



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	991 870 830
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	TULLOW OIL NORGE AS
Forretningsadresse:	c/o Simonsen Vogt Wiig Filipstad brygge 1 0252 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2017 - 31.12.2017
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Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Pål Brudvik
Dato for fastsettelse av årsregnskapet:	14.02.2019

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 13.08.2019



Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Salgsinntekt	7		
Kostnader			
Exploration costs written off	8, 10, 11	-7 552 000	1 232 484 000
General and administrative expenses	8, 9, 11	19 546 000	31 183 000
Provision for onerous service contracts	23	114 818 000	
Restructuring costs	11	3 153 000	124 751 000
Sum kostnader		129 965 000	1 388 418 000
Driftsresultat		-129 965 000	-1 388 418 000
Finansinntekter og finanskostnader			
Finance income	12	3 686 000	43 319 000
Sum finansinntekter		3 686 000	43 319 000
Finance cost	12	28 380 000	27 953 000
Sum finanskostnader		28 380 000	27 953 000
Netto finans		-24 694 000	15 366 000
Ordinært resultat før skattekostnad		-154 659 000	-1 373 052 000
Taxation	13	-164 912 000	-1 409 517 000
Ordinært resultat etter skattekostnad		10 253 000	36 465 000
Årsresultat		10 253 000	36 465 000
Overføringer og disponeringer			
Udekket tap		10 253 000	36 465 000
Sum overføringer og disponeringer		10 253 000	36 465 000



Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Exploration and evaluation assets	15, 25	0	0
Utsatt skattefordel	13	262 299 000	108 494 000
Sum immaterielle eiendeler		262 299 000	108 494 000
Finansielle anleggsmidler			
Investering i datterselskap	12, 14, 17	67 399 000	67 399 000
Other financial non-current assets	18, 26	99 601 000	104 770 000
Sum finansielle anleggsmidler		167 000 000	172 169 000
Sum anleggsmidler		429 299 000	280 663 000
Omløpsmidler			
Varer			
Fordringer			
Trade and other receivables	19, 26	4 310 000	10 109 000
Tax receivable from explration refund	13, 25	11 108 000	772 999 000
Assets classified as held for sale	15	0	63 897 000
Konsernfordringer	20, 25, 26	59 542 000	19 580 000
Sum fordringer		74 960 000	866 585 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents, restricted	21, 25, 26	3 978 000	38 868 000
Cash and cash equivalents, unrestricted	21, 26	12 601 000	228 526 000
Sum bankinnskudd, kontanter og lignende		16 579 000	267 394 000
Sum omløpsmidler		91 539 000	1 133 979 000
SUM EIENDELER		520 838 000	1 414 642 000



Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	22	85 266 000	85 266 000
Overkurs		154 360 000	154 360 000
Sum innskutt egenkapital		239 626 000	239 626 000
Opptjent egenkapital			
Other reserves		1 906 669 000	1 906 669 000
Udekket tap		2 418 671 000	2 428 924 000
Sum opptjent egenkapital		-512 002 000	-522 255 000
Sum egenkapital		-272 376 000	-282 629 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Interest-bearing loans and borrowings	25, 26	0	721 089 000
Leverandørgjeld	24, 26	6 620 000	113 636 000
Kortsiktig konserngjeld	20, 26	671 776 000	847 758 000
Provisions for other liabilities and charges	9, 23	114 818 000	14 787 000
Sum kortsiktig gjeld		793 214 000	1 697 270 000
Sum gjeld		793 214 000	1 697 270 000
SUM EGENKAPITAL OG GJELD		520 838 000	1 414 641 000



Skattedirektoratet

Saksbehandler
Jan Hoelstad

Deres dato
16.09.2010

Vår dato
29.09.2010

Telefon
22077325

Deres referanse
Lars Husby

Vår referanse
2010/951817

Spring Energy Norway AS
Tordenskioldsgate 6B
0160 OSLO

Søknad om tillatelse til å unnlate å utarbeide årsregnskap og årsberetning på norsk språk for Spring Energy Norway AS, org. nr: 991 870 830

Det vises til Deres søknad av 16. september 2010 hvor De søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Spring Energy Norway AS.

Bakgrunn:

Selskapene er et lete- og produksjonsfokustert olje- og gass selskap. Selskapets hovedaktivitet er å lete etter, bygge ut og produsere olje og naturgass. Selskapet henvender seg jevnlig til potensielle investorer som er utenlandsk basert, selv om hovedtyngden av aksjonærer i dag er norske. Hoveddelen av disse er likevel profesjonelle investorer. I selskapets styre er ikke alle medlemmer norsk språklig. Årsregnskap og årsberetning utarbeidet på engelsk benyttes derfor alt av styret. Selskapets arbeidsspråk er engelsk som det generelt er i bransjen. Kommunikasjon med primære lånegivere skjer alt i dag på engelsk språk. Da det er en engelsk versjon av årsregnskapet og -beretningen som vil bli benyttet for alle praktiske formål, og den norske kun utarbeides for å tilfredsstille regnskapslovens krav, anses nytten i forhold til kostnaden ved å utarbeide et norsk årsregnskap og -beretning som liten. Det søkes derfor om dispensasjon.

Skattedirektoratets vurdering og konklusjon

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som et verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til

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Postboks 9200 Grønland
0134 Oslo

skattedirektoratet@skatteetaten.no

Besøksadresse

Fredrik Selmers vei 4
Org. nr: 974761076

Sentralbord

800 80 000
Telefaks

22 17 08 60



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å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir negativt berørt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Det fremgår av søknaden at selskapene opererer innen en bransje med sterk internasjonal karakter og arbeidsspråket er engelsk. Alle sentrale aktører innen de bransjer selskapene driver, antas å måtte beherske og benytte engelsk språk.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering Spring Energy Norway AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen


Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Jan Hoelstad



Company Registration No. 991870830
Norway

Tullow Oil Norge AS

Report and Audited Financial Statements
For the year ended 31 December 2017



Tullow Oil Norge AS

Report and financial statements 2017

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Tullow Oil Norge AS

Officers and professional advisers

Directors

A Holland, chairman
H Holte, director
P Brudvik, director
R Rowland-Clark, deputy director

Officers

A Morgan, managing director

Registered office

c/o Simonsen Vogt Wiig AS
Filipstad Brygge 1
0252 Oslo

Solicitors

Simonsen Vogt Wiig AS
Filipstad Brygge 1
0252 Oslo

Bankers

JP Morgan Chase and Co.
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Auditor

Deloitte AS
Statutory Auditor
Dronning Eufemias Gate 14
0191 Oslo
Norway



Tullow Oil Norge AS

Directors' report

The directors of Tullow Oil Norge AS (the "company") present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 31 December 2017.

About Tullow Oil Norge AS

Tullow Oil Norge AS ("Tullow Oil" or "the company") is a 100% owned subsidiary of Tullow Overseas Holding B.V., an entity controlled by Tullow Oil plc.

Tullow Oil is an exploration focused oil company. The company's main business is to explore and appraise oil prospects on the Norwegian Continental Shelf. The company's offices are located in Oslo, Norway. The company sold or relinquished all of its licences during 2017.

Going concern

The company has received a guarantee from Tullow Oil plc securing continued operations. Pursuant to § 3-3 of the Norwegian Accounting Act, the Board of Directors confirms that the conditions for continued operations as a going concern are present for the company and that the annual financial statements for 2017 have been prepared under this presumption.

The financial statements

The company is financed through debt from Tullow Group. The company's equity ratio is lower than for comparable entities operating on the Norwegian Continental Shelf. Taking into consideration that Tullow Oil Plc is guaranteeing the continued operations of Tullow Oil Norge AS, the equity is considered to be at an acceptable level.

Income statement

Loss from operating activities was NOK 130.0 million in 2017, compared to a NOK 1,388.4 million loss in 2016. The reduced operating loss in 2017 is mainly attributable to downsizing of operations and the provision for onerous service contracts.

Loss before income tax at the end of 2017 amounted to NOK 154.7 million, compared to a NOK 1,373.1 million loss in 2016.

In 2017, the company incurred an income tax credit of NOK 164.9 million, a reduction from NOK 1,409.5 million in 2016.

The net profit after tax was NOK 10.2 million in 2017, compared to a profit of NOK 36.5 million in 2016.

Balance sheet

The total assets amounted to NOK 520.8 million at the end of 2017, of which total non-current assets represented NOK 429.3 million.

Tax receivable amounted to NOK 11.1 million at year end 2017. The year-end cash position amounted to NOK 16.6 million.

Total interest-bearing debt was NOK 721.1 million at the end of 2016 and NOK nil at end 2017, as a result of a full repayment and cancellation of the Revolving Exploration Finance Facility.



Tullov Oil Norge AS

Directors' report (continued)

Cash flow statement

Cash generated from operating activities amounted to NOK 519.4 million in 2017, compared to NOK 467.4 million in 2016.

Net cash flow generated from investing activities amounted to NOK 191.1 million in 2017, compared to NOK 422.7 million used in investing activities in 2016.

Net cash flow utilised in financing activities was NOK 961.4 million in 2017. At the end of 2017 cash and cash equivalents was NOK 16.6 million.

Allocation of profit for the year

In 2017, Tullov Oil Norge AS posted a net profit of NOK 10.2 million. The Board of Directors proposes the following allocation (NOK million):

Transferred to retained earnings: 10.2

Risk factors

The company was subject to a variety of inherent risks deriving from the nature of the oil and gas exploration and production business. As all licences were sold or relinquished during 2017, the risks are significantly reduced.

Risk is inherent across the company's operations, and all activities with a potential corporate or business impact are subject to an appropriate review to ensure that risks can be mitigated and controlled.

Operational risks

Operational risks are dependent on the continued performance of the company's operational assets. As all licences were sold or relinquished during 2017, the risks are significantly reduced.

Credit risks

A credit risk arises if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. The company has no significant exposure to credit risk from its operating activities.

Financing and liquidity risks

Liquidity risks arise from not having the necessary resources available to meet maturing liabilities with regard to timing, volume and currency structure.

Based on the company's current available credit lines and cash contributions from production, the company regards the financing and liquidity risks as low. Nevertheless, it is important to note that failure to maintain liquidity could have an adverse financial impact on the company's performance.

Currency risks

Currency risks for the company are a direct result of multi-currency cash flows within the company. The biggest single driver behind this risk results from the mismatch of the currencies required for funding exploration and development initiatives and the currencies of the company's source of funding.



Tullow Oil Norge AS

Directors' report (continued)

Interest risks

Changes in market interest rates affect future interest payments for variable-interest-liabilities. As a result, significant interest rate increases can have an adverse effect on the company's profitability, liquidity and financial position.

Health, safety and environment / equal opportunities

The company aims to carry out its operations to the best health and safety standards and seek to promote a strong safety-oriented culture.

The company experienced no major accidents, injuries, incidents or any environmental claims during the year.

The company has no employees by year-end 2017, and thereby does not have a work environment to comment on.

Currently no member of the Board of Directors is female.

The company is continuously working on assuring the quality in its entire operations. With no licences, the operations of the company have a low potential of polluting the external environment.

Outlook

In January 2017 the company sold its interest in two licences to Conoco Phillips: PL 626 and PL 775. In March 2017, Statoil acquired the company's interest in licence PL 827. In June 2017, the company's interests in PL 636, PL 746S, PL 776, PL 786, PL 791 and PL 826 were sold to Pandion Energy.

During 2017, licences PL 651, PL 689, PL 750/750B and PL 774/774B were relinquished. As a result, the company holds no licences at year end 2017.

Approved by the board of directors and signed on its behalf by:


Adam Holland
Chairman of the Board
14 February 2019


Halvdan Løyken Holte
Board Member
14 February 2019


Pål Brudvik
Board Member
14 February 2019


Adam Morgan
Managing Director
14 February 2019



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To the General Meeting of Tullow Oil Norge AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tullow Oil Norge AS which comprise the balance sheet as at 31 December 2017, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, 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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with simplified application of International Accounting Standards according to the

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Registrert i Foretaksregisteret
Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282



Norwegian Accounting Act section 3-9, and for such internal control as management determines 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, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going



concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Other Matters

This audit report replaces our previous audit report as of 30.06.2018, which was issued at the statutory deadline for holding the annual shareholders meeting. Complete annual financial statements and Board of Directors report were at this point in time not submitted by the Board of Directors.

Stavanger, 14 February 2019
Deloitte AS

Arnstein Antonsen
State Authorised Public Accountant



Tullow Oil Norge AS

Statement of comprehensive income For the year ended 31 December 2017

	Notes	2017 NOK'000	2016 NOK'000
Revenue from crude oil and gas sales	7	-	-
Cost of sales		-	-
Gross profit / (loss)		-	-
Exploration costs written off	8,10,11	7,552	(1,232,484)
General and administrative expenses	8,9,11	(19,546)	(31,183)
Provision for onerous service contracts	23	(114,818)	-
Restructuring costs	11	(3,153)	(124,751)
Loss from operating activities		(129,965)	(1,388,418)
Finance income	12	3,686	43,319
Finance costs	12	(28,380)	(27,953)
Loss before income tax		(154,659)	(1,373,052)
Taxation	13	164,912	1,409,517
Profit for the year after taxation		10,253	36,465
Other comprehensive income		-	-
Total comprehensive income for the year		10,253	36,465

All transactions in the current and previous year are derived from continuing operations.

The notes on page 15 - 41 form an integral part of these financial statements.



Tulow Oil Norge AS

Statement of financial position At 31 December 2017

	Notes	2017 NOK'000	2016 NOK'000
Assets			
Non-current assets			
Intangible assets			
Exploration and evaluation assets	15,25	-	-
Deferred tax assets	13	262,299	108,494
Total Intangible assets		262,299	108,494
Tangible assets			
Oil and gas properties	16	-	-
Furniture, fixtures and office machines	16	-	-
Total tangible assets		-	-
Financial non-current assets			
Investment in subsidiaries	12,14,17	67,399	67,399
Other financial non-current assets	18,26	99,601	104,770
Total financial non-current assets		167,000	172,169
Total non-current assets		429,299	280,663
Current assets			
Trade and other receivables	19,26	4,310	10,109
Cash and cash equivalents, restricted	21,25,26	3,978	38,868
Cash and cash equivalents, unrestricted	21,26	12,601	228,526
Receivables from group companies	20,25,26	59,542	19,580
Tax receivable from exploration refund	13,25	11,108	772,999
Assets classified as held for sale	15	-	63,897
Total current assets		91,539	1,133,980
Total assets		520,838	1,414,641



Tullov Oil Norge AS

Statement of financial position (continued)

At 31 December 2017

	Notes	2017 NOK'000	2016 NOK'000
Equity and liabilities			
Equity			
Paid-in capital			
Share capital	22	85,266	85,266
Share premium		154,360	154,360
Other paid-in capital		-	-
Other reserves		1,906,669	1,906,669
Total paid-in capital		2,146,295	2,146,295
Retained earnings		(2,418,671)	(2,428,924)
Total equity		(272,376)	(282,629)
Non-current liabilities			
Provisions for other liabilities and charges	23	-	-
Total non-current liabilities		-	-
Current liabilities			
Trade and other payables	24,26	6,620	113,636
Payables to group companies	20,26	671,776	847,758
Provisions for other liabilities and charges	9,23	114,818	14,787
Interest-bearing loans and borrowings	25,26	-	721,089
Total current liabilities		793,214	1,697,270
Total liabilities		793,214	1,697,270
Total equity and liabilities		520,838	1,414,641



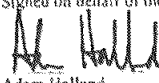
Tullow Oil Norge AS

Statement of financial position (continued)
At 31 December 2017

The notes on page 15 – 41 form an integral part of these financial statements.

The financial statements of the company, Tullow Oil Norge AS (company no: 991870830), were approved and issued by the board of directors and authorised for issue on 14 February 2019.

Signed on behalf of the board of directors on 14 February 2019 by:


Adam Holland
Chairman of the Board
14 February 2019


Halldan Løyen Holte
Board Member
14 February 2019


Pål Brudvik
Board Member
14 February 2019


Adam Morgan
Managing Director
14 February 2019



Tullow Oil Norge AS

Statement of changes in equity For the year ended 31 December 2017

	Share capital NOK'000	Share premium NOK'000	Other reserves NOK'000	Accumulated loss NOK'000	Total NOK'000
Balance at 31 December 2015	85,266	154,360	1,888,413	(2,465,390)	(337,350)
Total comprehensive income for the year	-	-	-	36,465	36,465
Share-based payment, group scheme	-	-	18,256	-	18,256
Balance at 31 December 2016	85,266	154,360	1,906,669	(2,428,924)	(282,629)
Total comprehensive income for the year	-	-	-	10,253	10,253
Balance at 31 December 2017	85,266	154,360	1,906,669	(2,418,671)	(272,376)

Note

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The notes on page 15 - 41 form an integral part of these financial statements.



Tullow Oil Norge AS

Statement of cash flows

For the year ended 31 December 2017

	Notes	2017 NOK'000	2016 NOK'000
Cash flows from operating activities			
Loss before income tax		(154,659)	(1,373,052)
Income tax refunded	13	772,999	505,249
Depreciation and amortisation	16	-	4,207
Impairment	14,16,17	-	3,653
Provision for onerous service contracts	23	114,818	-
Expensed capitalised exploration costs	10	(7,552)	1,232,484
Expensed share-based payment recognised in equity	8	-	18,256
Net interest income		24,694	23,218
Change in trade and other receivables		1,045	56,016
Change in trade and other payables		(231,940)	(2,642)
Net cash inflow from operating activities		519,405	467,389
Cash flows from investing activities			
Disposal of E&E assets (proceeds)	15	63,897	-
Investment in exploration and evaluation assets	15	-	(868,144)
Sale and relinquishment of licences	15	123,551	-
Investment in furniture, fixtures and office machines	16	-	(786)
Proceeds from sale of licences	7	-	442,301
Interest income		3,686	3,954
Net cash inflow / (outflow) from investing activities		191,134	(422,675)
Cash flows from financing activities			
Drawdown of bank loans	25	-	741,214
Repayment of bank loans	25	(724,863)	(553,041)
Borrowings from group companies	20	(216,783)	(123,574)
Interest and fees paid		(19,708)	(31,998)
Net cash (outflow) / inflow from financing activities		(961,354)	32,602
Net (decrease) / increase in cash and cash equivalents		(250,815)	77,316
Cash and cash equivalents at beginning of the year	21	267,394	190,078
Cash and cash equivalents at end of the year	21	16,579	267,394

The notes on page 15 - 41 form an integral part of these financial statements.



Tullow Oil Norge AS

Notes to the financial statements

For the year ended 31 December 2017

1. Corporate information

Tullow Oil Norge AS ("the company") is a private limited liability company incorporated and domiciled in Norway. Its registered office is c/o Simonsen Vogt Wiig AS, Filipstad Brygge 1, 0252 Oslo, Norway.

Tullow Oil Norge AS was established 19 October 2007 with operations commencing in March 2008. The company is an oil and gas company operating on the Norwegian Continental Shelf. The company has not prepared consolidated financial accounts for the year ending 31 December 2017, since the company and its subsidiaries are included in the consolidated accounts of the ultimate parent company.

The financial statements of Tullow Oil Norge AS for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2019.

2. Accounting Principles

Basis of preparation

The Financial Statements of the company have been prepared in accordance with the Norwegian Accounting Act of 17 July 1998, § 3-9 and regulations regarding the simplified application of International Financial Reporting Standards (IFRS) as determined by the Ministry of Finance on 21 January 2008 ("Norwegian Simplified IFRS"). This mainly implies that recognition and measurement are in accordance with the Simplified International Financial Reporting Standards (IFRSs) pursuant to the Norwegian Act 3-9, presentation and disclosures are prepared in accordance with the Norwegian Accounting Act.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The functional and reporting currency of the company is Norwegian krone (NOK).

Adoption of new and revised standards

Standards not affecting the reported results or the financial position

All relevant new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the company.

Classification of expenses

Expenses are classified in the income statement based on their function within the entity. Exploration expenses as presented in the income statement include a share of salaries and related expenses and other indirect administrative expenses reclassified using allocation keys based on time writing.

Balance sheet classification

Current assets and current liabilities include items due less than a year from the balance sheet date, and items related to the operating cycle, if longer. Other assets and liabilities are classified as non-current. The current portion of non-current debt is included under current liabilities. Financially motivated investments in shares are classified as current assets, while strategic investments are classified as non-current assets.

Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Accounting Principles (continued)

Investment in subsidiaries

The investment in subsidiaries is carried in the balance sheet valued at historical cost less any impairment losses.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends/group contributions exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet of the company.

Interests in joint arrangements

The company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The company is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. Interests in joint operations are recognized by including the company's share of assets, liabilities, income and expense on a line-by-line basis. In addition, where the company acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint venture are included in the company balance sheet.

Exploration, evaluation and production assets

The company adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement, unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the company's depletion and amortisation accounting policy.

Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs, and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves, and a 50 per cent statistical probability that it will be less.

Depletion and amortisation – discovered fields

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Accounting Principles (continued)

Depletion and amortisation – discovered fields (continued)

Where there has been a change in economic conditions that indicates a possible impairment in a discovered field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash generating unit for impairment purposes.

Any impairment identified is charged to the income statement as additional depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

Disposal of oil and gas assets

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Gains and losses on disposals are recorded without tax effects.

Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and five years.

Farm in and farm out in exploration phase

Agreements in connection with acquisition/sale of interests in licenses (Farm in / Farm out agreements) in the exploration phase, often involve a situation where the owner of a working interest (the farmor) transfers a portion of its working interest to another party (the farmee) in return for the farmee's performance of some agreed upon action. For example, the farmee may agree to cover drilling expenses for the farmor limited up to a fixed amount. In return, the farmor agrees to transfer a portion of the working interest in the property to the farmee. This well carry / carried interest is accounted for by the farmee as the costs are incurred and is classified in accordance with the policy for treatment of the exploration expenses (for Tullow Oil Norge AS successful efforts method). The farmor does not record any profit or loss but accounts for the well carry as a reduction in expenses when it occurs.

Costs incurred prior to the completion of the transaction, and carried by the farmee, are accounted for as license costs, net of tax.

In the development phase or production phase, a farm in / farm out agreement as described above is treated as a transaction recorded at fair value as represented by the costs carried by the farmee.

Tullow Oil Norge AS**Notes to the financial statements (continued)****For the year ended 31 December 2017****2. Accounting Principles (continued)****Asset swaps involving only exploration and evaluation Assets**

The company accounts for exploration and evaluation assets obtained in a swap transaction at the carrying amount of the asset given up, except in transactions where there is cash compensation in addition/in between.

Asset swaps involving PP&E

The acquisition of PP&E in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, is measured at fair value at the time of the transaction, with recognition of profit or loss. The exception for such measurement at fair value is in transactions where the exchange transaction lacks commercial substance, or the fair value of neither the asset received nor the asset given up can be reliably measured.

If exploration and evaluation assets are acquired in exchange for PP&E or intangible assets, such transactions are also measured at fair value at the time of the transaction, with recognition of profit or loss, unless the exchange transaction lacks commercial substance, or the fair value of neither the asset received nor the asset given up can be reliably measured.

Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Accounting Principles (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and liabilities and of allocating interest income / interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Foreign currency translation and transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into functional currency at the balance sheet date exchange rates. Non-monetary items are translated at the historical exchange rate on the transaction date and non-monetary items that are measured at fair value are translated at the exchange rate on the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange differences arising in respect of operating business items are included in operating profit in the appropriate income statement account. Those arising in respect of financial assets and liabilities are recorded net as a financial item.

Dividends

Dividends to holders of equity instruments are recognised as a liability when it is proposed by the board of directors. This represents a GAAP difference between IFRS as adopted by the EU and "Norwegian Simplified IFRS".

Revenues from production of oil and gas

Revenues from the production of oil and gas properties are recognised on the basis of the company's net working interest in those properties, regardless of whether the production is lifted and sold (the entitlement method). The revenue recognition according to the entitlement method is based on actual production in the period.

Underlift and overlift of oil and gas follows from the entitlement method and is valued at its net realisable value on the balance sheet date. Underlift and overlift is calculated as the difference between Tullow Oil Norge's share of production and its actual sales and are classified as respectively current assets and current liabilities. If accumulated production exceeds accumulated sales there is an underlift (asset) and if accumulated sales exceeds accumulated production there is an overlift (liability). Changes in underlift / overlift are recognised within "cost of sales".

Revenues from sales of services are recorded when the service has been performed.

Tullow Oil Norge AS**Notes to the financial statements (continued)****For the year ended 31 December 2017****2. Accounting Principles (continued)****Income taxes**

The income tax expense / credit consists of current income tax (taxes payable/receivable) and changes in deferred income tax.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Oil-exploration companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim a 78% cash refund of their exploration costs, limited to taxable losses for the year. The refund is paid out in December in the following year. This tax receivable is classified as a current asset.

Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full. The carrying amount of deferred income tax assets related to onshore activities are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets related to onshore activities are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority / tax regime. Timing differences are considered.

Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Accounting Principles (continued)

Employee benefits

Pensions

According to Norwegian law employees are mandatory members of the Norwegian Pension Scheme ("obligatorisk tjenestepensjon"). The pension scheme used in Tullow Oil Norge is based on a contribution plan. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Share-based payment

The cost of share-based payments consisting of share based awards based on equity-settled shares or share options over the shares in Tullow Oil Plc (Ultimate parent company) granted to employees and others providing similar services, is measured by reference to the fair value of the options or other equity instruments at the date on which they are granted. The fair value of the options or other equity instruments is estimated on the grant date and charged to the income statement over the vesting period, together with a corresponding increase in equity. The vesting period is the period in which the performance conditions are fulfilled, ending on the date on which they become fully entitled to the award ('vesting date'). The share based payments will be settled by Tullow Oil Plc, and the company is not required to provide any repayment to Tullow Oil Plc.

Provisions and contingent liabilities

A provision is recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as a finance cost.

Contingent liabilities that have not been recognised based on the criteria listed above could be subject to recognition if such liabilities are acquired through a business combination. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Cash flow statement

The cash flow statement is prepared using the indirect method.

Segment reporting

The company has identified its reportable segments based on the nature of the risk and return within its business. The company's only business segment is oil and gas on the Norwegian Continental Shelf.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial or operational decisions. Parties are also related if they are subject to common control.

Transactions between related parties are transfers of resources, services or obligations, regardless of whether a price is charged. All transactions between related parties are made based on the principle of 'arm's length', which is the estimated market price.

Tullow Oil Norge AS**Notes to the financial statements (continued)****For the year ended 31 December 2017****2. Accounting Principles (continued)****Critical accounting estimates and judgements**

The preparation of financial statements requires management to make judgments, use estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses.

Although these estimates are based on management's best knowledge of historical experience and current events, actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Changes in estimates will be recognised when new estimates can be determined with certainty.

Currently, the company's most important accounting estimates are related to the following items:

Carrying value of intangible exploration and evaluation assets

Where a project is sufficiently advanced, the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgmental to value. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Impairment Indicators

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the oil price and reserves and resources assumption may change, which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of tangible and intangible assets. The company monitors internal and external indicators of impairment relating to its tangible and intangible assets. See note 14.

Provisions

Provisions such as workforce reductions, onerous contracts and legal claims are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value. See note 23.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. See note 28.



Tullov Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Accounting Principles (continued)

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

The Norwegian entities are subject to the Norwegian oil taxation regime which involves an allocation of indirect costs to exploration expenses as items allowable for tax deductions and subsequent tax refunds. The allocation and the calculated tax receivable is based on judgments and understanding by the Companies regarding items allowable for tax deduction, and the view may differ from the Norwegian Authorities' practice in the final settlement of the tax refund. See Note 13.

3. Financial risk management

Overview

The company is exposed to a variety of risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the company's exposure to each of the above mentioned risks, and the company's objectives, policies and processes for managing such risks. The note also presents the company's objectives, policies and processes for managing capital.

Credit risk

The company has no significant concentration of credit risk. The company is exposed to credit risk related to trade receivables, over call joint venture, non-current financial receivables and cash and cash equivalents. Sales are only made to customers that have not experienced any significant payment problems. Cash and cash equivalents are receivables from banks.

Liquidity risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the company's reputation. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the company aims to maintain flexibility in funding by keeping both committed and uncommitted credit lines available. See note 25 for information about available credit lines and the maturity profile of interest bearing debt, and note 24 for the maturity profile of trade and other payables.

Interest rate risk

The company's interest rate risk arose from its interest bearing borrowings. As at 31 December 2017 there is no interest bearing debt. See note 25 for information about the floating interest rate conditions on the Revolving Exploration Loan Facility. Borrowings issued with floating interest rate conditions exposed the company to cash flow interest rate risk. The company may, from time to time, seek to reduce its interest rate risk by entering into floating-to-fixed interest rate swaps. No such swaps have been used in 2017 or 2016.

Currency risk

The company is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies, mainly due to operational costs in USD and EUR. The company may, from time to time, seek to reduce the currency risk by entering into foreign currency instruments. No such instruments have been used in 2017 or 2016.

**Tullow Oil Norge AS****Notes to the financial statements (continued)****For the year ended 31 December 2017****3. Financial risk management (continued)****Capital management**

The overall objective of the company is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may issue new shares, sell assets to reduce debt, or return capital to shareholders through dividend payments.

4. Asset acquisitions and disposals**Acquisitions of exploration licences:**

Acquired in 2017	
Licence	Interests acquired
none	nil

Acquired in 2016	
Licence	Interests acquired
PL 651	25.0 %

Disposals of exploration licences:

Sales in 2017	
Licence	Interests disposed
PL 626	30.0 %
PL 636	20.0 %
PL 746S	30.0 %
PL 775	40.0 %
PL 776	40.0 %
PL 786	50.0 %
PL 791	50.0 %
PL 826	30.0 %
PL 827	40.0 %

Relinquishment in 2017:	
Licence	Interests disposed
PL 651	60.0 %
PL 689	20.0 %
PL 750 / 750B	60.0 %
PL 774 / 774B	40.0 %

**Tullow Oil Norge AS****Notes to the financial statements (continued)****For the year ended 31 December 2017****4. Asset acquisitions and disposals (continued)****Disposals of exploration licences: (continued)**

Sales in 2016	
Licence	Interests disposed
PL 405	15.0 %
PL 507	65.0 %
PL 537	20.0 %
PL 610	37.5 %
PL 650	25.0 %
PL 659	15.0 %
PL 695	40.0 %
PL 784	40.0 %
PL 811	20.0 %
PL 838	30.0 %
PL 843	20.0 %
PL 855	20.0 %
Relinquishment in 2016:	
Licence	Interests disposed
PL 438	17.5 %
PL 494	15.0 %
PL 519	20.0 %
PL 550	80.0 %
PL 551	80.0 %
PL 583	55.0 %
PL 591	40.0 %
PL 670	30.0 %
PL 681	64.0 %
PL 701	30.0 %
PL 709	40.0 %
PL 710	20.0 %
PL 738	60.0 %
PL 744S	40.0 %
PL 755	20.0 %



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

5. Investments in Joint Ventures

Interests in production licences on the Norwegian Continental Shelf as of

Licence source	Licence portfolio	Dec-17	Dec-16
APA 2011	PL 626	0.0 %	30.0 %
APA 2011	PL 636	0.0 %	20.0 %
APA 2011	PL 651	0.0 %	60.0 %
APA 2012	PL 689	0.0 %	20.0 %
APA 2013	PL 750 (operator)	0.0 %	60.0 %
APA 2013	PL 746S	0.0 %	30.0 %
APA 2014	PL 774 (operator)	0.0 %	40.0 %
APA 2014	PL 775 (operator)	0.0 %	40.0 %
APA 2014	PL 776 (operator)	0.0 %	40.0 %
APA 2014	PL 786	0.0 %	50.0 %
APA 2014	PL 791	0.0 %	50.0 %
APA 2015	PL 826	0.0 %	30.0 %
APA 2015	PL 827S (operator)	0.0 %	40.0 %

APA 2015, these included one new operatorship.

On 31 January 2017, the company completed the divestment of its working interest in PL 626 (30%) and PL 775 (40%) to ConocoPhillips AS.

On 31 March 2017, the company completed the divestment of its working interest in PL 827S (40%) to Statoil Petroleum AS.

On 22 June 2017, the company completed the divestment of its working interest in PL 636 (20%), PL 746S (30%), PL 776 (40%), PL 786 (50%), PL 791 (50%) and PL 826 (30%) to Pandion Energy AS.

In February 2017, the relinquishments of PL 651, PL 689, PL 750 and PL 774 were formally approved by partners in the licences.

6. Segment information

Operating segments align with internal management reporting and the segments are determined based on differences in the nature of their operations, products and geographical location of the activity. The company has only one business segment, which is oil and gas exploration, development and production, and one geographical area which is the Norwegian Continental Shelf. The segment and geographical information will therefore be the same in the income statements, the balance sheets and the statements of cash flow.

7. Revenue

No revenues from crude oil and gas sales were recognised in 2017 and 2016.



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

8. Personnel expenses

	2017 NOK'000	2016 NOK'000
Salary expenses	(957)	73,026
Share-based payments	-	18,256
Employer's payroll tax expenses	8,249	11,446
Pensions	1,199	14,287
Total personnel expenses	8,491	117,014

Number of man-years during the year 12.5 44.5

During 2017 all employees have left the company due to the company ending its business in Norway.

Pensions

The company had a defined contribution pension plan for its employees which satisfied the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenstepensjon").

	2017 NOK'000	2016 NOK'000
Contribution to defined contribution plan recognised as expense	1,199	8,016
Salary compensation for private pension schemes	-	6,272
Total expenses for pensions	1,199	14,287

Please refer to note 27 for details on compensation to Business Manager and Board of Directors.

Expenses arising from share-based payments:

	2017 NOK'000	2016 NOK'000
Share-based payments (group scheme)	-	18,256
Total expenses arising from share-based payments	-	18,256

The information on calculation of share-based payment is provided in the financial statements of the ultimate parent company (Tullow Oil plc). See also note 17 for more details.

The employee would, if certain objectives were met, each year be granted a bonus as a percentage of the total fixed salary in the range of 0-30%.

Most employees took part in the prevailing Employee Share Award Plan ("ESAP") which has replaced the previous Share Option Scheme ("2010 SOP") for grants in 2014. Most employees were eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to ten years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions.

Senior executives take part in the Tullow Incentive Plan ("TIP") described in note 27.



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

9. Operating leases

Operating expenses related to lease are agreements accounted for as operating leases

The company had a lease contract for office facilities in 2017 and 2016. Most of the leased space was vacated as at 31 March 2017. The last part of the lease contract was terminated as at 30 June 2017.

	2017 NOK'000	2016 NOK'000
Building	2,908	14,277
Total	2,908	14,277

Future minimum lease payments under non-cancellable lease agreements

As at 31 December 2017 Tullow Oil Norge AS has no future minimum lease payments under non-cancellable lease agreements.

Other commitments:

The company's future commitments related to vessel and helicopter lease, and seismic contracts:

	2017 NOK'000	2016 NOK'000
Within 1 year	-	14,787
1 to 5 years	-	-
After 5 years	-	-
Total	-	14,787

10. Exploration costs written off

	Note	2017 NOK'000	2016 NOK'000
Expensed previously capitalised new venture exploration expenses	15	5,796	54,484
Expensed previously capitalised other exploration expenses	15	2,963	1,421,513
Expenses for onerous (loss) contracts		(16,311)	(243,513)
Total exploration costs written off		(7,552)	1,232,484

Those parts of personnel and other operating expenses that can be ascribed to exploration have been reclassified and allocated to exploration expenses.

Expenses for onerous (loss) contracts are mainly related to recognised provision and prepayments in connection with not utilised slots in Borgland Dolphin rig consortium. See also note 23.



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

11. General and administrative expenses

	Note	2017 NOK'000	2016 NOK'000
Total personnel expenses	8	8,491	117,014
Lease expenses	9	2,908	14,277
Consulting, legal and audit fees		6,865	22,731
IT expenses		4,992	14,837
Depreciation classified as general and administrative expenses	16	-	7,860
Other operating expenses		1,457	26,357

Total general and administrative expenses before allocations and recharging	24,713	203,077
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Of this:

Total general and administrative expenses charged to group companies	(263)	(8,728)
Total general and administrative expenses allocated to exploration, cost of goods sold and joint venture partners	(4,904)	(163,167)

Total general and administrative expenses in income statement	19,546	31,183
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Auditor's fees

	2017 NOK'000	2016 NOK'000
Auditing services	689	1,288
Other advisory services	113	119
Joint venture audit fees	84	83

Total auditor's fees	886	1,489
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Restructuring costs of NOK 3.2 million in 2017 and NOK 124.8 million in 2016 were related to workforce reductions and onerous contracts in connection with downsizing of operations.

12. Net financial items

	2017 NOK'000	2016 NOK'000
Interest income on bank accounts and receivables	176	492
Interest income on tax refund	3,286	3,272
Interest expense on financial liabilities measured at amortised cost	(22,910)	(38,998)
Net exchange rate (loss) / gain	(5,236)	11,964
Reversed provision related to Serica consideration ⁽¹⁾	-	39,365
Impairment of receivables from group companies ⁽²⁾	-	(781)
Other financial (expenses) / income	(10)	52

Net financial items	(24,694)	15,366
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⁽¹⁾ See note 23 for more details.

⁽²⁾ The loan balance between Tullow Oil Norge AS and subsidiary Tullow Oil (International) Norge Limited has been impaired in 2016 due to dissolving of Tullow Oil (International) Norge Limited in 2017.



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

13. Taxes

	2017 NOK'000	2016 NOK'000
Income taxes recognised in the income statement		
Tax refund of exploration costs NCS	11,108	772,999
Tax refund of exploration costs NCS, previous year	-	3,719
Change in deferred tax	153,804	632,798
Total income taxes recognised in the income statement	164,912	1,409,517
Reconciliation of income taxes		
Loss before income tax	(154,559)	(1,373,052)
Expected income tax at nominal tax rate (25%)	37,118	343,263
Expected petroleum tax (53%)	83,516	727,717
Financial items	(8,345)	(9,596)
Permanent differences	52,039	350,567
Adjustment deferred tax prior years	-	(1,838)
Uplift, earned prior years	-	-
Uplift, earned current years	-	-
Changes related to new tax rates	(2,638)	(2,281)
Changes related to prior years	3,529	3,719
Other items	(307)	(2,035)
Total income taxes recognised in the income statement	164,912	1,409,517
Effective income tax rate	(189.1%)	(102.7%)
Tax refund recognised in the balance sheet		
Tax refund of exploration costs NCS recognised in tax income	11,108	772,191
Total Tax refund recognised in the balance sheet	11,108	772,191
Specification of tax effects on temporary differences, tax losses and uplift carried forward		
Tangible and intangible non-current assets	(73,527)	(125,959)
Other assets and liabilities	89,558	10,628
Tax losses carried forward, onshore	-	120
Tax losses carried forward, offshore 24% / 25%	115,410	107,394
Tax losses carried forward, offshore 54% / 53%	115,969	101,915
Uplift carried forward, 54% / 53%	14,889	14,517
Total deferred tax assets	262,299	108,614



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

13. Taxes (continued)

Specification of tax effects on temporary differences, tax losses and uplift carried forward (continued)

	2017 NOK'000	2016 NOK'000
Valuation allowance for deferred tax assets	-	(120)
Total deferred tax assets recognised	262,299	108,494
Change in deferred taxes	2017 NOK'000	2016 NOK'000
Deferred tax income	153,804	632,798
Total change in deferred taxes	153,804	632,798

Tax rates for 2017 are 24% for taxable income/ loss subject to the ordinary tax regime, and 54% for taxable income/ loss subject to the special tax regime. As at 1 January 2018 tax rates in force will be amended to 23% in the ordinary tax regime and 55% in the special tax regime. Deferred taxes in the balance sheet are recognised at tax rates in force as at 1 January 2018.

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full.

14. Impairment

Investment in subsidiaries

An impairment loss of TNOK 142,193 has been recognised to reduce the carrying amount of investment in subsidiary Tullow Oil (Bream) Norge AS to estimated fair value of TNOK 67,399. The impairment of shares reflects an impairment of the underlying assets in the subsidiary, and was partly offset by reversal of previously impaired receivable from Tullow Oil (Bream) Norge AS converted to equity. No further impairment of investment in subsidiary Tullow Oil (Bream) Norge AS was necessary in 2017 or 2016.

15. Intangible assets

	Exploration and evaluation assets NOK'000
2017	
Cost at 1 January 2017	-
Additions	8,759
Expensed exploration expenditures previously capitalised	(8,759)
Cost at 31 December 2017	-



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

15. Intangible assets (continued)

Accumulated amortisation and impairment at 1 January 2017	-
Amortisation for the year	-
Impairment	-
Disposals	-
Accumulated amortisation and impairment at 31 December 2017	-
Carrying amount at 31 December 2017	-

Exploration and evaluation assets NOK'000

2016	
Cost at 1 January 2016	1,480,125
Additions	164,539
Transferred to assets classified as held for sale	(63,897)
Transferred to financial assets	(104,770)
Expensed exploration expenditures previously capitalised	(1,475,997)
Cost at 31 December 2016	-
Accumulated amortisation and impairment at 1 January 2016	-
Amortisation for the year	-
Impairment	-
Disposals	-
Accumulated amortisation and impairment at 31 December 2016	-
Carrying amount at 31 December 2016	-

16. Tangible assets

	Oil and gas properties NOK'000	Furniture, fixtures and office machines NOK'000	Total NOK'000
2017			
Cost at 1 January 2017	-	-	-
Additions	-	-	-
Disposals	-	-	-
Cost at 31 December 2017	-	-	-



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

16. Tangible assets (continued)

	Oil and gas properties NOK'000	Furniture, fixtures and office machines NOK'000	Total NOK'000
Accumulated depreciation and impairment at 1 January 2017	-	-	-
Depreciation for the year	-	-	-
Impairment	-	-	-
Disposals	-	-	-
Accumulated depreciation and impairment at 31 December 2017	-	-	-
Carrying amount at 31 December 2017	-	-	-
	Oil and gas properties NOK'000	Furniture, fixtures and office machines NOK'000	Total NOK'000
2016			
Cost at 1 January 2016	-	21 184	21 184
Additions	-	786	786
Cost at 31 December 2016	-	21 970	21 970
Accumulated depreciation and impairment at 1 January 2016	-	(14,109)	(14,109)
Depreciation for the year	-	(4,207)	(4,207)
Impairment	-	(3,653)	(3,653)
Accumulated depreciation and impairment at 31 December 2016	-	(21 970)	(21 970)
Carrying amount at 31 December 2016	-	-	-



Tullow Oil Norge AS

Notes to the financial statements (continued) For the year ended 31 December 2017

17. Investments in subsidiaries

Company	Principal activity	Country	Date of acquisition /Incorporation	Ownership and voting share	Profit/(Loss)	Equity
				2017	2017	2017
Tullow Oil (Bream) Norge AS	Oil and gas exploration	Norway	2008/10/31	100%	TNOK (4,400)	TNOK 67,514
Tullow Oil (International) Norge Limited	Oil and gas exploration	United Kingdom	2012/04/13	100%	TGBP (2)	TGBP 2

The company is included in the consolidated financial statements of the ultimate parent company (Tullow Oil plc), and no consolidated financial statements have been prepared for Tullow Oil Norge AS and its subsidiaries. The consolidated financial statements of Tullow Oil plc can be obtained at the company's registered office, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, England. Refer to note 14 for information about impairment of investment in subsidiary.

18. Financial non-current assets

	2017 NOK'000	2016 NOK'000
Contingent receivable ⁽¹⁾	99,601	104,770
Financial Non-Current Assets at 31 December	99,601	104,770

⁽¹⁾ Contingent receivable related to divestment of PL 537 Wisting, classified as financial instrument measured at fair value.

19. Trade and other receivables

	2017 NOK'000	2016 NOK'000
Trade receivables	115	-
Working capital and over call, joint venture	79	3,367
Prepayments	-	3,559
VAT receivable	277	3,184
Other deposits	3,839	-
Total Trade and other receivables	4,310	10,109

The receivables all mature within one year.

20. Intercompany balances

Receivables from group companies	2017 NOK'000	2016 NOK'000
Tullow Oil (Bream) Norge AS	-	62
Tullow Ghana Limited	-	-
Tullow Oil Finance Limited	58,674	19,622
		34



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

20. Intercompany balances (continued)

	2017 NOK'000	2016 NOK'000
Receivables from group companies (continued)		
Tullow Uganda Operation PTI Ltd	-	-
Tullow Group Services Limited	811	29
Tullow Oil Limited	57	18
Tullow Oil (Intl) Norge Ltd	-	(151)

Total receivables from group companies	59,542	19,580
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	2017 NOK'000	2016 NOK'000
Payables from group companies		
Tullow Oil Finance Limited	663,015	842,852
Tullow Group Services Limited	7,121	2,986
Tullow Oil (Bream) Norge AS	-	76
Tullow Oil International	-	-
Tullow Oil Canada Ltd	1,300	-
Tullow Greenland Exploration Limited	36	-
Tullow Oil Limited	304	1,845

Total payables from group companies	671,776	847,758
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21. Cash and cash equivalents

	2017 NOK'000	2016 NOK'000
Bank deposits, restricted	3,978	38,868
Bank deposits, unrestricted	12,601	228,526

Total cash and cash equivalents	16,579	267,394
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Restricted bank deposits include interest reserve account, pledge account, office rental deposit and employee taxes.

22. Share capital and shareholder information

Number of shares issued and fully paid	Ordinary shares	Preference A shares	Preference B shares	Total
Number of shares at 1 January 2016	1,058	-	-	1,058
Number of shares at 31 December 2016	1,058	-	-	1,058
Number of shares at 31 December 2017	1,058	-	-	1,058

At 31 December 2017, the par value for ordinary shares is NOK 80 591.5. Each share has equal voting rights.



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

22. Share capital and shareholder information (continued)

Shareholders as of end December 2017

Tullow Overseas Holding BV owns 100% of the shares in the company.

Dividends

No dividends are proposed for 2017.

23. Provisions for liabilities and charges

2017	Provisions for onerous contracts NOK'000	Other provisions NOK'000	Total NOK'000
At 1 January 2017	14,787	-	14,787
Additions	100,031	(9)	100,022
Translation difference and other changes	-	9	9
Provisions at 31 December 2017	114,818	-	114,818
2016	Provisions for onerous contracts NOK'000	Other provisions NOK'000	Total NOK'000
At 1 January 2016	538,728	41,799	580,527
Additions	(523,941)	(39,584)	(563,525)
Translation difference and other changes	-	(2,215)	(2,215)
Provisions at 31 December 2016	14,787	-	14,787

Provision for onerous contracts

Due to uncertainty related to utilisation of three of the remaining four slots in Borgland Dolphin rig consortium, a provision for onerous contract was recognised in 2015. During 2016 the company made payments under its provision for onerous contracts of NOK 314 million. In February 2019 the company settled a dispute relating to an offshore contract whereby the company has agreed to pay USD 14,000,000. The provision for onerous contracts has as a consequence of such settlement been increased from NOK 14,787,000 at 1 January 2017 to NOK 114,818,000.

Other provisions

The company has no other provisions at year end 2017 or 2016.

Asset retirement obligations

The company has no asset retirement obligations at year end 2017 or 2016.



Tulow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

24. Trade and other payables

	2017 NOK'000	2016 NOK'000
Trade creditors	2,883	65,841
Withholding payroll taxes and social security	5,127	7,200
Holiday pay	-	8,117
Payables, joint venture	(1,395)	(1,473)
Other accrued expenses ⁽¹⁾	5	33,952
Total trade and other payables	6,620	113,636

⁽¹⁾ Mainly related to accrued bonus, drilling and other exploration expenses.

The payables all mature within 6 months.

25. Interest-bearing loans and borrowings

Revolving Exploration Loan Facility	Currency	Utilised amount NOK'000	Undrawn facility NOK'000	Interest	Maturity	Carrying amount NOK'000
At 31 December 2017	NOK	-	-	NIBOR + 1.75%	Dec 2017	-
At 31 December 2016	NOK	724,863	1,525,137	NIBOR + 1.75%	Dec 2017	721,089

The company had a revolving Exploration Finance Facility Agreement on 12 June 2014 of TNOK 3,000,000. It was reduced to TNOK 1,000,000 in 2015. The facility was made available through a syndicate of banks with SEB and DNB Bank ASA as lead managers. The availability period of the new facility was up to and including 31 December 2017 originally. The facility was cancelled in November 2017.

Maturity profile based on contractual undiscounted cash flows

	2017 NOK'000	2016 NOK'000
Less than 12 months	-	724,863
1 to 5 years	-	-
Over 5 years	-	-
Total	-	724,863

Carrying amount of assets provided as security for the Revolving Exploration Loan Facility

	2017 NOK'000	2016 NOK'000
Current tax receivable – exploration refund	-	772,999
Cash and cash equivalents	-	34,572
Investment in subsidiaries	-	67,399
Receivables from group companies	-	19,580
Total	-	894,551



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

25. Interest-bearing loans and borrowings (continued)

The tax receivable from exploration refund, all licences, pledge accounts and restricted bank deposits related to interest payments (interest reserve account) was provided as collateral for the Revolving Exploration Loan Facility.

The interest reserve account pledged as collateral was subject to the following terms and conditions:

The company shall procure that its interest reserve account at all times is fully funded with an amount corresponding to the estimated interest costs. The interest reserve account was blocked and could only be debited for servicing interest payments or with the prior written consent of the agent acting on the instructions of the majority lenders.

26. Financial instruments by category

2017	Loans and receivables NOK'000	Fair value through profit or loss NOK'000	Total carrying amount NOK'000
Financial assets			
Other financial non-current assets	99,601	-	99,601
Receivables from group companies	59,542	-	59,542
Trade and other receivables ⁽¹⁾	4,310	-	4,310
Cash and cash equivalents	16,579	-	16,579
Total	180,032	-	180,032
2017	Amortised cost NOK'000	Fair value through profit or loss NOK'000	Total carrying amount NOK'000
Financial liabilities			
Payables to group companies	671,776	-	671,776
Trade and other payables ⁽¹⁾	6,619	-	6,619
Total	678,395	-	678,395

⁽¹⁾ Prepaid expenses, accrued receivables and accrued expenses are not included.



Tulow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

26. Financial instruments by category (continued)

2016	Loans and receivables NOK'000	Fair value through profit or loss NOK'000	Total carrying amount NOK'000
Financial assets			
Other financial non-current assets	104,770	-	104,770
Receivables from group companies	19,580	-	19,580
Trade and other receivables ⁽¹⁾	6,598	-	6,598
Cash and cash equivalents	267,394	-	267,394
Total	398,341	-	398,341
2016	Amortised cost NOK'000	Fair value through profit or loss NOK'000	Total carrying amount NOK'000
Financial liabilities			
Interest-bearing loans and borrowings	721,089	-	721,089
Payables to group companies	847,758	-	847,758
Trade and other payables ⁽¹⁾	79,685	-	79,685
Total	1,648,532	-	1,648,532

⁽¹⁾ Prepaid expenses, accrued receivables and accrued expenses are not included.

Fair value measurement

It is assessed that the carrying amounts of assets and liabilities, except for interest bearing debt, is equal to its fair values. For interest-bearing debt, the fair value is estimated to be NOK nil in 2017 and NOK 724,863 in 2016.



Tullov Oil Norge AS

Notes to the financial statements (continued) For the year ended 31 December 2017

27. Related party transactions

For balances and transactions between the company and other group companies, please see note 20.

Other transactions with associated parties are considered not to be material for disclosure.

Compensation to Business Manager:	2017 NOK'000	2016 NOK'000
Remuneration	2,229	3,529
Bonuses	1,116	818
Pensions contribution	668	806
Other benefits	1,947	22
Total compensation to Managing Director	5,960	5,175
Compensation to Board of Directors:	2017 NOK'000	2016 NOK'000
Directors' fees	37,523	35,423
Total compensation to Board of Directors	37,523	35,423

2017 expenses:

In 2017 all employees have left the company. The former managing director is still a part of Tullov Incentive Plan until 2021.

2016 expenses:

From 2015, the Managing Director is part of Tullov Incentive Plan which is pending certain performance related criteria.

Awards granted under this Plan are in the form of both cash and shares and are typically made once a year.

The maximum award potential under the Plan is 175% of the annual base salary. The actual award received will be based on company and business unit/individual performance. Awards of up to 100% of salary will be paid as follows:

- (a) 50% cash
- (b) 50% deferred shares which will vest three years from date of grant

Any remaining amount of the award will be granted as deferred shares which will also vest three years from the date of grant. All awards under the Plan will be at the discretion of the Board.

If the company terminates the employment agreement, the Managing Director will be entitled to a payment equivalent to 6 months of basic salary.

No loans have been granted and no guarantees have been issued to the Managing Directors or any member of the Board of Directors.

See note 8 for details on share based payments.



Tullow Oil Norge AS

Notes to the financial statements (continued)

For the year ended 31 December 2017

28. Commitments and contingencies

Carry and minimum work programmes

The company was obliged to carry parts of the sellers' shares of drilling or seismic costs for some of the acquired licences. The company was further required to participate in the approved work programmes for the licences. At year end 2017 the company held no licences, and thereby no carry or minimum work programmes.

Legal disputes

Save as disclosed in Note 23, the company was not subject to any legal disputes at 31 December 2017 or 2016.

Liability for damages / insurance

The company's operations involved risk of damages, including pollution. Installations and operations were covered by an operations insurance policy. At year end 2017 the company held no licences and thereby no liabilities for damages / insurance.

Asset retirement obligations

The company has no asset retirement obligations at 31 December 2017 or 2016.

29. Events after the balance sheet date

The company no longer holds any licences. As a consequence, the company no longer has any operations.



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To the General Meeting of Tullow Oil Norge AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tullow Oil Norge AS which comprise the balance sheet as at 31 December 2017, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, 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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with simplified application of International Accounting Standards according to the

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Organisasjonsnummer: 980 211 282



Norwegian Accounting Act section 3-9, and for such internal control as management determines 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, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going



side 3

concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

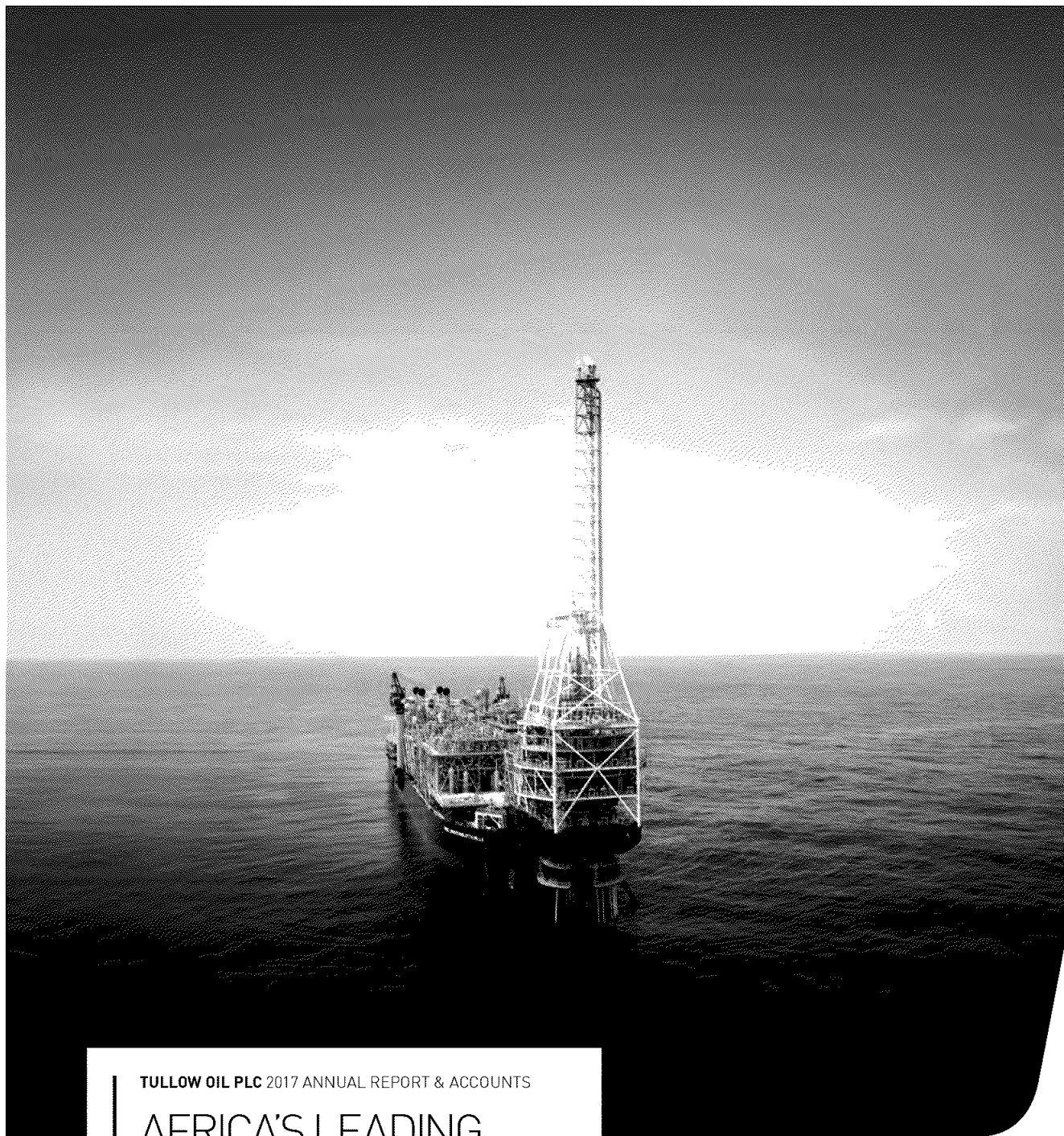
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Other Matters

This audit report replaces our previous audit report as of 30.06.2018, which was issued at the statutory deadline for holding the annual shareholders meeting. Complete annual financial statements and Board of Directors report were at this point in time not submitted by the Board of Directors.

Stavanger, 14 February 2019
Deloitte AS

Arnstein Antonsen
State Authorised Public Accountant



TULLOW OIL PLC 2017 ANNUAL REPORT & ACCOUNTS

AFRICA'S LEADING
INDEPENDENT OIL
COMPANY





AFRICA'S LEADING INDEPENDENT OIL COMPANY

Tullow Oil is a leading independent oil and gas exploration and production company.

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

Our key activities include targeted Exploration and Appraisal, selective development projects and growing our high-margin production.

We have a prudent financial strategy with diverse sources of funding.

Our portfolio of 90 licences spans 16 countries and is organised into three Business Delivery Teams. We are headquartered in London and our shares are listed on the London, Irish and Ghana Stock Exchanges.

1

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CORPORATE GOVERNANCE

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You can find this report and additional information about Tullow Oil on our website: www.tullowoil.com

Cover: TEN FPSO, Prof. John Evans, Ada Mills, offshore Ghana



OUR GROUP HIGHLIGHTS

MAKING GOOD PROGRESS

Our business has developed organically and through acquisitions since 1986. We have a diversified world-class asset base focused on Africa and South America that is performing well and generating value across our three core Business Delivery Teams.

REVENUE

\$1,723¹_M

▲ 2016: \$1,270M

CAPITAL INVESTMENT

\$225^{2,3}_M

▼ 2016: \$857M

LICENCES

90

Across 16 countries

UNDERLYING CASH OPERATING COSTS

\$11.1³/BOE

▼ 2016: \$14.3/BOE

FREE CASH FLOW

\$543³_M

▲ 2016: \$(792)M

NEW VENTURES

37,244_{KM²}

Added to our exploration new acreage portfolio in 2017

ADJUSTED EBITDAX

\$1,346³_M

▲ 2016: \$941M

NET DEBT

\$3.5³_{BN}

▼ 2016: \$4.8BN

TOTAL WORKFORCE

1,030

Our talented employees and contractors work together across our Corporate Centre and Business Delivery Teams

LOSS AFTER TAX

\$(189)_M

▼ 2016: \$(597)M

GEARING⁴

2.6³ TIMES

▼ 2016: 5.1 TIMES

LOST TIME INJURY FREQUENCY (LTIF)

0.37

▲ 2016: ZERO

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Key performance indicators 20

1. Total revenue does not include proceeds from Tullow's corporate business interruption insurance of \$162 million.

2. 2017 capex excludes Uganda capex covered by farm-down.

3. Non-GAAP measures are reconciled on pages 34 to 35.

4. Gearing ratio calculated as Net Debt/Adjusted EBITDAX.



WEST AFRICA 2017 OIL PRODUCTION EXCEEDS EXPECTATIONS
Offloading tanker at the TEN field, offshore Ghana



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STRATEGIC REPORT

OUR OPERATIONS

A STRENGTHENED PORTFOLIO

Tullow has continued to high-grade and progress its portfolio of assets through 2017, exceeding expectations at our West Africa producing assets, advancing development projects in East Africa and developing an exciting prospect inventory for exploration drilling.

OPERATING COUNTRIES

16

Tullow's key operations are in Africa and South America. These are split into three Business Delivery Teams, as set out below.

LICENCES

90

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

ACREAGE (SQ KM)

263,820

Our acreage onshore and offshore Africa and South America includes newly acquired licences in Côte d'Ivoire and Peru.

TOTAL GROUP PRODUCTION

94,700¹ BOEPD

Tullow's producing assets performed well in 2017, beating original guidance of 78–85,000 bopd.

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Key performance indicators 21

1. Includes production equivalent insurance payments: 7,400 bopd

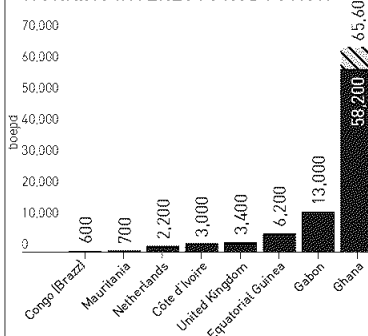
WEST AFRICA

Tullow's West Africa team is focused on optimising existing production across our operated and non-operated producing assets in West Africa and Europe, as well as pursuing new exploration opportunities.

Key activities

- Following the ITLOS ruling and Government approval of the Greater Jubilee Full Field Development Plan, plans are on track to deliver incremental drilling across both the TEN and Jubilee fields, to sustain and maximise production in the coming years
- The Turret Remediation Project is progressing with bearing stabilisation and FPSO rotation to its permanent spread moored position planned for 2018

WORKING INTEREST PRODUCTION



Jubilee field production-equivalent insurance payments: 7,400 bopd

- TEN facilities tested to over 80,000 bopd; commissioning completed; production averaged 56,000 bopd in 2017

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Operations review: West Africa

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EAST AFRICA

In this high-potential region, Tullow is progressing the development of its discoveries in Uganda and Kenya.

Key activities

- The Uganda project is working towards reaching a Final Investment Decision in the first half of 2018
- In Kenya, the completion of the South Lokichar Basin appraisal has confirmed material oil resources to support substantial oil production
- A project focused on Amosing and Ngamia, as the Foundation Stage of the South Lokichar development, has been defined
- Kenya's Early Oil Pilot Scheme will be under way in 2018, with initial water injection tests ongoing and production facilities being constructed in the field



Note: Tullow sold its interests in Norway and the Netherlands during 2017.

Key: **E** Exploration **D** Development **P** Production ★ Key offices

NEW VENTURES

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

Key activities

- Portfolio reset over last 36 months, divesting non-core assets, farming down existing assets to the right equity levels and acquiring new acreage
- Extensive seismic data across several licences will significantly increase the prospect inventory, allowing Tullow to target high-impact, low-cost and basin-testing opportunities
- Exciting and significant new acreage positions in Peru and Côte d'Ivoire further strengthen our South American and African portfolios
- Preparing for basin testing wells from the second half of 2018 onwards



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Operations review: East Africa

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Operations review: New Ventures

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STRATEGIC REPORT

CHAIRMAN'S FOREWORD

READY FOR GROWTH

My focus for my two-year tenure is twofold: to provide stability for Tullow after 30 years of leading the Company and to support Paul and his Executive Team as they move Tullow into its next phase of growth.

DEAR SHAREHOLDER

We began 2017 by announcing our \$900 million farm-down in Uganda, an excellent deal that recognised the value of this world-class asset. This, coupled with major cost cutting over the last three years, meant that your Company started 2017 with a positive outlook.

Dealing with our high level of debt has been a priority of the Board and management over the last three years. As a Board, we had never intended to reach such high levels of debt; a combination of the International Tribunal for the Law of the Sea (ITLOS) proceedings between Ghana and Côte d'Ivoire and the fall in the oil price meant we were obliged to develop the TEN field at a level of equity that we had not anticipated. While that level of equity is now creating significant value in terms of our share of production from the TEN field, our debt position earlier this year, while manageable, was restricting our ability to invest in the business.

"I am confident the team will meet the challenge of restoring shareholder value through disciplined investment."



AIDAN HEAVEY, CHAIRMAN

At the beginning of 2017, the risks to the business that lay ahead included our gearing being at 5.1x net debt/adjusted EBITDAX, the ITLOS process was still to be resolved and our Reserves Based Lending (RBL) facility needed to be refinanced. We therefore needed to give the business greater operational and financial flexibility by materially reducing our debt through the combination of a Rights Issue and ensuring the business generated free cash flow in a low oil price environment.

Rights Issues are not often popular, but with a continuing low oil price, a highly leveraged balance sheet and limited cash flow available to invest in the business, we needed the flexibility it offered. To create shareholder value we needed to both reduce the risks and invest in the high rate of return projects in our portfolio. We have actively listened to feedback from shareholders, both before and after the Rights Issue, and it is my hope that shareholders will look at the strength of our business today and the many challenges we have overcome along the way, and agree that we made the right decision. Nevertheless, I recognise and am grateful for the loyalty of our shareholders through this process.

We leave 2017 in a strong financial position with the Ghana/Côte d'Ivoire border dispute resolved, the RBL refinancing completed and a new culture of financial discipline and efficiency after three years of cost reductions. Our challenge is now to regain the trust of the market and restore value to our shareholders.

Leadership changes

2017 also saw changes in leadership at the top of our Company. At our AGM, Simon Thompson stepped down as Chairman after five years and I would like to recognise all that Simon did for Tullow and the Board during some difficult years for our Company.

In succeeding Simon as Chairman, my focus for my two-year tenure is twofold: to provide stability for Tullow after 30 years of leading the Company and to support Paul and his Executive Team as they move Tullow into its next phase of growth. The Nominations Committee's search for Tullow's next Chairman is well advanced and we expect to make an announcement by the end of 2018.

I am delighted that Paul has adjusted so rapidly to his new position as CEO after 11 very successful years as Chief Operating Officer.



He is already making his mark on Tullow as CEO and is increasing the financial and operational strength of the Company. I have been working with Paul to hand over Tullow's relationships across Africa and it was clear at the Africa Oil Week conference in Cape Town in October, where Paul gave the keynote speech, that he is building very effective networks with key ministers and officials from all over the continent.

Ian Springett, our long-standing CFO, also retired this year due to ill health. This was a premature retirement after eight years of much valued service as CFO, but I am pleased to report that Ian is making good progress and is well on the road to recovery. Ian was replaced, in an interim capacity at first and then permanently, by Les Wood, previously our VP, Commercial and Finance. I was particularly pleased that the CFO appointment was internal as it showed the exceptional talent that we have at senior levels within the Company. This promotion followed Paul's appointment of the Executive Team, all of whom came entirely from within the Tullow business.

In our Full Year Results statement we announced that Anne Drinkwater had informed the Board that she has decided not to stand for re-election at the 2018 AGM. I would like to thank Anne for her excellent counsel and guidance to the Company over the six years she has served on Tullow's Board.

Values

Our Company Values underpin all that we are and all that we do in Tullow. They are important to me and important to our staff. Our core Values have been refreshed by our employees to reflect the Company we are today. They are based on four key principles of Creating Value, Acting with Integrity, Working Collaboratively and Using Initiative. Our transition to being a much more efficiently managed, cost-conscious workplace and performance-driven Company is reflected in these Values and they are helping us enhance Tullow's culture.

Diversity and inclusion

Paul and I are personally committed to ensuring that our teams and talent are diverse and that we improve and prioritise the development of people from our countries of operation and women for Senior Management positions. We know the benefits that diverse thinking, perspectives and experiences can bring to our business and we are acutely aware of the value of the different cultures in areas where we operate. We are supportive

of the aims of the Hampton-Alexander Review and I was glad to see that Paul's selection of his new Executive Team included two women; this is a good signal of the further progress we want to see. We also work alongside governments to meet their aims of employing and developing local talent and we want to support the continued development and long-term careers of our local staff. Underlining this commitment, we have embarked upon a dedicated initiative, Project LEAP, to help all employees manage their careers and personal development in Tullow, which you can read more about on page 50.

Outlook

The outlook for Tullow at the end of 2017 is brighter than it has been for some time. The team has shown that it has the skills to meet any challenge and deal with it. We have come through some of the most difficult years in the oil industry as a better and more disciplined Company. We have created high rate of return opportunities within our existing operated and non-operated portfolio that we now have the financial flexibility to invest in. I am confident the team will meet the challenge of restoring shareholder value through disciplined investment in these opportunities, while maintaining our newly embedded performance and cost management culture.

Aidan Heavey
Chairman

6 February 2018

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CHIEF EXECUTIVE OFFICER'S FOREWORD

FOCUSED ON OPPORTUNITIES IN A CHANGED INDUSTRY

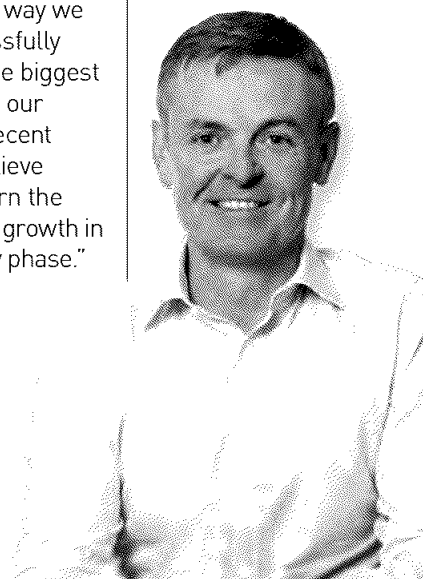
Tullow continues to positively benefit from the decisive and far-reaching changes we made to the business in reaction to the oil price crash three years ago.

DEAR SHAREHOLDER

In 2017 we continued to see the positive impact of the early and significant actions we took to adjust the business in reaction to the oil price crash in late 2014. As we consolidated these measures we considered it was the right time to make substantial changes to both the Board and the Executive Team to ensure the Company was well positioned to start the journey back to growth.

Simon Thompson, Ian Springett and Ann Grant all retired from the Board, and I would like to thank them for their personal commitment to Tullow and recognise the immense contribution they made to the Group. Aidan, after 31 years as CEO, has moved to Chairman providing me with significant support in my new role as CEO, which I have appreciated hugely.

"In the same way we have successfully navigated the biggest downturn in our industry's recent history, I believe we can return the Company to growth in the recovery phase."



PAUL McDADE, CHIEF EXECUTIVE OFFICER

A new Executive Team

As I prepared to take over as CEO, my primary focus was to put together an ambitious, competent and committed team to take over as the new Executive of Tullow. The extensive work we had done over the years developing our people and planning for succession ensured that I was able to find all the skills I was looking for within Tullow. The new Executive Team is committed to collective, fully informed decision making, continuing to build on the financial discipline and efficiency we have embedded into our business, and is determined to return the business to growth.

Hard won discipline

The strong foundation we are building on has been achieved through a great deal of hard work since 2014, when we began the process of change within Tullow to ensure we would be competitive in a world of \$50 oil. I would like to thank all our staff for everything that they have contributed to this effort; these have been difficult years with substantial reductions in headcount and an enormous focus on cost reduction, all of which has resulted in significant uncertainty for everyone at Tullow. Nevertheless, I see no appetite within Tullow to return to previous spending patterns and key to maintaining this discipline is the new structure we have put in place with three accountable Business Delivery Teams, West Africa, East Africa and New Ventures, and a reduced and more focused Corporate Centre.

A stronger financial base

In March 2017 we undertook a Rights Issue; I saw this \$750 million as the final part of resetting our business and, while I would have preferred my first task as incoming CEO not to have been to ask our shareholders for equity, we have already benefited and will continue to benefit from the operational and financial flexibility that it afforded us. We have now reduced gearing to 2.6x net debt/adjusted EBITDAX and this lower level of debt provides sufficient financial flexibility such that we have been able to allocate appropriate levels of capital expenditure to allow us to continue to invest in the business such as our drilling programme in Ghana. Continuing to reduce our debt remains a key target. The successful and oversubscribed refinancing of our RBL facility in November 2017 shows the faith that our banking syndicate has in our quality assets and in our ability to remain financially focused and disciplined.



TULLOW'S LONG-TERM PLANS & PROSPECTS

Tullow is in a robust position, and oil prices have recently achieved higher levels, albeit with the potential for them to remain volatile. This more positive outlook, and a contractor cost base that reflects a significantly more efficient industry, means we are now shifting from the short term to consider our long-term plans and prospects.

- 1 Our low-cost and long-life production in West Africa and, in time, East Africa will remain at the heart of the Group's strategy. We will endeavour to manage these assets safely, to the highest operational standards, utilising local staff and the local supply chain, whilst minimising costs and maximising production revenues. We will use the free cash flow from these production revenues to reduce our debt, re-invest and, in time, deliver shareholder returns.
- 2 We will aim to build our reserves, resources and future production through targeted and disciplined exploration in geographies and geologies that we know well in Africa and South America. We will do this through continuous high-grading of our acreage portfolio, appropriately managing equities to extract value through farm-downs, whilst retaining material exposure to our preferred prospects, as we seek to extend our basin opening track record.
- 3 We will manage our asset portfolio through both divestments and acquisitions. We will ensure that we retain the appropriate equity in our assets for each stage in the cycle to manage both value and risk. We will also look to acquire assets that we consider can create value for our shareholders.
- 4 Our disciplined and returns-focused allocation of capital will remain at the forefront of our decision making. Tough decisions will be made and assets will have to compete for capital in a market that remains in recovery.

Outlook

In the same way that we have successfully navigated the biggest downturn in our industry's recent history, I believe that by following these key principles we can return the Company to value growth in the recovery phase. The team at Tullow has a very strong track record: we are recognised as a top industry explorer; we have successfully delivered two major deep-water developments both within budget and on time; we continue to safely and efficiently deliver production revenues; and we have a strong track record on portfolio management. All of these skills are critical as we return the business to growth and positive financial returns. However, critical skills we have developed as a Company are the necessary relationship skills and understanding to work as a partner of choice to our emerging market host nations. This success has been built through our focus on shared prosperity where we consider our shareholder returns are best served by a strong focus on local priorities. These include employing and developing our local leadership and workforce, developing the local supply chain and working closely with our local communities to ensure they share in the benefits our industry can deliver.

Under my leadership it is not only our exceptional oil industry competencies that will deliver value growth, it is our relationship skills that will continue to make a difference in Tullow's financial performance as we again start to grow and take advantage of the opportunities that an improving market will offer.

Paul McDade
Chief Executive Officer

6 February 2018

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CHIEF FINANCIAL OFFICER'S FOREWORD

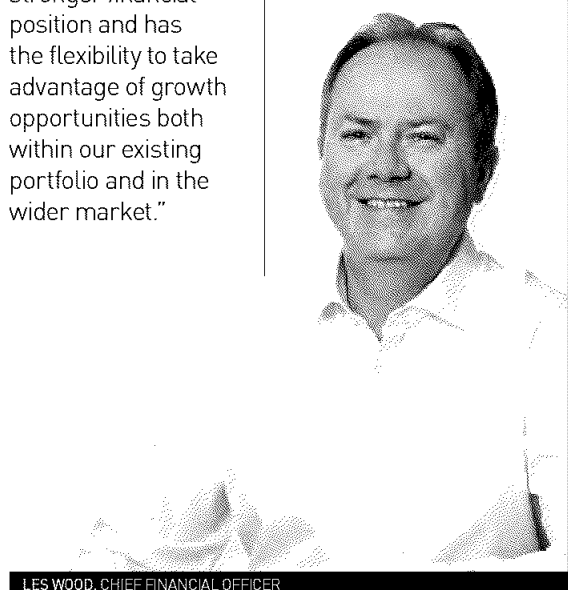
BUILDING ON OUR IMPROVED FINANCIAL STRENGTH

We have continued to actively manage our financial position and ended 2017 with a number of major achievements.

Tangible benefits from Company reset

As I reflect on Tullow's performance in 2017, I am pleased with the significant progress we made throughout the year, right across the business. We substantially reduced our net debt, refinanced our bank lending facilities, further simplified the portfolio including exiting non-core assets, continued to lower our underlying cost base and began generating significant free cash flow. Material decisions made in 2017 resulted in key activities being executed; these combined with the realisation of tangible benefits from the reset of the business that was started around three years ago have helped place the Company on a much firmer footing.

"Tullow moves into 2018 in a much stronger financial position and has the flexibility to take advantage of growth opportunities both within our existing portfolio and in the wider market."



LES WOOD, CHIEF FINANCIAL OFFICER

Strong financial discipline

Financial and cost discipline is now firmly embedded in Tullow's systems, processes and management approach, from low-cost items like travel through to material items of capital expenditure including major project activity. We are on track to deliver over \$650 million of cost savings from the business since mid-2015 through to mid-2018, exceeding our original target by 30 per cent. Our focus now is to ensure that these underlying savings are sustained year-on-year. This is easier where we have direct control, but we must be vigilant on third-party costs, particularly in a potentially improving market.

Prudent capital allocation

We have forecast that we will spend around \$460 million in 2018, compared to \$225 million in 2017. The increase year-on-year is primarily due to our return to drilling at our high-return producing assets in Ghana. This is combined with optimised pre-Final Investment Decision (FID) spend in East Africa and maintaining similar levels of exploration to high-grade our prospect inventory and drill high-impact opportunities at a relatively low cost. Operating costs continue to come down across the Group and in 2017 underlying cash operating costs were \$11.1/boe. We anticipate this downward trend will continue to around \$10/boe or less as we realise further synergies in our Ghana operations and exit some of our most mature, high-cost assets.

Prioritising debt reduction

Reducing our net debt level to deleverage the balance sheet continues to be a key objective for the Group. We started 2017 with \$4.8 billion of net debt, a position that built up during the capital-intensive execution period of the TEN project. The Rights Issue executed in the first half of the year was further supported by the work to deliver strong free cash flow generation of \$543 million. This included sales revenue from our producing assets at an average realised oil price of \$58.3/bbl, Business Interruption insurance proceeds, reducing our capital expenditure, and lower interest costs following the Rights Issue, among other factors. The free cash flow generation together with proceeds from the Rights Issue allowed us to reduce our net debt by 27 per cent to \$3.5 billion by the end of the year. As a result, we now have the financial flexibility we need to optimise investment in our assets. Critically, we have a strong asset base with which to increase EBITDAX and generate free cash flow,



which in turn helps to reduce our debt as we move towards our gearing policy of less than 2.5x net debt/adjusted EBITDAX. We are already close to achieving this target, having moved from 5.1x at the end of 2016 to 2.6x at the end of 2017, affording us sufficient flexibility to invest in our existing asset base and exploration opportunities in 2018.

Our 2017 key financial metrics reflect the outcomes of the positive actions we have taken over the last three years. In 2017, sales revenues amounted to \$1,723 million (2016: \$1,270 million), generating free cash flow of \$543 million. We also reduced our net G&A expenditure to \$95 million from \$116 million in 2016.

However, the Company reported a net loss after tax of \$189 million (2016: \$597 million), largely as a result of non-cash impairments, primarily driven by market conditions resulting from the lower oil price outlook compared with the prevalent higher oil price environment when these investments were made. While a loss is disappointing, and can often make headlines, these losses do not affect the day-to-day financial health of our business or our ability to invest or pay down debt and they must not detract from the clear financial progress we have made. They do, however, underline the importance of disciplined, efficient and effective capital investment across the life cycle, which we have now embedded.

Risk management and strengthening balance sheet

Financial risk management remains at the core of our financial strategy and we have seen once again in 2017 the benefits it can deliver. Our long-standing approach to hedging remains important. The programme contributed \$110 million to revenues in 2017 against a backdrop of ongoing volatility in the oil markets. Our prudent insurance policy has also meant that we have benefited from the regular reimbursements of our insurance cover for the Jubilee Turret Remediation Project. We have recorded \$221 million of insurance proceeds as received in the year. We have also taken proactive action to address our funding structure and the maturities of our bank debt. In February, we extended our Revolving Corporate Facility (RCF) by a further year to April 2019. Then in November, we announced the successful refinancing of our RBL facility ahead of our year-end objective, securing \$2.5 billion of debt capacity, with final maturity in 2024 and a grace period of three years. The process was exceptionally well managed by the team over the course of the year, and the result is testament to our strong asset base, and

also evidence of the strong relationships that have been built and maintained with not only our existing lending banks but also new banks that we were able to attract.

Moving into 2018

Earlier this year, as I set up my new senior finance team I was able to take advantage of promoting internal talent to key positions to create a strong team. With my new team I have been able to build on the strong foundation that Ian Springett had put in place and deliver strong results across all areas that are within the CFO organisation. I would like to thank Ian for all the support he provided me, particularly in preparation for taking on the role of CFO.

We have made very good progress in 2017 towards our longer-term financial objectives. I believe that Tullow moves into 2018 in a much more robust financial position, with a strengthened balance sheet, embedded financial discipline and the flexibility to take advantage of growth opportunities both within our existing portfolio and in the wider market.

Les Wood

Chief Financial Officer

6 February 2018

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EXECUTIVE TEAM OVERVIEW

TULLOW'S NEW LEADERSHIP

In April 2017, a new Executive Team was selected from Tullow's significant internal talent base to provide strong direction for each area of the business, to bed down our focus on performance and cost management and to set the business up for its next phase of growth.

PAUL McDADE
CHIEF
EXECUTIVE
OFFICER



Paul was appointed as Tullow's Chief Executive Officer in April 2017. To read Paul's full biography, go to page 40.

LES WOOD
CHIEF
FINANCIAL
OFFICER



Les has held the position of Tullow's Chief Financial Officer since June 2017. For Les' full biography, go to page 40.

ANGUS McCOSS
EXPLORATION
DIRECTOR



Angus has been Tullow's Exploration Director since 2006. For Angus' full biography, go to page 40.

CLAIRE HAWKINGS
EXECUTIVE VICE
PRESIDENT,
ORGANISATION
STRATEGY
& COMPANY
PERFORMANCE



Claire joined Tullow in 2009 as Europe Business Manager, before becoming Regional Vice President, Europe, Asia, South America, then VP of Organisation Strategy and Effectiveness, before taking on her current role. Claire's responsibilities include: leading the Executive's agenda; overseeing Company performance management and reporting; delivery of the organisational strategy, including the employee proposition; localisation; leadership succession; and Diversity & Inclusion. Since assuming her role, Claire has driven the organisational changes, which have led to a significant reduction in Tullow's organisational cost base and performance management improvements. Claire's focus for 2018 will be to ensure the Executive Team is effective in leading the business; maintaining focus on business delivery; and refining the employee proposition and organisational effectiveness. Claire has worked in the oil and gas industry for 27 years in a variety of international commercial, environmental, business development and general management leadership positions.

SANDY STASH
EXECUTIVE VICE
PRESIDENT,
SAFETY,
OPERATIONS &
ENGINEERING
& EXTERNAL
AFFAIRS



Sandy joined Tullow in 2013 as Vice President of Safety, Sustainability and External Affairs, managing all non-technical risks for the Company. In 2017, Sandy was appointed EVP, Safety, Operations and Engineering, and External Affairs, where she has Group-wide oversight of wells and production operations, projects and engineering, supply chain management, EHS, Asset Protection, sustainability, management systems, and government and public affairs. In 2018, Sandy will focus on driving the business toward operational and business excellence in both technical and non-technical fields by building world class, high calibre functional teams, a systematic approach to fit-for-purpose assurance, and leadership that moves the Company's performance to the next level of safety, sustainability, cost-effectiveness and efficiency in business decision-making and execution. Sandy has a 30-year history leading businesses and working across safety, engineering and operations in roles at Talisman Energy, BP, TNK-BP and Arco.



GARY THOMPSON
EXECUTIVE VICE PRESIDENT, WEST AFRICA



Gary joined Tullow in 2013 as Vice President for East Africa with overall accountability for the Uganda and Kenya development businesses. Gary was appointed EVP, West Africa in 2017 and has been focused on progressing the Jubilee Turret Remediation Project, delivery of improved production efficiency and performance from both the TEN and Jubilee fields and driving profitability through management of operating and capital costs. In 2018, Gary will focus on increasing production including the resumption of development drilling on the TEN and Jubilee fields, execution of the next phases of the Jubilee FPSO turret remediation and converting the Jubilee FPSO to a permanent spread moored vessel and pursuing growth opportunities in the West Africa non-operated production business. Gary has 30 years' technical, commercial and business management experience in the oil and gas business including senior leadership positions spanning exploration, project development and production operations. Prior to joining Tullow, Gary worked for BG Group, Woodside Energy, Ampolex and Chevron.

MARK MACFARLANE
EXECUTIVE VICE PRESIDENT, EAST AFRICA



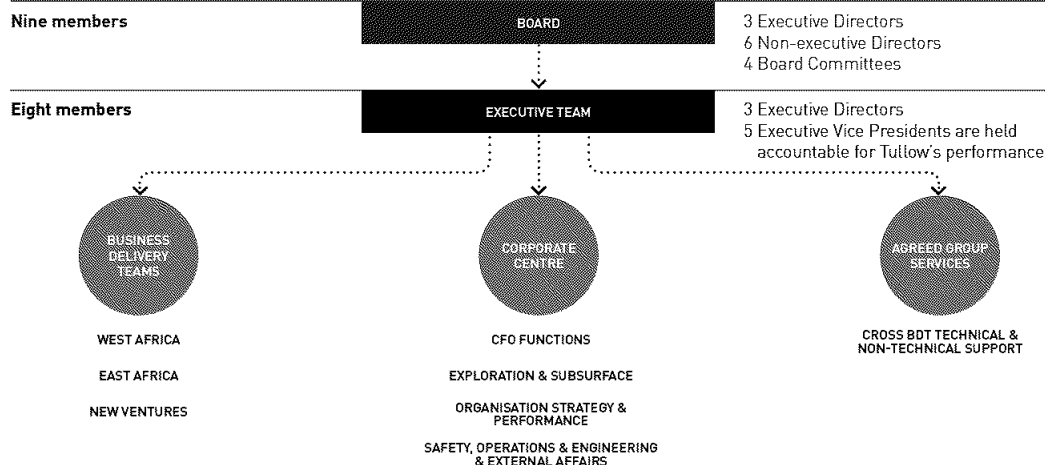
Mark joined Tullow in 2013 as Director, Development and Operations in Tullow Ghana with accountability for all subsurface, well construction, technical and operational aspects of Jubilee and delivery of the multi-billion dollar TEN development. In 2017, Mark was appointed EVP, East Africa and began the transition of Uganda to a non-operated business. In Kenya, based upon the results of the appraisal programme, he has transformed the approach to the asset development to one that is focused on creating and maximising the value of the Kenya business. In 2018, Mark will focus on taking the Kenya project towards FID in 2019 with a prudent and flexible plan of execution that can deliver First Oil and cash flow as soon as possible. Mark has a 30-year career history spanning Australia, Asia and Africa, covering operational, technical, commercial and business leadership positions across Exxon, Santos, GLNG and Tullow.

IAN CLOKE
EXECUTIVE VICE PRESIDENT, NEW VENTURES



Ian joined Tullow in 2005 as Subsurface Lead for the Schooner and Ketch gas assets before becoming Exploration Manager for Uganda and Kenya and then VP, Exploration. In 2017 Ian was appointed EVP, New Ventures and is responsible for delivering Tullow's frontier Exploration and Appraisal activity across Africa and South America. He led the reset of the New Ventures Business, resulting in a re-balanced exploration portfolio sitting in industry hotspots or under-explored or emergent petroleum systems. In 2017, Ian and his team delivered the Araku wildcat, Suriname ahead of budget and safely as well as seven geophysical surveys. In 2018, Ian will focus on the Cormorant wildcat, offshore Namibia, geophysical acquisition and continuing to identify and capture large scale acreage and preparing for exploration campaigns in 2019. Ian has a 25-year career history spanning the UK and Norway, USA, SE Asia, Africa and South America covering technical, business and operational leadership positions across ExxonMobil, Conoco, Lasmo and Tullow.

TULLOW'S ORGANISATIONAL STRUCTURE





STRATEGIC REPORT

MARKET OUTLOOK

RESPONSIVE TO CHANGING MARKET DYNAMICS

ECONOMIC & POLITICAL OVERVIEW

2017 was another busy year for politics, not least in the UK and Europe given the ongoing Brexit backdrop and a snap general election, major elections in both France and Germany, and Catalonia's struggle for independence. Donald Trump's election win in late 2016 continued to cause both tension and hope as he strived to achieve his promised reform plans. In Beijing, Xi Jinping declared China is becoming "a mighty force" that could lead the world on political, economic, military and environmental matters in a "new era" of Chinese power. Meanwhile tensions between the US and North Korea ratcheted up, adding some geopolitical concern to an already nervous backdrop as terrorist incidents in a number of major global cities also continued into 2017.

On the economic front, global growth remained robust; however, inflation and central bank policy remained key themes for investors. 'Reflation' was the keyword early in the year, as Donald Trump's reforms provided hope of future growth. China, the world's second largest economy, continues to grow steadily and is currently focused on technology leadership, improving productivity and reining in domestic debt. Except in the UK – where ongoing Sterling (GBP) weakness sent inflation soaring to 3 per cent – inflation in developed markets remained rather elusive, proving problematic for central bankers keen to return policy to a more typical level following the prolonged recovery from the global financial crisis. Nevertheless, the US Federal Reserve raised rates twice over the course of the year. In Europe, with core inflation slowly returning as the year progressed, the European Central Bank announced that it would halve the pace of its monthly quantitative easing purchases, albeit extending it for a further nine months in order to smooth the return to normality without rattling financial markets. And, for the first time in more than a decade, the Bank of England was effectively forced to raise the base rate by 25 basis points (thus negating the post-EU referendum cut), despite a struggling economic backdrop, as a currency-impacted headline Consumer Prices Index hit 3 per cent for the first time since 2012.

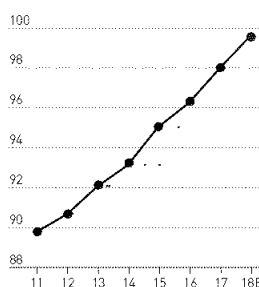
OIL PRICE

Oil prices continued to be volatile through 2017, bottoming out around \$45/bbl in mid-June before hitting a two-year high of \$64/bbl in early November. Prices have continued on a firmer footing into 2018, with escalating geopolitical tensions across the Middle East, particularly in Kurdistan and between Saudi Arabia and Iran, acting as price-supportive factors.

The resurgence of shale oil and its impact on the global market will continue to maintain near-term downward pressure on prices. Tullow's strategy to mitigate this risk, set out on pages 46 and 47 in our discussion on principal risks, focuses on ensuring our business remains robust and competitive at \$50 oil and maintaining our long-term hedging policy, to protect against fluctuations.

Irrespective of this unpredictable environment, the long-term fundamentals for the oil sector continue to look strong, with Tullow well placed to benefit. The IEA's New Policies Scenario predicts global oil needs will rise more slowly than in the past, and at a lower rate than total energy consumption such that its relative share in the overall energy mix continues its long-term decline. Renewables' share of the overall energy mix will continue to rise, albeit still from a much lower base. The growing energy demand generated by population growth is partially offset by energy efficiency gains. Nevertheless, the 30 per cent increase in forecast energy demand by 2040 is greater than the fall in oil's share of the total energy market and oil demand is forecast to stay on a rising trajectory to 105 million barrels of oil per day by 2040. This growth is driven largely by the production of petrochemicals, closely followed by rising consumption for trucks (fuel efficiency policies cover 80 per cent of global car sales today, but only 50 per cent of global truck sales), for aviation and for shipping.

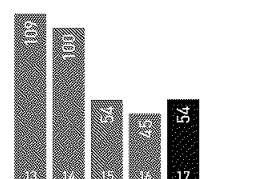
GLOBAL DEMAND FOR OIL (MMBOEPD)



Source: BP Statistical Review of Barclays Research.

AVERAGE BRENT CRUDE PRICE (\$/BBL)

\$54/BBL



AFRICAN ECONOMIC & POLITICAL OUTLOOK

Ghana

Ghana's headline economic performance in 2017 was strong – GDP grew by 5.9 per cent¹, mostly as a result of rising oil production at the TEN field and First Oil shipments from ENI's Sankofa project. Oil & Gas activity is expected to contribute to robust growth in 2018, cementing our industry's role as a key driver of Ghana's economic outlook.

However, despite improving headline growth, the Ghanaian economy is still in recovery mode after the balance of payments crisis in 2014–15; an IMF programme to restore Ghana's debt sustainability was extended in 2017 until April 2019.

In this context, the Government is targeting ambitious deficit reductions based on improved domestic revenue mobilisation and expenditure management. Our ongoing efforts to remove costs and maximise production uptime at TEN and Jubilee align well with Ghana's immediate focus on maximising the economic value of its resources, while the activities foreseen in the GJFFD will extend Jubilee's material contribution to Ghana's economic prospects into the next decade.

Kenya

Kenya is emerging from its unsettled, drawn-out 2017 election with an economy in reasonably good shape. GDP growth grew by ~5.5 per cent² as businesses and consumers reversed the 'wait-and-see' stance adopted in the run-up to the election. The uncertainty of the election process suppressed demand and put pressure on the shilling and equity prices in Q4, but not at a level requiring emergency policy intervention.

Robust headline growth notwithstanding, a number of 'weak signals' of future stress are emerging: fiscal space is receding due to rising debt service obligations and the requirement for central government financing of devolved county administrations. The public debt burden – while not excessively high by regional standards – is rising quickly.

It will take time for the post-election period to settle, but weak signals of stress and the need to deliver against pre-election commitments should translate into a renewed sense of Government urgency and focus to facilitate and deliver growth-enhancing development projects, including Tullow's South Lokichar development.

Non-operated production areas

Of all the countries in Tullow's portfolio, it is the West African countries in our non-operated business which are the most dependent on oil production and which have been most reliant in recent years on high oil prices to compensate for secular decline in their maturing fields.

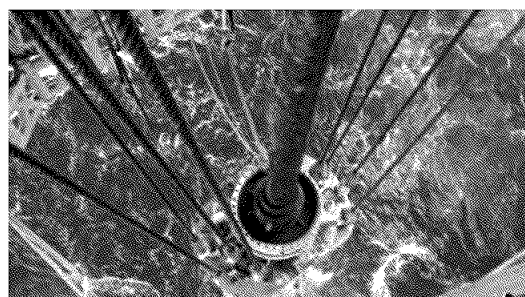
Unsurprisingly, their economies have been badly affected by the post-2014 collapse in oil prices and the reconfiguration of oil industry capital allocation priorities has resulted in lower levels of investment and the accelerated withdrawal of a number of major IOCs.

While the structural reforms needed to reset their economies for a lower-for-longer oil price environment have been unevenly implemented across the CEMAC bloc³, Gabon and Equatorial Guinea have begun the process of adjusting to the new competitive landscape facing their respective industries. With the right policy set in place, they could stand to benefit from the continued commitment of smaller low-cost operators and portfolio investors – like Tullow – and should be able to identify incremental value addition opportunities and be better positioned to compete for exploration capital.

1. Source: IMF World Economic Outlook, Oct 2017.

2. Source: IMF World Economic Outlook, Oct 2017.

3. Economic and Monetary Community of Central Africa (comprising Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon and Republic of Congo).



CLIMATE CHANGE REGULATION

Governments are putting in place taxes, carbon trading schemes and other measures to limit greenhouse gas (GHG) emissions. We are currently undertaking a review of how many of our countries of operation will be subject to emissions and carbon policies by 2020.

To help anticipate greater regulatory requirements for GHG emissions, we factor a shadow carbon cost into our own investment decisions for large new projects to ensure that the rate of return on investment for these projects is still viable in the event of carbon taxes being imposed.

Further information on our position on climate change can be found on page 37, but our aim is to minimise the GHG emissions

potential of our activities and implement appropriate reduction initiatives, taking into account the overall stability of our operations. We also work to ensure that our business is responsive to applicable legal and regulatory developments designed to address climate change, and maintain transparency in our performance reporting and openness in our engagement about climate change.

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Governance & Risk management	38

A SUSTAINABLE & SELF-FUNDED BUSINESS

Tullow's strategy is to create a business where our low-cost, long-life asset base in Africa creates the high-margin cash flow that funds our growth, reduce our debt and deliver shareholder returns.

Our strategy is to build a strong, sustainable and self-funded Exploration & Production business. As set out in Paul's CEO Statement, Tullow's four strategic priorities are:

1 LOW-COST, LONG-LIFE PRODUCING ASSETS

Maintaining and continuing to invest in our production and development assets remains a key priority. The production revenues provide free cash flow to reduce debt, re-invest and deliver shareholder returns. Managing these assets safely, to high operational standards, utilising local staff and suppliers, whilst minimising costs and maximising production revenues is our constant focus.

2 EXPLORATION TO BUILD RESERVES

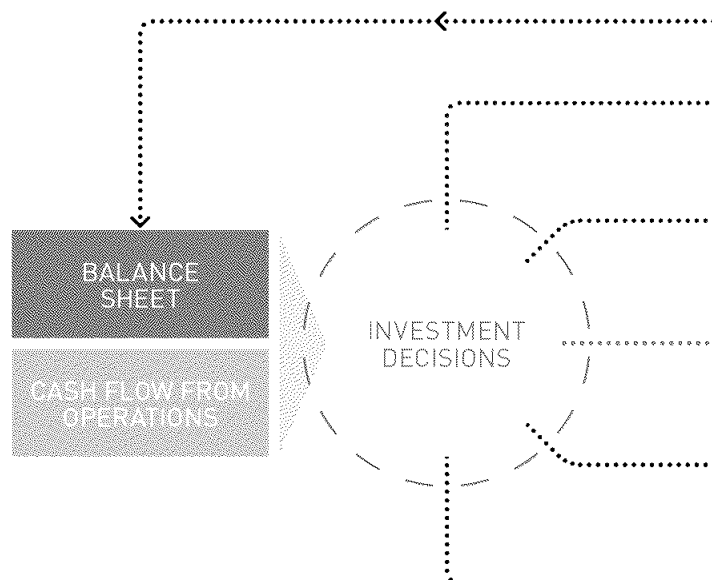
Building our reserves, resources and future production through targeted and disciplined exploration in Africa and South America is another key priority. We continuously high-grade our low-cost acreage portfolio, managing equity interests to extract value, whilst retaining material exposure to our most highly prized drillable prospects.

3 ACTIVE PORTFOLIO MANAGEMENT

We actively manage our asset portfolio through divestments and acquisitions. Farm-downs, disposals and acquisitions help us to manage our financial risk exposure, generate cash or add value-accretive assets to our portfolio. We will also look to acquire assets at any stage in the life cycle where we can create value for our shareholders.

4 DISCIPLINED, RETURNS-FOCUSED CAPITAL ALLOCATION

Prudent capital allocation, combined with careful cost management, runs through all our decision making. It ensures our assets remain competitive and helps us achieve a balance between investing in the short-, near- and long-term growth engines for the business.



Balance sheet

Deleveraging the balance sheet remains a high priority for the business and we are working towards our long-term gearing policy of less than 2.5x net debt/adjusted EBITDAX.

Cash flow from operations

Tullow generates cash flow from its low-cost production assets in Ghana and across its West African non-operated portfolio.

Investment decisions

Tullow has a rigorous capital allocation process in order to appropriately balance its investment in its producing fields, selective developments and exploration opportunities.

Exploration

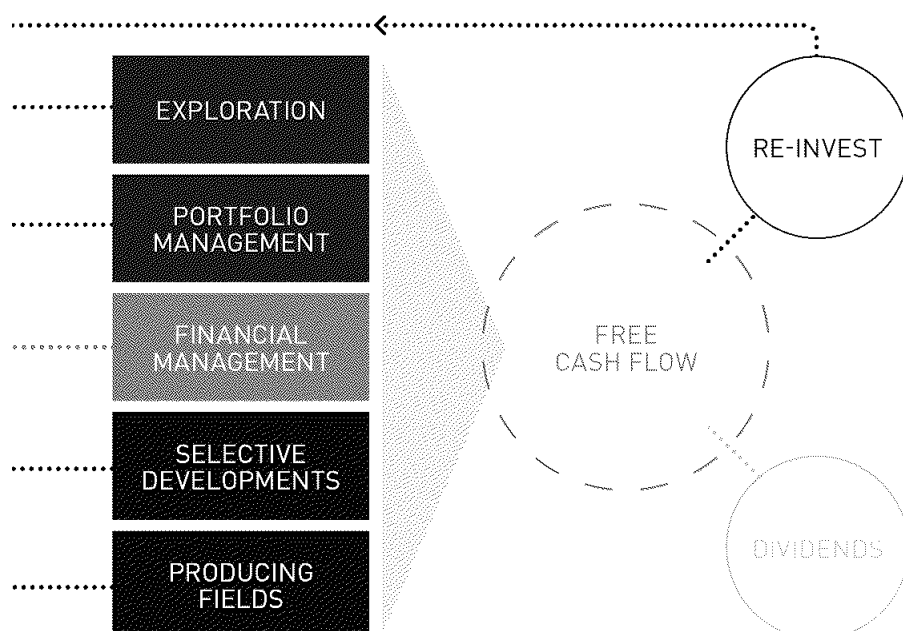
Exploration is key for future growth. While the scale of exploration has reduced, we are maximising exploration spend on high-impact activities and taking advantage of low industry costs.

We screen opportunities and only progress programmes that pass strict commercial, geological and risk criteria.

Portfolio management

We actively high-grade our portfolio, maintaining the appropriate financial risk exposure ahead of exploration and development projects, generating funds to both pay down debt and create growth opportunities for the business.

We continually monitor potential inorganic ways to grow the business, but will only act on opportunities that are value accretive and fit well within our strategy and when we have the appropriate balance sheet to do so.



Financial management

Financial management of our business includes value-protecting programmes such as insurance and oil price hedging policies. G&A and the cost of our debt are running costs that we carefully manage. We have made good progress in reducing these costs in recent years and embedded cost discipline and performance management are in place to ensure these costs are appropriately controlled going forward.

Selective developments

Tullow has a proven track record of developing major projects on time and on budget. Tullow will selectively develop discoveries it makes that have a clear path to monetisation with robust economics, where we have the right level of licence equity and Joint Venture Partners to effectively deliver the project.

Producing fields

Tullow has low-cost, long-life oil producing assets in Ghana and West Africa which provide stable cash flow for the Group. Tullow plans to grow and sustain its production through further drilling in Ghana and bringing on additional production from East Africa.

Free cash flow

Free cash flow is the cash that Tullow is left with after all our costs are covered. Generating free cash flow gives Tullow the flexibility to re-invest in future growth, reduce debt and provide a return for shareholders.

Re-invest

Re-investment in our existing portfolio of assets is vital to maximise the potential of our asset base, to build and maintain the future revenue streams that will in turn deliver our ambition of achieving a self-funded business.

Dividends

Tullow recognises that issuing a dividend is an important signal of financial discipline and is a way to return value to our shareholders. The Board reviews the Company's dividend policy annually and will consider a dividend alongside prioritising deleveraging of the balance sheet and investing in our assets.

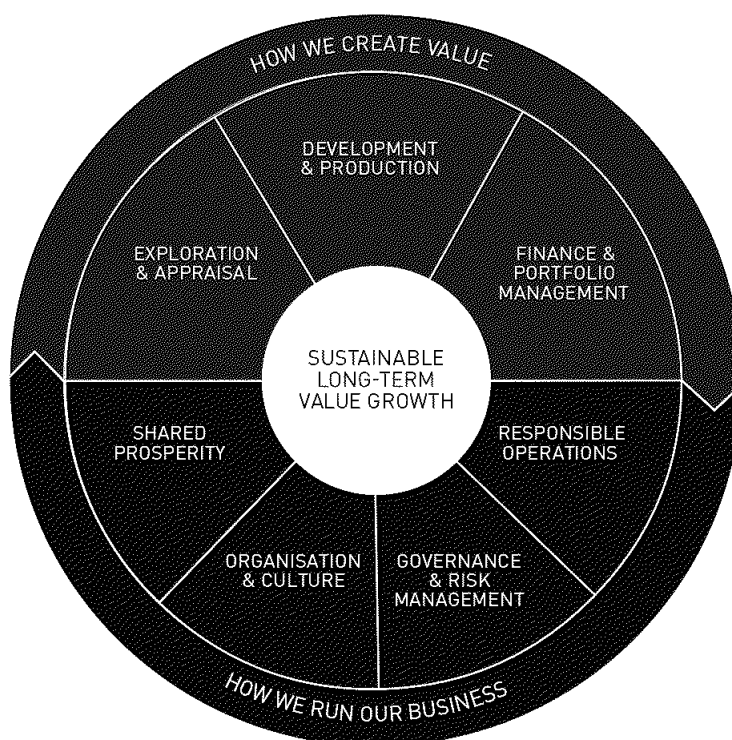


STRATEGIC REPORT

OUR BUSINESS MODEL

FOCUSED ON VALUE CREATION

Tullow is a leading independent exploration and production company primarily focused on Africa and South America. Our business model shows the parts of the Group that work together to run our business and create value. The skills, experience and reputation we call upon across the seven elements of our business model are what we believe set Tullow apart from its peers.



EXPLORATION & APPRAISAL

37,244KM²

of new acreage accessed, including Côte d'Ivoire and Peru

DEVELOPMENT & PRODUCTION

\$11.1/BOE

average operating cost across the Group, with this downward trending moving towards \$10/boe in 2018

SAFETY EVENTS

ZERO

Tier 1 or Tier 2 process safety events recorded at TEN or Jubilee in 2017

GOVERNANCE & RISK MANAGEMENT

100%

completion of the e-learning Code of Ethical Conduct



Our business is delivered through the seven elements of our business model. Each component places importance on how we run our business as well as how we create value. How we create value describes our core operations from exploration, to development and production, and through our strong financial and portfolio management. Ultimately the purpose of our business model is to create sustainable, long-term value growth and return on investment for our shareholders. How we run our business describes how we manage our people, how we interact with communities, government relations and how we manage our environmental footprint.

HOW WE CREATE VALUE

Element of business model	Our key strengths and activities
Exploration & Appraisal	- Finding oil to build reserves and resources to sell in the ground or to selectively develop for future production through targeted and disciplined exploration in geographies and geologies we know well in Africa and South America - Active high-grading of our prospect portfolio to build the best pipeline of drilling candidates, managing risk exposure and readiness to take advantage of new exploration opportunities
Development & Production	- Focused development plans with clear routes to monetisation - Investing in near- and in-field drilling programme in Ghana to increase and extend production plateau and reduce decline in our non-operated assets - Clear path to additional 23,000 bopd from early 2020s, from our equity share in Uganda, at no cost to the Group following completion of the farm-down deal - Optimising pre-FID investment in Kenya, with clear focus on achieving a profitable development at low oil prices
Finance & Portfolio Management	- Reducing debt by around 30 per cent over the year and moving closer towards our policy of <2.5x net debt/adjusted EBITDAX - Creating operational and financial flexibility through the Rights Issue - Securing long-term funding through refinancing of our RBL facilities

HOW WE RUN OUR BUSINESS

Element of business model	Our key strengths and activities
Responsible Operations	- Progressing position on Free, Prior and Informed Consent in Kenya, as recognised by the International Finance Corporation - Signing a Memorandum of Understanding on Voluntary Principles and Human Rights in Kenya - Continued drive on process safety management on Ghanaian assets
Governance & Risk management	100 per cent completion of the e-learning module and Code of Ethical Conduct compliance certification - Integrating risk and assurance monitoring into quarterly business performance reporting and reviews - Auditing our Integrated Management System, validating its completeness and effectiveness of roll-out
Organisation & Culture	- New Executive Team selected internally, responsible for driving performance and positioning the Company for growth - Follow-up to employee feedback survey has resulted in launch of refreshed Values and dedicated project to accelerate Company's career and performance development opportunities
Shared Prosperity	- Strength of government relations demonstrated by Greater Jubilee Full Field Development Plan approval and new Côte d'Ivoire exploration licence awards after ITLOS ruling - Stakeholder Engagement Framework published ahead of development phase in Kenya - Ongoing progress of the socio-economic investment strategy

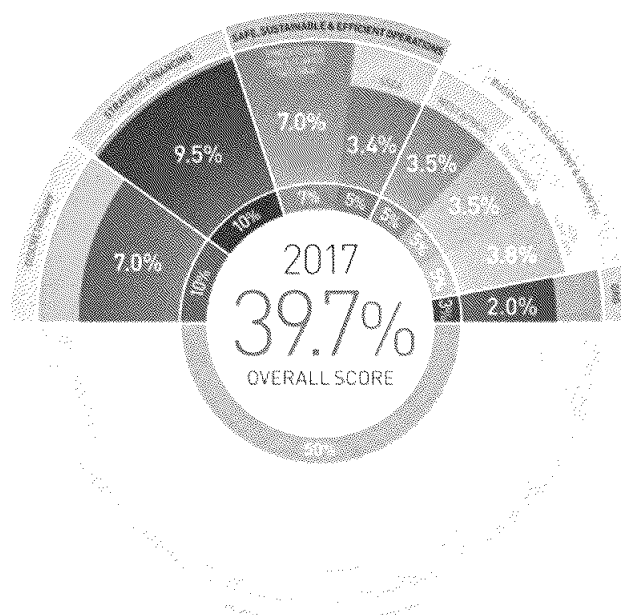


STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

A YEAR OF SOLID PERFORMANCE

The Group's progress against its corporate scorecard is tracked to assess our performance against our strategy.



The scorecard is made up of a collection of key performance indicators (KPIs) which indicate the Group's overall health and performance across a range of operational, financial and non-financial measures.

The scorecard is central to Tullow's approach to performance management and the 2017 indicators were agreed with the Board. Each year, targets within the scorecard may change to reflect the most material strategic objectives and associated risks the Group faces, as well as measures to deliver on the longer-term strategy of the Company. Tullow's performance against the scorecard is tracked and reviewed at quarterly performance management meetings, which are attended by Executive Directors and senior leaders. The Group's ongoing performance is cascaded quarterly to staff through management briefings and internal communications.

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

In 2017, a decision was taken to introduce a discretionary component to the Group scorecard of 10 per cent. This was introduced to recognise unplanned events or initiatives that required significant discretionary effort on the part of our employees.

Each objective measured has a percentage weighting, and financial and operational indicators have trigger, base and stretch performance targets. As reflected in the adjoining table, in 2017, Tullow's overall performance was 39.7 per cent. The 'relative' Total Shareholder Return (TSR) tracks our performance over a three-year period. For 2017 performance, our share price during the fourth quarter of 2014 is compared to the fourth quarter of 2017, with the intervening period not accounted for. For these two periods we remain below the median and therefore score nil out of the possible score of 50 per cent. However, the delivery of the majority of remaining targets reflects strong performance in maintaining liquidity, sustaining cash flows, operating safely, reducing our costs and overall operational delivery.

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Remuneration Report 78



STRATEGIC FINANCING (9.5%/10%)

Relevance to strategy

Supporting our growth strategy with the appropriate financing and liquidity to meet our capital commitments. Deleveraging the balance sheet is critical to achieving our growth strategy.

Performance

- Refinanced \$2.5 billion seven-year RBL facility
- Extended \$800 million RCF by one year and voluntarily reduced commitment by \$200 million ahead of amortisation schedule
- Deleveraged balance sheet through \$750 million Rights Issue
- Generated \$543 million of free cash flow, reducing gearing to 2.6x net debt/adjusted EBITDAX
- Debt down by \$1.3 billion to \$3.5 billion

FACILITY HEADROOM & FREE CASH AT YEAR END

\$1.1BN

PRODUCTION (4%/4%)

Relevance to strategy

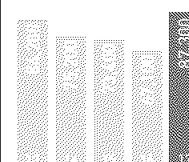
Production revenues generate high-margin cash flow which in turn funds exploration and development investment opportunities, can be re-invested in our portfolio of assets and pays down debt.

Performance

- Group production exceeded the stretch target and guidance was revised upwards due to strong performance from the TEN and Jubilee fields
- Non-operated West Africa portfolio performed ahead of budget
- Year-end total, excluding barrels covered by business interruption insurance was 87,300 boepd

WORKING INTEREST PRODUCTION

87,300 BOEPD



OPERATING EXPENDITURE/PER BARREL (1%/1%)

Relevance to strategy

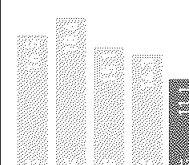
Maintaining competitive operating expenditure helps deliver higher-margin production revenues. The cost of producing a single barrel of oil is influenced by industry costs, inflation, fixed costs and production output.

Performance

- The Group achieved an operating cost of \$11.1/boe, significantly exceeding the stretch target
- Increased production due to strong performance on Jubilee and TEN fields and the Jubilee shut-down being moved to 2018 contributed to exceeding targets
- Operating costs also benefited from contract renegotiation, synergies within service providers and synergies with TEN and Jubilee operations

CASH OPERATING COST

\$11.1/BOE



NET GENERAL AND ADMINISTRATIVE COSTS (1%/1%)

Relevance to strategy

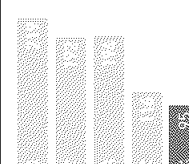
Maintaining lean running costs for the business influences both the profitability and efficiency of our business. Net G&A is the Company's corporate costs, which are not off-set against licence activity.

Performance

- Net G&A was managed well during the year resulting in a Net G&A for the year of \$95 million, significantly beating our stretch target

NET G&A

\$95M



CAPITAL EXPENDITURE (1%/1%)

Relevance to strategy

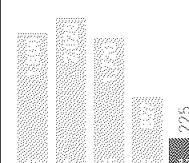
Investing capital expenditure is required to maintain and grow the business and is directed to the development costs of major projects and exploration campaigns. We are working to reduce capital expenditure in order to reduce our current debt levels.

Performance

- Capex was reduced significantly during the year to \$225 million, excluding the Uganda expenditure. This includes a \$69 million accrual reversal in Ghana

CAPITAL EXPENDITURE

\$225M





STRATEGIC REPORT

KEY PERFORMANCE INDICATORS CONTINUED

SAFETY, SUSTAINABILITY AND OCCUPATIONAL HEALTH (3.4%/5%)

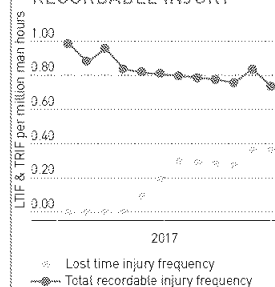
Relevance to strategy

Protecting our people, communities, facilities and the environment impacted by our activities ensures we work safely and sustainably and maintains our good reputation. We measure this KPI through process safety events, asset integrity, Lost Time Injury Frequency (LTIF), number of malaria cases, resolution of community grievances and spending appropriate levels of our goods and services budgets with local suppliers.

Performance

- Four Lost Time Injuries have negatively impacted LTIF performance
- 38 minor process safety events were recorded
- 12,349 lost man hours due to community work-related incidents
- No regulatory non-compliance notices received.
- No new malaria cases for 2017
- 87 per cent progress against our Asset Integrity/ Process Safety key performance indicators

LOST TIME INJURY, TOTAL RECORDABLE INJURY



WEST AFRICA (3.5%/5%)

Relevance to strategy

Our Ghana business continues to hold our most important and strategic producing assets and the ITLOS ruling allows us to pursue future exploration opportunities whilst returning the Jubilee field to plateau production levels, preparing for exploration drilling and enhancing the value of the West Africa non-operated business.

Performance

- Government of Ghana approval was secured for the Greater Jubilee Full Field Development Plan
- Rig contracted in preparation for return to drilling on TEN and Jubilee in early 2018
- Non-operated business growth plan for Gabon was developed
- Decommissioning activities in the Southern North Sea progressed
- 20 mmbbls of new resources were booked

BACK TO DRILLING GREATER JUBILEE FULL FIELD DEVELOPMENT GOVERNMENT APPROVAL

EAST AFRICA (3.5%/5%)

Relevance to strategy

Commercialising oil in Kenya and Uganda is a key objective of our strategy which is being pursued through appropriate equity holdings in the respective assets. This KPI measured progress of the Kenya development project for FID; completing the Uganda farm-down; and progressing the Uganda development to FID.

Performance

- Strong operational performance was maintained with initiatives being prepared and focus on community relations and capacity building to support local content
- In Kenya, strategic direction shifted to focusing on a phased development as a preferred value proposition
- A Joint Development Agreement to construct an oil pipeline has been signed with government
- In Uganda our Partners, Total and CNOOC, have signed the Sales and Purchase Agreement to farm-down our interest and completion is expected in 2018. We are working towards achieving FID around mid-2018

FARM-DOWN OF UGANDAN ASSETS UNDER WAY

NEW VENTURES (3.8%/5%)

Relevance to strategy

Creating value through new exploration at the right licence equity levels and securing new acreage ensure that we maintain a balanced portfolio to pursue growth opportunities. This KPI measured new acreage secured; managing appropriate equity levels in existing licences; maturing commercially attractive prospects for future drilling campaigns; and drilling the Araku well in Suriname safely, efficiently and cost-effectively.

Performance

- Performance focus was on securing new acreage and developing prospectivity
- New licences in Côte d'Ivoire and Peru were secured
- Equity reductions secured in licences in Mauritania, Suriname, Namibia, Jamaica and Pakistan
- The exit from Madagascar and Greenland was completed
- Progress was made on prospects in Suriname
- All operations in Jamaica, Uruguay, Guyana, Zambia, Suriname and Mauritania completed safely and under budget

HIGH- GRADED EXPLORATION PORTFOLIO



ORGANISATION (2%/3%)

Relevance to strategy

Our organisation strategy aims to be inclusive and engage and motivate employees while ensuring that we have robust governance processes in place. This KPI targeted improvements in staff engagement, Diversity & Inclusion and Ethics & Compliance.

Performance

- A mini staff survey conducted in Q3 showed that actions taken as a result of the feedback from the biennial engagement survey in 2016 were yielding results
- A Diversity & Inclusion (D&I) workshop was held with the new Executive Team to endorse the forward plan of management and a new Executive Sub-Group was agreed to promote the D&I aims
- All employees completed the Code of Ethical Conduct online course and our administrative Code Certification process. There were two breaches of compliance regarding the Company's Expenditure related to Public Officials (ExPo) Standard

100%

STAFF COMPLETION OF
CODE OF ETHICAL
CONDUCT ONLINE COURSE

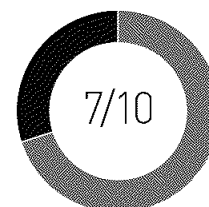
DISCRETIONARY AWARD (7%/10%)

Relevance to strategy

The discretionary award is effective for specific actions that have resulted in value creation. This element was introduced in 2017 to take account of unforeseen events; business performance management and leadership; in-year external commentary regarding the business and our share price; and value created through superior performance.

Performance

- The following were taken into consideration for the discretionary award: Executive Team transition; Ghana/Côte d'Ivoire ITLOS preparation; free cash flow generation; exiting Congo and the Netherlands; settling a tax dispute in one of our West African host countries; investor sentiment; progress on the Kenya development; and finance processes



TOTAL SHAREHOLDER RETURN (10%/50%)

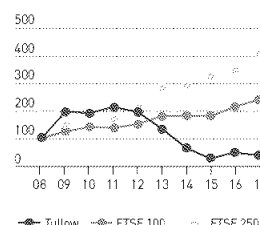
Relevance to strategy

Our strategy is to build long-term sustainable value growth resulting in returns to our shareholders. The TSR component is based on our performance relative to our European and US E&P peers over a three-year period.

Performance

- We achieved a zero score for TSR because our share price, including the adjustment for the Rights Issue, performed below the median against our industry peer group over a three-year period

TOTAL SHAREHOLDER RETURN



2018 GROUP SCORECARD

Financial, operational and organisational targets are included in the 2018 scorecard, as well as measures to deliver on the longer-term growth strategy of the Company.

A summary of the targets is listed below, and the KPIs will be disclosed in the 2018 Annual Report:

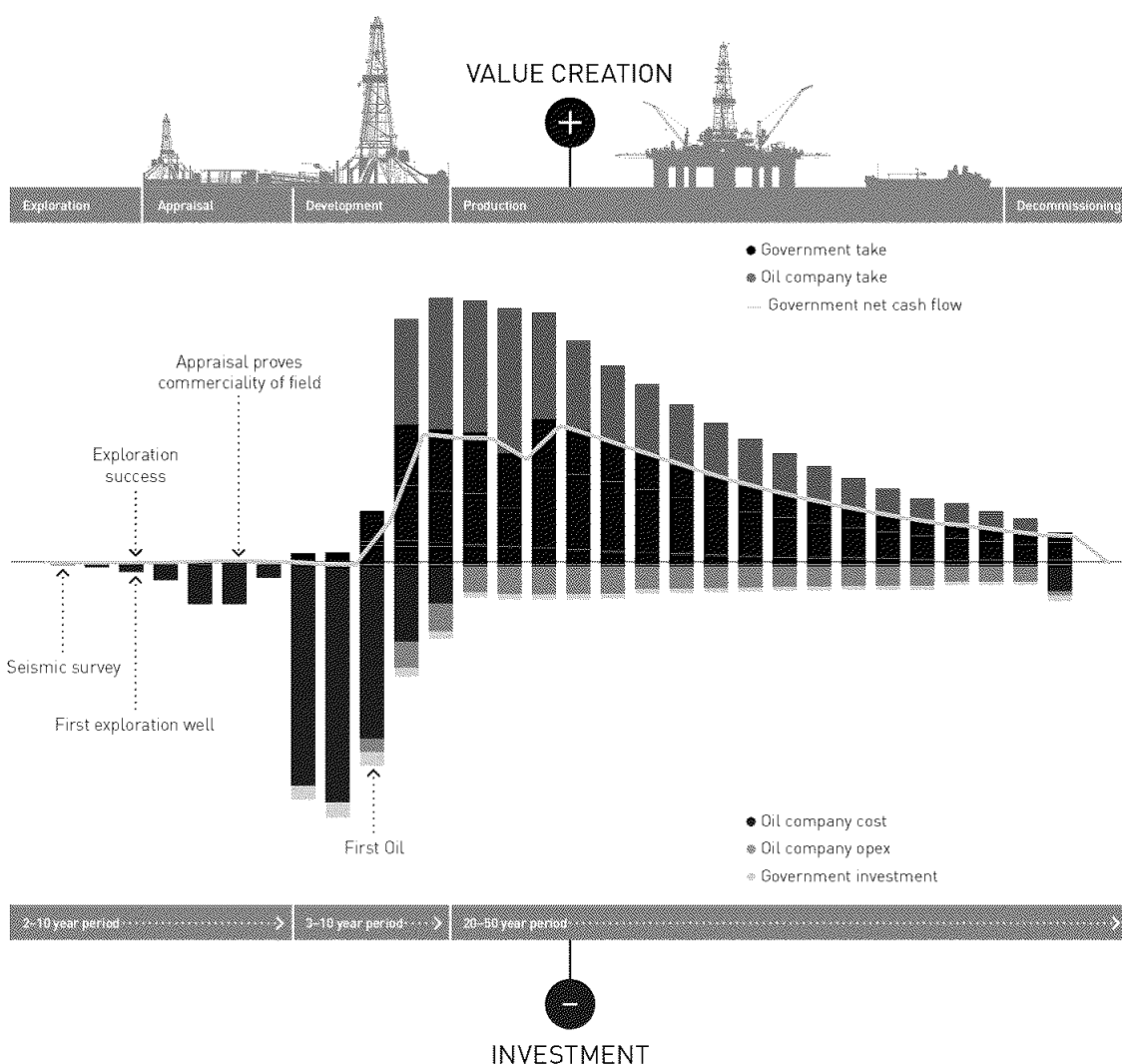
- Financing the business: ensuring sufficient liquidity through 2018 to deliver the Business Plan and execute our long-term strategic plan to deleverage and rebase the balance sheet;
- Ensuring funding capacity in a downside environment and determining a long-term strategic solution to deleverage and rebase the balance sheet;
- Business delivery: operational targets relating to West Africa, East Africa and New Ventures; and
- Growing our business: deliver growth activities relating to West Africa, East Africa and New Ventures.

STRATEGIC REPORT

CREATING VALUE

CREATING SUSTAINABLE BENEFITS

The oil we find and sell has the potential to create sustainable value and shared prosperity in our countries of operation. Over the course of the oil and gas life cycle, we prioritise cost consciousness, paying fair and appropriate amounts of tax, being transparent in the payments we make to governments and identifying opportunities for local businesses within our supply chain to share the benefits from our operations.





Exploration & Appraisal	Development of discovery	Production	Decommissioning
Tullow shareholders			
⊖ We invest the capital raised from shareholders and our banks in acquiring licences, seismic data and drilling E&A wells. We bring in Joint Venture industry partners at this stage to spread our exposure to risk and often carry the host governments' share of costs through to First Oil. We assess the best monetisation options of our commercial discoveries and decide whether to sell the oil in the ground or proceed to development.	⊖ This phase involves investment in drilling wells required for oil production and building the infrastructure required to extract and develop resources. We may dilute our equity in return for development costs being carried by Joint Venture Partners. For onshore projects, this includes transport infrastructure, processing facilities and pipelines. For offshore projects, Floating Production Storage and Offloading (FPSO) vessels and subsea equipment are fabricated, installed and commissioned.	⊖ Once a field is producing, investment will focus on sustaining and extending plateau production. Minimisation of operating costs becomes a focus in this phase, as does the economic optimisation of production from the subsurface and through the infrastructure.	⊖ Funds need to be set aside to decommission facilities and remediate locations at the end of production.
Tullow employees and local employment			
⊖ Our expert technical teams identify acreage, basins, plays and prospects for our portfolio, which we rejuvenate in learning cycles. The capital we invest at this stage is de-risked through research and analysis of the geology by our teams ahead of any drilling commitments.	⊕ We share our expertise and know-how by employing local subcontractors and suppliers and the development phase presents a material opportunity to do this.	⊕ Tullow will work with international and local contractors and expertise from the local workforce is required to run operations, maintain the field and facilities, protect the integrity of the field and plan for additional infill or near-field exploration drilling.	⊕ Our employees and contractors will be able to use their experiences and lessons learnt in future developments.
Governments			
⊖ Tullow pays the host government land leases and various taxes, including withholding tax on goods and services imported into the country, PAYE and National Insurance on personnel employed, licence fees, infrastructure improvement payments, customs duties and training allowances. An agreement between Tullow and the government determines how and when Tullow and its Joint Venture Partners can recover the significant investment that has been made during the exploration, appraisal and development phases.		⊕ The main economic value to host governments is from production revenues and income taxes on Tullow's profits. Typically, the oil company's share of production or revenue is higher in the earlier years of production as costs are recovered in the form of allowable deductions against income tax or as an allocation of production, commonly known as 'cost oil'. The arrangement then significantly benefits the Government throughout the longer term, after the initial costs are recovered by the oil company.	⊕ The remediated land will be handed back to the host government.
Local supply chain			
⊖ In the early stages of a project Tullow creates benefits for local communities by investing in social projects and employing local subcontractors in E&A programmes, where possible. Other benefits can include improved infrastructure and access to amenities and social investment in local communities.	⊕ This phase represents the greatest opportunities for local businesses and individuals. Opportunities in the supply chain range from providing engineering expertise and manpower to logistics and catering. Tullow undertakes capacity building programmes including skills, knowledge and technology transfer to maximise local business and workforce participation in the industry.	⊖ Goods and services from local businesses are required at this stage and Tullow continues to invest in capacity building and training to grow levels of local employment and business participation in the supply chain.	⊕ New skills that the local communities have developed as a result of our operations can be used in other industries.
Community			
⊕ Building a robust social licence is fundamental to our ability to operate. Without the engaged support of our host communities, we would be unable to undertake the technical, infrastructural and logistical work associated with exploration, development and production of hydrocarbons onshore and offshore. Focal areas of our social performance therefore include stakeholder engagement, management of community grievances and land/sea access – all led by focused stakeholder engagement teams – with emphasis dependent on project context and proposed activities. In 2017, the focus has been on embedding our new socio-economic investment (SEI) strategy and governance process, which is based on the implementation of rigorous project selection criteria and performance measurement to ensure that SEI projects create measurable value for both Tullow and host communities.			

A BALANCED E&P BUSINESS

Tullow's highly experienced team have again in 2017 shown our proven operating capability. The combination of our low cost production in West Africa, material East African developments and a high impact exploration portfolio will generate future value for our shareholders.

WEST AFRICA

"Tullow's West African operations remain at the core of Tullow. In 2017, West Africa delivered over 89,000 bopd of high-margin, low-cost oil and in 2018 we will invest in Ghana to sustain this impressive performance over the coming years. Drilling is due to commence on the Ntomme field by the end of February 2018 and we continue to evaluate the business case of procuring additional rig capacity. I have been particularly pleased by the performance of the TEN fields, with production exceeding 70,000 bopd at the end of the year, especially given the delays on completing the development wells which resulted from the ITLOS drilling moratorium. I look forward to similarly strong performances from Jubilee, TEN and our other West African oil fields in 2018."



GARY THOMPSON, EXECUTIVE VICE PRESIDENT FOR WEST AFRICA

PRODUCTION

Tullow's West Africa 2017 oil production exceeded expectations for the year averaging 89,100 bopd. This includes 7,400 bopd of net production-equivalent payments received under Tullow's corporate business interruption insurance for the Jubilee field. In Europe, working interest gas production performed in line with expectations with full year net production averaging 5,600 boepd. This brings Tullow's total average working interest production in 2017 to 94,700 boepd.

In 2018, working interest oil production, including production-equivalent insurance payments, is expected to average between 82,000 and 90,000 bopd. Working interest gas production, which includes TEN associated gas sales and the impact of the Netherlands assets sales in 2017, is expected to average between 3,500 and 4,500 boepd. This brings overall Group production guidance, for both oil and gas, to between 86,000 and 95,000 boepd.

Ghana

Jubilee

Full year 2017 gross production from the Jubilee field averaged 89,600 bopd (net: 31,800 bopd). Tullow's corporate business interruption insurance has reimbursed 7,400 bopd of net production-equivalent insurance payments, bringing expected full year effective net production from Jubilee to 39,200 bopd. Gross production in the latter part of 2017 was consistently above 90,000 bopd and we expect to build on this as we commence drilling in 2018.

Turret Remediation Project

Following the discovery of the issue with the turret bearing of the Jubilee FPSO Kwame Nkrumah in 2016, Tullow has been able to continue efficient production operations while working on the permanent solution which involves converting the FPSO to a spread moored vessel. The first phase of this work, involving the installation of a stern anchoring system, was completed in February 2017, after which the tugs maintaining the FPSO on heading control were removed.

Preparations continue in advance of the planned turret bearing stabilisation work in the first quarter of 2018. This work is expected to take place over two shut-down periods, totalling four to six weeks. A further planned shut-down of approximately three weeks is expected around year end 2018 to rotate the FPSO to its permanent heading and install the final spread mooring anchoring system.

Greater Jubilee Full Field Development Plan

The Government of Ghana approved the Greater Jubilee Full Field Development Plan in October 2017, allowing Tullow and its Joint Venture Partners to prepare for a multi-year incremental drilling programme to maximise and sustain oil production and gas exports. The initial focus will be the drilling and completion of new wells in the Jubilee unit area that will make use of existing infrastructure, and the completion of a well previously drilled in the Mahogany discovery. 4D seismic acquired in the first half of 2017 is being used to optimise well locations and ongoing reservoir management.

Production in 2018

Tullow expects 2018 gross production from the Jubilee field to average 75,800 bopd (net: 26,900 bopd), which takes into account the planned shut-downs associated with the turret remediation work. Tullow's corporate business interruption insurance cover, which compensates Tullow for lost production associated with the remediation works, is expected to reimburse Tullow 10,200 bopd of net production-equivalent insurance payments. Jubilee effective net production is therefore expected to average around 37,100 bopd for 2018.

TEN

The TEN fields performed well in 2017 with gross production exceeding initial guidance, averaging 56,000 bopd (net: 26,400 bopd). This strong performance was as a result of production and water injection optimisation, which continues to be effective, and the field has performed consistently above 70,000 bopd for the last three months. Production from the 11 wells drilled so far indicate reserves estimates for both Ntomme and Enyenra to be in line with previous guidance.

In June 2017, a commissioning capacity test and facility blowdown was completed demonstrating that the FPSO can operate at its design capacity of 80,000 bopd and at higher rates as indicated by a 24-hour test conducted around 100,000 bopd. Final commissioning of the TEN FPSO was completed in the second half of 2017. The TEN gas manifold was also installed and commissioned in 2017 and a gas export trial to Ghana National Gas Company facilities was successfully completed. This connection will allow for the export and sale of TEN gas as well as the ability to supply gas in substitution for Jubilee gas during the planned Jubilee turret remediation shut-downs in 2018.

On 23 September 2017, the International Tribunal for the Law of the Sea (ITLOS) made its decision with regard to the maritime boundary dispute between Ghana and Côte d'Ivoire. The new maritime boundary, as determined by the tribunal, does not affect the TEN fields. Tullow subsequently received notification from the Government of Ghana to recommence drilling in the TEN fields and a multi-year incremental drilling programme will start this year, seeking to ramp up production from the TEN fields to utilise the full capacity of the FPSO and sustain this over a number of years.

In the last quarter of 2017, Tullow signed the TEN Associated Gas (TAG) Gas Sales Agreement with the Ghana National Petroleum Corporation and Tullow anticipates the start of gas sales from TEN in the first half of 2018. Gross gas sales equivalent to 4,200 boepd (net: 2,000 boepd) have been forecast for the year.

Production in 2018

Tullow expects 2018 gross oil production from the TEN fields to average 64,000 bopd (net: 30,200 bopd). During the year, the rig schedule and timing of drilling and completion operations will be optimised, providing upside potential to this initial estimate.

Ghana drilling in 2018

Tullow has secured the Maersk Venturer rig which is expected to start drilling later this month. The rig will be used across the TEN and Jubilee fields and has been contracted for up to four years with early termination provisions. The first well planned is an Ntomme production well in the TEN fields followed by a Jubilee production well located in the north-eastern area of the field. Work is ongoing to finalise the sequence of further wells to optimise output from both the Jubilee and TEN fields. Tullow and its Joint Venture Partners continue to evaluate the business case for contracting a second rig that would allow the acceleration of drilling across both fields.

NON-OPERATED PORTFOLIO & EUROPE GAS PRODUCTION

2017 West Africa net non-operated production exceeded expectations at 23,500 bopd. Net production in 2018 is expected to be around 19,100 bopd. The reduced year-on-year forecast is primarily due to natural decline as a result of sustained low investment levels during a period of low oil prices, combined with the exit from the M'Boundi field, Congo (Brazzaville), effective from July 2017, and the cessation of production at the Chinguetti field in Mauritania.

Full year gas production from Europe averaged 5,600 boepd in 2017, which includes production from Tullow's Netherlands assets prior to the completion of their sale in November 2017. In mid-2017 Tullow started the planning, engineering and procurement processes to decommission up to 10 operated wells in the UK Continental Shelf during 2018. Site surveys and other preparatory works will be undertaken during the first quarter of 2018, which will be followed by approximately six months of well plug and abandonment operations. Tullow expects annual production from its UK assets to average around 1,900 boepd in 2018, which takes into account cessation of production at the end of the third quarter of 2018, ahead of decommissioning activities.



OPERATIONS REVIEW CONTINUED

EAST AFRICA

"The Exploration and Appraisal campaign in Kenya has confirmed the presence of substantial oil resources in the South Lokichar Basin. After over six years of hard work, we can now move forward to commercialising these low cost resources through a phased development of the basin involving a central processing facility and an export pipeline to the Kenyan coast. In 2018, we will focus on taking the project towards FID in 2019 with a prudent and flexible plan of execution that can take advantage of low oil services costs and deliver First Oil and cash flow as soon as possible. With good progress being made in Uganda towards FID, East Africa is on the verge of becoming a major oil exporting region."



MARK MACFARLANE, EXECUTIVE VICE PRESIDENT FOR EAST AFRICA

Kenya

The South Lokichar Basin appraisal programme has confirmed material oil resources to support substantial oil production and an export pipeline to the Kenyan coast pending a Final Investment Decision (FID) which is planned for 2019. The proposed development plan reflects the Partnership's desire to sanction the project in a manner that is commercially robust, ensures the earliest possible FID and First Oil and supports the required infrastructure given the location of the South Lokichar Basin some 750 km from the Kenyan coast.

Appraisal campaign and resource estimates

A total of 21 appraisal wells have been drilled in the South Lokichar Basin. Tullow has also conducted extended well tests, water injection tests, well interference tests and water-flood trials, all of which have proved invaluable for planning the development of the oil fields. The appraisal campaign has firmed up the Group's resource estimates and improved Tullow's understanding of the subsurface at the key producing fields.

Following a full assessment of all the Exploration and Appraisal data, Tullow estimates that the South Lokichar Basin contains the following recoverable resources: 240–560–1,230 mmbbl (1C–2C–3C) from an overall discovered STOIP of up to 4 billion barrels. This estimate of recoverable resources is consistent with previous guidance provided during the Exploration and Appraisal phase (pmean of 750 mmbbl). The additional remaining conventional undrilled prospect inventory of the basin is approximately 230 mmbbl risked mean recoverable, not including further potential in tight oil plays in the future.

Development

Tullow and its Joint Venture Partners have proposed to the Government of Kenya that the Amosing and Ngamia fields should be developed as the Foundation Stage of the South Lokichar development. This stage would include a 60,000 to 80,000 bopd Central Processing Facility (CPF) and an export pipeline to Lamu. This approach brings significant benefits as it enables an early FID of the Amosing and Ngamia fields taking full advantage of the current low-cost environment for both the field and infrastructure development and provides the best opportunity to deliver First Oil in a timeline that meets the Government of Kenya (GoK) expectations. The installed infrastructure from this initial phase can then be utilised for the optimisation of the remaining South Lokichar oil fields, allowing the incremental development of these fields to be completed at a lower unit cost post-First Oil.

The Foundation Stage is currently planned to involve an initial 210 wells through 18 well pads at Ngamia and 70 wells through seven well pads at Amosing. This stage will target volumes of around 210 mmbbl of the total estimated 2C resources of 560 mmbbl and a plateau rate of 60,000 to 80,000 bopd. The incremental development of the remaining 2C resources and the significant upside potential are expected to increase plateau production to 100,000 bopd or greater. It is anticipated that the FEED and baseline Environmental and Social Impact Assessments (ESIA) for the foundation development will commence in the second quarter of 2018, with FID targeted for 2019 and First Oil for 2021/22. Total gross capex associated



with the Foundation Stage is expected to be \$2.9 billion, of which \$1.8 billion is investment in the upstream and \$1.1 billion is for the pipeline.

Tullow and its Joint Venture Partners, following the extended election period, have re-engaged with representatives of the Government of Kenya on the overall approach and timelines for progressing the development.

Early Oil Pilot Scheme (EOPS)

The EOPS Agreement between the Joint Venture Partners and the Government of Kenya was signed on 14 March 2017 allowing all EOPS upstream contracts to be awarded. Initial injectivity testing has started at Ngamia-11 and oil production and water injection facilities are being constructed in the field ready to commence production/injection in the first quarter of 2018. Oil produced is being initially stored until all necessary consents and approvals are granted and work is completed for the transfer of crude oil to Mombasa by road.

Uganda

Farm-down to Total and CNOOC

On 9 January 2017, Tullow announced that it had agreed to transfer 21.57 per cent of its 33.33 per cent Uganda interests to Total for a total consideration of \$900 million. CNOOC subsequently exercised its pre-emption rights under the joint operating agreements to acquire 50 per cent of the interests being transferred to Total on the same terms and conditions. Having signed pre-emption documents with its Joint Venture Partners and officially notified the Government of Uganda of the transaction, Tullow and its Joint Venture Partners are awaiting approval of the transaction from the Government of Uganda.

As previously disclosed, Tullow anticipates that the farm-down with Total and CNOOC will complete in the first half of 2018 with a cash payment of \$100 million on completion and payment of the working capital completion adjustment and deferred consideration for the pre-completion period (including \$60 million for the whole of 2017) being received at this time. A further \$50 million cash consideration is due to be received when FID is achieved.

The Joint Venture Partners are also working towards reaching FID around mid-year 2018, at which point Tullow's second cash instalment from the farm-down will be due. In line with its post-transaction status, Tullow has been reducing its operational footprint in Uganda and is now fully prepared for a non-operated presence only.

Operational activity is continuing as planned, with FEED and ESAs for both the upstream and pipeline progressing in line with the FID schedule. Discussions on the pipeline project continue amongst Joint Venture Partners and with both the Ugandan and Tanzanian Governments regarding the key commercial and transportation agreements.

East Africa Crude Oil Export Pipeline (EACOP)

The Governments of Uganda and Tanzania signed an Intergovernmental Agreement (IGA) for the pipeline, the critical infrastructure for this project, on 26 May 2017. This has secured the pipeline routing and allowed discussions to commence with the Governments of Uganda and Tanzania on the Host Government Agreements and other key commercial agreements.

NEW VENTURES

"The New Ventures team has worked exceptionally hard over the past three years to reset the exploration portfolio for the new industry environment. Through a series of farm-downs, country exits and large-scale licence acquisitions, we now have a prospect and lead inventory that sits in industry hotspots and in underexplored or emergent petroleum systems in geographies and geologies that we know well. Our high-impact, low-cost, basin-testing prospects across Africa and South America have been carefully screened, both technically and commercially, and we look forward to starting this new exploration cycle with the Cormorant well, offshore Namibia, later this year."



IAN CLOKE, EXECUTIVE VICE PRESIDENT FOR NEW VENTURES

AFRICA

Côte d'Ivoire

Tullow has agreed terms to add a further two exploration licences in Côte d'Ivoire to its portfolio, CI-524 and CI-520. These licence awards have been approved by the Ivorian cabinet and formal signing is anticipated in the first quarter of 2018.

Block CI-524 sits alongside the maritime border with Ghana, next to Tullow's operated TEN fields. The initial work programme will include reprocessing of the 3D seismic data before a decision is made whether to drill a well.

Block CI-520, once signed, completes the Group's coverage of a transform basin fault play built during 2017 when the Group was awarded a 90 per cent interest in six onshore licences (CI-521, CI-522, CI-518, CI-519, CI-301 and CI-302). The Group plans to conduct a full tensor gradiometry gravity survey (FTG) across the 8,600 sq km onshore area in the first half of 2018, before acquiring 2D seismic in 2019.

OPERATIONS REVIEW CONTINUED

Mauritania

In the second half of 2017, Tullow completed farm-downs in respect of its 90 per cent interest in Block C-18 in Mauritania to Total, Kosmos and BP, leaving Tullow with a 15 per cent non-operated interest. This followed a 600 sq km 3D survey completed earlier in 2017. A two-year extension to the licence term was also granted. In December 2017, the new operator, Total, commenced a large 9,000 sq km 3D seismic survey which is expected to be completed in the first quarter of 2018. A further 3D survey in Block C-3 to cover new shallow water plays was completed in the fourth quarter of 2017. Both blocks offer potential drilling candidates for late 2019. Finally, Tullow relinquished its interest in Block C-10 at the end of November as insufficient commercial justification could be made to enter into a third phase of the licence.

Namibia

Tullow plans to drill the high-impact Cormorant prospect in the PEL37 licence in Namibia in the second half of 2018 and preparations for drilling are under way. The well will target light oil and there are a number of similarly sized follow-up prospects in close proximity. Also in Namibia, Tullow agreed a farm-down of a 15 per cent interest in the neighbouring PEL30 licence to ONGC Videsh in November 2017. The farm-down is subject to Government and partner approvals with completion expected in the first quarter of 2018. This followed the farm-down of a 30 per cent interest in PEL37 in October 2017, also to ONGC Videsh.

Zambia

In Zambia, a 20,000 sq km FTG survey and passive seismic survey to cover frontier Tertiary-age rift basins finished in October 2017 and the next steps are being evaluated.

SOUTH AMERICA

Peru

Tullow has agreed terms to add six new licences covering 28,000 sq km, offshore Peru, to its portfolio. The Group has concluded negotiations with Perupetro and agreed to acquire a 100 per cent stake in Blocks Z-64, Z-65, Z-66, Z-67 and Z-68.



The agreements are subject to final approval by the Peruvian Ministry of Energy and Mines and Ministry of Economy and Finance, with formal signing of the licences anticipated in the first quarter of 2018. Tullow has also agreed to acquire a 35 per cent interest in Block Z-38 through a farm-down from Karoon Gas Australia, also subject to Government approval. The new oil prone acreage will complement the Group's South America position and contains a number of attractive prospects and leads. Block Z-38 is already covered by high-quality 3D seismic and includes the Marina prospect which is a potential candidate for drilling in 2019.

Guyana

Tullow has agreed to increase its equity share in the Kanuku licence, offshore Guyana, from 30 per cent to 37.5 per cent in a farm-in deal with Repsol. The deal is subject to Government approval. Following acquisition of new 3D seismic on the licence in 2017, the JV Partnership is interpreting the data to firm up prospects for possible drilling in 2019 in this exciting area, up-dip from Exxon's Liza discovery.

Processing 3D seismic data acquired during 2017 on the Orinduik licence is also ongoing to mature and rank identified prospects.

Uruguay

In Uruguay, a 2,555 sq km 3D seismic survey was completed in 2017. The data from this survey is currently being processed.

Suriname

The Araku-1 well drilled in October 2017 in Block 54 in Suriname was unsuccessful, but did prove the presence of a new petroleum system in the Demerara plateau which is now being followed up. At a gross cost of \$35 million (net: \$11 million), Tullow demonstrated its ability to drill high-risk, wildcat frontier wells at appropriate equity and at low cost. A two-year extension was granted for the adjacent Block 47 where the Goliathberg prospect is a potential drilling candidate for 2019.

Jamaica

In November 2017, Tullow agreed, subject to Government approval, a farm-down of 20 per cent of its 100 per cent interest in the Walton Morant licence in Jamaica to United Oil & Gas plc. A nine-month extension to the licence term was also granted, enabling a 2,100 sq km 3D survey to commence in April 2018. This follows a successful 667 km 2D seismic survey in Jamaica in the first half of 2017.

ASIA

Tullow is in the process of selling its Pakistan assets and expects to complete this process in 2018.

EUROPE

The Group completed its exit from Norway in 2017 allowing the New Ventures team to focus on Africa and South America.



FINANCE REVIEW

DELIVERING ON OUR OBJECTIVES

We have maximised free cash flow through increased production and efficient capital allocation and cost discipline. This in addition to completing the RBL refinancing and achieving the best value from portfolio management activities has set us up well for 2018.

"Tullow's balance sheet is considerably stronger at the start of 2018 following the \$0.75 billion Rights Issue, strong free cash flow generation of \$543 million and delivery of key objectives, including the successful \$2.5 billion refinancing. Our gearing is approaching our target level of below 2.5x net debt/EBITDAX providing the financial and operational flexibility we need to invest in our business. We have also driven down both our corporate and asset costs and have embedded financial discipline across the Group. Tullow is well placed to build on this strong financial platform in 2018."

Les Wood, Chief Financial Officer

Production and commodity prices

Working interest production averaged 87,300 boepd, an increase of 30 per cent for the year (2016: 67,100 boepd). Including the impact of production-equivalent insurance payment barrels from the Jubilee field, working interest production averaged 94,700 boepd (2016: 71,700 boepd), an increase of 32 per cent. The increase resulted from the first full year of production from the TEN fields and improved operational performance at Jubilee in response to implementation of the first phases of remediating the turret. This was offset by declines due to the disposal of the Netherlands assets during the year, as well as reductions across the non-operated West Africa portfolio.

The Group's realised oil price after hedging was \$58.3/bbl and before hedging \$54.2/bbl (2016: \$61.4/bbl and \$41.7/bbl respectively). The increase in underlying oil prices reduced the net contribution of the realisation of hedges entered into by the Group to total revenue. However, hedging remains a key element of the Group's risk management strategy. The Group's realised European gas price after hedging was 43p/therm (2016: 34p/therm), an increase of 27 per cent driven by improvements in underlying European gas prices.

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

Underlying cash operating costs amounted to \$386 million, \$11.1/boe (2016: \$377 million, \$14.3/boe). Underlying cash operating costs were net of \$51 million of insurance proceeds (2016: \$32 million). The decrease of 22 per cent in underlying cash operating costs per boe was principally due to the impact of ongoing cost-saving initiatives and increased working interest production volumes.

DD&A charges before impairment on production and development assets amounted to \$574 million, \$16.6/boe (2016: \$449 million, \$17.0/boe).

The Group recognised an impairment charge of \$539 million in respect of 2017 (2016: \$168 million) which reflects lower long-term oil and gas price forecasts than previous years. This is lower than the impairment charge of \$642 million reported at the Half Year Results, due to the lower Dated Brent forward curve at that time. The Group did not recognise any impairment of goodwill during the year as it was fully impaired in 2016 (2016: \$164 million).

During 2017, exploration costs written off were \$143 million and included \$71 million in Mauritania due to a licence that was not renewed, \$36 million due to the decision to exit Pakistan, \$6 million on disposals of assets in the Netherlands, \$10 million on unsuccessful drilling costs in Suriname, and \$17 million of New Ventures activity. The total exploration costs written off, net of tax, were \$139 million (2016: \$424 million).

Administrative expenses of \$95 million (2016: \$116 million) include an amount of \$33 million (2016: \$41 million) associated with share-based payment charges. The Group is on track to generate savings, over three years to mid-2018, in excess of \$650 million, ahead of the Company's original target of \$500 million. Savings of \$581 million have been achieved as at 31 December 2017.

During 2017, the Group recognised an income statement charge for restructuring costs of \$15 million (2016: \$12 million) relating to headcount reductions associated with organisation simplifications and certain country exits. This has been presented separately from administrative expenses in the income statement.



FINANCE REVIEW CONTINUED

Provision for onerous service contracts

At the end of 2017, Tullow had provided \$131 million (2016: \$133 million) for onerous service contracts due to the reduction in planned future activity under those contracts. The changes in estimates for the provision resulted in an income statement credit in 2017 of \$1 million (2016: charge of \$115 million).

Derivative financial instruments

Tullow undertakes hedging activities as part of the ongoing management of its business risk to protect against volatility and to ensure the availability of cash flow for re-investment in capital programmes that are driving business growth. From 2015 to 2017, this approach generated net revenue of c.\$0.85 billion and the systematic approach will continue even as oil prices appear to be stabilising. The 2018 hedging programme protects 60 per cent of Group production at an average floor of \$52/bbl, with 40 per cent of Group production capped through collars at an average of \$75/bbl, 20 per cent uncapped and fully exposed to the upside and the remaining 40 per cent of production unhedged.

At 31 December 2017, the Group's derivative instruments had a net negative fair value of \$76 million (2016: positive \$91 million), net of deferred premium. While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre-tax charge of \$12 million (2016: credit of \$18 million) in relation to the change in time value of the Group's commodity derivative instruments has been recognised within finance costs in the income statement for 2017.

Hedge position at 31 December 2017

	2018	2019	2020
Oil hedges			
Volume – bopd	45,000	22,232	997
Average floor price protected (\$/bbl)	52.23	48.87	50.00

Net financing costs

Net financing costs for the year were \$310 million (2016: \$172 million). The increase in financing costs is associated with a decrease in the value of capitalised interest due to the completion of the TEN development in 2016, and the commencement of recording interest on obligations under the TEN FPSO finance lease. This was offset by a reduction in interest on borrowings due to a reduction in the average level of net debt in 2017 compared to 2016. Net financing costs include interest incurred on the Group's debt facilities, foreign exchange gains/losses, the unwinding of discount on decommissioning provisions, and the net financing costs associated with finance lease assets, offset by interest earned on cash deposits and capitalised borrowing costs.

Taxation

The net credit of \$111 million (2016: credit of \$311 million) relates to a tax charge in respect of hedging profits, Gabon and Equatorial Guinea production activities offset by credits in respect of the Group's North Sea and Ghana production activities and non-recurring deferred tax credits associated with exploration write-offs and impairments.

The Group's statutory effective tax rate for 2017 is 37.0 per cent (2016: 34.2 per cent). The increase in the tax rate for 2017 is mainly due to deferred tax credits associated with the impairment of property, plant and equipment.

After adjusting for non-recurring amounts related to exploration write-offs, disposals, impairments and onerous lease provisions and their associated deferred tax benefit, the Group's adjusted tax rate is 23.8 per cent (2016: 23.3 per cent). The adjusted tax rate has remained relatively consistent due to the mix of profits, notably the impact of increased profits from overseas production taxed at higher rates offset by hedging profits and business interruption insurance proceeds taxed at the UK's effective corporate tax rate of 19.25 per cent.

The Group's future statutory effective tax rate is sensitive to the geographic mix in which pre-tax profits and exploration costs written off arise. It is, however, expected that the adjusted tax rate should again broadly follow the UK's standard rate of corporation tax as more of the Group's profit is forecast to arise in the UK.



Loss after tax from continuing activities and loss per share
The loss for the year from continuing activities amounted to \$189 million (2016: \$597 million loss). Basic loss per share was 14.7 cents (2016: 55.8 cents loss).

Reconciliation of net debt		\$m
Year end 2016 net debt		4,782
Sales revenue		(1,723)
Other operating income – lost production insurance proceeds		(162)
Operating costs		386
Operating expenses		199
Cash flow from operations		(1,300)
Movement in working capital		135
Tax received, net		(65)
Purchases of intangible exploration and evaluation assets and property, plant and equipment		308
Other investing activities		(11)
Rights Issue proceeds		(721)
Other financing activities		340
Foreign exchange gain on cash and debt		4
Year end 2017 net debt		3,471

Capital investment

2017 capital investment (net of Uganda expenditure) amounted to \$225 million, net of prior year accrual reversals of \$69 million (2016: \$0.9 billion) with \$127 million invested in development activities and \$98 million invested in Exploration and Appraisal activities. More than 80 per cent of the total was invested in Kenya and Ghana and over 90 per cent was invested in Africa. Capital expenditure will continue to be carefully controlled during 2018. The Group's 2018 capital expenditure associated with operating activities is expected to total approximately \$460 million. This total excludes \$110 million of forecast Uganda expenditure which will be repaid from either the working capital completion adjustment or deferred consideration post the completion of the Uganda farm-down, which is expected in the first half of the year. The capex total comprises Ghana capex of c.\$250 million, West Africa non-operated capex of c.\$40 million, Kenya pre-development expenditure of c.\$80 million and Exploration and Appraisal spend of c.\$90 million.

At completion of the Uganda farm-down, Tullow is also due to receive \$100 million cash consideration along with re-imbursement of 2017 capex of \$58 million. A further \$50 million cash consideration is due to be received when FID is achieved.

Portfolio management

Tullow's farm-down in Uganda continues to progress and the Joint Venture Partners await approval of the transaction from the Government of Uganda.

During 2017 Tullow also completed the sale of its remaining Dutch and Norwegian assets.

Credit ratings

Tullow maintains corporate credit ratings with Standard & Poor's and Moody's Investors Service. In early January, Standard & Poor's announced that they had revised the outlook on Tullow's 'B' corporate credit rating to positive from stable. Moody's Investors Service upgraded Tullow's Corporate Family Rating to B1 from B2. Moody's Investors Service upgraded its ratings of Tullow's corporate bonds to B3 from Caa1.

Balance sheet

On 29 November 2017, Tullow announced that it had completed the refinancing of \$2.5 billion of Reserves Based Lending (RBL) credit facilities. The \$2.5 billion of credit facilities are split between a commercial bank facility of \$2.4 billion and an IFC facility of \$100 million. The fully committed facilities are revolving with a three-year grace period and final maturity of November 2024. Tullow also decided to reduce the commitments of its Revolving Corporate Credit Facility to \$600 million from \$800 million, ahead of the scheduled amortisation that was due to occur in January 2018. As of year end 2017, Tullow has total headroom including free cash of \$1.1 billion with no material near-term debt maturities, and net debt of \$3.5 billion.

During 2017, the Group's net debt to adjusted EBITDAX gearing ratio has reduced from 5.1x to 2.6x. This reduction has been driven by increased adjusted EBITDAX generated by the business of \$1,346 million compared to \$941 million in 2016 and lower net debt as a result of the significant free cash flow generated in 2017 and the \$721 million net proceeds from the Rights Issue. This takes Tullow close to its target gearing position of below 2.5x.



STRATEGIC REPORT

FINANCE REVIEW CONTINUED

Liquidity risk management and going concern

The Group closely monitors and manages its liquidity headroom. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets. The Group had \$1.1 billion of debt liquidity headroom and free cash at the end of 2017. The Group's forecasts show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2017 Annual Report and Accounts.

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

2018 principal financial risks and uncertainties

The principal financial risks to performance identified for 2018 are:

- inability to progress major portfolio options;
- disruption to business due to community/political/regulatory influence;
- failure to manage oil price risk; and
- major process safety/equipment/EHS failures.

Events since 31 December 2017

There has not been any event since 31 December 2017 that has resulted in a material impact on the year-end results.

Non-IFRS measures

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

Capital investment

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

	2017 \$m	2016 \$m
Additions to property, plant and equipment	887.7	818.5
Additions to intangible exploration and evaluation assets	319.0	291.4
Less		
Decommissioning asset additions	(33.6)	57.1
Finance lease asset additions	837.6	–
Capitalised share-based payment charge	0.3	2.7
Capitalised finance costs	66.5	138.8
Additions to administrative assets	7.0	1.6
Norwegian tax refund	2.1	50.5
Uganda capital investment	57.5	–
Other non-cash capital expenditure	44.7	2.2
Capital investment	224.6	857.0
Movement in working capital	16.3	122.1
Additions to administrative assets	7.0	1.6
Norwegian tax refund	2.1	50.5
Uganda capital investment	57.5	–
Cash capital expenditure per the cash flow statement	307.5	1,031.2

Net debt

Net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of cash borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding cash borrowings. Net debt is defined as current and non-current borrowings plus unamortised arrangement fees and the equity component of any compound debt instrument less cash and cash equivalents. The Group's definition of net debt does not include the Group's finance leases as the Group's focus is the management of cash borrowings and a finance lease is viewed as deferred capital investment. The value of the Group's finance lease liabilities as at 31 December 2017 was \$228.1 million current and \$1,317.5 million non-current; it should be noted that these balances are recorded gross for operated assets and are therefore not representative of the Group's net exposure under these contracts.



	2017 \$m	2016 \$m
Current borrowings	–	591.5
Non-current borrowings	3,606.4	4,388.4
Unamortised arrangement fees	100.2	35.5
Equity component of convertible bonds	48.4	48.4
Less cash and cash equivalents	(284.0)	(281.9)
Net debt	3,471.0	4,781.9

Gearing and adjusted EBITDAX

Gearing is a useful indicator of the Group's indebtedness, financial flexibility and capital structure and can assist securities analysts, investors and other parties to evaluate the Group. Gearing is defined as net debt divided by adjusted EBITDAX. Adjusted EBITDAX is defined as loss from continuing activities less income tax credit, finance costs, finance revenue, (loss)/gain on hedging instruments, depreciation, depletion, amortisation, share-based payment charge, restructuring costs, gain/(loss) on disposal, goodwill impairment, exploration costs written off, impairment of property, plant and equipment net, provisions for inventory and provision for onerous service contracts. Adjusted EBITDAX therefore excludes interest on obligations under finance leases of \$46.1 million, and interest income on amounts due from Joint Venture Partners for finance leases of \$21.0 million, as in assessing business performance, management considers lease payments in substance to represent deferred capital expenditure. Had these been included in the calculation of adjusted EBITDAX, calculated gearing would have been unchanged at 2.6x.

	2017 \$m	2016 \$m
Loss from continuing activities	(188.5)	(597.3)
Less		
Income tax credit	(110.6)	(311.0)
Finance costs	351.7	198.2
Finance revenue	(42.0)	(26.4)
Loss/(gain) on hedging instruments	11.8	(18.2)
Depreciation, depletion and amortisation	592.2	466.9
Share-based payment charge	33.9	43.9
Restructuring costs	14.5	12.3
Loss on disposal	1.6	3.4
Goodwill impairment	–	164.0
Exploration costs written off	143.4	723.0
Impairment of property, plant and equipment, net	539.1	167.6
Provision for onerous service contracts, net	(1.0)	114.9
Adjusted EBITDAX	1,346.1	941.3
Net debt	3,471.0	4,781.9
Gearing (times)	2.6	5.1

Underlying cash operating costs

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

	2017 \$m	2016 \$m
Cost of sales	1,069.3	813.1
Less		
Operating lease expense	62.5	21.0
Depletion and amortisation of oil and gas assets	574.3	448.5
Underlift, overlift and oil stock movements	(2.3)	(76.5)
Share-based payment charge included in cost of sales	1.1	2.7
Other cost of sales	47.5	40.2
Underlying cash operating costs	386.2	377.2
Production (mmboe)	34.7	26.4
Underlying cash operating costs per boe (\$/boe)	11.1	14.3

Excluding prior year accrual reversals, the underlying cash operating costs were \$11.7/boe.

Free cash flow

Free cash flow is a useful indicator of the Group's ability to generate organic cash flow to fund the business and strategic acquisitions, reduce borrowings and available to return to shareholders through dividends. Free cash flow is defined as net cash from operating activities, net cash used in investing activities, net cash generated by financing activities and foreign exchange loss less repayment of bank loans, drawdown of bank loans and issue of convertible bonds.

	2017 \$m	2016 \$m
Net cash from operating activities	1,222.9	512.5
Net cash used in investing activities	(296.4)	(967.2)
Net cash (used in)/generated by financing activities	(927.9)	399.3
Foreign exchange gain/(loss)	3.5	(18.4)
Net proceeds from issue share capital	(768.1)	–
Repayment of bank loans	1,613.6	769.1
Drawdown of bank loans	(305.0)	(1,187.5)
Issue of convertible bonds	–	(300.0)
Free cash flow	542.6	(792.2)



RESPONSIBLE OPERATIONS

PRIORITISING RESPONSIBLE OPERATIONS

As a responsible operator, Tullow manages above-ground risks with the same rigour and focus with which it manages the below-ground technical challenges of exploring for and producing oil and gas.

Overview

Tullow is committed to sustaining high levels of safety, environmental and social performance across our operations. To facilitate this, we have enacted mandatory policies and standards to guide operational responsibility and to which we hold all employees and contractors accountable. Our organisational structure makes clear the accountability of Business Delivery Teams for operational delivery in accordance with these requirements and the Corporate Centre's accountability for structured and independent assurance. In 2017, we have continued to strengthen and clarify these policies and standards to ensure compliance and robust risk management at all our operational sites, among staff and contractors.

Occupational safety

Providing a safe working environment for our staff and contractors is a core value and a business priority. Safe and sustainable performance is also incentivised through Tullow's Group scorecard. Our objective is to achieve sustained top quartile safety performance and in 2017 we achieved a decrease in the Total Recordable Injuries and High-Potential Incidents across our operations. Unfortunately, we also experienced four Lost Time Injuries (LTIs) in the course of the year, which prompted the establishment and execution of focused improvement plans with our staff and contractors.

Process Safety Management (PSM)

Major accident events (MAEs) represent a material risk to Tullow. To address this, Process Safety Management (PSM) policies, standards and plans are applied to all drilling and production activities and are incorporated in planning and decision making throughout the project life cycle, from concept

selection, design and construction through to commissioning, operations, modifications and decommissioning. In 2017, Tullow undertook PSM audits for Jubilee and TEN, which will be closed out in 2018.

In Tullow's approach to PSM, lessons from earlier projects are learnt and applied to others. For example, the TEN project – which came onstream in 2016 – drew valuable lessons from Jubilee, which have resulted in robust PSM arrangements being well established early in the operational life of the TEN fields. There were no Tier 1 or Tier 2 process safety events recorded at TEN or Jubilee in 2017.

Regrettably, Tullow experienced a third-party fatality in 2017 when a pedestrian was struck by an off-duty vehicle at a town near to one of our locations in Kenya. The incident was comprehensively investigated by Tullow. Following this we instigated additional controls to mitigate recurrence and we continue to work with our contractors to prevent such incidents.

Environment

Tullow's environmental management approach incorporates Environmental and Social Impact Assessments (ESIAs), associated Management Plans (ESMPs), resource use minimisation, waste management, protected areas management, biodiversity management, greenhouse gas (GHG) and emissions management, and close-out/decommissioning/remediation.

Tullow's total Scope 1 emissions were 1.1 million tonnes of CO₂e (2016: 754,338 tonnes) and 127 tonnes (2016: 142 tonnes) of CO₂e per 1,000 tonnes of hydrocarbon produced. Although the total air emissions increased by 46 per cent from last year, the flaring normalised by production has decreased because of increased

3.4%

score achieved out of a 5% allocation for safe and sustainable operations in the Group scorecard

▼ 2016: 4.1%

REDUCED

recordable injuries in the last 12 months to 8

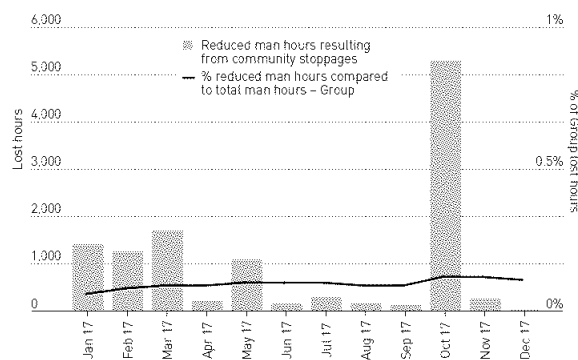
▼ 2016: 9

SIGNED

Memorandum of Understanding between Tullow and Kenya National Police Service, aligned with Voluntary Principles on Security and Human Rights



LOST HOURS RESULTING FROM COMMUNITY STOPPAGES



combined production from TEN and Jubilee. The increase in air emissions is mostly accounted for by the increase in flaring at our Ghana operations during commissioning of the TEN facility and periods of reduced capacity onshore to receive gas. Despite the increase, all operations remain within statutory flaring limits.

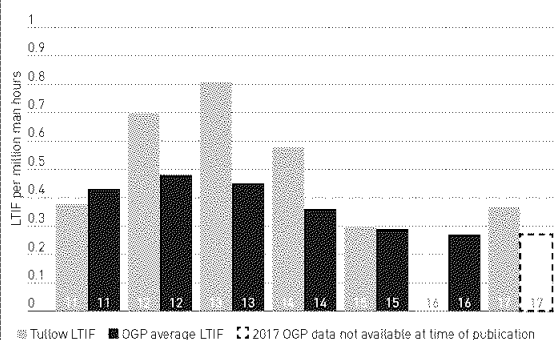
The quality of our ESIs has continued to improve and reviews of associated management plans show an improving level of adherence to identified mitigation measures. In Kenya and Uganda, we have continued to collect baseline data to support operations and planned development work. In Kenya, we have recently completed a Waste Management Infrastructure Study to inform development planning on waste management options. A review of all planning to date shows alignment with IFC Performance Standards. Work was also completed in Kenya on option selection for sustainable water supply to full field development and this work has highlighted preferred options which continue to be progressed.

Tullow acknowledges the global threat posed by climate change and recognises the need to reduce GHG emissions. We accept our responsibility to comply with emerging climate change legislation and regulation, and to reduce our GHG emissions as far as is reasonably practicable through appropriate initiatives. In 2018, Tullow will be undertaking a strategic benchmarking exercise to ensure that our initiatives and commitments are in line with the legitimate expectations of our stakeholders.

Asset Protection (Security, Business Continuity and Crisis & Emergency Management)

Tullow's approach to Asset Protection incorporates the traditional corporate security function, business continuity, and crisis & emergency management. Our policies, standards and plans in this area are applicable to all employees and contractors. They are designed to protect Tullow's assets (people, physical assets and reputation) from sources of potential and actual harm, while ensuring that Tullow can rapidly adapt and respond in a resilient way to unforeseen events that could impact normal business operations.

LOST TIME INJURY FREQUENCY (LTIF) RATES



In Ghana and Kenya, Tullow has large-scale operations which currently receive direct support from national security services. In both cases, the nature of this support is captured in a Memorandum of Understanding (MoU) that is aligned with the Voluntary Principles on Security and Human Rights (VPSHR) to which Tullow is a signatory. The MoU between Tullow and the Kenya National Police Service was signed in July 2017. We are also working towards VPSHR application in relation to short-duration exploration activities.

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

Social Performance

Building a robust social licence is fundamental to our ability to operate. Without the engaged support of our host communities, we would be unable to undertake the technical, infrastructural and logistical work associated with exploration, development and production of hydrocarbons onshore and offshore. Focal areas of our Social Performance therefore include stakeholder engagement, management of community grievances and land/sea access – all led by focused Stakeholder Engagement Teams – with emphasis dependent on project context and proposed activities.

In Kenya, a key focus of our engagement is to aim for Free, Prior and Informed Consent (FPIC) with affected communities. The E&A Stakeholder Engagement Framework is available on our website. Tullow's ongoing focus on stakeholder identification and analysis to inform the establishment broad-based and representative stakeholder platforms will be a key factor in achieving FPIC for the development. A development-focused Land Access and Resettlement Framework has been developed for discussion with national and county government.

GOVERNANCE & RISK MANAGEMENT

ETHICAL & PRUDENT RISK MANAGEMENT

Our ethical standards and behaviour underpin everything we do across our Group and we work to ensure that they are upheld and demonstrated at every opportunity.

A culture of ethical behaviour aligned to our values and a robust Integrated Management System (IMS) are central to how we run the business. Through clear corporate governance policies, supported by robust risk, assurance and performance management processes, we manage the opportunities and risks in our operations and respond to the concerns of our shareholders and stakeholders. The Board incentivises such good governance and risk management measures through a set of Key Performance Indicators (KPIs) in our Group scorecard, which are used to determine Executive Directors' and employees' variable, performance-related pay. See pages 20 to 23 for more information.

Risk, assurance and performance management

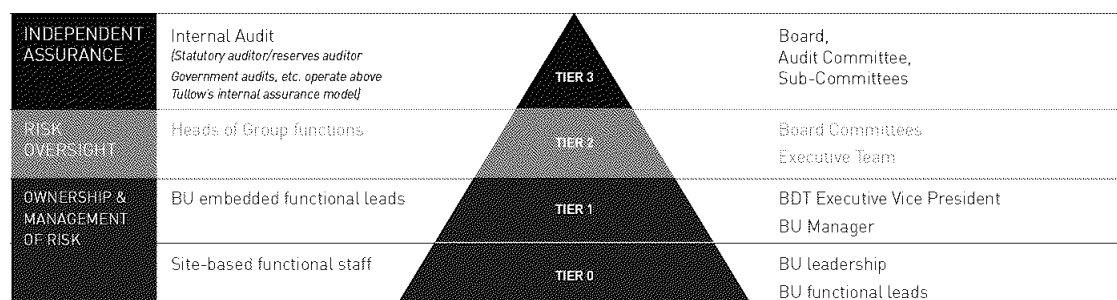
The Company has a consistent risk management process across the Group, which ensures risk is considered at every level of the organisation, and that adequate risk information flows from the Business Units and functions to the Group and from the Board down to the Business Units and functions. On an annual basis the Board of Directors carries out an assessment of the principal risks facing the Company, including those that would threaten our business model, future performance, solvency and liquidity. The management of these principal risks is delegated to the Executive Team and Senior Management and is overseen by the Board of Directors and its Committees. A summary of the full report on these risks is available on pages 42 to 49.

Risk management is underpinned by the IMS, implemented in 2016, which sets out all mandatory policies, standards and controls necessary to manage our activities and associated risks. During the year, we have incorporated feedback from the business to make the mandatory requirements clearer. Business Units have also reviewed their local systems to confirm compliance with the IMS and local legislation and regulation. An independent Internal Audit, due to report in the first quarter of 2018, is assessing how effectively the Corporate functions have rolled out mandatory requirements across the Group and how local BU management systems align with Group requirements.

Assurance activities are planned on an annual basis to coordinate them between the Business Units, functions and Internal Audit and to align them to key risks and key requirements set out in the IMS. Bottom-up and top-down reviews of planned assurance activities are carried out to ensure the right level of assurance across the Group. Responsibility for assurance activities is clearly articulated at each of the four organisational tiers (see chart).

Both risk management and assurance are treated as an integral part of doing business at Tullow and are monitored together with usual business and operational performance as part of performance management. Performance scorecards are used to give Senior Management a clear view of business performance and a subset of the KPIs are monitored regularly by the Executive Team and have targets which are linked to remuneration.

TULLOW ASSURANCE MODEL



Stakeholder engagement

Our priority is to ensure that the Company can negotiate and sustain agreement, legitimacy and trust in our countries of operation. We aim to maintain and build relationships with all stakeholders, including national and local governments, regulators, international and national NGOs, multilaterals, host communities and their diaspora.

We also look for opportunities to engage stakeholders outside formal meetings and use these to understand evolving expectations of Tullow and our industry, and to provide input on key policy issues and contribute our own views. We took part in Chatham House New Producers conferences in Guyana and Suriname and took part in a panel discussion in Nairobi for the launch of Oxfam's report on implementation of Free, Prior and Informed Consent (FPIC) in Turkana.

In Ghana, our engagement focused on the six coastal communities closest to our operations and we discussed a range of topics with them including the operating constraints of our Floating Production Storage and Offloading vessels (FPSOs), the Turret Remediation Project and ongoing Jubilee and TEN operations. In Kenya we published our Exploration & Appraisal Stakeholder Engagement Framework for the South Lokichar Basin, Turkana, which received positive feedback.

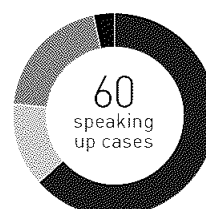
Ethical behaviour

We are fully committed to conducting our business ethically, legally and in compliance with our own internal Code of Ethical Conduct ('the Code'). As in previous years, we implemented a programme of communication and training on the Code and its related ethical standards. In particular, all staff are required to complete an annual e-learning module covering key areas of the Code, with a special focus on anti-corruption and compliance controls. In 2017, all staff (100 per cent) completed the e-learning module as well as their compliance certification with the Code. The Code certification process obtains confirmation and formal disclosure from staff on how they complied with the Code. All Code certificates were reviewed and assured by our Group Ethics & Compliance function before obtaining formal sign-off by Les Wood, our Chief Financial Officer, who has executive responsibility for Ethics & Compliance.

As part of our continued commitment to zero tolerance of bribery and corruption, we further strengthened our supply chain due diligence process to cover additional controls, including those related to beneficial ownership. The revised process also covers due diligence related to human rights and labour conditions as part of our compliance with the UK Modern Slavery Act. Furthermore, in response to the introduction of the UK Criminal Finances Act 2017, we leveraged our anti-corruption controls to introduce a specific compliance programme to prevent the facilitation of tax evasion. This programme will continue to be our focus in 2018.

In addition to the supply chain due diligence improvements, we carry out an annual sanctions and trade restrictions review of all vendors and suppliers across the Company using an external company to ensure we monitor our compliance with these requirements. The 2017 review covered over 7,500 vendors including other third parties and confirmed that we had no sanction breaches during the year.

SPEAKING UP



● HR	38
● Fraud	8
● Supply chain	12
● Corruption	2
Speaking up cases	60

In 2015, the Board established an Ethics & Compliance Committee in order to oversee and assist the Executive Team in ensuring that our policies and codes relating to Ethics & Compliance were fully reflective of best practices in this area and that they were thoroughly implemented across our business. Following the successful implementation of the revised Code and the Tullow staff's 100 per cent completion of the Code of Ethical Conduct e-learning module and compliance certification in 2017, the Board determined that a standalone committee was no longer required and that Ethics & Compliance issues would be best addressed on an ongoing basis by the Executive Team under the supervision of the Board as a whole and through the Audit Committee. The Board will continue to monitor Ethics & Compliance issues as part of its ongoing risk management remit and the Board maintains responsibility for overseeing the development and monitoring the implementation and effectiveness of the Code and other Company standards in relation to good ethical behaviour. In addition, Ethics & Compliance features strongly at the Audit Committee which provides further assurance to the Board. The Board signs off on the Tullow Code of Ethical Conduct to ensure this key document is fully supported. The Executive Team also has regular engagement on strategic Ethics & Compliance matters to ensure the tone from the top is clear and transparent.

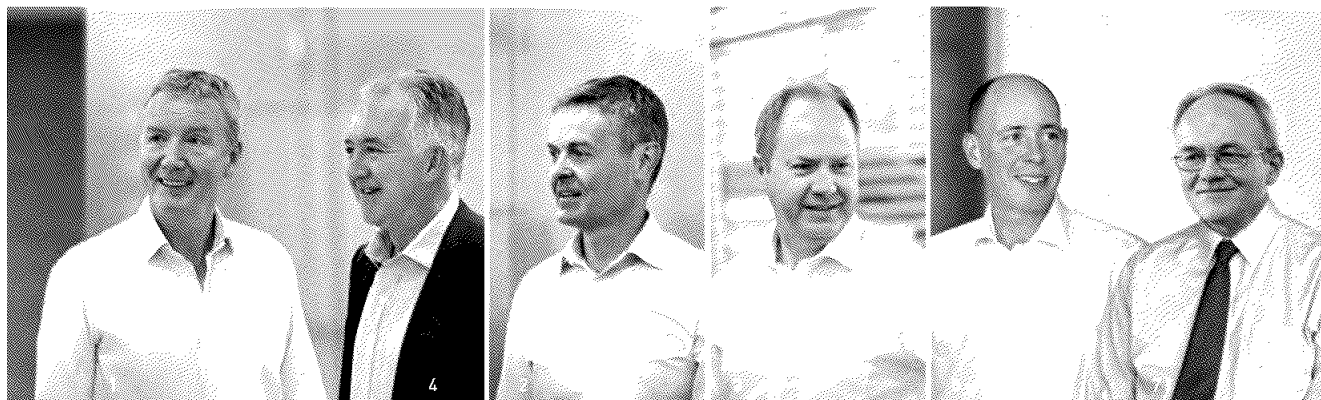
The Audit Committee also reviews the adequacy and security of the Company's arrangements for staff to raise concerns, in confidence, about possible improprieties in financial reporting or other matters. In 2017, we recorded 60 'speaking up' cases, of which seven were submitted via our confidential, external and independent reporting option provided by Safecall. We investigated all reported possible or actual breaches of our Code, following which seven members of our workforce left the Group and had their contracts terminated. This is necessary to uphold good corporate governance and ensure that we safeguard the integrity of our Code and that of the Company. As in previous years, we provide above a breakdown of 'speaking up' cases by category.

STRATEGIC REPORT

GOVERNANCE & RISK MANAGEMENT CONTINUED BOARD OF DIRECTORS

STRONG LEADERSHIP & FOCUSED EXPERIENCE

The Board provides strategic oversight and stewardship of the Company and has a particular responsibility for maintaining effective risk management and internal control systems.



1. AIDAN HEAVEY CHAIRMAN

Aidan Heavey (age 64, Irish) is the founder of Tullow and was Chief Executive Officer for 31 years. He has played a key role in Tullow's development as a leading independent oil and gas exploration and production group. Aidan was appointed as non-executive Chairman on 26 April 2017 following Tullow's Annual General Meeting for a transitional period not exceeding two years.

N

2. PAUL McDADE CHIEF EXECUTIVE OFFICER

Paul McDade (age 54, British) was appointed Chief Executive Officer on 26 April 2017, following Tullow's Annual General Meeting, and was appointed to the Board of Directors in March 2006. Paul joined Tullow in 2001 and was appointed Chief Operating Officer following the Energy Africa acquisition in 2004, having previously managed Tullow's UK gas business.

An engineer with over 30 years' experience, Paul has worked in various operational, commercial and management roles with Conoco, Lasmco and ERC. He has broad international experience having worked in the UK North Sea, Latin America, Africa and Southeast Asia. Paul holds degrees in civil engineering and petroleum engineering.

N

3. LES WOOD CHIEF FINANCIAL OFFICER

Les Wood (age 55, British) was appointed to the Board of Directors in June 2017 after acting as Interim CFO for six months. Les joined Tullow in 2014 and was the Group's Vice President for Commercial and Finance. Before joining Tullow, Les worked for BP plc for 28 years in various positions including regional CFO roles in Canada and the Middle East. Les has an MSc in Inorganic Chemistry from Aberdeen University and also a BSc in Chemistry from Heriot Watt University.

4. ANGUS McCOSS EXPLORATION DIRECTOR

Angus McCoss (age 56, British) was appointed to the Board of Directors in December 2006 following 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and the Middle East. Angus held a number of senior positions at Shell, including regional vice president of exploration for the Americas and general manager of exploration in Nigeria. He holds a PhD in structural geology.

Other directorships and offices

Angus is a non-executive director of Providence Resources plc, an Ireland-based oil and gas exploration company with a portfolio of appraisal and exploration assets located offshore Ireland and shares quoted on the AIM in London and the ESM in Dublin. Angus is also a non-executive director of Ikon Science Limited and a member of the advisory board of the industry-backed Energy and Geoscience Institute of the University of Utah.

EHS



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

Jeremy Wilson [age 53, British] was appointed as a non-executive Director in October 2013 following a 26-year career at J.P. Morgan, where he held a number of senior positions, most recently vice chairman of the Energy Group.

Other directorships and offices

Jeremy is a non-executive director of John Wood Group PLC (UK) and a director of The Lakeland Climbing Centre Ltd and The Lakeland Climbing Foundation.

N*, A, R

6. TUTU AGYARE NON-EXECUTIVE DIRECTOR

Tutu Agyare [age 55, Ghanaian] was appointed as a non-executive Director in August 2010. He is currently a managing partner at Nubuke Investments, an asset management firm focused solely on Africa, which he founded in 2007. Previously, he had a 21-year career with UBS Investment Bank, holding a number of senior positions, most recently as the head of European emerging markets, and served on the board of directors.

Other directorships and offices

Tutu is a director of the Nubuke Foundation, a Ghana-based cultural and educational foundation.

R*

7. STEVE LUCAS NON-EXECUTIVE DIRECTOR

Steve Lucas [age 63, British] was appointed as a non-executive Director in March 2012. A Chartered Accountant, Steve was finance director at National Grid plc from 2002 to 2010 and previously worked for 11 years at Royal Dutch Shell and for six years at BG Group, latterly as group treasurer.

Other directorships and offices

Steve is a non-executive director of Acacia Mining plc and chairman of Ferrexpo plc.

A*, N

8. ANNE DRINKWATER NON-EXECUTIVE DIRECTOR

Anne Drinkwater [age 62, British] was appointed as a non-executive Director in July 2012. Anne's appointment followed a long career at BP, where she held a number of senior business and operations positions, including president and chief executive officer of BP Canada Energy Company, president of BP Indonesia and managing director of BP Norway.

Other directorships and offices

Anne is a non-executive director and the non-executive deputy chairman of Aker Solutions ASA (Norway) and is an oil and gas adviser to the Government of the Falkland Islands.

EHS*, A, N

9. MIKE DALY NON-EXECUTIVE DIRECTOR

Mike Daly [age 64, British] was appointed as a non-executive Director in June 2014 following a 28-year career at BP, where he held a number of senior roles. Most recently, he was executive vice president exploration, and a member of BP's group executive team until January 2014.

Other directorships and offices

Mike is a visiting professor at the University of Oxford and a senior advisor at Macro Advisory Partners. Mike is also a non-executive director of CGG, an integrated geoscience company based in France, which is listed on the Euronext and New York Stock Exchanges.

EHS, R

KEVIN MASSIE COMPANY SECRETARY

Kevin Massie was appointed Company Secretary on 1 January 2016. Kevin was previously Corporate Counsel and Deputy Company Secretary at Tullow.

KEY

*	Committee Chair
A	Audit Committee
EHS	EHS Committee
N	Nominations Committee
R	Remuneration Committee

>>

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MANAGING RISKS & UNCERTAINTIES

We recognise that effective risk management is fundamental to helping us achieve our strategic objectives. Risk management is embedded in our critical business activities, functions and processes. Materiality and our tolerance for risk are key considerations in our decision making process.

Our ability to identify, assess and successfully manage our risks is critical to our business success. Managing those risks helps to protect our business, those who work with us and our reputation. We use our risk management process to provide reasonable, but not absolute assurance that the risks we face are being mitigated and that our assets are protected. This approach to risk management supports the business in achieving its strategic objectives.

The Board provides strategic oversight and stewardship of the Company and has a particular responsibility for maintaining effective risk management and internal control systems. The Executive Team, Group functional heads and Business Delivery Teams are responsible and accountable for monitoring and managing the risks in their parts of the business. Individual leaders and managers identify and assess the probability and impact of particular day-to-day risks and decide, within their levels of authority, whether they should be terminated or brought to an acceptable level to meet the Board expectations.

Risk management process

The risk management process is based on risk registers held at each layer of the organisation (as illustrated in the risk hierarchy). Key risks in these registers have assigned owners and are reviewed as part of the quarterly business performance reviews. The registers identify risks facing the Group and assess these, at both an inherent and residual level, against two scales: a) their likelihood; and b) their potential consequence to the Group. The consequences include financial, safety, reputation, legal and regulatory impacts. The risk owners use these assessments to understand how strong existing controls are and what mitigating actions are taken. They also consider what additional actions may be needed to reduce the risk to the agreed tolerance level. Tullow recognises that risk cannot be totally eliminated and that there are some risks the Board or Executive will decide are acceptable to enable the pursuit of particular business opportunities. These decisions are informed by a risk assessment and are made at an appropriate authority level and reflect the Group's defined risk appetite.

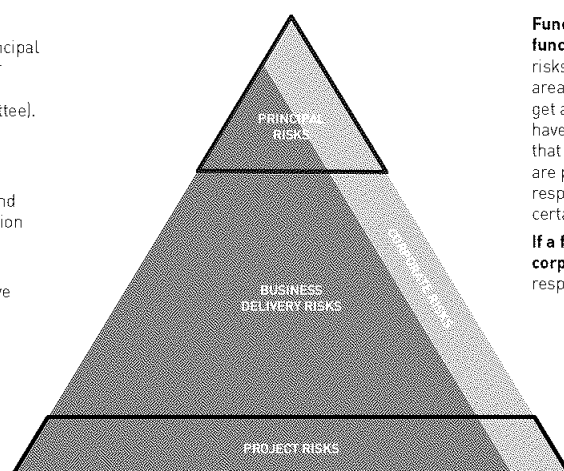
RISK HIERARCHY

Board – Oversee identification, assessment of and response to principal risks (annual planning) and monitor effectiveness of risk management process (delegated to Audit Committee).

Executive Committee – Oversee identification and assessment of principal risks from key business delivery risks and corporate risks and monitor effectiveness of risk reduction actions (quarterly).

Business EVPs and BU Managers – Identify and assess their respective business risks (at least annually) and monitor effectiveness of risk response (quarterly).

Project Steering Groups (PSG) – Identify, assess and respond to project risks (monthly).



Functional EVPs and heads of Group functions – Set standards for managing risks in their respective functional areas, and review business risks to get assurance that key business risks have been identified and assessed and that effective risk mitigation actions are planned. Functions may also be responsible for aggregation of certain risks across the Group.

If a function is responsible for managing corporate risks – Identify, assess and respond to such risks.

The Audit Committee has delegated responsibility from the Board for oversight of the risk management process, supported by Group Internal Audit. Risk management is also an integral part of the annual business planning process and ongoing business performance management. This includes risk identification, but also requires detailed discussions between all levels of the organisation to agree how risks are to be mitigated and to ensure there is a clear understanding of compound risk and where risks are interdependent thus requiring cross-business or cross-functional collaboration.

Our inherent risk universe

The Group maintains a 'risk universe', which lists an extensive collection of potential risks that could affect the Company's performance. This is used to ensure risks are identified in a complete and systematic way and that the agreed definitions of risk are used. These risks are separated into four classes: Strategic, Financial, Operational and Compliance. These are then divided into ten risk categories. The responsibility for each of these categories is assigned to Executive Directors and Executive Vice Presidents with the Board or relevant Board Committees providing oversight. A summary of our risk universe is detailed below.

Risk appetite

The Board sets the Group's risk appetite and acceptable risk tolerance levels for principal risks and ensures compliance with these agreed tolerances. This year the Board has reviewed the risk process, the assessment of principal risks and the existing controls and mitigating actions that drive towards residual risk. The risk appetite has been adopted by the Board and is reviewed at least annually to ensure that it reflects the current external and market conditions.

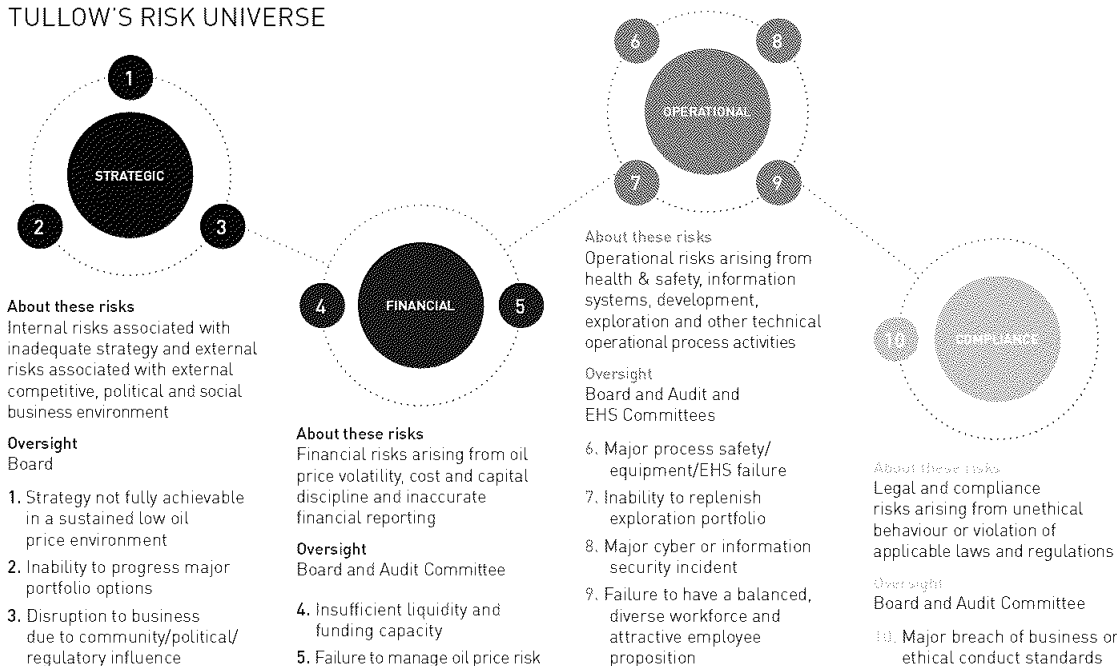
Principal risks

The Group works in collaboration with the business to identify the principal risks facing Tullow and to consolidate the risk registers. Principal risks can be a single risk, or a set of consolidated business risks which, taken together, are significant for the Group. Principal risks include risks which are ongoing business or industry risks, but they also include risks specific to Tullow. The Executive Committee undertakes a formal review of the principal risks once a year during a risk workshop attended by Executive Directors and Executive Vice Presidents. During the workshop held in 2017 we agreed the principal risks, understood the risk interdependencies and defined risk tolerances for each risk. Results of the principal risk assessment were then brought to the Board's strategy session, where they formed part of discussions about Tullow's business strategy and future plans.

The principal risk assessment also covered emerging risks such as the risk of climate change, Brexit or cyber threats. Those risks that the Board considered to have a significant enough impact during our planning horizon have been identified as principal risks. The other risks continue to be managed or monitored by the Senior Management. The resulting principal risks are presented on pages 44 to 49.

Other risks could emerge in the future and if these risks are not successfully managed our cash flow, operating results, financial position, business and reputation could be materially adversely affected.

TULLOW'S RISK UNIVERSE





STRATEGIC REPORT

PRINCIPAL RISKS CONTINUED

STRATEGIC		
Principal risks	Causes	Potential impact
1. STRATEGY NOT FULLY ACHIEVABLE IN SUSTAINED LOW OIL PRICE ENVIRONMENT Executive responsibility Paul McDade Chief Executive Officer Link to KPI/scorecard Strategic Financing Safe, Sustainable and Efficient Operations Business Development and Growth	• Low oil price environment due to global supply/demand balances and shift to alternative energy sources as a result of climate change	• Inability to deleverage the business • Inability to monetise chosen assets • Capital committed to suboptimal projects • Overheads not matched to asset base • Portfolio not optimised to sustain long-term strategy
2. INABILITY TO PROGRESS MAJOR PORTFOLIO OPTIONS Executive responsibility Les Wood Chief Financial Officer Link to KPI/scorecard Strategic Financing	• Reduction in market appetite for E&P assets • Uncertainty around projects	• Inability to monetise chosen assets and deleverage balance sheet • Write-downs on acquired assets • Failure to exit mature assets with low returns • Exposure to decommissioning costs
3. DISRUPTION TO BUSINESS DUE TO COMMUNITY/POLITICAL/REGULATORY INFLUENCE Executive responsibility Sandy Stash EVP – Safety, Operations, Engineering & External Affairs Link to KPI/scorecard Safe, Sustainable and Efficient Operations Business Development and Growth	• Fiscal pressures on Government as a result of reduced revenues due to low oil price • Local currency exchange rate challenges • Uncertainty arising from changes in Government leadership • Pace of national content requirements • Government inability to deliver infrastructure on time for projects and provide security for critical infrastructure	• Significant variance to plans due to delayed regulatory approvals/lack of support • Regulatory and tax changes affecting profitability and viability of projects/operations • Inability to achieve community support for new projects due to opposition/loss of licence to operate • Unplanned costs due to community unrest/opposition • Significant security risk to Tullow employees and contractors • Inability to execute commercial transactions
FINANCIAL		
Principal risks	Causes	Potential impact
4. INSUFFICIENT LIQUIDITY & FUNDING CAPACITY Executive responsibility Les Wood Chief Financial Officer Link to KPI/scorecard Strategic Financing	• Oil price downturn • Lack of capital discipline and unsuccessful portfolio management • Reduced asset quality limiting ability to raise debt • Reduced bank/DCM appetite for E&P sector • Significant unplanned cash outflows and elevated leverage	• Inability to finance strategic objectives • Ability to raise further debt constrained • Inability to fund capital investment/projects



Risk mitigation and assurance		2017 outcomes and ongoing actions	
• Robust planning of strategy • Business plan reviewed by the Executive Team and approved annually by the Board • Strict capital allocation process in line with the business plan • Track delivery through rigorous regular performance management and reporting • Board Strategy Day portfolio reviews		• Improved Group capital allocation process and reporting • Optimised 2018 planned capital spend • Tested and retained options for increased EBITDA delivery • Improved focus on overheads • Focused on deleveraging options • Detailed portfolio review	
• Regular portfolio assessments by the Board • Meet relevant commercial and investment appraisal standards • Review all major acquisition or divestment proposals • Approval process for all major decisions and new country entry proposals • Implemented a new Corporate Centre Acquisition & Divestments role to increase deal expertise		• Improved portfolio analysis • Biannual portfolio reviews with Business Delivery Teams • Portfolio reviewed by the Board • Executing current strategic portfolio plan • Focus on securing maximum value in current operations • Clear identification of level of commitments in new licences • Successful farm-down of Uganda and disposal of non-core/mature assets	
• Non-technical risk standard sets minimum requirements for stakeholder management • Country strategy papers and stakeholder engagement plans, supported by experienced staff to manage developments • Social investment projects mapped to business development plans • Plans to increase local content incorporated into contracting strategy		• Fully embedded non-technical risk standard • Mapped and set out integrated solutions for complex risks • Negotiated TEN gas sales/delivery agreements and delivered TEN successfully • Negotiated settlement of tax disputes • Improved stakeholder strategy • Developed an approach and plan to obtain agreements with communities • Landscape level approach to development adopted	

Risk mitigation and assurance		2017 outcomes and ongoing actions	
• Prudent approach to diversified debt and equity, with a balance maintained through business planning and performance management processes • Board-approved funding policy targets in place • Optimisation of debt capital structure • Good relationships with banks and capital market investors • Regular funding and liquidity projections reported to management and periodic financing strategy review carried out • Financing standard in place to ensure optimal funding		• \$750 million Rights Issue enabled stepped reduction in debt • Completed \$2.5 billion RBL refinancing and one year tenor extension of RCF • 2017 year-end facility headroom and free cash of \$1.1 billion; net debt of \$3.5 billion • YE2017 Net Debt/EBITDAX 2.6x • Strength of assets retained of debt capacity despite fall in low oil price environment	



STRATEGIC REPORT

PRINCIPAL RISKS CONTINUED

FINANCIAL		
Principal risks	Causes	Potential impact
5. FAILURE TO MANAGE OIL PRICE RISK Executive responsibility Les Wood Chief Financial Officer Link to KPI/scorecard Strategic Financing	Low oil price environment due to global supply/demand balances and shift to alternative energy sources as a result of climate change	- Reduced cash flows, revenue, EBITDA, asset value and debt capacity - Insufficient funding to support investment programme
OPERATIONAL		
Principal risks	Causes	Potential impact
6. MAJOR PROCESS SAFETY/EQUIPMENT/EHS FAILURE Executive responsibility Gary Thompson EVP – West Africa Mark MacFarlane EVP – East Africa Ian Cloke EVP – New Ventures Link to KPI/scorecard Safe, Sustainable and Efficient Operations	- Inadequate maintenance of safety critical equipment on board Jubilee/TEN FPSOs - Loss of wells, subsea equipment or FPSO systems - Error in well design, equipment selection or programme - Ineffective standards and procedures, improper work practices or lack of training - Loss of rig position	- Multiple fatalities - Serious environmental or asset damage - Serious financial/reputational damage - Significant loss of production, injection or export capacity and disruption to business operations
7. INABILITY TO REPLENISH EXPLORATION PORTFOLIO Executive responsibility Angus McCoss Exploration Director Link to KPI/scorecard Business Development and Growth	- Lack of/under investment in portfolio high-grading activities - Lack of dedicated resources to identify new business activities - Failure to encourage entrepreneurial/creative exploration innovation or demotivation of key staff	- Failure to generate a quality drill-ready prospect queue - Loss of reputation and exploration value from share price - Sustained exploration failure results in poor or no drill-ready prospects and diminished future development options and production ramp-up



Risk mitigation and assurance	2017 outcomes and ongoing actions
• Board-approved hedge programme to protect against low oil prices • Programme monitored regularly and communicated to the Board • Hedging programme executed and approved in accordance with the policy • Regular review of hedge strategy, position and effectiveness	• 2017 Net hedge receipts of \$110 million • Approximately 60 per cent of 2017 entitlement oil production hedged at an average floor price of \$60.32/bbl

Risk mitigation and assurance	2017 outcomes and ongoing actions
• Independently verified safety cases to demonstrate risks reduced to ALARP and EHS management system in place • Minimum asset integrity, well integrity requirements, maintenance and planning requirements mandated • Analysis of key FPSO systems (power, gas, water, etc.) to support top quartile reliability and computerised maintenance management system (CMMS) to manage asset integrity • All wells designed, constructed and operated in accordance with appropriate standards and procedures • Comprehensive all-risk insurance package including business interruption and construction risk programmes • Third-party well assurance	• Safety case verification by industry experts • Competency gaps/losses identified • Assurance against production operations standards • Assurance against Production Well Integrity Procedure • Original turret manufacturer and JV Partners input to Case to Operate, with external assurance • Asset Integrity and Reliability Plan in place • Well integrity management system, FPSO performance standards and assurance and verification criteria implemented • Insurance process in place • Frequent review of well engineering management system to ensure well control risk effectively addressed • Rig HSE case and third-party equipment audits carried out • Training and competency matrix and asset integrity and reliability plan in place
• New opportunities are considered against existing portfolio to maintain diversity of prospects • Exploration portfolio is reviewed at least annually • An Exploration and Appraisal Values Controls Standard is in place • Exploration and Development Geosciences Executive team works across the business on portfolio planning	• Four new PSCs granted in Côte d'Ivoire supporting replenishment of the exploration portfolio in an oil-prone area • Major 3D seismic campaigns in Uruguay (block 15), Guyana (Orinduik and Kanuku licences) and Mauritania (C3 and C18), a 2D programme in Jamaica and an FTG survey in Zambia all complete in 2017 to create campaign options for 2018/19 • Farm-down of Namibia PEL37 to manage risk exposure at drilling stage



STRATEGIC REPORT

PRINCIPAL RISKS CONTINUED

OPERATIONAL		
Potential risks	Causes	Potential impact
8. MAJOR CYBER OR INFORMATION SECURITY INCIDENT Executive responsibility Angus McCoss Exploration Director Link to KPI/scorecard Safe, Sustainable and Efficient Operations	- External cyber-attack resulting in network compromise or disruptive/ destructive impact to Industrial Control Systems - Deliberate or accidental internal theft/loss of confidential information	- Disruption to or halt of critical business systems resulting in stopped production, explosion or loss of life - Loss or theft of confidential information - Loss of competitive advantage and intellectual property - Reputational damage
9. FAILURE TO HAVE A BALANCED, DIVERSE WORKFORCE & ATTRACTIVE EMPLOYEE PROPOSITION Executive responsibility Claire Hawking EVP – Organisation Strategy & Company Performance Link to KPI/scorecard Organisation	- Tullow culture and values not embedded - Staff do not support our current operating model - Lack of confidence in strategy and senior leadership - Diversity and localisation plans not effectively implemented - Ineffective staff development and reward programmes	- Loss of key personnel/lack of succession and increased staff turnover - Lack of in-house skills and requirement to buy in short-term contractors increase costs - Negative relations with the Government due to failure to implement localisation plans - Reputational damage
COMPLIANCE		
10. MAJOR BREACH OF BUSINESS OR ETHICAL CONDUCT STANDARDS Executive responsibility Les Wood Chief Financial Officer Link to KPI/scorecard Organisation	- Insufficient staff understanding of compliance - Poor leadership behaviour - Insufficient 'speaking up' culture - Lack of compliance monitoring in Business Units and failure to adequately respond to non-compliance	- Unethical behaviour - Breach of anti-corruption laws - Tullow investigated resulting in reputational damage/fines - Senior officers prosecuted under anti-corruption laws

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Board has assessed the prospects and the viability of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of three years taking into account the Group's current position and potential impact of its principal risks. The three-year period was selected for the following reasons:

- the Group's strategic plan, which considers the Group's facility and free cash headroom, debt:equity mix, and other financial ratios, is undertaken over a three-year rolling period; and

- all of Tullow's material exploration licence commitments fall within the next three years.

Based on these factors, the Directors consider that a three-year assessment period appropriately reflects the underlying prospects and viability of the Group, and the period over which the principal risks are reviewed.

In order to make an assessment on the Group's viability, the Directors have made a detailed assessment of the Group's principal risks, and the potential implications these risks would have on the Group's liquidity and its business model over the assessment period. This assessment included, where appropriate, detailed cash flow analysis, and the Directors also considered a number of reasonably plausible downside



Risk mitigation and assurance	2017 outcomes and ongoing actions
• Advanced Security Operations Centre (ASOC) provides global monitoring, analysis, alerting and incident response • Bespoke advanced security equipment used at key operations sites • Automated vulnerability scans matched with published threat information • Third-party specialists analyse vulnerabilities and provide network assurance activities	• Second annual distribution of enterprise-wide information security awareness training and certification • Ongoing bespoke training for higher risk areas • Ongoing work to embed cyber security standards across TEN and Jubilee Industrial Control Systems
• Succession planning, localisation and diversity objectives are set and key targets monitored • Diversity plan approved by the Board • Periodic reporting to Executives of HR data • Staff engagement plan is agreed with HR, Communications and Executives, with key actions • Annual employee engagement survey and annual review of reward package	• Further embedded organisation operating model with clear accountabilities • Embedded performance management framework • Implemented Action Plan from 2016 employee survey • Reviewed and revised reward packages aligned with Tullow's Remuneration Policy • Implementation of Diversity & Inclusion Plan • Set up Project LEAP, which focuses on talent development and agile working
• Strong oversight and leadership from the Board • E-learning training modules for Code of Ethical Conduct, with annual certification for all staff • Ethics & Compliance standards, policies and procedures in place • Dedicated Ethics & Compliance Advisers in key Business Units • Appropriate due diligence carried out in relation to service providers, contractors and other counterparties	• Delivered a revised e-learning module across Tullow to promote the Code of Ethical Conduct. 100 per cent of staff completed the training • Achieved 100 per cent completion of the self-certification of compliance with the Code of Ethical Conduct • Received and investigated 60 'speak up' cases • Continued local fraud awareness training

scenarios, and combinations thereof, together with associated supporting analysis provided by the Group's Finance and Treasury teams.

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

our forecasts of liquidity headroom throughout the assessment period, risk remains in relation to the volatility of the oil price environment, operational performance of the Group's assets, their impact on operating cash flows and the Group's earnings, such that the Group may become non-compliant with one of its financial covenants during the assessment period. To mitigate these risks and to fulfil the Group's objective to reduce net debt, the Group continues to closely monitor cash flow projections and will take mitigating actions in advance.

EMBEDDING A PERFORMANCE-FOCUSED CULTURE

The challenges of the last few years have proved an opportunity to create an organisation focused on creating value, driving performance and cost management.

This year the Company experienced significant change in the organisation's leadership with the appointment of our new CEO and the introduction of a new eight-member Executive Team, both in April, replacing the previous Executive Team of four Executive Directors. All appointments were internal demonstrating effective succession planning. The transition to this new management structure was smooth with minimal disruption to the business. The new Executive Team has a mandate to drive performance of the business to a new level and position the Company for future growth. Each Executive Team member reviewed their portfolio, made structural changes and set out their business and management plans. We also continued the implementation of actions arising from our 2016 employee survey bringing many of the workstreams to fruition.

The new team is diverse with 25 per cent female representation and four different nationalities; they each bring broad international and industry experience to their roles. They are responsible for leading the Group's three Business Delivery Teams (BDTs) in West Africa, East Africa and New Ventures as well as our Corporate Centre functions. Collectively the team is accountable for:

- developing strategy and future business plans;
- reviewing Company performance and the efficiency of the business;
- developing people and their careers and creating a more diverse and inclusive Company; and
- communicating with staff, sharing feedback and the rationale behind decisions.

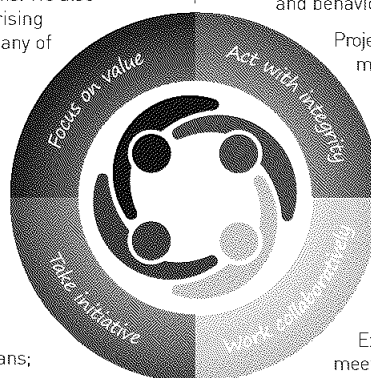
The Executive Committee meets weekly and key discussions and business decisions are communicated to leadership teams. Managers then cascade this information to ensure employees are kept up to date with the focus of the business.

Employee engagement

The Group employee survey, Tullow Pulse, ran in mid-2016 and the feedback it provided has been used to drive a number of improvements and changes. Five key areas of concern were identified and these have been the focus of attention during this

year including improving perceptions of Senior Management; providing more career and personal development opportunities; demonstrating our values more visibly and working to build trust in some parts of the business; streamlining our policies and procedures; and providing more regular and open communications to the business.

The Executive Team has implemented a series of recommendations to address the feedback about Senior Management including reforms to the management structure, better engagement with employees, more visibility, devolved accountability to empower managers, and inspiring trust and loyalty through leadership and behaviour.



Project LEAP has been set up specifically to dedicate more time to career and personal development in Tullow. This two-year project aims to challenge and change our working environment to allow employees to clearly connect their personal development to the needs of the business.

Our Core Values were revised to better reflect the Company we have evolved into in recent years and focus on value, integrity, collaboration and initiative.

At the end of 2017, they were rolled out by the Executive Team in a series of town hall meetings, along with our 2018 Business Plan.

In a focused effort to improve our ways of working a dedicated workstream was set up which led to, among other things, the removal of underused financial reports, changing financial reforecasting from monthly to quarterly and the simplification of Contract Review Boards in Ghana and Kenya.

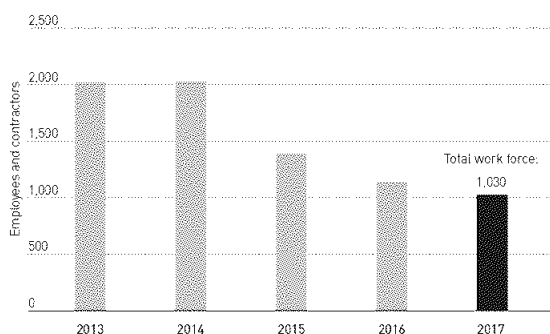
Internal communication increased significantly during this year through more regular and informal face-to-face communication. CEO-led town hall meetings were broadcast to all of our offices and provided opportunities for employees to ask questions. The other Executive Team members increased the number of town hall meetings they held and also hosted informal breakfast briefings, and wrote weekly business newsletters.

People

At the end of 2017 Tullow had 922 employees and 108 contractors, of whom 47 per cent [486/1,030] were African nationals. Women made up 30 per cent [313/1,030] of our total



TOTAL WORKFORCE



workforce (2016: 29 per cent, 336/1,152); 15 per cent (10/65) of our senior managers (2016: 13 per cent, 9/68); and 11 per cent (1/9) of our Board of Directors (2016: 18 per cent, 2/11).

We aim to include nationals of the countries in which we work in our leadership teams in Africa. However, skills gaps in the countries and the multiple locations of some of our Business Delivery Teams mean this is not always possible.

The agreement for a substantial farm-down of our assets and to move to a non-operated position in Uganda resulted in voluntary severance of 38 staff. Twenty-two members of staff left Tullow following a re-organisation of our Kenya business during the year.

Our operations in Ghana are an important and strategic asset in our portfolio and, ten years after the discovery of oil, we initiated an Operational and Business Excellence Project. The project will ensure we work in ways that deliver and optimise production, create long-term stakeholder value and provide a platform for future growth.

Diversity and inclusion

Tullow's Diversity & Inclusion Plan is focused on nationalities and gender. We recognise the value that a diverse and inclusive workforce brings to our business and how it enhances our reputation and the employee value proposition. We aim to have a diverse employee population with a nationality mix that is representative of the countries where our assets are. In particular, we want to improve the numbers of Africans and women in leadership roles. We monitor and track progress against our aspirations and this year introduced leading and lagging key performance indicators to analyse a series of categories to ensure we are managing staff development and reward fairly.

We introduced an improved approach to ensuring that we consider a wider and diverse talent pool when recruiting. This has been challenging to implement this year because of the low levels of recruitment but we are extending this practice to our internal moves and promotions.

Organisation development

This year saw the continuation of our flagship people development schemes – the Executive Development Programme (EDP) and the Senior Leadership Programme (SLP). All of the new Executive Team members have participated in the EDP programme. The SLP had 15 attendees in 2017 bringing total numbers to 39 employees, all of whom have robust and individually tailored development plans.

PAY & BONUS GAPS

	Women's hourly rate	Women's bonus pay
Lower (mean)	44%	53%
Lower (median)	49%	52%

PAY QUANTILES

	Men	Women
Top quartile	90%	10%
Upper Middle quartile	91%	9%
Lower Middle quartile	65%	35%
Lower quartile	51%	49%

The RISERS Talent Development Programme in Ghana focuses on developing high-potential employees into management roles and enhancing localisation at senior levels. Fifteen of our staff are on this two-year programme and so far, five of the participants have been promoted to larger roles and have replaced expatriate staff.

Reward

Tullow offers an attractive reward and benefits package to engage and motivate staff, drive the success of our business and attract new employees to the Company. Our reward package is performance linked and consists of fixed and variable components including base salary, bonus, share awards, pension, life assurance and a range of other benefits. All Tullow unexercised and unvested share awards were adjusted by a multiplier factor of 1.173 following completion of the Rights Issue in May.

Gender pay gap reporting

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

Tullow's UK workforce is 30 per cent female and only 22 per cent of managerial positions are filled by women and this gender imbalance is the principal reason for Tullow's gender pay gap. There is a national shortage of qualified and experienced women in technical roles in the oil and gas sector and this is reflected at Tullow with a higher proportion of men in the senior technical roles. However, we are focused on improving diversity and are taking action to improve gender equality especially at senior levels. For example, our career development and senior leadership programmes are helping to support talented individuals to progress and this is further underpinned by good employee policies, benefits and recruitment practices.

As a part of preparing for the gender pay gap regulation reporting, we have significantly improved our employee data management and decision making tools used in making salary and bonus decisions. Such tools are important to ensure there is no unequal pay or unconscious bias, and when combined with job level frameworks and competency tools provide a more robust approach to managing talent.



SHARED PROSPERITY

COMMITTED TO MUTUAL BENEFIT

Tullow has a role to play in creating shared prosperity and leaving a legacy of sustainable social and economic benefits. We aim to do this by paying fair and appropriate amounts of tax, being transparent in the payments we make to governments, creating local employment, and building capacity to enable local businesses to compete as prospective suppliers to Tullow.

Tullow has negotiated and sustained a licence to operate in Africa and South America by seeking to align our business with the national development priorities of our host countries. Through our exploration success over the years, Tullow has initiated nascent oil industries in Ghana, Kenya and Uganda. Wherever we operate and enjoy exploration success, there is clearly a role for us to play in supporting the development of institutional and industry capacity to help meet our needs and to allow governments and national economies to optimise the socio-economic benefits that a growing oil industry can bring.

We do this by paying fair and appropriate amounts of tax to our host governments, being transparent about the taxes we pay, creating local employment within Tullow and across our supplier base, and helping to build capacity to enable local businesses to participate in our supply chain and in the broader economy. Tullow's Group scorecard includes Key Performance Indicators (KPIs) that track the progress we make in the area of Shared Prosperity, which account for part of Executive Directors' and employees' variable, performance-related pay. See pages 20 to 23 for more information.

Tax transparency

Our payments to governments, including payments in kind, amounted to \$224 million in 2017 (2016: \$438 million). Total payments to all major stakeholder groups including employees, suppliers and communities, as well as governments, brought our total socio-economic contribution to \$667 million

(2016: \$1 billion). This included \$235 million spent with local suppliers, \$205 million in payroll globally and \$3.4 million in discretionary spend on social projects. Our total payments made to the Ghanaian Government in 2017 amounted to \$162 million (2016: \$236 million).

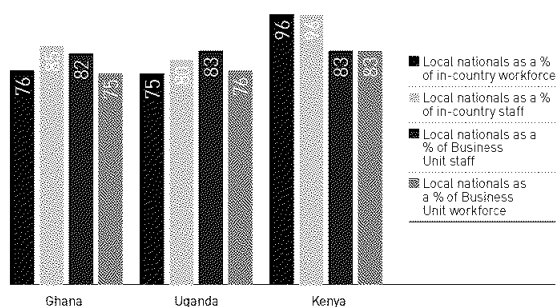
Socio-economic investment

In 2017, the focus has been on embedding our new socio-economic investment (SEI) strategy and governance process, which is based on the implementation of rigorous project selection criteria and performance measurement to ensure that SEI projects create measurable value for both Tullow and host communities.

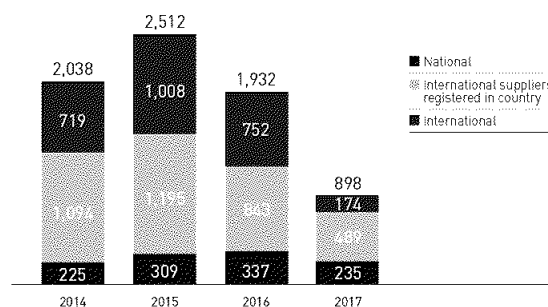
The SEI strategy targets three objectives:

- 1) capacity building through education and skills development, specifically in Science, Technology, Engineering and Mathematics (STEM), to provide the skills required for people to participate in the modern economy;
- 2) strengthening the local economy through activities that support the growth of local businesses (such as enterprise development and local business incubation centres); and
- 3) investing in shared infrastructure and logistics by adapting and leveraging existing Tullow and jointly funded infrastructure plans and projects for our business to benefit host communities.

NATIONALS IN COUNTRY & BUSINESS UNIT (%)



SPEND WITH SUPPLIERS (\$ MILLION)



AFRICAN SCIENCE ACADEMY

Tullow is supporting the African Science Academy (ASA) – a 'sixth form' college located in Tema, Ghana, that welcomes young women from all over Africa who have a passion for mathematics and science. The girls study three core subjects at advanced level – Maths, Further Maths and Physics – and sit the internationally recognised Cambridge International A Levels at the end of an intense 12-month programme. This gold standard qualification opens the doors to engineering, science and computing degrees at leading universities and sets them apart from their peers.

Tullow contributed towards 40 bursaries and the first cohort of students graduated in 2017 with impressive results.

10 of the 40 students were in the top quartile when compared against the United Kingdom secondary schools' overall performance in A levels in similar subjects. Three graduates were awarded MasterCard scholarships to study at Edinburgh University.

Tullow also funded ASA's pilot Maths Teaching Skills Masterclass in August 2017 with 20 maths teachers attending from senior secondary schools across Ghana. In September 2017 the Tullow Ghana Managing Director and a number of staff participated in the ASA's mentoring programme which was also featured on CNN's Inside Africa Programme – opening new doors to STEM for women.

SEI governance and decision making are now the responsibility of an SEI Board comprised of senior Tullow leaders. This Board considers proposals and allocates funds to the investment projects that will deliver the impacts we desire.

In 2017, the SEI Board approved funding for a number of education projects in Ghana. New projects include the development of a STEM programme at the Right to Dream Academy, engineering scholarships to Ashesi University College, bursaries to the African Science Academy and an integrated STEM school project in the Western Region in collaboration with Sabre Trust and Youth Bridge Foundation.

Next year, in addition to awarding scholarships to universities and polytechnics in Ghana and Kenya, Tullow plans to improve the measurement and reporting of outputs and impacts related to SEI projects.

Opportunities for local business

In 2017, our overall supplier spend was lower than last year owing to the completion of the TEN project on time and on budget in August 2016 and due to the continued capital constraints imposed by lower oil prices.

Nevertheless, whilst the absolute supplier spend with local suppliers in Ghana decreased, as a percentage of the total spend it increased to 26 per cent, up from 16 per cent. Our spend with local suppliers in Ghana increased to 26 per cent of total spend in 2017, up from 16 per cent in 2016. Meanwhile, our spend with international suppliers fell from 40 per cent in 2016 to 20 per cent in 2017. While this partly reflects the conclusion of the capital-intensive phase of development on the TEN fields, it also reflects our continued efforts to direct spending towards locally registered international firms and Joint Ventures between local and international firms. Joint Ventures registered in country meet the requirements of Ghana's Local Content and Local Participation Regulations (LI 2204), bring further foreign direct investment to build capacity to meet the requirements of the industry, and develop a competitive supplier base for Tullow to engage.

On selected contracts we continue to mandate minimum local content expectations with our international suppliers. Contracts with in-country capability in 2017 included: construction, information services, socio-economic investment projects, civil engineering, training and consultancy services, aviation and marine transport.

In Kenya, Tullow sustained the 2016 increase in the proportion of Tullow capital expenditure targeting local suppliers. In 2017, 30 per cent of our overall supplier spend was with Kenyan businesses, down marginally from 33 per cent in 2016, but with a higher absolute value due to increased expenditure related to the 2017 South Lokichar appraisal campaign.

We have continued to promote improved access to supply chain opportunities for local firms, whether through pre-tender seminars in Ghana or targeted capacity development initiatives for local firms in Turkana County, Kenya. In both countries we have provided training to existing suppliers and have worked with contractors to build their awareness of the forward requirements of our development and production operations. In Ghana, we executed a six-month pilot scheme for placing a portion of our foreign exchange requirements with local banks.

Local job creation

In Ghana, Tullow has continued to build a robust relationship with the regulator as we seek to maximise local content and participation in our business activities. A multi-year localisation strategy outlining Tullow's vision, approach and roadmap for localisation over the next four years is on track. This strategy captures key initiatives for improving localisation, including the setting up of a Localisation Steering Committee. The strategy has led to the localisation of 11 expat positions in 2017 and the appointment of the first Ghanaian Offshore Installation Manager (OIM).

In Kenya, we are proactive in identifying opportunities for localising roles and providing candidates with the development support required to enable this, which has included sponsorship for advanced postgraduate qualification, professional certification such as the National Examination Board in Occupational Safety and Health (NEBOSH), and job rotation in country and in other parts of Tullow's business to provide Kenyan staff with exposure and hands-on experience.

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

Kevin Massie
Corporate Counsel and Company Secretary



MOVING TOWARDS DEVELOPMENT
Appraisal drilling operations in the South Lokichar Basin, Kenya

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APPLYING THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code

As a UK premium listed company, Tullow Oil plc's governance policies and procedures are based on the principles of the UK Corporate Governance Code (2016) ('the Code'). A copy of the Code is available at www.frc.org.uk.

This Corporate Governance Report describes how the Company has applied the principles and standards set out in the Code during the year and sets out our activities relating to the main sections of the Code: leadership, effectiveness, accountability, remuneration and relations with shareholders.

The Company is also required to disclose whether it has complied with the more detailed provisions of the Code during the year and, to the extent it has not done so, to explain any deviations from them. It is the Board's view that the Company has complied with all of the provisions of the Code during the year ended 31 December 2017, save for the two provisions set out below.

Section A.3.1 of the Code requires a Chairman on appointment to meet the independence criteria set out in B.1.1 of the Code and that a chief executive should not go on to be chairman of the same company. If exceptionally a board decides that a chief executive should become chairman, the Code requires that the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report. On 11 January 2017, Tullow announced a number of proposed Board changes, including the appointment of Aidan Heavey as non-executive Chairman from the conclusion of the 2017 Annual General Meeting, subject to shareholder approval. The Company consulted with major shareholders in advance of the proposed appointment and set out its reasons to shareholders at the time of the appointment. The appointment was subject to a maximum term of two years and the Company has put in place certain mitigations for Aidan's lack of independence; for example, it has extended the responsibilities of the Senior Independent Director. Shareholders approved the appointment of Aidan Heavey as Chairman of the Company at the Annual General Meeting in April 2017. The Board fully recognises the UK Corporate Governance Code implications of the change but believes that this is a necessary and temporary deviation from the principles of the Code in order to ensure an orderly transition of key stakeholder relationships held by Aidan as the Company's founder and long-serving Chief Executive Officer as he moves into retirement. A full explanation of the Board's decision is set out on page 73 in the Nominations Committee Report.

Section E.2.2 of the Code requires that when, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the company should explain when announcing the results of voting what actions it intends to take to understand the reasons behind the vote result. At the Company's Annual General Meeting in April 2017, the Company proposed a special resolution to disapply statutory pre-emption rights up to an additional 5 per cent of the Company's issued share capital in connection with an acquisition or a specified capital investment. The resolution was not passed and a statement was not issued at the time of announcement as engagements with the Company's shareholders following the publication of the notice of meeting but prior to the Annual General Meeting sufficiently explained to the Company the reasons for the vote, and the Board did not consider any further action to understand the votes was required.

Leadership

The long-term success of the Company is the collective responsibility of the Board.

The role of the Board

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

Board meetings and visits

The Board and its Committees deal with its core activities in planned meetings throughout the year. Matters which require decisions outside the scheduled meetings are dealt with through additional ad hoc meetings and conference calls. During 2017, the Board met seven times. A programme of strategy presentations covering a wide number of operational and other issues is made to the Board in June each year. During the year, the Board received presentations from each of the Business Delivery Team leaders and reviewed and approved the Company's strategy for each of



its Business Delivery Teams. In addition, the Board reviewed the effectiveness of the implementation of Tullow's Integrated Management System designed to centralise and simplify Tullow's policies and processes and more clearly map accountabilities within the business. The Board also regularly reviews the Enterprise Risk Management System and the risks facing the Company in conjunction with the Audit Committee.

The Board normally holds one Board meeting at a principal overseas office of the Group. These meetings ensure that the Board has a clear knowledge of the Company's overseas operations. During the trip, members of the Executive Team and Senior Management from across the Group present to the Board and have an opportunity to meet its members informally. In addition, the Board meets a broad cross-section of staff, assesses Senior Managers and reviews in-depth operational matters and, in particular, matters relating to non-technical risks. In October 2017, the Board travelled to the Group's office in Cape Town and was able to combine the visit with the Africa Oil Week 2017 conference at which Board members, the Executive Team and Senior Managers met with a number of the Company's key stakeholders.

The Chairman, the Senior Independent Director, and the Chief Executive Officer maintain frequent contact with the other Directors in addition to the regular Board meetings. This ensures that all members of the Board have an opportunity to discuss any issues of concern and to be fully briefed on the Group's operations.

Matters reserved

The Board has a formal schedule of matters reserved that can only be decided by the Board. This schedule is reviewed by the Board each year. The key matters reserved are the consideration and approval of:

- the Group's overall strategy;
- Financial Statements and dividend policy;
- borrowings and treasury policy;
- material acquisitions and disposals, changes to the Group's capital structure, material contracts, major capital expenditure projects and budgets;
- entry into new countries;
- risk management and internal controls (supported by the Audit Committee);
- succession planning and appointments (supported by the Nominations Committee);
- the Group's corporate governance and compliance arrangements; and
- key corporate policies.

Summary of the Board's work in the year
During 2017, the Board considered all relevant matters within its remit, with a particular focus on the following issues:

- strategy and resource allocation;
- finance and treasury;
- risk assessment and mitigation and non-technical risks in major areas of operation;
- stakeholder engagement;
- portfolio management;
- governance and compliance;
- assurance, risk and internal audit;
- organisational design, development, capacity and diversity;
- process for evaluation entry into new countries; and
- succession planning.

Attendance at meetings

The attendance of Directors at the seven scheduled meetings of the Board held during 2017 was as follows:

Director	No. of meetings attended (out of a total possible)
Tutu Agyare	7/7
Mike Daly	7/7
Anne Drinkwater	7/7
Aidan Heavey	7/7
Steve Lucas	7/7
Angus McCoss	7/7
Paul McDade	7/7
Jeremy Wilson	7/7
Les Wood	4/4
Ann Grant*	2/2
Ian Springett*	0/3 ¹
Simon Thompson*	2/2

* Denotes Directors who were no longer Directors of the Company as at 31 December 2017.

1. Ian Springett had taken an extended leave of absence in order to undergo treatment for a medical condition.

In addition to the Board members, a number of the Executive Team members and Senior Managers attended relevant sections of Board meetings by invitation.

Division of responsibilities

The Chairman is primarily responsible for the effective working of the Board, whilst the Chief Executive Officer is responsible for the operational management of the business, for developing strategy in consultation with the Board and for implementation of the strategy. This separation of responsibilities is clearly defined and agreed by the Board.



CORPORATE GOVERNANCE

DIRECTORS' REPORT CONTINUED

The UK Corporate Governance Code continued

The Chairman

The Chairman leads the Board, setting the agenda and ensuring that the meetings provide adequate time for discussion.

As explained above in this report, the current Chairman does not meet the independence criteria set out in the Code and the Board has set out its reasons why it believes that this is a necessary and temporary deviation from the principles of the Code and in the best interests of shareholders, host governments and other key stakeholders.

Non-executive Directors

The non-executive Directors have a broad range of business and commercial experience. They provide independent and constructive challenge to the Executive Management and monitor the performance of the management team in delivering the agreed objectives and targets. At the end of every scheduled Board meeting, the Chairman holds a discussion with the non-executive Directors without the Executive Directors. These are supplemented by informal meetings between the Chairman, the Chief Executive Officer and the non-executive Directors.

The non-executive Directors receive regular briefings on the more technical and operational aspects of the Group's activities. These include major development projects (e.g. TEN, the Jubilee Turret Remediation Project and the Kenya Early Oil Pilot Scheme) and also matters of major strategic significance (e.g. ITLOS and the Greater Jubilee Full Field Development). Non-executive Directors with particular expertise in such areas also meet the Chief Operating Officer and the Exploration Director to discuss operations in more detail.

Non-executive Directors are initially appointed for a term of three years, subject to annual re-election. This may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

Senior Independent Director

The Senior Independent Director is available to meet shareholders if they have concerns that cannot be resolved through discussion

with the Chairman, the Chief Executive Officer or the Chief Financial Officer or for matters where such contact would be inappropriate. During the year, he met with the other non-executive Directors without the Chairman to discuss the Chairman's performance.

Delegated authorities

Board Committees

The Board has delegated matters to four Committees, the Audit Committee, the EHS Committee, the Nominations Committee and the Remuneration Committee, and the Board is satisfied that the Committees have sufficient resources to carry out their duties effectively. Their terms of reference are reviewed and approved annually by the Board and the respective Committee Chairs report on their activities at the next Board meeting. Details of Committee membership, roles and work are set out later in this report: the Audit Committee on page 67, the EHS Committee on page 76, the Nominations Committee on page 73, and the Remuneration Committee on page 78.

Individual delegations

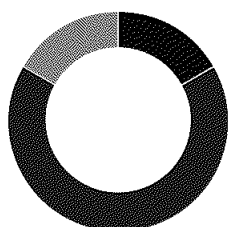
In addition to delegating certain matters to Board Committees, the Board has also delegated certain operational and management matters to the Executive Directors. In line with ICSA guidance, the Board approved formal terms of reference for the Executive Directors' Committee in December 2014 and most recently reviewed and reaffirmed these terms of reference in December 2017.

Effectiveness

Composition of the Board

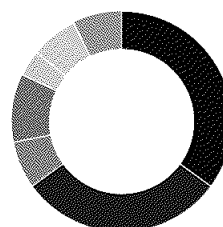
At the year end on 31 December 2017, the Board comprised the non-executive Chairman, the Chief Executive Officer, two other Executive Directors and five independent non-executive Directors. Their biographical details are set out on pages 40 and 41. During the year ended 31 December 2017, there were a number of Board changes and the number of Executive Directors was reduced from four to three and the number of non-executive Directors was reduced from seven to six. The Directors believe that the Board and its Committees consist of Directors with an

NON-EXECUTIVE DIRECTOR TENURE



● 1-3 yrs	1
● 3-6 yrs	4
● 6-9 yrs	1

BOARD TIME (%)



● Strategy & stakeholder management	35
● Financial management	30
● Safety, Sustainability & External Affairs (SSEA)	7
● Development & Operations (D&O)	10
● Exploration & Appraisal (E&A)	4
● Governance	7
● Risk management	7



appropriate balance of skills, experience, independence and diversity of background to enable them to discharge their duties and responsibilities effectively. In our Full Year Results statement, we announced that Anne Drinkwater had informed the Board she has decided not to stand for re-election at the 2018 AGM. The Nominations Committee will begin a search for her replacement in 2018.

Independence

The Board considers each of the non-executive Directors to be independent in character and judgement, save for the Chairman, Aidan Heavey, and, as explained above in this report, the Board has set out its reasons why it believes that this is a necessary and temporary deviation from the principles of the Code and in the best interests of shareholders, host governments and other key stakeholders. The Board is fully satisfied that Jeremy Wilson demonstrates complete independence and robustness of character and judgement in his capacity as Senior Independent Director. The Board is of the view that no individual or group of individuals dominates decision making.

Appointments to the Board

The Nominations Committee reviews the structure, size and composition of the Board and makes recommendations to the Board about any changes required. As part of the appointments process, candidates disclose any other significant time commitments they may have and are required to inform the Board of any subsequent changes to such commitments.

Commitment

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

Training and development needs

Induction

All new Directors receive an induction programme when they join the Board. This reflects their background, experience and knowledge and their understanding of the upstream oil industry and Tullow in particular. The programme includes one-to-one meetings with Senior Management, functional and Business Unit heads and, where appropriate, visits to the Group's principal offices and operations. New Directors also receive an overview of their duties, corporate governance policies and Board processes. Les Wood was appointed as an Executive Director and Chief Financial Officer of the Company in June 2017 and participated in an induction to the role.

Familiarisation and development

All members of the Board have access to appropriate professional development courses to support them in meeting their obligations and duties. During the year, Directors attended external seminars on relevant topics relating to the business. They also receive ongoing briefings on current developments, including updates on governance and regulatory issues.

Information and support

Independent advice

Directors have access to independent professional advice, at the Company's expense, on any matter relating to their responsibilities.

The Company Secretary

The Company Secretary is Kevin Massie, who is also the Company's Corporate Counsel. He is responsible for ensuring compliance with all Board procedures and for providing advice to Directors when required. The Company Secretary provides company secretarial services to the Board and the Group. He acts as secretary to the Audit, Nominations and Remuneration Committees and has direct access to the Chairs of these Committees.

Board evaluation

In 2017 the Board undertook an externally facilitated evaluation of its own performance and effectiveness and also that of its Committees. The evaluation was coordinated by Lintstock Ltd, which has no other connection to the Company. Each of the Directors was required to submit responses to a series of questionnaires designed by Lintstock with the assistance of the Senior Independent Director and the Company Secretary and, in particular, to reflect on themes identified in the 2016 exercise, including: the Board's composition; diversity and skills; Board dynamics; management of meetings; Board support and Committees; focus of meetings; strategic and operational oversight; risk management and internal control; human resource management; and priorities for change. It focused heavily on the recent changes to the Board and their effectiveness. The anonymity of all respondents was ensured throughout the process in order to promote the open and frank exchange of views. Lintstock subsequently produced a report which determined that the performance of the Board was seen to have improved since the last Board review. Non-executive Director support and challenge of management were rated highly overall, as were the management of meetings and the reporting to the Board from each of the Committees. The management of human resource and structure of the Company at the senior level was rated highly and the report identified skills that would benefit the Board and Senior Management in their succession planning going forward. Continuing to progress Tullow's diversity aspirations was identified as a top priority. Priorities for the Board in 2018 were identified in the report and have been used to formulate the Board objectives for 2018 agreed by all the Directors and set out on pages 60 to 63.

Board objectives

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

The following table shows how the Board performed against the 2017 objectives and also details the priorities and rolling agenda items that the Board will focus on in 2018.

Re-election

All Directors seek re-election every year and accordingly, with the exception of Anne Drinkwater, all Directors will stand for re-election in 2018 or, in the case of Les Wood, election for the first time. The Board will set out in the Notice of AGM its reasons for supporting the re-election or election of each of the Directors at the forthcoming AGM. The Notice of AGM will be mailed to shareholders separately.



CORPORATE GOVERNANCE

DIRECTORS' REPORT CONTINUED

	2017 Objectives
Strategy and execution	• Review Tullow's strategy in light of the changed external environment. • Ensure West Africa is managed to maximise cash flow, through safe and efficient operations and the efficient use of capital, whilst extending the period of production plateau. • Clarify the plan for commercialisation of East Africa resources and support its execution. • Articulate Tullow's risk appetite and encourage active portfolio management to balance risk and reward. • Deleverage balance sheet, manage financial structure and employ capital to maximise returns. • Refocus the Company on value growth through a combination of exploration and new investment opportunities.
Risk management	• Continue to assess our risk appetite and identify and mitigate key risks in our business. • Ensure, through the Board Committee structure, an active overview of and interaction with the Company's Enterprise Wide Risk (EWR) process. • Ensure there is an ongoing consideration of the Company's top risks and that these are identified in the EWR process and are being actively managed by the Executive.
Governance and values	• Maintain and enhance Tullow's culture and values as market conditions continue to improve. • Ensure that the Code of Ethical Conduct is actively followed throughout all levels of the Company and maintain a culture of accountability for Ethics & Compliance in both the Business Units and the Corporate Centre. • Monitor compliance against the new IMS and ensure that the IMS is continuously improved as the business evolves. • Ensure that Tullow's policies, standards and procedures, as set out in the IMS, are consistently followed ensuring efficient, safe and responsible operations.



2017 Performance	2018 Objectives
- The Company executed a Rights Issue to reduce gearing and provide financial and operational flexibility to enable growth over the next three to five years. At year end 2017, net debt was \$3.5 billion, a reduction of c.\$1.3 billion from year end 2016. In 2017, \$543 million of positive free cash flow was generated. - The Company successfully refinanced its RBL credit facility, obtaining commitments of \$2.5 billion. - The strategy was debated at the Board's annual strategy offsite session in June and regularly reviewed throughout the year as market conditions evolved. The outcome of that debate resulted in refinements to the Company strategy and the objectives for its implementation. - Production performance on both Jubilee and TEN was strong and resulted in an upwards revision of our full-year West Africa net oil production guidance. - The Greater Jubilee Full Field Development Plan was approved by the Government of Ghana and significant progress was made on the Jubilee Turret Remediation Project. - The TEN FPSO commissioning was completed and, following the conclusion of the ITLOS arbitration between the Governments of Ghana and Côte d'Ivoire, plans for resumption of drilling were approved. - In Kenya, good progress has been made on the Early Oil Pilot Scheme. The Joint Development Agreement was signed, setting out a structure for the Government of Kenya and the Kenya Joint Venture Partners to progress the development of an oil export pipeline. - In Uganda, the Joint Venture Partners have commenced engagement with the Government of Uganda in order to progress the farm-down to CNOOC and Total towards completion.	- Develop, review and test Tullow's strategy with a strong focus on value creation and growth. - Maintain a disciplined approach to execution and delivery of strategy. - Continue to deleverage the balance sheet and maximise capital efficiency to increase positive free cash flow. - Enhance performance and value growth from West Africa, including our non-operated business. - Develop and commercialise our East African assets, including: in Uganda, the completion of the farm-down deal; and in Kenya, oil production with the Early Oil Pilot Scheme and progression towards FID in 2019. - Pursue opportunities for growth and value creation through portfolio management, cost-effective exploration and the New Ventures programme. - Continue to develop the Chairman Succession Plan.
- The Board regularly reviewed Tullow's risk management systems and procedures, including as part of the strategy offsite session in June. - A Board working group on risk management and risk appetite for Tullow's 'Tier 1' risks was established towards the end of the year. - The Board receives quarterly political risk reports, highlighting emerging issues in countries and regions where Tullow is active. The Board also receives interim updates on any evolving issues. - The Enterprise Wide Risk Register is a consolidated register of the risks to the Group and is managed by the Executive Team and monitored by the Board. Assurance over the process for its maintenance is the responsibility of the Audit Committee.	- Receive and review the report of the Board's working group and define Tullow's Tier 1 risks and a corresponding risk appetite and mitigation strategy for each. - Review and approve the structure of risk management within Tullow, including Committee and Board responsibilities and interaction with management and other key stakeholders.
- Following the Employee Pulse Survey undertaken in 2016, a number of specific initiatives have been implemented throughout the business and these are regularly maintained, monitored and reported on to enhance Tullow's culture and values. - The Code of Ethical Conduct e-learning module was deployed again in 2017 and self-certification against the Code reached a 100 per cent response rate (up from 97 per cent the year before). - Since the introduction of the IMS, internal audit and assurance reviews have been carried out in conjunction with reviews by functional heads to ensure the individual policies, standards and procedures of the IMS are being appropriately implemented and integrated within the business and, where amendments and improvements have been required, these have been adopted and will continue to be monitored.	- Continue to enhance and communicate Tullow's culture and values within its Group and to Tullow's stakeholders and business partners. - Ensure the Board retains oversight of adherence to the Code of Ethical Conduct and ensure all levels of the Company continue to retain accountability for its compliance. - Ensure that, as Tullow's policies, standards and procedures are developed and improved within the IMS, they continue to be understood and followed by the Company. - Ensure that strong corporate governance remains a priority for the Board.



CORPORATE GOVERNANCE

DIRECTORS' REPORT CONTINUED

	2017 Objectives
Organisational capacity	• Work with the new CEO and Executive Team to ensure a smooth Executive transition. • Review Board structure for current environment and changed management. • Review effectiveness of each Committee. • Continue to assess the post-MSP organisational design and ensure that the Executive and OSE are actively improving the organisational efficiency, effectiveness and accountability. • Continue to develop effective succession planning for the Executive and non-executive Directors and Senior Management. • Ensure that the diversity programme, initiated in 2016, to improve diversity across the whole organisation remains an area of focus for the Executive Team.
Stakeholder engagement	• Work with the new CEO to ensure a smooth transition of high-level stakeholder relationships. • Ensure that shareholders, staff and other major stakeholders understand and are aligned with the Tullow strategy. • Ensure that the organisation fully understands the importance of stakeholder relationships in Tullow's strategy of shared prosperity.



2017 Performance	2018 Objectives
• New CEO and CFO formally appointed with a smooth transition process established. The Senior Independent Director met regularly with the Chairman and the CEO to ensure successful transition of key relationships ahead of the Chairman's retirement in or before the AGM in April 2019. • Good progress on CEO transition to date with a clear division of roles established. • The Nominations Committee met frequently throughout the year to consider and advance succession planning and the skill matrix of the Board as a whole. • External search consultants appointed to commence Chairman succession process. Candidate lists under periodic review and discussions on timing of transition under way. • During the year, the number of Board members reduced from 11 to nine. • Succession planning and diversity were discussed periodically at the Board meetings and were reviewed in depth at the Board's strategy offsite meeting. • Broad consensus that Board diversity requires improvement, but considered preferable to appoint successor Chair in seat in order for him/her to actively participate in any future Board changes. • A new Executive Team comprised of the Executive Directors and diverse Senior Management was established. • Our new Project LEAP was launched to create a significant and sustainable change in Tullow's culture and approach to people development and diversity in the workplace.	• Ensure the Executive Team is provided with the support from the Board to implement Tullow's strategy. • Continue to review the Board structure and the skill matrix required to deliver the strategy of the Company. • Continue effective succession planning for the Executive and non-executive Directors and Senior Management, with a particular focus on the diversity aspirations of the organisation. • Review the effectiveness of each Committee. • Continue to assess and improve the organisational efficiency, effectiveness and accountability of the business as the demands on different functions evolve. • Implement Project LEAP and ensure the values it creates are embedded throughout the organisation for the future.
• The Chairman and the Board worked closely with the new CEO and met with a number of high-level stakeholders during the year. • Members of the Board and the new Executive Team engaged with shareholders, civil society organisations, employees and other stakeholders to discuss and strengthen the understanding of our strategy. • Internal communications and business updates took place more frequently and continued to be improved upon, focusing on specific items such as shared prosperity in the countries we work with. • The Senior Independent Director and the Company Secretary met key stakeholders independent of management and were available throughout the year.	• Ensure that Tullow's strategy for growth is clearly communicated to its shareholders. • Ensure the CEO and Executive Team maintain and create strong relationships with the Company's stakeholders and business partners. • Continue to work with all levels of Tullow's stakeholders to implement our strategy of shared prosperity.



CORPORATE GOVERNANCE

DIRECTORS' REPORT CONTINUED

RELATIONS WITH SHAREHOLDERS

Communication and dialogue

2017 was a year of significant news flow for Tullow, requiring regular and proactive engagement with our shareholders. Early in the year we announced a series of Board changes and the farm-down of our Uganda asset. This was followed by a Rights Issue in March; the introduction of a new management team at the Group's Half Year Results; resolution of the ITLOS border dispute in September; and finally the successful refinancing of our RBL facility in November.

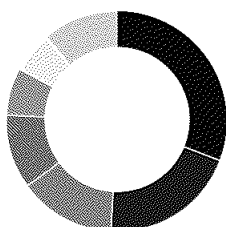
The combination of these events presented a timely opportunity to conduct an in-depth investor perception study, through an independent third-party provider, to gauge investor sentiment and ultimately inform our investor relations (IR) plans going forward. Interviews were conducted with 37 buy-side investors and 10 sell-side analysts. The results were presented and discussed in detail with the Board in June, and the feedback continues to inform the content and style of our messaging to the market. The IR team plans to run a follow-up perception study in 2018 to track progress in key areas of the study that required improvement.

Tullow is committed to regular dialogue with its shareholders and the wider investment community and the IR team and Executives have maintained open and transparent dialogue throughout the year. Ongoing communication has been through regulatory announcements, regular meetings, presentations, investor conferences and ad hoc events. Over the year, the IR team and Senior Management met with over 250 institutions comprising 70 per cent of the share register, and 170 firms that are non-holders. Targeted roadshows, conferences and investor meetings were conducted in England, Scotland, Ireland, East & West Coast USA, Germany, Switzerland, Spain, France, Ghana, Abu Dhabi and South Africa.

The Executive, Group Finance and IR teams have continued their engagement with our bond investors through a number of high yield conferences and one-on-one meetings throughout the year. Going forward, a conscious effort is being made to better integrate our engagement with debt investors into our annual IR programme.

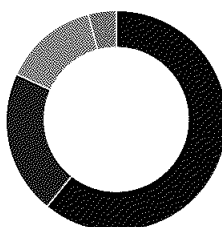
Tullow also proactively organised roadshows for governance analysts, led by the Senior Independent Director (SID), who was joined by the Company Secretary. Institutional shareholders are offered the opportunity to meet the Chairman or the SID to discuss any issues and concerns in relation to the Group's governance and strategy. Non-executive Directors are also available to attend meetings with major shareholders if requested to do so.

SHAREHOLDER ANALYSIS
BY CATEGORY (%)



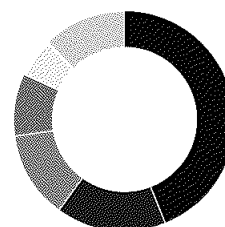
● Mutual fund manager	31
● Asset manager	20
● Pension fund manager	14
● Insurance fund manager	11
● Private banking	7
● Corporate	6
● Other	11

SHAREHOLDER ANALYSIS
BY GEOGRAPHY (%)



● UK	61
● Europe	21
● North America	14
● ROW	4

SHAREHOLDER ANALYSIS
BY INVESTMENT STYLE (%)



● Value & growth	44
● Retail	16
● Value	13
● Hybrid	9
● Corporate	6
● Other	12



Tullow conducted a series of meetings with socially responsible investors (SRI) when requested, to discuss topics including health and safety, the environment, country and political risk and other operational matters. These meetings are generally hosted by our Executive Vice President of Safety, Operations, Engineering & External Affairs and the IR team.

Tullow's sixth Ghana Investor Forum took place in May 2017 in Accra. The event gave key institutional and retail shareholders the chance to hear presentations and question the Executive Directors and Senior Managers from the Ghana Business Unit.

Keeping shareholders informed

We ensure shareholders can access details of the Group's results and other news releases through the London Stock Exchange's Regulatory News Service. In addition, these news releases are published on the Media section of the Group's website: www.tulloil.com. Shareholders and other interested parties can subscribe to email news updates by registering on the website. The Group continually looks for ways to improve how we use online channels to communicate with our stakeholders through our corporate website, webcasting and through social media.

Another important way we keep shareholders informed is through regular formal reporting and Tullow's Annual and Corporate Responsibility Reports are available on the corporate website.

2018 KEY SHAREHOLDER ENGAGEMENTS

January

Trading Statement and Operational Update

February

Full Year Results

April

Annual General Meeting

Annual General Meeting Trading Update

July

June Statement and Operational Update

Half Year Results

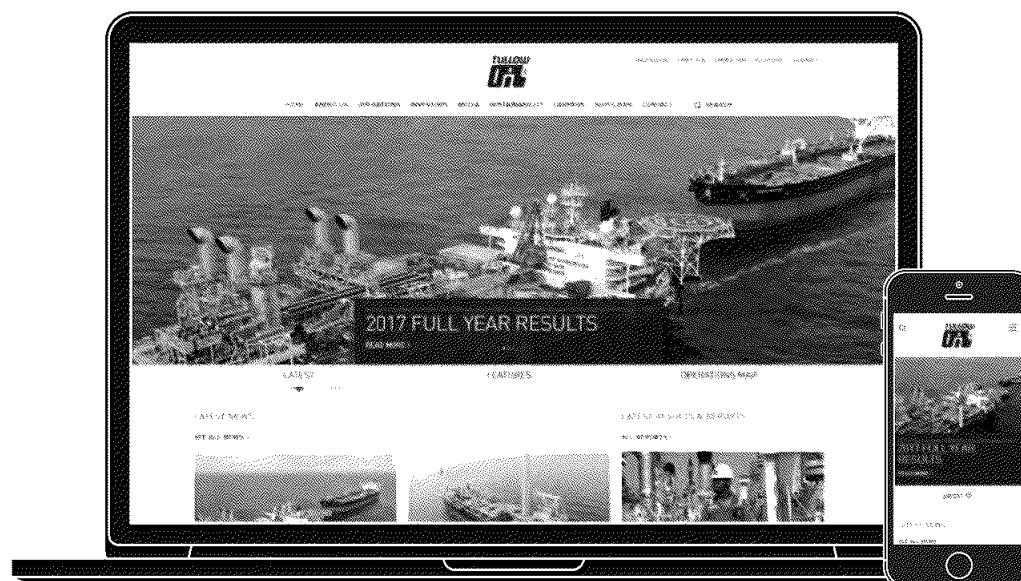
November

November Trading Update

WWW.TULLOWOIL.COM

Financial results, events, corporate reports, webcasts and fact books are all stored in the Investor Relations section of our website: www.tulloil.com/investors.

2017 Annual Report and Accounts: www.tulloil.com/reports.





DIRECTORS' REPORT CONTINUED

Accountability

This report provides shareholders with a clear assessment of the Group's position and prospects supplemented, as required, by other periodic financial and trading statements.

The Board's arrangements for the application of risk management and internal control principles are detailed below. The Board has delegated oversight of the relationship with the Group's external auditor to the Audit Committee. Its work is outlined in the Audit Committee Report on page 67.

Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal control, which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication and to comply with the requirements of the UK Corporate Governance Code.

Overall control is ensured by a regular detailed reporting system covering both technical progress of projects and the state of the Group's financial affairs. The Board has put in place procedures for identifying, evaluating and managing principal risks that face the Group. Principal risks are regularly reported to the Board.

Tullow recognises that any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. However, the Board's objective is to ensure that Tullow has appropriate systems in place for the identification and management of risks.

In accordance with the requirements of the UK Corporate Governance Code, the Board of Directors is required to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the Annual Report. At Tullow, the Board has delegated responsibility for this assessment to the Audit Committee, and results of the assessment are described on page 71.

Remuneration

The Board has delegated responsibility for agreeing the remuneration policy for the Chairman, the Chief Executive Officer, the Executive Directors and the Senior Executives with the Remuneration Committee. Its role and activities are set out in the Directors' Remuneration Report on page 78.

Constructive use of the AGM

At the AGM held on 26 April 2017, shareholders received presentations setting out the key developments in the business and put questions to the Chairman, the Chairmen of the Audit, Nominations and Remuneration Committees and other members of the Board.

A poll was used to vote for all resolutions at the 2017 AGM, and the final results (which included all votes cast for and against and those withheld) were announced via the London Stock Exchange and on the Company's corporate website. Notice of the AGM is sent to shareholders at least 20 working days before the meeting.

On behalf of the Board

Aidan Heavey
Chairman

6 February 2018

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Viability statement	48

AUDIT COMMITTEE REPORT



"The Audit Committee is confident of the Executive's commitment to the strong financial risk and control environment strategy which supports Tullow's business model"

Steve Lucas
Chairman of the Audit Committee

Committee members	Meetings attended
Steve Lucas	4/4
Anne Drinkwater	4/4
Jeremy Wilson	4/4
Tutu Agyare*	3/3
Mike Daly*	3/3
Ann Grant*	1/1

* Denotes Directors who were no longer members of the Committee as at 31 December 2017.

2017 highlights

- Approval of half-year and full-year Financial Statements.
- Review of the work of the independent reserves auditor.
- Assessment of the remit and results of internal audit.
- Review of Senior Accounting Officer sign-off process.
- Review of financial controls, including focused reviews of control improvements in Ghana Business Unit.
- Monitoring of enhancements to supplier due diligence process.
- Review of information systems risks and controls.
- Review of tax and formulation of tax strategy disclosure.
- Review of whistleblowing reporting and investigations.
- Ongoing review of the effectiveness of risk management and internal control systems.

DEAR SHAREHOLDER

Tullow observed a number of changes in 2017, within its business, organisation and governance at both the Board and Executive level. The most significant from the Audit Committee perspective was a change in the CFO position with Les Wood taking over the role from Ian Springett in June, after six months as Interim CFO. Previously, Les was operating as head of the Commercial and Finance functions, so his appointment to CFO was a smooth transition within the finance organisation. Having Les as the CFO allows Tullow to continue to focus on refining and improving its financial risk and controls strategy. Subsequent changes to the Finance function provided confidence to the Audit Committee over the commitment of the Executive to the strong risk and control environment which supports Tullow's business model.

The Audit Committee continued to oversee the financial reporting process in order to ensure that the information provided to the shareholders is fair, balanced and understandable and allows accurate assessment of the Company's position, performance, business model and strategy. The continued low oil price and

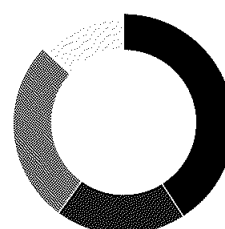
changes to the forward curve were the key factors that had the largest impact on our financial reporting, which required us to revise our models, leading to further asset write-offs this year. On the other hand, the Rights Issue and completion of the refinancing of RBL provided additional flexibility for Tullow in terms of liquidity, thus having a positive impact on the going concern assessment.

In 2017, the Audit Committee continued to oversee the risk management and internal control systems. By disposing of non-core assets, progressing the farm-down in Uganda and consolidating activities within New Ventures, Tullow is now a much more streamlined organisation in terms of responsibilities and accountabilities for controls. The internal control environment has seen improvements during the year, predominantly due to the enhancements to the financial control systems in Ghana and the internal financial control initiatives being driven by Group Finance. The supplier due diligence processes have been enhanced with a robust roll-out across the Group and improvements in monitoring and assurance at Group level. The IMS, being embedded across the Group, provides clarity around the control requirements. The successful embedding of the e-learning modules on the Code of Ethical Conduct, as well as initiating the development of an automated Enterprise Risk Management tool to increase transparency and visibility of risks across the business, ensures that we continue to improve the overall risk and internal controls environment across the Group.

Steve Lucas
Chairman of the Audit Committee

6 February 2018

ALLOCATION OF
AUDIT COMMITTEE TIME (%)



● Financial results	41
● Internal audit	19
● Risk and controls	27
● Governance	13



AUDIT COMMITTEE REPORT CONTINUED

Governance

Steve Lucas has been Audit Committee Chairman since May 2012. Steve, who is a Chartered Accountant, was finance director at National Grid plc from 2002 to 2010. It is a requirement of the UK Corporate Governance Code that at least one Committee member has recent and relevant financial experience and Steve Lucas therefore meets this requirement. The other members of the Audit Committee are Anne Drinkwater and Jeremy Wilson. Biographies of the Committee members are given on pages 40 and 41. Together the members of the Committee demonstrate competence in the oil and gas industry with Anne Drinkwater and Steve Lucas having significant prior experience in oil and gas companies, while also bringing a wider range of industry, commercial and financial experience, which is vital in supporting effective governance. The Company Secretary serves as the secretary to the Committee.

The Chief Financial Officer, the Group Internal Audit Manager, the Group Head of Finance and representatives of the external auditor are invited to attend each meeting of the Committee and participated in all of the meetings during 2017. The Chairman of the Board also attends meetings of the Committee by invitation and was present at the majority of the meetings in 2017. The external auditor and the Group Internal Audit Manager have unrestricted access to the Committee Chairman.

In 2017, the Audit Committee met on four occasions. Meetings are scheduled to allow sufficient time for full discussion of key topics and to enable early identification and resolution of risks and issues. Meetings are aligned with the Group's financial reporting calendar.

The Committee reviewed and updated its terms of reference during the year. These are in line with best practice and reflect the requirements of the UK Corporate Governance Code 2016, the FRC's 2016 Guidance on Audit Committees, the FRC's 2014 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the FRC's 2016 Ethical Standards, and the Competition and Markets Authority's The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The Audit Committee's terms of reference can be accessed via the corporate website. The Board approved the terms of reference on 7 December 2017.

Summary of responsibilities

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

- monitor the integrity of the Financial Statements of the Group, reviewing and reporting to the Board on significant financial reporting issues and judgements, among others including going concern and viability assessments;
- review and, where necessary, challenge the consistency of significant accounting policies, and whether appropriate accounting standards have been used;
- review the content of the Annual Report and Accounts and advise the Board on whether it is fair, balanced and understandable and provides the information necessary for shareholders to assess Tullow's position, performance, business model and strategy;

- monitor and review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- consider the level of assurance being provided on the risk management and internal controls systems and whether it is sufficient for the Board to satisfy itself that they are operating effectively;
- review the adequacy of the whistleblowing system, and the Company's procedures for detecting and preventing fraud;
- review and assess the annual internal audit plan, its alignment with key risks of the business and coordination with other assurance providers and receive a report on the results of the Internal Audit function's work on a periodic basis;
- oversee its relationship with the external auditor including assessing its independence and objectivity, review the annual audit plan to ensure it is consistent with the scope of the audit engagement, and review the findings of the audit;
- assess the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process; and
- ensure that, following the transition period applied under the CMA Order, the audit services contract is put out to tender at least once every 10 years.

The Ethics & Compliance Function maintains responsibility for monitoring systems and controls to prevent bribery and corruption, and the Audit Committee continues to receive updates from the Group Ethics & Compliance Manager on any significant non-compliances.

Key areas reviewed in 2017

The Committee fully discharged its responsibilities during the year and the following describes the work completed by the Audit Committee in 2017:

Annual Report

A key element of the governance requirements regarding the Group's Financial Statements is for the report and accounts to be fair, balanced and understandable. To ensure this requirement is met by Tullow, the Group takes a collaborative approach to creating its Annual Report and Accounts, with direct input from the Board throughout the process. The process of planning, writing and reviewing the report is run by a central project team, alongside a formal audit process undertaken by our external auditor. In order for the Audit Committee and the Board to be satisfied with the overall fairness, balance and clarity of the final report, the following steps are taken:

- early planning, taking into consideration regulatory changes and best practice;
- comprehensive guidance issued to key report contributors across the Group;
- validation of data and information included in the report both internally and by the external auditor;
- a series of key proof dates for comprehensive review across different levels in the Group that aim to ensure consistency and overall balance; and
- Senior Management and Board review and sign-off.

Financial reporting

Monitoring the integrity of the Financial Statements and formal announcements relating to the Group's financial performance. Reviewing the significant financial reporting issues and accounting policies and disclosures in the financial reports.

The Committee met with the external auditor as part of annual audit planning and the full-year and half-year accounts approval process. The Committee considered the key audit risks identified as being significant to the 2017 accounts and the most appropriate treatment and disclosure of any new or judgemental matters identified during the audit and half-year review as well as any recommendations or observations made by the external auditor. The primary areas of judgement considered by the Committee in relation to the 2017 accounts and how these were addressed are detailed below:

Significant financial judgements for 2017	How the Committee addressed these judgements
Recognition of finance lease liabilities: The Group has a contract with a supplier for the lease of the TEN field (Ghana) FPSO. Management was required to exercise judgement to determine when the FPSO should be recognised as a finance lease in accordance with IAS 17, what discount rate to apply to future minimum lease payments and the expected length of the contract. The finance lease was recognised as of 1 August 2017 on the issue of the Certificate of Offshore Completion for the FPSO. Management were not able to identify a rate implicit in the lease contract as such has used its incremental cost of borrowing to discount future minimum lease payments. Finally given the number of potential options for the length of the contract management has selected the most economically efficient outcome.	The Committee and Deloitte LLP reviewed and challenged management's judgement that the TEN FPSO lease met the IAS 17 finance lease recognition criteria at year end 31 December 2017, that there was no rate implicit in the lease contract and that most economically efficient outcome was an appropriate lease term.
Recognition of assets held for sale: The Group signed a sales and purchase agreement to farm down a portion of its interest in Uganda to Total on 9 January 2017. Management has exercised judgement in determining that this disposal met the requirements of IFRS 5 and that the associated assets and liabilities should be retained as held for sale. The critical judgement in determining that the assets were held for sale was regarding the point that management were committed to the sale. Management continue to conclude that the sale is highly probable.	The Committee and Deloitte LLP reviewed and challenged management's judgement that completion of the farm-down was highly probable.
Carrying value of intangible exploration and evaluation assets: The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical estimation. The key areas in which management has applied judgement and estimation are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale, and the success of a well result or geological or geophysical survey.	The Group has a very active Exploration and Appraisal work programme and the Committee reviews and challenges management assumptions and judgements underlying the valuation of intangible assets for each licence at each balance sheet date. In addition, Deloitte LLP has identified this as a significant area of focus for its audit and undertakes discussions with operational and finance staff to challenge evidence provided by management to support the value of intangible assets and provides detailed reporting to the Committee on the results of its work. This is a recurring area of judgement.
Carrying value of property, plant and equipment: Management performs impairment reviews on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators of impairments or impairment reversals are present and an impairment or impairment reversal test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models. Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward curves for two years, mid-term price assumptions for three years after this and the long-term inflated corporate economic assumption thereafter; pre-tax discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.	Results of the impairments tests were discussed and challenged by the Committee. In addition, Deloitte LLP performs similar procedures and audits the underlying economic models to satisfy itself of the integrity of the process and the outcomes. This is a recurring area of judgement.
Going concern: Refer to page 34 of the Directors' report.	The Committee reviewed and challenged the assumptions and judgements in the underlying going concern forecast cash flows by discussing and analysing the risks, sensitivities and mitigations identified by management. The Committee receives written and oral reporting from Deloitte LLP on its conclusions on management's assessment of going concern, and it was noted that Deloitte LLP reduced the level of risk associated with the going concern assumption during 2017.



CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT CONTINUED

Significant financial judgements for 2017	How the Committee addressed these judgements
Decommissioning costs: Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning. The estimated decommissioning costs are reviewed annually by an internal expert and the results of this review are then assessed alongside estimates from Operators. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.	A review of all decommissioning cost estimates is undertaken annually by internal experts. The results are then reviewed in the context of operator estimates for the purposes of the annual Financial Statements. Provision for decommissioning costs is based on current legal and contractual requirements, technology, and price levels. The impact on decommissioning estimates was reviewed and challenged by the Committee. Deloitte LLP also reviews the results as part of its audit. This is a recurring area of judgement.
Provisions for onerous service contracts: Due to the historical reduction in original planned future work programmes the Group identified a number of onerous service contracts in prior years. Management has estimated the value of any future economic outflows associated with these contracts.	The Committee reviewed and challenged the assessment of the Group's onerous contracts with Deloitte LLP.

External auditor

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

- The UK Corporate Governance Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, re-appointment or removal of the external auditor. On the basis of the review of external audit effectiveness described below, the Committee recommended to the Board that it recommends to shareholders the re-appointment of Deloitte as Tullow's statutory auditor at the 2018 AGM.
- The external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current Deloitte lead audit partner, Mr Dean Cook, started his tenure in 2015 and his current rotation will end with the audit of our 2018 accounts.
- The audit contract was last tendered in 2004 and no contractual obligations existed that acted to restrict the Audit Committee's choice of external auditor. Under the EU Audit Regulation and the Competition and Markets Authority "The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities)" Order 2014, Tullow elected to apply the transitional rules with an annual review of this approach. According to those rules, the Company is required to run a competitive tender process in respect of auditor appointment no later than 31 December 2024.

- The Group's external auditor is Deloitte LLP and the Audit Committee assessed the qualifications, expertise and resources, and independence of the external auditor as well as the effectiveness of the audit process. This review covered all aspects of the audit service provided by Deloitte LLP, including obtaining a report on the audit firm's own internal quality control procedures and consideration of the audit firm's annual transparency reports in line with the UK Corporate Governance Code. The Audit Committee also approved the external audit terms of engagement and remuneration. During 2017 the Committee held private meetings with the external auditor. The Audit Committee Chairman also maintained regular contact with the audit partner throughout the year. These meetings provide an opportunity for open dialogue with the external auditor without management being present. Matters discussed included the auditor's assessment of significant financial risks and the performance of management in addressing these risks, the auditor's opinion of management's role in fulfilling obligations for the maintenance of internal controls, the transparency and responsiveness of interactions with management, confirmation that no restrictions have been placed on them by management, maintaining the independence of the audit, and how they have exercised professional challenge.



- In order to ensure the effectiveness of the external audit process, Deloitte LLP conducts an audit risk identification process at the start of the audit cycle. This plan is presented to the Audit Committee for its review and approval and, for the 2017 audit, the key audit risks identified included carrying value of exploration and evaluation assets, carrying value of property, plant and equipment, provision for tax claims, provisions for onerous contracts, decommissioning provisions, revenue recognition, risk of management override and going concern. These and other identified risks are reviewed through the year and reported at Audit Committee meetings where the Committee challenges the work completed by the auditor and tests management's assumptions and estimates in relation to these risks. The Committee also seeks an assessment from management of the effectiveness of the audit process. In addition, a separate questionnaire addressed to all attendees of the Audit Committee and senior finance managers is used to assess external audit effectiveness. As a result of these reviews, the Audit Committee considered the external audit process to be operating effectively.
- The Committee closely monitors the level of audit and non-audit services provided by the external auditor to the Group. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary. In 2017 the most significant non-audit service provided by Deloitte to Tullow related to its role as a reporting accountant on the Rights Issue. An internal Tullow standard for the engagement of the external auditor to supply non-audit services is in place to formalise these arrangements. It is reviewed annually and has been revised in 2017 to reflect changes in the regulatory environment. Among others, it requires Audit Committee approval for all non-trivial categories of non-audit work. A breakdown of the fees paid to the external auditor in respect of audit and non-audit work is included in note 4 to the Financial Statements.
- In addition to processes put in place to ensure segregation of audit and non-audit roles, Deloitte LLP is required, as part of the assurance process in relation to the audit, to confirm to the Committee that it has both the appropriate independence and the objectivity to allow it to continue to serve the members of the Company. This confirmation is received every six months and no matters of concern were identified by the Committee.

Internal controls and risk management

Responsibility for reviewing the effectiveness of the Group's risk management and internal control systems is delegated to the Audit Committee by the Board. In concert with the whole Board, the Audit Committee completed a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The results and outcomes of that assessment are provided on page 42 of this report under the section entitled 'Principal Risks'.

The Audit Committee obtained comfort over the effectiveness of the Group's risk management and internal control systems through activities coordinated by the Internal Audit function. These activities comprised:

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

During the year, Group Internal Audit presented its findings to the Audit Committee, which monitored progress of issues raised and their timely resolution on a regular basis. Senior Management representatives from the business were also invited to the Audit Committee meetings to provide updates on key matters such as Ghana Business Unit finance, tax strategy and proposed disclosure as well as improvements made in the SCM due diligence process.

In addition, during the year, the Audit Committee received reports from the independent reserves auditor, ERCE, and reviewed the arrangements in place for managing information technology risk relating to the Group's critical information systems. The Committee also reviewed the arrangements for Company employees and contractors to raise concerns through the "speaking up" programme.

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



AUDIT COMMITTEE REPORT CONTINUED

Internal audit requirements

Considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Board.

- The Group Internal Audit Manager has direct access and responsibility to the Audit Committee Chairman and Committee. His main responsibilities include: evaluating the development of the Group's overall control environment as well as the effectiveness of risk identification and management at business and corporate levels. During 2017, the Group Internal Audit Manager met with the Audit Committee Chairman and with the Audit Committee without the presence of management to assess management's responsiveness to Internal Audit recommendations made during the year and to assess the effectiveness of Internal Audit.
- The Committee reviewed and challenged the programme of 2017 Internal Audit work developed to address both financial and overall risk management objectives identified within the Group. The plan was subsequently adopted with progress reported at the Audit Committee meetings. Forty-three internal audit reviews were undertaken during the year, covering a range of financial and business processes in the Group's London office and the main operational locations in Ghana, Uganda and Kenya. Detailed results from these reviews were reported to management and in summary to the Audit Committee during the year. Where required the Audit Committee receives full details on any key findings. The Audit Committee receives regular reports on the status of the implementation of Internal Audit recommendations. The Group also undertook regular audits of non-operated joint ventures under the supervision of Business Unit management and the Group Internal Audit Manager. Internal Audit also runs a systematic programme of audits of suppliers' compliance with commercial and business ethics clauses, including bribery and corruption, of the significant contracts.
- The Committee receives summaries of investigations of significant known or suspected fraudulent activity by third parties and employees including ongoing monitoring and following up of fraud investigations.
- The Audit Committee assessed the effectiveness of Internal Audit through its review of progress versus plan and the results of audits reported, and through the thorough self-assessment review report provided by the Group Internal Audit Manager. Resourcing levels in Internal Audit are assessed by the Audit Committee with a view to ensuring that it can fully discharge its duties. Results of the review were discussed at the Committee and actions to further improve Internal Audit effectiveness are being implemented.

Whistleblowing procedure

Ensuring that an effective whistleblowing procedure is in place.

- In line with best practice and to ensure Tullow works to the highest ethical standards, an independent whistleblowing procedure was in operation throughout 2017 to allow staff to confidentially raise any concerns about business practices. This procedure complements established internal reporting processes. The whistleblowing policy is included in the Code of Ethical Conduct which is available to all staff in printed form and on the corporate website. The Committee considers the whistleblowing procedures to be appropriate for the size and scale of the Group.

Review of effectiveness of the Audit Committee

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

NOMINATIONS COMMITTEE REPORT



“The majority of the Committee’s time during the year was spent on the search for and the appointment of a new CFO and the preparation for Chairman succession planning and implementation.”

Jeremy Wilson
Chairman of the Nominations Committee

Committee members	Meetings attended
Anne Drinkwater	4/4
Aidan Heavey	3/3
Paul McDade	2/2
Steve Lucas	4/4
Jeremy Wilson	4/4
Tutu Agyare*	1/1
Mike Daly*	1/1
Ann Grant*	1/1
Simon Thompson*	1/1

* Denotes Directors who were no longer members of the Committee as at 31 December 2017.

2017 highlights

- Appointed Paul McDade as CEO and Aidan Heavey as Chairman.
- Commencement of Chairman search and review of candidate longlist.
- Appointed Les Wood as Interim CFO in January 2017 and subsequently as CFO and Executive Director in June 2017.
- Identifying the skill matrix, structure, size and composition of the Board to deliver the long-term strategic aims of the Company.

DEAR SHAREHOLDER

The main function of the Nominations Committee is to ensure that the Board and its Committees are appropriately constituted and have the necessary skills and expertise to support the Company’s current and future activities. Below Board level, the Committee continues to focus on the recruitment, development and retention of a diverse pipeline of managers who will occupy the most senior positions in the Company in the future.

At the beginning of 2017, the Committee completed its work on CEO and Chairman succession culminating with a recommendation to the Board that Paul McDade succeed founder Aidan Heavey as CEO, with Aidan taking on an interim role as Chairman for a transitional period of up to two years from the April 2017 AGM. This recommendation was approved by the Board and announced on 11 January 2017, concluding a long and successful effort by the Committee to manage one of the most significant transitions in Tullow’s history. Following the announcement, the Committee shifted its focus towards ensuring that the transition of these key roles was executed smoothly and with minimal disruption to the business. Aidan’s appointment as Chairman for this interim period reflects the Board’s belief that, owing to the unique nature of Tullow’s business and relationships across Africa, a phased transition of the leadership is appropriate.

At the outset of the year, the Committee primarily focused on ensuring that the succession of Paul McDade to the role of CEO and of Aidan Heavey to the role of Chairman was executed with minimal interruption to the business. Apart from supporting the transition of these two important roles, the majority of the Committee’s time during the year was spent on: 1) the search for and the appointment of a new CFO to replace Ian Springett who stepped down from the Board due to ill health; and 2) the search for a new Chairman to succeed Aidan Heavey, Aidan’s appointment as Chairman being limited to a two-year transitional period as previously announced.

In our Full Year Results statement we announced that Anne Drinkwater had informed the Board that she has decided not to stand for re-election at the 2018 AGM. The Nominations Committee will begin a search for her replacement in 2018.



NOMINATIONS COMMITTEE REPORT CONTINUED

The Committee also reviewed the balance of skills and attributes on the Board as a whole and how that compares to the skills that will be needed to complement and support Paul McDade as our new CEO. This work included a skills assessment facilitated by Lintstock Ltd as part of our annual Board evaluation in October. The Committee has also debated the structure, size and composition of the Board and how the Board can best help deliver the long-term strategic aims of the Company after a new Chairman has been appointed. In doing so, the Committee recognises the importance of establishing a Board that is more reflective of the value we place on diversity and inclusion within our business.

The Committee appointed Spencer Stuart to complete an executive search process for a new CFO which resulted in a recommendation to the Board that Les Wood be appointed as an Executive Director and Chief Financial Officer, which was approved by the Board and announced in June 2017. Spencer Stuart was also appointed to commence work on the search for the new Chairman which has resulted in the Committee receiving and reviewing a preliminary longlist of candidates which was prepared and presented by Spencer Stuart and which reflected the criteria set by the Committee for relevant experience, background, diversity and personal characteristics. The Committee has deliberately commenced this search well ahead of the April 2019 deadline in order to maximise our ability to find the right candidate to lead Tullow's Board.

During the course of 2018, the Committee will continue with this work in addition to reviewing the recruitment, development and retention of managers who will occupy the most senior positions in the Company in the future, with a particular focus on achieving a diverse employee population with a nationality mix representative of our assets' geographic footprint and improving gender diversity.

Jeremy Wilson

Chairman of the Nominations Committee

6 February 2018

Committee's role

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

Committee's main responsibilities

The Committee's main duties are:

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

Committee membership and meetings

The composition of the Committee changed during the year. Jeremy Wilson, the Senior Independent Director, was appointed Chairman of the Committee following the conclusion of the AGM in April 2017. The membership and attendance of members at Committee meetings held in 2017 are shown in the adjacent table.

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

Committee activities

- **CEO succession implementation** – Detailed planning for the identification of a successor to founder Aidan Heavey was completed in January 2017 with a recommendation to the Board that Paul McDade be appointed as Chief Executive Officer, subject to shareholder approval. The Board and Tullow's shareholders approved the recommendation and Paul McDade was appointed CEO following the AGM in April 2017. The services of executive search consultants Egon Zehnder and other external advisers were employed. There is no other connection between Egon Zehnder and Tullow.
- **Chairman succession implementation** – In January 2017, the Committee recommended, and the Board approved, the appointment of Aidan Heavey as non-executive Chairman, subject to shareholder approval from the conclusion of the 2017 AGM for a transitional period not exceeding two years. Given Aidan Heavey's unique role as founder of Tullow Oil and CEO for 31 years, the Committee, in recommending Aidan's appointment as Chairman, was mindful of the need to maintain continuity and stability during the leadership transition, particularly with respect to the extensive network of relationships that Aidan has developed, in Africa and elsewhere. The Committee believes that this phased transition is in the best interests of shareholders, host governments and other key stakeholders, but fully recognises the need to appoint an independent Chair at the end of this transitional period. Accordingly, the Committee appointed Spencer Stuart to conduct a search for an independent Chairman, which has resulted in the Committee approving a role specification and ensuring that search parameters reflected an appropriate emphasis on Tullow's diversity aspirations and then subsequently receiving and reviewing a preliminary longlist of candidates. The Committee has deliberately started its search early in Aidan's two-year transitional period in order to maximise our ability to find the right candidate to lead Tullow's Board in the future.
- **CFO emergency planning** – In January 2017, Ian Springett commenced an extended leave of absence in order to undergo treatment for a medical condition. The Board implemented the emergency plan, appointing Les Wood, Vice President Commercial and Finance, as Interim CFO.
- **CFO succession planning and implementation** – The Committee led an executive search process for a new Chief Financial Officer and recommended to the Board that Les Wood be appointed as an Executive Director and Chief Financial Officer and Les was appointed in June 2017.
- **Senior Independent Director and membership of Board Committees** – Following the scheduled retirement of Ann Grant at the AGM in April after nine years' service on the Board, the Committee recommended Jeremy Wilson be appointed Senior Independent Director. Jeremy confirmed to the Committee that he is able to commit additional time to the role, if required, in order to carry out any duties that arise as a result of the appointment of a non-independent Chairman. The Committee also reviewed the membership and chairmanship of each of the Board Committees in light of the changes to the composition of the Board. As a result of this review, the Committee recommended the appointment of Jeremy Wilson as Chairman of the Nominations Committee and Tutu Agyare as Chairman of the Remuneration Committee. All of these changes were approved by the Board and occurred with effect from the conclusion of the 2017 AGM. Following a further review of Board Committee membership later in the year, the Committee recommended reducing the number of non-executive Directors on each of the Audit Committee and Nominations Committee and the Board approved.
- **Board size and composition** – In 2017 (following the AGM) the Board comprised nine Directors: three Executive and six non-executive Directors, and included one woman and one African. The Board continues to support the aspirations set out in the 2011 Davies Report 'Women on Boards' and those in the Hampton-Alexander Review and will seek to redress the current imbalance in the representation of women during the coming years. The Committee acknowledges that our Board is not currently reflective of the value that we place on diversity and inclusion within our business and has recognised a need to take appropriate corrective action in this regard. In the Committee's recently announced search for the replacement of Anne Drinkwater, we have placed the highest priority on ensuring diversity in the appointment. Beyond the immediate search, the Committee believes that broader action to advance our diversity aspirations must form part of a long-term Board strategy which must be led by whoever Tullow selects as its new Chairman.
- **Improving the diversity of the talent pipeline** – As part of a continuing effort to address the lack of gender and national diversity in the Senior Management team [see also the Organisation & Culture section on pages 50 and 51] diversity was included in the 2017 corporate scorecard. A diversity plan was developed and progress has been made against that plan which has included: improving our understanding and reporting of diversity within the Company; an increased focus on diversity by the leadership team; and specific actions to improve processes such as recruitment, staff development and performance management to enhance the diversity of the Senior Management pipeline. The Committee is confident that if the implementation of this plan continues with the same level of commitment observed in 2017, diversity, particularly at senior levels, will materially improve over the coming years. The Committee will report progress against the plan.
- **Committee evaluation** – The performances of the Board and its Committees were considered as part of the internal Board evaluation process.

EHS COMMITTEE REPORT



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

Anne Drinkwater
Chair of the EHS Committee

Committee members	Meetings attended
Anne Drinkwater	3/3
Mike Daly	3/3
Angus McCoss (part year)	2/2
Paul McDade*	1/1
Simon Thompson*	1/1

* Denotes Directors who were no longer members of the Committee as at 31 December 2017.

2017 highlights

- Overseeing EHS arrangements for the Jubilee Turret Remediation Project.
- Reviewing how lessons learnt from Jubilee are being factored into TEN production operations.
- Conducting environmental risk review.

DEAR SHAREHOLDER

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

Process safety is a key focus area for the Committee. In addition to monitoring process safety risk management across the Group the Committee reviewed progress on the Jubilee Asset Integrity Plan and findings from the 2017 process safety audits of Jubilee and TEN.

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

A particular focus in the Committee's environmental review in 2017 was the Kenya Waste Management Infrastructure Study, which will inform development planning on waste management options as the project progresses.

The Committee monitors implementation of Tullow's Human Rights policy; the Kenya National Police Service MOU, which was signed in July 2017, is a solid step forward in fully operationalising the UN Voluntary Principles on Security and Human Rights.

Anne Drinkwater
Chair of the EHS Committee
6 February 2018

Committee's role

The Committee has been established by the Board to monitor the performance and key risks that the Company faces in relation to occupational and process safety, security, health and environmental management, with a particular ongoing focus on process safety. The Committee oversees the processes and systems put in place by the Company to meet our stated objectives of protecting employees, the communities in which we operate, and the natural environment. Additionally it monitors the effectiveness of operational organisations across the Company in delivering continuous improvement in EHS through reviewing a wide range of EHS leading and lagging indicators to gain an insight into how EHS policies, standards and practices are being implemented. In particular, the Committee reviews high-potential incidents, especially where they have occurred repeatedly in one location or activity (also see Responsible Operations, pages 36 and 37). It also scrutinises the outcome of audits and investigations.

Committee's main responsibilities

The Committee's main responsibilities are:

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

The Committee's terms of reference are reviewed annually and are available on the corporate website. The Committee's membership changed during the year. Angus McCoss joined the Committee, while Paul McDade and Simon Thompson relinquished their roles as part of the Company's Board re-organisation. The Committee currently comprises two non-executive Directors and one Executive Director. Sandy Stash, EVP Safety & Sustainability, Operations & Engineering and External Affairs (SOEEA), has executive responsibility for EHS across the Group. Anne Drinkwater is Chair of the Committee and chaired all meetings throughout the year. Collectively, the Committee members have considerable operational EHS experience gained from diverse operating environments across the extractive industries.



Meetings

In addition to the core Committee members, functional heads and senior managers from across the Group were invited to meetings to provide additional details and insights on specific agenda items. They also provide guidance on EHS issues and support discussions about how EHS can be embedded across their parts of the business. In 2017 those attending the meetings included Senior Management from Tullow's operations and management team members from the Safety, Sustainability & External Affairs and Operations & Engineering functions.

Committee activities in 2017

- In 2017, the Committee reviewed the EHS elements of the Safety & Sustainability Plan. The plan sets out milestones that need to be reached to meet Safety & Sustainability's multi-year objectives and covers all aspects of EHS. Examples of these milestones include:
 - assuring that Company and Business Unit plans are in alignment with the EHS and non-technical risk standards incorporated in Tullow's Integrated Management System (IMS);
 - supporting Business Delivery Teams in the implementation of the Human Rights Policy including compliance with the Modern Slavery Act;
 - conducting process safety and asset integrity audits of the Jubilee and TEN FPSOs; and
 - operationalising the new socio-economic investment strategy and governance process.
- The Committee reviewed EHS aspects of the Jubilee Turret Remediation Project with a deep dive of the controls established to support safe operations as the project moves towards installing a permanent technical solution.
- Following commissioning of the TEN FPSO in 2017, the Committee reviewed how the TEN project team had learnt and applied the lessons from early Jubilee production operations. Effective application of these lessons was a key factor in delivering the TEN project safely, on time and within budget.
- At each meeting the Committee tracked performance against EHS key performance indicators (KPIs), which include both leading and lagging indicators. In addition to providing a snapshot of Tullow's progress, EHS KPIs were used to identify areas where more focus may be required, such as asset integrity, occupational safety and land transport safety. A number of the EHS KPIs are part of the corporate scorecard and are linked to remuneration; these are overseen by the Committee.
- Assurance activity on key EHS risk areas was reviewed during 2017. Such assurance included the review of results from audits of malaria management processes across our Ghana, Kenya and Uganda operations. Committee assurance also included review of the process safety and asset integrity audits of Ghana production operations, including an assessment of the delivery of the Jubilee Asset Integrity Management Plan.

- Tullow's East Africa developments require a significant onshore presence involving the future construction and installation of pipelines in a complex social and geopolitical setting. In order to understand the EHS challenges and lessons learnt from a recent similar project, the Committee invited the Vice President of BP's Southern Gas Project to present on its EHS risks and mitigation approach. This presentation provided valuable insights into the challenges faced and techniques employed to address EHS risks in complex onshore projects.
- The Committee reviewed process safety risk management including plant, process, people and performance management to assess priorities, progress and challenges in 2017 and 2018. The Committee also reviewed risk management in drilling and completion operations including processes, tools and performance.
- Tullow's environmental performance and key environmental risks were reviewed together with the mitigation and management techniques employed to minimise their impact.

Looking forward to 2018

- The Committee will have a continuing emphasis on process safety, and will monitor close-out of the 2017 process safety management audits of Jubilee and TEN.
- The Committee will provide ongoing oversight of appropriate EHS risk management of the Jubilee Turret Remediation Project as a permanent solution is implemented.
- The Committee will review assurance work focused on land transport safety and the application of business continuity plans implemented by the business.
- The Committee will continue to review the EHS elements of the East Africa development project plans.

REMUNERATION REPORT

ANNUAL STATEMENT ON REMUNERATION

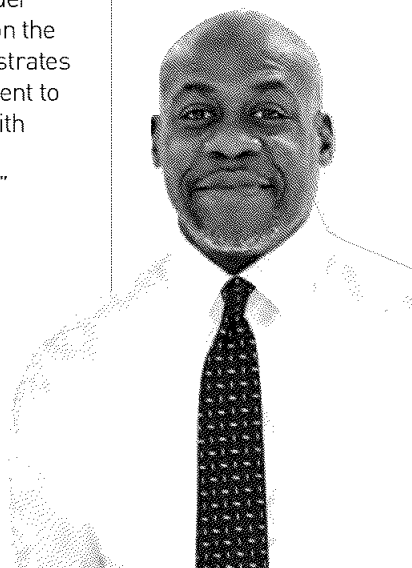
The Remuneration Committee is focused on ensuring Executive Directors are rewarded for the long-term success of the Company rather than short-term returns.

DEAR SHAREHOLDER

On behalf of the Board, I am presenting the Remuneration Committee's ('Committee's') report for 2017 on Directors' remuneration. The report is divided into three main sections:

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

"Our shareholder consultation on the policy demonstrates our commitment to provide you with clarity and transparency."



TUTU AGYARE, CHAIRMAN OF THE REMUNERATION COMMITTEE

Summary of major decisions and activities in 2017

In 2016, assisted by PwC, the Committee conducted a thorough review of the Remuneration Policy. The review took into account feedback received from major shareholders and emerging best practice, including the report of the Investment Association dated 3 July 2016 and the final report of the Executive Remuneration Working Group dated July 2016. A number of amendments to our Directors' Remuneration Policy for the period 2017 to 2019 ('the 2017 Policy') were made and were approved by shareholders at the AGM in April 2017.

2017 Board changes

On 11 January 2017, Tullow announced a number of changes to its Board which became effective following the Company's AGM on 26 April 2017:

- Paul McDade, formerly Chief Operating Officer, was appointed Chief Executive Officer. Paul's remuneration package was set in accordance with the 2017 Remuneration Policy – see pages 84 to 87.
- Simon Thompson stepped down from the role of Chairman and from the Tullow Board.
- Aidan Heavey, formerly Chief Executive Officer, was appointed as non-executive Chairman for a transitional period of up to two years. For the period up to the AGM (when Aidan was CEO) and for a period of six months thereafter Aidan's remuneration was unchanged. This amount was determined to be appropriate by the Committee and includes consideration for: (i) Aidan's service as Chairman of the Board; (ii) compensation for abridging his contractual notice period with the Group; and (iii) Aidan being available on an exclusive and full-time basis for the six-month period. After this period, Aidan received a Chairman's fee of £280,000 per annum and is expected to dedicate at least 70 days per year to his duties as Chairman.
- Ann Grant retired and was replaced as Senior Independent Director (SID) by Jeremy Wilson. With the previous Chief Executive Officer becoming non-executive Chairman, the SID role will have increased responsibilities and will require more time and effort than in previous years. Accordingly, the SID fee was increased from £10,000 as at January 2017 to £40,000 from 26 April 2017.

2017 Remuneration Policy

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

Tullow Incentive Plan (TIP)

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

The Committee believes that the Policy at these levels align interests of management and shareholders and incentivise, motivate and retain our valued Executive Directors. Further details are shown in the Directors' Remuneration Policy Report.

Performance and reward for 2017

The Committee continues to monitor Executive base salaries in an effort to remain competitive and appropriately placed in the international oil and gas industry. Base salaries are reviewed annually. The Committee used the approved 2017 Policy during 2017.

In conjunction with the Board changes, salaries for the Executive Directors were adjusted to take into account Tullow's market position and benchmark data for the international oil and gas sector. The overall impact of this change was a reduction in CEO, CFO and Exploration Director salaries: on his appointment to CEO, Paul McDade's salary was increased to £725,000; on his appointment to CFO, Les Wood's salary was set at £435,000; and Angus McCoss' salary was adjusted to £410,000. In summary, the totality of these changes reduces the ED salary cost by 18.2 per cent compared with the salaries for these positions in 2016. The totality of these changes in 2017 reduced the Executive Directors' salary cost by 18 per cent compared with the salaries for these positions in 2016. Furthermore, this reduction and the reduction in senior managers as a result of establishment of the new Executive Team (see pages 12 and 13) has led to a 19 per cent reduction in salary costs for Tullow's senior leadership team, compared with 2016.

For 2018, in view of UK inflation, salary inflation and benchmarking data, the Committee decided to increase the salaries of the Executive Directors by 3 per cent. This decision is consistent

with the wider decisions made regarding employee pay.

The Chairman's fee is £280,000 and the base non-executive Directors' fee is set at £60,000.

The performance targets set for 2017 in respect of the TIP awards to be granted in 2017 were challenging in the context of the time and proved even more so as the year progressed. Regarding Total Shareholder Return (TSR) measured over a three-year period, performance has been poor and consequently a score of zero per cent is attributed to this performance metric. Conversely, the Group performed well on its strategic, financial and operational targets for the year. The Committee is particularly pleased with the achievement of strategic financing, capital management and production, all of which support the deleveraging of Tullow's balance sheet and generation of free cash flow. The net result of these various factors produced an overall scorecard performance of 39.7 per cent, resulting in a cash bonus of 79.4 per cent of salary and a further 79.4 per cent of salary awarded in shares deferred for five years. Full details of performance against the KPIs is shown on pages 20 to 23.

Shareholder dialogue

Your views of remuneration are important to the Board and for that reason the Committee consulted with shareholders on the 2017 Policy in late 2016 and early 2017. This consultation was important and demonstrated our commitment to provide you with clarity and transparency about our 2017 Policy. We expect the 2017 Policy to be in operation for a period of three years; however, should any changes be considered appropriate to propose, major shareholders shall be consulted.

Finally, on behalf of the Committee, I would like to thank shareholders for their significant vote approving the 2016 Annual Statement and Annual Report on Remuneration at the last AGM and look forward to your continued support over the coming year.

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

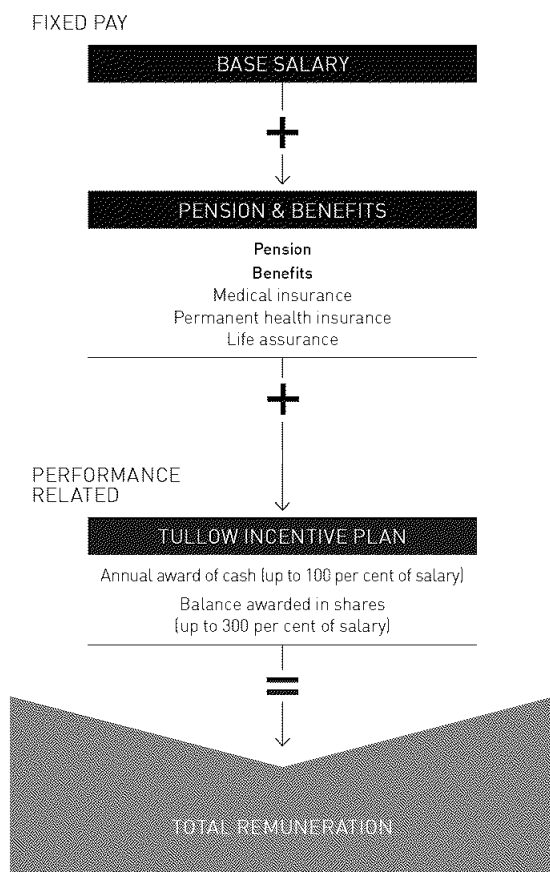


Tutu Agyare
Chairman of the Remuneration Committee

6 February 2018

REMUNERATION REPORT CONTINUED

COMPONENTS OF REMUNERATION



Glossary

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

Preparation of this report

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

DIRECTORS' REMUNERATION POLICY REPORT (VOLUNTARY DISCLOSURE)

Although Tullow is not required to present the current Remuneration Policy Report this year, nor to submit the Remuneration Policy to a binding vote, in line with best practice on corporate reporting, we have included for reference on the following pages the Remuneration Policy for the Company which commenced 1 January 2017 and became formally effective following approval from shareholders through a binding vote at the 2017 AGM. This section also explains how the Remuneration Policy will be operated during 2018.

Policy overview

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

Consideration of shareholders' views

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

Employment conditions elsewhere in the Group

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

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

- benefits offered to other employees generally include a performance bonus award of up to 35 per cent of salary;
- pension provision of a payment of 10 per cent of salary into our Company defined contribution plan, increasing to 15 per cent of salary for employees over 50; and
- participation in the TIP is limited to the Executive Directors and Senior Management according to their role and responsibility. All other employees are eligible to participate in the Company's below Board level share-based plans.

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

Summary of Directors' Remuneration Policy

The table on pages 84 to 87 sets out a summary of each element of the Directors' remuneration packages, their link to the Company's strategy, the policy for how these are operated, the maximum opportunity and the performance framework. Although not part of the Remuneration Policy Report, the column to the right of the table also sets out how the Committee intends to apply the policy for 2018.

Key changes in 2017

The Committee believes that the basic structure of the previous Remuneration Policy worked well to align the interests of our Executives and our shareholders. The changes which were proposed by the Committee and were approved by our shareholders at the Annual General Meeting in 2017 are reflected in the table overleaf and are designed to provide increased flexibility in the Remuneration Policy to respond to volatile market conditions and to re-align Executive compensation with peer companies, both in the international exploration and production sector and having regard to FTSE companies of similar current market capitalisation.

Significant changes in the 2017 Policy included:

1) Executive Directors

The maximum annual award opportunity for the TIP was reduced from 600 per cent of base salary to 400 per cent of base salary.

- The period from 2014 to 2016 saw a dramatic decline in oil prices and in Tullow's share price. We remain focused on increasing shareholder value and re-entering the FTSE 100 as soon as possible. However, following feedback from shareholders, consultation with PwC and completion of a benchmarking exercise, the Committee believed that a 600 per cent multiplier is inappropriate for Tullow's current

position within the FTSE, despite stretching performance targets that make that level of reward achievable only in exceptional circumstances. We therefore recommended a reduction in the maximum award opportunity to 400 per cent of base salary to better reflect our current market position. In the event that the Company returns to the FTSE 100 Index and remains there for an entire financial year, the Committee reserved the right, at its sole discretion, to increase the multiplier to 500 per cent of base salary for the subsequent year.

Full vesting of the TSR performance condition to be triggered at upper quartile (75th percentile) performance instead of upper quintile (80th percentile).

- In consultation with PwC, the Committee determined that a maximum vesting of the TSR performance condition at upper quartile performance is appropriate and in line with industry practice within the FTSE and internationally. Particularly in light of the 200 per cent reduction to the overall maximum award opportunity the Committee believes that this is an appropriate adjustment to provide a challenging yet achievable incentive to the Executive Directors.

Discretion to settle any portion of the annual cash bonus component of a Tullow Incentive Plan (TIP) award in deferred shares.

- TIP awards consist of a short-term bonus component (usually paid in cash) and a long-term incentive component (paid in deferred shares with a five-year vesting term). A number of institutional investor bodies, governance agencies and advisory firms encourage the deferral of a portion of cash bonus into deferred shares. The Committee believes that the TIP properly balances short-term cash incentives with long-term share-based awards but that in certain circumstances it may be appropriate for the cash component to be partially deferred into shares with a vesting period not less than one year from the date of grant. This discretion provides the Committee with greater flexibility to craft awards that are appropriate to the performance of the Company in a given year while also ensuring proper alignment of the interests of the Executive Directors and our shareholders.

Minimum shareholding requirement reduced to 300 per cent of base salary.

- Tullow's previous shareholding policy prohibited Executive Directors from selling more than 50 per cent of post-tax vesting share awards until such time as their shareholding exceeded 400 per cent of base salary (rising to 600 per cent on the first vesting of the TIP). It was previously Tullow's policy to include unvested and unexercised awards in this calculation and that was the basis for setting such an extraordinarily high shareholding requirement. Guidance has now clarified that unvested awards should not be counted in minimum shareholding requirements and accordingly the Committee has reduced the multiple of base salary for Executive Director shareholdings but specified that it will only include 'owned shares' in the calculation of these amounts. The Committee believes that, at 300 per cent of base salary, Tullow's minimum shareholding requirement still significantly exceeds the average minimum shareholding requirement across the FTSE.



REMUNERATION REPORT CONTINUED

2) Non-executive Directors

Non-executive Director fees are reviewed annually and in 2017, the Committee and the Board (with each Director abstaining from any decision on their own remuneration) recommended that the Chairman's fee be reduced from £310,500 to £280,000 and each of the non-executive Director fees be reduced from £69,500 to £60,000. Additional responsibility fees paid to Committee Chairs remained unchanged, save that the fee paid to the Chair of the Ethics & Compliance Committee was increased from £5,000 to £10,000. That Committee has since been dissolved since the transition of its responsibilities were passed to the Executive. The above reductions in fees payable to the current Chairman and the non-executive Directors reflect the cost pressures in the oil and gas industry and Tullow's current position within the FTSE.

- As part of the fee reductions above, the fee for our former Senior Independent Director, Ann Grant, was decreased from £15,000 to £10,000 until her retirement date. However, in view of the increased responsibilities and time commitment of the SID role in the new Tullow Board since 26 April 2017, the SID fee was then increased to £40,000.
- From the conclusion of the AGM, Aidan Heavey continued to receive his then existing remuneration including all benefits for a period of six months. That amount was determined to be appropriate by the Committee and included consideration for: (i) Aidan's service as Chairman of the Board; (ii) compensation for abridging his contractual notice period with the Group; and (iii) Aidan being available on an exclusive and full-time basis for that six-month period. Following the conclusion of the six-month period, Aidan now receives a Chairman's fee of £280,000 per annum which is in line with the reduced Chairman's fee in effect as at 1 January 2017. Following that initial six-month period, Aidan is expected to dedicate at least 70 days per year to his duties as Chairman.

Operation of share plans

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

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

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

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

As a result of the switch from: (i) a three-year PSP vesting period to a five-year TIP vesting period; and (ii) pre-vesting performance conditions to pre-grant performance conditions, the following transitional arrangements applied in the early years of the TIP's operation:

- to cover the gap between 2016 (when the 2013 PSP awards (the final set of awards under this plan) vest) and 2019 (when the deferred TIP shares granted in 2014 in relation to 2013



would otherwise normally vest), instead of vesting over five years the deferred TIP shares granted in 2014 have vested 50 per cent after three years (i.e. 2017) and 50 per cent will vest after four years (i.e. 2018) and the deferred TIP shares granted in 2015 will vest 50 per cent after four years (i.e. 2019) and 50 per cent after five years (i.e. 2020). Deferred TIP shares granted in 2016 in relation to the performance period ended 31 December 2015 and subsequent deferred TIP share grants will vest after five years from grant; and

- to reduce the impact of overlapping performance periods, the TSR performance period for TIP awards made in 2014 was measured over the 2013 financial year, the performance period for TIP awards granted in 2015 was measured over the 2013–14 financial years and the 2016 awards were measured over the 2014–15 financial years (operating a three-year TSR performance period for early TIP awards would create an overlap with past PSP awards). TSR, in relation to the 2017 and subsequent TIP awards, was and will be based on a three-year performance period ending with the financial year ending immediately prior to grant.

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

Calculation of TIP awards

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

At the beginning of each financial year, the Committee will determine a multiple of base salary, subject to the limits established under this Policy, to apply to a TIP award. At the same time the Committee will also determine a balanced corporate scorecard of performance metrics applicable to any TIP award. The choice of the performance metrics and the weightings given to them, which are set by the Committee

at the start of the relevant financial year, reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of stretching financial, operational and total shareholder return ('TSR') related objectives, explicitly linked to the achievement of Tullow's long-term strategy.

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

Legacy remuneration

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



CORPORATE GOVERNANCE

REMUNERATION REPORT CONTINUED

SUMMARY DIRECTORS' REMUNERATION POLICY			
	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To provide an appropriate level of fixed cash income. To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.	Generally reviewed annually with increases normally effective from 1 January. Base salaries will be set by the Committee taking into account: - the scale, scope and responsibility of the role; - the skills and experience of the individual; - the base salary of other employees, including increases awarded to the wider population; and - the base salary of individuals undertaking similar roles in companies of comparable size and complexity. This may include international oil & gas sector companies or a broader group of FTSE-listed organisations.	Any increases to current Executive Director salaries, presented in the 'Application of Policy in 2018' column to the right of this policy table, will not normally exceed the average increase awarded to other UK-based employees. Increases may be above this level in certain circumstances, for instance if there is an increase in the scale, scope or responsibility of the role or to allow the base salary of newly appointed executives to move towards market norms as their experience and contribution increase.
Pension and benefits	To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.	Defined contribution pension scheme or salary supplement in lieu of pension. The Company does not operate or have any legacy defined benefit pension schemes. Medical insurance, income protection and life assurance. Additional benefits may be provided as appropriate. Executive Directors may participate in the Tullow UK Share Incentive Plan (SIP).	Pension: 25% of base salary. Benefits: The range of benefits that may be provided is set by the Committee after taking into account local market practice in the country where the Executive is based. No monetary maximum is given for benefits provided to the Executive Directors as the cost will depend on individual circumstances. Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits. Tullow UK SIP: Up to HM Revenue & Customs (HMRC) limits, currently £150 per month. Maximum participation levels and matching levels for all staff, including Executive Directors, are set by reference to the rules of the plan and relevant legislation.



Framework used to assess performance and provisions for the recovery of costs paid (if applicable)		Application of policy in 2018 (this is the part of the Annual Report on Remuneration and not part of the Policy Report)	
A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.		Current Executive Director base salaries:	
			2018
		Paul McDade	£746,750
		Angus McCoss	£422,300
		Les Wood	£448,050

Not applicable.

No change.



CORPORATE GOVERNANCE

REMUNERATION REPORT CONTINUED

SUMMARY DIRECTORS' REMUNERATION POLICY CONTINUED			
	Purpose and link to strategy	Operation	Maximum opportunity
Tullow Incentive Plan (TIP)	To provide a simple, competitive, performance-linked incentive plan that: - aligns the interests of management and shareholders; - promotes the long-term success of the Company; - provides a real incentive to achieve our strategic objectives and deliver superior shareholder returns; and - will attract, retain and motivate individuals with the required personal attributes, skills and experience.	An annual TIP award consisting of up to 400 per cent of base salary which is divided evenly between cash and deferred shares up to the first 200 per cent of base salary. Any amount above 200 per cent of base salary is awarded entirely in deferred shares¹. Deferred shares are normally subject for deferral until the fifth anniversary of grant, normally subject to continued service. TIP awards are non-pensionable and will be made in line with the Committee's assessment of performance targets. At the discretion of the Committee, any portion of the cash component of a TIP award can be satisfied by granting deferred shares with a vesting date set by the Committee being not earlier than the first anniversary of grant.	The maximum amount of any Award shall be established by the Committee at the beginning of each year of this policy, provided it shall not exceed 400 per cent of salary for Executive Directors. Dividend equivalents will accrue on TIP deferred shares over the vesting period, and will be payable in respect of shares that vest. In the event that Tullow is a member of the FTSE 100 Index for a full financial year during the term of this Remuneration Policy, the Committee reserves the discretion to increase the maximum TIP award opportunity from 400 per cent of base salary to 500 per cent of base salary should the Committee determine it appropriate to do so in the circumstances.
Minimum shareholding requirement	To align the interests of management and shareholders and promote a long-term approach to performance and risk management.	Executive Directors are required to retain at least 50 per cent of post-tax share awards until a minimum shareholding equivalent to 300 per cent of base salary is achieved in owned shares. Unvested TIP shares will not count towards the minimum shareholding requirement. Shares included in this calculation are those held beneficially by the Executive Director and his or her spouse/civil partner.	Not applicable.
Non-executive Directors	To provide an appropriate fee level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities while also reflecting the time commitment and responsibility of the role.	The Chairman is paid an annual fee and the non-executive Directors are paid a base fee and additional responsibility fees for the role of Senior Independent Director or for chairing a Board Committee. Fees are normally reviewed annually. Each non-executive Director is also entitled to a reimbursement of necessary travel and other expenses. Non-executive Directors do not participate in any share scheme or annual bonus scheme and are not eligible to join the Group's pension schemes.	Non-executive Director remuneration is determined within the limits set by the Articles of Association. There is no maximum prescribed fee increase although fee increases for non-executive Directors will not normally exceed the average increase awarded to Executive Directors. Increases may be above this level if there is an increase in the scale, scope or responsibility of the role.

1. Under the rules of the TIP, deferred shares may be awarded in the form of conditional shares, forfeitable shares or nil-cost options at the discretion of the Committee. To date, all TIP awards have been made in the form of nil-cost options.



Framework used to assess performance and provision for the recovery of awards payable	Evaluation of policy in 2018 (this forms part of the Annual Report on Remuneration and not part of the Policy Report)																											
A balanced scorecard of stretching financial and operational objectives, linked to the achievement of Tullow's long-term strategy will be used to assess TIP outcomes. Specific targets and their weighting will vary from year to year in accordance with strategic priorities but may include targets relating to: relative or absolute Total Shareholder Return (TSR); earnings per share (EPS); Environmental, Health and Safety (EHS); financial; production; operations; project; exploration; or specific strategic and personal objectives. At the end of each year the Committee will determine a performance score against each of the components of the corporate scorecard which will result in an aggregate performance score out of 100 per cent (KPI Score). At least 50 per cent of any TIP award will be based on financial measures including TSR. Performance will typically be measured over one year for all measures apart from TSR and EPS, which, if adopted, will normally be measured over the three financial years prior to grant. For relative TSR, no more than 25 per cent of the maximum TIP opportunity will be payable for threshold performance with 100 per cent payable on delivering upper quartile performance. Non-TSR targets will normally be based on a challenging sliding scale with 20 per cent of the maximum opportunity payable for threshold performance through to a maximum of 100 per cent payable for delivering stretch performance. The Committee reserves the right to exercise its discretion in the event of exceptional and unforeseen positive or negative developments during the performance period. In addition, the Committee reserves the right to reduce the TIP payment where the Committee considers that the level of payment is not commensurate with overall corporate performance and returns delivered to shareholders over the performance period. The Committee will review performance measures annually, in terms of the range of targets, the measures themselves and weightings applied to each element of the TIP. Any revisions to the measures and/or weightings will only take place if it is necessary because of developments in the Group's strategy and, where these are material, following appropriate consultation with shareholders. TIP awards are subject to malus and clawback. The Committee retains discretion to apply malus and clawback to both the cash and deferred share elements of the TIP during the five-year vesting period in the event of a material adverse restatement of the financial accounts or reserves or a catastrophic failure of operational, EHS and risk management.	The corporate scorecard for 2018 will consist of: • 50 per cent based on relative TSR, over the three-year period prior to grant, against a comparator group of oil and gas exploration companies with a threshold (25 per cent of the award) vesting at median performance and a maximum (100 per cent) vesting at upper quartile performance; • 5 per cent based on strategic financing measures; • 22 per cent based on production, operational, safety and organisational measures; and • 18 per cent based on business development and growth objectives. The Committee has set specific targets for the above KPIs that are stretching and that are explicitly linked to the achievement of Tullow's long-term strategy. The Committee is of the opinion that, given the commercial sensitivity of Tullow's non-TSR-related KPIs, disclosing in advance precise targets for the TIP would not be in shareholders' interests. Except in circumstances where elements remain commercially sensitive, actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs. • The final 5 per cent of the corporate scorecard will be determined by the Committee, based on leadership effectiveness. Details of actual performance against KPIs will be given retrospectively in the 2018 Annual Report.																											
Not applicable.	No change.																											
Not applicable.	Current non-executive Director fees: <table><tr><th></th><th>2018</th><th>2017</th></tr><tr><td>Chairman²</td><td>£280,000</td><td>£280,000</td></tr><tr><td>Non-executive base fee</td><td>£60,000</td><td>£60,000</td></tr><tr><td>Senior Independent Director³</td><td>£40,000</td><td>£40,000</td></tr><tr><td></td><td></td><td>£10,000⁴</td></tr><tr><td>Audit Committee Chair</td><td>£20,000</td><td>£20,000</td></tr><tr><td>Remuneration Committee Chair</td><td>£20,000</td><td>£20,000</td></tr><tr><td>EHS Committee Chair</td><td>£15,000</td><td>£15,000</td></tr><tr><td>E&C Committee Chair</td><td>N/A</td><td>£10,000</td></tr></table>		2018	2017	Chairman ²	£280,000	£280,000	Non-executive base fee	£60,000	£60,000	Senior Independent Director ³	£40,000	£40,000			£10,000 ⁴	Audit Committee Chair	£20,000	£20,000	Remuneration Committee Chair	£20,000	£20,000	EHS Committee Chair	£15,000	£15,000	E&C Committee Chair	N/A	£10,000
	2018	2017																										
Chairman ²	£280,000	£280,000																										
Non-executive base fee	£60,000	£60,000																										
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Remuneration Committee Chair	£20,000	£20,000																										
EHS Committee Chair	£15,000	£15,000																										
E&C Committee Chair	N/A	£10,000																										

2. Aidan's Executive salary of £886,080 payable to 31 October 2017. Thereafter, Aidan received a Chairman's fee of £280,000 per annum which is in line with the reduced Chairman's fee in effect as at 1 January 2017.

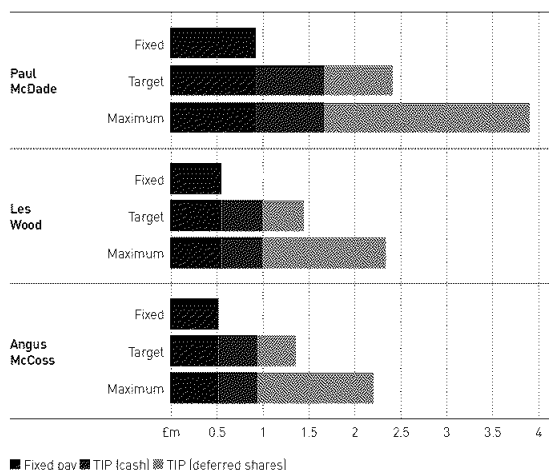
3. After 26 April 2017.

4. Up to 26 April 2017.

REMUNERATION REPORT CONTINUED

Remuneration scenarios for Executive Directors

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



1. Base salaries are those effective as at 1 January 2018.
2. Fixed pay includes pensions which are based on a 25 per cent employer contribution.
3. The target TIP award is taken to be 50 per cent of the maximum annual opportunity for 2018 (200 per cent of salary) for all Executive Directors.
4. The maximum value of the TIP is taken to be 400 per cent of salary (i.e. the maximum annual opportunity) for 2018.
5. No share price appreciation has been assumed.

Service agreements

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

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

External appointments

The Board has not introduced a formal policy in relation to the number of external directorships that an Executive Director may hold, considering any potential appointments on a case-by-case basis. During 2017, Angus McCoss sought the Board's permission, which was agreed, to take up a non-executive Director role with Providence Resources plc. In this, and other requests from Executive Directors to take up external appointments, the Board considers the individual's aggregate time commitment anticipated by the new role against their current commitments to Tullow. In respect of Angus' appointment, the Board agreed that he would retain his fee of €45,000 per annum. Angus McCoss has also been nominated by Tullow as its representative on the board of Ikon Science Limited, a company in which Tullow has a small equity stake. Any fees payable for his services in respect of this nomination have been waived by Tullow.

Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy. Les Wood was appointed as an Executive Director and CFO in June 2017 with an annual base salary of £435,000.

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

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

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



Policy for loss of office

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

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

Any unvested awards held under the Tullow Oil 2005 DSBP (the last awards were granted to Executive Directors in 2013) will lapse at cessation of employment unless the individual is a good leaver (defined under the plan as death, injury or

disability, redundancy, retirement, his office or employment being either a company which ceases to be a Group member or relating to a business or part of a business which is transferred to a person who is not a Group member or any other reason the Committee so decides). For a good leaver, unvested awards will normally vest at cessation of employment (unless the Committee decides they should vest at the normal vesting date).

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

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

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

Non-executive Director terms of appointment

Non-executive Director	Year appointed	Number of complete years on the Board	Date of current engagement commenced	Expiry of current term
Tutu Agyare	2010	7	24.08.16	23.08.19
Mike Daly	2014	3	31.05.17	30.05.20
Anne Drinkwater	2012	5	10.02.15	09.02.18
Aidan Heavey	2017	0	26.04.17	25.04.19*
Steve Lucas	2012	5	14.03.15	13.03.18
Jeremy Wilson	2013	4	21.10.16	20.10.19

* Being the anticipated date of the Company's Annual General Meeting in 2019. Aidan Heavey was appointed non-executive Chairman on 26 April for a period not exceeding two years but, as set out in the Nominations Report on page 73, he is the founder and former Chief Executive Officer of the Company and was an Executive Director since incorporation.

In each case, the appointment is renewable thereafter if agreed by the Director and the Board. The appointment of any non-executive Director may be terminated by either party on three months' notice. There are no arrangements under which any non-executive Director is entitled to receive compensation upon the early termination of his or her appointment. Given the fixed, transitional and short-term nature of his appointment, Aidan Heavey's appointment letter does not permit him to terminate his appointment ahead of the Annual General Meeting in 2019, though the appointment may be terminated by Tullow on three months' notice.



REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION

This part of the report provides details of the operation of the Remuneration Committee, how the Remuneration Policy was implemented in 2017 (including payment and awards in respect of incentive arrangements) and how shareholders voted at the 2017 AGM.

Remuneration Committee membership and meetings

The Committee currently comprises three non-executive Directors and is chaired by Tutu Agyare. The membership and attendance of members at Committee meetings held in 2017 are shown below.

Committee member	Meetings attended
Tutu Agyare (Chair) ¹	5/5
Mike Daly	2/2
Jeremy Wilson	5/5
Anne Drinkwater*	4/4
Steve Lucas*	1/1
Simon Thompson*	1/1

1. Tutu Agyare was appointed Chair of the Committee from 26 April 2017, prior to which the Chair was Jeremy Wilson.

* Denotes Directors who were no longer members of the Committee as at 31 December 2017.

Committee's main responsibilities

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

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

Committee's advisers

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

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

The total fees paid to PwC in respect of the advice provided for 2017 totalled £10,000 (excluding VAT) and related to the review of the 2016 Directors' Remuneration Report and related issues. PwC LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. PwC LLP also provided tax and consulting services to Tullow during the year.

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

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



Directors' remuneration (audited)

The remuneration of the Directors for the year ended 31 December 2017 payable by Group companies and comparative figures for 2016 are shown in the table below:

		Fixed pay			Tullow Incentive Plan		Total £
		Salary/fees ¹ £	Pensions ² £	Taxable benefits ³ £	TIP cash ⁴ £	Deferred TIP shares ⁵ £	
Executive Directors							
Aidan Heavey	2017 ⁶	295,360	184,600	65,380	585,968	585,968	1,717,276
	2016	886,080	221,520	66,638	859,497	859,497	2,893,232
Angus McCoss	2017	462,920	115,730	12,270	367,557	367,557	1,326,034
	2016	501,110	125,278	10,758	486,076	486,076	1,609,298
Paul McDade	2017	654,460	163,615	10,500	519,641	519,641	1,867,857
	2016	501,110	125,278	9,017	486,076	486,076	1,607,557
Ian Springett ⁷	2017	309,040	77,260	8,480	245,381	245,381	885,542
	2016	532,080	133,020	15,751	516,117	516,117	1,713,085
Les Wood ⁸	2017	431,945	78,890	1,310	277,516	277,516	1,067,177
	2016	n/a	n/a	n/a	n/a	n/a	n/a
Graham Martin ⁹	2017	n/a	n/a	n/a	n/a	n/a	n/a
	2016	167,037	41,759	3,614	162,025	–	374,435
Subtotal	2017	2,096,970	620,095	97,940	1,996,063	1,996,063	6,863,886
	2016	2,587,417	646,855	105,778	2,509,791	2,347,766	8,197,607
Non-executive Directors							
Aidan Heavey ¹⁰	2017	489,710	–	–	–	–	489,710
	2016	n/a	n/a	n/a	n/a	n/a	n/a
Tutu Agyare	2017	73,570	–	22,192	–	–	95,762
	2016	69,500	–	–	–	–	69,500
Mike Daly	2017	60,000	–	–	–	–	60,000
	2016	69,500	–	–	–	–	69,500
Anne Drinkwater	2017	75,000	–	10,240	–	–	85,240
	2016	84,500	–	–	–	–	84,500
Ann Grant ^{11, 14}	2017	33,340	–	–	–	–	33,340
	2016	89,500	–	–	–	–	89,500
Steve Lucas	2017	80,000	–	–	–	–	80,000
	2016	89,500	–	–	–	–	89,500
Simon Thompson ¹²	2017	93,340	–	–	–	–	93,340
	2016	310,500	–	–	–	–	310,500
Jeremy Wilson ¹³	2017	100,000	–	5,630	–	–	105,630
	2016	89,500	–	–	–	–	89,500
Subtotal	2017	1,004,960	–	38,062	–	–	1,043,022
	2016	802,500	–	–	–	–	802,500
Total	2017	3,101,930	620,095	136,002	1,996,063	1,996,063	7,906,908
	2016	3,389,917	646,855	105,778	2,509,791	2,347,766	9,000,107

1. Base salaries of the Executive Directors have been rounded up to the nearest £10 for payment purposes, in line with established policy.
2. None of the Executive Directors have a prospective entitlement to a defined benefit pension by reference to qualifying services.
3. Taxable benefits comprise private medical insurance for all Executive Directors; Aidan Heavey's taxable benefits comprised private medical insurance (£17,523) and car benefits/club membership (£47,833). Travel and subsistence benefits provided to NEDs have also been included on a grossed-up basis as Tullow meets the UK tax liability on behalf of the NEDs.
4. TIP cash figures have been calculated based on total base salary receivable in FY17 taking into account all pay changes agreed and implemented for Executive Directors in 2017. In addition Aidan Heavey's bonus is based on base pay (£737,995) receivable up to 31 October 2017.
5. These figures represent that part of the TIP award required to be deferred into shares.
6. Aidan Heavey resigned as Chief Executive Officer with effect from 26 April 2017. Following this date he became a non-executive Director and related pay for this period to 31 December is shown in the non-executive Directors section above. Taxable benefits, pension and bonus are applicable to his office of Chief Executive Officer and are included in the Executive Directors section of the above table.

7. Ian Springett resigned as Chief Financial Officer with effect from 20 June 2017.
8. Les Wood became Chief Financial Officer with effect from 20 June 2017. Figures shown are for the full year and include the following in respect of the interim period acting as CFO from 5 January 2017 to 20 June 2017: salary of £157,690, pension of £23,650 and taxable benefits of £660. A bonus was of £56,755 was also paid in August in respect to the period before appointment as Executive Director (this number is included as salary/fees).
9. Graham Martin resigned as an Executive Director effective 28 April 2016
10. Aidan Heavey became a non-executive Director on 26 April 2017. Remuneration for periods prior to this are shown in the Executive Directors section.
11. Ann Grant retired on 26 April 2017.
12. Simon Thompson stepped down as Chairman on 26 April 2017.
13. Salary/fees for Jeremy Wilson include an additional payment of £6,356 as a result of an administrative error, with the agreement of Jeremy, the Company has taken steps to reclaim the monies overpaid.
14. Salary/fees for Ann Grant included an additional payment of £7,909 as a result of an administrative error, with the agreement of Ann, the Company has taken steps to reclaim the monies overpaid.



REMUNERATION REPORT CONTINUED

Material contracts

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

Payments to past Directors

As previously announced on 9 December 2015, Graham Martin informed the Board that he would retire as an Executive Director at the 2016 Annual General Meeting. Mr Martin also resigned as Company Secretary effective 1 January 2016. Mr Martin's appointment as an Executive Director and his employment with Tullow therefore ended on 28 April 2016.

As previously reported Mr Martin received his salary, benefits and personal allowance in respect of his employment until 28 April 2016. As Mr Martin worked for part of the 2016 financial year, the Committee determined that he would remain eligible to receive the cash part of the Tullow Incentive Plan in respect of the portion of the year worked; a cash bonus of £162,025 was paid to Mr Martin on 25 February 2017.

Payments for loss of office

Aidan Heavey stepped down as CEO on 26 April 2017 and was appointed as non-executive Chairman for a transition period of up to two years. Aidan continued to receive his CEO remuneration including all benefits for a period of six months. This will include an amount payable in February 2018 as the equivalent to the Tullow Incentive Plan award Aidan would have received for the six-month period had he remained employed as the CEO. This amount was determined to be appropriate by the Committee in consideration of (i) Aidan's service as Chairman of the Board; (ii) compensation for abridging his contractual notice period with the Group; and (iii) Aidan being available on an exclusive and full-time basis for this six-month period. With effect from the expiry of the six-month period, Aidan's fee for the provision of services as non-executive Chairman will be £280,000 per annum in line with the reduced Chairman's fee in effect as at 1 January 2017.

Ian Springett went on extended medical leave on 4 January 2017 and on 20 June 2017 the Company announced that he had resigned from the Board with immediate effect. Ian received full pay, benefits and pension allowance for seven months to 31 July 2017. Under Ian's service contract, Tullow maintained insurance cover to provide income protection in the event that

Ian was unable to return to work for an indefinite period of time. A claim was accepted on 1 August 2017 and cover affirmed from this date. Ian has since received regular payments under this insurance policy in line with his existing service agreement with the Company. The Remuneration Committee awarded Ian a TIP award over £245,381 in cash and a deferred TIP share award to the same cash value for his service to the Company and will treat his existing awards under TIP and other incentive plans as being tantamount to 'good leaver' status.

Details of variable pay earned in the year

Determination of 2018 TIP award based on performance to 31 December 2017 (audited)

The Group's progress against its corporate scorecard is tracked during the year to assess our performance against our strategy. The corporate scorecard is made up of a collection of Key Performance Indicators (KPIs) which indicate the Company's overall health and performance across a range of operational, financial and non-financial measures. The corporate scorecard is central to Tullow's approach to performance management and the 2017 indicators were agreed with the Board and focus on targets that were deemed important for the year. Each KPI measured has a percentage weighting and financial indicators have trigger, base and stretch performance targets. Following the end of the 2017 financial year, the corporate scorecard KPI performance was 39.7 per cent of the maximum and the Committee awarded Executive Directors a total TIP award equating to 158.8 per cent of base salary. This will be payable 50 per cent in cash and 50 per cent in shares deferred for five years (i.e. vesting in 2023). Details of the performance targets which operated and performance against those targets are as follows:



Performance metric	Performance	% of award (% of salary maximum)	Actual																																																												
Strategic Financing	Ensuring sufficient liquidity to deliver the business plan was achieved by successfully refinancing our RBL at \$2.5 billion and extending the Rolling Corporate Facility by one year.	10%	9.5%																																																												
Key targets relating to ensuring sufficient liquidity and executing a long-term strategic solution to deleverage and rebase the balance sheet	The Q1 Rights Issue and generation of free cash flow from our low cost, producing assets have resulted in a significant reduction in our debt since the end of 2016. As a result we were able to deleverage the balance sheet and reduce our debt ratio to 2.6 debt:EBITDAX. As part of the review of our Strategic Financing targets, the Board considered our capital structure, scale of funding, timing and related costs before arriving at a score of 9.5%.	(40%)	(38%)																																																												
Safe & Efficient Business Operations	Production	12%	10.4%																																																												
Quantitative targets relating to Production, Opex, Net G&A and Capex and SSEA targets focused on delivering business activities safely whilst minimising environmental impacts and delivering sustainable benefits	<table><tr><th>Production</th><th>Trigger target</th><th>Base target</th><th>Stretch target</th><th>2017 performance</th></tr><tr><td>mboepd</td><td>71.7</td><td>77.1</td><td>82.5</td><td>87.3</td></tr><tr><td>Payout</td><td>0%</td><td>50%</td><td>100%</td><td>100%</td></tr></table> The above production numbers exclude the lost production covered by business interruption insurance. Including the impact of insured barrels from the Jubilee field, Group working interest production is 94,700 boepd. Opex/boe <table><tr><th>Opex/boe</th><th>Trigger target</th><th>Base target</th><th>Stretch target</th><th>2017 performance</th></tr><tr><td>\$/boe</td><td>14.2</td><td>13.3</td><td>12.4</td><td>11.1</td></tr><tr><td>Payout</td><td>0%</td><td>50%</td><td>100%</td><td>100%</td></tr></table> The operating costs are net of insurance proceeds. Net G&A <table><tr><th>Net G&A</th><th>Trigger target</th><th>Base target</th><th>Stretch target</th><th>2017 performance</th></tr><tr><td>Net G&A (\$)</td><td>123.1</td><td>115</td><td>107</td><td>95</td></tr><tr><td>Payout</td><td>0%</td><td>50%</td><td>100%</td><td>100%</td></tr></table> Capex <table><tr><th>Capex</th><th>Trigger target</th><th>Base target</th><th>Stretch target</th><th>2017 performance</th></tr><tr><td>Capex</td><td>373</td><td>348</td><td>324</td><td>225</td></tr><tr><td>Payout</td><td>0%</td><td>50%</td><td>100%</td><td>100%</td></tr></table> The capex numbers have been adjusted to remove Uganda. Decommissioning capex is not included above and is \$34 million (budget: \$61 million). SSEA Tullow's SSEA targets are focused on reducing process safety events; making improvements to our asset integrity; occupational health and safety focused on Lost Time Injury Frequency (LTIF) and malaria prevention; and sustainability, including metrics such as environmental and social performance. In 2017 there were no Tier 1 process safety incidents; process safety targets were partially achieved for TEN and Jubilee; our LTIF rate rose to 0.37 as a consequence of four Lost Time Injuries reported in the year (2016: nil). There were no serious malaria cases reported, our ESIA obligations were met and there were no significant environment regulatory non-compliances. We met most of our local content expenditure targets in Ghana, Kenya and Uganda. In view of the above performance the Committee determined a 3.4% achievement out of a maximum 5% allocation.	Production	Trigger target	Base target	Stretch target	2017 performance	mboepd	71.7	77.1	82.5	87.3	Payout	0%	50%	100%	100%	Opex/boe	Trigger target	Base target	Stretch target	2017 performance	\$/boe	14.2	13.3	12.4	11.1	Payout	0%	50%	100%	100%	Net G&A	Trigger target	Base target	Stretch target	2017 performance	Net G&A (\$)	123.1	115	107	95	Payout	0%	50%	100%	100%	Capex	Trigger target	Base target	Stretch target	2017 performance	Capex	373	348	324	225	Payout	0%	50%	100%	100%	(48%)	(41.6%)
Production	Trigger target	Base target	Stretch target	2017 performance																																																											
mboepd	71.7	77.1	82.5	87.3																																																											
Payout	0%	50%	100%	100%																																																											
Opex/boe	Trigger target	Base target	Stretch target	2017 performance																																																											
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Net G&A (\$)	123.1	115	107	95																																																											
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Capex	Trigger target	Base target	Stretch target	2017 performance																																																											
Capex	373	348	324	225																																																											
Payout	0%	50%	100%	100%																																																											



CORPORATE GOVERNANCE

REMUNERATION REPORT CONTINUED

Details of variable pay earned in the year continued

Determination of 2018 TIP award based on performance to 31 December 2017 (audited) continued

Performance metric	Performance				% of award [% of salary maximum]	Actual
Business Development and Growth	The Business Development and Growth targets reflect the portfolio and long-term growth strategy of the Company. They focus on value creation and seeking opportunities.				15%	10.8%
West Africa Production					(60%)	(43.2%)
East Africa developments	KPI	Outcome	Target	2017		
New Ventures portfolio management	West Africa	Ghana Government approval was secured for Jubilee Full Field Development Plan and drilling will commence in early 2018. The Government has also approved a shuttle offtake solution that will lead to an increase in production and permission to execute a long-term TRP solution.	5%	3.5%		
	- Returning Jubilee to plateau production levels - Preparing Ghana for exploration drilling in 2018 - Enhancing the value of the West African non-operated BU	In the non-operated Business Unit, the growth plan for Gabon roll-out is under way and review of near-field exploration in Equatorial Guinea and Côte d'Ivoire has been completed. Resources of 20 mmbbl and Reserve additions of 8 mmbbls have been booked since the last audit in 2016.				
	East Africa	Strong safety and environmental performance has been maintained with initiatives being prepared and focus on community relations and capacity building to support local content.	5%	3.5%		
	- Efficiently deliver Kenya operations with a strong focus on safety, environment and local communities - Progress Kenya development to support end 2018 FID - Complete Total transaction and progress Uganda development to FID	Strategic direction changed to value over volume and focus on phased development. Joint Development Agreement to construct oil pipeline has been signed with Government. In Uganda our Partners, Total and CNOOC, have signed the Sales and Purchase agreement to farm-down our interest and the FID is still on track for early 2018.				
	New Ventures	New licences in Côte d'Ivoire and Peru were secured.	5%	3.8%		
	- Access and portfolio management - Inventory progress - Exploration outcome	The exit of Madagascar and Greenland was completed. Progress was made on prospects in Suriname.				
		All operations in Jamaica, Uruguay, Zambia, Suriname and Mauritania completed safely and under budget.				



Performance metric	Performance	% of award [% of salary maximum]	Actual
Organisation	A mini staff survey conducted in Q3 showed that actions taken as a result of the feedback from the biennial engagement survey in 2016 were yielding results, in particular, in communications and employee engagement as well as addressing feedback in other areas.	3%	2%
Targets relating to Staff Engagement; Diversity and Inclusion; and Ethics & Compliance	A diversity & inclusion workshop was held with the new Executive Team to endorse the forward plan of management and a new Executive Sub-Group was established to promote the D&I aims. Some positive progress has been made on improving workforce diversity. 100% compliance was achieved when all employees completed the Code of Ethical Conduct online course and our Code Certification process was achieved. There were two breaches of compliance regarding the Company's ExPo Standard.	{12%}	{8%}
Relative TSR (Total Shareholder Return)	Performance against a bespoke group of listed exploration and production companies measured over three years to 31 December 2017 – 25% is payable at median, increasing to 100% payable at upper quartile. We scored zero for our performance in TSR because our share price continues to perform below the median against our industry peer group over a three-year period.	50% {200%}	0% {0%}
Discretionary based on: the full year's performance in relation to unforeseen business and operational events, value creation, management and leadership, and external commentary	The following items were considered in the scoring of the discretionary elements: • The CEO and executive leadership team transition which was a major change to Tullow's leadership and was viewed to have been very well managed and executed without business disruption. A short-form staff survey in September indicated positive feedback regarding the leadership changes and improvement on leadership communications. • The preparation for the ITLOS judgement, focusing on the key risks, engagement plans and communications, was viewed as very well managed, in particular, use of cross functional resourced teams to fully understand the breadth of the issues and the focus on managing relationships in the respective jurisdictions. • The continued, relentless focus and drive on performance and capital management and free cash flow generation (resulting in the achievement of \$0.5 billion FCF vs. a budget of \$0.2 billion) was viewed as very positive. • A significant effort was made in resolving legacy issues and managing the portfolio during 2017. Positive results were achieved in Congo and Netherlands exits and the resolution of a tax dispute in Equatorial Guinea. • The need for improvements to SAP and the requisition to pay process in Ghana reduced the discretionary score avocation as in this area performance fell short of the performance expected.	10% {40%}	7% {28%}
Total		100% {400%}	39.7% {158.8%}

1. The TSR comparator group for the 2017 TIP award was as follows: Afren, Anadarko, Apache, Cairn Energy, Canadian Natural Resources, Cobalt Energy, Conoco Phillips, Hess, Kosmos Energy, Lundin Petroleum, Marathon Oil, Noble Energy, Oil Search, Ophir Energy, Premier Oil, Santos, SOCO International and Woodside Petroleum.

Further information on Tullow Group's performance against the corporate scorecard is shown on pages 20 to 23 of the Annual Report and Accounts.



CORPORATE GOVERNANCE

REMUNERATION REPORT CONTINUED

TIP awards granted in 2017 (audited)

The fourth set of TIP awards were granted to Executive Directors on 27 April 2017, based on the performance period ended 31 December 2016, as follows:

Executive	Number of TIP shares awarded ¹	Face value of awards at grant date	Normal vesting dates (end of exercise window)	Pre-grant performance period
Aidan Heavey	401,260	£859,497		
Angus McCoss	226,927	£486,076	26.04.2022 to	01.01.2016 to 31.12.2016
Paul McDade	226,927	£486,076	26.04.2027	(TSR 01.01.2014 to 31.12.2016)
Les Wood	240,951	£516,117		

1. Awards made in the form of nil-cost options, the face value of the awards is equal to the TIP cash bonus awarded for the year ended 31 December 2016 and the number of shares awarded is calculated using the price on the day preceding the grant date which on 26 April 2017 was 214.2p.

UK SIP shares awarded in 2017 (audited)

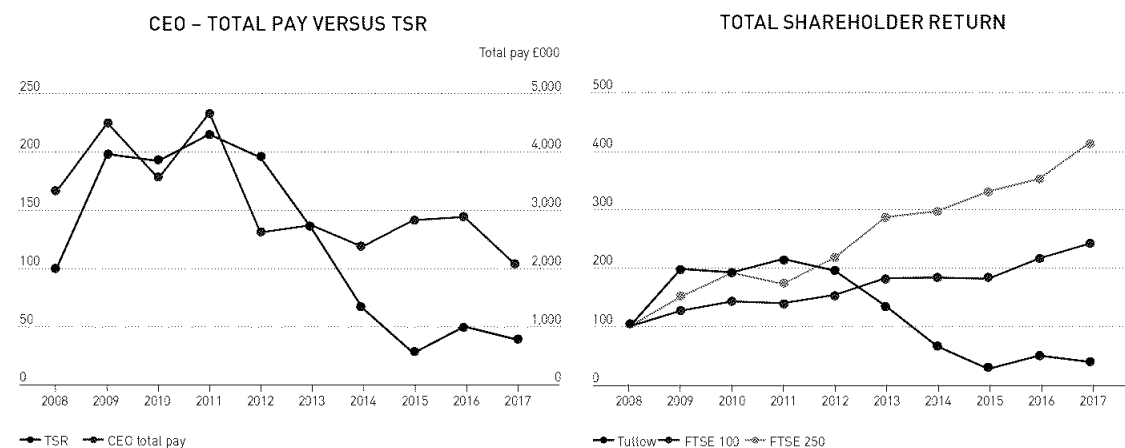
The UK SIP is a tax-favoured all-employee plan that enables UK employees to save out of pre-tax salary. Quarterly contributions are used by the plan trustee to buy Tullow Oil plc shares (partnership shares). The Group funds an award of an equal number of shares (matching shares). The current maximum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

Director	Shares held 01.01.17	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.17	SIP shares that became unrestricted in year	Total unrestricted shares held at 31.12.17 ¹
Angus McCoss	7,756	998	998	9,752	254	3,052
Paul McDade	13,697	997	997	15,691	254	8,991
Ian Springett	5,937	997	997	7,931	262	1,231
Les Wood	1,061	299	299	1,659	–	–

1. Unrestricted shares (which are included in the total shares held at 31 December 2016) are those which no longer attract a tax liability if they are withdrawn from the plan.

CEO – total pay versus TSR

For 2017 the CEO total pay is based on an annualised summation of base pay, pension, benefits and TIP cash bonus and share award equivalent value for Paul McDade.





Comparison of overall performance and pay

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

The values indicated in the graph overleaf show the share price growth plus re-invested dividends over a nine-year period from a £100 hypothetical holding of ordinary shares in Tullow Oil plc and in the two indices. The total remuneration figures for the Chief Executive during each of the last nine financial years are shown in the table below. For 2017, total remuneration figures are shown for Aidan Heavey based on the period he held the office of Chief Executive Officer and for the transition period up to 31 October 2017 and for Paul McDade from 27 April 2017 when he commenced in his office of Chief Executive. The total remuneration figure includes the annual bonus based on that year's performance (2008 to 2017), PSP awards based on three-year performance periods ending in the relevant year (2009 to 2012) and the value of TIP awards based on the performance period ending in the relevant year (2013 to 2017). The annual bonus pay-out, PSP vesting level and TIP award, as a percentage of the maximum opportunity, are also shown for each of these years.

	Year ending in								
Aidan Heavey	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total remuneration	£4,516,580	£3,558,698	£4,688,541	£2,623,116	£2,750,273	£2,378,316	£2,835,709	£2,893,232	£1,717,276
Annual bonus	86%	58%	80%	70%	–	–	–	–	–
PSP vesting	100%	100%	100%	23%	–	–	–	–	–
TIP	–	–	–	–	30%	23%	38%	39%	40%

	Year ending in								
Paul McDade	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total remuneration	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	£1,416,281
Annual bonus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	–
PSP vesting	n/a	n/a	n/a	n/a	–	–	–	–	–
TIP	–	–	–	–	n/a	n/a	n/a	n/a	40%

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any pension benefits receivable in the year) between the financial year ended 31 December 2016 and 31 December 2017, compared to that of the average for all employees of the Group. This table reflects the change in Chief Executive Officer in 2017. The negative percentage change reflects the fact that the current CEO receives a lower salary than the former CEO.

	% change from 2016 to 2017		
	Salary	Benefits	Bonus
Chief Executive	-18%	-84%	-33%
Average employees	6.5%	0%	7.8%



CORPORATE GOVERNANCE

REMUNERATION REPORT CONTINUED

Shareholder voting at the AGM

At last year's AGM on 26 April 2017 the remuneration-related resolution received the following votes from shareholders:

2016 Annual Statement & Annual Report on Remuneration		
	Total number of votes	% of votes cast
For	558,111,494	84.41
Against	103,059,851	15.59
Total votes cast (for and against)	661,171,345	100
Votes withheld	54,242	

2017 Remuneration Policy Report		
	Total number of votes	% of votes cast
For	582,011,448	88.03
Against	79,143,373	11.97
Total votes cast (for and against)	661,154,821	100
Votes withheld	73,467	

Summary of past TIP awards

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

Director	Award grant date	Share price on grant date	As at 01.01.17	Granted during year	Rights issue adjustment	As at 31.12.17	Earliest date shares can be acquired ¹	Latest date shares can be acquired
Aidan Heavey	19.02.14	774p	102,992	–	17,840	120,832	19.02.17	19.02.24
	18.02.15	400p	152,772	–	26,462	179,234	18.02.19	17.02.25
	11.02.16	148p	565,423	–	97,944	663,367	11.02.21	10.02.26
	27.04.17	214p		401,260		401,260	27.04.22	26.04.27
			821,187	401,260		1,364,693		
Angus McCoss	19.02.14	774p	58,246	–	10,088	68,334	19.02.17	19.02.24
	18.02.15	400p	86,398	–	14,966	101,364	18.02.19	17.02.25
	11.02.16	148p	319,767	–	55,390	375,157	11.02.21	10.02.26
	27.04.17	214p		226,927		226,927	27.04.22	26.04.27
			464,441	226,927		771,782		
Paul McDade	19.02.14	774p	58,246	–	10,088	68,334	19.02.17	19.02.24
	18.02.15	400p	86,398	–	14,966	101,364	18.02.19	17.02.25
	11.02.16	148p	319,767	–	55,390	375,157	11.02.21	10.02.26
	27.04.17	214p		226,927		226,927	27.04.22	26.04.27
			464,441	226,927		771,782		
Ian Springett	19.02.14	774p	61,845	–	10,712	72,557	19.02.17	19.02.24
	18.02.15	400p	91,737	–	15,890	107,627	18.02.19	17.02.25
	11.02.16	148p	339,529	–	58,814	398,343	11.02.21	10.02.26
	27.04.17	214p		240,951		240,951	27.04.22	27.04.27
			493,111	240,951		819,478		
Les Wood ²	18.02.15	400p	26,756	–	4,634	31,390	18.02.18	18.02.25
	11.02.16	148p	136,422	–	23,631	160,053	11.02.19	11.02.26
	27.04.17	214p		101,249		101,249	27.04.20	27.07.27
			163,178	101,249		292,692		

1. 50 per cent of the 2014 award vests on 19.02.17 and 50 per cent vests on 19.02.18; 50 per cent of the 2015 award vests on 18.02.19 and 50 per cent vests on 18.02.20.

2. Les Wood – TIP awards granted prior to appointment as an Executive Director have a three-year vesting period. In addition to the TIP awards, Les Wood has outstanding Employee Share Award Plan (ESAP) awards totalling 82,601.



Summary of past 2005 Performance Share Plan (PSP)

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

Director	Award grant date	Share price on grant date	As at 01.01.17	Exercised during year	Rights Issue adjustment	As at 31.12.17	Earliest date shares can be acquired	Latest date shares can be acquired
Paul McDade	15.05.08	924.5p	80,277	94,182	13,905	0	15.05.11	14.05.18
	18.03.09	778p	98,355	–	17,037	115,392	18.03.12	17.03.19
	17.03.10	1,281p	13,972	–	2,420	16,392	17.03.13	16.03.20
			192,604	94,182	33,362	131,784		
Ian Springett	01.09.08	791p	68,873	80,803	11,930	0	01.09.11	31.08.18
	18.03.09	778p	104,438	–	18,091	122,529	18.03.12	17.03.19
	17.03.10	1,281p	14,836	–	2,569	17,405	17.03.13	16.03.20
			188,147	80,803	32,590	139,934		

All of the PSP awards listed are based on relative three-year TSR performance and the Committee considering that both the Group's underlying financial performance and its performance against other key factors (e.g. Health & Safety) over the relevant period are satisfactory. 50 per cent of awards are/were measured against an international oil sector comparator group (see past Remuneration Reports for details of specific companies) and 50 per cent of awards are/were measured against the FTSE 100. All outstanding awards under PSP have been granted as, or converted into, nil exercise price options. To the extent that they vest, they are normally exercisable from three to 10 years from grant.

Summary of past Deferred Share Bonus Plan (DSBP) awards

Details of nil exercise cost options granted to Executive Directors for nil consideration under the DSBP:

Director	Award grant date	As at 01.01.17	Exercised during year	Rights Issue adjustment	As at 31.12.17	Earliest date shares can be acquired	Latest date shares can be acquired
Paul McDade	13.03.08	14,686	17,229	2,543	0	01.01.11	12.03.18
	18.03.09	28,374	–	4,915	33,289	01.01.12	17.03.19
	17.03.10	15,941	–	2,761	18,702	01.01.13	16.03.20
	18.03.11	11,308	–	1,958	13,266	01.01.14	17.03.21
	21.03.12	25,819	–	4,472	30,291	01.01.15	20.03.22
	22.02.13	25,816	–	4,471	30,287	01.01.16	21.02.23
		121,944	17,229	21,120	125,835		
Ian Springett	17.03.10	16,927	–	2,932	19,859	01.01.13	16.03.20
	18.03.11	12,007	–	2,079	14,086	01.01.14	17.03.21
	21.03.12	27,415	–	4,748	32,163	01.01.15	20.03.22
	22.02.13	27,411	–	4,748	32,159	01.01.16	21.02.23
		83,760	–	14,507	98,267		

All outstanding awards under the DSBP were granted as, or have been converted into, nil exercise price options. To the extent that they vest, they are exercisable from three to 10 years from grant.

Share price range

During 2017, the highest mid-market price of the Company's shares was 284.1p and the lowest was 145.6p. The year-end price was 206.6p.



CORPORATE GOVERNANCE

REMUNERATION REPORT CONTINUED

Directors' interests in the share capital of the Company (audited)

The interests of the Directors (all of which were beneficial), who held office at 31 December 2017 or during FY2017, are set out in the table below:

	Ordinary shares held		% of salary under 2017 Remuneration Policy shareholding guidelines ¹	TIP awards		PSP awards		DSBP awards		ESAP awards		SIP		Total
	31.12.16	31.12.17		Unvested	Vested	Unvested	Vested	Unvested	Vested	Unvested	Vested	Restricted	Unrestricted	
Angus McCoss	274,792	324,703	164	737,615	34,167	-	-	-	-	-	-	6,700	3,052	1,106,237
Paul McDade ²	305,801	520,738	148	737,615	34,167	-	131,784	-	125,835	-	-	6,700	8,991	1,565,630
Ian Springett ³	12,000	14,462	6	783,199	36,279	-	220,737	-	96,257	-	-	5,668	1,105	1,159,717
Les Wood	-	-	-	292,692	-	-	-	-	-	-	82,601	1,659	-	376,952
Non-executive Directors														
Tutu Agyare	1,940	2,930	-	-	-	-	-	-	-	-	-	-	-	2,930
Mike Daly	3,175	4,795	-	-	-	-	-	-	-	-	-	-	-	4,795
Anne Drinkwater	7,000	7,000	-	-	-	-	-	-	-	-	-	-	-	7,000
Aidan Heavey	6,178,813	7,000,000	n/a	1,304,277	60,416	-	-	-	-	-	-	-	-	8,364,693
Steve Lucas	690	720	-	-	-	-	-	-	-	-	-	-	-	720
Jeremy Wilson	45,000	67,959	-	-	-	-	-	-	-	-	-	-	-	67,959

1. Calculated using share price of 206.6p at year end. Under the Company's shareholding guidelines, each Executive Director is required to build up their shareholdings in the Company's shares to at least 300 per cent of their salary. Further details of the minimum shareholding requirement is set out in the Remuneration Policy Report.

2. On 21 December 2017, Paul McDade exercised 94,182 PSP awards and 17,229 DSBP awards, the share price at exercise was 194.25p.

3. As at date of resignation from office of Chief Financial Officer on 20 June 2017.

On 5 January 2018 Angus McCoss, Paul McDade and Les Wood were each awarded 484 SIP shares, all of which are restricted. Accounting for certain restricted SIP shares becoming unrestricted SIP shares in the period between 1 January 2018 and the date of this report, Angus McCoss holds 7,184 restricted SIP shares and 3,052 unrestricted SIP shares (total 10,236), Paul McDade holds 7,184 restricted SIP shares and 8,991 unrestricted SIP shares (total 16,175) and Les Wood holds 2,143 restricted SIP shares and 0 unrestricted SIP shares (total 2,143).

There have been no other changes in the interests of any Director between 1 January 2018 and the date of this report.

Approval

This report was approved by the Board of Directors on 6 February 2018 and signed on its behalf by:

Tutu Agyare

Chairman of the Remuneration Committee



OTHER STATUTORY INFORMATION

Results and dividends

The loss on ordinary activities after taxation of the Group for the year ended 31 December 2017 was \$188.5 million (2016: loss of \$597.3 million).

No dividends have been recommended by the Board in 2017 (2016: Nil).

Subsequent events

On 6 February 2018, Anne Drinkwater informed the Board she has decided not to stand for re-election at the 2018 AGM. Her directorship will therefore cease with effect from the close of the 2018 AGM, which is currently anticipated to take place on 25 April 2018.

Share capital

As at 6 February 2018, the Company had an allotted and fully paid up share capital of 1,387,515,818 ordinary shares each with a nominal value of £0.10.

Substantial shareholdings

As at 6 February 2018, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

Shareholder	Number of shares	% of issued capital (as at date of notification)
Standard Life Aberdeen plc	128,721,895	9.30
Prudential plc group of companies	69,271,752	5.01
Commonwealth Bank of Australia	36,836,077	4.03
Genesis Asset Managers, LLP	54,857,056	5.99
Majedie Asset Management Limited	29,209,276	3.20
IFG International Trust Company Ltd ¹	38,960,366	5.98

1. Based on notification received 14 November 2006. IFG is now known as First Names Trust Company.

Shareholders' rights

The rights and obligations of shareholders are set out in the Company's Articles of Association (which can be amended by special resolution). The rights and obligations attaching to the Company's shares are as follows:

- dividend rights – holders of the Company's shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Subject to shareholder approval, payment or satisfaction of a dividend may be made wholly or partly by distribution of specific assets;

- voting rights – voting at any general meeting may be conducted by a show of hands unless a poll is duly demanded. On a show of hands every shareholder who is present in person at a general meeting (and every proxy or corporate representative appointed by a shareholder and present at a general meeting) has one vote regardless of the number of shares held by the shareholder (or represented by the proxy or corporate representative). If a proxy has been appointed by more than one shareholder and has been instructed by one or more of those shareholders to vote 'for' the resolution and by one or more of those shareholders to vote 'against' a particular resolution, the proxy shall have one vote for and one vote against that resolution. On a poll, every shareholder who is present in person has one vote for every share held by that shareholder and a proxy has one vote for every share in respect of which he has been appointed as proxy (the deadline for exercising voting rights by proxy is set out in the form of proxy). On a poll, a corporate representative may exercise all the powers of the company that has authorised him. A poll may be demanded by any of the following: (a) the Chairman of the meeting; (b) at least five shareholders entitled to vote and present in person or by proxy or represented by a duly authorised corporate representative at the meeting; (c) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to attend and vote at the meeting; or (d) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all the shares conferring that right;

- return of capital – in the event of the liquidation of the Company, after payment of all liabilities and deductions taking priority, the balance of assets available for distribution will be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. A liquidator may, with the authority of a special resolution, divide among the shareholders the whole or any part of the Company's assets, or vest the Company's assets in whole or in part in trustees upon such trusts for the benefit of shareholders, but no shareholder is compelled to accept any property in respect of which there is a liability;
- control rights under employee share schemes – the Company operates a number of employee share schemes. Under some of these arrangements, shares are held by trustees on behalf of employees. The employees are not entitled to exercise directly any voting or other control rights. The trustees will generally vote in accordance with employees' instructions and abstain where no instructions are received. Unallocated shares are generally voted at the discretion of the trustees; and



CORPORATE GOVERNANCE

OTHER STATUTORY INFORMATION CONTINUED

Shareholders' rights continued

- restrictions on holding securities – there are no restrictions under the Company's Articles of Association or under UK law that either restrict the rights of UK resident shareholders to hold shares or limit the rights of non-resident or foreign shareholders to hold or vote the Company's ordinary shares.

There are no UK foreign exchange control restrictions on the payment of dividends to US persons on the Company's ordinary shares.

Material agreements containing 'change of control' provisions

The following significant agreements will, in the event of a 'change of control' of the Company, be affected as follows:

- To the extent that a 'change of control' occurs as a result of any person, or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers), gaining control of the Company:
 - under the \$2.4 billion (or up to \$2.9 billion in the event that the Company exercises its option to increase the commitments by up to an additional \$500 million and the lenders provide such additional commitments) senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Lloyds Bank plc, ING Bank N.V., DNB Bank ASA and The Standard Bank of South Africa Limited and the lenders specified therein,
 - the Company is obliged to notify the agent (who notifies the lenders) upon the occurrence of a change of control;
 - if any lender so requires, it may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document. So long as such lender states its requirement to be repaid within 20 business days of being notified by the agent (such period being the "notice period"), the repayment amount will become due and payable by no later than 10 business days after the end of such notice period and, in respect of each letter of credit issued under the agreement, full cash cover will be required by no later than 10 business days after the end of such notice period;
- under the \$100 million senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company and International Finance Corporation and the lenders specified therein,
- the Company is obliged to notify the agent (who notifies the lenders) upon the occurrence of a change of control;
- if any lender so requires, it may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document. So long as such lender states its requirement to be repaid within 20 business days of being notified by the agent (such period being the "notice period"), the repayment amount will become due and payable by no later than 10 business days after the end of such notice period; and
- under the \$600 million secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Crédit Agricole Corporate and Investment Bank and Standard Chartered Bank and the lenders specified therein,
- the Company is obliged to notify the agent (who notifies the lenders) upon the occurrence of a change of control;
- if any lender so requires, it may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document. So long as such lender states its requirement to be repaid within 20 business days of being notified by the agent (such period being the "notice period"), the repayment amount will become due and payable within 10 business days after the end of such notice period.
- to the extent that a 'change of control' occurs, in general terms, as a result of (i) a disposal of all or substantially all the properties or assets of the Company and all its restricted subsidiaries (other than through a merger or consolidation) in one or a series of related transactions; (ii) a plan being adopted relating to the liquidation or dissolution of the Company; or (iii) any person becomes the beneficial owner, directly or indirectly, of shares of the Company which grant that person more than 50 per cent of the voting rights of the Company;



- under an indenture relating to \$650 million of 6 per cent Senior Notes due in 2020 between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the Company must make an offer to noteholders to repurchase all the notes at 101 per cent of the aggregate principal amount of the notes, plus accrued and unpaid interest. The repurchase offer must be made by the Company to all noteholders within 30 days following the 'change of control' and the repurchase must take place no earlier than 10 days and no later than 60 days from the date the repurchase offer is made. Each noteholder may take up the offer in respect of all or part of its notes; and
- under an indenture relating to \$650 million of 6.25 per cent Senior Notes due in 2022 between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the Company must make an offer to noteholders to repurchase all the notes at 101 per cent of the aggregate principal amount of the notes, plus accrued and unpaid interest in the event that a change of control of the Company occurs. The repurchase offer must be made by the Company to all noteholders within 30 days following the change of control and the repurchase must take place no earlier than 10 days and no later than 60 days from the date the repurchase offer is made. Each noteholder may take up the offer in respect of all or part of its notes; and
- to the extent that a 'change of control' occurs, in general terms, as a result of: (i) any person or persons, acting together, acquiring or becoming entitled to more than 50 per cent of the voting rights of the Company; or (ii) an offer being made to all of the Company's shareholders to acquire all or a majority of the issued ordinary share capital of the Company (or such offeror proposing a scheme of arrangement with regard to such acquisition, and thereby becoming entitled to exercise more than 50 per cent of the voting rights of the Company);
- under a trust deed constituting \$300 million of 6.625 per cent guaranteed convertible bonds due in 2021 (the Convertible Bonds) between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee, the bondholders shall have the right to require the Company to: (i) convert, in accordance with a formula specified in the trust deed, the Convertible Bonds into preference shares in the Company, which in turn will be exchanged by the Company for ordinary shares; or (ii) redeem the Convertible Bonds at their principal amount, together with accrued and unpaid

interest at the date of the change of control event. The Company is required to give the Trustee notice of the occurrence of an event constituting a change of control within five calendar days of the occurrence of such event, and the bondholders shall thereafter have 60 calendar days in which to exercise the election referred to above. If the bondholders elect to redeem the Convertible Bonds, the Company is required to make payment of this amount 14 business days after receiving notification of such election.

Directors

The biographical details of the Directors of the Company at the date of this report are given on pages 40 and 41.

Details of Directors' service agreements and letters of appointment can be found on pages 88 and 89. Details of the Directors' interests in the ordinary shares of the Company and in the Group's long-term incentive and other share option schemes are set out on page 96 and pages 98 to 100 in the Directors' Remuneration Report.

Directors' indemnities and insurance cover

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries. The Directors are also indemnified against the cost of defending a criminal prosecution or a claim by the Company, its subsidiaries or a regulator provided that where the defence is unsuccessful the Director must repay those defence costs. The Company also maintains directors' and officers' liability insurance cover, the level of which is reviewed annually.

Conflicts of interest

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group. The Board requires Directors to declare all appointments and other situations that could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts. The Board is satisfied that there is no compromise to the independence of those Directors who have appointments on the boards of, or relationships with, companies outside the Group.



OTHER STATUTORY INFORMATION CONTINUED

Powers of Directors

The general powers of the Directors are set out in Article 104 of the Articles of Association of the Company. It provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by applicable legislation. It is also limited by the provisions of the Articles of Association of the Company and any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

Please note the following specific provisions relevant to the exercise of power by the Directors:

- Pre-emptive rights and new issues of shares – the holders of ordinary shares have no pre-emptive rights under the Articles of Association of the Company. However, the ability of the Directors to cause the Company to issue shares, securities convertible into shares or rights to shares, otherwise than pursuant to an employee share scheme, is restricted under the Companies Act 2006 which provides that the directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's articles of association or given by its shareholders in general meeting, but which in either event cannot last for more than five years. Under the Companies Act 2006, the Company may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer on a pre-emptive basis to existing shareholders, unless this requirement is waived by a special resolution of the shareholders.
- Repurchase of shares – subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares that have been bought back may be held as treasury shares or must be cancelled immediately upon completion of the purchase. The Company received authority at the last Annual General Meeting to purchase up to a maximum of 91,517,442 ordinary shares. The authority lasts until the earlier of the conclusion of the Annual General Meeting of the Company in 2018 or 26 July 2018.
- Borrowing powers – the net external borrowings of the Group outstanding at any time shall not exceed an amount equal to four times the aggregate of the Group's adjusted capital and reserves calculated in the manner prescribed in Article 105 of the Company's Articles of Association, unless sanctioned by an ordinary resolution of the Company's shareholders.

Appointment and replacement of Directors

The Company shall appoint (disregarding Alternate Directors) no fewer than two and no more than 15 Directors. The appointment and replacement of Directors may be made as follows:

- the shareholders may by ordinary resolution elect any person who is willing to act to be a Director;
- the Board may elect any person who is willing to act to be a Director. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for election;
- each Director is required in terms of the Articles of Association to retire from office at the third Annual General Meeting after the Annual General Meeting at which he or she was last elected or re-elected, although he or she may be re-elected by ordinary resolution if eligible and willing. However, to comply with the principles of best corporate governance, the Board intends that each Director will submit him or herself for re-election on an annual basis;
- the Company may by special resolution remove any Director before the expiration of his or her period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with; and
- there are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his or her resignation, where he or she suffers physical or mental incapacity, where he or she is absent from meetings of the Board without permission of the Board for six consecutive months, becomes bankrupt or compounds with his or her creditors or where he or she is prohibited by law from being a Director.

Encouraging diversity in our workforce

Tullow is committed to eliminating discrimination and encouraging diversity amongst its workforce. Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job, and are not influenced by factors such as gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age or disability.

We want our workforce to be truly representative of all sections of society and for all our employees to feel respected and able to reach their potential. Our commitment to these aims and detailed approach are set out in Tullow's Code of Ethical Conduct and Equal Opportunities Policy.

We aim to provide an optimal working environment to suit the needs of all employees, including those of employees with disabilities. For employees who become disabled during their time with the Group, Tullow will provide support to help them remain safely in continuous employment.



Employee involvement and engagement

We use a range of methods to inform and consult with employees about significant business issues and our performance. These include webcasts, the Group's intranet and town hall meetings.

We have an employee share plan for all permanent employees, which gives employees a direct interest in the business' success.

Political donations

In line with Group policy, no donations were made for political purposes.

Corporate responsibility

The Group works to achieve high standards of environmental, health and safety management. Our performance in these areas can be found on pages 36 and 37 of this report. Further information is available on the Group website: www.tulloil.com, including archived copies of the separate Corporate Responsibility Report which was published in previous years.

Auditor and disclosure of relevant audit information

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each Director has taken all steps that ought to have been taken to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the AGM. More information can be found in the Audit Committee Report on page 70.

Annual General Meeting

The Notice of Annual General Meeting will be mailed to shareholders separately and will set out the resolutions to be proposed at the forthcoming AGM. The meeting will be held on 25 April 2018 at Tullow Oil plc's Head Office, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, from 12 noon.

This Corporate Governance Report (which includes the Directors' Remuneration Report) and the information referred to herein has been approved by the Board and signed on its behalf by:

Kevin Massie

Corporate Counsel and Company Secretary

6 February 2018

Registered office:

9 Chiswick Park
566 Chiswick High Road
London W4 5XT

Company registered in England and Wales No. 3919249



HIGH-GRADED & RESET EXPLORATION PORTFOLIO
Exploration drilling operations, offshore Suriname

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FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Group Financial Statements for each financial year. Under that law the directors are required to prepare the group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the Parent Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

By order of the Board

Paul McDade
Chief Executive Officer

6 February 2018

Les Wood
Chief Financial Officer

6 February 2018



INDEPENDENT AUDITOR'S REPORT FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS

Opinion on Financial Statements of Tullow Oil plc

In our opinion:

- 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 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Tullow Oil plc (the 'Parent Company') and its subsidiaries (together the 'Group') which comprise:

- the Group income statement;
- the Group statement of comprehensive income and expense;
- the Group and Parent Company balance sheets;
- the Group and Parent Company statements of changes in equity;
- the Group cash flow statement;
- the Group and Parent Company statements of accounting policies;
- the related notes 1 to 31 to the Group financial statements; and
- the related notes 1 to 7 to the Parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS CONTINUED

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • the carrying value of Exploration and Evaluation ('E&E') assets; • the carrying value of Property, Plant and Equipment ('PP&E'); and • provision for onerous service contracts.
Materiality	The materiality that we used for the Group in the current year was \$50 million (2016: \$44 million) which represents approximately 2 per cent of net assets and approximately 4 per cent of Adjusted EBITDAX. The Parent Company materiality that we used in the current year was \$40 million (2016: \$20 million) which represents approximately 1 per cent of the Company's net assets.
Scoping	The Group comprises three reporting units and the corporate business unit, all of which were included in our assessment of the risks of material misstatement. Full scope audits were performed on those operations audited by the Group team and by the component teams in Ghana and Gabon. Specified audit procedures were performed in all of the Group's other locations. The materialities applied to components ranged from \$25 million to \$40 million (2016: \$20 million to \$30 million).
Significant changes in our approach	There have been no significant changes to our approach to the audit, aside from our conclusion that the going concern assumption was not a key audit matter for this year's audit. Following the completion of the Group's refinancing process in respect of its Reserves Based Lending facility in November 2017 we concluded that the going concern assumption was not a key audit matter for the year ended 31 December 2017.

Conclusions relating to going concern, principal risks and viability statement

Going concern We have reviewed the directors' statement on page 34 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.
Principal risks and viability statement Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • the disclosures on pages 42 – 49 that describe the principal risks and explain how they are being managed or mitigated; • the directors' confirmation on page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation on pages 48 – 49 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

In the prior year, the going concern assumption was also included as a key audit matter. Following the completion of the Group's refinancing process in respect of its Reserves Based Lending facility in November 2017 we concluded that the going concern assumption was not a key audit matter for the year ended 31 December 2017.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of exploration and evaluation ('E&E') assets

Key audit matter description	The carrying value of E&E assets as at 31 December 2017 is \$1,933.4 million and the Group has written off E&E expenditure totalling \$143.4 million in the year then ended. The assessment of the carrying value of E&E assets requires management to exercise judgement as described in the 'critical accounting judgements' section of the Annual Report and Accounts on page 126. Management's assessment requires consideration of a number of factors, including, but not limited to, the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal and the success of drilling and geological analysis to date. We have pinpointed the key audit matter in this area to those E&E assets in the Group's portfolio which are at higher risk of future impairment in both Kenya and Ghana. The costs capitalised in respect of Kenya constitute \$1,058.2 million of the Group's E&E assets. Please refer to note 10 on page 135 of the Annual Report and Accounts and the Audit Committee Report on page 67 for further information.
How the scope of our audit responded to the key audit matter	We evaluated management's assessment of E&E assets held on the balance sheet at 31 December 2017 with reference to the criteria of IFRS 6 Exploration for and Evaluation of Mineral Resources and the Group's accounting policy (see page 123). Our work to assess the assets at higher risk of future impairment included, but was not limited to, the following audit procedures: • participating in meetings with operational and finance staff in Kenya, Ghana and London to discuss Exploration and Appraisal activities; • challenging management to provide confirmations of budget allocations, confirmations of the licence phase and ongoing appraisal activity; and • challenging management to provide evidence in respect of the continuance or otherwise of appraisal activity, licence validity, the status of applications for licence extensions and management's expectations of approval, their consideration of the likelihood of recovery of the balance sheet value and conclusion on commerciality where relevant.
Key observations	We are satisfied that the assets have been treated in accordance with the criteria of IFRS 6 and Tullow's E&E accounting policy. In some circumstances the costs of wells from exploration continue to be held on the balance sheet for a significant period of time while development plans are finalised and government consent is obtained, for example in Kenya. Based on the audit evidence gathered, we are satisfied that the judgements made by management are reasonable.



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS CONTINUED

Carrying value of Property, Plant and Equipment ('PP&E')

Key audit matter description	In 2017 Tullow recognised an impairment charge of \$539.1 million against the value of its PP&E assets, of which \$535.5 million relates to the TEN asset. Please refer to note 11 on page 136 and the Audit Committee Report on page 67 for further details. As described in the 'key sources of estimation uncertainty' section of the Annual Report and Accounts on page 126, the assessment of the carrying value of PP&E assets requires management to compare it against the recoverable amount of the asset. The calculation of the recoverable amount requires judgement in estimating future oil and gas prices, the applicable asset discount rate and the cost and production profiles of reserves estimates. We have identified the TEN asset in Ghana as the Group's only field whose impairment assessment represents a key audit matter as a result of its material size and sensitivity to changes in underlying assumptions. Given the asset's importance to the Group in terms of future production and the judgemental nature of the determination of its recoverable amount, we also considered there to be a fraud risk that the assumptions applied to the valuation are inappropriate.
How the scope of our audit responded to the key audit matter	We examined management's assessment of impairment indicators, which concluded that continued volatility in the oil price during the year represented an indicator of impairment for the Group's oil and gas assets. The assumptions that underpin management's calculation of the recoverable amounts of the TEN asset are inherently judgemental. Our audit work therefore assessed the reasonableness of management's key assumptions when calculating its recoverable amount. Specifically our work included, but was not limited to, the following procedures: • benchmarking and analysis of oil price assumptions against forward curves and other market data; • agreement of hydrocarbon production profiles and proven and probable reserves to third-party reserve reports; • verification of estimated future costs by agreement to approved budgets and assessment of their appropriateness with reference to field production profiles, with involvement from Deloitte petroleum engineering experts; • recalculation and benchmarking of discount rates applied, with involvement from Deloitte industry valuation specialists; and • consideration of evidence of management bias in the assumptions selected and the application of professional scepticism to address the risk of fraud.
Key observations	• The assumptions made by management when determining the TEN asset's recoverable amount fall within a reasonable range, although we note that the discount rate applied is towards the lower end of this range. • Overall, we are satisfied that the recoverability of the assets has been assessed in accordance with the requirements of IAS 36 Impairment of Assets. • Management has disclosed the impact of sensitivities of both the discount rate and commodity prices in the PP&E note on page 137.



Provision for onerous service contracts

Key audit matter description	In 2016 the Group reduced its future work programmes in response to lower commodity prices and certain legal restrictions, and in consequence a number of service contracts became onerous. Judgement is required to estimate the appropriate level of provision required for the onerous element of the contracts and the ultimate outcome of the contract claims in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The assumptions made include the estimated usage under the contract, the likelihood of cash outflows and the valuation of any liability arising, including consideration of any contract claims and disputes. Contract provisions are included in the Group's disclosure of key sources of estimation uncertainty on page 127. Please refer the Audit Committee Report on page 67 of the Annual Report and Accounts. These provisions are included within \$135 million of 'other provisions' in note 22 on page 145, and disclosed within 'other contingent liabilities' in note 27 on page 150.
How the scope of our audit responded to the key audit matter	We performed the following procedures to gain assurance that all claims have been identified and to challenge whether, in line with IAS 37, management has appropriately recognised a provision where the likelihood of a payment by the Group is probable, or a contingent liability where it is possible that the Group will make a payment: • obtained an update on the latest claims from in-house legal counsel and reviewed the documentation and correspondence with counterparties and external legal counsel as applicable for each potentially material claim; • challenged management to demonstrate compliance with the requirements of IAS 37 and assessed this on a case by case basis; and • performed corroborative enquiries of senior management regarding any additional claims.
Key observations	We are satisfied that the estimates made by management are reasonable based on the audit evidence gathered.

Our application of materiality

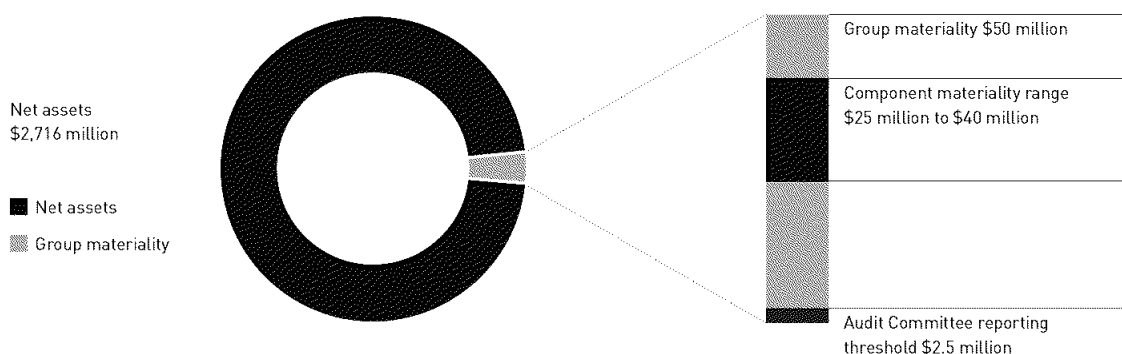
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	Group: \$50 million (2016: \$44 million) Parent Company: \$40 million (2016: \$20 million)
Basis for determining materiality	Group: Approximately 2 per cent of Group net assets, consistent with the prior year approach. Parent Company: Approximately 1 per cent of the Parent Company's net assets.
Rationale for the benchmark applied	Group: We have determined materiality based on the net asset position of the Group, reflecting the long-term value of the Group in its portfolio of exploration and development assets and their associated reserves and resources. We have determined that using a balance sheet metric, rather than a profit-based metric, will provide a more stable base for materiality. However, for reference we note that materiality equates to approximately 4 per cent of the alternative performance measure Adjusted EBITDAX. Management has presented a reconciliation of Adjusted EBITDAX to loss from continuing activities on page 35 of the Annual Report and Accounts. Parent Company: We have determined materiality based on the net asset position of the Company as its principal activity is to hold investments in subsidiaries and external debt.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS CONTINUED



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$2.5 million (2016: \$2.2 million) in respect of both the Group and Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The Group comprises three reporting units and the corporate business unit, all of which were included in our assessment of the risks of material misstatement. Full scope audits were performed on those operations audited by the Group team and by the component teams in Ghana and Gabon. Specified audit procedures were performed at the Group's other locations. The materialities applied to components ranged from \$25 million to \$40 million (2016: \$20 million to \$30 million).

The Group team took direct responsibility for the audit work in certain locations including the UK, Kenya and Uganda as well as the consolidation process. The Group team planned and oversaw the work performed by component auditors; the level of direct involvement varied by location and included, at a minimum, a review of the reports provided on the results of the work undertaken by the component audit teams.

In addition, the senior statutory auditor and senior members of his Group audit team visited Ghana and Gabon to direct and review the audit work performed by the component auditors.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.



Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further 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 auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT FOR THE GROUP FINANCIAL STATEMENTS CONTINUED

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the directors on 1 August 2002 to audit the financial statements for the year ended 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ended 31 December 2002 to 31 December 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Dean Cook MA FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

6 February 2018



GROUP INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$m	2016 \$m
Continuing activities			
Sales revenue	2	1,722.5	1,269.9
Other operating income – lost production insurance proceeds	6	162.1	90.1
Cost of sales	4	(1,069.3)	(813.1)
Gross profit		815.3	546.9
Administrative expenses	4	(95.3)	(116.4)
Restructuring costs	4	(14.5)	(12.3)
Loss on disposal	9	(1.6)	(3.4)
Goodwill impairment		–	(164.0)
Exploration costs written off	10	(143.4)	(723.0)
Impairment of property, plant and equipment, net	11	(539.1)	(167.6)
Provision for onerous service contracts, net	22	1.0	(114.9)
Operating profit/(loss)		22.4	(754.7)
(Loss)/gain on hedging instruments	20	(11.8)	18.2
Finance revenue	5	42.0	26.4
Finance costs	5	(351.7)	(198.2)
Loss from continuing activities before tax		(299.1)	(908.3)
Income tax credit	7	110.6	311.0
Loss for the year from continuing activities		(188.5)	(597.3)
Attributable to:			
Owners of the Company		(189.5)	(599.9)
Non-controlling interest	25	1.0	2.6
		(188.5)	(597.3)
Loss per ordinary share from continuing activities	8	¢	¢
Basic		(14.7)	(55.8)
Diluted		(14.7)	(55.8)

Comparative basic and diluted loss per ordinary share from continuing activities have been re-presented as a result of the Rights Issue (note 8).

GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$m	2016 \$m
Loss for the year		(188.5)	(597.3)
Items that may be reclassified to the income statement in subsequent periods			
Cash flow hedges			
Gain/(loss) arising in the year	20	6.7	(135.3)
Reclassification adjustments for items included in loss on realisation	20	(161.8)	(415.2)
Exchange differences on translation of foreign operations		9.0	17.1
Other comprehensive loss		(146.1)	(533.4)
Tax relating to components of other comprehensive loss	20	24.3	108.8
Net other comprehensive loss for the year		(121.8)	(424.6)
Total comprehensive expense for the year		(310.3)	(1,021.9)
Attributable to:			
Owners of the Company		(311.3)	(1,024.5)
Non-controlling interest		1.0	2.6
		(310.3)	(1,021.9)



FINANCIAL STATEMENTS

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 \$m	2016 \$m
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	10	1,933.4	2,025.8
Property, plant and equipment	11	5,254.7	5,362.9
Investments	12	1.0	1.0
Other non-current assets	13	789.8	175.7
Derivative financial instruments	20	0.8	15.8
Deferred tax assets	23	724.5	758.9
		8,704.2	8,340.1
Current assets			
Inventories	14	168.0	155.3
Trade receivables	15	171.4	118.4
Other current assets	13	768.3	838.9
Current tax assets	7	57.7	138.3
Derivative financial instruments	20	1.8	91.7
Cash and cash equivalents	16	284.0	281.9
Assets classified as held for sale	17	873.1	837.1
		2,324.3	2,461.6
Total assets		11,028.5	10,801.7
LIABILITIES			
Current liabilities			
Trade and other payables	18	(1,025.6)	(916.1)
Provisions	22	(230.8)	(51.9)
Borrowings	19	-	(591.5)
Current tax liabilities		(45.0)	(83.1)
Derivative financial instruments	20	(53.1)	(5.9)
		(1,354.5)	(1,648.5)
Non-current liabilities			
Trade and other payables	18	(1,422.6)	(112.3)
Borrowings	19	(3,606.4)	(4,388.4)
Provisions	22	(801.6)	(1,106.7)
Deferred tax liabilities	23	(1,101.2)	(1,292.4)
Derivative financial instruments	20	(25.8)	(10.9)
		(6,957.6)	(6,910.7)
Total liabilities		(8,312.1)	(8,559.2)
Net assets		2,716.4	2,242.5
EQUITY			
Called-up share capital	24	208.2	147.5
Share premium	24	1,326.8	619.3
Equity component of convertible bonds		48.4	48.4
Foreign currency translation reserve		(223.2)	(232.2)
Hedge reserve	20	(2.6)	128.2
Other reserves		740.9	740.9
Retained earnings		607.5	778.0
Equity attributable to equity holders of the Company		2,706.0	2,230.1
Non-controlling interest	25	10.4	12.4
Total equity		2,716.4	2,242.5

Approved by the Board and authorised for issue on 6 February 2018.

Paul McDade
Chief Executive Officer

Les Wood
Chief Financial Officer



GROUP STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2017

Notes	Share capital \$m	Share premium \$m	Equity component of convertible bonds \$m	Foreign currency translation reserve ¹ \$m	Hedge reserve ² \$m	Other reserves ³ \$m	Retained earnings \$m	Total \$m	Non-controlling interest ⁴ \$m	Total equity \$m
At 1 January 2016	147.2	609.8	–	(249.3)	569.9	740.9	1,336.4	3,154.9	19.8	3,174.7
Loss for the year	–	–	–	–	–	–	(599.9)	(599.9)	2.6	(597.3)
Hedges, net of tax	20	–	–	–	(441.7)	–	–	(441.7)	–	(441.7)
Currency translation adjustments	–	–	–	17.1	–	–	–	17.1	–	17.1
Issue of convertible bonds	–	–	48.4	–	–	–	–	48.4	–	48.4
Issue of employee share options	24	0.3	9.5	–	–	–	–	9.8	–	9.8
Vesting of PSP shares	–	–	–	–	–	–	(9.4)	(9.4)	–	(9.4)
Share-based payment charges	26	–	–	–	–	–	50.9	50.9	–	50.9
Distribution to non-controlling interests	25	–	–	–	–	–	–	–	(10.0)	(10.0)
At 1 January 2017	147.5	619.3	48.4	(232.2)	128.2	740.9	778.0	2,230.1	12.4	2,242.5
Loss for the year	–	–	–	–	–	–	(189.5)	(189.5)	1.0	(188.5)
Hedges, net of tax	20	–	–	–	(130.8)	–	–	(130.8)	–	(130.8)
Currency translation adjustments	–	–	–	9.0	–	–	–	9.0	–	9.0
Issue of shares – Rights Issue	24	60.0	693.8	–	–	–	–	753.8	–	753.8
Issue of employee share options	24	0.7	13.7	–	–	–	–	14.4	–	14.4
Vesting of PSP shares	–	–	–	–	–	–	(15.2)	(15.2)	–	(15.2)
Share-based payment charges	26	–	–	–	–	–	34.2	34.2	–	34.2
Distribution to non-controlling interests	25	–	–	–	–	–	–	–	(3.0)	(3.0)
At 31 December 2017	208.2	1,326.8	48.4	(223.2)	(2.6)	740.9	607.5	2,706.0	10.4	2,716.4

1. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments.

2. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.

3. Other reserves include the merger reserve and the treasury shares reserve which represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (note 26).

4. Non-controlling interest is described further in note 25.



FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$m	2016 \$m
Cash flows from operating activities			
Loss before taxation		(299.1)	(908.3)
Adjustments for:			
Depreciation, depletion and amortisation	11	592.2	466.9
Loss on disposal	9	1.6	3.4
Goodwill impairment		–	164.0
Exploration costs written off	10	143.4	723.0
Impairment of property, plant and equipment, net	11	541.1	167.6
Provision for onerous service contracts, net	22	(1.0)	114.9
Payment under onerous service contracts	22	–	(132.0)
Decommissioning expenditure	22	(25.7)	(23.0)
Share-based payment charge	26	33.9	43.9
Loss/[gain] on hedging instruments	20	11.8	(18.2)
Finance revenue	5	(42.0)	(26.4)
Finance costs	5	351.7	198.2
Operating cash flow before working capital movements		1,307.9	774.0
Decrease/(increase) in trade and other receivables		122.0	(99.4)
Increase in inventories		(20.8)	(47.8)
Decrease in trade payables		(251.4)	(29.8)
Cash generated from operating activities		1,157.7	597.0
Income taxes received/(paid)		65.2	(84.5)
Net cash from operating activities		1,222.9	512.5
Cash flows from investing activities			
Proceeds from disposals	9	8.0	62.8
Purchase of intangible exploration and evaluation assets	31	(189.7)	(275.2)
Purchase of property, plant and equipment	31	(117.8)	(756.0)
Interest received		3.1	1.2
Net cash used in investing activities		(296.4)	(967.2)
Cash flows from financing activities			
Net proceeds from issue of share capital		768.1	9.9
Debt arrangement fees	31	(56.4)	(31.7)
Repayment of borrowings	31	(1,613.6)	(769.1)
Drawdown of borrowings	31	305.0	1,187.5
Issue of convertible bond		–	300.0
Repayment of obligations under finance leases		(62.6)	(3.3)
Finance costs paid		(265.4)	(284.0)
Distribution to non-controlling interests	25	(3.0)	(10.0)
Net cash (used in)/provided by financing activities		(927.9)	399.3
Net decrease in cash and cash equivalents		(1.4)	(55.4)
Cash and cash equivalents at beginning of year	16	281.9	355.7
Foreign exchange gain/(loss)		3.5	(18.3)
Cash and cash equivalents at end of year	16	284.0	281.9



ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 2017

(a) General information

Tullow Oil plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT. The primary activity of the Group is the discovery and production of oil and gas.

(b) Adoption of new and revised standards

Standards not affecting the reported results or the financial position

New and revised Standards and Interpretations adopted in the current year did not have any significant impact on the amounts reported in these Financial Statements.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements, but will have an impact on future Financial Statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments

The Group will adopt IFRS 9 Financial Instruments for the year commencing 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets, as well as new rules for hedge accounting. It replaces the old standard of IAS 39 in its entirety.

The classification and measurement of financial assets is now based on the entity's business model for managing the financial asset, and the contractual cash flow characteristics of the financial asset.

The classification and measurement of financial liabilities is materially consistent with that required by IAS 39 with the exception of the treatment of modification or exchange of financial liabilities which do not result in de-recognition. The Group has identified that retrospective application of IFRS 9 will increase the carrying value of the Reserves Based Lending credit facility by \$144 million, as a retrospective modification loss as a result of the November 2017 refinancing of the facility. This will reduce opening retained earnings in 2018, as well as lowering the finance costs recognised over the life of the facility compared to the treatment under IAS 39. No other material impact as a result of IFRS 9's classification and measurement requirements has been identified.

The new impairment model requires the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39.

The Group has undertaken an assessment of the classification and measurement requirements, as well as the new impairment model, and does not expect a significant impact on the financial statements.

The new hedge accounting rules will align the hedge accounting treatments more closely with the Group risk management strategy, and address previous inconsistencies and weakness in the hedge accounting model in IAS 39. The Group plans to adopt the hedge accounting requirements of IFRS 9.

The Group has identified a change in the treatment of the 'cost of hedging' of options upon adoption, specifically with respect to the fair value movement of time value.

The fair value movement of time value, to the extent which it relates to the hedged item, will be presented in a separate component in the statement of comprehensive income and expenses. This will have the effect of reducing the amount presented in the income statement under gain/loss on hedging instruments, with the cost of hedging being reflected within sales revenue on maturity of the hedge.

This requirement will be applied retrospectively on adoption of IFRS 9.

The new standard will also expand the Group's disclosure requirements on financial instruments, and in particular the impact of hedge accounting in its financial statements. Extended disclosures in the initial period of adoption will also be required.

IFRS 15 Revenue from Contracts with Customers

The adoption of IFRS 15 Revenue from Contracts with Customers, which the Group will adopt for the year commencing 1 January 2018, will impact the disclosures of revenue arrangements. Tullow has completed its detailed assessment of the implications of adopting the standard, and has concluded that it will not have a material quantitative impact on the financial results of the Group. As such, no material financial impact is expected on transition. However, Tullow will include increased qualitative disclosures regarding the terms of the Group's sales arrangements, including the basis for determining pricing, significant payment terms, and elements of variable consideration (if any).

IFRS 16 Leases

The adoption of IFRS 16 Leases, which the Group will adopt for the year commencing 1 January 2019, will impact both the measurement and disclosures of leases over a low value threshold and with terms longer than one year. The lease expense recognition pattern for lessees will generally be accelerated. Additional lease liabilities and right of use assets are expected to be recorded. Where leases are contracted by Tullow as operator of a Joint Venture these lease liabilities are expected to be recorded on a gross basis, along with additional Joint Venture receivables to represent Joint Venture partner contributions expected to meet the lease obligations. The cash flow statement will be affected as payments for the principal portion of the lease liability will be presented within financing activities. Tullow is in the process of identifying all lease agreements that exist across the Group. Tullow has yet to complete its full assessment of the expected financial impact of transition to IFRS 16.

(c) Changes in accounting policy

The Group's accounting policies are consistent with the prior year.



FINANCIAL STATEMENTS

ACCOUNTING POLICIES CONTINUED

YEAR ENDED 31 DECEMBER 2017

(d) Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value and assets classified as held for sale which are carried at fair value less cost to sell. The Financial Statements are presented in US dollars and all values are rounded to the nearest \$0.1 million, except where otherwise stated. The Financial Statements have been prepared on a going concern basis.

The principal accounting policies adopted by the Group are set out below.

(e) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over an investee entity, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The Group does not have any material non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control, and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where Tullow acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

(f) Assets classified held for sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition, management views this trigger as signature of a Sales and Purchase Agreement or Board approval. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale and the corresponding liabilities are classified with current assets and liabilities on a separate line in the balance sheet.

(g) Revenue

Sales revenue represents the sales value, net of VAT, of the Group's share of liftings in the year together with the gain/loss on realisation of cash flow hedges and tariff income. Revenue is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(h) Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

In respect of redeterminations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

(i) Inventory

Inventories, other than oil products, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, costs of production and transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

(j) Foreign currencies

The US dollar is the presentation currency of the Group. For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's non-US dollar-denominated functional entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non-US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are recognised in the statement of comprehensive income and expense and transferred to the foreign currency translation reserve. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into functional currency at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

(k) Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

(l) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

(m) Depletion and amortisation

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post-tax Weighted Average Cost of Capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within a peer group's WACC and subsequently applies additional country risk premium for CGUs in Gabon and Congo, an element of which is determined by whether the assets are onshore or offshore.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES CONTINUED

YEAR ENDED 31 DECEMBER 2017

(n) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value at a risk-free discount rate, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(o) Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less the estimated residual value of each asset on a straight line basis over its expected useful economic life of between three and five years.

(p) Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

(q) Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

(r) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

Petroleum Revenue Tax (PRT) is treated as an income tax and deferred PRT is accounted for under the temporary difference method. Current UK PRT is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax.

(s) Pensions

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

(t) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement.

A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

(fu) Convertible bonds

Where bonds issued with certain conversion rights are identified as compound instruments, the liability and equity components are separately recognised.

The fair value of the liability component on initial recognition is calculated by discounting the contractual stream of future cash flows using the prevailing market interest rate for similar non-convertible debt.

The difference between the fair value of the liability component and the fair value of the whole instrument is recorded as equity.

Transaction costs are apportioned between the liability and the equity components of the instrument based on the amounts initially recognised.

The liability component is subsequently measured at amortised cost using the effective interest rate method, in line with our other financial liabilities.

The equity component is not remeasured.

On conversion of the instrument, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

(v) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. A finance lease is recognised when the Group enters the uncancellable lease period and obtains the right to use the asset as intended. All other leases are classified as operating leases and are charged to the income statement on a straight line basis over the term of the lease.

From the commencement of the lease assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(w) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group has share-based awards that are equity settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model is supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected

dividends; risk-free rate of interest; and patterns of exercise of the plan participants.

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

(x) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(z) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(aa) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

(ab) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.



FINANCIAL STATEMENTS

ACCOUNTING POLICIES CONTINUED

YEAR ENDED 31 DECEMBER 2017

(fac) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(fad) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(fae) Insurance proceeds

Insurance proceeds related to lost production under the Business Interruption insurance policy are recorded as other operating income in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies are recorded within the operating costs line of cost of sales. Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy where no asset is disposed are recorded within additions to property, plant and equipment.

(faf) Critical accounting judgements

The Group assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations which are dealt with in policy (fag), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

- Recognition of finance lease liabilities (note 21):

The Group has a contract with a supplier for the lease of the TEN field (Ghana) FPSO. Management was required to exercise judgement to determine when the FPSO should be recognised as a finance lease in accordance with IAS 17, what discount rate to apply to future minimum lease payments and the expected length of the contract. The finance lease was recognised as of 1 August 2017 on the issue of the Certificate of Offshore Completion for the FPSO. Management were not able to identify a rate implicit in the lease contract as such has used its incremental cost of borrowing to discount future minimum lease payments. Finally given the number of potential options for the length of the contract management has selected the most economically efficient outcome.

- Recognition of assets held for sale (note 17):

The Group signed a sales and purchase agreement for farm-down of a portion of its interest in Uganda on 9 January 2017. Management has exercised judgement in determining the present value of the consideration expected from the sale, and that this disposal met the requirements of IFRS 5 and that the associated assets and liabilities should be retained as held for sale. The critical judgement in determining that the assets were held for sale was the probability of completion within twelve months. Management continue to conclude that the sale is highly probable within twelve months.

- Carrying value of intangible exploration and evaluation assets (note 10):

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management has applied judgement and estimation are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale, and the success of a well result or geological or geophysical survey.

(fag) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Carrying value of property, plant and equipment (note 11):

Management performs impairment reviews on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators of impairments or impairment reversals are present and an impairment or impairment reversal test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward curves for two years, mid-term price assumptions for three years after this and the long-term inflated corporate economic assumption thereafter, pre-tax discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

Commercial reserves estimates used in the calculation of DD&A and impairment of property, plant and equipment (note 11):

Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least twice annually by management and is regularly reviewed by independent consultants.



(ag) Key sources of estimation uncertainty continued

Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms of the Production Sharing Contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern:

Refer to page 34.

- Decommissioning costs (note 22):

There is uncertainty around the cost of decommissioning as cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by an internal expert and the results of this review are then assessed alongside estimates from Operators. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

- Provisions for onerous service contracts (note 22):

Due to the historical reduction in original planned future work programmes the Group identified a number of onerous service contracts in prior years. Management has estimated the value of any future economic outflows associated with these contracts.



FINANCIAL STATEMENTS

NOTES TO GROUP FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

Note 1. Segmental reporting

The information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on three Business Delivery Teams, West Africa including non-operated producing European assets, East Africa and New Ventures. Therefore the Group's reportable segments under IFRS 8 are West Africa; East Africa; and New Ventures. The following tables present revenue, loss and certain asset and liability information regarding the Group's reportable business segments for the years ended 31 December 2017 and 31 December 2016.

	Notes	West Africa \$m	East Africa \$m	New Ventures \$m	Unallocated \$m	Total \$m
2017						
Sales revenue by origin		1,722.5	-	-	-	1,722.5
Other operating income – lost production insurance proceeds		-	-	-	162.1	162.1
Segment result		86.9	(2.2)	(133.9)	183.0	133.8
Loss on disposal						(1.6)
Unallocated corporate expenses						(109.8)
Operating profit						22.4
Loss on hedging instruments						(11.8)
Finance revenue						42.0
Finance costs						(351.7)
Loss before tax						(299.1)
Income tax credit						110.6
Loss after tax						(188.5)
Total assets		7,857.2	2,585.2	306.0	280.1	11,028.5
Total liabilities		(4,295.6)	(169.2)	(97.1)	(3,750.2)	(8,312.1)
Other segment information						
Capital expenditure:						
Property, plant and equipment	11	43.1	1.1	0.3	5.6	50.1
Intangible exploration and evaluation assets	10	5.5	257.5	56.0	-	319.0
Depreciation, depletion and amortisation	11	(577.1)	(0.5)	-	(14.6)	(592.2)
Impairment of property, plant and equipment	11	(539.1)	-	-	-	(539.1)
Exploration costs written off	10	(6.9)	(2.3)	(134.2)	-	(143.4)

Capital expenditure on property, plant, and equipment excludes the addition of the TEN FPSO right of use asset of \$837.6 million.

All sales are to external customers. Included in revenue arising from West Africa are revenues of approximately \$357.9 million, \$316.3 million and \$287.7 million relating to the Group's customers who each contribute more than 10% of total sales revenue (2016: \$213.0 million and \$92.7 million relating to the Group's largest customers). As the sales of oil and gas are made on global markets and are highly liquid, the Group does not place reliance on the largest customers mentioned above.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a reportable segment. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprises the acquisition of non-attributable corporate assets.



Note 1. Segmental reporting continued

	Notes	West Africa \$m	East Africa \$m	New Ventures \$m	Unallocated \$m	Total \$m
2016						
Sales revenue by origin		1,269.9	–	–	–	1,269.9
Other operating income – lost production insurance proceeds		–	–	–	90.1	90.1
Segment result		269.9	(341.0)	(512.3)	(39.2)	(622.6)
Loss on disposal						(3.4)
Unallocated corporate expenses						(128.7)
Operating loss						(754.7)
Gain on hedging instruments						18.2
Finance revenue						26.4
Finance costs						(198.2)
Loss before tax						(908.3)
Income tax credit						311.0
Loss after tax						(597.3)
Total assets		7,701.7	2,383.5	467.2	249.3	10,801.7
Total liabilities		(3,200.9)	(157.6)	(142.0)	(5,058.7)	(8,559.2)
Other segment information						
Capital expenditure:						
Property, plant and equipment	11	817.0	0.3	0.4	0.8	818.5
Intangible exploration and evaluation assets	10	9.9	137.4	144.1	–	291.4
Depreciation, depletion and amortisation	11	(450.4)	(0.9)	(1.0)	(14.6)	(466.9)
Impairment of property, plant and equipment	11	(167.2)	–	(0.4)	–	(167.6)
Exploration costs written off	10	(7.7)	(341.0)	(374.3)	–	(723.0)
Goodwill impairment		–	–	(164.0)	–	(164.0)

	Sales revenue 2017 \$m	Sales revenue 2016 \$m	Non-current assets 2017 \$m	Non-current assets 2016 \$m
Sales revenue and non-current assets by origin				
Congo	8.8	22.8	–	–
Côte d'Ivoire	42.3	61.3	74.5	108.6
Equatorial Guinea	92.2	141.4	134.7	166.1
Gabon	251.8	241.2	161.9	206.0
Ghana	1,196.1	666.6	5,675.1	5,188.8
Mauritania	13.8	23.9	–	–
Netherlands	29.4	31.5	–	113.0
UK	88.1	81.2	–	0.4
Other	–	–	–	–
Total West Africa	1,722.5	1,269.9	6,046.2	5,782.9
Kenya	–	–	1,064.8	936.9
Uganda	–	–	574.4	489.1
Total East Africa	–	–	1,639.2	1,426.0
Norway	–	–	13.5	12.1
Other	–	–	194.6	264.1
Total New Ventures	–	–	208.1	276.2
Unallocated	–	–	85.4	80.3
Total revenue / non-current assets	1,722.5	1,269.9	7,978.9	7,565.4

Non-current assets excludes derivative financial instruments and deferred tax assets.



FINANCIAL STATEMENTS

NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 2. Total revenue

	Notes	2017 \$m	2016 \$m
Sales revenue (excluding tariff income)			
Oil and gas revenue from the sale of goods		1,592.6	886.2
Gain on realisation of cash flow hedges	20	110.0	363.0
		1,702.6	1,249.2
Tariff income		19.9	20.7
Total sales revenue		1,722.5	1,269.9
Other operating income – lost production insurance proceeds	6	162.1	90.1
Total revenue		1,884.6	1,360.0

Finance revenue has been presented as part of net financing costs (refer to note 5).

Note 3. Staff costs

The average monthly number of employees and contractors (including Executive Directors) employed by the Group worldwide was:

	2017 Number	2016 Number
Administration	563	628
Technical	609	710
Total	1,172	1,338

Staff costs in respect of those employees were as follows:

	2017 \$m	2016 \$m
Salaries	183.5	203.3
Social security costs	6.9	7.5
Pension costs	14.8	16.6
	205.2	227.4

The decrease in staff costs is due to decreased employee numbers as a result of continued cost reduction initiatives. A proportion of the Group's staff costs shown above is recharged to the Group's Joint Venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets with the remainder classified as an administrative overhead cost in the income statement. The net staff cost recognised in the income statement was \$48.0 million (2016: \$59.8 million).

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited, which forms part of these Financial Statements.



Note 4. Other costs

	Notes	2017 \$m	2016 \$m
Operating loss is stated after charging/(deducting):			
Operating costs		386.2	377.2
Operating lease payments		62.5	21.0
Depletion and amortisation of oil and gas assets	11	574.3	448.5
Underlift, overlift and oil stock movements		(2.3)	(76.5)
Share-based payment charge included in cost of sales	26	1.1	2.7
Other cost of sales		47.5	40.2
Total cost of sales		1,069.3	813.1
Share-based payment charge included in administrative expenses	26	32.8	41.2
Depreciation of other fixed assets	11	17.9	18.4
Relocation costs associated with restructuring		1.6	(0.5)
Cash administrative costs		43.0	57.3
Total administrative expenses		95.3	116.4
Total restructuring costs		14.5	12.3
Fees payable to the Company's auditor for:			
The audit of the Company's annual accounts		0.3	0.3
The audit of the Company's subsidiaries pursuant to legislation		1.6	1.8
Total audit services		1.9	2.1
Non-audit services:			
Audit-related assurance services – half-year review		0.3	0.4
Corporate finance services		1.1	–
Other services		0.1	0.2
Total non-audit services		1.5	0.6
Total		3.4	2.7

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Corporate finance services included services in relation to the Rights Issue. Other services include ad-hoc assurance services in relation to the Group's JV agreements. The ratio of audit services to non-audit services is 1.3:1.

Details of the Company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee Report on pages 67 to 72. No services were provided pursuant to contingent fee arrangements.

Note 5. Net financing costs

	Notes	2017 \$m	2016 \$m
Interest on bank overdrafts and borrowings		290.7	304.7
Interest on obligations under finance leases		46.1	1.8
Total borrowing costs		336.8	306.5
Less amounts included in the cost of qualifying assets	10,11	(66.5)	(138.8)
		270.3	167.7
Finance and arrangement fees		2.8	5.4
Other interest expense		1.8	–
Foreign exchange losses		57.1	–
Unwinding of discount on decommissioning provisions	22	19.7	25.1
Total finance costs		351.7	198.2
Interest income on amounts due from joint venture partners for finance leases		(21.0)	–
Other finance revenue		(21.0)	(26.4)
Total finance revenue		(42.0)	(26.4)
Net financing costs		309.7	171.8

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.5% (2016: 6.5%) to cumulative expenditure on such assets.



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NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 6. Insurance proceeds

During 2017 the Group continued to issue insurance claims in respect of the Jubilee Turret Remediation Project. Insurance proceeds of \$220.9 million were recorded in the year ended 31 December 2017 (2016: \$145.0 million). Proceeds related to lost production under the Business Interruption insurance policy of \$162.1 million (2016 \$90.1 million) were recorded as other operating income – lost production insurance proceeds in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies of \$50.9 million (2016: \$31.8 million) were recorded within the operating costs line of cost of sales (see note 4). Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of \$7.9 million (2016: \$23.1 million) were recorded within additions to property, plant and equipment (see note 11).

Note 7. Taxation on loss on ordinary activities

Analysis of credit for the year

	Notes	2017 \$m	2016 \$m
Current tax			
UK corporation tax		30.1	67.3
Foreign tax		6.2	(18.5)
Total corporate tax		36.3	48.8
UK petroleum revenue tax		(2.1)	(1.1)
Total current tax		34.2	47.7
Deferred tax			
UK corporation tax		(8.7)	9.4
Foreign tax		(114.6)	(369.8)
Total deferred corporate tax		(123.3)	(360.4)
Deferred UK petroleum revenue tax		(21.5)	1.7
Total deferred tax	23	(144.8)	(358.7)
Total tax credit		(110.6)	(311.0)



Note 7. Taxation on loss on ordinary activities continued

Factors affecting tax credit for the period

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits. The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 19% (2016: 20%) to the loss before tax is as follows:

	2017 \$m	2016 \$m
Group loss on ordinary activities before tax	(299.1)	(908.3)
Tax on Group loss on ordinary activities at the standard UK corporation tax rate of 19% (2016: 20%)	(56.8)	(181.7)
Effects of:		
Non-deductible exploration expenditure	21.6	25.8
Other non-deductible expenses	12.6	22.7
Derecognition of deferred tax previously recognised	–	30.2
Recognition of deferred tax previously unrecognised	(21.5)	–
Impairment of goodwill	–	127.9
Utilisation of tax losses not previously recognised	(0.3)	(9.5)
Net losses not recognised	18.4	61.7
Petroleum revenue tax (PRT)	–	(6.7)
Adjustment relating to prior years	1.9	(2.1)
Adjustments to deferred tax relating to change in tax rates	12.6	(0.8)
Higher rate of taxation on Norway losses	13.1	(286.4)
Other tax rates applicable outside the UK and Norway	(88.0)	(86.8)
PSC income not subject to corporation tax	(15.4)	(1.6)
Tax incentives for investment	(2.8)	(3.7)
Other income not subject to corporation tax	(6.0)	–
Group total tax credit for the year	(110.6)	(311.0)

The Finance Act 2016 further reduced the main rate of UK corporation tax applicable to all companies subject to corporation tax, except for those within the oil and gas ring fence, to 19% from 1 April 2017 and 17% from 1 April 2020. These changes were substantively enacted on 6 September 2016 and hence the effect of the change on the deferred tax balances has been included, depending upon when deferred tax is expected to reverse.

The Group's profit before taxation will continue to arise in jurisdictions where the effective rate of taxation differs from that in the UK, such as Ghana (35%), Gabon (55%), and Equatorial Guinea (35%). Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of \$3,642.0 million (2016: \$2,844.0 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group due to uncertainty of recovery.

The Group has recognised deferred tax assets of \$530.0 million (2016: \$535.3 million) in relation to tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions.

No deferred tax liability is recognised on temporary differences of \$7.9 million (2016: \$8.2 million) relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relating to components of other comprehensive income

During 2017 \$24.3 million (2016: \$108.8 million) of tax has been recognised through other comprehensive income of which \$24.9 million (2016: \$107.8 million) is current and \$0.6 million (2016: \$1.0 million) is deferred tax relating to all debit (2016: credits) on cash flow hedges arising in the year.

Current tax assets

As at 31 December 2017, current tax assets were \$57.7 million (2016: \$138.3 million) of which \$44.6m relates to the UK (2016: \$29.0 million) and \$3.1 million relates to Norway (2016: \$90.0 million), where 78% of exploration expenditure is refunded as a tax refund in the year following the incurrence of such expenditure.



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NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 8. Loss per ordinary share

Basic loss per ordinary share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per ordinary share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if employee and other share options or the convertible bonds were converted into ordinary shares. Due to losses incurred in 2017 and 2016 all potential ordinary shares are antidilutive.

Comparative basic and diluted earnings per share and weighted average number of shares have been re-presented as a result of the Rights Issue. The shares in issue have been amended by an adjustment factor to reflect the bonus element inherent in a discounted Rights Issue, and to allow meaningful comparison between periods.

	2017 \$m	2016 \$m
Loss		
Net loss attributable to equity shareholders	(189.5)	(599.9)
Effect of dilutive potential ordinary shares	–	–
Diluted net loss attributable to equity shareholders	(189.5)	(599.9)

	2017 Number	2016 Number
Number of shares		
Basic weighted average number of shares	1,286,235,130	1,069,701,289
Dilutive potential ordinary shares	44,294,728	121,082,933
Diluted weighted average number of shares	1,330,529,858	1,190,784,222

Note 9. Disposals

The divestment of the Norway business completed during 2017. During 2016, four licences, including the Wisting oil discovery, were sold to Statoil, eight licences, including the Oda asset, were sold to Aker BP ASA and two further licences were sold to ConocoPhillips. A further two sales were executed in December 2016 and completed during 2017 with two separate parties. These sales, covering a further 13 licences include the 2016 Cara oil and gas discovery. The Group no longer holds any licences on the Norwegian Continental Shelf.

On 10 November 2017 Tullow completed the sale of its remaining Dutch assets to Hague and London Oil plc (HALO). This resulted in a loss on disposal of \$1.6m.



Note 10. Intangible exploration and evaluation assets

	Notes	2017 \$m	2016 \$m
At 1 January		2,025.8	3,400.0
Additions	1	319.0	291.4
Disposals	9	(40.0)	–
Amounts written-off		(143.4)	(723.0)
Write-off associated with Norway-contingent consideration provision		–	(36.5)
Transfer to property, plant, and equipment	11	(188.7)	–
Net transfer to assets held for sale	17	(43.4)	(912.3)
Currency translation adjustments		4.1	6.2
At 31 December		1,933.4	2,025.8

Included within 2017 additions is \$66.5 million (note 5) of capitalised interest (2016: \$50.2 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is ongoing.

Transfers to property, plant, and equipment related to the Greater Jubilee Full Field Development Plan approval and the cost associated with the Mahogany and Teak discovery.

The below table provides a summary of the exploration costs written off on a pre and post-tax basis by country.

Country	CGU	Rationale for 2017 write-off	2017 Pre-tax write- off/(reversal) \$m	2017 Post-tax write- off/(reversal) \$m	2017 Remaining recoverable amount \$m
Kenya	Country	a	2.3	2.3	1,058.2
Madagascar	Various	d	(4.0)	(4.0)	–
Mauritania	Blocks C6, C10 & C18	b,c	71.1	71.1	22.4
Netherlands	Licence E18 & F16	e	6.2	3.2	–
Pakistan	Various	e	36.1	36.1	5.5
Suriname	Block 31 & Coronie	a	10.3	10.3	30.7
Other	Various	b	4.3	2.8	–
New Ventures	Various	f	17.1	17.1	–
Total write-off			143.4	138.9	

a. Current year unsuccessful drilling results.

b. Current year expenditure and actualisation of accruals associated with CGUs previously written off.

c. Licence relinquishments.

d. Country exit.

e. Revision of value based on disposal/farm-down activities.

f. New Ventures expenditure is written off as incurred.



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YEAR ENDED 31 DECEMBER 2017

Note 11. Property, plant, and equipment

	Notes	2017 Oil and gas assets \$m	2017 Other fixed assets \$m	2017 Total \$m	2016 Oil and gas assets \$m	2016 Other fixed assets \$m	2016 Total \$m
Cost							
At 1 January		10,772.5	251.9	11,024.4	10,439.9	289.5	10,729.4
Additions	1,6	880.7	7.0	887.7	816.9	1.6	818.5
Disposals		(362.6)	(1.6)	(364.2)	(276.1)	(2.7)	(278.8)
Transfer from intangible assets	10	188.7	–	188.7	–	–	–
Currency translation adjustments		113.3	22.4	135.7	(208.2)	(36.5)	(244.7)
At 31 December		11,592.6	279.7	11,872.3	10,772.5	251.9	11,024.4
Depreciation, depletion, and amortisation							
At 1 January		(5,500.8)	(160.7)	(5,661.5)	(5,360.0)	(165.0)	(5,525.0)
Charge for the year	4	(574.3)	(17.9)	(592.2)	(448.5)	(18.4)	(466.9)
Impairment loss		(584.5)	–	(584.5)	(184.3)	(0.4)	(184.7)
Reversal of impairment loss		43.4	–	43.4	10.9	–	10.9
Disposal		300.0	1.7	301.7	276.1	2.6	278.7
Currency translation adjustments		(109.1)	(15.4)	(124.5)	205.0	20.5	225.5
At 31 December		(6,425.3)	(192.3)	(6,617.6)	(5,500.8)	(160.7)	(5,661.5)
Net book value at 31 December		5,167.3	87.4	5,254.7	5,271.7	91.2	5,362.9

The 2017 additions include capitalised interest of \$nil (note 5) in respect of the TEN Development Project (2016: \$88.6 million). The carrying amount of the Group's oil and gas assets includes an amount of \$816.7 million (2016: \$17.8 million) in respect of assets held under finance leases. The currency translation adjustments arose due to the movement against the Group's presentation currency, USD, of the Group's UK and Dutch assets which have functional currencies of GBP and EUR respectively. The 2017 income statement impairment charge is net of \$2.0 million of insurance proceeds (2016: \$6.2 million).

	Trigger for 2017 impairment/(reversal)	2017 Impairment/(reversal) \$m	Pre-tax discount rate assumption
Limande and Turnix CGU (Gabon)	a	23.5	13%
Echira, Niungo, and Igongo CGU (Gabon)	b	(12.8)	15%
M'boundi (Congo)	c	(16.1)	n/a
Espoir (Côte d'Ivoire)	a	18.3	10%
Ceiba and Okume (Equatorial Guinea)	b	(7.1)	10%
TEN (Ghana)	a,c	535.5	10%
Jubilee (Ghana)	d	(2.0)	n/a
Netherlands CGU	e	7.2	n/a
UK "CGU" ^f	b	(7.4)	n/a
Impairment		539.1	

a. Decrease to long-term price assumptions (refer to accounting policy on significant estimates).

b. Increase to short-term price assumptions (Dated Brent forward curve)

c. Change to decommissioning estimate.

d. Impairment of a component of the asset covered by insurance proceeds. This cash item does not impact the carrying value of property, plant, and equipment.

e. Revision of value based on disposal/farm-down activities.

f. The fields in the UK are grouped into one CGU as all fields within those countries share critical gas infrastructure.



Note 11. Property, plant, and equipment continued

During 2017 and 2016 the Group applied the following nominal oil price assumptions for impairment assessments:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 onwards
2017	Forward curve	Forward curve	\$59/bbl	\$66/bbl	\$68/bbl	\$75/bbl inflated at
2016	Forward curve	Forward curve	\$70/bbl	\$70/bbl	\$90/bbl	\$90/bbl

The prices assumed in 2017 decreased due to downward revisions by expert forecasters. Oil prices stated above are benchmark prices to which an individual field price differential is applied. All impairment assessments are prepared on a value-in-use basis using discounted future cash flows based on 2P reserves profiles. A reduction or increase in the two year forward curve of \$20/bbl, based on the approximate volatility of the oil price over the previous two years, and a reduction or increase in the medium and long term price assumptions of \$15/bbl, based on the range seen in external oil price market forecasts, are considered to be reasonably possible changes for the purposes of sensitivity analysis. Decreases to oil prices specified above would increase the impairment charge by \$1,189.7 million, whilst increases to oil prices specified above would result in a credit to the impairment charge of \$1,024.1 million. A 1% increase in the pre-tax discount rate would increase the impairment by \$152.5 million. A 1% decrease in the pre-tax discount rate would decrease the impairment by \$139.7 million. The Group believes a 1% change in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' impairment discount rates.

Note 12. Investments

	2017 \$m	2016 \$m
Unlisted investments	1.0	1.0

The fair value of these investments is not materially different from their carrying value.

Note 13. Other assets

	2017 \$m	2016 \$m
Non-current		
Amounts due from joint venture partners	731.7	127.3
Uganda VAT recoverable	34.9	35.9
Other non-current assets	23.2	12.5
	789.8	175.7
Current		
Amounts due from joint venture partners	567.8	560.4
Underlifts	37.1	34.9
Prepayments	38.2	26.3
VAT and WHT recoverable	5.4	5.7
Other current assets	119.8	211.6
	768.3	838.9

The increase in amounts due from joint venture partners relates to the recognition of the TEN FPSO finance lease (refer to note 21 for details). Other current assets have decreased due to the increased timeliness of the receipt of funds from insurers.

Note 14. Inventories

	2017 \$m	2016 \$m
Warehouse stocks and materials	46.5	57.6
Oil stocks	121.5	97.7
	168.0	155.3

Inventories include a provision of \$20.7 million (2016: \$31.4 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost. The decrease in the provision during 2017 is associated with disposal of inventory provided for in previous periods, resulting in an income statement charge of \$nil (2016: \$nil).

Note 15. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No current receivables are overdue, therefore none have been impaired and no allowance for doubtful debt has been recognised (2016: \$nil).



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YEAR ENDED 31 DECEMBER 2017

Note 16. Cash and cash equivalents

	Notes	2017 \$m	2016 \$m
Cash at bank	20	284.0	281.9

Cash and cash equivalents includes an amount of \$146.0 million (2016: \$140.9 million) which the Group holds as operator in joint venture bank accounts. In addition to the cash held in joint venture bank accounts the Group had \$16.1 million (2016: \$20.3 million) held in restricted bank accounts.

Note 17. Assets classified as held for sale

In 2017, Tullow announced that it had agreed a substantial farm-down of its assets in Uganda. Under the Sale and Purchase Agreement, Tullow has agreed to transfer 21.57% of its 33.33% Uganda interests for a total consideration of \$900 million. Upon completion, the farm-down will leave Tullow with an 11.76% interest in the upstream and pipeline projects. This is expected to reduce to a 10% interest in the upstream project when the Government of Uganda formally exercises its back-in right. Although it has not yet been determined what interests the Governments of Uganda and Tanzania will take in the pipeline project, Tullow expects its interests in the upstream and pipeline projects to be aligned.

The consideration is split into \$200 million in cash, consisting of \$100 million payable on completion of the transaction, \$50 million payable at FID and \$50 million payable at First Oil. The remaining \$700 million is in deferred consideration and represents reimbursement in cash of a proportion of Tullow's past exploration and development costs. The deferred consideration is payable to Tullow as the upstream and pipeline projects progress and these payments will be used by Tullow to fund its share of the development costs. Tullow expects the deferred consideration to cover its share of upstream and pipeline development capex to First Oil and beyond. Completion of the transaction is subject to certain conditions, including the approval of the Government of Uganda, after which Tullow will cease to be an operator in Uganda. The disposal is expected to complete in mid-2018.

The estimated fair value of the consideration was \$829.7 million on recognition which, when compared to the carrying value of the Group's interest in Uganda, resulted in an exploration write-off of \$330.4 million in 2016. The fair value of the deferred consideration was calculated using expected timing of receipts based on management's best estimate of the expected capital profile of the project discounted at the relevant counterparty's cost of borrowing. Additions to this value have been recognised in relation to capitalised interest. The present value of the consideration will be determined on completion and assessed against the carrying value of the net assets of the disposal group. This represents a level 3 financial asset.

The divestment of the Norway business was completed during 2017 with \$7.4 million of assets held for sale at 31 December 2016 being disposed in full during 2017. Consequently, there were no Norwegian assets held for sale at 31 December 2017.

The divestment of the Netherlands business was completed during 2017 with \$113.1 million of assets held for sale at 30 June 2017 being disposed in full. Consequently, there were no Netherlands assets held for sale at 31 December 2017.

The major classes of assets and liabilities comprising the assets classified as held for sale as at 31 December 2017 were as follows:

	Uganda 2017 \$m	Total 2017 \$m	Uganda 2016 \$m	Norway 2016 \$m	Total 2016 \$m
Intangible exploration and evaluation assets	873.1	873.1	829.7	7.4	837.1
Total assets classified as held for sale	873.1	873.1	829.7	7.4	837.1
Net assets of disposal groups	873.1	873.1	829.7	7.4	837.1

Note 18. Trade and other payables

Current liabilities

	Notes	2017 \$m	2016 \$m
Trade payables		83.3	46.9
Other payables		114.5	124.6
Overlifts		30.4	6.9
Accruals		552.0	721.2
VAT and other similar taxes		17.3	14.6
Current portion of finance lease	21	228.1	1.9
		1,025.6	916.1

Payables related to operated joint ventures (primarily related to Ghana and Kenya) are recorded gross with the debit representing the partners' share recognised in amounts due from joint venture partners (note 13). The change in trade payables and in other payables predominantly represents timing differences and levels of work activity.



Note 18. Trade and other payables continued

Non-current liabilities

	Notes	2017 \$m	2016 \$m
Other non-current liabilities		105.1	87.7
Non-current portion of finance lease	21	1,317.5	24.6
		1,422.6	112.3

Trade and other payables are non-interest bearing except for finance leases (note 21).

Note 19. Borrowings

	2017 \$m	2016 \$m
Current		
Bank borrowings – Revolving Norwegian exploration finance facility	–	83.4
Bank borrowings – Reserves Based Lending credit facility	–	508.1
	–	591.5
Non-current		
Bank borrowings – after one year but within two years		
Reserves Based lending credit facility	–	906.2
Revolving credit facility	–	364.6
Bank borrowings – after two years but within five years		
Reserves Based lending credit facility	811.0	1,561.7
6.0% Senior Notes due 2020	642.5	647.6
6.25% Senior Notes due 2022	643.5	651.0
6.625% Convertible bonds due 2021	256.9	257.3
Bank borrowings – more than five years		
Reserve-Based lending credit facility	1,252.5	–
	3,606.4	4,388.4
Carrying value of total borrowings	3,606.4	4,979.9

The Group has provided security in respect of certain of these borrowings in the form of share pledges, as well as fixed and floating charges over certain assets of the Group.

In February 2017, the Company agreed a 12 month extension to the maturity of the Revolving credit facility (RCF) to April 2019. The commitments were reduced from \$1,000 million to \$600 million in the year. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

In November 2017, the Company completed the refinancing of the Reserves Based lending credit facility (RBL). Commitments were reduced from \$3,255 million from the beginning of the year to \$2,500 million. The \$2,500 million of credit facilities are split between a commercial bank facility of \$2,400 million and an International Finance Corporation facility of \$100 million. The refinancing was concluded to not result in a substantial modification to the previous facility. Consequently, previously deferred costs are to be amortised over the life of the refinanced facility.

The RBL facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 21 November 2024, with an initial three-year grace period, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

In November 2017, the Revolving Norwegian exploration finance facility (EFF) of NOK 1,000 million was repaid in full and cancelled. The facility was used to finance certain exploration activities on the Norwegian Continental Shelf which were eligible for a tax refund.

At 31 December 2017, available headroom under the RBL and RCF facilities amounted to \$945 million; \$345 million under the RBL and \$600 million under the RCF. At 31 December 2016, the available headroom under the facilities amounted to \$875 million; \$255 million under the RBL, \$620 million under the RCF and \$nil under the EFF.

Capital management

The Group defines capital as the total equity and net debt of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate. No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2017. The Group monitors capital on the basis of the gearing, being net debt divided by adjusted EBITDAX and maintains a policy target of below 2.5x. A summary of the gearing calculation and a reconciliation of the metric to IFRS measures can be found in the finance review on page 35.



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Note 20. Financial instruments

Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering its underlying oil and gas businesses. The Group holds a mix of fixed and floating rate debt as well as a portfolio of interest rate derivatives. The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits are monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Fair values of financial assets and liabilities

With the exception of the Senior Notes and the convertible bonds, the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the Senior Notes, as determined using market values at 31 December 2017, was \$1,310.7 million (2016: \$1,223.1 million) compared to carrying values of \$1,286.0 million (2016: \$1,298.7 million).

The fair value of the convertible bonds, as determined using market values, as at 31 December 2017, was \$374.0 million (2016: \$395.5 million) compared to the carrying value of \$256.9 million (2016: \$257.3 million).

The Group has no material financial assets that are past due. No material financial assets are impaired at the balance sheet date. All financial assets and liabilities with the exception of derivatives are measured at amortised cost.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Group's derivative carrying and fair values were as follows:

Assets/liabilities	2017 Less than 1 year \$m	2017 1-3 years \$m	2017 Total \$m	2016 Less than 1 year \$m	2016 1-3 years \$m	2016 Total \$m
Cash flow hedges						
Oil derivatives	(3.7)	4.4	0.7	139.7	40.2	179.9
Gas derivatives	-	-	-	(1.4)	-	(1.4)
Interest rate derivatives	0.8	-	0.8	(1.0)	0.6	(0.4)
	(2.9)	4.4	1.5	137.3	40.8	178.1
Deferred premium						
Oil derivatives	(49.4)	(28.4)	(77.8)	(51.5)	(35.9)	(87.4)
	(49.4)	(28.4)	(77.8)	(51.5)	(35.9)	(87.4)
Total assets	1.8	0.8	2.6	91.7	15.8	107.5
Total liabilities	(53.1)	(25.8)	(78.9)	(5.9)	(10.9)	(16.8)

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2016: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.



Note 20. Financial instruments continued

Offset of financial assets and financial liabilities

Deferred premiums on derivatives are settled at the same time as the maturity of the derivative contracts, with the cash flows settled on a net basis. Netting agreements are also in place to enable the Group and its counterparties to set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations. The following table provides the offsetting relationship within assets and liabilities in the balance sheet.

	Gross amounts recognised	Gross amounts offset in Group balance sheet	Net amounts presented in Group balance sheet
	\$m	\$m	\$m
31 December 2017			
Derivative assets	5.6	(3.0)	2.6
Derivative liabilities	(4.1)	(74.8)	(78.9)
Deferred premiums	(77.8)	77.8	-

	Gross amounts recognised	Gross amounts offset in Group balance sheet	Net amounts presented in Group balance sheet
	\$m	\$m	\$m
31 December 2016			
Derivative assets	165.7	(58.2)	107.5
Derivative liabilities	12.4	(29.2)	(16.8)
Deferred premiums	(87.4)	87.4	-

Commodity price risk

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using benchmarks, such as Dated Brent, D-1 Heren and M-1 Heren, which correlate as far as possible to the underlying oil and gas revenues respectively. The Group hedges its estimated oil and gas revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests and its gas revenues from substantially all of its UK gas interests.

As at 31 December 2017 and 31 December 2016, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, daily field production performance.

The following table demonstrates the timing, volumes and the average floor price protected for the Group's commodity hedges:

Hedging position as at 31 December 2017	2018	2019	2020
Oil volume (bopd)	45,000	22,232	997
Average floor price protected (\$/bbl)	52.23	48.87	50.00
Gas volume (mmscfd)	-	-	-
Average floor price protected (p/therm)	-	-	-

Hedging position as at 31 December 2016	2017	2018	2019
Oil volume (bopd)	42,500	22,000	7,979
Average floor price protected (\$/bbl)	60.23	51.88	45.53
Gas volume (mmscfd)	3.67	-	-
Average floor price protected (p/therm)	40.47	-	-

The following table demonstrates the sensitivity of the Group's derivative financial instruments to reasonably possible movements in Dated Brent oil price and UK D-1 Heren and M-1 Heren natural gas prices:

	Market movement	Effect on equity 2017 \$m	2016 \$m
Brent oil price	25%	(139.0)	(145.0)
Brent oil price	(25%)	115.5	183.6
UK D-1 Heren and M-1 Heren natural gas price	25%	-	(2.3)
UK D-1 Heren and M-1 Heren natural gas price	(25%)	-	2.3



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NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 20. Financial instruments continued

Commodity price risk continued

The following assumptions have been used in calculating the sensitivity in movement of oil and gas prices: the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the price sensitivities assume there is no ineffectiveness related to the oil and gas hedges and the sensitivities have been run only on the intrinsic element of the hedge as management considers this to be the material component of oil and gas hedge valuations.

Fair value movements recognised in the income statement

Fair value movements relating to the non-intrinsic element of the commodity derivatives have been immediately recognised in the income statement during the year, and were as follows:

	2017 \$m	2016 \$m
(Loss)/profit on hedging instruments		
Cash flow hedges		
Oil derivatives		
Time value	(11.8)	18.2
	(11.8)	18.2
Total net (loss)/profit for the year in the income statement	(11.8)	18.2

Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

The following table summarises the hedge reserve by type of derivative, net of tax effects:

	2017 \$m	2016 \$m
Hedge reserve by derivative type		
Cash flow hedges		
Gas derivatives	–	(1.1)
Oil derivatives	(3.5)	129.7
Interest rate derivatives	0.9	(0.4)
	(2.6)	128.2

The deferred gains and losses in the hedge reserve are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. The tables below show the impact on the hedge reserve and on sales revenue during the year:

	2017 \$m	2016 \$m
Deferred amounts in the hedge reserve		
At 1 January	128.2	569.9
Reclassification adjustments for items included in the income statement on realisation:		
Gas derivatives – transferred to sales revenue	0.2	(0.9)
Oil derivatives – transferred to sales revenue	(161.1)	(416.7)
Interest rate derivatives – transferred to finance costs	(0.9)	2.4
Subtotal	(161.8)	(415.2)
Revaluation gains/(losses) arising in the year	6.7	(135.3)
Movement in current and deferred tax	24.3	108.8
	(130.8)	(441.7)
At 31 December	(2.6)	128.2

	2017 \$m	2016 \$m
Reconciliation to sales revenue		
Gas derivatives – transferred to sales revenue	0.2	(0.9)
Oil derivatives – transferred to sales revenue	(159.8)	(416.7)
Deferred premium paid	49.6	54.6
Net gains from commodity derivatives in sales revenue (note 2)	(110.0)	(363.0)



Note 20. Financial instruments continued

Cash flow and interest rate risk

Subject to parameters set by management the Group seeks to minimise interest costs by using a mixture of fixed and floating debt. Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR, Sterling LIBOR and Norwegian NIBOR. Fixed rate debt comprises Senior Notes, convertible bonds, bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging. The Group hedges its floating interest rate exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2017 is an asset of \$0.8 million (2016: \$0.4 million liability). Interest rate hedges are included in fixed rate debt in the table below.

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2017 and 2016 was as follows:

	2017 Cash at bank \$m	2017 Fixed rate debt \$m	2017 Floating rate debt \$m	2017 Total \$m	2016 Cash at bank \$m	2016 Fixed rate debt \$m	2016 Floating rate debt \$m	2016 Total \$m
US\$	219.4	(1,900.0)	(1,855.0)	(3,535.6)	200.8	(1,900.0)	(3,080.0)	(4,779.2)
Euro	3.1	-	-	3.1	8.6	-	-	8.6
Sterling	21.4	-	-	21.4	33.1	-	-	33.1
Other	40.1	-	-	40.1	39.4	-	(83.8)	(44.4)
	284.0	(1,900.0)	(1,855.0)	(3,471.0)	281.9	(1,900.0)	(3,163.8)	(4,781.9)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in interest rates:

	Market movement	Effect on finance costs		Effect on equity	
		2017 \$m	2016 \$m	2017 \$m	2016 \$m
Interest rate	100 basis points	(21.6)	(31.6)	(18.3)	(26.5)
Interest rate	(25) basis points	5.4	7.9	5.8	6.1

Credit risk

The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The primary credit exposures for the Group are its receivables generated by the marketing of crude oil and amounts due from JV partners (including in relation to their share of the TEN FPSO finance lease). These exposures are managed at the corporate level. The Group's crude sales are predominantly made to international oil market participants including the oil majors, trading houses and refineries. JV partners are predominantly international major oil and gas market participants. Counterparty evaluations are conducted utilising international credit rating agency and financial assessments. Where considered appropriate, security in the form of trade finance instruments from financial institutions with an appropriate credit ratings, such as letters of credit, guarantees and credit insurance, are obtained to mitigate the risks.

The Group generally enters into derivative agreements with banks who are lenders under the Reserve-Based lending credit facility. Security is provided under the facility agreement which mitigates non-performance risk. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, current tax assets and other current assets, as at 31 December 2017 was \$2,217.7 million (2016: \$1,661.7 million).

Foreign currency risk

The Group conducts and manages its business predominately in US dollars, the operating currency of the industry in which it operates. The Group also purchases the operating currencies of the countries in which it operates routinely on the spot market. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material foreign currency financial derivatives in place as at 31 December 2017 (2016: \$nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2017, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were \$45.1 million in non-US-dollar denominated cash and cash equivalents (2016: \$16.9 million).

The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in US dollar exchange rates:



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NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 20. Financial instruments continued

Foreign currency risk continued

	Market movement	Effect on profit before tax		Effect on equity	
		2017 \$m	2016 \$m	2017 \$m	2016 \$m
US\$/foreign currency exchange rates	20%	(7.5)	(2.7)	(7.5)	(2.7)
US\$/foreign currency exchange rates	(20%)	11.3	4.0	11.3	4.0

Liquidity risk

The Group manages its liquidity risk using both short and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short, medium and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. The Group had \$1.1 billion (2016: \$1.0 billion) of total facility headroom and free cash as at 31 December 2017.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 month \$m	1-3 months \$m	3 months to 1 year \$m	1-5 years \$m	5+ years \$m	Total \$m
31 December 2017							
Non-interest bearing	n/a	50.9	194.6	–	–	105.1	350.6
Finance lease liabilities	7.1%	18.3	39.3	172.1	866.1	930.2	2,026.0
Fixed interest rate instruments	7.5%						
Principal repayments		–	–	–	1,600.0	–	1,600.0
Interest charge		9.9	–	89.6	279.8	–	379.3
Variable interest rate instruments	7.2%						
Principal repayments		–	–	–	811.0	1,344.0	2,155.0
Interest charge		10.4	20.9	85.9	420.4	95.9	633.5
		89.5	245.8	347.6	3,977.3	2,475.2	7,144.4

	Weighted average effective interest rate	Less than 1 month \$m	1-3 months \$m	3 months to 1 year \$m	1-5 years \$m	5+ years \$m	Total \$m
31 December 2016							
Non-interest bearing	n/a	21.0	167.3	4.7	–	87.7	280.7
Finance lease liabilities	6.5%	0.3	0.8	2.4	14.5	17.6	35.6
Fixed interest rate instruments	7.5%						
Principal repayments		–	–	–	950.0	650.0	1,600.0
Interest charge		9.9	–	89.6	359.0	20.3	478.8
Variable interest rate instruments	5.9%						
Principal repayments		–	55.0	536.9	2,871.9	–	3,463.8
Interest charge		14.4	28.6	120.2	151.9	–	315.1
		45.6	251.7	753.8	4,347.3	775.6	6,174.0

The Group has interest rate swaps that fix \$300.0 million (2016: \$300.0 million) of variable interest rate risk. The impact of these derivatives on the classification of fixed and variable rate instruments has been excluded from the above tables.



Note 21. Obligations under finance leases

	Notes	2017 \$m	2016 \$m
Amounts payable under finance leases:			
– Within one year		229.6	3.5
– Within two to five years		866.1	14.5
– After five years		930.3	17.6
		2,026.0	35.6
Less future finance charges		(480.4)	(9.1)
Present value of lease obligations		1,545.6	26.5
Amount due for settlement within 12 months	18	228.1	1.9
Amount due for settlement after 12 months	18	1,317.5	24.6

The Group's finance leases are the TEN FPSO and the Espoir FPSO (2016: Espoir FPSO). The finance lease for the TEN FPSO met the criteria for recognition on 1 August 2017. A finance lease liability has been recorded at a gross value of \$1,521.0 million as Tullow entered the lease on behalf of the TEN Joint Venture. The present value of the lease liability unwinds over the expected life of the lease and is reported within finance costs as interest on obligations under finance leases. A receivable from Joint Venture Partners of \$719.0 million has been recognised in other assets to reflect the value of future payments that will be met by cash calls from partners. The present value of the receivable from Joint Venture Partners unwinds over the expected life of the lease and is reported within finance revenue. The net cash outflows of \$62.6 million related to the lease agreement since its recognition as a finance lease have been reported in the repayment of obligations under finance leases line in the cash flow statements. A right of use property, plant, and equipment asset of \$807.7 million was also recorded at 31 December 2017. Prior to recognition as a finance lease, it was accounted for as an operating lease, and included as operating lease payments within cost of sales (note 4).

The fair value of the Group's lease obligations approximates the carrying amount. The average expected remaining lease term as at 31 December 2017 was 7 years (2016: 10 years). For the year ended 31 December 2017, the effective borrowing rate was 7.1% (2016: 6.5%).

Note 22. Provisions

	Notes	Decommissioning 2017 \$m	Other provisions 2017 \$m	Total 2017 \$m	Decommissioning 2016 \$m	Other provisions 2016 \$m	Total 2016 \$m
At 1 January		1,014.4	144.2	1,158.6	1,008.8	243.3	1,252.1
New provisions and changes in estimates		(33.6)	(9.2)	(42.8)	57.1	71.4	128.5
Disposals		(100.7)	–	(100.7)	–	–	–
Payments		(33.7)	–	(33.7)	(23.0)	(132.0)	(155.0)
Transfer to accruals		–	–	–	–	(35.0)	(35.0)
Unwinding of discount	5	19.7	–	19.7	25.1	–	25.1
Currency translation adjustment		31.3	–	31.3	(53.6)	(3.5)	(57.1)
At 31 December		897.4	135.0	1,032.4	1,014.4	144.2	1,158.6
Current provisions		103.2	127.6	230.8	49.0	2.9	51.9
Non-current provisions		794.2	7.4	801.6	965.4	141.3	1,106.7

Included within other provisions is provision for onerous service contracts and provision for restructuring costs. Due to the historical reduction in original planned future work programmes the Group identified a number of onerous service contracts in prior years. The expected unutilised capacity has been provided for in 2016 and 2017 resulting in an income statement credit of \$1.0 million (2016: charge of \$114.9 million).



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NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 22. Provisions continued

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests.

	Inflation assumption	Discount rate assumption	Cessation of production assumption	2017 \$m	2016 \$m
Congo	n/a	n/a	n/a	–	18.3
Côte d'Ivoire	2%	3%	2026	49.7	48.1
Equatorial Guinea	2%	3%	2028-2029	133.9	130.0
Gabon	2%	3%	2021-2034	55.8	54.2
Ghana	2%	3%	2034-2036	278.0	267.6
Mauritania	2%	3%	2018	120.7	130.9
Netherlands	n/a	n/a	n/a	–	100.7
UK	2%	3%	2018-2020	259.3	264.6
				897.4	1,014.4

Note 23. Deferred taxation

	Accelerated tax depreciation \$m	Decommissioning \$m	Revaluation of financial assets \$m	Tax losses \$m	Other timing differences \$m	Provision for onerous service contracts \$m	Deferred PRT \$m	Total \$m
At 1 January 2016	(1,224.8)	198.2	(0.5)	235.4	(88.1)	–	10.6	(869.2)
Credit/(debit) to income statement	10.2	(67.4)	–	300.0	72.9	44.7	(1.7)	358.7
Credit to other comprehensive income	–	–	1.0	–	–	–	–	1.0
Exchange differences	(2.7)	(20.0)	–	(0.1)	0.4	–	(1.6)	(24.0)
At 1 January 2017	(1,217.3)	110.8	0.5	535.3	(14.8)	44.7	7.3	(533.5)
Credit/(debit) to income statement	79.8	59.8	–	(8.1)	(8.2)	–	21.5	144.8
Debit to other comprehensive income	–	–	(0.6)	–	–	–	–	(0.6)
Exchange differences	(0.8)	10.0	–	2.8	(1.1)	–	1.7	12.6
At 31 December 2017	(1,138.3)	180.6	(0.1)	530.0	(24.1)	44.7	30.5	(376.7)
							2017 \$m	2016 \$m
Deferred tax liabilities							(1,101.2)	(1,292.4)
Deferred tax assets							724.5	758.9
							(376.7)	(533.5)

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.



Note 24. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid		Share premium
	Number	\$m	\$m
Ordinary shares of 10 pence each			
At 1 January 2016	911,576,706	147.2	609.8
Issued during the year			
– Exercise of share options	2,905,254	0.3	9.5
At 1 January 2017	914,481,960	147.5	619.3
Issued during the year			
– Rights issue	466,925,724	60.0	693.8
– Exercise of share options	5,159,652	0.7	13.7
At 31 December 2017	1,386,567,336	208.2	1,326.8

The Company does not have a maximum authorised share capital.

Note 25. Non-controlling interest

The non-controlling interest relates to Tulipe Oil SA (Tulipe), where the Group has a 50% controlling shareholding, whose place of business is Gabon. Distributions to non-controlling interests were \$3.0 million (2016: \$10.0 million).

Note 26. Share-based payments

Analysis of share-based payment charge

	Notes	2017 \$m	2016 \$m
Tullow Incentive Plan		11.1	9.3
2005 Performance Share Plan		0.4	0.9
2005 Deferred Share Bonus Plan		1.7	–
Employee Share Award Plan		20.4	38.3
2010 Share Option Plan and 2000 Executive Share Option Scheme		–	1.5
UK & Irish Share Incentive		0.6	0.9
Total share-based payment charge		34.2	50.9
Capitalised to intangible and tangible assets		0.3	7.0
Expensed to operating costs	4	1.1	2.7
Expensed as administrative cost	4	32.8	41.2
Total share-based payment charge		34.2	50.9

Tullow Incentive Plan (TIP)

Under the TIP, Senior Management can be granted nil exercise price options, normally exercisable from three (five years in the case of the Company's Directors) to ten years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and Total Shareholder Return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period; however, an amount equivalent to the dividends that would have been paid on the TIP shares during the vesting period if they were 'real' shares, will also be payable on exercise of the award. There are further details of the TIP in the Remuneration Report on pages 78 to 100.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2017 was 7.0 years.

2005 Performance Share Plan (PSP)

Under the PSP, Senior Management could be granted nil exercise price options, normally exercisable between three and ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards were converted into nil exercise price options. All PSP awards are fully vested.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2017 was 1.5 years.



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NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 26. Share-based payments continued

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a Senior Executive nominated by the Remuneration Committee was deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they were granted. They were granted as nil exercise price options, normally exercisable from when they vest until ten years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares were converted into nil exercise price options to provide flexibility to participants. A dividend equivalent is paid over the period from grant to vesting. From 2014, Senior Executives participate in the TIP instead of the DSBP.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2017 was 3.6 years.

Employee Share Award Plan (ESAP)

Most Group employees are eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to ten years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions.

Phantom options that provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares) have also been granted under the ESAP in situations where the grant of share options was not practicable.

The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2017 was 7.3 years.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

Participation in the 2010 SOP and 2000 ESOS was available to most of the Group's employees. Options have an exercise price equal to market value shortly before grant and are normally exercisable between three and ten years from the date of the grant subject to continuing employment.

Options granted prior to 2011 were granted under the 2000 ESOS where exercise was subject to a performance condition. Performance was measured against constituents of the FTSE 100 index (excluding investment trusts). 100% of awards vested if the Company's TSR was above the median of the index companies over three years from grant. The 2010 SOP was replaced by the ESAP for grants from 2014. During 2013 phantom options were granted under the 2010 SOP to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

Options outstanding at 31 December 2017 had exercise prices of 468p to 1305p (2016: 365p to 1530p) and remaining contractual lives between 72 days and 5.6 years. The weighted average remaining contractual life is 3.4 years.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the SIP trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Under the UK SIP, Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold. The fair value of a Matching Share is its market value when it is awarded.

Under the UK SIP: (i) Partnership Shares are purchased at the lower of their market values at the start of the accumulation period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes and therefore results in an accounting charge), and (ii) Matching Shares vest over the three years after being awarded (resulting in their accounting charge being spread over that period).

Under the Irish SIP: (i) Partnership Shares are bought at the market value at the purchase date (which does not result in any accounting charge), and (ii) Matching Shares vest over the two years after being awarded (resulting in their accounting charge being spread over that period).



Note 26. Share-based payments continued

UK & Irish Share Incentive Plans (SIPs) continued

The following table illustrates the number and average weighted share price at grant or weighted average exercise price (WAEP) of, and movements in, share options under the TIP, PSP, DSBP, ESAP and 2010 SOP / 2000 ESOS.

In March 2017 the Company carried out a Rights Issue with each holder of 49 shares receiving 25 rights to subscribe for new shares at a price of 130p per share. In accordance with the Plan rules, the number of outstanding awards as at 17 March 2017 has been multiplied by 1.1732 and the option exercise prices and previously calculated fair values for these awards have been divided by 1.1732 to allow for the rights issue.

	Outstanding as at 1 January	Adjustment for the Rights Issue during the year	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31 December	Exercisable at 31 December
2017 TIP – number of shares	10,926,267	1,831,317	4,830,968	(484,603)	(350,502)	16,753,447	925,639
2017 TIP – average weighted share price at grant	287.1	275.6	206.6	782.0	242.8	249.2	782.0
2016 TIP – number of shares	3,801,426	–	7,134,968	–	(10,127)	10,926,267	43,610
2016 TIP – average weighted share price at grant	547.3	–	147.7	–	782.0	287.1	782.0
2017 PSP – number of shares	910,004	120,362	–	(495,163)	36,708	571,911	571,911
2017 PSP – average weighted share price at grant	882.0	870.9	–	888.2	797.6	868.9	868.9
2016 PSP – number of shares	4,208,862	–	–	(283,867)	(3,014,991)	910,004	910,004
2016 PSP – average weighted share price at grant	1,125.7	–	–	962.0	1,214.7	882.0	882.0
2017 DSBP – number of shares	205,704	35,627	–	(140,508)	123,279	224,102	224,102
2017 DSBP – average weighted share price at grant	1,215.5	1,215.5	–	1,209.4	1,121.4	1,260.5	1,260.5
2016 DSBP – number of shares	466,097	–	–	(137,114)	(123,279)	205,704	205,704
2016 DSBP – average weighted share price at grant	1,226.7	–	–	1,338.2	1,121.4	1,215.5	1,215.5
2017 ESAP – number of shares	23,760,819	3,856,502	5,346,309	(4,459,032)	(1,815,484)	26,689,114	7,623,417
2017 ESAP – average weighted share price at grant	280.8	271.2	206.6	382.1	213.3	252.2	346.8
2016 ESAP – number of shares	17,067,908	–	11,315,031	(2,495,408)	(2,126,712)	23,760,819	3,330,615
2016 ESAP – average weighted share price at grant	380.7	–	147.7	354.9	287.4	280.8	281.5
2017 SOP/ESOS – number of shares	10,006,370	1,596,194	–	–	(1,726,197)	9,876,367	9,876,367
2017 SOP/ESOS – WAEP	1,192.9	1,041.2	–	–	863.8	1,047.6	1,047.6
2016 SOP/ESOS – number of shares	14,466,011	–	–	(3,362)	(4,456,279)	10,006,370	10,006,370
2016 SOP/ESOS – WAEP	1,160.9	–	–	1,219.0	1,088.9	1,192.9	1,192.9
2017 Phantoms – number of phantom shares	1,252,745	215,079	–	–	(37,956)	1,429,868	1,429,868
2017 Phantoms – WAEP	1,274.4	1,086.5	–	–	1084.7	1,086.5	1,086.5
2016 Phantoms – number of phantom shares	1,518,439	–	–	–	(265,694)	1,252,745	1,252,745
2016 Phantoms – WAEP	1,274.5	–	–	–	1,274.4	1,274.4	1,274.4

The options granted during the year were valued using a proprietary binomial valuation.



FINANCIAL STATEMENTS

NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 26. Share-based payments continued

UK & Irish Share Incentive Plans (SIPs) continued

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2017 TIP	2017 ESAP	2016 TIP	2016 ESAP
Weighted average fair value of awards granted	206.6p	206.6p	147.7p	147.7p
Weighted average share price at exercise for awards exercised	210.0p	195.5p	–	282.1p
Principal inputs to options valuations model:				
Weighted average share price at grant	206.6p	206.6p	147.7p	147.7p
Weighted average exercise price	0.0p	0.0p	0.0p	0.0p
Risk-free interest rate per annum	0.1%	0.1%	0.4 – 0.7%	0.4%
Expected volatility per annum ¹	60%	60%	45 – 50%	50%
Expected award life (years) ²	3.0	3.0	3.5	3.0
Dividend yield per annum	n/a	0.0%	n/a	0.0%
Employee turnover before vesting per annum ³	5% / 0%	5%	5% / 0%	5%

1. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards.

2. The expected life is the average expected period from date of grant to exercise allowing for the Company's best estimate of participants' expected exercise behaviour.

3. Zero turnover is assumed for TIP awards made to executives and Directors, 5% per annum for TIP awards to Senior Management.

	2017 PSP	2016 PSP	2017 DSBP	2016 DSBP	2017 SOP/ESOS	2016 SOP/ESOS ¹
Weighted average share price at exercise for awards exercised	198.9p	254.6p	204.1p	213.5p	n/a	255.7p

1. Includes the replacement phantom awards made during 2013.

Note 27. Commitments and contingencies

	2017 \$m	2016 \$m
Capital commitments	185.0	108.4
Operating lease commitments		
Due within one year	9.2	143.7
After one year but within two years	9.5	105.9
After two years but within five years	28.2	319.9
Due after five years	47.7	464.8
	94.6	1,034.3
Contingent liabilities		
Performance guarantees	115.6	85.1
Other contingent liabilities	185.3	156.6
	300.9	241.7

Where Tullow acts as operator of a joint venture the capital commitments reported represent Tullow's net share of these commitments.

Where Tullow is non-operator the value of capital commitments is based on committed future work programmes.

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years. During 2017 the TEN FPSO lease changed from an operating lease to a finance lease (refer to note 21 for further details).

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

Other contingent liabilities include amounts for ongoing legal disputes with third parties where we consider the likelihood of a cash outflow to be higher than remote but not probable. The timing of any economic outflow if it were to occur would likely range between one year and five years.



Note 28. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24 – Related Party Disclosures.

	2017 \$m	2016 \$m
Short-term employee benefits	6.7	8.9
Post-employment benefits	0.8	1.0
Amounts awarded under long-term incentive schemes	2.6	3.7
Share-based payments	2.5	2.6
	12.6	16.2

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that are deferred for three years under the Deferred Share Bonus Plan (DSBP) and Tullow Incentive Plan (TIP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2 Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 78 to 100.

Note 29. Events since 31 December 2017

There has not been any event since 31 December 2017 that has resulted in a material impact on the year end results.

Note 30. Pension schemes

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to \$14.8 million (2016: \$16.6 million). As at 31 December 2017, there was a liability of \$nil (2016: \$nil) for contributions payable included in other payables.



FINANCIAL STATEMENTS

NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 31. Cash flow statement reconciliations

	2017 \$m
Purchases of intangible exploration and evaluation assets	
Additions to intangible exploration and evaluation assets	319.0
Associated cash flows	
Purchases of intangible exploration and evaluation assets	(189.7)
Non cash movements/presented in other cash flow lines	
Capitalised interest	(66.5)
Movement in working capital	(62.8)

	2017 \$m
Purchases of property, plant and equipment	
Additions to property, plant and equipment	887.7
Associated cash flows	
Purchases of property, plant and equipment	(117.8)
Non cash movements/presented in other cash flow lines	
Decommissioning asset additions	23.6
Finance lease additions	(837.6)
Movement in working capital	44.1

	2017 \$m	2016 \$m	Movement
Movement in borrowings			
Current borrowings	—	(591.5)	591.5
Non-current borrowings	(3,606.4)	4,388.4	782.0
Total borrowings	(3,606.4)	4,979.9	1,373.5
Associated cash flows			
Debt arrangement fees			(56.4)
Repayment of borrowings			(1,613.6)
Drawdown of borrowings			305.0
Non cash movements/presented in other cash flow lines			
Amortisation of arrangement fees and accrued interest			(8.5)



COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017 \$m	2016 \$m
ASSETS			
Non-current assets			
Investments	1	5,415.3	7,398.0
Intercompany derivative asset	6	–	–
		5,415.3	7,398.0
Current assets			
Other current assets	3	2,136.3	1,431.4
Intercompany derivative asset	6	–	–
Cash at bank		6.3	6.7
		2,142.6	1,438.1
Total assets		7,557.9	8,836.1
LIABILITIES			
Current liabilities			
Trade and other creditors	4	(465.9)	(343.6)
Borrowings	5	–	(508.1)
Intercompany derivative liability	6	(35.6)	(50.0)
		(501.5)	(901.7)
Non-current liabilities			
Borrowings	5	(3,349.5)	(4,131.1)
Intercompany derivative liability	6	(13.4)	(17.2)
		(3,362.9)	(4,148.3)
Total liabilities		(3,864.4)	(5,050.0)
Net assets		3,693.5	3,786.1
Capital and reserves			
Called-up share capital	7	208.2	147.5
Share premium	7	1,326.8	619.3
Other reserves		851.9	850.8
Retained earnings		1,306.6	2,168.5
Total equity		3,693.5	3,786.1

During the year the Company made a loss of \$880.9 million (2016: \$253.4 million loss).

Approved by the Board and authorised for issue on 6 February 2018.

Paul McDade
Chief Executive Officer

Les Wood
Chief Financial Officer



FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2017

	Share capital \$m	Share premium \$m	Other reserves \$m	Retained earnings \$m	Total equity \$m
At 1 January 2016	147.2	609.8	850.8	2,380.4	3,988.2
Loss for the year	–	–	–	(253.4)	(253.4)
Issue of employee share options	0.3	9.5	–	–	9.8
Vesting of PSP shares	–	–	–	(9.4)	(9.4)
Share-based payment charges	–	–	–	50.9	50.9
At 1 January 2017	147.5	619.3	850.8	2,168.5	3,786.1
Loss for the year	–	–	–	(880.9)	(880.9)
Issue of shares – Rights Issue	60.0	693.8	–	–	753.8
Issue of employee share options	0.7	13.7	–	–	14.4
Vesting of PSP shares	–	–	–	(15.2)	(15.2)
Capital contribution	–	–	1.1	–	1.1
Share-based payment charges	–	–	–	34.2	34.2
At 31 December 2017	208.2	1,326.8	851.9	1,306.6	3,693.5



COMPANY ACCOUNTING POLICIES

AS AT 31 DECEMBER 2017

(a) General information

Tullow Oil plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT. The Financial Statements are presented in US dollars and all values are rounded to the nearest \$0.1 million, except where otherwise stated. Tullow Oil plc is the ultimate Parent of the Tullow Oil Group.

(b) Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. The Financial Statements have therefore been prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of an income statement, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value.

The Company has applied the exemption from the requirement to publish a separate profit and loss account for the parent company set out in section 408 of the Companies Act 2006.

During the year the Company made a loss of \$880.9 million (2016: \$253.4 million loss).

(c) Going concern

Refer to page 34.

(d) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

(e) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(f) Derivative financial instruments

The Company uses derivative financial instruments to manage the Group's exposure to fluctuations in movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the derivative and the hedged item at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

(g) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(h) Share issue expenses

Costs of share issues are written off against the premium arising on the issues of share capital.



FINANCIAL STATEMENTS

COMPANY ACCOUNTING POLICIES CONTINUED

AS AT 31 DECEMBER 2017

(i) Finance costs of debt

Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(j) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

(k) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

(l) Critical accounting judgements and key sources of estimation uncertainty

• Financial instruments (note 6):

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Directors of the Company have determined appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

• Investments (note 1):

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) and property, plant and equipment assets.

Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain and the assessment of impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

For property, plant and equipment, the value of assets/fields supporting the investment value is assessed by estimating the discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post-tax Weighted Average Cost of Capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within a peer group's WACC.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.



NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

Note 1. Investments

	2017 \$m	2016 \$m
Shares at cost in subsidiary undertakings	5,414.3	7,397.0
Unlisted investments	1.0	1.0
	5,415.3	7,398.0

During 2017, the Company decreased its investments in subsidiaries undertakings by \$429.0 million (2016: \$3,690.2 million); an additional impairment of \$1,553.8 million (2016: \$1,177.6 million) was recognised against the Company's investments in subsidiaries to fund losses incurred by Group service companies and exploration and production companies.

The Company's subsidiary undertakings as at 31 December 2017 are listed on pages 183 and 184. The principal activity of all companies relates to oil and gas exploration, development and production.

Note 2. Deferred tax

The Company has tax losses of \$513.3 million (2016: \$494.4 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of \$nil (2016: \$nil) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

Note 3. Other current assets

Amounts falling due within one year

	2017 \$m	2016 \$m
Other debtors	12.3	29.1
Due from subsidiary undertakings	2,124.0	1,402.3
	2,136.3	1,431.4

The amounts due from subsidiary undertakings include \$1,528.0 million (2016: \$1,373.3 million) that incurs interest at LIBOR plus 0.5% – 4.5%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. During the year a provision of \$124.0 million (2016: \$172.5 million) was made in respect of the recoverability of amounts due from subsidiary undertakings.

Note 4. Trade and other creditors

Amounts falling due within one year

	2017 \$m	2016 \$m
VAT and other similar taxes	–	0.7
Accrued interest	22.7	–
Due to subsidiary undertakings	443.2	342.9
	465.9	343.6



FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 5. Borrowings

	2017 \$m	2016 \$m
Current		
Bank borrowings – Reserve Based Lending credit facility	–	508.1
Non-current		
Bank borrowings – after one year but within two years		
Reserve-Based lending credit facility	–	906.2
Revolving credit facility	–	364.6
Bank borrowings – after two years but within five years		
Reserve-Based lending credit facility	811.0	1,561.7
6.0% Senior Notes due 2020	642.5	647.6
6.25% Senior Notes due 2022	643.5	651.0
Bank borrowings – more than five years		
Reserve-Based lending credit facility	1,252.5	–
	3,349.5	4,131.1
Carrying value of total borrowings	3,349.5	4,639.2
Accrued interest and unamortised fees	105.5	40.8
External borrowings	3,455.0	4,680.0

Term loans are secured by fixed and floating charges over the oil and gas assets of the Group.

Note 6. Financial instruments

Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2017 Annual Report and Accounts of Tullow Oil plc, the Company has adopted the disclosure exemptions available to the Company's accounts.

Financial risk management objectives

The Company follows the Group's policies for managing all its financial risks.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

On 29 June 2017, the Company terminated the intercompany oil derivative trade previously entered on 15 April 2016 with a wholly owned subsidiary, in exchange for a termination payment of \$40.1 million.

This intercompany transaction does not impact the Group's oil derivative contracts with external counterparties, which it continues to transact and hold in line with the Group's commodity price risk management objectives.

On the same day, the Company entered into a new intercompany oil derivative trade with the same subsidiary, to purchase downside oil price protection up to 31 December 2020, for a deferred consideration of \$69.1 million.

The Company's derivative carrying and fair values were as follows:

	2017 Less than 1 year \$m	2017 1-3 years \$m	2017 Total \$m	2016 Less than 1 year \$m	2016 1-3 years \$m	2016 Total \$m
Assets/liabilities						
Intercompany oil derivatives	(35.6)	(13.4)	(49.0)	(50.0)	(17.2)	(67.0)
Total assets	–	–	–	–	–	–
Total liabilities	(35.6)	(13.4)	(49.0)	(50.0)	(17.2)	(67.0)



Note 6. Financial instruments continued

The following provides an analysis of the Company's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All of the Company's derivatives are Level 2 (2016: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Company determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Income statement summary

Derivative fair value movements during the year which have been recognised in the income statement were as follows.

	2017 \$m	2016 \$m
Loss on derivative instruments		
Intercompany oil derivatives	(58.3)	(27.6)

Cash flow and interest rate risk

The interest rate profile of the Company's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2017 and 2016 was as follows:

	2017 Cash at bank \$m	2017 Fixed rate debt \$m	2017 Floating rate debt \$m	2017 Total \$m	2016 Cash at bank \$m	2016 Fixed rate debt \$m	2016 Floating rate debt \$m	2016 Total \$m
US\$	6.2	(1,300.0)	(1,855.0)	(3,148.8)	7.7	(1,300.0)	(3,380.0)	(4,672.3)
Euro	0.1	-	-	0.1	-	-	-	-
Sterling	-	-	-	-	-	-	-	-
Other	-	-	-	-	0.1	-	-	0.1
	6.3	(1,300.0)	(1,855.0)	(3,148.7)	7.8	(1,300.0)	(3,380.0)	(4,672.2)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.



FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

Note 6. Financial instruments continued

Liquidity risk

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate	Less than 1 month \$m	1-3 months \$m	3 months to 1 year \$m	1-5 years \$m	5+ years \$m	Total \$m
31 December 2017							
Non-interest bearing	n/a	465.9	-	-	-	-	465.9
Fixed interest rate instruments	7.5%						
Principal repayments		-	-	-	1,300.0	-	1,300.0
Interest charge		-	-	79.6	220.2	-	299.8
Variable interest rate instruments	7.2%						
Principal repayments		-	-	-	811.0	1,344.0	2,155.0
Interest charge		10.4	20.9	85.9	420.4	95.9	633.5
		476.3	20.9	165.5	2,751.6	1,439.9	4,854.2

	Weighted average effective interest rate	Less than 1 month \$m	1-3 months \$m	3 months to 1 year \$m	1-5 years \$m	5+ years \$m	Total \$m
31 December 2016							
Non-interest bearing	n/a	343.6	-	-	-	-	343.6
Fixed interest rate instruments	7.1%						
Principal repayments		-	-	-	941.7	650.0	1,591.7
Interest charge		14.5	-	94.1	395.5	20.3	524.4
Variable interest rate instruments	5.9%						
Principal repayments		-	55.0	453.1	2,871.9	-	3,380.0
Interest charge		14.2	28.2	118.4	151.9	-	312.7
		372.3	83.2	665.6	4,361.0	670.3	6,152.4

Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being Dated Brent oil prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

	Market movement	Impact on profit before tax	
		2017 \$m	2016 \$m
Brent oil price	25%	-	-
Brent oil price	(25%)	0.4	28.6
US\$/foreign currency exchange rates	20%	-	-
US\$/foreign currency exchange rates	(20%)	-	-

The following assumptions have been used in calculating the sensitivity in movement of oil prices: the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations and the sensitivities have been run only on the intrinsic element of the derivatives as management considers this to be the material component of oil derivative valuations.



Note 7. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital \$m	Share premium \$m
At 1 January 2016	911,576,706	147.2	609.8
Issued during the year			
– Exercise of share options	2,905,254	0.3	9.5
At 1 January 2017	914,481,960	147.5	619.3
Issued during the year			
– Rights issue	466,925,724	60.0	693.8
– Exercise of share options	5,159,652	0.7	13.7
At 31 December 2017	1,386,567,336	208.2	1,326.8

The Company does not have an authorised share capital. The par value of the Company's shares is 10 pence.



FINANCIAL STATEMENTS

FIVE-YEAR FINANCIAL SUMMARY

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013* \$m
Group income statement					
Sales revenue	1,722.5	1,269.9	1,606.6	2,212.9	2,646.9
Other operating income – lost production insurance proceeds	162.1	90.1	–	–	–
Cost of sales	(1,069.3)	(813.1)	(1,015.3)	(1,116.7)	(1,153.8)
Gross profit	815.3	546.9	591.3	1,096.2	1,493.1
Administrative expenses	(95.3)	(116.4)	(193.6)	(192.4)	(218.5)
Restructuring costs	(14.5)	(12.3)	(40.8)	–	–
(Loss)/profit on disposal	(1.6)	(3.4)	(56.5)	(482.4)	29.5
Goodwill impairment	–	(164.0)	(53.7)	(132.8)	–
Exploration costs written off	(143.4)	(723.0)	(748.9)	(1,657.3)	(870.6)
Impairment of property, plant and equipment	(539.1)	(167.6)	(406.0)	(595.9)	(52.7)
Provision for onerous service contracts	1.0	(114.9)	(185.5)	–	–
Operating profit/(loss)	22.4	(754.7)	(1,093.7)	(1,964.6)	380.8
Profit/(loss) on hedging instruments	(11.8)	18.2	(58.8)	50.8	(19.7)
Finance revenue	42.0	26.4	4.2	9.6	43.7
Finance costs	(351.7)	(198.2)	(149.0)	(143.2)	(91.6)
(Loss)/profit from continuing activities before taxation	(299.1)	(908.3)	(1,297.3)	(2,047.4)	313.2
Taxation	110.6	311.0	260.4	407.5	(97.1)
(Loss)/profit for the year from continuing activities	(188.5)	(597.3)	(1,036.9)	(1,639.9)	216.1
(Loss)/earnings per share					
Basic – \$	(14.7)	(55.8)	(97.0)	(153.6)	20.3
Diluted – \$	(14.7)	(55.8)	(97.0)	(153.6)	20.2
Dividends paid	–	–	–	182.3	167.4
Group balance sheet					
Non-current assets	8,704.2	8,340.1	9,506.8	9,335.1	9,439.3
Net current assets	969.8	813.1	259.2	747.4	637.0
Total assets less current liabilities	9,674.0	9,153.2	9,766.0	10,082.5	10,076.3
Long-term liabilities	(6,957.6)	(6,910.7)	(6,591.3)	(6,062.2)	(4,629.9)
Net assets	2,716.4	2,242.5	3,174.7	4,020.3	5,446.4
Called up equity share capital	208.2	147.5	147.2	147.0	146.9
Share premium	1,326.8	619.3	609.8	606.4	603.2
Equity component of convertible bonds	48.4	48.4	–	–	–
Foreign currency translation reserve	(223.2)	(232.2)	(249.3)	(205.7)	(155.1)
Hedge reserve	(2.6)	128.2	569.9	401.6	2.3
Other reserves	740.9	740.9	740.9	740.9	740.9
Retained earnings	607.5	778.0	1,336.4	2,305.8	3,984.7
Equity attributable to equity holders of the Parent	2,706.0	2,230.1	3,154.9	3,996.0	5,322.9
Non-controlling interest	10.4	12.4	19.8	24.3	123.5
Total equity	2,716.4	2,242.5	3,174.7	4,020.3	5,446.4

* All comparative figures have been re-presented to align disclosure of impairments of property, plant and equipment on the face of the income statement with 2014.



SHAREHOLDER INFORMATION

Financial calendar

2017 Full-year results announced	7 February 2018
Annual General Meeting	25 April 2018
AGM Trading Update	25 April 2018
Trading Statement & Operational Update	28 June 2018
2018 Half Year Results announced	25 July 2018
November Trading Update	7 November 2018

Shareholder enquiries

All enquiries concerning shareholdings, including notification of change of address, loss of a share certificate or dividend payments, should be made to the Company's registrars.

For shareholders on the UK register, Computershare provides a range of services through its online portal, Investor Centre, which can be accessed free of charge at www.investorcentre.co.uk. Once registered, this service, accessible from anywhere in the world, enables shareholders to check details of their shareholdings or dividends, download forms to notify changes in personal details and access other relevant information.

United Kingdom registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Tel – UK shareholders: 0870 703 6242

Tel – Irish shareholders: + 353 1 247 5413

Tel – overseas shareholders: + 44 870 703 6242

Contact: www.investorcentre.co.uk/contactus

Ghana registrar

The Central Securities Depository (Ghana) Limited
4th Floor, Cedi House, P.M.B CT 465
Cantonments, Accra, Ghana

Tel – Ghana shareholders: + 233 303 972 254/ 302 689 313

Contact: info@csd.com.gh

Share dealing service

A telephone share dealing service has been established for shareholders with Computershare for the sale and purchase of Tullow Oil shares. Shareholders who are interested in using this service can obtain further details by calling the appropriate telephone number below:

UK shareholders: 0870 703 0084

Irish shareholders: +353 1 447 5435

If you live outside the UK or Ireland and wish to trade you can do so through the Computershare Trading Account. To find out more or to open an account, please visit www.computershare-sharedealing.co.uk or phone Computershare on +44 870 707 1606.

ShareGift

If you have a small number of shares whose value makes it uneconomical to sell, you may wish to consider donating them to ShareGift which is a UK registered charity specialising in realising the value locked up in small shareholdings for charitable purposes. The resulting proceeds are donated to a range of charities, reflecting suggestions received from donors. Should you wish to donate your Tullow Oil plc shares in this way, please download and complete a transfer form from www.sharegift.org/forms, sign it and send it together with the share certificate to ShareGift, PO Box 72253, London SW1P 9LQ. For more information regarding this charity, visit www.sharegift.org.

Electronic communication

To reduce impact on the environment, the Company encourages all shareholders to receive their shareholder communications, including annual reports and notices of meetings, electronically. Once registered for electronic communications, shareholders will be sent an email each time the Company publishes statutory documents, providing a link to the information.

Tullow actively supports Woodland Trust, the UK's leading woodland conservation charity. Computershare, together with Woodland Trust, has established eTree, an environmental programme designed to promote electronic shareholder communications. Under this programme, the Company makes a donation to eTree for every shareholder who registers for electronic communication. To register for this service, simply visit <http://www.investorcentre.co.uk/etreeuk/tullowoilplc> with your shareholder number and email address to hand.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice: offers to buy shares at a discount or offers of free company reports. More detailed information can be found at <http://scamsmart.fca.org.uk/> and in the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

Corporate brokers

Barclays
5 North Colonnade
Canary Wharf
London
E14 4BB

J. P. Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

Davy
Davy House
49 Dawson Street
Dublin 2
Ireland



FINANCIAL STATEMENTS

LICENCE INTERESTS

CURRENT EXPLORATION, DEVELOPMENT AND PRODUCTION INTERESTS

WEST AFRICA

Licence/Unit area	Fields	Area sq km	Tulow interest	Operator	Other partners
Côte d'Ivoire					
CI-26 Special Area "E"	Espoir	235	21.33%	CNR	Petroci
CI-301		1,495	90.00%	Tulow	Petroci
CI-302		1,412	90.00%	Tulow	Petroci
CI-518		1,250	90.00%	Tulow	Petroci
CI-519		887	90.00%	Tulow	Petroci
CI-520 ¹		1,059	90.00%	Tulow	Petroci
CI-521		1,280	90.00%	Tulow	Petroci
CI-522		1,229	90.00%	Tulow	Petroci
CI-524 ¹		551	90.00%	Tulow	Petroci
Equatorial Guinea					
Ceiba	Ceiba	70	14.25%	Trident Energy	Kosmos, GEPetrol
Okume Complex	Okume, Oveng, Ebano, Elon, Akom North	192	14.25%	Trident Energy	Kosmos, GEPetrol
Gabon					
Avouma	Avouma, South Tchibala	52	7.50%	Vaalco	Addax (Sinopec), Sasol, PetroEnergy
Ebouri	Ebouri	15	7.50%	Vaalco	Addax (Sinopec), Sasol, PetroEnergy
Echira	Echira	76	40.00%	Perenco	
Etame	Etame, North Tchibala	49	7.50%	Vaalco	Addax (Sinopec), Sasol, PetroEnergy
Ezanga		5,626	7.50%	Maurel & Prom	
Gwedidi	Gwedidi	5	7.50%	Maurel & Prom	Gov of Gabon
Igongo	Igongo	117	36.00%	Perenco	Total, Gov of Gabon
Limande	Limande	54	40.00%	Perenco	
Mabounda	Mabounda	6	7.50%	Maurel & Prom	Gov of Gabon
Maroc	Maroc	17	7.50%	Maurel & Prom	Gov of Gabon
Maroc Nord	Maroc Nord	17	7.50%	Maurel & Prom	Gov of Gabon
Mbigou	Mbigou	5	7.50%	Maurel & Prom	Gov of Gabon
M'Oba	M'Oba	57	24.31%	Perenco	
Niambi	Niambi	4	7.50%	Maurel & Prom	Gov of Gabon
Niungo	Niungo	96	40.00%	Perenco	
Oba	Oba	44	5.00%	Perenco	AIC Petrofi
Omko	Omko	16	7.50%	Maurel & Prom	Gov of Gabon
Onal	Onal	46	7.50%	Maurel & Prom	Gov of Gabon
Simba		315	50.00%	Perenco	
Tchatamba Marin	Tchatamba Marin	30	25.00%	Perenco	Oranje Nassau
Tchatamba South	Tchatamba South	40	25.00%	Perenco	Oranje Nassau
Tchatamba West	Tchatamba West	25	25.00%	Perenco	Oranje Nassau
Turnix	Turnix	18	27.50%	Perenco	
Ghana					
Deepwater Tano	Jubilee	619	49.95%	Tulow	Kosmos, Anadarko, GNPC, Petro SA
Ten Development Area ²	Tweneboa, Enyenra, Ntomme		47.18% ²		
West Cape Three Points	Jubilee	150	25.66%	Kosmos	Anadarko, GNPC, Petro SA
Jubilee Field Unit Area ^{3,4}	Jubilee		35.48%	Tulow	Kosmos, Anadarko, GNPC, Petro SA

Notes:

1. Tulow's interest in this licence is subject to Government approval.
2. GNPC has exercised its right to acquire an additional 5% in the TEN field. Tulow's interest is 47.175%.
3. A unitisation agreement covering the Jubilee field was agreed by the partners of the West Cape Three Points and the Deepwater Tano licences.
4. The Jubilee Unit Area was expanded in 2017 to include the Mahogany & Teak fields. It now includes all of the remaining part of the West Cape Three Points licence and a small part of the Deepwater Tano licence.



EUROPE ⁵

Licence/Unit area	Blocks	Fields	Area sq km	Tulow interest	Operator	Other partners
United Kingdom						
CMS Area						
P450	44/21a	Boulton B & F	77	9.50%	ConocoPhillips	ENGIE
P451	44/22a	Murdoch	89	34.00%	ConocoPhillips	ENGIE
	44/22b	Boulton H ⁶				
P452	44/23a (part)	Murdoch K ⁶	48	6.91%	ConocoPhillips	ENGIE
P453	44/28b	Ketch	49	40.00%	Faroe Petr	
P516	44/26a	Schooner ⁷	49	42.96%	Faroe Petr	
P1006	44/17b	Munro ⁸	48	20.00%	ConocoPhillips	ENGIE
P1058	44/18b		46	22.50%	ConocoPhillips	ENGIE
	44/23b	Kelvin ⁹				
P1139	44/19b	Katy (formerly Harrison) ¹⁰	30	22.50%	ConocoPhillips	ENGIE
CMS III Unit ¹¹	44/17a (part) 44/17c (part) 44/21a (part) 44/22a (part) 44/22b (part) 44/22c (part) 44/23a (part)	Boulton H, Hawksley ¹⁰ McAdam ¹⁰ , Murdoch K		14.10%	ConocoPhillips	ENGIE
Munro Unit ¹¹	44/17b 44/17a	Munro		15.00%	ConocoPhillips	ENGIE
Schooner Unit ¹¹	44/26a 43/30a	Schooner		40.00%	Faroe Petr	
Thames Area						
P007	49/24aF1 (Gawain)	Gawain ^{12, 13}	69	50.00%	Perenco	
P037	49/28a 49/28b 49/28a (part)	Thames ¹³ , Yare ¹³ Bure ¹³ , Wensum ¹³ Thurne ¹³ , Deben ¹³	90	66.67% 86.96%	Perenco Tulow	Centrica
P039	53/04d	Wissey ¹³	29	76.90%	Tulow	Faroe Petr.
P786	53/03c	Horne ¹³	8	50.00%	Tulow	Centrica
P852	53/04b	Horne & Wren ¹³	17	50.00%	Tulow	Centrica
Gawain Unit ¹¹	49/24F1 (Gawain) 49/29a (part)	Gawain ¹²		50.00%	Perenco	

Notes:

5. Production in the UK is dealt with by the West Africa BDT despite falling outside this geographic region.
6. Refer to CMS III Unit for field interest.
7. Refer to Schooner Unit for field interest.
8. Refer to Munro Unit for field interest.
9. The Kelvin field recommenced production in Q4 2016.
10. This field is no longer producing.
11. For the UK offshore area, fields that extend across more than one licence area with differing partner interests become part of a unitised area. The interest held in the Unitised Field Area is split amongst the holders of the relevant licences according to their proportional ownership of the field. The unitised areas in which Tulow is involved are listed in addition to the nominal licence holdings.
12. Refer to Gawain Unit for field interest.
13. These fields are no longer producing. Abandonment works are ongoing.



FINANCIAL STATEMENTS

LICENCE INTERESTS CONTINUED CURRENT EXPLORATION, DEVELOPMENT AND PRODUCTION INTERESTS

EAST AFRICA

Licence	Fields	Area sq km	Tulow interest	Operator	Other partners
Kenya					
Block 10BA		15,811	50.00%	Tulow	Africa Oil, Maersk ¹⁴
Block 10BB		6,172	50.00%	Tulow	Africa Oil, Maersk ¹⁴
Block 12A		15,390	50.00%	Tulow	Detonex
Block 12B		6,200	100.00%	Tulow	
Block 13T		4,719	50.00%	Tulow	Africa Oil, Maersk ¹⁴
Uganda					
Exploration Area 1	Jobi East, Mpyo	372	33.33% ¹⁵	Total	CNOOC
Exploration Area 1A	Lyec	85	33.33% ¹⁵	Total	CNOOC
Exploration Area 2		710	33.33% ¹⁵	Tulow ¹⁵	CNOOC, Total
Production Licence 01/12	Kingfisher	344	33.33% ¹⁵	CNOOC	Total
Production Licence 01/16	Kasamene, Wahrindi	20	33.33% ¹⁵	Tulow ¹⁵	CNOOC, Total
Production Licence 02/16	Kigogole, Ngara	92	33.33% ¹⁵	Tulow ¹⁵	CNOOC, Total
Production Licence 03/16	Nsoga	60	33.33% ¹⁵	Tulow ¹⁵	CNOOC, Total
Production Licence 04/16	Ngege	57	33.33% ¹⁵	Tulow ¹⁵	CNOOC, Total
Production Licence 05/16	Mputa, Nzizi, Waraga	86	33.33% ¹⁵	Tulow ¹⁵	CNOOC, Total
Production Licence 06/16	Ngiri	50	33.33% ¹⁵	Total	CNOOC
Production Licence 07/16	Jobi, Rii	121	33.33% ¹⁵	Total	CNOOC
Production Licence 08/16	Gunya	55	33.33% ¹⁵	Total	CNOOC

Notes:

14. Total is in the process of acquiring Maersk's interest in this block.

15. Tulow has agreed a farm-down to Total whereby it will reduce its holding to 11.76% and transfer operatorship to Total. CNOOC has exercised its pre-emption rights under the JOA to acquire 50% of the interest being transferred to Total. The deal is subject to Government approval.



NEW VENTURES

Licence	Blocks	Fields	Area sq km	Tulow interest	Operator	Other partners
Guyana						
Kanuku			5,165	37.50% ¹⁶	Repsol	Total ¹⁶
Orinduik			1,776	60.00%	Tulow	Total ¹⁷ , Eco O&G
Jamaica						
Walton Morant			32,065	80.00% ¹⁸	Tulow	United Oil & Gas ¹⁸
Mauritania						
Block C-3			7,350	90.00%	Tulow	SMHPM
Block C-18			13,225	15.00%	Total	Kosmos, BP, SMHPM
PSC B (Chinguetti EEA) ¹⁹		Chinguetti ²⁰	31	22.26%	Petronas	SMHPM, Premier, Kufpec
Namibia						
PEL 0030	2012A		5,800	10.00% ²¹	Eco O&G	AziNam, ONGC Videsh ²¹ , NAMCOR
PEL 0037	2012B, 2112A, 2113B		17,295	35.00%	Tulow	Pancontinental, ONGC Videsh, Paragon
Pakistan						
Bannu West ²²			1,230	20.00%	MPCL	OGDCL, SEL
Block 28 ²²			6,200	95.00%	OGDCL	
Kalchas ²²			2,068	30.00%	OGDCL	MPCL
Kohat ²³			1,107	40.00%	OGDCL	MPCL, SEL
Kohlu			2,459	30.00%	OGDCL	MPCL
Peru						
Block Z-38 ²⁴			4,875	35.00%	Karoon	Pitkin
Block Z-64 ²⁵			542	100.00%	Tulow	
Block Z-65 ²⁵			5,162	100.00%	Tulow	
Block Z-66 ²⁵			5,616	100.00%	Tulow	
Block Z-67 ²⁵			5,884	100.00%	Tulow	
Block Z-68 ²⁵			6,002	100.00%	Tulow	
Suriname						
Block 47			2,369	80.00%	Tulow	Ratio Exploration
Block 54			8,480	30.00%	Tulow	Statoil, Noble Energy
Uruguay						
Block 15			8,030	35.00%	Tulow	Statoil, Inpex
Zambia						
PEL 28	Block 31		52,937	97.50%	Tulow	Geo-Petroleum

Notes:

16. Total has farmed-in to this licence and Tulow has increased its interest to 37.5%. Both deals are subject to Government approval.

17. Total has entered a farm-in agreement with Eco O&G; the agreement is subject to certain terms and conditions being fulfilled.

18. Tulow's interest on completion of farm-down to United Oil & Gas, which is subject to approval.

19. PSC B [Chinguetti EEA] is dealt with by the West Africa BDT.

20. This field is no longer in production.

21. Tulow's interest on completion of farm-down to ONGC Videsh, which is subject to approval.

22. Tulow has agreed to sell its interest in this block to Mari Petroleum, the deal is subject to Government approval.

23. Tulow is in the process of relinquishing this block, subject to Government approval.

24. Tulow's farm-in to this block is subject to Government approval.

25. Tulow's acquisition of this block is subject to Government approval.



FINANCIAL STATEMENTS

COMMERCIAL RESERVES AND CONTINGENT RESOURCES SUMMARY (UNAUDITED) WORKING INTEREST BASIS

	West Africa		East Africa		New Ventures		TOTAL		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
Commercial reserves									
1 January 2017	272.1	189.7	-	-	-	-	272.1	189.7	303.7
Revisions	3.2	14.3	-	-	-	-	3.2	14.3	5.5
Transfer from contingent resources	-	79.0	-	-	-	-	-	79.0	13.2
Disposals	-	-	-	-	-	-	-	-	-
Production	(29.6)	(14.1)	-	-	-	-	(29.6)	(14.1)	(31.9)
31 December 2017	245.7	268.9					245.7	268.9	290.5
Contingent resources									
1 January 2017	128.1	730.5	632.5	42.7	-	4.2	760.6	773.2	890.1
Revisions	(0.2)	(186.4)	-	-	-	-	(0.2)	(186.4)	(31.3)
Additions	1.7	-	5.3	-	-	-	7.0	-	7.0
Disposals	(8.2)	-	-	-	-	-	(8.2)	-	(8.2)
Transfers to commercial reserves	-	(79.0)	-	-	-	-	-	(79.0)	(13.2)
31 December 2017	121.4	465.1	637.8	42.7	-	4.2	759.1	507.8	844.4
Total									
31 December 2017	367.1	734.0	637.8	42.7	-	4.2	1,004.8	776.7	1,134.9

1. Proven and Probable Commercial Reserves are as audited by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years, with the exception of minor assets contributing less than 5% of the Group's reserves.
2. Proven and Probable Contingent Resources are as audited by an independent engineer. Resources estimates are reviewed by the independent engineer based on significant new data received following exploration or appraisal drilling.
3. The West Africa revisions to reserves (+5 mmboe) relate mainly to audits of Jubilee, TEN, Okume and Echira.
4. The Kenya addition to oil contingent resources relates to the booking of the Erut discovery announced 17 January 2017. The West Africa addition to oil contingent resources relates to Simba.
5. The West Africa revision to gas contingent resources relates to a reduction in the estimate of the size of the Gas cap in Ntomme and reduction of injected gas blow-down volume for Jubilee.
6. The West Africa transfer of gas from contingent resources to reserves relates to Jubilee sales gas.

The Group provides for depletion and amortisation of tangible fixed assets on a net entitlements basis, which reflects the terms of the Production Sharing Contracts related to each field. Total net entitlement reserves were 284.1 mmboe at 31 December 2017 (31 December 2016: 283.2 mmboe).

Contingent Resources relate to resources in respect of which development plans are in the course of preparation or further evaluation is under way with a view to future development.

TRANSPARENCY DISCLOSURE

Transparency disclosure

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/ EU).

The UK Regulations came into effect on 1 January 2015, but Tullow were early adopters of the EU Directive and have published our tax payments to governments in full, in our Annual Report and Accounts since 2013. The 2017 disclosure remains in line with the EU Directive and UK Regulations and we have provided additional voluntary disclosure on VAT, stamp duty, withholding tax, PAYE and other taxes.

The payments disclosed are based on where the obligation for the payment arose: payments raised at a project level have been disclosed at project level and payments raised at a corporate level have been disclosed on that basis. However, where a payment or a series of related payments do not exceed £86,000, they are disclosed at a corporate level, in accordance with the UK Regulations. The voluntary disclosure has been prepared on a corporate level.

All of the payments disclosed in accordance with the Directive have been made to National Governments, either directly or through a Ministry or Department of the National Government, with the exception of Ghana payments in respect of production entitlements and licence fees, which are paid to the Ghana National Oil Company. Our total economic contribution to all stakeholders and our 2017 tax payments can be found on page 52.

Production entitlements in barrels – includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of Tullow's working interest share of production in a licence. The figures disclosed are produced on an entitlement basis rather than a liftings basis. It does not include the Government's or NOC's working interest share of production in a licence. Production entitlements have been multiplied by the Group's 2017 average realised oil price \$58.3/bbl.

Income taxes – represent cash tax calculated on the basis of profits including income or capital gains. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebates received from the government or revenue authority during the year. Income taxes do not include fines and penalties.

Royalties – represent cash royalties paid to governments during the year for the extraction of oil or gas. The terms of the royalties are described within our PSCs and can vary from project to project within one country. Royalties paid in kind have been recognised within the production entitlements category. The cash payment of royalties occurs in the year in which the tax has arisen.

Bonus payments – represent any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature bonus, POD bonus or a production bonus.

Licence fees – represent licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

Infrastructure improvement payments – represent payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a PSC or a discretionary payment for building/improving local infrastructure such as roads, bridges, ports, schools and hospitals.

VAT – represents net cash VAT received from/paid to governments during the year. The amount disclosed is equal to the VAT return submitted by Tullow to governments with the cash payment made in the year the charge is borne. It should be noted the operator of a joint venture typically makes VAT payments in respect of the joint venture as a whole and, as such, where Tullow has a non-operated presence in a country limited VAT will be paid.

Stamp duty – includes taxes that are placed on legal documents usually in the transfer of assets or capital. Usually these taxes are reflected in stamp duty returns made to governments and are paid shortly after capital or assets are transferred.

Withholding tax (WHT) – represent tax charged on services, interest, dividends or other distributions of profits. The amount disclosed is equal to the WHT return submitted by Tullow to governments with the cash payment made in the year the charge is borne. It should be noted the operator of a joint venture typically makes WHT payments in respect of the joint venture as a whole and, as such, where Tullow has a non-operated presence in a country limited WHT will be paid.

PAYE and national insurance – represent payroll and employer taxes paid (such as PAYE and national insurance) by Tullow as a direct employer. The amount disclosed is equal to the return submitted by Tullow to governments with the cash payment made in the year the charge is borne.

Carried interests – comprise payments made under a carrying agreement or PSC/PSA by Tullow for the cash settlement of costs owed by a government or national oil company for their equity interest in a licence.

Customs duties – represent cash payments made in respect of customs/excise/import and export duties made during the year including items such as railway levies. These payments typically arise through the import/transportation of goods into a country with the cash payment made in the year the charge is borne.

Training allowances – comprise payments made in respect of training government or national oil company staff. This can be in the form of mandatory contractual requirements or discretionary training provided by a company.



FINANCIAL STATEMENTS

TRANSPARENCY DISCLOSURE CONTINUED

2017	European transparency directive disclosure							Infrastructure improvement payments
	Production entitlements	Production entitlements	Income taxes	Royalties (cash only)	Dividends	Bonus payments	Licence fees	
Licence/Company level	BBL000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
South Omo	-	-	-	-	-	-	-	25
Tullow Ethiopia B.V.	-	-	-	-	-	-	-	-
Total Ethiopia	-	-	-	-	-	-	-	25
M'Boundi	63	-	-	-	-	-	-	-
Total Congo	63	-	-	-	-	-	-	-
CI-26 Espoir	-	2,354	-	-	-	-	-	-
CI-301	-	-	-	-	-	-	375	-
CI-302	-	-	-	-	-	-	375	-
CI-518	-	-	-	-	-	-	375	-
CI-519	-	-	-	-	-	-	375	-
Tullow Cote d'Ivoire Exploration Ltd.	-	-	-	-	-	-	-	-
Total Cote d'Ivoire	-	2,354	-	-	-	-	1,500	-
Ceiba	123	-	-	-	-	-	-	-
Okume Complex	336	-	-	-	-	-	-	-
Tullow Equatorial Guinea Ltd.	-	-	21,647	-	-	-	-	-
Total Equatorial Guinea	459	-	21,647	-	-	-	-	-
Echira	-	-	-	2,434	-	-	-	-
Ezanga	-	-	-	2,465	-	-	-	-
Ingongo	-	-	-	64	-	-	-	-
Limande	-	-	-	4,177	-	-	-	-
M'Oba	-	-	-	94	-	-	-	-
Niungo	-	-	-	4,024	-	-	-	-
Tchatamba	-	-	-	8,449	-	-	-	-
Turnix	-	-	-	1,772	-	-	-	-
Tullow Oil Gabon SA	-	-	-	-	-	5,000	-	-
Oba	-	-	-	1,561	-	-	-	-
Tulipe Oil SA	-	-	-	-	-	-	-	-
Total Gabon	-	-	-	25,040	-	5,000	-	-
Jubilee	581	-	-	-	-	-	-	246
TEN	482	-	-	-	-	-	-	30
Tullow Ghana Ltd.	-	-	-	-	-	-	59	1,087
Total Ghana	1,063	-	-	-	-	-	59	1,363
Block C-3	-	-	-	-	-	-	29	-
Block C-10	-	-	-	-	-	-	24	-
Block C-18	-	-	-	-	-	-	26	-
PSC B (Chinguetti EEA)	28	-	-	-	-	-	258	-
Tullow Petroleum Mauritania Pty Ltd	-	-	-	-	-	-	-	-
Tullow Mauritania Ltd.	-	-	-	-	-	-	-	-
Total Mauritania	28	-	-	-	-	-	337	-



Voluntary disclosure							Total	Total
VAT	Stamp duty	Withholding tax	PAYE and national insurance	Carried interests	Customs duties	Training allowances	\$000	BBL000
\$000	\$000	\$000	\$000	\$000	\$000	\$000		
-	-	-	-	-	-	-	25	-
(17)	-	1	63	-	-	-	47	-
(17)	-	1	63	-	-	-	72	-
-	-	-	-	-	-	-	-	63
-	-	-	-	-	-	-	-	63
-	-	-	-	-	-	-	2,354	-
-	-	-	-	-	-	-	375	-
-	-	-	-	-	-	-	375	-
-	-	-	-	-	-	-	375	-
-	-	-	-	-	-	-	375	-
-	-	-	18	-	-	-	18	-
-	-	-	18	-	-	-	3,872	-
-	-	-	-	-	-	-	-	123
-	-	-	-	-	-	-	-	336
-	-	-	-	-	-	-	21,647	-
-	-	-	-	-	-	-	21,647	459
-	-	-	-	-	-	-	2,434	-
-	-	-	-	-	-	-	2,465	-
-	-	-	-	-	-	-	64	-
-	-	-	-	-	-	-	4,177	-
-	-	-	-	-	-	-	94	-
-	-	-	-	-	-	-	4,024	-
-	-	-	-	-	-	-	8,449	-
-	-	-	-	-	-	-	1,772	-
-	-	30	54	-	-	-	5,084	-
-	-	-	-	-	-	-	1,561	-
-	-	-	2	-	-	-	2	-
-	-	30	56	-	-	-	30,126	-
-	-	-	-	-	23,553	-	23,799	581
-	-	-	-	-	-	-	30	482
2,753	-	43,388	14,321	14,087	481	250	76,426	-
2,753	-	43,388	14,321	14,087	24,034	250	100,255	1,063
-	-	-	-	-	-	525	554	-
-	-	-	-	-	-	200	224	-
-	-	108	-	-	-	150	284	-
-	-	-	-	-	-	-	258	28
-	-	7	67	-	-	-	74	-
-	-	3	60	-	-	-	63	-
-	-	118	127	-	-	875	1,457	28



FINANCIAL STATEMENTS

TRANSPARENCY DISCLOSURE CONTINUED

2017	European transparency directive disclosure							Infrastructure improvement payments
	Production entitlements	Production entitlements	Income taxes	Royalties (cash only)	Dividends	Bonus payments	Licence fees	
Licence/Company level	BBL 000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Block 10BA	-	-	-	-	-	-	231	-
Block 10BB	-	-	-	-	-	-	93	-
Block 12A	-	-	-	-	-	-	46	-
Block 12B	-	-	-	-	-	-	62	-
Block 13T	-	-	-	-	-	-	19	-
Tullow Kenya B.V.	-	-	1	-	-	-	-	195
Total Kenya	-	-	1	-	-	-	451	195
Tullow Madagascar Ltd.	-	-	-	-	-	-	-	-
Total Madagascar	-	-	-	-	-	-	-	-
Tullow Mozambique Ltd.	-	-	1	-	-	-	-	-
Total Mozambique	-	-	1	-	-	-	-	-
PEL 37	-	-	-	-	-	-	124	-
Tullow Namibia Ltd.	-	-	-	-	-	-	-	-
Total Namibia	-	-	-	-	-	-	124	-
PEL 28	-	-	-	-	-	-	78	100
Tullow Zambia B.V.	-	-	-	-	-	-	-	-
Total Zambia	-	-	-	-	-	-	78	100
Tullow South Africa Pty Ltd.	-	-	271	-	-	-	-	-
Total South Africa	-	-	271	-	-	-	-	-
Tullow Uganda Operations Pty	-	-	2,375	-	-	-	158	-
Tullow Uganda Ltd.	-	-	33,684	-	-	-	-	-
Total Uganda	-	-	36,059	-	-	-	158	-
Tullow Oil Ltd.	-	-	(485)	-	-	-	-	-
Total Ireland	-	-	(485)	-	-	-	-	-
Orinduik	-	-	-	-	-	-	40	-
Tullow Guyana B.V.	-	-	-	-	-	-	-	-
Total Guyana	-	-	-	-	-	-	40	-
Walton Morant	-	-	-	-	-	-	128	-
Tullow Jamaica Ltd.	-	-	-	-	-	-	-	-
Total Jamaica	-	-	-	-	-	-	128	-
E10	-	-	-	-	-	-	60	-
E11	-	-	-	-	-	-	66	-
E14	-	-	-	-	-	-	69	-
E15b	-	-	-	-	-	-	3	-
E15c	-	-	-	-	-	-	34	-
F16E	-	-	-	-	-	-	1	-
Tullow Overseas Holdings B.V.	-	-	-	-	-	-	-	-
Tullow Exp. & Prod. Netherlands B.V.	-	-	(3,921)	-	-	-	-	-
Total Netherlands	-	-	(3,921)	-	-	-	233	-



Voluntary disclosure							Total	Total
VAT	Stamp duty	Withholding tax	PAYE and national insurance	Carried interests	Customs duties	Training allowances	\$'000	BBL '000
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
-	-	3	-	-	-	-	234	-
-	-	560	-	-	-	-	653	-
-	-	10	-	-	-	-	56	-
-	-	14	-	-	-	-	76	-
-	-	536	-	-	-	-	555	-
156	-	788	14,392	-	407	765	16,704	-
156	-	1,911	14,392	-	407	765	18,278	-
-	-	-	2	-	-	-	2	-
-	-	-	2	-	-	-	2	-
-	-	-	-	-	-	-	1	-
-	-	-	-	-	-	-	1	-
-	-	-	-	-	-	-	124	-
-	-	-	4	-	-	60	64	-
-	-	-	4	-	-	60	188	-
-	-	-	-	-	-	-	178	-
39	-	131	-	-	-	-	170	-
39	-	131	-	-	-	-	348	-
(276)	-	-	2,137	-	-	-	2,132	-
(276)	-	-	2,137	-	-	-	2,132	-
-	-	998	4,519	-	2	50	8,102	-
-	-	10	-	-	-	-	33,693	-
-	-	1,008	4,519	-	2	50	41,795	-
(785)	-	-	4,753	-	-	-	3,483	-
(785)	-	-	4,753	-	-	-	3,483	-
-	-	-	-	-	-	-	40	-
-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	25	65	-
-	-	-	-	-	-	-	128	-
-	-	-	-	-	-	104	104	-
-	-	-	-	-	-	104	232	-
-	-	-	-	-	-	-	60	-
-	-	-	-	-	-	-	66	-
-	-	-	-	-	-	-	69	-
-	-	-	-	-	-	-	3	-
-	-	-	-	-	-	-	34	-
-	-	-	-	-	-	-	1	-
(123)	-	-	-	-	-	-	(123)	-
43	-	-	-	-	-	-	(3,878)	-
(80)	-	-	-	-	-	-	(3,768)	-



FINANCIAL STATEMENTS

TRANSPARENCY DISCLOSURE CONTINUED

2017	European transparency directive disclosure							
	Production entitlements	Production entitlements	Income taxes	Royalties (cash only)	Dividends	Bonus payments	Licence fees	Infrastructure improvement payments
Licence/Company level	BBL 000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Tullow Oil Norge AS	-	-	{122,729}	-	-	-	-	-
Total Norway	-	-	{122,729}	-	-	-	-	-
Bannu West	-	-	-	-	-	-	-	6
Kalchas	-	-	-	-	-	-	10	9
Kohat	-	-	-	-	-	-	6	12
Kohlu	-	-	-	-	-	-	6	9
Tullow Pakistan Developments Ltd.	-	-	29	-	-	-	-	-
Total Pakistan	-	-	29	-	-	-	22	36
Tullow Suriname B.V.	-	-	-	-	-	-	-	-
Total Suriname	-	-	-	-	-	-	-	-
Tullow Group Services Ltd.- Singapore	-	-	113	-	-	-	-	-
Total Singapore	-	-	113	-	-	-	-	-
Boulton B&F	-	-	-	-	-	-	58	-
Murdoch	-	-	-	-	-	-	241	-
Schooner	-	-	-	-	-	-	218	-
Munro (44/17B)	-	-	-	-	-	-	84	-
Kelvin	-	-	-	-	-	-	118	-
Katy	-	-	-	-	-	-	106	-
CMS	-	-	-	-	-	-	4	-
P039	-	-	-	-	-	-	123	-
P852	-	-	-	-	-	-	233	-
Tullow Group Services Ltd.	-	-	-	-	-	-	-	-
Tullow Oil SK Ltd	-	-	{8,244}	-	-	-	-	-
Total UK	-	-	{8,244}	-	-	-	1,185	-
Tullow Uruguay Ltd.	-	-	-	-	-	-	-	-
Total Uruguay	-	-	-	-	-	-	-	-
TOTAL	1,613	2,354	{77,260}	25,040	-	5,000	4,315	1,719



Voluntary disclosure									
VAT	Stamp	Withholding	PAYE and	Carried	Customs	Training		Total	Total
\$000	duty	tax	national	interests	duties	allowances		\$000	BBL '000
\$000	\$000	\$000	\$000	\$000	\$000	\$000			
(592)	-	-	6,011	-	-	-		(117,309)	-
(592)	-	-	6,011	-	-	-		(117,309)	-
-	-	-	-	-	-	3		9	-
-	-	-	-	-	-	4		23	-
-	-	-	-	-	-	5		23	-
-	-	-	-	-	-	4		19	-
-	-	120	1	-	-	-		150	-
-	-	120	1	-	-	16		224	-
-	-	-	198	-	-	53		251	-
-	-	-	198	-	-	53		251	-
-	-	-	-	-	-	-		113	-
-	-	-	-	-	-	-		113	-
-	-	-	-	-	-	-		58	-
-	-	-	-	-	-	-		241	-
-	-	-	-	-	-	-		218	-
-	-	-	-	-	-	-		84	-
-	-	-	-	-	-	-		118	-
-	-	-	-	-	-	-		106	-
-	-	-	-	-	-	-		4	-
-	-	-	-	-	-	-		123	-
-	-	-	-	-	-	-		233	-
(14,930)	-	-	48,061	-	-	-		33,132	-
-	-	-	-	-	-	-		(8,244)	-
(14,930)	-	-	48,061	-	-	-		26,072	-
-	-	-	267	-	-	100		367	-
-	-	-	267	-	-	100		367	-
(13,732)	-	46,707	94,930	14,087	24,443	2,298		129,902	1,613
Payments in kind in \$000									94,038
Total								223,940	



FINANCIAL STATEMENTS

SUSTAINABILITY DATA

ENVIRONMENT

	2013	2014	2015	2016	2017
Atmospherics					
Total air emissions (tonnes of CO ₂ e)	693,170	803,724	758,790	772,110	1,123,815
Scope 1 total air emissions (tonnes of CO ₂ e)	686,996	799,551	752,539	754,338	1,108,144
Scope 2 total air emissions (tonnes of CO ₂ e)	6,174	4,173	4,631	4,763	2,928
Scope 3 total air emissions (tonnes of CO ₂ e)			1,620	13,010	12,743
Total air emissions by production (tonnes of CO ₂ e) per thousand tonnes hydrocarbon produced	99.78	123.84	122.07	142.11	127.17
CH ₄ emissions (tonnes)	2,578	2,191	2,073	2,741	5,314
N ₂ O emissions (tonnes)	43.75	41.84	29.85	21.98	27.77
CO ₂ emissions (tonnes) per thousand tonnes of HC produced	85	106	106	122	108
Flaring					
Total hydrocarbon flared (tonnes)	80,695	117,516	110,638	149,217	290,797
Total Hydrocarbon flared by production (tonnes per thousand tonnes hydrocarbon produced)	11.62	18.11	17.84	27.93	33.29
Water usage					
Metered water (m ³)	13,013	59,220	70,466	56,728	89,366
Seawater (m ³)	7,295,571	9,885,133	8,004,940	9,080,888	12,567,127
Ground water (m ³)	180,337	129,956	113,847	46,322	60,998
Fresh water (m ³)	35,900	11,695	–	–	–
Other water (m ³)	31,740	3,643	10	–	1,537
Total water usage (m ³) - all operational sites	7,556,562	10,089,647	8,189,263	9,183,938	12,719,028
Recycled water (m ³)	21,567	11,250	5,451	4,722	2,308
Total water from sustainable sources (m ³)	21,567	11,250	5,451	4,722	2,308
Waste					
Total Waste disposed (tonnes)	34,157	75,799	72,380	58,554	39,407
Waste Recycled / Re-used / Treated (%)	83.38	63.82	70.93	27.95	5.00
Hazardous waste Recycled / Re-used / Treated (%)	87.00	97.85	99.49	74.36	31.00
Non-hazardous waste Recycled / Re-used / Treated (%)	51.75	3.68	3.44	15.01	2.00
Uncontrolled releases					
Oil & Chemical spills (#)	10	15	7	2	3
Oil & Chemical spills (tonnes)	23.29	715.85	24.71	4.85	6.44
Energy use					
Total operations indirect and direct energy use (GJ)	5,757,479	5,345,475	5,104,423	7,272,710	8,007,696
Total indirect and direct energy use (GJ)	5,798,539	5,375,436	5,158,200	7,318,373	8,036,831
Total indirect and direct energy use by production (GJ per thousand tonnes hydrocarbon produced)	829	828	832	1,370	920
Fines and sanctions	–	80,000	–	–	–



HEALTH AND SAFETY

	2013	2014	2015	2016	2017
Hours worked (million)	21.1	22.4	13.3	9.2	10.9
Number of employee fatalities	–	–	–	–	–
Number of contractor fatalities	–	–	–	–	–
Number of third party fatalities involving members of the public	1	1	–	–	1
Lost Time Injuries (LTIs)	17	13	4	–	4
Lost Time Injuries Frequency Rate (LTIF)	0.81	0.58	0.30	–	0.37
OGP LTIF	0.45	0.36	0.29	0.27	n/a
Total Recordable Injuries (TRI)	67	41	12	9	8
Total Recordable Injuries Frequency Rate (TRIF)	3.18	1.83	0.90	0.98	0.73
OGP TRIF	1.60	1.54	1.21	1.03	n/a
High Potential Incidents (HiPos)	39	25	15	8	7
High Potential Incident Frequency Rate (HiPoF)	1.85	1.11	1.13	0.87	0.64
Malaria frequency rate	0.01	0.03	0.30	–	–
Kilometres driven ('000,000)	12.7	15.5	6.5	5.4	5.2
Vehicle Accident Frequency Rate (VAFR)	0.71	0.77	0.47	0.55	0.77

LOCAL CONTENT

	2013	2014	2015	2016	2017
Local supplier spend (\$ million)	217.0	225.4	308.9	336.6	234.6
By Country	2013	2014	2015	2016	2017
Ethiopia	14.4	–	–	–	–
Ghana	128.0	123.6	226.0	297.0	194.2
Kenya	48.0	81.5	75.0	28.0	37.0
Mauritania	7.0	–	–	–	–
Uganda	19.6	20.3	7.9	11.6	3.4
Total	217.0	225.4	308.9	336.6	234.6



FINANCIAL STATEMENTS

SUSTAINABILITY DATA CONTINUED

COMPLIANCE

	2014	2015	2016	2017
Corruption	14	17	5	2
Fraud	10	22	19	8
HR	35	47	46	38
Supply chain	9	17	21	12
Total speaking up cases	68	103	91	60

OUR PEOPLE

	2013	2014	2015	2016	2017
Number of employees	1,553	1,595	1,156	1,023	922
Number of contractors	481	447	247	129	108
Number of expatriates in the workforce	446	448	268		144
Number of people on local contract terms	1,588	1,594	1,135	979	886
Number of females in the workforce	582	583	396	336	313
Total workforce	2,034	2,042	1,403	1,152	1,030
Number of female managers	85	90	76	66	59
Total number of managers	433	442	338	297	274
Number of female senior managers	6	4	14	9	10
Total number of senior managers	49	53	115	68	65
Number of female board members	2	2	2	2	1
Total number of board members	12	12	12	11	9



TULLOW OIL PLC SUBSIDIARIES

AS AT 6 FEBRUARY 2017

Company name	Country of incorporation	% of nominal value of shares held (all ordinary shares)	Type of ownership
Hardman Oil and Gas Pty Ltd	Australia	100%	Indirect
Hardman Resources Pty Ltd	Australia	100%	Indirect
Tullow Chinguetti Production Pty Ltd	Australia	100%	Indirect
Tullow Petroleum (Mauritania) Pty Ltd	Australia	100%	Indirect
Tullow Uganda Holdings Pty Ltd	Australia	100%	Indirect
Tullow Uganda Operations Pty Ltd	Australia	100%	Indirect
Tullow Do Brasil Petroleo E Gas Ltda	Brazil	100%	Indirect
Eagle Drill Limited	British Virgin Islands	50%	Indirect
Tullow (EA) Holdings Limited	British Virgin Islands	100%	Indirect
Tullow Oil Canada Ltd	Canada	100%	Indirect
Planet Oil International Limited	England and Wales	100%	Indirect
Tullow Africa New Ventures Limited	England and Wales	100%	Indirect
Tullow Côte D'Ivoire Onshore Limited	England and Wales	100%	Indirect
Tullow EG Exploration Limited	England and Wales	100%	Indirect
Tullow Gambia Limited	England and Wales	100%	Indirect
Tullow Greenland Exploration Limited	England and Wales	100%	Indirect
Tullow Group Services Limited	England and Wales	100%	Direct
Tullow Guinea Limited	England and Wales	100%	Indirect
Tullow Jamaica Limited	England and Wales	100%	Indirect
Tullow Mozambique Limited	England and Wales	100%	Indirect
Tullow Oil 100 Limited	England and Wales	100%	Direct
Tullow Oil 101 Limited	England and Wales	100%	Direct
Tullow Oil Finance Limited	England and Wales	100%	Direct
Tullow Oil SK Limited	England and Wales	100%	Direct
Tullow Oil SNS Limited	England and Wales	100%	Direct
Tullow Oil SPE Limited	England and Wales	100%	Direct
Tullow Peru Limited	England and Wales	100%	Indirect
Tullow Senegal Exploration Limited	England and Wales	100%	Indirect
Tullow Technologies Limited	England and Wales	100%	Indirect
Tullow Uganda Midstream Limited	England and Wales	100%	Indirect
Tullow Uruguay Limited	England and Wales	100%	Indirect
Hardman Petroleum France SAS	France	100%	Indirect
Tulipe Oil SA	Gabon	50%	Indirect
Tullow Oil Gabon SA	Gabon	100%	Indirect
Invest in Africa	Guernsey	100%	Indirect
Tullow Oil (Mauritania) Ltd	Guernsey	100%	Indirect
Tullow Oil Holdings (Guernsey) Ltd	Guernsey	100%	Indirect
Tullow Oil Limited	Ireland	100%	Direct
Tullow Congo Limited	Isle of Man	100%	Indirect
Tullow Equatorial Guinea Limited	Isle of Man	100%	Indirect
Tullow Gabon Holdings Limited	Isle of Man	100%	Indirect
Tullow Gabon Limited	Isle of Man	100%	Indirect



FINANCIAL STATEMENTS

TULLOW OIL PLC SUBSIDIARIES CONTINUED

AS AT 6 FEBRUARY 2017

Company name	Country of incorporation	% of nominal value of shares held (all ordinary shares)	Type of ownership
Tullow Mauritania Limited	Isle of Man	100%	Indirect
Tullow Namibia Limited	Isle of Man	100%	Indirect
Tullow Senegal Limited	Isle of Man	100%	Indirect
Tullow Uganda Limited	Isle of Man	100%	Indirect
Tullow Cote D'Ivoire Exploration Limited	Jersey	100%	Indirect
Tullow Cote D'Ivoire Limited	Jersey	100%	Indirect
Tullow Ghana Limited	Jersey	100%	Indirect
Tullow India Operations Limited	Jersey	100%	Indirect
Tullow Madagascar Limited	Jersey	100%	Indirect
Tullow Oil (Jersey) Limited	Jersey	100%	Direct
Tullow Oil International Limited	Jersey	100%	Indirect
Tullow Pakistan (Developments) Limited	Jersey	100%	Indirect
Tullow DRC BV	Netherlands	100%	Indirect
Tullow Ethiopia BV	Netherlands	100%	Indirect
Tullow Global Compliance BV	Netherlands	100%	Indirect
Tullow Guyana BV	Netherlands	100%	Indirect
Tullow Hardman Holdings BV	Netherlands	100%	Indirect
Tullow Kenya BV	Netherlands	100%	Indirect
Tullow Mexico BV	Netherlands	100%	Indirect
Tullow Netherlands Holding Cooperatief BA	Netherlands	100%	Indirect
Tullow Overseas Holdings BV	Netherlands	100%	Direct
Tullow Suriname BV	Netherlands	100%	Indirect
Tullow Tanzania BV	Netherlands	100%	Indirect
Tullow Uganda Holdings BV	Netherlands	100%	Indirect
Tullow Zambia BV	Netherlands	100%	Indirect
Tullow Oil (Bream) Norge AS	Norway	100%	Indirect
Tullow Oil Norge AS	Norway	100%	Indirect
Energy Africa Bredasdorp Pty Ltd	South Africa	100%	Indirect
Tullow South Africa (Pty) Limited	South Africa	100%	Indirect
T.U. S.A.	Uruguay	100%	Indirect



GLOSSARY

£m	Pound Sterling million
AGM	Annual General Meeting
AFS	Available for sale
APP	African Partner Pool
ASOC	Advanced Security Operations Centre
bbl	Barrel
bcf	Billion cubic feet
BDT	Business Delivery Team
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
¢	Cent
Capex	Capital expenditure
CISP	Cyber Information Sharing Partnership
CMS	Caister Murdoch System
CMS III	A group development of five satellite fields linked to CMS
CNOOC	China National Offshore Oil Corporation
CSA	Control self-assessment
CSO	Civil Society Organisations
CtO	Case to Operate
D&O	Development and Operations
DD&A	Depreciation, Depletion and Amortisation
DEFRA	Department for Environment, Food & Rural Affairs
DoA	Delegation of Authority
DSBP	Deferred Share Bonus Plan
E&A	Exploration and Appraisal
E&P	Exploration and Production
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITDAX	Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration
EHS	Environment, Health and Safety
EITI	Extractive Industries Transparency Initiative
EOPS	Early Oil Pilot Scheme
EPS	Earnings per share
EuroStoxx	A European market index
ESIA	Environmental Social Impact Assessment
ESOS	Executive Share Option Scheme
EWT	Extended Well Test



FINANCIAL STATEMENTS

GLOSSARY CONTINUED

FEED	Front End Engineering and Design
FID	Final Investment Decision
FFD	Full Field Development
FPSO	Floating Production Storage and Offloading vessel
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FTSE 250	Equity index consisting of the 101st to 350th largest UK listed companies by market capitalisation
FVTPL	Fair Value Through Profit or Loss
G&A	General and Administrative
G&H	Gifts and hospitality
GHG	Greenhouse gas
GJFFD	Greater Jubilee Full Field Development
GNPC	Ghana National Petroleum Corporation Group Company and its subsidiary undertakings
HIPO	High Potential Incident
HMRC	HM Revenue & Customs
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIA	Invest in Africa
IMF	International Monetary Fund
IMS	Integrated Management System
IOC	International oil company
IR	Investor Relations
ITLOS	International Tribunal for the Law of the Sea
JDA	Joint Development Agreement
JV	Joint Venture
km	Kilometres
KNPS	Kenya National Police Service
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LTI	Lost Time Injury
LTIF	Frequency Rate measured in LTIs per million hours worked
mmbo	Million barrels of oil
mmboe	Million barrels of oil equivalent
mmscfd	Million standard cubic feet per day
MoU	Memorandum of Understanding
MSP	Major Simplification Project
MTM	Mark-to-Market
MVC	Motor vehicle collision
MVCF	Motor vehicle collision frequency

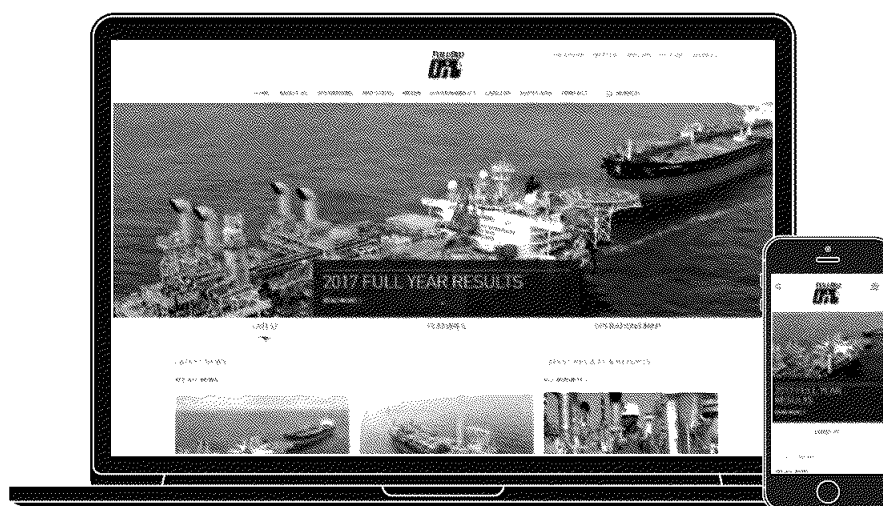


NGO	Non-Governmental Organisation
OPEC	Organisation of Petroleum Exporting Countries
Opex	Operating expenses
OSE	Organisation Strategy & Effectiveness
p	Pence
PAYE	Pay As You Earn
PEP	Politically exposed persons
PoD	Plan of Development
PP&E	Property, plant and equipment
PRT	Petroleum Revenue Tax
PSA	Production Sharing Agreement
PSC	Production Sharing Contract
PSP	Performance Share Plan
S&P 500	Standard & Poor's 500, US stock market index based on market capitalisation
SC	Supply Chain
SCT	Supplementary Corporation Tax
SEENT	South East Etame North Tchibala
SID	Senior Independent Director
SIP	Share Incentive Plan
SOGA	Skills for oil and gas in Africa
SOP	Share Option Plan
Sq km	Square kilometres
SRI	Socially Responsible Investment
SSEA	Safety, Sustainability & External Affairs
TEN	Tweneboa – Enyenra – Ntomme
TIP	Tullow Incentive Plan
TGSS	Tullow Group Scholarship Scheme
TRP	Turret Remediation Project
TSR	Total Shareholder Return
TRI	Total recordable injuries
UK GAAP	UK Generally Accepted Accounting Practice
VAT	Value Added Tax
VP	Vice President
VPSHR	Voluntary Principles on Security and Human Rights
WAEP	Weighted Average Exercise Price
WHO	World Health Organization
Wildcat	Exploratory well drilled in land not known to be an oil field



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Our main corporate website has key information about our business, operations, investors, media, sustainability, careers and suppliers.



RESULTS, REPORTS & PRESENTATIONS

Financial results, corporate annual reports, webcasts and fact books are all stored in the Investor Relations section of our website:

www.tullowoil.com/reports

E-COMMUNICATIONS

All documents on the website are available to view without any particular software requirement other than the software which is available on the Group's website.

For every shareholder who signs up for electronic communications, a donation is made to the eTree initiative run by Woodland Trust. You can register for email communication at:
www.etree.com/tullowoilplc

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