of the Policy from a fresh perspective to ensure it supports the direction of our business and is acceptable to shareholders going forwards.

This letter summarises the remuneration outcomes for the year and the new Policy going forwards.

Review of executive remuneration for 2020

As the current Policy (approved at the 2017 AGM with 88.2 per cent in favour) is due to expire at the 2020 AGM, the Committee undertook a comprehensive review of remuneration during the year to ensure that it supports the business strategy and is effective to attract, retain and motivate key talent who are critical to the success of the business.

A new Policy, set out in this report, will be presented for shareholder approval at the AGM.

At the first stage of the review, the Committee consulted with Premier's largest institutional shareholders to understand their views on the Remuneration Report vote at the 2019 AGM. The results were published in our Update Statement on the Investment Association's public register in November and related mainly to the complexity and lack of transparency in the annual bonus. A second consultation was then held with our largest institutional shareholders and the main proxy voting agencies (the Investment Association, ISS and Glass Lewis) to gain their input on the proposed new Policy prior to its finalisation.

The feedback received from both consultations is reflected in the proposed new Policy and changes to implementation of the bonus this year. A summary of the proposed changes and the shareholder consultation is provided below.

Summary of proposed changes
When developing the new 2020 Policy, the Committee took the opportunity to address the key themes from the shareholder consultations and improve compliance with the 2018 UK Corporate Governance Code (the 'Code'), regulations and emerging governance best practice. The key shareholder themes and how these have been addressed by the proposed changes are as follows:

Simplification
The current executive remuneration structure has been simplified to a single Performance Share Plan (with the removal of the current Restricted Share Awards) and a leaner annual bonus scorecard (removing personal objectives and refining the corporate objectives to better support our strategic pillars). With the removal of the restricted share component and a new maximum individual limit of 200 per cent of salary for the annual Performance Share Award, total remuneration levels of the Executive Directors are being reduced from the current levels. On a comparable basis, including the restricted share component, the current face value of LTIP awards is 255 per cent of salary.

Relevance
In the LTIP, the Committee is introducing a Return on Capital Employed ('ROCE') metric to augment the current relative Total Shareholder Return ('TSR') metric which will ensure that executives focus on effective capital and balance sheet management and the quality of earnings through driving operational and technical efficiencies over the cycle. Many of our shareholders also expressed support for such a metric. The ROCE metric will be set and calibrated in line with the Company's medium to long-term business and financing plan. The bonus metrics will focus on fewer, more targeted financial, operating, strategic and environment, health and safety ('EHS') metrics.

Competitive market positioning
The new structure will ensure that management are fairly rewarded for their efforts (relative to the E&P market and talent pool and the significant economic and technical challenges facing the Company) while ensuring that there is closer alignment between remuneration outcomes for Executive Directors and senior management and the overall corporate performance and shareholder experience.

Compliance with corporate governance best practice
The new Policy is fully compliant with the Code and investor guidelines. With regard to the operation of the Executive Director pension arrangements, the following should be noted:

- Pension arrangements for new Executive Directors will be in the form of a defined contribution of 15 per cent of salary which is in line with the UK workforce contribution rate.
- The defined contribution for Richard Rose will be reduced from 20 per cent to 15 per cent of salary with effect from 1 January 2023 in line with the UK workforce.

AREAS OF DISCUSSION	SHAREHOLDER FEEDBACK	COMMITTEE'S RESPONSE AND RATIONALE FOR FINAL POSITION IN POLICY
Annual bonus measures	Desire for simplification of annual bonus objectives, removal of overlap in the metrics, and greater transparency around the judgement and discretion applied by the Committee.	From 2019, the bonus scorecard will be simplified through removal of personal objectives, with a focus on a smaller number of key financial, operational, strategic and EHS metrics for 2020. Enhanced disclosure of annual bonus outcomes has been provided in this report.
Restricted Shares	Although many shareholders were supportive of such plans, the majority disliked the use of a hybrid structure including both Restricted Shares and Performance Shares.	Restricted Share Awards have been removed. In the future, Executive Directors will only receive Performance Share Awards.
LTIP performance measures	While TSR remains a preference for the majority of shareholders, most disliked the sole focus on TSR and would prefer to see an internal metric that is more directly within management's control and less sensitive to the oil price.	Performance Share Awards will be based on ROCE in addition to relative TSR, with a majority weighting retained on the latter.
Share ownership	Several shareholders were concerned with the level of shareholding in the current management team relative to our share ownership guidelines.	The main reason for the Executive Directors (excluding the CEO) not meeting their minimum shareholding requirement is the fall in share price which has resulted in a significant reduction in value of their holdings. The number of shares held by the CEO has in fact increased by around 60 per cent over the last five years (we note that the CEO has never sold any shares and has purchased shares). Following strong operational and cash flow performance during 2019 and the recently announced proposed acquisitions, the Committee expects that this will flow through to the share price which, as it restores, will result in the Executive Directors meeting their requirements. The full minimum shareholding requirement of 250 per cent of salary will extend for two years post-cessation under the new Policy.

- Tony Durrant and Robin Allan receive a pension arrangement agreed on their recruitment in 2005 and 2003 respectively which replicates the benefits of the Company's defined benefit arrangement which was closed to new members in 1997. This arrangement will cease for Robin Allan when he leaves the Board on 12 May 2020. The arrangement for Tony Durrant will cease on 31 December 2022 and from 1 January 2023, he will receive a defined contribution of 15 per cent of salary in line with the UK workforce.

The Committee believes that the new Policy aligns with our key principles of:
- reinforcing the business strategy through the selection of relevant performance measures;
- promoting long-term sustainable success through enhanced performance-linkage;
- rebalancing of the package towards long-term performance; and
- ensuring alignment with shareholders through deferral of a significant portion of remuneration into shares.

Implementation of our new Remuneration Policy in 2020
Executive Directors will receive a salary increase of 2 per cent in line with the increase awarded to the UK workforce, following a salary freeze since 2014.

The maximum bonus opportunity will remain unchanged at 120 per cent of salary, however, the scorecard of performance measures will be simplified. The scorecard will be based on a reduced number of key financial, operational, strategic and EHS metrics, with no personal objectives. These changes are intended to remove complexity and overlap from the bonus metrics in response to shareholder feedback, as well as strengthening the link between strategy, performance and incentive payments. I believe that the purpose of the bonus should be to reward performance in excess of that which the salary is intended to reward and to focus on the strategic performance of the business. The changes to the scorecard are designed to achieve this. Details of the specific measures and weightings are provided on page 111 of this report, and the specific targets set will be published together with the bonus outcome in the Annual Report on Remuneration for 2020. The deferral requirement has been increased under the new Policy and 50 per cent of any bonus paid will be deferred in shares for three years.

Performance Share Awards will be granted to the Executive Directors in 2020 at a level of 200 per cent of salary. This is a meaningful reduction from the equivalent LTIP face value of 255 per cent of salary under the current Policy (as well as a reduction from the scaled back equivalent face value of 215 per cent of salary awarded under the LTIP in the last few years). The performance conditions will be based 75 per cent on relative TSR performance against an international group of oil and gas sector peers and 25 per cent on a new metric of ROCE. Targets will be calibrated to reflect market practice and business forecasts, further details of which are provided on page 111 of this report. No vested awards will be released until five years from grant. Other key senior employees, including Executive Committee members and business unit leaders, will also be eligible to participate in the LTIP at the Committee's discretion to ensure alignment and focus of the senior team on sustainable long-term corporate performance.

The Board reviewed the Non-Executive Directors' and Chairman's fees during the year, and approved an increase of 2 per cent in line with the average cost-of-living and the increase awarded to UK-based staff. Non-Executive Director fees were last increased with effect from 1 January 2013.

Implementation of our current Remuneration Policy in 2019

Financial and operational highlights

Premier's operational performance has been strong during the year and enabled the business to continue to deliver on its strategic pillars in 2019. The management team has generated significant free cash flow which is materially deleveraging the balance sheet, while actively managing its portfolio and selectively progressing growth projects. Key achievements during 2019 were as follows:

- Full-year production of 78.4 kboepd at the upper end of guidance of 75-80 kboepd.
- Catcher Area production rates of 67.2 kboepd (gross) and high operating efficiency; project cash payback reached, 22 months after first oil.
- First gas achieved from BIG-P (Indonesia) delivered on schedule and significantly below budget, and formal approval of Catcher Area satellites received with first oil targeted for early 2021.
- Tolmount on schedule for first gas by the end of 2020 adding net 20-25 kboepd to Group production.
- Significant commercial discovery at Tolmount East; development planning already well advanced with project sanction targeted for 2020 2H.
- Rig contracted to appraise the Malguk-1 discovery (Alaska North Slope); targeting more than 250 mmbls (gross) of recoverable resources, results expected in Q2 2020.
- 2019 opex (ex-lease costs) of US$11/boe, and capex of US$240m, both below guidance reflecting disciplined cost control, capital allocation and projects delivered on time and under budget.
- Net debt reduced by over US$340m to US$1.99bn as at 31 December.

The Committee was pleased to see that this strong operational performance flowed through to share price growth of 48 per cent during 2019.

Annual bonus outcomes for 2019

In transitioning to the new bonus structure in 2020, the Committee decided to remove the personal objectives from the annual bonus for 2019. This new simplified structure allows for improved disclosure of the bonus outcomes, judgement and any discretion used by the Committee, which are disclosed in detail on page 100 and summarised below.

In view of the key achievements outlined above, the Committee approved a bonus outcome for the Executive Directors of 65 per cent of the maximum bonus opportunity of 120 per cent of salary. The amount earned above 50 per cent of base salary will be deferred in shares for three years. The Committee determined that the annual bonus outcome for 2019, based on the application of the performance conditions, was in line with the overall performance of the business. However, the Committee exercised discretion to reduce the outcome for Executive Directors from 66.3 per cent to 65 per cent in order to ensure alignment with bonus payments made to the rest of the workforce (65 per cent of the maximum for each grade).

2017 LTIP vesting

The three-year performance period relating to the Performance Share Awards and Restricted Share Awards granted in 2017 ended in December 2019. At grant, the Committee used its discretion to scale back award levels by half to 87.5 per cent of salary for the Performance Share Awards and to 20 per cent of salary for the Restricted Share Awards.

The Performance Share Awards were based on three-year TSR relative to a comparator group of international oil and gas sector peers, where Premier ranked between seventh and eighth out of its peer comparator group of 15. This resulted in a vesting outcome of 38 per cent of the shares under award. The Committee considered the underlying performance of the Company and concluded that the vesting outcomes were justified.

The Restricted Share Awards vest over three, four, and five years subject to achievement of a financial underpin measured at the end of year three. The Committee noted the reduction in the Company's net debt and net leverage ratio during the Performance Period, such that the financial underpin for the Restricted Share Awards was satisfied. The Committee therefore concluded that the Awards should vest in full.

The Committee did not adjust any incentive outcome to account for share price appreciation, having concluded that the value delivered was commensurate with performance over the period.

Wider workforce considerations and fairness

In 2019, the Committee worked to develop its approach to engaging with the wider workforce and took account of feedback from the Group employee engagement survey carried out in 2018 and the new Group Staff Forum when developing the Remuneration Policy. In determining the new Policy, the Committee has ensured that our policies and practices across the business are fair and consistent and support diversity and equality. As a result, the Committee has determined that Executive Director pensions will be brought into line with the wider workforce from 1 January 2023 and salary increases for Executive Directors will be aligned with the UK workforce from 2020. In addition, the methodology for calculating bonus payments for Executive Directors for 2019 was aligned with the rest of the organisation.

Committee changes

I was appointed to the Board as a Non-Executive Director on 16 May 2019 and succeeded Jane Hinkley as Chairman of the Remuneration Committee on 20 August 2019. Jane Hinkley stepped down from the Board on 31 December 2019. I would like to thank Jane for her contribution and leadership of the Committee since 19 May 2011.

Executive Director change
On 4 March 2020, Robin Allan confirmed his intention to step down from the Board at the conclusion of the 2020 AGM. The section 430 (2B) statement in respect of his leaving arrangements is available on our website and full details of the remuneration paid to him will be included in the 2020 Directors' Remuneration Report.

In conclusion
The current management team has performed strongly during the year, delivering strong operational performance and generating significant free cash flow. The Committee and I are delighted with their hard work and achievements, which have allowed Premier to materially reduce its debt levels and invest selectively in the portfolio for future growth, including the recently announced proposed strategic acquisitions of the Andrew Area and Shearwater assets as well as the underwritten financing and proposed extension of Premier's credit facilities. These proposed acquisitions are materially value accretive and the Company looks forward to realising their significant long-term potential through production optimisation, incremental developments and field life extension projects as well as the continued deleveraging of Premier's balance sheet through the cash flow generated.

I would like to thank shareholders and their representative bodies for the constructive consultation both post the 2019 AGM and on the new Remuneration Policy. The Board of Premier is committed to addressing shareholder concerns in both its new Policy and how it is implemented, and we hope shareholders will be able to give their support at the AGM on 12 May 2020. I will be available at the meeting to answer any questions in relation to this Remuneration Report.

On behalf of the Committee, I would like to thank all our stakeholders for their continuing support.

Barbara Jeremiah
Chairman of the Remuneration Committee

Compliance Statement
This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in the auditor's opinion, those parts of the report have been properly prepared in accordance with the above regulations. The Chairman's Annual Statement and the Policy Report are not subject to audit. The sections of the Annual Report on Remuneration that are subject to audit are indicated accordingly.

AT A GLANCE

Components of remuneration for Executive Directors

	FIXED			VARIABLE		
	Salary	**Benefits**	**Pension**	**Annual bonus**	**LTIP**	**Minimum shareholding requirement**
Changes to the existing Policy	**No change** Normally increased in line with the UK workforce.	**No change** Competitive package of benefits.	**New Directors** aligned with the workforce at 15% of salary. **Current Directors** reduced to workforce level by 1 January 2023.	**No change** to 120% of salary maximum. **Enhanced deferral** in shares. **Enhanced malus/ clawback** triggers.	**Restricted Share Award removed** and Performance Share Award uplifted. **Overall maximum reduced** to 200% of salary. **Enhanced malus/clawback** triggers.	**No change** to 250% of salary requirement. **Holding requirement** extends for 2 years post-cessation.
Implementation in 2020	Salaries increased by 2% in line with the UK workforce (frozen since 2014).	Car allowance, healthcare and other taxable benefits.	Agreement reached to align with the rest of the UK workforce by 1 January 2023.	120% of salary (unchanged). 50% of any bonus deferred. Leaner scorecard of financial, strategic, operational and EHS metrics.	Performance Share Award of 200% of salary. 75% relative TSR, 25% ROCE. Vesting after year 3 plus 2 year holding period.	250% of salary (unchanged). Extends for 2 years post-cessation.

Reasons for changes:

- To address shareholder response at the 2019 AGM regarding complexity and overlap of annual bonus objectives and lack of transparency.
- To ensure executive remuneration at Premier Oil is simple, relevant and appropriately competitive.
- To comply with the UK Corporate Governance Code and best practice.

How executive remuneration aligns to our strategy

STRATEGIC PILLARS

Grow shareholder value

1. Operating in a safe and responsible manner
2. Focused on high quality assets with commercially advantaged positions
3. Access to capital and financial liquidity
4. Effective organisation sustained by the right people

KEY PRIORITIES

1	2	3	4
• Operate assets in a safe and responsible manner • Ensure workforce safety • Minimise risk to the environment • Net zero emissions for new projects	• Progress projects to schedule and budget • Complete appraisal programmes • Progress financing structures	• Debt reduction • Prioritise capital to sanctioned and capital efficient projects • Tightly control cost base • Hedging strategy	• Ensure organisation is appropriately sized • Implement actions from Staff Engagement Survey and organisational health check • Implement staff forum actions

LINK TO 2020 REMUNERATION POLICY

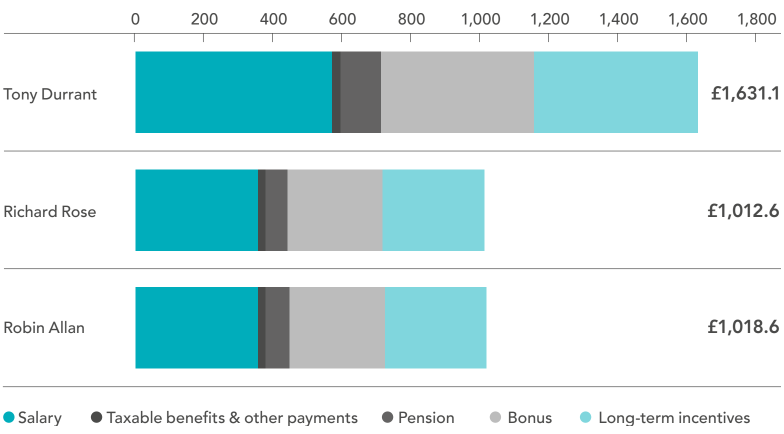
1	2	3	4
Safety and **environmental** metrics in the annual bonus	**Strategic project, production** and **exploration** measures in the bonus focus on key E&P assets	**Operating cash flow** metric in the bonus drives cash generation for investment and debt reduction	The Committee considers wider pay and conditions when determining executive pay

Total Shareholder Return and **Return on Capital** measures in the LTIP directly measure shareholder return, disciplined capital allocation and operational efficiency

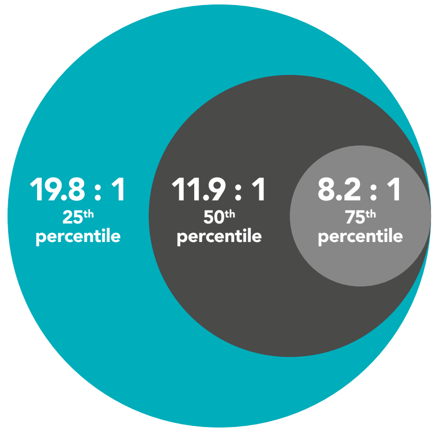
Remuneration Committee discretion to override formulaic outcomes in incentives to reflect underlying business performance

Deferral of part of the bonus into shares, a two-year holding period on vested LTIP awards, and **minimum shareholding requirement** (extending post-cessation) provide a link to shareholder value and align the interests of Executive Directors and shareholders

Executive Director 2019 single total figure of remuneration (£'000s)



CEO pay ratio



2019 performance outcomes

ANNUAL BONUS

Personal objectives were removed from Executive Director bonuses for 2019 to simplify the scorecard and remove any overlap, in response to shareholder feedback from the 2019 AGM.

Details of specific measures, targets and outcomes for each category are provided on page 100 of this report.

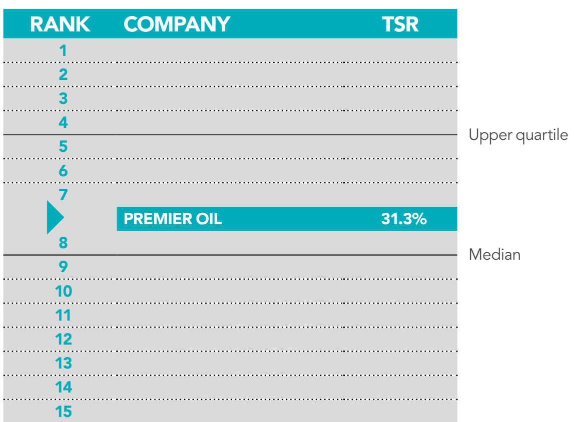
CATEGORY	% OF FORMULAIC OUTCOME	OVERALL ACHIEVEMENT	KEY HIGHLIGHTS
Production	17%	Above target performance	2019 production of 78.4 kboepd
Finance	13%	Above target performance	Net debt reduction of over US$340m
HSES	11%	Target performance	No recordable injuries on operated assets
Exploration	8.4%	Target performance	Exploration success in Mexico and at Tolmount East
Strategic projects	16.9%	Target performance	12.5% increase in NPV
Formulaic outcome (% of max)	66.3%	Above target performance	
Committee adjustment[1]	-1.3%		
Final outcome (% of max)	65%		

[1] See page 102.

Long-term incentives

2017 PERFORMANCE SHARE AWARDS

How we stack up against our peer group.



2017 RESTRICTED SHARE AWARDS

The Committee noted the reduction in the Company's net debt and net leverage ratio during the performance period, such that the financial underpin for the Restricted Share Awards was satisfied.

Vesting (% of award)

PERFORMANCE SHARE AWARDS

RESTRICTED SHARE AWARDS

Policy Report

This section of the Remuneration Report sets out the new Remuneration Policy which will be put to a binding shareholder vote at the Annual General Meeting on 12 May 2020. This new Policy, set out below, will take effect from the date of that meeting and is intended to apply for three years.

KEY PRINCIPLES OF OUR REMUNERATION POLICY

The Committee regularly reviews the Remuneration Policy to ensure it supports shareholder interests, reinforces the business strategy and promotes long-term sustainable success. Overall, the Committee aims to ensure that pay rewards all employees fairly and responsibly for their contributions. Remuneration packages are intended to be sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the Group's objectives and thereby enhance shareholder value. In addition, the Committee aims to ensure that the Remuneration Policy does not raise environmental, operational, social or governance risks by inadvertently motivating irresponsible behaviours.

The Committee reviews remuneration arrangements for executives and other key senior leaders to ensure they continue to support direct alignment with shareholders and a performance-oriented culture. In reviewing these remuneration arrangements, the Committee considers the following objectives:

- keep the design simple;
- gear remuneration towards performance-related pay;
- emphasise long-term performance;
- ensure annual incentives reward the achievement of short-term objectives key to delivering the long-term strategy;
- ensure that each element of the package is based on different performance criteria;
- incorporate significant deferral requirements;
- ensure incentive payments are commensurate with the Company's underlying performance; and
- take account of corporate governance guidance.

COMMITTEE PROCESS IN DETERMINING THE NEW REMUNERATION POLICY

The process the Committee went through in determining the 2020 Remuneration Policy was as follows:

- the Committee considered the Company's strategy, how the current Remuneration Policy related to and supported the strategy, and formed its own views on the changes (if any) required to the Policy to align with the strategy;
- the Committee considered feedback from shareholders and investor bodies on the 2018 Annual Remuneration Report;
- the Committee sought advice from its independent remuneration consultant on the impact of the 2018 UK Corporate Governance Code (the 'Code'), regulations and current investor sentiment in formulating the new Remuneration Policy. In particular, when determining the new Policy the Committee ensured it addressed the factors of Provision 40 of the Code, namely clarity, simplicity, risk, predictability, proportionality and alignment to culture.
- the Committee reviewed the wider workforce remuneration and incentives to ensure the approach to executive remuneration is consistent;
- the Committee consulted with Executive Directors and other relevant members of senior management on the proposed changes to the Remuneration Policy; and
- the Committee conducted a full consultation exercise with major shareholders (representing over 50 per cent of shares in issue) and investor bodies on the changes.

The Committee was mindful in its deliberations on the new Remuneration Policy of any potential conflicts of interest and sought to minimise them through an open and transparent internal consultation process; by seeking independent advice from its external advisers and by undertaking a full shareholder consultation exercise.

To view our previous Remuneration Policy, visit our website: **www.premier-oil.com/investors**.

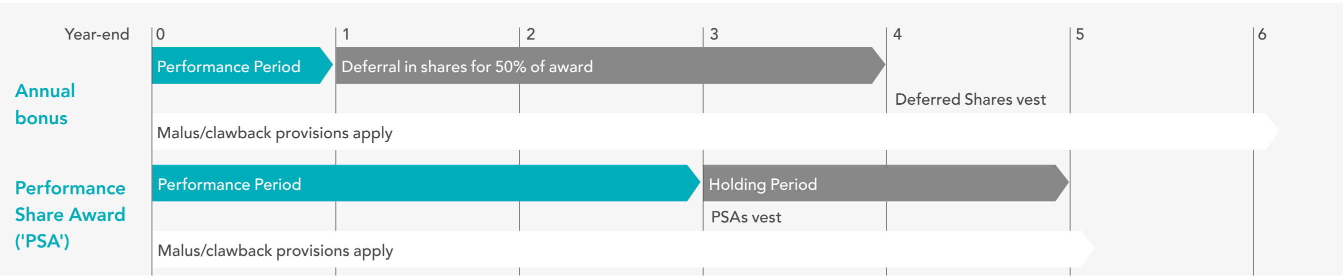
CHANGES TO THE REMUNERATION POLICY

Based on the above objectives, the Committee developed a revised remuneration structure for our senior executives that fully complies with the 2018 UK Corporate Governance Code, as follows:

Current Policy	Change to proposed Policy	2018 Code requirement met
Any bonus in excess of 50% of salary is deferred in shares for three years.	50% of any bonus paid is deferred in shares for three years.	• Promote long-term shareholdings by Executive Directors.
Combination of Performance Shares and Restricted Shares.	Performance Shares only, with awards vesting after three years subject to performance conditions and a two-year holding period post-vesting.	• Five-year period between the date of grant and realisation for equity incentives. • Phased release of equity awards via annual rolling vesting. • Discretion to override formulaic outcomes.
Executive Directors who joined on or after 20 August 2013 receive pension contributions and/or an equivalent cash supplement of 20% of salary. Other Executive Directors participate in a pension arrangement which replicates the benefits of the Company's defined benefit scheme.	Contributions for new Directors will be in line with the contribution for the majority of the UK workforce. The contribution for existing Directors will be reduced to 15% from 1 January 2023.	• Pension contributions for new Executive Directors align with those available to the UK workforce. • Pension contributions for existing Directors will be reduced to align with the UK workforce by 1 January 2023.
250% of salary minimum shareholding requirement.	The full shareholding requirement extends for two years post-cessation of employment.	• Post-cessation shareholding requirement of two years.
Malus and clawback: Material misstatement, gross misconduct, and error in calculation. Applies for one year from payment/vesting.	As current, but with serious reputational damage and corporate failure in addition. Applies for two years from payment/vesting.	• Malus and clawback provisions aligned with the FRC's Board Effectiveness Guidance.

The above changes to the Policy provide a best practice governance-aligned, simplified structure with significant levels of deferral and linkage to long-term sustainable performance, with an overall reduction in total remuneration levels of the Executive Directors.

The graphic below indicates how the new incentive structure operates:



EXECUTIVE DIRECTOR POLICY

The Policy for Executive Directors is set out below:

Salary

Purpose and link to strategy	• To provide an appropriate level of salary to support recruitment and retention, and with due regard to the role and the individual's responsibilities and experience
Operation	• Typically reviewed annually with reference to Company and individual performance, each executive's responsibilities and experience, the external market for talent, and salary increases across the Group • Salaries are benchmarked against oil and gas sector companies and UK-listed companies of a similar size to Premier • Adjustments are normally effective 1 January
Opportunity	• Salary increases are awarded taking into account the outcome of the review and also broader circumstances (including, but not limited to, a material increase in job complexity and inflation) • Salary increases will normally be in line with increases awarded to other employees. The Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, to address a gap in market positioning and/or to reward performance of an individual, and where it does so the Committee will provide an explanation in the relevant year's Annual Report on Remuneration
Performance metrics	• Not applicable

Pension

Purpose and link to strategy	• To help provide a competitive pension provision
Operation	• Executive Directors who join Premier on or after 20 August 2013 are eligible to participate in the Company's defined contribution personal pension plan and/or receive an equivalent cash supplement • For Executive Directors who joined prior to 20 August 2013, the Company provides a pension substantially as if they are contributing members of the Company's final salary Retirement and Death Benefits Plan (the 'Scheme'), which was closed to new members in 1997 • The only pensionable element of pay is salary
Opportunity	• Newly appointed Executive Directors will receive pension contributions and/or an equivalent cash supplement in line with the contribution for the majority of the workforce • Current Executive Directors who joined Premier on or after 20 August 2013 receive pension contributions and/or an equivalent cash supplement equal to 20 per cent of salary. This will be reduced to 15 per cent of salary from 1 January 2023, in line with the UK workforce • For Executive Directors who joined prior to 20 August 2013 the Scheme provides benefits of value equivalent to a defined benefit plan on broadly a fiftieths accrual basis up to two-thirds of salary at age 60, with benefits actuarially reduced on early retirement and pensions in payment increased in line with the lower of inflation, or five per cent per annum. The way this promise is currently administered is as follows: – Executive Directors are given a pension allowance equal to 20 per cent of uncapped salary. This may either be paid into a pension scheme and/or as a salary supplement – Executive Directors accrue notional defined benefits entitlement within the Scheme – To the extent that payments made are not paid into the Scheme, they are deemed to have been invested into a Life Fund – At the point that a Director departs or retires, a comparison is undertaken between the value of the notional defined contribution pot and the cash equivalent transfer value of the notional defined benefits. Subject to appropriate deductions, the differential is available either as a contribution into their pension plan or a cash payment – Regular reviews are carried out to assess the extent to which the payments already made to each Director are projected to be sufficient to provide the accrued component of their target pension; where such reviews indicate a shortfall, the Company may provide an additional payment – This arrangement will cease on 31 December 2022 and from 1 January 2023 a pension contribution and/or equivalent cash supplement of 15 per cent of salary will be paid, in line with the UK workforce
Performance metrics	• Not applicable

Benefits

Purpose and link to strategy	• To provide a benefits package competitive in the market for talent
Operation	• Executive Directors receive a competitive benefits package, which may include medical and dental insurance, car allowance, life assurance, income protection cover, personal accident insurance, expatriate benefits, relocation allowance, health checks and a subsidised gym membership. Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Director, for example relocation allowances
Opportunity	• Set at a level which the Committee considers appropriate for the role and individual circumstances
Performance metrics	• Not applicable

All-employee share plans

Purpose and link to strategy	• To encourage share ownership in Premier
Operation	• Executive Directors may participate in all-employee share plans on the same terms as other employees • In particular, UK-based employees (including Executive Directors) may be invited to participate in the following HMRC approved share plans: – Share Incentive Plan ('SIP'), under which employees may buy partnership shares using gross pay and the Company may then grant matching shares. Under the SIP, free shares may also be granted. Dividends may accrue on any shares and be automatically reinvested – Save As You Earn ('SAYE') scheme under which employees are invited to make regular monthly contributions over three or five years to purchase shares through options which may be granted at a discount
Opportunity	• Under the SIP, participants may spend up to the HMRC permitted allowance to buy partnership shares, and matching shares may be granted up to the HMRC permitted limit • Under the SAYE, employees may save up to the HMRC permitted allowance
Performance metrics	• Not applicable

Annual bonus

Purpose and link to strategy	• To reinforce the delivery of key short-term financial and operational objectives and, through the deferred share element, help ensure alignment with shareholders and support retention
Operation	• Performance is measured on an annual basis for each financial year against stretching but achievable financial and non-financial targets, comprising Key Performance Indicators ('KPIs'), and other corporate objectives • Performance measures, weightings and targets are set at the beginning of the year and weighted to reflect business priorities • 50 per cent of any annual bonus earned is deferred in shares for three years • Dividend equivalents may accrue on Deferred Bonus Awards and be paid on those shares which vest. For the avoidance of doubt, dividend equivalent payments made under this Policy will be made in shares • Annual bonus payouts and deferred shares are subject to malus and clawback in the event of material misstatement of the Company's financial results, gross misconduct, material error in the calculation of performance conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit • The Committee may exercise malus and clawback until the later of: (i) two years from the payment of the bonus or the vesting of the shares, or (ii) the completion of the second audit after payment/vesting
Opportunity	• Up to 120 per cent of salary • Target amount is 60 per cent of salary • Threshold amount is 25 per cent of the maximum, with no payout below threshold

Annual bonus

Performance metrics	• Performance is assessed against a corporate scorecard encompassing several performance categories, which may include some or all of: production; exploration; Health, Safety, Environment and Security; finance; business development; capital; and strategic objectives • Normally, the Committee would not expect the weighting for any performance category in the corporate scorecard to be higher than 50 per cent. However, it retains discretion to adjust weightings to align with the business plan for each year • The Committee may adjust the bonus outcome to ensure alignment with underlying Company performance

Long-term incentives

The Premier Oil 2017 Long Term Incentive Plan – Performance Share Awards	
Purpose and link to strategy	• To support alignment with shareholders by reinforcing the delivery of returns to shareholders, with a focus on relative stock market out-performance over the long term, and with due regard for the underlying financial and operational performance of the Company
Operation	• The Committee may grant Performance Share Awards annually • Awards may be in the form of nil or nominal priced options or conditional shares • Performance Share Awards vest after three years subject to performance and continued employment • Award levels and performance conditions are reviewed in advance of each grant to ensure they remain appropriate • The net (i.e. after tax) shares received from any awards vesting are subject to a minimum two-year Holding Period such that the total time horizon is at least five years • Dividend equivalents may accrue on Performance Share Awards. For the avoidance of doubt, dividend payments made under this Policy will be made in shares • All Performance Share Awards are subject to malus and clawback in the event of a material misstatement of the Company's financial results, gross misconduct, material error in the calculation of performance conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit • The Committee may exercise malus and clawback until the later of: (i) two years from the vesting date or (ii) the completion of the second audit after vesting
Opportunity	• Performance Share Awards may be granted up to 200 per cent of salary • 25 per cent of the award will vest for threshold performance, with full vesting for stretch performance. Vesting increases on a straight-line basis between threshold and stretch
Performance metrics	• The Committee will select performance measures for each cycle to ensure that they continue to be linked to the delivery of Company strategy • Performance Share Awards will normally vest based on relative Total Shareholder Return and Return on Capital Employed. The Committee will consult with key shareholders on substantive changes to the LTIP performance metrics • Where the measure is relative TSR, for each performance cycle, the Committee may review and adjust the TSR comparator group to ensure relevance to Premier. The Committee may adjust the TSR comparator group for outstanding cycles in the event that a TSR comparator ceases to exist, de-lists or is acquired or the Committee deems it to be no longer a suitable comparator • The Committee may adjust the vesting outcome to ensure alignment with underlying Company performance and in line with the 2018 UK Corporate Governance Code

FURTHER DETAILS ON THE POLICY

Legacy arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy set out in this report where the terms of the payment were agreed before the Policy came into effect or at a time when the relevant individual was not a Director of the Company. This includes the following.

- Restricted Share Awards and Performance Share Awards granted in 2017, 2018 and 2019 under the 2017 Long Term Incentive Plan.
- Deferred Bonus Awards granted in relation to bonuses for the 2016, 2017, 2018 and 2019 financial years.
- Malus and clawback and change of control provisions will continue to apply to the 2017, 2018 and 2019 LTIP awards under the 2017 Long Term Incentive Plan, and to bonus awards made to Directors for the 2016, 2017, 2018 and 2019 financial years.
- Robin Allan was employed by the Company between September 1986 and November 1999 and is entitled to a deferred pension under the Scheme in respect of this period of employment.

Remuneration Policy for other employees

The Company's policy for all employees is to provide remuneration packages which reward them fairly and responsibly for their contributions.

Premier's approach to annual salary reviews is consistent across the Group. All employees participate in the Company's incentive structures and, like the remuneration package for Executive Directors, remuneration is structured such that a proportion of total remuneration is delivered through long-term share-based incentives to ensure maximum alignment with shareholders.

The Executive Committee and other senior leaders all participate in the same annual bonus plan as for Executive Directors with the opportunity tailored to the role and level of seniority. They also participate in the same long-term incentive plan and structure but for the most part at a lower quantum of opportunity.

The broader employee population participates in the Premier Value Share Plan ('PVSP'). Similar to the 2017 LTIP for senior executives, under the PVSP annual awards of time-vesting restricted shares and three-year performance-vesting shares are made, with performance-vesting shares subject to the achievement of Premier's delivery of long-term shareholder return.

Similarly, all employees are eligible to receive an Annual Incentive award, with measures and targets tailored to individual business units and responsibilities as appropriate. The specific bonus framework varies by job level and scope to ensure annual incentives support motivation and retention accordingly. These schemes provide a clear link between pay and performance, ensuring that superior remuneration is paid only if superior performance is delivered.

Share ownership requirements

The Committee aims to ensure that our Remuneration Policy serves shareholder interests and closely reflects the Group's business strategy. Further, the Company recognises the importance of aligning the interests of Executive Directors with shareholders through the building up of a significant shareholding in the Company. Accordingly, the Company requires the Executive Directors to retain no less than 50 per cent of the net value of shares vesting under the Company's long-term incentive plans until such a time that they have reached a holding worth 250 per cent of salary. Shares owned outright, shares held in the Share Incentive Plan and unvested deferred bonus awards (net of taxes), will count towards this requirement. Executive Directors are expected to have reached this holding requirement within five years of the approval of this Policy or, if later, from their appointment date.

On cessation of employment, Executive Directors are required to retain their minimum shareholding requirement immediately prior to departure for two years. Shares acquired from own resources and/or in-flight LTIP Awards are excluded from the post-cessation shareholding requirement. Where their shareholding at departure is below the minimum requirement, the Executive Director's shareholding is required to be retained for two years. The Committee will operate a robust enforcement mechanism of the post-cessation shareholding requirement.

Incentive plan discretions

The Committee operates the Company's incentive plans according to their respective rules and Remuneration Policy, and in accordance with the Listing Rules and HMRC rules where relevant. The rules of the long-term incentive plan (the 'Premier Oil 2017 Long Term Incentive Plan') were approved by shareholders at the 2017 AGM. Amendments to the plan rules to reflect the new Remuneration Policy will be put to shareholders at the 2020 AGM.

In line with common market practice, the Committee retains discretion as to the operation and administration of these incentive plans, including with respect to:

- who participates;
- the timing of grant and/or payment;
- the size of an award and/or payment (within the plan limits approved by shareholders);
- the manner in which awards are settled;
- the choice of (and adjustment of) performance measures and targets in accordance with the Remuneration Policy and the plan rules;
- in exceptional circumstances, amendment of any performance conditions applying to an award, provided the new performance conditions are considered fair and reasonable and are neither materially more nor materially less challenging than the original performance targets when set;
- discretion relating to the measurement of performance in the event of a variation of share capital, change of control, special dividend, distribution or any other corporate event which may affect the current or future value of an award;
- determination of a good leaver (in addition to any specified categories) for incentive-plan purposes, based on the plan rules and the appropriate treatment under the plan rules; and
- adjustments required in certain circumstances (e.g. rights issues, share buybacks, special dividends, other corporate events, etc.).

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration for the relevant year. As appropriate, it might also be the subject of consultation with the Company's major shareholders.

Minor changes
The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without requiring prior shareholder approval for that amendment.

Dilution limits
In accordance with the Investment Association's Remuneration Principles, commitments to issue new shares under all of the Company's incentive plans will not exceed 10 per cent of issued Ordinary Share capital in any rolling 10-year period. In addition, commitments to issue new shares in respect of discretionary incentives awarded to executives and senior management will not exceed 5 per cent of issued Ordinary Share capital in any rolling 10-year period.

Illustration of application of the Executive Director Remuneration Policy
The 2020 Policy is geared towards performance-orientated pay, with a particular emphasis on long-term performance. For example, at 'on-target' performance, approximately 47 per cent of the CEO's remuneration package is delivered through variable components; this is increased from the 2017 Policy with the removal of the Restricted Share Awards.

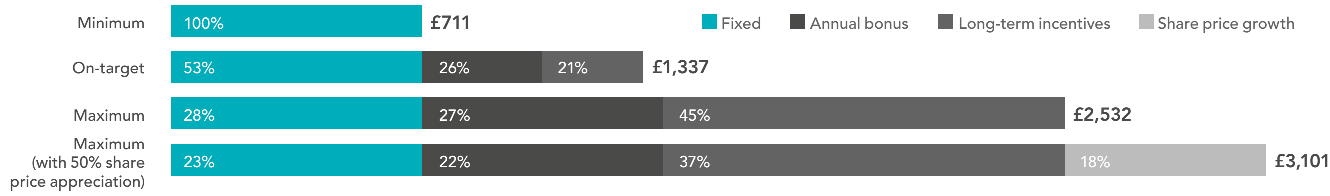
The performance scenario charts below show the estimated remuneration that could be received by the current Executive Directors for 2020, both in absolute terms and as a proportion of the total package under different performance scenarios. The assumptions underlying each performance scenario are detailed in the table below:

REMUNERATION RECEIVABLE FOR DIFFERENT PERFORMANCE SCENARIOS

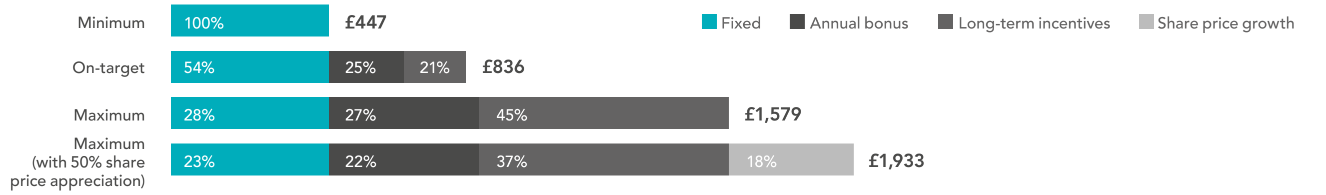
Fixed pay	• 2020 salary, as disclosed in the Annual Report on Remuneration on page 111 • 2019 taxable benefits, as provided in the single figure table on page 99 • Pension contribution of 20 per cent of salary for the Finance Director and 2019 pension benefits for other Executive Directors as provided in the single figure table on page 99			
	Minimum	**On-Target**	**Maximum**	**Maximum with share price growth**
Annual bonus	Nil payout	Payout of 50 per cent of maximum	Maximum payout (120 per cent of salary)	As per maximum
Long-term incentive plan	Nil payout	Performance Share Awards vest at 25 per cent of maximum	Performance Share Awards vest in full (200 per cent of salary)	As per Maximum with a 50 per cent share price increase over three years

The charts below illustrate the potential reward opportunities for each of the current Executive Directors for the four performance scenarios.

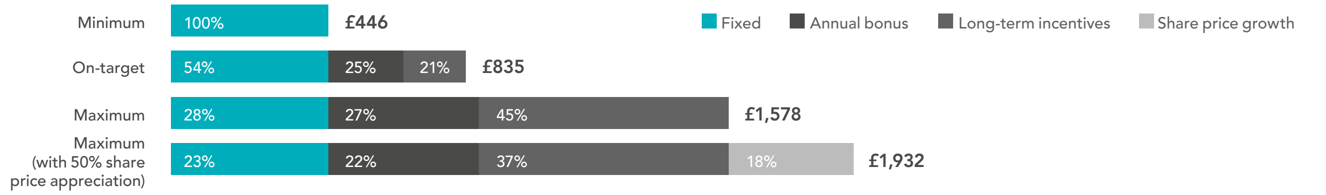
Tony Durrant, Chief Executive Officer (£'000s)



Richard Rose, Finance Director (£'000s)



Robin Allan, Director, North Sea and Exploration (£'000s)



Notes:

1 The valuation of annual bonus and Performance Share Awards ('PSAs') for the on-target and maximum scenarios excludes share price appreciation, any dividend accrual and the impact of any scale back of awards. PSAs vest after three years subject to TSR performance and continued employment. PSAs are subject to a Holding Period ending on the fifth anniversary of the date of grant of the awards.

2 The above charts are subject to audit.

Approach to remuneration of Executive Directors on recruitment

In the cases of hiring or appointing a new Executive Director, the Committee may make use of all the existing components of remuneration.

The salaries of new appointees will be determined by reference to the experience and skills of the individual, relevant market data, internal relativities and their current salary, and may be higher or lower than the previous incumbent. Salaries may be set at a lower level initially with the intention of increasing salaries at a higher than usual rate as the executive gains experience in the role. New appointees will be eligible to receive a personal pension, benefits and to participate in the Company's HMRC approved all-employee share schemes, in line with the Policy.

The annual bonus structure described in the Policy Table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the period served. New appointees are eligible for awards under the Company's Long Term Incentive Plan which will normally be on the same terms as other Executive Directors, as described in the Policy Table.

When determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the pay arrangements are in the best interests of both Premier and its shareholders. The Committee may consider it appropriate to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will use the existing Policy where possible or, in exceptional circumstances, the Committee may exercise the discretion available under Listing Rule 9.4.2R. The value of any such award will not be higher than the expected value of the outstanding equity awards and, in determining the expected value, the Committee will use a Black-Scholes, or equivalent, valuation and, where applicable, discount for any performance conditions attached to these awards.

In cases of appointing a new Executive Director by way of internal promotion, the Committee will apply the Policy for external appointees detailed above. Where an individual has contractual commitments that vary from our Policy for Executive Directors, but made prior to his or her promotion to Executive Director level, the Company will continue to honour these arrangements.

Service contracts and exit payments and change of control provisions

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate Directors of the quality required to manage the Company. The service contract of each Executive Director may be terminated on 12 months' notice in writing by either party. Executive Directors' contracts are available to view at the Company's registered office.

Details of the service contracts of the current Executive Directors are as follows:

Director	Contract date	Unexpired term of contract
Robin Allan	09.12.03	Rolling contract
Tony Durrant	01.07.05	Rolling contract
Richard Rose	25.07.14	Rolling contract

The Company will consider termination payments in light of the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. In such an event, the remuneration commitments in respect of the Executive Director contracts could amount to one year's remuneration based on salary, benefits in kind and pension rights during the notice period, together with payment in lieu of any accrued but untaken holiday leave, if applicable. There are provisions for termination with less than 12 months' notice by the Company in certain circumstances.

If such circumstances were to arise, the Executive Director concerned would have no claim against the Company for damages or any other remedy in respect of the termination. The Committee would apply general principles of mitigation to any payment made to a departing Executive Director and will honour previous commitments as appropriate, considering each case on an individual basis.

The table below summarises how Performance Share Awards and legacy Restricted Share Awards under the Premier Oil 2017 Long Term Incentive Plan and annual bonus awards are typically treated in different leaver scenarios and on a change of control. Whilst the Committee retains overall discretion on determining 'good leaver' status, it typically defines a 'good leaver' in circumstances such as retirement with agreement of the Company, ill health, disability, death, redundancy, or part of the business in which the individual is employed or engaged ceasing to be a member of the Group.

Event	Timing of vesting/award	Calculation of vesting/payment
Annual bonus/Deferred Bonus Awards		
'Good leaver'	Annual bonus is paid at the same time as to continuing employees Unvested Deferred Bonus Awards vest on cessation of employment. The Committee has discretion not to defer part of the bonus earned in the year of leaving	Annual bonus is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked before cessation of employment
'Bad leaver'	Not applicable	Individuals lose the right to their annual bonus and unvested Deferred Bonus Awards
Change of control[1]	Annual bonus is paid and unvested Deferred Bonus Awards vest on the date of change of control	Annual bonus is paid only to the extent that any performance conditions have been satisfied, and is pro-rated for the proportion of the financial year worked to the effective date of change of control unless the Committee determines otherwise
Restricted Share Awards and Performance Share Awards		
'Good leaver'	On normal vesting date subject to the Holding Period (or earlier at the Committee's discretion)	Unvested awards vest to the extent that any performance conditions have been satisfied over the full performance period (or a shorter period at the Committee's discretion) The number of unvested awards is reduced pro-rata to take into account the proportion of the vesting period not served
'Bad leaver'	Unvested awards lapse Any vested shares subject to the Holding Period are forfeited by bad leavers who leave due to gross misconduct, but remain and are released at the end of the Holding Period for other bad leavers (e.g. following resignation)	N/A
Change of control[1]	On the date of the event	Unvested awards vest to the extent that any performance conditions have been satisfied and a pro-rata reduction applies for the proportion of the vesting period not completed unless the Committee determines otherwise

Note:

[1] In certain circumstances, the Committee may determine that unvested Deferred Bonus Awards, Restricted Share Awards and Performance Share Awards will not vest on a change of control but will instead be replaced by an equivalent grant of a new award, as determined by the Committee, in the new company.

Upon exit or change of control, SAYE and SIP awards will be treated in line with the approved plan rules.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement (as provided for below) and, in which case, the individual is required to seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

External appointments

Executive Directors are entitled to accept non-executive director appointments outside the Company and retain any fees received providing that the Board's prior approval is obtained. Details of external directorships held by Executive Directors along with fees retained are provided in the Annual Report on Remuneration.

Consideration of employment conditions elsewhere in the Company

The Committee engages with the wider workforce by taking account of feedback from employee engagement opportunities such as the Group Staff Forum. The Committee considers the pay and conditions elsewhere in the Company, including how Company-wide pay tracks against the market. When determining salary and pension for Executive Directors, the Committee takes account of salary increases and pension contributions across the Group, particularly for those employees based in the UK. The Committee ensures that our policies and practices across the business are fair and consistent, and support diversity and equality. Further, the Company seeks to promote and maintain good relationships with employee representative bodies – including trade unions – as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates.

Consideration of shareholder views

The Committee aims to ensure that the Policy serves shareholder interests and is aligned with the Group's business strategy, market practice and evolving best practice. The Committee Chairman consults major shareholders and proxy advisers ahead of any major changes to the Remuneration Policy, and also from time-to-time to discuss the Remuneration Policy more generally. The Committee considers all feedback received from such consultations, as well as guidance from shareholder representative bodies more generally, to help to ensure the Policy is aligned with shareholder views.

Non-Executive Director Remuneration Policy

Non-Executive Directors have letters of appointment effective for a period of three years, subject to annual re-election by shareholders at each Annual General Meeting in accordance with the UK Corporate Governance Code. All letters of appointment have a notice period of three months and provide for no arrangements under which any Non-Executive Director is entitled to receive remuneration upon the early termination of his or her appointment. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Director	Year appointed Director	Date of current appointment letter
Roy A Franklin	2017	10.08.2017
Dave Blackwood	2017	09.08.2017
Anne Marie Cannon	2014	21.01.2020
Jane Hinkley	2010	17.05.2017
Iain Macdonald	2016	23.04.2019
Mike Wheeler	2017	05.08.2017
Barbara Jeremiah	2019	09.09.2019

The Company's Articles of Association provide that the remuneration paid to Non-Executive Directors is to be determined by the Board within limits set by the shareholders. The Policy for the Chairman and Non-Executive Directors is as follows:

Non-Executive Director fees

Purpose and link to strategy	• To provide fees that allow Premier to attract and retain Non-Executive Directors of the highest calibre
Operation	• Fees for Non-Executive Directors are normally reviewed at least every two years • Fees are set with reference to oil and gas sector companies and UK-listed companies of a similar size to Premier • Fees paid to the Chairman are determined by the Committee, while the fees of the other Non-Executive Directors are determined by the Board • Additional fees are payable for additional responsibilities, including acting as Senior Independent Director, and as Chairman of any of the Board's Committees • Adjustments are normally effective 1 January • The Non-Executive Director fees for the financial year under review are disclosed in the Annual Report on Remuneration
Opportunity	• Non-Executive Director fees are set at a level that is considered appropriate in the light of relevant market practice and the size/complexity of the role • Aggregate fees are within the limit approved by shareholders in the Articles of Association
Performance metrics	• Not applicable

Approach to Non-Executive Director recruitment remuneration
In the case of hiring or appointing a new Non-Executive Director, the Committee will follow the Policy as set out in the table above.

Annual Report on Remuneration

COMMITTEE MEMBERSHIP AND OPERATION

Committee member	Date of appointment to the Committee	Scheduled meetings attended	Ad hoc meetings attended
Jane Hinkley	1 September 2010 (retired 31 December 2019)	4(4)	1(1)
Barbara Jeremiah (Chair)	16 May 2019	2(2)	1(1)
Anne Marie Cannon	17 May 2017	4(4)	1(1)
Dave Blackwood	12 December 2017	4(4)	1(1)
Mike Wheeler	15 October 2018	4(4)	1(1)

COMMITTEE TERMS OF REFERENCE

The Committee acts within written terms of reference which are reviewed regularly and published on the Company's website **www.premier-oil.com**. The terms of reference were reviewed in 2018 with amendments made in order to comply with the 2018 UK Corporate Governance Code. Minor amendments were also made in October 2019. The main responsibilities of the Committee include:

- determining the Remuneration Policy for Executive Directors and senior management and engaging with the Company's principal shareholders thereon;
- determining the individual remuneration packages for each Executive Director and any changes thereto;
- approving the remuneration package of the Chairman;
- considering the design of, and determining targets for, the annual bonus plan;
- reviewing and recommending to the Board the establishment of any new employee share plans and any material amendments to the Company's existing share plans;
- determining the quantum and performance conditions for long-term incentive awards;
- reviewing pension arrangements, service agreements and termination payments for Executive Directors and senior management;
- approving the Directors' Remuneration Report, ensuring compliance with related governance provisions and legislation;
- reviewing the Gender Pay Gap Report;
- reviewing bonus outcomes for the Group, including Executive Directors; and
- considering the remuneration policies and practices across the Group.

2019 ACTIVITY

January 2019
- 2018 bonus outcome
- 2016 LTIP vesting outcomes
- Salary review

March 2019
- 2019 share grants
- 2019 TSR comparator group
- 2019 bonus targets
- SAYE invitation
- Review of Directors' Remuneration Report
- Gender pay gap reporting

June 2019
- Tender process for new remuneration advisers

August 2019
- Remuneration Policy review
- Mid-year review of 2019 bonus scorecard

December 2019
- Consideration of shareholder feedback
- Remuneration Policy review
- Preliminary assessment of 2019 bonus outcome

ADVISERS

The Remuneration Committee received advice on executive remuneration from Mercer | Kepler ('Kepler') until August 2019. From August 2019 PricewaterhouseCoopers LLP ('PwC') were appointed by the Remuneration Committee as independent adviser following a formal competitive selection process. During 2019, PwC provided support and advice on remuneration for senior executives including the Policy review for Executive Directors, market practice and corporate governance developments, shareholder consultation and other stakeholder obligations. They also assisted with the drafting of the Directors' Remuneration Report and attended Committee meetings. The fees charged for the provision of independent advice to the Committee during the year were £20,340 from Kepler and £51,500 from PwC. Separately, PwC provides performance updates on outstanding LTIP awards, for which fees for 2019 were £18,000. Other than in relation to advice on remuneration, PwC provides support to management in relation to tax reporting, tax compliance and ad hoc tax and accounting advice.

PwC and Kepler are founding members of the Remuneration Consultants Group and voluntarily operate under its Code of Conduct in dealings with the Committee. The Committee evaluates the support provided by its advisers annually and is satisfied that the advice it received from both PwC and Kepler was objective and independent, and that there are no connections with Premier that may impair their independence.

During the year, the Committee also took advice from the CEO, whose attendance at Committee meetings was by invitation from the Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. No Director was present for any discussions that related directly to their own remuneration.

VOTING ON REMUNERATION MATTERS

At the 2019 AGM, the Annual Report on Remuneration received a 41.86 per cent vote against. To understand the reasons for the dissent, the Committee consulted with Premier's largest institutional shareholders and published the results in the Company's Update Statement on the Investment Association's public register in November. Key observations included a desire for simplification of annual bonus objectives and greater transparency around the judgement and discretion applied by the Committee.

The Committee has addressed all these issues in the new proposed Remuneration Policy for 2020, in addition to changes to align with the 2018 UK Corporate Governance Code and shareholder and UK remuneration governance guidelines. A comprehensive consultation was conducted with all of the Company's major shareholders, Glass Lewis, the Investment Association and ISS in late 2019 and early 2020, to gain their input on the new proposed Remuneration Policy before its finalisation. The Committee Chairman's statement on page 79 includes further details on shareholder engagement. Given the changes made by the Committee to the Policy and, as the 2019 bonus outturn is aligned with corporate performance, evidenced in this report, the Committee hopes that shareholders will be able to vote in support of the new Policy and the Annual Report on Remuneration at the 2020 AGM.

Votes received at the 2019 Annual General Meeting in respect of approval of the Annual Report on Remuneration along with votes received at the 2017 Annual General Meeting on the Directors' Remuneration Policy are set out below:

Resolution	Votes FOR and % of votes cast		Votes AGAINST and % of votes cast		Votes WITHHELD
Annual Report on Remuneration (2019 AGM)	239,324,318	58.14%	172,319,657	41.86%	2,146,169
Directors' Remuneration Policy (2017 AGM)	126,747,108	88.18%	16,991,271	11.82%	273,793

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

	Tony Durrant		Richard Rose		Robin Allan	
All figures in £'000s	2019	2018	2019	2018	2019	2018
Fixed pay						
Salary	569.0	569.0	353.8	353.8	353.8	353.8
Taxable benefits[1]	24.5	25.5	22.4	23.6	21.9	23.1
Pension[2]	117.3	103.2	63.4	63.4	70.2	56.1
Other payments[3]	1.5	1.5	1.8	1.8	1.5	1.5
Total fixed pay	712.3	699.2	441.4	442.6	447.4	434.5
Performance related pay						
Bonus	443.8	370.4	275.9	235.2	275.9	225.7
– LTIP: Value delivered through performance	303.0	280.8	188.4	123.4	188.4	145.5
– LTIP: Value delivered through share price growth	172.0	208.0	106.9	127.8	106.9	133.5
LTIP total[4]	475.0	488.8	295.3	251.2	295.3	279.0
Total performance related pay	918.8	859.2	571.2	486.4	571.2	504.7
Single total figure of remuneration	1,631.1	1,558.4	1,012.6	929.0	1,018.6	939.2

Notes to 2019 figures (unless stated):

1 Taxable benefits include car allowance, healthcare and other taxable benefits.

2 Richard Rose's pension figure includes a combination of pension contributions to the defined contribution scheme and a salary supplement. For other Executive Directors, pension figures are accrued pension entitlements under the Company's final salary scheme and exclude Director contributions.

3 Other payments for Robin Allan, Tony Durrant and Richard Rose comprise Share Incentive Plan ('SIP') awards only. SIP awards are valued as the number of Matching Awards granted, multiplied by the share price at the date of award. Other payments would normally include both SIP and Save As You Earn ('SAYE') awards. No discount was applied to SAYE awards granted in 2019 and therefore the embedded value of those options was nil.

4 As the 2016 long-term incentive awards had not vested at the point that 2018 Directors' Remuneration Report was published, figures disclosed in that Report were calculated based on the average share price between 1 October 2018 and 31 December 2018. The long-term incentives for 2018 disclosed above are based on an actual share price at vesting of 82.90p. Single-figure comparators for 2018 have been updated accordingly. Further details of the final vesting levels for the 2017 long-term incentive awards are set out on page 102.

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED)

All figures in £'000s		Roy A Franklin (Chairman)	Dave Blackwood	Anne Marie Cannon	Jane Hinkley	Barbara Jeremiah	Iain Macdonald	Mike Wheeler
Base fee	2019	169.6	53.0	53.0	53.0	33.4	53.0	53.0
	2018	169.6	53.0	53.0	53.0	–	53.0	53.0
Additional fees[1]	2019	–	–	–	17.3	3.9	10.6	–
	2018	–	–	–	21.2	–	10.6	–
Expenses[2]	2019	5.2	–	–	0.2	0.5	–	–
	2018	5.9	–	–	–	–	–	–
Total	2019	174.8	53.0	53.0	70.5	37.8	63.6	53.0
	2018	175.5	53.0	53.0	74.2	–	63.6	53.0

Notes to 2019 figures (unless stated):

1 Additional fees of £10,600 were payable for acting as Senior Independent Director or as Chairman of a Committee. The Company Chairman waived the fee payable to him as Chairman of the Nomination Committee.

2 Amounts disclosed relate to taxable travel and accommodation expenses paid to Non-Executive Directors in respect of qualifying services during the year.

2019 ANNUAL BONUS OUTCOME (AUDITED)

The maximum bonus opportunity for Executives for 2019 was 120 per cent of salary. The scorecard below summarises the Group's performance against the financial and operational targets set by the Board for 2019 that are used to determine the level of bonus awarded.

2019 Corporate targets			**Performance target ranges**				
Category	Target	Weighting	Threshold	Target	Stretch	Actual performance	% of formulaic outcome
Production	Group production excluding Catcher (kboepd)	10%	41.0	44.0	46.0	44.8	7%
	Catcher production (kboepd)	10%	29.0	31.0	31.5	33.6	10%
Finance	Meet net debt/EBITDA covenant on a quarterly basis	5%	<3x	<2.8x	<2.6x	2.3x	4.5%
	Reduce accounting net debt	5%	<US$2.25bn	<US$2.14bn	<US$2.0bn	US$1.99bn	4%
	Beat opex budget	2.5%	US$389m	US$370m	US$352m	US$325m	2.5%
	Beat gross G&A budget	2.5%	US$180m	US$171m	US$160m	US$159m	2%
HSES	Total recordable injury rate (injury rate per million man hours)	10%	1.14	0.90	0.68	0.91	3%
	Tier 1 and 2 process safety events		1	0	0	1	
	Spills (kg/year)		<750kg	<392kg	<130kg	20kg	
	Leadership engagement visits	10%	25	35	45	51	8%
	Safety Critical Assurance (cumulative overdue days)		220	130	40	42	
	Action close out rate		>85%	>90%	>95%	88%	
Exploration	Gross resource estimate for Tolmount East appraisal well (Bcf)	7%	102	220	306	160 – 300 Bcf (P50 – P10)	3.5%
	Gross un-risked prospective mean resources added through new ventures or acquisitions (mmboe)	7%	100	200	500	460	4.9%
Strategic projects	Execute corporate actions to strengthen financial position	15%	Board approved plan	Completion on reasonable terms	Completion with superior terms	Board approved plan	6%
	Delivery of upside projects in existing producing assets (net % increase in NPV of corporate asset database)	5%	3%	5%	7.5%	12.5%	5%
	Successful completion of Zama appraisal programme with confirmation of resource estimates and reservoir deliverability	5%	Well and drill stem test objectives met	Well objectives met, JV agreed concept	Well objectives met, JV & Pemex agreed concept	Target performance	3.5%
	Implement key recommendations from organisational health check	6%	By year-end	By year-end	By year-end	Threshold performance	2.4%
						Formulaic outcome total:	66.3%
						Outcome following Committee adjustment:	65.0%

The 2019 annual bonus opportunity had five key elements designed to drive delivery of our strategy: production, financial performance, HSES, exploration and strategic projects. The scorecard above was used to determine bonus outcomes for all employees and Executive Directors. Following feedback from shareholders and as disclosed in our Update Statement on the 2019 Remuneration Report vote, the Committee resolved to remove the personal targets for Executive Directors when assessing 2019 performance in order to simplify the scorecard and remove any duplication. Bonus outcomes have therefore been determined solely on the above corporate targets. Over the year, Premier has continued to deliver on its strategic pillars, as reflected in the share price increase of 48 per cent during 2019. The management team has generated significant free cash flow which is materially deleveraging the balance sheet, while actively managing its portfolio and selectively progressing growth projects at the right exposure. Key achievements during 2019 were as follows:

PRODUCTION

Outcome: Above target performance

2019 production of 78.4 kboepd was at the upper end of full-year guidance, underpinned by high operating efficiency and continued high rates primarily from the Premier-operated Catcher Area. Operating efficiency was high at 93 per cent across the Group with the UK Business Unit significantly out-performing the average efficiency rates seen in the Central North Sea.

FINANCE

Outcome: Above target performance

Strong operational performance drove free cash flow generation during 2019 and, consequently, the Group was able to reduce net debt by over US$340m during the year, thereby delivering on the stretch net debt and covenant targets set by the Board at the beginning of the year. In addition, continued cost discipline resulted in both the opex and G&A targets being met in full with overall field operating costs being below full-year guidance of US$20/boe at US$18/boe (including lease costs).

HSES

Outcome: Target performance

In terms of HSES, the Group completed the year without a recordable injury on any of its operated assets where it is Duty Holder. However, following several HiPo's and two Tier 2 LOPCs on our leased asset facilities, the Committee determined that the Group's overall HSES performance in respect of the lagging indicators represented a threshold performance for the year. In terms of leading indicators, the Committee noted management's strong performance in relation to the HSES leadership and safety critical maintenance and testing compliance targets, where outcomes for the year met the stretch and above target levels respectively.

EXPLORATION

Outcome: Target performance

2019 saw successful outcomes for appraisal wells drilled in the Southern UK North Sea and Block 7 offshore Mexico. In the UK the successful Tolmount East appraisal well enabled development planning to commence with a project sanction decision targeted for the second half of 2020. The Tolmount East success has positive implications for other targets within the Greater Tolmount Area. In addition to drilling activity, low cost entry into prospective acreage in the Andaman Sea and the prolific Alaska North Slope has further strengthened the Group's exploration portfolio with significant resource potential in both basins.

STRATEGIC PROJECTS

Outcome: Target performance.

Throughout 2019, management assessed a number of acquisition opportunities and corporate actions with a view to strengthening the Group's financial position and accelerating debt reduction. On 7 January 2020, the Group announced the proposed acquisitions of the Andrew Area and Shearwater assets from BP, and an additional 25 per cent interest in the Premier operated Tolmount Area from Dana (the 'Acquisitions'). In addition, a proposed extension to the Company's existing credit facilities to 30 November 2023 was announced at the same time. The Board believes that the Acquisitions are materially value accretive for Premier and will accelerate the deleveraging of the Company's balance sheet. The Committee resolved that the threshold objective in relation to this target had been achieved in 2019.

As stated in our strategy, the Group focuses on high quality assets in commercially advantaged positions. Central to achieving this is the optimisation of the existing assets with a view to realising low cost upside. The net present value of the Group's Corporate Asset Database ('CAD') increased by 12.5 per cent during the year through a mixture of approved infill drilling programmes, satellite resource developments and facility upgrades. Typically, these projects have a payback period of less than a year and, with rates of return in excess of 20 per cent, they will help to sustain the Group's production profile over the next five years.

The Group significantly upgraded its resource estimates for the Zama field on Mexico Block 7 following the drilling of two appraisal wells. Post the successful campaign, the Group initiated a sales process for Premier's 25 per cent interest in Mexico Block 7. The Block 7 joint venture partners also progressed the unitisation process in December by submitting an Aviso (notice of shared reservoir) to the Mexican authorities for their approval. FEED on the joint venture partnership's chosen development concept continues ahead of project sanction targeted for later in 2020.

The Group has made progress in implementing a number of the actions arising from the organisational 'health check' commissioned by the Board in 2018. In particular, the technical capability within the corporate office has been strengthened and there has been significant progress in simplifying the Company's Business Management System ('BMS'). However, not all of the actions from the health check were successfully implemented during the year, therefore work is ongoing to address the outstanding items.

In January 2020, employees across the organisation were awarded bonuses of 65 per cent of the maximum for each grade based on a provisional formulaic outcome. At the point of determining the level of bonus to be awarded to the Executive Directors, the Committee considered the final formulaic outcome of 66.3 per cent and agreed that, in order to ensure alignment with the rest of the organisation, Executive Directors should be awarded bonuses of 65 per cent of the maximum 120 per cent of salary. Annual bonuses awarded to Executive Directors are summarised in the table below. Amounts exceeding 50 per cent of salary will be awarded in the form of shares, deferred for three years.

Director	Bonus as % of maximum	Total value £000s	Cash amount £000s	Amount deferred into shares £000s
Tony Durrant	65%	443.8	284.5	159.3
Richard Rose	65%	275.9	176.9	99.0
Robin Allan	65%	275.9	176.9	99.0

RETROSPECTIVE DISCLOSURE IN RESPECT OF THE 2018 ANNUAL BONUS

The Committee disclosed in the 2018 Directors' Remuneration Report that the bonus target in relation to a specific milestone for the Sea Lion project could not be disclosed for reasons of commercial sensitivity. The target centred around the progress of contractor and funding agreements for the project with a stretch target that included agreement with an equity partner to farm-in to the project. At the point of assessing the 2018 bonus outcome, a term sheet for vendor loan notes had been agreed with key contractors and preparations for applying for senior debt to finance the project were underway. The Committee judged that performance during 2018 for this particular objective was below target, representing 2.4 per cent out of a maximum of 8 per cent of the total outcome.

LTIP VESTING OUTCOMES IN 2019 (AUDITED)

In March 2019, the Committee assessed the Performance Targets for LTIP awards granted in 2017 with a vesting date of 1 September 2020. The Performance Period for these awards ran from 1 January 2017 to 31 December 2019 with the outcomes being as follows:

- **Performance Share Awards ('PSAs'):** Vesting levels for the PSAs granted in 2017 are subject to the Company's Total Shareholder Return ('TSR') over the Performance Period relative to a comparator group of 18 international oil and gas sector peers as set out on page 103. During the Performance Period, three comparator companies delisted and were removed from the comparator group. The Company's TSR over the Performance Period was 31.3 per cent resulting in a ranking between 7th and 8th within the comparator group. Under the Group's 2017 Remuneration Policy, 25 per cent of an award vests for median performance, 100 per cent for upper quartile performance and pro-rata vesting in between. The Company's ranking between median and upper quartile of the comparator group for the 2017 PSA gives a vesting level of 38 per cent.
- **Restricted Share Awards ('RSAs'):** Vesting levels for the RSAs granted in 2017 are subject to a financial underpin based on the reduction of the ratio of net debt to EBITDA, as agreed with the Company's lenders. At the end of the Performance Period, the Company's net leverage ratio was 2.3x, well below the 3.0x target. The Company also complied with the absolute net debt target set by its lenders throughout the Performance Period. Satisfaction of these targets gives a vesting level of 100 per cent for the RSAs.

The Committee considered the Group's performance against the targets stated above and a number of other measures, including: return on capital, production, reserves and resources and net asset value growth. The Committee satisfied itself that the formulaic vesting outcomes for both the PSAs and RSAs were reflective of the underlying performance of the Group and that both sets of awards should vest on the normal vesting date of 1 September 2020. Details of the awards vesting are set out below.

	Performance Share Awards (87.5% of salary at grant)				Restricted Share Awards (20% of salary at grant)				
Director	PSAs granted	PSAs vesting	Value delivered through performance £000s	Value delivered through share price growth £000s	RSAs granted	RSAs vesting	Value delivered through performance £000s	Value delivered through share price growth £000s	Total long-term incentives £000s
Tony Durrant	905,227	343,986	189.2	107.4	206,909	206,909	113.8	64.6	475.0
Richard Rose	562,784	213,857	117.6	66.8	128,636	128,636	70.7	40.2	295.3
Robin Allan	562,784	213,857	117.6	66.8	128,636	128,636	70.7	40.2	295.3

Note:
Vesting values shown are based on a share price of 86.22p (the volume weighted average price from 1 October 2019 to 31 December 2019).

LTIP AWARDS GRANTED IN 2019 UNDER THE TERMS OF THE 2017 LONG TERM INCENTIVE PLAN (AUDITED)

Consistent with the methodology applied in 2018, the Committee determined that it was again appropriate to scale back the Restricted Share Award by 50 per cent in view of market conditions. The Performance Share Awards were granted in full with an upper decile relative TSR performance target required for full vesting, representing a stretch target to the approved Remuneration Policy of upper quartile. The LTIP awards were granted to Executive Directors on 14 March 2019 and comprise:

- **Performance Share Awards**: conditional share awards vesting on three-year TSR relative to a comparator group of international oil and gas sector peers with 25 per cent vesting for median TSR performance and full vesting for upper decile performance and straight-line vesting in between.
- **Restricted Share Awards**: conditional share awards vesting over three, four and five years subject to a financial underpin based on the reduction of the ratio of net debt to EBITDA, as agreed with the Company's lenders.

Details of the awards are set out in the table below. Performance for these awards will be measured between 1 January 2019 and 31 December 2021. The constituents of the comparator group are detailed below.

2019-2021 cycle

			Performance Share Awards			Restricted Share Awards		
Director	Grant date	Market price used to determine the awards[1]	% salary awarded as Performance Shares	Number of Performance Share Awards granted	Face value[2] £'000s	% salary awarded as Restricted Shares after scale back	Number of Restricted Share Awards granted	Face value[2] £'000s
Tony Durrant	14.03.19	78.66p	175%	1,265,891	995.8	20%	144,673	113.8
Richard Rose	14.03.19	78.66p	175%	787,010	619.1	20%	89,944	70.8
Robin Allan	14.03.19	78.66p	175%	787,010	619.1	20%	89,944	70.8

Notes:
1 Market price is the average of the closing market prices of a Premier Oil share over the five dealing days immediately preceding the grant date.
2 Face value is the maximum number of shares that would vest (excluding any dividend shares that may accrue) if the performance conditions are met in full, multiplied by the market price used to determine the awards.

TSR comparator group by Performance Share Award

Company	2017	2018	2019	**Company**	2017	2018	2019
Aker BP ASA	✓	✓	✓	Kosmos Energy	✗	✗	✓
Beach Energy Limited	✓	✓	✓	Lundin Petroleum	✓	✓	✓
Cairn Energy PLC	✓	✓	✓	Nostrum Oil & Gas plc	✗	✗	✓
DNO ASA	✓	✓	✓	Ophir Energy plc	✓	✓	✓
Energean Oil & Gas PLC	✗	✗	✓	Origin Energy	✓	✓	✗
Energi Mega Persada Tbk	✓	✓	✗	Oryx Petroleum	✓	✓	✗
EnQuest plc	✓	✓	✓	Rockhopper Exploration PLC	✓	✓	✓
Maurel & Prom	✓	✓	✓	Santos Ltd	✓	✓	✓
Faroe Petroleum plc	✓	✓	✗	Pharos Energy	✓	✓	✓
Genel Energy plc	✓	✓	✓	Tullow Oil plc	✓	✓	✓
Gulf Keystone Petroleum Limited	✓	✓	✓				

Notes:
The following amendments have been made to the comparator groups since the date of award:
- Origin Energy has been removed from the 2017 and 2018 comparator groups following the sale of its upstream oil and gas assets to Beach Energy.
- Ophir Energy has been removed from all comparator groups following the takeover by Medco.
- Faroe Petroleum has been removed from the 2017 and 2018 comparator groups following the takeover by DNO.
- SOCO International changed its name to Pharos Energy on 16 October 2019.

OUTSTANDING SHARE AWARDS

2017 Long Term Incentive Plan ('2017 LTIP')

The 2017 LTIP was approved by shareholders at the 2017 Annual General Meeting and replaces the 2009 LTIP.

As at 31 December 2019, the Executive Directors held the following outstanding Performance Share Awards ('PSA') and Restricted Share Awards ('RSA') under the 2017 LTIP:

Director	Award type	Date of grant	Awards held at 1 January 2019	Granted	Lapsed	Vested	Awards held at 31 December 2019	Market price of shares on date of award	Earliest vesting date
Tony Durrant	PSA 2017-20	01.09.17	905,227	–	–	–	905,227	55.00p	01.09.20
	PSA 2018-21	15.03.18	1,392,073	–	–	–	1,392,073	71.53p	15.03.21
	PSA 2019-22	14.03.19	–	1,265,891	–	–	1,265,891	78.66p	14.03.22
	RSA 2017-20	01.09.17	206,909	–	–	–	206,909	55.00p	01.09.20
	RSA 2018-21	15.03.18	159,094	–	–	–	159,094	71.53p	15.03.21
	RSA 2019-22	14.03.19	–	144,673	–	–	144,673	78.66p	14.03.22
			2,663,303	**1,410,564**	**–**	**–**	**4,073,867**		
Richard Rose	PSA 2017-20	01.09.17	562,784	–	–	–	562,784	55.00p	01.09.20
	PSA 2018-21	15.03.18	865,458	–	–	–	865,458	71.53p	15.03.21
	PSA 2019-22	14.03.19	–	787,010	–	–	787,010	78.66p	14.03.22
	RSA 2017-20	01.09.17	128,636	–	–	–	128,636	55.00p	01.09.20
	RSA 2018-21	15.03.18	98,909	–	–	–	98,909	71.53p	15.03.21
	RSA 2019-22	14.03.19	–	89,944	–	–	89,944	78.66p	14.03.22
			1,655,787	**876,954**	**–**	**–**	**2,532,741**		
Robin Allan	PSA 2017-20	01.09.17	562,784	–	–	–	562,784	55.00p	01.09.20
	PSA 2018-21	15.03.18	865,458	–	–	–	865,458	71.53p	15.03.21
	PSA 2019-22	14.03.19	–	787,010	–	–	787,010	78.66p	14.03.22
	RSA 2017-20	01.09.17	128,636	–	–	–	128,636	55.00p	01.09.20
	RSA 2018-21	15.03.18	98,909	–	–	–	98,909	71.53p	15.03.21
	RSA 2019-22	14.03.19	–	89,944	–	–	89,944	78.66p	14.03.22
			1,655,787	**876,954**	**–**	**–**	**2,532,741**		

Notes:

[1] Any vested awards are subject to a two-year holding period such that the total time horizon is five years.

[2] Restricted Share Awards vest in one third increments in years three, four and five respectively, subject to continued employment and the achievement of the financial underpin at the end of year three.

2009 Long Term Incentive Plan ('2009 LTIP')

On 4 March 2019, the Committee determined that the Equity Pool and Performance Share Awards granted to Executive Directors on 1 January 2016 should vest. Details of the vesting outcomes are set out on page 98 of the Company's 2018 Annual Report. 50 per cent of the vested awards were released immediately with the remaining 50 per cent being granted as a Deferred Share Award subject to a further three-year deferral period. The table below sets out details of the Executive Directors' outstanding awards under the 2009 LTIP.

Director	Award type	Date of grant	Awards held at 1 January 2019	Granted	Lapsed	Vested	Awards held at 31 December 2019	Market price of shares on date of award	Earliest vesting date
Tony Durrant	Performance Share Award	01.01.16	567,864	–	141,399	426,465	–	66.50p	01.01.19
	Deferred Share Award	01.01.19	–	294,849	–	–	294,849	78.66p	01.01.22
Richard Rose	Performance Share Award	01.01.16	249,500	–	62,126	187,374	–	66.50p	01.01.19
	Deferred Share Award	01.01.19	–	151,499	–	–	151,499	78.66p	01.01.22
Robin Allan	Performance Share Award	01.01.16	294,203	–	73,257	220,946	–	66.50p	01.01.19
	Deferred Share Award	01.01.19	–	168,285	–	–	168,285	78.66p	01.01.22

Deferred Bonus Awards

As at 31 December 2019 the following Deferred Bonus Awards were held in respect of the deferred element of the annual bonus awarded for the years ending 31 December 2016, 31 December 2017 and 31 December 2018.

Director	Date of grant	Awards held at 1 January 2019	Granted	Lapsed	Vested	Awards held at 31 December 2019	Market price of shares on date of award[1]	Earliest vesting date
Tony Durrant	12.04.17	142,574	–	–	–	142,574	65.85p	12.04.20
	15.03.18	207,617	–	–	–	207,617	71.53p	15.03.21
	14.03.19	–	109,155	–	–	109,155	78.66p	14.03.22
		350,191	109,155	–	–	459,346		
Richard Rose	12.04.17	72,437	–	–	–	72,437	65.85p	12.04.20
	15.03.18	129,077	–	–	–	129,077	71.53p	15.03.21
	14.03.19	–	74,113	–	–	74,113	78.66p	14.03.22
		201,514	74,113	–	–	275,627		
Robin Allan	12.04.17	77,357	–	–	–	77,357	65.85p	12.04.20
	15.03.18	123,637	–	–	–	123,637	71.53p	15.03.21
	14.03.19	–	62,016	–	–	62,016	78.66p	14.03.22
		200,994	62,016	–	–	263,010		

[1] The average of the closing prices of a Premier Oil share over the five dealing days immediately preceding the award date.

All-employee share schemes

The Executive Directors may also participate, on the same terms as all other eligible employees, in a Share Incentive Plan ('SIP') and a Savings Related Share Option Scheme ('SAYE Scheme'). Executive Directors' interests under the SAYE Scheme are shown below:

Director	Date of grant	Exercisable dates	Acquisition price per share	Options held at 1 January 2019	Granted	Exercised	Lapsed	Options held at 31 December 2019
Tony Durrant	04.05.16	01.06.19 – 30.11.19	42.00p	42,857	–	42,857	–	
	08.05.19	01.06.22 – 30.11.22	100.45p	–	17,919	–	–	17,919
Richard Rose	04.05.16	01.06.19 – 30.11.19	42.00p	42,857	–	42,857	–	
	08.05.19	01.06.22 – 30.11.22	100.45p	–	17,919	–	–	17,919
Robin Allan	04.05.16	01.06.19 – 30.11.19	42.00p	42,857	–	42,857	–	–
	08.05.19	01.06.22 – 30.11.22	100.45p	–	17,919	–	–	17,919

Shares held beneficially in the SIP by the Executive Directors during the financial year were as follows:

Director	Shares held on 1 January 2019	Total Partnership Shares purchased in 2019 at prices between £0.623 and £0.9902	Total Matching Shares awarded in 2019 at prices between £0.623 and £0.9902	Shares held on 31 December 2019	Partnership and Matching Shares acquired between 1 January and 4 March 2020
Tony Durrant	25,453	1,879	1,879	29,211	826
Richard Rose	19,234	2,254	2,254	23,742	992
Robin Allan	35,906	1,879	1,879	39,664	826

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SCHEME INTERESTS (AUDITED)

The table below summarises the Directors' interests in shares, including unvested awards under employee share schemes, as at 31 December 2019. Further details of all outstanding awards are provided on pages 104 to 106.

Director	Owned outright at 31 December 2019[1]	Deferred shares subject to continued employment at 31 December 2019[2]	Unvested shares subject to performance at 31 December 2019[3]	Unvested SAYE options at 31 December 2019	Total share interests at 31 December 2019
Robin Allan	663,505	431,295	2,532,741	17,919	3,645,460
Dave Blackwood	10,000	–	–	–	10,000
Anne Marie Cannon	10,000	–	–	–	10,000
Tony Durrant	1,670,499	754,195	4,073,867	17,919	6,516,480
Roy A Franklin	60,000	–	–	–	60,000
Jane Hinkley	13,234	–	–	–	13,234
Barbara Jeremiah	–	–	–	–	–
Iain Macdonald	23,076	–	–	–	23,076
Richard Rose	236,744	427,146	2,532,741	17,919	3,214,550
Mike Wheeler	30,000	–	–	–	30,000

Notes:

1 Owned outright includes shares held by the Director and/or connected persons. This figure also includes shares held in the tax-advantaged Share Incentive Plan ('SIP') which may be subject to forfeiture on leaving the Company, dependent upon the time for which they have been held.

2 Deferred shares subject to continued employment comprise Deferred Bonus Awards and Deferred Share Awards under the 2009 LTIP. The awards are subject to malus and clawback in the event of a material misstatement of the Company's financial results, gross misconduct or material error in the calculation of performance conditions. The Committee may exercise clawback until the later of: (i) one year from vesting, or (ii) the completion of the next audit after vesting.

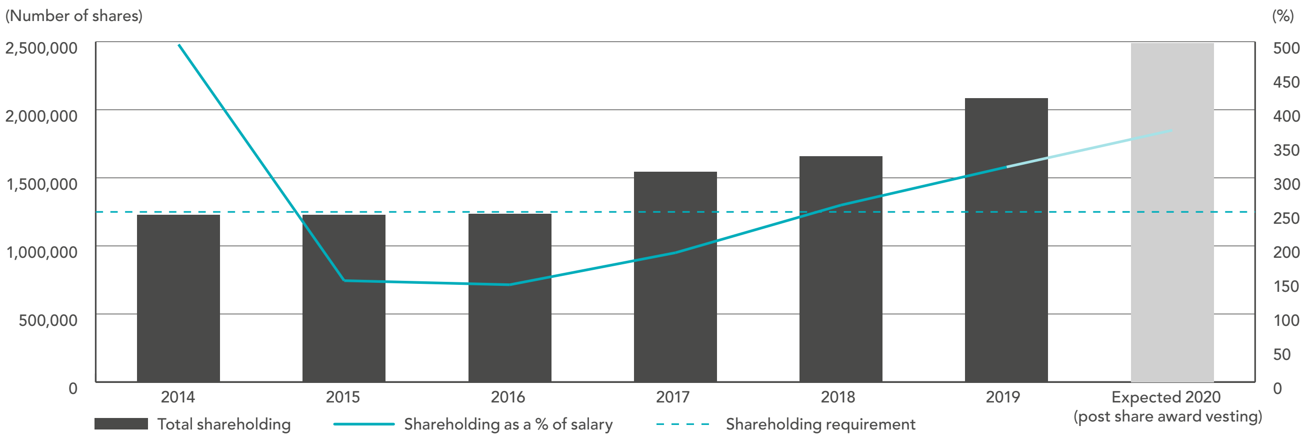
3 Unvested shares subject to performance include LTIP PSAs and RSAs.

Awards under all of the Company's share schemes may be met using a combination of market purchases, financed by the Company through the Premier Oil plc Employee Benefit Trust, and newly issued shares. The Company complies with the Investment Association's recommended guidelines on shareholder dilution through employee share schemes: awards under the Group's discretionary schemes which may be satisfied with newly issued shares must not exceed 5 per cent of the Company's issued share capital in any rolling 10-year period, and the total of all awards satisfied with newly issued shares under all plans must not exceed 10 per cent of the Company's issued share capital in any rolling 10-year period.

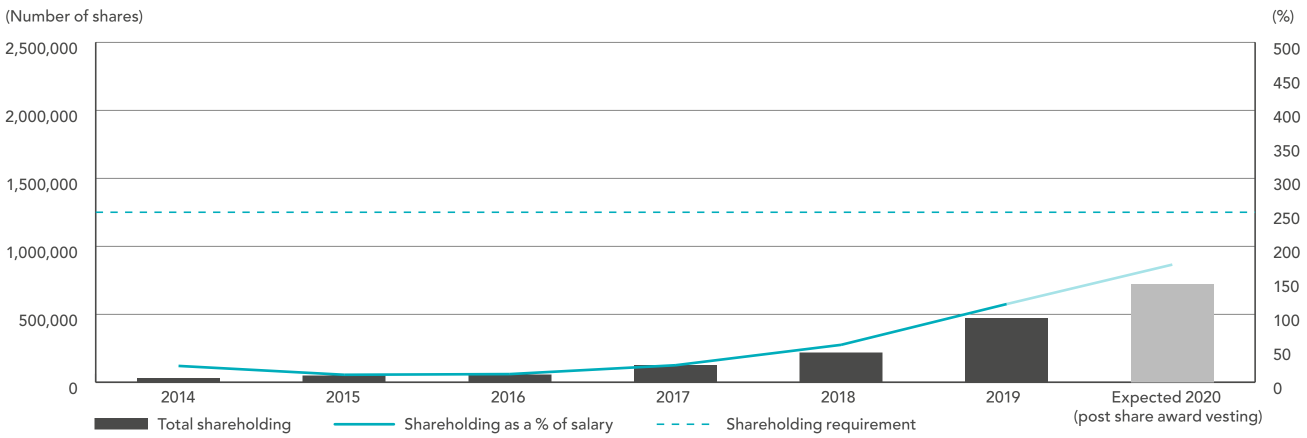
Directors' shareholding requirements

The Company requires the Executive Directors to retain no less than 50 per cent of the net value of shares vesting under the Company's long-term incentive plans until such a time that they have reached a holding worth 250 per cent of salary. Shares owned outright, shares held in the Share Incentive Plan and unvested deferred bonus awards (net of taxes), count towards this requirement. Under the Company's proposed Remuneration Policy, the shareholding requirement extends for two years post-cessation of employment. Shares acquired from own resources and/or in-flight LTIP awards are excluded from the post-cessation shareholding requirement. Where their shareholding at departure is below the minimum requirement, the Executive Director's shareholding is required to be retained for two years. The Committee will operate a robust enforcement mechanism of the post-cessation shareholding requirement. The graphs below show the value of Executive Directors' shareholdings and scheme interests as a percentage of salary, in accordance with the above shareholding requirements, over the last six years. Shareholdings are valued using the average share price from 1 October to 31 December of each financial year (2019: 86.22p). The final outstanding Deferred Share Award under the legacy 2009 LTIP has also been included on a net of tax basis.

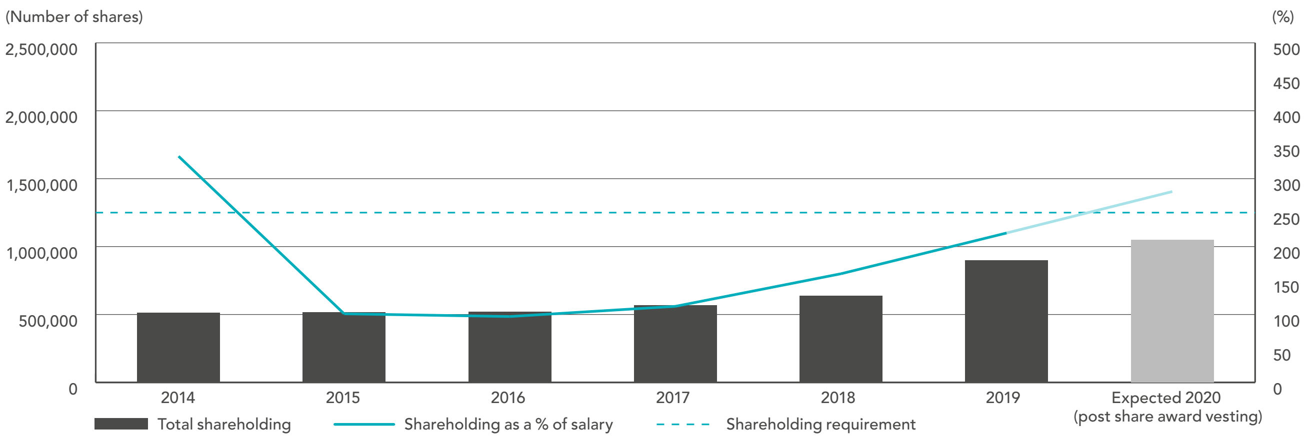
Tony Durrant



Richard Rose



Robin Allan



TOTAL PENSION ENTITLEMENTS (AUDITED)

In line with the Policy, as Executive Directors appointed prior to 20 August 2013, the Company is committed to providing Robin Allan and Tony Durrant with the cash value of a target pension calculated as if they were contributing members of the Company's final salary Retirement and Death Benefits Plan (the 'Scheme'), not subject to the Scheme's cap on pensionable earnings (£166,200 for the 2019/20 tax year). This cash value will be assessed at the point that the individual ceases to be an Executive Director and the Company will make good at that time any shortfall relative to the value of payments which had already been made. The normal retirement age is 60, although benefits accrue until the relevant Executive Director ceases employment.

Financial provision for this commitment is made by giving Directors a pension allowance equal to 20 per cent of salary. At their option, part or all of this allowance may be paid as cash (subject to a deduction in respect of the Company's national insurance contributions) with any balance being contributed to an approved pension plan. In addition, at its discretion, the Company may pay supplemental cash sums to the Directors in order to reduce the projected extent of any eventual shortfall.

The accrued pension entitlements of the Directors are as follows:

Director	(a) Accrued pension as at 31 December 2019 £'000s pa[1,3]	(b) Accrued pension in (a) after allowing for inflation £'000s pa[3]	(c) Accrued pension as at 31 December 2019 £'000s pa[1,3]	(d) Value of growth in accrued pension above inflation £'000s[2,3]	(e) Deduction for deemed contributions by Director £'000s[3]	(f) Value of growth in accrued pension above inflation less deemed contributions by Director £'000s[3]
Tony Durrant	148.4	152.0	159.5	150.0	32.7	117.3
Robin Allan[4]	100.3	102.7	107.2	90.0	19.8	70.2

Notes:

1 The amounts of accrued pension under (a) and (c) represent the accrued pension entitlements of the Director as at the stated dates.

2 The values under (d) have been calculated by applying a capitalisation factor of 20 to the difference between amounts shown in (c) and (b) and are principally due to the additional pension accrued over the year.

3 The values stated above correspond with the target level of final salary pension provision; in practice, the pension benefits for these Directors are principally established through individual money purchase arrangements and salary supplements.

4 In addition to the current provision noted above, Robin Allan is entitled to a deferred pension under the Scheme in respect of service with the Company between September 1986 and November 1999.

As a Director who joined the Company after 20 August 2013, Richard Rose is entitled to receive a pension contribution and/or cash supplement equal to 20 per cent of his salary.

Payments made by the Company in respect of pension benefits in relation to 2019 are summarised below:

Director	Pension plan contributions £'000s	Cash payments made during 2019 £'000s	Total pension benefits paid by Company £'000s
Tony Durrant	0.0	572.6	572.6
Richard Rose	10.0	53.4	63.4
Robin Allan	0.0	145.4	145.4

In respect of 2019, Tony Durrant and Robin Allan elected to receive their total pension entitlement in cash. During 2018, a review was carried out for these Directors to assess the extent to which the payments already made were sufficient to provide the accrued component of their total target pension. A payment was made in 2019 towards the shortfall for Robin Allan and Tony Durrant.

Richard Rose receives a contribution to the defined contribution scheme and receives the remaining amount of his entitlement in cash. Under the defined contribution scheme, Richard Rose's normal retirement age is 65.

EXECUTIVE DIRECTOR EXTERNAL APPOINTMENTS

Executive Directors are permitted to accept non-executive appointments outside the Company providing that the Board's approval is obtained. Robin Allan is Chairman of the Association of British Independent Oil Exploration Companies ('BRINDEX') and received no fee for this role. Robin Allan is also a Board member of Oil & Gas UK for which he receives no fee.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There were no payments for loss of office during the year.

PAYMENTS TO PAST DIRECTORS (AUDITED)

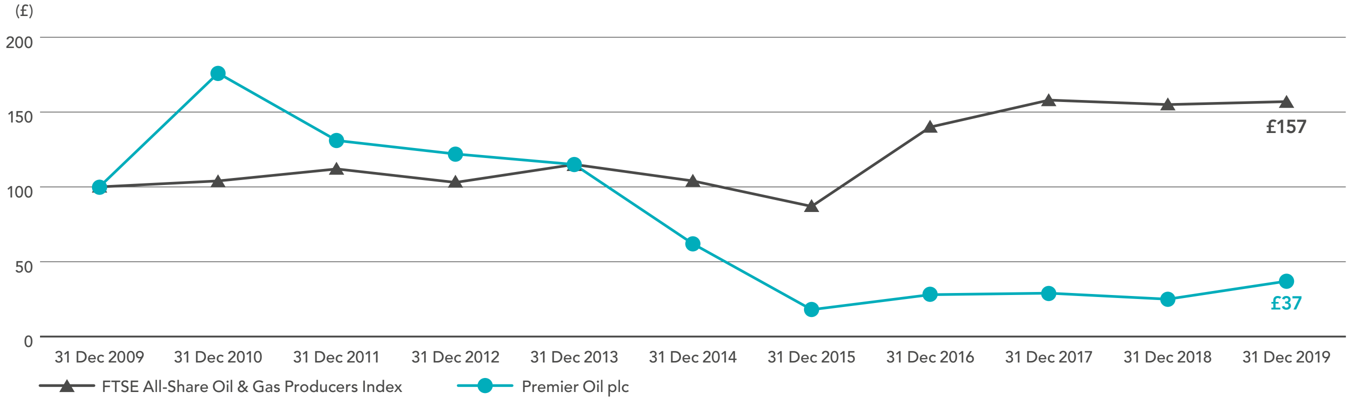
There were no payments to past Directors during the year.

COMPARISON OF COMPANY PERFORMANCE

The chart below compares the value of £100 invested in Premier shares, including re-invested dividends, on 31 December 2009 compared to the equivalent investment in the FTSE All-Share Oil & Gas Producers Index over the last ten financial years. The FTSE All-Share Oil & Gas Producers Index has been chosen as it comprises companies who are exposed to broadly similar risks and opportunities as Premier.

10-year TSR performance

Value of £100 invested on 31 December 2009:



The table below shows the CEO single figure of remuneration for the past ten years and corresponding performance under the annual and long-term incentives, as a percentage of maximum.

		CEO single figure of remuneration £'000s	Annual bonus payout as % of maximum	Equity Pool as % of maximum[1]	Asset Pool as % of maximum[2]	Restricted Share Award vesting as % of maximum[3]	Performance Share Award vesting as % of maximum	Matching Share Award vesting as % of maximum
2010	Simon Lockett	4,041.4	60%	100%	55%	N/A	N/A	100%
2011	Simon Lockett	3,827.3	55%	100%	N/A	N/A	100%	100%
2012	Simon Lockett	2,728.2	45%	0%	N/A	N/A	90%	66%
2013	Simon Lockett	1,002.7	24%	0%	N/A	N/A	0%	0%
2014[4]	Simon Lockett	680.3	39% (and pro-rated)	0%	N/A	N/A	0%	0%
	Tony Durrant	428.7	40%	0%	N/A	N/A	0%	0%
2015	Tony Durrant	1,040.4	10%	0%	N/A	N/A	0%	0%
2016	Tony Durrant	1,404.3	66.5%	0%	N/A	N/A	0%	0%
2017	Tony Durrant	1,474.3	63.4%	0%	N/A	N/A	0%	0%
2018	Tony Durrant	1,558.4	54.3%	45.1%	N/A	N/A	75.1%	0%
2019[3]	Tony Durrant	1,631.1	65%	N/A	N/A	100%	38%	N/A

Notes:

1 Maximum opportunity for the 2016 Equity Pool was 50 per cent of salary.

2 Following the introduction of the LTIP in 2009, the Asset Pool was replaced by Performance Share Awards. The last award under the Asset Pool had a performance period of 1 January 2008 to 31 December 2010. The introduction of the LTIP was disclosed in the Remuneration Report of the 2009 Annual Report and Financial Statements.

3 The maximum opportunity for the Restricted Share Award was 20 per cent of salary.

4 Figures shown for 2014 for Tony Durrant relate to the period during 2014 that he served as Chief Executive Officer: 25 June to 31 December 2014; and for Simon Lockett relate to the period during 2014 that he served as Chief Executive Officer: 1 January to 25 June 2014.

PERCENTAGE CHANGE IN CEO REMUNERATION

The table below shows the percentage change in CEO remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of all UK-based employees within the Company. The Company has chosen UK-based employees as the comparator group for the Company as a whole, due to countries outside the UK having significantly different inflation rates.

	CEO			UK-based employees[1] (average per capita)
	2019 £'000s	2018 £'000s	% change	% change
Salary	**569.0**	569.0	0%	3.3%
Taxable benefits	**24.5**	25.5	(3.9%)	(9.2%)
Annual bonus[2]	**443.8**	370.4	19.8%	34.7%
Total	**1,037.3**	964.9		

Notes:
[1] UK-based employees who were employed for the full year in both 2018 and 2019.
[2] Includes cash bonus and amount deferred into shares (amounts above 50 per cent of salary are deferred into shares).

CEO PAY RATIO

In accordance with new statutory requirements in the UK, listed companies with more than 250 employees are required to disclose annually the ratio of their CEO's pay to the median, lower quartile and upper quartile pay of their UK employees. The table below sets out the CEO pay ratio for the Company for 2019.

Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2019	Method A	19.8 : 1	11.9 : 1	8.2 : 1
	Total pay and benefits	£82,237	£136,538	£200,076
	Salary	£52,508	£79,465	£124,584

The Committee believes that, of the methodologies permitted under the regulations, Method A provides the most statistically accurate representation of the Chief Executive Officer's remuneration relative to the UK workforce. Total pay and benefits (on a full-time equivalent basis) for the people employed during the full 12-month period to 31 December 2019 have been calculated in line with the 'single figure methodology' used for the Chief Executive Officer. Employees were then ranked to identify each individual at the 25th, 50th and 75th percentiles.

The median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees as a whole, as we have pay grades benchmarked to the oil and gas industry, a graduated bonus scheme based on these grades and share plans for all employees. The results are consistent for the professional nature of our workforce and we would not expect to see a disconnect between the CEO pay and the pay of the UK workforce.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the Company's actual expenditure on shareholder distributions and total employee pay expenditure for the financial years ending 31 December 2018 and 31 December 2019. Total shareholder distribution expenditure is composed of dividends and share buybacks. The Company did not pay a dividend nor re-purchase shares for the financial years ending 31 December 2018 and 31 December 2019.

	2019 US$ million	2018 US$ million	% change
Remuneration paid to or receivable by all employees of the Group	**120.2**	113.6	5.8%
Distributions to shareholders by way of dividend	**–**	–	–
Distributions to shareholders by way of share buyback	**–**	–	–

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2020

This section sets out the proposed implementation of the Directors' Remuneration Policy in 2020, subject to its approval by shareholders at the 2020 AGM.

Salary

The salaries of the Executive Directors are reviewed annually to ensure they remain appropriate. Below are the base salaries of the Executive Directors effective from 1 January 2020. This is an increase of 2 per cent which is consistent with the salary increases for the wider UK workforce in accordance with the Policy.

Director	Position	Salary from 1 January 2019 £	Salary from 1 January 2020 £	Percentage increase %
Tony Durrant	Chief Executive Officer	569,000	580,380	2%
Richard Rose	Finance Director	353,750	360,825	2%
Robin Allan[1]	Director, North Sea and Exploration	353,750	353,750	–

Note:
[1] Robin Allan will stand down from the Board on 12 May 2020, therefore no increase was awarded.

Pension, benefits and all-employee share plans

There are no changes intended to the benefits or rights of participation in all-employee share plans provided to Executive Directors. Pension contributions and arrangements for the existing Executive Directors will be unchanged compared to 2019, but will be aligned with the rate applicable to the wider UK workforce (currently a defined contribution of 15 per cent of salary) from 1 January 2023.

Annual bonus

The Executive Director annual bonus corporate scorecard, setting out measures and targets for 2020, has been established by the Remuneration Committee. Details of performance against the measures will be disclosed in the 2020 Annual Report on Remuneration so far as possible, whilst maintaining commercial confidentiality. The following table sets out the categories and a description of the measures.

Category	Targets	Weighting (% of maximum corporate bonus opportunity)
1. Financial & Operational	Operating cash flow	12.5%
	Production	12.5%
2. Project Development	Tolmount delivery	12.5%
	Reserves replacement	12.5%
3. ESG	Safety	12.5%
	Environmental performance	12.5%
4. Exploration	Discovery/prospective resources	25%

Subject to approval of the Directors' Remuneration Policy at the 2020 AGM, 50 per cent of any bonus earned will be deferred in shares for three years.

2017 Long Term Incentive Plan

The Committee intends to grant LTIP awards to Executive Directors of value equal to 200 per cent of salary following the 2020 AGM, subject to shareholder approval of the Policy. For the relative TSR element, performance will be assessed against a comparator group of listed E&P companies with threshold vesting (25 per cent of maximum) for performance in line with the median and maximum vesting for performance in line with the upper quartile. The targets for the Return on Capital Employed metric have not yet been determined but will be announced prior to the AGM, via RNS.

Non-Executive Director remuneration

During the year, the Committee reviewed the fees for the Chairman and the Board reviewed the fees for Non-Executive Directors. The Committee agreed an increase of 2 per cent in line with the wider UK workforce. Non-Executive Director fees for 2020 are as follows:

Role	Fee type	From 1 January 2019 £	From 1 January 2020 £	Percentage increase %
Chairman	Total fee	169,600	172,992	2%
Other Non-Executive Directors	Basic fee	53,000	54,060	2%
	Committee Chairmanship	10,600	10,812	2%
	Senior Independent Director	10,600	10,812	2%

EXERCISE OF COMMITTEE DISCRETION

The table below illustrates how the Committee has exercised discretion in relation to long-term incentives and the bonus plan over the five-year period ending 31 December 2019.

Year	Annual bonus	Long-term incentives
2015	Total bonus outcome reduced to 10% (formulaic outcome of 55.8% to 58.1%)	None
2016	None	2009 Long Term Incentive Plan: Performance Share Awards scaled back by 50% of maximum potential opportunity; Equity Pool Awards vesting capped at 50% of base salary; Matching Award removed.
2017	None	2017 Long Term Incentive Plan: Restricted Share Awards and Performance Share Awards scaled back by 50% of the maximum potential opportunity.
2018	None	2017 Long Term Incentive Plan: Restricted Share Awards scaled back by 50% of maximum potential opportunity. Full vesting of the Performance Share Awards requires Premier Oil TSR to be upper decile relative to the TSR of comparators, as opposed to upper quartile TSR.
2019	Total bonus outcome reduced to 65% (formulaic outcome of 66.3%)	2017 Long Term Incentive Plan: Restricted Share Awards scaled back by 50% of maximum potential opportunity. Full vesting of the Performance Share Awards requires Premier Oil TSR to be upper decile relative to the TSR of comparators, as opposed to upper quartile TSR.

For and on behalf of the Remuneration Committee:

Barbara Jeremiah
Chairman of the Remuneration Committee
4 March 2020

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group, together with the audited Group financial statements and Auditors' Report for the year ended 31 December 2019. There are certain disclosure requirements which form part of the Directors' Report and are included elsewhere in this Annual Report. The location of information incorporated by reference into this Directors' Report is set out on page 115.

DIVIDEND

No dividend is proposed in respect of the year ended 31 December 2019 (2018: nil).

ANNUAL GENERAL MEETING

The Company's next AGM will be held on Tuesday 12 May 2020 at 11.00am. The Notice of the AGM, together with details of all resolutions which will be placed before the meeting, accompanies this report and is also available online at **www.premier-oil.com**.

DIRECTORS

The Directors of the Company as at 4 March 2020 are shown on pages 62 to 65.

ARTICLES OF ASSOCIATION

The Company's Articles of Association may only be amended by special resolution at a General Meeting of shareholders. The Company's Articles of Association contain provisions regarding the appointment, retirement and removal of Directors.

A Director may be appointed by an ordinary resolution of shareholders in a General Meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. The Directors may appoint a Director during any year provided that the individual stands for election by shareholders at the next AGM. Further detail regarding the appointment and replacement of Directors is included in the Corporate Governance Report.

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company. Details of the Matters Reserved for the Board are set out on the Company's website and summarised in the Corporate Governance Report on page 67.

INDEMNIFICATION OF DIRECTORS AND INSURANCE

During the financial year, the Company had in place an indemnity to each of its Directors and the Company Secretary under which the Company will, to the fullest extent permitted by law and to the extent provided by the Articles of Association, indemnify them against all costs, charges, losses and liabilities incurred by them in the execution of their duties. The indemnity was in force for all Directors who served during the year. The Company also has Directors' and Officers' liability insurance in place.

SHARE CAPITAL

Details of the Company's issued share capital, together with details of any movement in the issued share capital during the year, are shown in note 20 to the consolidated financial statements on page 158. The Company has one class of Ordinary Shares which carries no right to fixed income. Each share carries the right to one vote at General Meetings of the Company.

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares, subject to an appropriate authority being given to the Directors by shareholders in a General Meeting and any conditions attaching to such authority. The current authority, approved at the General Meeting held on 16 May 2019, for the allotment of relevant securities is for a nominal amount of up to (i) £34,235,029 and (ii) equity securities up to a nominal amount of £68,470,059 less the nominal amount of any shares issued under part (i) of the authority.

In addition to the authority given at the 2019 AGM, at the General Meeting held on 15 June 2017, in connection with the Company's refinancing which was completed on 28 July 2017 shareholders authorised the Directors to allot Ordinary Shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary Shares in the Company up to a nominal amount of £59,039,247.10. This authority is specific to the issue of shares pursuant to the terms of the Company's refinancing. Further details are contained in the Circular to Shareholders dated 30 May 2017, a copy of which can be accessed in the Shareholder Information section of the Company's website.

Furthermore, at the 2019 AGM, shareholders authorised the Directors to make market purchases up to a maximum of approximately 10 per cent of the Company's issued share capital (being £10,270,508 in nominal value) excluding treasury shares. Any shares purchased under this authority may either be cancelled or may be held as treasury shares provided that the number of shares held does not exceed 10 per cent of issued share capital. No shares were bought back during the year.

There are no specific restrictions on the size of a holding nor on the transfer of shares, both of which are governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of employee share schemes are set out in note 21 to the consolidated financial statements on page 159. The voting rights in relation to the shares held within the Employee Benefit Trust are exercisable by the Trustee but it has no obligation to do so. Details of the number of shares held by the Employee Benefit Trust are set out in note 20 on page 158. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

AMERICAN DEPOSITARY RECEIPT PROGRAMME

Premier Oil plc has a sponsored Level 1 American Depositary Receipt ('ADR') programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one Ordinary Share of the Company. The ADRs trade on the US over-the-counter market under the symbol PMOIY.

SIGNIFICANT SHAREHOLDINGS

As at 4 March 2020, the Company had received notification from the institutions below, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of their significant holdings of voting rights (3 per cent or more) in its Ordinary Shares:

Name of shareholder	Date of notification to the stock exchange	Notified number of voting rights	Notified percentage of voting rights[1]	Nature of holding
Goldman Sachs Group, Inc	03.03.2020	68,304,392	8.16%	Indirect
Morgan Stanley	04.03.2020	45,157,595	5.39%	Indirect
Baillie Gifford & Co	04.01.2019	41,626,147	5.09%	Indirect
JP Morgan Chase & Co	07.02.2020	44,476837	5.31%	Indirect
Dimensional Fund Advisors LP	13.07.2018	38,917,945	5.02%	Direct & Indirect
Artemis Investment Management LLP	13.05.2015	25,451,951	4.98%	Direct & Indirect
Aviva plc and its subsidiaries[1]	27.04.2009	3,933,529	4.95%	Direct & Indirect
AXA Investment Managers SA	03.03.2017	23,907,981	4.68%	Indirect
Ameriprise Financial Inc	20.01.2012	24,666,346	4.66%	Direct & Indirect

Note:

1 Interests shown for Aviva plc and its subsidiaries pre-date the Share Split in 2011.

HEDGING AND RISK MANAGEMENT

Details of the Group's hedging and risk management are provided in the Financial Review. A further disclosure has been made in note 18 to the consolidated financial statements on pages 152 to 156, related to various financial instruments and exposure of the Group to price, credit, liquidity and cash flow risk.

SIGNIFICANT AGREEMENTS

The following significant agreements will, in the event of a change of control of the Company, be affected as follows:

- Under the US$718,967,054 super senior revolving credit facility agreement between, among others, the Company, certain subsidiaries of the Company and a syndicate of financial institutions, upon a change of control the commitments under the agreement would be cancelled and all amounts owing would be immediately due and payable.
- Under the US$1,781,032,945 senior revolving credit facility agreement between, among others, the Company, certain subsidiaries of the Company and a syndicate of financial institutions, upon a change of control the commitments under the agreement would be cancelled and all amounts owing would be immediately due and payable.
- Under the £100 million and US$150 million term loan facilities between, among others, the Company, certain subsidiaries of the Company and current lenders, upon a change of control, the commitments under the agreement would be cancelled and all amounts owing would be immediately due and payable.
- The Group has outstanding retail bonds with a principal amount of £150 million which were issued under a £500 million Euro Medium Term Notes programme. Upon a change of control, the bonds would become immediately redeemable, together with any accrued interest.
- The Group has outstanding senior loan notes totalling €63.6million and US$335 million, which were issued to insurance companies and funds predominantly based in the US. Upon a change of control, the entire unpaid principal amount of the notes would become immediately prepayable, together with any accrued interest.
- The Company has an outstanding English-law governed term loan facility totalling US$130 million. Upon a change of control, the commitments under the facility would be cancelled and all amounts owing would be immediately due and payable, together with accrued interest.

POLITICAL DONATIONS

No political donations were made during the year (2018: US$nil).

SIGNIFICANT EVENTS SINCE 31 DECEMBER 2019

Details of significant events since the balance sheet date are contained in note 27 to the financial statements on page 167.

INFORMATION SET OUT IN THE STRATEGIC REPORT

The Strategic Report set out on pages 1 to 57 provides a comprehensive review of the performance of the Company's operations for the year ended 31 December 2019 and the potential future developments of those operations. The Strategic Report also includes details of the Company's principal risks and uncertainties and research and development activities during the year. Information regarding the Company's policy applied during the year relating to the recruitment, employment, training, career development and promotion of staff including employment of disabled persons is included within the Employees section of the Sustainability Review in the Strategic Report on pages 40 to 42. In addition, information regarding the Company's greenhouse gas emissions is also included in the Environment section of the Sustainability Review in the Strategic Report on pages 34 to 39. In accordance with s414C(11) of the Companies Act 2006, the Directors have chosen to set out the information outlined above, required to be included in the Directors' Report, in the Strategic Report.

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of the FCA's Disclosure & Transparency Rules (DTR 4.1.8R).

INFORMATION SET OUT ELSEWHERE IN THIS ANNUAL REPORT

Information regarding the Company's governance arrangements is included in the Corporate Governance Report and related Board Committee reports on pages 58 to 112. These sections of the report are incorporated into this report by reference.

For the purposes of Listing Rule 9.8.4C R, the information required to be disclosed by Listing Rule 9.8.4 R can be found in the following locations:

Listing Rule sub-section	Item	Location
9.8.4 (1)	Interest capitalised	Financial statements, note 5, page 142
9.8.4 (5)	Waiver of emoluments by a director	Directors' Remuneration Report, page 99

AUDITOR

Each of the persons who is a Director at the date of approval of this Annual Report and Financial Statements confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all reasonable steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board:

Andy Gibb
Interim Company Secretary
4 March 2020

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

GROUP FINANCIAL STATEMENTS

Company law requires the Directors to prepare 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 ('EU') and Article 4 of the International Accounting Standards ('IAS') Regulation and have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements 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 Financial Reporting Standard 101 Reduced Disclosure Framework has 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 – 'Presentation of Financial Statements' – 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 Company's and 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 Group 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 (**www.premier-oil.com**). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

1. the Group financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, 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;
2. 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
3. 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.

This responsibility statement was approved by the Board of Directors on 4 March 2020 and is signed on its behalf by:

Tony Durrant
Chief Executive Officer

Richard Rose
Finance Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PREMIER OIL PLC
FOR THE YEAR ENDED 31 DECEMBER 2019

OPINION
In our opinion:

- Premier Oil plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 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; 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 of Premier Oil plc which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 December 2019	Balance sheet as at 31 December 2019
Consolidated income statement for the year then ended	
Consolidated statement of comprehensive income for the year then ended	
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Consolidated cash flow statement for the year then ended	
Related notes 1 to 28 to the consolidated financial statements, including a summary of significant accounting policies	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies

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 Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT
We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 54 to 57 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 50 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 49 in the Financial Review 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 entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 53 in the Annual Report as to how they have assessed the prospects of the entity, 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 entity 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.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	We have identified the following key audit matters that, in our professional judgement, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the global audit team's efforts: • **Oil and gas reserve estimation**, including reserves used in the calculation of Depreciation, Depletion and Amortisation ('DD&A'), impairment testing and the assessment of the recoverability of **Deferred Tax Assets** ('DTAs'); • **Impairment of tangible oil and gas properties;** • The **recoverability of DTAs**; and • **Going concern and covenant compliance.**
Materiality	We performed our audit of the Group financial statements to an overall materiality level of US$18m, which represents 2% of earnings before interest, tax, depreciation and amortisation, excluding non-recurring items and the impact of the adoption of IFRS 16 Leases ('adjusted EBITDA').
Audit scope	For the purpose of our audit, components were defined at a legal entity level. We performed an audit of the complete financial information of six components and audit procedures on specific balances of a further seven components. The components where we performed full or specific audit procedures accounted for 99% of adjusted EBITDA, revenue and total assets.

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Oil and gas reserves estimation

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Refer to the Audit and Risk Committee Report (page 75); Accounting policies (page 128); and Note 10 of the Consolidated Financial Statements (page 146). At 31 December 2019, Premier reported 171 million barrels of oil equivalent ('mmboe') of proved and probable ('2P') reserves (2018: 194 mmboe). The estimation and measurement of oil and gas reserves impacts many material elements of the financial statements including DD&A, impairment, going concern, decommissioning and DTA recoverability. There is technical uncertainty in assessing reserve quantities and there are complex contractual arrangements that determine Premier's entitlement of reserves. The scope of our procedures included contingent resources that impact the financial statements, primarily being those associated with fields yet to be sanctioned but included in management's DTA recoverability assessment. This risk has remained consistent with the prior year.	Our response was primarily performed by the Group audit team, with input from our three component audit teams based in Ho Chi Minh City (Vietnam), Jakarta (Indonesia) and Aberdeen (United Kingdom). Our procedures covered 100% of reserve and resource volumes with a direct impact on the financial statements. We performed the following audit procedures with respect to management's estimation of oil and gas reserves: • Confirmed our understanding of Premier's oil and gas reserves estimation process as well as the control environment implemented by management; • Management's 2P reserves estimates are prepared by an internal specialist whilst an external specialist is engaged for the purpose of assessing the appropriateness of management's internal estimate. We assessed the appropriateness of reliance on management's internal and external reserve specialists by performing procedures to evaluate their objectivity and competency; • Met with management's internal and external specialists to understand the basis, and therefore appropriateness, of variances between the two estimates; • Investigated all material volume movements from the prior period estimates and lack of movement where changes were expected based on our understanding of operations and findings from other areas of our audit; • Ensured reserve volumes were consistently applied throughout all relevant accounting processes including DD&A, impairment, going concern, decommissioning provisions and DTA recoverability; and • Reconciled management's reserves disclosure included in the Annual Report to the results of our testing.	We reported to the Audit and Risk Committee at its March 2020 meeting that, based on our testing performed, we had not identified any errors or factual inconsistencies between Premier's internal and external oil and gas reserve and resource estimates that would materially impact the financial statements and that, as a result, we consider the internal estimate appropriate.

Impairment of tangible oil and gas properties

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Refer to the Audit and Risk Committee Report (page 75), Accounting policies (page 128); and Note 10 of the Consolidated Financial Statements (page 146). In the current period, management recorded a net impairment charge of US$41.5m (2018: net impairment reversal of US$35.2m). US$11.0m of the charge relates to producing assets (predominantly Solan) and is therefore subject to the determination of judgemental valuation inputs. The remaining charge of US$30.5m relates to the impact of changes to decommissioning provisions on nil-carrying value assets. Accounting standards require management to assess at each reporting date whether indicators of asset impairment exist. Where indicators of impairment (or reversal) exist, management must carry out an impairment test. Following the identification of Group-wide indicators of impairment, being a revision to the long-term oil price assumption and discount rate applied to decommissioning provisions, all of management's tangible oil and gas assets, as well as the goodwill balance which is associated with Catcher, were tested for impairment in the period. Management prepare their tangible asset impairment tests under the value-in-use methodology. The models include a number of accounting estimates and judgements including: future oil and gas prices, discount rates, inflation rates, production forecasts, operating expenditures and capital expenditures for each cash-generating unit ('CGU'). Changes to any of these key inputs could lead to a potential impairment or a reversal of impairment.	Our response was performed by the Group and Aberdeen component audit teams covering 100% of the assets tested for impairment. Our procedures comprised the following: • Confirmed our understanding of Premier's impairment process as well as the control environment implemented by management; • Tested the completeness of indicators of impairment loss or reversal identified by management through assessment of changes in asset performance and market conditions; • Where an indicator of impairment or reversal of an oil and gas property was identified, we: – Obtained the underlying VIU model and tested the model integrity; – In conjunction with our EY valuations specialists, assessed the appropriateness of management's oil and gas price assumptions through comparison with the estimates of market participants. Reflective of a narrowing of the range of long-term oil price forecasts, management elected to revise its long-term Brent oil price assumption to US$70/bbl (real) (2018: US$75/bbl, real) during the current period; – In conjunction with our EY valuations specialists, assessed the appropriateness of management's impairment discount rates based on an independent re-calculation of the Group's weighted average cost of capital; – Tested management's production profiles through reconciliation to the results of our testing in respect to reserve estimation; – Tested the appropriateness of other cash flow assumptions, including cost estimates, inflation rate and FX rates based on comparison with recent actuals and our understanding obtained from other areas of the audit; and – In light of Premier's support for the objectives of UK Oil and Gas to reach net zero carbon emissions by 2030, considered the extent of reserves recognised that are due to be produced beyond 2030 in assessing the potential impact of the energy transition on the valuation of Premier's tangible oil and gas assets.	We reported to the Audit and Risk Committee at its March 2020 meeting that, based on our testing performed, we considered the current period impairment charge to be materially correctly stated. We reported to the Audit and Risk Committee how management's long-term oil price (US$70/bbl real) and discount rate (9% pre-tax in respect to UK assets) assumptions compared with the range of acceptable estimates, which we consider to be US$56/bbl to US$71/bbl (real) and 9% to 12% respectively. As a result of headroom on Premier's longer-life assets, had a long-term oil price or discount rate assumption at the middle of their respective ranges been applied by management, the impairment charge would not have been materially different. 96% of Premier's 2P reserves relate to assets that are expected to cease production before 2030. The remaining 4% will be extracted by 2040 and relate to gas volumes. Consequently, we do not believe that Premier's 2P reserves, as well as associated tangible oil and gas properties, are significantly exposed to the risks of energy transition.

The recoverability of DTAs

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Refer to the Audit and Risk Committee Report (page 75), Accounting policies (page 128); and Note 19 of the Consolidated Financial Statements (page 157). As at 31 December 2019, Premier recognised a gross deferred tax asset of US$1,556m (2018: US$1,434m), primarily relating to the value of historical UK tax losses that are expected to be utilised in future periods. The recognition of DTAs is dependent on the availability of future taxable profits against which losses can be utilised. Management's forecast of future taxable profits relies on the estimation of oil and gas price assumptions, production profiles and cost forecasts. This includes forecast future taxable profits of currently producing assets and certain unsanctioned assets. In addition, unlike in the prior year, as at 31 December 2019 management's future taxable profits against which DTAs are recorded include those associated with its proposed UK acquisitions as defined in note 27 ('target assets' or 'Acquired Assets'). This risk is elevated compared to the prior year due to the inclusion of forecast profits relating to the target assets.	Our response to the risk associated with the recoverability of DTAs was performed by the Group and Aberdeen component audit teams, covering 100% of the recorded DTA. We performed the following audit procedures in respect to management's DTA recoverability assessment: • Confirmed our understanding of Premier's DTA recoverability assessment process as well as the control environment implemented by management; • In respect to Premier's existing assets, ensured the forecasts used by management for assessing the recoverability of DTAs, including production profiles and cost estimates, were consistent with those used when testing for impairment and assessing going concern and viability; • Ensured the oil and gas prices used by management for assessing the recoverability of DTAs were consistent with those used when testing for impairment and assessing going concern and viability. In addition, we performed a sensitivity assessment to identify the impact on DTA recognition had a long-term oil price at the middle of the range defined previously been applied; • Evaluated the reasonableness of tax planning strategies applied in determining the recoverability of deferred tax assets based on tax legislation and historical execution of similar strategies; • In respect to fields that are yet to commence production, we assessed the likelihood of executing required development activities to bring the asset to production based on our understanding of the required development activities outstanding and testing of forecasted capital expenditure within the cash flow model; and • In respect to assessing the likelihood, as at 31 December 2019, of Premier realising future taxable profits associated with target assets: – Inquired of management's external lawyers as to the status of the proposed acquisitions as at the balance sheet date and the uncertainties that remained at that time; – Obtained and inspected draft Sale and Purchase Agreements ('SPAs') as at 31 December 2019 in respect to each proposed acquisition; – Obtained and inspected funding arrangements in place as at 31 December 2019 to complete the acquisitions; – Obtained and inspected agreements signed by creditors as at 31 December 2019 evidencing their intent to vote in favour of the Scheme of Arrangement; – Reviewed the results of creditor votes cast at the Creditor's Meeting (12 February 2020), which exceeded the required thresholds; – Assessed the appropriateness of reliance on the estimates of parties engaged to provide Competent Person Reports ('CPRs') by performing procedures to evaluate their objectivity and competency; – Reconciled production and cost forecasts associated with target assets to CPRs; and – Ensured that oil and price assumptions applied in respect to target assets were consistent with those applied to Premier's existing assets, being consistent with those used when testing for impairment and assessing going concern and viability.	We reported to the Audit and Risk Committee at its March 2020 meeting that, based on our testing performed, forecasted future taxable profits underpinning the recognised DTA are probable in accordance with accounting standards and consistent with the assumptions applied in asset impairment testing and the going concern and viability assessments. In particular, based on the audit evidence we obtained, we reported that we concurred with management's assessment that, as at 31 December 2019, future taxable profits associated with target assets were appropriate for inclusion in the DTA recoverability assessment. In addition, had a long-term oil price at the middle of the range (US$56/bbl to US$71/bbl real) been applied, headroom would remain, resulting in continued full recognition of DTAs.

Going concern assessment and covenant compliance

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Refer to the Audit and Risk Committee Report (page 75); Accounting policies (page 127); and Note 16 of the Consolidated Financial Statements (page 149). Premier's ongoing covenant compliance is a key consideration when considering the appropriateness of adopting the going concern basis of accounting. Management's base case forecasts include the cash flows associated with Premier's existing assets as well as the assets it expects to acquire. Under management's base case assumption, no breach of covenants is forecasted throughout the going concern period. However, should the acquisition of the target assets not complete and in downside price and production scenarios, a breach of one or more of the financial covenants may arise in the absence of mitigating actions. This risk has remained consistent with the prior year.	Our audit procedures to respond to the risk associated with management's going concern assessment were performed by the Group and Aberdeen component audit teams and comprised the following: • Confirmed our understanding of Premier's going concern assessment process as well as the control environment implemented by management; • In conjunction with EY Business Modelling specialists, tested the integrity of management's going concern model; • In conjunction with EY Valuation specialists, audited management's oil and gas price assumptions of US$65/bbl and 45 p/therm, respectively. Our audit procedures included a comparison of management's price assumptions with those of market participants, including those released since the outbreak of COVID-19; • In respect to Premier's existing assets, we: – Ensured the forecast incorporated in the model was consistent with the budget approved by the Board and assessed historical forecasting accuracy through forecast versus actual analysis; – Assessed the appropriateness of reliance on management's internal and external reserve specialists by performing procedures to evaluate their objectivity and competency; – Compared management's production profile to that of the independent external specialist and investigated all significant variations; – Compared management's production profile per Premier's current period going concern model with that included in the prior period model, investigating any significant variances and corroborating the drivers of variances to understanding obtained when performing other audit procedures including reserve estimation and impairment; and – Audited the reasonableness of all other key assumptions, including cost forecasts through reconciliation to the budget approved by the Board and comparison with recent actuals, as well as their consistency with other areas of the audit including impairment assessments and deferred tax asset recognition. • In respect to target assets, we: – Assessed the likelihood of Premier completing the proposed acquisitions by executing the procedures detailed in our response to 'recoverability of deferred tax assets'; – Assessed the appropriateness of reliance on the estimates of parties engaged to provide CPRs by performing procedures to evaluate their objectivity and competency; and – Reconciled production and cost forecasts associated with target assets to CPRs. • Recalculated management's forecast covenant ratio compliance calculations to attest that there were no breaches for each covenant ratio throughout the going concern period under management's base case; • Independent of management's analysis, used our understanding of Premier and the sector to identify events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. Based on the events and conditions identified, we performed sensitivity analysis on the cash flow forecasts to consider their impact on forecast covenant compliance during the going concern period. Our sensitivity analysis included considering the impact of the proposed acquisitions not completing, oil price realisations at the bottom of broker forecasts (being US$12/bbl lower than management's base case), production downside of a high-margin field (representing a 10% fall in forecast Group production), as well as the combined of each; • Considered the likelihood of management's ability to execute mitigating actions, as required, to prevent a breach of covenants in downside scenarios based on our understanding of Premier's assets and the sector; and • Reviewed the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern for a period of 12 months from the date of our auditors' report.	We reported to the March 2020 meeting of the Audit and Risk Committee that, based on our testing performed, we believed that the going concern assumption adopted in the 2019 financial statements is appropriate, based on forecast covenant compliance headroom calculated under management's base case as well as an assessment of the likelihood of events arising that would result in Premier not being considered a going concern. Management's base case oil and gas price assumptions applied throughout the going concern period are consistent with those used in assessing the recoverability of deferred tax assets and in testing assets for impairment. The oil price forecasted by management in its base case (US$65/bbl) is within the range of broker, consultant and peer estimates of US$53/bbl to US$73/bbl, US$61/bbl to US$68/bbl and US$59/bbl to US$71/bbl, respectively. Under certain production and oil price downside scenarios, including the potential for oil prices to remain suppressed for the entire period of the going concern assessment as a result of COVID-19, covenants would be breached during the going concern period should the acquisition of the target assets not complete and in the absence of mitigating actions. However, based on our audit procedures, we confirmed that we concurred with management's going concern assessment. We were satisfied that the going concern assumption was appropriate, based on the reasonableness of Premier's base case assumptions, as well as the plausibility of management's assumptions in respect to the ability to complete the acquisition of the target assets and to execute mitigating actions in the required timeframe in downside scenarios. In downside scenarios, management's key mitigating actions include the ability to complete asset disposals and defer capital expenditure, as required. We confirmed that management's disclosure appropriately describes the risks associated with Premier's ability to continue to operate as a going concern.

The key audit matters identified above are consistent with those identified in our prior period auditors' report.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

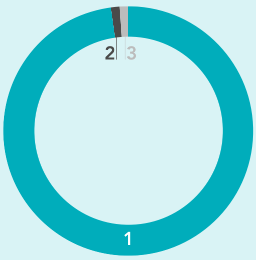
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. In determining the scope of our audit, we take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as the potential for and history of material misstatements.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 47 reporting components of the Group, we selected 13 (2018: 18) components covering entities within the United Kingdom, Vietnam, Indonesia, Mexico and the Falkland Islands, which represent the principal business units within the Group.

Of the 13 (2018: 18) components selected, we performed an audit of the complete financial information of 6 (2018: 8) components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 7 (2018: 10) components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. Changes to our scope since the prior period primarily relate to declining business activity in certain components driven by asset disposals, natural well decline at operating assets and conversion of Premier's convertible bonds.

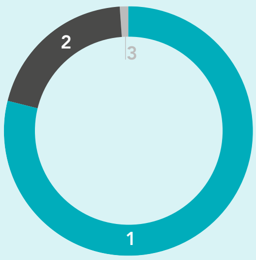
The charts below illustrate the coverage obtained from the work performed by our audit teams. The audit scope of specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of the Group.

Adjusted EBITDA



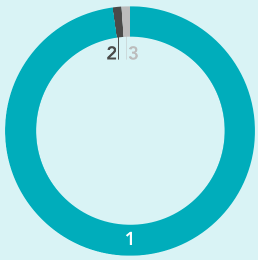
1. Full scope components	98%
2. Specific scope components	1%
3. Other procedures	1%

Total assets



1. Full scope components	79%
2. Specific scope components	20%
3. Other procedures	1%

Revenue



1. Full scope components	98%
2. Specific scope components	1%
3. Other procedures	1%

Of the remaining 34 components, which together represent 1 per cent of the Group's adjusted EBITDA, we performed other procedures, including the following to respond to any potential risks of material misstatement to the consolidated financial statements:

- Review of Group-wide entity level controls, including the level of management oversight;
- Analytical review procedures on a legal entity basis;
- Testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations;
- Enquiry of management about unusual transactions; and
- Review of minutes of Board meetings held throughout the period.

Involvement with component teams

The overall audit strategy is determined by the Senior Statutory Auditor, Gary Donald. In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each component by us, as the Group audit team, or by component auditors from other EY global network firms operating under our instruction. We have component teams in Aberdeen (United Kingdom), Ho Chi Minh City (Vietnam) and Jakarta (Indonesia).

Of the 6 full and 7 specific scope components, audit procedures were performed by component auditors on 5 and 2 components, respectively. The remainder of components were audited directly by the Group audit team.

During 2019, senior members of the Group audit team visited each component team and respective local business unit management.

The Group audit team interacted regularly with each component team during each stage of the audit and reviewed key working papers. Site visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings, and reviewing key audit working papers addressing areas of risk. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$18 million (2018: US$16 million), which is 2 per cent (2018: 2 per cent) of adjusted EBITDA. Our preliminary assessment of overall materiality was based on management's budget. Applying the same basis, if 2019 actuals were used, our materiality threshold would have been US$19 million, as follows. We elected not to revise our materiality threshold upwards given our testing was substantially complete.

Starting basis
Operating profit: US$455.0m

Adjustments
Add back:
– Depreciation, depletion, amortisation and impairment: US$757.9m
– Non-recurring items, including exploration expenditure and new ventures: US$21.3m
Less:
– DD&A and interest costs incurred on IFRS 16 Leases: US$273.0m

Materiality
Total basis of materiality: US$961.2m

We believe that adjusted EBITDA provides us with a suitable basis for setting materiality as EBITDA is a measure of particular focus of shareholders, the basis of covenants included in the Group's loan agreements and a key performance indicator of the Group. We adjusted for the impact of IFRS 16 adoption when determining our basis of materiality by deducting finance costs and depreciation incurred in respect of lease liabilities and right-of-use assets, respectively, on the basis that IFRS 16 adoption has no impact on the underlying performance of the Group and lease expenditure continues to be classified as an operating cost when calculating covenant compliance in accordance with the Group's borrowing facilities. IFRS 16 has the effect of reducing operating expenditure incurred in respect of leases previously classified as operating leases under IAS 17 Leases.

We determined materiality for the Parent Company to be US$9 million (2018: US$8 million), which is 0.5 per cent (2018: 0.5 per cent) of total assets. Total assets is an appropriate basis to determine materiality for an investment holding company. Any balances in the Parent Company financial statements that were relevant to our audit of the consolidated Group were audited using an allocation of Group performance materiality.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75 per cent (2018: 75 per cent) of our planning materiality, namely US$13.5 million (2018: US$12 million).

We set performance materiality at this percentage following a quantitative and qualitative assessment of prior year misstatements as well as considering our assessment of the Group's overall control environment.

The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US$3 million to US$9 million (2018: US$3 million to US$8 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of US$0.9 million (2018: US$0.8 million), which is set at 5 per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the Annual Report set out on pages 1 to 116 and 175 to 184,including the Strategic Report, Governance and Additional Information sections, other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 116 – 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** set out on page 74 to 76 – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 116 – 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.

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

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 and 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.

AUDITORS' 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 auditors' 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.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRSs, Companies Act 2006, the UK Corporate Governance Code and Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices.
- We understood how the Group is complying with those frameworks by making enquiries of management and with those responsible for legal and compliance procedures. We designed audit procedures to identify non-compliance with such laws and regulations identified in the paragraph above, including corroborating our enquiries through our review of whistleblowing reports, Board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies, and noted that there was no contradictory evidence. We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by incorporating data analytics and manual journal entry testing into our audit approach. Our journal entry audit procedures focused on addressing the risk of management override of controls at all full and specific audit scope entities. Our audit procedures also covered post-closing year-end journal entries. We used our data analytics techniques to focus our testing on higher risk manual journal entries, journal entries related to the debt covenants, in particular unusual account pairing impacting revenue and completeness of costs, and other search criteria that could indicate management override or fraud. Data completeness checks were carried out to ensure that the journal entry population was complete.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business.

If any instances of non-compliance with laws and regulations were identified, these were communicated to the relevant local EY teams who performed sufficient and appropriate audit procedures supplemented by audit procedures performed at the Group level. Where appropriate we consulted our forensic specialists.

A description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit and Risk Committee, we were re-appointed by Premier Oil plc's Annual General Meeting ('AGM') on 16 May 2019, as auditors of Premier Oil plc to hold office until the conclusion of the next AGM of the Company. The period of total uninterrupted engagement including previous renewals and reappointments is three years covering periods from our appointment through to the year ending 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Our audit opinion is consistent with our additional report to the Audit and Risk Committee explaining the results of our audit.

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 auditors' 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.

Gary Donald (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor, London
4 March 2020

Notes:

1 The maintenance and integrity of the Premier Oil Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GENERAL INFORMATION

Premier Oil plc is a limited company incorporated in Scotland and listed on the London Stock Exchange. The address of the registered office is Premier Oil plc, 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN. The principal activities of the Company and its subsidiaries (the 'Group') are oil and gas exploration and production in the Falkland Islands, Indonesia, Pakistan, the United Kingdom, Vietnam and Rest of the World.

These financial statements are presented in US dollars since that is the currency in which the majority of the Group's transactions are denominated.

ADOPTION OF NEW AND REVISED STANDARDS

In the current year the following new and revised Standards and Interpretations have been adopted; other than as disclosed below, none of these have a material impact on the Group's annual results.

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 16 Leases
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- AIP (2015-2017 Cycle): IFRS 3 Business Combinations – Previously held interests in a joint operation
- AIP (2015-2017 Cycle): IFRS 11 Joint Arrangements – Previously held interests in a joint operation
- AIP (2015-2017 Cycle): IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- AIP (2015-2017 Cycle): IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

IFRS 16 LEASES

Premier adopted IFRS 16 Leases ('IFRS 16') with effect from 1 January 2019. IFRS 16 was issued in January 2016 to replace IAS 17 Leases. Further information is included in Premier's 2018 Annual Report and Financial Statements – Accounting Policies. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases, with limited exceptions, under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Under IFRS 16, at the commencement date of a lease, a lessee is required to recognise a liability to make lease payments ('lease liability') and an asset representing the right to use the underlying asset during the lease term ('right-of-use asset'). Lease liabilities are measured at the present value of future lease payments over the reasonably certain lease term. Variable lease payments that do not depend on an index or a rate are not included in the lease liability. Such payments are expensed as incurred throughout the lease term.

In applying IFRS 16 for the first time the Group has applied the short-term lease practical expedient by not recognising lease liabilities in respect of lease arrangements with a remaining lease term of less than 12 months as at 1 January 2019. The Group adopted the modified retrospective approach to adoption on 1 January 2019, measuring right-of-use assets at an amount based on their respective lease liability on adoption, with the cumulative effect of adopting the standard recognised at the date of initial application without restatement of comparative information.

Lessees are required to separately recognise the interest expense associated with the unwinding of the lease liability and the depreciation expense on the right-of-use asset. These costs replace amounts previously recognised as operating expenditure in respect of operating leases in accordance with IAS 17. Principal payments related to leases are now presented as financing cash flows in the cash flow statement. The replacement of operating lease expenditure with the recognition of interest expense and depreciation in respect of lease liabilities and right-of-use assets, respectively, will result in an increase in Group EBITDAX. The adoption of IFRS 16 will not impact the calculation of the Group's financial debt covenants.

A matter finalised since the release of Premier's 2018 Annual Report and Financial Statements is the determination of the appropriate accounting for a lease arrangement entered into by a lead operator as a sole signatory for the lease of equipment that will be used in a joint operation. The IFRS Interpretations Committee ('IFRIC') issued an agenda decision in respect to this matter in March 2019. Where all partners of a joint operation are considered to share the primary responsibility for lease payments under a lease contract, the Group recognises its share of the respective right-of-use asset and lease liability. This situation is most common where the parties of a joint operation co-sign the lease contract. The Group recognises a gross lease liability for leases entered into on behalf of a joint operation where it has primary responsibility for making the lease payments.

In such instances, if the arrangement between the Group and the joint operation represents a finance sublease, the Group recognises a net investment in sublease for amounts recoverable from non-operators whilst derecognising the respective portion of the gross right-of-use asset. The gross lease liability is retained on the balance sheet. The net investment in sublease is classified as either trade and other receivables or long-term receivables on the balance sheet according to whether or not the amounts will be recovered within 12 months of the balance sheet date. Finance income recognised in respect of net investment in subleases is presented in interest revenue, finance and other gains.

The assessment as to whether a sublease exists predominantly depends on whether the operator or the joint operation directs the use of the respective right-of-use asset. Where the arrangement between the operator and joint operation does not represent a sublease or the sublease represents an operating sublease, the Group retains the gross lease liability and right-of-use asset on the balance sheet. The following table provides a reconciliation of the Group's operating lease commitments as at 31 December 2018 to the total lease liability recognised on adoption of IFRS 16. The Group did not recognise any finance leases under IAS 17.

	US$ million
Operating lease commitments at 31 December 2018	1,002.0
Contracts not in scope of IFRS 16[1]	(85.6)
Effect of discounting[2]	(189.9)
Short-term leases	(3.1)
Impact of leases in joint operations[3]	99.0
Lease extension options[4]	77.6
Other	(0.4)
Lease liabilities recognised on adoption of IFRS 16	**899.6**

Notes:
1 Contracts that were considered to be leases under IAS 17 which do not meet the definition of a lease under IFRS 16, principally because the supplier is considered to have substantive substitution rights over the associated assets.
2 The previously disclosed lease commitments were undiscounted, whilst the IFRS 16 obligations have been discounted based on Premier's incremental borrowing rate.
3 This represents the gross up of the lease obligations to represent 100 per cent of the liability where the Group has entered into a lease agreement on behalf of the joint operation and its partners and has primary responsibility for lease payments.
4 Previously, lease commitments only included non-cancellable periods in the lease agreements. Under IFRS 16, the lease term includes periods covered by options to extend the lease where the Group is reasonably certain that such options will be exercised.

Consideration was given to the adoption of IFRIC 23 Uncertainty over Income Tax Treatments and it was determined that the adoption of IFRIC 23 did not have a material effect on the Group's financial statements. This is principally because the Group has limited tax positions that would be considered to be uncertain.

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the European Union):

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of a Business
- IFRS 17 Insurance Contracts

The Directors do not expect that the adoption of the Standards listed above will have a material effect on the financial statements of the Group in future periods.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The financial statements are prepared under the historical cost convention except for derivative financial instruments that have been measured at fair value, including the equity and synthetic warrants.

The financial statements have been prepared on the going concern basis. Further information relating to the use of the going concern assumption is provided in the 'Going concern' section of the Financial Review as set out on page 49.

The principal accounting policies adopted are set out below.

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 when a company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

CRITICAL ACCOUNTING JUDGEMENTS

- The application of the going concern basis of accounting (basis of preparation section above);
- carrying value of intangible exploration and evaluation assets (note 9 on page 145), in relation to whether commercial determination of an exploration prospect had been reached;
- carrying value of property, plant and equipment (note 10 on page 147) regarding assessing assets for indicators of impairment;
- decommissioning costs (note 17 on page 151), relating to the timing of when decommissioning would occur; and
- tax and recognition of deferred tax assets (note 19 on page 157), relating to the extent to which future taxable profits are included in the assessment of recoverability.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Details of the Group's critical accounting estimates are set out in these financial statements and are considered to be:

- carrying value of property, plant and equipment (note 10 on page 146), where the key assumptions relate to oil and gas prices expected to be realised, 2P production profiles and estimated future costs;
- decommissioning costs (note 17 on page 151 where the key assumptions relate to the discount and inflation rates applied, applicable rig rates and expected timing of COP from each field;
- estimating the fair value of the equity and synthetic warrants recognised in the year (note 18 on page 154), where key assumptions relate to expected timing of exercise and future share price volatility; and,
- tax and recognition of deferred tax assets (note 19 on page 157), where key assumptions relate to oil and gas prices expected to be realised, 2P production profiles and estimated future costs, and the inclusion of 2C resources from certain unsanctioned projects.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs with any gains or losses recorded in the income statement, unless it is classified as equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

GOODWILL

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as an excess of fair value over cost.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTEREST IN JOINT ARRANGEMENTS

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group reports its interests in joint operations using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of the joint operation are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

A joint venture, which normally involves the establishment of a separate legal entity, is a contractual arrangement whereby the parties that have joint control of the arrangement have the rights to the arrangement's net assets. The results, assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. During 2019, the Group did not have any material interests in joint ventures.

Where the Group transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

INTERESTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement. The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting.

ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sales 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 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.

DISCONTINUED OPERATIONS

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operation. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

SALES REVENUE AND OTHER INCOME

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids, and other items sold by the Group usually coincides with title passing to the customer and the customer taking physical possession. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Under the Group's joint operation arrangements, revenue is recognised according to the actual liftings. However, where liftings do not match working interest or entitlement interest, an adjustment is made to cost of sales representing the amount due to/from joint venture partners representing over/underlift movements.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

OIL AND GAS ASSETS

The Company applies the successful efforts method of accounting for exploration and evaluation ('E&E') costs, having regard to the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources.

(a) Exploration and evaluation assets

Under the successful efforts method of accounting, all licence acquisition, exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination. Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established or the determination process has not been completed.

Pre-licence costs

Costs incurred prior to having obtained the legal rights to explore an area are expensed as they are incurred.

Exploration and evaluation costs

Costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group's vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Company's Exploration Function) are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overhead, including the depreciation of property, plant and equipment utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases. E&E costs are not amortised prior to the conclusion of appraisal activities.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/prospect are carried forward until the existence (or otherwise) of commercial reserves has been determined subject to certain limitations, including review for indications of impairment. If commercial reserves have been discovered, the carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets, once the project is deemed to be justified for development. If, however, commercial reserves have not been found, the capitalised costs are charged to expense after conclusion of appraisal activities.

(b) Oil and gas properties

Oil and gas properties are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets, as outlined in accounting policy (a) above.

The cost of oil and gas properties also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provision for future restoration and decommissioning.

Depreciation of producing assets

The net book values of producing assets (including pipelines) are depreciated generally on a field-by-field basis using the unit-of-production method by reference to the ratio of production in the year and the related commercial (proved and probable) reserves of the field, taking into account future development expenditures necessary to bring those reserves into production.

Producing assets are generally grouped with other assets that are dedicated to serving the same reserves for depreciation purposes, but are depreciated separately from producing assets that serve other reserves.

(c) Impairment of oil and gas properties' assets

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of an oil and gas property may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash-generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash-generating unit where the cash inflows of each field are interdependent.

Any impairment identified is charged to the income statement. 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 depreciation that would have been charged since the impairment.

(d) Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for using the acquisition method when the assets acquired and liabilities assumed constitute a business.

Transactions involving the purchase of an individual field interest, or a group of field interests, that do not constitute a business, are treated as asset purchases irrespective of whether the specific transactions involve the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or oil and gas properties disposed of and any surplus is recorded as a gain on disposal in the income statement.

(e) Decommissioning
Provision for decommissioning is recognised in full when the related facilities are installed. The amount recognised is the present value of the estimated future expenditure. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas property. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is dealt with from the start of the financial year as an adjustment to the opening provision and the oil and gas property. The unwinding of the discount is included as a finance cost.

INVENTORIES
Inventories, except for petroleum products, are valued at the lower of cost and net realisable value. Petroleum products and underlifts and overlifts of crude oil are measured at net realisable value using an observable year-end oil or gas market price, and included in inventories and other debtors or creditors respectively.

TAX
The tax expense/credit represents the sum of the tax currently payable/recoverable and deferred tax movements during the year.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from any excess of fair value over cost, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Group reassesses its unrecognised deferred tax asset each year taking into account changes in oil and gas prices, the Group's proved and probable reserves and resources profile and forecast capital and operating expenditures.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

TRANSLATION OF FOREIGN CURRENCIES
In the accounts of individual companies, transactions denominated in foreign currencies, being currencies other than the functional currency, are recorded in the local currency at actual exchange rates as of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Any gain or loss arising from a change in exchange rate subsequent to the dates of the transactions is included as an exchange gain or loss in the income statement. Non-monetary assets held at historic cost are translated at the date of purchase and are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are generally translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as other comprehensive income or expense and are transferred to the Group's translation reserve. When an overseas operation is disposed of, such translation differences relating to it are recognised as income or expense.

GROUP RETIREMENT BENEFITS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

The Group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

ROYALTIES

Royalties are charged as production costs to the income statement in the year in which the related production is recognised as income.

LEASING

Rentals payable for assets under operating leases are charged to the income statement on a straight-line basis over the lease term.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

TRADE RECEIVABLES

Trade receivables are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at 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 accrual 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 year in which they arise.

BORROWING COSTS

Borrowing costs directly relating to the construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the asset is substantially ready for its intended use, i.e. when it is capable of commercial production. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

TRADE PAYABLES

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

DERIVATIVE FINANCIAL INSTRUMENTS

(a) Classification of financial assets and financial liabilities

IFRS 9 requires the use of two criteria to determine the classification of financial assets: the entity's business model for the financial assets and the contractual cash flow characteristics of the financial assets. The Standard goes on to identify three categories of financial assets – amortised cost; fair value through profit or loss ('FVTPL'); and fair value through other comprehensive income ('FVOCI'). The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

(b) Impairment
IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The new impairment model applies to the Group's financial assets and loan commitments. No changes to the impairment provisions were made on transition to IFRS 9.

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. For trade receivables the Group has used the simplified approach as allowed under IFRS 9.

(c) Hedge accounting
The hedge accounting requirements of IFRS 9 have been simplified and are more closely aligned to an entity's risk management strategy. Under IFRS 9 all existing hedging relationships will qualify as continuing hedging relationships and the Group also intends to apply hedge accounting prospectively to certain of its commodity price risk management activities for which hedge accounting was not possible under IAS 39. This had no impact on the 2019 opening balance sheet.

CASH AND CASH EQUIVALENTS
Cash comprises cash in hand and demand deposits.

Cash equivalents comprise funds held in term deposit accounts with an original maturity not exceeding three months.

SHARE-BASED PAYMENTS
The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of a Monte Carlo simulation model. The main assumptions are provided in note 21 on page 159.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$ million	2018 US$ million
Continuing operations			
Sales revenues	1	1,584.7	1,397.5
Other operating costs	17	(2.9)	(1.2)
Costs of operation	2	(342.8)	(500.0)
Depreciation, depletion, amortisation and impairment	1	(757.9)	(358.4)
Exploration expenses and new ventures	9	(21.3)	(35.2)
Profit on disposal of non-current assets	7	4.2	42.3
General and administration costs		(9.0)	(14.0)
Operating profit		455.0	531.0
Interest revenue, finance and other gains	5	31.4	27.8
Finance costs, other finance expenses and losses	5	(383.9)	(400.6)
Profit before tax from continuing operations		102.5	158.2
Tax credit/(charge)	6	52.5	(53.1)
Profit for the year from continuing operations		155.0	105.1
Discontinued operations			
Profit for the year from discontinued operations	7	9.3	28.3
Profit after tax		164.3	133.4
Earnings per share (cents)			
From continuing operations			
Basic	8	18.8	13.6
Diluted	8	17.2	12.2
From continuing and discontinued operations			
Basic	8	19.9	17.3
Diluted	8	18.2	15.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$ million	2018 US$ million
Profit for the year		164.3	133.4
Cash flow hedges on commodity swaps:			
(Losses)/gains arising during the year		(50.8)	85.7
(Less)/add: reclassification adjustments for (gains)/losses in the year		(45.6)	71.2
	18	(96.4)	156.9
Cash flow hedges on interest rate and foreign exchange swaps:			
(Losses)/gains arising during the year		(13.4)	21.5
Add/(less): reclassification adjustments for losses/(gains) in the year		10.3	(11.4)
	18	(3.1)	10.1
Tax relating to components of other comprehensive income	19	25.0	(33.8)
Exchange differences on translation of foreign operations		(3.8)	7.4
Gain on long-term employee benefit plans[1]		0.2	–
Other comprehensive (expense)/income		(78.1)	140.6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		86.2	274.0

Note:
[1] Not expected to be reclassified subsequently to income statement.

All comprehensive income is attributable to the equity holders of the parent.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 US$ million	2018 US$ million
Non-current assets			
Intangible exploration and evaluation assets	9	934.0	812.6
Property, plant and equipment	10	2,481.8	2,245.6
Goodwill	10	240.8	240.8
Long-term receivables	11	231.1	159.8
Deferred tax assets	19	1,556.1	1,434.1
		5,443.8	4,892.9
Current assets			
Inventories		16.3	12.5
Trade and other receivables	11	378.9	282.3
Derivative financial instruments	18	55.3	127.4
Cash and cash equivalents	12	198.1	244.6
Assets held for sale	7	–	55.2
		648.6	722.0
TOTAL ASSETS		6,092.4	5,614.9
Current liabilities			
Trade and other payables	13	(356.2)	(375.6)
Lease liabilities	14	(149.7)	–
Short-term provisions	17	(76.8)	(46.0)
Derivative financial instruments	18	(98.8)	(41.4)
Deferred income	15	(15.3)	(11.0)
Liabilities directly associated with assets held for sale	7	–	(21.9)
		(696.8)	(495.9)
Net current (liabilities)/assets		(48.2)	226.1
Non-current liabilities			
Long-term debt	16	(2,169.8)	(2,552.0)
Deferred tax liabilities	19	(129.9)	(139.5)
Lease liabilities	14	(582.8)	–
Deferred income	15	(60.5)	(76.0)
Derivative financial instruments	18	(62.3)	(129.4)
Long-term provisions	17	(1,258.8)	(1,196.1)
		(4,264.1)	(4,093.0)
TOTAL LIABILITIES		(4,960.9)	(4,588.9)
Net assets		1,131.5	1,026.0
Equity and reserves			
Share capital	20	156.5	154.2
Share premium account		499.4	491.7
Other reserves	26	475.6	380.1
		1,131.5	1,026.0

The financial statements were approved by the Board of Directors and authorised for issue on 4 March 2020.

They were signed on its behalf by:

Tony Durrant
Chief Executive Officer

Richard Rose
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to the equity holders of the parent			
	Note	Share capital US$ million	Share premium account US$ million	Other reserves US$ million	Total US$ million
At 1 January 2018		109.0	284.5	141.4	534.9
Issue of Ordinary Shares		45.2	207.2	7.7	260.1
Purchase of ESOP Trust shares		–	–	(1.5)	(1.5)
Provision for share-based payments	21	–	–	14.6	14.6
Conversion of convertible bonds		–	–	(56.1)	(56.1)
Profit for the year		–	–	133.4	133.4
Other comprehensive income		–	–	140.6	140.6
At 1 January 2019		154.2	491.7	380.1	1,026.0
Issue of Ordinary Shares		2.3	7.7	0.9	10.9
Purchase of ESOP Trust shares		–	–	(3.6)	(3.6)
Provision for share-based payments	21	–	–	12.0	12.0
Profit for the year		–	–	164.3	164.3
Other comprehensive expense		–	–	(78.1)	(78.1)
AT 31 DECEMBER 2019		**156.5**	**499.4**	**475.6**	**1,131.5**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$ million	2018 US$ million
Net cash from operating activities	22	1,108.7	722.8
Investing activities			
Capital expenditure		(241.4)	(279.8)
Decommissioning pre-funding	11	(9.9)	(17.8)
Decommissioning expenditure		(35.3)	(72.7)
Receipts for sublease income	14	20.2	–
Proceeds from disposal of oil and gas properties		4.2	73.4
Net cash used in investing activities		(262.2)	(296.9)
Financing activities			
Issuance of Ordinary Shares		4.7	13.8
Net release/(purchase) of ESOP Trust shares		1.1	(1.5)
Warrant cash consideration		(13.8)	–
Proceeds from drawdown of long-term bank loans		–	105.0
Repayment of long-term bank loans		(399.7)	(415.3)
Lease liability payments	14	(224.7)	–
Interest paid		(251.9)	(228.7)
Net cash from financing activities		(884.3)	(526.7)
Currency translation differences relating to cash and cash equivalents		(8.7)	(20.0)
Net decrease in cash and cash equivalents		(46.5)	(120.8)
Cash and cash equivalents at the beginning of the year		244.6	365.4
Cash and cash equivalents at the end of the year	22	198.1	244.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. OPERATING SEGMENTS
The Group's operations are located and managed in five business units; namely the Falkland Islands, Indonesia, Vietnam, the United Kingdom and the Rest of the World. The results for Pakistan, the disposal of which completed in March 2019, are reported as a discontinued operation.

Some of the business units currently do not generate revenue or have any material operating income.

The Group is only engaged in one business of upstream oil and gas exploration and production.

	2019 US$ million	2018 US$ million
Revenue		
Indonesia	172.2	192.8
Vietnam	198.6	272.4
United Kingdom	1,213.9	931.5
Rest of the World	–	0.8
Total Group sales revenue	1,584.7	1,397.5
Interest and other finance revenue	2.4	7.6
TOTAL GROUP REVENUE FROM CONTINUING OPERATIONS	1,587.1	1,405.1
Group operating profit		
Indonesia	90.9	111.8
Vietnam	96.2	142.2
United Kingdom	291.7	326.2
Rest of the World	(0.9)	(29.6)
Unallocated[1]	(22.9)	(19.6)
Group operating profit	455.0	531.0
Interest revenue, finance and other gains	31.4	27.8
Finance costs and other finance expenses	(383.9)	(400.6)
Profit before tax from continuing operations	102.5	158.2
Tax	52.5	(53.1)
Profit after tax from continuing operations	155.0	105.1
Profit from discontinued operations	9.3	28.3
Balance sheet		
Segment assets		
Falkland Islands	680.0	648.1
Indonesia	481.5	417.7
Vietnam	437.8	312.0
United Kingdom	4,060.3	3,706.1
Rest of the World	179.4	103.8
Assets held for sale	–	55.2
Unallocated[1]	253.4	372.0
TOTAL ASSETS	6,092.4	5,614.9

Note:
[1] Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment. These items include corporate general and administration costs, new venture costs, cash and cash equivalents, mark-to-market valuations of commodity contracts and interest rate swaps and options, warrants and other long-term debt.

1. OPERATING SEGMENTS CONTINUED

	2019 US$ million	2018 US$ million
Liabilities		
Falkland Islands	(13.0)	(12.8)
Indonesia	(216.5)	(174.0)
Vietnam	(324.3)	(174.1)
United Kingdom	(2,041.7)	(1,431.9)
Rest of the World	(34.5)	(51.4)
Liabilities directly associated with assets held for sale	–	(21.9)
Unallocated[1]	(2,330.9)	(2,722.8)
TOTAL LIABILITIES	(4,960.9)	(4,588.9)
Other information		
Capital additions and acquisitions		
Falkland Islands	30.0	15.1
Indonesia[2]	72.1	24.5
Pakistan	1.3	4.1
Vietnam[2]	5.0	(0.1)
United Kingdom[2]	142.6	(50.3)
Rest of the World[2]	61.2	37.2
TOTAL CAPITAL ADDITIONS AND ACQUISITIONS	312.2	30.5
Depreciation, depletion, amortisation and impairment[3]		
Indonesia	44.5	46.6
Vietnam	60.0	55.6
United Kingdom	652.6	254.8
Rest of the World	0.8	1.4
TOTAL DD&A AND IMPAIRMENT (CONTINUING OPERATIONS)	757.9	358.4

Notes:
1 Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment. These items include corporate general and administration costs, new venture costs, cash and cash equivalents, mark-to-market valuations of commodity contracts and interest rate swaps and options, warrants and other long-term debt.
2 Includes revisions to decommissioning estimates in the year.
3 Includes DD&A in respect of right-of-use assets.

Out of the total Group worldwide sales revenues of US$1,584.7 million (2018: US$1,397.5 million), revenues of US$1,213.9 million (2018: US$931.5 million) arose from sales of oil and gas to customers located in the UK. Included within the total revenues were revenues of US$1,539.1 million (2018: US$1,468.7 million) from contracts with customers. This was in addition to hedging gains of US$45.6 million (2018: US$71.2 million loss).

Included in assets of the United Kingdom segment are non-current assets (excluding deferred tax assets) of US$2,286.3 million (2018: US$2,090.5 million). Included in depreciation, depletion, amortisation and impairment is a net impairment charge in relation to the UK of US$41.5 million (2018: US$35.2 million net credit).

Revenue from three customers (2018: three customers) each exceeded 10 per cent of the Group's consolidated revenue. Sales to two customers in the UK amounted to US$318.8 million and US$187.3 million (2018: two customers for US$312.4 million and US$142.3 million). Sales to one customer in Indonesia totalled US$160.4 million (2018: one customer amounting to US$186.5 million).

2. COSTS OF OPERATION

	2019 US$ million	2018 US$ million
Operating costs	322.6	487.5
Gas purchases	21.6	9.6
Stock overlift/underlift movement	(10.5)	(11.1)
Royalties	9.1	14.0
	342.8	500.0

3. AUDITORS' REMUNERATION

	2019 US$ million	2018 US$ million
Audit fees		
Fees payable to the Company's auditor for the Company's Annual Report	0.9	0.7
Audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
	1.2	1.0
Non-audit fees		
Other services pursuant to legislation – interim review	0.2	0.2
Other services[1]	1.4	0.1
	1.6	0.3

Note:
[1] This increase was attributable to the work required of EY for the Group's proposed acquisitions, including their working capital review, and reporting accountant's services. These services are typically provided by a company's auditors, and the Audit and Risk Committee concluded that shareholder value was best served by appointing our auditors for this work.

The Company has a policy on the provision of non-audit services by the auditors which is aimed at ensuring their continued independence. This policy is available on the Group's website. The use of the external auditors for services relating to accounting systems or financial statement preparations is not permitted, as are various other services that could give rise to conflicts of interest or other threats to the auditors' objectivity that cannot be reduced to an acceptable level by applying safeguards.

4. STAFF COSTS

	2019 US$ million	2018 US$ million
Staff costs, including Executive Directors		
Wages and salaries	98.6	94.3
Social security costs	8.4	8.0
Pension costs:		
Defined contribution	7.9	9.3
Defined benefit	5.3	2.0
	120.2	113.6

Staff costs above are recharged to joint venture partners or capitalised to the extent that they are directly attributable to capital projects. The above costs include share-based payments to employees as disclosed in note 21 on page 159.

	2019	2018
Average number of employees during the year		
Technical and operations	500	508
Management and administration	275	274
	775	782

5. INTEREST REVENUE AND FINANCE COSTS

	Note	2019 US$ million	2018 US$ million
Interest revenue, finance and other gains			
Short-term deposits and loans		2.4	7.6
Lease finance income	10	5.3	–
Derivative gains	18	14.8	20.1
Exchange differences and other gains		8.9	0.1
		31.4	27.8
Finance costs			
Bank loans, overdrafts and bonds		(190.7)	(186.9)
Payable in respect of convertible bonds		–	(0.8)
Payable in respect of senior loan notes		(37.8)	(37.8)
Long-term debt arrangement fees		(5.1)	(34.3)
Exchange differences and other costs		(31.9)	(45.1)
		(265.5)	(304.9)
Other finance expenses			
Lease finance costs	14	(50.0)	–
Unwinding of discount on decommissioning provision	17	(44.0)	(57.7)
Derivative losses	18	(29.4)	(29.4)
Finance income/(expense) on deferred income	15	0.7	(9.8)
		(122.7)	(96.9)
Gross finance costs and other finance expenses		(388.2)	(401.8)
Finance costs capitalised during the year		4.3	1.2
		(383.9)	(400.6)

The amount of finance costs capitalised was determined by applying the weighted average rate of finance costs applicable to the borrowings of the Group of 8.2 per cent (2018: 7.6 per cent) to the expenditures on the qualifying assets.

6. TAX

	2019 US$ million	2018 US$ million
Current tax		
UK corporation tax on profits	(6.0)	(23.2)
Overseas tax	81.6	120.7
Adjustments in respect of prior years	(24.5)	(6.9)
TOTAL CURRENT TAX	51.1	90.6
Deferred tax		
UK corporation tax	(94.0)	(13.5)
Overseas tax	(9.6)	(24.0)
TOTAL DEFERRED TAX	(103.6)	(37.5)
Tax (credit)/charge on profit on ordinary activities	(52.5)	53.1

The tax credit for the year can be reconciled to the profit per the consolidated income statement as follows:

	2019 US$ million	2018 US$ million
Group profit on ordinary activities before tax	**102.5**	158.2
Group profit on ordinary activities before tax at 46.0% weighted average rate (2018: 44.7%)	**47.2**	70.8
Tax effects of:		
Income/expenses that are not taxable/deductible in determining taxable profit	**16.2**	(8.7)
Financing costs disallowed for UK supplementary charge	**19.4**	22.6
Non-deductible field expenditure	**11.3**	6.1
Tax and tax credits not related to profit before tax (mainly ring fence expenditure supplement)	**(89.2)**	(46.1)
Group relief	**–**	2.7
Unrecognised tax losses	**10.0**	14.8
Effect of change in foreign exchange	**0.3**	17.8
Adjustments in respect of prior years	**(40.3)**	(31.2)
Effect of differences in tax rates	**–**	(0.4)
Recognition that decommissioning provision will unwind at 50%	**(8.0)**	4.7
Recognition of deferred tax asset	**(19.4)**	–
Tax (credit)/charge for the year	**(52.5)**	53.1
Effective tax rate for the year	**(51.2%)**	33.5%

The UK deferred tax credit arises due to ring fence expenditure supplement and is offset by other items impacting deferred tax. The overseas deferred tax credit arises on fixed asset balances.

The prior year adjustments include overseas tax disputes found in Premier's favour. The Group has not recognised any tax benefit for ongoing tax disputes where a ruling in the Group's favour is not yet considered to be probable.

In addition, during the year, the Group recognised a deferred tax asset and associated tax credit in relation to an expected future tax deduction associated with decommissioning costs funded by E.ON. An offsetting finance cost, which is classified within exchange differences and others (see note 5), has also been recognised as this tax deduction will be reimbursed to E.ON once received by Premier.

The weighted average rate is calculated based on the tax rates weighted according to the profit or loss before tax earned by the Group in each jurisdiction. The change in the weighted average rate year-on-year relates to the mix of profit and loss in each jurisdiction.

The future effective tax rate for the Group is impacted by the mix of jurisdictions in which the Group operates (with corporation tax rates ranging from 19 per cent to 55 per cent), assumptions around future oil prices and changes to tax rates and legislation.

7. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS HELD FOR SALE

Disposals

In April 2017, Premier announced it had reached an agreement and signed a Sale and Purchase Agreement with Al-Haj Energy Limited ('Al-Haj') for the sale of Premier Oil Pakistan Holdings BV, which comprises Premier's Pakistan Business Unit, for a cash consideration of US$65.6 million. The disposal was completed in March 2019, following the receipt of necessary governmental approvals and the full consideration of US$65.6 million through deposits and completion payments paid by the buyer, and net cash flows collected by Premier since the economic date of the transaction.

At 31 December 2018, the Pakistan Business Unit was classified as a disposal group held for sale and the assets and liabilities for this disposal group were presented separately in the balance sheet.

7. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS HELD FOR SALE CONTINUED

The results of the disposal group, until completion, which have been included as discontinued operations in the consolidated income statement were as follows:

	2019 US$ million	2018 US$ million
Revenue	11.8	40.8
Expenses	(3.6)	(15.0)
Profit before tax	8.2	25.8
Attributable tax (charge)/credit	(2.0)	2.5
Gain on disposal	3.1	–
Net profit for the period from discontinued operations	9.3	28.3

During the period to completion, the Pakistan disposal group contributed US$7.2 million (2018: US$29.0 million) to the Group's net operating cash flows and paid US$1.9 million (2018: US$5.0 million) in respect of investing activities. There were no financing cash flows in either the current or the prior year.

The net gain of US$4.2 million from the disposals of non-current assets from continuing operations (2018: US$42.3 million gain from the disposals of the Kakap field, Esmond Transportation System and Babbage Area) includes gains from the resolution of an overseas tax matter relating to a subsidiary sold in 2018.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit after tax and the weighted average number of Ordinary Shares in issue during the year. Basic and diluted earnings per share are calculated as follows:

	2019 US$ million	2018 US$ million
Earnings		
Earnings for the purpose of diluted earnings per share on continuing operations	155.0	105.1
Profit from discontinued operations	9.3	28.3
Earnings for the purposes of diluted earnings per share on continuing and discontinued operations	164.3	133.4
Number of shares (millions)		
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	826.2	774.0
Effects of dilutive potential Ordinary Shares:		
Contingently issuable shares	76.9	88.3
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	903.1	862.3
Earnings per share from continuing operations (cents)		
Basic	18.8	13.6
Diluted	17.2	12.2
Earnings per share from discontinued operations (cents)		
Basic	1.1	3.7
Diluted	1.0	3.3

The inclusion of the contingently issuable shares in the current and prior year produces diluted earnings per share for both continuing and discontinued operations. At 31 December 2019 there were 76.9 million potential Ordinary Shares in the Company that are underlying the Company's equity warrants and share options that may dilute earnings per share in the future. These have been included in the calculation of diluted earnings per share.

9. INTANGIBLE EXPLORATION AND EVALUATION ('E&E') ASSETS

Oil and gas properties	Total US$ million
Cost	
At 1 January 2018	1,061.9
Exchange movements	(5.6)
Additions during the year	62.1
Transfer to PP&E	(274.2)
Disposals	(1.4)
Assets classified as held for sale	(0.6)
Exploration expense[1]	(29.6)
At 31 December 2018	812.6
Exchange movements	1.3
Additions during the year	129.3
Transfer to PP&E	(1.9)
Exploration expense[1]	(7.3)
AT 31 DECEMBER 2019	**934.0**

Note:
[1] Expensed in the income statement with new venture costs of US$14.0 million in 2019 (2018: US$5.6 million).

The amounts for intangible E&E assets represent costs incurred on active exploration projects. These amounts are written off to the income statement as exploration expense unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. Assets written off in the year include the Ibu Lembu prospect in Indonesia following management's decision to no longer pursue the prospect.

The outcome of ongoing exploration, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain. To the extent that we have an active licence to continue to explore for resources and have an intention to continue exploration activity, the exploration cost associated with the licence will remain capitalised as an E&E asset on the balance sheet. Once exploration activity has completed and we have no further intention to explore the licence for resources, costs capitalised until that point will be expensed and no further costs associated with the licence will be capitalised.

The balance carried forward is predominantly in relation to the Group's prospects in the Falkland Islands, Tuna in Indonesia and the non-operated Zama prospect and Block 30 in Mexico.

10. PROPERTY, PLANT AND EQUIPMENT ('PP&E')

	Oil and gas properties US$ million	Right-of-use assets US$ million	Other fixed assets US$ million	Total US$ million
Cost				
At 1 January 2018	7,589.4	–	66.7	7,656.1
Exchange movements	1.2	–	(2.1)	(0.9)
Additions and changes in decommissioning estimates	(33.5)	–	1.9	(31.6)
Transferred from E&E	274.2	–	–	274.2
Assets classified as held for sale	(4.1)	–	–	(4.1)
Disposals	(19.6)	–	(9.2)	(28.8)
At 31 December 2018	7,807.6	–	57.3	7,864.9
Implementation of IFRS 16	–	803.3	–	803.3
At 1 January 2019	7,807.6	803.3	57.3	8,668.2
Exchange movements	(1.7)	(0.6)	1.1	(1.2)
Re-measurement of lease liabilities	–	8.3	–	8.3
Additions and changes in decommissioning estimates	180.1	–	2.8	182.9
Transferred from E&E	1.9	–	–	1.9
Disposals	(1.3)	–	–	(1.3)
AT 31 DECEMBER 2019	**7,986.6**	**811.0**	**61.2**	**8,858.8**
Amortisation and depreciation and impairment				
At 1 January 2018	5,220.3	–	54.9	5,275.2
Exchange movements	2.1	–	(1.7)	0.4
Charge for the year	386.5	–	7.1	393.6
Net impairment credit	(35.2)	–	–	(35.2)
Disposals	(5.5)	–	(9.2)	(14.7)
At 31 December 2018	5,568.2	–	51.1	5,619.3
Exchange movements	(1.1)	–	0.9	(0.2)
Charge for the year	489.4	223.0	4.0	716.4
Net impairment charge	41.5	–	–	41.5
AT 31 DECEMBER 2019	**6,098.0**	**223.0**	**56.0**	**6,377.0**
Net book value				
At 31 December 2018	2,239.4	–	6.2	2,245.6
AT 31 DECEMBER 2019	**1,888.6**	**588.0**	**5.2**	**2,481.8**

Finance costs that have been capitalised within oil and gas properties during the year total US$4.3 million (2018: US$1.2 million), at a weighted average interest rate of 8.2 per cent (2018: 7.6 per cent).

Amortisation and depreciation of oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves on an entitlement basis at the end of the period plus production in the period, on a field-by-field basis. Proved and probable reserve estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Management uses established industry techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

Impairment charge
The impairment charge in the current year relates to UK assets. The impairment charge of US$41.5 million (pre-tax) (2018: net impairment reversal of US$35.2 million) was calculated by comparing the future discounted pre-tax cash flows expected to be derived from production of commercial reserves (the value-in-use) against the carrying value of the asset. In the period, Group-wide indicators of impairment, being a reduction in both the long-term oil price and decommissioning discount rate assumptions, were identified. US$30.5 million of the current year charge relates to the net effect of changes in decommissioning estimates on assets previously depreciated to nil net book value. The remainder relates primarily to Solan. When testing producing assets for impairment, future cash flows were estimated using the following oil price assumption: US$65/bbl in 2020 and 2021, US$70/bbl in 2022 and US$70/bbl in real terms thereafter (2018: US$60/bbl in 2019, US$65/bbl in 2020, 2021 at US$70/bbl followed by a long-term price of US$75/bbl (real)) and were discounted using a pre-tax discount rate of 9 per cent for the UK assets (2018: 9 per cent) and 12.5 per cent for the non-UK assets (2018: 12.5 per cent). Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Sensitivity
A US$5/bbl reduction in the long-term oil price (to US$65/bbl (real)) would increase the impairment charge by US$13.4 million, all on the UK Solan asset. No other assets would be impaired.

Goodwill
Goodwill of US$240.8 million has been specifically assigned to the Catcher field in the UK, which is considered the cash-generating unit for the purposes of any impairment testing of this goodwill. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts are determined from value-in-use calculations with the same key assumptions as noted above for the impairment calculations. The discount rate used is 9 per cent (2018: 9 per cent). The value-in-use forecast takes into consideration cash flows which are expected to arise during the life of the Catcher field as a whole, currently expected to be until 2026. This period exceeds five years but is believed to be appropriate as it is underpinned by estimates of commercial reserves provided by our in-house reservoir engineers using industry standard reservoir estimation techniques. The headroom between the recoverable amount and the carrying amount of the Catcher cash-generating unit, including the goodwill, is US$203.8 million (2018: US$166.8 million).

The key assumptions applied in the measurement of the value-in-use of the Catcher asset are discount rate, oil prices, forecasted recoverable reserves and estimated future costs. No reasonably possible change in any of these key assumptions would cause the asset's carrying amount to exceed its recoverable amount.

Right-of-use assets
There were no new leases entered into during the period. The re-measurements above represent the net impact of re-measurements of the Catcher FPSO lease which were driven by changes in assumed COP dates during the year based on field performance.

In addition to the above, the Group has a net investment in sublease of US$75.7 million (1 January 2019: US$96.3 million), of which US$54.1 million is classified as a long-term receivable and US$21.6 million as trade and other receivables. The net investment in sublease represents our joint operation partners' share of lease liabilities on lease arrangements for which Premier has entered into in its role as operator as sole signatory on behalf of the joint operation and the asset is controlled by the joint operation.

Income of US$5.3 million, which predominantly represents unwinding of the net investment in sublease, has been recognised as finance income in the year (see note 5).

11. RECEIVABLES

Trade and other receivables

	2019 US$ million	2018 US$ million
Trade receivables	162.9	135.5
Other receivables	87.4	55.0
Prepayments	65.5	45.9
Tax recoverable	63.1	45.9
	378.9	282.3

The carrying values of the trade and other receivables are equal to their fair value as at the balance sheet date.

11. RECEIVABLES CONTINUED

Long-term receivables

	Note	2019 US$ million	2018 US$ million
Other long-term receivables		119.8	111.1
Net investment in sublease	10	54.1	–
Decommissioning funding asset		56.5	48.3
Long-term employee benefit plan surplus	24	0.7	0.4
		231.1	159.8

Other long-term receivables include US$111.2 million in cash held in escrow accounts for expected future decommissioning expenditure in Indonesia, Vietnam and Mauritania (2018: US$101.2 million).

The decommissioning funding asset relates to the Decommissioning Liability Agreement entered into with E.ON whereby E.ON agreed to part fund Premier's share of decommissioning the Johnston and Ravenspurn North assets. Under the terms of the agreement, E.ON will reimburse 70 per cent of the decommissioning costs between a range of £40 million to £130 million based on Premier's net share of the total decommissioning cost of the two assets. This results in maximum possible funding of £63 million from E.ON. At 31 December 2019, a long-term decommissioning funding asset of US$56.5 million has been recognised utilising the year-end US$/£ exchange rate and underlying assumptions consistent with those used for the corresponding decommissioning provision.

As a result of the above, the Group has recognised a deferred tax asset and associated tax credit in relation to an expected future tax deduction associated with decommissioning costs funded by E.ON. As this tax reduction will be reimbursed to E.ON once received by Premier a payable has also been recognised with the cost of this having been expensed within exchange differences and others.

12. CASH AND CASH EQUIVALENTS

	Note	2019 US$ million	2018 US$ million
Cash at bank and in hand		181.2	244.5
Short-term deposits		16.9	0.1
	22	198.1	244.6

Included within cash at bank and in hand balances are partners' share of cash balances on our operated assets of US$22.8 million (2018: US$7.6 million) and US$24.3 million (2018: US$22.6 million) held as security for the Mexican letters of credit and performance bonds relating to Andaman (Indonesia) E&E licences.

13. TRADE AND OTHER PAYABLES

	2019 US$ million	2018 US$ million
Trade payables	30.5	41.0
Other payables	54.3	48.2
Accrued expenses	254.8	253.3
Tax payable	16.6	33.1
	356.2	375.6

The carrying values of the trade and other payables approximates to their fair value as at the balance sheet date.

14. LEASES

	Lease liabilities US$ million
At 1 January 2019	899.6
Re-measurement	8.3
Finance costs	50.0
Cash outflows for lease arrangements	(224.7)
Exchange differences	(0.7)
At 31 December 2019	732.5
Classified as:	
Short-term	149.7
Non-current	582.8

Expenses related to both short-term and low value lease arrangements are considered to be immaterial for reporting purposes. During the period variable lease costs of US$23.3million were expensed. Lease liabilities have been classified as either short-term or non-current in the balance sheet according to whether they are expected to be settled within 12 months of the balance sheet date.

The significant portion of the Group's lease liabilities represent lease arrangements for FPSO vessels on the Catcher, Chim Sáo and Huntington assets. The lease liabilities and associated right-of-use assets have been calculated by reference to in-substance fixed lease payments in the underlying agreements incurred throughout the non-cancellable period of the lease along with periods covered by options to extend the lease where the Group is reasonably certain that such options will be exercised. When assessing whether extension options are likely to be exercised, assumptions are consistent with those applied when testing for impairment.

Under the modified retrospective transition method, lease payments were discounted at 1 January 2019 using an incremental borrowing rate representing the rate of interest that Premier would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to each lease was determined by taking into account the risk-free rate, adjusted for factors such as the credit rating linked to the life of the underlying lease agreement. The weighted average incremental borrowing rate applied by Premier upon transition was 7.2 per cent. Incremental borrowing rates applied to individual leases ranged between 5.4 per cent and 8.2 per cent.

15. DEFERRED INCOME

In June 2015, Premier received US$100 million from FlowStream in return for granting them 15 per cent of production from the Solan field until sufficient barrels have been delivered to achieve the rate of return within the agreement. This balance is being released to the income statement within revenue as barrels are delivered to FlowStream from production from Solan. The balance has reduced by US$11.2 million during the year reflecting barrels delivered to FlowStream and a change in estimates following a decline in long-term oil price assumption and finance cost on the unwind of the liability.

The portion of the deferred income that is expected to be delivered to FlowStream within the next 12 months has been classified as a current liability.

16. BORROWINGS

The Group's loans are carried at amortised cost as follows:

	2019 US$ million			2018 US$ million		
	Carrying value	Fees	Total	Carrying value	Fees	Total
Bank loans	1,452.6	(16.7)	1,435.9	1,846.7	(21.0)	1,825.7
Senior loan notes	536.4	–	536.4	538.1	–	538.1
Retail bonds	198.9	(1.4)	197.5	190.5	(2.3)	188.2
TOTAL BORROWINGS	2,187.9	(18.1)	2,169.8	2,575.3	(23.3)	2,552.0
Due within one year			–			–
Due after more than one year			2,169.8			2,552.0
TOTAL BORROWINGS			2,169.8			2,552.0

16. BORROWINGS CONTINUED

A maturity analysis showing the ageing profile of the total borrowings is shown in note 18.

At the year-end, the Group's principal credit facilities comprised:

- bank loans: US$2.5 billion revolving and letter of credit facility ('RCF'), US$150 million and £100 million term loans (together the 'Term Loan');
- senior loan notes: US$335 million and €63.6 million of US Private Placement ('USPP') notes and US$130 million converted loan facility; and
- £150 million of retail bonds.

All of the above facilities mature in May 2021. In early 2020, the Group announced it had reached an agreement to amend and extend the Group's refinancing facilities, including extending maturities to November 2023 (see note 27). The amend and extend is expected to be approved via a court scheme of arrangement in March 2020.

The Company has financing in US$, £ and €. The £ and € loans have been swapped into US$ at the original issue dates. In total, £250 million and €60 million have been swapped into US$ using cross currency swap markets at an average exchange rate of US$1.64:£ and US$1.37:€ respectively. However, all liabilities in currencies other than US$ have been translated at the exchange rate prevailing at the year-end.

Financial covenants

Financial covenants are the same across all Group financings except for the £150 million retail bonds which have no financial covenants. These financial covenants are tested on a quarterly (annualised) basis.

The financial covenants are as follows:

- Net debt/EBITDA cover ratio 5.0x at the end of 2018, before returning to 3.0x from the beginning of 2019.
- Interest cover ratio of 2.6x at the end of 2018 before increasing to 3.0x from the beginning of 2019.

At 31 December 2019, covenant net debt, which includes letters of credit and deducting partners' share of JV cash balances, was US$2.4 billion (2018: US$2.7 billion).

Capital management

The primary objective of the Group's capital management policy is to ensure that it maintains healthy capital ratios in order to support its business and increase shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by net assets plus net debt. The Group's policy is to target to keep the long-term gearing ratio below 50 per cent. Net debt comprises interest-bearing bank loans, senior loan notes, and retail bonds, less cash and short-term deposits.

	2019	2018
Net debt (US$ million)	**(1,989.8)**	(2,330.7)
Net assets (US$ million)	**1,131.5**	1,026.0
Net assets plus net debt (US$ million)	**3,121.3**	3,356.7
Gearing ratio (%)	**63.7**	69.4

17. PROVISIONS

	Note	**2019 US$ million**	2018 US$ million
Decommissioning		**1,303.4**	1,214.5
Contingent consideration		**10.0**	10.1
Indonesia termination benefit provision		**21.4**	16.8
Long-term employee benefit plan deficit	24	**0.8**	0.7
		1,335.6	1,242.1

	Note	2019 US$ million	2018 US$ million
Decommissioning costs			
Total provisions at 1 January		1,214.5	1,432.1
Revisions arising from:			
New provisions and changes in estimates	10	(59.7)	(101.1)
Change in provision as a result of a change in discount rate		80.1	–
Paid/utilised		(23.7)	(74.2)
Liabilities reclassified to held for sale in the year	7	–	1.7
Disposals	7	–	(30.8)
Exchange differences		48.2	(70.9)
Unwinding of discount on decommissioning provision	5	44.0	57.7
Total provisions at 31 December		1,303.4	1,214.5
Reclassification of short-term provisions to current liabilities		(76.8)	(46.0)
Long-term provisions at 31 December		1,226.6	1,168.5

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas interests in the UK, Indonesia, Vietnam, Pakistan and Mauritania which are expected to be incurred up to 2038. These provisions have been created based on Premier's internal estimates and, where available, operators' estimates. Based on the current economic environment, assumptions have been made which are believed to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

A discount rate of 3.6 per cent (2018: 4.6 per cent) and an inflation rate of 2.5 per cent (2018: 2.5 per cent) have been applied to all decommissioning estimates when determining the net present value of the decommissioning provision. Rig rates used to determine the relevant part of the decommissioning cost estimates are based on a rolling five-year average observed in the marketplace for similar types of rigs. The oil and gas price assumptions used to determine the field life COP are consistent with those applied for the impairment assessment (see note 10).

Decommissioning provisions include expected future obligations for Ravenspurn North and Johnston assets in the UK. The first £63 million of decommissioning expenditure related to these assets is funded via a separate agreement with E.ON, (see note 11).

Contingent consideration

The contingent consideration is the closing year-end fair value of the royalty stream payable to Chrysaor for the acquisition of 40 per cent of the Solan asset in May 2015. The estimate of fair value of this contingent consideration includes unobservable inputs and is level 3 in the IFRS 13 hierarchy and is held at fair value through profit and loss. The movement in fair value for the year was US$2.9 million charge (2018: US$1.2 million charge) and has been recognised within other operating costs.

Indonesia termination benefit provision

In Indonesia, the Group operates a Service, Severance and Compensation pay scheme under a Collective Labour Agreement with the local workforce. In early 2003, the Government of Indonesia introduced a labour law which requires that on dismissal, companies are required to make certain payments to employees that are dependent on numbers of years' service and salary. The 'scheme' effectively provides a termination benefit to employees, but does not represent a defined benefit pension scheme.

The Company operates a defined termination benefit scheme; the cost of providing benefits is determined using the projected unit credit method, with valuations being carried out at each balance sheet date. Gains and losses are recognised immediately. Past service cost is also recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The provision recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

18. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivative financial instruments (derivatives), are comprised of accounts payable, bank loans, retail bonds and senior loan notes. The main purpose of these financial instruments is to manage short-term cash flow and to raise finance for the Group's capital expenditure programme. The Group has various financial assets such as accounts receivable and cash and short-term deposits, which arise directly from its operations.

It is Group policy that all transactions involving derivatives must be directly related to the underlying business of the Group. The Group does not use derivative financial instruments for speculative exposures.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are commodity price risk, interest rate risk, foreign currency exchange risk, credit risk, liquidity risk and the Group's share price. The Group uses derivative financial instruments to hedge certain of these risk exposures. The use of financial derivatives is governed by the Group's policies as approved by the Board of Directors.

Derivative financial instruments

The Group uses derivatives to manage its exposure to oil and gas price fluctuations and to changes in interest rates and foreign currency.

Oil and gas price commodity hedging is undertaken using swaps, options, collar options, reverse collars, collar structures, hedges embedded in long-term crude offtake agreements and selling forward using fixed price sales contracts. Oil is hedged using Dated Brent oil price swaps and options. Indonesian gas is hedged using HSFO Singapore 180cst which is the variable component of the gas price and UK gas is hedged by selling gas forward through fixed price contracts and through UK NBP gas swaps and options.

The Group's exposure to interest rates is managed by maintaining an appropriate mix of both fixed and floating interest rate borrowings within its debt portfolio. However, given the very low level of fixed interest rates available relative to historical rates, a substantial portion of the current drawings have been converted to fixed interest rates using the interest rate swap and option markets.

The Group has £ and € currency exposure as a result of its borrowings. These are managed through cross-currency swap arrangements.

As the Group reports in US dollars, since that is the currency in which the majority of the Group's transactions are denominated, aside from some of its borrowings, significant exchange rate exposures currently relate only to certain local currency (such as Pound sterling) receipts and expenditures within individual business units. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and options.

Fair value hierarchy

The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy. Both the estimate of the Chrysaor contingent consideration (see note 17) and fair value of the warrants (see below) include estimates based on unobservable inputs that are level 3 in the IFRS 13 hierarchy.

As at 31 December 2019, the Group held the following financial instruments measured at fair value (excluding any primary financial instruments such as cash and bank loans).

Assets measured at fair value

Financial assets at fair value:

	2019 US$ million	2018 US$ million
Fair value of gas contract acquired from E.ON	4.9	–
Forward foreign exchange contracts	3.8	–
Gas forward sale contracts[1]	34.7	23.4
Interest rate options	–	1.1
Interest rate swaps	–	0.9
Oil forward sale contracts[1]	11.9	102.0
TOTAL	55.3	127.4

Note:
[1] Includes US$16.8 million cash receivable from forward swap contracts which expired at the year-end.

Liabilities measured at fair value
Financial liabilities at fair value:

	2019 US$ million	2018 US$ million
Cross currency swaps[1]	123.6	125.6
Fair value of gas contract acquired from E.ON[1]	–	3.8
Forward foreign exchange contracts	–	2.4
Gas forward sale contracts	–	0.6
Oil forward sale contracts[2]	1.9	6.6
Warrants	35.6	31.8
TOTAL	161.1	170.8

Notes:
1 Classified within non-current liabilities in the prior year. As a result of the announcement of Corporate Actions in January 2020, US$63.2 million of cross currency swaps have been classified within current liabilities as at 31 December 2019.
2 Includes US$1.3 million payable from forward swap contacts which expired at the year-end.

Income statement
Fair value movements recognised in the income statement in the year:

	2019 US$ million	2018 US$ million
Interest revenue, finance and other gains		
Change in fair value of embedded derivative within gas contract	8.6	–
Forward foreign exchange contracts	6.2	–
Warrants	–	20.1
	14.8	20.1
Finance costs		
Change in fair value of embedded derivative within gas contract	–	(12.4)
Cross currency swaps	(8.3)	(5.8)
Fixed price gas contracts acquired from E.ON	–	(0.7)
Forward foreign exchange contracts	–	(2.1)
Interest rate options	(1.1)	(3.0)
Interest rate swaps	(0.9)	(3.6)
Oil put options	–	(1.8)
Warrants	(19.1)	–
	(29.4)	(29.4)

Statement of comprehensive income
Fair value movements recognised in the statement of comprehensive income for the year:

	2019 US$ million	2018 US$ million
Cash flow hedges		
Commodity swaps – gas	6.2	23.4
Commodity swaps – oil	(102.6)	133.5
	(96.4)	156.9
Cross currency swaps	10.3	(11.4)
Unrealised exchange differences	(13.4)	21.5
Cash flow hedges on interest rate and foreign exchange swaps	(3.1)	10.1

18. FINANCIAL INSTRUMENTS CONTINUED

Commodity price risk

Oil

At 31 December 2019, the Group had 4.0 million barrels (mmbbls) of Dated Brent oil hedged through forward sales for 2020 at an average floor price of US$63.70/bbl. The forward sales have been designated as cash flow hedges and were assessed to be effective, with a fair value movement of US$0.6 million charge (2018: US$133.5 million credit) in retained earnings.

During the year, forward oil sales contracts for 7.8 mmbbls matured generating a gain of US$35.9 million (2018: US$71.2 million loss). This gain is an increase to sales revenue.

Gas

At the year-end date, 252,000 mt of HSFO, which drives the Group's gas pricing in Singapore, is subject to forward sales contracts for 2020 at an average price of US$360.9/mt. All contracts have been designated as cash flow hedges and were assessed to be effective, with a fair value movement of US$6.5 million credit (2018: US$22.8 million) in retained earnings.

As at 31 December 2019, the Group had forward UK gas sales contracts for 2020 of 42.3 million therms at an average price of 52p/therm and 14.4 million therms at an average price of 51p/therm for 2021. These forward sales contracts have been designated as cash flow hedges and were assessed to be effective, with a fair value movement of US$12.5 million credited (2018: US$0.6 million) to retained earnings.

During the year, forward gas sales contracts for 162,000 mt and 10.4 million therms matured generating a total income of US$9.7 million. This gain is an increase to sales revenue.

Equity and synthetic warrants

During the period, 6.4 million equity warrants were converted resulting in an allotment of 5.6 million shares. The closing fair value of the open equity warrants at 31 December 2019 was US$35.6 million after the exercise of warrants and resulting in a loss of US$14.4 million being expensed in the year as derivative losses within other finance expenses.

The equity warrants have an exercise price of 41.80 pence (2018: 41.80 pence) and are exercisable from their issuance until 31 May 2022, at the option of the warrant holder, and are settled with Ordinary Shares of the Company.

During the year as certain net debt and leverage conditions were met, the Company decided to settle the synthetic warrants for a cash consideration of £10.7 million. The fair value of US$4.7 million was expensed as a derivative loss within other finance expenses. As at 31 December 2019, £10.3 million has been paid to warrant holders with the remaining £0.4 million reclassified as other payables.

The fair value of the warrants includes unobservable inputs and is level 3 in the IFRS 13 hierarchy. The key assumptions underpinning the fair value relate to the expected future share price of the Company, US$:£ exchange rates and the expected date of exercise of the warrants. The fair value has been determined using a Black-Scholes valuation model.

When determining the fair value of the equity warrants, if the share price assumed increased/decreased by 10 per cent, the closing total fair value recognised for the equity warrants at the year-end would have increased/decreased by US$5.3 million. Movement in the Company's share price is the main driver with regards to changing the fair value of the warrant instruments.

Commodity contract sensitivity analysis

The key variable which affects the fair value of the Group's hedging instruments is market expectations about future commodity prices.

An increase/decrease of 10 per cent in oil prices has an immaterial impact on other comprehensive income.

An increase of 10 per cent in gas prices would decrease the mark-to-market gain of these instruments, and hence other comprehensive income, by US$4.2 million. A decrease of 10 per cent in forward gas prices would increase the mark-to-market gain by US$4.2 million.

Interest rate risk

At 31 December 2019, the Group had purchased interest rate caps for US$1 billion (2018: US$1 billion) to protect against increasing interest rates as the Group has long-term bank borrowings. Such contracts enable the Group to mitigate the risk of rising interest rates and the cash flow exposure on the issued variable rate debt held should the rates go above the 3 to 3.1 per cent range. These contracts will mature by end 2020.

Interest rate swap contracts of US$300 million held in the prior year matured in early 2019.

Foreign currency exchange risk

The majority of borrowings at year-end were denominated in US dollars to match the currency of the Group's assets. The Group has issued £150.0 million retail bonds and £100 million term loan at a fixed exchange rate of US$1.64/£, senior loan notes of €25 million at a fixed rate of US$1.33/€, and €35 million at a fixed rate of US$1.42/€. All these amounts have been hedged under cross currency swaps into US dollars.

In addition, to cover sterling exposures an amount of £208.5 million was purchased and matured with spot and forward contracts during the year (2018: £236 million) to cater for the Group's North Sea developments and operations.

Other financial instruments

Credit risk

Credit risk arises from the Group's trade receivables and its bank deposits.

The amount of receivables presented in the balance sheet is net of allowances for doubtful receivables, which were immaterial in 2019 and 2018. The Group does not require collateral or other security to support receivables from customers or related parties, unless they fall below an acceptable credit rating where letters of credit are requested from buyers to mitigate credit exposure. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with at least single A credit ratings assigned by international credit rating agencies.

An indication of the concentration of credit risk is shown in note 1, whereby the revenue from three customers each exceeded 10 per cent of the Group's consolidated revenue in 2019 (2018: three).

The age profile of the Group's trade and other receivables and trade and other payables as at 31 December, including the related undiscounted interest amounts payable, was:

	Less than 1 month US$ million	2 to 3 months US$ million	3 months to 1 year US$ million	1 to 5 years US$ million	Over 5 years US$ million	Total US$ million
2019:						
Long-term receivables	–	–	–	40.1	191.0	231.1
Trade and other receivables	217.5	6.1	26.7	–	–	250.3
Trade and other payables	(46.8)	(1.1)	(36.9)	–	–	(84.8)
Bank loans	(38.6)	(5.7)	(53.7)	(1,463.9)	–	(1,561.9)
Senior loan notes	(0.5)	(11.9)	(37.7)	(558.4)	–	(608.5)
Retail bonds	–	–	(12.7)	(200.1)	–	(212.8)
TOTAL	131.6	(12.6)	(114.3)	(2,182.3)	191.0	(1,986.6)
2018:						
Long-term receivables	–	–	–	19.2	140.6	159.8
Trade and other receivables	184.4	0.5	5.6	–	–	190.5
Trade and other payables	(44.7)	(1.8)	(42.7)	–	–	(89.2)
Bank loans	(60.2)	(52.0)	(233.8)	(1,809.2)	–	(2,155.2)
Senior loan notes	(0.5)	(11.9)	(37.7)	(609.0)	–	(659.1)
Retail bonds	–	–	(12.7)	(212.7)	–	(225.4)
TOTAL	79.0	(65.2)	(321.3)	(2,611.7)	140.6	(2,778.6)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has approved an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

Borrowing facilities

The Group has committed borrowing facilities of US$1,784.1 million (2018: US$2,112.3 million) and letters of credit facilities of US$455.8 million (2018: US$455.6 million), in addition to the retail bonds and senior loan notes. The undrawn balance of the committed borrowing facilities as at 31 December 2019 was US$331.5 million (31 December 2018: US$265.6 million).

The undrawn balance of the letters of credit facilities as at 31 December 2019 was US$66.7 million (2018: US$91.3 million).

18. FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 December (excluding trade and other payables which are interest free) was:

	Fixed rate US$ million	Floating rate US$ million	Total US$ million	Fixed rate weighted average interest rate %
2019:				
Bank loans	1,000.0	452.6	1,452.6	8.10
Senior loan notes	406.4	130.0	536.4	9.20
Retail bonds	198.9	–	198.9	6.50
TOTAL	1,605.3	582.6	2,187.9	
2018:				
Bank loans	1,300.0	546.6	1,846.6	6.21
Senior loan notes	408.2	130.0	538.2	9.20
Retail bonds	190.5	–	190.5	6.50
TOTAL	1,898.7	676.6	2,575.3	

The floating rate financial liabilities at 31 December 2019 comprised bank loans bearing interest at rates set by reference to US$ and £ LIBOR, exposing the Group to a cash flow interest rate risk.

Fair value of financial assets and financial liabilities

Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are as at the balance sheet date, and will not necessarily be the amounts that are realised. Non-interest bearing financial instruments, which include amounts receivable from customers and accounts payable, are measured at amortised cost which, due to the short-term maturity, approximate to fair value.

The carrying values and fair values of the Group's non-derivative financial assets and financial liabilities (excluding current assets and current liabilities for which carrying values approximate to fair values due to their short-term nature) are:

	2019 Fair value amount US$ million	2019 Carrying amount US$ million	2018 Fair value amount US$ million	2018 Carrying amount US$ million
Primary financial instruments held or issued to finance the Group's operations				
Retail bonds	201.6	198.9	181.6	190.5

The fair values of the retail bonds are determined by reference to quoted prices for each of the instruments. The fair value of the bank loans and senior loan notes are considered to be materially the same as the amortised cost of the instruments.

19. DEFERRED TAX

	2019 US$ million	2018 US$ million
Deferred tax assets	1,556.1	1,434.1
Deferred tax liabilities	(129.9)	(139.5)
	1,426.2	1,294.6

	At 1 January 2019 US$ million	Exchange movements US$ million	(Charged)/ credited to income statement US$ million	Credited to retained earnings US$ million	Disposal of assets US$ million	At 31 December 2019 US$ million
UK deferred corporation tax						
Fixed assets and allowances	(609.2)	0.1	95.7	–	–	(513.4)
Decommissioning	376.8	2.1	60.7	–	–	439.6
Tax losses and allowances	1,602.5	0.8	(66.7)	–	–	1,536.6
Investment allowance	77.8	0.1	4.6	–	–	82.5
Derivative financial instruments	(13.8)	(0.1)	(0.3)	25.0	–	10.8
Total UK deferred corporation tax	1,434.1	3.0	94.0	25.0	–	1,556.1
Overseas deferred tax[1]	(139.5)	–	9.6	–	–	(129.9)
TOTAL	1,294.6	3.0	103.6	25.0	–	1,426.2

	At 1 January 2018 US$ million	Exchange movements US$ million	(Charged)/ credited to income statement US$ million	Charged to retained earnings US$ million	Disposal of assets US$ million	At 31 December 2018 US$ million
UK deferred corporation tax						
Fixed assets and allowances	(737.4)	(0.3)	133.0	–	(4.5)	(609.2)
Decommissioning	476.9	(1.5)	(99.1)	–	0.5	376.8
Tax losses and allowances	1,639.8	(1.0)	(36.3)	–	–	1,602.5
Investment allowance	71.2	(0.1)	6.7	–	–	77.8
Derivative financial instruments	10.9	(0.1)	9.2	(33.8)	–	(13.8)
Total UK deferred corporation tax	1,461.4	(3.0)	13.5	(33.8)	(4.0)	1,434.1
Overseas deferred tax[1]	(163.9)	–	24.0	–	0.4	(139.5)
TOTAL	1,297.5	(3.0)	37.5	(33.8)	(3.6)	1,294.6

Note:
[1] The overseas deferred tax relates mainly to temporary differences associated with fixed asset balances.

The Group's deferred tax assets at 31 December 2019 are recognised to the extent that taxable profits are expected to arise in the future against which the UK ring fence tax losses and allowances can be utilised. In accordance with paragraph 37 of IAS 12 'Income Taxes', the Group reassessed its deferred tax assets at 31 December 2019 with respect to UK ring fence tax losses and allowances. The corporate model used to assess whether it is appropriate to recognise the Group's deferred tax losses and allowances was re-run, using an oil price assumption of US$65/bbl in 2020 and 2021, US$70/bbl in 2022 and US$70/bbl in real terms thereafter. These price assumptions are consistent with that used when assessing the Group's underlying assets for impairment. The cash flows included in the corporate model are predominantly derived from future revenue from existing UKCS assets. The existing UKCS assets include both existing producing assets and certain future currently unsanctioned assets. The cash flows also include future revenues from the proposed acquisition assets announced on 7 January 2020 on the basis that, at the balance sheet date, management consider it probable that the acquisitions will complete and that the cash flows will arise within Premier's UK ring fence. The acquisitions represent approximately US$267 million of the deferred tax assets recognised at 31 December 2019. The results of the corporate model concluded that it was appropriate to continue to recognise the Group's deferred tax assets in respect of UK ring fence tax losses and allowances with the exception of US$18.1 million of tax losses and US$24.4 million of allowances relating to supplementary charge.

19. DEFERRED TAX CONTINUED

In addition to the above, there are carried forward non-ring fence UK tax losses of approximately US$376.4 million (2018: US$359.1 million) and overseas tax losses of US$267.7 million (2018: US$154.8 million) for which a deferred tax asset has not been recognised.

None of the UK tax losses (ring fence and non-ring fence) have a fixed expiry date for tax purposes.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, following a change in UK tax legislation in 2009 which exempted foreign dividends from the scope of UK corporation tax, where certain conditions are satisfied.

20. SHARE CAPITAL

	2019 12.5p shares	2019 £	2018 12.5p shares	2018 £
Ordinary Shares				
Authorised, called-up, issued and fully paid	831,536,079	103,942,010	817,069,925	102,133,741

The rights and restrictions attached to the Ordinary Shares are as follows:

Dividend rights: the rights of the holders of Ordinary Shares shall rank pari passu in all respects with each other in relation to dividends.

Winding up or reduction of capital: on a return of capital on a winding up or otherwise (other than on conversion, redemption or purchase of shares) the rights of the holders of Ordinary Shares to participate in the distribution of the assets of the Company available for distribution shall rank pari passu in all respects with each other.

Voting rights: the holders of Ordinary Shares shall be entitled to receive notice of, attend, vote and speak at any General Meeting of the Company.

Issue of Ordinary Shares

During the year the Company issued 14,466,154 Ordinary Shares at a nominal value of 12.5 pence per share. This increased the share capital of the Company by US$2.3 million (2018: US$45.2 million) to US$156.5 million (2018: US$154.2 million).

Purchase and cancellation of own shares

During 2019, none of the Company's Ordinary Shares were re-purchased or cancelled.

Own shares

	Total US$ million
At 1 January 2018	1.8
Purchase of ESOP Trust shares	1.7
Release of shares	(1.3)
At 31 December 2018	2.2
Purchase of ESOP Trust shares	4.7
Release of shares	(3.8)
AT 31 DECEMBER 2019	**3.1**

The own shares represent the net cost of shares in Premier Oil plc purchased in the market or issued by the Company into the Premier Oil plc Employee Benefit Trust. This ESOP Trust holds shares to satisfy awards under the Group's share incentive plans. At 31 December 2019, the number of Ordinary Shares of 12.5 pence each held by the Trust was 2,926,042 (2018: 1,907,303 Ordinary Shares of 12.5 pence each).

21. SHARE-BASED PAYMENTS

The Group currently operates a Long Term Incentive Plan ('LTIP') for all employees and a Share Incentive Plan and a Save As You Earn Scheme for UK-based and expatriate employees only.

For the year ended 31 December 2019, the total cost recognised by the Company for equity-settled share-based payment transactions is US$12.0 million (2018: US$14.6million). A credit of US$12.0 million has been recorded in retained earnings (2018: US$14.6 million) for all equity-settled payments of the Company. Like other elements of remuneration, this charge is processed through the time-writing system which allocates cost, based on time spent by individuals, to various entities within the Premier Oil plc Group. Part of this cost is therefore recharged to the relevant subsidiary undertaking, part is capitalised as directly attributable to capital projects and part is charged to the income statement as operating costs, new venture costs or general and administration costs.

Details of the different share incentive plans currently in operation are set out below:

2017 Long Term Incentive Plan ('LTIP')

The Long Term Incentive Plan ('LTIP') was introduced in 2017 for Executive Directors and certain senior staff. This LTIP comprises two types of awards which support different elements of the Company's strategy.

- Performance Share Awards ('PSA'): vesting is subject to a Performance Target measured over a three-year period from 1 January based on Total Shareholder Return relative to a peer group of companies and aligns to longer-term strategic objectives.
- Restricted Share Award ('RSA'): aligns to the primary objective of balance sheet recovery, independent of other performance objectives and vesting of awards is subject to a financial underpin and continued employment.

Long-term alignment to shareholder interests is maintained with the introduction of a compulsory two-year Holding Period for both Performance Share Awards and Restricted Share Awards ending on the fifth anniversary of the award date.

RSAs represent a fixed award equal in value of up to 40 per cent of salary. They vest subject to continued employment in one-third annual increments over three, four and five years, subject to a holding requirement over the full five-year cycle from grant. This fixed value award is being accrued at cost. The RSAs granted in 2018 and 2019 have been scaled back by 50 per cent to 20 per cent.

21. SHARE-BASED PAYMENTS CONTINUED

The following table shows the movement in the number of restricted shares awarded:

	2019 million	2018 million
Outstanding at 1 January	2.1	1.2
Granted during the year	1.0	1.0
Forfeited during the year	(0.1)	(0.1)
Outstanding as at 31 December	3.0	2.1

The PSA element of the 2017 LTIP award is fair valued by the Company using a Monte Carlo simulation model. The performance period commences from 1 January of the year of grant. The main assumptions for the calculation are as follows:

	2019 million	2018 million
Outstanding at 1 January	13.5	5.7
Granted during the year	8.3	8.1
Forfeited during the year	(0.6)	(0.3)
Outstanding as at 31 December	21.2	13.5
Volatility	61-63%	82%
Risk free rate of interest	0.3-0.8%	0.8%
Correlation factor with comparator group	0.40	0.30

At the 2020 Annual General Meeting, shareholders will be asked to approve a new Remuneration Policy, pursuant to which, only Performance Share Awards will be granted to Executive Directors in future. The three-year performance period and two-year post-vesting will continue to apply for future grants.

Premier Value Share Plan ('PVSP')

The broader employee population participates in the Premier Value Share Plan ('PVSP'), which forms part of the 2017 LTIP. The PVSP is made up of two awards, Base Awards and Multiplier Awards. Under the PVSP, annual awards of time-vesting restricted shares and three-year performance-vesting shares may be made, with performance-vesting shares subject to achievements or Premier's delivery of long-term shareholder return.

Outstanding PVSP awards were granted to employees in 2017, 2018 and 2019 and these will vest in 2020, 2021 and 2022 respectively. Owing to the prevailing business environment, the multiplier element of the PVSP (Multiplier Award) was removed from the 2017 awards, resulting in each employee receiving in effect a fixed award at the end of the vesting period (Base Award). However, the 2018 and 2019 awards included the multiplier based on a pre-scale back Base Award. The value of the Base Award is set at a fixed percentage of the award of each employee's salary and the number of shares awarded is fixed according to the average closing price of a Premier Oil share over the five dealing days immediately preceding the award date: 55 pence for 2017 awards, 72 pence for 2018 awards and 79 pence for 2019 awards. All these Base Awards were scaled back by 50 per cent.

Included in the below table are an immaterial number of cash-settled shares which are revalued using the year-end share price.

The following table shows the movement in the number of shares awarded under the PVSP scheme Base Award:

	2019 million	2018 million
Outstanding at 1 January	19.7	13.9
Granted during the year	6.3	6.8
Vested	(5.0)	–
Forfeited during the year	(1.5)	(1.0)
Outstanding as at 31 December	19.5	19.7

The following table shows the movement in the number of shares awarded under the PVSP Multiplier Award:

	2019 Million	2018 Million
Outstanding at 1 January	13.2	–
Granted during the year	12.7	13.6
Forfeited during the year	(2.3)	(0.4)
Outstanding as at 31 December	23.6	13.2
Volatility	58-63%	79–82%
Risk free rate of interest	0.3-0.8%	0.7–0.9%
Correlation factor with comparator group	0.36-0.37	0.29–0.30

No PVSP Multiplier Awards vested during the year.

Share Incentive Plan
Under the Share Incentive Plan employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one basis. After three years the employee has the right to receive their original contributions plus the shares awarded in either cash or shares of the Company, at the employee's option. The amount owed by the Company to employees under this scheme is deemed to be insignificant.

Save As You Earn ('SAYE') scheme
Under the SAYE eligible employees with one month or more continuous service can join the scheme. Employees can save to a maximum of £500 per month through payroll deductions for a period of three or five years, after which time they can acquire shares at up to a 20 per cent discount. During 2018, employees were invited to save up to £500 per month for a period of three years and with no discount offered.

	2019		2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at 1 January (million)	5.2	£0.46	5.3	£0.46
Granted during the year	1.8	£1.00	0.3	£0.79
Lapsed during the year	(0.2)	£0.65	(0.4)	£0.64
Exercised during the year[1]	(4.4)	£0.42	–	£0.69
Outstanding as at 31 December	2.4	£0.92	5.2	£0.46

Note:
[1] 4,397,788 Ordinary Shares with a nominal value of £549,724 were issued under the Group's share option scheme during the year (2018: 43,490).

The weighted average share price as at the date of exercise for share options exercised during the year was £0.79.

The options outstanding at 31 December 2019 had a weighted average exercise price of £0.92 and a weighted average remaining contractual life of 2.33 years.

The fair value of the options granted during the year was determined using the Black-Scholes valuation model and is not material.

22. NOTES TO THE CASH FLOW STATEMENT

	2019 US$ million	2018 US$ million
Profit before tax for the year	102.5	158.2
Adjustments for:		
Depreciation, depletion, amortisation and impairment	757.9	358.4
Other operating costs	2.9	1.2
Exploration expense	7.3	29.6
Provision for share-based payments	7.1	10.8
Interest revenue and finance gains	(31.4)	(27.8)
Finance costs and other finance expenses	383.9	400.6
Profit on disposal of non-current assets	(4.2)	(42.3)
Operating cash flows before movements in working capital	1,226.0	888.7
(Increase)/decrease in inventories	(3.8)	1.2
(Increase)/decrease in receivables	(74.9)	72.6
Decrease in payables	(19.5)	(93.0)
Cash generated by operations	1,127.8	869.5
Income taxes paid	(61.2)	(128.8)
Interest income received	6.2	7.5
Net cash from continuing operating activities	1,072.8	748.2
Net cash from discontinued operating activities	7.2	29.0
Net cash from operating activities	1.080.0	777.2
Movement in JV cash	28.7	(54.4)
TOTAL NET CASH FROM OPERATING ACTIVITIES	1,108.7	722.8

Analysis of changes in net debt:

	Note	2019 US$ million	2018 US$ million
(a) Reconciliation of net cash flow to movement in net debt			
Movement in cash and cash equivalents		(46.5)	(120.8)
Proceeds from drawdown of long-term bank loans		–	(105.0)
Repayment of long-term bank loans		399.7	415.3
Conversion of convertible bonds		–	181.9
Non-cash movements on debt and cash balances (primarily foreign exchange)		(12.3)	22.1
Reduction in net debt in the year		340.9	393.5
Opening net debt		(2,330.7)	(2,724.2)
Closing net debt		(1,989.8)	(2,330.7)
(b) Analysis of net debt			
Cash and cash equivalents		198.1	244.6
Borrowings	16	(2,187.9)	(2,575.3)
TOTAL NET DEBT		(1,989.8)	(2,330.7)

The carrying amounts of the borrowings on the balance sheet are stated net of the unamortised portion of the refinancing fees of US$18.1 million (2018: US$23.3 million).

23. CAPITAL COMMITMENTS AND GUARANTEES

At 31 December 2019, the Group had capital commitments on exploration and development licences totalling US$118.5 million (2018: US$121.5 million).

In addition, the Group had issued letters of credit for future decommissioning liabilities totalling £293.4 million, US$22.6 million held as security for the Mexican letters of credit to meet minimum work programme requirements and performance bonds for the Indonesia Andaman licences of US$1.2 million, totalling US$412.9 million (2018: US$389.1 million).

24. GROUP PENSION SCHEMES

Balance sheet

	2019 US$ million	2018 US$ million
UK funded pension scheme	0.7	0.4
TOTAL SURPLUS IN BALANCE SHEET	0.7	0.4

	2019 US$ million	2018 US$ million
UK unfunded pension scheme	0.8	0.7
TOTAL LIABILITY IN BALANCE SHEET	0.8	0.7

Unfunded pensions

The Group is paying an unfunded pension to a former Director in the UK in regard to which annual increases and a reversionary spouse's pension apply on the same basis as to pensions paid under the Scheme.

On the same actuarial basis as used to assess the Scheme's pension costs, the present value as at 31 December 2019 of the future payments projected to be made in respect of UK unfunded pensions is US$0.8 million (2018: US$0.7 million).

Funded pensions

The Group operates a defined benefit pension scheme in the UK – The Premier Oil plc Retirement and Death Benefits Plan ('the Scheme'), primarily inflation-linked annuities based on an employee's length of service and final salary. The Scheme was closed to new members (aside from the provision of insured death in service benefits) in 1997 and a new scheme, providing benefits on a defined contribution basis, was started. Both schemes are funded by the payment of contributions to separately administered trust funds.

The disclosures set out below are based on calculations carried out as at 31 December 2019 by a qualified independent actuary. The figures have been prepared in compliance with IAS 19 'Employee Benefits'.

The Scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustee of the Scheme is required to act in the best interest of the Scheme's beneficiaries. The appointment of members of the Trustee Board is determined by the trust documentation.

The liabilities of the defined benefit Scheme are measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit credit method. This amount is reflected in the surplus or the deficit in the balance sheet. The projected unit credit method is an accrued benefits valuation method in which the Scheme liabilities make allowance for the projected earnings.

The liabilities set out in this note have been calculated using membership data current as at 31 December 2019. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2019, contributions are payable to the Scheme by the Group at the rates set out in the schedule of contributions signed by the trustees on 19 January 2018. Under this schedule, the Company contributes on a monthly basis at the rate of 30 per cent of the aggregate of members' pensionable salaries.

24. GROUP PENSION SCHEMES CONTINUED

Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	At 31 December 2019	At 31 December 2018
Discount rate	1.9% pa	2.8% pa
RPI inflation	3.0% pa	3.2% pa
CPI inflation	2.0% pa	2.2% pa
Rate of increase in salaries	3.0% pa	3.2% pa
Rate of increase in pensions in payment: LPI (max 5%)	2.9% pa	3.1% pa
Mortality	S3PA Light CMI_2018 with 0.5% IAMI and 1.25% long-term	S2PA Light CMI_2017 1.25% Long-term plus one-year age rating
Proportion married	80%	80%
Withdrawals	No allowance	No allowance
Cash commutation	75% of maximum tax free cash	75% of maximum tax free cash
Life expectancy of male aged 65 now	23.4	22.2
Life expectancy of male aged 65 in 20 years	24.7	23.4
Life expectancy of female aged 65 now	24.8	23.2
Life expectancy of female aged 65 in 20 years	26.2	24.7

Asset breakdown

The major categories of Scheme assets as a percentage of total Scheme assets are:

	At 31 December 2019	At 31 December 2018
Equities	39.9%	40.0%
Gilts	29.9%	29.2%
Corporate bonds	29.9%	30.5%
Cash	0.3%	0.3%
TOTAL	100.0%	100.0%

Reconciliation of funded status and amount recognised in balance sheet

	At 31 December 2019 US$ million	At 31 December 2018 US$ million
Fair value of Scheme assets	(48.5)	(41.4)
Present value of defined benefit obligation	36.9	28.9
Surplus	(11.6)	(12.5)
Unrecognised amount due to effect of IFRIC 14[1]	10.9	12.1
Surplus	(0.7)	(0.4)

Note:

[1] The trustees have certain rights to grant benefit increases to members and accordingly it has been concluded the Group does not have an unconditional right to the surplus by way of a refund.

Statement of amount recognised in the income statement

	2019 US$ million	2018 US$ million
Current service cost	0.1	0.2
Net interest on the net defined benefit liability/(asset)	–	–
TOTAL	0.1	0.2

Reconciliation of defined benefit obligation

	2019 US$ million	2018 US$ million
Opening present value of defined benefit obligation	28.9	32.4
Service cost	0.1	0.2
Interest cost	0.8	0.8
Actuarial losses/(gains) from changes in demographic assumptions	1.5	(0.2)
Actuarial losses/(gains) from changes in financial assumptions	5.2	(1.7)
Changes due to experience adjustments	(0.1)	0.3
Benefits paid	(1.2)	(0.9)
Currency translation effects	1.7	(2.0)
Closing defined benefit obligation	36.9	28.9

Reconciliation of fair value of assets

	2019 US$ million	2018 US$ million
Opening fair value of Scheme assets	41.4	46.3
Interest income	1.2	1.1
Return on assets less interest income	4.9	(2.6)
Contributions by employer	0.1	0.1
Benefits paid	(1.2)	(0.9)
Currency translation effects	2.1	(2.6)
Closing fair value of Scheme assets	48.5	41.4
Actual return on Scheme assets	6.1	(1.5)

Statement of amount recognised in other comprehensive income

	At 31 December 2019 US$ million	At 31 December 2018 US$ million
Loss/(gain) from changes in the financial assumptions for value of Scheme liabilities	5.2	(1.7)
Loss/(gain) from changes in the demographic assumptions for value of Scheme liabilities	1.5	(0.2)
Changes due to experience adjustments	(0.1)	0.3
Return on assets (excluding amounts included in net interest on the net defined benefit liability)	(4.9)	2.6
Change in the effect of the asset ceiling excluding amounts included in net interest on the net defined liability	(1.6)	(1.6)
Currency translation effect	(0.4)	0.6
Other comprehensive income	(0.3)	–

Statement of amount recognised in profit and loss and other comprehensive income

	At 31 December 2019 US$ million	At 31 December 2018 US$ million
Amount recognised in profit and loss	0.1	0.2
Other comprehensive income	(0.3)	–
TOTAL COMPREHENSIVE (GAIN)/LOSS	(0.2)	0.2

24. GROUP PENSION SCHEMES CONTINUED

Sensitivity of balance sheet at 31 December 2019

The results of the calculations are sensitive to the assumptions used. The balance sheet position revealed by IAS 19 calculations must be expected to be volatile, principally because the market value of assets (with significant exposure to equities) is being compared with a liability assessment derived from corporate bond yields.

The below table shows the sensitivity of the IAS 19 balance sheet position to small changes in some of the assumptions. Where one assumption has been changed all the other assumptions are kept as disclosed above.

	Revised (surplus)/deficit US$ million	Change from disclosed (surplus)/deficit US$ million
Discount rate less 0.1% p.a.	(11.0)	0.6
RPI inflation and linked assumptions plus 0.1% p.a.	(11.1)	0.5
Members living one year longer than assumed	(10.2)	1.4

Projected components of pension costs for period to 31 December 2020

Because of the significant volatility in investment markets, it is difficult to project forward the IAS 19 figures for the next year with confidence. The following projections should therefore be treated with caution. Assumptions implicit in the following projections are:

- the interest on the defined benefit liability/(asset) from 31 December 2019 is 1.9% p.a.
- contributions to the Scheme will continue throughout 2020 in accordance with the current Schedule of Contributions in place at the date of signing this report; and
- there will be no changes to the terms of the Scheme.

The amounts recognised in the components of pension expense are:

	2020 US$ million
Current service cost	0.1
Interest on defined benefit liability/(asset)	–
Net actuarial (gain)/loss recognised	–
TOTAL	0.1

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. Payments to the defined contribution scheme are charged as an expense as they fall due. The total cost charged to income of US$7.9 million (2018: US$9.3 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the Scheme.

25. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Director and executive remuneration

The remuneration of Directors during the year is set out below.

Further information regarding the remuneration of individual Directors is provided in the audited part of the Remuneration Report.

	2019 US$ million	2018 US$ million
Short-term employee benefits	3.2	3.3
Post-employment benefits	1.0	0.6
Other long-term benefits: share-based payments	1.4	1.4
	5.6	5.3

26. OTHER RESERVES

	Note	Retained earnings US$ million	Merger reserve[1] US$ million	Capital redemption reserve[2] US$ million	Translation reserve[3] US$ million	Hedge reserve[4] US$ million	Equity reserve[5] US$ million	Total US$ million
At 1 January 2018		(205.9)	374.3	8.1	(87.6)	(4.9)	57.4	141.4
Issue of Ordinary Shares		7.7	–	–	–	–	–	7.7
Purchase of ESOP Trust shares		(1.5)	–	–	–	–	–	(1.5)
Provision for share-based payments	21	14.6	–	–	–	–	–	14.6
Conversion of convertible bonds		–	–	–	–	–	(56.1)	(56.1)
Transfer between reserves		1.3	–	–	–	–	(1.3)	–
Profit for the year		133.4	–	–	–	–	–	133.4
Other comprehensive income		–	–	–	7.4	133.2	–	140.6
At 1 January 2019		(50.4)	374.3	8.1	(80.2)	128.3	–	380.1
Issue of Ordinary Shares		0.9	–	–	–	–	–	0.9
Purchase of ESOP Trust shares		(3.6)	–	–	–	–	–	(3.6)
Provision for share-based payments	21	12.0	–	–	–	–	–	12.0
Profit for the year		164.3	–	–	–	–	–	164.3
Other comprehensive expense		0.2	–	–	(3.8)	(74.5)	–	(78.1)
AT 31 DECEMBER 2019		**123.4**	**374.3**	**8.1**	**(84.0)**	**53.8**	**–**	**475.6**

Notes:
1 In 2012 the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the EnCore plc acquisition. The non-statutory premium arising on shares issued by Premier as consideration has been recognised in the merger reserve.
2 The capital redemption reserve represents the nominal value of shares transferred following the Company's purchase of them.
3 The translation reserve is used to record unrealised exchange differences arising from the translation of the financial statements of entities within the Group that have a functional currency other than US dollars.
4 The hedging reserve is used to record unrealised movements in the Group's hedging instruments.
5 This balance represented the equity component of the convertible bonds which were fully exercised in 2018.

27. SUBSEQUENT EVENTS

Debt reduction

Subsequent to year-end, US$129.5 million of the RCF debt facility was cancelled and a further US$50 million was repaid, which will result in a reduction in commitment fee costs in 2020.

Corporate Actions

In January 2020, the Group publicly announced the agreement it had reached to undertake the following corporate actions (together the 'Corporate Actions'):

- an amend and extend ('A&E') of all the Group's refinancing facilities, including extension of maturities from May 2021 to November 2023;
- the proposed acquisition of a 25 per cent working interest in Tolmount from Dana and interests in Andrew and Shearwater (together the 'Acquisitions' or 'Acquired Assets')
- entering into a US$300 million bridge facility to partly finance the Acquisitions (the 'Bridge Facility'). Based on current forecasts it is not expected that the Bridge Facility will be utilised; and
- raising equity from shareholders via a combination of a placing and a rights issue (the 'Equity Raise'), which is fully underwritten.

Lender consents were obtained from the required proportion of lenders for the above Corporate Actions, prior to their announcement. As part of this consent process, pending the Schemes becoming effective, sufficient lenders have provided forbearances in respect of any defaults that may be argued to have arisen under Premier's existing credit facilities by virtue of the implementation of the Schemes and other aspects of the Corporate Actions. Accordingly, no resulting action can be taken to accelerate, or prevent drawings being made under, the Group's existing credit facilities in respect of the Scheme or Corporate Actions.

In February 2020, more than 75 per cent of the Group's creditors voted to support the Group's scheme of arrangement. Therefore, management believes it is probable that the above actions will be approved via a court scheme of arrangement in March 2020.

Macro-economic risks

Premier is exposed to macro-economic risks, including pandemic diseases, that could have a material adverse effect on our operations. We continue to monitor the recent COVID-19 outbreak, which is causing economic disruption in China and elsewhere and may impact our performance in 2020. However, at present, it is not possible to predict whether or not the COVID-19 outbreak will have a material adverse effect on our earnings, cash flows and financial condition.

28. INVESTMENTS

Subsidiary undertakings
At 31 December 2019, the Group had investments in the following 100 per cent owned subsidiaries.

Principal subsidiaries

Name of company	Business and area of operation	Registered office address
Premier Oil Group Holdings Limited[1]	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Group Limited	Intermediate holding company, UK	4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Premier Oil Finance (Jersey) Limited[1]	Convertible bond issuing company, Jersey	IFC 5, St Helier, JE1 1ST, Jersey
Premier Oil Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Overseas BV	Intermediate holding company, Netherlands	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil UK Limited	Exploration, production and development, UK	4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Premier Oil E&P Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK Limited	Exploration, production and development, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK EU Limited	Exploration, production and development, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK Energy Trading Limited	Gas trading company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Natuna Sea BV	Exploration, production and development, Indonesia	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil Andaman Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Andaman I Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil South Andaman Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Tuna BV	Exploration, production and development, Indonesia	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil Vietnam Offshore BV	Exploration, production and development, Vietnam	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil (Vietnam) Limited	Exploration, production and development, Vietnam	Commerce House, Wickhams Cay 1, Road Town, Tortola, VG1110
Premier Oil Exploration and Production Limited	Exploration, production and development, Falkland Islands	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ANS Limited	Exploration, production and development, Alaska	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil do Brasil Petróleo e Gás Ltda	Exploration, production and development, Brazil	Rua Lauro Müller, 116 – Sala 2006, Torre, Botafogo, Rio de Janeiro, 22.290-906
Premier Oil Exploration and Production Mexico S.A	Exploration, production and development, Mexico	Calle Montes Urales, 424, Oficina 03-110 y 03-117 Lomas de Chapultepec V Sección. Miguel Hidalgo, Ciudad de México, 11000
Premier Oil Mexico Recursos, S.A de C.V	Exploration, production and development, Mexico	Calle Montes Urales, 424, Oficina 03-110 y 03-117 Lomas de Chapultepec V Sección. Miguel Hidalgo, Ciudad de México, 11000
Ebury Gate Limited	Risk Mitigation Services, Guernsey	Level 5, Mill Court, La Charroterie, St Peter port, GY1 1EJ

Note:
[1] Held directly by Premier Oil plc. All other companies are held through a subsidiary undertaking.

Other subsidiaries

Name of company	Business and area of operation	Registered office address
EnCore (NNS) Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
EnCore (VOG) Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore CCS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Gas Storage Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Natural Resources Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil and Gas Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
FP Mauritania A BV	Decommissioning activities, Mauritania	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
FP Mauritania B BV	Decommissioning activities, Mauritania	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil ANS Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil (EnCore Petroleum) Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Aberdeen Services Limited	Service company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil and Gas Services Limited	Service company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil B Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Belgravia Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Belgravia Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Bukit Barat Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Buton BV	Dormant	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil CCS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Congo (Marine IX) Limited	Dormant	IFC 5, St Helier, JE1 1ST, Jersey
Premier Oil Ebury Limited	Activities of head office, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration (Mauritania) Limited	Decommissioning activities, Mauritania	IFC 5, St Helier, JE1 1ST, Jersey
Premier Oil Exploration and Production (Iraq) Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration Limited	Dormant	4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Premier Oil Exploration ONS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Far East Limited	Service company, Singapore	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil International Holding BV	Dormant	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil Investments Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Mauritania B Limited	Decommissioning activities, Mauritania	IFC 5, St Helier, JE2 3RT, Jersey
Premier Oil Mexico Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ONS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Pacific Limited	Dormant	36/F, Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong
Premier Oil Pakistan Offshore BV	Dormant	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands

28. INVESTMENTS CONTINUED

Name of company	Business and area of operation	Registered office address
Premier Oil Philippines BV	Dormant	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil Vietnam 121 Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Vietnam North BV	Dormant	Atrium Building, 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam, Netherlands
Premier Oil Mexico Investments Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Overseas Holdings Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
XEO Exploration plc	Dormant	23 Lower Belgrave Street, London, SW1W 0NR

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 US$ million	2018 US$ million
Non-current assets			
Investments in subsidiaries	3	565.5	565.5
Long-term employee benefit plan surplus	7	0.7	0.4
Long-term receivables	4	1,374.8	1,288.6
TOTAL NON-CURRENT ASSETS		1,941.0	1,854.5
Current assets			
Other receivables	4	0.7	0.5
TOTAL CURRENT ASSETS		0.7	0.5
Current liabilities			
Trade and other payables	5	(40.4)	(35.8)
Net current liabilities		(39.7)	(35.3)
Non-current liabilities			
Borrowings	6	(197.6)	(188.2)
Long-term employee benefit plan deficit	7	(0.8)	(0.7)
Derivative financial instruments		(45.6)	(54.2)
		(244.0)	(243.1)
Net assets		1,657.3	1,576.1
Equity and reserves			
Share capital	9	156.5	154.2
Share premium account		499.4	491.7
Retained earnings		619.0	547.8
Other reserves		382.4	382.4
		1,657.3	1,576.1

Profit for the year ending 31 December 2019 was US$61.5 million (2018: US$84.8 million).

The financial statements of Premier Oil plc (registered number SC234781) were approved by the Board of Directors and authorised for issue on 4 March 2020.

They were signed on its behalf by:

Tony Durrant
Chief Executive Officer

Richard Rose
Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital US$ million	Share premium account US$ million	Profit and loss account US$ million	Merger reserve account US$ million	Capital redemption reserve US$ million	Equity reserve US$ million	Total US$ million
At 1 January 2018		109.0	284.5	381.2	374.3	8.1	62.2	1,219.3
Issue of Ordinary Shares		45.2	207.2	7.7	–	–	–	260.1
Net purchase of ESOP Trust shares		–	–	(1.5)	–	–	–	(1.5)
Profit for the financial year	2	–	–	84.8	–	–	–	84.8
Provision for share-based payments		–	–	14.6	–	–	–	14.6
Movement in cash flow hedges		–	–	(1.2)	–	–	–	(1.2)
Conversion of convertible bonds		–	–	62.2	–	–	(62.2)	–
At 1 January 2019		154.2	491.7	547.8	374.3	8.1	–	1,576.1
Issue of Ordinary Shares		2.3	7.7	0.9	–	–	–	10.9
Net purchase of ESOP Trust shares		–	–	(3.6)	–	–	–	(3.6)
Profit for the financial year	2	–	–	61.5	–	–	–	61.5
Provision for share-based payments		–	–	12.0	–	–	–	12.0
Pension costs – actuarial gains		–	–	0.2	–	–	–	0.2
Movement in cash flow hedges		–	–	0.2	–	–	–	0.2
AT 31 DECEMBER 2019		**156.5**	**499.4**	**619.0**	**374.3**	**8.1**	**–**	**1,657.3**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ('FRS 100') issued by the Financial Reporting Council. These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to accounting standards issued but not yet effective or implemented, share-based payment information, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

The financial statements have been prepared on a going concern basis. Further information relating to the going concern assumption is provided in the Financial Review on page 49.

Where required, the equivalent disclosures are given in the consolidated financial statements. Key sources of estimation uncertainty disclosure are provided in the Accounting Policies and in relevant notes to the consolidated financial statements as applicable. Details of the Company's share-based payment schemes are provided in note 21 of the consolidated financial statements on page 159.

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out on pages 126 to 133 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2. PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2019 of US$61.5 million (2018: US$84.8 million).

Other comprehensive expense for the year was US$0.4 million (2018: US$1.2 million income).

The auditors' remuneration for audit and other services is disclosed in note 3 to the consolidated financial statements on page 141.

3. FIXED ASSET INVESTMENTS

	2019 US$ million
Cost and net book value:	
At 1 January	565.5
Additions	–
AT 31 DECEMBER	**565.5**

A list of all investments in subsidiaries held at 31 December 2019, including the name and type of business, the country of operation and the country of incorporation or registration, is given in note 28 to the consolidated financial statements.

4. RECEIVABLES

Long-term receivables: amounts falling due after more than one year

	2019 US$ million	2018 US$ million
Amounts owed by subsidiary undertakings	1,374.8	1,288.6

The amounts owed by subsidiary undertakings falling due after more than one year comprise a loan which bears interest based on LIBOR. This loan is denominated in US dollars and falls due for repayment in 2021.

The above carrying value reflects an impairment provision required under IFRS 9, which was calculated using the Group's 12-month probability of default.

Other receivables: amounts falling due within one year

	2019 US$ million	2018 US$ million
Amounts owed by subsidiary undertakings	0.6	0.4
Prepayments	0.1	0.1
	0.7	0.5

The carrying values of the Company's debtors approximate their fair value.

5. TRADE AND OTHER PAYABLES

	2019 US$ million	2018 US$ million
Derivative financial instruments – warrants	35.6	31.8
Accruals	4.8	4.0
	40.4	35.8

The carrying values of the Company's creditors approximate their fair value.

Further details on the warrants are disclosed in note 18 of the consolidated financial statements.

6. BORROWINGS

	2019 Fair value amount US$ million	2019 Carrying amount US$ million	2018 Fair value amount US$ million	2018 Carrying amount US$ million
Retail bonds	201.6	198.9	181.6	190.5

In December 2013, the Company put in place a £500.0 million Euro Medium Term Notes ('EMTN') programme under which it has issued £150.0 million UK retail bonds (the 'bonds'). The bonds have been listed on the Official List of the UK Listings Authority and admitted to trading on the London Stock Exchange's regulated market and the electronic Order Book of Retail Bonds ('ORB'). The bonds initially had a fixed coupon of 5.0 per cent and maturity of seven years. Following the completion of the refinancing in 2017, the fixed coupon increased to 6.5 per cent with the maturity extended to 2021.

The carrying value of the retail bonds is stated in the Company balance net of the unamortised portion of the debt arrangement fees of US$1.4 million (2018: US$2.3 million).

The liability has been translated at the exchange rate prevailing at the year-end.

7. LONG-TERM EMPLOYEE BENEFIT PLAN

Defined benefit schemes

The Company operates a defined benefit scheme in the UK – The Premier Oil plc Retirement and Death Benefits Plan ('the Scheme'). Further details of the Scheme are disclosed in note 24 of the consolidated financial statements on page 163.

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme. Further details of this scheme are provided in note 24 of the consolidated financial statements on page 166.

8. COMMITMENTS AND GUARANTEES

At the year-end date the Company, together with certain subsidiary undertakings, had jointly guaranteed the Group's borrowing facilities.

These consist of the following:
- bank loans: US$2.5 billion revolving and letter of credit facility ('RCF'), US$150 million and £100 million term loans (together the 'Term Loan');
- senior loan notes: US$335 million and €63.6 million of US Private Placement ('USPP') notes and US$130 million converted loan facility; and
- £150 million of retail bonds.

All of the above facilities mature in May 2021. In early 2020, the Group announced it had reached an agreement to amend and extend the Group's refinancing facilities, including extending maturities to November 2023 (see note 27 of the consolidated financial statements). The amend and extend is expected to be approved via a court scheme of arrangement in March 2020.

9. SHARE CAPITAL AND SHARE PREMIUM

Further detail of these items are disclosed in note 20 of the consolidated financial statements on page 158.

10. DIVIDENDS

No dividend is proposed for the year ended 31 December 2019 (2018: nil).

UK GOVERNMENT PAYMENT REPORTING

EUAD – BASIS OF PREPARATION

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 aim of the regulations is to enhance the transparency of the payments made by companies in the extractive sector to host governments in the form of taxes, bonuses, royalties, fees and support for infrastructure improvements. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/EU) ('EU Directive').

The UK Regulations have an effective date of 1 January 2015, and this section of the Annual Report is in line with the EU Directive and the UK Regulations. This basis of preparation provides an explanation of the payments that we are disclosing.

The payments disclosed are based on where the obligation for the payment arose: payments levied at a project level have been disclosed at a project level and payments levied at a corporate level have been disclosed on that basis.

Within the UK Regulations, a project is defined as being the operational activities which are governed by a single contract, licence, lease, concession or a similar legal agreement. The Company undertakes extractive activities in different types of fiscal petroleum regimes and therefore the types of payments disclosed vary from country to country. For the purposes of our reporting, for the UK and Falkland Islands we have classified each individual licence as a project, whereas for Indonesia, Vietnam and Mexico each PSC arrangement has been classified as a project.

All of the payments disclosed in accordance with the EU Directive have been made to national governments, either directly or through a Ministry or Department, or to a national oil company, who have a working interest in a particular licence. For projects where we are the operator we have disclosed the full payment made on behalf of the project; where we have a non-operated interest we have not disclosed payments made on our behalf by another party.

In line with the UK Regulations, where a payment or a series of related payments do not exceed US$109,820 (£86,000), they have not been disclosed. Where the aggregate payments made in the period for a project or country are less than US$109,200 we have not disclosed the payments made for this project or country.

Our total economic value distributed to all stakeholders can be found on page 45 of the Annual Report.

Reporting currency – Payments disclosed in this report have been disclosed in US dollars, consistent with the rest of the 2019 Annual Report. Where actual payments have been made in a currency other than US dollars, they have been translated using the prevailing exchange rate when the payment was made.

Production entitlements in barrels – Includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of the Group's working interest share of production in a licence. The figures disclosed are on a cash paid liftings basis.

Income taxes – This represents cash tax calculated on the basis of profits including income or capital gains and taxes on production. 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 rebate received from the government or revenue authority during the year. Income taxes do not include fines and penalties. In accordance with the UK Regulations, payments made in relation to sales, employee, environmental or withholding taxes have not been disclosed.

Dividends – This includes dividends that are paid in lieu of a production entitlement or royalty. It does not include any dividends paid to a government as an ordinary shareholder.

Royalties – This represents 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. Export duties paid in kind have been recognised within the royalties category. The cash payment of royalties occurs in the year in which the tax has arisen.

Bonus payments – This represents any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature, discovery or production bonuses.

Licence fees – This represents 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 – This represents 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 and ports.

2019 European transparency directive disclosure

Country	Licence/company level	Production entitlements bbls '000s	Production entitlements US$ '000s	Income taxes US$ '000s	Royalties (cash only) US$ '000s	Dividends US$ '000s	Bonus payments US$ '000s	Licence fees US$ '000s	Infrastructure improvement payments US$ '000s	Total US$ '000s
Falkland Islands	Sea Lion	–	–	–	–	–	–	375	–	375
	Total Falkland Islands	**–**	**–**	**–**	**–**	**–**	**–**	**375**	**–**	**375**
Indonesia	Natuna Sea Block A	2,958	162,005	25,026	–	–	–	–	–	187,031
	Total Indonesia	**2,958**	**162,005**	**25,026**	**–**	**–**	**–**	**–**	**–**	**187,031**
Mexico	Block 11	–	–	–	–	–	–	826	–	826
	Block 13	–	–	–	–	–	–	827	–	827
	Total Mexico	**–**	**–**	**–**	**–**	**–**	**–**	**1,653**	**–**	**1,653**
United Kingdom	Johnston	–	–	–	–	–	–	242	–	242
	Huntington	–	–	–	–	–	–	246	–	246
	Brenda	–	–	–	–	–	–	170	–	170
	Catcher	–	–	–	–	–	–	781	–	781
	Tolmount	–	–	–	–	–	–	830	–	830
	Corporate	–	–	(440)	–	–	–	–	–	(440)
	Total UK	**–**	**–**	**(440)**	**–**	**–**	**–**	**2,269**	**–**	**1,829**
Vietnam	Chim Sáo	640	37,972	–	–	–	456	–	–	38,428
	Corporate	–	–	53,363	13,294	–	–	–	–	66,657
	Total Vietnam	**640**	**37,972**	**53,363**	**13,294**	**–**	**456**	**–**	**–**	**105,085**
TOTAL GROUP		**3,598**	**199,977**	**77,949**	**13,294**	**–**	**456**	**4,297**	**–**	**295,973**

2019 European transparency directive disclosure

Country	Government	Production entitlements bbls '000s	Production entitlements US$ '000s	Income taxes US$ '000s	Royalties (cash only) US$ '000s	Dividends US$ '000s	Bonus payments US$ '000s	Licence fees US$ '000s	Infrastructure improvement payments US$ '000s	Total US$ '000s
Falkland Islands	Falkland Island Government – Department of Mineral Resources	–	–	–	–	–	–	375	–	375
	Total Falkland Islands	**–**	**–**	**–**	**–**	**–**	**–**	**375**	**–**	**375**
Indonesia	SKK Migas	2,958	162,005	–	–	–	–	–	–	162,005
	Directorate General of Taxes	–	–	25,026	–	–	–	–	–	25,026
	Total Indonesia	**2,958**	**162,005**	**25,026**	**–**	**–**	**–**	**–**	**–**	**187,031**
Mexico	Fondo Mexicano del Petróleo para la Estabilización y el Desarrollo ('FMP')	–	–	–	–	–	–	661	–	661
	Servicio de Administración Tributaria ('SAT')	–	–	–	–	–	–	992	–	992
	Total Mexico	**–**	**–**	**–**	**–**	**–**	**–**	**1,653**	**–**	**1,653**
United Kingdom	HM Revenue & Customs	–	–	(440)	–	–	–	–	–	(440)
	Oil and Gas Authority	–	–	–	–	–	–	2,269	–	2,269
	Total UK	**–**	**–**	**(440)**	**–**	**–**	**–**	**2,269**	**–**	**1,829**
Vietnam	Petro Vietnam	640	37,972	–	–	–	456	–	–	38,428
	HCM Tax Department	–	–	53,363	9,463	–	–	–	–	62,826
	Vung Tau Customs office	–	–	–	3,831	–	–	–	–	3,831
	Total Vietnam	**640**	**37,972**	**53,363**	**13,294**	**–**	**456**	**–**	**–**	**105,085**
TOTAL GROUP		**3,598**	**199,977**	**77,949**	**13,294**	**–**	**456**	**4,297**	**–**	**295,973**

FIVE YEAR SUMMARY

FINANCIALS		2019[1]	2018[1]	2017[1]	2016	2015
Sales revenues	(US$ million)	1,596.5	1,438.3	1,083.9	983.4	1,067.2
Profit/(loss) before tax	(US$ million)	113.8	184.0	(347.9)	(390.6)	(829.4)
Net profit/(loss) for the year after tax	(US$ million)	164.3	133.4	(253.8)	122.6	(1,103.8)
Cash flow from operating activities	(US$ million)	1,080.0	777.2	475.3	431.4	809.5
Shareholders' funds	(US$ million)	1,131.5	1,026.0	616.9	809.1	734.8
Net debt	(US$ million)	(1,989.8)	(2,330.7)	(2,724.2)	(2,765.2)	(2,242.2)
Per share statistics:						
Revenue per share	(cents/share)	193.2	185.8	211.0	192.5	208.9
Earnings/(loss) per share – basic	(cents/share)	19.9	17.3	(49.4)	24.0	(216.1)
Earnings/(loss) per share – diluted	(cents/share)	18.2	15.5	(49.4)	23.7	(216.1)
Cash flow from operating activities per share	(cents/share)	130.7	100.4	92.5	84.5	158.5
Reserves per share – year-end	(boe/share)	0.21	0.25	0.59	0.69	0.65
Issued Ordinary Shares – average	(million)	826.2	774.0	513.7	510.8	510.8
Operations:						
Production (working interest basis)	(kboepd)	78.4	80.5	75.0	71.4	57.6
Proved and probable reserves (working interest basis)	(mmboe)	174.7	193.7	301.8	353.3	331.9
Employees (average) – UK	(number)	232	230	237	242	263
Employees (average) – Overseas	(number)	543	552	552	559	608
Key indices:						
Realised average oil price	(US$/bbl)	66.3	67.9	52.9	44.1	52.6
Average exchange rates	(US$/£)	1.28	1.34	1.29	1.36	1.53
Closing exchange rates	(US$/£)	1.33	1.27	1.35	1.23	1.47

Note:
[1] From all operations (continuing and discontinued) unless otherwise stated.

OIL AND GAS RESERVES

WORKING INTEREST RESERVES AS AT 31 DECEMBER 2019

Working interest basis

	Indonesia		Pakistan		UK		Vietnam		TOTAL		
	Oil and NGLs mmbbls	Gas Bcf	Oil and NGLs mmbbls	Gas Bcf	Oil and NGLs mmbbls	Gas Bcf	Oil and NGLs mmbbls	Gas Bcf	**Oil and NGLs mmbbls**	**Gas Bcf**	**Oil, NGLs and gas mmboe**
Group proved plus probable reserves											
At 1 January 2019	1.03	160.76	0.05	34.89	68.04	342.17	17.62	23.27	**86.74**	**561.09**	**193.70**
Revisions	0.20	16.42	–	–	5.46	32.96	(0.15)	0.42	**5.51**	**49.80**	**14.58**
Discoveries and extensions	–	–	–	–	–	–	–	–	**–**	**–**	**–**
Acquisitions and divestments	–	0.26	(0.05)	(32.12)	–	–	–	–	**(0.05)**	**(31.86)**	**(5.05)**
Production	(0.14)	(20.65)	–	(2.77)	(16.67)	(17.83)	(3.31)	(4.31)	**(20.12)**	**(45.56)**	**(28.49)**
At 31 December 2019	1.09	156.79	–	–	56.83	357.30	14.16	19.38	**72.08**	**533.47**	**174.74**
Total Group developed and undeveloped reserves											
Proved on production	0.82	116.72	–	–	23.25	57.95	12.53	16.45	**36.60**	**191.12**	**73.74**
Proved approved/justified for development	0.08	17.48	–	–	12.21	156.84	0.20	0.46	**12.49**	**174.78**	**45.93**
Probable on production	0.18	9.53	–	–	14.89	17.85	1.12	1.78	**16.19**	**29.16**	**21.80**
Probable approved/justified for development	0.01	13.06	–	–	6.48	124.66	0.31	0.69	**6.80**	**138.41**	**33.27**
At 31 December 2019	1.09	156.79	–	–	56.83	357.30	14.16	19.38	**72.08**	**533.47**	**174.74**

Notes:
[1] Both the Zama discovery and Sea Lion remained as contingent resources awaiting FID/Sanction and do not appear in this table.
[2] All assets in Pakistan have been divested as of April 2019.
[3] Proved plus probable gas includes fuel gas.

Premier Oil plc categorises petroleum resources in accordance with the June 2018 SPE/WPC/AAPG/SPEE/SEG/SPWLA/EAGE Petroleum Resource Management System ('SPE PRMS'). Proved and probable reserves are based on operator, third-party reports and internal estimates and are defined in accordance with the Statement of Recommended Practice ('SORP') issued by the Oil Industry Accounting Committee ('OI-AC'), dated July 2001.

The Group provides for amortisation of costs relating to evaluated properties based on direct interests on an entitlement basis, which incorporates the terms of the PSCs in Indonesia and Vietnam. On an entitlement basis, reserves were 164.4 mmboe as at 31 December 2019 (2018: 181.5 mmboe). This was calculated at year-end 2019, using the following oil price assumption: US$65/bbl in 2020 and 2021, US$70/bbl in 2022 and US$70/bbl in real terms thereafter (2018: Dated Brent forward curve of US$60 in 2019, US$65/bbl in 2020, US$70/bbl in 2021 and US$75/bbl in real terms thereafter).

WORLDWIDE LICENCE INTERESTS
AS AT 4 MARCH 2020

Licence	Blocks	Operator	Premier equity	Unit interest (if applicable)	Associated fields / discoveries
Alaska					
Area A	112 leases with State of Alaska	88 Energy	60.00		Malguk–1 discovery
Area A	5 leases with ASRC	88 Energy	60.00		Malguk–1 discovery
Brazil					
CE-M-661	CE-M-661	Total	30.00		
CE-M-717_R11	CE-M-717	**Premier**	50.00		Pecem
Falkland Islands					
PL003a	14/14 (part) & 14/19 (part)	Rockhopper	4.50		
PL003b	14/14 (part) & 14/19 (part)	Rockhopper	4.50		
PL004a	14/15 (part), 14/20, 15/11 (part) & 15/16 (part)	**Premier**	36.00		Isobel Deep
PL004b	14/15 (part)	**Premier**	36.00		Beverley; Casper South; Zebedee
PL004c	14/15 (part)	**Premier**	36.00		
PL032	14/5, 14/10	**Premier**	60.00		Casper North; Sea Lion
PL033	15/1 (part) & 15/6 (part)	**Premier**	60.00		
Indonesia					
South Andaman	South Andaman	Mubadala Petroleum	20.00		
Andaman I	Andaman I	Mubadala Petroleum	20.00		
Andaman II	Andaman II	**Premier**	40.00		
Natuna Sea Block A	Natuna Sea Block A	**Premier**	28.67		Anoa; Gajah Baru; Naga; Pelikan; Bison, Iguana & Gajah Puteri
Tuna Block	Tuna Block	**Premier**	65.00		Kuda Laut; Singa Laut
Mauritania					
PSC B	Chinguetti EEA	Petronas	8.12		Chinguetti
Mexico					
Mexico Block 7	7	Talos	25.00		Zama
Mexico Block 11	11	**Premier**	**100.00**		
Mexico Block 13	13	**Premier**	**100.00**		
Mexico Block 30	30	WDEA	30.00		

Licence	Blocks	Operator	Premier equity	Unit interest (if applicable)	Associated fields / discoveries
United Kingdom					
P077	22/12a (Nelson Field (NELS))	Enterprise	50.00	1.66	Nelson
P087	22/7a (Nelson Field (NELS))	**Premier** (Shell for field)	46.50	1.66	Nelson
P111	22/25a (Merganser down to 3300 metres (MERG))	**Premier** (Shell for field)	65.99	7.92	Merganser
P164	205/26a (ALL)	**Premier**	**100.00**		Solan
P188	22/30b (Area A – Elgin Field (ELGN))	Total	5.20	5.20	Elgin; Franklin
P201	16/21a Balmoral & Glamis Field Areas (BALMO), Rest of Block (Exploration Area) (REST), Stirling Field Area (STIRL); and 16/21d Balmoral & Glamis Field Areas (BALMO), Rest of Block (Exploration Area) (REST)	**Premier**	85.00	Balmoral: 78.12 Stirling: 68.68	Balmoral; Glamis; Stirling
P201	16/21d (Brenda Field Area (above 7500 feet) (A))	**Premier**	**100.00**		Brenda
P213	16/26a (Area P – Caledonia Field Area (P-CAL))	**Premier**	**100.00**		Caledonia
P233	15/25a (ALL)	**Premier**	70.00		Nicol
P264	23/26d (Scoter Field Area (A))	**Premier** (Shell for field)	**100.00**	12.00	Scoter
P344	16/21b (Balmoral Field Area (BALM)) and 16/21c (Stirling Field (STIR))	**Premier**	44.20	Balmoral: 78.12 Stirling: 68.68	Balmoral; Stirling
P362	29/5b (ALL)	Total	5.20	5.20	Elgin; Franklin
P380	43/26a (Rave (RAVE A)) and (Rave (Rave B))	Perenco	35.94	28.75	Ravenspurn North
P380	43/26a (Residual Area excluding Ravenspurn North (RESID)	**Premier**	72.22	50.11	Johnston
P452	44/23a (Caister Field (AREA AA)	ConocoPhillips	40.00		Caister
P452	44/23e (ALL (D))	**Premier**	79.00		Hunter
P454	44/29b (Orca Field Area (B))	Neptune	42.67	23.47	Orca
P611	44/24a (ALL) and 44/30a (ALL)	Neptune	42.67	Orca: 23.47	Minke; Orca
P666	22/30c (ALL) and 29/5c (ALL)	Total	5.20	5.20	Elgin; Franklin; West Franklin
P686	43/27a (ALL)	**Premier**	42.22	50.11	Johnston
P748	29/2c (ALL)	CNR	40.00		Kyle
P752	29/4d (ALL)	Total	18.57		Glenelg
P771	44/22c (ALL)	**Premier**	76.00	74.00	Rita
P1042	15/25b (ALL)	**Premier**	**100.00**		Brenda
P1114	22/14b (ALL)	**Premier**	**100.00**		Huntington
P1330	42/28d (ALL)	**Premier**	50.00		Tolmount
P1430	28/9a (ALL)	**Premier**	50.00		Burgman; Carnaby; Catcher; Varadero
P2070	28/4a (ALL)	**Premier**	50.00		Laverda
P2305	42/28c (ALL)	**Premier**	50.00		Greater Tolmount
P2453	28/9c (ALL)	**Premier**	50.00		Bonneville
P2454	28/9d (ALL)	**Premier**	50.00		Laverda
Vietnam					
Block 12W	12W	**Premier**	53.13		Chim Sáo; Dua

ALARP	As low as reasonably practicable
AGM	Annual General Meeting
bbl	Barrel
BBtud	Billion British thermal units per day
Bcf	Billion cubic feet
BIG-P	Bison, Iguana and Gajah Puteri
BMS	Business Management System
boe	Barrel(s) of oil equivalent
boepd	Barrel(s) of oil equivalent per day
BRINDEX	The Association of British Independent Oil Exploration Companies
CAGR	Compound annual growth rate
CGU	Cash-generating unit
COP	Cessation of production
CPRs	Competent Person Reports
DD&A	Depreciation, depletion and amortisation
DTA	Deferred tax asset
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration
E&E	Exploration and evaluation
EIS	Environmental Impact Statement
EMTN	Euro Medium Term Notes
E&P	Exploration and production
EPA	Equity Pool Awards
ERM	Enterprise risk management
ESG	Environmental, social and governance
ExCo	Executive Committee
FDP	Field development plan
FEED	Front end engineering and design
FPSO	Floating production, storage and offtake vessel
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSA	Gas Sales Agreement
HiPo	High potential incidents
HiPoR	High Potential Incident Rate
HSES	Health, safety, environment and security
HSFO	High Sulphur Fuel Oil
IAS	International Accounting Standard
IEA	International Energy Agency
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standard
IOGP	International Association of Oil and Gas Producers
IPIECA	International Petroleum Industry Environmental Conservation Association
ISA (UK)	International Standard on Auditing (UK)
IVC	Investor Code
kboepd	Thousand barrels of oil equivalent per day
KPI	Key performance indicator
LDAR	Leak detection and repair programmes
LNG	Liquefied natural gas
LOPC	Loss of primary containment
LTIP	Long Term Incentive Plan
LWDC	Lost work day cases
M&A	Mergers and acquisitions
mmbbls	Million barrels
mmboe	Million barrels of oil equivalent
MSA	Matching Share Awards
mscf	Thousand standard cubic feet
mt	Metric tonne
MTC	Medical treatment cases
OGA	Oil and Gas Agency
ORB	Order Book of Retail Bonds
PB3	OPT PB3 PowerBuoy®
PSA	Performance Share Awards
PSC	Production sharing contract
PVSP	Premier Value Share Plan
RWDC	Restricted work day cases
RSA	Restricted Share Award
SAYE	Save As You Earn
SDGs	UN Sustainable Development Goals
SIP	Share Incentive Plan
SPA	Sale and Purchase Agreements
Tcf	Trillion cubic feet
TCFD	Task Force on Climate-related Financial Disclosures
te	Tonnes
TRIR	Total recordable injury rate
TSR	Total shareholder return
UNGC	UN Global Compact
USPP	US Private Placement
2C	Best estimate of contingent resources
2P	Proved and probable reserves

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 are EBITDAX, cash margin, free cash flow, operating cost per barrel, DD&A per barrel, net debt and liquidity, and are defined below.

- **EBITDAX:** Earnings before interest, tax, depreciation, amortisation, impairment, exploration spend and other one-off items. In the current year it also excludes the gain on disposal recognised in the income statement. This is a useful indicator of underlying business performance.
- **Cash margin:** Operating cash flow for the year divided by working interest production. This is a useful indicator of cash generation from the Group's producing assets.
- **Free cash flow:** Positive cash flow generation from operating, investing and financing activities excluding drawdowns from and repayments of borrowing facilities and equity issuances.
- **Operating cost per barrel:** Operating costs for the year divided by working interest production. This is a useful indicator of ongoing operating costs from the Group's producing assets.
- **DD&A per barrel:** Depreciation and amortisation of oil and gas properties and right-of-use assets for the year divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.
- **Net debt:** The net of cash and cash equivalents and long-term debt recognised on the balance sheet. This is an indicator of the Group's indebtedness and capital structure.
- **Liquidity:** The sum of cash and cash equivalents on the balance sheet, and the undrawn amounts available to the Group on our principal facilities, including letters of credit facilities, less our JV partners' share of cash balances. This is a key measure of the Group's financial flexibility and ability to fund day-to-day operations.

Each of the above non-IFRS measures are presented within the Financial review with detail on how they are reconciled to the statutory financial statements.

REGISTRAR

All enquiries concerning your shareholding should be directed to Link Asset Services:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Telephone: +44 (0) 371 664 0300

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Lines are open 9.00am – 5.30pm Monday to Friday, excluding public holidays in England and Wales.

Email: shareholderenquiries@linkgroup.co.uk

SHARE PORTAL

As a shareholder you have direct access to an online share portal operated by Link Asset Services at **www.premier-oil-shares.com**. You can access the share portal with your Investor Code ('IVC') which can be found on your share certificate. The portal provides a range of services, free of charge, to help you to administer your shareholding quickly and efficiently by allowing you to:

- check your share balance;
- change your address details;
- choose to receive electronic shareholder communications;
- set up or amend a dividend mandate so dividends can be paid directly to your bank account; and
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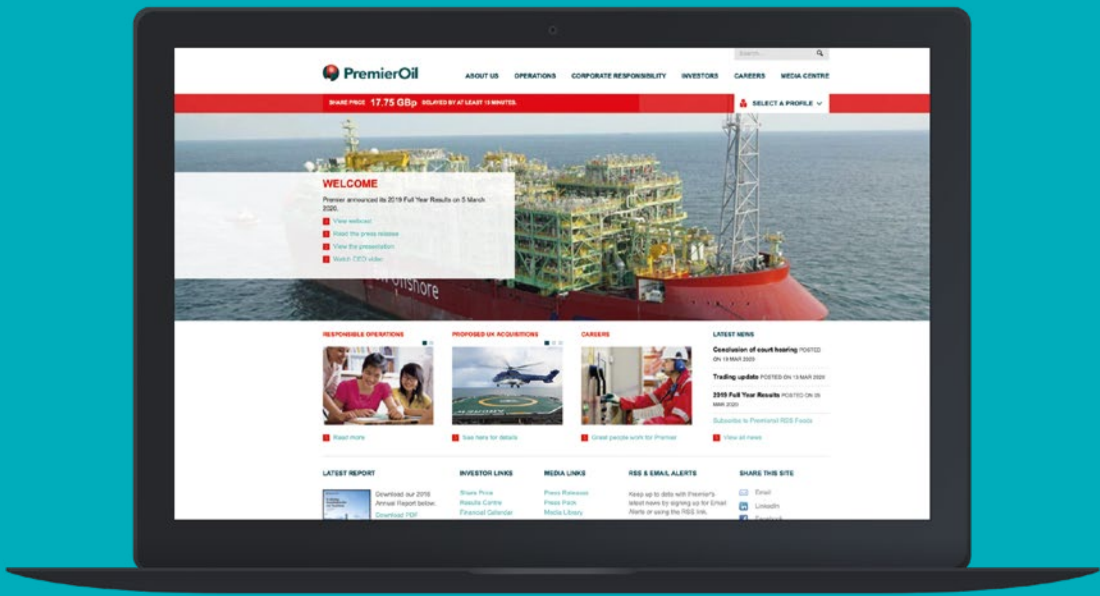

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