



PRESS RELEASE

PR. No 076/2017

**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 9th
day of March, 2017.

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att'd.

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1. All LDMs
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669935**

*JEB



RNS Number : 7546Y
Tullow Oil PLC
07 March 2017

Tuesday 7 March, 2017

Tullow Oil PLC

Annual Report and Accounts

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

Following the release on 8 February 2017 of the Company's preliminary full year results announcement for the year ended 31 December 2016 (the "**Preliminary Announcement**"), the Company announces it has published its Annual Report and Accounts for this period (the "**Annual Report and Accounts**").

Copies of the Annual Report and Accounts and the Notice of the Annual General Meeting 2016 are available to view on the Company's website: www.tulloil.com

The Company's 2017 AGM will be held at the Company's registered address at 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT on Wednesday 26 April 2017 at 12 noon. The Notice of Annual General Meeting 2017 will be sent separately to shareholders in the coming weeks, and 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 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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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 performance, business model and strategy.

By order of the Board

Aidan Heavey
Chief Executive Officer
7 February 2017

Les Wood
Interim Chief Financial Officer
7 February 2017

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 46 to 53).

Principal Risks

On pages 46 to 53 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.

Principal Risks	Causes	Potential Impact	Risk Mitigation and assurance	2016 outcomes and ongoing actions
STRATEGIC				
<p>1. Strategy not fully achievable in sustained low oil price environment</p> <p>Executive responsibility Aidan Heavey Chief Executive Officer</p> <p>Link to business model Sustainable long-term value 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"> • Business not robust to oil price downside • Inability to monetise chosen assets • Inability to deleverage the business • Capital committed to sub-optimal projects • Overheads (i.e. G&A spend) 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 and approved annually by the Board includes options/alternatives for lower oil prices • Strict capital allocation process in line with business plan and gate reviews for all new investments • Track delivery through rigorous regular performance management and reporting • Regular investor meetings with Executive to gain feedback and challenge • Board Strategy Day portfolio reviews 	<ul style="list-style-type: none"> • Improved Group capital allocation process and reporting • Significant reduction in 2017 planned capital spend • Detailed portfolio review • Tested and retained options for increased EBITDA delivery • Focused on deleveraging options
<p>2. Inability to progress major portfolio options</p> <p>Executive responsibility Ian Springett Chief Financial Officer</p>	<ul style="list-style-type: none"> • Reduction in market appetite for E&P assets 	<ul style="list-style-type: none"> • Inability to monetise chosen assets and deleverage balance sheet • Write-downs on acquired assets 	<ul style="list-style-type: none"> • Maintain a highly competent transaction capability • Regular portfolio assessments by the Board in the annual strategy review 	<ul style="list-style-type: none"> • Improved portfolio analysis • Bi-annual portfolio reviews with Business Delivery Teams

<p>Link to business model Finance & Portfolio Management</p>		<ul style="list-style-type: none"> Over investing in mature assets for low returns Capital commitments requiring scarce investment best spent elsewhere in the portfolio Failure to exit mature assets at appropriate time Exposure to decommissioning costs 	<ul style="list-style-type: none"> Meet relevant commercial and investment appraisal standards and review all major acquisition or divestment proposals Major decisions and new country entry follow Executive Director/Board approval process Conduct post-transaction reviews, whether completed or aborted 	<ul style="list-style-type: none"> Portfolio review on Board agenda Executing current strategic portfolio plan Focus on securing maximum value in current operations Clear identification of level of commitments in new licenses Successful farm down of Uganda and disposal of Norway
<p>3. Failure to realise expected value from TEN due to ITLOS Executive responsibility <i>Paul McDade</i> Chief Operating Officer Link to business model Development & Production</p>	<ul style="list-style-type: none"> Freezing of new drilling activity in TEN as a result of ITLOS ruling ITLOS rules against Ghana in border dispute with Côte d'Ivoire resulting in movement of the maritime border and TEN reserves/facilities into CDI waters and suspension of drilling activities 	<ul style="list-style-type: none"> Loss of some or all of TEN reserves/facilities due to ITLOS decision putting part of field in CDI waters Delay in resumption of development drilling plans and production ramp-up 	<ul style="list-style-type: none"> Regularly monitor the ITLOS case, analysing claims with expert counsel assistance Work closely with the Government of Ghana to understand fully the potential impact and encourage continued dialogue between both countries 	<ul style="list-style-type: none"> Case progressed in line with schedule defined by ITLOS Scenario analysis undertaken
<p>4. Disruption to business due to political/regulatory influence Executive responsibility <i>Paul McDade</i> Chief Operating Officer Link to business model Responsible Operations and Shared Prosperity</p>	<ul style="list-style-type: none"> Fiscal pressures on governments as a result of reduced revenues due to low oil price and local currency exchange rate challenges Uncertainty arising from changes in government leadership Pace of national content requirements 	<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 plans, supported by experienced staff to manage developments Safety, Sustainability and External Affairs (SSEA) scorecard monitors effectiveness 	<ul style="list-style-type: none"> Fully embedded Non-Technical Risk Standard Mapped and set out integrated solutions for complex risks Negotiated TEN gas sales /delivery agreements and delivered TEN successfully Negotiated settlement of tax disputes
<p>5. Disruption to business due to community and political influence Executive responsibility <i>Paul McDade</i> Chief Operating Officer Link to business model Responsible Operations and Shared Prosperity</p>	<ul style="list-style-type: none"> Conflicting interests between the country government and traditional leadership models 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 leading to delays in project delivery Unplanned costs due to community unrest/opposition Inability to gain land lease extensions Significant security risk to Tullow employees and contractors 	<ul style="list-style-type: none"> Implementation of country strategies and action plans Group Non-Technical Risk Standard in place requiring stakeholder engagement strategy/plan and ESIA for each project Adequately staffed and competent SSEA staff Social Investments projects mapped to business development plans Plans to increase local content incorporated into contracting strategy 	<ul style="list-style-type: none"> Improved stakeholder strategy Developed an approach and plan to obtain agreements with communities Landscape level approach to development adopted
FINANCIAL				
<p>6. Insufficient liquidity and funding capability Executive responsibility <i>Ian Springett</i> Chief Financial Officer Link to business model Finance and Portfolio Management</p>	<ul style="list-style-type: none"> Lack of capital discipline and unsuccessful portfolio management Reduced asset quality limiting ability to raise debt Reduced bank/DCM appetite for E&P sector as a result of capital markets uncertainty Significant unplanned cash outflows and elevated leverage 	<ul style="list-style-type: none"> Inability to finance strategic objectives Liquidity headroom squeezed 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 markets 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"> \$300 million additional bank commitments secured in 2016 Strength of assets retained debt capacity despite fall in oil prices 2016 year-end facility headroom and free cash of \$1 billion; net debt of \$4.8 billion Mark-to-market value of hedging instruments \$91 million at end of 2016 2017 financing initiatives in progress Capital allocation process to meet funding targets
<p>7. Failure to manage commodity price risk Executive responsibility <i>Ian Springett</i></p>	<ul style="list-style-type: none"> Oil price decline 	<ul style="list-style-type: none"> Commodity price volatility reduces cash flow and asset value Reduced revenues, EBITDA, debt capacity 	<ul style="list-style-type: none"> Board-approved hedge programme to protect against low oil prices 	<ul style="list-style-type: none"> Mark-to-market value of oil hedges at the end of 2016 was \$91 million Approximately 60 per cent of 2017

<p>Chief Financial Officer</p> <p>Link to business model Finance and Portfolio Management</p>		<p>and funding to support investment programme</p>	<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 	<p>entitlement oil production hedged at an average floor price of \$60/bbl</p>
OPERATIONAL				
<p>8. Major process safety/equipment/EHS failure Executive responsibility</p> <p>Paul McDade Chief Operating Officer</p> <p>Link to business model Development & Production</p>	<ul style="list-style-type: none"> • Inadequate maintenance of safety critical equipment onboard Jubilee/TEN FPSOs Loss of wells, subsea equipment or FPSOs systems • Error in well design, equipment selection or programme • Ineffective standards and procedures or improper work practices • Loss of rig position 	<ul style="list-style-type: none"> • Multiple fatalities • Serious environmental or asset damage • Serious reputational damage • Significant financial consequences • Significant loss of production, injection or export capacity 	<ul style="list-style-type: none"> • Independently verified safety cases to demonstrate risks reduced to ALARP and EHS management system in place and risk insurance provided • Minimum Asset Integrity, maintenance and planning requirements mandated • Effective controls within Jubilee Turret Case to Operate • Analysis of key FPSO systems (power, gas, water etc.) to support top quartile reliability and computerised maintenance management system (CMMS) to manage asset integrity • Standard processes in place for major topside upgrades and to manage equipment corrosion and well integrity • Competency training assessment programmes, regular emergency response exercise and oil spill contingency plans in place • Skilled and well trained people to ensure safe operations • All wells designed, constructed and operated in accordance with appropriate standards and procedures • Third party well examination, internal audit and assurance processes carried out 	<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 CTO, with external assurance • Asset Integrity and Reliability Plan in place • Well integrity Management System and 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
<p>9. Inability to replenish exploration portfolio Executive responsibility</p> <p>Angus McCoss Exploration Director</p> <p>Link to business model Exploration and Appraisal</p>	<ul style="list-style-type: none"> • Lack of/under investment in portfolio high grading activities • Lack of dedicated resources to identify new business activities • Failure to encourage entrepreneurial/creative exploration innovation or de-motivation of key staff 	<ul style="list-style-type: none"> • Failure to replenish exploration acreage or fund new ventures • Loss of reputation and exploration value from share price • Sustained exploration failure results in poor or no drill-ready prospects 	<ul style="list-style-type: none"> • New opportunities are considered against existing portfolio to maintain diversity of prospects and the exploration portfolio is reviewed annually • An Exploration and Appraisal Values Controls Standard in place • Exploration and Development Geosciences Executive team work across the business on portfolio planning • A review of exploration prospect inventory and tracking of net prospective risked resources takes place twice a year 	<ul style="list-style-type: none"> • New licence granted in Namibia • Farm-down of licences in Pakistan, Norway, Mauritania and Uganda • Review of New Ventures strategy • Seismic interpretation used to decipher best prospects • Ongoing farm-downs to reduce Tullow equity earlier in licence cycle
<p>10. Major cyber or information security incident Executive responsibility</p> <p>Angus McCoss Exploration Director</p> <p>Link to business model Governance and Risk Management</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 • Active member of Cyber Information Sharing Partnership (CISP) • Third-party specialists analyse vulnerabilities and provide network assurance activities 	<ul style="list-style-type: none"> • Ongoing enterprise-wide awareness training, with additional bespoke training for higher risk areas • Ongoing improvement of network infrastructure resilience • Specialist external assurance of TEN and Jubilee Industrial Control Systems

			<ul style="list-style-type: none"> Enterprise-wide information security awareness training, aligned with Information Security Standards 	
<p>11. Failure to have a balanced, diverse workforce and attractive employee proposition</p> <p>Executive responsibility</p> <p>Aidan Heavey Chief Executive Officer</p> <p>Link to business model Organisation & Culture</p>	<ul style="list-style-type: none"> Tullow culture and values not embedded Staff do not support our current operating model Lack of staff 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 increases costs Negative relations with the government due to failure to implement localisation plans Reputational damage 	<ul style="list-style-type: none"> Biannual performance and development cycle Succession planning, localisation and diversity objectives are set and key targets monitored Nominations Committee focus on diversity plan 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"> Revised organisation design with clear accountabilities Embedded performance management framework Implementation of employee engagement plan Restructured HR delivery and reward team Review and revision of reward packages Diversity plan defined with actions implemented for 2016
COMPLIANCE				
<p>12. Major breach of business or ethical conduct standards</p> <p>Executive responsibility</p> <p>Aidan Heavey Chief Executive Officer</p> <p>Link to business model Governance and Risk Management</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 Breaches anti-corruption laws Investigations result in reputational damage Cost of investigations and fines Senior officers liable under UK Bribery Act 	<ul style="list-style-type: none"> Oversight and leadership from the Ethics & Compliance Committee Implementation of the Tullow Code of Ethical Conduct, with annual certification process carried out with all staff Gifts and Hospitality (G&H) Standard maintained and assured, with online G&H register available to all staff Other relevant Ethics & Compliance standards, policies and procedures in place, adhered to and maintained Leadership leading by example and advocating good behaviour Dedicated Ethics & Compliance Advisers in key Business Units Appropriate due diligence carried out in relation to service providers, contractors and other counter-parties Appropriate anti-bribery and corruption provisions in agreements with service providers, contractors and other counter-parties 	<ul style="list-style-type: none"> Improved engagement of Ethics & Compliance in the business Developed and launched E-Learning module to continue to promote the Code of Ethical Conduct Consolidation of monitoring and assurance plan to be used by Business Units Revised and implemented key standard to manage Expenditure relating to Public Officials Achieved 97 per cent completion of the self-certification of compliance with the Code of Ethical Conduct Received and investigated 91 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 149).

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

	2016 (\$m)	2015 (\$m)
Short-term employee benefits	8.9	10.0
Post-employment benefits	1.0	1.1
Amounts awarded under long-term incentive schemes	3.7	4.2
Share-based payments	2.6	5.7
	16.2	21.0

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 80 to 100.

[END]