



Tullow Oil plc

# 2018 FULL YEAR RESULTS

Wednesday 13 February 2019

This presentation contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business.

Whilst Tullow believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Group's control or within the Group's control where, for example, the Group decides on a change of plan or strategy.

The Group undertakes no obligation to revise any such forward-looking statements to reflect any changes in the Group's expectations or any change in circumstances, events or the Group's plans and strategy. Accordingly no reliance may be placed on the figures contained in such forward looking statements.

# DRIVING FORWARD TO ACHIEVE OUR GROWTH AMBITIONS



Investing in  
our assets

**>150kbopd**  
production potential

Investing to grow production, develop discoveries and find new oil

Low cost  
base

**<\$10/bbl**  
targeted operating costs

Significant savings realized; cost-discipline embedded across the business

Cash  
generation

**~\$40/bbl**  
free cash flow breakeven

Business delivers substantial and growing underlying free cash flow

Robust balance  
sheet

**1x-2x**  
targeted gearing range

Continued disciplined management of our balance sheet

Shareholder  
returns

**\$100m**  
minimum annual dividend

Sustainable capital returns policy emphasises strong financial discipline





Tullow Oil plc - 2018 Full Year Results

# CFO UPDATE

LES WOOD - Chief Financial Officer

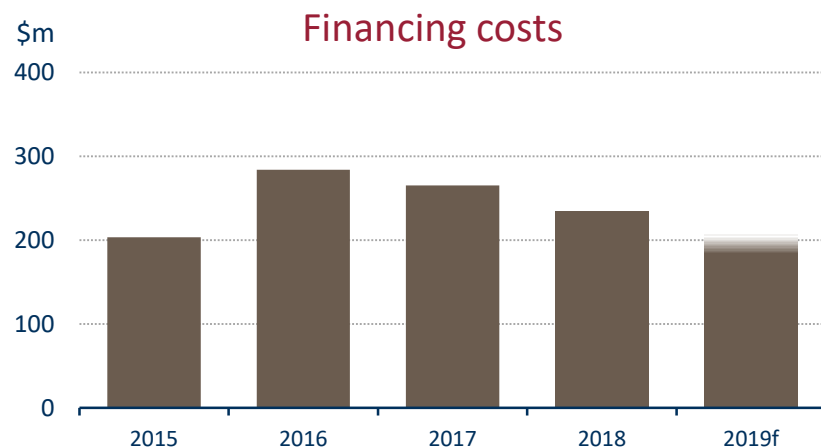
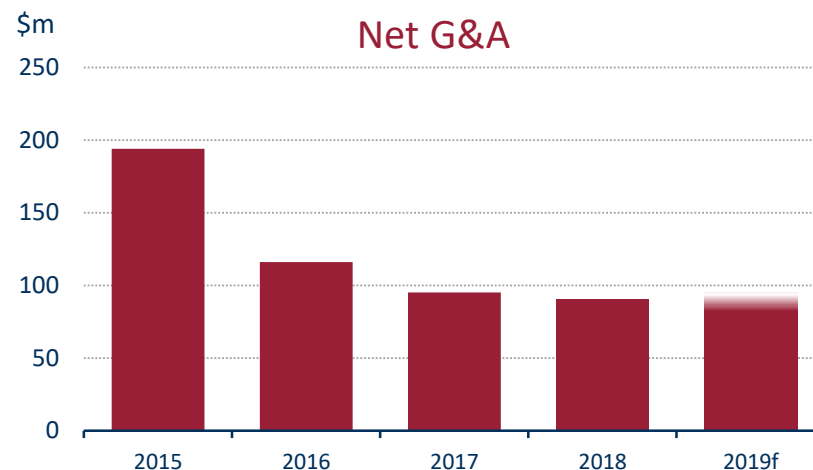
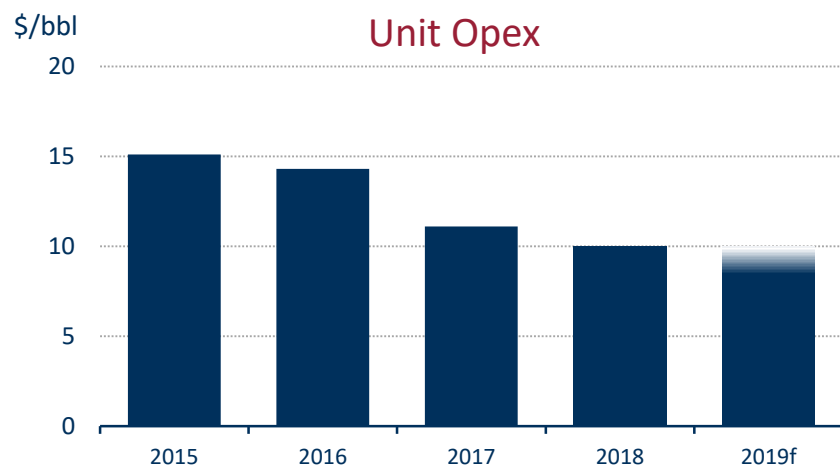
## 2018 FULL YEAR RESULTS SUMMARY



1. Revenue excludes \$188 million additional revenue from Corporate Business Interruption insurance (2017: \$162 million)
2. Profit/(loss) includes non-cash exploration write-offs of \$295 million (pre-tax)
3. Capital investment excludes Uganda capex expected to be recovered on completion of the farm down
4. Free cash flow impacted by one-off litigation payment of \$208 million

Strong financial performance despite oil price volatility

## RELENTLESS FOCUS ON RETAINING COST DISCIPLINE



## Competitive industry cost base

- Targeting further operational efficiencies
- Cost conscious culture embedded
- Optimising capital structure
- Sustaining low cost base through the cycle

Underlying free cash flow breakeven in 2019 of \$40/bbl

## DISCIPLINED CAPITAL INVESTMENT IN OUR BUSINESS

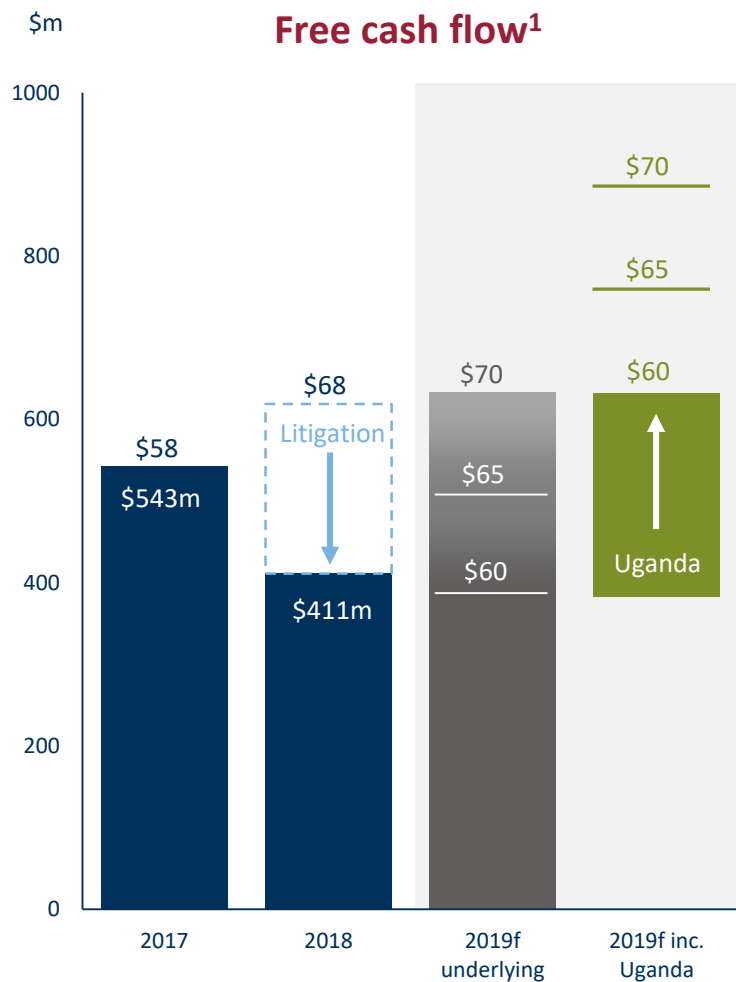


	MAXIMISING PRODUCTION		GROWTH FROM DISCOVERED RESOURCES		FINDING NEW OIL	
FY 2018	\$204m Ghana	\$92m Non-op	\$65m Kenya	\$50m Uganda*	\$62m Exploration	\$423m
FY 2019	\$250m Ghana	\$100m Non-op	\$70m Kenya	\$180m Uganda*	\$140m Exploration	\$570m
Annual outlook	<ul style="list-style-type: none"> <li>Invest up to \$600m in high value assets</li> <li>Flexibility to lower capex if required with a sustained low oil price</li> </ul>					Up to \$600m

\*Excluded from totals as expected to be recovered on completion of the farm-down with the exception of \$10m in 2019 representing Tullow own costs.

Attractive opportunities for capital investment across the portfolio

# A BUSINESS DELIVERING SIGNIFICANT FREE CASH FLOW



## Factors impacting 2018 free cash flow:

- ↑ Strong underlying operating cash flow
- ↓ One-off cash outflow from Seadrill litigation
- ↓ Year-end working capital movements

## Factors impacting 2019 free cash flow:

- ↑ One-off cash inflow expected from Uganda farm-down & FID
- ↑ ↓ Oil price sensitivity (\$5/bbl = +/- \$125m)
- ↑ ↓ Working capital movements (+/- \$100m)

<sup>1</sup>Free cash flow: Cash after all costs, capex and financing but before dividends and debt paydown

## A self-funding E&P Company



# CAPITAL ALLOCATION FRAMEWORK



## DEBT AND LIQUIDITY

Balance sheet robust to future oil price volatility

Driving net debt below \$2 billion in near term

Retain flexibility with longer term gearing of 1x-2x

Ensuring headroom for future opportunities

## INVESTING IN OUR BUSINESS

Apply strict criteria to allocate capital across the portfolio:

### Maximising production:

Immediate cashflow  
High returns, short payback

### Growth from discovered resources:

Future cash flow  
Medium-term payback

### Finding new oil:

Significant value  
New resources, capital growth

### Other opportunities

## SHAREHOLDER RETURNS

Demonstrating financial discipline and business progress

Capital Returns Policy established

Sustainable annual ordinary dividend

Additional returns in periods of strong FCF

**2018 final dividend**  
€4.8/share (~\$67m)

Balanced capital allocation focused on maximising shareholder returns



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# OPERATIONS UPDATE

ANGUS McCOSS - Exploration & Subsurface Director

# ORGANIC INVESTMENT OPPORTUNITIES TO GROW OUR BUSINESS

## MAXIMISING PRODUCTION



## GROWTH FROM DISCOVERED RESOURCES



## FINDING NEW OIL



Jubilee and TEN infill wells

Non-op investment opportunities

Increase and sustain production revenues

High returns from known reservoirs

East Africa development projects

West Africa near-field tie-backs

Growing medium term production and revenue

Converting resources to reserves

Exploration in emerging basins

Infrastructure-led exploration

High value oil plays

Material low cost campaigns

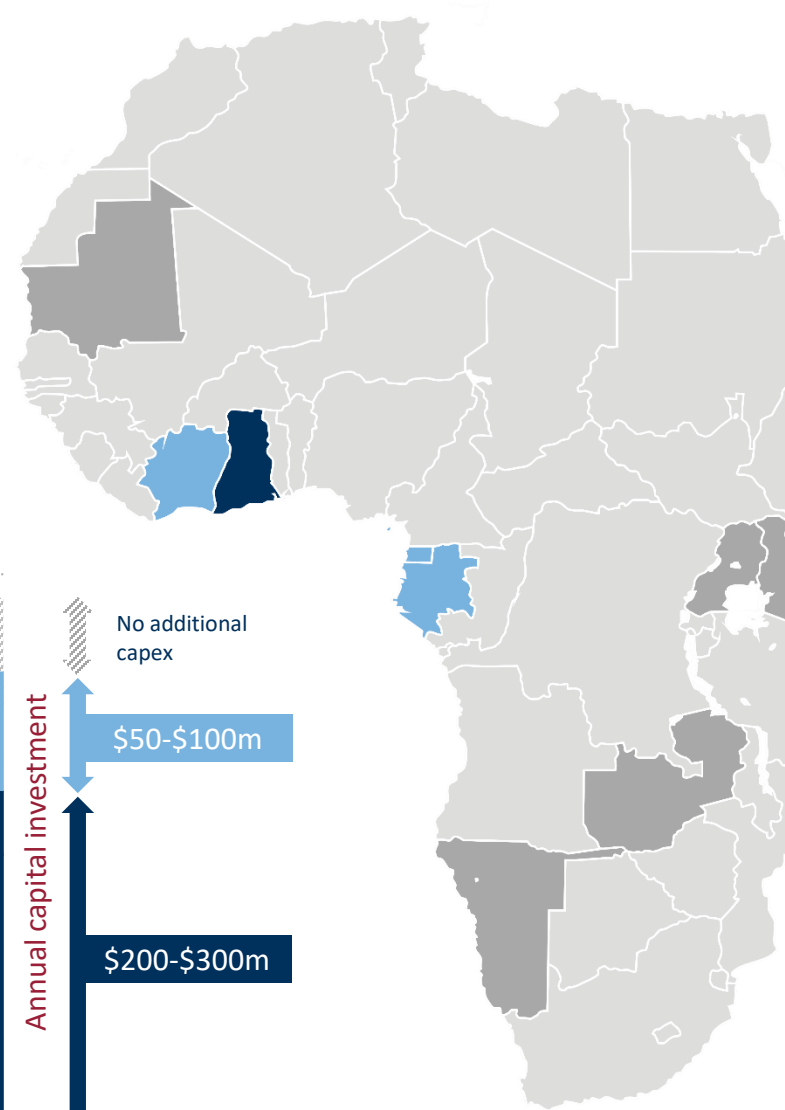
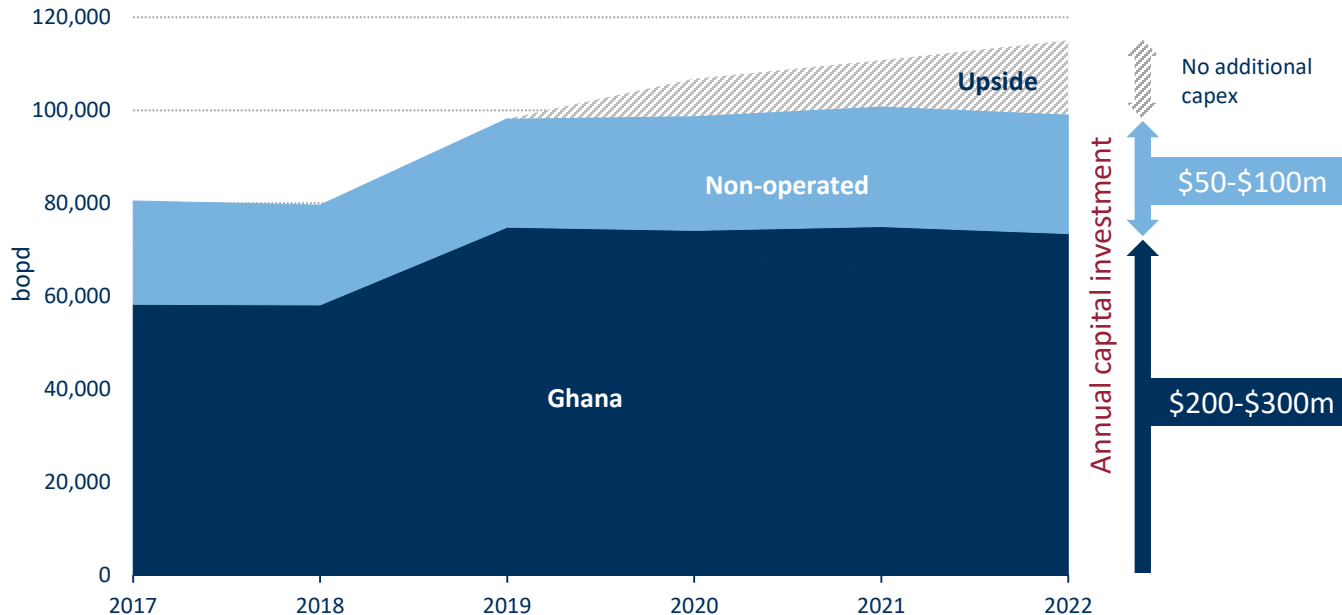
Potential to transform resource base

# MAXIMISING PRODUCTION IN WEST AFRICA



## Growing & sustaining our production business

- Ramping up production to ~100,000 bopd net in 2019
- Infill, near-field & exploration opportunities to sustain & grow production
- Low-cost production ~\$10 opex/bbl
- Significant scope for 'just-in-time' reserves & resources growth





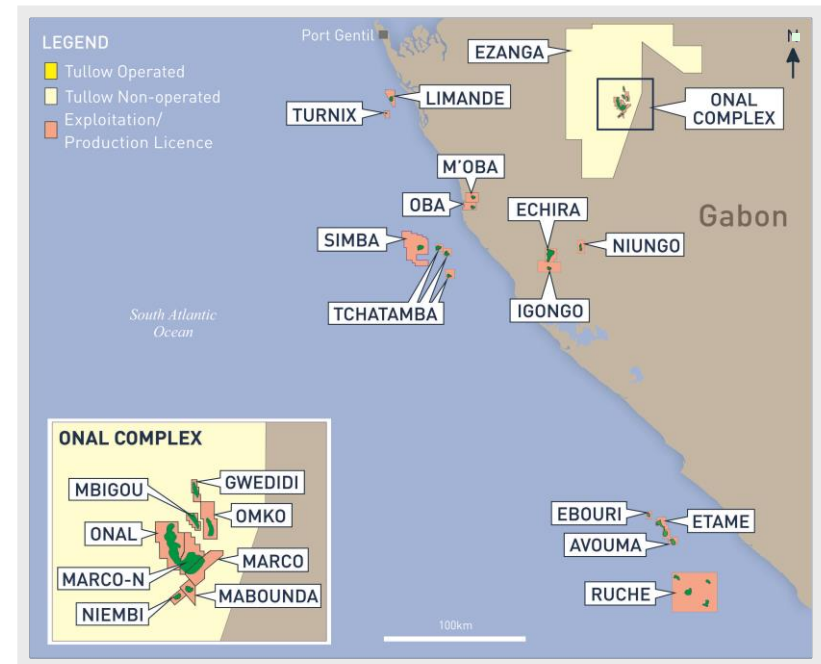
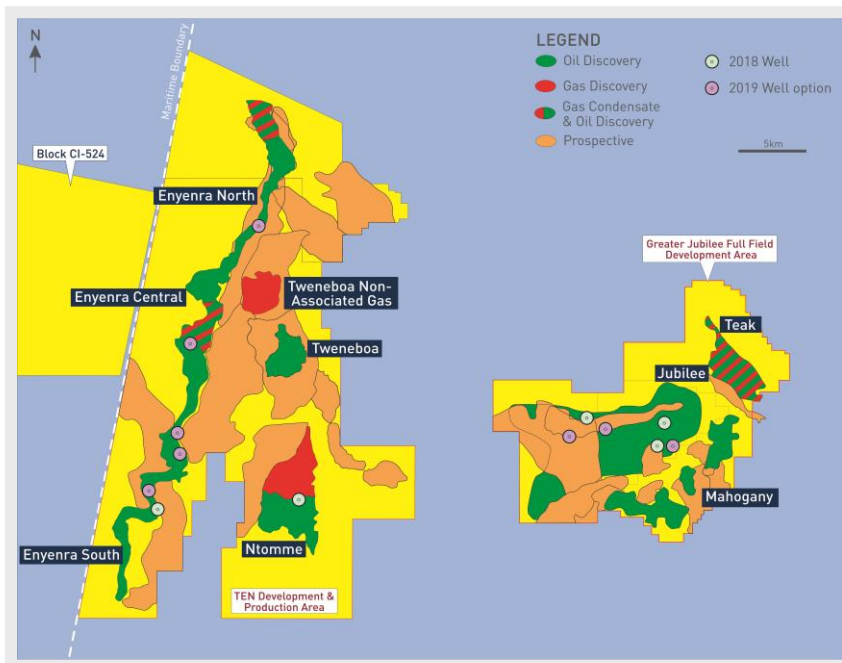
# PRODUCTION OPERATIONS ACROSS WEST AFRICA

## Ghana infill programme delivering results

- New wells meeting/exceeding expectations
- Seven new wells planned in 2019
- ~180,000 bopd gross production forecast 2019

## Significant Ghana reserves & resource base

- Fields in early life; only 25% of R&R produced
- Progressively maturing 2C into 2P, with further nearfield opportunities being pursued



## Revival of West Africa non-op portfolio

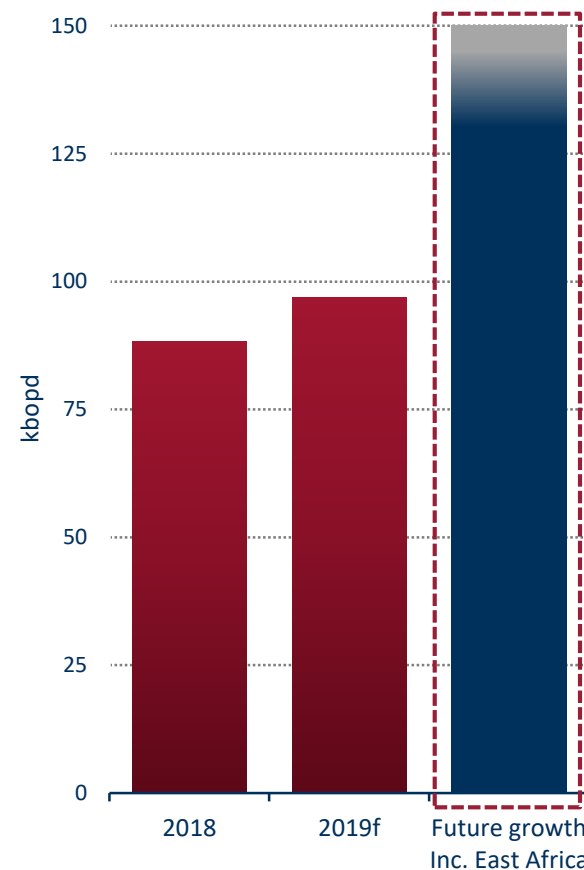
- 70% 2P & 2C resource increase across portfolio in 2018
- 160% 2P reserves replacement in 2018
- New Simba field on stream, exceeding expectations
- Small transactions in 2018 grow 2019 production

## DEVELOPING OUR DISCOVERIES: EAST AFRICA PRODUCTION HUB



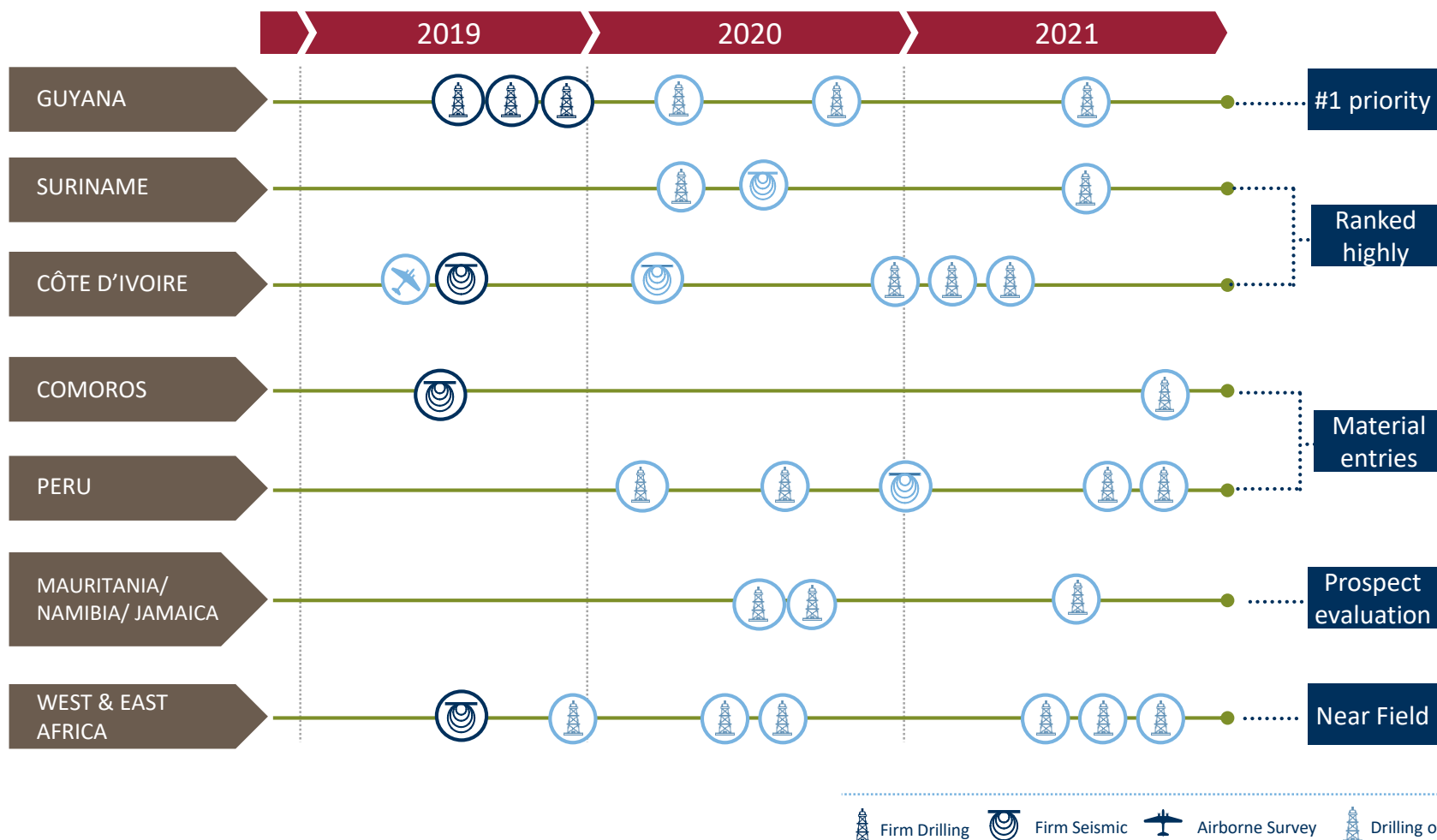
	KENYA	UGANDA
MATERIAL OIL DISCOVERIES	560mmbo Gross 2C resource	1.7bbo Gross 2C resource
PRODUCTION SCALE	60→100,000 bopd gross production	230,000 bopd gross production
DEVELOPMENT UPDATE	<b>Targeting FID end 2019</b> <ul style="list-style-type: none"> <li>EOPS transporting 600 bopd</li> <li>Foundation stage well defined</li> <li>FEED &amp; ESIAs ongoing</li> <li>Awaiting finalisation of key commercial agreements</li> <li>Land &amp; water agreements progressing</li> </ul>	<b>Targeting FID mid-2019</b> <ul style="list-style-type: none"> <li>FEED &amp; Upstream ESIA complete</li> <li>Ready to award major contracts</li> <li>Finalisation of commercial, technical &amp; land agreements ongoing</li> <li>Infrastructure improvements under way</li> </ul>

Group net oil production growth



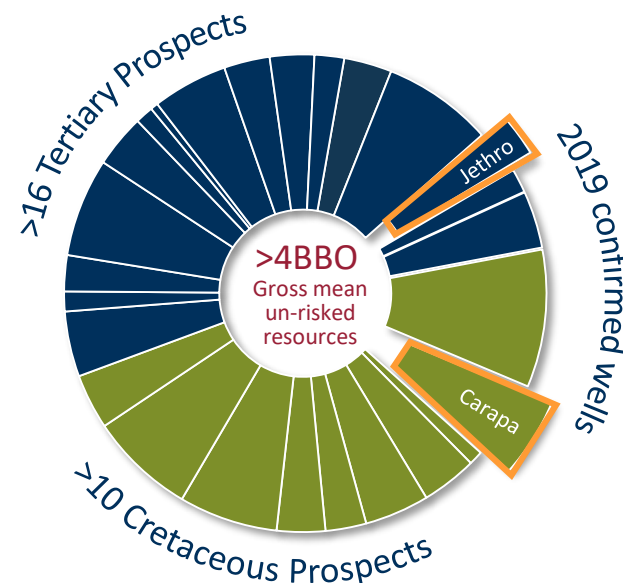
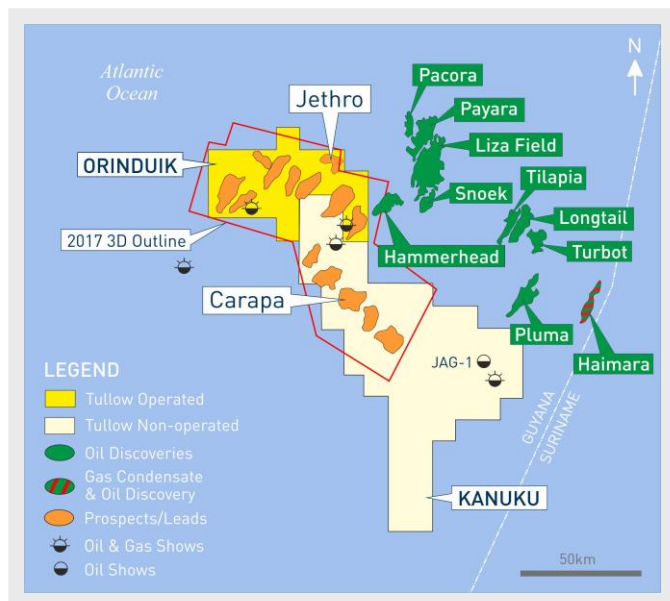
JV Partners & Governments targeting 2019 FID in Uganda and Kenya

## FINDING NEW OIL – EXECUTING OUR EXPLORATION PROGRAMME



Drilling 3-5 high-impact wildcats per year, within \$150m exploration budget

# 2019 DRILLING FOCUS ON GUYANA



Shelf-edge acreage in industry hot-spot



Multiple prospects up-dip of giant oil discoveries



High-quality 3D seismic processed

## ORINDUIK

### JETHRO

prospect selected for 2Q 2019 drilling

>100 mmbo  
Tertiary target

1,350m  
water depth

~\$30m  
net well cost

Drillship  
rig being  
contracted

## KANUKU

### CARAPA

prospect selected for 3Q 2019 drilling

>200 mmbo  
Cretaceous target

70m  
water depth

~\$20m  
net well cost

Jack-up  
rig to be  
contracted





Tullow Oil plc - 2018 Full Year Results

# CONCLUSION

PAUL McDADE - Chief Executive Officer

GENERATE  
significant free cash flow



DISCOVER  
oil in Guyana

GROW  
net production



RETURN  
\$100m  
minimum  
dividend



MAINTAIN  
cost discipline

ACHIEVE  
Uganda &  
Kenya FIDs



COMPLETE  
Uganda farm-down



A strong foundation for growth in the years ahead



# DEFINING TULLOW'S POSITION IN THE E&P INDUSTRY



## The pillars of our growth ambitions



Africa



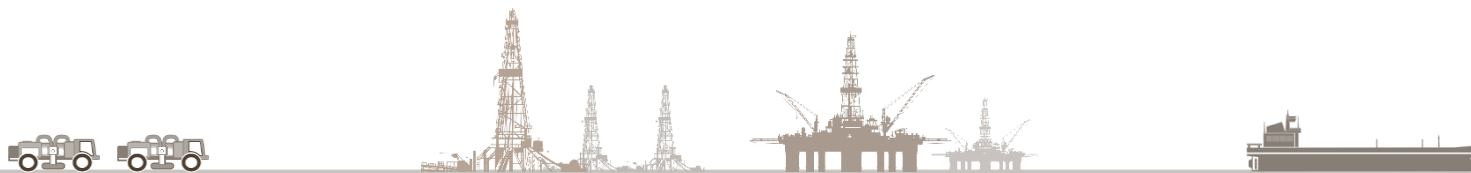
Oil



Sustainable



Progressive



A balanced E&P business, focused on oil & specialising in emerging markets



Tullow Oil plc - 2018 Full Year Results

# APPENDIX

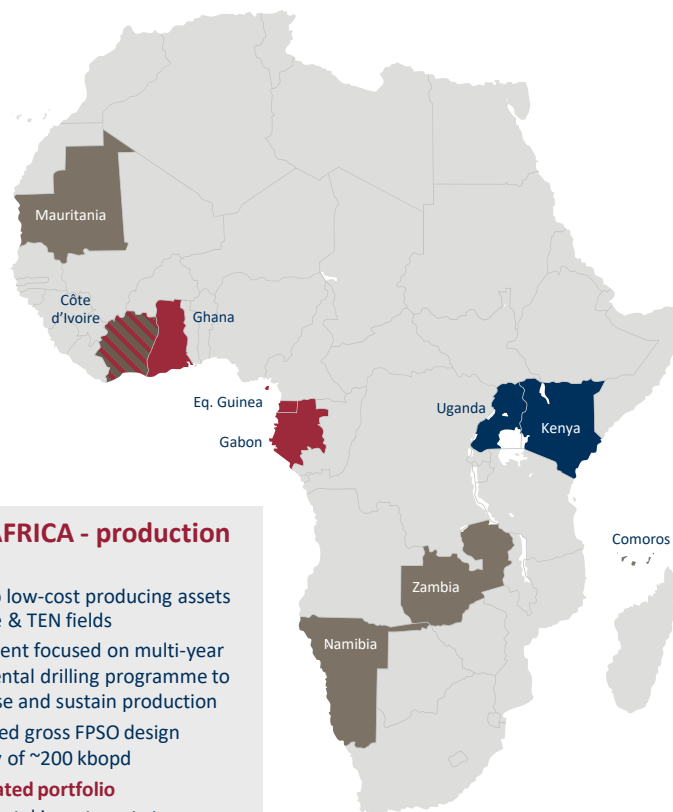
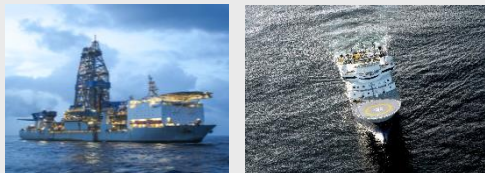


# OUR PORTFOLIO OF ASSETS



## NEW VENTURES - exploration

- Extensive acreage in Africa and South America, in well-known plays
- Multiple high-impact frontier campaigns planned over next three years
- Recent new licences in Côte d'Ivoire, Suriname, Peru\* & Comoros\*



## EAST AFRICA - development

### Kenya

- Significant discoveries in South Lokichar basin
- Phased development plan to reach 100+ kbopd at plateau
- Driving towards first oil in 2022

### Uganda

- Estimated 1.7bn bbls of discovered resources in Uganda, development progressing
- c.230kbopd gross production at plateau; expected capex covered to first oil and beyond



## WEST AFRICA - production

### Ghana

- Flagship low-cost producing assets - Jubilee & TEN fields
- Investment focused on multi-year incremental drilling programme to maximise and sustain production
- Combined gross FPSO design capacity of ~200 kbopd

### Non-operated portfolio

- Incremental investments to sustain production



## West Africa oil production<sup>1</sup>

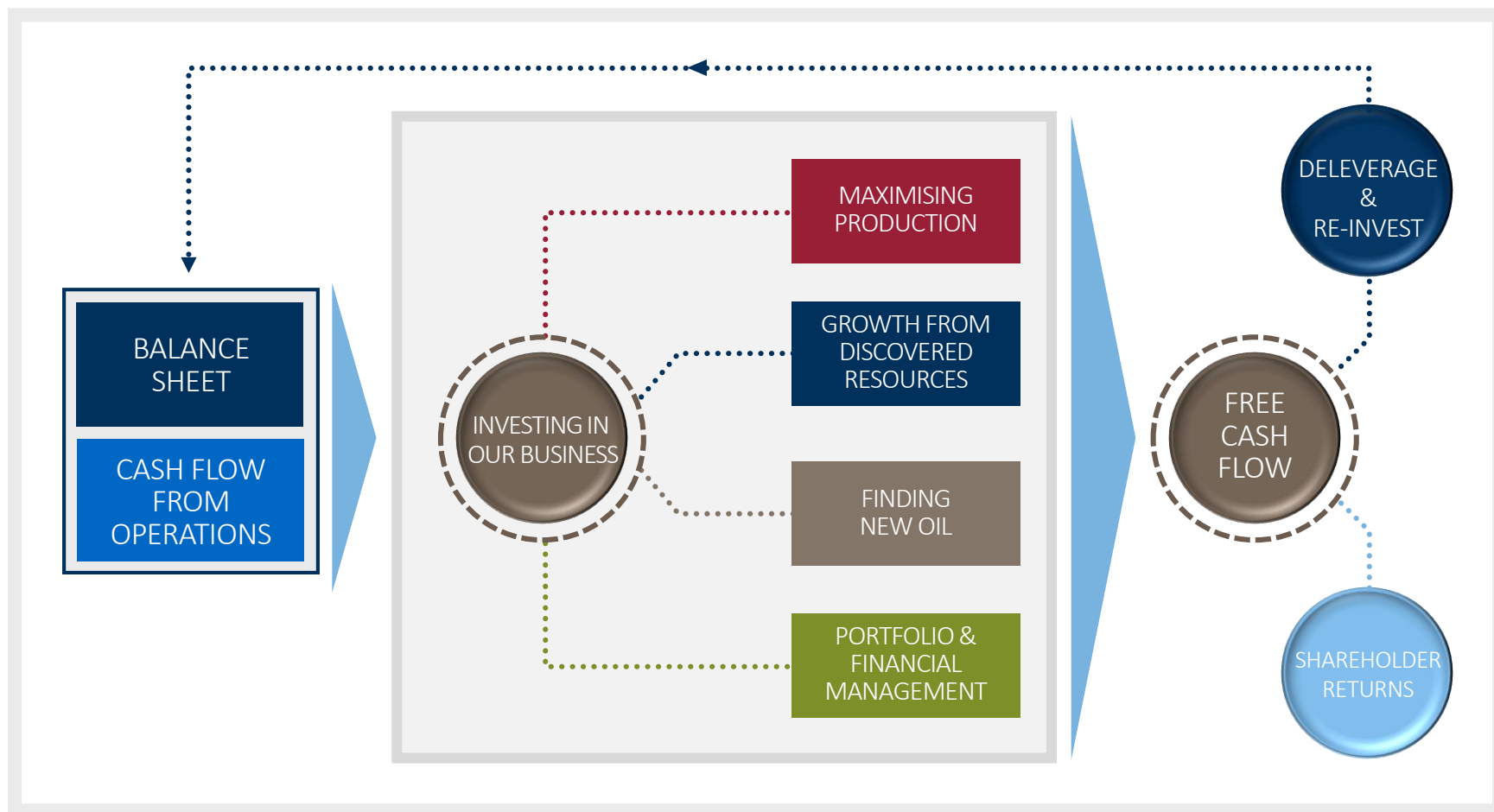
2019 guidance: 93,000 - 101,000 bopd

A balance of production, development & exploration assets

\*Peru & Comoros licences remain subject to final Government approval

<sup>1</sup> Total includes Jubilee Field Insurance Production-Equivalent Barrels of 1,000 bopd in 2019

# A BALANCED SELF-FUNDING E&P COMPANY IN ACTION

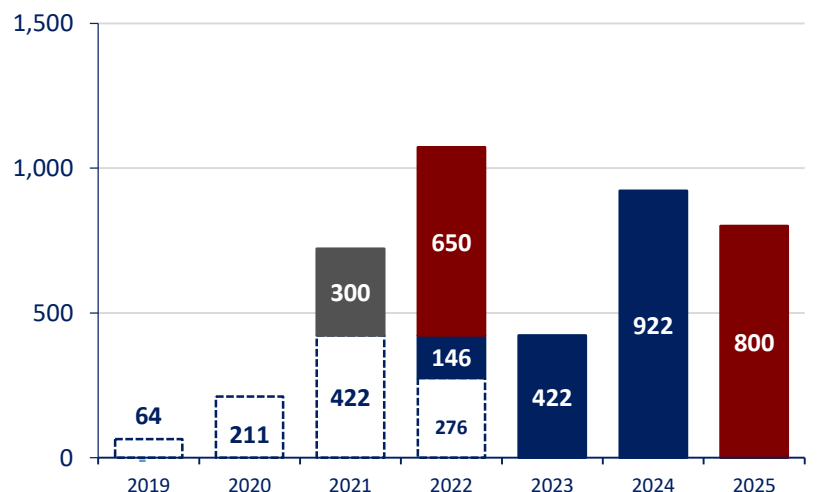


Strong free cash flow generation provides a solid platform for growth and returns

## Diversified and evolving capital structure

- A balance of funding sources
- Revolving RBL provides long-term flexibility
- Successful Bond refinance in 2018
- No near-term maturities; liquidity headroom

Debt Maturity Profile (as of December 31, 2018)

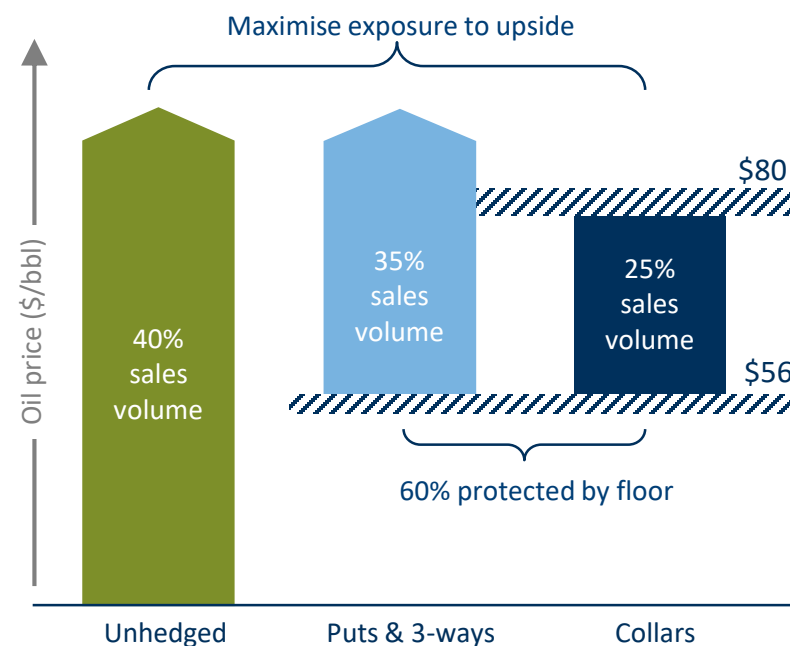


▨ RBL Facilities - undrawn ■ RBL Facilities - drawn ■ Senior Notes ■ Convertible Bonds

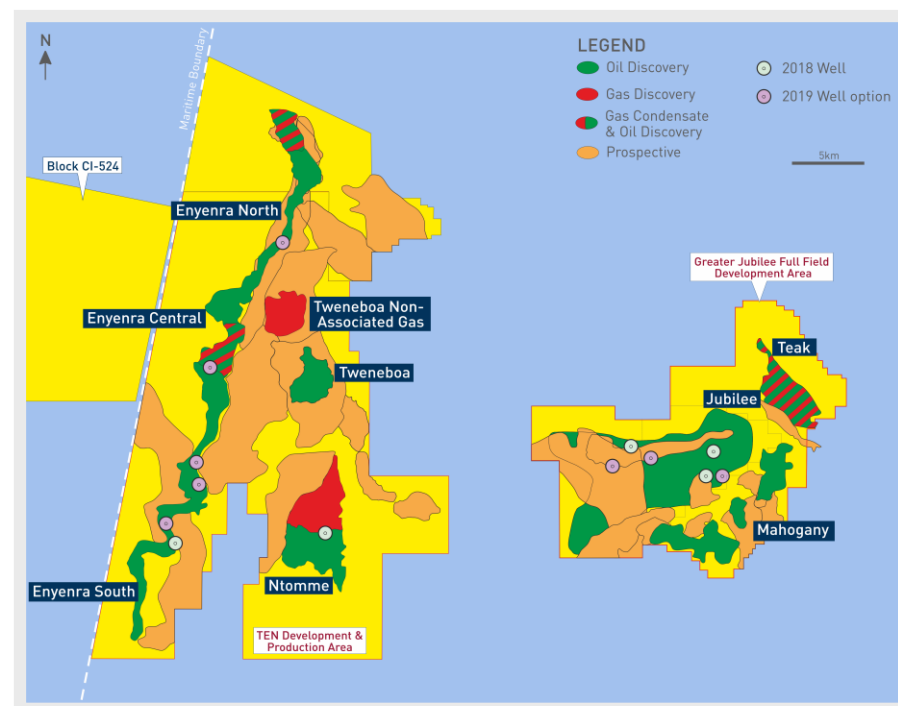
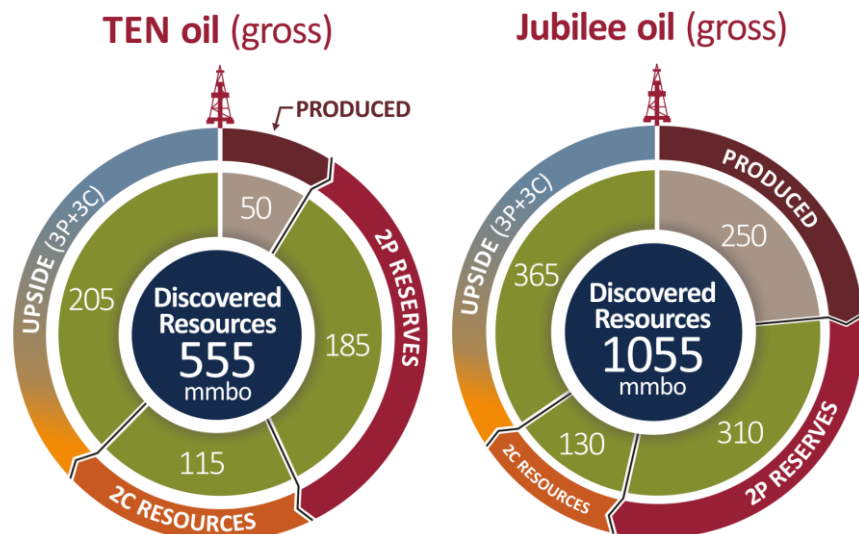
## Revenue protection through hedging

- Proven hedging policy over 10 years
- Continue to systematically hedge
- Ongoing optimisation of structure and cost
- 2015-17 yielded \$850 million

2019 Hedging programme



# GHANA PRODUCTION: A LONG-TERM SOURCE OF CASH GENERATION



## TEN production (bopd)

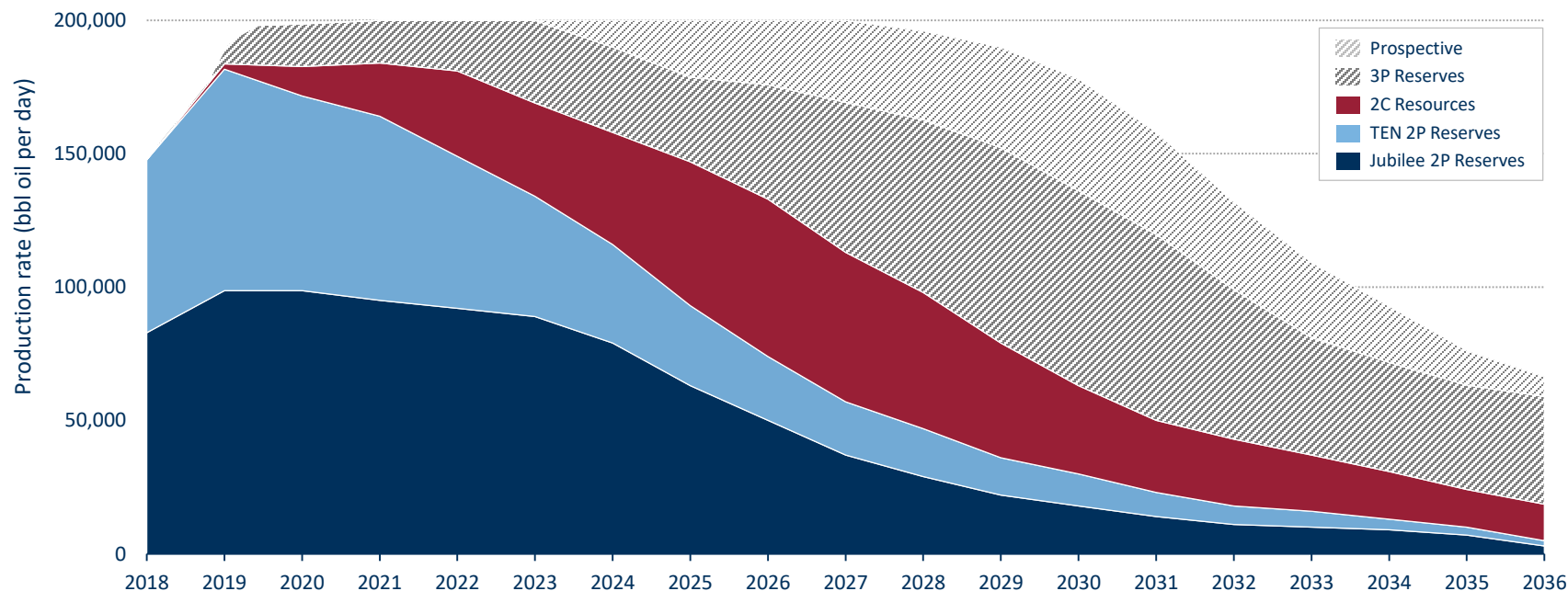
Year	Gross	Net
2018	64,500	30,400
2019f	83,000	39,000

## Jubilee production (bopd)

Year	Gross	Net	Net (incl. insurance)
2018	78,000	27,700	36,300
2019f	96,000	34,000	35,000



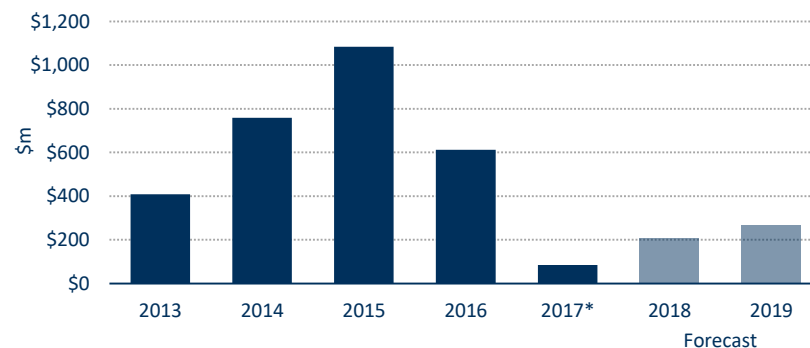
## GHANA LONG-TERM PRODUCTION OUTLOOK



## Investment to sustain production

- Growing production to 180,000+ bopd
- \$200-300m annual capex to grow & sustain plateau
- Market conditions continue to facilitate capex flexibility

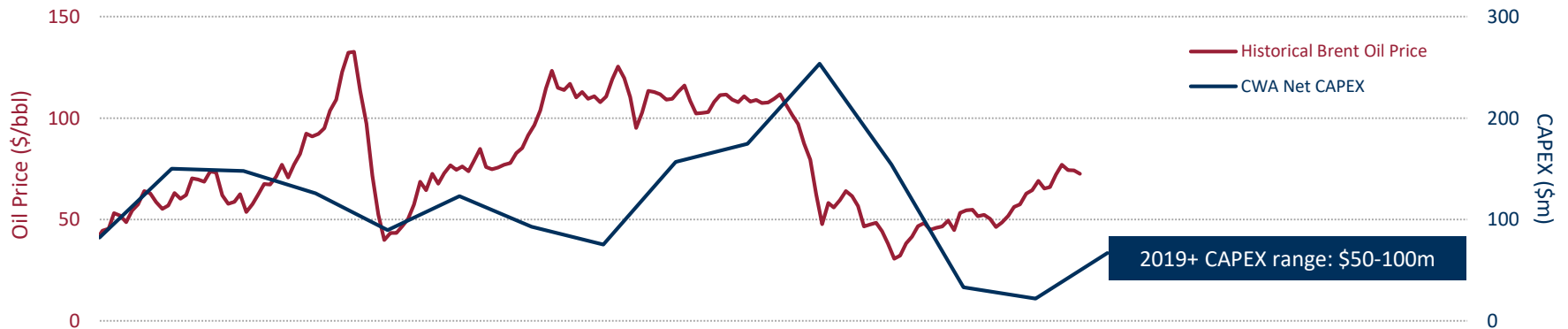
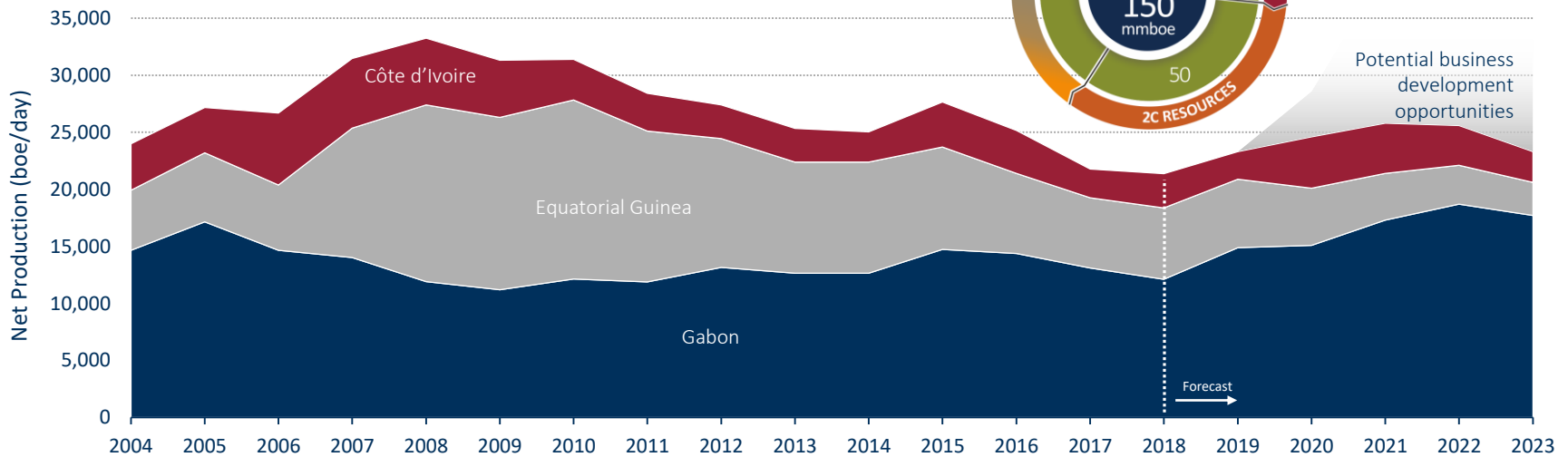
## Ghana net capex



## CENTRAL &amp; WEST AFRICA PERFORMANCE

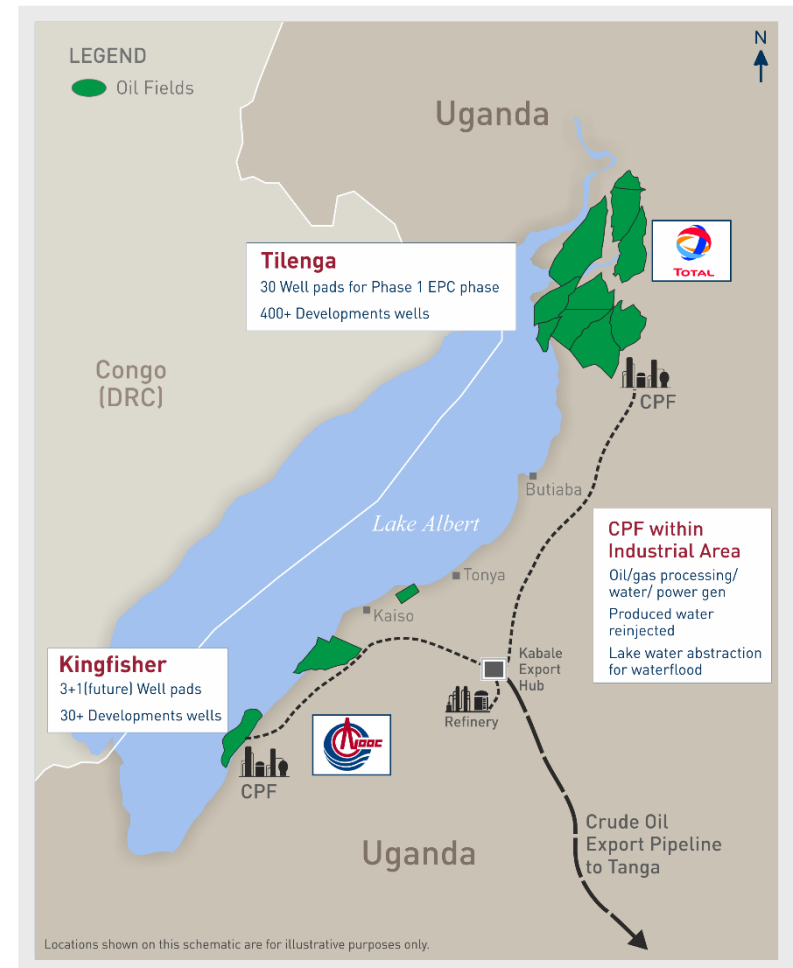
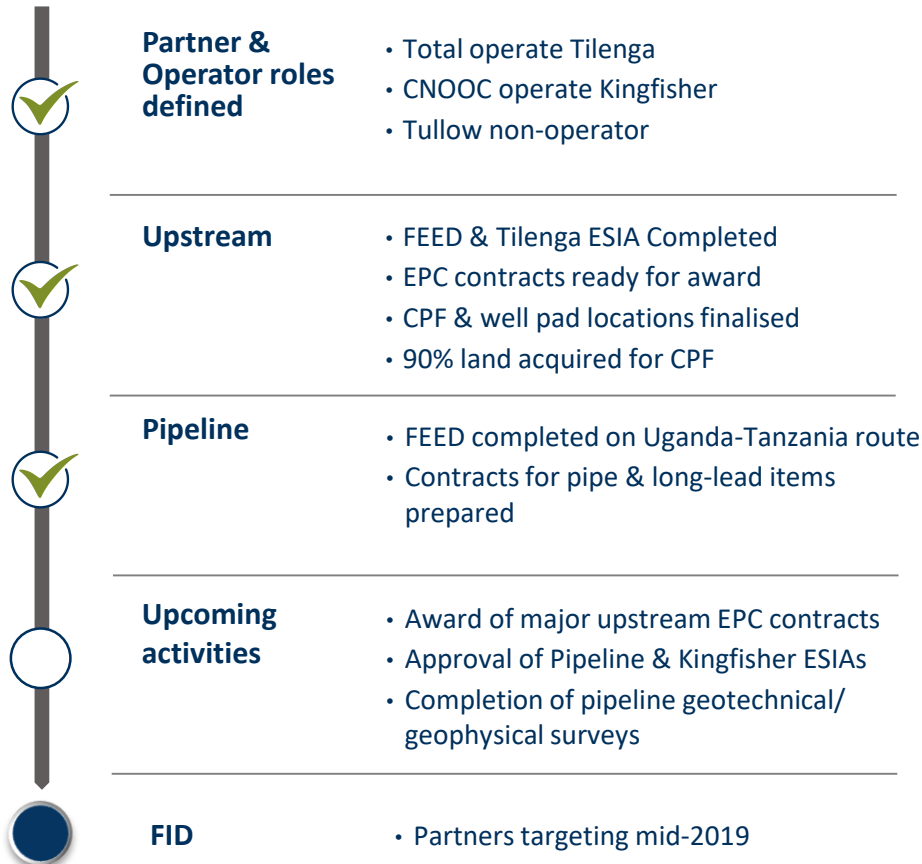


## Reliable long-term production with capex flexibility



# UGANDA - PROJECT UPDATE

## Key milestones to FID



Multiple technical milestones achieved in readiness for FID mid-2019

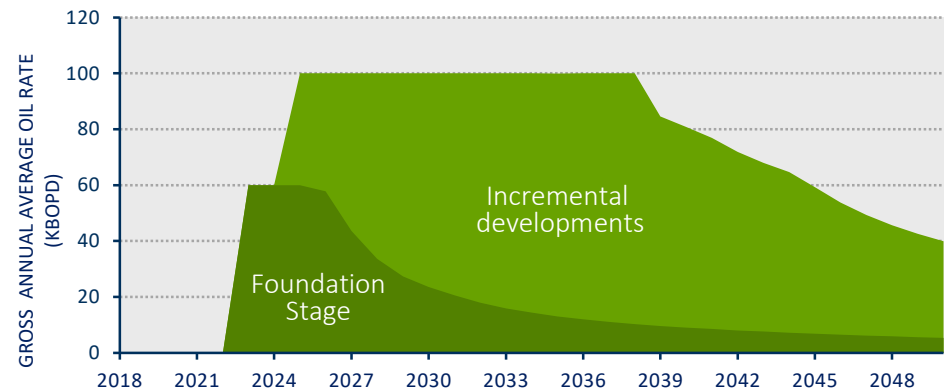
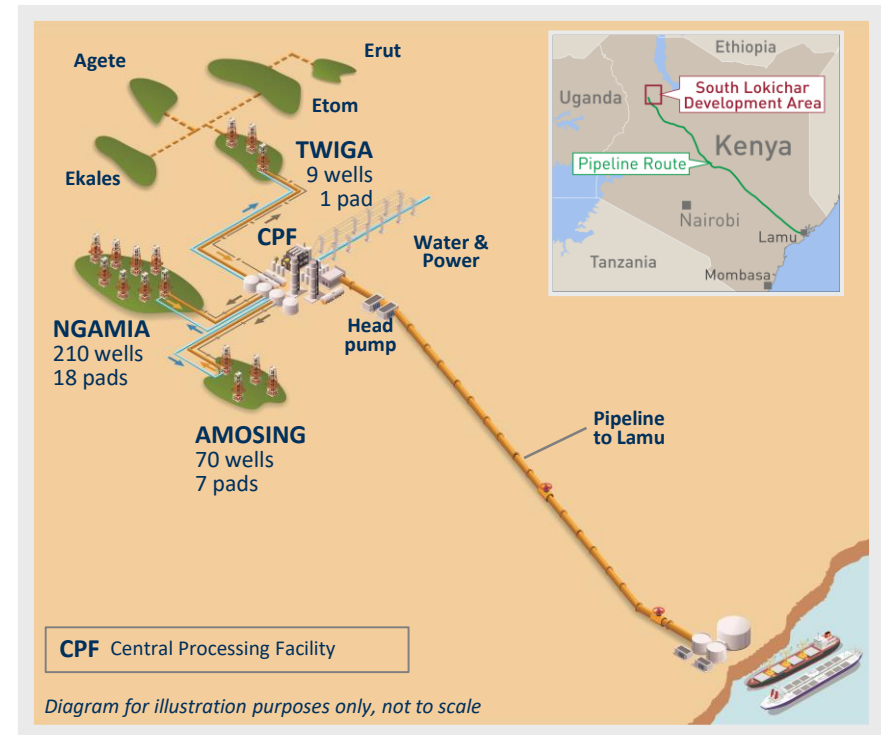
# DEVELOPING KENYA'S DISCOVERED RESOURCES

## South Lokichar development plan

- Discovered resources support development via export pipeline to Lamu
- Phased development approach planned
- Incremental developments to follow initial Foundation Stage, utilising installed infrastructure
- Full development to achieve plateau production of 100,000 bopd+

## Amosing/Ngamia/Twiga Foundation Stage

- Foundation Stage targeting 210 mmbo
- Initial production of 60,000 - 80,000 bopd
- Allows early FID to take advantage of low cost environment
- Targeting FID: end 2019, First Oil 2022
- Foundation Stage gross capex of \$2.9bn
  - Upstream \$1.8bn
  - Pipeline \$1.1bn
  - ~80% spend to First Oil





## KENYA – STEPPING STONES TO FID

To achieve FID in 2019, the following tasks must be completed:

Complete pipeline & upstream Front End Engineering & Design



Submit Environmental and Social Impact Assessment



Finalise agreements over land title for upstream and pipeline



Finalise Heads of Terms for critical commercial frameworks with Govt

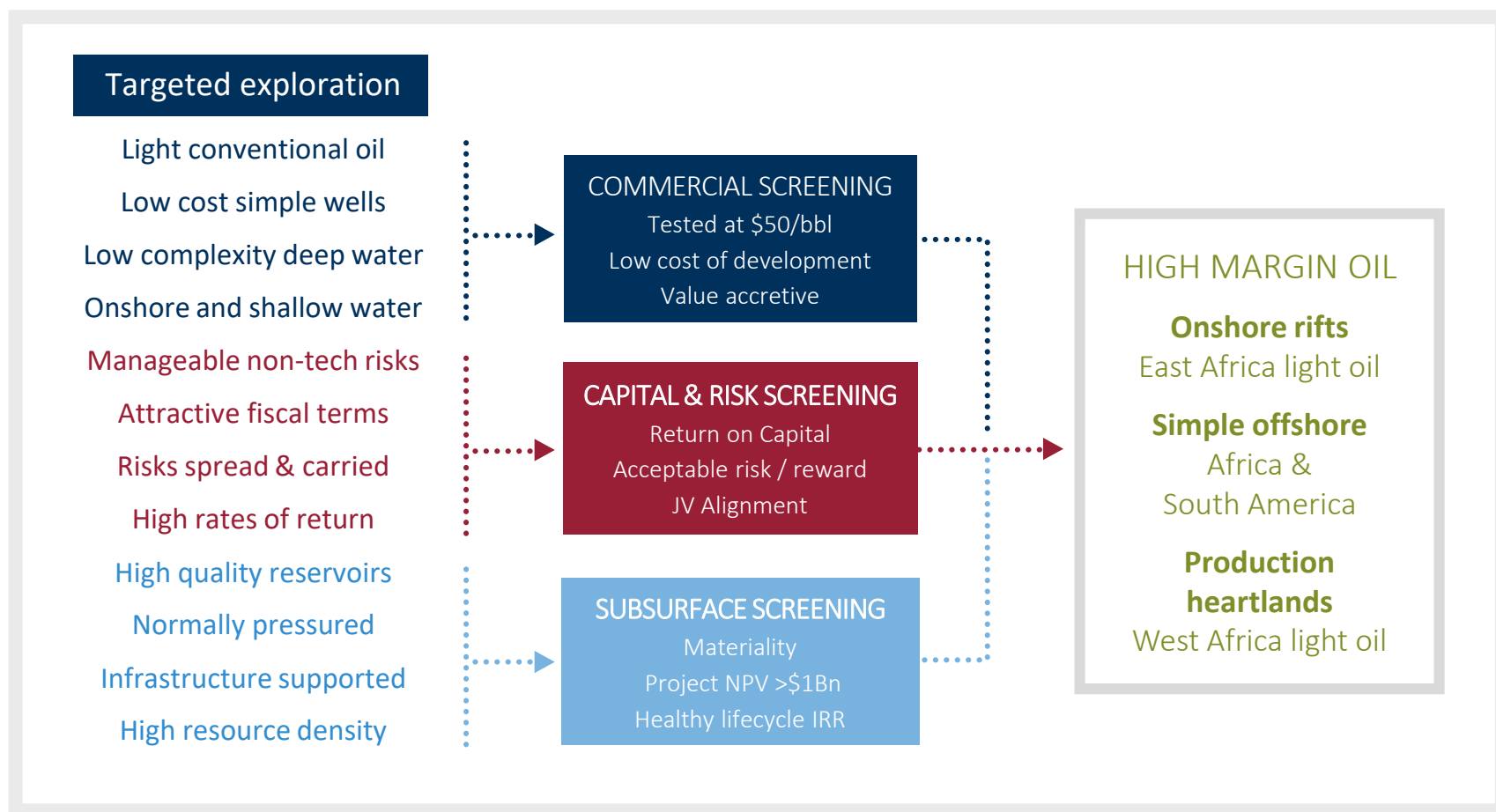
Finalise contract on agreed project water source

Award of Engineering, Procurement and Construction contracts

Implement project finance structure for the pipeline

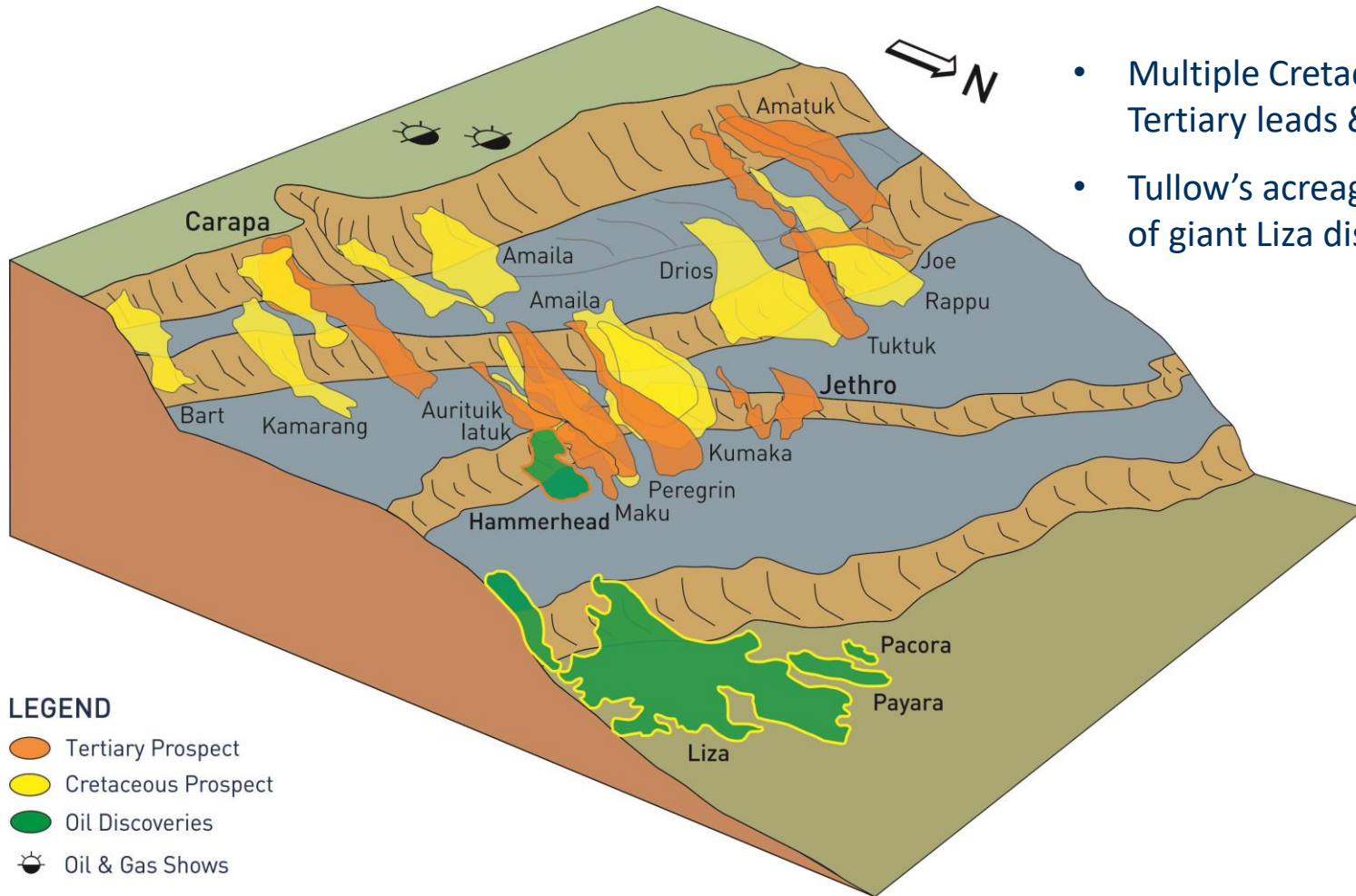
Ambitious, clear path to achieving FID in 2019, first oil in 2022

## EXPLORATION CRITERIA FOR VALUE CREATION



Programme driven by fiscal discipline, technical/commercial rigour & business acumen

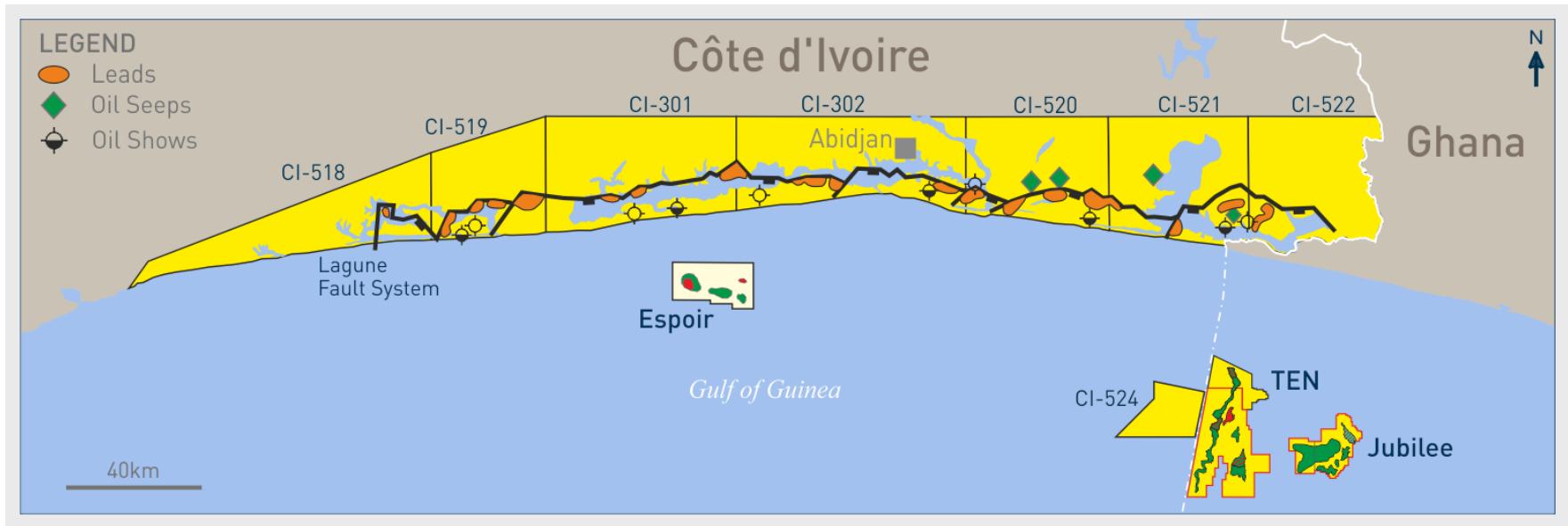
# GUYANA: ORINDUIK-KANUKU BLOCKS




- Multiple Cretaceous and Tertiary leads & prospects
- Tullow's acreage sits up dip of giant Liza discoveries

Transformational opportunity with multiple follow-up potential

# SPOTLIGHT ON CÔTE D'IVOIRE




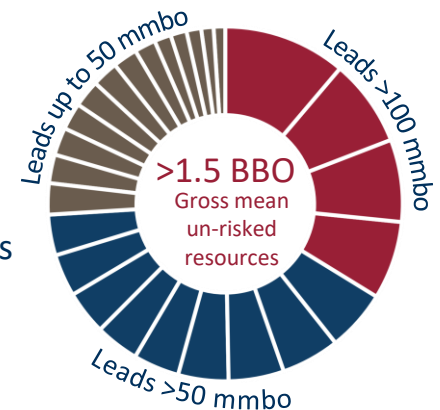
  
Low-cost exploration in core West Africa oil province

  
Using both proven & innovative technology

  
Carried work programme; 60% operated equity

  
High-value barrels & low breakeven

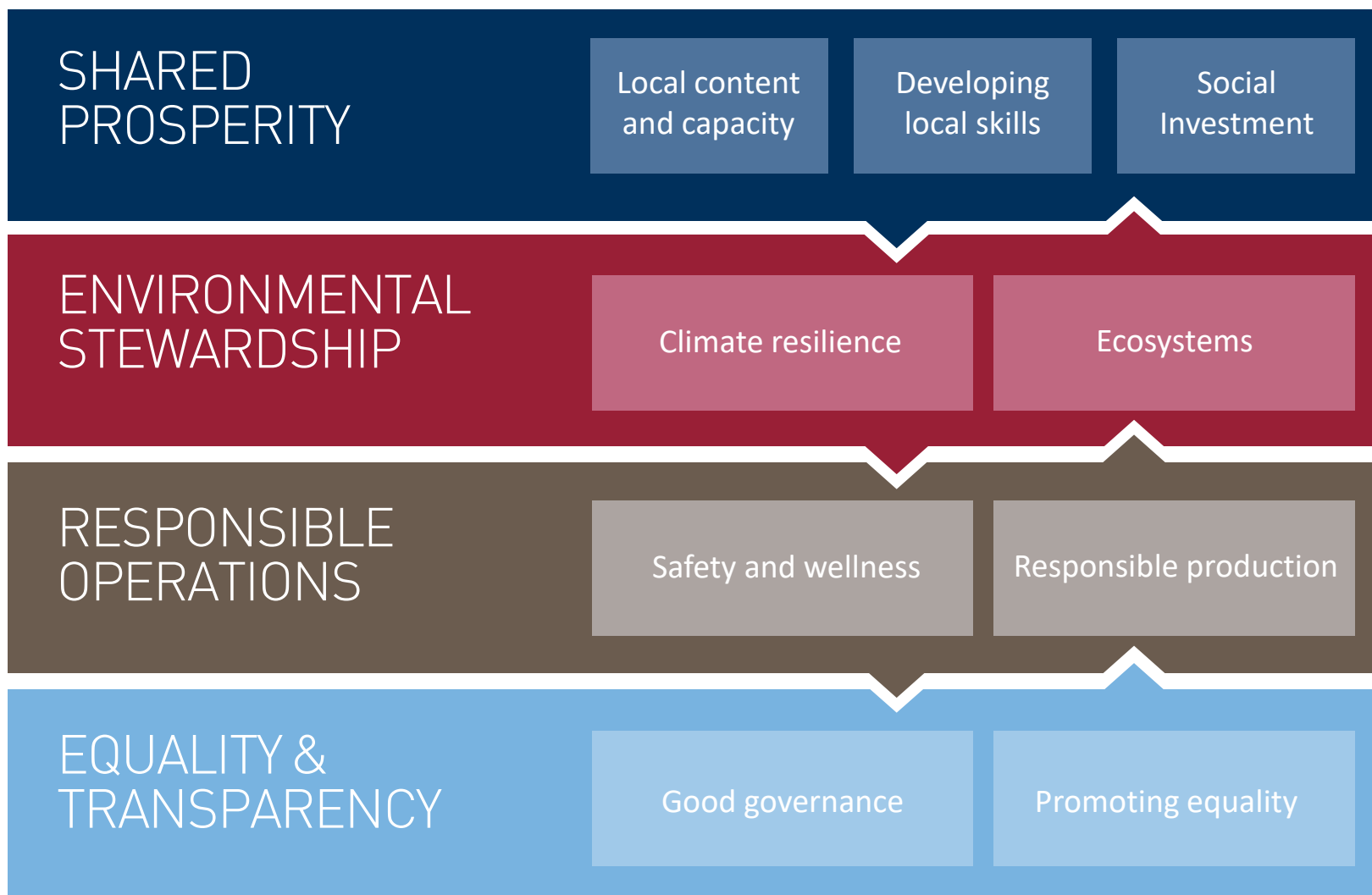
  
Light footprint execution across 8,000 sq km acreage



Identification of an underexplored play & rapid capture of an industry-leading position



# A STRONG COMMITMENT TO SUSTAINABILITY



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