



PRESS RELEASE

PR. No. 076/2018

**TULLOW OIL PLC – (TLW)
ANNUAL REPORT AND ACCOUNTS**

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

Issued in Accra, this 8th
day of March, 2018.

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att'd.

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Tullow Oil PLC - TLW Annual Financial Report & Accounts
Released 14:00 06-Mar-2018



RNS Number : 8367G
Tullow Oil PLC
06 March 2018

6 March, 2018

Tullow Oil PLC Annual Report and Accounts

Tullow Oil plc ("Tullow" or the "Company")

Following the release on 7 February 2018 of the Company's preliminary full year results announcement for the year ended 31 December 2017 (the "**Preliminary Announcement**"), the Company announces it has published its Annual Report and Accounts for this period (the "**Annual Report and Accounts**").

A copy of the Annual Report and Accounts is available to view on the Company's website: www.tulloil.com

The Company's 2018 AGM will be held at the Company's registered address at 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT on Wednesday 25 April 2018 at 12 noon. The Notice of Annual General Meeting 2018 will be sent separately to shareholders in the coming weeks, and will also be available to view on the Company's website. A separate announcement will be made when the Notice of Annual General Meeting is available.

In accordance with Disclosure Guidance and Transparency Rule 6.3.5(2)(b), additional information is set out in the appendices to this announcement. This information is extracted in full unedited text from the Annual Report and Accounts.

The Preliminary Announcement included a set of condensed financial statements and a fair review of the development and performance of the business and the position of the Company and its group.

In accordance with Listing Rule 9.6.1, a copy of the Annual Report and Accounts has been submitted to the Financial Conduct Authority via the National Storage Mechanism and will be available for viewing shortly at <http://www.morningstar.co.uk/uk/nsm>.

This document is also being submitted to the Irish Stock Exchange and the Ghana Stock Exchange, and therefore will shortly be available for inspection at the Irish Stock Exchange

(28 Anglesea Street, Dublin 2, Ireland) and will be available to shareholders located in Ghana by contacting the Company's registrar: Central Securities Depository (Ghana) Limited, 4th Floor, Cedi House, PMB CT 465 Cantonments, Accra, Ghana (Telephone: +233 (0)302 689 313 or +233 (0)302 972 312544).

For further information, please contact:

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Investor Relations

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Appendices

Appendix A: Directors' responsibility statement

The following directors' responsibility statement is extracted from the Annual Report and Accounts (page 108).

Directors' responsibility statement required by DTR 4.1.12R

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Paul McDade
Chief Executive Officer
6 February 2018

Les Wood
Chief Financial Officer
6 February 2018

Appendix B: A description of the principal risks and uncertainties that the Company faces

The following description of the principal risks and uncertainties that the Company faces is extracted from the Annual Report and Accounts (pages 44 to 49).

Principal Risks

On pages 44 to 49 we have identified the principal risks that we see as most relevant to Tullow at this time. There may be other risks that could emerge in the future. If these risks are not successfully managed, our cash flow, operating results, financial position, business and reputation could be materially adversely affected.

Strategic				
Principal risks	Causes	Potential impact	Risk mitigation and assurance	

				2017 outcomes and ongoing actions
<p>1. Strategy not fully achievable in sustained low oil price environment</p> <p>Executive responsibility Paul McDade Chief Executive Officer</p> <p>Link to KPI/scorecard Strategic Financing Safe, Sustainable and Efficient Operations</p> <p>Business Development and Growth</p>	<ul style="list-style-type: none"> Low oil price environment due to global supply/demand balances and shift to alternative energy sources as a result of climate change 	<ul style="list-style-type: none"> Inability to deleverage the business Inability to monetise chosen assets Capital committed to suboptimal projects Overheads not matched to asset base Portfolio not optimised to sustain long-term strategy 	<ul style="list-style-type: none"> Robust planning of strategy Business plan reviewed by the Executive Team and approved annually by the Board Strict capital allocation process in line with the business plan Track delivery through rigorous regular performance management and reporting Board Strategy Day portfolio reviews 	<ul style="list-style-type: none"> Improved Group capital allocation process and reporting Optimised 2018 planned capital spend Tested and retained options for increased EBITDA delivery Improved focus on overheads Focused on deleveraging options Detailed portfolio review
<p>2. Inability to progress major portfolio options</p> <p>Executive responsibility Les Wood Chief Financial Officer</p> <p>Link to KPI/scorecard Strategic Financing</p>	<ul style="list-style-type: none"> Reduction in market appetite for E&P assets Uncertainty around projects 	<ul style="list-style-type: none"> Inability to monetise chosen assets and deleverage balance sheet Write-downs on acquired assets Failure to exit mature assets with low returns Exposure to decommissioning costs 	<ul style="list-style-type: none"> Regular portfolio assessments by the Board Meet relevant commercial and investment appraisal standards Review all major acquisition or divestment proposals Approval process for all major decisions and new country entry proposals Implemented a new Corporate Centre Acquisition & Divestments role to increase deal expertise 	<ul style="list-style-type: none"> Improved portfolio analysis Biannual portfolio reviews with Business Delivery Teams Portfolio reviewed by the Board Executing current strategic portfolio plan Focus on securing maximum value in current operations Clear identification of level of commitments in new licences Successful farm-down of Uganda and disposal of non-core/mature assets
<p>3. Disruption to business due to community/political/regulatory influence</p> <p>Executive responsibility Sandy Stash EVP - Safety, Operations, Engineering & External Affairs</p>	<ul style="list-style-type: none"> Fiscal pressures on Government as a result of reduced revenues due to low oil price Local currency exchange rate challenges 	<ul style="list-style-type: none"> Significant variance to plans due to delayed regulatory approvals/lack of support Regulatory and tax changes affecting profitability and viability of projects/operations 	<ul style="list-style-type: none"> Non-technical risk standard sets minimum requirements for stakeholder management Country strategy papers and stakeholder engagement 	<ul style="list-style-type: none"> Fully embedded non-technical risk standard Mapped and set out integrated solutions for complex risks Negotiated TEN gas

<p>Link to KPI/scorecard Safe, Sustainable and Efficient Operations Business Development and Growth</p>	<ul style="list-style-type: none"> • Uncertainty arising from changes in Government leadership • Pace of national content requirements • Government inability to deliver infrastructure on time for projects and provide security for critical infrastructure 	<ul style="list-style-type: none"> • Inability to achieve community support for new projects due to opposition/loss of licence to operate • Unplanned costs due to community unrest/opposition • Significant security risk to Tullow employees and contractors • Inability to execute commercial transactions 	<p>plans, supported by experienced staff to manage developments</p> <ul style="list-style-type: none"> • Social investment projects mapped to business development plans • Plans to increase local content incorporated into contracting strategy 	<p>sales/delivery agreements and delivered TEN successfully</p> <ul style="list-style-type: none"> • Negotiated settlement of tax disputes • Improved stakeholder strategy • Developed an approach and plan to obtain agreements with communities • Landscape level approach to development adopted
Financial				
Principal risks	Causes	Potential impact	Risk mitigation and assurance	2017 outcomes and ongoing actions
<p>4. Insufficient liquidity & funding capacity Executive responsibility Les Wood Chief Financial Officer Link to KPI/scorecard Strategic Financing</p>	<ul style="list-style-type: none"> • Oil price downturn • Lack of capital discipline and unsuccessful portfolio management • Reduced asset quality limiting ability to raise debt • Reduced bank/DCM appetite for E&P sector • Significant unplanned cash outflows and elevated leverage 	<ul style="list-style-type: none"> • Inability to finance strategic objectives • Ability to raise further debt constrained • Inability to fund capital investment/projects 	<ul style="list-style-type: none"> • Prudent approach to diversified debt and equity, with a balance maintained through business planning and performance management processes • Board-approved funding policy targets in place • Optimisation of debt capital structure • Good relationships with banks and capital market investors • Regular funding and liquidity projections reported to management and periodic financing strategy review carried out • Financing standard in place to ensure optimal funding 	<ul style="list-style-type: none"> • \$750 million Rights Issue enabled stepped reduction in debt • Completed \$2.5 billion RBL refinancing and one year tenor extension of RCF • 2017 year-end facility headroom and free cash of \$1.1 billion; net debt of \$3.5 billion • YE2017 Net Debt/EBITDAX 2.6x • Strength of assets retained of debt capacity despite fall in low oil price environment
<p>5. Failure to manage oil price risk Executive responsibility Les Wood</p>	<ul style="list-style-type: none"> • Low oil price environment due to global supply/demand balances and shift to alternative 	<ul style="list-style-type: none"> • Reduced cash flows, revenue, EBITDA, asset value and debt capacity 	<ul style="list-style-type: none"> • Board-approved hedge programme to protect against low oil prices 	<ul style="list-style-type: none"> • 2017 Net hedge receipts of \$110 million • Approximately 60 per cent of 2017

Chief Financial Officer Link to KPI/scorecard Strategic Financing	energy sources as a result of climate change	<ul style="list-style-type: none"> Insufficient funding to support investment programme 	<ul style="list-style-type: none"> Programme monitored regularly and communicated to the Board Hedging programme executed and approved in accordance with the policy Regular review of hedge strategy, position and effectiveness 	entitlement oil production hedged at an average floor price of \$60.32/bbl
Operational				
Principal risks	Causes	Potential impact	Risk mitigation and assurance	2017 outcomes and ongoing actions
6. Major process safety/equipment/EHS failure Executive responsibility Gary Thompson EVP - West Africa Mark MacFarlane EVP - East Africa Ian Cloke EVP - New Ventures Link to KPI/scorecard Safe, Sustainable and Efficient Operations	<ul style="list-style-type: none"> Inadequate maintenance of safety critical equipment on board Jubilee/TEN FPSOs Loss of wells, subsea equipment or FPSO systems Error in well design, equipment selection or programme Ineffective standards and procedures, improper work practices or lack of training Loss of rig position 	<ul style="list-style-type: none"> Multiple fatalities Serious environmental or asset damage Serious financial/reputational damage Significant loss of production, injection or export capacity and disruption to business operations 	<ul style="list-style-type: none"> Independently verified safety cases to demonstrate risks reduced to ALARP and EHS management system in place Minimum asset integrity, well integrity requirements, maintenance and planning requirements mandated Analysis of key FPSO systems (power, gas, water, etc.) to support top quartile reliability and computerised maintenance management system (CMMS) to manage asset integrity All wells designed, constructed and operated in accordance with appropriate standards and procedures Comprehensive all-risk insurance package including business interruption and construction risk programmes Third-party well assurance 	<ul style="list-style-type: none"> Safety case verification by industry experts Competency gaps/losses identified Assurance against production operations standards Assurance against Production Well Integrity Procedure Original turret manufacturer and JV Partners input to Case to Operate, with external assurance Asset Integrity and Reliability Plan in place Well integrity management system, FPSO performance standards and assurance and verification criteria implemented Insurance process in place Frequent review of well engineering management system to ensure well control risk effectively addressed Rig HSE case and third-party equipment audits carried out Training and competency matrix and asset integrity and reliability plan in place
7. Inability to replenish exploration portfolio Executive responsibility Angus McCoss	<ul style="list-style-type: none"> Lack of/under investment in portfolio high-grading activities 	<ul style="list-style-type: none"> Failure to generate a quality drill-ready prospect queue 	<ul style="list-style-type: none"> New opportunities are considered against existing portfolio to maintain diversity of prospects 	<ul style="list-style-type: none"> Four new PSCs granted in Côte d'Ivoire supporting replenishment of the exploration

<p>Exploration Director</p> <p>Link to KPI/scorecard Business Development and Growth</p>	<ul style="list-style-type: none"> Lack of dedicated resources to identify new business activities Failure to encourage entrepreneurial/creative exploration innovation or demotivation of key staff 	<ul style="list-style-type: none"> Loss of reputation and exploration value from share price Sustained exploration failure results in poor or no drill-ready prospects and diminished future development options and production ramp-up 	<ul style="list-style-type: none"> Exploration portfolio is reviewed at least annually An Exploration and Appraisal Values Controls Standard is in place Exploration and Development Geosciences Executive team works across the business on portfolio planning 	<p>portfolio in an oil-prone area</p> <ul style="list-style-type: none"> Major 3D seismic campaigns in Uruguay (block 15), Guyana (Orinduik and Kanuku licences) and Mauritania (C3 and C18), a 2D programme in Jamaica and an FTG survey in Zambia all complete in 2017 to create campaign options for 2018/19 Farm-down of Namibia PEL37 to manage risk exposure at drilling stage
Operational				
<i>Principal risks</i>	<i>Causes</i>	<i>Potential impact</i>	<i>Risk mitigation and assurance</i>	<i>2017 outcomes and ongoing actions</i>
<p>8. Major cyber or information security incident</p> <p>Executive responsibility <i>Angus McCoss</i> Exploration Director</p> <p>Link to KPI/scorecard Safe, Sustainable and Efficient Operations</p>	<ul style="list-style-type: none"> External cyber-attack resulting in network compromise or disruptive/ destructive impact to Industrial Control Systems Deliberate or accidental internal theft/loss of confidential information 	<ul style="list-style-type: none"> Disruption to or halt of critical business systems resulting in stopped production, explosion or loss of life Loss or theft of confidential information Loss of competitive advantage and intellectual property Reputational damage 	<ul style="list-style-type: none"> Advanced Security Operations Centre (ASOC) provides global monitoring, analysis, alerting and incident response Bespoke advanced security equipment used at key operations sites Automated vulnerability scans matched with published threat information Third-party specialists analyse vulnerabilities and provide network assurance activities 	<ul style="list-style-type: none"> Second annual distribution of enterprise-wide information security awareness training and certification Ongoing bespoke training for higher risk areas Ongoing work to embed cyber security standards across TEN and Jubilee Industrial Control Systems
<p>9. Failure to have a balanced, diverse workforce & attractive employee proposition</p> <p>Executive responsibility <i>Claire Hawking</i> EVP - Organisation Strategy & Company Performance</p> <p>Link to KPI/scorecard Organisation</p>	<ul style="list-style-type: none"> Tullow culture and values not embedded Staff do not support our current operating model Lack of confidence in strategy and senior leadership Diversity and localisation plans not effectively implemented Ineffective staff development and reward programmes 	<ul style="list-style-type: none"> Loss of key personnel/lack of succession and increased staff turnover Lack of in-house skills and requirement to buy in short-term contractors increase costs Negative relations with the Government due to failure to implement localisation plans Reputational damage 	<ul style="list-style-type: none"> Succession planning, localisation and diversity objectives are set and key targets monitored Diversity plan approved by the Board Periodic reporting to Executives of HR data Staff engagement plan is agreed with HR, Communications and Executives, with key actions Annual employee engagement survey and annual review of reward package 	<ul style="list-style-type: none"> Further embedded organisation operating model with clear accountabilities Embedded performance management framework Implemented Action Plan from 2016 employee survey Reviewed and revised reward packages aligned with Tullow's Remuneration Policy Implementation of Diversity & Inclusion Plan Set up Project LEAP, which focuses on talent development and agile working

Compliance				
<i>Principal risks</i>	<i>Causes</i>	<i>Potential impact</i>	<i>Risk mitigation and assurance</i>	<i>2017 outcomes and ongoing actions</i>
<p>10. Major breach of business or ethical conduct standards</p> <p>Executive responsibility Les Wood Chief Financial Officer</p> <p>Link to KPI/scorecard Organisation</p>	<ul style="list-style-type: none"> • Insufficient staff understanding of compliance • Poor leadership behaviour • Insufficient 'speaking up' culture • Lack of compliance monitoring in Business Units and failure to adequately respond to non-compliance 	<ul style="list-style-type: none"> • Unethical behaviour • Breach of anti-corruption laws • Tullow investigated resulting in reputational damage/fines • Senior officers prosecuted under anti-corruption laws 	<ul style="list-style-type: none"> • Strong oversight and leadership from the Board • E-learning training modules for Code of Ethical Conduct, with annual certification for all staff • Ethics & Compliance standards, policies and procedures in place • Dedicated Ethics & Compliance Advisers in key Business Units • Appropriate due diligence carried out in relation to service providers, contractors and other counterparties 	<ul style="list-style-type: none"> • Delivered a revised e-learning module across Tullow to promote the Code of Ethical Conduct. 100 per cent of staff completed the training • Achieved 100 per cent completion of the self-certification of compliance with the Code of Ethical Conduct • Received and investigated 60 'speak up' cases • Continued local fraud awareness training

Appendix C: Related party transactions

The following related party transactions are extracted from the Annual Report and Accounts (page 151).

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24 - Related Party Disclosures.

	2017 (\$m)	2016 (\$m)
Short-term employee benefits	6.7	8.9
Post-employment benefits	0.8	1.0
Amounts awarded under long-term incentive schemes	2.6	3.7
Share-based payments	2.5	2.6
	12.6	16.2

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that is deferred for three years under the Deferred Share Bonus Plan (DSBP) and Tullow Incentive Plan (TIP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2 Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Directors' Remuneration Report on pages 78 to 100.

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