

Tullow Oil plc

# 2017 HALF YEAR RESULTS

26 July 2017



# Tullow Oil plc – 2017 Half Year Results

**First half revenues of \$0.8 billion, gross profit of \$0.3 billion and free cash flow of \$0.2 billion**

**Free cash flow and Rights Issue reduce net debt by c.\$1 billion to \$3.8 billion**

**New Executive team appointed focused on financial discipline and a return to growth**

**26 July 2017** – Tullow Oil plc (Tullow), the independent oil and gas exploration and production group, announces its results for the six months ended 30 June 2017. Details of a presentation in London, webcast and conference call are available on page 28 of this announcement or visit the Group's website [www.tullowoil.com](http://www.tullowoil.com).

**PAUL McDADE, CHIEF EXECUTIVE OFFICER, COMMENTED TODAY:**

*"Despite continued challenging market conditions, Tullow performed well in the first half of 2017 delivering strong revenues and organic free cash flow. Combined with the Rights Issue completed in April, this has allowed us to retain operational and financial flexibility and reduce our debt during the first half by around \$1 billion. Since taking over as CEO, I have appointed a new and highly experienced Executive team who are focused on returning Tullow to growth through financial discipline, efficient use of capital and by delivering on the potential of our diverse portfolio of low-cost production, development and exploration assets."*

## 2017 HALF YEAR RESULTS SUMMARY

- Revenue of \$0.8 billion. Gross profit of \$0.3 billion. Free cash flow of \$0.2 billion. Post tax loss of \$0.3 billion after impairments.
- Net debt reduced by c.\$1 billion since year-end to \$3.8 billion at the half year following generation of free cash flow and \$750 million Rights Issue in April 2017. Facility headroom and free cash now \$1.2 billion.
- 2017 Capex guidance reduced from \$0.5 to \$0.4 billion. Will reduce to \$0.3 billion on completion of the Uganda farm-down.
- Three-year cash cost savings target revised up from \$500 million to \$650 million.
- West Africa net working interest oil production, including production-equivalent insurance payments, averaged 81,400 bopd in 1H 2017. Full year guidance of 78,000 to 85,000 bopd remains unchanged.
- Jubilee Turret Remediation Project making good progress with costs being offset by insurance payments. Greater Jubilee Full Field Development Plan (GJFFD) submission to Government of Ghana on track.
- TEN production performance in line with expectations, preparations under way to resume drilling later in the year subject to the ITLOS decision.
- Farm down of assets in Uganda will provide upfront cash on completion and deferred payments to cover upstream and pipeline capex to first oil and beyond.
- Kenya exploration and appraisal programme continues with a further three wells planned in second half of 2017; Full Field Development continues to make progress towards FID.
- Significant progress across our exploration portfolio with seven seismic campaigns in 2017, numerous successful farm-downs and preparations on track to drill the high-impact Araku-1 well in Suriname in the fourth quarter of 2017.
- Paul McDade appointed CEO in April 2017; Aidan Heavey became non-executive Chairman. Les Wood appointed CFO in June 2017 following Ian Springett's resignation from the Board due to ill-health.

## FINANCIAL OVERVIEW

	1H 2017	1H 2016	Change
Sales revenue (\$m)	788	541	46%
Gross profit (\$m)	303	182	66%
(Loss)/profit after tax (\$m)	(309)	30	–
Free cash flow (\$m)	205	(697)	–
Net debt (\$m)	3,834	4,721	(19%)

# Operations review

## Production

Tullow's first half 2017 West Africa oil production, including production-equivalent payments received for the Jubilee field under Tullow's Business Interruption insurance policy, is in line with guidance averaging 81,400 bopd. In Europe, half year net production averaged 6,000 boepd.

West Africa 2017 working interest oil production guidance, including production-equivalent insurance payments, remains unchanged at 78,000 to 85,000 bopd. Europe full year gas production for 2017 is expected to average between 5,500 and 6,000 boepd.

## WEST AFRICA

### Gary Thompson, Executive Vice President for West Africa commented today:

*"Tullow's West African business had a strong first half of the year. With TEN currently producing in excess of 50,000 bopd from existing well stock and plans in place for stabilising the turret on the Jubilee FPSO, I am confident that we are well placed to have an equally strong second half. Our focus is on growing production as we put the technical issues on the Jubilee FPSO behind us, get back to drilling on TEN post-ITLOS and progress the GJFFD Plan. Our underlying opex numbers continue to reduce as we target c.\$8 per barrel in Ghana and we see potential for further reductions elsewhere within the West Africa portfolio. The team is focused on securing Tullow's foundations through strong, low-cost production in West Africa and ensuring that all our producing assets across the business reach their full potential."*

## Ghana

### Jubilee

Gross production from the Jubilee field averaged 84,200 bopd (net: 29,900 bopd) in the first half of 2017. Tullow's corporate Business Interruption insurance reimbursed Tullow for around 5,000 bopd of net production-equivalent payments in the first half of 2017, increasing Tullow's effective net production to 34,900 bopd. Full year net production guidance from Jubilee, including production-equivalent insurance payments, remains around 36,000 bopd. Following optimisation of the offtake procedures and shuttle tanking, the Jubilee field regularly produced in excess of 100,000 bopd throughout the first half of 2017.

### 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 production operations while seeking to convert the FPSO to a permanently 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. The FPSO is now anchored to the seabed with the turret bearing locked and the vessel held on a constant heading.

The JV Partners and the Government of Ghana have agreed on the need to stabilise the turret bearing. A shutdown of between five and eight weeks is planned for late 2017 with work continuing to further reduce the length of this shutdown. Planning for the rotation of the vessel to its optimum heading and the installation of a deep water offloading system is ongoing and it is anticipated that this work will be executed in two stages in 2018 and 2019. The total shutdown duration for stabilisation, rotation and offloading system installation is not expected to exceed 12 weeks.

The capital costs associated with the remediation works, the lost revenue resulting from the shutdown periods, and the increased operating costs are expected to be covered by the JV Hull and Machinery insurance policy and Tullow's corporate Business Interruption insurance policy.

### Greater Jubilee Full Field Development Plan

Work is progressing with the Government of Ghana and JV Partners to update the GJFFD Plan. This plan, to increase commercial reserves and extend the field production profile, has been optimised to reduce overall capital costs given current oil prices. The JV Partners remain on track to re-submit the GJFFD Plan to the Government with approval expected later in the year and drilling planned to commence in 2018. A 4D seismic survey was completed in the first quarter of the year and the data acquired has been used to optimise the location of GJFFD wells and to assist with ongoing reservoir management.

## TEN

The TEN fields performed in line with expectations in the first half of 2017 and averaged 48,000 bopd (net: 22,500 bopd) with full year gross production guidance unchanged at 50,000 bopd (net: 23,600 bopd). Production from the 11 wells drilled so far indicate reserves estimates for both Ntomme and Enyenra to be in line with previous guidance. The TEN fields continue to be managed carefully because no new wells can be drilled until after the restrictions imposed by the ITLOS provisional measures ruling are lifted. Nevertheless, higher production levels in excess of 50,000 bopd have been achieved recently as Tullow continues to conduct trials to optimise production. In June 2017, a final 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 recent 24-hour test conducted at 100,000 bopd. The testing however identified an issue with the FPSO's flaring system which has been addressed but required a 10-day shutdown of the facility. Final commissioning is expected to be completed in the second half of 2017. The TEN gas manifold has also been installed and commissioned and a gas export trial to GNGC facilities was successfully completed.

The JV Partners are currently progressing a rig tender process that would see the resumption of drilling of the remaining wells around the end of the year, subject to the outcome of the ITLOS decision on the maritime boundary between Ghana and Côte d'Ivoire. Completion of these wells should allow the TEN fields to increase daily production to the FPSO design capacity of 80,000 bopd.

## West Africa non-operated portfolio

Production from the West Africa non-operated portfolio averaged 24,000 bopd in the first half of 2017. Full year production is expected to average 22,500 bopd which is in line with previous full year guidance. Tullow and its JV Partners have continued to invest very selectively in these assets due to current oil prices and this will continue to impact production in the second half of this year and into 2018. Nevertheless, there is flexibility to increase capital investment in the medium term to offset production decline in these mature assets if market conditions improve.

## Europe production

Full year gas production from Europe averaged 6,000 boepd in the first half of 2017, which is slightly lower than expectations due to deferment and delays in some activities. Tullow expects full year 2017 European gas production to average between 5,500 and 6,000 boepd.

In April 2017, Tullow signed a Sales and Purchase Agreement (SPA) with Hague and London Oil plc (HALO) for the entire Netherlands portfolio with an effective date of 1 January 2017. Completion of the SPA is expected in the second half of the year.

## EAST AFRICA

### Mark Macfarlane, Executive Vice President for East Africa commented today:

*"The focus of the East Africa team in the first half has been on Kenya. We have made good progress with our E&A programme in Kenya, including new discoveries at Erut and Emekuya, and we will update the market on the resources in the South Lokichar basin as the current E&A campaign concludes. In parallel, the project team continues to work towards FID in Kenya for the Full Field Development project, with heightened focus on financial discipline and effective and efficient pre-FID capital allocation. In Uganda, progress towards FID continues following the signing of our latest significant East African farm-down which will deliver c.23,000 bopd with no additional capex."*

## Kenya

### Exploration and Appraisal

The exploration and appraisal campaign in Kenya has progressed to schedule in 2017 with two discoveries made. The first discovery was made in January 2017 at Erut-1, which proved that oil has migrated to the northern limit of the South Lokichar basin. The second was made in May 2017 at Emekuya-1 which encountered significant oil sands, demonstrated oil charge across a significant part of the Greater Etom structure and further de-risked the northern area of the basin.

The Etir-1 exploration well, which targeted a large, shallow, structural closure immediately to the west of the Greater Etom structure, spudded in late June and was unsuccessful with no material reservoir development or shows encountered. Although dry, this well has helped define the westerly extent of the Greater Etom Structure. The Group also drilled the Amosing-6, Ngamia-10, and Etom-3 appraisal wells, the results of which are being incorporated into ongoing field development planning activities.

A further three wells are planned this year and drilling is under way on the first of these wells to test an undrilled fault block adjacent to the Ekales field. The second well is Ngamia-11, an appraisal well that will be drilled and completed for use in an extended water flood pilot test in conjunction with the Early Oil Pilot Scheme (EOPS). The third well is the Etete exploration well which is planned to test a prospect adjacent to the Greater Etom structure. Further locations are currently under evaluation to be added to the programme.

Water injection testing on the Amosing and Ngamia fields has been completed and underpins the feasibility of water injection for the development of these fields.

#### **Field development**

In addition to the drilling and operational activities to support FID for the Kenya Full Field Development, engineering studies and contracting activities are under way in preparation for the start of FEED, which is expected to commence in late 2017. In parallel to the upstream development work, the JV Partners and the Government of Kenya continue to progress commercial and finance studies for the proposed export pipeline, and preparations are under way for the Environmental and Social Impact Assessment (ESIA).

The EOPS Agreement between the JV Partners and the Government of Kenya was signed on 14 March 2017 allowing all EOPS upstream contracts to be awarded. The first phase of the EOPS will be the evacuation of the stored crude oil, which was produced during extended well testing in 2015, to Mombasa by road. This initial phase of the project has been deferred by the Government of Kenya until after the elections which take place in early August. The EOPS production of 2,000 bopd is expected to commence around the end of the year and will now include an extended water-flood pilot test in Ngamia. Results from the Ngamia water-flood pilot will assess sustainable production levels to inform the overall resource and Full Field Development Plan.

#### **Uganda**

##### **Farm-down to Total and CNOOC**

On 9 January 2017, Tullow announced that it had agreed to transfer 21.57% of its 33.33% Uganda interests to Total for a total consideration of \$900 million. CNOOC Uganda Limited (CNOOC) has subsequently exercised its pre-emption rights under the joint operating agreements to acquire 50% of the interests being transferred to Total on the same terms and conditions. Tullow is now working with Total and CNOOC to conclude definitive sale documentation in relation to the farm-down. Completion of the transaction is subject to certain conditions precedent which include approval by the Government of Uganda.

#### **Field development**

Key work programme activities, such as the FEED, ESIA and Geophysical and Geotechnical surveys are under way. Based on the progress with these activities, Tullow and its partners are working toward project FID around the end of the year.

##### **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. The pipeline FEED and ESIA continue to progress to plan.

#### **NEW VENTURES**

##### **Ian Cloke, Executive Vice President for New Ventures, commented today:**

*"Tullow's New Ventures team is focused on selective, high-impact exploration at the right equities and at the right costs. We are looking for low-cost, light oil in geologies and geographies that we know well in Africa and South America. The Araku-1 wildcat in Suriname is on track to commence in the fourth quarter and, by the end of 2017, we will have completed six seismic surveys at low cost. We are therefore in an excellent position as we decide what and where to drill in 2018 and beyond, with substantial prospects in Guyana, Suriname, Mauritania and Namibia all under evaluation."*

#### **South America**

Preparations for the drilling of the Araku-1 well (Tullow: 30%) offshore Suriname in the fourth quarter of 2017 continue with the award of the rig contract. Costs continue to be very competitive and this well is expected to cost \$14 million net to drill. The Araku prospect is a large structural trap which has a resource potential estimated at over 500 mmbo. It has been significantly de-risked by an excellent quality 3D seismic survey acquired in 2015. Elsewhere in Suriname, Tullow has agreed a 20% farm-down of Block 47 to Ratio Exploration which is subject to various government approvals.

A 667 km 2D seismic survey in Jamaica and a 2,555 sq km 3D seismic survey in Uruguay have been completed. The data in Jamaica will be used to refine the location of a potential 3D seismic survey planned for 2018 while the data in Uruguay will be assessed to mature prospects into drilling candidates. A 4,000 sq km 3D seismic survey over the Kanuku licence, directly up-dip of the Liza discovery, offshore Guyana, commenced in early May and the results will be used to define potential prospects for drilling in 2018/19. A 2,500 sq km 3D survey over the adjacent and contiguous Orinduik licence, also up-dip of the Liza-1 discovery, started earlier this month.

## **Africa**

In Mauritania, a 600 sq km 3D survey in Block C18 has been completed and a further 3D survey in Block C3 to cover new shallow water plays will commence in September 2017. In Zambia, a 20,000 sq km full tensor gradiometry gravity survey to cover three frontier Tertiary age rift basins has been awarded and will commence in August 2017. In Namibia, Tullow has agreed to farm down a 30% interest in the PEL-37 licence to ONGC Videsh, the overseas arm of the national oil company of India, Oil and Gas Corporation Limited. This farm-down is subject to government approvals.

## **Europe**

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

## Finance review

**Les Wood, Chief Financial Officer, commented today:**

*"Today's first half financial results are clear evidence of the good progress Tullow has made despite continued challenging market conditions. Strong revenues have come from increased production, underpinned by hedging and insurance receipts. We continue to maintain strict cost discipline and now expect to deliver \$650 million of cash-cost savings over three years, exceeding our original target by \$150 million. We have also significantly reduced our net debt from free cash flow and our Rights Issue and now have greater operational and financial flexibility."*

Financial results summary	1H 2017	1H 2016	Change
Working interest production volume (boepd) <sup>1</sup>	82,400	58,400	41%
Sales volume (boepd)	76,700	50,200	53%
Realised oil price (\$/bbl)	57.3	60.7	(6%)
Realised gas price (p/therm)	39.5	31.7	25%
Sales revenue (\$m) <sup>2</sup>	788	541	46%
Underlying cash operating costs per boe (\$/boe) <sup>3</sup>	11.9	17.7	(33%)
Exploration costs written off (\$m)	4	59	(93%)
Impairment of property, plant and equipment, net (\$m)	642	–	–
Operating (loss)/profit (\$m)	(395)	27	–
(Loss)/profit before tax (\$m)	(519)	24	–
(Loss)/profit after tax (\$m)	(309)	30	–
Basic (loss)/earnings per share (cents)	(25.2)	2.8	–
Capital investment (\$m) <sup>3</sup>	77	589	(87%)
Net debt (\$m) <sup>3</sup>	3,834	4,721	(19%)
Gearing (times) <sup>3</sup>	3.3	5.0	(1.7)
Free cash flow (\$m) <sup>3</sup>	205	(697)	–

1. Including the impact of insured barrels from the Jubilee field, Group working interest production was 87,400 boepd.
2. Sales revenue excludes \$54 million of other operating income which represents accrued proceeds under Tullow's corporate Business Interruption insurance policy.
3. Underlying cash operating costs per boe, capital investment, net debt, gearing and free cash flow are non-IFRS measures and are explained later in this section.

### Production and commodity prices

Working interest production averaged 82,400 boepd, an increase of 41% for the period (1H 2016: 58,400 boepd). This is primarily due to production from TEN, and a recovery in production from Jubilee after the extended shut down associated with the turret issue in 2016. Sales volumes averaged 76,700 boepd, an increase of 53%.

The realised oil price after hedging for the period was US\$57.3/bbl (1H 2016: US\$60.7/bbl), a decrease of 6%. This reflects the benefit of our hedging programmes as average market prices in 1H 2017 were \$52.8/bbl. European gas prices were higher than the prior period. The realised European gas price after hedging for 1H 2017 was 39.5 pence/therm (1H 2016: 31.7 pence/therm), an increase of 25%.

### Operating costs, depreciation and expenses

Underlying cash operating costs (defined in the non-IFRS measures section), amounted to \$166 million (\$188 million adjusted for the impact of non-recurring accrual reversals due to changes in estimates); \$11.9/boe (1H 2016: \$190 million; \$17.7/boe). The decrease in operating costs per barrel is a result of the disciplined management of operating costs and prior period costs and production being impacted by the revised Jubilee operating procedures as a result of the turret issue.

DD&A charges before impairment on production and development assets amounted to \$263 million; \$16.6/boe (1H 2016: \$182 million; \$13.4/boe), the increase being attributed to increased production volumes, but partially offset by the impact of impairments recorded in 2016.

Administrative expenses of \$51 million (1H 2016: \$68 million) include an amount of \$6 million (1H 2016: \$6 million) associated with IFRS 2 – Share-based Payments. The decrease in total general and administrative costs reflects the ongoing benefits of the simplification project and further cost reduction activities in 2017.

<b>Impairment of property, plant and equipment, net</b>	<b>1H 2017</b>	<b>1H 2016</b>	<b>Change</b>
Pre-tax impairment of property, plant and equipment, net (\$m)	642	–	–
Associated deferred tax credit (\$m)	(224)	–	–
Post-tax impairment of property, plant and equipment, net (\$m)	418	–	–

The Group incurred this non-cash impairment of property, plant, and equipment due to reduced oil price forecasts on the majority of its producing assets. The impairment includes a charge of \$572 million associated with the TEN field.

<b>Exploration costs written off</b>	<b>1H 2017</b>	<b>1H 2016</b>	<b>Change</b>
Exploration costs written off (\$m)	4	59	(93%)

During 1H 2017 the Group recorded exploration costs written off of \$4 million. This included write-offs in the Netherlands (\$5 million), new venture costs (\$7 million) and various other areas (\$5 million). These were offset by a \$13 million reversal of a prior year write-off for a licence extension previously considered not likely to be granted.

### **Derivative financial instruments**

Tullow continues to undertake hedging activities as part of the ongoing management of its business risk to protect against oil price volatility and to ensure the availability of cash flow for reinvestment in capital programmes that are driving business growth.

At 30 June 2017, the Group's derivative instruments had a net positive fair value of \$123 million (1H 2016: positive \$317 million), inclusive of deferred premium. While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre-tax credit of \$42 million (1H 2016: credit of \$30 million) in relation to the change in time value of the Group's commodity derivative instruments has been recognised in the income statement during 1H 2017.

<b>Hedge position</b>	<b>2H 2017</b>	<b>2018</b>	<b>2019</b>
<b>Oil hedges</b>			
Volume – bopd	42,500	27,000	9,732
Average floor price protected (\$/bbl)	60.32	51.53	46.33
<b>Gas hedges</b>			
Volume – mmscf/d	2.47	-	-
Average floor price protected (p/therm)	39.05	-	-

## **Net financing costs**

The 1H 2017 net interest charge includes interest income on cash deposits, foreign exchange gains and losses, interest incurred on the Group's debt facilities and the decommissioning finance charge offset by borrowing costs capitalised against the Ugandan assets. The net interest charge for the period was \$166 million (1H 2016: \$33 million) and reflects an increase in finance costs associated with a decrease in capitalised interest for the period to \$32 million (1H 2016: \$89 million) due to the completion of the TEN development during 2016, and a foreign exchange loss of \$47 million (1H 2016: \$38 million gain). A reconciliation of net financing costs is included in Note 8.

## **Taxation**

The overall net tax credit of \$210 million (1H 2016: \$6 million credit) includes credits in respect of the Group's North Sea production activities, Norwegian exploration and non-recurring deferred tax credits associated with exploration write-offs and impairments offset by a tax charge on hedging profits. After adjusting for the non-recurring amounts related to exploration write-offs, impairments, disposals and onerous lease provisions and their associated deferred tax benefit, the Group's underlying effective tax rate is 18% (1H 2016: 20%). The decrease in the underlying effective tax rate is primarily a result of lower hedging profits taxed at the UK corporate tax rate and the utilisation of tax losses not previously recognised.

## **(Loss)/profit after tax from continuing activities and basic earnings per share**

The loss from continuing activities for the period amounted to \$309 million (1H 2016: \$30 million profit). Basic loss per share was 25.2 cents (1H 2016: 2.8 cents profit).

## **Dividend per share**

In view of the fall in the oil price, the Board suspended the dividend in early 2015. At a time when Tullow is focusing on capital allocation, financial flexibility and cost reductions, the Board believes that Tullow and its shareholders are better served by currently investing these funds into the business. As a result the Board is not recommending payment of an interim dividend.

## **Operating cash flow**

Operating cash flow before working capital movements increased to \$536 million (1H 2016: \$256 million) as a result of increased sales volumes offset by slightly lower realised commodity prices. In 1H 2017 this cash flow funded the Group's \$77 million of capital expenditure in exploration and development activities and the reduction of net debt.

<b>Reconciliation of net debt</b>	\$m
<b>Year-end 2016 net debt</b>	<b>4,782</b>
Revenue	(788)
<i>Operating costs</i>	166
<i>Operating expenses</i>	86
<b>Cash flow from operations</b>	<b>(536)</b>
Movement in working capital	(3)
Tax paid	37
Capital expenditure	160
Other investing activities	(9)
Rights issue	(721)
Other financing activities	125
Foreign exchange gain on cash and debt	(1)
<b>1H 2017 net debt</b>	<b>3,834</b>

## **Capital expenditure**

Capital expenditure amounted to \$77 million, net of \$69 million reversals of prior year accruals due to change in estimates, (1H 2016: \$589 million) with \$40 million invested in development activities and \$37 million in exploration and appraisal activities. More than 53% of the total was invested in Kenya, Ghana and Uganda and 83% was invested in Africa. Based on current estimates and work programmes, 2017 capital expenditure is forecast to be \$0.4 billion, with \$0.1 billion allocated to exploration and appraisal activities and \$0.3 billion to development activities.

## **Balance sheet**

In February, the Group agreed a 12 month extension to the maturity of the Corporate Facility to April 2019. Commitments and available debt capacity under this facility, which is undrawn, are currently \$800 million and are scheduled to reduce to \$600 million in January 2018, \$500 million in April 2018, and \$400 million in October 2018.

In April, Tullow successfully completed a \$750 million Rights Issue in order to reduce gearing, provide the Group with financial and operational flexibility and enable growth over the next three-to-five years. The Board's long term gearing policy is to target less than 2.5 times net debt to EBITDAX. Gearing over the half year was reduced from 5.1 times to 3.3 times through the Rights Issue, Free Cash Flow and increased EBITDAX following the commencement of production from TEN.

In May, Tullow cancelled \$410 million of Reserve Based Lending (RBL) commitments, effectively accelerating a significant part of the commitment amortisation scheduled for October 2017 and reducing finance costs. Commitments and available debt capacity under the RBL are currently \$2.75 billion, reducing to \$2.64 billion in October 2017 in line with the amortisation schedule. The Group intends to refinance the RBL before the end of 2017, extending its maturity and amending key terms including resetting financial covenants for the current oil price environment. At 30 June 2017, Tullow had net debt of \$3.8 billion (1H 2016: \$4.7 billion). Unutilised debt capacity and free cash at 30 June 2017 amounted to approximately \$1.2 billion.

## **Going concern**

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 and different production rates from the Group's producing assets. The Group had \$1.2 billion of debt liquidity headroom and free cash at 30 June 2017. The Group's forecasts show that the Group will have sufficient financial headroom for the 12 months from the date of approval of the half year results. Therefore, 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 half year results.

## **2017 principal financial risks and uncertainties**

The Board determines the key risks for the Group and monitors mitigation plans and performance on a monthly basis. The principal risks and uncertainties facing the Group at the half year end are consistent with those detailed in the risk management section of the 2016 Annual Report and Accounts. A summary of these risks is:

Strategic	Financial	Operational	Compliance
Strategy not fully achievable in a sustained low oil price environment	Insufficient liquidity and funding capability	Major process safety/equipment/EHS failure	Major breach of business or ethical conduct standards
Inability to progress major portfolio options	Failure to manage single commodity price risk	Inability to replenish exploration portfolio	
Failure to realise expected value from Project TEN due to ITLOS		Major cyber or information security incident	
Disruption to business due to political/regulatory influence		Failure to have a balanced, diverse workforce and attractive employee proposition	
Disruption to business due to community and political influence			

## **Events since 30 June 2017**

There has not been any event since 30 June 2017 that has resulted in a material impact on the half year results.

## **Non-IFRS measures**

The Group uses certain measures to assess the financial performance of its business. Certain of these measures are termed "non-IFRS measures" because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. These non-IFRS measures include net debt, gearing, adjusted EBITDAX, capital investment, underlying cash operating costs and free cash flow.

The Group uses such measures to measure operating performance and liquidity, in presentations to the Board and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of its operating cash flow and liquidity. The Directors believe that these and similar measures are used widely by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. An explanation of the relevance of each of the non-IFRS measures and a description of how they are calculated is set out below. Additionally, a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out below. The Group does not regard

these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

## **Capital investment**

Capital investment is defined as additions to property, plant and equipment and intangible exploration and evaluation assets less decommissioning asset additions, capitalised share-based payment charge, capitalised finance costs, additions to administrative assets, Norwegian tax refund, and certain other adjustments.

The Directors believe that capital investment is a useful indicator of the Group's organic expenditure on exploration and appraisal assets and oil and gas assets incurred during a period because it eliminates certain accounting adjustments such as capitalised finance costs and decommissioning asset additions.

	1H 2017	1H 2016
Additions to property, plant and equipment	(26.6)	563.4
Additions to intangible exploration and evaluation assets	144.7	139.6
<i>Less</i>		
Decommissioning asset additions (1)	(9.4)	6.9
Capitalised share based payment charge (2)	2.3	5.2
Capitalised finance costs (3)	31.9	89.0
Additions to administrative assets (4)	1.0	0.5
Norwegian tax refund (5)	1.2	11.4
Other non-cash capital expenditure (6)	14.4	1.0
<b>Capital investment</b>	<b>76.7</b>	<b>589.0</b>
Movement in working capital	80.9	179.8
Additions to administrative assets	1.0	0.5
Norwegian tax refund	1.2	11.4
<b>Cash capital expenditure per the cash flow statement</b>	<b>159.8</b>	<b>780.7</b>

Notes:

1. *Decommissioning assets are recorded as an equal and opposite amount to the Group's decommissioning provisions. Decommissioning assets are depreciated over the life of the relevant asset until the point of decommissioning. Any increases in a provision due to a change in scope of the obligation results in an increase in the decommissioning asset. The asset is recorded under the property, plant and equipment line item in the balance sheet. Any new decommissioning assets, or increases in decommissioning assets, from the previous year are shown as additions to that line item.*
2. *Capitalised share-based payment charge relates to the portion of the non-cash share-based payment charge that relates to employees who work on capital projects.*
3. *Capitalised finance costs relates to the portion of the Group's borrowing costs that is deemed to fund development activities.*
4. *Administrative assets represent fixtures, fittings and office equipment such as computers. Because they are not directly attributable to the exploration or development of oil and gas, the Group excludes their costs from its definition of capital investment.*
5. *Capital expenditure is adjusted for the Norwegian tax refunds. The Norwegian tax refund represents 78% of the Group's qualifying exploration expenditure in Norway during each of each period. The refund is paid in the year following the year in which the expense is incurred.*
6. *Other adjustments includes cash re-imbursements for capital expenditure under sale and purchase agreements between their effective date and completion date and exclusion of other non-cash adjustments to fixed asset additions made in accordance with IFRS*

## Net debt

Net debt is defined as current and non-current borrowings plus unamortised arrangement fees and the equity component of convertible bonds less cash and cash equivalents. The Directors believe that net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of unamortised arrangement fees and the equity component of any convertible bonds (which represent amounts that the Group is required to repay to its lenders) and cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding borrowings.

	1H 2017	1H 2016
Current borrowings	512.5	652.0
Non-current borrowings	3,553.0	4,335.2
Unamortised arrangement fees <sup>(1)</sup>	38.5	37.5
Equity component of convertible bonds <sup>(2)</sup>	48.4	-
Less cash and cash equivalents	(318.4)	(303.7)
<b>Net debt</b>	<b>3,834.0</b>	<b>4,721.0</b>

Notes:

- Unamortised arrangement fees are incurred on creation or amendment of borrowing facilities. They are capitalised as incurred, set against the associated liability, and amortised over the life of the borrowing facility to which they relate.*
- On initial recognition the Convertible Bonds were measured at fair value and included as a component of equity.*

## Gearing and adjusted EBITDAX

Gearing is defined as net debt (as defined above) divided by adjusted EBITDAX. Adjusted EBITDAX is defined as gain/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, net.

The Directors believe that adjusted EBITDAX is a useful indicator of the Group's ability to incur and service its indebtedness. Adjusted EBITDAX eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense), the extent to which intangible assets are identifiable (affecting relative amortisation expense), exploration costs written off and other additional specific items that are considered to hinder comparison of the trading performance of the Group's business either year-on-year or with other businesses. For the periods under review, other specific items represent loss on disposal and impairment of assets, restructuring costs, share-based payment charge and provision for onerous service contracts, net. Detailed reconciliation of adjusted EBITDAX to figures reported within the half year results is not possible given the Group measures adjusted EBITDAX on a last twelve months basis.

	As at 1H 2017	As at 1H 2016
Adjusted EBITDAX (last twelve months basis)	1,155.5	952.5
Net debt	3,834.0	4,721.0
<b>Gearing (times)</b>	<b>3.3</b>	<b>5.0</b>

## Underlying cash operating costs

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 is not a measurement of performance under IFRS and prospective investors should not consider underlying cash operating costs as an alternative to cost of sales (as determined in accordance with IFRS) as a measure of the Group's underlying cash operating costs or any other measures of performance under IFRS.

The Directors believe that 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.

	1H 2017	1H 2016
Cost of sales	538.6	358.9
<i>Less</i>		
Operating lease expense (1)	53.4	-
Depletion and amortisation of oil and gas assets (2)	263.4	182.1
Underlift, overlift, and oil stock movements (3)	36.0	(29.5)
Share-based payment charge included in cost of sales (4)	1.3	0.4
Other cost of sales (5)	18.2	16.1
<b>Underlying cash operating costs</b>	<b>166.3</b>	<b>189.8</b>

Notes:

1. *Operating lease expense are amounts incurred under the Group's operating leases as determined in accordance with IFRS. For 1H 2017 this included TEN FPSO lease costs. However, on recognition as a finance lease, which is expected in 2H 2017, the expense associated with the TEN FPSO will be recorded within depletion and amortisation of oil and gas assets.*
2. *Depletion and amortisation of oil and gas assets is the depreciation and amortisation of the Group's oil and gas assets over the life of an asset on a unit of production basis.*
3. *Under lifting or offtake arrangements for oil and gas produced in certain operations in which the Group has interests with other commercial partners, 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 constitutes "underlift" or "overlift". Underlift and overlift are valued at market value and included within other current assets and other current payables on the Group's balance sheet, respectively. Movements during an accounting period are charged to cost of sales rather than charged through revenue, and as a result gross profit is recognised on an entitlements basis.*
4. *Share-based payment charge included in cost of sales relates to the portion of the non-cash share-based payment charge that relates to employees who work on operational projects.*
5. *Other cost of sales includes purchases of gas from third parties to fulfil gas sales contracts and royalties paid in cash.*

### Free cash flow

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, net proceeds from issue of share capital, plus debt arrangement fees and repayment of bank loans, less drawdown of bank loans, issue of senior notes and issue of convertible bonds.

The Directors believe that free cash flow is a useful indicator of the Group's ability to reduce borrowings, fund its business and strategic acquisitions, and make funds available to return to Shareholders through dividends. Free cash flow does not reflect any restrictions on the transfer of cash and cash equivalents within the Group or any requirement to repay the Group's borrowings and does not take into account cash flows that are available from disposals or the issue of shares. Management therefore takes such factors into account in addition to free cash flow when determining the resources available for capital investment, acquisitions and for distribution to Shareholders.

	1H 2017	1H 2016
Net cash from operating activities	502.2	198.8
Net cash used in investing activities	(150.6)	(779.9)
Net cash (used in)/generated by financing activities	(316.2)	529.6
Foreign exchange gain/(loss)	1.1	(0.5)
Net proceeds from issue of share capital	(754.7)	-
Debt arrangement fees	8.0	16.0
Repayment of bank loans	1,069.9	80.2
Drawdown of bank loans	(155.0)	(741.6)
<b>Free cash flow</b>	<b>204.7</b>	<b>(697.4)</b>

## **Responsibility statement**

The Directors confirm that to the best of their knowledge:

- a. the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b. the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c. the interim management report includes a true and fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors of Tullow Oil plc are as listed in the Group's 2016 Annual Report and Accounts. A list of the current Directors is maintained on the Tullow Oil plc website: [www.tullowoil.com](http://www.tullowoil.com).

By order of the Board,

**Paul McDade**  
Chief Executive Officer  
25 July 2017

**Les Wood**  
Chief Financial Officer  
25 July 2017

## **Disclaimer**

This statement 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 the Group 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. Accordingly no reliance may be placed on the figures contained in such forward-looking statements.

# Independent review report to Tullow Oil plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## Deloitte LLP

Statutory Auditor

London

25 July 2017

## Condensed consolidated income statement

Six months ended 30 June 2017

	Notes	6 months ended 30.06.17 Unaudited \$m	6 months ended 30.06.16 Unaudited \$m	Year ended 31.12.16 Audited \$m
Continuing activities				
Sales revenue		787.5	540.6	1,269.9
Other operating income – lost production insurance proceeds		54.3	–	90.1
Cost of sales	7	(538.6)	(358.9)	(813.1)
Gross profit		303.2	181.7	546.9
Administrative expenses	7	(51.4)	(68.4)	(116.4)
Restructuring costs	7	(1.4)	(7.4)	(12.3)
Loss on disposal		(0.6)	(3.4)	(3.4)
Goodwill impairment		–	–	(164.0)
Exploration costs written off	10	(3.9)	(59.0)	(723.0)
Impairment of property, plant and equipment, net	11	(641.7)	–	(167.6)
Provision for onerous service contracts, net		0.9	(16.9)	(114.9)
Operating (loss)/profit		(394.9)	26.6	(754.7)
Gain on hedging instruments		42.3	30.2	18.2
Finance revenue	8	12.9	36.9	26.4
Finance costs	8	(179.1)	(69.6)	(198.2)
(Loss)/profit from continuing activities before tax		(518.8)	24.1	(908.3)
Income tax credit	9	209.8	5.8	311.0
(Loss)/profit for the year from continuing activities		(309.0)	29.9	(597.3)
Attributable to:				
Owners of the Company		(308.6)	29.7	(599.9)
Non-controlling interest		(0.4)	0.2	2.6
		(309.0)	29.9	(597.3)
Earnings per ordinary share from continuing activities		¢	¢	¢
Basic	3	(25.2)	2.8	(55.8)
Diluted	3	(25.2)	2.7	(55.8)

## Condensed consolidated statement of comprehensive income and expense

Six months ended 30 June 2017

		6 months ended 30.06.17 Unaudited \$m	6 months ended 30.06.16 Unaudited \$m	Year ended 31.12.16 Audited \$m
(Loss)/profit for the period		(309.0)	29.9	(597.3)
Items that may be reclassified to the income statement in subsequent periods				
Cash flow hedges				
Gains/(losses) arising in the period		78.1	(101.4)	(135.3)
Reclassification adjustments for items included in profit on realisation		(88.3)	(234.8)	(415.2)
Exchange differences on translation of foreign operations		(3.3)	(10.8)	17.1
Other comprehensive expense		(13.5)	(347.0)	(533.4)
Tax relating to components of other comprehensive (expense)/ income		(0.6)	50.0	108.8
Net other comprehensive expense for the period		(14.1)	(297.0)	(424.6)
Total comprehensive expense for the period		(323.1)	(267.1)	(1,021.9)
Attributable to:				
Owners of the Company		(322.7)	(267.3)	(1,024.5)
Non-controlling interest		(0.4)	0.2	2.6
		(323.1)	(267.1)	(1,021.9)

## Condensed consolidated balance sheet

As at 30 June 2017

	Notes	30.06.17 Unaudited \$m	30.06.16 Unaudited \$m	31.12.16 Audited \$m
<b>ASSETS</b>				
Non-current assets				
Goodwill		—	164.0	—
Intangible exploration and evaluation assets	10	2,100.6	3,489.6	2,025.8
Property, plant and equipment	11	4,365.9	5,565.4	5,362.9
Investments		1.0	1.0	1.0
Other non-current assets	12	200.3	296.0	175.7
Derivative financial instruments		21.8	98.6	15.8
Deferred tax assets		763.8	291.6	758.9
		7,453.4	9,906.2	8,340.1
Current assets				
Inventories		145.6	121.0	155.3
Trade receivables		112.8	49.0	118.4
Other current assets	12	525.4	696.0	838.9
Current tax assets		143.2	136.2	138.3
Derivative financial instruments		101.8	223.7	91.7
Cash and cash equivalents		318.4	303.7	281.9
Assets classified as held for sale	13	963.6	—	837.1
		2,310.8	1,529.6	2,461.6
Total assets		9,764.2	11,435.8	10,801.7
<b>LIABILITIES</b>				
Current liabilities				
Trade and other payables	14	(624.0)	(912.0)	(916.1)
Provisions	15	(88.1)	(143.0)	(51.9)
Borrowings		(512.5)	(652.0)	(591.5)
Current tax liabilities		(22.4)	(99.1)	(83.1)
Derivative financial instruments		(0.9)	(2.4)	(5.9)
Liabilities classified as held for sale	13	(111.0)	—	—
		(1,358.9)	(1,808.5)	(1,648.5)
Non-current liabilities				
Trade and other payables	14	(105.6)	(99.6)	(112.3)
Borrowings		(3,553.0)	(4,335.2)	(4,388.4)
Provisions	15	(962.7)	(1,042.3)	(1,106.7)
Deferred tax liabilities		(1,079.9)	(1,222.1)	(1,292.4)
Derivative financial instruments		(0.1)	(2.9)	(10.9)
		(5,701.3)	(6,702.1)	(6,910.7)
Total liabilities		(7,060.2)	(8,510.6)	(8,559.2)
Net assets		2,704.0	2,925.2	2,242.5
<b>EQUITY</b>				
Called up share capital	16	207.5	147.2	147.5
Share premium	16	1,311.8	611.5	619.3
Equity component of convertible bonds		48.4	—	48.4
Foreign currency translation reserve		(235.5)	(260.1)	(232.2)
Hedge reserve		117.4	283.7	128.2
Other reserves		740.9	740.9	740.9
Retained earnings		504.6	1,392.1	778.0
Equity attributable to equity holders of the Company		2,695.1	2,915.3	2,230.1
Non-controlling interest		8.9	9.9	12.4
Total equity		2,704.0	2,925.2	2,242.5

## Condensed statement of changes in equity

As at 30 June 2017

	Share capital \$m	Share premium \$m	Equity component of convertible bonds \$m	Foreign currency translation reserve <sup>1</sup> \$m	Hedge Reserve <sup>2</sup> \$m	Other reserves <sup>3</sup> \$m	Retained earnings \$m	Total \$m	Non-controlling interest \$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
Profit for the period	–	–	–	–	–	–	29.7	29.7	0.2	29.9
Hedges, net of tax	–	–	–	–	(286.2)	–	–	(286.2)	–	(286.2)
Currency translation adjustments	–	–	–	(10.8)	–	–	–	(10.8)	–	(10.8)
Issue of employee share options	–	1.7	–	–	–	–	–	1.7	–	1.7
Vesting of PSP shares	–	–	–	–	–	–	(1.7)	(1.7)	–	(1.7)
Share-based payment charges	–	–	–	–	–	–	27.7	27.7	–	27.7
Distribution to non- controlling interests	–	–	–	–	–	–	–	–	(10.1)	(10.1)
At 30 June 2016	147.2	611.5	–	(260.1)	283.7	740.9	1,392.1	2,915.3	9.9	2,925.2
Loss for the period	–	–	–	–	–	–	(629.6)	(629.6)	2.4	(627.2)
Hedges, net of tax	–	–	–	–	(155.5)	–	–	(155.5)	–	(155.5)
Currency translation adjustments	–	–	–	27.9	–	–	–	27.9	–	27.9
Issue of convertible bonds	–	–	48.4	–	–	–	–	48.4	–	48.4
Issue of employee share options	0.3	7.8	–	–	–	–	(7.7)	0.4	–	0.4
Share-based payment charges	–	–	–	–	–	–	23.2	23.2	–	23.2
Distribution to non- controlling interests	–	–	–	–	–	–	–	–	0.1	0.1
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
Profit for the period	–	–	–	–	–	–	(308.6)	(308.6)	(0.4)	(309.0)
Hedges, net of tax	–	–	–	–	(10.8)	–	–	(10.8)	–	(10.8)
Currency translation adjustments	–	–	–	(3.3)	–	–	–	(3.3)	–	(3.3)
Issue of shares – Rights Issue	60.0	692.5	–	–	–	–	–	752.5	–	752.5
Share-based payment charges	–	–	–	–	–	–	35.2	35.2	–	35.2
Distribution to non- controlling interests	–	–	–	–	–	–	–	–	(3.1)	(3.1)
At 30 June 2017	207.5	1,311.8	48.4	(235.5)	117.4	740.9	504.6	2,695.1	8.9	2,704.0

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.

## Condensed consolidated cash flow statement

Six months ended 30 June 2017

	Notes	6 months ended 30.06.17 Unaudited \$m	6 months ended 30.06.16 Unaudited \$m	Year ended 31.12.16 Audited \$m
<b>Cash flows from operating activities</b>				
(Loss)/profit before taxation		(518.8)	24.1	(908.3)
Adjustments for:				
Depreciation, depletion, and amortisation		272.1	193.8	466.9
Loss on disposal		0.6	3.4	3.4
Goodwill impairment		–	–	164.0
Exploration costs written off	10	3.9	59.0	723.0
Impairment of property, plant and equipment, net	11	643.8	–	167.6
Provision for onerous service contracts, net		0.9	16.9	114.9
Payment under onerous service contracts		–	(59.7)	(132.0)
Decommissioning expenditure		(10.5)	(7.1)	(23.0)
Share-based payment charge		20.4	23.0	43.9
Gain on hedging instruments		(42.3)	(30.2)	(18.2)
Finance revenue		(12.9)	(36.9)	(26.4)
Finance costs	8	179.1	69.6	198.2
Operating cash flow before working capital movements		536.3	255.9	774.0
Decrease/(increase) in trade and other receivables		123.3	119.5	(99.4)
Decrease/(increase) in inventories		9.6	(16.8)	(47.8)
Decrease in trade payables		(129.8)	(65.1)	(29.8)
Cash flows from operating activities		539.4	293.5	597.0
Taxes paid		(37.2)	(94.7)	(84.5)
Net cash from operating activities		502.2	198.8	512.5
<b>Cash flows from investing activities</b>				
Proceeds from disposals		7.0	0.1	62.8
Purchase of intangible exploration and evaluation assets		(91.4)	(149.2)	(275.2)
Purchase of property, plant and equipment		(68.4)	(631.5)	(756.0)
Interest received		2.2	0.7	1.2
Net cash used in investing activities		(150.6)	(779.9)	(967.2)
<b>Cash flows from financing activities</b>				
Net proceeds from issue of share capital		754.7	–	9.9
Debt arrangement fees		(8.0)	(16.0)	(31.7)
Repayment of borrowings		(1,069.9)	(80.2)	(769.1)
Drawdown of borrowings		155.0	741.6	1,187.5
Issue of convertible bond		–	–	300.0
Repayment of obligations under finance leases		(1.7)	(1.6)	(3.3)
Finance costs paid		(143.3)	(104.2)	(284.0)
Distributions to non-controlling interests		(3.0)	(10.0)	(10.0)
Net cash (used in)/generated by financing activities		(316.2)	529.6	399.3
Net increase/(decrease) in cash and cash equivalents		35.4	(51.5)	(55.4)
Cash and cash equivalents at beginning of period		281.9	355.7	355.7
Foreign exchange gain/(loss)		1.1	(0.5)	(18.3)
Cash and cash equivalents at end of period		318.4	303.7	281.9

# Notes to the preliminary financial statements

Six months ended 30 June 2017

## 1. General information

The condensed financial statements for the six month period ended 30 June 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the requirements of the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) in the United Kingdom as applicable to interim financial reporting.

The Condensed financial statements represent a 'condensed set of financial statements' as referred to in the DTR issued by the FCA. Accordingly, they do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union (EU). The Condensed financial statements are unaudited and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. This information was derived from the statutory accounts for the year ended 31 December 2016, a copy of which has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of an emphasis of matter and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

## 2. Accounting policies

The annual financial statements of Tullow Oil plc are prepared in accordance with IFRSs as issued by the International Accounting Standards Board and as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Services Authority.

Basis of preparation

The condensed set of financial statements included in this half-yearly financial report has been prepared on a going concern basis as the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future as explained in the Finance Review.

The accounting policies adopted in the 2017 half-yearly financial report are the same as those adopted in the 2016 Annual report and accounts other than the following new and revised standards that were effective during 2017. The adoption of these standards has not had a material impact on the financial statements of the Group.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Disclosure Initiative (Amendments to IAS 7)

Annual Improvements to IFRS Standard 2014-2016 Cycle – Amendments to IFRS 12

## 3. (Loss)/earnings per share

The calculation of basic earnings per share is based on the loss for the period after taxation attributable to equity holders of the parent of \$308.6 million (1H 2016: \$29.7 million profit) and a weighted average number of shares in issue of 1,227.2 million (1H 2016: 1,069.7 million).

The calculation of diluted earnings per share is based on the (loss)/profit for the period after taxation as for basic earnings per share. The number of shares outstanding, however, is adjusted to show the potential dilution if employee share options are converted into ordinary shares. The weighted average number of ordinary shares is increased by 49.0 million (1H 2016: 39.2 million) in respect of employee share options, resulting in a diluted weighted average number of shares of 1,276.2 million (1H 2016: 1,115.7 million).

Comparative basic and diluted earnings per share 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.

## 4. Dividends

The Directors intend to recommend that no 2017 interim dividend be paid (2016 interim dividend: Nil).

## 5. Approval of accounts

These unaudited half year results were approved by the Board of Directors on 25 July 2017.

## 6. 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. The Group has one class of business, being the exploration, development, production and sale of hydrocarbons and therefore the Group's reportable segments under IFRS 8 are West Africa; East Africa; and New Ventures. The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the six months ended 30 June 2017, the six months ended 30 June 2016, and the year ended 31 December 2016.

	West Africa \$m	East Africa \$m	New Ventures \$m	Unallocated \$m	Total \$m
<b>Six months ended 30 June 2017</b>					
Sales revenue by origin	787.5	–	–	–	787.5
Other operating income – lost production insurance proceeds	–	–	–	54.3	54.3
Segment result	(406.5)	0.1	2.6	62.3	(341.5)
Loss on disposal					(0.6)
Unallocated corporate expenses					(52.8)
Operating loss					(394.9)
Gain on hedging instruments					42.3
Finance revenue					12.9
Finance costs					(179.1)
Profit before tax					(518.8)
Income tax credit					209.8
Profit after tax					(309.0)
Total assets	6,665.2	2,441.7	487.4	169.9	9,764.2
Total liabilities	(2,751.0)	(140.8)	(145.5)	(4,022.9)	(7,060.2)
<b>Other segment information</b>					
Capital expenditure:					
Property, plant and equipment	(27.9)*	0.3	0.3	0.7	(26.6)
Intangible exploration and evaluation assets	5.0	124.2	15.5	–	144.7
Depletion, depreciation and amortisation	(264.5)	(0.3)	–	(7.3)	(272.1)
Impairment of property, plant and equipment, net	(641.7)	–	–	–	(641.7)
Exploration costs written off/(reversed)	(5.7)	–	1.8	–	(3.9)

\* Additions to property, plant and equipment are presented net of \$13m of insurance proceeds and \$69m of reversals of prior year accruals as a result of changes to estimates.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a geographic area. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities.

## 6. Segmental reporting contd.

	West Africa \$m	East Africa \$m	New Ventures \$m	Unallocated \$m	Total \$m
<b>Six months ended 30 June 2016</b>					
Sales revenue by origin	540.6	–	–	–	540.6
Segment result	181.0	–	(58.6)	(16.6)	105.8
Loss on disposal of other assets					(3.4)
Unallocated corporate expenses					(75.8)
Operating profit					26.6
Gain on hedging instruments					30.2
Finance revenue					36.9
Finance costs					(69.6)
Profit before tax					24.1
Income tax charge					5.8
Profit after tax					29.9
Total assets	7,547.8	2,642.9	1,056.3	188.8	11,435.8
Total liabilities	(2,783.7)	(251.5)	(462.0)	(5,013.4)	(8,510.6)
<b>Other segment information</b>					
Capital expenditure:					
Property, plant and equipment	563.0	–	0.3	0.1	563.4
Intangible exploration and evaluation assets	6.1	68.3	65.2	–	139.6
Depletion, depreciation and amortization	(182.9)	(0.5)	(0.6)	(9.8)	(193.8)
Exploration costs written off	(2.5)	–	(56.5)	–	(59.0)
<b>Year ended 31 December 2016</b>					
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 of oil and gas assets					(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)
<b>Other segment information</b>					
Capital expenditure:					
Property, plant and equipment	817.0	0.3	0.4	0.8	818.5
Intangible exploration and evaluation assets	9.9	137.4	144.1	–	291.4
Depletion, depreciation and amortization	(450.4)	(0.9)	(1.0)	(14.6)	(466.9)
Impairment of property, plant and equipment	(167.2)	–	(0.4)	–	(167.6)
Exploration costs written off	(7.7)	(341.0)	(374.3)	–	(723.0)
Goodwill impairment	–	–	(164.0)	–	(164.0)

	Sales revenue 6 months ended 30.06.17 \$m	Sales revenue 6 months ended 30.06.16 \$m	Sales revenue Year ended 31.12.16 \$m	*Non-current assets 30.06.17 \$m	*Non-current assets 30.06.16 \$m	*Non-current assets 31.12.16 \$m
Congo	9.1	16.9	22.8	—	10.1	—
Côte d'Ivoire	39.9	48.9	61.3	86.1	149.5	108.6
Equatorial Guinea	39.9	82.8	141.4	131.1	191.0	166.1
Gabon	102.3	141.3	241.2	148.4	207.8	206.0
Ghana	537.2	183.7	666.6	4,395.9	5,334.3	5,188.8
Mauritania	5.5	11.6	23.9	—	—	—
Netherlands	17.4	14.2	31.5	—	120.9	113.0
UK	36.2	41.2	81.2	4.0	5.1	0.4
Other	—	—	—	—	0.5	—
Total West Africa	787.5	540.6	1,269.9	4,765.5	6,019.2	5,782.9
Kenya	—	—	—	995.0	909.7	936.9
Uganda	—	—	—	530.8	1,632.3	489.1
Total East Africa	—	—	—	1,525.8	2,542.0	1,426.0
Norway	—	—	—	12.8	576.4	12.1
Other	—	—	—	284.6	288.0	264.1
Total New ventures	—	—	—	297.4	864.4	276.2
Unallocated	—	—	—	79.1	90.4	80.3
Total	787.5	540.6	1,269.9	6,667.8	9,516.0	7,565.4

\*Excludes derivative financial instruments and deferred tax assets.

## 7. Operating (loss)/profit

	6 months ended 30.06.17 Unaudited \$m	6 months ended 30.06.16 Unaudited \$m	Year ended 31.12.16 Audited \$m
<b>Cost of sales</b>			
Operating costs*	166.3	189.8	377.2
Operating lease payments	53.4	—	21.0
Depletion and amortisation of oil and gas assets	263.4	182.1	448.5
Underlift, overlift and oil inventory movement	36.0	(29.5)	(76.5)
Share-based payment charge included in cost of sales	1.3	0.4	2.7
Other cost of sales	18.2	16.1	40.2
Total cost of sales	538.6	358.9	813.1
<b>Administrative expenses</b>			
Share-based payment charge included in administrative expenses	5.8	6.4	41.2
Depreciation of other fixed assets	8.7	11.7	18.4
Relocation costs associated with Major Simplification Project	0.2	—	(0.5)
Cash administrative costs	36.7	50.3	57.3
Total administrative expenses	51.4	68.4	116.4
<b>Restructuring costs</b>			
Total restructuring costs	1.4	7.4	12.3

\*Operating costs for 1H 2017 are presented net of insurance proceeds of \$18m.

## 8. Net financing costs

	6 months ended 30.06.17 Unaudited \$m	6 months ended 30.06.16 Unaudited \$m	Year ended 31.12.16 Audited \$m
Interest on bank overdrafts and borrowings	151.0	142.2	304.7
Interest on obligations under finance leases	0.8	0.9	1.8
Total borrowing costs	151.8	143.1	306.5
Less amounts included in the cost of qualifying assets	(31.9)	(89.0)	(138.8)
	119.9	54.1	167.7
Finance and arrangement fees	1.8	3.1	5.4
Foreign exchange losses*	47.2	–	–
Unwinding of discount on decommissioning provisions	10.2	12.6	25.1
Total finance costs	179.1	69.6	198.2
Total finance revenue*	(12.9)	(36.9)	(26.4)
Net financing costs	166.2	32.7	171.8

\*A foreign exchange gain of \$37.7 million was derived for 1H 2016, and is included within finance revenue. Finance revenue for 1H 2017 includes interest due from Joint Venture Partners.

## 9. Taxation on loss on ordinary activities

The overall net tax credit of \$210 million (1H 2016: \$6 million credit) includes credits in respect of the Group's North Sea production activities, Norwegian exploration and non-recurring deferred tax credits associated with exploration write-offs and impairments offset by a tax charge on hedging profits. After adjusting for the non-recurring amounts related to exploration write-offs, impairments, disposals and onerous lease provisions and their associated deferred tax benefit, the Group's underlying effective tax rate is 18% (1H 2016: 20%). The decrease in the underlying effective tax rate is primarily a result of lower hedging profits taxed at the UK corporate tax rate and the utilisation of tax losses not previously recognised.

## 10. Intangible exploration and evaluation assets

	6 months ended 30.06.17 Unaudited \$m	6 months ended 30.06.16 Unaudited \$m	Year ended 31.12.16 Audited \$m
<b>At 1 January</b>	2,025.8	3,400.0	3,400.0
Additions	144.7	139.6	291.4
Disposals	(0.4)	–	–
Amounts written-off	(3.9)	(59.0)	(723.0)
Write-off associated with Norway contingent consideration provision	–	–	(36.5)
Net transfer to assets held for sale	(67.6)	–	(912.3)
Currency translation adjustments	2.0	9.0	6.2
<b>At 30 June/31 December</b>	2,100.6	3,489.6	2,025.8

<b>Exploration costs written off/(reversed)</b>	CGU	Rationale for write-off 6 months ended 30.06.17	Write off/(reversal) 30.06.17 Unaudited \$m	Remaining recoverable amount 30.06.17 Unaudited \$m	
				\$m	\$m
Netherlands		a	4.4		–
Other		b,c	5.2		–
New ventures		d	7.3		–
Mauritania		e	(13.0)		13.0
Exploration costs written off			3.9		

- a. Disposal agreed at a value less than carrying value
- b. Current year expenditure on assets previously written off
- c. Licence relinquishments
- d. New ventures expenditure is written off as incurred
- e. Reversal due to extension of a licence, previously considered not likely to be granted

## 11. Property, plant and equipment

	Oil and gas assets	Other fixed assets	Total	Oil and gas assets	Other fixed assets	Total	Oil and gas assets	Other fixed assets	Total
	6 months ended 30.06.17	6 months ended 30.06.17	6 months ended 30.06.17	6 months ended 30.06.16	6 months ended 30.06.16	6 months ended 30.06.16	Year ended 31.12.16	Year ended 31.12.16	Year ended 31.12.16
	Unaudited \$m	Unaudited \$m	Unaudited \$m	Unaudited \$m	Unaudited \$m	Unaudited \$m	Audited \$m	Audited \$m	Audited \$m
<b>Cost</b>									
At 1 January	10,772.5	251.9	11,024.4	10,439.9	289.5	10,729.4	10,439.9	289.5	10,729.4
Additions*	(27.6)	1.0	(26.6)	562.9	0.5	563.4	816.9	1.6	818.5
Disposals	–	(0.7)	(0.7)	(276.0)	(0.1)	(276.1)	(276.1)	(2.7)	(278.8)
Transfer to assets held for sale	(345.9)	–	(345.9)	–	–	–	–	–	–
Currency translation adjustments	61.1	12.8	73.9	(99.7)	(19.7)	(119.4)	(208.2)	(36.5)	(244.7)
At 30 June/31 December	10,460.1	265.0	10,725.1	10,627.1	270.2	10,897.3	10,772.5	251.9	11,024.4
<b>Depreciation, depletion and amortisation</b>									
At 1 January	(5,500.8)	(160.7)	(5,661.5)	(5,360.0)	(165.0)	(5,525.0)	(5,360.0)	(165.0)	(5,525.0)
Charge for the year	(263.4)	(8.7)	(272.1)	(182.1)	(11.7)	(193.8)	(448.5)	(18.4)	(466.9)
Impairment loss	(643.8)	–	(643.8)	–	–	–	(184.3)	(0.4)	(184.7)
Transfer to assets held for sale	285.5	–	285.5	–	–	–	–	–	–
Impairment reversal	–	–	–	–	–	–	10.9	–	10.9
Disposal	–	0.8	0.8	276.0	0.1	276.1	276.1	2.6	278.7
Currency translation adjustments	(59.3)	(8.8)	(68.1)	100.1	10.7	110.8	205.0	20.5	225.5
At 30 June/31 December	(6,181.8)	(177.4)	(6,359.2)	(5,166.0)	(165.9)	(5,331.9)	(5,500.8)	(160.7)	(5,661.5)
Net book value at 30 June/31 December	4,278.3	87.6	4,365.9	5,461.1	104.3	5,565.4	5,271.7	91.2	5,362.9

\*Additions to property, plant and equipment for 1H 2017 are presented net of \$13m of insurance proceeds and \$69m of reversals of prior year accruals as a result of changes to estimates.

	Trigger for 2017 impairment	6 months ended 30.06.17	Impairment Unaudited \$m	Pre-tax discount rate assumption
Limande CGU (Gabon)	a,e	17.7	13%	
Turnix CGU (Gabon)	a,e	0.5	13%	
Echira CGU (Gabon)	a,e	6.8	15%	
Igongo CGU (Gabon)	a,e	5.8	15%	
Oba CGU (Gabon)	a,e	1.9	15%	
Middle Oba (Gabon)	a,e	1.9	15%	
Ceiba and Okume (Equatorial Guinea)	a	15.5	10%	
Espoir (Côte d'Ivoire)	a	16.1	10%	
TEN (Ghana)	a, b	572.0	10%	
Jubilee (Ghana)	c	(2.1)	n/a	
Netherlands CGU (Netherlands)	d	5.6	n/a	
Impairment		641.7		

- a. Decrease to oil price assumptions (see discussion below)
- b. Increase to cost estimates
- c. The 2017 income statement charge is presented net of \$2.1 million of insurance proceeds related to Jubilee
- d. Disposal agreed at a value less than carrying value
- e. The Limande, Turnix, Echira, Igongo, Middle Oba, and Oba CGU comprise a number of fields which share export infrastructure

During 2017 the Group revised its mid-term and long-term nominal oil price assumptions in its impairment models. The oil price was revised to \$60/bbl in 2019, gradually increasing to \$80/bbl in 2023. The oil price is then assumed to increase by an inflation rate of 2% per annum from 2024 onwards. The Group continues to use the Dated Brent forward curve as its short-term price assumption, which was also noted to decrease between 31 December 2016 and 30 June 2017.

## 12. Other assets

	30.06.17 Unaudited \$m	30.06.16 Unaudited \$m	31.12.16 Audited \$m
<b>Non-current</b>			
Amounts due from joint venture partners	147.4	164.8	127.3
Uganda VAT recoverable	35.9	50.3	35.9
Norwegian tax receivable	0.3	76.4	—
Other non-current assets	16.7	4.5	12.5
	<b>200.3</b>	<b>296.0</b>	<b>175.7</b>
<b>Current</b>			
Amounts due from joint venture partners	299.8	522.9	560.4
Underlifts	25.3	30.0	34.9
Prepayments	26.9	34.3	26.3
VAT & WHT recoverable	5.3	9.1	5.7
Other current assets	168.1	99.7	211.6
	<b>525.4</b>	<b>696.0</b>	<b>838.9</b>

## 13. Assets and liabilities classified as held for sale

On 16 March 2017 CNOOC Uganda exercised its right of pre-emption in respect of the Sale Assets and the Group is working with CNOOC Uganda and Total Uganda to conclude definitive sale documentation in relation to the farm-down. The Government's review of the deal is ongoing, as expected. The Government will need to review a re-submitted SPA following CNOOC exercising its pre-emption right. The assets held for sale increased by \$20.6 million as a result of additional capitalised interest.

In April 2017, Tullow signed a Sales and Purchase Agreement with Hague and London Oil plc (HALO) for the entire Netherlands portfolio with an effective date of 1 January 2017. The transaction had yet to complete at 30 June 2017, and as such the assets and liabilities associated with the sale have been classified as held for sale.

## 14. Trade and other payables

	30.06.17 Unaudited \$m	30.06.16 Unaudited \$m	31.12.16 Audited \$m
<b>Current</b>			
Trade payables	24.4	44.8	46.9
Other payables	126.4	71.4	124.6
Overlifts	25.4	13.4	6.9
Accruals	427.7	754.0	721.2
VAT and other similar taxes	18.0	26.7	14.6
Current portion of finance lease	2.1	1.7	1.9
	<b>624.0</b>	<b>912.0</b>	<b>916.1</b>
<b>Non-current</b>			
Other non-current liabilities	82.0	74.0	87.7
Non-current portion of finance lease	23.6	25.6	24.6
	<b>105.6</b>	<b>99.6</b>	<b>112.3</b>

## 15. Provisions

	30.06.17 Unaudited \$m	30.06.16 Unaudited \$m	31.12.16 Audited \$m
<b>Current</b>			
Decommissioning	88.1	140.1	49.0
Other	–	2.9	2.9
	<b>88.1</b>	<b>143.0</b>	<b>51.9</b>
<b>Non-current</b>			
Decommissioning	823.2	989.7	965.4
Other	139.5	52.6	141.3
	<b>962.7</b>	<b>1,042.3</b>	<b>1,106.7</b>

## 16. Called up share capital and share premium

In the six months ended 30 June 2017, the Group issued 1.8 million (1H 2016: 0.7 million) new shares in respect of employee share options and 466.9 million new shares in relation to the Rights Issue (1H 2016: nil), which completed on 25 April 2017. As a result of the Rights Issue share capital increased by \$60.0m and share premium increased by \$692.5m (net of \$25.9m of expenses).

As at 30 June 2017, the Group had in issue 1,383.2 million allotted and fully paid ordinary shares of Stg 10 pence each (1H 2016: 912.3 million).

## 17. Contingencies

	30.06.17 Unaudited \$m	30.06.16 Unaudited \$m	31.12.16 Audited \$m
<b>Contingent liabilities</b>			
Performance guarantees	89.6	93.4	85.1
Other contingent liabilities	185.3	23.2	156.6
	<b>274.9</b>	<b>116.6</b>	<b>241.7</b>

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 Group has a contract with a supplier for the lease of an FPSO in relation to the TEN field in Ghana. Judgement is required in the determination of whether the contract should be recognised as a finance lease at the balance sheet date in accordance with IAS 17. The key factors considered included an assessment of key contractual clauses associated with the ongoing delays in commissioning the vessel, and consideration of whether the criteria for the issuance of the Certificate of Offshore Completion had not been met at 30 June 2017, which meant that the non-cancellable lease period had not commenced and the Group had not obtained the right of use of the vessel in its intended form. Therefore, the finance lease asset and liability have not been recognised at the balance sheet date. If management had concluded the recognition criteria had been met then a \$1.6 billion, gross, finance lease would have been recognised on the balance sheet.

## 18. Events since 30 June 2017

There has not been any event since 30 June 2017 that has resulted in a material impact on the half year results.

## 19. 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
<b>COMMERCIAL RESERVES</b>									
1 January 2017	272.0	190.0	-	-	-	-	272.0	190.0	303.7
Revisions	2.3	13.8	-	-	-	-	2.3	13.8	4.6
Production	(13.7)	(7.3)	-	-	-	-	(13.7)	(7.3)	(14.9)
30 June 2017	260.6	196.5	-	-	-	-	260.6	196.5	293.4
<b>CONTINGENT RESOURCES</b>									
1 January 2017	128.4	729.7	632.4	42.7	-	4.2	760.8	776.6	890.2
Revisions	(3.0)	(42.9)	-	-	-	-	(3.0)	(42.9)	(10.1)
Additions	-	-	5.4	-	-	-	5.4	-	5.4
30 June 2017	125.4	686.8	637.8	42.7	-	4.2	763.2	733.7	885.5
<b>TOTAL</b>									
30 June 2017	386.0	883.3	637.8	42.7	-	4.2	1,023.8	930.2	1,178.9

1. *Proven and Probable Commercial Reserves are based on a Group reserves report produced 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.*
2. *Proven and Probable Contingent Resources are based on both Tullow's estimates and the Group reserves report produced by an independent engineer.*

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 280.4 mmboe at 30 June 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 development within the foreseeable future.

## **Notes to Editors**

Tullow is a leading independent oil & gas, exploration and production group, quoted on the London, Irish and Ghanaian stock exchanges (symbol: TLW). The Group has interests in over 85 exploration and production licences across 17 countries which are managed as three Business Delivery Teams: West Africa, East Africa and New Ventures.

### **EVENTS ON THE DAY**

In conjunction with these results, Tullow is conducting a London Presentation and a number of events for the financial community.

#### **09.00 GMT - UK/European conference call**

To access the call please dial the appropriate number below shortly before the call and ask for the Tullow Oil plc conference call. The telephone numbers and access codes are:

---

##### **Live event**

---

All participants +44 (0)330 336 9412

---

UK freephone 0800 279 7204

---

Access Code 9821298

---

### **Webcast**

To join the live video webcast or play the on-demand version, please use this link: <https://edge.media-server.com/m6/p/bu3gf8yc>. You will need to have either Real Player or Windows Media Player installed on your computer. The replay will be available from around noon on 26 July 2017.

### **FOR FURTHER INFORMATION CONTACT:**

<b>Tullow Oil plc</b> (London) (+44 20 3249 9000) Chris Perry George Cazenove Nicola Rogers	<b>Murray Consultants</b> (Dublin) (+353 1 498 0300) Pat Walsh Joe Heron
--	--

### **Follow Tullow on:**

Twitter: [www.twitter.com/TullowOilplc](http://www.twitter.com/TullowOilplc)

You Tube: [www.youtube.com/TullowOilplc](http://www.youtube.com/TullowOilplc)

Facebook: [www.facebook.com/TullowOilplc](http://www.facebook.com/TullowOilplc)

LinkedIn: [www.linkedin.com/company/Tullow-Oil](http://www.linkedin.com/company/Tullow-Oil)