# 2019
# Full Year Results

Tullow Oil plc
12 March 2020

# Tullow Oil plc – 2019 Full Year Results

**12 March 2020** – Tullow Oil plc (Tullow), the independent oil and gas exploration and production group, announces its Full Year Results for the year ended 31 December 2019. Details of a management presentation, webcast and conference call are available on the last page of this announcement or visit the Group's website www.tullowoil.com.

### Dorothy Thompson, Executive Chair, Tullow Oil plc, commented today:

*"This has been an intense period for Tullow as we have worked hard on a thorough review of the business which has led to clear conclusions and decisive actions. We are focused on delivering reliable production, lowering our cost base and managing our portfolio to reduce our debt and strengthen our balance sheet. Even with recent events in oil markets, Tullow's assets remain robust: we are a low-cost African oil producer, with a strong hedging position, substantial reserves that underpin our business and a high potential exploration portfolio."*

## 2019 FULL YEAR RESULTS SUMMARY

- Group working interest production averaged 86,800 boepd; capital investment of $490 million
- Revenue of $1,683 million; gross profit of $759 million; loss after tax of $1,694 million
- Loss after tax driven by exploration write-offs and impairments totalling c.$2.0 billion including revised Uganda write-off
- Free cash flow of $355 million; year-end net debt of $2.8 billion; gearing of 2.0x net debt/EBITDAX
- Commenced exploration campaign in Guyana; Carapa-1 well confirms extension of Cretaceous play into Tullow's acreage
- Continued project progress in Kenya towards FID; first ever lifting of Kenyan crude
- Departure of CEO and Exploration Director by mutual agreement following disappointing business performance

## BUSINESS REVIEW

- Business Review undertaken covering all aspects of Tullow's operations and cost base
- Group being restructured to create an effective and efficient organisation; 35% headcount reduction
- Dividend suspended and 2020 capex lowered to c.$350 million; c.$200 million of G&A cash cost savings targeted over 3 years
- Greater Group control of operations and production forecasting through appointment of Mark MacFarlane as COO
- Ghana production and sub-surface management centralised in London; new Asset Director hired
- Areas of potential investment to maintain long-term production and reserve recovery identified at both Jubilee and TEN
- New Head of Exploration hired; c.45% reduction in exploration budget; disciplined exploration strategy
- Portfolio management planned to raise in excess of $1 billion of proceeds, further streamline the business and reduce gearing

## 2020 OUTLOOK

- Group production year-to-date in line with expectations; full year guidance of 70,000 – 80,000 bopd
- Jubilee performing well after gas processing facility upgraded, increased gas offtake agreed, and sea-water injection capacity optimised; Nt-09 production well at TEN on-stream in Q2; non-operated West African production in line with expectations
- Capex of c.$350 million, down c.30% from 2019; exploring options to reduce further if required
- 2020 free cash flow forecast of $50-$75 million at $50/bbl; free cash flow breakeven of c.$45/bbl
- 60% of 2020 sales revenue hedged with a floor of $57/bbl; 40% of 2021 sales revenue hedged with a floor of $53/bbl
- RBL redetermination ongoing; expected c.$1.9 billion debt capacity at the end of March; liquidity of c.$700 million

| 2019 KEY FINANCIAL RESULTS | 2019 | 2018 |
|---|---|---|
| Total revenue ($m)[1] | 1,683 | 1,859 |
| Gross profit ($m) | 759 | 1,082 |
| (Loss)/ profit after tax ($m) | (1,694) | 85 |
| Free cash flow ($m) | 355 | 411 |
| Net debt ($m) | 2,806 | 3,060 |
| Gearing (times) | 2.0 | 1.9 |

1. Total revenue does not include receipts for Tullow's corporate Business Interruption insurance of $43 million (2018: $188 million).

# Business Review

A full review of Tullow's business has been carried out by the Board and the management team. The guiding principles of the review were as follows:

- Ensure the delivery of safe and sustainable operations across the Group
- Review Tullow's portfolio and investments to prioritise free cash flow generation and debt reduction
- Implement greater control of operations and improve production forecasting
- Restructure Tullow to ensure organisational cost efficiency and effectiveness

A series of decisive actions have been taken with the outcomes described below.

## Financial

- Financial strategy focused on free cash flow and a more conservative approach to the capital structure of the business
- Group capital expenditure reduced by c.30% to c.$350 million for 2020; exploration spend reduced by c.45% to c.$75 million
- Portfolio management options identified to raise in excess of $1 billion of proceeds to strengthen balance sheet and provide a solid foundation for the business going forward
- Formal sales process launched in Kenya; continuing to work with Joint Venture Partners on a farm-down in Uganda
- $100 million annual dividend suspended
- Efficiency improvements result in G&A cost reduction; initial headcount reduction of 35%
- Targeting c.$200 million net cash G&A savings over three years; reduced allocation to opex, capex and corporate overheads
- RBL debt capacity expected to be c.$1.9 billion at the end of March resulting in headroom of c.$700 million

## Operations

- Mark MacFarlane appointed as COO with responsibility for the operated and non-operated businesses, including production operations and forecasting, with direct control of development, exploration and technical excellence across the Group

## Ghana

- Ghana Asset Director, Wissam Al-Monthiry, formerly of BP, hired to manage integrated operations and commercial planning
- Ghana sub-surface management and analysis centralised in London with day-to-day operations run in country
- Working successfully with the Government of Ghana to increase gas offtake and improve production at both Jubilee and TEN
- Sea-water injection reliability improved; gas processing capacity on the Jubilee FPSO successfully upgraded
- Identifying high-potential, undeveloped areas at Jubilee and Ntomme for future investment to build reserves and production

## Exploration

- New Head of Exploration, Amalia Olivera-Riley, formerly of Repsol and Exxon Mobil hired
- Centralisation of Tullow's technical and non-technical expertise in London
- Exploration portfolio to be balanced between proven basins, targeted frontier drilling and near-field opportunities
- Equity positions being leveraged to attract partners and carries; targeting c. 30% equity in all licences pre-drill

## Management

- Executive Management of the Company changed; focused management structure put in place
- Recruitment of a new CEO is well under way with a final short-list being considered by the Board
- Internal restructuring has created a less complex organisation and will improve efficiency and effectiveness
- Proposing the closure of both the Cape Town and Dublin corporate offices

Following the Business Review, the Board remains confident both in the strength of Tullow's assets and its people. Tullow produces low-cost barrels of oil in West Africa, has substantial and valuable oil reserves in both West and East Africa and has a high potential exploration portfolio in Africa and South America. The fundamentals of Tullow's business as an Exploration and Production company remain sound.

The Board is fully committed to remaining a leading independent oil company across Africa, working closely with communities and host governments and to the creation of Shared Prosperity in the countries where Tullow operates.

# Operations review

## Production

Group working interest production averaged 86,800 boepd in 2019. This includes production-equivalent insurance payments of 2,000 bopd from Tullow's Corporate Business Interruption insurance and 100 boepd of gas sales from TEN. The insured period associated with Tullow's Corporate Business Interruption insurance claim related to the Jubilee FPSO turret ended in May 2019, three years after cover commenced. Tullow continues to insure against Business Interruption.

Guidance for production in 2020 remains unchanged. Working interest oil production is expected to average between 70,000 and 80,000 bopd and year-to-date, Group production is in line with expectations.

| NET PRODUCTION (KBOEPD) | 2019 actuals | 2020 mid-point guidance |
|---|---|---|
| Ghana | | |
| Jubilee | 31.1 | 29.0 |
| Business interruption insurance | 2.0 | n/a |
| TEN | 28.8 | 23.0 |
| TEN gas | 0.1 | - |
| Non-operated portfolio (Gabon, Cote d'Ivoire and Equatorial Guinea) | 24.8 | 23.0 |
| **TOTAL** | 86.8 | 75.0 |

## WEST AFRICA

### Ghana

Production from TEN and Jubilee was below expectations in 2019, impacted by a number of factors which were discussed in Tullow's 'Board Changes and 2020 Guidance' announcement on 9 December 2019. Forecasts for 2020 have taken these issues and planned remediations into account and performance in the year to date is encouraging.

A series of actions are being taken to improve overall operating efficiency and reliability at the Jubilee FPSO. Since the start of the year, the planned maintenance work has been successfully carried out to increase gas processing capacity. Repairs have also been carried out to the water injection system which is currently operating at its full design capacity. To sustain full water injection capacity, a taskforce has been formed to implement a series of system reliability improvements that will be carried out throughout the course of the year.

Discussions with Government to increase levels of gas offtake from both Jubilee and TEN have also progressed well and the Ministry of Energy (MoE) is implementing a nominations policy for increased offtake of gas. When followed consistently, this will reduce the amount of gas being reinjected into the field and will help to improve the Gas-to-Oil ratio over time. Tullow has also obtained approval from the MoE to increase flaring from the Jubilee and TEN fields. This permit gives Tullow more scope to effectively manage the amount of gas being injected into the field to help improve the Gas-to-Oil ratio. The increased gas processing capacity delivered in February, flaring, and the renewed focus on well and facility optimisation has delivered improved production levels, with Jubilee currently producing over 90,000 bopd gross

At TEN, Tullow and its Joint Venture Partners continue to re-evaluate the Enyenra development plan following faster than expected decline at the field and a reduction in reserves. Near-term investment is being concentrated on the Ntomme field, where reserves remain robust with the potential for future growth. Both Enyenra and Ntomme are currently producing in line with expectations, with a combined production of around 50,000 bopd gross.

The Stena Forth and Maersk Venturer drillships worked in tandem on Ghana drilling and completion operations throughout the first half of 2019. The Stena Forth rig was then released for other activities and the Maersk Venturer remains in Ghana. In 2019, five wells were drilled and completed. Tullow expects to continue to use the Maersk Venturer rig across both the TEN and Jubilee fields in 2020. A production well at the Ntomme field is currently being drilled, once completed, the rig will then return to Jubilee to drill and complete a water injector before carrying out workovers on a producer and a water injector.

The final phase of the Turret Remediation Project is the installation of a Catenary Anchor Leg Mooring (CALM) buoy to assist with offloading. The CALM buoy arrived in Ghana in January 2020 and once the installation work is complete and the system is mechanically operational, commissioning is expected to be completed on schedule in the second quarter of 2020.

## Non-operated Portfolio

Production from Tullow's non-operated portfolio was stable in 2019, with strong performance from the Ruche and Simba fields in Gabon, in particular. In December 2019, Tullow's Joint Venture Partners in the Ruche PSC in Gabon announced that the Group's back-in arrangements had completed. The deal added c.1,000 bopd in 2019 with further growth forecast in 2020 as additional wells are brought onstream.

### *Decommissioning*

Decommissioning of Tullow-operated licences in the UK North Sea continues to progress as planned. The Group is planning to undertake the final removal and seabed clearance activities during the summer of 2020. In Mauritania, the abandonment programme for the wells in the Chinguetti field commenced at the end of 2019. The abandonment of the wells at the Banda and Tiof fields is due to commence after Chinguetti and continue in 2021.

# EAST AFRICA

## Kenya

Good progress on Project Oil Kenya was made in 2019. Front End Engineering Design (FEED) studies for the upstream and midstream parts of the project were finalised, the tendering process for wells is now complete and upstream tendering for Engineering, Procurement and Construction (EPC) has commenced. The midstream Environmental and Social Impact Assessment (ESIA) was submitted to the National Environmental Management Agency (NEMA) in November 2019. The upstream ESIA is now technically complete and publicly available and will be submitted to NEMA in the second quarter of 2020 after final consultation work in Turkana. The land acquisition work led by the Government of Kenya for the upstream development has commenced in the field. Progress has been slower on some workstreams such as access rights to land and water and the long-form commercial agreements to be entered with the Government of Kenya. This slow progress means that the target of reaching FID by year-end 2020 becomes more challenging.

In May 2019, the Early Oil Pilot Scheme (EOPS) production reached 2,000 bopd. Production performance tested during EOPS demonstrates that the reservoir remains consistent with expectations, and no further reservoir data is expected to be required to de-risk the project. The first export of oil from East Africa, a cargo of 240,000 barrels, was flagged off from the port of Mombasa by H.E. Uhuru Kenyatta, the President of Kenya in August 2019. EOPS was suspended in the fourth quarter of 2019 following adverse weather which caused severe damage to the roads used by the trucks transporting the crude. Trucking operations remain suspended until all roads are repaired to a safe standard.

## Uganda

In August 2019, Tullow announced that its farm-down to Total and CNOOC lapsed following the expiry of the Sale and Purchase Agreements (SPAs). The expiry of the transaction was a result of being unable to agree all aspects of the tax treatment of the transaction with the Government of Uganda which was a condition precedent to completing the SPAs. Joint Venture conversations with the Government are ongoing. Tullow remains committed to reducing its equity in the project ahead of FID and is working constructively with the Joint Venture Partners and the Government of Uganda to agree a way forward.

The planned development of Uganda's material oil resources remains at an advanced stage, with the project's major technical aspects completed. For the upstream components of the project, the ESIA Certificate has been awarded for the Tilenga Project, and the final ESIA report has been submitted for the Kingfisher Project. Good progress has been made on land access secured for both upstream projects and construction costs and schedules have been confirmed from the main EPC bid submissions. For the East Africa Crude Oil Pipeline (EACOP) project, the ESIA certificate has been awarded in Tanzania, and the final ESIA report has been submitted to the Government of Uganda. The key project legal and commercial prerequisites have been outlined to Government by the Joint Venture Partners, with the schedule to FID now dependent on the progress of these negotiations.

# EXPLORATION

## Africa

2019 exploration activity in Africa was focused on seismic acquisition, access and portfolio management. In Côte d'Ivoire, the farm-in by Cairn Energy to Tullow's seven onshore licences was completed, and acquisition of a 500 km 2D seismic programme has commenced. In the Comoros, Tullow completed its farm-in to a 35% operated interest and a 3,000 sq km 3D seismic survey of the deepwater play of the Rovuma delta was acquired in the second half of 2019 with the interpretation under way. In Namibia, Tullow acquired a 56% operated interest in PEL-90 offshore Namibia from Calima Energy in June 2019. This was a strategic, low-cost acquisition with no drilling commitments adjacent to the acreage where the Venus-1 wildcat is planned to be drilled by Total in 2020. Licence withdrawals included Blocks C-18 and C-3 in Mauritania and Block 31 in Zambia.

## South America

### Guyana

Tullow completed a three-well exploration campaign in Guyana in 2019, drilling the Jethro-1 and Joe-1 wells in the Tullow-operated Orinduik licence and the Carapa-1 well in the non-operated Kanuku licence. In the Orinduik Block, the Jethro-1 and Joe-1 wells discovered 55 metres and 14 metres of net oil pay, respectively in Tertiary-age reservoirs. Full analysis of the oil found indicated both deepwater discoveries contained heavy oil with high sulphur content. In the Kanuku block, operated by Repsol, the Carapa-1 well drilled in a water depth of 80 metres discovered four metres of net oil pay containing good quality low sulphur oil, but in poorly developed reservoirs of Cretaceous age. The Carapa-1 well confirmed the extension of the prolific lighter oil hydrocarbon play in the Stabroek Block which is adjacent to Tullow's acreage. The next steps in Guyana will be to integrate the three well results into updated geological and geophysical models, with a focus on the high-grading of the Cretaceous portfolio where better quality oil is expected across both the Kanuku and Orinduik blocks.

### Peru

In February 2020, Tullow announced that the Marina-1 exploration well, drilled in the non-operated Block Z-38 offshore Peru, did not encounter significant hydrocarbons. Marina-1 was the first well in the deep-water section of the under-explored Tumbes basin and data gathered will now be integrated into geological models to update the prospect inventory for Blocks Z-38 and the neighbouring Tullow operated Z-64 licence. Despite the disappointing result, Tullow remains positive about Peru's wider offshore exploration potential.

### Suriname

The Goliathberg-Voltzberg North well in Block 47 is planned to be drilled in the fourth quarter of 2020 testing dual targets in the Cretaceous turbidite play in approximately 1,900 metres of water.

### Argentina

In Argentina, Tullow successfully bid on Blocks 114, 119 and 122, which were formally awarded in October 2019. Located in the Malvinas West Basin, the operated offshore blocks include shallow water Tertiary and Cretaceous turbidite plays. Geological studies and 2D seismic reprocessing were completed in 2019 and a 10,500 sq km 3D multi-client seismic survey covering Blocks 114 and 119 commenced in December 2019. A further 3D seismic survey is planned to commence in late 2020 over Block 122.

### Jamaica

The Walton-Morant licence exploration period expires on 31 July 2020.

# Finance review

| FINANCIAL SUMMARY | 2019 | 2018 |
|---|---|---|
| Working interest production volume (boepd)[1] | 86,800 | 90,000 |
| Sales volume (boepd) | 74,000 | 74,200 |
| Realised oil price ($/bbl) | 62.4 | 68.5 |
| Total revenue ($m)[2] | 1,683 | 1,859 |
| Gross profit ($m) | 759 | 1,082 |
| Underlying cash operating costs per boe ($/boe)[3] | 11.1 | 10.0 |
| Exploration costs written off ($m) | 1,253 | 295 |
| Impairment of property, plant and equipment, net ($m) | 781 | 18 |
| Operating (loss)/ profit ($m) | (1,385) | 528 |
| (Loss)/ profit before tax ($m) | (1,653) | 261 |
| (Loss)/ profit after tax ($m) | (1,694) | 85 |
| Basic (loss)/ earnings per share (cents) | (120.8) | 6.1 |
| Capital investment ($m)[3] | 490 | 423 |
| Adjusted EBITDAX ($m)[3] | 1,398 | 1,600 |
| Net debt ($m)[3] | 2,806 | 3,060 |
| Gearing (times)[3] | 2.0 | 1.9 |
| Free cash flow ($m)[3] | 355 | 411 |

1. Includes 2,000 boepd of production-equivalent insurance payments from the Jubilee field in 2019 (2018: 8,600 boepd) and working interest gas production of 100 boepd in 2019 (2018: 1,800 boepd).
2. Total revenue does not include receipts for Tullow's Corporate Business Interruption insurance of $43 million (2018: $188 million). This is included in Other Operating Income which is a component of Gross Profit.
3. Underlying cash operating costs per boe, capital investment, adjusted EBITDAX, net debt, gearing and free cash flow are non-IFRS measures and are explained later in this section.

## Production and commodity prices

Working interest production averaged 84,800 boepd, an increase of 4 per cent for the year (2018: 81,400 boepd). Including the impact of production-equivalent insurance payments from the Jubilee field, working interest production averaged 86,800 boepd (2018: 90,000 boepd), a decrease of 3.5 per cent. The decrease resulted from facility and subsurface challenges in Ghana, as well as no gas production from the UK assets in 2019 partially offset by production from new fields in Gabon.

The Group's realised oil price after hedging was $62.4/bbl and $64.3/bbl before hedging (2018: $68.5/bbl and $71.8/bbl respectively).

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

Underlying cash operating costs amounted to $351 million; $11.1/boe (2018: $327 million; $10.0/boe). Underlying cash operating costs were net of $4 million of insurance proceeds (2018: $46 million). The 11 per cent increase in unit cash operating costs was principally due to the ending of the Business Interruption coverage in May 2019, resulting in higher cost of operation, such as shuttle tanker operations and lower production.

DD&A charges on production and development assets amounted to $696 million; $22.0/boe (2018: $568 million; $17.2/boe). This increase is mainly associated with the downward revision of TEN 2P reserves.

The Group recognised a net impairment charge on property, plant and equipment of $781 million in respect of 2019 (2018: $18 million). Impairments were primarily due to a $10/bbl reduction in the Group's long-term accounting oil price assumption to $65/bbl and a reduction in TEN 2P reserves.

The total exploration cost write-offs for the year ended 31 December 2019 were $1,253 million (2018: $295 million), predominantly driven by a write-down of the value of the Kenya and Uganda assets due to a reduction in the Group's long-term accounting oil price assumption from $75/bbl to $65/bbl. The remaining write-offs include Jethro, Joe and Carapa well costs in Guyana as a result of drilling results and Kenya Block 12A, 12B and 10BA, Mauritania C3, PEL37 Namibia and Jamaica licence due to the levels of planned future activity or licence exits.

At the 15 January 2020 Trading Update, the Group had guided a total exploration write-off of $0.8 billion. However, as part of the subsequent Business Review, Tullow has now re-assessed the entire Uganda development project which has resulted in a lower value-in-use assessment. The review resulted in the removal of four higher risk elements of the development from the overall valuation of the project and a consequent increase in the exploration write-off of c.$0.5 billion.

Administrative expenses of $112 million (2018: $90 million) included an amount of $22 million (2018: $23 million) associated with share-based payment charges. The increase in administrative expenses primarily relates to the closure of historic JV audit matters.

## Provisions

Changes to provisions in 2019 resulted in an income statement charge in 2019 of $4.2 million (2018: charge of $170.8 million). The 2019 charge mainly relates to restructuring costs.

## Derivative financial instruments

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

At 31 December 2019, the Group's derivative instruments had a net negative fair value of $12 million (2018: positive $128 million).

| **2020 hedge position at 31 December 2019** | **Bopd** | **Bought put (floor)** | **Sold call** | **Bought call** |
|---|---|---|---|---|
| **Hedge structure** | | | | |
| Collars | 33,000 | $57.60 | $79.21 | – |
| Three-way collars (call spread) | 12,000 | $56.42 | $77.82 | $87.68 |
| Total/weighted average | **45,000** | **$57.28** | **$78.84** | **$87.68** |

The 2021 hedging position at 31 December 2019 was c.22,000 bopd hedged with an average floor price protected of $52.78/bbl.

## Net financing costs

Net financing costs for the year were $267 million (2018: $270 million). The decrease in financing costs is associated with the reduction in interest on borrowings due to a reduction in the average level of net debt in 2019 compared to 2018 offset by finance costs associated with the implementation of IFRS 16 and cessation of capitalising interest on the Ugandan assets. Net financing costs include interest incurred on the Group's debt facilities, foreign exchange gains/losses, the unwinding of discount on decommissioning provisions, and the net financing costs associated with leased assets, offset by interest earned on cash deposits and capitalised borrowing costs.

## Taxation

The net tax expense of $41 million (2018: expense of $175 million) primarily relates to tax charges in respect of the Group's production activities in West Africa, as well as UK decommissioning assets, reduced by deferred tax credits associated with exploration write-offs, impairments and provisions for onerous service contracts.

Based on a loss before tax for period of $1,653 million (2019: profit of $260.5 million), the effective tax rate is negative 2.4 per cent (2018: positive 67.2 per cent). After adjusting for non-recurring amounts related to exploration write-offs, disposals, impairments, provisions and their associated deferred tax benefit, the Group's adjusted tax rate is 71.6 per cent (2018: 40.7 per cent). The adjusted tax rate has increased due to losses in the UK, impact of WHT and prior year adjustments.

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

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

The loss after tax for the year from continuing activities amounted to $1,694 million (2018: $85 million profit). Basic loss per share was 120.8 cents (2018: 6.1 cents earnings).

| Reconciliation of net debt | $m |
|---|---|
| **Year-end 2018 net debt** | **3,060.2** |
| Sales revenue | (1,682.6) |
| Other operating income – lost production insurance proceeds | (42.7) |
| Operating costs | 351.3 |
| Operating and administrative expenses | 77.6 |
| **Cash flow from operations** | **(1,296.4)** |
| Movement in working capital | (53.3) |
| Tax paid | 91.0 |
| Purchases of intangible exploration and evaluation assets and property, plant, and equipment | 520.9 |
| Other investing activities | (8.9) |
| Other financing activities | 488.4 |
| Foreign exchange gain on cash | 3.6 |
| **Year-end 2019 net debt** | 2,805.5 |

## Capital investment

2019 capital investment amounted to $490 million (2018: $423 million) with $351 million invested in production and development activities and $139 million invested in Exploration and Appraisal activities. More than 54 per cent of the total was invested in Ghana and Kenya and over 81 per cent was invested in Africa.

Capital investment will continue to be carefully controlled during 2020 and is expected to total c.$350 million. The capital investment total comprises Ghana capex of c.$140 million, West Africa non-operated capex of c.$80 million, Kenya and Uganda pre-development expenditure of c.$40 million and c.$15 million respectively and Exploration and Appraisal expenditure of c.$75 million.

## Borrowings

During the year, commitments under Tullow's Reserves Based Lending facility reduced from $2,464 million to $2,400 million in line with the schedule. Tullow's debt facilities further include $300 million convertible notes due in 2021, $650 million senior notes due in 2022 and $800 million senior notes due in 2025. Liquidity headroom of unutilised debt capacity and free cash were $1.2 billion at the end of 2019. Tullow's RBL debt facility is subject to a bi-annual redetermination.

## Credit Ratings

Tullow maintains corporate credit ratings with Standard & Poor's and Moody's Investors Service. In December 2019, Standard & Poor's downgraded Tullow's corporate credit rating to B from B+, and assigned a negative outlook; consequently, Standard & Poor's also downgraded the rating of Tullow's corporate bonds to B from B+, in line with the corporate credit rating. Moody's Investors Service downgraded Tullow's corporate credit rating to B2 from B1, and assigned a negative outlook; consequently, the rating of Tullow's corporate bonds was lowered to Caa1 from B3.

## Liquidity risk management and going concern

The Group closely monitors and carefully 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. Cash forecasts have been updated in light of the oil price volatility seen in early 2020, with the base case run using a forward curve of $38/bbl for 2020 and $43/bbl for 2021, and a downside sensitivity run at $30/bbl for both 2020 and 2021. As described on page 7, the Group benefits from its hedging policy, meaning that the impact of reduced oil prices in the going concern period is mitigated, in particular through 2020. Furthermore, the Board has plans to raise in excess of $1 billion from portfolio management activities in 2020.

The semi-annual redetermination of the RBL facility is currently under way, and the Group expects debt capacity to be confirmed at c.$1.9 billion. The Group has evaluated the RBL facility using a number of different oil price assumptions and has determined that near-term oil price volatility has no material impact on debt capacity due to the significant downside protection provided by its hedge portfolio and the reduction in tax liabilities at lower oil prices. As part of the RBL redetermination process the Group is required to demonstrate to the satisfaction of its lenders that it has sufficient liquidity for the next 18 months; based on the projections submitted to lenders, using the assumptions defined in the agreements, the Group expects that lenders will be satisfied that the Group has sufficient liquidity for the next 18 months. This assessment is required at each semi-annual redetermination, including the one currently under way.

The Group's base assumptions show that it will be able to operate within its contractual debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2019 Annual Report and Accounts. Under a severe downside scenario where the Group both fails to meet its production forecast and assuming a flat $30/bbl oil price, the Group has sufficient liquidity for the 12 months from the date of approval of the 2019 Annual Report and Accounts. However, using both the base and downside oil price assumptions the Group's leverage is forecast to be marginally above the RBL gearing covenant when calculated at 31 December 2020, if planned portfolio management proceeds are not realised. The Group continues to closely monitor cash flow forecasts and would take mitigating actions in advance to maintain compliance with its external debt facilities, including securing amendments to covenants if necessary. The Directors believe the RBL gearing covenant could be amended in advance if required which is both consistent with past practice and the reasonable expectation of the commercial interests of the counterparties involved. In this scenario, the Group would also target a further rationalisation of its cost base, including cuts to discretionary capital expenditure.

However, at the time of issuing the Annual Report and Accounts there are unprecedented market conditions with significant oil price volatility following the demand implications driven by COVID-19 and the failure of OPEC and Russia to reach agreement to cut oil supply to balance markets. Therefore, this increases the risk that the Group may not be able to sufficiently progress any planned portfolio management activities, as a result of which its lenders may not approve the semi-annual RBL redetermination liquidity assessments or covenant amendment if subsequently required. Therefore, we have concluded that there is a material uncertainty, that may cast significant doubt, that the Group will be able to operate as a going concern. Notwithstanding this material uncertainty, the Board's confidence in the Group's forecasts and ability to deliver portfolio management proceeds supports our preparation of the financial statements on a going concern basis.

## Brexit

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

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

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

## COVID-19 (Coronavirus)

Tullow continues to monitor the ongoing COVID-19 outbreak. Tullow has experience of managing infectious diseases of this nature following the significant contingency planning put in place during the West African Ebola outbreak in 2015.

Tullow actively monitors advice from the World Health Organisation and Public Health England, as well as participates in weekly calls with the International Oil and Gas Producers' Health Committee relating to the COVID-19 outbreak to ensure best practice precautions are being applied. At present the threat level in Tullow's countries of operation remains low, as per our Infectious Disease Health Management Guideline, however we continue to closely monitor this as the situation develops. Clear information and health precautions on how employees should protect themselves and reduce exposure to, and transmission of, a range of illnesses along with general advice has been communicated across the organisation.

In both Ghana and Kenya Tullow's in-country teams have set up their EID (Emerging Infectious Disease) Management committees in response to the current COVID-19 outbreak. These EID committees steer the local management response to the outbreak, including ensuring that our contractors have implemented appropriate measures. We have also implemented 'self-declaration' forms for all personnel travelling to our offshore assets in Ghana, that require people to sign-off that they have not been to the 'specified locations' as defined by the UK Foreign & Commonwealth Office in the last 30 days, as well as implementing business travel restrictions to and from these 'specified locations'.

In the event that the COVID-19 outbreak escalates, the country specific Business Continuity Plans set out how Tullow will continue to operate, recover quickly from, and effectively manage the response.

## Events since 31 December 2019

In February 2020, Tullow concluded its Business Review – which included a review of organisation structure and resources. Subject to the outcome of the consultation, this will most likely result in a 35% reduction in headcount, with an associated expected restructuring cost of c.$50 million. It is anticipated that the reorganisation will generate cash G&A savings of c.$200 million over the next three years. Refer to Business Review section on page 2 for further discussion.

The six-monthly redetermination of Tullow's Reserves Based Lending (RBL) facility is expected to conclude at the end of March, and debt capacity is expected to be c.$1.9bn. Subject to confirmation of this debt capacity amount, the Group will have headroom of c.$0.7 billion which is above the Group's policy target of no less than $500 million and is appropriate in light of Tullow's reduced future capital commitments. On completion of the redetermination process, the Group plans to voluntarily reduce facility commitments by $210 million, effectively accelerating the October 2020 scheduled amortisation. The reduction in debt capacity and commitments will result in a reduction of finance costs.

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the COVID-19 outbreak which has had a material impact on oil demand. The group failed to reach agreement and on 7 March 2020, Saudi Aramco unilaterally and aggressively cut its Official Selling Prices (OSP) in an attempt to prioritise market share rather than price stability and effectively started a price war. As a result, on 9 March 2020, oil prices fell by around 20% and the forward curve for 2020 and 2021 fell to approximately $38/bbl and $43/bbl respectively. These recent events will continue to have an impact on oil price volatility. Tullow prudently manages its commodity risk and is well hedged with 60% of 2020 production hedged at a floor price of $57/bbl and 40% hedged at a floor price of $52/bbl for 2021. Realised oil prices for January and February 2020 averaged over $60/bbl. If oil prices remain at or below their current levels for an extended period of time, this would adversely impact our future financial results.

## Non-IFRS measures

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

## Capital investment

Capital investment is defined as additions to property, plant and equipment and intangible exploration and evaluation assets less decommissioning asset additions, right-of-use 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.

| | 2019<br>$m | 2018<br>$m |
|---|---|---|
| Additions to property, plant and equipment | 528.4 | 268.1 |
| Additions to intangible exploration and evaluation assets | 279.3 | 230.4 |
| *Less* | | |
| Decommissioning asset additions | 109.0 | (42.7) |
| Right-of-use asset additions | 150.3 | (3.8) |
| Lease payments related to capital activities | (2.7) | – |
| Capitalised share-based payment charge | 1.9 | 1.3 |
| Capitalised finance costs | 16.3 | 65.3 |
| Additions to administrative assets | 21.0 | 6.6 |
| Norwegian tax refund | 0.9 | 0.4 |
| Uganda capital investment | – | 50.5 |
| Other non-cash capital expenditure | 21.0 | (2.3) |
| **Capital investment** | **490.0** | **423.2** |
| Movement in working capital | 9.0 | (40.2) |
| Additions to administrative assets | 21.0 | 6.6 |
| Norwegian tax refund | 0.9 | 0.4 |
| Uganda capital investment | – | 50.5 |
| **Cash capital expenditure per the cash flow statement** | **520.9** | **440.5** |

## Net debt

Net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of cash borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding cash borrowings. Net debt is defined as current and non-current borrowings plus non-cash adjustments, less cash and cash equivalents. Non-cash adjustments include unamortised arrangement fees, adjustment to convertible bonds, and other adjustments. The Group's definition of net debt does not include the Group's leases as the Group's focus is the management of cash borrowings and a lease is viewed as deferred capital investment. The value of the Group's lease liabilities as at 31 December 2019 was $284 million current and $1,141 million non-current; it should be noted that these balances are recorded gross for operated assets and are therefore not representative of the Group's net exposure under these contracts.

| | 2019<br>$m | 2018<br>$m |
|---|---|---|
| Non-current borrowings | 3,071.7 | 3,219.1 |
| Non-cash adjustments | 22.6 | 20.9 |
| Less cash and cash equivalents | (288.8) | (179.8) |
| **Net debt** | **2,805.5** | **3,060.2** |

## Gearing and Adjusted EBITDAX

Gearing is a useful indicator of the Group's indebtedness, financial flexibility and capital structure and can assist securities analysts, investors and other parties to evaluate the Group. Gearing is defined as net debt divided by adjusted EBITDAX. Adjusted EBITDAX is defined as profit/(loss) from continuing activities adjusted for income tax (expense)/credit, finance costs, finance revenue, gain on hedging instruments, depreciation, depletion and amortisation, share-based payment charge, restructuring costs, gain/(loss) on disposal, exploration costs written off, impairment of property, plant and equipment net, and provision for onerous service contracts. Adjusted EBITDAX therefore excludes interest on obligations under leases of $103.5 million, and interest income on amounts due from Joint Venture Partners for leases of $50.0 million, as in assessing business performance, management considers lease payments in substance to represent deferred capital expenditure. Had these been included in the calculation of adjusted EBITDAX, calculated gearing would have been 1.9 times.

| | 2019<br>$m | 2018<br>$m |
|---|---|---|
| (Loss)/ profit from continuing activities | (1,694.1) | 85.4 |
| Adjusted for | | |
| Income tax expense | 40.7 | 175.1 |
| Finance costs | 322.3 | 328.7 |
| Finance revenue | (55.5) | (58.4) |
| Loss/ gain on hedging instruments | 1.5 | (2.4) |
| Depreciation, depletion and amortisation | 724.6 | 584.1 |
| Share-based payment charge | 25.8 | 24.9 |
| Provisions | 4.2 | 170.8 |
| Gain on disposal | (6.6) | (21.3) |
| Exploration costs written off | 1,253.4 | 295.2 |
| Impairment of property, plant and equipment, net | 781.2 | 18.2 |
| **Adjusted EBITDAX** | **1,397.5** | **1,600.3** |
| **Net debt** | **2,805.5** | **3,060.2** |
| **Gearing (times)** | **2.0** | **1.9** |

## Underlying cash operating costs

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

| | 2019 $m | 2018 $m |
|---|---|---|
| Cost of sales | 966.7 | 966.0 |
| Less: | | |
| Depletion and amortisation of oil and gas and leased assets | 696.1 | 567.7 |
| Underlift, overlift and oil stock movements | (137.3) | 40.7 |
| Share-based payment charge included in cost of sales | 2.6 | 1.0 |
| Other cost of sales | 54.0 | 29.6 |
| **Underlying cash operating costs** | **351.3** | **327.0** |
| Production (MMboe) | 31.7 | 32.9 |
| **Underlying cash operating costs per boe ($/boe)** | **11.1** | **10.0** |

## Free cash flow

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

| | 2019 $m | 2018 $m |
|---|---|---|
| Net cash from operating activities | 1,258.7 | 1,204.0 |
| Net cash used in investing activities | (512.0) | (427.7) |
| Debt arrangement fees | – | (15.0) |
| Repayment of obligations under leases | (172.1) | (117.4) |
| Finance costs paid | (215.4) | (234.5) |
| Foreign exchange (loss)/ gain | (4.3) | 1.5 |
| **Free cash flow** | **354.9** | **410.9** |

## Group income statement

Year ended 31 December 2019

| | Notes | 2019 $m | 2018 $m |
|---|---|---|---|
| Continuing activities | | | |
| Sales revenue | | 1,682.6 | 1,859.2 |
| Other operating income – lost production insurance proceeds | 7 | 42.7 | 188.4 |
| Cost of sales | 5 | (966.7) | (966.0) |
| Gross profit | | 758.6 | 1,081.6 |
| Administrative expenses | 5 | (111.5) | (90.3) |
| Gain on disposal | | 6.6 | 21.3 |
| Exploration costs written off | 9 | (1,253.4) | (295.2) |
| Impairment of property, plant and equipment, net | 10 | (781.2) | (18.2) |
| Provisions for onerous contracts and restructuring | | (4.2) | (170.8) |
| Operating (loss)/ profit | | (1,385.1) | 528.4 |
| (Loss)/ gain on hedging instruments | | (1.5) | 2.4 |
| Finance revenue | 6 | 55.5 | 58.4 |
| Finance costs | 6 | (322.3) | (328.7) |
| (Loss)/ profit from continuing activities before tax | | (1,653.4) | 260.5 |
| Income tax expense | 8 | (40.7) | (175.1) |
| (Loss)/ profit for the year from continuing activities | | (1,694.1) | 85.4 |
| Attributable to: | | | |
| Owners of the Company | | (1,694.1) | 84.8 |
| Non-controlling interest | | – | 0.6 |
| | | (1,694.1) | 85.4 |
| (Loss)/ earnings per ordinary share from continuing activities | | ¢ | ¢ |
| Basic | 2 | (120.8) | 6.1 |
| Diluted | 2 | (120.8) | 5.9 |

## Group statement of comprehensive income and expense

Year ended 31 December 2019

| | 2019 $m | 2018 $m |
|---|---|---|
| (Loss)/ profit for the year | (1,694.1) | 85.4 |
| Items that may be reclassified to the income statement in subsequent periods | | |
| Cash flow hedges | | |
| (Loss)/ gain arising in the year | (118.6) | 100.7 |
| (Loss)/ gain arising in the year – time value | (73.6) | 16.2 |
| Reclassification adjustments for items included in (profit)/ loss on realisation | (7.6) | 32.7 |
| Reclassification adjustments for items included in loss on realisation – time value | 61.0 | 52.7 |
| Exchange differences on translation of foreign operations | (3.5) | (15.4) |
| Other comprehensive (loss)/ profit | (142.3) | 186.9 |
| Total comprehensive (expense)/ income for the year | (1,836.4) | 272.3 |
| Attributable to: | | |
| Owners of the Company | (1,836.4) | 271.7 |
| Non-controlling interest | – | 0.6 |
| | (1,836.4) | 272.3 |

## Group balance sheet

As at 31 December 2019

| | Notes | 2019 $m | 2018 $m |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Intangible exploration and evaluation assets | 9 | 1,764.4 | 1,898.6 |
| Property, plant and equipment | 10 | 3,891.7 | 4,916.4 |
| Other non-current assets | 11 | 623.2 | 696.4 |
| Derivative financial instruments | | 3.1 | 51.2 |
| Deferred tax assets | | 517.5 | 649.4 |
| | | 6,799.9 | 8,212.0 |
| Current assets | | | |
| Inventories | | 191.5 | 134.8 |
| Trade receivables | | 38.7 | 159.4 |
| Other current assets | 11 | 928.7 | 969.0 |
| Current tax assets | | 42.9 | 60.5 |
| Derivative financial instruments | | 0.7 | 79.7 |
| Cash and cash equivalents | | 288.8 | 179.8 |
| Assets classified as held for sale | 12 | – | 840.2 |
| | | 1,491.3 | 2,423.4 |
| Total assets | | 8,291.2 | 10,635.4 |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | (1,127.6) | (1,204.3) |
| Provisions | 14 | (172.8) | (198.5) |
| Current tax liabilities | | (159.6) | (83.0) |
| Derivative financial instruments | | (14.8) | (2.7) |
| | | (1,474.8) | (1,488.5) |
| Non-current liabilities | | | |
| Trade and other payables | 13 | (1,212.9) | (1,282.3) |
| Borrowings | | (3,071.7) | (3,219.1) |
| Provisions | 14 | (753.6) | (677.0) |
| Deferred tax liabilities | | (793.4) | (1,075.3) |
| Derivative financial instruments | | (1.2) | – |
| | | (5,832.8) | (6,253.7) |
| Total liabilities | | (7,307.6) | (7,742.2) |
| Net assets | | 983.6 | 2,893.2 |
| **EQUITY** | | | |
| Called up share capital | | 210.9 | 209.1 |
| Share premium | | 1,380.0 | 1,344.2 |
| Equity component of convertible bonds | | 48.4 | 48.4 |
| Foreign currency translation reserve | | (242.1) | (238.6) |
| Hedge reserve | | 4.6 | 130.8 |
| Hedge reserve – time value | | (17.5) | (4.9) |
| Other reserves | | 755.2 | 755.2 |
| Retained earnings | | (1,155.9) | 649.0 |
| Equity attributable to equity holders of the Company | | 983.6 | 2,893.2 |
| Total equity | | 983.6 | 2,893.2 |

## Group statement of changes in equity

Year ended 31 December 2019

| | Called up share capital $m | Share premium $m | Equity component of convertible bonds $m | Foreign currency translation reserve[1] $m | Hedge reserve[2] $m | Hedge reserve – time value[2] $m | Other reserves[3] $m | Retained earnings $m | Total $m | Non-controlling interest $m | Total Equity $m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2018 | 208.2 | 1,326.8 | 48.4 | (223.2) | (2.6) | (73.8) | 740.9 | 681.3 | 2,706.0 | 10.4 | 2,716.4 |
| Adjustment of adoption of IFRS 9, net of tax[4] | – | – | – | – | – | – | – | (110.8) | (110.8) | – | (110.8) |
| Profit for the year | – | – | – | – | – | – | – | 84.8 | 84.8 | 0.6 | 85.4 |
| Hedges, net of tax | – | – | – | – | 133.4 | 68.9 | – | – | 202.3 | – | 202.3 |
| Currency translation adjustments | – | – | – | (15.4) | – | – | – | – | (15.4) | – | (15.4) |
| Issue of shares | 0.9 | 17.4 | – | – | – | – | – | – | 18.3 | – | 18.3 |
| Issue of employee share options | – | – | – | – | – | – | – | (18.2) | (18.2) | – | (18.2) |
| Transfers | – | – | – | – | – | – | 14.3 | 14.3 | – | – | – |
| Share-based payment charges | – | – | – | – | – | – | – | 26.2 | 26.2 | – | 26.2 |
| Acquisition of non-controlling interests | – | – | – | – | – | – | – | – | – | (11.0) | (11.0) |
| At 1 January 2019 | 209.1 | 1,344.2 | 48.4 | (238.6) | 130.8 | (4.9) | 755.2 | 649.0 | 2,893.2 | – | 2,893.2 |
| Loss for the year | – | – | – | – | – | – | – | (1,694.1) | (1,694.1) | – | (1,694.1) |
| Hedges, net of tax | – | – | – | – | (126.2) | (12.6) | – | – | (138.8) | – | (138.8) |
| Currency translation adjustments | – | – | – | (3.5) | – | – | – | – | (3.5) | – | (3.5) |
| Vesting of employee share options | 1.8 | 35.8 | – | – | – | – | – | (37.6) | – | – | – |
| Share-based payment charges | – | – | – | – | – | – | – | 27.7 | 27.7 | – | 27.7 |
| Dividends paid | – | – | – | – | – | – | – | (100.9) | (100.9) | – | (100.9) |
| At 31 December 2019 | 210.9 | 1,380.0 | 48.4 | (242.1) | 4.6 | (17.5) | 755.2 | (1,155.9) | 983.6 | – | 983.6 |

1. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments.
2. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.
3. Other reserves include the merger reserve. The value associated with the treasury shares reserve, disclosed in the previous year, has been represented as part of retained earnings, consistent with the share- based payment reserve. At 31 December 2019 the Group did not hold any shares in a Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans.
4. Figures for 1 January 2018 have been restated in relation to the adoption of IFRS 9.

## Group cash flow statement

Year ended 31 December 2019

| | Notes | 2019 $m | 2018 $m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/ profit before taxation | | (1,653.4) | 260.5 |
| Adjustments for: | | | |
| Depreciation, depletion and amortisation | | 724.6 | 584.1 |
| Gain on disposal | | (6.6) | (21.3) |
| Exploration costs written off | 9 | 1,253.4 | 295.2 |
| Impairment of property, plant and equipment, net | 10 | 781.2 | 18.2 |
| Provision for onerous service contracts, net | 14 | (0.4) | 167.4 |
| Payments under onerous service contracts | 14 | (20.4) | (208.6) |
| Decommissioning expenditure | 14 | (75.1) | (99.1) |
| Share-based payment charge | | 24.8 | 23.8 |
| Loss/ (gain) on hedging instruments | | 1.5 | (2.4) |
| Finance revenue | 6 | (55.5) | (58.4) |
| Finance costs | 6 | 322.3 | 328.7 |
| Operating cash flow before working capital movements | | 1,296.4 | 1,288.1 |
| Decrease/ (increase) in trade and other receivables | | 241.4 | (100.2) |
| (Increase)/ decrease in inventories | | (56.6) | 32.5 |
| (Decrease)/ increase in trade payables | | (131.5) | 86.9 |
| Cash flows from operating activities | | 1,349.7 | 1,307.3 |
| Income taxes paid | | (91.0) | (103.3) |
| Net cash from operating activities | | 1,258.7 | 1,204.0 |
| **Cash flows from investing activities** | | | |
| Proceeds from disposals | | 7.0 | 9.9 |
| Purchase of intangible exploration and evaluation assets | | (259.4) | (202.1) |
| Purchase of property, plant and equipment | | (261.5) | (238.4) |
| Interest received | | 1.9 | 2.9 |
| Net cash used in investing activities | | (512.0) | (427.7) |
| **Cash flows from financing activities** | | | |
| Debt arrangement fees | | – | (15.0) |
| Repayment of bank loans | | (520.0) | (1,755.1) |
| Drawdown of bank loans | | 375.0 | 1,240.0 |
| Repayment of obligations under leases | | (172.1) | (117.4) |
| Finance costs paid | | (215.4) | (234.5) |
| Dividends paid | | (100.9) | – |
| Net cash used in financing activities | | (633.4) | (882.0) |
| Net increase/ (decrease) in cash and cash equivalents | | 113.3 | (105.7) |
| Cash and cash equivalents at beginning of year | | 179.8 | 284.0 |
| Foreign exchange (loss)/ gain | | (4.3) | 1.5 |
| Cash and cash equivalents at end of year | | 288.8 | 179.8 |

## Notes to the preliminary financial statements

Year ended 31 December 2019

## 1. Basis of Accounting and Presentation of Financial Information

Whilst the financial information in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and with the requirements of the United Kingdom Listing Authority (UKLA) Listing Rules, this announcement does not contain sufficient information to comply with IFRS. The Group will publish full financial statements that comply with IFRS in March 2020.

The financial information for the year ended 31 December 2019 does not constitute statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's annual general meeting. The auditor has reported on these accounts; their reports were unqualified though they drew attention to a material uncertainty related to going concern. Their report did not include a reference to any other matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Following the implementation of IFRS 16 the Group amended the accounting policy for leases. Other accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2018. There have been a number of amendments to accounting standards and new interpretations issued by the International Accounting Standards Board which were applicable from 1 January 2019, however these have not had a material impact on the accounting policies, methods of computation or presentation applied by the Group, except for IFRS 16 Leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for the periods commencing on, and after, 1 January 2019. The standard eliminates the dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model. IFRS 16 replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

In accordance with the transition provisions in IFRS 16 the modified retrospective approach has been followed by the Group. The adoption of IFRS 16 in the year resulted in $123.2 million being recorded on the balance sheet as property, plant and equipment right-of-use assets and $195.1 as lease liabilities. During the current year the effect on income statement was recognised through depreciation charge on the right-of-use asset and interest expense on the lease liability. In the statement of cash flows, the Group separated the total amount of cash paid into principal (presented within financing activities) and interest (presented within operating activities) in accordance with IFRS 16. In prior periods operating lease payments were all presented as operating cash flows under IAS 17.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Further details on new International Financial Reporting Standards adopted will be disclosed in the 2019 Annual Report and Accounts.

## 2. Earnings/(loss) per share

Basic earnings/(loss) per ordinary share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per ordinary share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive ordinary shares that would be issued if employee and other share options or the convertible bonds were converted into ordinary shares.

## 3. 2019 Annual Report and Accounts

The 2019 Annual Report and Accounts will be mailed in April 2020 only to those shareholders who have elected to receive it. Otherwise, shareholders will be notified that the Annual Report and Accounts are available on the Group's website (www.tullowoil.com). Copies of the Annual Report and Accounts will also be available from the Company's registered office at Building 9, Chiswick Park, 566 Chiswick High Road, London, W4 5XT.

## 4. Segmental reporting

The following tables present revenue, loss and certain asset and liability information regarding the Group's reportable business segments for the years ended 31 December 2019 and 31 December 2018.

| | West Africa $m | East Africa $m | New Ventures $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Sales revenue by origin | 1,682.6 | – | – | – | 1,682.6 |
| Other operating income – lost production insurance proceeds | – | – | – | 42.7 | 42.7 |
| Segment result[1] | (11.1) | (1,073.6) | (172.3) | (19.4) | (1,276.4) |
| Gain on disposal | | | | | 6.6 |
| Unallocated corporate expenses | | | | | (115.3) |
| Operating loss | | | | | (1,385.1) |
| Loss on hedging instruments | | | | | (1.5) |
| Finance revenue | | | | | 55.5 |
| Finance costs | | | | | (322.3) |
| Loss before tax | | | | | (1,653.4) |
| Income tax expense | | | | | (40.7) |
| Loss after tax | | | | | (1,694.1) |
| Total assets | 6,315.8 | 1,762.2 | 175.1 | 38.1 | 8,291.2 |
| Total liabilities | (3,986.9) | (85.9) | (52.5) | (3,182.3) | (7,307.6) |
| **Other segment information** | | | | | |
| Capital expenditure: | | | | | |
| Property, plant and equipment | 434.2 | 14.2 | 0.4 | 79.6 | 528.4 |
| Intangible exploration and evaluation assets | 8.9 | 134.4 | 136.0 | – | 279.3 |
| Depreciation, depletion and amortisation | (701.1) | (1.5) | – | (22.0) | (724.6) |
| Impairment of property, plant and equipment, net | (737.4) | – | – | (43.8) | (781.2) |
| Exploration costs written off | (9.0) | (1,071.0) | (173.4) | – | (1,253.4) |

1. Segment result is a non IFRS measure which includes gross profit, exploration costs written off, impairment of property, plant and equipment, and provisions for onerous contracts

## 4. Segmental reporting contd.

| | West Africa $m | East Africa $m | New Ventures $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Sales revenue by origin | 1,859.2 | – | – | – | 1,859.2 |
| Other operating income – lost production insurance proceeds | – | – | – | 188.4 | 188.4 |
| Segment result | 528.0 | (74.5) | (100.7) | 248.0 | 600.8 |
| Gain on disposal | | | | | 21.3 |
| Unallocated corporate expenses | | | | | (93.7) |
| Operating profit | | | | | 528.4 |
| Gain on hedging instruments | | | | | 2.4 |
| Finance revenue | | | | | 58.4 |
| Finance costs | | | | | (328.7) |
| Profit before tax | | | | | 260.5 |
| Income tax credit | | | | | (175.1) |
| Profit after tax | | | | | 85.4 |
| Total assets | 7,618.9 | 2,662.0 | 280.8 | 73.7 | 10,635.4 |
| Total liabilities | (4,252.7) | (141.8) | (96.9) | (3,250.8) | (7,742.2) |
| **Other segment information** | | | | | |
| Capital expenditure: | | | | | |
| Property, plant and equipment | 257.1 | 1.4 | 4.3 | 5.3 | 268.1 |
| Intangible exploration and evaluation assets | 2.1 | 168.3 | 60.0 | – | 230.4 |
| Depreciation, depletion and amortisation | (569.2) | (0.2) | – | (14.7) | (584.1) |
| Impairment of property, plant and equipment, net | (18.2) | – | – | – | (18.2) |
| Exploration costs written off | (139.9) | (74.5) | (80.8) | – | (295.2) |

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

## 5. Other costs

| | Notes | 2019 $m | 2018 $m |
|---|---|---|---|
| **Cost of sales** | | | |
| Operating costs | | 351.3 | 327.0 |
| Depletion and amortisation of oil and gas and leased assets[1] | 10 | 696.1 | 567.7 |
| Underlift, overlift and oil stock movements | | (137.3) | 40.7 |
| Share-based payment charge included in cost of sales | | 2.6 | 1.0 |
| Other cost of sales | | 54.0 | 29.6 |
| Total cost of sales | | 966.7 | 966.0 |
| **Administrative expenses** | | | |
| Share-based payment charge included in administrative expenses | | 22.2 | 22.8 |
| Depreciation of other fixed assets[1] | 10 | 28.5 | 16.4 |
| Relocation costs associated with restructuring | | – | (1.3) |
| Other administrative costs | | 60.8 | 52.4 |
| Total administrative expenses | | 111.5 | 90.3 |

1. Depreciation expense on leased assets of $85.9 million as per note 10 includes charge of $9.9m on leased administrative assets, which is presented within administrative expenses in the income statement. The remaining balance of $76.0 million relates to other leased assets and is included within cost of sales.

## 6. Net financing costs

| | 2019 $m | 2018 $m |
|---|---|---|
| Interest on bank overdrafts and borrowings | 216.0 | 276.0 |
| Interest on obligations under leases | 103.5 | 101.5 |
| Total borrowing costs | 319.5 | 377.5 |
| Less amounts included in the cost of qualifying assets | (16.3) | (65.3) |
| | 303.2 | 312.2 |
| Finance and arrangement fees | 0.7 | (0.6) |
| Other interest expense | 2.1 | 2.7 |
| Unwinding of discount on decommissioning provisions | 16.3 | 14.4 |
| Total finance costs | 322.3 | 328.7 |
| Interest income on amounts due from joint venture partners for leases | (50.0) | (52.7) |
| Other finance revenue | (5.5) | (5.7) |
| Total finance revenue | (55.5) | (58.4) |
| Net financing costs | 266.8 | 270.3 |

## 7. Insurance proceeds

During 2019 the Group continued to issue insurance claims in respect of the Jubilee Turret Remediation Project. Insurance proceeds of $123.8 million were recorded in the year ended 31 December 2019 (2018: $310.8 million). Proceeds related to lost production under the Business Interruption insurance policy of $42.7 million (2018: $188.4 million) were recorded as other operating income – lost production insurance proceeds in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies of $4.2 million (2018: $45.6 million) were recorded within the operating costs line of cost of sales (see note 5). Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of $76.9 million (2018: $76.9 million) were recorded within additions to property, plant and equipment (see note 10). Coverage related to the Turret Remediation Project under the Business Interruption insurance policy ended in August 2019 and full and final settlement for the Hull and Machinery claim was reached in December 2019.

## 8. Taxation on profit/(loss) on ordinary activities

### Analysis of tax expense for the year

| | 2019 $m | 2018 $m |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | (31.8) | (37.3) |
| Foreign tax | 197.2 | 171.7 |
| Total corporate tax | 165.4 | 134.4 |
| UK petroleum revenue tax | – | – |
| Total current tax | 165.4 | 134.4 |
| **Deferred tax** | | |
| UK corporation tax | 91.7 | 33.9 |
| Foreign tax | (218.7) | (11.3) |
| Total deferred corporate tax | (127.0) | 22.6 |
| Deferred UK petroleum revenue tax | 2.3 | 18.1 |
| Total deferred tax | (124.7) | 40.7 |
| Total tax expense | 40.7 | 175.1 |

## 8. Taxation on profit/(loss) on ordinary activities contd.

### Factors affecting tax expense for the year

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits. The difference between the total tax expense/(credit) shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 19 per cent (2018: 19 per cent) to the profit/(loss) before tax is as follows:

| | 2019 $m | 2018 $m |
|---|---|---|
| Group (loss)/ profit on ordinary activities before tax | (1,653.4) | 260.5 |
| Tax on Group (loss)/ profit on ordinary activities at the standard UK corporation tax rate of 19% (2018: 19%) | (314.1) | 49.5 |
| **Effects of:** | | |
| Non-deductible exploration expenditure | 208.7 | 20.8 |
| Fair value movements on derivatives | (1.3) | 32.0 |
| Other non-deductible expenses | 18.8 | 12.8 |
| Derecognition of deferred tax previously recognised | 12.4 | 37.3 |
| Utilisation of tax losses not previously recognised | (0.8) | (10.6) |
| Net losses not recognized | 73.7 | 7.7 |
| Adjustment relating to prior years | 49.4 | 1.0 |
| Adjustments to deferred tax relating to change in tax rates | – | (2.1) |
| Higher rate of taxation on Norway losses | – | (10.0) |
| Other tax rates applicable outside the UK and Norway | 11.3 | 52.4 |
| PSC income not subject to corporation tax | (17.2) | (8.8) |
| Other income not subject to corporation tax | (0.2) | (6.9) |
| Group total tax expense for the year | 40.7 | 175.1 |

The Group has tax losses of $5,120.3 million (2018: $5,347.1 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of losses of $4,102.7 million (2018: $3,581.3 million) as they may not be used to offset taxable profits elsewhere in the Group due to uncertainty of recovery.

The Group has recognised deferred tax assets of $348.8 million (2018: $527.5 million) in relation to tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions.

A deferred tax liability of $8.8 million (2018: $7.8 million) is not recognised on temporary differences relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

### Current tax assets

As at 31 December 2019, current tax assets were $42.9 million (2018: $60.5 million) of which $42.9 million relates to the UK (2018: $58.7 million).

## 9. Intangible exploration and evaluation assets

| | 2019 $m | 2018 $m |
|---|---|---|
| At 1 January | 1,898.6 | 1,933.4 |
| Additions | 279.3 | 230.4 |
| Disposals | (0.4) | (4.0) |
| Amounts written off | (1,253.4) | (295.2) |
| Transfer from assets held for sale | 840.2 | 32.2 |
| Currency translation adjustments | 0.1 | 1.8 |
| At 31 December | 1,764.4 | 1,898.6 |

Included within 2019 additions is $16.3 million of capitalised interest (2018: $65.3 million) related to Uganda. The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is ongoing.

The below table provides a summary of the exploration costs written off on a pre-and post-tax basis by country.

| Country | CGU | Rationale for 2019 write-off | 2019 Pre-tax write-off /(reversal) $m | 2019 Post-tax write-off /(reversal) $m | 2019 Remaining recoverable amount $m |
|---|---|---|---|---|---|
| Mauritania | Block C-3 | b | 28.4 | 28.4 | – |
| Namibia | PEL 37 | b | 26.7 | 26.7 | – |
| Jamaica | Walton Morant | b | 35.8 | 35.8 | – |
| Uganda | Exploration areas 1, 1A, 2 and 3A | d | 535.2 | 535.2 | 960.0 |
| Guyana | Jethro well | a | 30.7 | 30.7 | – |
| Guyana | Joe well | a | 12.5 | 12.5 | – |
| Guyana | Carapa – 1 well | a | 18.1 | 18.1 | – |
| Kenya | Block 10BB and 13T | d | 419.0 | 419.0 | 667.0 |
| Kenya | Blocks 12A, 12B and 10BA | b | 118.0 | 118.0 | – |
| New Ventures | Various | c | 29.0 | 29.0 | – |
| Total write-off | | | 1,253.4 | 1,253.4 | – |

a. Current year unsuccessful exploration results or assessments
b. Licence relinquishments, expiry or planned exit.
c. New Ventures expenditure is written off as incurred
d. Following VIU assessment as a result of reduction in long term oil price assumption, using a pre-tax discount rate of 14%

Oil prices stated in note 10 are benchmark prices to which an individual field price differential is applied. Exploration write-offs for the Kenya and Uganda development area assessments are prepared on a value-in-use basis using discounted future cash flows based on 2C resource profiles. A reduction or increase in the long-term price assumptions of $15/bbl, based on the range seen in external oil price market forecasts, are considered to be a reasonably possible change for the purposes of sensitivity analysis. Decreases to oil prices specified above would increase the exploration write-off charge by $1,108.0 million, whilst increases to oil prices specified above would result in a credit to the exploration write-offs of $831.0 million. A 1 per cent increase in the pre-tax discount rate would increase the exploration write-off by $268.0 million. A 1 per cent decrease in the pre-tax discount rate would decrease the exploration write-off by $266.0 million. The Group believes a 1 per cent change in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group’s and a peer group of companies’ discount rates

## 10. Property, plant and equipment

| | 2019 Oil and gas assets $m | 2019 Other fixed assets $m | 2019 Leased assets $m | 2019 Total $m | 2018 Oil and gas assets $m | 2018 Other fixed assets $m | 2018 Total $m |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January | 11,794.0 | 271.0 | – | 12,065.0 | 11,592.6 | 279.7 | 11,872.3 |
| Adjustment on adoption of IFRS 16 | (907.7) | – | 907.7 | – | – | – | – |
| Additions | 357.1 | 21.0 | 150.3 | 528.4 | 261.5 | 6.6 | 268.1 |
| Disposals | – | (0.3) | (20.6) | (20.9) | – | (0.7) | (0.7) |
| Currency translation adjustments | 36.2 | 7.0 | 1.1 | 44.3 | (60.1) | (14.6) | (74.7) |
| At 31 December | 11,279.6 | 298.7 | 1,038.5 | 12,616.8 | 11,794.0 | 271.0 | 12,065.0 |
| **Depreciation, depletion and amortisation** | | | | | | | |
| At 1 January | (6,951.1) | (197.5) | – | (7,148.6) | (6,425.3) | (192.3) | (6,617.6) |
| Adjustment on adoption of IFRS 16 | 151.5 | – | (151.5) | – | | | |
| Charge for the year | (620.1) | (18.6) | (85.9) | (724.6) | (567.7) | (16.4) | (584.1) |
| Impairment loss | (737.4) | (43.8) | – | (781.2) | (55.8) | – | (55.8) |
| Reversal of impairment loss | – | – | – | – | 37.6 | – | 37.6 |
| Capitalised depreciation | – | – | (29.0) | (29.0) | – | – | – |
| Disposal | – | 0.3 | 1.8 | 2.1 | – | 0.7 | 0.7 |
| Currency translation adjustments | (37.5) | (6.2) | (0.1) | (43.8) | 60.1 | 10.5 | 70.6 |
| At 31 December | (8,194.6) | (265.8) | (264.7) | (8,725.1) | (6,951.1) | (197.5) | (7,148.6) |
| Net book value at 31 December | 3,085.0 | 32.9 | 773.6 | 3,891.7 | 4,842.9 | 73.5 | 4,916.4 |

The currency translation adjustments arose due to the movement against the Group's presentation currency, USD, of the Group's UK assets which have functional currencies of GBP.

| | Trigger for 2019 impairment/(reversal) | 2019 Impairment/(reversal) $m | Pre-tax discount rate assumption | 2019 Remaining recoverable amount $m |
|---|---|---|---|---|
| Limande and Turnix CGU (Gabon) | a,c | (4.1) | 13% | 28.1 |
| Echira, Niungo, and Igongo CGU (Gabon) | a,c | (2.4) | 15% | 11.4 |
| Obe and Middle Oba CGU (Gabon) | a,c | 3.8 | 15% | 13.0 |
| Ceiba and Okume (Equatorial Guinea) | a,c | (6.5) | 10% | 78.1 |
| Mauritania | b | (1.4) | n/a | – |
| Espoir (Côte d'Ivoire) | a,c | 12.5 | 7% | 73.6 |
| TEN (Ghana) | a,c | 712.8 | 10% | 1,801.6 |
| UK 'CGU' [d] | b | 22.7 | n/a | – |
| SAP -non oil and gas asset | e | 43.8 | n/a | – |
| | | 781.2 | | |

a. Decrease to long-term price assumptions
b. Change to decommissioning estimate.
c. Revision of value based on revisions to reserves
d. The fields in the UK are grouped into one CGU as all fields within those countries share critical gas infrastructure
e. Re-assessment of useful life.

During 2019 and 2018 the Group applied the following nominal oil price assumptions for impairment tests:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 onwards |
|---|---|---|---|---|---|---|
| 2019 | Forward curve* | Forward curve* | $60/bbl | $63/bbl | $65/bbl | $65/bbl inflated by 2% |
| 2018 | Forward curve* | Forward curve* | $66/bbl | $68/bbl | $75/bbl | $75/bbl inflated by 2% |

*Forward curve as at 31 December.

Oil prices stated above are benchmark prices to which an individual field price differential is applied. All impairment assessments are prepared on a value-in-use basis using discounted future cash flows based on 2P reserves profiles. A reduction or increase in the two-year forward curve of $15/bbl, based on the approximate volatility of the oil price over the previous two years, and a reduction or increase in the medium and long-term price assumptions of $15/bbl, based on the range seen in external oil price market forecasts, are considered to be reasonably possible changes for the purposes of sensitivity analysis. Decreases to oil prices specified above would increase the impairment charge by $800.1 million, whilst increases to oil prices specified above would result in a credit to the impairment charge of $669.2 million. A 1 per cent increase in the pre-tax discount rate would increase the impairment by $55.4 million. A 1 per cent decrease in the pre-tax discount rate would decrease the impairment by $58.0 million. The Group believes a 1 per cent change in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' impairment discount rates.

## 11. Other assets

| | 2019 $m | 2018 $m |
|---|---|---|
| **Non-current** | | |
| Amounts due from joint venture partners | 576.6 | 614.9 |
| Uganda VAT recoverable | 33.5 | 33.1 |
| Other non-current assets | 13.1 | 48.4 |
| | 623.2 | 696.4 |
| **Current** | | |
| Amounts due from joint venture partners | 711.8 | 670.8 |
| Underlifts | 97.8 | 22.9 |
| Prepayments | 69.5 | 73.4 |
| VAT and WHT recoverable | 4.9 | 3.8 |
| Other current assets | 44.7 | 198.1 |
| | 928.7 | 969.0 |

Decrease in other current assets balance is predominantly due to receivables from the insurers, which were collected during the year.

## 12. Assets held for sale

In 2017, Tullow announced that it had agreed a substantial farm-down of its assets in Uganda. Under the Sale and Purchase Agreement, Tullow has agreed to transfer 21.57 per cent of its 33.33 per cent Uganda interests for a total consideration of $900 million. As a result, the portion of the Ugandan assets being disposed were classified as assets held for sale. In August 2019 the Sale and Purchase Agreements lapsed as a result of being unable to agree all aspects of the tax treatment of the transaction with the Government of Uganda which was a condition to completing the SPAs. Following expiry of the SPAs the Uganda assets have been reclassified from assets held for sale to intangible assets.

The major classes of assets and liabilities comprising the assets classified as held for sale as at 31 December 2019 were as follows:

| Uganda | 2019 $m | 2018 $m |
|---|---|---|
| Intangible exploration and evaluation assets | - | 840.2 |
| Total assets classified as held for sale | - | 840.2 |
| Net assets of disposal groups | - | 840.2 |

## 13. Trade and other payables

### Current liabilities

| | 2019 $m | 2018 $m |
|---|---|---|
| Trade payables | 95.4 | 97.1 |
| Other payables | 95.7 | 105.1 |
| Overlifts | – | 16.6 |
| Accruals | 636.1 | 747.8 |
| VAT and other similar taxes | 16.2 | 16.5 |
| Current portion of leases | 284.2 | 221.2 |
| | 1,127.6 | 1,204.3 |

Payables related to operated joint ventures (primarily in Ghana and Kenya) are recorded gross with the amount representing the partners' share recognised in amounts due from joint venture partners (note 11). The change in trade payables and in other payables predominantly represents timing differences and levels of work activity.

### Non-current liabilities

| | 2019 $m | 2018 $m |
|---|---|---|
| Other non-current liabilities | 72.0 | 91.3 |
| Non-current portion of finance lease | 1,140.9 | 1,191.0 |
| | 1,212.9 | 1,282.3 |

Trade and other payables are non-interest bearing except for leases.

## 14. Provisions

| | Decommissioning 2019 $m | Other provisions 2019 $m | Total 2019 $m | Decommissioning 2018 $m | Other provisions 2018 $m | Total 2018 $m |
|---|---|---|---|---|---|---|
| At 1 January | 794.0 | 81.5 | 875.5 | 897.4 | 135.0 | 1,032.4 |
| New provisions and changes in estimates | 109.0 | 15.5 | 124.5 | (5.8) | 155.1 | 149.3 |
| Disposals | – | (0.3) | (0.3) | – | – | – |
| Payments | (75.1) | (20.4) | (95.5) | (99.1) | (208.6) | (307.7) |
| Unwinding of discount | 16.3 | – | 16.3 | 14.4 | – | 14.4 |
| Currency translation adjustment | 5.9 | – | 5.9 | (12.9) | – | (12.9) |
| At 31 December | 850.1 | 76.3 | 926.4 | 794.0 | 81.5 | 875.5 |
| Current provisions | 102.6 | 70.2 | 172.8 | 121.6 | 76.9 | 198.5 |
| Non-current provisions | 747.5 | 6.1 | 753.6 | 672.4 | 4.6 | 677.0 |

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests.

| | Inflation assumption | Discount rate assumption | Cessation of production assumption | 2019 $m | 2018 $m |
|---|---|---|---|---|---|
| Côte d'Ivoire | 2% | 2% | 2033 | 55.6 | 47.1 |
| Equatorial Guinea | 2% | 2% | 2030-2032 | 116.1 | 100.8 |
| Gabon | 2% | 2-2.5% | 2022-2037 | 56.7 | 50.1 |
| Ghana | 2% | 2-2.5% | 2032-2036 | 365.6 | 292.1 |
| Mauritania | n/a | n/a | 2018 | 82.6 | 94.8 |
| UK | n/a | n/a | 2018 | 173.5 | 209.1 |
| | | | | 850.1 | 794.0 |

## 15. Dividends

In 2019, the Board recommended and paid a final 2018 dividend of 4.8p per share ($67 million) and an interim 2019 dividend of 2.35p per share ($33 million).

As announced in the "Board Changes and 2020 Guidance" press release on 9 December, the Board has decided to suspend the dividend for 2019.

## 16. Commercial Reserves and Contingent Resources summary (unaudited) working interest basis

| | West Africa | | East Africa | | New Ventures | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| | Oil mmbbl | Gas bcf | Oil mmbbl | Gas bcf | Oil mmbbl | Gas bcf | Oil mmbbl | Gas bcf | Petroleum mmboe |
| **COMMERCIAL RESERVES** | | | | | | | | | |
| 1 January 2019 | 236.2 | 259.9 | – | – | – | – | 236.2 | 259.9 | 279.5 |
| Revisions | 12.9 | (110.6) | – | – | – | – | 12.9 | (110.6) | (5.5) |
| Production | (30.5) | (2.6) | – | – | – | – | (30.5) | (2.6) | (31.0) |
| 31 December 2019 | 218.6 | 146.7 | – | – | – | – | 218.6 | 146.7 | 243.0 |
| **CONTINGENT RESOURCES** | | | | | | | | | |
| 1 January 2019 | 137.3 | 436.0 | 656.7 | 42.7 | – | – | 794.0 | 478.7 | 873.6 |
| Additions | – | – | – | – | 47.4 | – | 47.4 | – | 47.4 |
| Revisions | 141.3 | 336.8 | (18.8) | 11.7 | – | – | 122.5 | 348.5 | 180.6 |
| 31 December 2019 | 278.6 | 772.8 | 637.9 | 54.4 | 47.4 | – | 963.9 | 827.2 | 1,101.6 |
| **TOTAL** | | | | | | | | | |
| 31 December 2019 | 497.2 | 919.5 | 637.9 | 54.4 | 47.4 | – | 1,182.5 | 973.9 | 1,344.6 |

1. Proven and Probable Commercial Reserves are as audited and reported by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years, with the exception of minor assets contributing less than 5% of the Group's reserves.
2. Proven and Probable Contingent Resources are as audited and reported by an independent engineer. Resources estimates are reviewed by the independent engineer based on significant new data received following exploration or appraisal drilling.
3. The revision to reserves relates mainly to increases at the Jubilee Field and in some of the Gabon assets, offset by a reduction at the Enyenra Field.
4. The additional contingent resources relate to oil discoveries in Guyana.
5. The revision to the contingent resources relate mainly to increases at the TEN and Jubilee Fields.

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 225.1 mmboe at 31 December 2019 (31 December 2018: 264.9 mmboe).

Contingent Resources relate to resources in respect of which development plans are in the course of preparation or further evaluation is under way with a view to future development.

## CORPORATE GOVERNANCE MATTERS

### Board changes

Tutu Agyare retired from Tullow after nine years on the Board following the Group's Annual General Meeting (AGM) on 25 April 2019. Sheila Khama and Genevieve Sangudi joined Tullow's Board as Non-Executive Directors on 26 April 2019. Martin Greenslade was appointed to the Board as a non-executive Director from 1 November 2020 and Martin will take over as Chair of the Audit Committee following Steve Lucas's planned step down from the Board at Tullow's AGM on 23 April 2020.

On 9 December 2019, Tullow announced that Paul McDade, Chief Executive Officer, and Angus McCoss, Exploration Director, resigned from the Board of Tullow by mutual agreement and with immediate effect.

### Dividend

As part of the 2020 guidance provided on 9 December 2019, Tullow announced that the Board decided to suspend the dividend.

### Annual General Meeting

Tullow's AGM will take place on Thursday 23 April 2020 at 12pm at the Company's offices at Building 9, Chiswick Park, 566 Chiswick High Road, London, W4 5XT.

### About Tullow Oil plc

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 80 exploration and production licences across 15 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 Presentation in London that can be watched live or on replay.

### 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) 20 7192 8338 |
| UK Freephone | 0800 279 6619 |
| Access Code | 63 08 068 |

## WEBCAST

To join the live video webcast or play the on-demand version, please use this link:
**https://edge.media-server.com/mmc/p/m7m6tsat**

The replay will be available from noon on 12 March 2020.

## FOR FURTHER INFORMATION, CONTACT:

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