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PR. No. 011/2020

TULLOW OIL PLC – (TLW)
<u>TRADING STATEMENT AND OPERATIONAL UPDATE</u>

TLW has released the attached announcement for the information of the general investing public.

Issued in Accra, this 15th
day of January, 2020.

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att'd.

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Tullow Oil plc – Trading Statement & Operational Update

15 January 2020 – Tullow Oil plc (Tullow) issues this update and guidance in advance of the Group's 2019 Full Year Results. The information contained herein has not been audited and may be subject to further review and amendment. Tullow will hold a conference call at 8:30am today, please see below for details.

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

"Tullow has ended 2019 with average production of 86,700 bopd and free cash flow generation of c.$350 million. Since our December announcement, Tullow's senior team has been working hard on a major review focused on delivering a more efficient and effective organisation. The fundamentals of our business remain intact: recent reserves audits demonstrate that we have a solid underlying reserves and resources base in West and East Africa, our producing assets continue to generate good cash flow and we retain a high-quality exploration portfolio. The Board and senior management are confident of the long-term potential of the portfolio and see meaningful opportunities to improve operational performance, reduce our cost base, deliver sustainable free cash flow and reduce our debt."

Financial and operational update

2019 performance

- Group working interest oil production averaged 86,700 bopd in 2019 in line with expectations.
- 2019 full year total revenue is expected to be c.$1.7 billion; gross profit is expected to be c.$0.7 billion. Capital expenditure in 2019 was c.$490 million.
- Free cash flow for the full year 2019 is expected to be c.$350 million, with net debt reduced to c.$2.8 billion and gearing expected to be around 2.0 times.
- Tullow expects to report pre-tax impairments and exploration write-offs of c.$1.5 billion (c.$1.3 billion post tax) 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.

2020 outlook

- In 2020, capital expenditure is expected to be c.$350 million, with an additional c.$100 million expected to be spent on decommissioning. Tullow expects to generate underlying free cash flow of at least $150 million from 75,000 bopd at $60/bbl.
- Operations across the Group's production assets have started the year in line with expectations and 2020 Group average production guidance remains unchanged at 70,000 to 80,000 bopd.
- In Ghana, recent activity at Jubilee includes the tie-in of the J-54 water injector well and planning for a maintenance period at the end of January to increase gas processing capacity. At TEN, the drilling of a production well on the Ntomme field has commenced and the well is expected to be tied-in by the end of the first quarter.
- In Kenya, the early oil pilot scheme (EOPS) is suspended due to severe damage to roads caused by adverse weather in the fourth quarter of 2019. Trucking remains on hold until all roads are repaired to a safe standard. Work continues with Joint Venture Partners and the Government of Kenya to progress the development project.
- In Uganda, Joint Venture conversations with the Government are ongoing. Tullow remains committed to reducing its equity stake in the project ahead of FID.
- Tullow recently announced the results of the Carapa-1 exploration well offshore Guyana, which proved the extension of the Cretaceous oil play into the Group's Guyana acreage. Next steps will include the integration of the Carapa result into geological and geophysical models and high-grading of the Cretaceous portfolio across both the Kanuku and Orinduik blocks.
- The Marina-1 well offshore Peru is due to spud at the end of January 2020 and is expected to take around 60 days.

Group reserves and resources

In late 2018, Tullow appointed TRACS as its independent reserves auditor. Over the course of 2019, over 95% of the Group's reserves and resources have been audited and the results underpin the quality of the asset base. Group net 2P reserves at year-end 2019 are 245 mmboe (2018: 280 mmboe). Excluding the impact of 2019 production (31 mmboe), reserves are largely unchanged year-on-year and reflects an increase in reserves at the Jubilee field and non-operated assets, offset by a reduction in reserves at the Enyenra field at TEN. Group net 2C resources have increased to 1,102 mmboe (2018: 874 mmboe), largely driven by additions in Ghana. Tullow will publish its full audited reserves and resources with its 2019 Full Year Results.

Business Review update & reporting timetable

The Board's business review covering all areas of Tullow's operations, cost-base and reporting is progressing well. The Board is confident that the outcomes will deliver significant improvements to the Group's organisational structure, major reductions in G&A and a more efficient and effective business. Actions taken in December included the implementation of a smaller, more focused interim Executive team and initial restructuring of the next level of leadership. Since then, work has focused on simplifying the structure of the organisation and these changes will be implemented in the coming months. The next phase of the review will focus on the investment plans for each of the Group's major assets.

One of the decisions already made by the Board is to align the Group's reporting calendar to that of its E&P peers and, going forward, the Group will report its Full Year Results in March and its Half Year Result in September. The 2019 Full Year Results will be released on 12 March 2020. The new timetable will enable Tullow to report on the key outcomes of the ongoing business review in its Full Year Results and its 2019 Annual Report and Accounts.

The recruitment of a new Chief Executive Officer is well under way with the assistance of an executive search firm.

Trading Statement Guidance

Guidance is provided in relation to Tullow's full year reporting to 31 December 2019 in advance of the Group's Full Year Results release on 12 March 2020. Guidance figures have not been audited and may be subject to further review and amendment.

SUMMARY FINANCIALS

	2019
Total revenue ($bn)	1.7
Gross profit ($bn)	0.7
Administrative expenses ($bn)	0.1
Free cash flow ($bn)	0.4
Net debt ($bn)	2.8
Gearing (net debt: Adj EBITDAX)	2.0 times

Note 1: Revenue driven by realised post-hedge oil price of $63/bbl. Total revenue does not include receipts from Tullow's Corporate Business Interruption insurance of c.$40 million. This is included in Other Operating Income which is a component of Gross Profit.

IMPAIRMENTS AND EXPLORATION WRITE-OFFS

	Pre-tax write-off	Tax effect	Net write-off
Impairment of PP&E, net ($bn)	0.7	(0.2)	0.5
Exploration costs written-off ($bn)	0.8	-	0.8

Note 2: Impairments of property, plant and equipment are largely associated with a reduction in the Group's long-term accounting oil price assumption from $75/bbl to $65/bbl and a 2P reserves reduction at the Enyenra field at TEN.

Note 3: Exploration costs written off are predominately 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, Mauritania C3, PEL37 Namibia and Jamaica licence costs due to the levels of planned future activity or licence exits.

CAPITAL AND OTHER EXPENDITURE

	2019	2020
Capital expenditure ($m)	490	350
Decommissioning expenditure ($m)	81	100

Note 4: 2019 capex reduction from previous guidance due to deferral and reduction of expenditure and release of accruals.

Note 5: 2020 capex breakdown of c.$140 million in Ghana, c.$80 million on West Africa non-operated, c.$40 million in Kenya, c.$15 million in Uganda and c.$75 million on exploration and appraisal activities.
Note 6: Decommissioning expenditure is gross of any tax relief and relates to UK and Mauritania decommissioning activities.

2020 HEDGING POSITION

Hedge structure	Bopd	Bought put (floor)	Sold call	Bought call
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**

Note 7: 2021 hedging position at 31 Dec 2019: c.22,000 bopd hedged with an average floor price protected of c.$52.80/bbl.

GROUP AVERAGE WORKING INTEREST PRODUCTION

Oil Production	FY 2019 Actuals (kbopd)	FY 2020 forecast mid-point (kbopd)
Ghana	59.9	52.0
Ghana Jubilee production-equivalent insurance payments	2.0	N/A
Equatorial Guinea	5.4	5.0
Gabon	16.7	16.0
Côte d'Ivoire (includes condensate)	2.7	2.0
OIL PRODUCTION TOTAL (inc. Jubilee production-equivalent)	**86.7**	**75.0**

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is being released on behalf of Tullow by Adam Holland, Company Secretary.

CONFERENCE CALL DETAILS:

8:30am UK time Wednesday 15 January: **Conference ID**: 5346287 **From the UK**: 0844 481 9752 **UK free phone:** 0800 2796 619 **Outside of the UK:** +44 (0) 207 1928 338	**Replay:** **Conference ID:** 5346287 **From the UK:** 0844 571 8951 **UK free phone:** 0808 238 0667 **Outside of the UK:** +44 (0) 3333 009 785

FOR FURTHER INFORMATION CONTACT:

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Notes to Editors

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.

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